

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GPA DOCKET 20-17
)

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE CONTRACT FOR RESIDUAL
FUEL OIL NO. 6 FOR THE BASELOAD
POWER GENERATING PLANTS.
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) ORDER
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] to Approve the GPA-Hyundai Corporation [Hyundai] Contract for Residual Fuel Oil No. 6 [RFO] for the Baseload Power Generating Plants.¹
2. GPA requests approval of the GPA-Hyundai its solicitation for a contract for the supply of Residual Fuel Oil No. 6 for its Cabras baseload power generating plants for the approximate amount of \$276,779,088 for the contract’s three-year initial term.²

BACKGROUND

3. GPA requires the use of Residual Fuel Oil No. 6 to operate its Cabras baseload power generating plants and it estimates that annually, GPA requires at least one million barrels to approximately two million barrels of Residual Fuel Oil No. 6 to operate those plants.³
4. GPA’s prior Residual Fuel Oil No. 6 Contract was with Mobil Oil Guam [Mobil], and this contract had an initial term of two years which will expire in August 31, 2020, and three optional terms of one year each. GPA sought to exercise one or all of the

¹ GPA Petition to Approve the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 20-17, dated July 10, 2020 [GPA Petition] at 1.

² Id., at 2-3. NOTE: Page Numbers are the PDF page numbers and not the page numbers used in the actual Petition or its Exhibits.

³ PUC Order dated March 26, 2020 for GPA Docket No. 20-11 at 1.

optional terms of the contract with Mobil, but Mobil declined and stated its preference to participate in a new solicitation of the contract.⁴

5. On March 26, 2020, the PUC, in GPA Docket No. 20-11 authorized GPA to solicit for a new contract to supply Residual Fuel Oil No. 6 for its baseload power generating plants and it seeks a contract with an initial term of three years commencing September 1, 2020 and ending on August 31, 2023 with two additional one-year extension options, upon the mutual agreement of the parties.⁵
6. GPA subsequently issued GPA-IFB-050-20 (Multi-Step) (Residual Fuel Oil) [IFB] and GPA received bids from Hyundai, Mobil, and Hanwha Corporation and GPA determined that Hyundai submitted the lowest, responsible, and responsive bid.⁶
7. On July 23, 2020, the Guam Consolidated Commission on Utilities [CCU] issued CCU Resolution No. 2020-16 approving the GPA-Hyundai contract for the approximate amount of \$276,779,088 for the contract's initial three-year term, subject to the PUC's approval.
8. On July 27, 2020, PUC Legal Counsel issued his report.

DETERMINATIONS

9. GPA's contract review protocol requires that any GPA contract that exceeds the amount of \$1,500,000 requires prior PUC approval.⁷ Here, GPA must obtain the PUC's authorization to enter into the GPA-Hyundai Contract to supply Residual Fuel Oil No. 6 for its Baseload Power Generating Plants because GPA estimates that the contract cost will be approximately \$276,779,088 for its initial three-year term which exceeds the \$1.5 million review threshold.⁸
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10. The contract complies with the PUC's Order in Docket No. 20-11 because it has an initial term of three years commencing September 1, 2020 and ending on August 31,

⁴ Id.

⁵ Id., at 2-3.

⁶ GPA Petition at 4.

⁷ Contract Review Protocol for GPA, Order dated February 15, 2008, Administrative Docket at 1.

⁸ GPA Petition at 3.

2023 with two additional one-year extension options, upon the mutual agreement of the parties.

11. The contract for the supply of Residual Fuel Oil No. 6 to GPA's Baseload Power Generating Plants, which is part of the solicitation, contains all the standard contract clauses, including quantity and quality assurances, security of supply, permits and responsibilities, force majeure, disputes, default, and termination for convenience.⁹
 12. The contract defines the minimum quantity of fuel oil to be delivered to the plant annually as one million barrels and the maximum amount to be delivered as two million barrels.¹⁰ This is an acceptable range because GPA estimates that its baseload plants will consume a total of two million barrels of Residual Fuel Oil No. 6 for the first two years of the initial contract term, and one-million-five-hundred-thousand barrels of Residual Fuel Oil No. 6 for the third year of the initial contract term.¹¹ Further, GPA's estimates indicate a decreasing need for High Sulfur Fuel Oil [HSFO] over the contract's initial three year term. This trend is a positive one because GPA will be utilizing more of the less environmentally harmful Low Sulfur Fuel Oil over the initial contract term.
 13. The contract's \$276,779,088 cost for its initial three-year term is higher than GPA's prior contract with Mobil. Specifically, although Hyundai submitted the lowest bid of the three bids GPA received in response to the IFB, it's fixed premium fee of \$105.417/MT (\$16.575/bbl) for the contract's three-year initial term is approximately 44% higher than the GPA's existing contract with Mobil, and would result in an approximate \$27,837,264 cost increase over the GPA-Hyundai Contract's initial three-year term.¹² However, this increase reflects the expected increase in the cost of supplying fuel to Guam, and these cost increases were one of the reasons why Mobil did not want to agree to exercising any of the option terms of its existing contract with GPA.
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14. GPA will pay for the estimated \$276,779,088 cost of the contract's initial three-year term out of GPA's fuel revenue funds.¹³

⁹ Id., at 13-14.

¹⁰ Id., at 19.

¹¹ PUC Order in Docket No. 20-11 at 3.

¹² GPA Petition at 3-4.

¹³ Id., at 11.

15. GPA's request is reasonable, prudent and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to Approve the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, the PUC Counsel Report, and 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 Petition to Approve the GPA-Hyundai Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants and its estimated \$276,779,088 cost for the contract's initial three-year term is hereby approved.
2. GPA shall petition the PUC for approval of the exercise of any of the contract's two additional one-year extension options.
3. 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 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.

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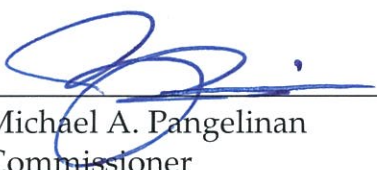
Order
GPA's Application to Approve
the Contract for the Supply of
Residual Fuel Oil No. 6 for the
Baseload Generating Plants
GPA Docket 20-17
July 30, 2020

Dated this 30th day of July, 2020.

Jeffrey C. Johnson
Chairman



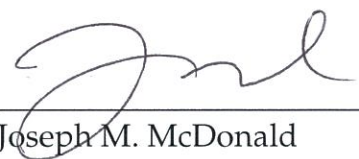
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Commissioner



Michael A. Pangelinan
Commissioner



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Joseph M. McDonald
Commissioner



Doris Flores Brooks
Commissioner



Peter Montinola
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