



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 16-06
)
The Petition of the Guam Power Authority)
for Approval of the Bond Fund) **PUC COUNSEL REPORT**
Reallocation for the Dededo CT PMC.)
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for approval of the Bond Fund Reallocation for the Dededo Combustion Turbine Performance Management Contract.¹

BACKGROUND

2. On January 25, 2016, the PUC approved GPA's award of a five year PMC contract to Taiwan Electrical and Mechanical Engineering Services ["TEMES"] for the management, operation and maintenance of the Dededo Combustion Turbine Units 1 & 2, the Yigo Combustion Turbine, and the Macheche Combustion Turbine.²
3. GPA was authorized to expend the amount of \$5,980,246 for the first 5 years of the Contract, to fund the Fixed Management Fee and O&M Budget for the Combustion Turbine Plants.³
4. GPA indicated that the rehabilitation costs for the Dededo Combustion Turbines would be over \$6M. GPA planned to reprogram funds from various bond projects in order to fund the rehabilitation costs.⁴
5. While approving the award of the PMC contract to TEMES, the PUC required that GPA file its application to reprogram 1999 and 2010 Bond Funds with the PUC.⁵

¹ GPA Petition for Approval of the Bond Fund Reallocation for the Dededo CT PMC, GPA Docket 16-06, filed April 11, 2016.

² The PUC Order, GPA Docket 15-22, dated January 25, 2016.

³ Id. at p. 4.

⁴ Id. at p. 3.

⁵ Id. at p. 4.

6. GPA's present Petition indicates that GPA intends to fund various repairs for the Dededo CT Plants, such as generator rotor repair and replacement of Switchgear, from the reprogramming of \$1.2M from the 1999 Bond Funds, and \$5.16M from the 2010 Bond Funds.⁶
7. In Consolidated Commission on Utilities ["CCU"] Resolution No. 2016-02, the CCU authorized the General Manager, subject to the approval of the PUC, to reprogram 1999 and 2010 Bond Funds in the amount of \$6,032,000 to fund the rehabilitation of the Dededo CTs.⁷

ANALYSIS

8. GPA requests the reallocation of bond funds in the amount of \$6,360,000, as set forth in the table attached hereto as Exhibit "A".⁸
9. In its January 25, 2016 Order, the PUC determined that the Dededo CT Plant rehabilitation was a worthwhile and necessary project to provide additional generation capacity for the island wide power system.
10. GPA's Petition indicates that an advantage of the Dededo CT rehabilitation is that the Dededo CT is tied directly to Anderson Air Force Base Substation via an underground 34.5kv line for dedicated support of Air Force power needs, especially during severe weather conditions.⁹
11. Repair of the Dededo CTs provides a positive cost-benefit ratio. It will also provide availability of the units for dispatch, power to the IWPS (including military loads at Anderson Air Force Base), and improved system reliability and life extension of the Combustion Turbines.¹⁰

⁶ GPA Petition for Approval of the Bond Fund Reallocation for the Dededo CT PMC, GPA Docket 16-06, filed April 11, 2016, at p. 1.

⁷ Consolidated Commission on Utilities Resolution No. 2016-02, Authorizing Management of the Guam Power Authority to Petition the PUC and Award Services for a Performance Management Contract for GPA's Combustion Turbine Power Plants, adopted January 26, 2016, and Exhibit C to the Resolution.

⁸ Dededo CT Return to Service, Project Description and Justification, attached to GPA's Petition in the instant Docket.

⁹ Id.

¹⁰ Id.

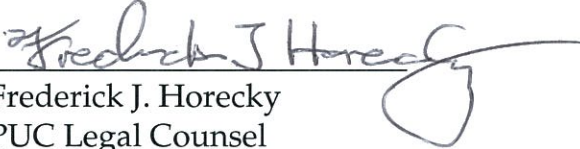
12. The issue before the PUC is whether reallocation of bond funds provides an appropriate funding source for the Dededo CT rehabilitation expenses.
13. Both GPA Management and the Consolidated Commission on Utilities have recommended the application of 1999 and 2010 bond funds for these rehabilitation purposes.
14. Assistant CFO Cora Montellano has prepared a spreadsheet on the proposed Bond Reallocation, which is attached hereto as Exhibit "B".¹¹
15. The spreadsheet indicates, however, that the amounts approved for reallocation, as well as the projects from which funds are to be reallocated, differ in the GPA Petition and the CCU Resolution. The GPA Petition requests the reallocation of \$6,360,000 for reallocation, whereas CCU Resolution No. 2016-02 approved the reallocation of \$6,032,000.
16. The CCU approved reallocation includes a source of fund reallocation, the Agat Village Pole Hardening & Hybrid, which is not included in the reallocation request in the GPA Petition. Also, the specific amounts requested for reallocation from two sources differ in the GPA Petition and the CCU Resolution (i.e., 1999 Bond Funds and P003 Underground Extension to Port Authority).
17. Nearly \$3M of the reallocated funds in GPA's Petition are from excess project funds or from completed projects. \$1.42 is from Cabras 1 and 2 CIPs that will, according to Assistant CFO Montellano, likely be funded subsequently from internal CIP funds. As the PUC is aware, there are often available internal CIP funds that GPA has not used for past projects. GPA further proposes to reallocate \$1.994M from the Underground Fuel Pipeline Conversion Project, which has been placed "on hold."
18. GPA should be given some discretion and latitude to determine which projects are a priority, and when funds should be transferred from one project to another. Transferring the bond funds to the Dededo CTs, given the current generation shortage, is appropriate and necessary.

¹¹ Bond Reallocation Spreadsheet, prepared by GPA CFO Cora Montellano, GPA Docket 16-06, submitted on April 21, 2016.

RECOMMENDATION

19. Counsel recommends that the PUC approve GPA's Petition for Bond Fund Reallocation for the Dededo CT PMC.
20. Such Bond Reallocation is necessary so that GPA can fund the rehabilitation and repair of the Dededo CTs.
21. However, GPA has approved a different total amount for bond reallocation, and in different amounts from at least some sources, than was approved by the CCU.
22. PUC should approve the bond reallocation requested in GPA's petition in the total amount of \$6,360,000, and from the project sources indicated in the Petition. Assistant CFO Montellano confirms that the bond reallocation requested in GPA's listing is the correct statement of available fund amounts and project sources.
23. PUC approval should be subject to ratification by the Consolidated Commission of the amounts and sources requested in GPA's Petition. PUC cannot give an unrestricted approval to reallocation fund amounts or project sources that have not been approved by the CCU.
24. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 23rd day of April, 2016.


Frederick J. Horecky
PUC Legal Counsel

Reallocation of bond funds.

**BOND FUND REALLOCATION
FOR DEDEDO CT RETURN TO SERVICE**

	Project Name	Status	Funding Source	Available Funds/ Approved Budget	Latest Eng'g Estimate	Commitment to Date	Transfer to Dededo CT
1	1999 Construction Bond Fund	Excess	1999	\$ 1,200,000			\$1,200,000
2	Underground Fuel Pipeline Conversion	On-Hold	2010	\$ 2,150,000	\$ 2,150,000	\$ 156,000	\$1,994,000
3	P003 Underground Extension to Port Authority	Completed	2010	\$ 4,775,650	\$ 4,775,650	\$ 2,613,297	\$ 691,000
4	Cabras 1&2 CIPs	Construction	2010	\$ 8,094,000	\$ 8,041,000	\$ 6,614,000	\$1,427,000
5	Cabras 3&4 CIPs	Completed	2010	\$ 8,690,000	\$ 8,503,000	\$ 7,455,000	\$1,048,000
Total transfer available for Dededo CT							\$6,360,000

**BOND FUND REALLOCATION
FOR DEDEDO CT RETURN TO SERVICE**

	Project Name	Status	Funding Source	Available Funds/ Approved Budget	Latest Eng'g Estimate	Commitment to Date	Transfer to Dededo CT	Per CCU Resolution	Comments
1	1999 Construction Bond Fund	Excess	1999	\$ 1,200,000			\$ 1,200,000	\$ 840,000	1999 Construction Fund balance was reconciled and will be closed out,
2	Underground Fuel Pipeline Conversion	On-Hold	2010	\$ 2,150,000	\$ 2,150,000	\$ 156,000	\$ 1,994,000	\$ 1,994,000	\$1.2 million is the actual excess bond fund
3	P0003 Underground Extension to Port Authority	Completed	2010	\$ 4,775,650	\$ 4,775,650	\$ 2,613,297	\$ 691,000	\$ 661,000	No change
4	Agat Village Pole Hardening & Hybrid	Completed	2010	\$ 4,367,000	\$ 4,367,000	\$ 4,305,000		\$ 62,000	\$691K is the actual project cost under run
5	Cabras 1&2 CIPs	Construction	2010	\$ 8,094,000	\$ 8,041,000	\$ 6,614,000	\$ 1,427,000	\$ 1,427,000	Excluded, only \$62K is available
6	Cabras 3&4 CIPs	Completed	2010	\$ 8,690,000	\$ 8,503,000	\$ 7,455,000	\$ 1,048,000	\$ 1,048,000	No change
Total transfer available for Dededo CT							\$ 6,360,000	\$ 6,032,000	No change