

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 18-14

THE APPLICATION OF THE GUAM  
POWER AUTHORITY FOR APPROVAL  
TO PURCHASE THE HARMON  
PROPERTY FOR NEW GENERATION  
PLANTS.

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Review and Approval of the Purchase of the Harmon Property for the New Generation Plants.<sup>1</sup>
2. GPA seeks approval of its Contract of Sale to purchase three Lots in Ukudu, Dededo, Lots 5010-1-NEW, 5042-1, and 5042-R1, with an approximate area of 239,744 square meters, for \$10,788,653.00.<sup>2</sup>

BACKGROUND

3. On June 13, 2017, GPA published a Statement of Interest seeking to acquire up to 60 acres of unimproved real property to construct and operate a 180MW power generation plant.<sup>3</sup>
4. GPA's EPC Contractor [Stanley Consultants] determined that the siting of the new power generation plant "must be proximate to the GWA Northern District Waste Water Treatment Plant to utilize its tertiary treated wastewater to cool the new power plan thus eliminating the extraction of up to 3 million gallons of water daily from Guam's fresh water aquifer...".<sup>4</sup>
5. GPA received five responses to its Statement of Interest on July 3, 2017; the combined proposal of Lots 5010-1-NEW, 5042-1, and 5042-R1, Ukudu, Dededo, were

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<sup>1</sup> GPA Petition for Review and Approval of the Purchase of the Harmon Property for the New Generation Plants, GPA Docket 18-14, filed May 18, 2018.

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

<sup>3</sup> Guam Consolidated Commission on Utilities Resolution No. 2017-42, Relative to Authorizing GPA to Acquire Real Property for 180MW Power Generation Plant, adopted October 13, 2017, at p. 1.

<sup>4</sup> Id. at p. 1.

determined to be the best suited location for the new power generation plant due to the reduced transmission costs.<sup>5</sup>

6. GPA negotiated with the property owners and issued an offer to purchase the aforementioned lots at a cost of \$10,788,653.00.<sup>6</sup>
7. GPA's offer was accepted on October 2, 2017.<sup>7</sup>
8. GPA has identified the funding for the purchase of the lots from the Cabras 3 & 4 insurance proceeds to acquire the real property for the 180MW power generation plant.<sup>8</sup>
9. GPA has submitted its CONTRACT OF SALE for the purchase of the aforementioned properties to the PUC. The purchase price for Lot 5010-1-NEW, constituting 126,964 square meters, is \$47.00 per square meter; for Lots 5042-1 and 5042-R1, constituting 112,780 square meters, the purchase price is \$42.75 per square meter.<sup>9</sup>
10. The Guam CCU authorized the General Manager of GPA to commence rezoning efforts, with the goal of rezoning the purchased land from Multiple Dwelling Zone (R2) to Light Industrial Zone (M1) to allow for the construction and operation of GPA's new power generation plant.<sup>10</sup>
11. On May 16, 2018, Public Law 34-102 was enacted. This law consolidated Lot Nos. 5010-1-NEW, 5042-1, and 5042-R1, and rezoned them from R2 to M1 for the construction and operation of a power generation plan on behalf of the Guam Power Authority or its successor.<sup>11</sup>

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<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Id. at p. 3.

<sup>8</sup> Id.

<sup>9</sup> Contract of Sale, dated October 2017, by and between Guam Power Authority and various owners of record; GPA filed a Contract of Sale with the PUC on May 18, 2018.

<sup>10</sup> Guam Consolidated Commission on Utilities Resolution No. 2017-42, Relative to Authorizing GPA to Acquire Real Property for 180MW Power Generation Plant, adopted October 13, 2017, at p. 1.

<sup>11</sup> Public Law 34-102, "An Act to Consolidate and Rezone Lot Nos. 5010-1-NEW, 5042-1, and 5042-R1 in the Municipality of Dededo from Multiple Dwelling Zone (R2) to Light Industrial Zone (M1) to allow for the Construction and Operation of a Power Generation Plant on behalf of the Guam Power Authority or its Successor, enacted May 16, 2018 (lapsed into law without approval of the Governor).



12. PUC Counsel submitted his Report in this Docket on May 29, 2018.<sup>12</sup>

### **DETERMINATIONS**

13. The process by which GPA selected the land parcels for its new generation plant was conducted in a fair and open manner. As stated by the Guam Legislature in PL 34-102, GPA issued a statement of interest that was published in local newspapers. Multiple offers were received, and GPA allowed open dialogue with owners or their representatives concerning the acquisition process. Title and appraisal information was obtained by GPA, and a purchase Contract was subsequently negotiated.<sup>13</sup>
14. An important issue concerns whether Ukudu, Dededo is the best site or location for GPA's proposed 180MW power plant. For various reasons, GPA has concluded that the proposed Ukudu location is superior to three other possible sites, Northern WWTP, Tanguissan, and Cabras-Piti.<sup>14</sup>
15. GPA's analysis for determining that Ukudu is the best location is attached to the PUC Counsel Report as Exhibit "A"; it outlines various advantages to the proposed Ukudu location, such as low Tsunami and Storm Surge Risk, good environmental permitting prospects, ability to serve central and northern areas, adequacy of space to build a power plant, and low location development costs.
16. In Public Law 34-102, the Guam Legislature has already determined that the site selected by GPA for its new generation plants, the Ukudu area, is "suitable" and the "best" site.
17. Since the Legislature has already determined that the Ukudu site is the "best" site, it would not appear to be appropriate for the Guam PUC to further consider the issue or to "second-guess" the Legislature upon its determination.

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<sup>12</sup> PUC Counsel Report, GPA Docket 18-14, dated May 29, 2018.

<sup>13</sup> Public Law 34-102.

<sup>14</sup> New 180-Megawatt Power Plant, Updated Informational Briefing to Guam Visitors Bureau Board of Directors, by John Benavente, General Manager, and Tricee P. Limtiaco, Asst. General Manager, Administration, dated May 10, 2018.

18. On May 25, 2018, GPA submitted Appraisals for the subject lots.<sup>15</sup> The Appraisal by Micronesian Appraisal Associates Inc. indicated that Lot 5010-1-NEW, consisting of 126,964 square meters, had a market value of \$4,130,000; the second Appraisal indicated that Lot 5042, consisting of 112,780 square meters, had a market value of \$2,940,000. According to Micronesian Appraisal Associates, the total value of the property to be purchased by GPA would be \$7,070,000, or \$32 and \$26 per square meter respectively.
19. GPA also submitted the Sellers' Appraisal from Cornerstone Valuation Guam Inc., which indicated that Lot 5010-1-NEW had a market value of \$6,510,000, or \$51 per square meter.<sup>16</sup>
20. GPA clearly negotiated with the Sellers concerning the purchase price for Lot 5010-1-NEW. The MAA Appraisal was \$32 per square meter, whereas the Cornerstone Appraisal was \$51 per square meter. An average would be \$41.50 per square meter. The sales price of \$47 per square meter is certainly within a range of acceptable valuations.
21. Lots 5042-1 and 5042-R1 were purchased by GPA for \$42 per square meter. GPA's Land Acquisition Analysis indicates that Lots 5042-1 and 5042-R1 were appraised at \$45 per square meter. See Exhibit "B" to PUC Counsel Report. Again, this price would appear to be within a range of acceptability.
22. The second-best option land proposal which GPA was considering was an M1 property selling in the \$60 per square meter range. GPA has already increased the value of the land it proposes to purchase by obtaining legislative rezoning from R2 to M1 zone.<sup>17</sup>
23. The purchase price agreed to by GPA, \$10,788,653.00, appears to be reasonable and justified.

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<sup>15</sup> Email from GPA Counsel Graham Botha to PUC Counsel, with Micronesian Appraisal Associates Inc. Appraisals for Lots 5010-1-NEW and Lot 5042 attached.

<sup>16</sup> Email from GPA Counsel Graham Botha to PUC Counsel, with Cornerstone Valuation Guam, Inc.'s Appraisal for Lot 5010-1-NEW attached.

<sup>17</sup> Telephone conversation between GPA Counsel Graham Botha and PUC Counsel Fred Horecky on May 28, 2018.



24. In addition to legislative authorization, GPA has given a number of justifications for the purchase of the Ukudu property. The purchase of the property for the new generation is alleged to be essential to the island wide power system. The proximity of the property to the northern WWTP will facilitate the availability of tertiary treated wastewater to cool the new power plant thus eliminating the need for the 3M gallons of water daily from Guam's fresh water aquifer.<sup>18</sup>
25. The proposed site location will reduce costs related to transmission lines, construction, operations and maintenance. The proximity of the property to the GPA Harmon Substation will also promote maximum system reliability.<sup>19</sup> See also Exhibit "B" attached to the PUC Counsel Report.
26. GPA has justified the necessity for the purchase of the Harmon property.
27. In its Petition, GPA concludes that "the new combined cycle power plant is essential to the island wide power system..."<sup>20</sup> However, by specifically referring to the essential nature of a combined cycle power plant, GPA appears to indicate that it has already decided that the "combined cycle power plant" will be the selected option.
28. GPA's statement concerning combined cycle plants appears to be contrary to the PUC Order in GPA Docket 15-05, dated April 27, 2017, which required that "GPA consider technologies other than combined cycle units in the procurement for new generation..."<sup>21</sup>
29. In its Response to a PUC Request for Information concerning this issue, GPA stated: "...GPA intends to accommodate at the Harmon property the new generation power plant, which will be able to supply baseload power to GPA and may include

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<sup>18</sup> Guam Consolidated Commission on Utilities Resolution No. 2017-42, Relative to Authorizing GPA to Acquire Real Property for 180MW Power Generation Plant, adopted October 13, 2017, at p. 1.

<sup>19</sup> Public Law 34-102, an Act to Consolidate and Rezone Lot Nos. 5010-1-NEW, 5042-1, and 5042-R1 in the Municipality of Dededo from Multiple Dwelling Zone (R2) to Light Industrial Zone (M1) to allow for the Construction and Operation of a Power Generation Plant on behalf of the Guam Power Authority or its Successor, enacted May 16, 2018 a lapse into law, at Section 1, p. 2.

<sup>20</sup> GPA Petition for Review and Approval of the Purchase of the Harmon Property for the New Generation Plants, GPA Docket 18-14, filed May 18, 2018, at p. 2.

<sup>21</sup> PUC Order, GPA Docket 15-05, dated April 27, 2017.

but not be limited to such technologies as reciprocating engines (e.g. Wartsila and others) and combined cycle plants. GPA has made no determination as to which technology will be at the new generation plant, and this will be addressed in the Step 2 technical specifications for the new generation plant. For the technical specifications, GPA requires both CCU and PUC approval prior to submitting to bidders.”<sup>22</sup>

30. GPA is hereby reminded that its Step 2 technical specifications for new generation proposals must be open to all technologies, including those other than combined cycle units, that can provide reliable and cost-efficient baseload generation.

### **ORDERING PROVISIONS**

After review of the record herein, GPA’s Petition for Review and Approval by the PUC of the Purchase of the Harmon Property for the New Generation 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. GPA’s request to purchase the Ukudu, Dededo property for the new generation plants, as set forth in its Petition, is approved.
2. GPA is authorized to enter into the proposed CONTRACT OF SALE.
3. GPA is authorized to expend, from Cabras 3 & 4 insurance funds, the sum of \$10,788,653.00, for such purchase.
4. GPA is hereby reminded that its Step 2 technical specifications for new generation proposals must be open to all technologies, including those other than combined cycle units, that can provide reliable and cost-efficient baseload generation.
5. 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 the PUC’s regulatory fees and

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<sup>22</sup> Email from GPA Counsel to the PUC dated May 25, 2018, responding to PUC RFIs 6 & 7.

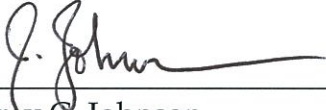


Order  
Approval for the Purchase  
of the Harmon Property for  
the New Generation Plants  
GPA Docket 18-14  
May 31, 2018

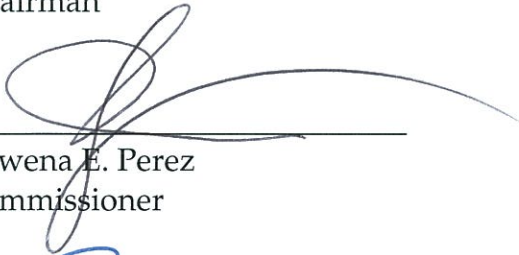
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expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

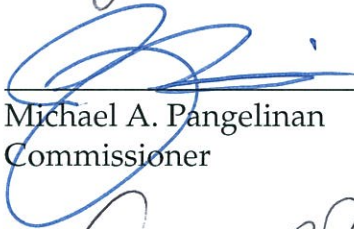
Dated this 31st day of May, 2018.



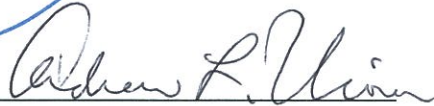
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