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Public Utilities Commission
GUAM

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 15-06
	)	
The Petition of the Guam Power Authority for Approval of Settlement with Pruvient Energy Guam Investment, Inc., to Terminate the Energy Conversion Agreement.	)	**PUC COUNSEL REPORT**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Approval of Settlement with Pruvient Energy Guam Investment, Inc. ["Pruvient"], to terminate the Energy Conversion Agreement.[1]

BACKGROUND

2. The Tanguisson Plants 1 & 2 went into service in 1971/1972. Each plant has a capacity of 26.5 MW.

3. In 1996, GPA entered into a twenty year Energy Conversion Agreement [ECA] with Hawaiian Electric Company for the operation of the Tanguisson plants through 2017. Pruvient is the current operator of the plants.[2]

4. GPA now seeks to terminate its ECA with Pruvient. GPA is concerned that it would incur considerable cost to bring the Tanguisson plants into compliance with the EGU MACT rules enacted by the United States Environmental Protection Agency [USEPA].[3]

5. Under the USEPA EGU MACT rules, GPA asserts that it would be required to install substantial stack emission controls on the Tanguisson plants to be in compliance by May 2015.[4] By deactivating the Tanguisson plants prior to May 2015, GPA would not have to incur additional compliance costs.[5]

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[1]GPA Petition for Approval of the Settlement with Pruvient Energy Guam Investment, Inc. to Terminate the Energy Conversion Agreement, GPA Docket 15-06, filed December 2, 2014.
[2]Id. at p.1.
[3]Id.
[4]Id.
[5]Id. at pgs. 1-2

6. GPA further believes that the remaining costs under the ECA for operating the Tanguisson plants would be $28 Million. These costs could be reduced or eliminated by terminating the Pruvient ECA.[6]

ANALYSIS

7. PUC, through its Counsel, submitted Requests for Information to GPA on December 4, 2014.[7] GPA submitted responses to such requests on December 12, 2014.[8]

8. Cost savings of $28 Million could result from early termination of the ECA over the three year period.[9] Also, GPA would not incur EGU MACT compliance costs in the estimated amount of $14 Million plus $218,000 per year in additional monitoring costs.[10]

9. GPA has agreed to a settlement amount of $8.1 Million with Pruvient, which is essentially the amount required to buy out the remaining term of the ECA.[11] Thus, the net savings would be roughly $20 Million.[12]

10. From a fiscal perspective, the termination would appear to be a desirable result for GPA. It will subsequently not be required to expend monthly payments to Pruvient of $550,000. GPA's Counsel indicates that these payments are presently due to Pruvient regardless of whether the Tanguisson plants are dispatched.[13]

11. As the "least efficient of the GPA Baseload Plants"[14], the Tanguisson plants are not being dispatched often at the present time.[15] Those plants will likely be run even less when the Dandan solar project comes on line.[16]

[6]Id. See also Attachments A.1 through A.5
[7]Requests for Information to GPA, GPA Docket 15-06, submitted December 4, 2014.
[8]GPA's Responses to Requests for Information, GPA Docket 15-06, filed December 12, 2014.
[9]Id. at p.1
[10]Id.
[11]Id.at p.3
[12]Id.at Attachment A.1
[13]Phone Discussion between GPA Counsel and PUC Counsel on December 18, 2014.
[14]GPA Petition for Approval of Settlement with Pruvient to Terminate the Energy Conversion Agreement, GPA Docket 15-06, filed December 2, 2014, at p. 1.
[15]GPA Responses to PUC Requests for Information, GPA Docket 15-06, filed December 12, 2014, at p. 3.
[16]Id.

12. GPA is not aware of the costs for "mothballing" the Tanguisson plants at the present time. However, it believes that those costs will be "insignificant" compared to the costs of continuing to pay for a plant that will not run very much.[17]

13. There is an issue of how GPA plans to pay the termination cost of $8.1 Million to Pruvient. GPA indicates that it intends to pay such sum from the Working Capital Fund in one lump sum. It would then replenish the WCF in the amount of $550,000 per month (i.e, the amounts it would otherwise have had to pay to Pruvient).[18]

14. The CCU has asked GPA to replenish the fund more quickly; GPA "is now working on increasing the monthly payment."[19] Counsel concurs with the CCU that there should be a more expedited replenishment of the WCF. GPA indicates that the total monthly costs foregone are $863,209 (which includes labor, benefits, water and power costs).[20] Repayment of the WCF should be made within one year from the date of the Order issued herein.

RECOMMENDATION

15. Counsel recommends that the PUC approve GPA's settlement with Pruvient to terminate the Energy Conversion Agreement.

16. GPA should be authorized to expend $8.1 Million from the Working Capital Fund to terminate the ECA. The Tanguisson plants may be decommissioned, taken off line, and mothballed.

17. The WCF should be reimbursed in full within one year from the date of the Order issued by the PUC. It is not desirable that the WCF be underfunded for a long period of time.

18. GPA should be required to issue a Report to the PUC within one year from the date of the Order indicating: (a) the total amount in which the WCF has been reimbursed and the balance in the WCF; (b) the cost for mothballing the

[17]Id. at p.2
[18]Id. at p.3
[19]Id. at p.3
[20]Id. at Attachment A.1.

Tanguisson plants and any additional costs associated with its closure and cleanup; and (c) any other costs resulting from the closure of the plants.

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

Dated this 23rd day of December, 2014.

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