**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

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| **IN THE MATTER OF:**  **THE APPLICATION OF THE GUAM POWER AUTHORITY TO APPROVE THE PROCUREMENT OF RESIDUAL FUEL OIL NO. 6 FOR THE BASELOAD POWER GENERATING PLANTS.** | **)**  **)**  **)**  **)**  **)**  **)**  **)**  **)**  **)** | **GPA DOCKET 20-11**  **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 Residual Fuel Oil No. 6 for the Baseload Power Generating Plants.[[1]](#footnote-1)
2. GPA requests approval of its solicitation for a contract for the supply of Residual Fuel Oil No. 6 for its Cabras baseload power generating plants.[[2]](#footnote-2)

**BACKGROUND**

1. 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]](#footnote-3)
2. GPA’s existing Residual Fuel Oil No. 6 Contract is with Mobil Oil Guam [Mobil], and this contract has 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 optional terms of the contract with Mobil, but Mobil declined and stated its preference to participate in a new solicitation of the contract.[[4]](#footnote-4)
3. GPA seeks 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]](#footnote-5)
4. On February 21, 2020, the Guam Consolidated Commission on Utilities [“CCU”] issued Resolution No. 2020-06 authorizing GPA’s management, subject to the PUC’s approval, to solicit for a contractor to supply Residual Fuel Oil No. 6 to GPA’s Baseload Power Generating Plants.[[6]](#footnote-6)

**ANALYSIS**

1. 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.[[7]](#footnote-7) Here, GPA must obtain the PUC’s authorization to solicit for a contract to supply Residual Fuel Oil No. 6 for its Baseload Power Generating Plants because GPA estimates that the contract cost will exceed the $1.5 million review threshold.[[8]](#footnote-8)
2. GPA seeks to use the multi-step invitation for bids solicitation method to solicit for a contract to supply Residual Fuel Oil No. 6 to its Baseload Power Generating Plants.[[9]](#footnote-9) Said procurement method is authorized by 5 G.C.A. §5211(h) and 2 G.A.R., Div. 4, Chap. 3, §3109(a).
3. GPA’s draft 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.[[10]](#footnote-10)
4. The solicitation and draft contract define 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. 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]](#footnote-11) Further, GPA’s estimates indicate a decreasing need for High Sulfur Fuel Oil [HSFO] over the contract’s initial three year term. Specifically, GPA intends to purchase one-million-five-hundred-thousand barrels of HSFO for the first year, five-hundred-thousand barrels of HSFO for the second year, and no barrels of HSFO for the third year. 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.
5. GPA’s request is reasonable, prudent and necessary.

**RECOMMENDATION**

1. Counsel recommends that the PUC approve GPA’s solicitation for a contract for the supply of Residual Fuel Oil No. 6 for GPA’s Baseload Power Generating Plants.
2. A proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 16th day of March, 2020.

Anthony R. Camacho

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Anthony R. Camacho, Esq.

PUC Legal Counsel

1. GPA Petition to Approve the Procurement of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 20-11, dated March 10, 2020 [GPA Petition] at 1. [↑](#footnote-ref-1)
2. Id., at 1. NOTE: Page Numbers are the PDF page numbers and not the page numbers used in the actual Petition or its Exhibits. [↑](#footnote-ref-2)
3. Id., at 2 and 12. [↑](#footnote-ref-3)
4. Id., at 1 and 3. [↑](#footnote-ref-4)
5. Id., at 13. [↑](#footnote-ref-5)
6. Id., at 3-4. [↑](#footnote-ref-6)
7. Contract Review Protocol for GPA, Order dated February 15, 2008, Administrative Docket at 1. [↑](#footnote-ref-7)
8. GPA Petition at 3. [↑](#footnote-ref-8)
9. Id., at 4. [↑](#footnote-ref-9)
10. Id., at 6-7. [↑](#footnote-ref-10)
11. Id., at 13. [↑](#footnote-ref-11)