

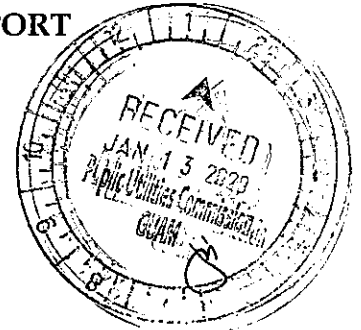
BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA DOCKET 20-04

**THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE PROCUREMENT OF A PMC FOR
CABRAS 1 AND 2 GENERATING
PLANTS**

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 Procurement of a PMC for Cabras 1 and 2 Generating Plants [Cabras 1&2].¹
2. GPA’s current PMC Contract for Cabras 1 & 2 Utility Energy Service Contract will expire on September 30, 2020.
3. GPA is requesting the PUC’s authorization to solicit for a new PMC Contract for Cabras 1&2 to ensure that a new PMC contract will immediately replace the aforementioned expiring contract.²

BACKGROUND

4. GPA’s existing PMC contractor for Cabras 1&2 is TEMES and the PUC, in GPA Docket 17-09, authorized GPA’s final extension of this contract to September 30, 2020.³
5. GPA’s Consent Decree with the USEPA, which the PUC approved in GPA Docket No. 20-01, requires GPA to permanently de-activate and de-commission Cabras 1&2 by October 22, 2022 after its generating capacity is replaced by GPA’s new 198MW

¹ GPA Petition to Approve the Procurement of a PMC for Cabras 1 and 2 Generating Plants, GPA Docket 20-04, dated December 5, 2019 [GPA’s Petition].

² Id. at page 2.

³ Consolidated Commission on Utilities [CCU] Resolution No. 2019-17, attached to GPA’ Petition [CCU Resolution], at page 1.

power plant project which is currently scheduled to be completed in the 4th quarter of 2022.⁴

6. GPA will require the generating capacity of Cabras 1&2 to operate the island-wide power system until its new power plant project is completed.⁵
7. GPA has prepared a Multi-Stepped Sealed Bid to solicit for a new PMC contract for Cabras 1&2 [IFB].⁶
8. On November 26, 2019, the CCU authorized GPA to issue the solicitation for a new PMC contract for Cabras 1&2 subject to the review and approval of the PUC.⁷

ANALYSIS

9. GPA's Contract Review Protocol states that for multi-year procurements with fixed terms and variable annual costs, GPA shall seek PUC approval of the procurement if the aggregate cost estimate for the entire term of the procurement exceeds its \$1,500,000 review threshold.⁸
10. The IFB's contract is a fixed annual management fee contract wherein GPA and the new PMC will mutually agree as to the contract deliverables and guarantees, and the contract will include provisions for operations, maintenance supplies and services, and inventory management and control.⁹ Hence, the total amount of the future contract is not known at this time. However, GPA's IFB states that GPA has set the O&M Budget for the new PMC contract at \$1,350,000 per year, and that the bidders must accept this amount and must allocate adequate funds for O&M.¹⁰ The IFB's contract has an initial term of thirty-six months with two optional twelve-

⁴ Order dated December 5, 2019, GPA Docket No. 20-01

⁵ GPA Petition at 2.

⁶ GPA IFB, attached as Exhibit to CCU Resolution.

⁷ CCU Resolution at page 2.

⁸ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at page 2.

⁹ GPA IFB at 43, attached as an Exhibit to CCU Resolution.

¹⁰ Id., at 9.

month periods.¹¹ Thus, the IFB's initial three year contract term exceeds the \$1,500,000 review threshold and GPA must obtain the PUC's approval of the IFB prior to issuing it.

11. Further, the PUC has previously found that PMCs for Cabras 1 and 2 has improved their operational efficiency, reliability, and cost savings.¹²
12. The IFB's contract provisions are those that have previously been used by GPA in its performance management contracts and approved by the PUC, which include the operation of Cabras 1 & 2, staff management and augmentation, budget management, procurement inventory management and control, plant engineering, environmental compliance, completion of critical repairs and major maintenance project.¹³
13. However, there are new contract provisions such as compliance with the recent consent decree between the USEPA and GPA, and the de-activation, de-commissioning, and clean-up of the Cabras 1 & 2 plants.¹⁴ These additional provisions are necessary to reflect the planned replacement of Cabras 1 & 2 with the new northern power plant.
14. GPA's IFB request is reasonable, prudent and necessary.

RECOMMENDATION

15. Counsel recommends that PUC approve GPA's petition to approve the procurement of a PMC for Cabras 1&2.

¹¹ Id., at 3.

¹² Order dated September 15, 2010 at 1, GPA Docket No. 10-4.

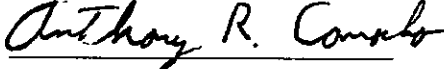
¹³ GPA IFB at 43, Exhibit attached to CCU Resolution.

¹⁴ Id.

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GPA Docket 20-04
January 13, 2020

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

Dated this 13th day of January, 2020.


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PUC Legal Counsel