

**PUBLIC UTILITIES COMMISSION
OF GUAM**

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May 16, 2022

Speaker Therese M. Terlaje
Office of the Speaker
I Mina'trentai Sais na Liheslaturan Guåhan
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

Re: Testimony of Chairman Jeffrey C. Johnson, Guam Public Utilities Commission, on
Bill No. 301-36

Dear Speaker Terlaje:

The Guam Public Utilities Commission ["PUC"] appreciates the opportunity to comment on proposed Bill No. 301-36(LS). The PUC strongly supports the Bill. Its passage is critical to the future of Guam's island wide power system.

The Bill would authorize GPA to enter a lease with Guam Ukudu Power for up to 30 years for certain lots in Dededo, Guam and Piti, Guam. The leased lots are those upon which Korean Electric Power Company ["KEPCO"] has contracted with GPA to build a 198-megawatt diesel dual-fired power plant and a related battery energy storage system, and a 41MW high speed diesel reserve facility in Piti.

GPA, the CCU, and the PUC have been working collaboratively for over eight years to provide essential new power facilities to the ratepayers of Guam. In 2015, the PUC approved the construction and commissioning of the new Ukudu power plant. In 2019,

the PUC approved the Energy Conversion Agreement [“ECA”] between GPA and KEPCO for the construction and operation of the plant.

In 2021, the PUC also approved an amendment to the ECA which allows the construction of a 41MW diesel engine reserve facility at the Cabras site.

However, KEPCO is not willing to proceed with the financial close of the Energy Conversion Agreement unless GPA provides it with a lease for the sites of the power facilities in Dededo and Piti. If the Guam Legislature does not approve the proposed Land Lease Agreement, KEPCO will likely back out of the ECA and refuse to proceed ahead. Inaction by the Legislature or failure to approve the lease would scuttle the entire power plant project and undo years of efforts to provide a better power system for Guam.

As indicated in Section 1 of the Bill, Legislative approval of the lease is the “final step in a lengthy and publicly intensive process...”. Without such legislative approval, Guam Ukudu power will be unable to secure financing for the funding of the construction and commissioning of the New Power Plant Project.

Under the Consent Decree entered by GPA and the USEPA, the District Court of Guam ordered that the new power plant project be completed by April 2024. Failure by the Legislature to approve the Lease would render GPA unable to comply with dictates of the Consent Decree, and subject GPA and the ratepayers of Guam to substantial amounts of imposed damages for a failure to comply with the Consent Decree.

There would be even more far reaching and severe detriments from a failure by the Legislature to approve the Lease. The ratepayers of Guam would be denied the benefits of the improvements to the power system which will result from the construction and operation of these necessary and essential power facilities. The new power plant will substantially reduce sulfur and other harmful pollutants, thus providing a cleaner environment for Guam. GPA has repeatedly indicated that, without these new power plants, it will be impossible for GPA to meet the 100% renewable energy goal by 2040 or to continue to add renewable energy to the island wide power system.

GPA GM John Benavente has also stated that the construction and establishment of the new power plants will, in the long run, reduce the fuel bills of ratepayers and fuel recovery charges under the Levelized Energy Adjustment Clause [“LEAC”]. Recently LEAC charges reached \$0.20 per kW. After the new power plant is operational, LEAC charges could possibly be reduced to as little as \$0.11 per kW. The Legislature should approve a Lease which will help to enable GPA to reduce fuel charges to the ratepayers of Guam.

There is no valid reason for disapproval of the Lease Agreement. Approval is necessary and essential for the future of the island power system and the avoidance of high fuel charges. Without the construction and operation of the new power plant, the existing power system will continue to degrade and falter, and likely be unable to continue to supply the public with reliable and efficient power.

On behalf of the PUC, I respectfully request that the Senators of this Committee, and the Guam Legislature, support passage of Bill No. 301-36(LS).

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Johnson', with a long horizontal line extending to the right.

Jeffrey C. Johnson
Chairman
Guam Public Utilities Commission