

GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
November 28, 2016  
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:45 p.m. on November 28, 2016, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, Montinola, Cantoria, and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

**1. Approval of Minutes**

The Chairman announced that the first item of business on the agenda was approval of the minutes of October 27, 2016. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

**2. Teleguam Holdings, LLC**

The Chairman announced that the next item of business on the agenda was GTA's Request to Reduce the Administrative Assessment involving the E911 Surcharge, PUC Counsel Report, and Proposed Order. Counsel stated that, at the September PUC Meeting, the Commission had approved an assessment order for administrative costs of the PUC. The administrative costs are allocated to the regulated entities. The total PUC Budget is based upon the allocated amounts received from the regulated entities, including telecom companies. For FY2017, the total assessment for all telecom companies is \$123,125. The assessment is divided among telecom companies, based on the extent to which each has utilized the services of the PUC in the prior year. The assessment for each telecom company is divided up based upon the extent to which such company used the PUC services in the prior fiscal year.

GTA pointed out that, in April 2016, regulatory fees in the amount of \$26,459.17 were allocated to it. For the most part, this amount was a charge of the PUC consultants in preparing the E911 Report. GTA indicated that was not work done for GTA, but a report concerning the E911 receipts of all of the telecom companies. After reviewing the matter and the applicable law, Counsel concluded that it was not fair to calculate GTA's assessment based upon the regulatory fees for the E911 Report. Typically, the law (Section 3(e) of Public Law 25-55) provides that local exchange companies can deduct from E911 receipts the amounts necessary to cover the PUC expenses in conducting E911 activities. Thus, all services by the PUC for E911 will ultimately come out of the E911 receipts. Since GTA is the incumbent local exchange carrier and the company

which receives the most E911 receipts, it makes sense administratively to have GTA pay that portion of its administrative assessment from the E911 receipts.

Counsel's calculations indicated that GTA should pay its share of the PUC assessment in the amount of \$38,116.42 from its own funds, but that a certain amount of its assessment (\$39,058.33) should be paid from E911 receipts, since a portion of its administrative fees were based upon the E911 services provided by the PUC. GTA's total assessment of \$74,379.55 would remain the same. If the PUC did not address this matter, it would be \$40,000 short in terms of its FY2017 budget. The PUC does do a considerable amount of work on E911, including review of collection agent reports by the administrator, counsel time in working with the PUC E911 consultants, and other matters. The E911 tasks do place a burden on the Commission's resources. The proposed Order would authorize GTA to apply the amount of \$39,058.33 to its FY2017 annual assessment from its E911 surcharge receipts. GTA would pay its share of the assessment, \$38,116.42, from its own funds.

The Commissioners authorized GTA to pay a portion of the FY2017 administrative assessment from the E911 receipts, and adopted the Order made *Attachment "B"* hereto.

### **3. Guam Power Authority**

The Chairman announced that the next item for business was GPA Docket 17-08, Petition for Approval of the Aggreko Contract Extension, ALJ Report, and Proposed Order. Counsel indicated that he did not work on this matter; he was reporting on behalf of ALJ Alcantara, who is off island. The matter involves the Aggreko plant in Yigo. Previously the PUC had authorized GPA to go out for a bid for temporary emergency generation because of the Cabras explosion. Aggreko was the proponent selected to provide a 40MW power plant in Yigo. In the first contract year, GPA's cost to Aggreko was over \$11M. Aggreko had a one year contract with GPA, with two possible 1-year extensions. For the second year of the contract, GPA needs to obtain air quality permits from USEPA because otherwise it would not comply with applicable environmental regulations. GPA has now decided that the Aggreko's 40 one MW units are useful and provide reliable system power. GPA only needs some of the units for reserve capacity, such that the other units can be turned off. These are newer reliable machines that are providing power during this period of instability.

GPA now seeks to extend its contract with Aggreko for four years because it will still need the power that is being produced while the other units, such as the Dededo CTs, are coming back online. It will assist GPA in providing reliable and efficient power until the new generation is built. GPA requests that the PUC approve a four year extension on the current contract. GPA would expend approximately \$50M over the next 4 years for the generation produced. This amount includes a premium to purchase the Aggreko plants.

The purchase arrangement for the term of the contract includes an option to purchase. GPA could later decide that it does not wish to proceed with the option. However, a portion of the money is paid to purchase during each year. The payments made on the purchase option could be forfeited if GPA does not stick with the purchase. Reliability is the reason that these machines are needed. The purpose is to provide flexibility to GPA. The CCU approved both the extension for four years and the option to purchase. There is also a \$3M cost for the air permitting and compliance requirements, which would need to be expended next year. ALJ Alcantara has recommended that GPA's petition be approved. The PUC Orders have emphasized the need of GPA for additional generation capacity. ALJ Alcantara's overall recommendation is that the PUC approve the contract extension for four years and the option to purchase the Aggreko units, for an amount not to exceed \$49,732,365.00. The \$3M amount for permitting will come from the Cabras No. 3 & 4 insurance cash advance.

Chairman Johnson asked GPA GM Benavente to explain why the longer term rental is advantageous and the purchase desirable. GM Benavente indicated that there was a need for power generation in the system. With Aggreko, GPA has 360MW. Before the Cabras No. 3 explosion, it had 429MW. However, GPA has gone down from 550MW to 429MW. GPA needs the 40MW from Aggreko capacity for the next four year interim period as GPA constructs the new power plants. The individual units are fast start, and can actually be started from the control center, a few at a time. They are more efficient than the combustion turbines, Aggreko units are better for fuel efficiency. The Dededo CT units are just for reserve. In four years GPA can determine which units it should retire, like 40MW TEMES No. 7 or Aggreko. Yigo could also be retired. Then GPA will re-evaluate everything. It is still not certain what the final outcome will be with Cabras No. 3.

Chairman Johnson asked GM Benavente whether, five years down the road, what would be the sale value of the Aggreko units on the market. Mr. Benavente indicated the point about the Aggreko units was that they are 1MW volumes. They are containerized and easy to sell. It would be sold to other islands. TEMES would be harder to sell as a bigger area would need up to 40MW. But the 1MW is easy to sell. It will be valuable. Chairman Johnson asked what the average age of the machines was at present. Benavente indicated they were 2,000 to 4,000 hours. The machines go up to 30,000 hours before an overhaul is needed. It will cost \$100K to zero them out again, to change pistons and liners etc. At the end GPA is buying the units for \$4M for 40MW, \$100 a kilowatt. A new combustion turbine today may be \$600.00 a kilowatt. It is also easier to do preventive maintenance on the Aggreko units.

Commissioner Niven noted that on GPA cost breakdown chart, GPA had listed \$9.377M as savings each year resulting from the Aggreko units. GM Benavente stated that these were "savings" resulting from operating the Aggreko units rather than Cabras No. 3 & 4. Commissioner Niven felt that these were not savings from the Aggreko units, but because the Cabras 3 & 4 plants were not operating. The Chairman asked GM

Benavente whether Aggreko was GPA's most reliable generation source at the moment. Mr. Benavente indicated that it only uses 10 employees. The Chairman further asked about the \$3M that would be spent for emission controls. Mr. Benavente indicated that GPA has been in discussions with Guam EPA and its federal counterpart. GPA is attempting to get permits for all of the machines. They will do testing on the machines. The Chairman asked whether there was any issue of getting the trucks and fuel up to the Aggreko plants. GM Benavente said there was not. The Aggreko units use diesel. The Chairman asked how residents of Yigo are dealing with Aggreko. GM Benavente indicated that the facility is within acceptable test standards. The units are not being run as much as before. There may be a possibility of relocating some of the units. The Aggreko units are in containers.

Commissioner McDonald asked what the value was for a one MW generator. GM Benavente indicated that it was \$350,000 per unit. Probably more if it were off island. Commissioner Perez asked whether there was any depreciation on the unit. Benavente said that it was a rental cost or what is referred to as a capacity charge for the rental cost. Depreciation comes from the amount of dollars that it is buying the units for. Commissioner Cantoria asked Mr. Benavente whether GPA had a plan to rent to own the Aggreko units. GM Benavente indicated that there were benefits to owning the units. GPA would not be paying for the units until the latter part of the period. Commissioner Pangelinan asked what the benefit of the 4-year term was. GM Benavente indicated that four years is the period of time in which GPA will construct, and permit the combined cycle units. In between GPA does not have enough capacity, that is why GPA negotiated the four years. Commissioner Pangelinan asked whether GPA could negotiate the purchase two years from now. GM Benavente indicated that it could. But now GPA is planning ahead. Aggreko does not normally sell its machines. GPA is the one that requested Aggreko to sell the machines because GPA is putting a lot of investment into them.

Although the Aggreko model is to sell units, they agreed to the option to purchase. The purchase portion is only paid in the last two years. Commissioner Cantoria asked why the purchase price for the units would be \$14M, but the rent to own fee is almost \$5M. Commissioner Montinola clarified that the \$4.8M was the total for the four years. GM Benavente re-emphasized that Aggreko does not normally sell these units. Commissioner Cantoria asked why GPA has to own the units as they are already building new units. GM Benavente indicated that it was a business decision. The Chairman stated that this could be changed later. Commissioner Montinola asked whether it was a commitment for four years, or whether, after two years, GPA could decide whether it wished to own the units or not. GM Benavente indicated there was a termination clause. GPA Counsel Botha stated that the decision whether to purchase would likely be made in year three when the lease to own goes up substantially. Before that time GPA could decide whether it wishes to own the units or not. GPA can change its mind after the first two year period. The Chairman indicated that GPA would then have paid the \$500,000 for two years. Commissioner Montinola clarified that, after two

years, GPA would forfeit the "deposit" if decided not to purchase the units. GM Benavente indicated there was flexibility in this approach.

Commissioner Cantoria did not understand why GPA was spending \$45M to rent for four years rather than purchase. Commissioner Montinola indicated that the \$45M also includes all of the operating costs, the fuel, etc-it is not just the actual hardware. GM Benavente indicated that, under the contract, they use its people to operate for the 12 hour period. GPA can still negotiate where it will provide some additional people. Commissioner Niven asked how the performance of the plants has been over the last year, and whether there have been any breakdowns or problems. GM Benavente indicated there had been glitches when the units had gone down because of a transformer that stopped. Mr. Benavente indicated they were the most reliable units. The yearly rental fees included everything for operation. Commissioner Montinola then discussed various numbers on the GPA chart. GM Benavente indicated that the yearly costs (about \$12M) include the rental, labor, maintenance, and capacity charges. Commissioner Montinola asked whether, if GPA had built its own units, would it be saving money. GM Benavente did not think so. He believes that the rent to own is doing what is necessary to obtain the Aggreko units capacity.

Commissioner Perez asked whether EPA would consider giving GPA a waiver for another year considering its precarious position. GM Benavente did not think so. Counsel Botha indicated that EPA indicated a 1-year period waiver of the permit requirements. Aggreko talked to EPA as well. It will test one unit to make sure that the emission works. The compliance deadline is January or February. Commissioner Perez asked whether, if the request is approved, if GPA is locked in for four years. GM Benavente indicated there was some flexibility, GPA could look at whether it could be terminated early. And if Cabras unit comes back with 40MW, the Aggreko units are needed to replace the 40MW. The Chairman asked whether having the 40MW of the Aggreko units helped GPA in the last year. GM Benavente indicated that was correct. The Chairman asked what was the ramp- up time. GM Benavente said 5 minutes. Peak loads do not come close. Combustion generators take 15 minutes. Commissioner Cantoria asked how the cost of \$12M for 40MW compared to other options. Benavente said that it was cheaper than for combustion turbines.

Commissioner Niven asked whether, once GPA made the decision if it needed the Aggreko units for at least four more years, whether it considered negotiating with Aggreko to buy the units immediately. Attorney Botha indicated that GPA did, but Aggreko indicated that was not in their business model. They don't sell units. However they would do so after four years, when the units have more wear and tear. Mr. Niven wondered why GPA was spending so much for the four years and then owning the units. If the units were bought sooner, GPA could save money. GM Benavente said that Aggreko was willing to sell it to GPA for \$100.00 per KW, if things were worth \$350 or \$400 per KW today. If these could be purchased today it may be \$8 to \$10M, but then you would still incur all the other operating costs and expenses.

Attorney Botha indicated that Aggreko would not sell the units right away. GM Benavente indicated that if anything happened to Cabras No. 1 and 2, GPA would still have the 40MW of the Aggreko units. Commissioner Montinola indicated that after two years, GPA could decide whether it continues to need the Aggreko units or not. GM Benavente indicated that GPA asked for the ownership option. The Chairman asked whether the PUC could conditionally approve GPA now, and GPA would come back for approval for the last two years. GM Benavente indicated for that approach, GPA would have to go back to Aggreko and work out the details. It was GPA that asked for a 4-year option. Commissioner Perez clarified that under the proposal, GPA would pay \$500,000 as purchase price for the first two years. The fees for ownership would be higher. GM Benavente indicated that GPA couldn't negotiate two years because Aggreko provided a price for three years versus four years.

Commissioner Niven asked when the new generation plants would be in operation. GM Benavente indicated GPA was looking at December 2020. Mr. Niven asked if the four year period for the Aggreko plants was to fill the gap until the time when the new generation plants would be completed. GM Benavente concurred. The four year period is for a smooth plan between now and the time when a new plant is built. GPA Counsel Botha indicated that if GPA does not keep the Aggreko units, Aggreko will charge it for shipping the units back to where they came from. Mr. Benavente indicated GPA has enough flexibility with the units. GM Benavente indicated that rehabbing the units will cost about \$30,000 per unit. Commissioner Pangelinan asked whether, during the term of the lease (two or four years), GPA had the option of moving the units around. GM Benavente indicated that it did. GPA could move them around, but would have to pay for the additional relocation fees. Commissioner McDonald asked whether there were penalties when the units were not running efficiently (like the PMC arrangement) or whether it was just a straight-out rental. GM Benavente indicated there was a penalty liability. There is a 99% availability guaranty.

GM Benavente clarified that if GPA does not buy the units, it receives a credit for the \$500,000. The deposit is not a "non-refundable" deposit. It would be credited to the rental policy. Upon motion duly made, seconded and carried, the Commissioners approved the four year extension of the contract between GPA and Aggreko including the option to purchase. The Commissioners adopted the Order made *Attachment "C"* hereto. There were five votes in favor and two abstentions.

The Chairman announced that the next item on the agenda was GPA Docket 17-09, the petition for Approval of Cabras No. 1 and 2 PMC Extension, PUC Counsel Report, and Proposed Order. Counsel indicated that TEMES, Taiwan for the Electrical and Mechanical, had been the PMC for Cabras No. 1 & 2 back to 2010 and for years before that. This matter was before the PUC in 2010, at which time the Commission approved a 10 year PMC contract between TEMES and GPA. The contract is still in effect. The term is from October 2010 through September 30, 2020. Previously the PUC found that

the PMC does improve the operational efficiency and reliability of the Cabras Plants; it is desirable for GPA to have the assistance of the PMC with plant operations.

The initial 5 year contract term expired September 30, 2015. Since that time, GPA has extended the contract twice, once for three months (from October 2015 through December 31, 2015) and then for another year (from January 1, 2016 through December 31, 2016). The problem is that the contract expires September 30, 2020. GPA cannot extend to 2021. There are only 3 years and 9 months left on the second 5-year term. TEMES will be able to assist GPA with the completion with the life extension projects and maintenance of the plants. It is important to have TEMES as a PMC, as the Cabras plants are 50% of the baseload generation.

Counsel recommends that the PUC approve an additional 3 years and 9 months term for TEMES. The second 5-year term would expire September 30, 2020. Before the period, GPA would expend up to the amount of \$13,562,200, although that amount is for the full 4-year period, so it could be slightly less.

The Chairman asked whether, when September 30, 2020 comes, GPA will just have to bid out the PMC at that stage. Counsel replied that it would. GPA Counsel Botha felt that at that point there would not likely be companies interested in taking on the PMC. So, probably something could be worked out with TEMES. Commissioner Pangelinan indicated that the proposed Order should be subject to the two corrections that Counsel mentioned; the total contract amount should be adjusted to coincide with the 3 years and 9 months. GPA, through Counsel, concurred on a prorated amount. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the extension of the TEMES PMC for Cabras No. 1 & 2 for an additional term of 3 years and 9 months. They authorized GPA to expend up to the amount of \$12,714,562.50 for the additional contract period.

The Chairman indicated that the next item of business was GPA Docket 17-11, Petition for Approval of Expenditures for Dededo CT Return Service, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA is presently engaged in a process of bringing Dededo CT1 and CT2 back online. The PUC has previously authorized a number of expenditures for the Dededo CTs. The bond expenditures were previously approved in the amount of \$6.36M. The 2014 Bond Issuance approved \$2,020,000 for the Dededo CT repairs. GPA now is indicating that the total funding is not quite enough to take care of the repairs. It has requested an additional \$2.607M of revenue funds to return the Dededo CT units to service.

The total amount of authorized expenditures would then be \$9.7M. GPA already expended a portion of the 2014 bond funds for work done on the Dededo CTs for work done by National Electric Coil. The remaining balance on bond funds is only \$736,000. From prior action, it appears that the PUC believes that these CT units are necessary and should be repaired in order to meet the requirements for generation. The proposed Order recommends that GPA be authorized to expend the additional amount from the

FY2017 CIP fund of \$2.607M. This amount was also indicated in the FY2017 CIP Budget which was approved by the PUC.

Commissioner McDonald asked how many hours a day would the Dededo CTs run after return to service. GM Benavente indicated the emergency unit Generators would supplement the other generation. Also, there is still the possibility that Anderson Air Force Base can be served by the underground line from the Dededo CTs. GPA does have a request into the Department of Defense for an agreement for this type of arrangement. Upon motion duly made, seconded and unanimously carried, the Commissioners approved additional expenditures for the repair of the Dededo CTs in the amount of \$2.607M from the FY2017 CIP Funds. The Commissioners adopted the Order made *Attachment "D"* hereto.

The Chairman announced that the next item of business on the Agenda was GPA Docket 17-12, Petition for Approval of Cabras 3 & 4 Plant and Engine Cleaning, and Proposed Order. Counsel stated that, with regard to the Cabras 3 & 4 insurance claims on explosion, the insurers are requiring GPA to undertake plant and engine cleaning. The purpose is to preserve the equipment and the plants for whatever value they may have. GPA is obligated to preserve the damaged property. GPA's insurance claim consultant, Greenspan, indicates that GPA has no choice here. As part of the claims process, GPA needs to preserve its claim by maintaining the property. After the explosion there was soot and smoke contamination for Cabras 3 & 4, present throughout. The insurer is requesting that the plants be cleaned up to get a better look at the equipment in the plant. Korea East West is still the GPA PMC for Cabras 3 & 4. It issued bids for the clean-up. Belfor USA was selected for the cleaning of the Cabras 3 & 4 plants, and the cleaning of the Cabras No. 3 exterior engine. The total project will cost, under Belfor's proposal, \$4,840,538.00. GPA's petition herein includes a detailed explanation for the amount requested. The ratepayers will not be directly responsible for this cost. The insurers will authorize the cost to come out of settlement amounts, so that it will be paid from insurance funds that the insurer has already agreed to release to GPA. There will be no rate impact.

The downside, of course, is that this expense will take settlement funds that GPA could theoretically use for something else, such as procurement of the new generation plants, to maximize its insurance negotiating position, GPA cannot refuse to undertake these plant cleaning tasks. GPA does have a duty to mitigate its damages. Counsel concludes that, since GPA has to undertake these preservation efforts, the PUC should authorize them. GPA should proceed with the plant and engine cleaning through KEWP, and be authorized to expend up to the amount of \$4,840,538.00 for the project.

Commissioner Montinola asked GPA Counsel why there were no signatures on the CCU Resolution. GPA Counsel Botha indicated that he did send signed copies to ALJ Horecky, but the petition was filed before the CCU had approved it. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized the Cabras

No. 3 & 4 plant cleaning, and the exterior cleaning of the Cabras No. 3 engine. The Commissioners adopted the Order made *Attachment "E"* hereto, and authorized GPA to pay for the services of Belfor USA for such projects in the amount of \$4,840,538.00.

The Chairman announced that the next item of business was GPA Docket 17-13, Petition for Approval of the Cabras No. 4 Engine and Equipment removal, PUC Counsel Report, and Proposed Order. Counsel indicated that the situation here was the same as in the prior matter. The purpose of removal of the Cabras No. 4 engine is to determine what condition it is in. If it is not usable, it will become the property of the insurers and they can dispose of it. The engine will actually be removed from the plant. The idea is to examine the engine to determine its condition. The insurers also agreed that the cost of the engine removal could be paid for out of the settlement funds. KEWP issued bids for the quotes for the removal of the engine and equipment. The lowest bidder was Royce Power Engineering Ltd., at a cost of \$5,996,435. This amount will come out of the settlement proceeds. Ratepayers will not be funding this cost upfront.

The scope of work disassembly of the engine, generator cover removal, and the installation of auxiliary equipment, and dismantling and disposal. Counsel recommends that GPA be authorized to undertake this engine and equipment removal process. It is necessary for the purpose of maintaining the negotiation process and meeting GPA's duty to preserve the Cabras equipment. The proposed Order would authorize GPA, through KEWP, to proceed with the engine and equipment removal and would authorize expenditure of up to \$5,996,435. This amount must be paid by the insurers and not GPA.

Commissioner Cantoria asked why the CCU Resolution was not signed. GPA Counsel Botha indicated that the Resolution was approved by a 4-0 vote. PUC Counsel explained that sometimes he receives petitions with CCU Resolutions that have not yet been approved. However, he does not present such matters to the PUC unless he has received a signed copy of the Resolution before he submits it to the PUC. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Cabras No. 4 engine and equipment removal by Royce Power Ltd., and authorized the expenditure through KEWP in the amount of \$5,996,435. The Commissioners adopted the Order made *Attachment "F"* hereto.

#### **4. Administrative Matters**

There was discussion amount the Commissioners as to when the next PUC meeting would be held. Counsel indicated that the meeting should be on the last Thursday of the month, which would be December 29. There being no further business, the Commissioners moved to adjourn the meeting.

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Jeffrey C. Johnson  
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE., HAGATNA, GUAM  
6:30 p.m., November 28, 2016**

**Agenda**

- 1. Approval of Minutes of October 27, 2016**
- 2. Guam Power Authority**
  - GPA Docket 17-08, Petition for Approval of Aggreko Contract Extension,, ALJ Report, and Proposed Order
  - GPA Docket 17-09, Petition for Approval of Cabras 1 & 2 PMC Extension, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-11, Petition for Approval of Expenditures for Dededo CT Return to Service, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-12, Petition for Approval of the Cabras 3 & 4 Plant and Engine Cleaning, PUC Counsel Report, and Proposed Order
  - GPA Docket 17-13, Petition for Approval of the Cabras 4 Engine and Equipment Renewal, PUC Counsel Report, and Proposed Order
- 3. Administrative Matters**
  - GTA Request to Reduce Administrative Assessment [involving E911 Surcharge], PUC Counsel Report, and Proposed Order
- 4. Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



COMMISSION ADMINISTRATIVE  
DOCKET

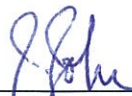
) ORDER RE: GTA  
) ADMINISTRATIVE ASSESSMENT  
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This matter comes before the PUC upon the request by Teleguam Holdings LLC ["GTA"] for Recalculation of its Administrative Assessment for FY 2017. The Administrative Law Judge has submitted his Report on this matter, which Report is incorporated herein by reference.



After review of GTA's Request for recalculation of its share of the telecom administrative cost for FY 2017, and the ALJ Report, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GTA is authorized to apply the amount of \$39,058.33 for its FY2017 annual assessment from its E911 surcharge receipts.
2. GTA will pay the amount of \$38,116.42 to PUC, and the balance of its share [\$39,058.33] shall come from GTA's receipts for the E911 surcharge.
3. GTA's share for the FY 2017 telecom administrative assessment shall remain at a total of \$77,174.75.

Dated this 28th day of November, 2016.

  
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Jeffrey C. Johnson  
Chairman

  
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Rowena E. Perez  
Commissioner

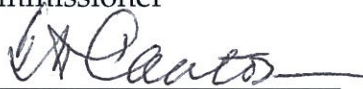
  
\_\_\_\_\_  
Joseph M. McDonald  
Commissioner  
  
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Peter Montinola  
Commissioner

**ATTACHMENT B**

ORDER  
GTA Administrative Assessment  
November 25, 2016

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Michael A. Pangelinan  
Commissioner

  
Filomena M. Cantoria  
Commissioner

  
Andrew L. Niven  
Commissioner



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

RE: PETITION FOR APPROVAL OF ) **GPA DOCKET NO. 17-08**  
CONTRACT EXTENSION WITH )  
AGGREKO INTERNATIONAL ) **ORDER**  
PROJECTS LIMITED. )  
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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for review and approval of the forty (40) Mega-Watt (“MW”) Temporary Power Plant Lease Contract Extension with Aggreko International Projects Limited (“Aggreko”), filed by the Guam Power Authority (“GPA”) on November 7, 2016.

**BACKGROUND**

On September 24, 2015, the PUC authorized GPA to issue procurement for temporary power generation services in order to account for the loss of 78MW of baseload capacity, owing to the August 31, 2015 explosion of Cabras No. 3 and 4.<sup>1</sup> The PUC authorized such procurement because it found that GPA did not have sufficient generation reserves to adequately service the island’s power needs.<sup>2</sup>

Thereafter, GPA received four (4) proposals, and consequently selected Aggreko as the lowest and responsible offeror.<sup>3</sup> Based on the contract, Aggreko is required to provide GPA with 40 1MW units, which run on Ultra Low Sulphur Diesel, at the Yigo Substation, and

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<sup>1</sup> PUC Order, GPA Docket 15-18, p. 1 (Oct. 29, 2015).

<sup>2</sup> PUC Order, GPA Docket 15-18, p. 1.

<sup>3</sup> PUC Order, GPA Docket 15-18, p. 1.

would be manned by six (6) Aggreko personnel.<sup>4</sup> The cost for the leased power is estimated at around \$12 million per year, with total monthly payments a little over \$1 million per month.<sup>5</sup> Moreover, the original contract term is for one year, with two one-year extension options.<sup>6</sup>

On October 29, 2015, the PUC authorized GPA to award a Temporary Power Services Contract to Aggreko, in an amount not to exceed roughly \$12 million a year.<sup>7</sup> To pay for the temporary power service provided by Aggreko, the PUC authorized GPA to utilize funds from its Self-Insurance Fund to make the monthly payments on the contract, but which shall be reimbursed once GPA receives insurance from coverage related to the Cabras explosion.<sup>8</sup>

On November 25, 2016, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter issued an ALJ Report detailing his findings based on his review of the record.

### **DETERMINATIONS**

In its Petition, GPA submitted that it is “interested in pursuing an extension of the Aggreko 40MW power plant lease contract for an additional 4 years with the option to purchase the units to ensure GPA has sufficient reliable reserves until the commissioning of new combined cycle base load generation units.”<sup>9</sup> In addition, it was interested in utilizing \$3 million

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<sup>4</sup> PUC Order, GPA Docket 15-18, p. 2.

<sup>5</sup> PUC Order, GPA Docket 15-18, p. 2.

<sup>6</sup> PUC Order, GPA Docket 15-18, p. 2.

<sup>7</sup> PUC Order, GPA Docket 15-18, p. 3.

<sup>8</sup> PUC Order, GPA Docket 15-18, p. 3.

<sup>9</sup> Petition, p. 1.

from the Cabras 3 and 4 insurance cash advance for emissions compliance costs, associated with obtaining an air permit for operations at the Aggreko plant.

**1. Temporary Power Rental Agreement with Aggreko**

Section 2.3 of the Aggreko contract provides that GPA has the right to extend the “operational service period” for a period mutually agreed upon by the parties.<sup>10</sup> The current term of the contract expires fifty-two (52) weeks from the date of commercial operation.<sup>11</sup> The Aggreko 40MW temporary power plant came on line on or around January 7, 2016.<sup>12</sup> Accordingly, the contract will soon expire. GPA, however, intends to extend this term for an additional four (4) years.

**2. CCU Resolution No. 2016-61**

In support of its Petition, GPA submitted CCU Resolution No. 2016-61, which indicated that GPA’s “power system remains short of 78.6MW of base load capacity placing GPA in the position of having difficulty meeting system demand upon an additional base load maintenance outage or large emergency unit outage . . . .”<sup>13</sup> The CCU further indicated, however, that an extension of the Aggreko contract for an additional four (4) years, with the option to purchase the units, would “ensure” that “GPA has sufficient and reliable reserves until the commissioning of new baseload units . . . .”<sup>14</sup>

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<sup>10</sup> Temporary Power Rental Agreement between Guam Power Authority and Aggreko International Projects Limited (“Aggreko Agreement”), p. 7 (Dec. 7, 2015).

<sup>11</sup> Aggreko Agreement, p. 7.

<sup>12</sup> Petition, p. 1.

<sup>13</sup> CCU Resolution No. 2016-61, p. 1 (Oct. 25, 2016).

<sup>14</sup> CCU Resolution No. 2016-61, p. 1.

Accordingly, the CCU authorized GPA to extend the Aggreko contract for an additional four (4) years with an option to own the units at the end of the four-year term.<sup>15</sup> In addition, the CCU further authorized GPA to utilize \$3 million from the Cabras 3 and 4 insurance cash advance for the emission compliance costs related to the Aggreko units.<sup>16</sup>

### **3. Contract Cost and Funding**

Currently for the year, the total cost of the Aggreko contract is \$11,781,392, exclusive of energy charges.<sup>17</sup> This cost consists of the operation and maintenance of the plant, along with providing Aggreko personnel.<sup>18</sup>

According to “Exhibit A” to Resolution No. 2016-6, issued by the Consolidated Commission on Utilities (the “CCU”), the yearly costs for a four-year extension are as follows:

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
\$12,991,952.00	\$9,991,952.00	\$11,291,952.00	\$11,491,952.00	\$45,767,808

These include fixed costs for capacity, operations and maintenance, emission control, and \$3 million for emission control mobilization.<sup>19</sup> These yearly costs also include a “rent to own” fee, totaling \$4.8 million.<sup>20</sup>

The yearly fixed costs, however, are increased by about \$1 million to account for the yearly energy charges and urea costs.<sup>21</sup>

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<sup>15</sup> CCU Resolution No. 2016-61, p. 1.

<sup>16</sup> CCU Resolution No. 2016-61, p. 2.

<sup>17</sup> Aggreko Agreement, “Schedule 1-Compensation,” p. 29.

<sup>18</sup> Aggreko Agreement, “Schedule 1-Compensation, pp. 29-30; “Schedule 3-Scope of Work,” p. 34; “Schedule 8-Aggreko Personnel,” p. 42.

<sup>19</sup> Petition, “Exhibit A,” CCU Resolution No. 2016-61, p. 1 (Oct. 25, 2016).

<sup>20</sup> Petition, “Exhibit A,” CCU Resolution No. 2016-61, p. 1.

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
<b>Estimated Energy Charges</b>	\$427,550.00	\$427,550.00	\$427,550.00	\$427,550.00	\$1,710,201.00
<b>Estimated Urea Costs</b>	\$563,589.00	\$563,589.00	\$563,589.00	\$563,589.00	\$2,254,356.00

GPA submitted that the source of funding for the contract will be from revenue funds.<sup>22</sup> GPA further submitted that it will realize a total savings of \$37,508,000.00, based on what it would have spent on operating and maintaining Cabras 3 and 4.

#### **4. Need for Temporary Generation**

As indicated in the October 29, 2015 PUC Order in GPA Docket 15-18, the PUC found that GPA is in desperate need to procure temporary generation services to account for the loss of 78.6MW in baseload capacity as a result of the Cabras explosion.<sup>23</sup> Indeed, the record before this Commission reflects that:

The loss of Cabras Plant Nos. 3&4 has resulted in the reduction of base load by 78MW. ... Cabras No. 4 is inoperable; no final determination has been made on the future of Cabras No. 3. . . . There is a reasonable assumption that Cabras No. 3 will not be available to GPA as a base load unit in the foreseeable future.<sup>24</sup>

Moreover, it appears that “GPA’s current plan is to retire the Cabras No. 1 & 2 Steam Plant (132MW) no later than July 1, 2021.”<sup>25</sup> Ultimately, this Commission has found that

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<sup>21</sup> Petition, “Exhibit A,” CCU Resolution No. 2016-61, p. 1.

<sup>22</sup> CCU Resolution No. 2016-61, p. 1.

<sup>23</sup> PUC Order, GPA Docket 15-18, p. 2.

<sup>24</sup> PUC Order, GPA Docket 15-05, p. 3 (Oct. 27, 2016).

<sup>25</sup> PUC Order, GPA Docket 15-05, p. 3.

“[i]t is evident that GPA will need to replace base load generation” and that GPA has made its case for its “need to procure additional generation capacity.”<sup>26</sup>

### **CONCLUSION AND RECOMMENDATION**

Based on the record before the Commission, the ALJ found the following. First, that the record clearly demonstrates GPA desperately needs generation services to account for the loss of 78.6MW in baseload capacity as a result of the Cabras explosion. The record also indicates that Cabras No. 4 is inoperable, and that the PUC should reasonably presume that Cabras No. 3 will not be available in the near future.<sup>27</sup> The record further reflects that the Cabras Plant may very well be “at the end of its useful life.”<sup>28</sup> Consequently, Cabras 1 and 2 may not be available after 2021, creating a total baseload loss of 200MW of capacity.<sup>29</sup>

Accordingly, the ALJ additionally found that the PUC has determined “[i]t is evident that GPA will need to replace base load generation” and that GPA “has established the need to procure additional generation capacity.”<sup>30</sup> The Aggreko plant, with its 40 units, helps GPA accomplish this goal.

GPA will spend close to \$12 million for the Aggreko plant for 2016. It is clear, based on this record, that GPA still needs the Aggreko plant to add to its reliable reserves because of its baseload loss. If GPA intends to utilize the Aggreko plant for the next two (2) or

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<sup>26</sup> PUC Order, GPA Docket 15-05, p. 4.

<sup>27</sup> PUC Order, GPA Docket 15-05, p. 3.

<sup>28</sup> PUC Order, GPA Docket 15-05, p. 3.

<sup>29</sup> PUC Order, GPA Docket 15-05, p. 3.

<sup>30</sup> PUC Order, GPA Docket 15-05, p. 4.

three years (3), or even four (4) years, averaging around the current cost of \$12 million per year, then it makes sense for GPA to lease the units for the four-term, and which will result in the added benefit of GPA owning the units after the expiration of the four-year term. Should GPA own this asset, it could choose to sell the units at a later time. In addition, GPA has indicated that utilizing the contract extension will result in a total savings of \$37,508,000.00, based on what it would have spent on operating and maintaining Cabras 3 and 4.

Accordingly, the ALJ concluded that the proposed additional four-year term, with the option to purchase the Aggreko units, is reasonable in this instance. Therefore, the ALJ recommended that the PUC approve the contract extension for four (4) years, including the option to purchase the Aggreko units, for an amount not to exceed \$49,732,365.00.<sup>31</sup> Further, with regard to GPA's utilization of \$3 million from the Cabras 3 and 4 insurance cash advance for emissions compliance costs, these costs appear to be required in order for GPA to obtain an air permit for operations at the Aggreko plant. Accordingly, the ALJ additionally recommended that the PUC authorize GPA's use of \$3 million from the Cabras 3 and 4 insurance cash advance to fund the emissions compliance mobilization for the Aggreko plant.

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<sup>31</sup> This amount is based on GPA's estimates for yearly energy charges and urea costs. The usual contingency provided under GPA's Contract Review Protocol shall apply in the event these charges and costs increase.

### **ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the November 25, 2016 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GPA's November 7, 2016 Petition for review and approval of the forty (40) Mega-Watt Temporary Power Plant Lease Contract Extension with Aggreko is GRANTED;

2. That GPA is therefore authorized to enter into the four-year contract extension, with the option to purchase the units at the Aggreko plant after the four-year term;

3. That GPA is authorized to use \$3 million from the Cabras 3 and 4 insurance cash advance to fund the emissions compliance mobilization for the Aggreko plant, and for an amount not to exceed \$49,732,365.00;

4. That GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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**SO ORDERED** this 28<sup>th</sup> day of November, 2016.



**JEFFREY C. JOHNSON**  
Chairman



**ROWENA E. PEREZ**  
Commissioner



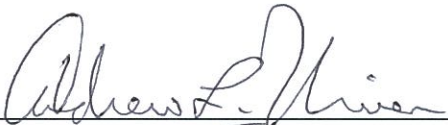
**FILOMENA M. CANTORIA**  
Commissioner

**JOSEPH M. MCDONALD**  
Commissioner



**PETER MONTINOLA**  
Commissioner

**MICHAEL A. PANGELINAN**  
Commissioner



**ANDREW L. NIVEN**  
Commissioner

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**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 17-11  
)  
The Application of the Guam Power )  
Authority to Approve Additional ) **ORDER**  
Expenditures for the Dededo CT Return to )  
Service Project )  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to Approve Additional Expenditures for the Dededo CT Return to Service Project.<sup>1</sup>
2. GPA requests authorization from the PUC to use \$2.607M in additional CIP revenue funds for FY 2017 to return the Dededo CT units to service.

**BACKGROUND**

3. In GPA Docket 16-06, the PUC authorized GPA to reprogram 1999 and 2010 Bond Funds, in the amount of \$6.36M, to fund various repairs for the Dededo CT Units 1 & 2, such as generator rotor repair and replacement of Switchgear.<sup>2</sup>
4. The PUC has previously determined that the Dededo CT Plant rehabilitation is "a worthwhile and necessary project to provide additional generation capacity for the island wide power system."<sup>3</sup>
5. The PUC also found that the Dededo CTs provide dedicated support to the Anderson Air Force Base Substation and improved system reliability and life extension of the combustion turbines.<sup>4</sup>
6. The PUC authorized GPA to expend \$2,020,000.00 in 2014 Bond Proceeds for "Dededo CT Return to Service Inclusive of Stator/Rotor Repair."<sup>5</sup>

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<sup>1</sup> GPA Petition to Approve Additional Expenditures for the Dededo CT Return to Service Project, GPA Docket 17-11, filed November 7, 2016.

<sup>2</sup> PUC Order, GPA Docket 16-06, dated April 28, 2016, at pgs. 1 & 3.

<sup>3</sup> PUC Order, GPA Docket 15-22, dated January 25, 2016; PUC Order, GPA Docket 16-06, dated April 28, 2016, at p. 2.

<sup>4</sup> Id.

7. In Resolution No. 2016-64, the Guam Consolidated Commission on Utilities approved GPA's request to use \$2.607M in additional CIP Revenue Funds for FY 2017 to return the Dededo CT units to service, for a total of \$9.7M.<sup>6</sup>

### **DETERMINATIONS**

8. Since the PUC has already determined that the Dededo CT Plant rehabilitation is a worthwhile and necessary project, it stands to reason that the PUC should authorize necessary funding for the project.
9. To date, it appears that the PUC has already authorized GPA to expend \$8,380,000 in Bond Funds for the rehabilitation and repair of the Dededo CTs (\$1.2M from the 1999 Bond Funds, \$5.16M from the 2010 Bond Funds, and \$2.020M from the 2014 Bond Funds).
10. However, GPA already expended a portion of the \$2,020,000.00 in 2014 Bond Proceeds for "Dededo CT Return to Service Inclusive of Stator/Rotor Repair." GPA submitted invoices to Counsel demonstrating that National Electric Coil was paid \$1.284M in 2014 for services related to the Dededo CTs.<sup>7</sup>
11. National Electric Coil performed services such as inspection, testing and repair of the rotor; inspection, testing, and repair of the stator; and installation of the rotor and assembly of the generator.<sup>8</sup>
12. GPA indicates that it requires a total of \$9.7M to return the units to service. From the 2014 Bond Funds, there is only the remaining sum of \$736,000. Thus, the total available bond funds for this project are \$7,096,000.
13. GPA requires an additional \$2.607M for the repair and rehabilitation of the Dededo CTs. The PUC already approved that amount in GPA's FY2017 ceiling cap, which is funded from revenue funds.<sup>9</sup>

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<sup>5</sup> PUC Order, GPA Petition for Use of 2014 Bond Proceeds on Projects, GPA Docket 14-09, dated December 1, 2014, at p. 3.

<sup>6</sup> Guam Consolidated Commission on Utilities Resolution No. 2016-64, Relative to Authorizing Additional Expenditures for the Dededo CT Return to Service Project, adopted October 25, 2016, at p. 2.

<sup>7</sup> E-mail from GPA Attorney Graham Botha to PUC Counsel Fred Horecky, dated November 21, 2016, with various purchase orders attached.

<sup>8</sup> Id.

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition to Approve Additional Expenditures for the Dededo Return to Service Project , and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Additional Expenditures for the Dededo CT Return to Service Project. are approved.
2. GPA is authorized to expend an additional amount from the FY 2017 CIP Revenue Funds of \$2.607M.
3. The additional expenditures from CIP Revenue Funds are necessary so that GPA can fund the rehabilitation and repair of the Dededo CTs.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

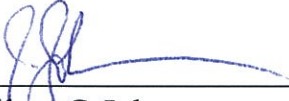
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<sup>9</sup> PUC Order, GPA Docket 16-13, dated September 29, 2016, at p. 1; Attachment 1 to GPA Petition to Approve the FY2017 GPA CIP Ceiling Cap Budget, GPA Docket 16-13, filed September 14, 2016.


Order  
Additional Expenditures for the  
Dededo CT Return to Service Project  
GPA Docket 17-11  
November 28, 2016


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Dated this 28th day of November, 2016.

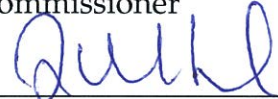
  
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Jeffrey C. Johnson  
Chairman

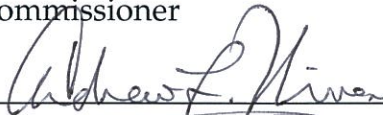
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**



IN THE MATTER OF: ) GPA Docket 17-12  
)  
The Application of the Guam Power )  
Authority to Approve the Cabras 3 & 4 ) **ORDER**  
Plant and Engine Cleaning. )  
)  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Application of the Guam Power Authority [“GPA”] to Approve the Cabras 3 & 4 Plant and Engine Cleaning.<sup>1</sup>

**BACKGROUND**

2. The Cabras 3 & 4 explosion occurred on August 31, 2015. Since the explosion occurred, GPA has been negotiating settlement of its claims through its Insurers.
3. Recently, GPA received notice from its Insurers to proceed with preservation efforts for the Cabras 3 & 4 plants.<sup>2</sup>
4. GPA’s own insurance claims consultant, the Greenspan Co./Adjusters International, wrote a letter to the Insurers’ representative McLarens indicating that, at the insurers’ request, GPA should undertake cleaning of the Cabras 3 & 4 building structure, as well as the Cabras 3 Engine Exterior Cleaning.<sup>3</sup>
5. Cabras 3 & 4 suffered extensive smoke and soot contamination from the fire after the Cabras explosion.<sup>4</sup> The Insurer has requested that GPA clean the Cabras 3 & 4 building, as well as the Cabras 3 engine exterior.
6. GPA’s Performance Management Contractor for the Cabras 3 & 4 Plant is Korea East West (KEWP). KEWP has obtained the necessary price quotes for services and

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<sup>1</sup> GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016.

<sup>2</sup> GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016, at p. 1.

<sup>3</sup> Letter from Greenspan Vice President Masood Khan, Esq. to Regional Managing Director, Russell Henderson, of McLarens, dated October 31, 2016.

<sup>4</sup> GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016, at p. 1.

equipment required to decontaminate and clean Cabras 3 & 4 plant, including the Unit 3 engine exterior cleaning, in order to help preserve the Cabras Unit 3.<sup>5</sup>

7. GPA has a fiduciary responsibility to preserve Cabras Unit 3 until the insurance claim is finally settled.<sup>6</sup>
8. The PMCs for the Cabras plants often undertake procurements for capital improvement projects and other projects designed to improve the plants. In this case, PMC KEWP issued a procurement for Cabras 3 & 4 to include cleaning, and the cleaning of the Cabras 3 exterior engine. Two bids were received. Belfor USA was the lowest bidder.<sup>7</sup>
9. Belfor USA's detailed proposal for cleaning the Cabras 3 & 4 Plant Cleaning is also included in Attachment A. Belfor's cost proposal for the project is \$4,840,538.00.<sup>8</sup>
10. The Guam Consolidated Commission on Utilities, in Resolution No. 2016-68, approved GPA's request to undertake the Cabras 3 & 4 Plant and Engine Cleaning with KEWP, in the amount of \$4,840,538.00.<sup>9</sup>

### **DETERMINATIONS**

11. GPA's representation that the Insurers will pay for the Cabras 3 & 4 Plant and Engine Cleaning in the amount of \$4,840,538.00 is significant. The cost for the project will have no direct impact upon the rates paid by the ratepayers of Guam.
12. However, expenditure of such funds for the Cabras 3 & 4 Plant and Engine Cleaning will reduce the total amount of settlement funds available to GPA. One could suggest that expenditure of such funds should be made for more desirable purposes,

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<sup>5</sup> Id.

<sup>6</sup> Guam Consolidated Commission on Utilities, Resolution No. 2017-68, Relative to Authorizing Expenditure for Cabras 3 & 4 Plant Cleaning and Unit 3 Engine Cleaning, adopted November 22, 2016, at p. 1.

<sup>7</sup> Attachment A to GPA's Petition, "Cabras 3 & 4 Plant Cleaning."

<sup>8</sup> Id.

<sup>9</sup> Guam Consolidated Commission on Utilities, Resolution No. 2017-68, Relative to Authorizing Expenditure for Cabras 3 & 4 Plant Cleaning and Unit 3 Engine Cleaning, adopted November 22, 2016, at p. 2.

such as the cost of the 180MW combined cycle combustion plant which GPA seeks to procure.

13. However, in terms of the overall insurance settlement claims process, GPA does have the duty to mitigate losses to the equipment and plant damaged by the explosion. An insurance claimant does have to mitigate its potential damage or loss by preserving the damaged property.
14. Therefore, GPA should be authorized to undertake these preservation efforts for the Cabras 3 & 4 Plant and Engine Cleaning. GPA is required to undertake preservation efforts as part of the insurance claim.<sup>10</sup>

### **ORDERING PROVISIONS**

After review of the record herein, GPA's Petition to Approve the Cabras 3 & 4 Plant and Engine Cleaning, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA is authorized to proceed with the Cabras 3 & 4 Plant and Engine Cleaning with KEWP.
2. The contract with Belfor USA, procured and administered by KEWP, is authorized in the amount of \$4,840,538.00. However, such amount must be paid by the Insurers and not by GPA or KEWP.
3. The proposed Contract with Belfor, procured by KEWP, is reasonable, prudent and necessary.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

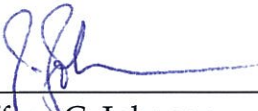
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<sup>10</sup> GPA Application to Approve the Cabras 3 & 4 Plant and Engine Cleaning, GPA Docket 17-12, filed November 15, 2016, at p. 2.

Order  
Approval for Cabras 3 & 4 Plant  
& Engine Cleaning  
GPA Docket 17-12  
November 28, 2016

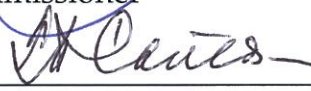
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Dated this 28th day of November, 2016.

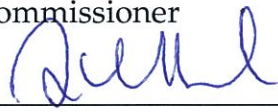
  
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Jeffrey C. Johnson  
Chairman

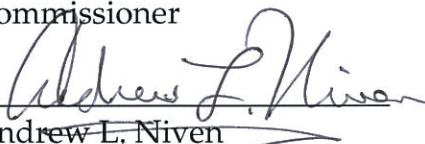
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 17-13  
)  
The Application of the Guam Power )  
Authority to Approve the Cabras Engine ) **ORDER**  
and Equipment Removal. )  
)  
\_\_\_\_\_ )

**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority ["GPA"] to Approve the Cabras 4 Engine and Equipment Removal.<sup>1</sup>

**BACKGROUND**

2. The Cabras 3 & 4 explosion occurred on August 31, 2015. Since the explosion, GPA has been negotiating settlement of its claims through its Insurers.
3. Recently, GPA received notice from its Insurers to proceed with the removal of Engine 4 to allow GPA and the Insurers to examine the engine foundation.<sup>2</sup>
4. GPA's own insurance claims consultant, the Greenspan Co./Adjusters International, wrote a letter to the Insurers' representative, McLarens, indicating that, at the insurers' request, GPA would undertake the removal of Engine 4 entirely from the premises so that McLarens/Insurers can further evaluate the condition of that engine.<sup>3</sup>
5. GPA believes that Engine 4 is a total loss and has been so advised by its experts. However, the Insurers desire to save the generator and related auxiliary

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<sup>1</sup> GPA Application to Approve the Cabras Equipment and Engine Removal, GPA Docket 17-13, filed November 15, 2016.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Letter from Greenspan Vice President Masood Khan, Esq. to Regional Managing Director, Russell Henderson, of McLarens, dated October 31, 2016, at p. 7.

equipment.<sup>4</sup> They have requested that GPA remove and dismantle Unit 4's generator for further examination of the extent of loss.<sup>5</sup>

6. GPA's Performance Management Contractor for the Cabras 3 & 4 Plant is Korea East West (KEWP). KEWP has obtained the necessary price quotes for services and equipment required to remove the Cabras 4 engine and equipment.<sup>6</sup>
7. The PMC for the Cabras plant often undertakes procurements for capital improvement projects and other projects designed to improve the plants. In this case, PMC KEWP issued a procurement for the Cabras 4 Engine and equipment removal. Two bids were received. Royce Power Engineering Ltd. was the lowest bidder.<sup>7</sup>
8. Royce Power Engineering Ltd.'s detailed proposal for dismantling and removal of the Engine 4/generator is included in Attachment A to GPA's Petition. Royce's cost proposal for the project is \$5,996,435.00.<sup>8</sup>
9. The Guam Consolidated Commission on Utilities, in Resolution No. 2016-69, approved GPA's request to undertake the Cabras 4 Engine and equipment removal at a cost of \$5,996,435.00.<sup>9</sup>
10. The scope of work includes engine disassembly, generator cover removal and reinstallation, and auxiliary equipment dismantling and disposal.<sup>10</sup>

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<sup>4</sup> Id.

<sup>5</sup> Guam Consolidated Commission on Utilities, Resolution No. 2017-69, Relative to Authorizing Expenditure for Cabras 4 Engine and Auxiliary Equipment Removal Inclusive of Generator Dismantling, adopted November 22, 2016, at p. 1.

<sup>6</sup> GPA Application to Approve the Cabras Equipment and Engine Removal, GPA Docket 17-13, filed November 15, 2016, at p 1.

<sup>7</sup> Attachment A to GPA's Petition, "Quotation for Dismantling/Removal of 1 unit of damaged generating set MAN 12K80MC-S namely #4 located at Cabras Power Plant in Guam."

<sup>8</sup> Id.

<sup>9</sup> Guam Consolidated Commission on Utilities, Resolution No. 2017-69, Relative to Authorizing Expenditure for Cabras 4 Engine and Auxiliary Equipment Removal Inclusive of Generator Dismantling, adopted November 22, 2016, at p. 2.

<sup>10</sup> Attachment A to GPA's Petition.

### DETERMINATIONS

11. Dismantling and removal of Engine 4 will allow GPA to perform further analysis on the engine foundation.<sup>11</sup>
12. GPA's representation that the Insurers will pay for the Cabras 4 Engine and equipment removal in the amount of \$5,996,435.00 is significant. The cost for the project will have no direct impact upon the rates paid by the ratepayers of Guam.
13. However, expenditure of such funds for the Cabras 4 Engine and equipment removal will reduce the total amount of settlement funds available to GPA. One could suggest that expenditure of such funds should be made for more desirable purposes, such as the cost of the 180MW combined cycle combustion plant which GPA seeks to procure.
14. However, in terms of the overall insurance settlement claims process, GPA must undertake reasonable steps to allow itself and the Insurers to fully investigate the claim and to determine whether Engine 4 is a total loss. Removal and dismantling of the Engine will allow GPA and the Insurers to determine whether Engine 4 is a total loss.
15. Therefore, GPA should be authorized to undertake the Engine 4 and equipment removal. Such removal is required as part of the insurance claim process.<sup>12</sup>

### ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Approve the Cabras 4 Engine and Equipment Removal, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA is authorized to proceed with the Cabras 4 Engine and equipment removal with KEWP.

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<sup>11</sup> Guam Consolidated Commission on Utilities, Resolution No. 2017-69, Relative to Authorizing Expenditure for Cabras 4 Engine and Auxiliary Equipment Removal Inclusive of Generator Dismantling, adopted November 22, 2016, at p. 1.


<sup>12</sup> GPA Application to Approve the Cabras Equipment and Engine Removal, GPA Docket 17-13, filed November 15, 2016, at p. 2.


2. The contract with Royce Power Engineering Ltd., procured and administered by KEWP, should be authorized in the amount of \$5,996,435.00. However, such amount must be paid by the Insurers and not GPA or KEWP.
3. The proposed Contract with Royce Power Engineering Ltd. procured by KEWP is reasonable, prudent and necessary.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Order  
Cabras 4 Engine and  
Equipment Removal  
GPA Docket 17-13  
November 28, 2016

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Dated this 28th day of November, 2016.

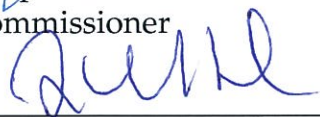
  
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Jeffrey C. Johnson  
Chairman

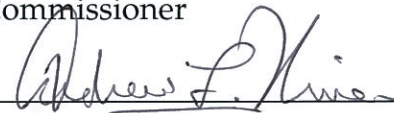
  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Filomena M. Cantoria  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Peter Montinola  
Commissioner

  
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Andrew L. Niven  
Commissioner