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8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 **IN THE MATTER OF:**

10 The Application of the Guam Power Authority }
11 to Approve the Amendment to the Energy }
12 Conversion Agreement (ECA) with KEPCO }
13 for the 198MW Power Plant. }

GPA DOCKET NO. 21-07

PETITION FOR CONTRACT REVIEW

14 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel
15 of record, D. GRAHAM BOTHA, ESQ., and hereby files GPA's Petition for the Public Utilities
16 Commission of Guam to review and approve GPA's request for approval of the Amendment to
17 the Energy Conversion Agreement (ECA) with KEPCO for the 198MW Power Plant, as follows:

18 **BACKGROUND**

19 The Guam Power Authority contracted with KEPCO through an Energy Conversion
20 Agreement (ECA) for the 198MW Power Plant which was approved by the PUC in Docket 19-
21 13. Due to delays in the permitting process, GPA initiated discussions with KEPCO regarding
22 permitting as a minor source with USEPA. The parties reached an agreement to permit the
23 Ukudu Combined Cycle plant as a minor source air permit; to install 41MW of diesel engines
24 near the GPA Cabras Fuel Oil storage facility; and agreed upon a fixed and variable O&M rate to
25 compensate for the operation and maintenance of the new diesel plant. GPA and KEPCO have
26 negotiated an amendment to the Energy Conversion Agreement (ECA) and schedules. The CCU
27 in Resolution 2021-02 has approved GPA's request for approval of the amendment to the Energy
28 Conversion Agreement (ECA) with KEPCO for the 198MW Power Plant.

DISCUSSION

GPA hereby petitions the PUC, pursuant to the Contract Review Protocol for the Guam
Power Authority, approved by the PUC, to review and approve the amendment to the Energy

ORIGINAL

1 Conversion Agreement (ECA) with KEPCO for the 198MW Power Plant. The parties have
2 negotiated an amendment to the ECA to allow for the relocation and operation of 41MW diesel
3 units with a fixed O&M cost of \$2,000,000 annually and a variable O&M cost of \$.025/kWh net
4 production when dispatched by GPA. The amendment will also change the new Commercial
5 Operation Date (COD) to April 2024. In support of this Petition, GPA hereby provides the PUC
6 with Consolidated Commission on Utilities (CCU) Resolution No. 2021-02, which approves the
7 amendment to the Energy Conversion Agreement (ECA) with KEPCO for a 198MW dual fuel
8 power plant, subject to the review and approval of the PUC. Said resolution and its exhibits are
9 attached herein as Exhibit A, and incorporated by reference herein as if fully set forth.

10 CONCLUSION

11 The PUC should approve GPA's request for approval of the amendment to the Energy
12 Conversion Agreement (ECA) with KEPCO for the 198MW Power Plant. The proposed
13 amendment to the ECA will be essential to ensuring compliance with USEPA environmental
14 regulations, and is reasonable, prudent, and necessary.

15 **RESPECTFULLY SUBMITTED** this 5th day of February, 2021.

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17 D. GRAHAM BOTHA, ESQ.
18 GPA General Counsel
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CONSOLIDATED COMMISSION ON UTILITIES
Guam Power Authority | Guam Waterworks Authority
P.O. Box 2977 Hagatna, Guam 96932 | (671)649-3002 | guamccu.org

RESOLUTION NO. 2021-02

**RELATIVE TO AUTHORIZATION OF UKUDU POWER PLANT ENERGY CONVERSION
AGREEMENT (ECA) AMENDMENT FOR RELOCATION OF EMERGENCY DIESEL UNITS AND
PURSUIT OF MINOR SOURCE AIR PERMIT**

WHEREAS, Guam Power Authority (GPA) and Guam Ukudu Power (GUP) LLC signed the Energy Conversion Agreement (ECA) for the construction, operation and transfer of a 198 MW power plant to be sited on GPA owned property in Ukudu, Dededo; and

WHEREAS, GUP LLC is a local company formed by the KEPCO-EWP consortium ("KEPCO-EWP"); and

WHEREAS, the anticipated Commercial Operation Date (COD) of the Ukudu Power Plant was October 2022; and

WHEREAS, GPA expected that the new plant would be permitted under a minor source air permit application process, although not specifically noted in the RFP, which would provide the shortest timeframe to commission a new power plant; and

WHEREAS, to comply with bid reserve requirements, GUP LLC added 65 MW of standby generators with a maximum 500 hours of operations to the site; and

WHEREAS, it was determined that the emergency diesel units required to operate during Ukudu unit outages would significantly limit plant operations under a minor source permit during a scheduled 23-day steam turbine outage which occurs every four years; and

WHEREAS, GPA and GUP LLC attempted to negotiate a minor source permit process early in 2020 but GUP LLC noted significant estimated cost overruns causing negotiations to fail and GUP LLC pursued a major source air permit path; and

WHEREAS, USEPA expressed significant concerns on GUP LLC'S major source air permit path because of significant delays which would occur because of lengthy air monitoring requirements before a major source permit could be issued which would move COD past 2025; and

WHEREAS, USEPA encouraged GPA to work out an alternative which would permit the plant under minor source; and

31 **WHEREAS**, in August 2020 GPA and GUP LLC again initiated discussions for a minor source
32 path and reached an agreement, **Attachment A**, which included the following:

- 33 • Permit the UKUDU Combined Cycle Plant as a minor source air permit.
- 34 • Install forty- one megawatts (41 MW) of diesel engines with continuous operation
35 capability near the GPA Cabras Bulk Fuel Oil Storage Facility and permit the plant for
36 maximum operational hours (~5000hrs).
- 37 • Agreed on a Fixed and Variable O&M rate to compensate for the operation and
38 maintenance of the new diesel plant fully dispatchable anytime by GPA; and
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40 **WHEREAS**, a minor source air permit path would alleviate USEPA concerns on the overall
41 permitting and construction schedule of the Ukudu Power Plant and any further delays in the
42 retirement of the Cabras 1&2 Power Plant; and

43 **WHEREAS**, although the diesel engines are for a reduced capacity, the diesel engines are units
44 which could be operated in excess of 500 hours to support the entire Island-Wide Power System
45 (IWPS) and its efficiency and operating costs along with the Yigo Diesel Units (formerly Aggreko units)
46 could allow for the eventual retirement of older units; and

47 **WHEREAS**, GPA's analysis of future generation system reliability shows that relocating the
48 GUP LLC Diesel Plant provides significant additional value to GPA significantly increasing the peak load
49 carrying capability of the GPA system, in addition to allowing retirements of older generating units
50 which would reduce costs; and

51 **WHEREAS**, the proposed location of the new diesel plant eliminates costly fuel trucking cost
52 and will have minimal interconnection costs because of its proximity to GPA's future ULSD bulk
53 storage fuel tanks and also GPA transmission lines; and

54 **WHEREAS**, GUP LLC recently replaced its Engineering, Procurement and Construction
55 contractor Hyundai due to delays and potential cost overrun issues with schedule uncertainty, and
56 contracted Doosan Industries in December 2020 on a minor source path and based on the GPA
57 August 2020 proposal; and

58 **WHEREAS**, over the past year, GUP LLC and its contractors and consultants have gained
59 considerable experience for construction on Guam and has completed substantial work on the air
60 permit and the Environmental Impact Assessment (EIA), which are also required for minor source
61 permitting and supports the new schedule as achievable; and

62 **WHEREAS**, GPA would urgently seek support from air permitting agencies to prioritize the
63 power plant work to ensure progress on the plant schedule will meet the USEPA consent decree and
64 to minimize any further delays due to the COVID pandemic; and

65 **WHEREAS**, an amendment is required of the GUP LLC/GPA ECA which increases the contract
66 cost above the GPA General Manager's approval authority; and

67 **WHEREAS**, GPA is in discussions with USEPA for a modification of the consent decree to
68 reflect the proposed new power plant minor source air permit schedule and appears to be on track
69 towards such modification.

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71 **NOW, THEREFORE, BE IT RESOLVED**, by the **CONSOLIDATED COMMISSION ON UTILITIES**
72 **(CCU)**, subject to the review and approval of the **PUBLIC UTILITIES COMMISSION (PUC)**, as follows:

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- 74 1. The CCU authorizes GPA to amend the Ukudu Power Plant Energy Conversion Agreement (ECA)
75 for the relocation and operation of 41MW diesel units with a fixed O&M cost of \$2,000,000
76 annually and a variable O&M cost of \$0.025/kWh net production when dispatched by GPA.
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- 78 2. The CCU authorizes GPA to amend the ECA to require Guam Ukudu Power (GUP) LLC to pursue
79 a minor source air permit with the new COD of the Ukudu plant to be no later than April 2024
80 with best efforts to achieve a target COD of November 2023.

81 **RESOLVED**, that the Chairman of the Commission certifies and the Board Secretary attests the
82 adoption of this Resolution.

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84 **DULY and REGULARY ADOPTED AND APPROVED THIS 26th DAY of JANUARY, 2021**

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Certified by:

Attested by:



JOSEPH T. DUENAS
Chairperson
Consolidated Commission on Utilities



MICHAEL LIMTIACO
Secretary
Consolidated Commission on
Utilities

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88 I, **Michael Limtiaco**, Secretary for the Consolidated Commission on Utilities (CCU), as
89 evidenced by my signature above do certify as follows:

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92 The foregoing is a full, true, and correct copy of the resolution duly adopted at a regular
93 meeting of the members of Guam Consolidated Commission on Utilities, duly and legally held at the
94 meeting place properly noticed and advertised at which meeting a quorum was present and the
95 members who were present voted as follows:

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99 Ayes: 4

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101 Nays: 0

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103 Absent: 1

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105 Abstain: 0
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