

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 14-02  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) PUC COUNSEL REPORT  
Procurement of an Integrated Program )  
Management Office (PMO). )  
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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 Contract Review for Ratification of Additional Charges under the R. W. Armstrong PMO Contract.<sup>1</sup>

BACKGROUND

2. This is the second request filed by GPA in the last two months for PUC approval of additional program management services expenditures under the Armstrong PMO Contract.<sup>2</sup> The first request sought \$440,000 for "program management services" for the remainder of this fiscal year; and, at least initially, \$880,000 for FY 2015 for program management services.
3. The history of the PMO program concerns of the PUC have been set forth in prior Orders of the Commission in this Docket.<sup>3</sup> The PUC has expressed numerous concerns regarding the accountability of expenditures for PMO services.
4. In the present Petition, GPA requests that PUC approve the implementation of additional program management services under the R.W. Armstrong PMO contract in the amount of \$1,022,500.<sup>4</sup>
5. On June 3, 2014, the Guam Consolidated Commission on Utilities adopted Resolution No. 2014-28, Approval of Continued Program Management Services for the Resource Implementation Plan and Execution Plan for LNG.<sup>5</sup> The Resolution authorizes GPA to amend the existing contract and to use working capital funds,

<sup>1</sup> GPA Petition for Contract Review, GPA Docket 14-02, filed June 18, 2014.

<sup>2</sup> See also GPA Petition for Contract Review, GPA Docket 14-02, filed April 24, 2014.

<sup>3</sup> See PUC Orders dated December 30, 2013 and April 24, 2014, filed in this Docket.

<sup>4</sup> GPA Petition for Contract Review, GPA Docket 14-02, filed June 18, 2014, at p. 1.

<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No. 2014-28, Approval of Continued Program Management Services for the Resource Implementation Plan and Execution Plan for LNG, adopted June 3, 2014.

which would be reimbursed through the 2014 bond funds, to pay for the program management services related to the Resource Implementation Plan and the LNG Strategy decisions under the PMO contract "subject to PUC approval."<sup>6</sup>

6. CCU indicates that the PMO services are necessary to work on the "execution plan," and that the milestones for such plan are provided in Exhibit A, the IRP Execution Matrix.<sup>7</sup>
7. The Resolution states that "GPA anticipates negotiating additional task orders with the PMO based on this Matrix for work to be conducted from August 2014 to December 2014..."<sup>8</sup> However, the Matrix also provides additional services to be provided through July of 2015.
8. The Resolution further indicates that "GPA will fund this continuation of services through the working capital fund and reimburse the working capital fund once 2014 bond funds are approved which is anticipated to occur by August 2014..."<sup>9</sup>
9. When the Draft of CCU Resolution No. 2014-28 was presented to Counsel a few hours before the meeting on June 3, 2014, it was provided that the General Manager of GPA would be authorized to seek an additional \$3M for the RWA PMO Contract. However, a revised resolution was apparently submitted to CCU Commissioners prior to or at the meeting on June 3, 2014, which changed the additional amount for PMO services to \$1,022,500.
10. There is a pending docket before the PUC, GPA Docket 14-09, wherein GPA requests approval to issue 2014 Bonds in the total amount of \$94M. Included in GPA's "project listing" for the bond issuance is \$3,000,000 for "LNG Initial Start-up." GPA has indicated that it intends to use such funds to pay Armstrong for PMO services. Thus, although GPA's current request is for \$1,022,500 for PMO services, it intends to use the entire \$3,000,000 in bond funds for PMO expense for Armstrong.

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<sup>6</sup> Id. at pgs. 1-2.

<sup>7</sup> Exhibit A, IRP Execution Matrix, attached to CCU Resolution No. 2014-28. A true and correct copy thereof is attached hereto as Exhibit "A".

<sup>8</sup> CCU Resolution No. 2014-28, Id. at p. 2.

<sup>9</sup> Id.

### ANALYSIS

11. The materials submitted by GPA in support of this Petition contain no indication of what specific work will be covered by the \$1,022,500. As is the case with prior PMO funding requests, there is no breakdown of cost as to each category or subcategory of tasks. There are no task orders submitted with the pending Petition.
12. With the scant materials presented by GPA in support of this petition, there is no basis upon which the PUC could even determine whether the amounts requested are reasonable. An additional problem is the lack of clarity with regard to the period of time for which the \$1.22M would cover. The attached CCU Resolution indicates that the task orders are from August 2014 to December 2014. At present, there is no way of determining whether the funds sought cover only a six month period, or whether these funds be sufficient to cover the additional services set forth in Exhibit "A", the IRP Execution Matrix, which also cover the period from January to July 2015.
13. GPA cannot expect that the PUC will approve a Petition which is so inadequately supported. Given the issues that have arisen with the PMO program, it is imperative now that GPA provide the PUC with a budget for all planned activities of the PMO for the remainder of FY2014 and for FY2015. The sporadic, *ad hoc* approach by which GPA files continuing requests for additional funding is burdensome upon PUC resources and is extremely inefficient. PUC needs GPA to develop a detailed funding plan and budget for its anticipated future PMO funding.
14. GPA should also provide the specific task orders that are involved in this funding and the amounts that apply for each specific project. PUC is still requesting the same financial information and materials from GPA that it has been requesting since December 2013.
15. If GPA intends to expend \$3,000,000 from its 2014 bond issuance for PMO services, a projected budget, specific tasks, and funding amounts for each category and sub category of services should be clearly set forth.
16. Counsel is also concerned about GPA's proposal to extract funds from the working capital fund for PMO service expenses based upon anticipated future

reimbursement from the 2014 bond funds. The Working Capital Fund is not intended to be used for such purpose.

17. Again, if GPA had properly planned for and budgeted PMO services, it would not need to raid the WCF to cover these PMO expenses. GPA should be required to justify why the working capital fund should be used for such purpose. The PUC will recall that in 2010, \$35M in subordinate bond funds, which came at a very high cost to ratepayers, was used to ensure that the working capital fund was fully funded as required by the bond covenants.
18. PUC understands that, on some occasions, GPA is required to access the WCF to pay for needed fuel payments. But, allowing GPA to move funds from the WCF for ordinary consulting services is another matter. GPA should be required to justify the use of WCF funds for this purpose.
19. It is further unclear how GPA arrived at the requested amount of \$1,022,500. Coincidentally, this appears to be the same exact amount that PUC previously approved in LEAC recovery. There should be a reasoned basis upon which GPA determines the amount of funds needed for GPA must justify the specific amounts of funds that it seeks.

### RECOMMENDATIONS

20. At the present time, Counsel recommends that the Commissioners defer any action on GPA's Petition for Approval of Additional Program Management Services under the RWA PMO Contract pending submission by GPA of a proper filing.
21. At a minimum, any supplemental GPA filing for additional PMO services should include the following:
  - (a) A budget, indicating expenditures for PMO services for FY2014 and FY2015, which includes the amount of funds sought for each category and subcategory of services provided;
  - (b) A justification for the expenditure and the amount of funds sought for each category and subcategory of services provided;
  - (c) For each category and subcategory of services, the specific services the PMO will provide, how many hours will be assigned to each project, and how many personnel will be need to work upon each particular project;
  - (d) A scope of work and schedule for services in FY2014 and FY2015;

- (e) The proposed funding source for all amounts sought;
- (f) If funds are sought to be used from the Working Capital Fund, a justification for such use.

22. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 30th day of July, 2014.

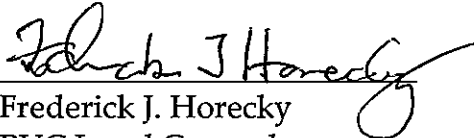
  
Frederick J. Horecky  
PUC Legal Counsel

EXHIBIT A - IRP EXECUTION MATRIX

Key Milestones					
Number	Priority Grouping	Item	Consideration Factors	Timing	Dependent
1	1	Respond to PUC Requests on IRP	Assist GPA in responding to PUC requests	June-August 2014	
2	1	Facility Type Selection (LNG/FSRU)	LNG Capacity	June 2014	1
3	1	Site Selection	Terminal Site Identification	August 2014	2
4	1	Stakeholder Engagement	Port Authority - LNG Siting	June-July 2014	2 & 3
			Navy/DoD - LNG Siting	June-July 2014	2 & 3
			JGPO - LNG and CC Siting	June-July 2014	2 & 3
			Governor & GovGuam - All Items	June-July 2014	2 & 3
5	1	Provide Support in Negotiating USEPA Consent Agreement	Provides basis to move LNG effort forward	June-October 2014	2 & 3
6	1	Public Utilities Commission - IRP and IRP Execution Plan	Iterative Process as GPA determines, then PUC reviews/approves if rate impacts	June - December 2014	2 & 3
7	1	Combined Cycle Generation Plant Site Selection	Power Plant Site Selection	June-July 2014	2 & 3
8	1	Procurement	LNG Facility Project Structure	June-July 2014	2, 3, 4, 5 & 7
9	1	Revenue Options	Financial Model Analysis	June-July 2014	2, 3, 4, 5, 7 & 8
10	1	Facility and Implementation Financing	Rate Impacts	June-July 2014	1, 2, 3, 4, 5, 7, 8 & 9
11	2	PERC	Provide Regulatory Support	October-December 2014	2, 3, 4, 5, 6, & 8
12	2	Community Engagement	Educated ratepayers and business community on IRP efforts	June - December 2014	All Items
13	2	Retirements	Provide Support in Use and Retirement Considerations of its Generation Facilities	June - December 2014	3, 7, 9 & 10
14	2	Generation Plant Refurbish	Provide Support in Evaluating Existing Generation Capital Improvement and Large O&M Projects	June - December 2014	3, 7, 9 & 10
15	2	Staffing Impacts	GPA Staff Attrition Retirement Schedule Staff Impact Adjustments	June - December 2014	3, 7, 8, 10 & 13
16	3	Media Tools	Public Information Open Houses Fact Sheets Media Campaign Advertisements	October Through Project End	1 & 12
17	3	Waterways Suitability Assessment	Meet with Guam PRC and other Port stakeholders Develop draft Preliminary Waterways Suitability Assessment Review with USCG CoTP Prepare Letter of Intent and preliminary WSA for submission to USCG CoTP	October-December 2014	2 & 3
18	3	Provide Support in Evaluating Potential New Revenue Opportunity With Natural Gas	Estimate Non-Power Demand on Guam Estimate LNG Demand for Micronesia Identify Gas Quantities and Delivery Options Develop Cost Estimates for Delivering Natural Gas to Guam Non-Power Users Develop Cost Estimates for Delivering LNG to Micronesia Prepare Draft Report Prepare Final Report	October-December 2014	2, 3, 8 & 17
19	3	Develop Risk Mitigation Plan for Supply Interruption	Shipping LNG Storage Terminal Backup Storage ULSD Storage ISOtainer potential	October-December 2014	2, 3, 7, 15, 16 & 18
20	3	Facility and Implementation Financing	Timing and length	October-December 2014	All Above
21	3	Federal Combined Cycle Plant Permitting	Instate Permitting of Combined Cycle Power Plant	October-December 2014	7 & 17
22	3	Environmental Reports Associated with LNG Facility	Prepare Environmental Resource Reports 2-10	January - June 2015	2, 5 & 15
23	3	Guam Plant Permitting	Prepare application for Guam EPA Land Clearing permit, Section 401 Water Quality Certification, and Guam Air Pollution Source Construction and Operating permits, and Prepare Guam EPA EIA/EIS.	January - June 2015	2, 3, 7, 15 & 16
24	3	Workforce Availability	Construction Worker Skills and Availability	June - July 2015	All Above
25	3	Training	Required training for LNG Supply, Contract Management, Combined Cycle Generation,	June - July 2015	All Above