

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

The Application of the Guam Power
Authority to Approve the FY2022 GPA
CIP Ceiling Cap

)
) GPA Docket 21-18

)
) ALJ REPORT
)
)
)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of the FY2022 GPA CIP Ceiling Cap.¹ Therein, GPA requests PUC approval of its FY2022 Capital Improvement Project Cap in the amount of \$32,202,862, which consists of General Plant (\$25,884,923) and Engineering (\$2,192,765).² GPA's proposed FY2022 Ceiling Cap also includes \$4,125,174 for Line Extensions. However, pursuant to the GPA Contract Review Protocol, regulatory review is not required for blanket job orders and line extensions.³ The Guam Consolidated Commission on Utilities [CCU] approved the FY2022 Capital Improvement Project Ceiling Cap.⁴

BACKGROUND

The Contract Review Protocol for the Guam Power Authority requires that GPA's annual level ("cap") of internally funded Capital Improvement Projects ("CIP") be set by the PUC before November 15th of each fiscal year.⁵

The CIPs included within the Cap are for "general plant" and "engineering." The "general plant" expenditures include such items as plant, CT, and diesel overhauls and improvements, bucket trucks, networking equipment, renovation of Julale Office, Dededo Supply Warehouse, and Hagatna Power Plant building, substation/breaker upgrades, and other miscellaneous items.⁶

¹ GPA Petition for Contract Review (Application to Approve the FY2022 GPA CIP Ceiling Budget), GPA Docket 21-18, filed September 10, 2021.

² Id. at p. 1.

³ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1a.

⁴ Guam Consolidated Commission on Utilities (CCU) Resolution No. 2021-23, Relative to the Adoption of a Budget for the Guam Power Authority for Fiscal Years 2022 and 2023, adopted August 24, 2021.

⁵ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec 1f.

⁶ GPA Petition for Contract Review, *supra*, at Attachment A.

The “engineering” expenditures include such items as Storage Tank 1935 Refurbishment, T&D Master Plan, LED Streetlight Conversion and T&D Line Maintenance Support, System Protection Upgrade, and Tenjo Vista Firewall and Transformer Relocation.⁷

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.⁸ GPA indicates that what it has provided is a General Plant (CIP) Approved Budget; it has always been the case that GPA does not expend all amounts indicated in the budget for the stated items.⁹

ANALYSIS

This year’s requested cap includes some large “plant” items: (1) Cabras 1 & 2 Major Overhaul, \$6,163,833; (2) Major Overhaul for Piti 7, \$3,622,260; (3) Gas CT Improvements, \$2,311,412; (4) Aggreko Unit Major Overhaul, \$1,400,000; (5) Diesel Improvements, \$1,238,000; (6) 55 ft. bucket trucks, \$786,894; (7) COLO Networking Equipment, \$600,000; and (8) EPCM Contract, \$500,000;¹⁰

The prior year cap levels were as follows:

FY2021 Cap: \$21,561,155¹¹
FY2020 Cap: \$23,780,278
FY2019 Cap: \$22,022,011
FY2018 Cap: \$20,959,813
FY2017 Cap: \$18,798,120
FY2016 Cap: \$12,067,780
FY2015 Cap: \$9,974,000
FY2014 Cap: \$7,363,110.
FY2013 Cap: \$10,135,760.
FY2012 Cap: \$13.581M.¹²

⁷ GPA Petition for Contract Review, *supra*, at Attachment B.

⁸ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1f.

⁹ Discussion between PUC Counsel and GPA Legal Counsel on September 15, 2017.

¹⁰ GPA Petition for Contract Review, *supra*, at Attachment A.

¹¹ PUC Order, GPA Docket 20-19, dated September 24, 2020, at pgs. 2-3.

¹² PUC Order, GPA Docket 18-17, dated September 27, 2018, at pgs. 1-2.

FY2011 Cap: \$5M.¹³

FY2010 Cap: \$16,390,707.¹⁴

The proposed FY2022 CIP cap (\$28,077,688) is over \$6.5M more than the FY2021 cap (\$21,561,155). The amount of the CIP cap requested by GPA this year has increased over prior years.

However, in further investigating this matter, the ALJ learned from GPA CFO John Kim that \$5,988,713 of the funds in the CIP cap for FY2022 are **carryover from FY2021**.¹⁵ If one subtracts the carryover amount from the FY2022 cap, that cap is more in line with the caps for FY2019, 2020, and 2021.

As the Commissioners are aware, the CIP Cap is only a spending limit. The ALJ is not aware of any year in which GPA has expended funds up to the CIP Cap. In a phone conference between GPA CFO John Kim, GPA Counsel Graham Botha, and PUC ALJ Fred Horecky, on September 18, 2020, CFO Kim indicated that, for FY2018, GPA only spent \$9M out of the \$17M general plant cap. For FY2019, GPA only spent \$7M out of its \$19M general plant budget. Mr. Kim estimates that there is a \$6M-\$8M carryover of cap funds from year to year.¹⁶ For FY2021, Mr. Kim indicates that only \$5.5M out of a general plant cap of \$18,381,155 was spent.¹⁷ Due to procurement delays, and other factors, including weather related delays and factors such as the present pandemic, projects are delayed and must be carried over from one year to the other.

It is also noteworthy that several of the general plant expenditures are for overhaul and replacement items for the Cabras 1 & 2 plants, the Combustion Turbines improvements, Diesel improvements, Piti 7 major overhaul, and the Aggreko Unit Major Overhaul. These costs could be expected as those plants age and their life spans shorten. The general plant costs are justified and necessary.

Regarding the proposed engineering projects for FY2022, with a cap of \$2,192,765, the request is less than the FY2021 engineering project request of \$3,180,000.

¹³ PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

¹⁴ PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

¹⁵ See Attachments A and B hereto, which indicate the Carryover funds from FY2021 to FY2022 for both "plant" and "engineering" projects.

¹⁶ Phone conference between GPA CFO John Kim, GPA Counsel Graham Botha, and PUC ALJ Fred Horecky on September 18, 2020.

¹⁷ Phone conference between GPA CFO John Kim and PUC ALJ Fred Horecky on September 14, 2021.

The proposed Engineering CIP projects appear reasonable and should improve the IWPS. Major projects include: (1) Storage Tank 1935 Refurbishment, \$600,000; (2) T & D Master Plan (Transportation), \$500,000; (3) LED Street light Conversion and T & D Line Maintenance Support, \$350,000.

A substantial portion of the costs for the FY2022 Engineering projects are also carryover from FY2021 (\$1,367,765).¹⁸ The Tank 1935 Refurbishment is necessary to supply ULSD to the Piti 7,8, and 9 power plants. The T & D Master Plan (Transportation) includes building plans for the T & D Building. The LED Streetlight conversion has been underway for several years. A substantial number of improvements are designed for substations. All of these projects should improve the island-wide transmission and distribution system.

GPA must seek approval under the Contract Review Protocol for procurement of any items included within the CIP cap which exceed the \$1.5M threshold if the PUC has not previously approved such items.

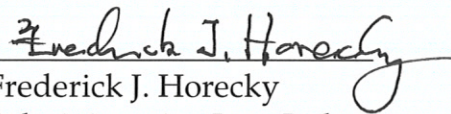
RECOMMENDATION

Based upon the recognition that the FY2022 general plant budget is consistent with that of prior fiscal years, subject to GPA's ability to carry out the capital improvement projects using internally funded dollars, the Administrative Law Judge recommends that the PUC approve the proposed FY2022 \$28,077,688 Ceiling Cap.

The projects requested to be funded are needed for plant overhauls, improvements, equipment, and system upgrades. Such CIP cap is reasonable, prudent and in the interest of the ratepayers.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 14th day of September 2021.


Frederick J. Horecky
Administrative Law Judge

¹⁸ See Attachment B hereto, which indicate the Carryover funds from FY2021 to FY2022 for "Engineering" projects.

GUAM POWER AUTHORITY

FY2022-2023 CAPITAL IMPROVEMENT PROJECTS (CIP) - Revenue Funded

ATTACHMENT A: General Plant - \$100K and over

BUSINESS UNIT	CIP DESCRIPTION	CARRYOVERS	FY2022 APPROVED	FY2023 APPROVED
Cabras 1 & 2	FY21 CARRYOVER: Cabras 1&2 Major Overhaul	\$ 3,616,313	\$ 6,163,833	\$ 4,824,359
Piti 7	Major Overhaul for Piti 7		\$ 3,622,260	\$ 895,000
Gas CT	FY21 CARRYOVER: Gas CT Improvements	\$ 721,412	\$ 2,311,412	\$ 1,572,000
Aggreko	Aggreko Unit Major Overhaul		\$ 1,400,000	\$ 1,200,000
Diesel	Diesel Improvements		\$ 1,238,000	\$ -
Transportation	FY21 CARRYOVER: 55ft bucket trucks	\$ 786,894	\$ 786,894	
Information Technology	COLO Networking Equipment		\$ 600,000	
SPORD	EPCM Contract		\$ 500,000	
T & D Substation	SF6 Circuit Breaker Upgrades (various)		\$ 460,000	\$ 300,000
T & D Substation	115kV Circuit Breakers (for Cabras Switchyard)		\$ 460,000	
Transportation	FY21 CARRYOVER: Digger	\$ 400,095	\$ 400,095	
Customer Service	Renovation of Julale Office		\$ 400,000	
SPORD	Leak Detection System Replacement		\$ 400,000	
PSCC	FY21 CARRYOVER: Siemens EMS	\$ 324,000	\$ 324,000	
Warehouse	Renovation of Dededo supply warehouse and receiving section		\$ 300,000	
T & D Overhead	Upgrade Montotubes		\$ 300,000	\$ 300,000
Transportation	65ft Bucket Trucks		\$ 250,000	\$ 800,000
Facilities Management	Hagatna Power Plant Building Renovation to include Fencing Upgrades		\$ 200,000	
Water Systems	Portable generators on trailers to support existing stationary generators island wide on deep well/booster & sewer stations		\$ 200,000	\$ 400,000
T & D Administration	Glove Testing Machine w/Training		\$ 200,000	
SPORD	Tier 2 Expansion Project/Equipment		\$ 174,998	
Procurement	E1 Enhancement		\$ 150,000	\$ 100,000
Warehouse	E1 Enhancement		\$ 150,000	\$ 100,000
Engineering	Distribution Automation		\$ 150,000	\$ 150,000
Transportation	50ton Mobile Sub Trailer		\$ 150,000	
Transportation	FY21 CARRYOVER: Tractor Trucks	\$ 139,999	\$ 139,999	
PSCC	Substation Controller I/O Modules		\$ 120,000	\$ 80,000
T & D Underground	Emergency Underground Reconstruction - Civil Work, Cable Replacement		\$ 120,000	\$ 120,000
Facilities Management	WSD Station LED Lighting Upgrade		\$ 110,000	\$ 110,000
CFO	E1 Software Enhancement for Budget		\$ 100,000	\$ 100,000
Customer Service	One Customer Service Plan- GWA/GPA syndication		\$ 100,000	
Information Technology	Fadian HQ Head-End Replacement Firewalls		\$ 100,000	
Information Technology	GPWA Organizational Governance Study (Phase I)		\$ 100,000	
Generation Admin	Day tank pump upgrades (Temes #7)		\$ 100,000	
Water Systems	Renovation of Dededo Diesel Plant, removal of engines		\$ 100,000	
T & D Overhead	Upgrade Tower 22		\$ 100,000	\$ 100,000
	GRAND TOTAL - CIP \$100K and Over	\$ 5,988,713	\$ 22,481,491	\$ 11,151,359

Carryovers are embedded in FY2022 Approved Budget

GUAM POWER AUTHORITY**FY2022-2023 CAPITAL IMPROVEMENT PROJECTS (CIP) - Revenue Funded****ATTACHMENT A.1: ENGINEERING PROJECTS**

Priority	Capital Improvement Project Name	CARRYOVER	FY2022 APPROVED	FY2023 APPROVED
1	FY21 CARRYOVER: Storage Tank 1935 Refurbishment	\$ 600,000	\$ 600,000	
2	FY21 CARRYOVER: T&D Master Plan (Transportation)	\$ 300,000	\$ 500,000	
3	LED Streetlight Conversion and T&D Line Maintenance Support		\$ 350,000	\$ 350,000
4	FY21 CARRYOVER: System Protection Upgrade (115-kV and 34.5 kV Line Clearing Times Reduction)	\$ 150,000	\$ 150,000	\$ -
5	Tenjo Vista Firewall and Transformer Relocation		\$ 150,000	
6	Typhoon Mangkhut Permanent Repairs (75% FEMA Funded)		\$ 125,000	
7	FY21 CARRYOVER: Fence Replacement - Fuel Bulk Storage Facility (IP&E)	\$ 117,765	\$ 117,765	
8	SEL RTAC and Port Server		\$ 100,000	
9	Substation Snake Fence (All Outdoor Substations)		\$ 50,000	
10	Pole Numbering		\$ 50,000	
11	Facilities Physical Security - Revenue Portion		\$ -	\$ 350,000
12	Predictive Based Maintenance - Island wide		\$ -	\$ 350,000
13	ULSD - Additional Connection to Backup Diesel Generators		\$ -	\$ 300,000
14	Network Communication - Fiber to All Substations (Fadian Maint to Barrigada Substation) - Revenue Portion		\$ -	\$ 200,000
15	Substation and Transmission Improvements		\$ -	\$ 100,000
16	Apra Heights Substation - 115/34.5 kV Transformer Upgrade		\$ -	\$ 100,000
17	System Stability Upgrade Phase II - Hanwha Relay Upgrade GPA Costs		\$ -	\$ 1,000,000
	GRAND TOTAL	\$ 1,167,765	\$ 2,192,765	\$ 2,750,000

Carryovers are embedded in FY2022 Approved Budget