

**GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
May 26, 2022
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA**



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:40 p.m. on May 26, 2022, pursuant to due and lawful notice. Commissioners Johnson, Montinola, Perez-Camacho, McDonald, and Guerrero were in attendance. The following matters were considered at the meeting under the agenda included as *Attachment "A"* hereto.

1. Approval of Minutes of March 31, 2022, and April 28, 2022

The Chairperson announced that the first item of business on the Agenda was the approval of the Minutes of the PUC meetings held on March 31, 2022 and April 28, 2022. Commissioner Montinola moved to approve the minutes subject to correction which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

2. Guam Waterworks Authority

The Chairperson announced that the next item of business on the agenda was Guam Waterworks Authority [GWA] Docket 22-08, Petition to Approve GWA's Procurement Award and Contract to AM Insurance for Commercial Insurance Coverage, ALJ Report, and Proposed Order. ALJ Horecky stated that the policy does not cover cyber insurance because there was no bid for that, that the PUC previously authorized GWA to issue an invitation for bid [IFB] for these insurance policies, that GWA issued an IFB on March 3, 2022 soliciting bids for either three or five-year terms for the insurance policies, that AM Insurance was the only bidder, that GWA recommended award of a five-year contract with AM Insurance, that the total combined annual premium for this policy will be roughly \$1.775 million for a total amount of approximately \$8,875,608 over the contract's five-year term, that the Guam Consolidated Commission on Utilities [CCU] issued a resolution authorizing GWA to award the contract to AM Insurance, that, despite the large increase in the amount of the policy from the last GWA insurance contract which is out of the control of GWA due to the global rise in insurance premiums as confirmed by GWA's risk consultant, he recommends that the PUC approve the petition and he provided a draft order for them to do so. GWA Chief Financial Officer [CFO] Taitano stated that one of the reasons for the increase in the insurance premiums was GWA adding over \$400 million in capitol assets to their

portfolio between 2017 and 2022, and that GWA is working with their risk manager to develop strategies to mitigate their risks and reduce their future insurance premiums. GWA Legal Counsel Rojas stated that the increase in the insurance premiums was also due to the increase in GWA's property values which have also increased their replacement values. Commissioner Perez-Camacho inquired as to what GWA's plans for cyber liability insurance where and GWA CFO Taitano stated that GWA was investing in authentication software and adopting best-practices to mitigate their cyber risk. Commissioner Montinola inquired as to what GWA's evaluation was prior to the almost double increase in the price of the property insurance premiums a couple of years ago and GWA CFO Taitano stated that in its prior evaluation GWA's property portfolio had an estimated value of \$460 million but now its about \$908 million. Commissioner McDonald inquired as to how long GWA expected to be without a cyber-insurance policy and GWA CFO Taitano stated that GWA is expecting receive federal grant funding to develop the best practices and software to mitigate its cyber-security risks, and that after these are in place GWA would issue another solicitation for cyber liability insurance. Commissioner Guerrero moved to approve the draft order granting the petition which motion was seconded by Commissioner Montinola, and the motion carried unanimously.

3. Guam Power Authority

The Chairperson announced that the next item of business on the agenda was Guam Power Authority [GPA] Docket 22-08, Petition for Review and Approval of GPA's Integrated Resource Plan [IRP], Daymark Energy Advisors Report, ALJ Report, and Proposed Order. ALJ Horecky stated that the IRP is lengthy and comes in nine volumes and is a roadmap for what the GPA system will look like in nine years or so, that IRP aims to achieve operational savings through efficiencies and to implement projects and programs to support achieving the 50% renewable portfolio standard, grid security, stability and reliability while also achieving reduction in greenhouse gas emissions, that the plan seeks to implement demand-side management programs and implement charging facilities for growth in electric vehicles, that the CCU issued a resolution authorizing GPA's management to file the IRP with the PUC, that Daymark Consultants has also filed their lengthy review of the IRP which concluded that the IRP was well-conceived and comprehensive and that GPA's support in adoption of renewable energy is consistent with Guam's policy goals, that GPA could amend the IRP if required, and that he and Daymark Consultants recommend that the PUC conditionally approve the IRP and that he submitted a draft order to do so. GPA General Manager [GM] Benavente stated that he concurs with ALJ Horecky and Daymark Consultant's recommendation that the PUC approve the IRP, he summarized the various targets that GPA hoped to achieve to lower the ratepayers' cost, increase sustainable energy, and to prepare the system to accommodate electric vehicles, and he requested that the PUC approve the IRP. Chairperson Johnson inquired as to what

GPA's plan was to dispose of the solar panels that meet their life-expectancy and GPA GM Benavente stated that would be an issue for GPA's solar Independent Power Producer [IPP] to address. Commissioner Guerrero stated his concern that the IRP did not adequately address the Department of Defense's [DOD] future plans because they are currently about 35% of the load now and their future plans could increase or decrease this amount over the years and GPA GM Benavente agreed that changes in DOD's electricity needs would have an impact on the IRP and stated that GPA and DOD are working together because DOD is GPA's largest customer. Commissioner Guerrero moved to approve the draft order granting the petition which was seconded by Commissioner Montinola, and the motion passed unanimously.

The Chairperson announced that the next item of business on the agenda was GPA Docket 22-11, Petition Requesting Approval of the Contract Amendment for Bulk Storage Fuel Tanks Inspection and Refurbishment, ALJ Report, and Proposed Order. ALJ Alcantara stated that GPA seeks the PUC's approval to amend its professional services contract with Tristar Terminals Guam [Tristar] for GPA's bulk storage, fuel tanks, inspection, and refurbishment construction project, that in April, 2022 submitted a change order for Tank 1935 indicating that it required an additional \$3.1 million in repairs to get it certified to use ultra-low sulfur diesel fuel to supply fuel to Piti 7, 8, 9 as well as the new Ukudu powerplant, that he found that contract to be reasonable and necessary in order to preserve use of this particular tank, and that he recommended that the PUC approve the petition. GPA GM Benavente stated that the tanks have to be certified every 10 years and that they have not been certified for the last 11 years, that the additional repairs were necessary to convert the tank from storing heavy oil to diesel which has more fluidity, and that the refurbishment of this tank will help GPA get out of its expensive contracts to lease storage tanks from Tristar. Commissioner Guerrero stated that the storage of high-sulfur, low-sulfur, to diesel, inside the tank is very different and that GPA has to do this. Commissioner Montinola stated that he was glad to see GPA moving towards using its own tanks instead of leasing them which would save GPA \$6 million a year. Commissioner Montinola moved to approve the petition which motion was seconded by Commissioner Guerrero, and the motion passed unanimously.

The Chairperson announced that the next item of business on the agenda was GPA Docket 22-12, Filing of GPA Increase in the FY2022 Residual Fuel Oil and Diesel Fuel Oil Budget (For Informational Purposes Only). ALJ Horecky stated that this was GPA's budget and it is up to the CCU to approve it, that it shows GPA's budget is insufficient to cover the rising costs of residual fuel oil and diesel fuel oil, that GPA's mandated conversion to use diesel fuel and ultra-low sulfur fuel will increase these costs because

they are more expensive, and that the budget indicates that future raises to the LEAC rate are likely.

The Chairperson announced that the next item of business on the agenda was GPA Docket 22-13, Petition to Approve Contract Amendment for Residual Fuel Oil No. 6 for Baseload Generating Plants, ALJ Report, and Proposed Order. ALJ Horecky stated that currently GPA has a three-year contract for RFO number 6 with Hyundai that ends on August 31st, 2023 with two additional 1-year terms, that GPA and Hyundai agreed to exercise the additional one year term from September, 2023 to August 31, 2024 because GPA desires to fix the premium price per metric ton at \$79.00 for that one-year extension to avoid a possible price increase in that fuel if it waits until the expiration of the initial term of the contract next year, and that it is likely in the interest of ratepayers because it minimizes the fixed premium charge in light of the current rise in fuel prices. GPA GM Benavente stated that the extension was also adjusted to GPA's budget. A discussion ensued between the Chairperson, Commissioners Montinola, Perez-Camacho, and Guerrero, ALJ Horecky, and GPA GM Benavente concerning future fuel price projections, the handling fees, the ALJ Report, the Morgan Stanley projection for fuel for the next six months, the cost estimates that GPA provided to support its petition, and the feasibility of re-soliciting the contract. Commissioner Montinola moved to approve the petition which motion was seconded by Commissioner Guerrero and the motion passed unanimously.

The Chairperson announced that the next item of business on the agenda was GPA Docket 22-14, Petition to Approve the Month-to-Month Extension for Professional Printing, Mailing, and Processing Services, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that this is the contract that GPA relies on to produce and mail out approximately 52,000 electric power billings every month, that the contract a one-year initial term with four one-year options to renew, that the contract's initial term and its option terms have all expired, that GPA expended about \$1.14 million over that five-year period, that GPA solicited for a new contract around December, 2020 and only received one non-compliant bid, that GPA issued a second solicitation and GPA negotiated an eight-month extension of the contract, that during the second solicitation, GPA received three offers and recommended Infosend as the most qualified offeror, that Graphic Center, which is the contractor for this contract, protested and they appealed GPA's denial of their protest with the Office of Public Accountability [OPA], that the matter is still pending before the OPA, that in its petition, GPA is requesting that the PUC approve a one-year extension of the existing contract with Graphic Center for \$25,000 per month which is \$12,500 cheaper than the eight-month extension that preceded it, that the contract extension is reasonable, prudent, and necessary, and he recommended that the PUC approve the petition. GPA GM Benavente stated that it is

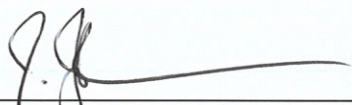
not possible for GPA to perform the services internally due to a shortage in personnel and equipment, and that until the protest is resolved GPA has no choice but to extend the existing contract. Commissioner Montinola inquired as to whether the extension price includes postage, the envelope, and the printing and GPA GM Benavente stated that it did. A discussion ensued between Commissioners Montinola, and McDonald, GPA GM Benavente, and GPA Legal Counsel Botha concerning Infosend's prices and services, whether GPA had the capacity to perform these services internally, and whether GPA still provides receipts for its customers who pay at its customer service centers. Commissioner Montinola moved to approve the petition which motion was seconded by Commissioner McDonald, and the motion carried unanimously.

4. Administrative Matters

The Chairperson announced that the next item of business on the agenda was the PUC Meeting Schedule and a discussion ensued between the Commissioners, ALJ Horecky, ALJ Alcantara, and Legal Counsel Camacho concerning their availability for meeting during the upcoming summer months.

The Chairperson announced that the next item of business on the agenda was the FY 2021 Citizen Centric Report. PUC's Palomo stated that they were still revising and updating it to address concerns raised by the Commissioners. A discussion ensued between the Commissioners and ALJ Horecky concerning the revisions and the timeline to complete them.

There being no further business, the Commissioners moved to adjourn the meeting.



Jeffrey Johnson
Chairperson

ATTACHMENT A
THE GUAM PUBLIC UTILITIES COMMISSION
NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the Guam Public Utilities Commission [PUC] will conduct a regular business meeting, commencing at 6:30 p.m. on May 26, 2022, Suite 202, GCIC Building, 414 W. Soledad Ave., Hagatna.

The following business will be transacted:

Agenda

- 1. Call to Order**
- 2. Approval of Minutes of March 31, 2022, and April 28, 2022**
- 3. Guam Waterworks Authority**
 - **GWA Docket 22-08, Petition to Approve GWA's Procurement Award and Contract to AM Insurance for Commercial Insurance Coverage, ALJ Report, and Proposed Order**
- 4. Guam Power Authority**
 - **GPA Docket 22-08, Petition for Review and Approval of GPA's Integrated Resource Plan [IRP], Daymark Energy Advisors Report, ALJ Report, and Proposed Order**
 - **GPA Docket 22-11, Petition Requesting Approval of the Contract Amendment for Bulk Storage Fuel Tanks Inspection and Refurbishment, ALJ Report, and Proposed Order**
 - **GPA Docket 22-12, Filing of GPA Increase in the FY2022 Residual Fuel Oil and Diesel Fuel Oil Budget (For Informational Purposes Only)**
 - **GPA Docket 22-13, Petition to Approve Contract Amendment for Residual Fuel Oil No. 6 for Baseload Generating Plants, ALJ Report, and Proposed Order**
 - **GPA Docket 22-14, Petition to Approve the Month-to-Month Extension for Professional Printing, Mailing, and Processing Services, PUC Counsel Report, and Proposed Order**
- 5. Administrative Matters**
 - **PUC Meeting Schedule**
 - **FY 2021 Citizen Centric Report**
- 6. Adjournment.**

Due to the current public health emergency, all persons attending the meeting will be required to wear masks. Social distancing protocols will be observed. Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 671-472-1907. The meeting will be broadcast live on the PUC website at guampuc.com. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Ms. Palomo.

This Notice is paid for by the Guam Public Utilities Commission

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

**THE PETITION OF THE GUAM
WATERWORKS AUTHORITY (GWA)
TO APPROVE THE CONTRACT FOR
PROPERTY INSURANCE, GENERAL
LIABILITY INSURANCE, AND OTHER
INSURANCE UNDER GWA IFB NO.
2022-09**

GWA Docket 22-08

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission [“PUC”] pursuant to the May 11, 2022 Petition to Approve the Contract for Property Insurance, General Liability Insurance, and Other Insurance under GWA IFB No. 2022-09. GWA seeks PUC approval of a proposed contract for such insurances.¹

BACKGROUND

On April 27, 2017, in GWA Docket 17-05, the PUC approved a Contract for GWA Insurance with AM Insurance for a term of 5 years, at a total cost of \$4,528,804.00. The insurance covered property insurance, general liability insurance, directors’ and officers’ liability insurance, automobile insurance, crime insurance, and cyber insurance.²

On February 11, 2022, GWA petitioned the PUC to issue an Invitation for Bid (IFB) to procure new Property, General Liability and Other Insurance Services for the Guam

¹ GWA Petition to Approve the Contract for Property Insurance, General Liability Insurance and Other Insurance under GWA IFB No. 2022-09, GWA Docket 22-08, dated May 11, 2022, at p. 3.

² PUC Order, GWA Docket 17-05, Request by the Guam Waterworks Authority for Approval of its Contract for Insurance with AM Insurance, dated April 27, 2017.

Waterworks Authority.³ The PUC authorized GWA to procure insurance to cover GWA's system, assets, management and personnel.⁴

On March 3, 2022, GWA issued IFB No. 2022-09 which sought competitive sealed bids for three (3) and/or five (5) year terms for property insurance and various other insurance coverages.⁵ Only one bidder, AM Insurance, submitted a bid.⁶ The IFB evaluation committee recommended a conditional award be made to AM Insurance for its five-year term option as the sole bidder with the lowest priced bid.⁷

On May 23, 2022, the ALJ filed his Report in this Docket. The Commissioners adopt the findings and recommendations therein.⁸

DETERMINATIONS

1. GWA's Petition and Insurance Coverage

In its Petition, GWA requests that the PUC approve GWA's purchase of property insurance for a five-year term, as the insurance coverages are "reasonable, prudent, and required."⁹ In particular, GWA seeks approval to award a 5-year contract to AM Insurance for property, general liability, directors, officers and employment practice liability, automobile, and crime insurance for a total combined annual premium of \$1,775,122, and a total five (5) year contract

³ PUC Order, Petition to Authorize the Guam Waterworks Authority to Issue an Invitation for Bid (IFB) to Procure Property, General Liability and Other Insurance Services, GWA Docket 22-06, dated February 24, 2022.

⁴ Id., at pg. 5.

⁵ GWA Petition at p. 2.

⁶ Id.

⁷ Id. at p. 3.

⁸ ALJ Report, GWA Docket 22-08, dated May 23, 2022.

⁹ GWA Petition to Approve the Contract for Property Insurance, General Liability Insurance and Other Insurance under GWA IFB No. 2022-09, GWA Docket 22-08, dated May 11, 2022, at p. 3.

award of \$8,875,608.¹⁰ The Petition is supported by the CCU Resolution, which authorizes GWA to award the contract for insurance coverage to AM.

2. Proposed Insurance Premiums

In the Petition, GWA seeks approval of the following annual premiums for a term of five years: (1) Property Insurance (\$30 million limit) at a premium of \$1,475,604; (2) General Liability Insurance at a premium of \$213,483.00; (3) Directors and Officer Liability Insurance at a premium of \$27,750.00; (4) Automobile Insurance at a premium of \$44,798.00; and (5) Crime Insurance at a premium of \$13,487.00. The total cost of coverage for the 5-year term offered by AM is \$8,875,608.00.¹¹ AM did not bid for cyber insurance.¹²

3. GWA's Contract Review Protocol

Pursuant to GWA's current Contract Review Protocol, "[a]ll professional service procurements in excess of \$1,000,000" and "[a]ny contract or obligation not specifically referenced above which exceeds \$1,000,000" shall require prior PUC approval under 12 GCA Section 12004."¹³ PUC review of GWA's proposed insurance contract is required under the Contract Review Protocol.

4. Sections 6.05 and 6.06 of GWA's Revenue Bond Indentures

This Commission has previously found that, as indicated under Section [6.06] of GWA's 2005 Series Bond Indenture, GWA must maintain insurance on its system "in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems similar and similarly situated to the System and which

¹⁰ Id.

¹¹ Id., at p. 2.

¹² Id.

¹³ GWA Contract Review Protocol, GWA Docket 00-04, p. 1, dated October 27, 2005.

it shall deem advisable or necessary to protect its interests and the interests of the Bondowners.”¹⁴

Therefore, this Commission has already concluded that GWA’s 2005 Series Bond Indenture, along with its supplemental indentures, require GWA to maintain insurance on the system in amounts and against risks normally maintained by other water and wastewater authorities.

In addition, this Commission has continually highlighted the importance of maintaining property insurance, having previously found that “[t]he need for GWA to procure property insurance is clear: property insurance is required by GWA’s 2005 Bond Series Indenture” and that “the availability of property insurance will potentially benefit rate payers with regard to the protection of system assets” since “[i]nsurance proceeds can assist recovery efforts after natural disasters such as typhoons or earthquakes.”¹⁵

5. CCU Approval

In GWA Resolution No. 16-FY2022, the Guam Consolidated Commission on Utilities [“CCU”] approved GWA’s recommendation to award the contract for insurance coverage to AM. The CCU found that AM, “a local insurance brokerage firm, and the sole bidder, submitted a firm and fixed bid”; and that “GWA’s Risk Consultant [Bolton Insurance and Risk Management], GWA’s Chief Financial Officer and GWA’s Procurement Administrator have reviewed the bid and determined that the bid submitted by AM Insurance was responsive and responsible....”¹⁶ The CCU further found that “the terms of the bids submitted by AM Insurance is prudent, fair and reasonable under the circumstances and, therefore, authorized the management of GWA to enter

¹⁴ PUC Order, GWA Docket 12-02, pgs. 2-3, dated Mar. 26, 2012.

¹⁵ PUC Order, GWA Docket 10-02, p. 2, dated Oct. 11, 2010.

¹⁶ GWA Resolution No. 16-FY2022, Relative to Approving the Contract for Property Insurance, General Liability Insurance, and Other Insurance under Guam Waterworks Authority (“GWA”) Invitation for Bid No. GWA 2022-09 and Authorizing GWA to Petition the Guam Public Utilities Commission (“PUC”) for Approval under the Contract Review Protocol, adopted on April 26, 2022 (see Petition at Exhibit B-004).

into a contract with AM Insurance, subject to PUC approval under the Contract Review Protocol.¹⁷ Finally, the CCU authorized GWA to petition the PUC for approval of the contract, as well as to execute all documents and to undertake all action necessary to secure the insurance policies.¹⁸

6. Substantial Increase in the cost of the Insurance Policy

Attached to the ALJ Report as Exhibit “1” is “AM Insurance Price Comparison, Current Premiums vs. Proposed Premiums.”¹⁹ The exhibit demonstrates that under the prior 5-year contract, the annual premium was \$967,834 per year and \$4,839,170 total for the 5-year term. Under the proposed Contract, the annual premium would be \$1,775,122 per year and \$8,875,608 total for the 5-year term. Some of the specific insurance coverages have more than doubled, and the total 5-year premium under the proposed contract is nearly double that of the premium under the current 5-year contract.

There is a substantial increase in the insurance costs. But under current circumstances, it does not appear that GWA has viable options. AM Insurance was the sole bidder under the new proposed Contract as well as the prior 5-year contract. There is little likelihood that a “rebid” of the contract would result in lower costs. In addition, GWA’s Risk Consultant, Bolton Insurance and Risk Management, deemed that the commercial insurance lines procured to cover GWA’s system, assets, and key officers and personnel, coverage amounts, deductibles and terms were “appropriate.”²⁰ GWA’s Risk Management Consultant also reviewed the AM Insurance 5-year term options and “confirmed that current insurance market conditions generally indicate rising premiums are to be expected giving current global events.”

¹⁷ Id., at Exhibit B-003.

¹⁸ Id., at Exhibit B-004.

¹⁹ See Attachment to the ALJ Report, Exhibit “1”.

²⁰ GWA Petition at p. 2.

GWA and its Risk Consultant carefully reviewed all the premiums and options offered by AM Insurance.²¹ Funding for the insurance policies will come from GWA's operating revenues.²²

Attached to the ALJ Report as Exhibit "2" is a copy of a letter from GWA's Risk Management Consultant, Bolton Company, indicating its opinion that the insurance coverage costs provided by AM Insurance in its bid are "fair and Reasonable."

GWA suggests that it will examine its insured property and determine whether any items can be excluded from coverage.²³ GWA must carefully consider all possible alternatives to reduce its insurance costs. GWA should report to the PUC within ninety days of any proposals or possible remedies it has to reduce such costs.

Despite the substantial increase in premium cost, the ALJ does not believe that GWA has any viable immediate options at the present time other than to seek approval of the contract with AM Insurance.

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** the following:

1. The PUC approves GWA's contract for insurance with AM Insurance for coverage as indicated in the Petition, and at the total cost of \$8,875,608.00.

²¹ Id., at pgs. 2-3.

²² Id.

²³ Phone conference between GWA Legal Counsel Theresa Rojas and PUC ALJ Fred Horecky on May 18, 2022.

2. Within ninety (90) days from the date of this Order, GWA shall file a report with the PUC indicating any alternatives, proposals, or remedies it is considering to reduce insurance costs, what discussions it has had with its Risk Management Consultant in this regard, and any steps that it has taken or implemented to reduce such costs.

3. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

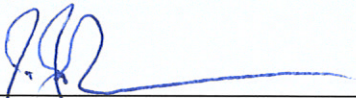
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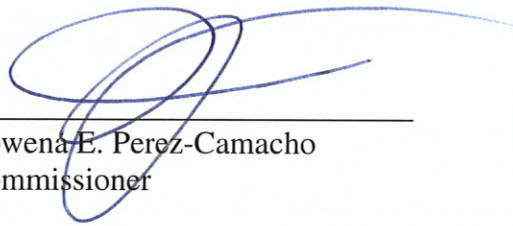
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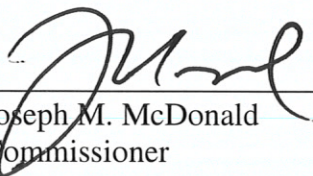
SO ORDERED this 26th day of May, 2022.



Jeffrey C. Johnson
Chairman

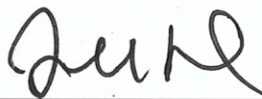


Rowena E. Perez-Camacho
Commissioner



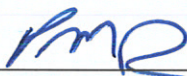
Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Doris Flores Brooks
Commissioner



Pedro S.N. Guerrero
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) **GPA Docket 22-08**
GPA INTEGRATED RESOURCE PLAN) **ORDER**

INTRODUCTION

On January 31, 2022 the Guam Power Authority (GPA) filed its Petition for Review and Approval of the GPA 2022 Integrated Resource Plan (IRP). The plan was approved by the Consolidated Commission on Utilities (CCU) on January 25, 2022, in Resolution No. 2022-08. In accordance with P.L. 29-62, the objectives of the IRP are primarily to identify the timing, size, and technology of future power generating units, and to address issues such as fuel diversification and the renewable portfolio standards.

BACKGROUND

GPA develops its IRP periodically. Its previous IRP was filed on February 22, 2013 in Docket 13-02. The primary focus of that IRP was the conversion to LNG. The objectives for future IRPs recommended in the review of the 2013 IRP were to:

1. Investigate additional cases that include costs of ESPs, eliminate FGD costs at Cabras Units 1 and 2, unit rates to meet EGU MACT standards, and alternative fuel assumptions
2. Expand reliability improvement analysis beyond just generation solutions to address infrastructure, automation, enhanced maintenance, and improved centralized controls for reliability (with particular emphasis on T&D system reliability improvements)
3. Address renewables and fuel diversity
4. Address plans to hedge against spikes in fuel pricing
5. Analyze specifically financial considerations and impact on ratepayer rates (not simply LEAC) for the short and long term and a year-by-year analysis
6. Address whether an all-resources RFP including operation and maintenance through a PMC or IPP approach would be a good solution

On July 30, 2013, the PUC conditionally approved GPA's 2013 IRP subject to conditions that GPA present a detailed Resource Implementation Plan around its LNG plans, continue negotiations with US EPA related to compliance with the RICE MACT standards for slow speed diesels, and implement the recommendations of the IRP and the Lummus report.

Daymark Energy Advisors was asked by the GPUC to review the 2022 GPA IRP. After engaging in discovery and collaborative discussions with GPA, Daymark issued its Report thereto on May 23, 2022.

DETERMINATIONS

In accordance with its review of the IRP, the Daymark Energy Advisors Report, and the ALJ Report, the PUC makes the following determinations:

General Issues

- A. The 2022 IRP has addressed several of the recommendations from the 2013 IRP review described above which is a significant improvement. The IRP does not at present fully analyze rate impacts. As GPA refines its construction and implementation plans for renewable projects and other plans included in the IRP (the \$233M Capital Improvement Plan), it should assess the rate impact of such plans and provide updated analyses to the PUC.
- B. The Commission reviews the IRP to assess whether a roadmap is provided by GPA for ensuring adequate planning to meet consumer demand for energy. This roadmap approach identifies potential costs for recommended solutions but a Commission approval of an IRP as a roadmap does not approve any actual spending. GPA must return to the Commission for approval of expenditures exceeding \$1.5 million as part of the contract review protocol. The initial roadmap provided by GPA in their IRP's is subject to modification based on industry issues and changes in customer needs. In addition, all bond issuances supporting investment require Commission approval ahead of time. Therefore, the Commission remains involved in GPA's implementation of IRP recommendations and modifications.
- C. As GPA further updates its Capital Improvement Plan and seeks approval from the PUC for individual projects, it should indicate whether there have been any revisions to such projects or investments that are included in the proposed roadmap and explain to the PUC the basis upon which such project or investment was included and the timing for such implementation. In its requests to the PUC for specific approval of plans and projects, GPA should also focus on showing the Net Present Value (NPV) of alternatives so that the Commission is better able to understand at the individual project approval stage how the plan fits together to meet customer needs in the future.

- D. GPA should continue to update its IRP Roadmap during the upcoming years to evaluate the interdependency and cross-implications for the solutions which could impact the efficacy and cost-effectiveness of solutions in later years of the roadmap.
- E. A major recommendation of the Renewable Integration Study was the need to add a new flexible source of generation (i.e., Ukudu Combined Cycle unit) which is underway. GPA should continue to address other concerns referenced in the IRP (i.e., the ability to ramp up and down quickly as well as run at low minimum generation levels were only partially met by the new CC unit, environmental restrictions severely limit the number of hours this new unit can run in simple cycle mode (reduced output), and the impact upon the system of forced outages and periods during which the unit is out of service for maintenance).
- F. GPA's proposed solutions of utilizing managed EV charging and time-of-use rates to help mitigate the impact of sudden increases in charging demand are good practice and are supported.
- G. When GPA subsequently requests that PUC approve project capital requests, in addition to the NPV analyses undertaken, GPA should also provide the PUC with annual rate impacts for base rates and the LEAC so that the Commission can adequately assess the cost impact of the project upon ratepayers.

ORDERING PROVISIONS

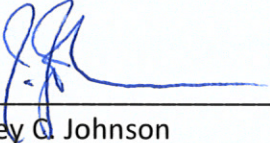
Upon consideration of the record herein, the Petition of GPA for Review and Approval of the Integrated Resource Plan (IRP), the Report of Daymark Energy Advisors, the ALJ Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. The PUC conditionally approves GPA's 2022 Integrated Resource Plan, subject to compliance with the conditions and requirements herein and as follows.
2. GPA shall continue to refine and update the IRP in accordance with the recommendations, including:
 - In addition to the NPV analyses undertaken, GPA is required to include annual rate impacts for base rates and the LEAC in all project capital requests so that the Commission can adequately assess the cost impact of each project.
 - At the individual project approval stage, GPA should consider integration of the solutions showing the NPV of alternatives so that the Commission is better able to understand how the plan fits together to meet customer needs in the future.
 - GPA should address how the new Ukudu CC unit meets the expectations of the Renewable Integration Study and how GPA intends to limit the impacts when this CC unit is out of service.

3. GPA should develop alternative plans to possibly delay the meeting of the 50% Renewable Portfolio Standards from 2030 to 2035. Completion by 2035 would be in full compliance with the time frame established by the Legislature. Spreading out the potential costs of the CIP program over a longer period could potentially reduce the impact of the cost burden upon ratepayers.
4. 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 is authorized pursuant to 12 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]

Dated this 26th day of May 2022.



Jeffrey G. Johnson
Chairman

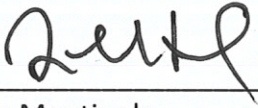


Rowena E. Perez-Camacho
Commissioner



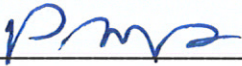
Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Doris Flores Brooks
Commissioner



Pedro S.N. Guerrero
Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION

**PETITION REQUESTING APPROVAL)
OF THE CONTRACT AMENDMENT)
FOR BULK STORAGE FUEL TANKS)
INSPECTION AND REFURBISHMENT)
WITH TRISTAR TERMINALS)
GUAM, INC. BY GUAM POWER)
AUTHORITY)**

GPA DOCKET 22-11

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the May 3, 2022 Petition (hereinafter referred to as the “Petition”) for review and approval of the Tristar Terminals Guam, Inc. (“Tristar”) contract amendment for Bulk Storage Fuel Tanks Inspection and Refurbishment, filed by the Guam Power Authority (“GPA”). GPA seeks PUC review and approval of the amendment to this professional services contract with Tristar.

On May 23, 2022, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

GPA currently maintains and operates bulk storage fuel tanks, which are managed by Isla Petroleum and Energy Holdings, LLC (IP&E), and which are used to supply fuel to GPA’s base load units. According to GPA, it is required by the United States Environmental Protection Agency (“U.S. E.P.A.”) to ensure that the tanks comply with certain federal regulatory requirements.

The Fuel Farm Bulk Storage Facility was designed and built for bulk fuel storage and to distribute fuel to the baseload plants in order to meet the island’s electric power utility needs.

The tanks and associated infrastructure were constructed in 1976 by the United States Military and generally have been in service continually since that time.

On December 2, 2019, GPA awarded the out-of-service inspection and refurbishment contract to Tristar,¹ which was approved by the PUC on August 29, 2019. On April 20, 2022, Tristar submitted a Change Order for Tank 1935, stating that additional repairs were needed based on a February 14, 2022 report by Island Certs, wherein it detailed its findings and recommendations for Tank 1935.

1. GPA's Contract Review Protocol

Pursuant to 12 G.C.A. § 12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Furthermore, GPA's Contract Review Protocol requires that "[a]ll professional service procurements in excess of \$1,500,000" require "prior PUC approval . . . which shall be obtained before the procurement process is begun."²

2. 2019 Tristar Contract

Based on the original contract, GPA sought inspection and refurbishment services for its Bulk Storage Fuel Tanks 1934 and 1935, with all labor, equipment and materials included, to prepare these tanks for receiving ultralow sulfur diesel (ULSD) fuel. Significantly, one of the provisions of the contract requires that a Certified API 653 Inspector assess the tanks' overall conditions by performing out-of-service non-destructive tank integrity testing inspection; and that based on the technical recommendations of the API inspector, any significant defects would be repaired by the contractor, Tristar.

¹ GPA Resolution No. FY2022-16, p. 1 (Apr. 26, 2022).

² GPA's Contract Review Protocol ("GPA CRP"), Administrative Docket 00-04, p. 1 (Feb. 15, 2008).

In particular, the contract requires out-of-service, nondestructive tank integrity testing inspection in accordance with industry inspection standards, including the applicable American Petroleum Institute (API) standards, with certain repairs performed pursuant to an assessment and recommendations by a certified API 653 Inspector. The contract further indicates that Tank 1935 would be the first to be taken out of service, with Tank 1934 to follow, after the inspection and refurbishment work on Tank 1935 is completed.

According to Tristar, the work identified by Island Certs includes repairs to the tank's bottom plate, shell plates, roof, and appurtenances; and that such repairs are estimated to cost an additional \$3,140,489.35.³ GPA has requested PUC approval of this Change Order and authorization for this expense, including a twenty percent (20%) contingency "for other unforeseen work and circumstances," which it will fund by its own revenues.⁴ GPA has indicated that these repairs are necessary in order to meet certain U.S. E.P.A. requirements and comply with certain API 635 standards. Once this project is completed, the tanks will be utilized to store ULSD fuel to supply Piti 7, 8, and 9, as well as the new 180MW power plant.⁵

3. Change Order and Costs

As discussed above, the Change Order is based on the report concerning Tank 1935 provided by the API 653 Inspector. According to the report, Island Certs determined that a total of thirteen (13) bottom plates are "in dire need" of replacing; 397 patch plates are "necessary"; and there are 14 "through-and-through holes" that require repair, among other various recommendations.⁶ In addition, there were other "significant" issues that were identified as

³ GPA Resolution No. FY2022-16, p. 1 (Apr. 26, 2022).

⁴ GPA Resolution No. FY2022-16, p. 1 (Apr. 26, 2022).

⁵ GPA Resolution No. FY2022-16, p. 1 (Apr. 26, 2022).

⁶ GPA Resolution No. FY2022-16, p. 2 (Apr. 26, 2022).

requiring work, such as: replacing all roof manholes and cover; replacing corroded roof plants and damaged joints; repairing shell plates in various areas; replacing certain overflow pipes; and replacing what was described as a “severely corroded stair landing.”⁷

Specifically, the inspector determined that certain sections of the roof require refurbishment, which include repairing weld defects on plates; installing new roof railings; removing existing dilapidated and severely corroded manholes and installing new ones; replacing severely corroded covers; tightening loose nuts and bolts; replacing nuts and bolts; replacing missing lateral supports; and replacing a severely corroded outer rafter, among others.⁸

Regarding the tank’s shell, the inspector recommended repairing several corroded weld defects, and performing patch repair on certain through-and-through holes along the wind girder.⁹ Regarding the tank’s bottom plates, the inspector recommended the following work: replacing thirteen (13) bottom plates completely; completing 397 patch repairs; and repairing 245 weld defects, just to name a few.¹⁰ And with regard to the tank’s foundation, the inspector recommended that the contractor install a plinth seal around the tank periphery to prevent water from entering the tank bottom plates.¹¹

Tristar has indicated that the cost of this Change Order is estimated at \$3,140,489.35, which includes the cost of materials, tools and equipment, and labor. Based on Tristar’s estimate, the biggest costs are \$1.5 million for the repair of the interior bottom plate and shell; and \$515,882 for repairing the exterior surface of the roof.

⁷ GPA Resolution No. FY2022-16, p. 2 (Apr. 26, 2022).

⁸ GPA Resolution No. FY2022-16, p. 6 (Apr. 26, 2022).

⁹ GPA Resolution No. FY2022-16, pp. 6-7 (Apr. 26, 2022).

¹⁰ GPA Resolution No. FY2022-16, p. 8 (Apr. 26, 2022).

¹¹ GPA Resolution No. FY2022-16, p. 9 (Apr. 26, 2022).

RECOMMENDATION AND CONCLUSION

Based on the documentation provided, the ALJ found that the subject contract is reasonable and necessary. Without question, these tanks are old and are in very serious need of repair. Indeed, according to the reports, Tank 1935 has been deemed as unsuitable for service.¹² Island Certs has independently identified significant structural defects that were not contemplated at the inception of the contract. Tristar's ongoing work in repairing such defects would certainly extend the life of the fuel tanks and allow them to be safely and fully utilized by GPA. Accordingly, based on this record, the ALJ recommended that the PUC approve the Change Order, for a cost of up to \$3,140,489.35,¹³ subject to the regular contingency allowable under GPA's Contract Review Protocol.

The Commission hereby adopts the findings in the May 23, 2022 ALJ Report and therefore issues the following.

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to enter into the subject change order and any corresponding amendment with Tristar Terminals, Inc. for Bulk Storage Fuel Tanks Inspection and Refurbishment; and for a cost of up to \$3,140,489.35, subject to the regular contingency allowable under GPA's Contract Review Protocol.

¹² Resolution FY2022-16, Exhibit A (Change Order/Variation Request submitted by Tristar), p. 1 (Apr. 20, 2022).

¹³ SPPC Bid, p. 37.

3. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

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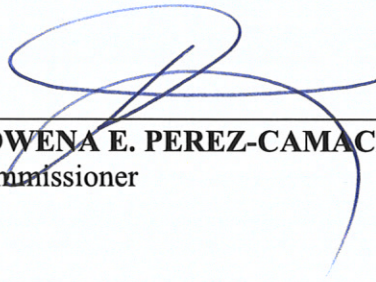
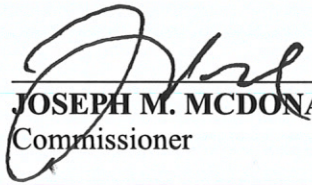
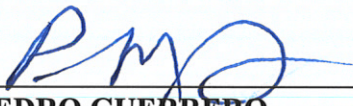
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SO ORDERED this 26th day of May, 2022.


JEFFREY C. JOHNSON
Chairman
ROWENA E. PEREZ-CAMACHO
Commissioner
JOSEPH M. MCDONALD
Commissioner
PEDRO GUERRERO
Commissioner
MICHAEL A. PANGELINAN
Commissioner
PETER MONTINOLA
Commissioner
DORIS FLORES BROOKS
Commissioner

P223027.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

The Application of the Guam Power
Authority to Approve the Amendment to
the Contract for Residual Fuel Oil No. 6
for the Baseload Power Generating Plants.)
_____)

)
) GPA Docket 22-13
)

) **ORDER**
)
)



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Amendment to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants.¹
2. The present Contract for Residual Fuel Oil No. 6 between GPA and Hyundai Corporation provides for an initial 3-year term, commencing September 1, 2020, and ending on August 31, 2023. The contract allows two additional 1-year extension options, upon mutual agreement of the parties.²
3. In this Docket, GPA seeks authorization from PUC to exercise the first-year contract extension of the Contract for Residual Fuel Oil No. 6 with Hyundai Corporation for the period of September 1, 2023, to August 31, 2024.³
4. GPA and Hyundai have agreed that there will be no change to the current contract premium fee for the first-year extension of the contract.⁴

¹ GPA Petition to Approve the Amendment to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 22-13, filed May 2, 2022.

² PUC Order, GPA Docket 21-17, GPA Petition to Approve the Amendment to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 21-17, dated August 26, 2021, at p. 2.

³ GPA Petition, at p. 1.

⁴ Id.

BACKGROUND

5. On July 30, 2020, the PUC approved the GPA-Hyundai Contract for the supply of Residual Fuel Oil No. 6 to the Baseload Power Generating Plants.⁵
6. Under the Contract, in addition to the initial three-year term (which ends August 31, 2023), the parties may agree to two 1-year extension options.
7. The United States Environmental Protection Agency [“USEPA”] required a change to the Consent Decree, which requires GPA to substitute LSFO and HSFO and transition to Ultra-Low Sulfur Fuel Oil (“ULSFO”) with a sulfur limit of 0.2% by weight, no later than December 31, 2022.⁶
8. In GPA Docket 21-17, the PUC approved Amendment No. 1 to the Fuel Oil Supply Contract between the Guam Power Authority and Hyundai Corporation. The Amendment authorized Hyundai to begin shipping ULSFO to GPA effective on or about January 1, 2022.⁷
9. In GPA Resolution No. FY2022-19, the Guam Consolidated Commission on Utilities authorized GPA to extend the contract with Hyundai Corporation by exercising the option to extend for one year, from September 1, 2023, until August 31, 2024.⁸
10. The Administrative Law Judge filed his Report herein dated May 10, 2022.⁹

⁵ PUC Order, GPA Docket 20-17, GPA Petition to Approve the GPA-Hyundai Corporation Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, GPA Docket 20-17, at p. 4.

⁶ PUC Order, GPA Docket 21-17, at p. 5.

⁷ Id., at p. 9.

⁸ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2022-19, Authorizing Management of the Guam Power Authority for the First (1st) Year Extension of the Contract for Supply of Residual Fuel Oil No. 6, adopted and approved on the 26th day of April, 2022.

⁹ ALJ Report, GPA Docket 22-13, dated May 10, 2022.

DETERMINATIONS

11. The only issue before the PUC in this Docket is whether the PUC should approve GPA's request to enter into a contract amendment with Hyundai Corporation for the first-year extension of the contract.
12. GPA has determined that there is a need to exercise the first-year option for the extension of the existing contract with Hyundai Corporation. GPA's rationale for exercising the first-year option is that "the ongoing regional conflict in Europe may lead to global fuel supply shortage and volatility of prices and may result in higher premium fees in the future due to increased cost in the price of the commodity, blending components to meet GPA's quality specification requirements, and delivery charges."¹⁰
13. GPA and Hyundai have already negotiated a contract extension and both parties agreed upon the 1st year extension of the contract with no change in the contract premium fee.¹¹
14. The first-year extension of the contract would commence on September 1, 2023 and will expire on August 31, 2024.¹²
15. GPA has determined that the contract extension is reasonable and prudent and will serve the best interest of the ratepayers.¹³ Locking in the current contract premium fee for an additional year is certainly beneficial to the ratepayers of Guam.

¹⁰ Consolidated Commission on Utilities, GPA Resolution No. FY2022-19, Authorizing Management of the Guam Power Authority for the First (1st) Year Extension of the Contract for Supply of Residual Fuel Oil No. 6, adopted and approved on the 26th day of April, 2022, at p. 1.

¹¹ Id., at p. 2.

¹² Id.

¹³ Id.

16. GPA has no choice but to convert the Cabras 1 & 2 plants to use of the 0.2% ULSFO. ULSFO is more expensive than RFO and LSFO and will result in increased fuel prices to the ratepayers under the Levelized Energy Adjustment Clause ["LEAC"].
17. Less than one year ago, in August of 2021, GPA indicated that the 0.2% ULSFO was more expensive than the HSRFO and LSRFO then utilized: "For the year commencing on January 1, 2023, it is estimated that the annual value of the contract amendment with Hyundai will be \$160,445,436 per year. The cost estimated under the Hyundai Corporation contract for fuel from September 1, 2021 to August 31, 2022, was \$143,915,313.77.¹⁴
18. Based upon July 2021 prices, the price of the 0.2% sulfur ULSFO was \$601.290/MT (Metric Ton).¹⁵
19. Current fuel pricing in GPA's Petition indicates a drastic increase in fuel cost. The current cost for the contract extension year of the 0.2% ULSFO, based on the estimated commodity price of \$141.707 per barrel, or \$1,055.717 per metric ton plus the Fixed Premium Fee of \$79.00 per metric ton, is \$1,134.717 per metric ton. The estimated annual contract cost, based on the supply of 1,500,000 bbls. per year, for the contract extension year is now \$267,621,969.34.¹⁶
20. Therefore, it now appears that the estimated cost of the Hyundai Corporation Contract has increased from \$160,445,436 per year per year to \$267,621,969 for the proposed first extension year of the contract.
21. The substantial cost increase results from the conversion to a more expensive fuel, ULSFO, and increases in fuel cost over the last year.

¹⁴ PUC Order, GPA Docket 21-17, dated August 26, 2021, at p. 7.

¹⁵ Id.

¹⁶ Id.; see also Exhibit A.

22. These fuel costs for ULSFO are unavoidable expenses for GPA. ULSFO is required by the Consent Decree and is essential to the operation of the Cabras power plants.
23. The one-year contract extension is reasonable, prudent and necessary.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA for Approval of the Amendment to the Contract for Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, 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 Contract Amendment for the one-year contract extension between GPA and Hyundai Corporation for supply of Residual Fuel Oil No. 6 for the Baseload Power Generating Plants, to commence on September 1, 2023 and expire on August 31, 2024, is approved.
2. The Guam Power Authority is authorized to expend up to the annual value of the contract estimated at \$267,621,969 and to execute such agreements and documents necessary for the contract amendment with Hyundai Corporation.
3. Due to variable fuel prices for shipments of ULSFO for this contract extension, GPA may also incur fuel expenses, not to exceed 20% over the amount authorized by the Commission, under the Contract Review Protocol.¹⁷

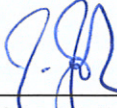
¹⁷ Contract Review Protocol for the Guam Power Authority, Administrative Docket, par. 4(d), p. 3, dated February 15, 2008.

4. 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 is authorized pursuant to 12 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
Approval for the Contract Amendment
for Residual Fuel Oil for Baseload Generating Plants
GPA Docket 22-13
May 26, 2022

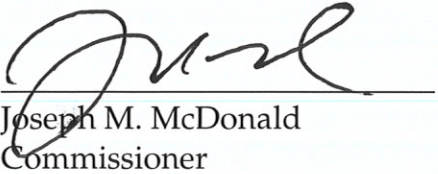
Dated this 26th day of May 2022.



Jeffrey C. Johnson
Chairman

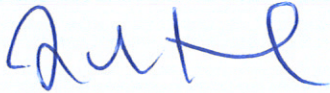


Rowena E. Perez-Camacho
Commissioner



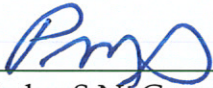
Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Doris Flores Brooks
Commissioner



Pedro S.N. Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA DOCKET 22-14

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE CONTRACT EXTENSION FOR
PROFESSIONAL PRINTING,
MAILING, AND PROCESSING
SERVICES

ORDER



INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition for Contract Review.¹
2. The PUC's July 29, 2021 Order in GPA Docket No. 21-11 which authorized GPA to extend GPA-Graphic Center, Inc., ["Graphic Center"] Contract for Professional Printing, Mailing, Processing, and Other Services on a month-to-month basis for up to eight (8) months or until GPA awards a new contract for those services will on or about May 31, 2022.²
3. GPA requests that the PUC approve a month-to-month extension of the contract after May 31, 2022 which, if the monthly extensions last for a one (1) year, will cost \$300,000.³

BACKGROUND

4. On April 6, 2016, GPA entered into a five (5) year contract, which had a one (1) year initial term with four (4) one (1) year options to renew with Graphic Center to provide Professional Printing, Mailing, Processing, and Other Services. Under the contract, Graphic Center provided GPA with professional printing, mailing, and processing services for approximately fifty-thousand (50,000) electric power billings each month.⁴

¹ GPA Petition to Approve the Month-to-Month Contract Extension for Professional Printing, Mailing, Processing Services, GPA Docket 22-14, dated May 2, 2022 [GPA Petition].

² GPA Petition at 3-4. NOTE: The page numbers in GPA's Petition and its exhibits are not continuous and the page numbers cited herein refer to the page number of the PDF version of the Petition which is continuous.

³ Id., at 2.

⁴ PUC Order dated July 21, 2021 in GPA Docket No. 21-11 at 1-2.

5. The contract's initial one (1) year term has expired, and GPA has exercised all four (4) of its one (1) year options to renew. GPA has expended the total amount of \$1.42 million on the contract over this five (5) year period.⁵
6. Prior to the expiration of the contract's last one (1) year option to renew, GPA solicited for a new contract for professional printing, mailing, processing, and other services by issuing an Invitation for Bids ["IFB"] in December, 2020. GPA received one (1) bid in response to the IFB and GPA had to issue a second IFB due to the bid not meeting the IFB's requirements.⁶
7. As a result of the need to issue a second IFB and the expiration of the contract, GPA negotiated an eight-month extension of the contract so that the professional printing, mailing, processing, and other services GPA requires, especially for the billing of its fifty-thousand (50,000) customers, will continue without interruption until GPA procures a new contract. GPA estimated that the eight (8) month contract extension would cost \$300,000 which GPA would pay for using its revenue funds.⁷
8. On April 27, 2021, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. 2021-10 authorizing GPA's management to exercise the month-month contract extension up to eight (8) months or until a new contract is awarded, whichever comes first, subject to the PUC's approval.⁸
9. On May 13, 2021, GPA issued GPA-RFP-21-002 (Professional Printing, Mailing, and Processing Services) [RFP].⁹
10. On June 7, 2021, GPA received three (3) offers and selected InfoSend as the most qualified offeror, GPA selected Graphic Center as the second most qualified offeror, and GPA rejected Moonlight BPO's offer.¹⁰

⁵ Id., at 2.

⁶ Id.

⁷ Id.

⁸ Id.

⁹ GPA Petition at 4.

¹⁰ Id.

11. On July 29, 2021, in GPA Docket No. 21-11, the PUC issued an order authorizing GPA to exercise the month-month contract extension up to eight (8) months or until a new contract is awarded, whichever comes first.¹¹
12. On August 30, 2021 Graphic Center filed a procurement protest disputing GPA's evaluation process for the RFP and GPA denied the protest on October 7, 2021.¹²
13. On October 22, 2021 Graphic Center filed a procurement protest appeal with the Office of Public Accountability [OPA] alleging that absence of a demonstrated record and development system in InfoSend's offer should have resulted in Graphic Center being selected as the most qualified offeror.¹³
14. On March 25, 2022 the OPA issued its decision denying Graphic Center's appeal and on April 5, 2022 Graphic Center appealed the OPA decision in the Superior Court of Guam.¹⁴
15. On April 26, 2022, the Guam Consolidated Commission on Utilities ["CCU"] issued GPA Resolution No. 2022-20 authorizing GPA's management to exercise the month-month contract extension until a new contract is awarded, whichever comes subject to the PUC's approval.¹⁵
16. On May 23, 2022, PUC Legal Counsel submitted his report.

DETERMINATIONS

17. GPA must obtain the PUC's approval for any extension of the contract past May 31, 2022. Here, as set forth above, the PUC's July 29, 2021 Order in GPA Docket No. 21-11 only authorized GPA to exercise the month-month contract extension up to eight (8) months or until a new contract is awarded, whichever comes first. Currently, the eight (8) period expires on May 31, 2022 and GPA has not been able to award a new contract due to Graphic Center's protest concerning the RFP, and the appeal to

¹¹ PUC Order dated July 21, 2021 in GPA Docket No. 21-11 at 4.

¹² GPA Petition at 4.

¹³ Id.

¹⁴ Id.

¹⁵ Id., at 3.

the OPA, and the subsequent appeal of the OPA's decision to the Superior Court of Guam. Thus, GPA must obtain the PUC's authorization for the month-to-month extensions of the contract past May 31, 2022.

18. GPA's estimated \$300,000 cost of the month-to-month contract extensions, if they last for a one (1) year period, is reasonable. In GPA Docket No. 21-11 the PUC determined that GPE's estimated \$300,000 cost of the eight (8) month extension of the contract was reasonable because the average monthly cost of the original five (5) year term of the contract was approximately \$23,666.67 per month ($\$1,420,000/60$ months = \$23,666.67 per month) and the average estimated monthly cost of the extension per month was \$37,500, and albeit \$13,833 more per month than the initial term, the higher monthly cost of the contract extension was justified by the cost increases that occurred during the contract's original five (5) year term.¹⁶ Here, GPA estimates that one (1) year of the month-to-month contract extensions will cost approximately \$25,000 per month ($\$300,000/12$ months = \$25,000) and this amount is \$12,500 cheaper than the prior eight (8) months of contract extensions and only \$1,333.33 than the average monthly cost of the contract's original five (5) year term. Therefore, GPA's estimated \$300,000 cost of the month-to-month contract extensions, if they last for a one (1) year period, is reasonable.
19. The contract extension of prudent. GPA's plan to use the contract extension is a good one because it will prevent a gap in the professional printing, mailing, processing, and other services from occurring as a result of the application of the automatic stay imposed on the award of the RFP caused by the Graphic Center's protest, appeal to the OPA, and subsequent appeal of the OPA's decision to the Superior Court of Guam.
20. The contract extension is necessary. GPA's ability to bill its customers as required will be adversely affected by a gap in its professional printing, mailing, processing, and other services. Specifically, without a contractor to provide these services, GPA likely does not have the capability to print, mail, and process the fifty-thousand (50,000) or so electric power bills it sends out each month in a timely manner. Hence, a gap in these services will have an adverse effect on GPA's revenue stream and the contract extension is necessary to prevent this from occurring.

¹⁶ PUC Order dated July 21, 2021 in GPA Docket No. 21-11 at 3.

21. Based on the foregoing, GPA's contract extension with Graphic Center and the extension's \$300,000 cost are reasonable, prudent, and necessary, and the extension will prevent a gap occur in the professional printing, mailing, processing, and other services GPA relies on to print, mail, and process the fifty-thousand (50,000) or so electric power bills it sends out every month.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, GPA's Petition to approve the month-to-month extension of the GPA-Graphic Center Contract, the Report of PUC Legal Counsel, and the record herein, for good cause shown, and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. The extension of the GPA-Graphic Center Contract is approved and GPA may exercise the month-to-month contract extension up to twelve (12) months or until a new contract is awarded, whichever comes first.
2. 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 is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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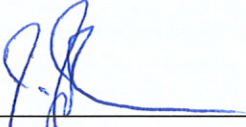
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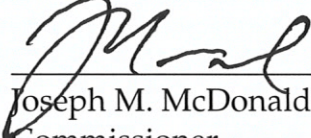
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Order
GPA's Application to Approve the
Contract Extension for Professional
Printing, Mailing, and Processing Services
GPA Docket 22-14
May 23, 2022

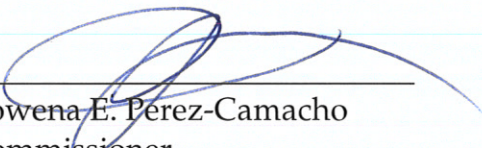
Dated this 26th day of May, 2022.



Jeffrey C. Johnson
Chairman



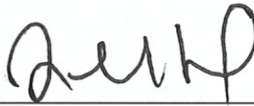
Joseph M. McDonald
Commissioner




Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Pete Guerrero
Commissioner