

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 14-08
)
The Application of the Guam Power )
Authority for Approving the Procurement ) PUC COUNSEL REPORT
for Supply of Cylinder Lubricating Oil for )
GPA. )
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INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for Approval of GPA's request for the Procurement of the Supply of Cylinder Lubricating Oil for the slow-speed diesel baseload plants.1

BACKGROUND

- 2. GPA's present contract to supply cylinder oil for the baseload units was originally for a three year base period and two one year option extensions. The contract will expire on January 31, 2015.2
3. In Guam Consolidated Commission on Utilities Resolution No. 2014-13, the CCU authorized GPA to issue an invitation for bid for a new contract for the supply of Cylinder Lubricating Oil for the Slow-Speed Diesel Engines, subject to the approval of the PUC.3
4. The cumulative cost of the current cylinder lubricating oil supply contract from FY2010 to FY2013 was \$5,124,869.20; the next contract will exceed the \$1,500,000 PUC contract review approval threshold, thus requiring GPA to seek authorization for this procurement from the PUC.4
5. The estimated total cylinder lubricating oil requirements are 240,000 gallons per year for Cabras Units 3&4, and 240,000 gallons per year for MEC 8&9.5
6. The proposed procurement will involve a two-step process; technical bids will be evaluated in Step 1, and the acceptability of price proposals will be determined in

1 GPA Petition for Contract Review, GPA Docket 14-08, filed April 25, 2014.
2 Id. at p. 1; see PUC Order, GPA Docket 12-04, issued July 30, 2012, authorizing GPA to extend Cylinder Lubrication Oil Contract with IP&E for the period of February 1, 2013 until January 31, 2015.
3 CCU Resolution No. 2014-13, Authorizing the Management of the Guam Power Authority to Proceed with the Solicitation for the Supply of Cylinder Lubricating Oil for the GPA Slow Speed Diesel Engine Baseload Plants, adopted on April 8, 2014.
4 Id. at p.1
5 Vol. 1 Commercial Terms and Conditions at p. 3.

Step 2.<sup>6</sup> Proposed contractors are required to provide supporting information showing extensive and reliable experience in the supply and/or distribution of cylinder lubricating oil for the slow-speed diesel engines.<sup>7</sup>

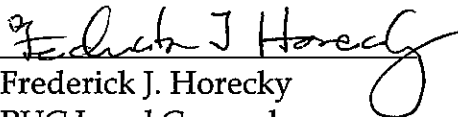
### ANALYSIS

7. As GPA has previously indicated, the Diesel Engine Cylinder Lubrication Oil Contract for the slow speed diesel units is necessary in order to provide a stable and uninterrupted supply of electricity to meet the island-wide utility power demand.<sup>8</sup>
8. GPA's request to solicit competitive bids for a new cylinder lubricating oil supply contract through a Multi-Step Bid process is reasonable, prudent and beneficial to its customers.<sup>9</sup>
9. Along with its procurement request, GPA has also submitted a proposed Contract for the Supply of Cylinder Lubricating Oil for Slow-Speed Diesel Engines. The proposed Contract follows the format that has previously been used by GPA for the cylinder lubricating oil contract. It appears to contain adequate provisions to protect the interests of GPA.

### RECOMMENDATIONS

10. Counsel recommends that GPA be authorized to issue bids to procure a Contractor for the supply of cylinder lubricating oil for the slow-speed diesel engine baseload plants.
11. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 13<sup>th</sup> day of May, 2014.

  
Frederick J. Horecky  
PUC Legal Counsel

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<sup>6</sup> Id. at p. 4.

<sup>7</sup> Id. at p. 8.

<sup>8</sup> See Exhibit "A" to CCU Resolution No. 2012-22, adopted April 10, 2012, at p. 3 of 7.

<sup>9</sup> CCU Resolution No. 2014-13 at p. 2.