



## 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 ) **ORDER**  
Performance Management Contract )  
(PMC) for the Management, Operation )  
and Maintenance of the GPA Cabras 1&2 )  
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 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, filed 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>

11. PUC Counsel filed his Report herein on December 5, 2015.<sup>12</sup>

### **DETERMINATIONS**

12. 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.
13. 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.
14. 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>13</sup>
15. 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>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> PUC Counsel Report, GPA Docket 15-24, filed December 5, 2015.

<sup>13</sup> Guam Consolidated Commission on Utilities, Resolution No.2015-62A, adopted November 25, 2015, at p. 1.

<sup>14</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.

16. 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>15</sup>
17. 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.

### ORDERING PROVISIONS

After review of the record herein, including GPA's Application for Approval of the PMC for the Cabras1&2 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 one year extension of the PMC between GPA and TEMES for the management, operation and maintenance GPA's Cabras1&2 Plants is hereby approved. The PMC shall be extended from January 1, 2016, through December 31, 2016.
2. GPA is authorized to expend \$2,754,374.29 for the one year extension of the Cabras1&2 PMC.
3. GPA shall file a copy of the One Year Extension of the PMC with the PUC.
4. 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.


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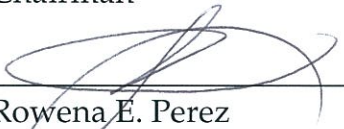
<sup>15</sup> Id.

Order  
GPA's Extension of the PMC  
For Cabras 1&2  
GPA Docket 15-24  
December 10, 2015

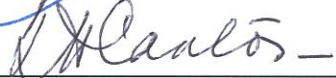
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Dated this 10th day of December, 2015.

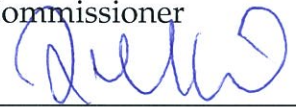
  
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