

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) **ORDER**
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
8. On May 27, 2015, PUC Counsel submitted his Report herein. The Commission adopts the findings therein.

DETERMINATIONS

9. 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. Lummus Consultants is continuing to issue information requests to GPA on such matter.
10. The PUC cannot 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 the Plant.
11. This particular request is "premature" and not "ripe for review". 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.

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.

12. PUC should 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.
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.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 (ULSD). It is prudent for GPA to explore the feasibility of converting such plants to ULSD.
15. Such conversion to ULSD may be necessary for GPA to comply with the applicable USEPA regulations.
16. It is not entirely clear as to why GPA needs to consider conversion to LNG for those plants at the present time. GPA's current plans do not contemplate any possible conversion to LNG until 2020. PUC has not approved a conversion to LNG. However, there is no harm in allowing GPA to proceed with a study of this issue. A study of fuel conversion to ULSD or LNG, and catalyst retrofits, should provide a better understanding of the potential costs of such actions.
17. Approval by PUC of authorization for GPA to undertake a study of the foregoing matters does not in any manner imply or constitute approval by PUC of GPA's plans to convert the MEC/Cabras plants to USLD or LNG at the present time.
18. GPA has requested \$300,000 for the study/evaluation. However, the documents submitted by GPA in support of this request, to date, have only justified the cost of \$205,000.00 (the original cost for the survey by BWSC was indicated as \$205,000).
19. There will likely be additional costs for GPA's Environmental Consultant, TRC. GPA has, to date, not been unable to supply the PUC with an estimate of the additional funds needed for the survey due to the current absence of an employee from GPA.⁸

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.).

20. 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.
21. 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 13-14, it is appropriate to fund projects that relate to GPA's new generation facilities and fuel conversion from the LNG Initial Startup Budget.⁹
22. Upon submission by GPA of additional cost documentation to PUC, and certification by Counsel that such documentation justifies additional expense for the survey, GPA may expend up to \$300,000 for such survey/evaluation.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval to Procure New Engineering and Technical Consulting Services, 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 request to contract with MEC to perform a fuel conversion and catalyst retrofit evaluation of Cabras 3 & 4 and MEC 8 & 9 is approved.
2. At present GPA is authorized to expend up to \$205,000.00 for such study/evaluation. Upon submission by GPA of additional cost documentation to PUC, and certification by Counsel that such documentation justifies additional expense for the survey, GPA may expend up to \$300,000 for such survey/evaluation.
3. GPA may expend authorized funds for the survey/evaluation from the 2014 Bond Funds, Initial LNG Start Up.
4. Until such time as the Commission addresses the issue of GPA's proposed 180 MW Combined Cycle Power Plant, 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, is deferred.
5. 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

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


Order
Consulting/Technical Services for
New Generation
GPA Docket 15-05
May 28, 2015

conducting the hearing proceedings. Assessment of PUC's 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 28th day of May, 2015.



Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner




Michael A. Pangelinan
Commissioner



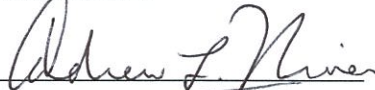
Filomena M. Cantoria
Commissioner



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner