

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
February 23, 2023
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission ("PUC") conducted a regular meeting commencing at 6:40 p.m. on February 23, 2023, pursuant to due and lawful notice. **Commissioners Jeffrey C. Johnson, Peter Montinola, Joseph McDonald, Doris Flores-Brooks, Rowena Perez-Camacho, and Pedro 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 January 26, 2023.

The Chairperson announced that the first item of business on the agenda was the approval of the minutes of January 26, 2023. Commissioner Montinola moved to approve the minutes of the January 23, 2023 meeting subject to corrections, which motion was seconded by Commissioner Perez-Camacho; the motion passed unanimously.

2. Guam Power Authority.

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 23-07, Petition for Contract Review for the Cancellation of the Cabras 41MW Reserve Facility and Modification of the Energy Conversion Agreement, ALJ Report, and Proposed Order. ALJ Horecky stated that there are two aspects of this request from GPA. First is to cancel the 41-megawatt Cabras Reserve Facility, and second is to modify the Energy Conversion Agreement.

ALJ Horecky reminded the Commissioners that, in 2021, GPA requested that the PUC approve the building construction of the 41-megawatt reserve facility in Cabras. In the original ECA, it provided for a 65-megawatt facility at the Ukudu plant; however, the U.S. EPA indicated that if the 65-megawatt plant were built, that that would delay the project because major source permitting would be required. Therefore, instead of using that facility, the 41MW facility at Cabras was substituted for the 65-megawatt facility. One advantage was that the 41-megawatt facility could be run longer, at a minimum of 2500 hours a year, as opposed to 500 hours annually for the 65-megawatt facility.

A second advantage was that GPA, and not the plant operator, would determine when the Cabras plant would be used. With the Ukudu plant, it would only have been Guam Ukudu Power that would decide when to deploy that plant.

ALJ Horecky further indicated that after the Commission approved the construction of the 41-megawatt facility, Guam Ukudu Power ("GUP") and its financiers had requested legislation to protect their interests. One bill was to authorize the construction of the Cabras plant within 1200 feet of a school, and the second bill was to authorize and approve a 30-year lease between GPA and GUP. The Legislature subsequently passed these bills accomplishing both purposes; however, GUP had indicated that, unless the legislation was approved by March 31, 2022, the price could not be guaranteed for the reserve Cabras plant facility.

While the bills were passed, with Senator San Agustin sponsoring both of the bills, the deadline was not met. The legislative bills were passed in April and June of 2022, beyond the March 31st deadline that had been imposed. Thus, Guam Ukudu Power increased the price for the Cabras Reserve Facility from \$57 million to \$97 million, which GPA determined to be too expensive to proceed forward. Therefore, based upon the reasoning that the cost of the plant now rendered it unfeasible. GPA and the CCU decided to cancel the 41-megawatt project.

ALJ Horecky raised a couple of concerns. One was whether this action cancelling the 41-megawatt plant would affect the major source, or minor source permitting. GPA Legal Counsel Graham Botha assured that a minor source permitting has already been approved and would not be affected by the cancellation. The second concern was whether the absence of both the 41-megawatt Cabras facility or the 65-megawatt facility at Ukudu would result in GPA having insufficient load for the power system. ALJ Horecky stated he did not see that as a much of a possibility due to MEC 8 and 9 still being available and in use. There will be about 300 megawatts of solar power coming into the system; and the Aggreko plant, which is about 40 megawatts, could also become available. It requires some overhaul and equipment change. For those reasons, ALJ Horecky was not concerned that the cancellation of the 41-megawatt facility would result in an insufficient power load for the system.

ALJ Horecky explained the proposed Order prepared would basically accept the petition of GPA, and allow for the cancellation. The modification of the ECA would essentially take out the 41-megawatt facility from the language in the ECA, There is also a requirement that GPA will file the final revised ECA with the PUC, which will be reviewed. For these reasons, ALJ Horecky recommended that the PUC approve the Order for GPA Docket 23-07. GPA Counsel Botha concurred with the ALJ report and reiterated GPA's decision regarding the increase in price. A discussion ensued between the Commissioners Johnson, McDonald, Flores-Brooks, Montinola, and GPA Counsel Botha concerning the CCU decision on Piti 8 and 9, future overhaul plans, overhaul phases, and unit usage and consumption. Commissioner Guerrero moved to approve the draft Order for GPA Docket 23-07, which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

- **GPA Docket No. 23-10**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 23-10, Petition for Contract Review, Request for approval of the procurement of Property Insurance including Boiler and Machinery Coverage and Terrorism Coverage, ALJ Report, and Proposed Order. ALJ Horecky indicated that PUC Legal Counsel Anthony Camacho ("PUC Counsel") was to report on this matter, but was not yet present at the meeting during this matter call. ALJ Horecky suggested to defer to the next agenda item to give time to PUC Counsel to arrive. After a brief discussion on the status of PUC Counsel's arrival, Chairperson announced this matter will be continued upon the arrival of PUC Counsel.

3. Administrative Matters

The Chairperson announced that the next item of business on the agenda was PUC Resolution 23-02 authorizing PUC purchase of a Time Certificate Deposit ("TCD"). ALJ Horecky stated that communications with Coast 360 were initiated, particularly with Coast360 representatives Monica Pido and Pia from the term share department. ALJ Horecky explained that first, a membership will need to be set up with Coast360, which requires an application. Secondly, the program that Commissioner Brooks has suggested is a one-year (12-month) 4.3% interest term share, which is included in the resolution.

The resolution would approve the PUC becoming a member of the Coast360 credit union and the \$100,000.00 certificate of deposit term share for 12 months as indicated. The signatories would be the Chairman and the Vice Chair, Peter Montinola. PUC administrator Lou Palomo ("PUC Administrator") was in possession of the forms required by Coast360 to initiate the process. ALJ Horecky concluded that, once all these documents are signed, it is also in the resolution that the PUC Administrator would be authorized to transact business for the PUC. Coast360 required this resolution before proceeding ahead.

A discussion ensued between Commissioners Johnson, Montinola, Flores-Brooks, Guerrero, Perez-Camacho and ALJ Horecky concerning initiating the laddering effect in which the \$100k would be broken into portions when deposited to the TCD, future resolutions and clarification of the need for resolutions for this matter. The Commissioners determined that there would be two separate purchases of term shares in \$50,000 increments, scheduled a few months apart. Commissioner Montinola moved to approve the resolution, which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

Chairperson announced that a short recess would be taken to allow time for PUC Legal Counsel Anthony Camacho to arrive. Recess was taken from 7:10 p.m. to 7:19 p.m.

4. Guam Power Authority, Docket No. 23-10 (continued)

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 23-10, Petition for Contract Review, Request for approval of the procurement of Property Insurance including Boiler and Machinery Coverage and Terrorism Coverage, ALJ Report, and Proposed Order. PUC Legal Counsel Camacho reported that the last time PUC encountered this issue was 2018; at that time GPA petitioned PUC for approval of a property insurance contract. The contract was subsequently awarded and is now set to expire on September 30 of this year.

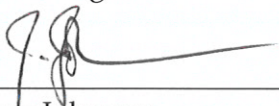
PUC Counsel explained that what GPA is requesting here is PUC approval to solicit a new insurance contract, the cost of which is to be more than the \$6 million dollar cost of GPA's existing property insurance contract for the last five years. Thus, GPA needs to seek the PUC's approval prior to issuing out its solicitation for a new insurance contract pursuant to the \$1.5 million contract review threshold.

Upon review of what was submitted by GPA, PUC Counsel reported that it contains the provisions which GPA has ordinarily included in its insurance procurement bids. PUC Legal Counsel reported that the submission involved an IFB process with two steps. For the first step, GPA will evaluate technical proposals from the offerors, then deem those proposals either acceptable, potentially acceptable, or unacceptable. PUC Counsel explained that the second step is conducted just like any other invitation for bid wherein price proposals will be opened and the lowest bidder will win the contract.

PUC Counsel further indicated, as this Commission has ruled before, that GPA has demonstrated that it's required by its bond indentures to have property insurance. Therefore, the request to issue the IFB for property insurance is reasonable, prudent, and necessary. The IFB is soliciting for insurance policy coverage in the amount of \$200 million for property damage, business interruptions, and extra expense; and \$200 million for certified and non-certified acts of terrorism. Both coverage amounts are subject to numerous sub limits as set forth in the IFB.

PUC Counsel recommend that the PUC approve GPA's petition. A discussion ensued between the GPA CFO John Kim, GPA Counsel Botha, GPA Administration AGO Limtiaco, Chairperson Johnson, Commissioners Flores-Brooks and Montinola, regarding clarification on contract terms, cyber liability coverage and status of GPA's transportation of heavy equipment. Commissioner Montinola moved to approve the Order as drafted, which motion was seconded by Commissioner Guerrero, and the motion passed unanimously.

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 February 23, 2023, Suite 703, GCIC Building, 414 W. Soledad Ave., Hagatna.

The following business will be transacted:

Agenda

1. **Call to Order**
2. **Approval of Minutes of January 26, 2023**
3. **Guam Power Authority**
 - **GPA Docket 23-07, Petition for Contract Review for the Cancellation of the Cabras 41MW Reserve Facility and Modification of the Energy Conversion Agreement, ALJ Report, and Proposed Order**
 - **GPA Docket 23-10, GPA Docket 23-10 Petition for Contract Review, Request for approval of the procurement of Property Insurance including Boiler and Machinery Coverage and Terrorism Coverage, ALJ Report, and Proposed Order**
4. **Administrative Matters**
 - **PUC Resolution 23-02 authorizing PUC purchase of Time Certificate Deposit [TCD]**
5. **Adjournment**

Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 671-472-1907. 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