

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 22-04
)
The Application of the Guam Power)
Authority for Approving the Contract for) **ALJ REPORT**
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 Contract for Supply of Diesel Fuel Oil to GPA.¹

BACKGROUND

2. In GPA Docket 21-10, the PUC approved GPA's Procurement for Supply of Diesel Fuel Oil to GPA.²
3. The PUC authorized GPA to issue a procurement for the supply of Ultra Low Sulfur Diesel of from 500,000 to 1,500,000 barrels per year for Piti 7, 8, and 9 plants.³
4. The ULSD supply sought in the procurement would be transferred to the Piti 8 & 9 units by a newly constructed pipeline and would constitute the essential fuel supply to run the Piti 8 & 9 units.⁴

¹ GPA Petition for Approval of the Contract for Supply of Diesel Fuel Oil to GPA, GPA Docket 22-04, filed December 2, 2021.

² PUC Order, GPA Docket 21-10, filed May 27, 2021, at p. 5.

³ Id., at p. 2.

⁴ Id.

5. GPA issued its bid for the procurement of a new Ultra Low Sulfur Diesel Fuel Oil Bulk Supply Contract through Invitation for Multi-Step Bid No. GPA-047-21, describing the services required and the information and data requested from each offeror. Hyundai Corporation, Mobil Oil Guam, and IP&E Holding, LLC, submitted bids for GPA's consideration.⁵
6. GPA determined that Mobil Oil Guam, Inc. was "the lowest, most responsive bidder meeting the requirements of the bid solicitation."⁶
7. The contract with Mobil Oil Guam, Inc., would be for an initial period of two (2) years and is anticipated to commence on January 1, 2022 and to expire on December 31, 2023. There would also be three 1-year extension options, renewable annually, upon mutual agreement of both parties.⁷
8. The award of the contract to Mobil Oil Guam, Inc., based on the estimated supply quantities, has an estimated contract value of approximately \$76,117,000 for the first year, and \$114,175,500 for the second year, for a total of \$190,292,500 for the 2-year contract base period.⁸
9. The CCU authorized the GPA General Manager to proceed with the Contract for the Bulk Supply of Ultra Low Sulfur Diesel Fuel Oil with Mobil Oil Guam, Inc., subject to the review and approval of the PUC.⁹

⁵ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2022-04, Authorizing Management to Award the Contract for the Bulk Supply of Ultra Low Sulfur Diesel (ULSD) Fuel Oil, adopted and approved on November 23, 2021.

⁶ Id. at p. 1.

⁷ Id.

⁸ Id., at p. 2.

⁹ Id.

ANALYSIS

10. The total cost for the new ULSD supply contract will exceed \$1.5M, thus requiring GPA to seek authorization from the PUC to enter into the Contract with Mobil Oil Guam, Inc.¹⁰
11. The “Fixed Premium Fee” is the variable in bids submitted by bidders for the contract. The premium includes shipping, fuel handling and other expenses which the contractor incurs in supplying fuel to GPA. The fuel price is the same for all bidders, referred to as the “bid reference price.”
12. The Fixed Premium Fee submitted by Mobil Oil Guam, Inc. was two to three dollars less per barrel than the fixed premium fees submitted by other bidders. See Exhibit A, Bid Price Proposal Analysis, attached hereto.¹¹
13. The total bid submitted by Mobil Oil Guam, Inc. for the two-year base contract period was nearly \$5M less than the closest competitor.¹²
14. Attached to CCU GPA Resolution No. FY2022-04 is the proposed Contract for Bulk Supply of Ultra Low Sulfur Diesel fuel oil with Mobil Oil Guam, Inc.¹³ The proposed contract has a base period of two (2) years, to commence on or about January 1, 2022, and continue until December 31, 2023, with options to extend for additional Three (3) years, renewable annually, with mutual agreement of the parties.¹⁴

¹⁰ Contract Review Protocol for Guam Power Authority, Administrative Docket, PAR. 1(e), dated February 15, 2008.

¹¹ Exhibit A: Bid Price Proposal Analysis, attached to the GPA Petition in this Docket.

¹² Id.

¹³ Invitation for Multi-Step Bid No. GPA-047-21, the Bulk Supply of Diesel Fuel Oil No. 2, Vol. II, Contract.

¹⁴ Id., Section 3, at p. 9.

15. Under the Contract, the fuel supply must conform to certain product quality requirements specified in Schedule A attached to the Contract.¹⁵
16. The PUC previously determined that 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.¹⁶
17. 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. 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.
18. The PUC previously determined that a continuous supply of diesel fuel oil is necessary for GPA to maintain its electric power generation capacity.¹⁷

¹⁵ Id., at p. 9.

¹⁶ PUC Order, GPA Docket 21-10, dated May 27, 2021, at p. 4.

¹⁷ Id., at p. 5.

19. Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island wide utility power demand.¹⁸
20. Diesel fuel is essential to the operation of the diesel power plants, and the contract is reasonable, prudent, and necessary.¹⁹

RECOMMENDATION

21. The Administrative Law Judge recommends that the PUC approve GPA's Petition to proceed with the Contract for Supply of ULSD to GPA for the Piti 7, 8 and 9 plants.
22. In accordance with the Contract, GPA should be authorized to expend up to the amounts of \$76,117,000 for the first year, and \$114,175,500 for the second year, for a total of \$190,292,500 for the 2-year contract base period.
23. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 15th day of December, 2021.

Frederick J. Horecky
Chief Administrative Law Judge

¹⁸ Id.

¹⁹ Id.

EXHIBIT A: BID PRICE PROPOSAL ANALYSIS

BNS IFB GPA-047-21 (Bulk Supply of Diesel Fuel Oil No.2) 2-YEAR BASE PERIOD		BASE CONTRACT - 1st of 2 YEARS			BASE CONTRACT - 2nd of 2 YEARS			SUMMARY: 2-YEAR BASE CONTRACT PERIOD		
		Bidder #1	Bidder #2	Bidder #3	Bidder #1	Bidder #2	Bidder #3	Bidder #1	Bidder #2	Bidder #3
		Hyundai Corp.	Mobil Oil Guam, Inc	IPAE Holdings, LLC	Hyundai Corp.	Mobil Oil Guam, Inc	IPAE Holdings, LLC	Hyundai Corp.	Mobil Oil Guam, Inc	IPAE Holdings, LLC
A. Bid Reference Price (\$/bbl)		\$71,280	\$71,280	\$71,280	\$71,280	\$71,280	\$71,280	\$71,280	\$71,280	\$71,280
B. Fixed Premium Fee Cost (\$/bbl)		\$6,900	\$4,837	\$7,980	\$6,900	\$4,837	\$7,980	\$6,900	\$4,837	\$7,980
C. Bid Price (A+B), \$/bbl		\$78,180	\$76,117	\$79,260	\$78,180	\$76,117	\$79,260	\$78,180	\$76,117	\$79,260
D. Estimated Quantity (bbls)		1,000,000	1,000,000	1,000,000	1,500,000	1,500,000	1,500,000	2,500,000	2,500,000	2,500,000
E. ESTIMATED PREMIUM FEE COST (B x D), \$		\$8,900,000.00	\$4,837,000.00	\$7,980,000.00	\$10,350,000.00	\$7,255,500.00	\$11,970,000.00	\$17,250,000.00	\$12,092,500.00	\$19,950,000.00
F. ESTIMATED CONTRACT COST (C x D), \$		\$78,180,000.00	\$76,117,000.00	\$79,260,000.00	\$117,270,000.00	\$114,175,500.00	\$119,890,000.00	\$195,450,000.00	\$190,292,500.00	\$198,150,000.00
Ranking (1 as the Lowest Bidder)										
		2			1			3		