

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 20-18  
)  
The Application of the Guam Power )  
Authority to Approve a One-Month ) **ORDER OF RATIFICATION**  
Extension to the Contract for Residual )  
Fuel Oil No. 6 for the Baseload Power )  
Generating Plants. )  
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This matter comes before the Guam Public Utilities Commission [“PUC”] upon the ORDER signed herein by Chairman Jeffrey C. Johnson on August 28, 2020. A true and correct copy of said ORDER is attached hereto as Exhibit “1”.

The ALJ REPORT dated August 7, 2020, recommended that the PUC approve a one-month extension for the GPA Contract with Mobil Oil Guam Inc. for the Supply of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants. The Mobil contract was expiring on August 31, 2020. However, the contract with new fuel supplier Hyundai Corporation would not be effective until October 1, 2020. Unless the Mobil Contract was extended for one month, GPA would be left without a fuel supplier for that period.

Both Mobil Oil and Hyundai Corporation had agreed to the one-month extension. Hyundai needed a one-month period as a “transition” for it to be able to take over and assume fuel supply duties and responsibilities effective October 1, 2020. Hyundai needed time until mid-October to mobilize and arrange a tanker for Guam.<sup>1</sup>

The one-month extension for Mobil would also result in cost savings to GPA of \$317,355 in reduced premium fees during the period of the one-month contract extension.

This matter would have been heard by the Commission at its monthly meeting on August 27, 2020; however, due to the Governor of Guam’s Declaration of PCOR 1, relative to the COVID pandemic, the Commission was required to cancel its August meeting.

Due to the lack of a PUC meeting, the Chairman believed that interim, emergency action was necessary to approve the one-month extension of the Residual Fuel Oil No. 6 Contract for the Baseload Power Generating Plants. Prior to signing of the Order, the Administrative Law Judge (ALJ) confirmed, in accordance with Administrative

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<sup>1</sup> Email from GPA Legal Counsel Graham Botha to PUC ALJ Fred Horecky, dated August 6, 2020.

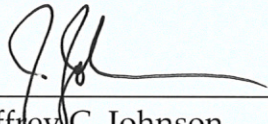
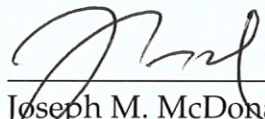
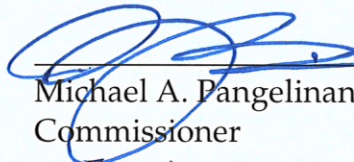
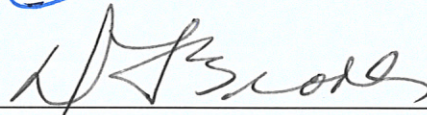
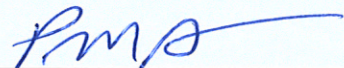


Resolution dated April 11, 2003, that a majority of Commissioners authorized the Chairman to sign the Order for the one-month extension of the RFO No. 6 Contract.

The Commission has reviewed the ALJ Report dated August 7, 2020, and the Order of the Chairman dated August 28, 2020. The Commission finds that it was necessary for the Chairman to extend the Residual Fuel Oil No. 6 for the Baseload Power Generating Plants for one-month for the reason stated in this Order and in the ALJ Report.

The Chairman's Order is hereby ratified and approved.

**SO ORDERED** this 24th day of September, 2020.

  
\_\_\_\_\_  
Jeffrey C. Johnson  
Chairman  
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Rowena E. Perez-Camacho  
Commissioner  
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Joseph M. McDonald  
Commissioner  
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Michael A. Pangelinan  
Commissioner  
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Peter Montinola  
Commissioner  
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Doris Flores Brooks  
Commissioner  
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Pedro S.N. Guerrero  
Commissioner





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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"], through its Chairman Jeffrey C. Johnson, upon the Petition of the Guam Power Authority ["GPA"] to Approve a One-Month Extension to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants.<sup>1</sup>

BACKGROUND

2. GPA's present Residual Fuel Oil No. 6 Contract with Mobil Oil Guam Inc. ["Mobil"] will expire on August 31, 2020.<sup>2</sup>
3. On July 30, 2020, the PUC approved a new 3-year contract between GPA and Hyundai Corporation ["Hyundai"] for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants.<sup>3</sup>
4. In Guam Consolidated Commission on Utilities Resolution No. 2020-17, the CCU states that GPA and Mobil have negotiated and agreed to a one (1) month extension of the existing contract up to September 30, 2020, at a fixed premium fee of \$66.500/MT for HSFO and \$108.500/MT for LSFO.<sup>4</sup>
5. GPA indicates that the new contract to Hyundai will commence on October 1, 2020.<sup>5</sup>

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<sup>1</sup> GPA Petition to Approve a One-Month Extension to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 20-18, filed July 28, 2020.

<sup>2</sup> PUC Order, GPA Docket 20-17, dated July 30, 2020, at p. 1.

<sup>3</sup> Id., at p. 4.

<sup>4</sup> Guam Consolidated Commission on Utilities Resolution No. 2020-17, Authorizing Management of the Guam Power Authority (GPA) to Proceed with a One (1) Month Extension of the Existing Contract for the Supply of Residual Fuel Oil No. 6, adopted and approved on July 28, 2020.

<sup>5</sup> Id., at p. 1.



6. On August 7, 2020, the Administrative Law Judge ["ALJ"] filed his Report in this Docket. The Commission adopts the conclusions and recommendations therein.<sup>6</sup>

#### DETERMINATIONS

7. The principal reason offered by GPA for the one-month extension of the Mobil Contract for the supply of Residual Fuel Oil No. 6 is "to provide adequate mobilization period for the new supplier."<sup>7</sup>
8. It is understandable that the new supplier, Hyundai, will need a transition period with Mobil in order to take over and assume fuel supply duties and responsibilities effective October 1, 2020. Hyundai will need until mid-October to mobilize and get a tanker for Guam.<sup>8</sup>
9. GPA does have the authority to extend the contract with Mobil for one month.
10. The Contract with Mobil had an initial term of two years, which will expire on August 31, 2020.
11. However, the contract also allowed for three optional renewal terms of one year each.<sup>9</sup> Although GPA and Mobil did not initially exercise an optional one-year renewal term (and GPA put the Contract out to bid), they have now agreed to a one-month extension of the Contract. Since the Mobil contract does not expire until August 31, 2020, the parties still have an option to extend the existing Contract for one month.
12. The former supplier, Mobil, and the new supplier, Hyundai Corporation, have both agreed to the one-month extension of the Mobil Contract.<sup>10</sup>
13. From a financial perspective, the one (1) month contract extension with Mobil will result in an estimated savings of \$317,355 in premium fees compared to the new Hyundai contract, as shown in Exhibit "A" to the ALJ Report.<sup>11</sup>
14. Under the new contract with Hyundai, the fixed premium fee will be \$71.69/MT for HSFO and \$124.69 /MT for LSFO.<sup>12</sup>

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<sup>6</sup> ALJ Report, GPA Docket 20-18, dated August 7, 2020.

<sup>7</sup> Id.

<sup>8</sup> Email from GPA Legal Counsel Graham Botha, to PUC ALJ Fred Horecky, dated August 6, 2020.

<sup>9</sup> PUC Order, GPA Docket 20-17, dated July 30, 2020, at p. 1.

<sup>10</sup> Email from GPA Legal Counsel Graham Botha, to PUC ALJ Fred Horecky, dated August 6, 2020.

<sup>11</sup> Exhibit "A" attached to the ALJ Report, Cost Savings for Extension of Mobil Contract for One Month in Order to receive a shipment in September (also attached to the GPA Petition as "Attachment "A").



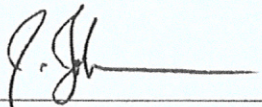
15. The one-month contract extension with Mobil has an estimated value of approximately \$12M<sup>13</sup>; based upon the savings of \$317,355 in premium fees for the one-month contract extension for Mobil, the price for such contract extension period is reasonable and in the best interest of GPA and its customers.
16. This is not the first occasion on which GPA has requested an extension of an existing residual fuel oil contract to provide an adequate mobilization period for the new supplier. In 2018, when Hyundai was the supplier, the PUC authorized a request to extend the then current fuel supply contract with Hyundai for a 3-month period.<sup>14</sup>

### ORDERING PROVISIONS

Pursuant to 12 GCA Sec. 12105 (b), the Commission, through its Chairman, upon consideration of the record in this proceeding, the GPA Petition to Approve the One Month Extension to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, and the Administrative Law Judge Report, hereby **ORDERS** that:

1. A One Month Extension to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants is hereby approved.
2. Residual Fuel Oil is essential to the operation of the Cabras Power Plants, and the one-month contract extension is reasonable, prudent, and necessary.
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 PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 28th day of August, 2020.

  
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Jeffrey C. Johnson  
Chairman

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<sup>12</sup> Exhibit "A" to the GPA Petition in GPA Docket 20-17, filed July 20, 2020.

<sup>13</sup> CCU Resolution No. 2020-17, at p. 1.

<sup>14</sup> PUC Order, Approval of a 3-Month Extension to the Contract for RFO for the Baseload Power Plants, GPA Docket 18-16, dated June 26, 2018, at p. 4.