

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 19-01

THE APPLICATION OF THE GUAM
POWER AUTHORITY REQUESTING
APPROVAL OF THE CONTRACT FOR
BULK STORAGE FUEL TANKS
INSPECTION AND REFURBISHMENT

PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to approve the Contract for Bulk Storage Fuel Tanks Inspection and Refurbishment.¹
2. GPA requests approval of the \$8,969,510 GPA/Tristar Agility Contract for Bulk Storage Fuel Tanks Inspection and Refurbishment.²

BACKGROUND

3. GPA operates and maintains the bulk storage fuel tanks located at Piti, Guam which are managed by its Performance Management Contractor, Isla Petroleum and Energy Holdings, LLC and this facility supplies RFO fuel oil to GPA's base load units.³
4. The bulk storage fuel tanks must be periodically assessed, recalibrated, and refurbished to comply with U.S. Environmental Protection Agency ["USEPA"] regulations. The last such inspection and refurbishment occurred in 2007 and they are currently due for such inspection and refurbishment to keep them in compliance with USEPA regulations.⁴
5. Additionally, after the refurbishment of the bulk storage fuel tanks, GPA plans on using them to store Ultra Low Sulphur Diesel [ULSD] Fuel to supply Piti Power

¹ GPA Petition for Approval of the Contract for Bulk Storage Fuel Tans Inspection and Refurbishment, GPA Docket 19-01, dated August 6, 2019 at 1.

² Id.

³ Id.

⁴ Id.

Plant 7 and to supply Piti Power Plants 8 and 9 after those plants are converted for ULSD fuel, and to supply GPA's new 180 MW power plant after it is completed.⁵

6. On September 25, 2018, the CCU issued GPA Resolution No. 2018-20 which authorized GPA to solicit for bids for the Bulk Storage Fuel Tanks Inspection and Refurbishment.⁶
7. On October 25, 2018, the PUC approved GPA's solicitation for bids for the Bulk Storage Fuel Tanks Inspection and Refurbishment.⁷
8. GPA subsequently issued GPA-IFB-028-19 (Bulk Storage Fuel Tanks Inspection and Refurbishment) ["IFB"]. GPA received only one bid from Tristar Agility in response to the IFB for the amount of \$8,969,510 and GPA found Tristar Agility to be the lowest responsive and responsible bidder and awarded the IFB contract to Tristar Agility.⁸
9. On July 23, 2019, the CCU authorized GPA's management to enter into the GPA/Tristar Agility Contract for Bulk Storage Fuel Tanks Inspection and Refurbishment, and it authorized GPA to expend the amount of \$8,969,510 for the contract subject to the PUC's approval of the contract.⁹

ANALYSIS

10. GPA's contract review protocol requires that any GPA contract that exceeds the amount of \$1,500,000 requires prior PUC approval and which shall be obtained before the procurement process is begun.¹⁰ Here, the GPA/Tristar Agility Contract for Bulk Storage Fuel Tanks Inspection and Refurbishment requires the PUC's approval because its \$8,969,510 cost exceeds the \$1,500,000 threshold amount for PUC review. Further, as set forth above, the PUC has approved the solicitation for this contract prior to GPA issuing it.

⁵ Consolidated Commission on Utilities ["CCU"] GPA Resolution No. 2019-11 ["CCU Resolution"], at 1.

⁶ *Id.*, at 1.

⁷ PUC Order dated October 25, 2018, GPA Docket 19-1 ["PUC Order"] at 7.

⁸ CCU Resolution at 1.

⁹ *Id.*, at 2.

¹⁰ Contract Review Protocol for GPA, Order dated February 15, 2008, Administrative Docket at 1.

11. GPA previously estimated that the Bulk Storage Fuel Tanks Inspection and Refurbishment contract would cost \$8,000,000.¹¹ Here, the \$8,969,510 GPA/Tristar Agility Contract for Bulk Storage Fuel Tanks Inspection and Refurbishment exceeds this estimate by \$969,510 most likely due to GPA receiving only one bid for its solicitation.
12. Although GPA might be able to obtain a cheaper price if it re-solicits for the Bulk Storage Fuel Tank Inspection and Refurbishment work and obtains more than one bid, such option is likely not feasible because the Bulk Storage Fuel Tanks must be inspected and refurbished as soon as possible. The PUC has previously determined that USEPA regulations, specifically 40 C.F.R. § 112.8(c)(6), requires owners or operators to test or inspect each aboveground container for integrity on a regular schedule and whenever material repairs are made. Further, the PUC has previously determined that the appropriate industry standard for internal tank inspections for GPA's bulk storage fuel tanks is API 653, which generally recommends internal inspections every 10 years.¹² As set forth above, the tanks have not been inspected since 2007 and GPA is currently two years behind the industry standard in conducting the required inspections which increases the possibility of a catastrophic failure occurring on one of the tanks. A catastrophic tank failure which would likely cause damage and remediation costs far exceeding the \$969,510 amount over GPA's original contract estimate.
13. GPA's request is reasonable, prudent and necessary.

RECOMMENDATION

14. Counsel recommends that PUC approve the GPA/Tristar Agility Contract for Bulk Storage Fuel Tanks Inspection and Refurbishment.
15. GPA should be authorized to expend up to a total amount of \$8,969,510 for the contract.

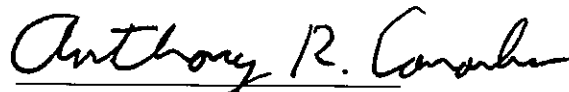
¹¹ PUC Order at 5.

¹² Id., at 2.

PUC Counsel Report
GPA Petition for Approval
Of the Contract for
Bulk Storage Fuel Tanks
Inspection and Refurbishment
GPA Docket 19-01
August 26, 2019

16. A proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 26th day of August, 2019.


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