

GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
October 25, 2018  
Suite 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:35 p.m. on October 25, 2018, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Cantoria, Pangelinan, 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 Chairperson announced that the first item of business on the agenda was approval of the minutes of September 27, 2018. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

**2. Guam Power Authority**

The Chairperson announced that the next item on the agenda was Guam Power Authority [GPA], GPA Docket 19-01, GPA Petition for approval of GPA's procurement of Bulk Storage Fuel Tanks Inspection and Refurbishment, Administrative Law Judge [ALJ] Report, and Proposed Order. GPA maintains and operates Bulk Storage Fuel Tanks that must be inspected regularly to comply with federal regulations and U.S. Environmental Protection Agency requirements. GPA also submitted a 2016 report for its in-service Bulk Storage Fuel Tank Inspections recommending that GPA conduct out-of-service inspections for the bottom and shells of its Bulk Storage Fuel Tanks after five-years, and that the roofs of those tanks undergo an out-of-service inspection after three years. However, GPA has not conducted any out-of-service inspections of its Bulk Storage Fuel Tanks since 2007.

The ALJ stated that the technical specifications of the proposed procurement requires these out-of-service inspections, any necessary repairs, and the internal and external painting for GPA Bulk Storage Fuel Tanks 1934 and 1945, and it requires surface and leak detection assessments for GPA's tank farm. GPA estimates the cost for the work on Bulk Storage Fuel Tanks 1934 and 1945 will be \$3.7 million each, and it estimates the work for the GPA's tank farm to be \$500,000, for a total estimated cost of approximately \$8 million, which GPA plans to pay using insurance proceeds from Cabras 3 and 4. The CCU has approved this proposed procurement and the ALJ recommends that the PUC approve the proposed procurement. Commissioner Montinola moved to approve GPA's procurement of Bulk Storage Fuel Tanks Inspection and Refurbishment, which motion was seconded by Commissioner Pangelinan. The motion carried unanimously.

The Chairperson announced that the next item of business was GPA Docket 19-02, requesting approval of GPA's proposed procurement for a new Ultra Low Sulphur Diesel [ULSD] Pipeline System, ALJ Report, and Proposed Order. Currently, only the Piti 7 power plant is using ULSD which GPA has to transport via truck to the plant from its storage tanks and the ULSD pipeline will enable this plant to be supplied with ULSD fuel via pipeline. GPA must also comply with laws and regulations that require the use of ULSD in its other power plants by 2021 and the proposed procurement for the ULSD pipeline is necessary to comply with these laws and regulations. The proposed ULSD pipeline will begin at the F1 Dock where it will tie-in to the Piti 7,8, and 9 power plants, and it will also tie in to GPA Bulk Storage Fuel Tanks 1934 and 1935. The ULSD pipeline is also necessary because the second portion of the pipeline will extend from those bulk storage fuel tanks to GPA's future combined cycle power plants that will be constructed in Harmon, Guam, and the cost of that second portion of the pipeline will be paid as part of the construction of those power plants. GPA estimates the cost of the proposed procurement of a ULSD pipeline from the F1 dock to tie-ins for the Piti 7,8, and 9 power plants and to tie-ins for GPA Bulk Storage Tanks 1934 and 1935 is approximately \$5.9 million.

The ALJ stated that GPA will experience cost savings as a result of the construction of the pipeline because it will not have to pay for the higher costs of supplying Piti 7's ULSD fuel via truck. GPA's legal counsel also stated that GPA will not have to acquire any additional easements to install the new ULSD pipeline because it will be installed within existing GPA easements and he stated that the pipeline would have to be used exclusively for the transmission of ULSD fuel. The ALJ recommended that the PUC approve the proposed procurement. Commissioner Montinola moved to approve GPA's procurement of a new ULSD Pipeline System, which motion was seconded by Commissioner Cantoria. The motion carried unanimously.

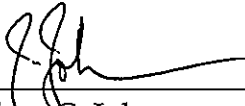
The Chairperson announced that the next item of business on the agenda was GPA Docket 19-03, Petition to Approve Property Insurance Contract, PUC Counsel Report, and Proposed Order. GPA's Bond Indentures require GPA to have insurance of a scope and nature that is usually carried in the industry. GPA's current Property Insurance will expire on October 31, 2018. PUC had previously approved the proposed solicitation for GPA's Property Insurance which was issued by GPA. GPA only received one bid from DB Insurance Company, Ltd., by and through its local agent AM Insurance. The cost of the insurance contract is \$4,355,000 for each of the next three years, with two options to renew for one year. The contract also has an option to increase the property insurance coverage from \$200 million to \$300 million per year for and additional \$100 thousand per year. The CCU approved the contract and authorized GPA's management to exercise the option to increase the property insurance coverage from \$200 million to \$300 million per year so the total annual cost of the property insurance contract will be \$4,455,000 each year for the next three years.

Counsel indicated that GPA's current property insurance premium is \$6,450,000 and the new property insurance contract, after GPA exercises its option to increase the insurance coverage from \$200 million to \$300 million, will result in a cost savings of \$1,995,000 for the three years. Counsel recommends that the PUC approve GPA's Property Insurance Contract with DB Insurance Company Ltd., by and through its local agent AM Insurance. Commissioner Montinola moved to approve the contract, which motion was seconded by Commissioner Perez. The motion carried unanimously.

### 3. Administrative Matters

The Chairperson indicated that the next item of business was GPA Docket 19-04, Petition for Modification of Current Net Metering Rider, which was submitted for informational purposes only at this time. The ALJ informed the Commissioners that GPA filed a petition seeking to change the credit that its net metering customers currently receive. The existing net metering credit was approved by the PUC in 2009 and requires GPA to issue a one for one credit, i.e., if a net metering customer produces 1 kilowatt of solar power, that customer would receive a 1 kilowatt credit from GPA. The ALJ stated that he retained the PUC's consultant Daymark for this project and that ALJ estimates that the matter will likely be ready for PUC action at the PUC's January, 2019 meeting, and that this matter would likely require a public hearing.

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

  
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Jeffrey C. Johnson  
Chairperson

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
SUITE 202, GCIC BUILDING  
414 W. SOLEDAD AVE., HAGATNA, GUAM  
6:30 p.m., October 25, 2018**

**Agenda**

- 1. Approval of Minutes of September 27, 2018**
- 2. Guam Power Authority**
  - **GPA Docket 19-01, Application requesting Approval of the Procurement for Bulk Storage Fuel Tanks Inspection and Refurbishment, ALJ Report, and Proposed Order**
  - **GPA Docket 19-02, Application requesting Approval of the Procurement for a New ULSD Pipeline System, ALJ Report, and Proposed Order**
  - **GPA Docket 19-03, Petition for Approval of Property Insurance Contract, PUC Counsel Report, and Proposed Order**
- 3. Administrative Matters**
  - **GPA Docket 19-04, Petition for Modification of Current Net Metering Rider (for Informational Purposes only at this time)**
- 4. Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



REQUEST FOR APPROVAL OF THE )  
PROCUREMENT FOR BULK )  
STORAGE FUEL TANKS INSPECTION )  
AND REFURBISHMENT )  
\_\_\_\_\_ )

GPA DOCKET 19-01

ORDER

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the October 4, 2018 Petition for Approval of the Procurement for Bulk Storage Fuel Tanks Inspection and Refurbishment (the “Petition”), filed by the Guam Power Authority (“GPA”).

On October 23, 2018, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

**DETERMINATIONS**

GPA currently maintains and operates bulk storage fuel tanks, which are managed by Isla Petroleum and Energy Holdings, LLC (IP&E), and which are used to supply fuel to GPA’s base load units. According to GPA, it is required by the United States Environmental Protection Agency (“U.S. E.P.A.”) to ensure that the tanks comply

with certain federal regulatory requirements.<sup>1</sup> GWA submitted that the last time the tanks underwent internal inspection and were refurbished was back in 2007.<sup>2</sup>

On September 25, 2018, the Guam Consolidated Commission on Utilities (the “CCU”), through CCU Resolution No. 2018-20, authorized GPA to issue bids to procure a contractor to inspect and provide repairs to the bulk storage fuel tanks.<sup>3</sup>

**A. Contract Review Protocol**

Pursuant to 12 G.C.A. § 12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Furthermore, GPA’s Contract Review Protocol requires that “[a]ll professional service procurements in excess of \$1,500,000” require “prior PUC approval . . . which shall be obtained before the procurement process is begun.”<sup>4</sup>

**B. GPA’s Petition for Approval of Invitation to Bid**

In its Petition, GPA maintained that it is required by U.S. E.P.A. to ensure that the tanks comply with certain federal regulatory requirements. According to GPA, “40 C.F.R. § 112.8(c)(6) requires owners or operators to test or inspect each aboveground container for integrity on a regular schedule and whenever material repairs are made. . . . The appropriate industry standard for internal tank inspections of the Facility is API 653,

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

<sup>2</sup> Petition, p. 1.

<sup>3</sup> Petition, p. 2 and “Exhibit A.”

<sup>4</sup> GPA’s Contract Review Protocol (“GPA CRP”), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

which generally recommends internal inspections every 10 years.”<sup>5</sup> GPA submitted that the last time these tanks underwent out-of-service inspection was in 2007.

Additionally, in its filings, GPA submitted a report regarding an in-service tank inspection and corresponding certificate of tank structural integrity, which was prepared by Island CERTS Corporation (“Island CERTS”) in December, 2016. This report detailed an in-service inspection of both tanks, which included ocular findings and observations, as well as recommendations. For both tanks, Island CERTS recommended that GPA perform an out-of-service inspection of the tank bottom and tank shell after five (5) years. For the tank roof, Island CERTS recommended an out-of-service inspection after three (3) years.

GPA maintained that once the out-of-service and internal inspection and refurbishing of the bulk storage fuel tanks are completed, such tanks will be utilized to store the ultra-low sulfur diesel fuel oil to supply Piti Power Plant No. 7; as well as Piti Power Plant Nos. 8 and 9, after the ultra-low sulfur diesel (“ULSD”) conversion, and the proposed 180MW power plant.<sup>6</sup>

**C. Invitation to Bid Related to Fuel Farm and Bulk Storage Facility**

In the instant procurement, GPA intends to solicit bids for “out of service inspection and refurbishment services” for its Bulk Storage Fuel Tanks 1934 and 1935. Based on the technical specifications submitted by GPA, the contractor will be required to

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<sup>5</sup> Email from G. Botha, GPA Legal Counsel, to J. Alcantara, PUC Administrative Law Judge (Oct. 22, 2018).

<sup>6</sup> Petition, “Exhibit A.”

perform “out of service, non-destructive tank integrity testing inspection” on Tanks 1934 and 1935, each in turn. The contractor will also be required to repair any tank defects, and repaint the internal and external surfaces of the tanks, including appurtenances.

Specifically, after IP&E removes residual fuel oil down to eighteen (18) inches from the bottom of the tank, the contractor will be required to drain, remove, and dispose of any oil, water and sludge remaining in the tanks. The contractor will also remove any toxic gases in the tanks. Thereafter, the contractor will clean the interior of the tanks, sandblast the entire tank (both interior and exterior); and then, a certified inspector will assess the condition of the tanks and provide technical recommendations.

The contractor will also be required to perform repairs based on the report of the inspector. After any repairs are performed, the contractor must repaint both the interior and exterior of the tanks; and then perform a full hydrostatic test.<sup>7</sup>

With respect to the tank farm, the contractor will perform a cathodic protection system assessment, which will assess surface corrosion; and a leak detection assessment. The contractor will also provide an upgrade to the liquid level sensors, repairs to the oil-water separators, and replacement of a 5,000 gallon ULSD tank.

According to GPA, the proposed procurement was prepared by GPA, utilizing prior inspections as a baseline for the cost estimates. Further, the Bid Requirements and the proposed contract contain the standard protections that GPA includes in its procurements.

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<sup>7</sup> A hydrostatic test is a way in which pressure vessels such as pipelines, plumbing, gas cylinders, boilers and fuel tanks can be tested for strength and leaks.



**D. Cost**

GPA estimates that the total cost of the entire project is \$8,000,000.<sup>8</sup> Specifically, the estimated cost of the work related to both Tank 1934 and Tank 1935 is \$3,728,700 each, for a total estimated cost of \$7,457,400.00.<sup>9</sup> Lastly, the estimated cost for the work related to the tank farm system is \$542,800.00.<sup>10</sup> GPA submitted that the funding source for the entire project will be programmed under the Cabras 3 and 4 insurance proceeds.<sup>11</sup> GPA submitted that the use of the insurance proceeds is appropriate since the contract relates to GPA's fuel system.

**E. CCU Resolution No. 2018-20**

The Petition is supported by CCU Resolution No. 2018-20 issued by the CCU at its September 25, 2018 meeting (the "Resolution"). In the Resolution, the CCU found that the tanks, appurtenances, and auxiliary equipment are required to be assessed and refurbished in order to comply with U.S. E.P.A. regulations.<sup>12</sup> In addition, it further found that the last time the tanks underwent inspection and were refurbished was back in 2007.<sup>13</sup> Accordingly, through the Resolution, the CCU authorized GPA to solicit

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<sup>8</sup> Petition, p. 1; CCU Resolution No. 2018-20, p. 1.

<sup>9</sup> CCU Resolution No. 2018-20, p. 1 ("Exhibit A").

<sup>10</sup> CCU Resolution No. 2018-20, p. 1 ("Exhibit A").

<sup>11</sup> CCU Resolution No. 2018-20, p. 1.

<sup>12</sup> CCU Resolution No. 2018-20, p. 1.

<sup>13</sup> CCU Resolution No. 2018-20, p. 1.

competitive bids for the Fuel Farm and Bulk Storage Facility inspection and refurbishing project.<sup>14</sup>

### CONCLUSION

Based on the documentation provided by GPA, the ALJ found that GPA is required to ensure that the tanks comply with certain industry safety standards and federal regulatory requirements set by the U.S. E.P.A., which recommend internal (out-of-service) inspections every ten (10) years. The last time the tanks were inspected and refurbished was in 2007, more than ten (10) years ago. An in-service inspection report performed by Island CERTS also recommended an out-of-service inspection of the tank parts ranging from three (3) to five (5) years.

The ALJ further found that the Procurement Documents and proposed contract are adequate to protect the interests of GPA and its ratepayers. The ALJ, therefore, found the instant procurement to be reasonable, prudent, and necessary.

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA's Petition. Accordingly, GPA should be authorized to issue an Invitation to Bid related to the procurement of Bulk Storage Fuel Tanks Inspection and Refurbishment.

The Commission hereby adopts the findings made in the October 23, 2018 ALJ Report, and therefore, issues the following:

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<sup>14</sup> CCU Resolution No. 2018-20, p. 2.

### **ORDERING PROVISIONS**

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED and GPA is authorized to issue an Invitation to Bid related to the procurement of Bulk Storage Fuel Tanks Inspection and Refurbishment.

2. Once GPA selects a winning bid for the Bulk Storage Fuel Tanks Inspection and Refurbishment, GPA shall return to the PUC for review and approval.

3. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

**SO ORDERED** this 25<sup>th</sup> day of October, 2018.



**JEFFREY C. JOHNSON**  
Chairman



**ROWENA E. PEREZ**  
Commissioner



**JOSEPH M. MCDONALD**  
Commissioner



**FILOMENA M. CANTORIA**  
Commissioner



**MICHAEL A. PANGELINAN**  
Commissioner



**PETER MONTINOLA**  
Commissioner

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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 19-02
)
The Application of the Guam Power Authority Requesting Approval of the Procurement for a New ULSD Pipeline. ) ORDER
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Procurement for a New ULSD (Ultra Low Sulfur Diesel) Pipeline.<sup>1</sup>

BACKGROUND

- 2. GPA seeks to build a new ULSD pipeline to supply ULSD to the Piti Tank Farm, with tie-ins for Piti Power Plants 7, 8, and 9.<sup>2</sup>
3. The new ULSD pipeline system will consist of 8, 12, and 24-inch diameter pipes with supports/pedestals, pipe manifolds, valves, and pumping station to include motor, pumps, concrete roof, berms and pads.<sup>3</sup>
4. The 24-inch ULSD pipeline will be interconnected from the US Navy tie-in to tanks 1934 and 1935. The 12-inch pipeline will be interconnected from tanks 1934 and 1935 to the pumping station and the 6-inch pipeline will be interconnected from pumping station to the Piti Power Plants 7, 8, and 9.<sup>4</sup>
5. GPA has provided a more detailed explanation of the Pipeline project in Invitation No. GPA-\_\_\_ for the Tank Farm New ULSD Pipeline System (Design-Build), TECHNICAL SPECIFICATIONS, at Division 1 – General Requirements, Section 01010: "The design shall include pumping station including appurtenances with roof cover and concrete pad with Berm, 24-inch pipeline including gate valves and fittings from the Navy tie-in to Tanks 1934 and 1935, 12-inch pipeline including gate valves and fittings from Tanks from 1934 and 1935 to new pumping station,

1 GPA Petition to Approve the Procurement for a New ULSD Pipeline, GPA Docket 19-02, filed October 4, 2018.
2 Id. at p. 1.
3 Guam Consolidated Commission on Utilities Resolution No. 2018-21, Authorizing the Management of Guam Power Authority to Proceed with the Solicitation for the New ULSD Pipeline System, adopted on September 25, 2018, at p. 1.
4 Id. at p. 1.

pumping station 8-inch manifold including appurtenances, 6-inch pipeline including valves and fittings from pumping station to Piti No. 7 Power Plant and 6-inch pipeline including valves and fittings from pump station to Piti Nos. 8 and 9 Power Plants. The design shall also include pipelines pedestals and supports.”<sup>5</sup>

6. The primary immediate purpose of the pipeline is to provide a system for the receipt of ULSD shipments from F-1 dock into the GPA Fuel Bulk Storage Facility. The pipeline will allow direct delivery of ULSD from any leased tank or tanks of Tristar into the GPA Fuel Bulk Storage Facility.<sup>6</sup>
7. GPA believes that such configuration will improve the supply of fuel to the power plants, increase reliability of fuel supply, and reduce supply/delivery issues as well as the costs incurred in delivery of fuel.<sup>7</sup>
8. The pipeline will deliver ULSD to the Tenjo and Piti 7 (TEMES) plants. Presently ULSD is trucked to those plants.<sup>8</sup>
9. The Pipeline will also have tie-in at Piti Plants No. 8 & 9 (MEC); however, the pipeline will not be used for that purpose unless and until those plants are converted to use ULSD.<sup>9</sup>
10. This Pipeline will not directly serve the planned New Generation Plants in Harmon. However, such pipeline is necessary so that the contractor for the new generation plants can build a ULSD pipeline from the Fuel Tank Farm to the new proposed generation plant site (using the pathway of the existing Tanguissan pipeline).<sup>10</sup>
11. The funding for this project will come from the Cabras 3 & 4 insurance proceeds, and has an estimated cost of \$5,900,000.<sup>11</sup>

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<sup>5</sup> Invitation for Bids No. GPA-\_\_\_\_ for the Tank Farm New ULSD Pipeline System (Design-Build), TECHNICAL SPECIFICATIONS, at Division 1 – General Requirements, Section 01010.

<sup>6</sup> GPA Responses to PUC Requests for Information, GPA Docket 19-02, dated October 16, 2018, GPA response to Question 1 at p. 2; GPA’s Response is attached hereto as Exhibit “A”.

<sup>7</sup> Id.

<sup>8</sup> Phone conversation between GPA Legal Counsel Graham Botha and PUC ALJ Fred Horecky on October 17, 2018.

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> GPA Petition to Approve the Procurement for a New ULSD Pipeline, GPA Docket 19-02, filed October 4, 2018.

12. The PROJECT COST BREAKDOWN is attached as Exhibit "A" to CCU Resolution No. 2018-21. This is GPA's best estimate available, and a more detailed cost estimate will be provided after design of the pipeline is completed.<sup>12</sup>
13. In CCU Resolution No. 2018-21, the Guam Consolidated Commission on Utilities approved GPA's request to procure a new ULSD Pipeline.<sup>13</sup>
14. The ALJ has submitted his Report dated October 18, 2018.<sup>14</sup>

### DETERMINATIONS

15. It is evident that GPA needs a pipeline for ULSD to its powerplants. As GPA has indicated, the new ULSD Pipeline will initially tie-into the Tenjo and Piti 7 plants.
16. Furthermore, the pipeline may be subsequently used to transfer ULSD to Piti 8 & 9 plants, although that issue has not yet been addressed or approved by the PUC.
17. GPA has also established that this pipeline is critical for the subsequent pipeline that will be built by the contractor of the new generation plants in Harmon. The pipeline tie-in at the Fuel Tank Farm will be necessary to enable the Contractor of the new generation plants to build the pipeline to such plants.
18. GPA has asserted, both in its Petition and CCU Resolution No. 2018-21, that it is required by USEPA to use Ultra Low Sulfur Diesel (ULSD) to fuel its powerplants by 2021. Although GPA did not include such authority in its petition to support the assertion, it has now supplied such authority in response to the PUC Requests for Information, attached as Exhibit "A" to the ALJ Report.
19. Guam law now requires that all diesel fuel imported to Guam for the purpose of sale and distribution in Guam *shall* meet the USEPA standards for *ultra-low sulfur diesel fuel*. Such fuel must contain 15 parts per million (15ppm) or less of sulfur content.<sup>15</sup>
20. It also appears that the new generation plants will be required to use ULSD, or possibly LNG, to comply with the RICE MACT regulations implemented by the

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<sup>12</sup> GPA's Response to PUC Requests for Information, Docket 19-02, filed October 16, 2018, QUESTION, pgs. 2-3.

<sup>13</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-21, Authorizing the Management of Guam Power Authority to Proceed with the Solicitation for the new ULSD Pipeline System, adopted September 25, 2018 at p. 2.

<sup>14</sup> ALJ Report, GPA Docket 19-02, dated October 18, 2018.

<sup>15</sup> 10 GCA § 49119.

USEPA: “For the new power plants, combustion turbine units using Ultra-Low Sulfur Diesel or cleaner fuel such as Liquefied Natural Gas, can meet the regulations.”<sup>16</sup>

21. For the foregoing reasons, GPA needs to have a new pipeline system that is capable of transporting ULSD. The expenditure of \$5.9M for this purpose appears to be justified.
22. There will also be cost saving impacts from the pipeline, including reduced cost by eliminating the present need to truck the ULSD, and for having a system for the delivery of more efficient fuels.
23. Pursuant to the BID INVITATION for the new ULSD pipeline system, the contractor will be required to complete all work within 270 calendar days from the issuance of the Notice to Proceed.<sup>17</sup>
24. The Bid Requirements and the proposed Contract contain standard protections which GPA includes in procurements. There is a bid bond, and performance and payment bond, in the event of default by the Contractor.<sup>18</sup>
25. The Contract further contains liquidated damages<sup>19</sup> and indemnification provisions.<sup>20</sup>
26. The Contractor will also provide a bid guaranty of not less than 15 percent (15%) of the total bid amount for which an award can be made<sup>21</sup>, and guarantees against defective workmanship for one year from the date of final completion of the contract.<sup>22</sup>
27. There is also a retention amount of ten percent (10%) of the estimated contract amount until final completion and acceptance of all work covered by the contract.<sup>23</sup>

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<sup>16</sup> GPA Responses to PUC Requests for Information, GPA Docket 19-02, dated October 16, 2018, GPA response to Question 1 at p. 2.

<sup>17</sup> Invitation for Bids No. GPA-\_\_\_\_ for the Tank Farm New ULSD Pipeline System (Design-Build), at Instructions to Bidders, p. 2, Time of Completion.

<sup>18</sup> Id. at BID BOND and PERFORMANCE AND PAYMENT BONDS at PB-1-2, and PB-1-3.

<sup>19</sup> Id., FORMAL CONTRACT at FC-3.

<sup>20</sup> Id. at FC-4.

<sup>21</sup> General Conditions, p. GC-7.

<sup>22</sup> Id. at GC-21

<sup>23</sup> Id. at GC-31.



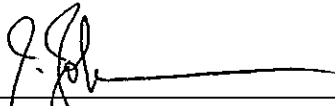
28. The Procurement Documents and proposed Contract are adequate to protect the interest of GPA and its ratepayers.
29. The new ULSD pipeline is necessary to comply with USEPA requirements, and is reasonable, prudent, and necessary.

### **ORDERING PROVISIONS**

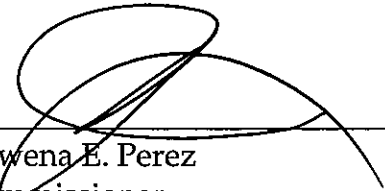
Upon consideration of the record herein, the Petition of GPA, the ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS that:

1. The October 4, 2018, Petition of GPA for Approval of the Procurement of a new ULSD Pipeline is hereby approved.
2. GPA has demonstrated a clear need for such Pipeline, in order to transfer ULSD to the Tenjo, Piti 7, and potentially the Piti 8 & 9 Plants. It is reasonable, prudent and necessary for GPA to proceed with the procurement for the new ULSD Pipeline.
3. Once a final contract for the new ULSD Pipeline has been negotiated, GPA should submit such contract to the PUC for final review and approval.
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.

Dated this 25th day of October, 2018.



Jeffrey C. Johnson  
Chairman



Rowena E. Perez  
Commissioner



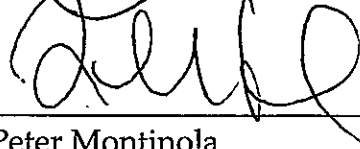
Joseph M. McDonald  
Commissioner



Michael A. Pangelinan  
Commissioner



Filomena M. Cantoria  
Commissioner



Peter Montinola  
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: )  
)  
THE PETITION OF THE GUAM )  
POWER AUTHORITY FOR APPROVAL )  
OF PROPERTY INSURANCE )  
CONTRACT WITH DB INSURANCE )  
CO., LTD. )

GPA DOCKET 19-03

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Approval of its Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance.<sup>1</sup>
2. GPA seeks to obtain Property Insurance for the policy period beginning November 1, 2018. The current GPA Property Insurance Policy will expire on October 31, 2018.<sup>2</sup>

BACKGROUND

3. GPA's Bond Indenture Agreement requires GPA to "secure and maintain property insurance on all facilities constituting the system against risks of loss or damage to the extent that such insurance is obtainable at reasonable cost...". The Indenture further requires GPA to carry insurance "of a scope and nature as that usually carried in the industry...".<sup>3</sup>
4. In 2013, the PUC approved the solicitation for GPA's existing property insurance contract.<sup>4</sup>

<sup>1</sup> GPA Petition for Approval of Property Insurance Contract with DB Insurance Co., Ltd., GPA Docket 19-03, filed October 4, 2018 at p. 1.

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

<sup>3</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-22, Relative to the Authorization of the GPA to Award Property Insurance for a Three-Year Policy with Two One-Year Options, issued September 25, 2018 at p. 1.

<sup>4</sup> PUC Order, GPA Docket 13-04, in the Matter of Petition for Approval of Insurance Invitation for Bid, dated May 28, 2013.

5. When the three-year insurance policy period for said contract was to expire in November of 2016, GPA requested that the PUC authorize GPA to exercise its two one-year options for the period of November 1, 2016 to October 31, 2018.<sup>5</sup>
6. The PUC approved GPA's request and authorized it to extend its Property Insurance and Casualty Policy through October 31, 2018.<sup>6</sup>
7. Since its current Property Insurance Policy will expire on October 31, 2018, GPA prepared a new Property Insurance solicitation for the policy period beginning on November 1, 2018 and ending on November 1, 2021.
8. On March 27, 2018, the Consolidated Commission on Utilities ["CCU"] adopted Resolution No. 2018-06, which approved GPA's draft IFB for Property Insurance to include Boiler and Machinery and Terrorism coverage, and the resolution authorized GPA's General Manager was authorized to submit the IFB to the PUC.<sup>7</sup>
9. On April 26, 2018, the PUC authorized GPA to issue the Property Insurance IFB and required GPA to obtain the PUC's approval prior to making a final award of the contract.<sup>8</sup>
10. GPA subsequently issued the Property Insurance IFB as GPA-IFB-077-18 (Property Insurance)(Multi-Sealed Bid) and received one bid from DB Insurance Co., Ltd, by and through its local agent, AM Insurance.<sup>9</sup>
11. On September 25, 2018, the CCU adopted Resolution No. 2018-22 which authorized GPA's General Manager to accept the terms of the annual premiums offered by DB Insurance Co., Ltd., by and through its local agent, AM Insurance, and related parties at a cost of \$4,355,000 for each of the next three policy periods covered between November 1, 2018 and October 31, 2021 with two one-year options and to

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<sup>5</sup> PUC Order, GPA Docket 17-07, GPA Petition for Approval of Insurance Contract Renewal, dated October 27, 2016.

<sup>6</sup> Id. at p. 3.

<sup>7</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-06, Relative to Petitioning the Public Utilities Commission for Authorization to Begin Procurement for Property Insurance, issued March 27, 2018, at p. 2.

<sup>8</sup> PUC Order, GPA Docket 18-12, GPA Petition for Approval of Insurance IFB, dated April 26, 2018, at pg. 3.

<sup>9</sup> Guam Consolidated Commission on Utilities Resolution No. 2018-22, Relative to the Authorization of the GPA to Award Property Insurance for a Three-Year Policy with Two One-Year Options, issued September 25, 2018 at p. 1.

exercise the option to increase the coverage from \$200 million to \$300 million for an additional \$100 thousand annual premium.<sup>10</sup>

12. PUC Counsel issued his Report herein on October 23, 2018.
13. GPA requests that the PUC approve its property insurance contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance.

### DETERMINATIONS

14. GPA is required by its Bond Indenture Agreement to maintain insurance coverage. Thus, it has little choice but to enter into a new property insurance contract before its present policy expires on October 31, 2018.
15. GPA originally estimated that its new Property Insurance Contract would cost between \$6-\$7M per year.<sup>11</sup> However, despite having only one bid, GPA's Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, has an annual cost of \$4,355,000 for each of the next three policy periods covered between November 1, 2018 and November 1, 2021, which is \$1,645,000 less than the low estimate of \$6,000,000 per annum, and \$2,645,000 less than the high estimate of \$7,000,000 per annum. Additionally, when compared to the \$6,450,000 annual premium for GPA's existing Property Insurance Contract, the new premium is \$2,095,000 less, and after GPA exercises its option to increase its insurance coverage from \$200 million to \$300 million resulting in an annual premium of \$4,455,000, the premium payment will be \$1,995,000 less than GPA's existing property insurance contract. Hence, approving GPA's Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, will result in an annual savings of \$2,095,000 to \$1,995,000 for the next three years.<sup>12</sup>
16. Based upon the foregoing considerations, GPA's proposed property insurance contract is reasonable, prudent, and necessary. The PUC approves GPA's insurance contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, for the policy period beginning November 1, 2018 through October 31, 2021.

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<sup>10</sup> Id., at p. 2.

<sup>11</sup> GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 18-12, filed April 10, 2018, at p. 1.

<sup>12</sup> PUC Legal Counsel Report, Docket No. 19-03, filed on October 23, 2018, at p. 4.

**ORDERING PROVISIONS**

After review of the record herein, GPA's Petition for Approval of its Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, and the PUC Counsel Report, and 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 Petition for approval of its Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, for the period of November 1, 2018, to October 31, 2021, with two one-year optional extensions is hereby approved.
2. GPA is authorized to enter into the Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance.
3. GPA shall file a copy of its property insurance contract with 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 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.

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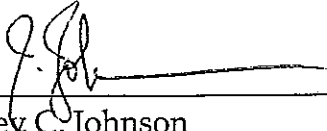
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Order  
Petition for Approval of  
Property Insurance Contract  
With DB Insurance Co., Ltd.  
GPA Docket 19-03  
October 25, 2018

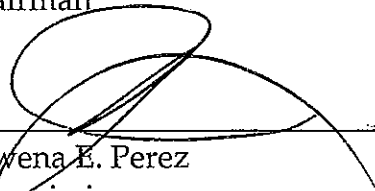
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Dated this 25th day of October, 2018.



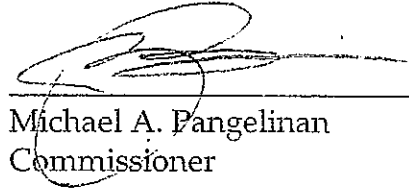
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Jeffrey C. Johnson  
Chairman



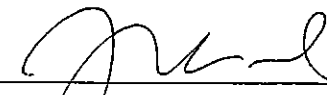
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Rowena E. Perez  
Commissioner



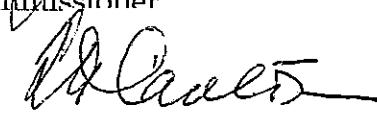
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Michael A. Pangelinan  
Commissioner



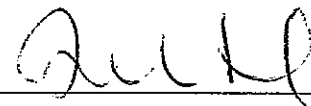
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Joseph M. McDonald  
Commissioner



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Filomena M. Cantoria  
Commissioner



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Peter Montinola  
Commissioner