

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)	GPA DOCKET 12-09
)	
THE APPLICATION OF THE GUAM POWER AUTHORITY TO APPROVE THE CONTRACT EXTENSION WITH PETROBRAS FOR SUPPLY OF RESIDUAL FUEL OIL NO. 6 TO GPA)	PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to Approve Contract Extension for Supply of Residual Fuel Oil No. 6 to GPA.¹

BACKGROUND

2. Previously, GPA had filed a Petition for Review and Approval of the Contract for Supply of Residual Fuel Oil No. 6 with Vitol Asia Pte., Ltd.²
3. However, at the PUC Regular Meeting conducted on January 29, 2013, GPA requested that the PUC not act on the approval of the Fuel Supply Contract with Vitol Asia Pte., Ltd. GPA indicated that said Contract could not presently be approved, as a bid protest had been filed regarding the award of the Contract to Vitol.
4. Since GPA may not enter into a fuel supply contract with Vitol until the bid protest is resolved, GPA has now requested that the PUC approve a six month contract extension with its present supplier of RFO No. 6, Petrobras Singapore Private Ltd.³
5. The Guam Consolidated Commission on Utilities has authorized GPA to proceed with the extension of the fuel supply contract for six months with Petrobras.⁴

¹ GPA Petition for Contract Review, GPA Docket 12-09, filed February 4, 2013.

² GPA Petition for Contract Review, GPA Docket 12-09, filed January 11, 2013.

³ GPA Petition for Contract Review, GPA Docket 12-09, filed February 4, 2013, at p.1.

⁴ Guam Consolidated Commission on Utilities Resolution No. 2012-80, adopted December 12, 2012.

ANALYSIS

6. At present it appears that GPA has no option other than to extend its existing fuel supply contract with Petrobras. Due to the filing of a protest concerning GPA's award of the Fuel Supply Contract to Vitol, GPA may not lawfully proceed further with the award of the contract prior to final resolution of such protest [unless certain further steps are taken, none of which have been taken in the instant case].⁵
7. GPA previously indicated that, with regard to its procurement for the new fuel oil contract, each of the three bidders had submitted contract proposals which included substantial increases in the amount of the "Premium Fee Cost" for both LSFO and HSFO.⁶
8. Thus, resulting from the increase in premium fees, fuel costs will go up by approximately 10% per year under the proposed new contract with Vitol.⁷
9. However, under the proposed six month contract extension with Petrobras, the premiums charged for LSFO and HSFO are slightly less than under the proposed Contract with Vitol. Under the Contract Extension with Petrobras, the Premium Fee Cost per Metric ton will be \$117.800 for LSFO and \$92.550 for HSFO. Under the proposed contact with Vitol, the Premium Fee Cost per Metric ton will be \$118.050 for LSFO and \$93.050 for HSFO.⁸
10. Thus, under the circumstances, GPA has been able to secure a slightly lower premium fee cost under the contract extension than the increase which will go into effect under the new Contract with Vitol [if approved].
11. In the six month contract extension, there are various revised contract provisions which work to the benefit of Petrobras, including the removal of the requirement for a Performance Bond. GPA submits that, given Petrobras' good record in the supply of fuel oil, the performance bond requirement can be dispensed with. While such is not ideal, again GPA has little choice under the current circumstances.
12. The proposed six month extension of the current Contract for Supply for Residual Fuel Oil No. 6 with Petrobras is reasonable, prudent and necessary. The continuous supply of fuel oil to GPA, for the benefit of ratepayers, must be maintained.

⁵ 5 GCA§5425.

⁶ PUC Counsel Report, GPA Docket 12-09, dated January 27, 2013, at PGS. 2-3.

⁷ Id.

⁸ Price Comparison attached as the last page to the Petition to the GPA Petition for Contract Review, GPA Docket 12-09, filed February 4, 2013.

RECOMMENDATION

13. Counsel recommends that the PUC approve the six months Contract Extension for Supply of Residual Fuel Oil (RFO) No. 6 to Petrobras Singapore Private Ltd.
14. At its meeting on January 29, 2013, the PUC authorized the Chairman to sign an order approving the six month contract extension with Petrobras, if appropriate.
15. A Proposed Order for the Chairman, executed on behalf of the PUC, is submitted herewith.

Dated this 8th day of February, 2013.

Frederick J. Horecky
PUC Legal Counsel