GUAM PUBLIC UTILITIES COMMISSION REGULAR MEETING

November 30, 2020

GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:40 p.m. on November 30, 2020, pursuant to due and lawful notice. Commissioners Johnson, Perez-Camacho, Montinola, Pangelinan, McDonald, Flores-Brooks, and Guerrero were in attendance. The following matters were considered at the meeting under the agenda included as *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 24, 2020 and October 29, 2020. 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 of business on the agenda was the Guam Power Authority [GPA] Docket 21-03, Petition to Approve the Contract Extension for the Performance Management Contract (PMC) for Combustion Turbine Power Plants, (CTPP), which include the Dededo CTs, the Yigo CT, and the Macheche CT, and Temes is responsible for repairs and maintenance of those the CTPPs and Temes works with GPA's employees to make sure that the plants are operational. ALJ Horecky stated that the PUC approved the initial five-year term of the PMC contract in GPA Docket 15-22 in 2016 and that the contract has two renewals of three years and two years for a total renewal period of five years. ALJ Horecky stated that the contract's initial five-year term expires in February, 2021 and GPA's petition requests that the PUC authorize GPA to renew the PMC contract for the five-year renewal period. ALJ Horecky stated that the Consolidated Commission on Utilities approved the renewal of the contract at its September 22, 2020 meeting and authorized the \$7,320,171.00 cost of the five year renewal period, subject to the PUC's approval, which would be paid out of GPA's revenue funds and ALJ Horecky recommended that the PUC approve GPA's petition. ALJ Horecky stated that after he reviewed the petition, there were some request for information submitted to GPA and in response, GPA submitted its Attachment 1 which basically showed that in terms of the Energy Availability Factor (EAF), the CTPPs are available at the very high rates in the 90's up to 100%. ALJ Horecky stated that in the

renewal period, the fixed management fees and routine O&M would be \$7.3 million, which is \$1.4 million more than the contract's initial term and that this increase is due to a 10% increase in the fixed management fee from year 5, and then thereafter a 3% increase which matches inflation factors and was due to the need to mobilize resources for the extension period including preparations for additional requests for urgency CIP's. ALJ Horecky stated that Commissioner Guerrero requested the running time factors for the CTPPs, and that ALJ Horecky determined that for the last six months, the Macheche and Yigo CTs ran on an average of about 346 hours each, which is fairly significant usage, and that Dededo CT 1 had seven hours per month over the last six months, and that Dededo CT 2 had 16 hours. ALJ Horecky stated GPA does not run the Dededo CTs that much because they burn the most expensive fuel. ALJ Horecky stated that the proposed order would first approve the five-year renewal, authorize GPA to expend \$7,320,000 for the fixed management fees and O&M, and would require GPA to file a final copy of the extension between GPA and Temes.

GPA GM Benavente stated that when it comes to cost, he is happy that Dededo 1 and 2 are there and not running because the difference in reserve margin versus the load is not very high and if three of GPA's units are down Dededo is going to have to run or GPA will have to load shed. GPA GM Benavente stated that the Dededo CT's standby costs are \$12 per kilowatt as compared to MEC's standby costs which are ten times more at \$113 per kilowatt. GPA GM Benavente stated that the Dededo CTs are 27 years old and that they can last longer with the continued maintenance and that next year GPA planned to overhaul their generators which would extend the life of the plants. The Chairperson inquired as to whether GPA was keeping the Dededo CTs as an insurance policy and GPA GM Benavente confirmed this was so and that GPA would need them for the next three years. A discussion ensued between the Chairperson and GPA Benavente concerning the status of permitting for the new plant, the status of the new battery systems, and the commissioning ceremony for the battery systems. Commissioner Flores-Brooks inquired how many megawatts the CTPPs could produce and GPA GM Benavente stated that they could produce eighty megawatts. A discussion ensued between the Commissioners and GPA GM Benavente concerning the Temes 7 plant, the standby cost of various power plants, the megawatts produced by various power plants, the maintenance and the operation of Cabras 1 and 2. Commissioner Montinola inquired as to whether GPA's petition concerned the extension of an option and whether the option costs were negotiated and GPA GM Benavente confirmed that the petition was the exercise of the optional renewal and that the renewal costs were negotiated. Commissioner Montinola inquired as to whether GPA could only exercise the three-year option instead of both the three year and two year options and GPA GM Benavente stated that GPA is going to need the CTPPs for all five years of the renewal period and beyond as a reserve. A discussion ensued between Commissioner Montinola and GPA GM Benavente about whether GPA would still need the Dededo CTs after the new power plant came on line, whether GPA could terminate the contract early, which BPA GM Benavente stated that GPA would need the Dededo

CT's after the new plant was built and that GPA could terminate the contract early. A discussion ensued between the Commissioner and GPA GM Benavente concerning how many megawatts the power system could produce, the amount of reserve megawatts GPA had, the peak power load, whether GPA had the right margin of reserve power, and the contract's O&M costs and fixed management fee, whether exercising all five years of renewal was more beneficial than only exercising the two year option or the three year option, whether the contract had a termination for convenience clause, and whether negotiating the fees for the 4th and 5th years of the contract now would result in cost savings later. Commissioner Montinola moved to approve the proposed order granting the petition which Commissioner McDonald seconded, and the motion carried with Commissioner Guerrero opposing.

2. Guam Waterworks Authority

The Chairperson announced that the next item of business was Guam Waterworks Authority Docket 21-01, Petition for Approval to Reallocate Funds from the 2010, 2013 and 2016 Bond Proceeds, PUC Counsel Report, and Proposed Order. ALJ Horecky stated that this matter must be postponed because GWA was still working out issues concerning authorization for the reallocation.

3. Administrative Matters

The Chairperson announced that the next item of business was the Proposal for Preparation of PUC Administrative Budget monthly and YTD financial reports for Commissioners. Commissioner Flores-Brooks stated that some of the reports on the PUC Website were not up to date. ALJ Horecky stated that the E911 reports were current up to the point that the Legislature no longer required them. A discussion ensued between the Commissioner regarding whether quarterly or monthly budget reports would be sufficient, the names and amount of funds in the PUC's accounts, and the amounts billed by and paid to consultants. ALJ Horecky was tasked with determining whether the law required a monthly or quarterly budget report.

The Commissioners congratulated and thanked ALJ Horecky and Ms. Palomo for their work which resulted in the PUC being awarded the Openness and Transparency Award from the Association of Government Accountants.

The Chairperson announced that the next item of business was the GTA Amended Tariff Transmittal No. 19 (for informational purposes only). ALJ Horecky stated that

the Federal Communications Commission (FCC) has a lifeline program and that this change only applies to those customers that have only lifeline voiced service, and that the FCC has been reducing its subsidies for that program to expand broadband. ALJ Horecky stated that last year's rate was \$7.25 per lifeline support and on December 1, 2020 the FCC reduced the federal subsidy to \$5.25, and would terminate all subsidy for the program on December 1, 2021 for those customers who had voice service only and the subsidy would continue for customers who bundle and have internet and voice. ALJ Horecky stated that as a result of this GTA has amended its Tariff Number 19 to indicate that the federal subsidy is reduced to \$5.25 effective December 1, 2020.

A discussion ensued between the Commissioners concerning whether the PUC should request that GPA provide them with a chart that contains the schedule for all of GPA's existing projects, and the next PUC meeting date which would be after the New Year Holiday, on January 4, 2021.

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

Jeffrey C. Johnson

Chairperson

ATTACHMENT A THE GUAM PUBLIC UTILITIES COMMISSION NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the Guam Public Utilities Commission [PUC] will conduct a regular business meeting, commencing at 6:30 p.m. on November 30, 2020, on the third floor, GCIC Building, 414 W. Soledad Ave., Hagatna.

The following business will be transacted:

Agenda

- 1. Approval of Minutes of September 24, 2020, and October 29, 2020
- 2. Guam Power Authority
 - GPA Docket 21-03, Petition to Approve the Contract Extension for the Performance Management Contract (PMC) for Combustion Turbine Power Plants, ALJ Report, and Proposed Order
- 3. Guam Waterworks Authority
 - GWA Docket 21-01, Petition for Approval to Reallocate Funds from the 2010, 2013 and 2016 Bond Proceeds, PUC Counsel Report, and Proposed Order
- 4. Administrative Matters
 - Proposal for Preparation of PUC Administrative Budget monthly and YTD financial reports for Commissioners
 - GTA Amended Tariff Transmittal No. 19 (for informational purposes only)
- 5. Other Business

Due to the current public health emergency, all persons attending the meeting will be required to wear masks. Social distancing protocols will be observed. Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Ms. Palomo.

This Notice is paid for by the Guam Public Utilities Commission

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 21-03
)
The Application of the Guam Power)
Authority to Approve the Contract) ORDER
Extension for the Performance)
Management Contract (PMC) for)
Combustion Turbine Power Plants)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the November 12, 2020 Application of the Guam Power Authority ["GPA"] to Approve the Contract Extension for the Performance Management Contract (PMC) for Combustion Turbine Power Plants.¹ GPA seeks to extend its current contract with Taiwan Electrical and Mechanical Engineering Services, Inc. ["TEMES"] for the management, operation and maintenance of the Combustion Turbine Power Plants (Dededo CT, Macheche CT and Yigo CT) for a period of five additional years.

BACKGROUND

On March 1, 2016, GPA and TEMES entered into a Performance Management Contract for the Combustion Turbine Power Plants.² The PUC approved the PMC in GPA Docket 15-22.³ In accordance with the PMC, TEMES has been managing, operating and maintaining the Combustion Turbine Power Plants for the last five-years. TEMES has also been responsible for the rehabilitation and repair of the Combustion Turbine Units, including regularly scheduled preventative or remedial maintenance, and any

¹ GPA Petition to Approve the Contract Extension for the Performance Management Contract (PMC) for Combustion Turbine Power Plants, GPA Docket 21-03, filed November 12, 2020.

² Performance Management Contract for the Guam Power Authority's Combustion Turbine Power Plants (Dededo CT, Macheche CT and Yigo CT), dated March 1, 2016.

³ PUC Order, GPA Docket 15-22, dated January 25, 2016, at p. 4.

maintenance required due to plant forced outage. TEMES is required to keep the plants "in good working order." ⁴

The current PMC will expire on February 28, 2021, which is the end of the current five-year term. However, the PMC authorizes GPA, prior to the expiration of the five-year contract term, to "extend the contract for one (1) additional 3-year term, and one (1) additional 2-year term." GPA's Petition requests that the PUC allow GPA to proceed with the five-year contract extension with TEMES for the Performance Management Contract (PMC) for the Combustion Turbine Power Plants.

In Resolution No. 2020-19, the Guam Consolidated Commission on Utilities approved the five-year extension of the PMC for the Dededo, Macheche, and Yigo plants. It authorized the amount of \$7,320,171 to fund the five-year extension for the Fixed Management Fees and the Routine O&M. The extension would be funded with revenue funds. The CCU found that extending the PMC would "help GPA to expeditiously assess the units, make the necessary repairs, and render the units available to meet system demand with a contractor that is already familiar with the unit's conditions and operations…"⁷

The Administrative Law Judge filed his Report in this docket dated November 25, 2020. The PUC adopts the recommendations therein.

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⁴ Performance Management Contract for the Guam Power Authority's Combustion Turbine Power Plants (Dededo CT, Macheche CT and Yigo CT), dated March 1, 2016, at pgs.12-13.

⁵ Performance Management Contract for the Guam Power Authority's Combustion Turbine Power Plants (Dededo CT, Macheche CT and Yigo CT), dated March 1, 2016, at p. 2.

⁶ GPA Petition to Approve the Contract Extension for the Performance Management Contract (PMC) for Combustion Turbine Power Plants, GPA Docket 21-03, filed November 12, 2020, at p. 2.

⁷ Guam Consolidated Commission on Utilities Resolution No. 2020-19, Authorizing Management of the Guam Power Authority to Petition the PUC and Award Services for a Performance Management Contract for GPA's Combustion Turbine Power Plants, adopted and approved on September 22, 2020.

DETERMINATIONS

A. THE PUC PREVIOUSLY DETERMINED THAT GPA SHOULD RETAIN A PERFORMANCE MANAGEMENT CONTRACTOR FOR THE COMBUSTION TURBINE POWER PLANTS.

In GPA Docket 15-22, the PUC undertook a detailed evaluation of the need for a PMC at the Combustion Turbine Plants. In that proceeding, the PUC considered GPA's Petition for approval of the initial five-year Performance Management Contract with TEMES for the Combustion Turbine Power Plants. The PUC found that the Dededo CT1 and CT2 has been out of service since 2010 and 2004, respectively. Major repairs were needed on the CT2 generator and the switch gear for CT1, as well as repairs on auxiliary systems, fuel tank and control systems for both units, in an amount not to exceed \$10M.8 The PUC anticipated that the PMC would complete rehabilitation and repair of the Dededo CTs by July 2016.9

GPA also estimated that the costs for the Macheche CT and Yigo CT rehabilitation would exceed \$7.5M.¹⁰ However, GPA's petition for approval of the PMC with TEMES for the Combustion Turbine Power Plants was initially deferred; GPA had not adequately explained the cost of the PMC, how it intended to fund the PMC, and the need for and the efficacy of the proposed PMC.¹¹ On January 20, 2016, GPA conducted a workshop for the PUC to further explain the need for the PMC for the CTs, and how

⁸ PUC Order, GPA Docket 15-22, dated December 10, 2015, at p. 2.

⁹ Id., at p. 3.

¹⁰ Id., at p. 5.

¹¹ Id., at p. 6.

GPA planned to pay for the cost of the PMC. A detailed slide presentation on these issues was presented to the PUC.¹²

In its Order dated January 25, 2016, the PUC found that GPA had lost 79MW in generation capacity as a result of the Cabras 3 & 4 plant explosion: "it is critical to achieving sufficient system capacity that the availability of the Dededo CTs, and upgraded capacity for the Macheche and Yigo CTs, be ensured." The PUC further found that "without the availability of the CTs, GPA would simply not be able to provide the total desired generation capacity. The retention of a PMC for operation of the Dededo, Yigo and Macheche CTs is likely the quickest and most efficient means of restoring those plants to full generation capacity. "14

GPA has demonstrated that the availability of the CT units is critical for GPA. Their availability will allow GPA to meet the PUC approved reliability requirement of the 1-day Loss of Load in 4.5 years. The retirement of the Cabras 4 requires GPA to obtain 40MW of additional capacity."¹⁵ The PUC further found that GPA had established that there were sufficient revenue funds and bond funds which could be reallocated to pay for the rehabilitation costs.¹⁶ In sum, "GPA has presented a strong justification for the benefits of a PMC-type contract for GPA's CT units."¹⁷ The PUC approved the PMC contract with TEMES and authorized GPA to expend the amount of \$5,980,426 for the first five-years of the Contract, to fund the Fixed Management Fee and O&M Budget for the Dededo CT, Macheche CT, and Yigo CT Plants.¹⁸

¹² PUC Order, GPA Docket 15-22, dated January 25, 2016, at p. 2.

¹³ Id., at p. 2.

¹⁴ Id., at p. 3.

¹⁵ Id.

¹⁶ Id.

¹⁷ Id., at p. 4.

¹⁸ Id.

B. DURING THE PRIOR FIVE-YEAR TERM OF THE PMC, TEMES REPAIRED THE COMBUSTION PLANTS AND BROUGHT THEM TO FULL OPERATIONAL STATUS; THE CTs NOW PROVIDE RELIABLE POWER TO THE IWPS.

When the PMC TEMES assumed responsibility for repair of the Combustion Turbines in March 2016, Dededo CT1 and CT2 had been out of service since 2010 and 2004, respectively. GPA has attached a Report to its Petition which outlines the progress that PMC TEMES has made with the Dededo, Macheche, and Yigo CTs since 2016.¹⁹ The work of TEMES resulted in the completion of the rehabilitation work on Dededo CT1 and CT2 by May 2017. As a result of TEMES' work on the Dededo CTs, 44MW capacity has been added to the IWPS. Major maintenance work has been completed, including charger replacement and installation of backup DC power supply and switchgear room ventilation improvement.²⁰ However, a substantial number of other projects remain to be done, which necessitates a continued retention of the PMC through a contract extension.²¹

Substantial renovations for the Macheche CT and Yigo CT rehabilitation, in the amount of at least \$7.5M, were also required.²² For both the Yigo and Macheche CTs, the existing Turbines were exchanged and replaced with overhauled gas turbines. The Yigo CT turbine exchange was completed on July 6, 2016; the Macheche CT Turbine Exchange was completed on November 12, 2016.²³ As with the Dededo CTs, there are a major number of recommended projects for the improvement of the Yigo and Macheche

¹⁹ PERFORMANCE MANAGEMENT CONTRACT FOR DEDEDO CT, MACHECHE CT, AND YIGO CT, Potential Contract Extension, SEPTEMBER 2020, attached to GPA's Petition herein.

²⁰ Id., at pgs. 3-4.

²¹ Id., at pgs. 5-7.

²² PUC Order, GPA Docket 15-22, dated December 10, 2015, at p. 5.

²³ PERFORMANCE MANAGEMENT CONTRACT FOR DEDEDO CT, MACHECHE CT, AND YIGO CT, Potential Contract Extension, SEPTEMBER 2020, attached to GPA's Petition herein, at pg.3.

plants for the projected extension years of the TEMES PMC. These include Yigo CT generator overhaul, Fire Protection/Fire Suppression System inspection, repair, and recertification for Macheche and Yigo, and Service and Instrument Air Compressor Skid Replacement.²⁴

In GPA Docket 16-07, the PUC approved the amount of \$2.3M from the Working Capital Fund to pay for repairs to the Yigo CT and the installation of the overhauled gas turbine engine.²⁵ The PUC determined the importance of restoring the additional 20MW provided by the Yigo CT to assist in the replacement of the 79MW in generation capacity lost as a result of the Cabras explosion.²⁶ In July 2016, GPA Docket 16-11, the PUC also authorized the replacement of the Macheche Turbine engine at a cost of \$2.7M, recognizing that the unit had been shut down as a result of corrosion on the turbine blades on July 1, 2016.²⁷

On November 19, 2020, the ALJ submitted Requests for Information to GPA regarding the proposed PMC Contract Extension.²⁸ In its Response on November 24, 2020, GPA submitted Attachment 1, a copy of which is appended hereto as "ATTACHMENT 1".²⁹ The Attachment demonstrates that, for the last three fiscal years, the Combustion Turbines have been operating at a high energy availability factor ["EAF"]. Annual factors range from 79% to 100%. The efforts of the PMC TEMES have ensured that the CTs provide reliable power to the IWPS.

²⁴ Id. at pgs. 5-7.

²⁵ PUC Order, GPA Docket 16-07, April 28, 2016.

²⁶ Id., at p.2.

²⁷ PUC Order, GPA Docket 16-11, dated July 28, 2016 at pgs. 1 & 3.

²⁸ PUC Requests for Information, GPA Docket 21-03, dated November 19, 2020.

²⁹ GPA Response to PUC Requests for Information, GPA Docket 21-03, dated November 24, 2020, at Attachment 1.

GPA had demonstrated that the contract extension for TEMES is necessary to further repair the Combustion Turbines and to maintain their operational efficiency. During the past few years, the CT units have been dispatched during the daytime as well as at peak time. These units respond better to the intermittency from GPA's Power Plants and net metering. As a result, the CTs have had more running hours and so more maintenance work has been required.³⁰

C. PUC ALSO PREVIOUSLY APPROVED THE FORM OF THE PMC WITH TEMES; THE COST FOR THE CONTRACT EXTENSION IS CONSISTENT WITH THAT CHARGED IN THE FIRST FIVE-YEARS OF THE PMC.

The PUC has already determined that the form of the PMC between GPA and TEMES is appropriate and satisfactory. It is similar in form to the PMCs used for TEMES and KEWP for the Cabras No. 1 & No. 2 units. The contract contains standard contractual protections for GPA, such as insurance requirements, indemnification clause, responsibility for management, operations and maintenance, and performance guarantees.³¹

The cost for the five-year PMC extension (fixed management fees and Routine O & M) will be \$7.3M, which is \$1.4M more than the cost for the first five-years of the PMC (\$5.9M). GPA has provided reasonable explanations for the cost increase. Year 6 of the PMC includes a 10% increase in the fixed management fee from Year 5 and a 3% increase in such fee from Years 7 onward. The increase is due to the need to mobilize resources for the extension period, including preparations for additional requests for

³⁰ Id. at p. 2.

³¹ PUC Order, GPA Docket 15-22, dated December 10, 2015, at p. 4.

urgent CIPs, and additional challenges brought on by the COVID-19 pandemic. The increases also include an inflation factor.³²

Based upon the documentation provided by GPA, the ALJ recommended that the PUC approve the five-year Extension of the Performance Management Contract (PMC) with TEMES for the Combustion Turbine Power Plants. The ALJ reasoned that the TEMES PMC has been instrumental in restoring the Dededo, Yigo and Macheche CTs to full operation, and for ensuring that necessary repairs for reliability and efficiency are made. The Combustion Turbines are a necessary part of the IWPS to meet peak load and to maintain an adequate power reserve. In total the Combustion Turbine Plants provide a capacity of 86MW. These plants are necessary to ensure sufficient load capacity and reserves in the system.

ORDERING PROVISIONS

After review of the record herein, including GPA's Application for Approval of the five-year Extension of the Performance Management Contract (PMC) with TEMES for the Combustion Turbine Power Plants, and the ALJ Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The five-year Extension of the Performance Management Contract (PMC) with TEMES for the Combustion Turbine Power Plants is approved.

³² GPA Response to PUC Requests for Information, GPA Docket 21-03, dated November 24, 2020, at p. 1.

- 2. GPA is authorized to expend the amount of \$7,320,170.00, for the five year extension of the Performance Management Contract with TEMES, to fund the Fixed Management Fee and routine O&M Budget for the Dededo CTs, Macheche CT, and Yigo CT Plants.
- 3. GPA shall file with the PUC a final copy of the PMC Extension between GPA and TEMES.
- 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 conducing 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

Dated this 30th day of November 2020.

Jeffrey C. Johnson

Chairman

Joseph M. McDonald Commissioner

Peter Montinola Commissioner

Pedro S.N. Guerrero Commissioner Rowena E. Perez-Camacho Commissioner

Michael A. Pangelinan Commissioner

Doris Flores Brooks Commissioner