

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 21-10
)
The Application of the Guam Power)
Authority for Approving the Procurement) **ORDER**
for Supply of Diesel Fuel Oil to GPA.)
_____)



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Approval of the Procurement for Supply of Diesel Fuel Oil to GPA.¹

BACKGROUND

2. GPA requests that the PUC approve the procurement of a diesel fuel oil No. 2 supply contract for the Piti 7, 8, and 9 plants.²
3. In GPA Docket 21-09, the PUC recently approved GPA's request to extend its current Diesel Fuel Supply Contract with Mobil Oil Guam and IP&E Guam for three additional years.³
4. Under the present supply contract, Mobil Oil [hereinafter "Mobil"] does supply some diesel fuel for Piti 7, 8 and 9.⁴ However, it is important to distinguish the diesel fuel oil supply contract referenced in GPA Docket 21-09 from the procurement sought for diesel fuel in this docket.

¹ GPA Petition for Approval of Procurement for Supply of Diesel Fuel Oil to GPA, GPA Docket 21-10, filed May 3, 2021.

² Id., at p. 1; the Piti 8 and 9 plants are also referred to as MEC 8 and 9.

³ PUC Order, GPA Docket 21-09, dated April 29, 2021, at p. 1.

⁴ Id.

5. Under the present contract, Mobil currently supplies an estimated amount of 8M **gallons** of diesel fuel per year to Piti 7. Mobil also supplies 2,200,000 **gallons** per year collectively for Cabras 1 & 2, Piti 8 & 9, Manenggon and Talofoto.⁵ The procurement in this docket seeks a supply of ULSD of from 500,000 to 1,500,000 **barrels** per year for Piti 7, 8, and 9.⁶
6. The present fuel supply contract involves a far smaller volume of diesel fuel than the volume sought by GPA to be procured in this docket.
7. The diesel fuel currently supplied by Mobil to the Piti 8 & 9 units is primarily for lubrication purposes. The ULSD supply sought in this procurement will be transferred to the Piti 8 and 9 units by pipeline and will constitute the essential fuel supply to run the Piti 8 & 9 units.⁷
8. The diesel that Mobil presently supplies to Piti 8 & 9 is trucked in, not supplied by a pipeline. It is a “tiny” amount of diesel that is presently supplied mainly “for lubrication.”⁸
9. In GPA Docket 19-02, the PUC authorized GPA to enter a contract with AYM International, Inc. for the construction of a new ULSD pipeline system to the Piti Tank Farm, and the Piti 7, 8, and 9 power plants.⁹

⁵ ALJ Report, GPA Docket 21-09, at Exhibit “A” (Mobil Contract).

⁶ Proposed Contract for Bulk Supply of Diesel Fuel Oil No. 2 at p. 9; 1 barrel of fuel oil equals 42 gallons; www.calculateme.com/volume/barrels-of-oil/to-gallons/1.

⁷ Phone conference between GPA Counsel Graham Botha and PUC ALJ Fred Horecky on May 18, 2021.

⁸ Id.

⁹ PUC Order, GPA Docket 19-02, dated July 25, 2019.

10. The PUC found that GPA had a clear need for a pipeline for ULSD which could be used for the Piti 7, 8 and 9 plants.¹⁰ The fuel supply sought in this docket will be transferred to the plants by the new ULSD pipeline.
11. In GPA Docket 21-06, the PUC approved GPA's contract with Marianas Energy Company to convert the Piti 8 & 9 plants to ULSD.¹¹ GPA anticipates that the conversion of the Piti 8 and 9 units to ULSD will be completed between May 31 and July 31, 2022.¹²
12. In Guam Consolidated Commission on Utilities Resolution No. 2021-09, the CCU approved GPA's request to procure bulk supply of ultra-low sulfur diesel (ULSD) for the Piti 7, 8 & 9 plants through a Multi-Step Bid process.¹³
13. The Administrative Law Judge ["ALJ"] filed his report herein dated May 22, 2021. The PUC adopts the conclusions and recommendations therein.

DETERMINATIONS

14. The CCU estimates that the total cost for the new ULSD supply contract will exceed \$1.5M, thus requiring GPA to seek authorization for this procurement from the PUC.¹⁴
15. Attached to CCU Resolution No. 2021-09 is the proposed Contract for Bulk Supply of Diesel Fuel Oil No. 2.¹⁵ The proposed contract has a base period of two (2) years,

¹⁰ Id., at p. 2.

¹¹ PUC Order, GPA Docket 21-06, dated February 25, 2021, at p. 10.

¹² GPA Petition for Approval of Procurement for Supply of Diesel Fuel Oil to GPA, GPA Docket 21-10, filed May 3, 2021, at p. 1; Phone conference between GPA Counsel Graham Botha and PUC ALJ Fred Horecky on May 18, 2021.

¹³ Guam Consolidated Commission on Utilities Resolution No. 2021-09, Authorizing the Management of the Guam Power Authority to Procure Bulk Supply of Ultra Low Sulfur Diesel (ULSD) for the Power Generating Plants, adopted and approved on April 27, 2021.

¹⁴ Contract Review Protocol for Guam Power Authority, Administrative Docket, PAR. 1(e), dated February 15, 2008.

to commence on or about February 1, 2022 through January 31, 2024, with three (3) additional 1-year extension options.¹⁶

16. Under the proposed contract, the fuel supply must conform to certain product quality requirements specified in Schedule A attached to the Contract.¹⁷

17. For the first year of the Contract, the ULSD Bulk Supply is estimated to be between 500,000-1,000,000 Barrels per year; for the second year of the proposed Contract, the estimated Annual Requirement is 1,000,000-1,500,000 Barrels per year.¹⁸

18. The proposed Contract contains numerous provisions that protect GPA and its ratepayers:

- (A) The Contractor warrants that the fuel oil supplied will comply with the prescribed specifications.
- (B) Quality, quality assurance, and quantity are determined and verified by independent inspectors.
- (C) If the Contractor cannot fulfill its obligations under the Contract, GPA may seek an alternative source of fuel oil.
- (D) The Contractor is required to provide various types of insurance which indemnify and hold GPA harmless.
- (E) The Contractor pays monetary penalties to GPA for delayed deliveries.¹⁹

19. The major purpose of the proposed supply contract is to supply ULSD by pipeline to the Piti 7, 8 & 9 plants. GPA currently burns residual fuel oil to operate Piti 8 and 9.

¹⁵ Invitation for Multi-Step Bid No. GPA-____-21, Bulk Supply of Diesel Fuel Oil No. 2.

¹⁶ CCU Resolution No. 2021-09, at p. 1.

¹⁷ Proposed Contract for Bulk Supply of Diesel Fuel Oil No. 2 at p. 9.

¹⁸ Id.

¹⁹ Id., at pgs. 15-30.

However, under the Consent Decree, it is now required to cease utilizing RFO to operate the plants and to convert to ULSD. The procurement in this docket is designed to seek a sufficient supply of ULSD to run Piti 8 and 9.

20. The PUC previously determined that a continuous supply of diesel fuel oil is necessary for GPA to maintain its electric power generation capacity.²⁰
21. Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island wide utility power demand.²¹
22. Diesel fuel is essential to the operation of the diesel power plants, and the contract is reasonable, prudent, and necessary.²²

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the ALJ Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. GPA's issuance of a Procurement for the Supply of Diesel Fuel Oil for the Piti 7, 8 & 9 plants is approved.
2. 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)

²⁰ PUC Order, GPA Docket 19-12 (Approving the Contract for Supply of Diesel Fuel Oil to GPA), dated August 29, 2019 at p. 4.

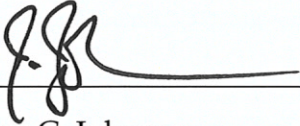
²¹ Id.

²² GPA Petition for Approval of Procurement for Supply of Diesel Fuel Oil to GPA, GPA Docket 21-10, filed May 3, 2021, at p. 2.

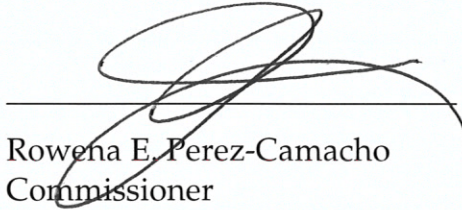
and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the
Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

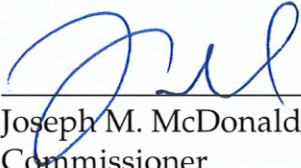
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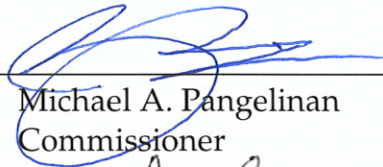
Jeffrey C. Johnson
Chairman



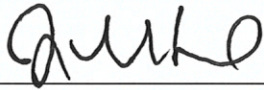
Rowena E. Perez-Camacho
Commissioner



Joseph M. McDonald
Commissioner



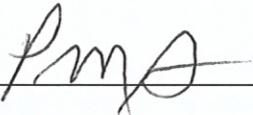
Michael A. Pangelinan
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