



## BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 15-25  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) **ORDER**  
Performance Management Contract )  
(PMC) for the Management, Operation )  
and Maintenance of the GPA Cabras 3&4 )  
Power Plants )

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### INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Application of the Guam Power Authority Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 3&4 Power Plants.<sup>1</sup>
2. The Application requests a 15-month extension of the Performance Management Contract between GPA and Korea East-West Power (KEWP). GPA has agreed with KEWP on a reduced fixed management fee of \$87,769 per month during the extension period for a 15-month cost of \$1,316,535, and is estimating \$699,655 in routine Operations & Maintenance (O&M), for a total contract extension cost of \$2,015,190.<sup>2</sup>

### BACKGROUND

3. GPA's Application indicates that the prior base period for the KEWP PMC commenced on July 1, 2010 and expired on June 30, 2015. The Guam Consolidated Commission on Utilities ["CCU"], in Resolution No.2015-35, previously approved a 3-month extension for the KEWP PMC.<sup>3</sup> The PMC with KEWP provides for renewal by GPA, at its election, for up to an additional five year term.<sup>4</sup>
4. In Resolution No.2015-62B, the CCU approved a 15-month contract extension for the Performance Management Contract (PMC) for the Management, Operation and

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<sup>1</sup> GPA Application Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 3&4 Power Plants, GPA Docket 15-25, filed November 27, 2015.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id.

<sup>4</sup> PUC Counsel Report, GPA Docket 94-04 [the Application of Guam Power Authority to Approve the Performance Management Contract (PMC) for Cabras 3&4] dated April 26, 2010 at p. 2.

Maintenance of the GPA Cabras 3&4 Power Plants, for the period of October 1, 2015 to December 31, 2016.<sup>5</sup>

5. The Guam Consolidated Commission on Utilities believes that GPA has ensured the availability and efficiency of the Cabras 3&4 Power Plants through the Performance Management Contract awarded to KEWP.<sup>6</sup>
6. On April 30, 2015, the PUC authorized GPA to issue a procurement for a single Performance Management Contractor for the Cabras 1&2 and 3&4 Plants; GPA had anticipated that, by reducing the number of PMCs for the Cabras Plants from 2 to 1, GPA would reduce the current fixed management fees.<sup>7</sup>
7. Subsequently, GPA, through CCU Resolution No.2015-15, issued a Multi-Step Bid for a Single Performance Management Contract for the Cabras 1&2 and 3&4 Power Plants.<sup>8</sup>
8. However, on August 31, 2015, there was a major explosion at the Cabras Units 3&4; these units are currently offline and not available for dispatch. The Root Cause of the explosion is still under investigation.<sup>9</sup>
9. Because of the explosion, GPA has now determined that it will no longer, at least for the present time, proceed with the procurement for a single performance management contract for all of the Cabras Plants.<sup>10</sup>
10. There is an urgent need to complete the damage assessment and Root Cause Analysis for the Cabras 3&4 incident, and to commence rehabilitation of the Cabras 3 unit if possible.<sup>11</sup>

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<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62B, AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO EXTEND THE PERFORMANCE MANAGEMENT CONTRACTS FOR THE CABRAS 3&4 POWER PLANTS, adopted on November 25, 2015.

<sup>6</sup> Id. at p. 1.

<sup>7</sup> PUC Order, GPA Docket 15-11, dated April 30, 2015.

<sup>8</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62B, dated November 25, 2015.

<sup>9</sup> Id at p. 1.

<sup>10</sup> Id.

<sup>11</sup> Id.



11. KEWP, the PMC for Cabras 3&4 can support GPA through this critical period by providing valuable expertise and support in areas such as Engineering Assessment, technical Services, Program Management and related tasks.<sup>12</sup>
12. PUC Counsel filed his Report herein on December 7, 2015.<sup>13</sup>

### DETERMINATIONS

13. KEWP could assist with procurement of necessary equipment needed to repair Cabras 3. Having KEWP assist GPA with procurement would be of great benefit to GPA. Without such assistance GPA would have to utilize its own more cumbersome and time consuming procurement process to obtain materials for the repair of Cabras 3.
14. KEWP has many years of experience in managing and operating the Cabras 3&4 Plants. It should be able to assist GPA in returning Cabras 3 to operability. KEWP is also assisting Pernix with the Roof Demolition and reconstruction services for the Cabras 3&4 Plants.<sup>14</sup>
15. It is not appropriate for KEWP to be in any manner involved in the conduct of the investigation of the Root Causes of the Cabras3&4 explosion. It is theoretically possible that KEWP, as PMC for Cabras3&4, could bear some responsibility for the explosion (although there are presently no known facts which would support such a conclusion).
16. GPA should preclude any active involvement by KEWP in the coordination of the investigation or the undertaking thereof. It is appropriate for KEWP to provide any information in its possession to the investigating parties concerning possible causes of the explosion, but not to be a participant in conducting the investigation.
17. GPA could defer its decision as to whether KEWP should be hired as the PMC until there is a determination of whether Cabras 3 or 4 can be repaired. However, in the event that neither plant is repairable, GPA has some protection in that the contract extension will include a provision for termination upon 30 days' notice.<sup>15</sup>

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<sup>12</sup>Id.

<sup>13</sup> PUC Counsel Report, GPA Docket 15-25, filed December 7, 2015.

<sup>14</sup> Phone Conference between GPA Counsel and PUC Counsel on December 7, 2015.

<sup>15</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62B, dated November 25, 2015, at p. 2.

18. O&M expenses will be reimbursed to the PMC as required and include the cost for cleanup and maintenance during the restoration period as well as consumables for operations, preventive maintenance and overhaul when the unit is returned to service.<sup>16</sup>
19. Given that Cabras 4 is likely inoperable, and Cabras 3 will not be operable until the roof demolition and the investigation are completed (possibly not until August of 2016), the question arises as to precisely what services GPA is paying KEWP for.
20. During this period of instability in the island wide power system, it may be prudent for GPA to retain the services of KEWP as the PMC for Cabras 3&4. KEWP has experience with those plants, as opposed to another contractor. While the extent and exact nature of involvement by KEWP are not clear, extending the contract time of the existing PMC contract with KEWP is reasonable to support GPA with program management, engineering, plant preservation and restoration, and other technical services.
21. Subject to the protections that the contract extension will include a provision for termination upon 30 days' notice and a provision that O&M expenses will be reimbursed to the PMC only as required, the contract amounts requested by GPA are reasonable.

### ORDERING PROVISIONS

After review of the record herein, including GPA's Application for Approval of the PMC for the Cabras3&4 Plants, 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. The 15-month extension of the PMC between GPA and KWEP for the management, operation and maintenance GPA's Cabras3&4 Plants is hereby approved (subject to conditions). The PMC shall be extended from October 1, 2015, through December 31, 2016.


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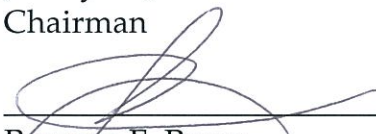
<sup>16</sup> Id.




2. GPA is authorized to expend a fixed management fee of \$87,769 per month during the extension period for a 15-month cost of \$1,316,535, and \$699,655 in routine O&M, for a total contract extension cost of \$2,015,190.
3. The extension is approved subject to the following conditions: GPA must preclude any active involvement by KEWP in the undertaking or coordination of the investigation; KEWP should provide any information in its possession to the investigating parties concerning possible causes of the investigation, but not be a participant in the conduct of the investigation; the contract extension will include a provision for termination upon 30 days' notice; and the contract extension will include a provision that O&M expenses will be reimbursed to the PMC only as required.
4. GPA shall file a copy of the 15-month Extension of the PMC with the PUC.
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 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.

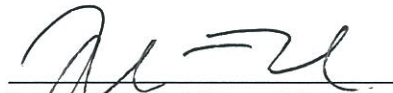
Dated this 10th day of December, 2015.

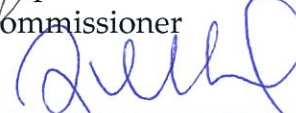
  
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Chairman


  
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Commissioner

  
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