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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

The Application of the Guam Power Authority
to Approve the Amendment to the Contract for
Residual Fuel Oil No. 6 for the Baseload
Power Generating Plants.

GPA DOCKET NO. 21-17

PETITION FOR CONTRACT REVIEW

COMES NOW, the GUAM POWER AUTHORITY (GPA), by and through its counsel of record, D. GRAHAM BOTHA, ESQ., and hereby files GPA's Petition for the Public Utilities Commission of Guam to review and approve GPA's request for approval of the amendment to the contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, as follows:

BACKGROUND

The Guam Power Authority awarded a contract for Residual Fuel Oil (RFO) to Hyundai Corporation for an initial three (3) year period which will expire on August 31, 2023. The CCU in Resolution 2021-19 approved GPA's request to enter into a contract amendment with Hyundai Corporation for the supply of 0.2% ULSFO commencing on or about January 1, 2022. The Consent Decree with USEPA requires GPA to substitute the LSFO and HSFO and transition to Ultra-Low Sulfur Fuel Oil ("ULSFO") with a sulfur limit of 0.2% by weight, no later than December 31, 2021.

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 contract amendment with Hyundai Corporation for 0.2% sulfur Residual Fuel Oil No. 6 for the Baseload Power Generating

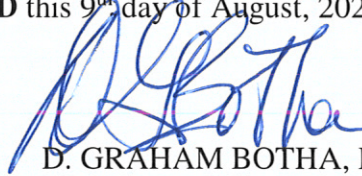
ORIGINAL

1 Plants. In support of this Petition, GPA hereby provides the PUC with Consolidated Commission
2 on Utilities (CCU) Resolution No. 2021-19, which authorizes the General Manager to proceed
3 with the contract amendment with Hyundai Corporation for 0.2% sulfur Residual Fuel Oil No. 6
4 for the Baseload Power Plants. Said resolution and its exhibits are attached herein as Exhibit A,
5 and incorporated by reference herein as if fully set forth.

6 **CONCLUSION**

7 The PUC should approve GPA's request to proceed with the amendment to the contract
8 to Hyundai Corporation for 0.2% sulfur Residual Fuel Oil No. 6 for the Baseload Power Plants.
9 Residual Fuel Oil is essential to the operation of the Cabras power plants, and a contract
10 amendment is reasonable, prudent, and necessary.

11 **RESPECTFULLY SUBMITTED** this 9th day of August, 2021.

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14 D. GRAHAM BOTHA, ESQ.
15 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) 648-3002 | guamccu.org

RESOLUTION NO. 2021- 19

AUTHORIZING MANAGEMENT OF THE GUAM POWER AUTHORITY TO AMEND THE CONTRACT FOR THE
SUPPLY RESIDUAL FUEL OIL NO.6

WHEREAS, GPA entered into a contract under GPA-050-20, for the Supply of Residual Fuel Oil No.6
with Hyundai Corporation (hereinafter referred to as the "Contractor"); and

WHEREAS, the term of the contract is for an initial period of three (3) consecutive years to
commence on September 01, 2020 and to expire in August 31, 2023, with option to extend for 2 additional
years; and

WHEREAS, the fuel grades to be supplied under the contract consist of the Low Sulfur Fuel Oil
("LSFO") with a sulfur limit of 1.19% by weight and High Sulfur Fuel Oil ("HSFO") with a sulfur content limit
of 2.00% by weight, respectively; and

WHEREAS, the Consent Decree between GPA and USEPA requires GPA to substitute the LSFO and
HSFO and transition to Ultra-Low Sulfur Fuel Oil ("ULSFO") with a sulfur limit of 0.2% by weight, no later than
December 31, 2022; and

WHEREAS, pursuant to Section 14 (Government Laws and Regulations) of the contract, GPA and
the Contractor have negotiated for the price of the substitute fuel; and

WHEREAS, evaluation of the price proposal submitted by Hyundai for the Fixed Premium Fee of the
ULSFO (0.2% sulfur) is provided in **Exhibit A**; and

WHEREAS, the Fixed Premium Fee for the 0.2% ULSFO is \$79.000 per metric ton, linked to the Gasoil
10pm commodity posted on the Platts APAG Marketscan Report; and

31 **WHEREAS**, the estimated Fixed Premium Fee cost for the 0.2% ULSFO based on the estimated
32 commodity price and annual supply quantity of 1,500,000 barrels (235,849 metric tons) has a value of
33 approximately \$18,632,075 per year; and
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35 **WHEREAS**, GPA has determined that the Fixed Premium Fee for the 0.2% ULSFO is reasonable and
36 provides the lowest cost for the Authority; and
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38 **WHEREAS**, the estimated contract unit cost for the 0.2% ULSFO based on the estimated commodity
39 price of \$80.710 per barrel (or \$601.290 per metric ton @ 7.45 bbl/MT) plus the Fixed Premium Fee of
40 \$79.000 per metric ton is equivalent to \$680.290 per metric ton. The estimated annual contract cost based
41 on the estimated annual supply quantity has a value of approximately **\$160,445,636 per year**; and
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43 **WHEREAS**, the supply of the 0.2% ULSFO is anticipated to commence in January 01, 2022; and
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45 **NOW THEREFORE, BE IT RESOLVED**, by the CONSOLIDATED COMMISSION ON UTILITIES as the
46 governing body of GPA, and subject to the review and approval of the Public Utilities Commission as follows:
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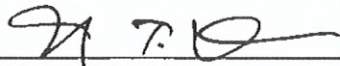
48 1. The General Manager of the Guam Power Authority is hereby authorized to enter into a contract
49 amendment with **HYUNDAI CORPORATION** for the supply of 0.2% ULSFO commencing on or about
50 January 01, 2022.

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52 2. The General Manager of the Guam Power Authority is hereby authorized an increase in obligating
53 authority to the annual value of the contract estimated at **\$160,445,636 per year** and execute such
54 agreements and documents necessary for a contract with **HYUNDAI CORPORATION**.
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57 **RESOLVED**, that the Chairman of the Commission certifies and the Board Secretary attests the
58 adoption of this Resolution.
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DULY and REGULARY ADOPTED AND APPROVED THIS 27TH DAY of JULY 2021.

Certified by:



JOSEPH T. DUENAS

Chairperson
Consolidated Commission on Utilities

Attested by:



MICHAEL LIMTIACO

Secretary
Consolidated Commission on Utilities

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

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

Ayes: 3

Nays: 0

Absent: 2

Abstain: 0

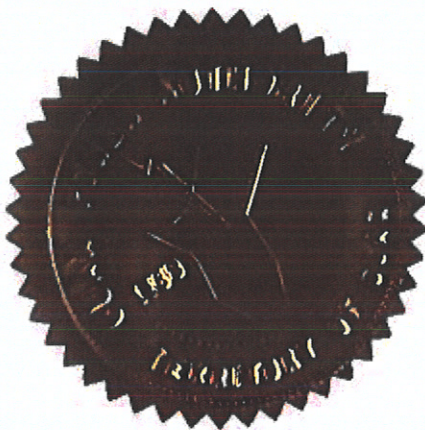


EXHIBIT A**HYUNDAI PROPOSAL FOR ULSFO (0.20% sulfur)****Fixed Premium Fee = \$79.000/MT****ESTIMATED EXPENSES:****A. Estimated Quantity:**

<u>bbls/yr</u>	<u>Conversion (bbl/MT)</u>	<u>MT/yr</u>
1,500,000	6.36	235,849

**B. Reference Price (MOPS, Gasoil 10 ppm commodity):
(Sample date: July 01, 2021)**

<u>MOPS (\$/bbl)</u>	<u>Conversion (bbl/MT)</u>	<u>\$/MT</u>
80.710	7.45	\$601.290

C. Fixed Premium Fee (per contract), \$/MT	<u>\$79.000</u>
D. Unit Cost (B+C), \$/MT	\$680.290
E. PREMIUM FEE COST (A x C), \$/yr	\$18,632,075.47
F. CONTRACT COST (A x D), \$/yr	\$160,445,636.79

HYUNDAI CONTRACT
FIXED PREMIUM FEE & ESTIMATED UNIT COST COMPARISON

Fuel Grade	Sulfur % (max.)	Reference Commodity	Commodity Price* \$/MT	Fixed Premium Fee \$/MT	Unit Cost \$/MT	Differential Cost	
						\$/MT	%
A. HSFO	2.00	HSFO 180 cst	\$428.810	\$71.690	\$500.500		
B. LSFO	1.19	HSFO 180 cst	\$428.810	\$124.690	\$553.500	\$53.000	11% B vs. A
C. ULSFO	0.20	Gasoil 10 ppm	\$601.290	\$79.000	\$680.290	\$126.790	23% C vs. B

*Sample date: 07/01/21

Fuel Grade	Sulfur % (max.)	Reference Commodity	Commodity Price* \$/bbl	Fixed Premium Fee \$/bbl	Unit Cost** \$/bbl	Differential Cost	
						\$/MT	%
A. HSFO	2.00	HSFO 180 cst	\$67.42	\$11.272	\$78.695		
B. LSFO	1.19	HSFO 180 cst	\$67.423	\$19.605	\$87.028	\$8.333	11% B vs. A
C. ULSFO	0.20	Gasoil 10 ppm	\$80.710	\$26.254	\$106.964	\$19.935	23% C vs. B

Fuel Grade	Sulfur % (max.)	Reference Commodity	Conversion Factor	
			*Commodity bbl/MT	**Unit Cost \$/bbl
A. HSFO	2.00	HSFO 180 cst	\$6.360	\$6.360
B. LSFO	1.19	HSFO 180 cst	\$6.360	\$6.360
C. ULSFO	0.20	Gasoil 10 ppm	\$7.450	\$6.360