

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
PETITION OF THE GUAM POWER) GPA Docket 11-07
AUTHORITY FOR REVIEW AND) ORDER
APPROVAL OF AMENDMENT 1 TO THE)
CONTRACT FOR SUPPLY OF FUEL OIL)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon GPA’s Petition for PUC Review and Approval of Amendment 1 to the contract for Supply of Fuel Oil.

BACKGROUND

- 2 Petrobras Singapore Pte., Ltd. provides fuel oil to GPA.¹
3. The Consolidated Commission on Utilities Resolution 2011-35 approved GPA’s request for approval of Amendment 1 to the existing Fuel Oil Contract, and authorized it to seek the review and approval of the PUC.²
4. A major change proposed by Petrobras is in the calculation of the contract price for fuel oil.³At present fuel prices are determined by converting price in \$/Metric Tons [MT] to \$/Barrels [bbl]. A constant conversion factor of 6.6bbls per MT is used.⁴
5. Petrobras indicates that a change in the conversion factor is necessary. Such factor is not, in fact, constant. The Conversion Factor increases as API [the “gravity” of the fuel] increases.⁵ Petrobras incurs losses due to the use of a constant conversion factor.
6. On July 5, 2011, PUC Counsel filed his Report herein, which fully sets forth the facts and background in this Docket. Counsel recommends approval of Amendment 1.⁶

¹ GPA Petition for Contract Review, GPA Docket No. 11-06 [renumbered to GPA Docket 11-08] filed on June 15, 2011, at p. 1.

² Consolidated Commission on Utilities Resolution No. 2011-35, issued June 2, 2011, at p. 2.

³ CCU Resolution No. 2011-35 at p. 1.

⁴ PSPL Proposal, Analysis of Effects on Pricing, [Current Contract Information].

⁵ PSPL Proposal, Analysis of Effects on Pricing [Fuel Characteristics].

⁶ PUC Counsel Report, GPA Docket 11-07, dated July 5, 2011.

DETERMINATIONS

7. Amendment No. 1 appropriately adopts the provisions agreed to by the parties.
8. The analysis provided by GPA indicates that the current conversion factor for converting metric tons of oil to barrels does not fully and adequately compensate Petrobras for the cost of fuel.
9. The parties have authority under the Contract to negotiate mutually acceptable arrangements.
10. The change in calculation of cost of fuel [the elimination of the conversion factor to bbl] is fair and reasonable to both parties.
11. The provision by Petrobras of a \$30M line of credit to GPA, and the various testing protocols, are beneficial to GPA.

ORDERING PROVISIONS

After a review of the record herein, GPA's Petition for review and approval of Amendment 1 to the Contract for Supply of Fuel Oil, the PSPL Proposal and Analysis of Effects on Pricing, 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 Petition for review and approval by the PUC of Amendment 1 Contract for Supply of Fuel Oil is hereby approved.
2. The recommendations and reasoning contained in the Counsel Report are adopted.
3. GPA Management is hereby authorized to enter into Amendment 1 to the Fuel Oil Supply Contract.
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)

ORDER
Amendment 1 to Fuel Oil
Supply Contract
GPA Docket 11-07
July 25, 2011

and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the
Public Utilities Commission.

Dated this 10th day of August, 2011

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner