

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

ORDER



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

DETERMINATIONS

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.

GPA CFO John Kim indicated to the ALJ 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.

The CIP Cap is only a spending limit. There does not appear to be 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 GPA 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.

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.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, and 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. The GPA FY2022 internally funded CIP ceiling cap, which consists of General Plant and Engineering, is approved in the amount of \$28,077,688.
2. The General Plant and Engineering budgets are consistent with prior budgets and appears reasonable; no prudence concerns are noted.

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


3. GPA shall file a complete reconciliation of the FY2021 expenditures on or before December 15, 2021, as required by the Contract Review Protocol
4. GPA must obtain Contract Review approval from the PUC before it expends amounts for those projects which exceed the contract review threshold of \$1.5M.
5. 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 are authorized pursuant to 1 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

Order
Request of GPA to
Approve FY2022 CIP Ceiling Cap
GPA Docket 21-18
September 30, 2021

Dated this 30th day of September 2021.

Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner




Peter Montinola
Commissioner

Pedro S.N. Guerrero
Commissioner

Rowena E. Perez-Camacho
Commissioner



Michael A. Pangelinan
Commissioner



Doris Flores Brooks
Commissioner