

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

) GPA Docket 17-21

The Application of the Guam Power for)
Approving the Procurement of Phase III)
Renewable Acquisition for GPA)

) PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the Petition of the Guam Power Authority [“GPA”] for PUC Approval of the Phase III Renewable Acquisition Procurement.¹
2. In GPA Docket 16-05, the PUC authorized GPA to enter into a Lease agreement with the United States Navy [hereinafter “Navy”] for approximately 164 acres of federal land.²
3. The purpose of the Lease is to enable GPA to undertake a 37MW Solar PV development on five Navy parcels of land, which include South Finegayan, WWTP Site, CDF Site, existing 250KV Site, and Commissary Site.³

BACKGROUND

4. Having been granted PUC authorization to lease the Navy land, GPA now requests approval of the procurement of Phase III Renewable Acquisition, which would include up to 40MW of renewable energy “with energy storage requirements for the primary purpose of shifting solar PV energy.”⁴
5. In support of its procurement request, GPA has submitted a CD which sets forth Volumes I-V draft procurement documents.

¹ GPA Petition for Approving the Procurement of Phase III Renewable Acquisition for GPA, GPA Docket 17-21, filed September 12, 2017.

² PUC Order GPA Docket 16-05, dated July 28, 2016, at p. 7.

³ Id. at p. 1.

⁴ GPA Petition for Approving the Procurement of Phase III Renewable Acquisition for GPA, GPA Docket 17-21, filed September 12, 2017 at p. 1.

6. GPA seeks to procure developers who will construct solar PV plants on each of the five projected sites. GPA will function as the Engineering, Procurement and Construction [“EPC”] Partner for Navy on these projects. It is responsible for soliciting bids from firms and the issuance of the procurement to provide solar PV facilities at each of the leasehold sites.⁵
7. GPA has set forth the Technical Qualifications for bidders in Volume II: Technical Qualification Proposal Requirements, Renewable Energy Resource Phase III. GPA sets forth such requirements for project development, financing, management/experience, projects schedule and commercial operation date, engineering and technology, and many other matters.⁶
8. A significant aspect of this bid is that bidders must provide “Dispatchability”: “This bid requires ESS [i.e. Energy Storage System] for the purpose of shifting energy to a period other than when the energy is produced. Proposals with no ESS or not capable of shifting its energy to another period (i.e. during evening hours) shall be disqualified.”⁷
9. GPA has also submitted a “Draft Renewable Energy Purchase Agreement” in its bid documents.⁸ Such Agreement is similar to the NRG solar agreement and the Phase II Renewable Agreements. The Bidders (“Seller”) will be required to construct solar PV plants on the leased premises and to sell power to GPA at a set price per kWh. The term of the contract will be 25 years.⁹
10. Only Solar Photovoltaic systems may be proposed for this bid.¹⁰
11. The contract form requires that all energy be stored and delivered to GPA as requested (i.e. during evening hours) and that the intermittency impact to the GPA system be minimized.¹¹
12. GPA presently contemplates that the solar power plants constructed under the bid should be commissioned by May 27, 2020.¹² The minimum project capacity for each

⁵ Id at pgs. 1-2.

⁶ Vol II: Technical Qualification Proposal Requirements Renewable Energy Resource Phase III at pgs 16-22.

⁷ Id. at p. 21.

⁸ Vol III, Renewable Energy Resource, Phase III: Draft Renewable Energy Purchase Agreement.

⁹ Id. at Article Two.

¹⁰ Id. at Vol II, p. 4.

¹¹ Issues for Decision, CCU Member Board Packet dated August 29, 2017.

plant is 5MW, and the maximum is 30MW. GPA has estimated that the plants could be constructed on the projected sites ranging from 4MW to 18MW.¹³

13. The bidder will be responsible for providing interconnection facilities that can deliver renewable energy to a GPA-determined interconnection point on GPA's 34.5kV transmission system.¹⁴
14. Each selected bidder will, pursuant to the contract, have "minimum production" requirements during each contract year.
15. In Resolution No. 2017-34, the Guam Consolidated Commission on Utilities authorized the management of GPA to petition the PUC for approval of the Phase III Renewable Acquisition through multi-step bid documents under the Procurement Protocol.¹⁵

ANALYSIS

16. In GPA Docket 16-05, the PUC authorized GPA to enter into the lease agreement with Navy for implementation of solar projects providing an additional capacity of 37MW of energy. However, the PUC raised the concern that GPA had not thoroughly analyzed the cost of these projects nor done a detailed economic analysis.
17. At present, there is no clear understanding as to what the cost to GPA for these projects will be. When the procurements are undertaken, GPA should have a better understanding of what the costs will be through the bid responses submitted.
18. The PUC further determined that GPA's participation in the 37MW Navy renewables project was advantageous to Guam and in the best interest of the ratepayers: "GPA has justified an opportunity to bid such projects and determine whether they can be incorporated into the power system."¹⁶

¹² Id.

¹³ Vol II: Technical Qualification Proposal Requirements, Renewable Energy Resource Phase III, at p. 7.

¹⁴ Id. at p. 8.

¹⁵ Resolution No. 2017-34, Authoring Management of the Guam Power Authority to Petition the PUC for Approval Phase III Renewable Acquisition Multi-step Bid Documents under the Procurement Protocol, adopted August 29, 2017.

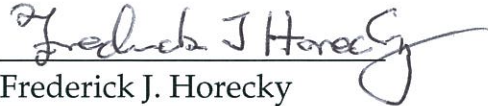
¹⁶ PUC Order, GPA Docket 16-05, dated July 28, 2016 at p. 4.

19. GPA had a legitimate concern it could lose revenues if it did not undertake the projects and purchase the capacity of the solar plants.
20. Finally, the PUC determined that this 37MW Phase III Renewable Project with the Navy was part of GPA's long standing plan to incorporate 120MW of renewables in to the IWPS.¹⁷
21. The procurement process herein will involve two steps, establishment of a qualified bidders list and submission thereafter of priced proposals. The procurement documents are standard and have been used for prior renewable acquisitions.
22. The draft renewable energy purchase agreement appears to be well written and includes numerous provisions protecting GPA from non-performance by the Seller, including adequate security (line of credit/performance bond etc.), default/penalty provisions for failure of Seller to provide minimum storage capacity, or to otherwise comply with the provisions of the contract, indemnification, and insurance provisions.

RECOMMENDATION

23. Counsel recommends that the PUC approve GPA's procurement of the Phase III Renewable Acquisition.
24. GPA must submit the proposed Contract for each bidder with which it contemplates entering into a solar energy purchase agreement, in accordance with the Contract Review Protocol.
25. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 21st day of September, 2017.


Frederick J. Horecky
PUC Legal Counsel

¹⁷ Id. at p. 5.