



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**
Extension to the Contract for Residual)
Fuel Oil No. 6 for the Baseload Power)
Generating Plants.)
_____)

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.¹

BACKGROUND

2. GPA's present Residual Fuel Oil No. 6 Contract with Mobil Oil Guam Inc. ["Mobil"] will expire on August 31, 2020.²
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.³
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.⁴
5. GPA indicates that the new contract to Hyundai will commence on October 1, 2020.⁵

¹ 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.

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

³ Id., at p. 4.

⁴ 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.

⁵ 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.⁶

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."⁷
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.⁸
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.⁹ 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.¹⁰
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.¹¹
14. Under the new contract with Hyundai, the fixed premium fee will be \$71.69/MT for HSFO and \$124.69 /MT for LSFO.¹²

⁶ ALJ Report, GPA Docket 20-18, dated August 7, 2020.

⁷ Id.

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

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

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

¹¹ 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").

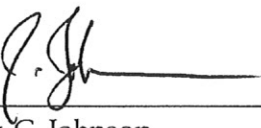
15. The one-month contract extension with Mobil has an estimated value of approximately \$12M¹³; based upon the savings of \$317,355 in premium fees for the one-month contract extension for Mobil, the price for such contract extension period is reasonable and in the best interest of GPA and its customers.
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.¹⁴

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.



Jeffrey C. Johnson
Chairman

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

¹³ CCU Resolution No. 2020-17, at p. 1.

¹⁴ 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.