

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 15-24  
)  
The Application of the Guam Power )  
Authority Requesting Approval of the ) **PUC COUNSEL REPORT**  
Performance Management Contract )  
(PMC) for the Management, Operation )  
and Maintenance of the GPA Cabras 1&2 )  
Power Plants )

**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 1&2 Power Plants.<sup>1</sup>
2. The Application requests a 1-year extension of the Performance Management Contract between GPA and Taiwan Electrical & Mechanical (TEMES).<sup>2</sup>

**BACKGROUND**

3. GPA’s Application indicates that the prior base period for the TEMES PMC commenced on October 1, 2010 and expired on September 30, 2015. The Guam Consolidated Commission on Utilities [“CCU”], in Resolution No.2015-35, previously approved a 3-month extension for the TEMES PMC.<sup>3</sup> The PMC with TEMES provides for renewal by GPA, at its election, for up to an additional five year term.<sup>4</sup>
4. In Resolution No.2015-62A, the CCU approved a 1-year 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 1&2 Power Plants, GPA Docket 15-24, filed November 27, 2015.

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

<sup>3</sup> Id.

<sup>4</sup> PUC Counsel Report, GPA Docket 10-04 [the Petition of Guam Power Authority for Early Review and Approval of the New PMC Contract for Cabras 1&2] dated September 13, 2010 at p. 2.

Maintenance of the GPA Cabras 1&2 Power Plants, for the period of January 1, 2016 to December 31, 2016.<sup>5</sup>

5. The Guam Consolidated Commission on Utilities believes that GPA has insured the availability and efficiency of the Cabras 1&2 Power Plants through the Performance Management Contract awarded to TEMES.<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. Based upon the present unavailability of the Cabras 3&4 Plants, GPA believes that it is vital to ensure the continued operations of Cabras 1&2 through the retention of the present Performance Management Contractor TEMES.<sup>10</sup>
10. Given the need for the continued operation of the Cabras 1&2 Plants, including completion of life-extension projects, and meeting availability, reliability and efficiency standards, GPA submits that the PMC TEMES will contribute to the

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<sup>5</sup> Guam Consolidated Commission on Utilities Resolution No.2015-62A, AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO EXTEND THE PERFORMANCE MANAGEMENT CONTRACTS FOR THE CABRAS 1&2 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.2015-62A, adopted on November 25, 2015.

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

<sup>10</sup>Id.



efficient operation of the Cabras 1&2 Power Plants, and that a PMC is "reasonable, prudent, and necessary".<sup>11</sup>

### ANALYSIS

11. The Cabras 3&4 explosion caused disruption to the island wide power system. It is understandable that GPA is reluctant to interrupt the PMC arrangements at the Cabras 1&2 Plants. Based upon GPA's need to maintain the continued availability and power production capacity of the Cabras 1&2 Plants, it is reasonable for GPA to retain the present PMC TEMES.
12. TEMES has many years of experience in managing and operating the Cabras 1&2 Plants. It should be able to assist GPA in ensuring that the plants continue to operate efficiently.
13. GPA has agreed with TEMES on a fixed management fee of \$133,859.31 per month during the extension period for a 12-month cost of \$1,606,311.68. GPA further estimates a 1-year cost of \$1,148,062.61 in routine Operation & Maintenance expenses, for a total contract extension cost of \$2,754,374.29.<sup>12</sup>
14. The estimated 12-month cost for the PMC extension of \$1,148,062.61 in routine Operation & Maintenance costs is consistent with the O & M cost under prior PMC Contracts. For example, in the last year of the prior 5-year contract between GPA and TEMES, the Annual Operation & Maintenance Spending Budget was \$1,116,792.42, which is only slightly less than the projected routine Operation & Maintenance budget for the 1-year contract extension for TEMES.<sup>13</sup>
15. The Fixed Management Fee for the 12-month period of the extension is \$1,606,311.68. The Fixed Management Fee in the fifth year of the prior contract was greater, at \$1,697,524.48.<sup>14</sup>

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<sup>11</sup> GPA Application Requesting Approval of the Performance Management Contract (PMC) for the Management, Operation and Maintenance of the GPA Cabras 1&2 Power Plants, GPA Docket 15-24, filed November 27, 2015, at p. 2.

<sup>12</sup> Guam Consolidated Commission on Utilities, Resolution No.2015-62A, adopted November 25, 2015, at p. 1.

<sup>13</sup> PUC Counsel Report, GPA Docket 10-04 [the Petition of Guam Power Authority for Early Review and Approval of the New PMC Contract for Cabras 1&2] dated September 13, 2010 at p. 2.

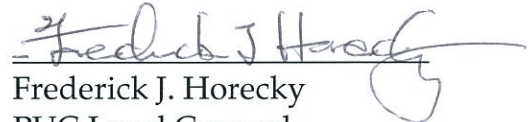
<sup>14</sup> Id.

16. During this period of instability in the island wide power system, it is prudent for GPA to retain the services of TEMES as the PMC for Cabras 1&2.

### RECOMMENDATION

17. Counsel recommends that the PUC authorize GPA to extend its PMC with TEMES for the management, operation and maintenance of the Cabras 1&2 Plants for a 12-month period, in accordance with the terms set forth in the GPA Application.
18. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 5<sup>th</sup> day of December, 2015.

  
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PUC Legal Counsel