

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE GUAM  
POWER AUTHORITY TO EXTEND  
THE PERFORMANCE MANAGEMENT  
CONTRACT CABRAS 1 AND 2

GPA DOCKET 23-19

PUC COUNSEL REPORT



INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Extend the Performance Management Contract [PMC] for Cabras 1 and 2.<sup>1</sup>
2. The initial three (3) year term of GPA's PMC for Cabras 1 and 2 will expire on September 30, 2023.<sup>2</sup>
3. GPA requests that the PUC approve GPA's exercise of the PMC's optional two (2) year periods that has a Fixed Management Fee in the amount of \$5,414,382, reimbursable O&M expenses in the amount of \$2,700,000, and a 70% Equivalent Availability Factor, based on the Maximum Capacity Factor, for the two (2) year extension period.<sup>3</sup>

BACKGROUND

4. Taiwan Electrical & Mechanical Services, Inc. [TEMES] has the PMC for Cabras 1 and 2 and the PMC's three (3) year initial term began on October 1, 2020 and will expire on September 30, 2023. The PMC has two (2) one (1) year options to renew.<sup>4</sup>

<sup>1</sup> GPA Petition to Extend the Performance Management Contract for Cabras 1 and 2, GPA Docket 23-19, dated August 4, 2023 [GPA Petition].

<sup>2</sup> GPA Petition at 1. 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.

<sup>3</sup> Id., at 3.

<sup>4</sup> Id., at 1.



5. GPA's consent decree with the U.S. Environmental Protection Agency mandates that the Cabras 1 and 2 Power Plants be retired no later than October 31, 2024. It was expected that the GPA's new Ukudu Power Plant would be commissioned prior to that date and that once the new plant was online there would be no need for the Cabras 1 and 2 Power Plants. However, GPA must continue to operate Cabras 1 and 2 beyond October 31, 2023 due to Typhoon Mawar striking Guam and damaging the Ukudu Power Plant which has delayed its completion.<sup>5</sup>
6. GPA and TEMES negotiated the following for the two (2) extension years: (a) A \$2,641,162 fixed management fee and \$1,350,000 for reimbursable O&M expenses for the first extension year; (b) A \$2,773,220 fixed management fee and \$1,350,000 for reimbursable O&M expenses for the second extension year; (c) An increase from six (6) to eight (8) personnel to support additional work and work hours; (d) An Equivalent Availability Factor of 70% of the Maximum Capacity Factors of Cabras 1, which is 40 megawatts, and Cabras 2, which is 45 megawatts.<sup>6</sup>
7. On July 3, 2023, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. FY2023-21 authorizing GPA's management to exercise the two (2) one (1) year extensions and their \$8,114,382 cost subject to the PUC's approval.<sup>7</sup>

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### ANALYSIS

8. GPA must obtain the PUC's approval to exercise the two (2) one (1) year extensions of the PMC contract. GPA's Contract Review Protocol states that for multi-year procurements with fixed terms and variable annual costs, GPA shall seek PUC approval of the procurement if the aggregate cost estimate for the entire term of the procurement exceeds its \$1,500,000 review threshold.<sup>8</sup> Here, the extensions have variable costs in the total amount of \$8,114,382 which exceed the \$1,500,000 review threshold. Therefore, GPA must obtain the PUC's approval to exercise the PMC extensions.
9. The \$8,114,382 cost of the PMC extensions is reasonable. In GPA Docket No. 20-04 the PUC determined that GPA and the Cabras 1 and 2 PMC will mutually agree as to the contract deliverables and guarantees, and the contract will include provisions

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<sup>5</sup> Id., at 2.

<sup>6</sup> Id., at 5.

<sup>7</sup> Id.

<sup>8</sup> PUC Order, Administrative Docket, Contract Review Protocol for GPA, at page 2.



for operations, maintenance supplies and services, and inventory management and control and that GPA has set the O&M Budget for the PMC contract at \$1,350,000 per year.<sup>9</sup> Here, GPA and TEMES have negotiated a \$2,641,162 fixed management fee for the first extension and a \$2,773,220 fixed management for the second extension and \$1,350,000 for reimbursable O&M expenses for both extension years. TEMES must operate the plants at 70% of their Maximum Capacity Factors. Therefore, the extension cost is reasonable and permitted by the PMC contract.

10. The extensions are prudent. The PUC has previously found that PMCs for Cabras 1 and 2 have improved the operational efficiency, reliability, and cost savings of those power plants.<sup>10</sup>
11. The extensions are necessary. GPA currently only has two baseload power plants and Cabras 1 and 2 are one of these baseload plants. If GPA does not exercise the extensions, it is unlikely that Cabras 1 and 2 will remain online and this would cause great disruption in GPA's ability to operate the island-wide power system until the new northern power plant is completed.
12. Based on the foregoing, GPA's contract extensions with TEMES for the Cabras 1 and 2 PMC and their \$8,114,382 cost are reasonable, prudent, and necessary, and the extension will prevent a great disruption in GPA's ability to operate the island-wide power system until the new northern power plant is completed.

### **RECOMMENDATION**

13. Counsel recommends that the PUC grant GPA request that the PUC approve GPA's exercise of the PMC's optional two (2) year periods that has a Fixed Management Fee in the amount of \$5,414,382, reimbursable O&M expenses in the amount of \$2,700,000, and a 70% Equivalent Availability Factor, based on the Maximum Capacity Factor, for the two (2) year extension period.

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<sup>9</sup> PUC Order dated January 30, 2020 in GPA Docket No. 20-04 at 2.

<sup>10</sup> PUC Order dated September 15, 2010 in GPA Docket No. 10-4 at 1.



14. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 28th day of August, 2023.

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