

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)
) GPA Docket 17-22
)
The Application of the Guam Power) PUC COUNSEL REPORT
Authority to Approve the FY2018 GPA)
CIP Ceiling Cap)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of FY2018 GPA CIP Ceiling Cap.¹ Therein, GPA requests PUC approval of its FY2018 Capital Improvement Project Cap in the amount of \$20,959,813, which consists of General Plant (\$16,780,813) and Engineering (\$4,179,000).² GPA's proposed FY2018 Ceiling Cap also includes \$4,270,187 for Line Extensions. However, pursuant to the GPA Contract Review Protocol, regulatory review is not required for blanket job orders and line extensions.³ The Guam Consolidated Commission on Utilities [CCU] approved the FY2018 Capital Improvement Project Ceiling Cap.⁴

BACKGROUND

The Contract Review Protocol for the Guam Power Authority requires that GPA's annual level ("cap") of internally funded Capital Improvement Projects ("CIP") be set by the PUC before November 15th of each fiscal year.⁵

The CIPs included within the Cap are for "general plant" and "engineering." The "general plant" expenditures include such items as computer hardware and software, office equipment, plant improvements/equipment, vehicles, appliances, circuit breakers, contract payments to consultants that benefit specific plants, and other

¹ GPA Petition for Contract Review (Application to Approve the FY2018 GPA CIP Ceiling Budget), GPA Docket 17-22, filed September 13, 2017.

² Id. at p. 2.

³ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1a.

⁴ Guam Consolidated Commission on Utilities (CCU) Resolution No. 2017-35, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2018, adopted September 26, 2017.

⁵ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec 1f.

miscellaneous items.⁶ The “engineering” expenditures include transformers, metering changeout, underground conversion, Tank Farm Pipeline Upgrade, Fiber to Substations, substation and transmission upgrades, T & D Master Plan, and Macheche CT return to service.⁷ GPA has listed all of the items, as well as approved cost of each, in Attachments 1, 2.1, and 2.2, to the Petition.

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.⁸ GPA indicates that what it has provided is a General Plant (CIP) Approved Budget; it has often been the case that GPA does not expend all amounts indicated in the budget for the stated items.⁹

ANALYSIS

This year’s requested cap includes some large “plant” items: (1) Energy Storage Phase 1 payment of \$400,000 (not covered by Bond); IPP Procurement/ Construction Mgmt. (EPCM Scope), \$800,000; IPP Assessment (MEC/Temes contracts Transition), \$600,000; Digger, \$500,000; purchase of Tree Trimming Equipment, bucket trucks and other equipment, for \$1,420,913.00; Major Overhauls of 8 Caterpillar Units, \$1,198,617.00; Cabras Overhaul, \$449,000; and FY2017 Carryover for Bid on Circuit Breakers, \$535,385.00.¹⁰

The prior year cap levels were as follows:

FY2017 Cap \$18,798,120
FY2016 Cap: \$12,067,780
FY2015 Cap: \$9,974,000
FY2014 Cap: \$7,363,110.
FY2013 Cap: \$10,135,760.
FY2012 Cap: \$13.581M.
FY2011 Cap: \$5M.¹¹
FY2010 Cap: \$16,390,707.¹²

⁶ GPA Petition for Contract Review (Application to Approve the FY2018 GPA CIP Ceiling Budget), GPA Docket 17-22, filed September 13, 2017, Attachment 2.1.

⁷ Id. at Attachment 1.

⁸ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1f.

⁹ Discussion between PUC Counsel and GPA Legal Counsel on September 15, 2017.

¹⁰ Id. at p. 3.

¹¹ PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

¹² PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

On its face, the proposed FY2018 CIP cap, \$20,959,813, exceeds the FY2017 cap by over \$2M, and is the highest cap since 2010. However, the proposed FY2018 cap has a lower “General Plant” budgeted amount, at \$16,780,813, than the FY2017 “General Plant” budget of \$18,798,120. The proposed FY2018 CIP cap includes over \$4M of Engineering projects, whereas last year’s CIP cap had no engineering projects.

The proposed Engineering CIP projects appear reasonable and should improve the IWPS. Given the inclusion of Engineering projects in the FY2018 CIP Budget, this year’s proposed cap is not out of line or inconsistent with the cap in prior years.

GPA will need to seek approval under the Contract Review Protocol for procurement of those items included within the CIP cap which exceed the \$1.5M threshold. GPA previously obtained contract review approval for the LED Streetlight Conversion and T & D Line Maintenance Support, \$1,604,000.¹³ Other projects which may require contract review are: possibly Cat. 107392, FY2017 C/O, Tree Trimming Equipment and Bucket Trucks, \$1,420,913 (if expenditures for all years of the contract will exceed \$1.5M); Major Overhaul for the Caterpillar and Wartsila Units, \$1,198,617 and \$388,088 respectively (both under Category 107312).

RECOMMENDATION

Based upon the recognition that the FY2018 general plant budget is consistent with that of prior fiscal years, subject to GPA’s ability to carry out the capital improvement projects using internally-funded dollars, Counsel recommends that the PUC approve the \$20,959,813 Ceiling Cap.

GPA’s FY2018 Internally funded CIP ceiling cap, consisting of general plant and engineering projects in the amount of \$20,959,813, should be approved. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

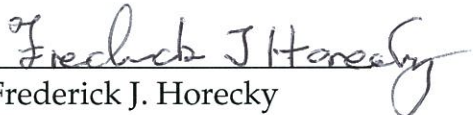
However, prior to expending amounts for those projects which exceed \$1.5M, GPA must seek approval for such items under the Contract Review Protocol.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

¹³ PUC Order, GPA Docket 16-08, dated May 26, 2016.

PUC Counsel Report
The Request of GPA to
Approve FY2018 CIP Ceiling Cap
GPA Docket 17-22
September 18, 2017

Dated this 18th day of September, 2017.


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