

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)
) GPA Docket 20-19
)
The Application of the Guam Power)
Authority to Approve the FY2021 GPA) ALJ REPORT
CIP Ceiling Cap)
)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of the FY2021 GPA CIP Ceiling Cap.¹ Therein, GPA requests PUC approval of its FY2021 Capital Improvement Project Cap in the amount of \$21,561,155, which consists of General Plant (\$18,381,155) and Engineering (\$3,180,000).² GPA's proposed FY2020 Ceiling Cap also includes \$4,136,645 for Line Extensions. However, pursuant to the GPA Contract Review Protocol, regulatory review is not required for blanket job orders and line extensions.³ The Guam Consolidated Commission on Utilities [CCU] approved the FY2021 Capital Improvement Project Ceiling Cap.⁴

BACKGROUND

The Contract Review Protocol for the Guam Power Authority requires that GPA's annual level ("cap") of internally funded Capital Improvement Projects ("CIP") be set by the PUC before November 15th of each fiscal year.⁵

The CIPs included within the Cap are for "general plant" and "engineering." The "general plant" expenditures include such items as plant improvements/equipment, renovation, computer hardware and software, vehicles (bucket trucks, digger, tractor trucks),

¹ GPA Petition for Contract Review (Application to Approve the FY2021 GPA CIP Ceiling Budget), GPA Docket 20-19, filed September 15, 2020.

² Id. at p. 1.

³ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1a.

⁴ Guam Consolidated Commission on Utilities (CCU) Resolution No. 2020-18, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Year 2021, adopted September 3, 2020.

⁵ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec 1f.

and other miscellaneous items.⁶ The “engineering” expenditures are for projects such as T & D Master Plan, LED Streetlight Conversion, predictive and T & D Line Maintenance Support, breaker upgrades, Typhoon Mangkhut Permanent Repairs, and substation improvements/upgrades.

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.⁷ GPA indicates that what it has provided is a General Plant (CIP) Approved Budget; it has always been the case that GPA does not expend all amounts indicated in the budget for the stated items.⁸

ANALYSIS

This year’s requested cap includes some large “plant” items: (1) Cabras 1 & 2 Overhaul and tube replacement, \$3,836,896; (2) Gas CT Improvements, \$2,051,469; (3) Major Overhaul for Piti 7, \$2,027,740; (4) Diesel Improvements, \$1,238,000; (5) Aggreko Unit Overhaul, \$900,000; (6) EPCM Contract, \$800,000; and (7) 55 ft. bucket trucks, \$800,000.⁹

The prior year cap levels were as follows:

FY2020 Cap: \$23,780,278¹⁰
FY2019 Cap: \$22,022,011
FY2018 Cap: \$20,959,813
FY2017 Cap: \$18,798,120
FY2016 Cap: \$12,067,780
FY2015 Cap: \$9,974,000
FY2014 Cap: \$7,363,110.
FY2013 Cap: \$10,135,760.
FY2012 Cap: \$13.581M.¹¹

⁶ GPA Petition for Contract Review (Application to Approve the FY2021 GPA CIP Ceiling Budget), GPA Docket 20-19, filed September 15, 2020, ATTACHMENT A.

⁷ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1f.

⁸ Discussion between PUC Counsel and GPA Legal Counsel on September 15, 2017.

⁹ GPA Petition for Contract Review (Application to Approve the FY2021 GPA CIP Ceiling Budget), GPA Docket 20-18, filed September 15, 2020, Attachment A.

¹⁰ PUC Order, GPA Docket 19-14, dated September 26, 2019, at pgs. 2 & 4.

¹¹ PUC Order, GPA Docket 18-17, dated September 27, 2018, at pgs. 1-2.

FY2011 Cap: \$5M.¹²

FY2010 Cap: \$16,390,707.¹³

The proposed FY2021 CIP cap (\$21,561,155) is less than the FY2020 cap (\$23,780,278) by over \$2M, and less than the FY2019 cap (\$22,022,011) by over \$450,000. The amount of the CIP cap requested by GPA this year has declined, whereas it had previously increased over the past three years.

The CIP Cap is only a spending limit. The ALJ is not aware of any year in which GPA has actually expended funds up to the CIP Cap. In a phone conference between GPA CFO John Kim, GPA Counsel Graham Botha, and PUC ALJ Fred Horecky, on September 18, 2020, CFO Kim indicated that, for FY2018, GPA only spend \$9M out of the \$17M general plant cap. For FY2019, GPA only spent \$7M out of its \$19M general plant budget. Mr. Kim estimates that there is a \$6M-\$8M carryover of cap funds from year to year.¹⁴ Due to procurement delays, and other factors, including weather related delays and factors such as the present pandemic, projects are delayed and must be carried over from one year to the other.

For the FY 2020 CIP Cap, the total carryover amount from the FY2019 cap was \$7,113,298.¹⁵

It is also noteworthy that a number of the general plant expenditures are for overhaul and replacement items for the Cabras 1 & 2 plants, the Combustion Turbines improvements, Diesel improvements, and Piti 7 major overhaul. These costs could be expected as those plants age and their life spans shorten. The general plant costs are justified and necessary.

With regard to the proposed engineering projects for FY2021, with a cap of \$3,180,000, the request is less than the FY2020 engineering project request of \$3,468,615.

The proposed Engineering CIP projects appear reasonable and should improve the IWPS. Major projects include: (1) Predictive Based Maintenance—Island Wide, \$650,000; (2) T & D Admin, Meter/Relay, \$621,000; (3) (T & D Master Plan

¹² PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

¹³ PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

¹⁴ Phone conference between GPA CFO John Kim, GPA Counsel Graham Botha, and PUC ALJ Fred Horecky on September 18, 2020.

¹⁵ ALJ Report, GPA Docket 19-14 [Application of GPA to Approve the FY2020 GPA Ceiling Cap], at p. 3.

(Transportation, \$560,000; (4) LED Street light Conversion and T & D Line Maintenance Support, \$305,000; and 115 kv and 34.5 kv Breaker Upgrades, \$295,000.

The "Predictive Maintenance" relates to efforts to identify line faults and issues in advance. The T & D Master Plan (Transportation) includes building plans for the T & D Building. The LED Streetlight conversion has been underway for a number of years. A substantial number of improvements are designed for substations. All of these improvements should improve the island-wide transmission and distribution system.

GPA must seek approval under the Contract Review Protocol for procurement of any items included within the CIP cap which exceed the \$1.5M threshold, if the PUC has not previously approved such items.

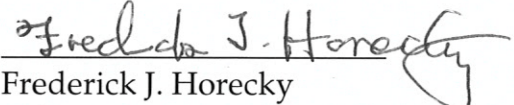
RECOMMENDATION

Based upon the recognition that the FY2021 general plant budget is consistent with that of prior fiscal years, subject to GPA's ability to carry out the capital improvement projects using internally-funded dollars, the Administrative Law Judge recommends that the PUC approve the proposed FY2021 \$21,561,155 Ceiling Cap.

GPA's FY2021 Internally funded CIP ceiling cap, consisting of general plant and engineering projects in the amount of \$21,561,155, should be approved. The projects requested to be funded appear to be needed for plant improvements, equipment, and system upgrades. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 18th day of September, 2020.


Frederick J. Horecky
Administrative Law Judge