

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 14-05
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR APPROVING) PUC COUNSEL REPORT
THE PROCUREMENT FOR SUPPLY OF)
DIESEL FUEL OIL TO GPA)

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for PUC review and approval of GPA's Procurement for Supply of Diesel Fuel Oil.1

BACKGROUND

- 2. GPA's present contract with IP&E Guam to supply diesel fuel oil No. 2 for its base load and peaking units was originally approved by the PUC in GPA Docket 94-04 on July 27, 2009.2
3. The present contract was for a three year base period and two one year extension options. Said contract expires on November 30, 2014.3
4. The Guam Consolidated Commission on Utilities ["CCU"] authorized GPA to petition PUC for approval to issue bids to procure a contractor for the supply of Diesel Fuel Oil No. 2 for the Baseload Plants, Fast Track Diesel Plants, and Combustion Turbine Plants.4
5. GPA proposes that the solicitation of competitive bids for a new diesel fuel supply contract be through a Multi-Step Bid Process.5 GPA submits that diesel fuel oil is essential to the operation of the diesel power plants, and that a contract for such supply is reasonable, prudent, and necessary.6

1 GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014.
2 PUC Order, GPA Docket 94-04, dated July 27, 2009.
3 GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014, at p. 1.
4 CCU Resolution No. 2014-05, adopted January 14, 2014, at p. 2.
5 Id. at p. 2.
6 GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014, at p. 2.

ANALYSIS

6. Diesel fuel oil is utilized at various GPA Baseload, Diesel Fast Track and Combustion Turbine Plants. See Schedule A attached hereto.⁷ Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island wide utility power demand.⁸
7. GPA needs to issue an IFB for diesel fuel so that it can secure a new contract which will provide GPA with a continuous supply of fuel necessary to maintain the Authority's electric power generation capacity.
8. The bid that GPA proposes also includes an option for the supply of renewable fuel, such as a diesel fuel blend with DME or biodiesel, consistent with the recommendations of the 2012 Integrated Resource Plan which was approved by the CCU and the PUC.⁹
9. GPA's Petition includes a Draft Bid Package for the Multi-Step Bid for the supply of Diesel Fuel Oil No. 2.¹⁰ In accordance with the draft bid, GPA will seek to procure approximately 5,300,000 gallons of diesel fuel oil per year.¹¹ GPA will first determine which bidders are qualified under the technical bid, and then will select the bidder whose proposal yields the lowest overall Contract Price for the contract base year period.¹²
10. GPA has also proposed a draft contract for the selected bidder.¹³ The contract term will be for a term of three years, to commence on December 1, 2014 and continue until midnight of November 30, 2017. GPA will have an option to extend the contract for two (2) additional one (1) year terms, renewable annually, with the mutual agreement of both parties.¹⁴ The Contract has various provisions designed to protect GPA and its ratepayers, including warranty and quality assurance

⁷ GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014, Schedule A.

⁸ CCU Resolution No. 2012-10, Schedule 1, at p. 4 of 8.

⁹ CCU Resolution No. 2014-05, adopted January 14, 2014, at p. 1.

¹⁰ GPA Petition for Contract Review, Exhibit A, DRAFT BID PACKAGE.

¹¹ Id. at §1.2.

¹² Id. at §4.3.

¹³ GPA Petition for Contract Review, IFB, Volume II CONTRACT.

¹⁴ Id, Volume II CONTRACT, at p. 9 of 36.

provisions, indemnity and insurance requirements, provisions for termination for the convenience of GPA, etc.¹⁵

11. The proposed Contract appears to adequately protect the interests of GPA and its ratepayers.

RECOMMENDATION

12. Counsel recommends that the PUC approve GPA's request to solicit competitive bids for a new Diesel Fuel Supply Contract through a Multi-Step Bid Process.
13. The diesel fuel oil is essential to the operation of GPA power plants, and the negotiation and implementation of a new contract is reasonable, prudent and necessary.
14. GPA should be required to present the final Diesel Fuel Oil Supply Contract to the PUC for review, so that the PUC can determine if the final price is reasonable.
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 18th day of February, 2014.

Frederick J. Horecky
PUC Legal Counsel

¹⁵ Id. at pgs. 4 of 36 through 32 of 36.

SCHEDULE A

ESTIMATED ANNUAL DIESEL REQUIREMENTS

Plant Locations	Estimated Annual Requirements
1. Baseload Plants (Cabras 1&2, MEC 8&9, Tanguisson 1&2)	200,000 (gallons per year)
2. Dededo Diesel & CT Plants (Dededo CT, Macheche CT, Marbo CT, Yigo CT)	1,500,000 (gallons per year)
3. Fast Track Plants (Manengon & Talofoto)	1,000,000 (gallons per year)
4. TEMES CT	600,000 (gallons per year)
5. Tenjo Vista Plant	2,000,000 (gallons per year)

The estimated fuel oil requirement provided herein is subject to change. GPA shall reasonably notify the Contractor for any changes in the fuel oil requirements.