



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-18
)
The Petition of the Guam Power Authority))
for Approval of Procurement of) **ORDER**
Temporary Power Generation Services.)
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of Procurement of Temporary Power Generation Services.¹

BACKGROUND

2. On August 31, 2015, GPA experienced a major failure of the Cabras Nos. 3 & 4 Power Plants when an explosion and fire occurred.²
3. GPA's General Manager Benavente has opined, subject to a full investigation, that Cabras No. 4 may be irreparable; there is no estimated date for its return to service. GPA believes that Cabras No. 3 Unit may be able to produce power by March 2016.³
4. The explosion resulted in the loss of 78MW of baseload capacity, which places GPA in the difficult position of meeting system demand if there is an outage in one of the baseload or other large units. If there were an outage of one of the Cabras Steam Units, there could be insufficient reserve generation.⁴
5. GPA estimates that, at present, it has 50 MW of reserve capacity available. Its total existing capacity is 295MW. Peak demand is 245MW. However, basing necessary reserve on the loss of its two largest units, GPA believes that it needs a required

¹ GPA Petition for Approval of Procurement of the Temporary Power Generation Services, GPA Docket 15-18, filed September 17, 2015.

² Id at p. 1.

³ Guam Power Authority Generation Capacity Alternatives, presented to the Guam Consolidated Commission on Utilities, September 9, 2015 [Baseload and Peaking/Emergency timeline estimation].

⁴ GPA Petition for Approval of Procurement of the Temporary Power Generation Services, GPA Docket 15-18, filed September 17, 2015, at p. 1.

reserve of 94MW. Thus, there is a present shortage in reserve capacity available of 44MW.⁵

6. GPA desires to pursue additional capacity through leasing services for an additional 40-60MW of stand-by generation to ensure that GPA has sufficient reserves even with the potential outages of the Cabras 1 & 2 units.⁶
7. At present, GPA has not provided an accurate explanation of the cost for leasing 40-60MW of temporary generation. The cost could be "as much as \$15M for the temporary generation capacity lease services..."⁷
8. For the time being, GPA is only requesting that PUC approve a procurement for the indicated Temporary Power Generation Services.⁸
9. On September 22, 2015, PUC Counsel filed his Report herein. The Commission adopts the recommendations in the Report.⁹

DETERMINATIONS

10. At present there has been little analysis done as to the causes of the Cabras Nos. 3 & 4 explosion. There needs to be a thorough investigation and analysis of the causes of the explosion and a determination as to where responsibility lies for such explosion.
11. GPA further needs to explain why ratepayers suddenly find themselves in a crisis, emergency situation where there are insufficient generation reserves.
12. In recent months GPA mothballed the Tanguissan Plants and further suggested that new PMC contract for Cabras 1 & 2 "could be tailored to achieve an acceptable

⁵ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Reserve Restoration Plan [attached to the GPA Petition herein].

⁶ Guam Power Authority Generation Capacity Alternatives, September 16, 2015, Procure Lease Service for 40 to 60MW of Temporary Power [attached to the GPA Petition herein].

⁷ Guam Consolidated Commission on Utilities Resolution No. 2015-45, Authorizing Management of the Guam Power Authority to Lease Generation Capacity Services to Meet System Demand, adopted September 16, 2015 at p.1.

⁸ Guam Consolidated Commission on Utilities Resolution No. 2015-45, Authorizing Management of the Guam Power Authority to Lease Generation Capacity Services to Meet System Demand, adopted September 16, 2015 at p.2.

⁹ PUC Counsel Report, GPA Docket 18-

reliable level at reduced investments. (emphasis added).¹⁰ GPA should explain why it cannot reactivate the Tanguissan plants to meet the lack of adequate generation reserve. GPA should provide a detailed analysis of the cost and feasibility of bringing the Tanguissan plants on line as soon as possible.

13. GTA presently lacks information as to the cost of GPA's temporary services plan, the cost of other plant improvement recommendations, or how either will be funded.
14. GPA needs to develop a far more detailed financial plan as to costs involved, and how it will pay for the temporary generation services and other elements of its recommended plan.
15. GPA's proposed solutions will likely place additional burdens on ratepayers.
16. Given the emergency situation which GPA now finds itself in, it does appear that it would be prudent for the PUC to allow GPA to issue a procurement so a determination can be made as to what temporary generation capacity is available for leasing, and what the exact cost of such services would be.
17. GPA should be required to present any proposed contract for temporary generation services to the PUC for thorough review before the contract is executed.

ORDERING PROVISIONS

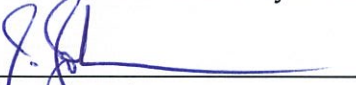
After review of the record herein, including GPA's Petition to Procure Temporary Power Generation Services, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA is authorized to issue a procurement for temporary generation services, with the understanding that the emergency nature of this request, and the short amount of time to fully analyze this situation, demands that the PUC strictly scrutinize any proposed contract for the leasing of temporary generation services.

¹⁰ PUC Counsel Report, Procurement of a Performance Management Contract for Cabras Units 1-4, dated April 27, 2015 at par. 19.

2. The procurement bid should be as broad as possible, without necessarily specifying any specific type of generation or fuel source, to encourage the provision by bidders of the broadest range of possible solutions.
3. At present no funding source is approved, such as Business Interruption Insurance Policy or the Self Insurance Fund; GPA must present its full financial plan, which addresses the cost of the proposed leasing of temporary generation services as well as the cost of its other recommendations.
4. The PUC authorization for GPA procurement should not be deemed as approval of any other element of its plan or proposed recommendations.
5. By October 26, 2015, GPA shall provide a detailed analysis of the cost and feasibility of reactivating the Tanguissan plants.
6. By October 26, 2015, GPA shall propose a Time of Use Plan for Peak Hour rates. TOU is potentially a feasible manner by which GPA can reduce peak hour demand and possibly forego the need for at least some of the additional generation capacity. GPA's plan/proposal shall be filed with the PUC.
7. 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 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 24th day of September, 2015.



Jeffrey C. Johnson
Chairman

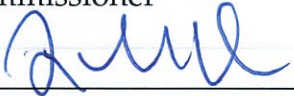


Rowena E. Perez
Commissioner

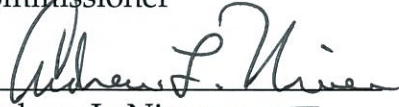


Michael A. Pangelinan
Commissioner

Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Andrew L. Niven
Commissioner

Order
Procurement of Temporary
Power Generation Services
GPA Docket 15-18
September 24, 2015



Filomena M. Cantoria
Commissioner