

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 15-10
)
The Application of the Guam Power)
Authority to Approve the Contract) **ORDER**
Extension for Supply of Residual Fuel Oil)
No. 6 to GPA.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation.¹

BACKGROUND

2. On July 30, 2013, the PUC approved GPA's Contract for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation.²
3. The existing Supply Contract for Residual Fuel Oil No. 6 between GPA and Hyundai Corporation commenced September 1, 2013 and expires on August 31, 2015. The present Supply Contract provides for up to three one-year extension options renewable annually.³
4. When the present Fuel Oil Supply Contract with Hyundai Corporation expires on August 31, 2015 (after the two year base period), GPA requests that the PUC authorize it to enter into a three year contract extension for the supply of Fuel Oil with Hyundai Corporation (rather than to proceed with the three one-year extensions provided for in the existing Contract).⁴
5. GPA has attached to its Petition a proposed "Amendment No. 2" to the Fuel Oil Supply Contract between GPA and Hyundai Corporation.⁵
6. In accordance with the proposed Amendment, GPA and Hyundai Corporation would delete the provision of the existing contract providing for options to

¹ GPA Petition for Contract Review, GPA Docket 15-10, filed March 11, 2015.

² PUC Order, GPA Docket 13-10, dated July 30, 2013.

³ PUC Counsel Report, GPA Docket 13-10, dated July 19, 2013, at p. 2; See also Guam Consolidated Commission on Utilities Resolution No. 2013-37, issued June 25, 2013, at pgs. 2-3.

⁴ GPA Petition for Contract Review, GPA Docket 15-10, filed March 11, 2015, at pgs. 1-2.

⁵ See proposed AMENDMENT NO. 2, attached to Guam Consolidated Commission on Utilities Resolution No. 2015-11 (filed February 24, 2015).

extend the contract for three additional One (1) year terms. Instead, the parties would agree that the existing contract would be extended for a THREE (3) year term.

7. The CONTRACT PRICE for fuel oil during the three year contract extension would be as set forth in Exhibit "A", attached hereto. In exchange for a three year contract extension, Hyundai Corporation has agreed to fee premium price reductions.
8. On February 24, 2015, the Guam Consolidated Commission on Utilities authorized the Guam Power Authority to enter into a three (3) year contract extension with Hyundai Corporation for the Supply of Residual Fuel Oil No. 6 in accordance with the prices set for in Exhibit "A".⁶
9. The CCU found that the guaranteed three year contract extension would provide cost savings to GPA customers.
10. A further contract amendment would allow Hyundai to improve the oil quality specification for the Vanadium limit from 100ppm to 90ppm without additional expense to GPA; such reduction would help improve the efficiency of the affected equipment.⁷

DETERMINATIONS

11. Counsel had advised that he is not aware of any restriction which prevents GPA and Hyundai Corporation from altering their existing contract to provide for one three year contract extension rather than the three additional one year extension terms provided for in the existing contract. Section 40 of the Contract provides for written amendments thereto upon the mutual agreement of the parties.
12. In exchange for a three year extension term, Hyundai Corporation has agreed to substantially reduce its premium fees for the three year term.
13. The Guam Consolidated Commission on Utilities has determined that the premium fee reduction for a guaranteed 3-year contract extension will provide

⁶ Guam Consolidated Commission on Utilities Resolution No. 2015-11, AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO PETITION THE PUBLIC UTILITIES COMMISSION FOR THE THREE YEAR EXTENSION OF THE RESIDUAL FUEL OIL NO. 6 SUPPLY CONTRACT WITH HYUNDAI CORPORATION, adopted February 24, 2015.

⁷ Id. at p. 1.

an estimated total savings of approximately \$46,226,415.00 over the three year term.

14. The Contract for Supply of Fuel Oil with Hyundai Corporation is essential to the operation of the Cabras power plants.⁸
15. Hyundai's voluntary agreement to reduce the Vanadium content of the fuel oil supplied from 100ppm to 90ppm may improve the operational efficiency of GPA's generators.
16. The contract extension for the Fuel Oil Supply Contract with Hyundai Corporation, for Residual Fuel Oil No. 6, is also essential to the operation of the Cabras power plants.
17. The contract extension is reasonable, prudent and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition to Approve the Contract Extension for Supply of Residual Fuel Oil No. 6 with Hyundai Corporation is granted.
2. GPA is authorized to enter into a three year contract extension with Hyundai Corporation in accordance with the renewal terms set forth in GPA's Petition.
3. Said contract renewal shall include the pricing terms negotiated between GPA and Hyundai Corporation, and the provision regarding fuel oil Vanadium content.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's

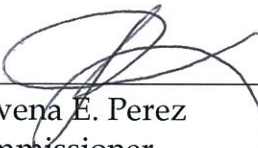
⁸ Id.

regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

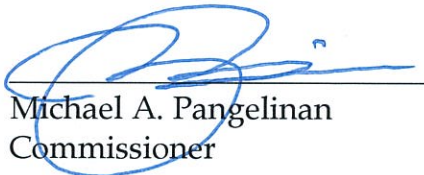
Dated this 26th day of March, 2015.



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner