



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-14
)
The Application of the Guam Power)
Authority to Approve the Diesel Engine) PUC COUNSEL REPORT
Cylinder Lubrication Oil Contract with)
Pacific Petroleum Trading Corporation)
(PPTC))

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of Guam Power Authority [“GPA”] for PUC Review and Approval of the Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation [“PPTC”].¹
2. GPA’s current Contract for the supply of Diesel Engine Cylinder Oil is with IP&E Guam. The current Contract expires on April 30, 2015.²

BACKGROUND

3. On July 31, 2012, PUC authorized GPA to extend the Cylinder Lubrication Oil Contract with IP&E for the period of February 1, 2013 through January 31, 2015.³
4. On May 29, 2014, PUC Authorized GPA to procure a new contract for the supply of Cylinder Lubricating Oil for the Slow-Speed Diesel Base Load Plants.⁴ Therein the PUC determined that GPA had demonstrated a clear need for Cylinder Lubrication Oil for the Slow-Speed Diesel Base Load Units, and that such oil was essential to the operation of the plants.⁵
5. GPA issued Invitation for Multi-Step Bid No. GPA-056-14, a procurement for a new Cylinder Oil Supply Contract.⁶

¹ GPA Application for Approval of the Diesel Engine Cylinder Lubrication Oil Contract with Pacific Petroleum Trading Corporation, GPA Docket 15-14, filed April 17, 2015.

² Id. at p.1.

³ PUC Order, GPA Docket 12-04, dated July 30, 2012.

⁴ PUC Order, GPA Docket 14-08, dated May 29, 2014.

⁵ Id. at p.2.

⁶ Guam Consolidated Commission on Utilities Resolution No.2015-19, Authorizing the Management of the Guam Power Authority to Award the Contract for the Supply of Cylinder Lubricating Oil for Slow-Speed Diesel Engines, approved March 24, 2015, at p.1.

6. GPA received bids for the supply of Cylinder Lubrication Oil for the Slow-Speed Diesel Base Load Plants from four suppliers. Pacific Petroleum Trading Corporation was determined to be the lowest, most responsive and responsible bidder meeting the requirements of the bid solicitation.⁷
7. The Cylinder Oil Supply Contract with PPTC is for a period of three years and is anticipated to commence on May 1, 2015, and expire on April 30, 2018, with two one-year extension options renewable annually upon mutual agreement of the parties.⁸
8. The Award of Contract to PPTC is based upon estimated supply quantities having a value of \$1,749,654.00 per year or a total of \$5,248,963.00 for the three-year contract period.⁹

ANALYSIS

9. The Guam Consolidated Commission on Utilities authorized GPA to enter into a three-year contract with PPTC for the supply of Cylinder Oil, subject to the review and approval of the Guam Public Utilities Commission.¹⁰
10. GPA estimates that it will need 850 metric tons of Diesel Engine Cylinder Lubrication Oil per year. The price per metric ton includes both the reference price and the premium fee cost. The premium fee cost offered by PPTC is substantially lower than that offered by the other vendors.¹¹
11. Pacific Petroleum Trading Corporation is clearly the lowest bidder, and the annual premium fee cost offered by PPTC per year is actually lower than that offered by IP&E under the prior contract.¹²
12. It is reasonable, prudent and necessary for GPA to enter into the Diesel Engine Cylinder Oil Contract with Pacific Petroleum Trading Corporation for a three-year period from May 1, 2015 to April 30, 2018.

⁷ Id. at p.1; see also Exhibits 1 & 2 to CCU Resolution No. 2015-19.

⁸ Id.

⁹ Id. at p.2; see also Exhibit 2, CCU Resolution No. 2015-19.

¹⁰ Id.

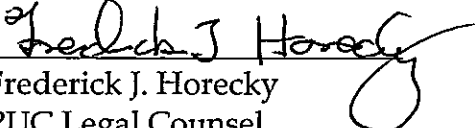
¹¹ Exhibit 2, CCU Resolution No. 2015-19.

¹² Id.

RECOMMENDATION

13. Counsel recommends that GPA be authorized to enter into Diesel Engine Cylinder Oil Contract with Pacific Petroleum Trading Corporation for the three-year period from May 1, 2015 to April 30, 2018.
14. The approved cost for the Contract is \$1,749,654.00 per year, or a total of \$5,248,963.00 for the three year contract period.
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 27th day of April, 2015.



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PUC Legal Counsel