

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
May 31, 2018
Suite 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on May 31, 2018, pursuant to due and lawful notice. Commissioners Johnson, Cantoria, Perez, Pangelinan, Niven, and Montinola 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 April 26, 2018. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. Guam Power Authority

The Chairman announced that the next item of business on the agenda was GPA Docket 18-13, Petition to Approve the Piti 8 & 9 Contract Extension with MEC, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA was requesting that the PUC approve the contract extension with Marianas Energy Corporation for operation of the Piti 8 & 9 plants. The original Energy Conversion Agreement was entered into between GPA and Enron Piti Development Corporation in 1996. MEC is a successor to Enron. The relationship between GPA and MEC has been governed by the ECA. MEC is an independent power producer; it owns and operates the Piti plants and sells energy back to GPA. It is the current plant operator. However, pursuant to paragraph 14 of the ECA, ownership of the Piti 8 & 9 plants will transfer to GPA in January 2019.

GPA had originally intended to go out to bid for a new Independent Power Producer for the plants. However, a number of studies on the plants, including life extension/condition and other aspects, were required to be completed. GPA did not complete the necessary studies in time to go out to bid. GPA now requests that there be a five-year contract extension with Marianas Energy Corporation, so that MEC would continue to manage and operate the power plant beyond January 2019. The difference will be that GPA will own the plant beginning January 2019. Thus, the relationship may differ from the previous relationship between GPA and MEC, where MEC owned the plants. Section 32 of the ECA provides that the agreement between the parties may be amended at any time by mutual agreement in writing. It is a broad amendment provision.

Presently, the ECA cost GPA roughly \$30.5M per year. Under the proposed contract extension, there would be a fixed O & M estimated fee at \$10.085M annually. This fee is based upon a per-kilowatt charge. Variable O & M would be approximately \$2.245M annually. Finally, there would be a fixed "recapitalization fee", approximately \$7.067M per year for projects that are needed to ensure plant reliability and the fuel conversion project to comply with the USEPA requirements. Under the proposed extension, the cost to GPA will be reduced from roughly \$30M per year to \$20M per year. Counsel concluded that the extension of the existing ECA through a contract amendment would help to ensure the continued operation, management and reliability of the Piti 8 & 9 plants. GPA has justified the extension with MEC that it seeks. GPA does not have sufficient personnel itself to operate and manage the plant. The plant is crucial in terms of the power system at present. It constitutes 42% of the baseload operating capacity; it is vital that those plants remain operative during the period until GPA constructs its new generation plants. The five-year contract extension will give GPA additional time to work on the Piti plants and establish their ongoing operations. At a later time, before the extension terminates, GPA can go out on an IPP bid.

There may be a question as to whether there should be a bid. Counsel believes the contract authority to amend the contract is absolutely broad, not limited. It gives the parties a broad power to amend the contract without restriction or limitation. The contract is strong authority for the amendment here. With regard to procurement issues, PUC is not generally a procurement board. However, from a legal perspective, the contract is broad enough to authorize the amendment and extension. Another factor is that a bid simply could not be accomplished in the near future. A bid process would take considerable time. With the bid, there is always the possibility of protest and disruption of operations. With regard to stability and plant operation, the proposed extension has an inherent logic.

MEC has done a good job in managing and operating the Piti plants for 20 years. Prior evaluations of the Piti 8 & 9 condition all indicated that the plants are well maintained and in good condition. MEC deserves the credit for that. Counsel recommends that the PUC find the extension to be justified because there is a basic need to ensure the continued operation of the plant.

An issue has been raised concerning whether GPA could sell the Piti 8 & 9 plants. At present, this option does not appear to be practical. Initially, GPA could not even sell the plants until January 2019 when it owns them. If GPA did not own the plants, it would be difficult to ascertain whether the agreements as to plant upgrades and operations are being met. If the plant is owned to a party to which GPA sells, GPA has less ability to control the upgrades and the overhauls. A particular problem with the sale is that GPA intends to use the Piti 8 & 9 plants for the next five years as baseload plants. However, after that period, when the new generation plants come into effect, the intent is that the Piti plants will become intermediate plants or maybe even peaking units. For that reason, any seller would realize that, after five years, the Piti plants

would not be used as much at all. This could create pricing issues where the buyer would seek to front load costs to make sure that it gets paid for the later periods when the plants aren't used as much.

In general, PUC has expressed a preference for GPA not to own generation units. With the extension here, of course, GPA would own the units, so this deviates some what from the normal principal set by PUC. For the reason stated, Counsel does not believe that there is any other choice at present. Under the existing contract GPA will own the plants in January 2019. It will not, however, be operating the plants. Only personnel from MEC will actually be in charge of plant operation.

The PUC must consider the cost of the five-year plan that GPA proposes for management and operation of the Piti plants. GPA submitted a proposed Capital Investment Plan as Attachment A to its Petition. It establishes a five-year recapitalization fee for the plants. The total cost over five years is \$35,334,484. GPA would be paying those amounts. GPA and MEC have agreed that this is the appropriate amount. The amounts have also been reviewed and approved by consultants. The cost includes capital improvements, performance improvement projects, equipment replacement, repair, major overhaul, and EPC contractor fees. Counsel generally concludes that the costs indicated in the Capital Investment Plan should be approved, but with one exception. GPA has proposed a fuel retrofit conversion for the Piti Plants, which is basically changing the fuel source from RFO to ultra-low sulfur diesel. GPA maintains that USEPA is requiring this conversion and that GPA must do it. GPA plans to undertake this fuel conversion in 2022. That is when the retrofit would actually occur.

At present, GPA has not finalized a consent decree with USEPA. The PUC does not know at present exactly what will be required. There is no need for PUC to approve the retrofit until there is a determination that GPA must undertake it. GPA should at least try to discuss this further with USEPA. GPA has already been authorized to operate Cabras 1 & 2 for five years without a retrofit. This is an issue of whether \$16M could be saved. GPA's own subcontractor, Valhalla, questioned the efficacy of the retrofit conversion proposed by GPA. Valhalla indicates that, at the time of the proposed conversion in 2022, the Piti plants would only have five to ten years of remaining life. It is therefore not economically feasible to undertake the conversion as the project would be extremely expensive. Furthermore, Valhalla finds that there are currently no plants similar to Piti 8 & 9 which have been converted or are currently operating on gas. PUC should not presently make any determination on the conversion issue. More evidence should be presented.

A final issue is whether GPA should adopt the "carbon capture technology" for the Piti plants. This was suggested by a potential bidder who believed that such technology would be far less expensive than the fuel conversion of such plants. Carbon capture involves a process where CO₂ as carbon oxide is converted to methanol. Some plants

already use this technology. However, they are not utility-scale plants like the ones that GPA will be operating. GPA consultants indicate that, although the process has been tried and tested, direct methanol synthesis has not as yet been in combination with the utility power plant and under load-flexible operation. GPA's owned EPCM Stanley advised that the technology is still in development. GPA does not feel that it could provide saleable by-products which have value; the bidder proposing this carbon capture technology indicated that GPA would have to do a \$3M feasibility study upfront. Counsel concludes that the technology is not yet ready. PUC should not be making this type of decision. If GPA feels that the technology is available and useful, it should determine whether to use it. GPA should not be compelled to use that technology.

There is no final contract at present between GPA and MEC, only a term sheet. Counsel recommends that the PUC approve the contract extension for the Piti 8 & 9 plants with MEC, but subject to a final review of the contract form. Under the proposed Order, PUC would not presently approve the retrofit fuel conversion which is projected for 2022. That can be addressed at a later time. When GPA finalizes its contract with MEC, it will submit it back to the PUC for approval.

GPA General Manager Benavente indicated that he had not previously heard the comment from GPA's consultant. He does not believe that the consultant's focus was to look at the economics of whether the plant is economical to burn gas. He concludes that it will be feasible because he understands the numbers of what LNG and ultra-low sulfur diesel costs. It will not be the first time that he disagrees with GPA's consultant. He still thinks its feasible, and GPA will take a look at it at a later time. The plan is not to do anything with the conversion until after the baseload units come online.

GPA cannot afford any kind of major down time for the Piti 8 & 9 plants because they are the most efficient units in the system. It costs \$100,000.00 per day for them to be down. There needs to be a discussion of the economics of LNG. When the plants are running at 30 percent, burning ultra-low sulfur fuel, a variable cost will offset the 30M annual cost. Commissioner Cantoria asked the General Manager whether, since GPA would now own the plants, it would field its own people so that they can learn how to do it. GM Benavente said that GPA would not. The plan in the future is to have IPPs to operate the plant and then transfer the power plant back to GPA so that it can recapitalize the plants, just as with Piti 8 & 9. In this case, the employees at the Piti plants are all MEC employees. GPA does not have enough personnel and people with experience at this plant to run it. The GM would not operate and maintain this plant. That is a condition placed upon the extension.

Commissioner Cantoria asked whether this meant there would be a permanent connection with consultants. GM Benavente indicated that there would be for the next five years. Then, GPA would bid it out. Then another group could come in and put money into the plants to give them another 10 or 15 years. The \$7M per year that GPA

is spending is the same money that would have been spent anyway if GPA had a new bidder. All of the expenses are for things that would have been anyway, such as changing the liners, changing the radiators, etc., just to make the plant more reliable again. The reduction in cost is really about \$14M per year. But \$3M will be put aside towards conversion. If there is no conversion, the money would be available.

Commissioner Niven asked how the General Manager saw Piti 8 & 9 fitting into its longer-term plans over the next 15 to 20 years. GM Benavente indicated that Piti 8 & 9 gives the capacity for load growth, if necessary. If not, they can turn on and off. These machines can operate on and off on a daily basis, which also runs well with renewables. The combustion turbines today average around 11 kilowatt-hours per gallon. The MEC 8 & 9 plants do almost 18 kilowatt-hours per gallon. With diesel it will go to fifteen and one half or sixteen kilowatt-hours per gallon. There is still a big difference in fuel costs. The economics are good. GPA is looking where it is going from 25% to 50% renewables.

Commissioner Niven asked, with the new plants coming in three years or so, what plants would be on the top of GPA's list for retiring at that point. GM Benavente indicated that the plants at the top of the list would likely be the medium-speed or some combustion turbines. GPA is completing a study about the renewable energy in the system, and what is necessary to add more renewables. A part of that is saying that GPA needs synchronous condensers, meaning a generator really just being run but not producing power. That is a part of the system. TEMES 7 could probably be used for that and the combustion turbines too. Phase 3 of the renewables includes a 20-megawatt block of renewables at Big Navy and 20-28 at NCS Finegayan. These plants will have batteries, so that some part of the peak load can be shaved off. There will be some retirements in the future or re-designation to synchronous condensers which doesn't consume fuel. The power plant is now moving and GPA can better plan on future generation and renewables. KEPCO and Hanwha are moving forward for production of solar energy.

Commissioner Pangelinan indicated that his only real concern was on procurement compliance. He agrees with everything in the PUC Counsel report about the practical reasons why extensions make more sense. From a practical point it would be a huge problem if GPA had to go out to bid. There are valid reasons and good reasons why the contract should be extended. However, he is not sure that the extension complies with procurement law. He also recognizes that the PUC is not a procurement board. He wished to ask GPA Legal Counsel whether he had looked at this issue and whether he had come to the conclusion that it does comply. From a contract standpoint, the amendment clearly appears to be a valid action. But there is a separate question as to whether there is a violation of the procurement regulations. GPA Counsel Botha indicated that GPA has placed in fuel contracts the ability to extend. GPA will look at market conditions and determine whether it makes sense to continue with the current contract. There are many reasons GPA would continue with the current contract for Piti

8 & 9. A five-year extension fits in with the parameters of the 20-year contract. GPA would not extend again after this extension. This would be the last one, and then GPA would put out a new bid. The next IPP would probably operate the plant for 10 or 15 years.

Commissioner Pangelinan expressed the concern that its Order could be construed as a finding that GPA's extension is compliant with the procurement regulations. If that were the case, anyone could extend a contract indefinitely, every five years. The contract duration would be perpetual. GPA recognizes that under some circumstances this would not be allowed, but there is a unique set of circumstances here that GPA relies upon. Commissioner Pangelinan is comfortable with this, but requests that in the ordering provisions language is placed in that PUC is not a procurement board and that it is deferring to GPA's conclusions on the procurement law. He suggests that paragraph 18, page 3 of the Order include this language. Commission Pangelinan sought to include language that authorize the extension "in light of the broad amendment power granted to the parties under the agreement, and the Commission's long-standing view that it does not function as a procurement board..." and GPA should not be prohibited from amending the agreement.

Commissioner Perez pointed out that paragraph 19 of the Order provided that for GPA to put this matter out to bid would not allow enough time, as plant ownership is transferred in January 2019. She asked why GPA didn't look at this matter prior to, or to give itself more time to be able to put out a bid. GM Benavente indicated that GPA had a lot of pending matters, with Cabras 3 & 4 renewables, etc., to move forward with the new procurement. GPA also had to go through a process in finding the right consultant to determine what upgrades were necessary for the Piti 8 & 9 plants. Furthermore, the existing personnel have been there in the plant for 20 years and they know how to operate it. Bringing in new people would take some time to operate it well. That is a major risk. MEC employees have been operating the plant for 20 years. If MEC employees left, GPA would not be able to get everything in place. The training would take some time. This plant is vital to GPA system as it provides 40 megawatts a day every day. The machines do need some work. GPA Counsel Botha pointed out that, if GPA did not have a good assessment with the plant, any bid could be opened to protest because MEC is the only party that knows the condition of the plant, having run it for 20 years. If GPA did not have an independent assessment, bidders would file a protest because only the incumbent knows the condition of the plant. A proper procurement could not be done without an assessment given to all the bidders who bid on the plant.

The Chairman welcomed Senator Rodriguez to the meeting. With his proposed amendment, Commission Pangelinan moved to approve the Order. Upon motion duly made, seconded and unanimously carried, the Commission approved the five-year extension of the contract with MEC for the Piti 8 & 9 plants, and adopted the Order made *Attachment "B"* hereto.

The Chairman announced that the next item on the agenda was GPA Docket 18-14, Petition for Approval of the Purchase of the Harmon Property for the New Generation Plant, PUC Counsel Report, and Proposed Order. Counsel requested that the Chairman allow a matter to be taken out of order. For that, he returned the floor over to Senator Rodriguez. Senator Rodriguez apologized for going out of order, and indicated he was here today to give a special presentation, special recognition to Mr. Andy Niven. This is Mr. Niven's last day on the Commission. On behalf of the people of Guam, Senator Rodriguez presented Commissioner Niven with a legislative certificate to commend him for his service and his work on the Commission. Commissioner Niven thanked the Senator. On behalf of the people of Guam, Senator Rodriguez presented a life time service commendation to Mr. Andrew L. Niven. Andy has served on the Commission for about four and a half years. Guam has been his home for the past few years. The service and work provided by Mr. Niven, and his expertise to the Commission has really been beneficial for the people of Guam. As a small token of appreciation of the people of Guam, Senator Rodriguez presented this certificate to Mr. Niven on behalf of the people of Guam, wished him the best of luck and hoped to see him back on Guam. Commissioner Niven indicated that he would be back from time to time. There was applause from the Public. Commissioner Niven indicated that he would like a picture with his fellow Commissioners and Mr. Chairman. He indicated that all had been welcoming to him, and it had been a pleasure to be here. A group picture was taken.

Returning to the docket at hand, Counsel indicated that GPA was seeking approval of its contract of sale to purchase three lots in Ukudu, Dededo: Lot 5010-1NEW, 5042-1, and 5042-R1 with an approximate area of 239,744 square meters for the price of \$10,788,653.00. GPA first put out a request for statements of interest seeking real property of up to 60 acres to construct and operate the 180-megawatt plant that GPA is planning for the future. GPA's contractor Stanley has advised GPA that the siting of the new power generation plant must be proximate to the GWA Northern District Wastewater Treatment Plant to utilize its tertiary treated wastewater to cool the new power plant, thus eliminating the extraction of up to 3M gallons of water daily from Guam's fresh water aquifer.

There were five responses to the request for statement of interest. The Ukudu Dededo site was selected as the best location. GPA negotiated with the owners and arrived at the price agreed to. The funds will come from the insurance settlement funds that GPA received for the Cabras 3 & 4 plants. Technically, there should not be a ratepayer impact. GPA has submitted the proposed contract of sale to the PUC for approval. For Lot 5010-1NEW, a little over 126,000 square meters, the price is \$47.00 per square meter. For lots 5042-1 and 5042-R1, constituting over 112,000 square meters, the purchase price is \$42.75 per square meter. Counsel recognizes that the PUC is not a real estate appraisal board. However, the PUC does look to determine in a general way whether the price is reasonable and whether the public and the ratepayers are getting proper value for the price.

Rezoning of the lots was authorized by the CCU and the lot owners. On May 16 of this year, Public Law 34-102 was enacted. That Law consolidated the three lots which GPA seeks to purchase, and rezone them from R2 to M1 for the construction and operation of a power generation plant on behalf of the Guam Power Authority.

Counsel has no concerns about the selection process for determining the best location. Public Law 34-102 indicates the nature of the selection process and that the selection process was properly carried out. Of course, this site selection may rule out certain types of power plants such as the power-ship arrangement. Nevertheless, GPA concluded that this site was better than the other sites that were considered, which included the Northern Wastewater Treatment Plant, Tangguisan, and Cabras, Piti. GPA also provided a one-page analysis of the advantages that this particular site has over the others. The Guam Legislature already included language in the Public Law that indicated that Ukudu is the best site. The Legislature referred to the site as "suitable", and that the new plant would be "best sited" within a specific section of the Ukudu area. Counsel interprets this to mean that the Ukudu site was the best site. Counsel wanted to convince the Commission that the price was reasonable.

There were two sets of appraisals. The one from Micronesian Appraisal Associates, GPA's appraiser, came up with \$32.00 and \$26.00 respectively per square meter for the lots. What was agreed to was \$47 and \$42. However, the Seller's appraisal, which was Cornerstone Valuation Guam Inc., indicated a \$51.00 per square meter price for Lot 5010. For the other lots, the 5042 lots there was no appraisal from Cornerstone indicated. However, in its own land acquisition analysis, GPA indicated there was an appraisal for Lots 5042-1 and 5042-R1 at \$45.00 per square meter. The prices agreed to, \$47 per square meter and \$42 per square meter, are intermediary of the appraisals that were given. Counsel cannot conclude that the price agreed to was unreasonable. It is general knowledge that real estate values are increasing in Guam now, in Northern Guam also. Counsel was satisfied by the analysis that GPA obtained appropriate value in terms of the price that they would pick, and that the price is supported by the appraisals. The prices are not exorbitant or inconsistent with the appraisals.

GPA has indicated a number of justifications for the purchase, such as the proximity to the wastewater treatment plant and the use of that water rather than aquifer water. The connections to the Harmon substation are very convenient because of the location of the property. This will reduce costs. The cost analysis of GPA does show convincingly that the lot with the least interconnection cost was selected. GPA has justified the necessity for the purchase of the Harmon property.

The only matter in the Petition which gave Counsel concern was GPA's conclusion that the new combined cycle power plant was essential to the island-wide power system. The PUC had previously held in GPA Docket 15-5 on April 27, 2017, that GPA should consider technologies other than the combined cycle units in the procurement. From what GPA stated in its Petition, it sounded as if it had already decided that it would use

the combined cycle. When GPA was asked about this, its response was that it would not be limited to such technologies but would consider a proposal such as that as Wartsila which has a different technology. What technology will be used in the new generation plant will be addressed in the Step 2 Technical Specifications. For the technical specifications, GPA requires both CCU and PUC approval prior to submitting the specs to bidders. The PUC will have the full opportunity to address the Step 2 technical specifications. However, in the Order, PUC should remind GPA that the Step 2 specifications must be open to technologies other than combined cycle units. The proposed Order would approve the request of GPA to purchase the Ukudu property for the new generation plants and authorize GPA to expend the sum of \$10,788,653.00 from the Cabras 3 & 4 insurance funds.

Commissioner Perez sought to clarify if, for the purchase of the property, GPA had to go through legislation. GPA Counsel Botha indicated that it did not for the purchase of the property; however, GPA went through the legislature to rezone the property from R2 to M1, rather than going through the Guam Land Use Commission. The Chairman asked if this increased the value of the property. GM Benavente indicated that was correct. GPA Counsel Botha indicated that the appraisal value was based on the R2 designation. Now that the property has been rezoned M1 by the Legislature, GPA is preparing a consolidated map showing the M1 designation. Commissioner Niven asked what the vote was in the legislature. GM Benavente indicated that it was 11 to 2, with abstentions.

Commissioner Montinola indicated that, since the Cabras insurance funds were taking care of this property purchase, what was the final number on the insurance funds for Cabras 3 & 4. GPA Counsel Botha indicated that number was previously provided to the PUC. Counsel Botha indicated that total was \$125M. Commissioner Perez confirmed that the zoning of property was changed to M1 after GPA had negotiated the price. GPA Counsel Botha indicated that the contract provided that if the property were not rezoned, GPA would not buy it because it needs M1 property. The Chairman asked whether GPA secured the property at the R2 price. GPA Counsel Botha indicated that was correct. Commissioner Perez confirmed that the price was the R2 price. GM Benavente indicated that another proposal was for \$75 per square meter, where the property was an M1 zone. The Chairman asked whether it was cheaper to transport cooling water from spot A to B, than transporting transmission lines. GPA Counsel Botha confirmed that was correct, by a considerable amount. The transmission lines are closer to the Harmon substation on these lots than the other M1 location.

The Chairman asked whether GPA has an easement from the wastewater treatment plant to this property. GPA Counsel Botha confirmed that there were easements. Commissioner Perez asked what a wastewater treatment plant generates as for the gray water. GPA Counsel Botha indicated that it generated a lot of gray water which GPA would then treat a bit more and use as its cooling system. The water still needs to be treated, but rather than drawing it from the aquifer. The gray water would have to be

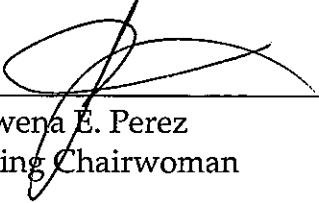
disposed of anyway in the Northern Wastewater Treatment Plant. Commissioner Perez asked what would happen if there were not enough gray water to generate 3M gallons. Wouldn't it be a delicate situation if 3M gallons of water had to be extracted from the aquifer? GPA Counsel Botha indicated that EPA does not allow the power plants anymore to draw water from the ocean, springs or any other lakes or anything else because when the water returns, it heats up the water. At Cabras this work could be deferred because drawing water on the inlet could impact fish that are close to the Cabras outfall. Commissioner Perez asked what the time was for completion of the power plants. GPA Counsel Botha indicated that it was three years. GM Benavente indicated that it could take longer to obtain the contract. GPA is still in the procurement process. Upon motion duly made, seconded and unanimously carried, the Commission approved GPA's purchase of the three lots in Ukudu, Dededo, and authorized it to expend \$10,788,653.00 for said purchase. The Commission adopted the Order made *Attachment "C"* hereto.

GPA GM Benavente, on behalf of GPA and its team, thanked Commissioner Andy Niven for this support. Commissioner Niven indicated that he had appreciated working with GPA.

3. Administrative Matters

Counsel indicated that there was a PUC Resolution, 18-02. It commends Andrew L. Niven for his distinguished and exemplary service as a Commissioner of the Guam Public Utilities Commission. After discussion among the Commissioners, the Chairman announced that the Resolution would be approved. Commissioner Niven again thanked everyone and indicated that he felt very welcomed from the first day. He had seen many Commissions around the Country in his 42 years in this line of work; he indicated that the Guam PUC is probably the most congenial commission he's ever seen. He would stack up the Chairman, the General Counsel and all the Commissioners against any Commission in the Country; it is really a fine body. He has been very impressed, and especially appreciated being so warmly welcomed in as a new comer on the island. He thanked everyone and indicated he would miss them all. The Chairman indicated that everyone would miss Commissioner Niven too.

There being no further administrative matters or business, the Commissioners moved to adjourn the meeting.



Rowena E. Perez
Acting Chairwoman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE., HAGATNA, GUAM
6:30 p.m., May 31, 2018**

Agenda

- 1. Approval of Minutes of April 26, 2018**
- 2. Guam Power Authority**
 - GPA Docket 18-13, Petition to Approve the Piti 8 & 9 Contract Extension with Marianas Energy Corporation, PUC Counsel Report, and Proposed Order**
 - GPA Docket 18-14, Petition for Approval of Purchase of the Harmon Property for New Generation Plant, PUC Counsel Report, and Proposed Order**
- 3. Administrative Matters**
- 4. Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GPA DOCKET 18-13
)

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE PITI 8 & 9 CONTRACT
EXTENSION WITH MARIANAS
ENERGY COMPANY

)
) ORDER
)
)
)
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Review and Approval by the PUC of GPA's Piti 8 & 9 Contract Extension with Marianas Energy Company ["MEC"].¹

BACKGROUND

2. On September 30, 1996, GPA contracted with Enron Development Piti Corp. for a Build, Operate and Transfer project (BOT) to construct the Piti 8 & 9 power plant).²
3. The Marianas Energy Company (MEC) currently manages and operates the plant under the Energy Conversion Agreement (ECA).³
4. Pursuant to paragraph 14 of the Energy Conversion Agreement, ownership of Piti 8 & 9 will be transferred to GPA in January 2019.⁴
5. The Piti 8 & 9 Power Plant contains two slow speed diesel units providing 88MW of production capacity, which is 42% of GPA's total baseload capacity.⁵
6. GPA had intended to solicit for a new IPP contract, but indicates that it was only "recently able to complete a site inspection of the plant performed by specialists in slow speed technology that identifies necessary life extension, safety, and

¹ GPA Petition for Approval of the Piti 8 & 9 Contract Extension with Marianas Energy Company, GPA Docket 18-13, filed April 10, 2018.

² Energy Conversion Agreement for a Diesel Engine Generator Power Station, Piti Project, between GPA and Enron Development Piti Corp., dated September 30, 1996.

³ GPA Petition for Approval of the Piti 8 & 9 Contract Extension with Marianas Energy Company, GPA Docket 18-13, filed April 10, 2018, at p. 1.

⁴ Energy Conversion Agreement for a Diesel Engine Generator Power Station, Piti Project, between GPA and Enron Development Piti Corp., dated September 30, 1996, at p. 24.

⁵ Guam Consolidated Commission on Utilities, Resolution No. 2018-07, Relative to Authorization of Piti 8 & 9 Contract Extension, adopted March 27, 2018, at p. 1.

environmental projects required for optimum plant operation...the delay in this task prevented timely completion of the bid documents and may impact the transition to a new IPP contract prior to the ECA expiration date..."⁶

7. GPA therefore now proposes that it enter into a 5-year contract extension with Marianas Energy Company for its continued management and operation of the power plant beyond January 2019. GPA and MEC have mutually agreed to negotiate a 5-year extension of the contract starting in January 2019 pursuant to Article 32 of the ECA.⁷
8. Section 32 of the ECA provides that "This Agreement may be amended at any time by mutual agreement of the Parties in writing and signed by a duly authorized representative of each Party."⁸
9. The current ECA costs GPA approximately \$30.5M per year. The proposed extension would provide for Fixed O&M estimated fees of \$10.085M annually; Variable O&M estimated fees of \$2.245M annually; and Annual Fixed Recapitalization fees of \$7.067M for projects which GPA believes are needed to ensure plant reliability and the fuel conversion project to comply with USEPA requirements.⁹
10. The Proposed annual cost to GPA under the proposed extension is roughly \$20M per annum.
11. PUC Counsel filed his Report herein on May 22, 2018.

DETERMINATIONS

- A. EXTENSION OF THE EXISTING ENERGY CONVERSION AGREEMENT THROUGH CONTRACT AMENDMENT WILL HELP TO ENSURE CONTINUED OPERATION, MANAGEMENT, AND RELIABILITY OF PITI 8 & 9.

⁶ Id. at p. 1.

⁷ Id. at p. 2.

⁸ Energy Conversion Agreement for a Diesel Engine Generator Power Station, Piti Project, between GPA and Enron Development Piti Corp., dated September 30, 1996, at p. 37.

⁹ GPA Petition for Approval of the Piti 8 & 9 Contract Extension with Marianas Energy Company, GPA Docket 18-13, filed April 10, 2018, at p. 1.

12. GPA has provided reasonable justifications as to why it requires MEC to continue to manage, operate and maintain the Piti 8 & 9. GPA does not have the staff to manage, operate and maintain the plants itself.¹⁰
13. Although GPA would own the plant after January 2019, under the proposed contract extension, its personnel will not be responsible for the management and operation of the plant. Those tasks will be undertaken solely by Marianas Energy Corporation.
14. It is crucial to GPA that Piti 8 & 9 power plant continue to operate and provide 88MW of production capacity until GPA's new generation plants are online. This proposed contract extension will help to ensure that the Piti 8 & 9 plants continue to operate in the hands of an experienced contractor that has maintained high plant efficiency and reliability in the past.
15. As GPA indicates, it "only requests for an extension of the current contract to ensure continued reliability of the plant by the current contractor until GPA can commission the new power plant."¹¹
16. A concern has been raised as to whether there should be a contract extension, or if GPA should bid out this matter.
17. The ECA clearly gives the Parties the right to "amend" the agreement by mutual agreement of the Parties. The agreement in no manner places any restrictions upon the parties regarding the amendment power. It is a broad, unlimited power.
18. In light of the broad amendment power granted to the parties under the agreement, and the Commission's longstanding view that it does not function as a procurement board, GPA should not be prohibited from amending the agreement or be required to issue a bid or RFP.
19. For GPA to put this matter out to bid now could result in disruption of plant operations. The remaining time period before transfer of plant ownership in January 2019 does not allow enough time for the bid process and a transition period, if a new plant operator were selected.

¹⁰ Guam Consolidated Commission on Utilities, Resolution No. 2018-07, Relative to Authorization of Piti 8 & 9 Contract Extension, adopted March 27, 2018, at p. 1.

¹¹ GPA Responses to First Set of PUC Requests for Information, dated April 19, 2018, at Question 4.

20. The bid process itself could lead to uncertainty as to which contractor would continue to operate and manage the plant. With MEC, GPA knows that it is getting an experienced plant operator that has successfully operated the plant for 20 years.
 21. For continuity and assurance of stability in plant operation, extension of the contract with MEC has an inherent logic. Any disruption in the operation of those plants would endanger the ability of the IWPS to provide the necessary generation capacity.
 22. Until GPA's new plants become operational, Piti 8 & 9 must continue to be operated as baseload plants. Thereafter GPA will likely reduce reliance upon such plants and operate them more in the nature of peaking units.¹²
- B. SALE OF THE PITI 8 & 9 PLANTS AT THE PRESENT TIME IS NOT A PRACTICAL OR DESIREABLE OPTION.
23. The question arises as to whether it would be advantageous for GPA to sell the Piti 8 & 9 assets to an IPP and have the IPP be responsible for all aspects of maintaining and operating the plant.
 24. GPA believes that the sale of the Piti plants would not be cost effective.¹³
 25. From a practical viewpoint, GPA could not sell the Piti plants until January 2019, when title will be transferred to it. GPA would have to put any such sale out to bid and would have to incorporate the plant assessments that it has undertaken into a bid.
 26. Another potential problem with a sale is that, if GPA did not own the plants, there could be difficulty in verifying if the Purchaser had completed all agreed-upon investments to the standards GPA requires. These shifted costs, risk premiums, and profit would all be shouldered by GPA customers in the form of fees to the purchaser for energy supply to GPA.¹⁴
 27. A specific problem with sale of the units will be the change in operation, within the next 3-5 years, from baseload to intermediate load (after the new generation plants

¹² GPA's Response to the Second Set of PUC Requests for Information, filed May 11, 2018, at Question 1.

¹³ GPA's Response to the Second Set of PUC Requests for Information, filed May 11, 2018, at Question 2.

¹⁴ Id. at Question 4.

are operational). As GPA states: "even if sold at the current unit conditions and operating parameters, uncertainty regarding future operating parameters may impact the cost of selling the units, with the tendency for purchasers to provide high prices to cover for uncertainties in future operations vs. recovery of financial capital."¹⁵

28. With a bid process for any proposed sale, protests could occur, and uncertainty result concerning what entity would own and operate a plant that is crucial to the continued operation of the island wide power system.
29. For the foregoing reasons, GPA should not be required to consider a sale for Piti 8 & 9 at the present time.
- C. GPA'S CAPITAL INVESTMENT PLAN/RECAPITALIZATION FEES FOR THE PITI 8 & 9 PLANTS SHOULD BE APPROVED, WITH THE EXCEPTION OF THE FUEL RETROFIT/CONVERSION.
30. GPA has submitted a proposed Capital Investment Plan as Attachment A to its petition. This plan proposes a 5-year "recapitalization fee" for the Piti 8 & 9 plants. The total amount for the plan is \$35,334,484. As the plant owner, GPA would pay such amount over the five-year period.
31. GPA and MEC have agreed that the amount of \$35,334,484 is necessary to properly operate and maintain the plants during the period. Included are capital improvement and performance improvement projects, equipment replacement and repair, major overhaul, cost of money (4% of subtotal) and "EPC O & M Fee (10% of sub-total).
32. The recapitalization amounts were requested by MEC and its consultant BWSC. The amount was reviewed by GPA and its consultant Leidos. GPA Sub-consultant Valhalla Technical Consultants LLC prepared a "Service Report" on the Plant Condition Survey of Piti Plants 8 & 9 and determined that upgrades and modifications would need to be made on the plants in the upcoming years.¹⁶
33. With one exception, the recapitalization fee requested has been adequately reviewed and justified.

¹⁵ Id. at Question 1.

¹⁶ Excerpts of the draft of Valhalla Technical Consultants Plant Condition Survey of Piti Plants 8 & 9, Service Report, dated February-March 2018.

34. The recapitalization fee includes the expenditure of \$16,022,512 for the “retrofit from BWSC”, which is the amount for fuel conversion from RFO to ULSD. GPA has long contended that conversion of the Piti 8 & 9 plants from use of RFO to ultra-low sulfur diesel or LNG is necessary to comply with the federal RICE MACT rules.¹⁷
35. GPA has not yet finalized any consent decree with USEPA regarding retrofit of Piti Plants 8 & 9. GPA has previously agreed that any such consent decree will be submitted to the PUC for final review and approval before it is entered into with USEPA.
36. There has been no final determination by PUC as to whether such retrofit expense is reasonable or necessary. GPA can still negotiate this issue with USEPA.
37. GPA’s own subcontractor Valhalla questions the efficacy of the retrofit/conversion proposed by GPA: “as for the LNG/gas conversion, an optimistic timeline to get gas on the island is probably 3-5 years from now, whereby the engines will be approaching 25 years of operation. There are currently none of these engine types that have been converted (or currently operating on) gas, whereby the engineering and manufacturing would need to be done for these two engines only. This would make the project extremely expensive, and it with an estimated remaining lifetime of 5-10 years for these engines, this conversion would not be economical (sic) feasible in any way.” (emphasis added).¹⁸
38. There is no need for the PUC to approve the fuel conversion plan at the present time. The PUC can consider this issue in more detail prior to 2022.
- D. GPA SHOULD NOT BE REQUIRED TO IMPLEMENT “CARBON CAPTURE” TECHNOLOGY FOR THE PITI 8 & 9 PLANTS.
39. A final issue for consideration concerns what is referred to as “carbon capture” technology. The issues are whether use of such technology would render it unnecessary for GPA to retrofit the Piti 8 & 9 plants, and whether GPA should be required to implement such technology.

¹⁷ GPA’s Response to the Second Set of PUC Requests for Information, filed May 11, 2018, at Questions 10-16.

¹⁸ Excerpts of the draft of Valhalla Technical Consultants Plant Condition Survey of Piti Plants 8 & 9, Service Report, dated February-March 2018, at page 9 of 118.

40. One of the potential bidders for GPA new generation (Kar Power Ship) has suggested that it may be unnecessary for GPA to retrofit the Piti 8 & 9 plants, and that another type of technology known as “carbon capture” could be more effectively utilized.¹⁹
41. Carbon Capture technology involves a process whereby CO₂ is converted to methanol. The first such plant is the George Olah Renewable Methanol Plant in Iceland, which was commissioned in 2012. It converts CO₂, the source of which is a Geothermal Plant, to 4,500 tons of methanol annually.²⁰
42. Another 1MW pilot project plant for conversion of CO₂ to methanol is being constructed in Germany.²¹
43. However, GPA’s consultants cite a 2015 article in Power Engineering International (PEI) that states: “Although a tried-and-tested process, direct methanol synthesis has not as yet been used in combination with a utility power plant and under load-flexible operation.”²²
44. GPA’s EPCM Consultant, Stanley Consultants, has advised GPA that this technology is “still in development.”²³
45. GPA posits that it is extremely unlikely that the carbon capture process can lead to the creation of saleable by-products which have economic value. It points out that the Kar Power Ship has requested that GPA fund a feasibility study concerning the carbon technology which could cost ratepayers \$3M.²⁴
46. According to GPA, it is likely that the carbon capture technology is in its early phases and may take several more years before it can be applied on an

¹⁹ GPA’s Response to the Second Set of PUC Requests for Information, filed May 11, 2018, at Questions 10-16.

²⁰ Id.

²¹ Id.

²² Id.

²³ Id.

²⁴ GPA’s Response to the Second Set of PUC Requests for Information, filed May 11, 2018, at Question 9.

industrial/utility level. There are great uncertainties as to whether this technology can be applied at the volumes and concentrations necessary for power plants.²⁵

47. Stanley Consultants, based upon a study of another GPA consultant TRC Environmental Corporation, finds that the carbon capture technology is not presently cost effective.²⁶ GPA should not be required to expend amounts for the study of this technology or to implement it, since the technology does not appear to be proven at the present time.
48. GPA has not yet submitted a final contract to implement the proposed contract extension. Once GPA has prepared such contract extension, it should be submitted to the PUC for final approval.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Review and Approval by the PUC of GPA's Piti 8 & 9 Contract Extension with Marianas Energy, 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. The extension of the contract with Marianas Energy Company for the Piti 8 & 9 Plants is approved, subject to final review and approval by the PUC of the contract form.
2. GPA's Capital Investment Plan and proposed 5-year "recapitalization fee" for the Piti 8 & 9 plants are approved, with the exception of the retrofit/fuel conversion from BWSC.
3. When GPA finalizes its contract extension, it should submit the same for final review and approval by the PUC.
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 the PUC's regulatory fees and

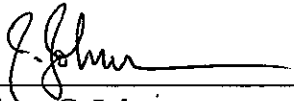
²⁵ Id. at Question 11.

²⁶ Id.

Order
GPA Petition to Approve the
Piti 8 & 9 Contract Extension with MEC
GPA Docket 18-13
May 31, 2018

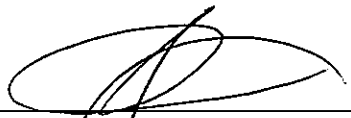
expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 31st day of May, 2018.




Jeffrey C. Johnson
Chairman

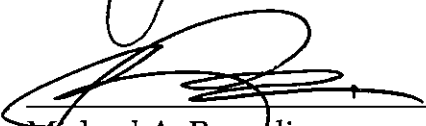
Joseph M. McDonald
Commissioner



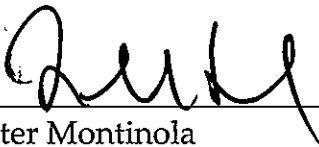
Rowena E. Perez
Commissioner



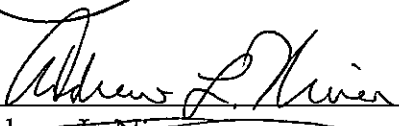
Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 18-14)

THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR APPROVAL)
TO PURCHASE THE HARMON)
PROPERTY FOR NEW GENERATION)
PLANTS.)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Review and Approval of the Purchase of the Harmon Property for the New Generation Plants.¹
2. GPA seeks approval of its Contract of Sale to purchase three Lots in Ukudu, Dededo, Lots 5010-1-NEW, 5042-1, and 5042-R1, with an approximate area of 239,744 square meters, for \$10,788,653.00.²

BACKGROUND

3. On June 13, 2017, GPA published a Statement of Interest seeking to acquire up to 60 acres of unimproved real property to construct and operate a 180MW power generation plant.³
4. GPA's EPC Contractor [Stanley Consultants] determined that the siting of the new power generation plant "must be proximate to the GWA Northern District Waste Water Treatment Plant to utilize its tertiary treated wastewater to cool the new power plan thus eliminating the extraction of up to 3 million gallons of water daily from Guam's fresh water aquifer..."⁴
5. GPA received five responses to its Statement of Interest on July 3, 2017; the combined proposal of Lots 5010-1-NEW, 5042-1, and 5042-R1, Ukudu, Dededo, were

¹ GPA Petition for Review and Approval of the Purchase of the Harmon Property for the New Generation Plants, GPA Docket 18-14, filed May 18, 2018.

² Id. at p. 1.

³ Guam Consolidated Commission on Utilities Resolution No. 2017-42, Relative to Authorizing GPA to Acquire Real Property for 180MW Power Generation Plant, adopted October 13, 2017, at p. 1.

⁴ Id. at p. 1.

determined to be the best suited location for the new power generation plant due to the reduced transmission costs.⁵

6. GPA negotiated with the property owners and issued an offer to purchase the aforementioned lots at a cost of \$10,788,653.00.⁶
7. GPA's offer was accepted on October 2, 2017.⁷
8. GPA has identified the funding for the purchase of the lots from the Cabras 3 & 4 insurance proceeds to acquire the real property for the 180MW power generation plant.⁸
9. GPA has submitted its CONTRACT OF SALE for the purchase of the aforementioned properties to the PUC. The purchase price for Lot 5010-1-NEW, constituting 126,964 square meters, is \$47.00 per square meter; for Lots 5042-1 and 5042-R1, constituting 112,780 square meters, the purchase price is \$42.75 per square meter.⁹
10. The Guam CCU authorized the General Manager of GPA to commence rezoning efforts, with the goal of rezoning the purchased land from Multiple Dwelling Zone (R2) to Light Industrial Zone (M1) to allow for the construction and operation of GPA's new power generation plant.¹⁰
11. On May 16, 2018, Public Law 34-102 was enacted. This law consolidated Lot Nos. 5010-1-NEW, 5042-1, and 5042-R1, and rezoned them from R2 to M1 for the construction and operation of a power generation plan on behalf of the Guam Power Authority or its successor.¹¹

⁵ Id.

⁶ Id.

⁷ Id. at p. 3.

⁸ Id.

⁹ Contract of Sale, dated October 2017, by and between Guam Power Authority and various owners of record; GPA filed a Contract of Sale with the PUC on May 18, 2018.

¹⁰ Guam Consolidated Commission on Utilities Resolution No. 2017-42, Relative to Authorizing GPA to Acquire Real Property for 180MW Power Generation Plant, adopted October 13, 2017, at p. 1.

¹¹ Public Law 34-102, "An Act to Consolidate and Rezone Lot Nos. 5010-1-NEW, 5042-1, and 5042-R1 in the Municipality of Dededo from Multiple Dwelling Zone (R2) to Light Industrial Zone (M1) to allow for the Construction and Operation of a Power Generation Plant on behalf of the Guam Power Authority or its Successor, enacted May 16, 2018 (lapsed into law without approval of the Governor).

12. PUC Counsel submitted his Report in this Docket on May 29, 2018.¹²

DETERMINATIONS

13. The process by which GPA selected the land parcels for its new generation plant was conducted in a fair and open manner. As stated by the Guam Legislature in PL 34-102, GPA issued a statement of interest that was published in local newspapers. Multiple offers were received, and GPA allowed open dialogue with owners or their representatives concerning the acquisition process. Title and appraisal information was obtained by GPA, and a purchase Contract was subsequently negotiated.¹³
14. An important issue concerns whether Ukudu, Dededo is the best site or location for GPA's proposed 180MW power plant. For various reasons, GPA has concluded that the proposed Ukudu location is superior to three other possible sites, Northern WWTP, Tanguissan, and Cabras-Piti.¹⁴
15. GPA's analysis for determining that Ukudu is the best location is attached to the PUC Counsel Report as Exhibit "A"; it outlines various advantages to the proposed Ukudu location, such as low Tsunami and Storm Surge Risk, good environmental permitting prospects, ability to serve central and northern areas, adequacy of space to build a power plant, and low location development costs.
16. In Public Law 34-102, the Guam Legislature has already determined that the site selected by GPA for its new generation plants, the Ukudu area, is "suitable" and the "best" site.
17. Since the Legislature has already determined that the Ukudu site is the "best" site, it would not appear to be appropriate for the Guam PUC to further consider the issue or to "second-guess" the Legislature upon its determination.

¹² PUC Counsel Report, GPA Docket 18-14, dated May 29, 2018.

¹³ Public Law 34-102.

¹⁴ New 180-Megawatt Power Plant, Updated Informational Briefing to Guam Visitors Bureau Board of Directors, by John Benavente, General Manager, and Tricee P. Limtiaco, Asst. General Manager, Administration, dated May 10, 2018.

18. On May 25, 2018, GPA submitted Appraisals for the subject lots.¹⁵ The Appraisal by Micronesian Appraisal Associates Inc. indicated that Lot 5010-1-NEW, consisting of 126,964 square meters, had a market value of \$4,130,000; the second Appraisal indicated that Lot 5042, consisting of 112,780 square meters, had a market value of \$2,940,000. According to Micronesian Appraisal Associates, the total value of the property to be purchased by GPA would be \$7,070,000, or \$32 and \$26 per square meter respectively.
19. GPA also submitted the Sellers' Appraisal from Cornerstone Valuation Guam Inc., which indicated that Lot 5010-1-NEW had a market value of \$6,510,000, or \$51 per square meter.¹⁶
20. GPA clearly negotiated with the Sellers concerning the purchase price for Lot 5010-1-NEW. The MAA Appraisal was \$32 per square meter, whereas the Cornerstone Appraisal was \$51 per square meter. An average would be \$41.50 per square meter. The sales price of \$47 per square meter is certainly within a range of acceptable valuations.
21. Lots 5042-1 and 5042-R1 were purchased by GPA for \$42 per square meter. GPA's Land Acquisition Analysis indicates that Lots 5042-1 and 5042-R1 were appraised at \$45 per square meter. See Exhibit "B" to PUC Counsel Report. Again, this price would appear to be within a range of acceptability.
22. The second-best option land proposal which GPA was considering was an M1 property selling in the \$60 per square meter range. GPA has already increased the value of the land it proposes to purchase by obtaining legislative rezoning from R2 to M1 zone.¹⁷
23. The purchase price agreed to by GPA, \$10,788,653.00, appears to be reasonable and justified.

¹⁵ Email from GPA Counsel Graham Botha to PUC Counsel, with Micronesian Appraisal Associates Inc. Appraisals for Lots 5010-1-NEW and Lot 5042 attached.

¹⁶ Email from GPA Counsel Graham Botha to PUC Counsel, with Cornerstone Valuation Guam, Inc.'s Appraisal for Lot 5010-1-NEW attached.

¹⁷ Telephone conversation between GPA Counsel Graham Botha and PUC Counsel Fred Horecky on May 28, 2018.

24. In addition to legislative authorization, GPA has given a number of justifications for the purchase of the Ukudu property. The purchase of the property for the new generation is alleged to be essential to the island wide power system. The proximity of the property to the northern WWTP will facilitate the availability of tertiary treated wastewater to cool the new power plant thus eliminating the need for the 3M gallons of water daily from Guam's fresh water aquafer.¹⁸
25. The proposed site location will reduce costs related to transmission lines, construction, operations and maintenance. The proximity of the property to the GPA Harmon Substation will also promote maximum system reliability.¹⁹ See also Exhibit "B" attached to the PUC Counsel Report.
26. GPA has justified the necessity for the purchase of the Harmon property.
27. In its Petition, GPA concludes that "the new combined cycle power plant is essential to the island wide power system..."²⁰ However, by specifically referring to the essential nature of a combined cycle power plant, GPA appears to indicate that it has already decided that the "combined cycle power plant" will be the selected option.
28. GPA's statement concerning combined cycle plants appears to be contrary to the PUC Order in GPA Docket 15-05, dated April 27, 2017, which required that "GPA consider technologies other than combined cycle units in the procurement for new generation..."²¹
29. In its Response to a PUC Request for Information concerning this issue, GPA stated: "...GPA intends to accommodate at the Harmon property the new generation power plant, which will be able to supply baseload power to GPA and may include

¹⁸ Guam Consolidated Commission on Utilities Resolution No. 2017-42, Relative to Authorizing GPA to Acquire Real Property for 180MW Power Generation Plant, adopted October 13, 2017, at p. 1.

¹⁹ Public Law 34-102, an Act to Consolidate and Rezone Lot Nos. 5010-1-NEW, 5042-1, and 5042-R1 in the Municipality of Dededo from Multiple Dwelling Zone (R2) to Light Industrial Zone (M1) to allow for the Construction and Operation of a Power Generation Plant on behalf of the Guam Power Authority or its Successor, enacted May 16, 2018 a lapse into law, at Section 1, p. 2.

²⁰ GPA Petition for Review and Approval of the Purchase of the Harmon Property for the New Generation Plants, GPA Docket 18-14, filed May 18, 2018, at p. 2.

²¹ PUC Order, GPA Docket 15-05, dated April 27, 2017.

but not be limited to such technologies as reciprocating engines (e.g. Wartsila and others) and combined cycle plants. GPA has made no determination as to which technology will be at the new generation plant, and this will be addressed in the Step 2 technical specifications for the new generation plant. For the technical specifications, GPA requires both CCU and PUC approval prior to submitting to bidders.”²²

30. GPA is hereby reminded that its Step 2 technical specifications for new generation proposals must be open to all technologies, including those other than combined cycle units, that can provide reliable and cost-efficient baseload generation.

ORDERING PROVISIONS

After review of the record herein, GPA’s Petition for Review and Approval by the PUC of the Purchase of the Harmon Property for the New Generation Plants, 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:

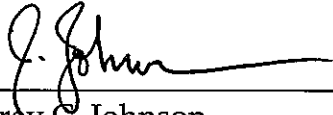
1. GPA’s request to purchase the Ukudu, Dededo property for the new generation plants, as set forth in its Petition, is approved.
2. GPA is authorized to enter into the proposed CONTRACT OF SALE.
3. GPA is authorized to expend, from Cabras 3 & 4 insurance funds, the sum of \$10,788,653.00, for such purchase.
4. GPA is hereby reminded that its Step 2 technical specifications for new generation proposals must be open to all technologies, including those other than combined cycle units, that can provide reliable and cost-efficient baseload generation.
5. 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 the PUC’s regulatory fees and

²² Email from GPA Counsel to the PUC dated May 25, 2018, responding to PUC RFIs 6 & 7.

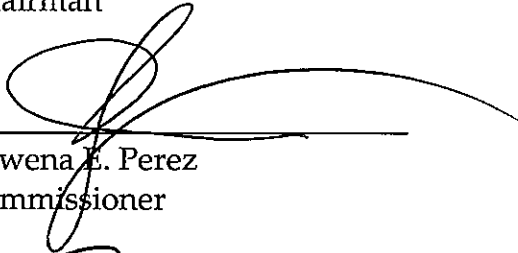
Order
Approval for the Purchase
of the Harmon Property for
the New Generation Plants
GPA Docket 18-14
May 31, 2018

expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

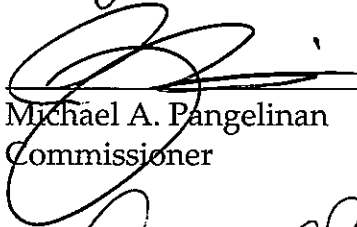
Dated this 31st day of May, 2018.



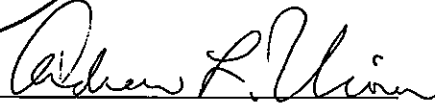
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner

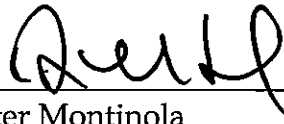


Andrew L. Niven
Commissioner

Joseph M. McDonald
Commissioner



Filomena M. Cantoria
Commissioner



Peter Montinola
Commissioner