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9 *Attorney for Guam Power Authority*

10 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

11 **IN THE MATTER OF:**

GPA DOCKET NO. 24-05

12 **BULK SUPPLY OF ULTRA LOW**
13 **SULFUR DIESEL (ULSD) FUEL OIL**

PETITION OF THE GUAM POWER
AUTHORITY TO AWARD THE
CONTRACT FOR THE BULK SUPPLY
OF ULTRA LOW SULFUR DIESEL
(ULSD) FUEL OIL

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17 The Guam Power Authority (GPA) hereby files its petition requesting the PUC's
18 approval to authorize the Guam Power Authority to award the contract for the bulk supply of
19 ultra low sulfur diesel (ULSD) fuel oil.

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22 **I. Background.**

23 Under GPA Resolution No. FY2023-12, the CCU authorized GPA to issue bids for
24 procurement of a ULSD contract. *See* Ex. A (GPA Resolution No. FY2023-12). The PUC
25 approved the CCU's resolution under Docket No. 23-12. *See* Ex. B (GPA Docket No. 23-12).
26 GPA issued Invitation for Multi-Step Bid GPA-040-23 to deliver ULSD to power plants by
27 pipeline transfer.
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30 Hyundai Corporation was the lowest, most responsive bidder to meet the bid
31 requirements, at a Fixed Premium Fee price for the three-year contract base period of \$8.080/bbl.
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This gives an estimated premium fee cost of \$16,160,000 for the first year, \$20,200,000 for the

1 second year, and \$21,816,000 for the third year, for a total estimated premium fee cost of
2 \$58,176,000. The contract for an initial three-year period is anticipated to commence on
3 February 1, 2024, and expire on January 31, 2027, with two one-year extension options
4 renewable annually by mutual agreement of the parties.
5

6 Based on estimated supply quantities, the estimated contract cost is \$235,240,000 for the
7 first year, \$294,050,000 for the second year, and \$317,574,000 for the third year, for a total
8 three-year estimated contract cost of \$846,864,000.
9

10 Under GPA Resolution No. FY2024-04, the CCU has authorized GPA management to
11 award Hyundai Corporation the contract for the bulk supply of ULSD. *See* Ex. C (GPA
12 Resolution No. FY2024-04).
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14 **II. Request for Approval.**

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16 PUC's contract review protocol requires PUC authorization for all contracts in excess of
17 \$1.5 million. GPA seeks PUC's approval to enter into a contract with Hyundai Corporation for
18 a three-year term commencing February 1, 2024, and expiring January 31, 2027, for an estimated
19 total contract cost of \$846,864,000. GPA also seeks PUC's approval for an increase in GPA's
20 obligating authority to the annual value of the contract and to execute such agreements and
21 documents as necessary for the contract with Hyundai Corporation.
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1 **III. Conclusion.**

2 Based on the foregoing, GPA requests that the PUC authorize GPA to award the contract
3 for the bulk supply of ULSD fuel oil to Hyundai Corporation as described above. The contract
4 is reasonable, necessary, and prudent.
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6 Respectfully submitted this 14th day of November 2023.

7 *Attorney for Guam Power Authority*
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9 By: /s/
10 Marianne Woloschuk
11 GPA Legal Counsel
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CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority
P.O. Box 2977 Hagatna, Guam 96932 | (671) 648-3002 | guamccu.org

GPA RESOLUTION NO. FY2023-12

AUTHORIZING THE MANAGEMENT OF THE GUAM POWER AUTHORITY TO PROCURE BULK SUPPLY OF ULTRA LOW SULFUR DIESEL (ULSD) FOR THE POWER GENERATING PLANTS

WHEREAS, the two (2) year contract with Mobil Oil Guam, Inc. ("MOGI") for the Bulk Supply of Diesel Fuel Oil No.2 under GPA-047-22 will expire in January 31, 2024; and

WHEREAS, the bulk supply of ULSD is to fuel primarily but not limited to the new 198MW Ukudu Power Plant and the Piti 8 & 9 units; and

WHEREAS, GPA intends to issue an Invitation for Bid (IFB) for the procurement of a contractor for the Bulk Supply of Diesel Fuel Oil No.2; and

WHEREAS, the new contract for the Bulk Supply of Diesel Fuel Oil No.2 shall be for a base period of three (3) years, to commence on or about February 01, 2024 through January 31, 2027, with two (2) additional one-year extension options; and

WHEREAS, the draft bid solicitation documents for the procurement of a new Diesel Fuel Oil No.2 supply contract is hereby attached as **Exhibit A**; and

WHEREAS, the total cost for the new contract will exceed \$1.5M requiring GPA to seek authorization for this procurement from the PUC; and

WHEREAS, GPA is requesting the approval of the CCU to petition the PUC for the issuance of an Invitation for Bid for the Diesel Fuel Oil No.2 Bulk Supply Contract.

NOW THEREFORE, BE IT RESOLVED, by the Consolidated Commission on Utilities
does hereby approve the following:

1. GPA is authorized to issue a bid for Diesel Fuel Oil No.2 Bulk Supply contract through a Multi-Step Bid process is reasonable, prudent and beneficial to its customers.

RESOLVED, that the Chairman certified and the Board Secretary attests to the adoption of this Resolution.

DULY AND REGULARLY ADOPTED, this 21st day of February 2023.

Certified by:

Attested by:

2. T. 10

JOSEPH T. DUENAS
Chairperson

Chun-ti

PEDRO ROY MARTINEZ
Secretary

I, Pedro Roy Martinez, Secretary of the Consolidated Commission on Utilities (CCU)
as evidenced by my signature above do hereby certify as follows:

The foregoing is a full, true and accurate copy of the resolution duly adopted at a regular meeting by the members of the Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

AYES:

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NAYS:

ABSENT:

ABSTAIN:

[Signature]



EXHIBIT A: Draft Contract

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Invitation For Multi-Step Bid

No. GPA- -23

BULK SUPPLY OF DIESEL FUEL OIL NO.2



Volume II

CONTRACT

ATTACHMENT 1**Estimated Cost**

3-Yr Contract	Estimated Quantity ¹ (bbl/yr)	Estimated Cost ²			
		Commodity Price (\$/bbl)	Sample Premium Fee (\$/bbl)	Unit Cost (Landed) (\$/bbl)	Total Cost (\$)
First (1 st) Year	2,000,000	\$113.402	\$4.000	\$117.402	\$234,804,000
Second (2nd) Year	2,500,000	\$113.402	\$4.000	\$117.402	\$293,505,000
Third (3rd) Year	2,700,000	\$113.402	\$4.000	\$117.402	\$316,985,400
SUMMARY	7,200,000 (TOTAL)	\$113.402 (AVG)	\$4.000 (AVG)	\$117.402 (AVG)	\$845,294,400 (TOTAL)

¹ Reference: Section 2 of the Contract² Reference: Section 5 of the Contract

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**THE APPLICATION OF THE GUAM
POWER AUTHORITY FOR
APPROVING THE PROCUREMENT
FOR THE BULK SUPPLY OF DIESEL
FUEL OIL**

GPA DOCKET 23-12

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the February 28, 2023 Petition for Approval of the Procurement for Bulk Supply of Diesel Fuel Oil (the “Petition”), filed by the Guam Power Authority (“GPA”).

On March 27, 2023, 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 several units that use ultra low sulfur diesel (“ULSD”) fuel oil, which include Piti 7, 8, and 9.¹ In addition, once the new Ukudu Power Plant comes online, GPA will need this diesel fuel oil to power up that plant. According to GPA, its contract with Mobil Oil Guam is set to expire on January 31, 2024.

On February 21, 2023, the Guam Consolidated Commission on Utilities (the “CCU”), through CCU Resolution No. 2023-12, authorized GPA to petition the PUC for

¹ Petition, p. 1 (Feb. 28, 2023).

approval to procure a new contract for a bulk supply of ULSD fuel oil; and to issue and Invitation for Bid (“IFB”) to procure a supplier for such fuel oil.²

DISCUSSION

A. 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.”³

B. Invitation to Bid for the Bulk Supply of ULSD Fuel Oil

In the instant procurement, GPA intends to solicit bids for an “uninterrupted” bulk supply of ULSD fuel oil.⁴ Based on a review of the IFB, the proposed contract includes a provision that allows the contractor to source fuel oil from other vendors in order to guarantee fuel oil supply security.⁵ In addition, the contract also contains a provision that allows GPA to seek an alternative source of fuel oil from another vendor where the contractor is unable to fulfill its obligations. And in such instance, the contractor will be liable to GPA for the difference in the cost of fuel oil.⁶

² Petition, pp. 1-2 and “Exhibit A” (GPA Resolution No. FY2023-12, issued by the Consolidated Commission on Utilities, pp. 1-2 (Feb. 21, 2023) (hereinafter referred to as the “Resolution”).

³ GPA’s Contract Review Protocol (“GPA CRP”), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

⁴ Proposed Contract, p. 6.

⁵ Proposed Contract, p. 19.

⁶ Proposed Contract, p. 22.

Additionally, the contract contains a provision that allows GPA to terminate any such delivery of fuel oil supply, in whole or in part, by simply providing the contractor with a notice of termination one hundred and twenty (120) days prior to any such termination.⁷ Further, the contract will require the first delivery of fuel oil by February 1, 2024.⁸

C. Cost and Term

The term of the contract will be for three (3) years, beginning on February 1, 2024 through January 31, 2027, with options to extend the contract an additional two (2) years. In addition, GPA has estimated that it will need about 1 million to 2 million barrels of ULSD fuel oil for the first year of the contract; about 1.5 million to 2.5 million barrels of fuel oil for the second year of the contract; and about 2 million to 2.7 million barrels of fuel oil for the third year of the contract.⁹

GPA projects the cost of a barrel of ULSD fuel oil at \$113.40, and a contractor's premium of \$4.00 per barrel.¹⁰ Accordingly, on the high end, GPA has estimated that the total cost for three years of this bulk supply of ULSD is about \$845,294,000.00.

D. CCU Resolution No. 2023-12

The Petition is supported by GPA Resolution No. 2023-12 issued by the CCU at its February 21, 2023 meeting (the "Resolution"). In the Resolution, the CCU authorized GPA to petition the PUC for approval to procure a new contract for the bulk supply of

⁷ Proposed Contract, p. 32.

⁸ Proposed Contract, p. 9.

⁹ Proposed Contract, p. 9.

¹⁰ Proposed Contract, p. 12.

diesel fuel oil. The CCU further authorized GPA to issue an Invitation for Bid (“IFB”) to procure a supplier for the bulk supply of ULSD fuel oil.¹¹

CONCLUSION

Based on the documentation provided by GPA, the CCU has authorized GPA to petition the PUC for approval to issue an IFB to procure a contractor for the bulk supply of ULSD fuel oil. Without a doubt, diesel fuel oil is essential to GPA’s operations since it is utilized at various diesel-fired power plants. Without such fuel oil, GPA will be unable to provide the necessary generation capacity, especially during times when certain base load units are down, in order to provide a stable and uninterrupted supply of electricity to meet the island-wide utility power demand.

Indeed, the PUC has consistently determined that GPA requires a continuous supply of diesel fuel necessary to maintain the authority’s electric power generation capacity; and that the procurement of such fuel oil is reasonable, prudent and necessary.¹²

The proposed contract sets forth an initial three-year term, which will begin on February 1, 2024 and end on January 31, 2027. GPA will then have an option to extend the contract for an additional two (2) years, which will be renewable annually. The contract also contains various provisions designed to protect GPA and its ratepayers, which include provisions on warranty and quality assurance, insurance requirements, and a provision on termination for convenience, as mentioned above. Accordingly, the ALJ found that the proposed contract appears to adequately protect the interests of GPA and its ratepayers.

¹¹ Petition, pp. 1-2 and “Exhibit A” (GPA Resolution No. FY2023-12, issued by the Consolidated Commission on Utilities, pp. 1-2 (Feb. 21, 2023)).

¹² See, e.g., Order, GPA Docket 17-18, p. 3 (Sept. 28, 2017).

Moreover, the ALJ found that the procurement of bulk supply of ULSD fuel oil ensures that GPA has a continuous supply of fuel to the power plants necessary to perform its electric power generation at capacity. The ALJ, therefore, found the instant procurement to be reasonable, prudent, and necessary.

RECOMMENDATION

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA's Petition. Accordingly, GPA should be authorized to issue an Invitation for Bid related to the procurement of the bulk supply of ULSD fuel oil.

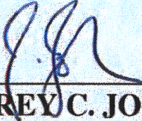
The Commission hereby adopts the findings in the March 27, 2023 ALJ Report and therefore issues the following.


ORDERING PROVISIONS

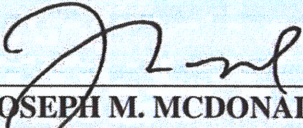
Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to issue an Invitation for Bid related to the procurement of the bulk supply of ULSD fuel oil.
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.

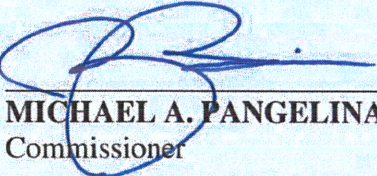
SO ORDERED this 30th day of March, 2023.





JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ-CAMACHO
Commissioner

JOSEPH M. MCDONALD
Commissioner

PEDRO GUERRERO
Commissioner

MICHAEL A. FANGELINAN
Commissioner

PETER MONTINOLA
Commissioner

DORIS FLORES BROOKS
Commissioner

P233008.JRA



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagatña, Guam 96932 | (671) 648-3002 | guamccu.org

RESOLUTION NO. FY2024-04

AUTHORIZING MANAGEMENT TO AWARD THE CONTRACT FOR THE BULK SUPPLY OF ULTRA LOW SULFUR DIESEL (ULSD) FUEL OIL

WHEREAS, GPA was authorized by the CCU under GPA Resolution No. 2023-12 and approved by the PUC under Docket 23-12 to issue bids for the procurement of a new Ultra Low Sulfur Diesel (ULSD) Fuel Oil Bulk Supply contract for delivery by pipeline transfer to the power plants; and

WHEREAS, the Procurement Officer has provided adequate public announcement for the need for such fuel supply services through Invitation for Multi-Step Bid No. GPA-040-23 describing the type of services required and specifying the type of information and data required of each offeror; and

WHEREAS, Hyundai Corporation, IP&E Holding LLC, and Mobil Oil Guam submitted bids for GPA consideration; and

WHEREAS, the results and evaluation of the bids are provided in **Exhibit A**; and

WHEREAS, the Fixed Premium Fee price proposal for the three-year contract base period is \$8.080/bbl for Hyundai Corporation, \$10.300/bbl for Mobil Oil Guam, \$14.700/bbl for IP&E Holdings LLC; and

WHEREAS, HYUNDAI CORPORATION was determined to be the lowest, most responsive bidder meeting the requirements of the bid solicitation; and

EXHIBIT C

WHEREAS, the estimated Fixed Premium Fee cost based on estimated supply quantities has a value of approximately \$16,160,000 for the first year, \$20,200,000 for the second year, and \$21,816 for the third year for a total of **\$58,176,000** for the three-year contract base period; and

WHEREAS, the Ultra-Low Sulfur Diesel (ULSD) Fuel Oil Bulk Supply Contract with **HYUNDAI CORPORATION** shall be for an initial period of three (3) years and is anticipated to commence in February 01, 2024 and to expire in January 31, 2027 with two one-year extension options renewable annually upon mutual agreement of both parties; and

WHEREAS, the award of the contract to **HYUNDAI CORPORATION** based on estimated supply quantities has an estimated contract value of approximately \$235,240,000 for the first year, \$294,050,000 for the second year, and \$317,574,000 for the third year for a total of **\$846,864,000** for the three-year contract base period.


NOW THEREFORE, BE IT RESOLVED, by the CONSOLIDATED COMMISSION ON UTILITIES as the governing body of GPA, and subject to the review and approval of the Public Utilities Commission as follows:

1. The General Manager of the Guam Power Authority is hereby authorized to enter into a three (3) year contract commencing February 01, 2024 and expiring January 31, 2027 for an estimated total contract cost of **\$846,864,000** with **HYUNDAI CORPORATION** for the Bulk Supply of Ultra Low Sulfur Diesel (ULSD) Fuel Oil No.2.
2. The General Manager of the Guam Power Authority is hereby authorized an increase in obligating authority to the annual value of the contract and execute such agreements and documents necessary for a contract with **HYUNDAI CORPORATION**.

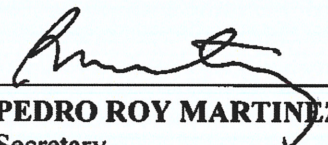
RESOLVED, that the Chairman certified and the Board Secretary attests to the adoption of this Resolution.

DULY AND REGULARLY ADOPTED, this 31st day of October 2023.

Certified by:


JOSEPH T. DUENAS
Chairperson

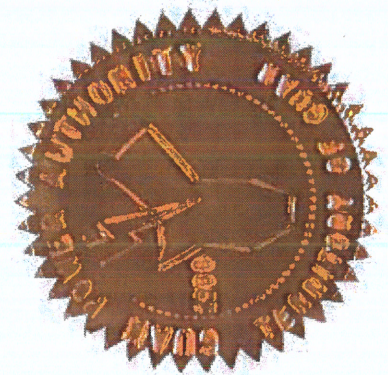
Attested by:


PEDRO ROY MARTINEZ
Secretary

I, Pedro Roy Martinez, Board Secretary of the Consolidated Commission on Utilities as evidenced by my signature above do hereby certify as follows:

The foregoing is a full, true and accurate copy of the resolution duly adopted at a regular meeting by the members of the Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

AYES:	<u>5</u>
NAYS:	<u>0</u>
ABSTENTIONS:	<u>0</u>
ABSENT:	<u>0</u>



3-YEAR BASE PERIOD (MANDATORY)			
MS IFB GPA-040-23			
A. Bid Reference Price (\$/bbl)			
B. Fixed Premium Fee Cost (\$/bbl)			
C. Bid Price (A+B), \$/bbl			
D. Estimated Quantity (bbbls)			
E. ESTIMATED PREMIUM FEE COST (B x D), \$			
F. ESTIMATED CONTRACT COST (C x D), \$			
Based on the Mandatory Bid Price Proposal for the three (3) year contract base period, the lowest bidder is: HYUNDAI CORPORATION			
2-YEAR EXTENSION (OPTIONAL)			
MS IFB GPA-040-23			
A. Bid Reference Price (\$/bbl)			
B. Fixed Premium Fee Cost (\$/bbl)			
C. Bid Price (A+B), \$/bbl			
D. Estimated Quantity (bbbls)			
E. ESTIMATED PREMIUM FEE COST (B x D), \$			
F. ESTIMATED CONTRACT COST (C x D), \$			
SUMMARY (3-YEAR BASE + 2-YEAR EXTENSION)			
MS IFB GPA-040-23			
ESTIMATED PREMIUM FEE COST			
ESTIMATED CONTRACT COST			

BASE CONTRACT- 1st of 3 YEARS			
Bidder #1	Bidder #2	Bidder #3	
Hyundai Corp.	IP&E Holdings, LLC	Mobil Oil Guam, Inc	
\$109,540	\$109,540	\$109,540	
\$8,080	\$14,700	\$10,300	
\$117,620	\$124,240	\$119,840	
2,000,000	2,000,000	2,000,000	
\$16,160,000.00	\$29,400,000.00	\$20,600,000.00	
\$235,240,000.00	\$248,480,000.00	\$239,380,000.00	

BASE CONTRACT- 2nd of 3 YEARS			
Bidder #1	Bidder #2	Bidder #3	
Hyundai Corp.	IP&E Holdings, LLC	Mobil Oil Guam, Inc	
\$109,540	\$109,540	\$109,540	
\$8,080	\$14,700	\$10,300	
\$117,620	\$124,240	\$119,840	
2,500,000	2,500,000	2,500,000	
\$20,200,000.00	\$36,750,000.00	\$25,750,000.00	
\$294,050,000.00	\$310,600,000.00	\$293,600,000.00	

BASE CONTRACT- 3rd of 3 YEARS			
Bidder #1	Bidder #2	Bidder #3	
Hyundai Corp.	IP&E Holdings, LLC	Mobil Oil Guam, Inc	
\$109,540	\$109,540	\$109,540	
\$8,080	\$14,700	\$10,300	
\$117,620	\$124,240	\$119,840	
2,700,000	2,700,000	2,700,000	
\$21,816,000.00	\$39,690,000.00	\$27,810,000.00	
\$317,574,000.00	\$335,448,000.00	\$323,568,000.00	

3-YEAR BASE CONTRACT PERIOD			
Bidder #1	Bidder #2	Bidder #3	
Hyundai Corp.	IP&E Holdings, LLC	Mobil Oil Guam, Inc	
\$109,540	\$109,540	\$109,540	
\$8,080	\$14,700	\$10,300	
\$117,620	\$124,240	\$119,840	
7,200,000	7,200,000	7,200,000	
\$58,176,000.00	\$105,840,000.00	\$74,160,000.00	
\$846,864,000.00	\$894,528,000.00	\$862,848,000.00	

2-YEAR CONTRACT EXTENSION PERIOD			
Bidder #1	Bidder #2	Bidder #3	
Hyundai Corp.	IP&E Holdings, LLC	Mobil Oil Guam, Inc	
\$109,540	\$109,540	\$109,540	
\$7,880	\$14,700	\$10,800	
\$117,420	\$124,240	\$120,340	
5,000,000	5,000,000	5,000,000	
\$39,400,000.00	\$73,500,000.00	\$54,000,000.00	
\$587,100,000.00	\$621,200,000.00	\$601,700,000.00	

SUMMARY (3-YEAR BASE + 2-YEAR EXTENSION)			
Bidder #1	Bidder #2	Bidder #3	
Hyundai Corp.	IP&E Holdings, LLC	Mobil Oil Guam, Inc	
\$87,576,000.00	\$179,340,000.00	\$128,160,000.00	
\$1,433,964,000.00	\$1,515,728,000.00	\$1,464,548,000.00	