BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA DOCKET 12-04
THE APPLICATION OF THE GUAM	
POWER AUTHORITY TO EXERCISE) PUC COUNSEL REPORT
EXTENSION OPTION UNDER THE DIESEL ENGINE CYLINDER)
LUBRICATION OIL CONTRACT)
WITH ISLA PETROLEUM AND)
ENERGY, LLC (IP&E GUAM)	ý
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition to approve Exercise of Extension Option under the Diesel Engine Cylinder Lubrication Oil Contract with Isla Petroleum and Energy, LLC (IP&E Guam).¹

BACKGROUND

- 2. Under IFB GPA-019-09, GPA awarded a three-year contract for the supply of Diesel Engine Cylinder Lubricating Oil to IP&E Guam. The contract commenced on February 1, 2010, and will expire on January 31, 2013.²
- 3. Under the contract, GPA has the option to extend the contact with IP&E for two years, renewable annually. IP&E desires to extend the contract for two years, without any changes to the contract provisions.³
- 4. The estimated cost of the contract extension, for the supply of Diesel Engine Cylinder Lubricating Oil, is approximately \$2M per year.⁴
- 5. The proposed contract extension would extend the current contract with IP&E from February 1, 2013 to January 31, 2015.⁵

¹ GPA Petition for Contract Review, GPA Docket 12-04, filed June 29, 2012.

² Guam Consolidated Commission on Utilities, Resolution No. 2012-22, adopted April 10, 2012, at p. 1 of 7.

³ Id.

⁴ Id.

⁵ GPA Petition for Contract Review, GPA Docket 12-04, filed June 29, 2012.

ANALYSIS

- 6. The Contract supplies the required Diesel Engine Cylinder Lubrication Oil for GPA Generation Plants (Cabras Unit Nos. 3 & 4) in order to provide stable and uninterrupted supply of electricity to meet the island wide utility power demand.⁶
- 7. GPA has considered the alternative of soliciting new bids for this contract; however, the Management Fuel Committee determined that soliciting new bids would likely yield increased premium fees due to rising cost in the delivery of the services and resulting in increased bid offers and contract cost.⁷
- 8. Additionally, GPA believes that IP&E has satisfactorily complied with its contractual obligations over the three (3) year base period of the contract.⁸

RECOMMENDATION

- 9. Counsel recommends that GPA be authorized to enter into a two (2) year contract extension with IP&E Guam, LLC for provision of Diesel Engine Cylinder Lubrication Oil for GPA Generation Plants Cabras Unit Nos. 3 & 4.
- 10. GPA should be authorized to enter into a two year extension with IP&E for Diesel Engine Cylinder Lubrication Contract commencing on February 1, 2013 and terminating on January 31, 2015.
- 11. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 10thday of July, 2012.

FREDERICK J. HORECKY PUC Legal Counsel

⁶Exhibit "A" to CCU Resolution No. 2012-22, adopted April 10, 2012, at p. 3 of 7.

⁷ Id.

⁸ Id.