

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)
) GPA Docket 23-22
)
The Application of the Guam Power)
Authority to Approve the FY2024 and) ALJ REPORT
FY2025 GPA CIP Ceiling Cap)
)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [PUC] upon GPA's Petition for Request for Approval of the FY2024 and FY2025 GPA CIP Ceiling Cap.¹ Only the FY2024 CIP Ceiling CAP is properly before the PUC and will be considered in this Report.² However, a draft letter and draft GPA Resolution 2023-32, both attached to the Application, have yet been approved by the GPA General Manager or the Guam Consolidated Commission on Utilities. This Application may not be considered by the PUC unless the draft letter and Resolution are approved prior to the PUC Meeting on September 26, 2023.

Therein, GPA requests PUC approval of its FY2024 Capital Improvement Project Cap in the amount of \$36,931,099, which consists of General Plant (\$22,134,992) and Engineering (\$10,796,107).³ GPA's proposed FY2024 Ceiling Cap also includes \$4,000,000 for Line Extensions. However, pursuant to the GPA Contract Review Protocol, regulatory review is not required for blanket job orders and line extensions.⁴

¹ GPA Application to Approve the FY2024 and FY2025 GPA CIP Ceiling Budget), GPA Docket 23-22, filed September 23, 2023.

² GPA has requested approval of the FY2024 and FY2025 GPA CIP Ceiling Budget. Historically, the PUC has only considered the ceiling cap for the next year's budget, not for two years. See PUC ORDER, GPA Docket 21-18, dated September 20, 2021; PUC ORDER, GPA Docket 20-19, dated September 24, 2020; PUC ORDER, GPA Docket 19-14, dated September 25, 2019; and PUC ORDER, GPA Docket 18-17, dated September 27, 2018. Sec. 1 of the Contract Review Protocol for the Guam Power Authority (Administrative Docket, Order dated February 15, 2008), provides that PUC will establish the CIP expenditure ceiling on or before November 15 of each year; Sec. 6 of the Contract Review Protocol provides in part: "On or before September 15 of each year, GPA will use best efforts to file with PUC its construction budget for the coming fiscal year plus estimates for the subsequent fiscal years."

³ GPA Application at Exhibit A-001.

⁴ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1a.

BACKGROUND

The Contract Review Protocol for the Guam Power Authority requires that GPA's annual level ("cap") of internally funded Capital Improvement Projects ("CIP") be set by the PUC before November 15th of each fiscal year.⁵ The CIPs included within the Cap are for "general plant" and "engineering." The "general plant" expenditures include such items as plant, CT, and diesel overhauls and improvements, bucket trucks, networking equipment, digger, SUV, and Utility Trucks, Emergency Underground Reconstruction, substation/breaker upgrades, and other miscellaneous items.⁶

The "engineering" expenditures include such items as Storage Tank 1934 Refurbishment, T&D Master Plan Transportation and T&D Administration Meter/Relay, EPCM Contract, Typhoon Mangkhut Permanent Repairs, and T7 Transformer Replacement.⁷

The Contract Review Protocol does not require that GPA provide justifications for the items listed under General Plant.⁸ GPA indicates that what it has provided is a General Plant (CIP) Budget; it has always been the case that GPA does not expend all amounts indicated in the budget for the stated items.⁹

ANALYSIS

This year's requested cap includes some large "plant" items: (1) Replacement of Cabras Unit 2 Screen Wall Water Tubes and Boiler Water Wall Tube Replacement, \$1,400,000; Hot Section Inspection and Exchange for LM2500 SAC Gas Turbine for Yigo CT, \$1,800,000; Repair on Generator Rotor, Exciter Stator and PMG for main Generator for Yigo CT, \$1,372,208; Aggreko Unit Major Overhaul, \$780,000; and Emergency Underground Reconstruction—Civil Work, Cable Replacement, \$680,000.¹⁰

The prior year cap levels were as follows:

⁵ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec 1f.

⁶ GPA Application at Exhibit A-002-Exhibit A-003.

⁷ GPA Application at Exhibit A-004.

⁸ Contract Review Protocol for GPA, Administrative Docket, February 15, 2008, Sec. 1f.

⁹ Discussion between PUC Counsel Fred Horecky and GPA Legal Counsel Graham Botha on September 15, 2017.

¹⁰ GPA Application at Exhibit A-002-Exhibit A-003.

FY2023 Cap: \$22,122,263¹¹
FY2022 Cap: \$32,202,862¹²
FY2021 Cap: \$21,561,155¹³
FY2020 Cap: \$23,780,278
FY2019 Cap: \$22,022,011
FY2018 Cap: \$20,959,813
FY2017 Cap: \$18,798,120
FY2016 Cap: \$12,067,780
FY2015 Cap: \$9,974,000
FY2014 Cap: \$7,363,110.
FY2013 Cap: \$10,135,760.
FY2012 Cap: \$13.581M.¹⁴
FY2011 Cap: \$5M.¹⁵
FY2010 Cap: \$16,390,707.¹⁶

The proposed FY2024 CIP cap (\$32,931,099) is roughly \$10M over the cap for FY 2023. However, \$6,214,662 of the funds in the CIP cap for FY2024 are **carryover from FY2023**.¹⁷ The FY 2024 cap is slightly over \$728,000 more than the FY2022 cap (\$32,202,862). The caps for the FY2024 and FY2022 are consistent, and the caps for FY2023 and FY2021 are consistent.

If one subtracts the carryover amount from the FY2024 cap, that cap is more in line with the caps for FY2020, 2021, and 2023.

As the Commissioners are aware, the CIP Cap is only a spending limit. The ALJ is not aware of any year in which GPA has expended funds up to the CIP Cap. GPA CFO John Kim has estimated that there is a \$6M-\$8M carryover of cap funds from year to year.¹⁸

¹¹ At present, the ALJ cannot find a docket or record indicating that GPA filed an application to approve the FY2023 GPA Ceiling Cap. On September 28, 2023, GPA CFO John Kim Confirmed that there was no ceiling cap filing for FY 2023; however, he indicated that the CIP ceiling cap for FY 2023 was \$22,122,263.

¹² PUC Order, GPA Docket 21-18, dated September 20, 2021, at p. 1.

¹³ PUC Order, GPA Docket 20-19, dated September 24, 2020, at pgs. 2-3.

¹⁴ PUC Order, GPA Docket 18-17, dated September 27, 2018, at pgs. 1-2.

¹⁵ PUC Order, GPA Docket 13-16, dated October 29, 2013, at pgs. 1-2.

¹⁶ PUC Order, GPA Docket 10-05, dated October 29, 2010, at pg. 1.

¹⁷ GPA Application at Exhibit A-002-Exhibit A-003. The Engineering also indicated an FY2023 Carryover of \$1,411,525. GPA Application at Exhibit A-004.

¹⁸ Phone conference between GPA CFO John Kim, GPA Counsel Graham Botha, and PUC ALJ Fred Horecky on September 18, 2020.

Due to procurement delays, pandemic and typhoon delays, and other factors such as the world-wide increase in prices, projects are delayed and must be carried over from one year to the other.

It is also noteworthy that several of the general plant expenditures are for overhaul and replacement items for the Cabras 1 & 2 plants, the Combustion Turbines improvements, Diesel improvements, Piti 7 major overhaul, and the Aggreko Unit (Yigo Diesels) Major Overhaul. These costs could be expected as those plants age and their life spans shorten. The general plant costs are justified and necessary.

Regarding the proposed engineering projects for FY2024, with a cap of \$9,384,582, is substantially higher than the FY2022 engineering project request of \$2,192,765 and the FY2021 request of \$3,180,000. Two engineering project account for most of the cost increase for the engineering projects: \$3,336,552 for additional cost for the Storage Tank 1934 Refurbishment and \$2,248,030 for the Stanley Consultants EPCM Contract (consulting services regarding the Ukudu plant). GPA needs to refurbish Tank 1934 in the Fuel Tank Farm and has apparently had additional cost increases. With the Stanley Consultants EPCM Contract, the ALJ had a concern that the amount could include costs for work on LNG; the LNG project is currently pending review by the PUC in GPA Docket 23-17 and has not yet been approved by the PUC. However, GPA CFO John Kim has confirmed to the ALJ that the proposed spending in FY 2024 for Stanley Consultants EPCM only concerns its work on the Ukudu Power Plant and not LNG. GPA needs the services of Stanley Consultants to successfully complete the construction of the Ukudu plant.

The other proposed Engineering CIP projects appear reasonable and should improve the IWPS. A portion of the costs for the FY2024 Engineering projects are also carryover from FY2023 (\$1,411,525).¹⁹ The projects should improve the island-wide transmission and distribution system. Therefore, although the proposed Engineering project costs are substantially higher this year than in the past, the ALJ believes that the costs have been justified.

¹⁹ See Attachment B hereto, which indicate the Carryover funds from FY2021 to FY2022 for “Engineering” projects.

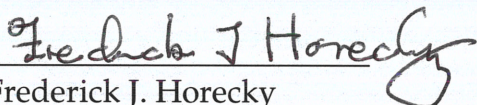
GPA must seek approval under the Contract Review Protocol for procurement of any items included within the CIP cap which exceed the \$1.5M threshold if the PUC has not previously approved such items.

RECOMMENDATION

Based upon the recognition that the FY2024 general plant budget is consistent with that of prior fiscal years, subject to GPA's ability to carry out the capital improvement projects using internally funded dollars, the Administrative Law Judge recommends that the PUC approve the proposed FY2024 \$32,931,099 Ceiling Cap. The projects requested to be funded are needed for plant overhauls, improvements, equipment, and system upgrades. Such a CIP cap is reasonable, prudent and in the interest of the ratepayers.

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

Dated this 25th day of September 2023.


Frederick J. Horecky
Chief Administrative Law Judge