

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

THE PETITION OF THE GUAM
POWER AUTHORITY FOR APPROVAL
OF CONTRACT WITH TEMES, INC.,
FOR THE CABRAS 2 OVERHAUL

GPA DOCKET 22-07

PUC COUNSEL REPORT



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Approval of the GPA-Temes, Inc., contract for the overhaul of Cabras 2 ["contract"].¹
2. The Cabras 2 Overhaul is scheduled to begin in September, 2022 and is expected to take fifty (50) days to complete and the contract will cost \$4,960,602.²

BACKGROUND

3. Temes, Inc. ["Temes"], is GPA Performance Management Contractor ["PMC"] for its Cabras 1 and 2 power plants and Temes' PMC contract does not expire until September, 2023.³
4. GPA's prior Consent Decree with the U.S. Environmental Protection Agency [USEPA], which the PUC approved in GPA Docket No. 20-01, required GPA to permanently de-activate and de-commission Cabras 1&2 by October 22, 2022 after its generating capacity is replaced by GPA's new 198MW power plant project which was previously scheduled to be completed in the 4th quarter of 2022.⁴
5. Under GPA's revised consent decree with the USEPA, GPA is authorized to continue to use Cabras 1 & 2 for up to six months after the completion of the new 198MW power plant, and it is currently estimated that GPA will be operating Cabras 1 & 2 under this extension until October, 2024.

¹ GPA Petition for Approval of Contract with Temes, Inc., for the Cabras 2 Overhaul, GPA Docket 22-07, filed January 27, 2022 (Petition).

² Id., at 1. [NOTE: This report cites the PDF numbers because the numbers used in the Petition and its exhibits are not continuous]

³ Id., at 3.

⁴ Order dated January 30, 2020, GPA Docket No. 20-04 at 2.

6. An overhaul of the Cabras 1 & 2 units is recommended every five (5) years, and the last overhaul Cabras 2 received was in 2016. GPA scheduled an overhaul for Cabras 2 in March, 2020 but this overhaul could not be conducted due to the COVID-19 Pandemic Emergency.⁵
7. Currently, Cabras 2 is in need of an overhaul because it is experiencing significant unit outages and down time caused by boiler tube failures, plant safety valve failures, and insufficient air flow caused by gas and air duct leakage that restrict unit output.⁶
8. GPA has scheduled an overhaul of Cabras 2 for September, 2022 and the overhaul is expected to take approximately fifty (50) days to complete and it is estimated to cost \$4,960,602.⁷
9. On January 25, 2022, the Consolidated Commission on Utilities ["CCU"] adopted Resolution No. FY2022-07, which authorized GPA's management petition to PUC to use \$4,960,602 in revenue funds to pay for the Cabras 2 Overhaul scheduled for September, 2022.⁸

ANALYSIS

10. The PUC's Contract Review Protocol mandates that any contract or obligation which exceeds the \$1,500,000 must receive prior PUC approval.⁹ Here, the contract for the Cabras 2 Overhaul exceeds the \$1,500,000 threshold amount because it is estimated to cost \$4,960,602 and GPA must obtain the PUC's prior approval before entering into the contract.
11. The \$4,960,602 cost of the Cabras 2 overhaul is reasonable. In October, 2016, the PUC approved the \$5,190,000 cost of overhauling Cabras 1 (Cabras 2's sister unit).¹⁰ Here, despite the current cost increases, the proposed Cabras 2 overhaul is \$229,398 lower than the \$5,190,000 cost of overhauling Cabras 1 approximately six years ago.

⁵ Petition at 1 and 3.

⁶ Id., at 3.

⁷ Id.

⁸ Id., at 4.

⁹ PUC Order, Administrative Docket, filed on February 15, 2008 at 4.

¹⁰ PUC Order, GPA Docket 17-02, filed on October 27, 2016 at 3.

12. The Cabras 2 overhaul is prudent. Until the new 198MW power plant is commissioned, GPA must rely on 132MW produced by Cabras 1 & 2 to provide reliable energy to operate the island wide power system. The former Aggreko units, now known as the Yigo diesels are not valid alternatives to shut down Cabras 2 to avoid the \$4,960,602 overhaul cost. The Yigo diesels only provide only 40MW of diesel peaking units, they are not run as baseload units, and their output is 26MW less than the 66MW produced by Cabras 2 which is a baseload unit. The 60MW KEPCO solar facility is not a valid alternative to shutting down Cabras 2 to avoid the overhaul costs. The KEPCO solar facility, which is currently scheduled to be online in May 2022, has no battery storage, it only operates from 6:00 a.m., to 6:00 p.m. with full load, not accounting for rain or cloud cover. The average output of 60MW solar farm is between 12-15MW, which is far less than the reliable 66MW provided by Cabras 2, and the solar farm is not available during the peak usage hours for Guam which occurs after 7:00 p.m. and does not contribute to providing energy to fulfill Guam's average 254MW peak load demand. GPA's only other baseload power units are Piti 8 & 9 which produce 88MW, and, until the new 198MW power plant is completed, GPA needs both Piti 8&9 and Cabras 1 & 2 to meet this peak demand. Finally, there is the 60MW Hanwha solar farm, but this is not a viable alternative to shutting down Cabras 2 to avoid the overhaul costs because the Hanwha solar farm is not expected to be completed until December 2023, and would be subject to the same limitations as the KEPCO Solar facility. Hence, the Cabras 2 overhaul is prudent.
13. The Cabras 2 Overhaul is necessary. As stated above, GPA relies on both Piti 8 & 9 and Cabras 1 and 2 to meet Guam's peak load needs until the new 198MW power plant is commissioned. According to GPA, turbine overhauls for the Cabras 1 & 2 units should be done every two years, and the turbine overhaul for Cabras 2 is overdue at this time. Further, the turbine inspection for the Cabras 2 unit which is part of the Cabras 2 overhaul is also overdue at this time. Finally, GPA is under increased pressure to complete the Cabras 2 overhaul as scheduled in September 2022 because, at this time, Cabras 1 is offline awaiting repairs as a result of a boiler explosion on February 4, 2022, which results in GPA having a limited reserve capacity.
14. Based on the foregoing, the Cabras 2 Overhaul and its one \$4,960,602 cost are reasonable, prudent, and necessary.

RECOMMENDATION

15. Counsel recommends that the PUC approve the GPA-Temes Contract for the Cabras 2 Overhaul.
 16. A Proposed Order is submitted herewith for the consideration of the Commissioners.
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Dated this 28th day of March, 2022.

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PUC Legal Counsel