

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 15-05
)
The Petition of the Guam Power Authority)
for Approval of Procurement of New) **PUC COUNSEL REPORT**
Generation Combined Cycle Units and to)
Proceed with Implementation of the)
Integrated Resource Plan (RIP).)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission (PUC) upon Guam Power Authority's Petition to Procure New Engineering and Technical Consulting Services (to include procurement, contracting, construction and commissioning support for up to 180 MW Combined Cycle Power Plant), and to Contract with MEC to Perform a Fuel Conversion and Catalyst Retrofit Evaluation of Cabras 3 & 4 and MEC 8 & 9, and to use 2014 Bond Funds.¹
2. There are two aspects of GPA's Petition: first, it requests authority to hire consulting services relative to its proposed 180 MW Combined Cycle Power Plant; second it requests that, through MEC, a study be performed to determine the feasibility of converting MEC 8 & 9 and Cabras 3 & 4 for use with Ultra Low Sulphur Diesel or LNG, and to undertake a Catalyst Retrofit.²

BACKGROUND

3. The PUC has not yet made any final determination as to whether GPA will be authorized to construct new generation facilities, including the proposed 180 MW Combined Cycle Power Plant.
4. In its Decision dated January 29, 2015, PUC indicated that GPA had not provided sufficient justification to proceed ahead with the procurement of New Combined Cycle Generation. GPA's Petition for adding New Combined Cycle Generation was rejected. Further consideration was deferred pending GPA provision of more specific and complete information to the PUC as requested in its Orders.³

¹ GPA Petition to Procure New Engineering and Technical Consulting Services (to include procurement, contracting, construction and commissioning support for up to 180 MW Combined Cycle Power Plant), and to Contract with MEC to Perform a Fuel Conversion and Catalyst Retrofit Evaluation of Cabras 3 & 4 and MEC 8 & 9, and to use 2014 Bond Funds, GPA Docket 15-05, filed April 6, 2015.

² Id. at p.1.

³ PUC Order GPA Docket 15-05, dated January 29, 2015.

5. Since the date of the PUC Order, GPA and the PUC Consultant, Lummus, have engaged in a detailed and ongoing exchange of information and discussion. Most recently, on May 21, 2015, Lummus Consultants issued additional information requests to GPA concerning the runs provided by the GPA's Strategist and Financial Model.⁴
6. In this Petition, GPA has requested the use of 2014 Bond Funds to pay for a Task Order in the amount of \$750,000 for procurement of engineering and technical consulting services relative to the 180 MW Combined Cycle Power Plant.⁵
7. For the fuel conversion and catalyst retrofit evaluation of Cabras 3 & 4 and MEC 8 & 9, GPA requests that it be authorized to expend \$300,000 from the 2014 Bond Funds to pay for the Task Order related thereto.⁶

ANALYSIS

8. GPA's request for \$750,000 for engineering and technical consulting services relative to the proposed 180 MW Combined Cycle Power Plant is not yet ready for decision by the PUC.
9. The PUC should not determine what consulting services are necessary for the proposed 180 MW Combined Cycle Power Plant until it first determines whether GPA should be authorized to proceed with the construction of such plant.
10. This particular request is "premature" and not "ripe for review".
11. A decision by the PUC on the request for \$750,000 should be deferred until the PUC addresses the Petition for Approval of New Generation in this Docket.
12. With respect to GPA's request to contract with MEC to perform a fuel conversion and catalyst retrofit evaluation of Cabras 3 & 4 and MEC 8 & 9 in the amount of \$300,000, Counsel believes that the PUC should approve this request.

⁴ Email from Kathy Kelly, Lummus Consultants, to various GPA Officials, GPA Docket 15-05, dated May 21, 2015.

⁵ GPA Petition to Procure New engineering and Technical Consulting Services (to include procurement, contracting, construction and commissioning support for up to 180 MW Combined Cycle Power Plant), and to Contract with MEC to Perform a Fuel Conversion and Catalyst Retrofit Evaluation of Cabras 3 & 4 and MEC 8 & 9, and to use 2014 Bond Funds, GPA Docket 15-05, filed April 6, 2015, at p.2.

⁶ Id.

13. On May 25, 2015, GPA provided to PUC a proposal from BWSC (Burmeister & Wain Scandinavian Contractor A/S) for performing a fuel conversion and catalyst retrofit survey for the plants. The scope of the survey includes inspection and testing of the diesel engines, provision of necessary equipment and electrical measuring instruments etc., technical support, and preparation of the survey.⁷
14. Based upon on the new RICE MACT regulations of the United States Environmental Protection Agency, it is conceivable that GPA will be required to convert the fuel source for those plants to Ultra Low Sulfur Diesel. It is prudent for GPA to explore the feasibility of converting such plants to Ultra Low Sulfur Diesel Fuel.
15. Such conversion to ULSD may be necessary for GPA to comply with the applicable USEPA regulations.
16. It is not clear why GPA needs to consider conversion to LNG for those plants at the present time. GPA's current plans do not even contemplate any possible conversion to LNG until 2020. PUC has not approved a conversion to LNG. However, there is no harm in having a study of this issue, with the understanding that allowance for the study by GPA does not imply any approval by PUC of conversion to LNG (or to ULSD for that matter).
17. The original cost of the survey by BWSC was \$205,000. There will be additional costs for GPA's Environmental Consultant, TRC. GPA has been unable to supply Counsel with an estimate of the additional funds needed for the survey due to the current absence of an employee from GPA.⁸
18. Thus, GPA has, at present, justified authorization for an expenditure of \$205,000, with the likelihood that there would be additional costs for the TRC work on the project.
19. GPA's request that the fuel conversion and catalyst retrofit evaluation be funded from the 2014 Bond Funds is appropriate. As the PUC recently held in GPA Docket

⁷ BWSC Proposal for Lifetime Extension Survey at Guam Piti 8/9 and Cabras 3 & 4 Diesel Power Plants, October 3, 2014 (attached to email from GPA Counsel to PUC Counsel dated May 25, 2015, GPA Docket 15-05). The GPA General Manager determined that the study did not go far enough in that it did not include all four plants, but only two.

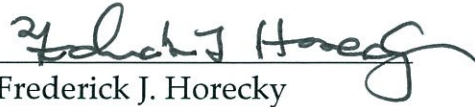
⁸ Email from GPA Counsel Graham Botha to PUC Counsel Fred Horecky, GPA Docket 15-05 dated May 27, 2015 [Comments of John J. Cruz Jr.).

13-14, it is appropriate to fund projects that relate to GPA's new generation facilities and fuel conversion from the LNG Initial Start Up Budget.⁹

RECOMMENDATION

20. Counsel recommends that the PUC approve GPA's request to contract with MEC to perform a fuel conversion and catalyst retrofit evaluation of Cabras 3 & 4 and MEC 8 & 9, and to use 2014 Bond Funds to pay for such Task Orders.
21. At present PUC should approve the amount of \$205,000.00 for such survey/evaluation.
22. Upon submission of documentation by GPA to justify additional survey/evaluation costs, Counsel should review the same and determine whether additional costs have been sufficiently justified. If Counsel finds that additional costs are justified, the PUC should authorize Legal Counsel to approve additional expenditures for the fuel conversion and catalyst retrofit evaluation up to the total amount of \$300,000.
23. Until such time as the Commission addresses the issue of GPA's proposed 180 MW Combined Cycle Power Plant, it should defer consideration of GPA's petition to begin procurement for new engineering and technical consulting services relating to the Combined Cycle Power Plant up to the amount of \$750,000.
24. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 27th day of May, 2015.


Frederick J. Horecky
PUC Legal Counsel

⁹ PUC Order GPA Docket 13-14, dated April 30, 2015.