

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
November 30, 2023
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting set for 6:30 p.m. on November 30, 2023, pursuant to due and lawful notice. The meeting was called to order at 6:35 p.m. **all Commissioners** were in attendance. The following matters were considered at the meeting under the agenda included as *Attachment "A"* hereto.

1. Approval of Minutes of September 26, 2023 and October 26, 2023.

The Chairperson announced that the first item of business on the agenda was the approval of the minutes of September 26 and October 26, 2023. Commissioner Montinola moved to approve the minutes of the September 26 and October 26, 2023 meeting subject to corrections, which motion was seconded by Commissioner McDonald. The motion passed unanimously.

2. Guam Solid Waste Authority

The Chairperson announced that the next items of business on the agenda was Guam Solid Waste Authority ("GSWA") Docket 24-01, Petition for Review and Approval of Award and contract to Worldwide Enterprise, Inc. for 24-Cubic Yard Rear Loading Refuse Trucks, and GSWA Docket 24-02, Petition for Review and Approval of Award and contract to Far East Equipment, LLC. for 24-Cubic Yard Side Loading Refuse Trucks; ALJ Reports; and Proposed Orders.

Chief ALJ Frederick Horecky ("ALJ Horecky") reported that the matter pertains to GSWA's petition for approval of awards and contracts for refuse trucks to two companies: Worldwide Enterprises Inc. and Far East Equipment, LLC. The contracts include two rear-loading refuse trucks from Worldwide Enterprises Inc. and two 24-cubic yard side loading refuse trucks from Far East Equipment, LLC. Both sets of trucks were part of the same bid (GSWA 004-23), and Far East Equipment was the sole bidder for all four trucks.

ALJ Horecky explained that the bid exceeded the federal GSA quote by 10.95% for the rear-loading trucks, triggering a provision that allows GSA on Guam to secure supplies on behalf of the government. As a result, the procurement officer authorized the purchase order to Worldwide Enterprises Inc. for the rear-loading refuse trucks. However, Far East Equipment's bid for the side-loading refuse trucks was only 2.82% higher than the federal bid, so they were awarded that portion of the contract.

Furthermore, the total funding for these trucks, exceeding \$750,000, is sourced from funds available through the ARPA Act. ALJ Horecky argued that the trucks are urgently needed, as indicated by GSWA, and that further delay would adversely affect the ability to collect household refuse.

ALJ Horecky recommended PUC approval of the purchase of the four refuse trucks and authorization for GSWA to expend up to \$847,645.60 for the rear-loading trucks and \$986,399.84 for the side-loading trucks. The recommendation was based on the belief that the purchase is in the best interest of ratepayers and is reasonable, prudent, and necessary due to the urgent need for truck replacement.

A discussion ensued between the Commissioners and GSWA General Manager Irvine Slike (GSWA GM Slike). Chairman Johnson inquired the delivery schedule for electric trucks, which GSWA GM Slike confirmed one arriving on December 5th and two more on December 19th. Commissioner Montinola raised a question about procurement law, asking if there is a requirement to go with the bid or if GSA's lower bid could have been considered, which ALJ Horecky explained that the law doesn't mandate going with the bid if it's within the 10% threshold, leaving it to local procurement officials. Commissioner McDonald asked about the delivery timeline for side-loader and rear-loader trucks, and GSWA GM Slike explained that both are expected to be delivered around June 2025 due to missing a manufacturing slot. Commissioner Flores-Brooks expressed concern about the two-year gap before the new trucks arrive and questioned how GSWA plans to manage its current fleet until then. GSWA GM Slike mentioned using existing trucks for maintenance, but anticipates a hiatus of three to four years after the arrival of the new trucks.

After the discussion, Commissioner Montinola motioned to approve the proposed orders for GSWA Docket nos. 24-01 and 24-02, which motion was seconded by Commissioner McDonald. The motion passed unanimously.

3. Guam Waterworks Authority

The Chairperson announced that the next item of business on the agenda was Guam Waterworks Authority ("GWA") Docket 24-02, Petition to Authorize GWA to Increase Funding to Its Contract with JMI-Edison for Submersible Pumps and Motors for GWA Deep Wells; Legal Counsel Report; and Proposed Order.

PUC Legal Counsel Anthony R. Camacho ("PUC Counsel") reported that the matter concerns GWA's request for approval to solicit a new contract for submersible pumps and motors, necessary for maintaining the operation of drinking water wells. The initial three-year contract with JMI Edison, authorized by the PUC, included two 1-year options to renew. However, the cost of the initial term exceeded expectations due to increased needs and price hikes by the contractor.

PUC Counsel explained that given the unexpected costs, GWA decided to put the contract out to bid again, aiming to obtain more favorable federal prices. PUC Counsel expressed support to this decision, citing Guam Procurement Regulations that authorize GWA to procure an indefinite quantity and indefinite delivery contract. He emphasized that such a contract is appropriate as GWA cannot predict the quantity or timing of pump and motor replacements.

PUC Counsel found the solicitation for a new contract necessary, highlighting that GWA relies on this equipment for the operation of its 95 drinking water wells. PUC Counsel recommended PUC approval for the solicitation, again emphasizing the importance of maintaining a stable water supply. PUC Counsel noted that GWA would return to the PUC for approval once a vendor is identified, and submitted a proposed order to facilitate this process.

When called upon by the Chairperson for any comments, GWA Legal Counsel Theresa Rojas (GWA Rojas), acknowledged the presence of Mr. Budasi, GWA's Acting General Manager. GWA Rojas then briefly addressed the commission, reiterating that the submersible pumps and motors being procured are crucial for the functionality of deep wells. These components enable the transfer of water from the bottom to the top of the well, facilitating water production and distribution.

GWA Rojas noted that their intention is to proactively manage their inventory needs by going out to bid rather than simply renewing existing options. The goal, according to GWA Rojas, is to explore competitive bids and potentially secure better prices for the required submersible pumps and motors. Overall, GWA Rojas stated GWA's focus is on staying ahead of their inventory requirements to ensure the continuous and reliable operation of GWA's water supply infrastructure.

The Chairperson encouraged the commissioners to oversee GWA's operations with the deep wells as the experience would be interesting and informative. There being no further discussion or comments, Commissioner Guerrero motioned to approve the proposed order, which motion was seconded by Commissioner McDonald. The motion passed unanimously.

- **GWA Docket No. 24-04**

The Chairperson announced that the next item of business on the agenda was Guam Waterworks Authority ("GWA") Docket 24-04, Petition to Increase Funding for GWA Tai Road/S-13 Waterline Replacement Project to Giant Construction; ALJ Report; and Proposed Order.

Administrative Law Judge Joephet R. Alcantara (ALJ Alcantara) stated the matter addresses GWA's request to increase funding for its contract with Giant Construction, specifically for the Tai Road/S-13 water line replacement project. The initial contract, approved by the PUC in 2021, was for \$2,140,292.00. GWA returned to the PUC for additional authorization of \$550,135.00 due to approved change orders.

ALJ Alcantara continued that GWA is now seeking approval for subsequent work orders, aiming to raise the total contract price with Giant Construction to \$3,045,770.00. Unforeseen site conditions—discovered during the disconnection of old asbestos cement pipe water lines—led to change orders, including additional work such as the installation of air relief valves, replacement of water lines, archaeological monitoring, repairs to the asphalt on Tai Road, and more.

ALJ Alcantara emphasized that persistent water line breaks along Tai Road have been a serious issue for residents, causing frequent water outages. The PUC has also recognized the need for expedited action to address these problems and improve service delivery. Based on the project's history and its alignment with GWA's goals to reduce non-revenue water loss, ALJ Alcantara recommended that the PUC authorize an additional amount to bring the total contract price to \$3,045,770.00, supporting the completion of the water line replacement project for the benefit of ratepayers in the community.

GWA Rojas stated that the petition concerned an ongoing water line replacement project targeting six specific roads. The aim is to replace old asbestos cement or asbestos concrete lines and old PVC lines with new PVC pipe. GWA Rojas noted GWA's confidence that the project will be completed with the PUC's approval of the change order.

GWA Rojas further clarified that, contrary to the ALJ's report, GWA is only requesting an additional \$21,000.00 to complete the project, as this includes the 20% contingency mentioned in PUC Docket 22-04. She encouraged any technical questions about the project to be directed to GWA's Assistant General Manager of Engineering, Jeanet Babauta, P.E (GWA Babauta).

A discussion ensued between the Commissioners and GWA Babauta. Commissioner Flores-Brooks inquired about the progress of the water pipe replacement project, asking about the overall plan duration and current status. GWA Babauta responded that it's part of a five-year ongoing plan, addressing unforeseen issues like the discovery of old, unknown 2-inch pipes during replacements. GWA Babauta further explained that the lack of records, changes in design during construction, and emergency installations contribute to the challenge of identifying old pipes. GWA is implementing new technologies, keeping GIS records current, and addressing unknowns as they uncover them.

Chairman Johnson raised questions about the disposal of old asbestos pipes, to which GWA Babauta mentioned abandonment in place for environmental reasons and explored alternatives like pipe bursting. Commissioner Montinola questioned the cause of unknown pipes, considering loss of records, illegal tapping, and storms. GWA Babauta emphasized historical record-keeping challenges, discrepancies in as-builts, and a lack of precise as-constructed designs.

Commissioner Flores-Brooks questioned the extent of known miles of pipes, prompting GWA Babauta to promise a follow-up with the data.

Commissioner Perez-Camacho inquired about unnamed roads and collaboration with Public Works, to which GWA Babauta highlighted coordination with Public Works for inspections, but clarified GWA's responsibility does not extend to naming roads.

Commissioner Guerrero inquired about the potential reduction in asbestos readings in schools due to pipe replacements. GWA Babauta confirmed the positive impact on water quality.

Overall, the discussion revolved around the challenges and progress of GWA's water pipe replacement project, including issues with unknown pipes, record-keeping, and environmental considerations.

There being no further discussion or comments, Commissioner Montinola motioned to approve the proposed order, which motion was seconded by Commissioner Guerrero. The motion passed unanimously.

4. Guam Power Authority

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 23-17, GPA's Updated Proposal for its Phase I Liquefied Natural Gas (LNG) Pre-Development Study; ALJ Report; and Proposed Order.

ALJ Horecky presented a report to the Chairman and Commissioners regarding the proposed Phase 1 of the LNG (Liquefied Natural Gas) study. The focus of Phase 1 being research to determine the viability of LNG as an alternative for Guam's energy infrastructure. Key points from ALJ Horecky's report included:

1. **Study Overview:** The proposed study involves four phases, namely bidding, infrastructure implementation, and transshipment. Each phase includes a go or no-go decision by the PUC, with Phase 1 being the initial research phase.
2. **Concerns Raised by ALJ:** ALJ Horecky expressed concerns, particularly regarding the legal authority of the GPA to engage in LNG-related activities, especially beyond supplying Guam's electric system. He recommended the inclusion of a legal opinion in the study regarding GPA's authority.
3. **Integration with Renewables:** ALJ Horecky highlighted concerns about how LNG fits into Guam's renewable energy plans. A chart projecting over 1,300 megawatts of solar power in Guam by 2040 was attached. The report suggested that the study should address these concerns.
4. **Historical Context:** ALJ Horecky referenced past PUC positions on LNG, mentioning that initially, LNG was not approved for use. However, later rulings indicated a consideration of LNG proposals for new projects, especially those providing efficient, reliable, and cost-effective capacity.

5. **Dual Firing Requirement:** The PUC had previously approved the construction of a second pipeline to the Ukudu Powerplant capable of dual firing for ultra-low sulfur diesel or natural gas, signaling a prior inclination toward exploring LNG.
6. **Cost-Benefit Analysis:** ALJ Horecky emphasized that the study's purpose is to assess the feasibility and cost-benefit of LNG, especially considering the potential for over 1,300 megawatts of solar power by 2040.
7. **Time Horizon Considerations:** ALJ Horecky questioned whether there is sufficient time for LNG to recover costs if there is a substantial increase in renewable energy sources within the same timeframe.
8. **Study Approval Recommendation:** Despite reservations, ALJ Horecky recommended approval of the study, with the understanding that it provides an opportunity for GPA and PUC to objectively assess the potential benefits and drawbacks of implementing LNG.

In conclusion, ALJ Horecky's report emphasized the need for a comprehensive study to determine whether LNG could be a viable and cost-effective technology for Guam's energy needs. The ALJ's recommendation for approval came with specific recommendations to address legal concerns and ensure a fair and objective evaluation.

GPA General Manager John Benavente (GPA GM Benavente) then provided additional context and justification for the proposed LNG study. Key points from his comments include:

1. **Previous Efforts:** GPA GM Benavente referred to past efforts in transitioning from ultra-low sulfur diesel to natural gas, highlighting the estimated savings of \$35 million in additional fuel costs. He also mentioned a contractual provision with KEPCO, stating that using gas in the turbine would reduce annual operations and maintenance costs by \$11 million due to the cleaner burning nature of natural gas.
2. **Preliminary Study:** Acknowledging a preliminary study conducted around 10 years ago, GPA GM Benavente emphasized the need for an updated study. The study aims to determine suitable sites, explore various options, and address logistical aspects such as floating storage for gasification facilities.
3. **Renewable Energy Targets:** GPA GM Benavente discussed Guam's renewable energy targets, aiming for 50% renewable energy by 2030 as a foundation for achieving the 100% renewable energy mandate by 2045. He noted that the study would help in planning and understanding future scenarios, considering various renewables and the potential role of clean gas.
4. **Transshipment Considerations:** The mention of transshipment explored potential revenue sources and the idea of supporting other islands' communities by transshipping natural gas. This approach could involve shipping natural gas

through containerized means from Guam and then transshipping it to other islands, potentially reducing costs through economies of scale.

5. **Decision-Making Process:** GPA GM Benavente emphasized the importance of a comprehensive study to inform decisions on Guam's energy future. He highlighted the intention to address concerns raised during the PUC review process, ensuring a thorough analysis, and understanding of potential benefits and risks associated with LNG.
6. **Capacity Factor Considerations:** In discussing the impact of renewable energy growth on the Ukudu Powerplant, GPA GM Benavente noted that the capacity factor might decrease to around 50-60% due to the anticipated growth, including military expansion and the introduction of data centers. The study aims to provide insights into such scenarios.

In closing, GPA GM Benavente assured collaboration at every step with the PUC, emphasizing a commitment to comply with PUC decisions, whether lead to approval or disapproval of the proposed LNG plans.

A discussion ensued between the Commissioners and GPA GM Benavente, and GPA Assistant Chief Management Officer Jennifer Sablan (GPA ACOMO Sablan) revolving around the proposal to conduct a study on the feasibility and cost-benefit analysis of switching the Ukudu powerplants to natural gas. Key points discussed include:

1. **Savings from Natural Gas:** Switching to natural gas is expected to result in an \$11 million annual reduction in operations and maintenance costs, bringing it down to \$18 million.
2. **Contractual Provisions:** The O&M cost reduction is part of the contractual agreement, and it's already included in the contract terms. A new analysis is deemed necessary to assess the current cost-effectiveness.
3. **Transshipment of Natural Gas:** GPA's role is to bring LNG to Guam, and the logistics of transshipment to other islands would likely involve commercial entities.
4. **Contract Cost Negotiation:** The cost of the proposed study with Stanley was negotiated to what was deemed necessary for the study.
5. **Responsibility to Examine Options:** Given investments in the new power plant and dual pipeline, there's a responsibility to explore the cost-benefit ratio of alternative fuels.

6. **Timing Concerns:** Concerns were raised about the timing of the study, given the ongoing construction of the Ukudu power plant and anticipated changes in the energy landscape with renewables.
7. **Investment Justification:** The \$1.7 million investment for the study is justified to potentially save tens of millions of dollars.
8. **Duration of the Study:** The study is expected to take about a year.
9. **Comparison of Fuel Costs:** The study will include a comparison of costs between LNG and ultra-low sulfur diesel.
10. **Infrastructure Costs:** Concerns were raised about the cost of infrastructure for containing LNG, with an emphasis on amortizing this cost against the overall cost of LNG.
11. **Net Savings Calculation:** The study will calculate net savings, considering fuel differentials, maintenance reduction costs, and potential volume reductions in fossil fuel consumption.
12. **Decision-Making Process:** The study will provide a basis for decision-making, allowing the commission to have comprehensive information on the potential benefits and drawbacks of the LNG project.
13. **Feasibility of LNG for Saipan and Rota:** The feasibility of LNG for Saipan and Rota, considering potential challenges in building infrastructure, was discussed.
14. **Geo-Political Considerations:** The geo-political environment of Guam was emphasized, highlighting the importance of having flexibility in fuel sources.
15. **Shipping Natural Gas to Other Islands:** Using iso-containers to ship LNG to other islands, allowing them to re-gas on-site, was discussed as a potential method of supply.
16. **Flexibility in Fuel Sources:** The importance of having options and flexibility in fuel sources due to geopolitical considerations was emphasized.
17. **Concerns about Ukudu Plant Obsolescence:** Questions were raised about a statement regarding the potential obsolescence of the Ukudu plant by 2040, based on projections of increasing solar power.

18. **Ukudu Plant and Renewables Integration:** The Ukudu plant's operation might decrease with more renewables, but it remains crucial for reliability during periods of insufficient solar energy.
19. **Affordable and Reliable System for Attracting Data Centers:** An affordable and reliable energy system is crucial for attracting data centers, aligning with the ongoing discussion on diversifying fuel sources.
20. **Utility Transition from Diesel to LNG:** Questions were asked about utilities transitioning from diesel to LNG, considering factors such as cost-effectiveness.
21. **Timing and Step-by-Step Approach:** Concerns were raised about the timing of discussions and the need for a step-by-step approach to understand the baseline with diesel for Ukudu before delving into LNG considerations.
22. **Study and Professional Input:** A comprehensive study, with professional input, is deemed necessary to evaluate the economic feasibility of LNG.
23. **Duration and Completion of the Study:** Discussions covered the 12-month timeline of the study and the possibility of a zero differential during the study.
24. **Locations for LNG Infrastructure:** Locations discussed in the study from 10 years ago were revisited, emphasizing the need to discuss potential locations with various entities.
25. **Timing Concerns and Prudent Investment:** Concerns about timing were addressed, emphasizing the potential benefits of conducting the study promptly.
26. **Study Delay and Potential Cost Loss:** Delaying the study might lead to missing out on potential cost savings if the decision to convert to LNG is eventually made.
27. **Permitting Requirements and Timeline:** Permitting requirements, particularly those under FERC, were highlighted, considering steps and timelines for compliance.
28. **Cost of the Study:** The cost negotiation for the study was discussed, and it was clarified that it would come from the utility's revenue.
29. **Study Feasibility:** The study aims to determine the feasibility of LNG, with the objective of providing a yes-or-no conclusion.

30. **Ukudu Plant Efficiency:** The Ukudu plant's efficiency, coupled with renewable energy sources, would help stabilize rates and prevent a return to higher costs experienced in the past.

There being no further discussion or comments, Commissioner Montinola motioned to approve the proposed order, which motion was seconded by Commissioner McDonald. The motion passed with 4 in favor and 2 opposed, with Commissioner Guerrero and Flores-Brooks casting the opposing votes.

- **GPA Docket No. 24-04**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-04, Petition for Approval to Authorize GPA to Exercise Its Option to Renew Unarmed Security Guard Services; ALJ Report; and Proposed Order.

ALJ Alcantara reported on the contract between the GPA and Pacific Island Security Agency (PISA) for unarmed security guard services. GPA issued an Invitation for Bid (IFB) in 2022, seeking security services for the protection of its key assets and locations. The initial contract term was for one year, with two 1-year renewal options. The cost for the one-year term was \$798,912.00.

As of June 2023, the initial contract term expired, and GPA exercised a portion of the first renewal option, costing an additional \$199,728.00, extending the contract through September 30th of that year. The Consolidated Commission on Utilities (CCU) authorized GPA to extend the contract for both renewal periods, totaling \$2.396 million for all three contract years.

PISA is responsible for providing unarmed uniformed personnel to protect GPA's assets from theft, vandalism, terrorist threats, and illicit acts. Security services include posted guards and roving security 24/7, covering facilities such as the Gloria B. Nelson Building, supply warehouses courtyard, Yigo Diesel, Yigo Combustion Turbine Powerplant compound, and Cabras Powerplant compound. Duties include responding to security threats, patrolling, monitoring CCTV, and responding to alarms.

The monthly cost for PISA's services is \$66,576.00. GPA indicated that the increased demand for security services after Typhoon Mawar made exercising the two renewal options advantageous. ALJ Alcantara recommended PUC approval of GPA's contract with PISA, including the authority to exercise the two-year renewal options at a total cost of \$396,746.00. ALJ Alcantara recommended approval based on the critical importance of securing GPA's assets, the potential risks to public health and safety, and the consideration that seeking new bids might not result in lower prices.

GPA GM Benavente expressed agreement with ALJ Alcantara's analysis and the recommended approval of the contract with PISA. He mentioned that the first year was implemented within his authority, and a portion of the second year was implemented, seeking PUC approval for the authority to complete the second year, which would

extend the contract cost to \$2.3 million. Without approval, they would have to go out for a new bidding process.

A brief discussion ensued between Commissioner Montinola and GPA GM Benavente. Commissioner Montinola inquired about the duration of the existing contract with PISA for unarmed security guards, and GPA GM Benavente responded that it started in June 2022 and is currently in the middle of the second year. Commissioner Montinola then asked about incident reports or summaries regarding activities at the facilities, and GPA GM Benavente confirmed that they have such reports that are submitted to their Safety Office, and expressed willingness to provide them to the Commission.

There being no further discussion on the matter, Commissioner Guerrero moved to approve the proposed order, which motion was seconded by Commissioner Montinola. The motion passed unanimously.

- **GPA Docket No. 24-05**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-05, Petition for Approval to Award Hyundai Corporation GPA's Contract for Bulk Supply Ultra Low Sulfur Diesel (ULSD) Fuel Oil; ALJ Report; and Proposed Order.

ALJ Alcantara informed the Commission about the expiration of GPA's current contract for ultra-low sulfur diesel fuel oil with Mobil Oil Guam on January 31, 2024. Following an invitation for bids, Hyundai Corporation submitted the lowest responsive bid at a fixed premium fee of about \$8.00 per barrel, which is \$4.00 less than the highest bidder and \$2.00 less than the next lowest bidder, resulting in a bid price of about \$117.00 per barrel.

ALJ Alcantara explained that the proposed contract outlined Hyundai's obligation to provide an uninterrupted bulk supply of ultra-low sulfur diesel fuel oil to GPA's power plants. The contract included provisions allowing GPA to source fuel from other vendors if Hyundai cannot fulfill its obligation, enabling GPA to terminate or extend the contract with 120-day notice, and offered options to extend the contract for two additional years. The estimated total cost for the three-year contract is around \$846 million, with potential cost reductions during the option years.

ALJ Alcantara recommended PUC approval of the contract, emphasizing its competitiveness, stability, and the protective provisions in place. ALJ Alcantara emphasized the essential nature of diesel fuel oil for GPA's operations and the need for a stable and uninterrupted electricity supply during times when baseload units are not meeting the island's power needs.

GPA GM Benavente commented on the procurement of ultra-low sulfur diesel for Ukudu and several other power plants, excluding Cabras 1 and 2. The contract with Mobil, which expires in February, involved an option for additional years that Mobil did not exercise due to a \$4.00 per barrel premium fee. According to GPA GM

Benavente, the focus of the bidding process was on this premium fee, with the lowest bid being \$8.00 per barrel. GPA GM Benavente emphasized that the cost of oil is a benchmark that fluctuates, but the premium fee is crucial. The proposed contract sought approval for the base period, and further extensions will be revisited with the PUC if desired. GPA GM Benavente highlighted the significance of securing a new contract as the current one is about to expire.

A discussion ensued between the Commissioners, ALJs Horecky and Alcantara, and GPA GM Benavente and GPA Jennifer Sablan. The key topics were as followed:

1. **Contract Significance:** The chairman acknowledged that the ultra-low sulfur diesel contract is the largest one the Government of Guam has with any private entity, emphasizing its substantial financial impact.
2. **Cost Concerns:** GPA GM Benavente expressed hope for a decrease in the contract size due to the high cost of ultra-low sulfur diesel. The discussion revolved around the considerable expense and the need for alternatives.
3. **Financial Leeway and LNG Exploration:** Chairman Johnson noted the \$850 million expenditure over the next few years and stated potential leeway for saving money, especially by exploring liquefied natural gas (LNG) options. The focus being on cost-saving measures and operational and maintenance (O&M) costs.
4. **Fuel Procurement Details:** Commissioner Flores-Brooks questioned the increasing purchase of diesel from 2 million to 2.5 million barrels in the second year of the contract. GPA GM Benavente explained that this increase is associated with commissioning Ukudu and the need to fill storage tanks during the process.
5. **Cabras 1 and 2 Displacement:** GPA GM Benavente discussed the plan to displace Cabras 1 and 2, burning residual fuel oil (RFO), with Ukudu. The aim being to consume more diesel, but the overall goal being to transition to more renewables, ultimately reducing dependence on fossil fuels.
6. **Contingency and Fixed Rate:** The discussion delved into the contingency aspect, with clarification that the contract is fixed-rate, but there is a 20% contingency. However, GPA did not anticipate utilizing the contingency.
7. **Reliability Issues with Cabras 1 and 2:** The reliability issues of Cabras 1 and 2 were discussed as contributing to the increased use of diesel in combustion turbines.
8. **Fuel Procurement Planning:** The discussion covered the complexities of fuel procurement, the upcoming Ukudu powerplant, and the need for a stable and uninterrupted supply of electricity for the island's power needs.

Overall, the discussion revolved around the financial, operational, and strategic aspects of the ultra-low sulfur diesel contract, with an emphasis on cost-saving measures and the transition to more sustainable energy sources.

There being no further discussion on the matter, Commissioner Montinola moved to approve the proposed order, which motion was seconded by Commissioner Guerrero. The motion passed unanimously.

- **GPA Docket No. 24-06**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-06, Petition to Approve Amendment 2 to Hanwan Energy Corporation's Phase II, Renewable Energy Acquisition Power Purchase Agreement; ALJ Report; and Proposed Order.

ALJ Horecky presented a report to the Commissioners regarding GPA's request for approval of two amendments. The first is Amendment 2 to the Hanwan Energy Corporation Phase 2 renewable energy acquisition power purchase agreement, and the second is an amendment to the interconnection agreement.

In 2018, the PUC authorized GPA to award the Phase 2 Renewable Acquisition Agreement for two 30-megawatt plants to Hanwan. However, after five years, no construction took place, and GPA attributed delays to various factors, including expensive interconnection costs. While there were considerations to terminate Hanwan, GPA faces challenges, and the loss of the project would impact its ability to meet the consent decree to construct 100 megawatts of solar energy.

ALJ Horecky explained that the new proposal differs significantly from the 2018 agreement. Instead of two 30-megawatt plants, Hanwan now proposes a single 41-megawatt plant, with energy shifting capability. ALJ Horecky expressed concerns about Hanwan's past non-compliance and questioned whether they could be trusted to develop the new plant. Despite this, he acknowledged GPA's predicament and the urgency to comply with the consent decree, making this the quickest way to produce additional generation.

ALJ Horecky also raised concerns about the historical losses, estimating that ratepayers lost around \$45 million due to Hanwan's non-compliance with the original contract. He questioned GPA's decision to do business with a company that had cost the ratepayers dearly.

Regarding the contract amendments, ALJ Horecky found them well-drafted, containing standard protections for ratepayers. He recommended PUC approval of Amendment 2 and the interconnection agreement, subject to four conditions outlined in CCU Resolution 2024-03. He acknowledged that the circumstances place Hanwan in a favorable position for GPA's immediate needs but urged caution due to past disappointments.

In conclusion, ALJ Horecky recommended PUC approval with conditions, balancing the urgency of GPA's situation against concerns about Hanwan's past performance.

When called for comments by the Chairperson, GPA GM Benavente provided context and justification for the proposed amendments. He acknowledged the challenges faced by GPA in meeting the consent decree's commitment to 100 megawatts of solar energy. Initially, GPA had contracts for two 60-megawatt plants with KEPCO and one 60-megawatt plant with Hanwan, along with plans for an additional 40-50 megawatts on a military base.

However, due to a prolonged protest, GPA lost the military base contract, resulting in significant financial loss for ratepayers. With the military base contract gone, the only alternative to comply with the consent decree was the Hanwan project. GPA GM Benavente acknowledged the difficulties faced by Hanwan, including rising costs and delays due to Covid and property acquisition issues.

Despite acknowledging that GPA was not happy with Hanwan's progress, GPA GM Benavente explained the circumstances that led to the proposed amendments. The engineers and stakeholders worked on a revised plan that involved Hanwan providing 41 megawatts with energy storage capability, allowing GPA to comply with the consent decree. The project would generate approximately 75 million kilowatt-hours, with 30% of that energy shifted in the evening to reduce peak demand.

GPA GM Benavente emphasized the economic benefits of the project, including infrastructure improvements at the 34.5-kilovolt level. He mentioned that GPA, although unhappy with the situation, imposed stringent milestones on Hanwan, including achieving EPC financing. GPA GM Benavente expressed confidence that the project could work within the revised timeline, aligning with the completion of Ukudu and the overall consent decree by early 2026.

GPA GM Benavente acknowledged the past disappointments with the contract but emphasized that GPA had safeguards in place. If Hanwan failed to meet milestones, GPA retained the right to terminate the contract and recover the \$4.6 million security development fee. GPA GM Benavente presented the proposal as a way to salvage the situation and meet the consent decree requirements while ensuring GPA had options if Hanwan did not fulfill its commitments.

A discussion ensued between the Commissioners and GPA Benavente and GPA Jennifer Sablan regarding various aspects of the Hanwan Energy Corporation project and related issues, as followed:

1. Project Overview:

- The project involves a contract with Hanwan for solar energy with battery storage.
- The battery component is a significant feature, making the pricing attractive at around 7-8 cents, though it has increased due to the inclusion of batteries.

2. **Contract Pricing and Changes:**
 - The initial pricing was around 14 cents, influenced by the addition of batteries and inflation.
 - Phase 2 and Phase 3 bids had different specifications, and Phase 4 bids are expected to have a 50% load shift.
3. **Capacity and Timeline:**
 - The upcoming bid for Phase 4 is for at least 180 megawatts, covering the 41-megawatt shortfall from the Hanwan project.
 - The completion for Hanwan is expected in 2025, providing energy-shifting benefits to reduce peak demand.
4. **Conditions and Concerns:**
 - Conditions in the contract include milestones, consent for ownership transfers, and ensuring the business license is up-to-date.
 - Concerns were raised about the ability of Hanwan to fulfill the contract and potential transfers of ownership.
5. **Release of Claims:**
 - The release of claims is specific to Hanwan Energy Corporation B, not releasing the development security.
6. **Performance and Termination:**
 - The performance bond serves as a "hammer" to ensure compliance, and termination is an option if conditions are not met.
7. **Procurement and Project Evolution:**
 - Concerns were expressed about the evolution of the project since 2018 and the perceived lack of equal opportunity for other bidders.
 - The project has changed from its initial form due to various factors, including the consent decree.
8. **Future Bids and Timeline Adjustments:**
 - Phase 4 bids for a larger solar project are scheduled to open soon, with a potential capacity of 180+ megawatts.
 - Adjustments to the timeline may be considered based on upcoming bids and potential protests.
9. **Concerns and Alternative Project:**
 - Concerns were raised about the timeline and the message sent regarding procurement practices.
 - If the Hanwan project doesn't proceed, there are no plans to rebid it, relying instead on Phase 4.
10. **Decision Delay and Protest Impact:**
 - Commissioner Montinola suggested delaying the decision by a month to get more accurate numbers based on upcoming bids.
 - The impact of a potential protest in Phase 4 bids could further delay decision-making.
11. **Completion Timelines and Pricing References:**
 - Concerns were expressed about project completion timelines.

- Waiting for the bids in December was considered for a more accurate pricing reference.

There being no further discussion, a motion was made by Commissioner Guerrero to table GPA Docket 24-06 until January 2024, which motion was seconded by Commissioner Montinola. The motion passed unanimously.

- **GPA Docket No. 24-07**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-07, Petition to Approve 40 Megawatts (MW) Temporary Power Procurement; Legal Counsel Report; and Proposed Order.

PUC Counsel presented a proposal from GPA for a three-year lease with two 1-year option extensions or an option to own for 40 megawatts of temporary generation within the next 150 days. This proposal falls under the Contract Review Protocol due to an estimated cost exceeding \$1.5 million. The justification for soliciting temporary power is the recent damage to the new power plant and the insufficient generating capacity of existing plants, particularly when Cabras 1 and 2 are offline. The temporary generation aims to mitigate or prevent load shedding during such outages. PUC Counsel found the proposal reasonable, prudent, and necessary, emphasizing the economic impact of GPA's revenue loss during outages and the inconvenience caused to the people of Guam during load shedding. PUC Counsel noted an error in paragraph 9 of the order, attributing it to a technical issue during document recovery and proposed an amendment. He recommended PUC approval of the petition.

GPA General Manager Benavente discussed the proposal for 40 megawatts of temporary generation, emphasizing its location near the storage tanks and the high likelihood of obtaining permits. The bidding process set to begin in early December, with an opening in January. The construction period is expected to take around 100 days, aiming for completion in April or May, subject to protests. GPA GM Benavente highlighted the urgency due to the potential increase in load demand in the coming months. He mentioned alternative plans, such as the Yigo PMC and legislative support for fixing diesel units. GPA GM Benavente emphasized the need for this temporary generation to prevent load shedding during maintenance or failure of baseload units. He requested PUC support to expedite the process and assured that rates would not increase.

PUC Counsel commented about relief options from protests, citing 5 GCA Section 51.4(25). He recommended utilizing the procedure where the agency being protested can request the Attorney General's support to proceed with the solicitation and award despite the protest. GPA GM Benavente confirmed they have been trying to implement this but faced challenges in obtaining the necessary support.

A discussion ensued between the Chairperson, Commissioner Montinola, GPA GM Benavente and GPA ACOM Sablan, which covered Senator Parkinson's bills, Bill 206

specifically addressing the 40-megawatt temporary power, and Bill 201 aimed at facilitating the Yigo PMC. GPA GM Benavente provided updates on the status of these bills and emphasized the need for legislative support to expedite the process. Commissioner Montinola inquired about the status of the Aggreko units and the PMC, leading to a discussion on protests and the challenges faced in moving forward with these projects. The urgency of obtaining legislative approval for necessary actions was highlighted throughout the conversation.

Chairman Johnson inquired about the temporary power solution, drawing parallels with the Aggreko situation. GPA GM Benavente confirmed that the approach would be similar, exploring options with companies specializing in combustion turbines. The discussion touched on the capacity needed and the Cabras location's suitability. The potential for fuel savings and the efficiency of the new machines were emphasized, leading to a brief mention of past bids and challenges in the field. Chairman Johnson acknowledged the presence and expertise of GPA ACOM Sablan, in overseeing bids related to renewables and Aggreko.

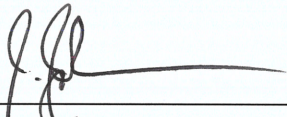
There being no further discussions on the matter, Commissioner Montinola motioned to approve the proposed order subject to corrections stated by PUC Counsel, which motion was seconded by Commissioner McDonald. The motion passed with 6 in favor and 1 opposed. Commissioner Guerrero casted the opposing vote.

5. Administrative Matters.

The Chairperson then announced that the next item of business on the agenda were administrative matters that were for informational purposes only.

The inclusion of the PUC lease agreement was discussed. The lease was presented for informational purposes, with a question prompting the discussion on why it was not bid out. It was clarified that the lease was related to office space, and the suggestion to go out on bid for such services was acknowledged.

There being no further business, the Commissioners moved to adjourn the meeting. The meeting was adjourned at 10:05 p.m. on November 30, 2023.



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 November 30, 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 September 26, 2023 and October 26, 2023**
- 3. Guam Solid Waste Authority**
 - **GSWA Docket 24-01:** Petition for Review and Approval of Award and contract to Worldwide Enterprise, Inc. for 24-Cubic Yard Rear Loading Refuse Trucks; ALJ Report; and Proposed Order
 - **GSWA Docket 24-02:** Petition for Review and Approval of Award and contract to Far East Equipment, LLC. for 24-Cubic Yard Side Loading Refuse Trucks; ALJ Report; and Proposed Order
- 4. Guam Waterworks Authority**
 - **GWA Docket 24-02:** Petition to Authorize GWA to Increase Funding to Its Contract with JMI-Edison for Submersible Pumps and Motors for GWA Deep Wells; Legal Counsel Report; and Proposed Order
 - **GWA Docket 24-04:** Petition to Increase Funding for GWA Tai Road/S-13 Waterline Replacement Project to Giant Construction; ALJ Report; and Proposed Order
- 5. Guam Power Authority**
 - **GPA Docket 23-17:** GPA's Updated Proposal for its Phase I Liquified Natural Gas (LNG) Pre-Development Study; ALJ Report; and Proposed Order
 - **GPA Docket 24-04:** Petition for Approval to Authorize GPA to Exercise Its Option to Renew Unarmed Security Guard Services; ALJ Report; and Proposed Order
 - **GPA Docket 24-05:** Petition for Approval to Award Hyundai Corporation GPA's Contract for Bulk Supply Ultra Low Sulfur Diesel (ULSD) Fuel Oil; ALJ Report; and Proposed Order
 - **GPA Docket 24-06:** Petition to Approve Amendment 2 to Hanwan Energy Corporation's Phase II, Renewable Energy Acquisition Power Purchase Agreement; ALJ Report; and Proposed Order
 - **GPA Docket 24-07:** Petition to Approve 40 Megawatts (MW) Temporary Power Procurement; Legal Counsel Report; and Proposed Order
- 6. Administrative Matters**
 - **Time Certificate Deposit of November 9, 2023 (for informational purposes only)**
 - **PUC Lease Agreement (for informational purposes only)**

7. Adjournment

Further information about the meeting may be obtained from the PUC's Administrator Lourdes R. Palomo at 671-472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Mrs. Palomo.

This Notice is paid for by the Guam Public Utilities Commission

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)

Petition for Review and Approval of)
Award and Contract to Worldwide)
Enterprise, Inc. for 24-Cubic Yard Rear)
Loading Refuse Trucks)
_____)

GSWA Docket 24-01

ORDER



IN THE MATTER OF:)

Petition for Review and Approval of)
Award and Contract to Far East)
Equipment, LLC for 24-Cubic Yard Side)
Loading Refuse Trucks)
_____)

GSWA Docket 24-02

ORDER

INTRODUCTION

These matters come before the Guam Public Utilities Commission [“PUC”] upon the Petitions of the Guam Solid Waste Authority [“GSWA”] for Review and Approval of Awards and Contracts to Worldwide Enterprises, Inc. for two (2) 24-Cubic Yard Rear Loading Refuse Trucks and to Far East Equipment LLC for two (2) 24-Cubic Yard Side Loading Refuse Trucks.¹

BACKGROUND

Both bid awards, to Worldwide Enterprise, Inc. and Far East Equipment, LLC., arose out of the same Invitation for Bid (IFB) No. GSWA-004-23. The IFB solicited: (1) the

¹ GSWA Petitions, GSWA Dockets 24-01 and 24-02, filed November 15, 2023.

purchase of two (2) refuse trucks with a cab forward design, rear corner windows in B-Pillars post, a 20,000-lb. front axle capacity, and side loading capability; and (2) the purchase of two (2) 24-Cubic yard refuse trucks, with similar design as above, but with rear loading capability.²

Only one bidder, Far East Equipment LLC, submitted a bid for two Rear Loading Refuse Trucks and two Side Loading Refuse Trucks.³

However, the IFB indicated that GSWA could consider Federal GSA contracts if offered. GSWA received a quote from Federal GSA for two trucks with rear loading capability from Federal GSA at a cost of \$847,645.60 for both vehicles (approximately \$423,822.80 per truck).⁴

For the rear loading Refuse Trucks, Far East's Equipment's price for the two units was \$940,436.66, which exceeded the Federal GSA quote by 10.95%. In accordance with 5 GCA §5122, the General Services Agency (GSA) is authorized to secure supplies on behalf of the Government of Guam when the cost to the GSA is less by ten percent (10%) than from other contractors.⁵ The GSA Chief Procurement Officer has authorized the issuance of a Purchase Order to the Federal vendor, Worldwide Enterprise, Inc., for the total amount of \$847,645.60 for two (2) 24cy Rear Loading Refuse Trucks.⁶

For the two side loading refuse trucks, Far East Equipment's price for the two (2) Side Loading Units was \$986,399.84, while the Federal GSA contract offered the same

² Id. at p. 1 of the GSWA Petitions.

³ Id.

⁴ GSWA Petition, GSWA Docket 24-01, at p. 1.

⁵ Id.

⁶ Id.

equipment for \$959,320.80. Far East Equipment's bid was higher by 2.82%, which is less than the 10% threshold. GSA issued an Intent to Award the two side loading trucks to Far East Equipment on October 6, 2023.⁷

Both Worldwide Enterprise, Inc. and Far East Equipment Company, LLC, have warranted that they can deliver the refuse trucks to GSWA in 630 days.⁸

The funding for the front loading and the side loading Refuse Trucks will be made from funds available to Guam through the Federal American Rescue Plan Act (ARPA), U.S. Public Law No. 117-2.⁹

DETERMINATIONS

1. GSWA's Contract Review Protocol

GSWA indicates that the total cost of the four refuse trucks, under Invitation for Bid IFB No. GSWA 004-23, will be \$1,834,045.44. The PUC-GSWA Contract Review Protocol provides that all contracts or obligations in excess of \$750,000.00 require prior PUC approval.¹⁰ Therefore, the proposed awards for the purchase of the four refuse trucks must be reviewed by the PUC.

⁷ GSWA Board Resolution No. 2024-002, Relative to Petitioning the Public Utilities Commission (PUC) for the Approval of the Award to Worldwide Enterprises, Inc. for two (2) 24CY Rear Loading Refuse Trucks and the Award to Far East Equipment for two (2) 24CY Side Loading Refuse Trucks, adopted and approved on October 26, 2023 (attached to GSWA Petitions as Exhibit "1").

⁸ GSWA Petitions, GSWA Docket 24-01 and 24-02, at p. 1.

⁹ GSWA Board Resolution No. 2024-002, Exhibit 1 to the Petitions, at p. 2.

¹⁰ 12 GCA §12105 and the Contract Review Protocol for the Guam Solid Waste Authority, GSWA Docket 19-02 & Administrative Docket, Par. 1(f).

2. GSWA has justified the necessity for purchasing the four refuse trucks from Worldwide Enterprise, Inc. and Far East Equipment Company, LLC.

In various dockets, GSWA has repeatedly demonstrated that it has an urgent need to purchase additional refuse trucks. As previously determined by the PUC in GSWA Docket 23-03, GSWA does not presently have enough trucks to maintain the current collection program of 21,000 households. **GSWA has an urgent need for new refuse trucks.**¹¹ Any further delays in truck equipment replacement will directly affect GSWA's ability to collect household refuse.¹²

GSWA has transmitted to the PUC the complete procurement records for Invitation for Bid (IFB) No. GSWA-004-23.¹³ As a part of the Procurement Record, GSWA submitted a "DETERMINATION OF NEED", a true and correct copy of which is attached to the ALJ Report as Exhibit "1". Any further delays in equipment replacement will directly affect GSWA's ability to collect household refuse. The Rear Loading and Side Loading trucks eliminate the need for a worker to pull trash carts to be serviced and would decrease labor costs.¹⁴

3. Approval by the PUC of the purchase of refuse trucks is in the best interest of the ratepayers of Guam and is reasonable, prudent and necessary.

The purchase of four garbage refuse trucks is necessary to complete the upgrade and replacement of GSWA's aging fleet that was originally purchased between 2009 and

¹¹ PUC Order, GSWA Docket 23-03, p. 4, dated October 27, 2022.

¹² Id. at p. 3.

¹³ The Procurement Records were submitted by email, Google Drive, to ALJ Horecky on November 15, 2023, by GSWA Procurement.

¹⁴ GSWA Determination of Need.

2018 by the federal Receiver.¹⁵ The equipment to be purchased is necessary for the continuation of the current collection program of 21,000 households.¹⁶

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petitions of GSWA for Review and Approval of the Awards and Contracts to Worldwide Enterprises, Inc. for two (2) 24-Cubic Yard Rear Loading Refuse Trucks, and to Far East Equipment LLC for two (2) 24-Cubic Yard Side Loading Refuse Trucks, the ALJ Report, 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:

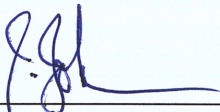
1. GSWA's awards and contracts to Worldwide Enterprises, Inc. for two (2) 24-Cubic Yard Rear Loading Refuse Trucks, and to Far East Equipment LLC for two (2) 24-Cubic Yard Side Loading Refuse Trucks, Invitation for Bid (IFB) No. GSWA-004-23, are approved.
3. GSWA is authorized to expend the amount of One Million Eight Hundred Thirty-Four Thousand and Forty-Five Dollars and Forty-Four Cents (\$1,834,045.44) for the Contracts/Purchase Orders with Worldwide Enterprises, Inc. and Far East Equipment LLC.

¹⁵ ALJ Report, GSWA Docket 23-04, dated May 18, 2023, at p. 5.

¹⁶ Id.

Orders
Review and Approval for
Awards and Contracts for
Purchase of Rear & Side
Loading Refuse Trucks
GSWA Dockets 24-01 & 24-02
November 30, 2023

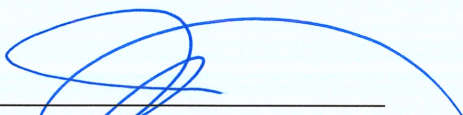
Dated this 30th day of November, 2023.



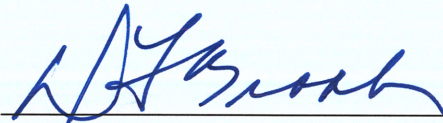
Jeffrey C. Johnson
Chairman



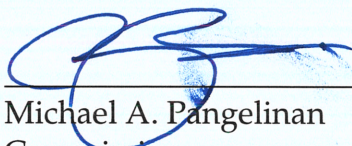
Joseph M. McDonald
Commissioner



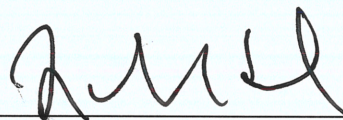
Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner

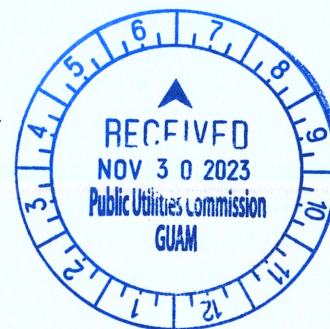


Peter Montinola
Commissioner



Pedro S.N. Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GWA DOCKET 24-02

PETITION BY THE GUAM
WATERWORKS AUTHORITY TO
ISSUE AN INVITATION FOR BID (IFB)
TO PROCURE SUBMERSIBLE PUMPS
AND MOTORS

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the Guam Waterworks Authority's ["GWA"] Petition for Approval to issue an IFB to procure Submersible Pumps and Motors.¹
2. GWA requests that the PUC authorize GWA to issue an IFB for Submersible Pumps and Motors and the estimated cost for the contract arising from this solicitation is approximately \$3,292,971.40.

BACKGROUND

3. GWA's existing indefinite quantity contract for the purchase of submersible pumps and motors for GWA's drinking water wells is with JMI and it will expire on or about May 5, 2024. GWA was previously ordered to obtain the PUC's approval if it decided to solicit for another indefinite quantity contract for the purchase of submersible motors and pumps due to that prior contract's cost exceeding the PUC's contract review threshold.²
4. On September 27, 2023, the CCU issued GWA Resolution No. 47-FY2023 which approved which authorized GWA to issue an IFB for Submersible Pumps and Motors subject to the PUC's approval.³
5. On November 16, 2023, the PUC Legal Counsel issued his report recommending that the PUC approve GWA's Petition.

¹ Request by GWA to Issue and IFB to Procure Submersible Pumps and Motors filed on November 14, 2023 [GWA Petition] at 1.

² Id., and PUC Order for GWA Docket No. 20-01 dated January 30, 2020 at 4.

³ GWA Petition at 5. NOTE: Page numbers listed herein as the PDF page numbers of the Petition and its exhibits due to the internal page numbers of the petition not being continuous.

DETERMINATIONS

6. GWA must obtain the PUC's authorization to issue an IFB for submersible pumps and motors. The PUC's Contract Review Protocol mandates that GWA obtain PUC approval for solicitations and contracts that exceed the amount of \$1,000,000.⁴ Here, GWA's existing contract for submersible pumps and motors will be approximately \$3,292,971.40 by the time its initial three (3) year term ends on May 5, 2024 and it is likely that the new contract arising out of the IFB will cost about the same amount for its initial three (3) year term. Therefore, GWA must obtain the PUC's approval of the solicitation for the engineering services prior to issuing it.

7. GWA's solicitation for a new contract for submersible pumps and motors is reasonable. GWA's existing contract for submersible pumps and motors has a three (3) year initial term which will be expiring on May 5, 2024, and GWA could exercise the two (2) one (1) year options to renew on the contract in lieu of issuing an IFB for a new contract. However, the cost of the existing contract is rapidly increasing. Specifically, GWA originally budgeted \$1,496,805.18 for the contract's initial three (3) year term, \$997,870.12 for the possible two (2) one (1) year options, and \$249,467.53 for contingencies for a total contract budget of \$2,744,142.83.⁵ Currently, almost six (6) and a half months from the expiration of the contract's initial term, GWA has expended \$2,669,010.05 leaving a balance from the budget of only \$61,423.78 for the remainder of the initial term.⁶ GWA states that this was caused by two price escalations for its existing contract resulting in a 22% increase in the cost of the pumps and a 27% increase in the cost of the motors from the contractor's original bid price, and because GWA's need for replacement submersible pumps and motors has increased during the initial term of the contract which was exacerbated by Typhoon Mawar and conditions during the response and recovery period after the typhoon.⁷ Additionally GWA had to increase its budget for the existing contract by \$548,82857 to meet its anticipated needs for remainder of the contract's initial term, raising the total cost of the existing contract to \$3,292,971.40.⁸ Therefore, GWA's desire to issue an IFB for a new contract for

⁴ Contract Review Protocol for GWA, Administrative Docket 00-04 dated October 27, 2005 at Par.1(c).

⁵ GWA Petition at 3.

⁶ Id., at 4.

⁷ Id.

⁸ Id.

submersible pumps and motors is reasonable because, through competition, GWA will likely get a contract that costs less than its existing contract.

8. GWA's solicitation for a new contract for submersible pumps and motors is prudent. GWA plans on using this solicitation to procure submersible pumps and motors on an indefinite delivery and indefinite quantity contract basis. Generally, Guam Procurement Regulations authorize GWA to procure an indefinite delivery and indefinite quantity contract which is a contract for an indefinite amount of supplies or services to be furnished as ordered instead of at specified times. ² G.A.R., Div. 4, §3119(i)(2). Here, this type of contract is appropriate because GWA will not be able to determine how many submersible pumps or motors it may need or when it may need them. Additionally, GWA can only use this type of contract twice per fiscal year per supply or service and this would be GWA's first solicitation for a new contract for submersible pumps and motors for FY2024. Thus, GWA's solicitation for a new indefinite delivery indefinite quantity contract for submersible pumps and motors is prudent.
9. GWA's solicitation for a new contract for submersible pumps and motors is necessary. The PUC has previously found that GWA's purchase of this equipment is necessary to maintain GWA's inventory of submersible motors and pumps and that GWA depends on this equipment to ensure the reliable operation of its ninety-five (95) drinking water wells.⁹ Therefore, a new contract for submersible pumps and motors is necessary to ensure GWA's ability to provide drinking water to the people of Guam.
10. Based on the foregoing, GWA's request to issue a solicitation for a new indefinite delivery, indefinite quantity contract for submersible pumps and motors is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GWA's Petition for Approval to issue an IFB to procure Submersible Pumps and Motors, and for good cause shown, on motion duly

⁹ PUC Order for GWA Docket No. 20-01 dated January 30, 2020 at 3.

made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GWA's Petition for Approval to issue an IFB to procure Submersible Pumps and Motors is hereby approved.
2. GWA is authorized to issue an IFB to procure submersible pumps and motors on an indefinite delivery and indefinite quantity contract basis.
3. GWA 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 the 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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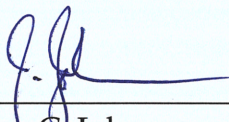
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PUC Order
Petition by GWA to
Issue and IFB for Submersible
Pumps and Motors
GWA Docket 24-02
November 30, 2023

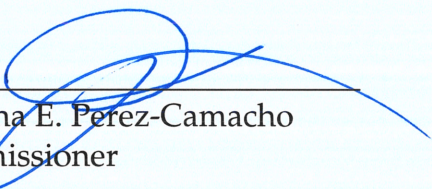
Dated this 30th day of November, 2023.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



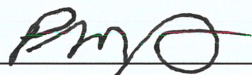
Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Peter Montinola
Commissioner



Pete Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION TO INCREASE FUNDING
FOR GWA TAI ROAD/S-13
WATERLINE REPLACEMENT
TO GIANT CONSTRUCTION**

GWA DOCKET NO. 24-04

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition to Increase Funding for GWA Tai Road/S-13 Waterline Replacement (the “Petition”) with Giant Construction, filed by the Guam Waterworks Authority (“GWA”) on November 15, 2023.

On November 29, 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

In an effort to resolve recurring waterline breaks along Tai Road, S-13, and Canada-Toto Loop/Blas Street, in Barrigada, GWA issued an Invitation for Bid (“IFB”) to obtain a contractor to replace approximately 5,720 [linear feet] of existing two-inch (2”) and six-inch (6”) asbestos cement pipe waterlines with eight-inch (8”) polyvinyl chloride (“PVC”) waterlines and reconnecting these lines, service lines, and other connections along Tai Road.¹ Thereafter, Giant Construction was awarded the contract for the project, which the PUC approved back on April

¹ PUC Order, GWA Docket 21-03, pp. 1-2 (Apr. 29, 2021).

29, 2021.² In an Order issued in GWA Docket 21-03, the PUC authorized GWA to expend up to \$2,140,292.00 for GWA’s contract with Giant Construction.³

In GWA Docket 22-04, the PUC authorized an additional \$558,135.00 (subject to a cost contingency of twenty percent (20%)) authorizing GWA to expend up to \$2,520,173.00 for the contract, particularly to account for Change Orders No. 1 and 2.⁴ GWA now seeks additional funding to complete subsequent work orders required to complete the waterline replacement project.⁵ In particular, GWA requested PUC approval to increase the total amount of the contract to \$3,045,770.05 to account for and fund subsequent change orders under the contract.⁶ On October 31, 2023, the Consolidated Commission on Utilities (the “CCU”) authorized GWA to increase its funding for the contract for a total amount of \$3,045,770.05.⁷

A. Review of GWA’s Giant Construction Contract

Pursuant to 12 G.C.A. §12105, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Additionally, pursuant to GWA’s Contract Review Protocol issued in Administrative Docket 00-04, “[a]ll professional service procurements in excess of \$1,000,000” require “prior PUC

² PUC Order, GWA Docket 21-03, p. 2.

³ PUC Order, GWA Docket 21-03, p. 4.

⁴ PUC Order, GWA Docket 22-04, p. 6 (Dec. 2, 2021).

⁵ Petition, p. 2.

⁶ Petition, p. 3.

⁷ GWA Resolution No. 01-FY2024, pp. 3-4 (Oct. 31, 2023).

approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun”⁸

With respect to multi-year contracts, “[t]he term of a contract or obligation (procurement) will be the term stated therein, including all options for extension or renewal”; and that the “test to determine whether a procurement exceeds the \$1,000,000 threshold for the PUC review and approval (the review threshold) is the total estimated cost of the procurement, including cost incurred in any renewal options.”⁹ In this instance, GWA’s contract with Giant Construction is subject to PUC review since the total cost of this multi-year contract exceeds \$1,000,000.00.

B. The Tai Road/S-13 Waterline Replacement Project

In its Petition, GWA requests that the PUC authorize additional funding for its contract with Giant Construction to complete the Tai Road/S-13 and Canada-Toto Loop/Blas Street waterline replacement project. GWA contends that since the PUC’s approval of additional funding back in 2021¹⁰, “unforeseen site conditions” were discovered after the disconnection of the old asbestos cement pipe waterlines.¹¹ For instance, Change Order No. 3 included installation of an additional air relief valve at Blas Street; replacement of a twelve-inch by four-inch (12”x4”) tapping tee with a twelve-inch by six-inch (12”x6”) tapping tee; replacement of additional laterals; installation of blow valves at Tai Road; and archeological monitoring, just to name a few, which added an additional \$178,391.43 to the contract. Change Order No. 4

⁸ GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

⁹ *Id.*, p. 2.

¹⁰ *See, e.g.*, Order, GWA Docket 22-04, p 6 (Dec. 2, 2021).

¹¹ Petition, p. 2.

involved additional repairs to the asphalt on Tai Road; waterline connection revisions on Chapel Road; archeological services; additional work and materials to repair a two-inch (2") waterline on Chalan Sabana; the addition of a waterline connection at the end of S-13, just to name a few, which added an additional \$252,922.89 to the contract.¹²

GWA submitted that the project now requires the connection of a two-inch (2") waterline from Tunel Ramon Ella Road to the newly installed eight-inch (8") waterline on Tai Road, and the connection of a one half-inch (1.5") waterline from an unnamed road to a new twelve-inch (12") waterline on Toto-Canada Loop Road.¹³ According to GWA, these connections were not included in the original plans.¹⁴ GWA requests approval to fund subsequent change orders to complete the work that remains on the project.¹⁵ Specifically, GWA requests that the PUC approval a total of \$3,045,770.05 to finish the waterline replacement project at Tai Road/S-13 and Canada-Toto Loop/Blas Street.¹⁶

CONCLUSION AND RECOMMENDATIONS

The ALJ found that this Commission has recognized that the persistent waterline breaks along Tai Road/S-13 and Canada-Toto Loop/Blas Street pose significant problems for the residents and ratepayers in that community. In efforts to assist GWA in resolving these issues,

¹² Prior to Change Order No. 4, the total contract price was \$2,713,427.32. With the inclusion of Change Order No. 4, at \$252,922.89, the total contract price increased to \$2,966,250.21.

¹³ Petition, p. 2.

¹⁴ Petition, p. 2.

¹⁵ Petition, p. 2.

¹⁶ Petition, p. 3.

the PUC has authorized GWA to enter into a contract with Giant Construction, including certain change orders, to replace the old pipes and laterals along those roads.

The ALJ further found that the PUC has recognized that the frequent water outages in the Canada-Toto Loop neighborhood has been a “serious issue” to the ratepayers in that community and that “expeditious action” was necessary and prudent.¹⁷ The PUC determined that GWA’s contract with Giant Construction to correct these issues was necessary and prudent, and indicated that the issues should be addressed as soon as possible.¹⁸

Additionally, the ALJ found that the PUC has also taken the position that this particular project is consistent with GWA’s waterline replacement program, which endeavors to reduce GWA’s non-revenue water and to improve its service delivery, which has been “below standard.”¹⁹

Based on this record, and for the other reasons set forth herein, the ALJ recommended that the PUC authorize GWA to expend up to \$3,045,770.05 for its contract with Giant Construction to complete the waterline replacement project at Tai Road/S-13 and Canada-Toto Loop/Blas Street.²⁰

The Commission hereby adopts the findings in the November 29, 2023 ALJ Report and therefore issues the following.

¹⁷ See, e.g., Order, GWA Docket 21-03, p 6 (Apr. 29, 2021).

¹⁸ See Order, GWA Docket 21-03, p 6 (Apr. 29, 2021).

¹⁹ See Order, GWA Docket 21-03, p 6 (Apr. 29, 2021).

²⁰ This recommendation will provide GWA with up to \$79,519.84 in additional funds to complete the remaining work required for the waterline replacement in the community.

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; and that GWA is authorized to expend \$3,045,770.05 for its contract with Giant Construction to complete the waterline replacement project at Tai Road/S-13 and Canada-Toto Loop/Blas Street, subject to the regular contingency allowable under GWA's Contract Review Protocol.

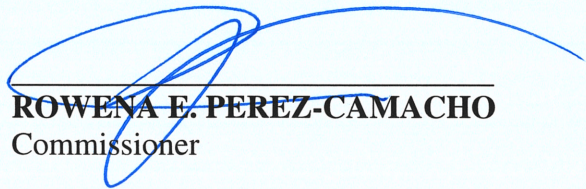
2. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and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

[SIGNATURES TO FOLLOW ON NEXT PAGE]

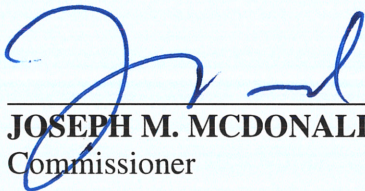
SO ORDERED this 30th day of November, 2023.



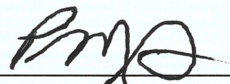
JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ-CAMACHO
Commissioner



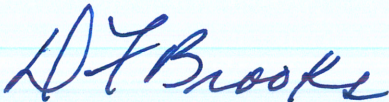
JOSEPH M. MCDONALD
Commissioner



PEDRO GUERRERO
Commissioner



PETER MONTINOLA
Commissioner



DORIS FLORES BROOKS
Commissioner

P233028.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 23-17
)
LIQUIFIED NATURAL GAS (LNG)) **ORDER**
)
)
)
)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for review and approval of GPA’s Updated Phase 1 Liquified Natural Gas Pre-Development Study.¹ The study would be conducted by Stanley Consultants Inc. [“Stanley”].

At the present time, GPA only seeks approval for Phase I of the LNG Pre-Development Study [“the Study”], at an estimated cost of \$1,720,000.00.

BACKGROUND

GPA originally filed a request for PUC approval for Phase 1 of GPA’s LNG Pre-Development Study on May 29, 2023.² On June 26, 2023, the Administrative Law Judge filed his Report recommending that the PUC deny GPA’s Petition. The primary objections of the ALJ were that the Study and its 4 Phases indicated a predetermination by GPA that it would proceed ahead with the LNG project. The ALJ report stated: “Before the PUC takes any action in this matter, there must be a study/presentation to

¹ GPA Petition for PUC Review and Approval of GPA’s Updated Phase I Liquified Natural Gas Pre-Development Study, GPA Docket 23-17, dated November 14, 2023.

² GPA Petition for Review and Approval of the EPCM, Phase I, Liquified Natural Gas (LNG) Pre-Development Study, GPA Docket 23-17, dated May 29, 2023.

the PUC that justifies proceeding ahead with the implementation and construction of the LNG infrastructure. Such should include cost estimates, cost benefit analysis, justifications, and consideration of various questions raised in the ALJ report... The study/presentation should also address the option of not proceeding ahead with implementation of the LNG infrastructure.”³

GPA, after receipt of the ALJ Report, requested that its Petition not be considered at the June 29, 2023, PUC meeting.

In July, 2023, GPA Assistant General Manager John Cruz requested that he and representative Mike Spooner from Stanley Consultants meet with the ALJ to discuss the proposal. At the meeting the ALJ indicated that GPA could file an amended proposal with the PUC to address the ALJ’s concerns.

On November 14, 2023, GPA filed its updated Phase 1 Liquidated Natural Gas Pred-Development Study. In its Petition, GPA noted certain changes in its updated study:

- (a) Renewable Integration (new bids/RPS) would be considered in LNG projections;
- (b) The approval process in the overall LNG scope as Phase 1 would focus on providing a cost benefit analysis for LNG and evaluate options for fuel sourcing, infrastructure, and business models; and
- (c) Identifies a PUC approval requirement after Phase 1 if the LNG project is to proceed ahead to the other identified phases.⁴

³ ALJ Report, GPA Docket 23-17, dated June 26, 2023, at pgs. 19-20.

⁴ GPA Updated Proposal, p. 1.

DETERMINATIONS

1. Introduction.

The Introduction to the Stanley Study Plan indicated the understanding of the Stanley Project Team that “under the current terms of the Ukudo project ECA, GPA’s capacity and energy payments shall increase if the Ukudo power plant does not switch from USLD to LNG before the fifth anniversary of the IPP project’s commercial operation date.⁵ No information concerning the amounts of payment increases has been provided to the PUC.

In the Phase 1 Study, Stanley will provide a “Cost-Benefit Analysis.”⁶ At the completion of Phase 1, Stanley will review the results with GPA to determine if bringing LNG to Guam will result in a cost reduction to the cost of electricity generated by the Ukudo Power Plant. If the cost benefit analysis demonstrates that bringing LNG to Guam is beneficial, GPA, after approval by the CCU and PUC, would proceed with performing Phase 2.⁷

Phase I would include the following 6 tasks:

- (1) Evaluation of indicative LNG demand;
- (2) Undertaking of an LNG Fuel Procurement Study, including evaluating LNG sourcing and shipment options;
- (3) Identification of the LNG infrastructure location and configuration options in Guam;

⁵ GPA Petition at EX-A-003.

⁶ Id.

⁷ GPA Petition at EX-A-005.

- (4) Preparation of a Business Model Analysis and Economic/Financial Analysis;
- (5) Consultation with the industry, Guam stakeholders, and Guam and federal regulatory agencies; and
- (6) Environmental, Cultural, and Construction Permit Survey.⁸

The updated Proposal also includes the same additional phases as the original proposal: Phase 2: LNG Infrastructure Procurement; Phase 3: LNG Infrastructure Implementation; and Phase 4: LNG/CNG Transshipment.⁹ There will be a “GO-NO GO POINT NO. 1: DECISION TO PROCEED WITH PHASE 2”.¹⁰

2. The Updated Study Proposal does not include several issues that the ALJ previously raised in his Report.

- (1) The cost-benefit analysis should not only calculate the cost of proceeding with LNG as opposed to continuing solely with ULSD. The PUC requests a comprehensive cost-benefit analysis to determine the overall cost of the LNG project over the entire period of its operation and the anticipated cost savings of using LNG over the entire period of its operation. Before the LNG project can proceed ahead, Stanley must provide a comprehensive justification.
- (2) The previous ALJ Report pointed out that there are serious questions about the legality of GPA selling or franchising the distribution of LNG to customers in Guam or for regional transshipment. As indicated in the ALJ Report, 12 GCA §8104(k) “empowers GPA to control, operate, improve, equip, maintain, repair, renew, replace, reconstruct, alter and to insure **the electric system...**”. The GPA

⁸ GPA Petition at EX-A-006.

⁹ GPA Petition at EX-A-003.

¹⁰GPA Petition at EX-A-014.

Enabling Act clearly refers to the electric system in Guam (“the Island Wide Power System”). GPA could possibly supply LNG to the Ukudo or other IWPS generation facilities, if approved by the PUC. However, there is no apparent authority in GPA’s enabling statute for GPA to enter the fuel market as a private competitor, to sell or franchise the sales of LNG to other third-parties, to be involved in the intra-island sale of LNG or the transshipment of LNG to other islands, or to exercise monopolistic control as sole off-taker for all LNG services and fuel supply. None of the functions referenced in the prior sentence are necessarily within GPA’s authority to control, operate, maintain and repair the island-wide electric power system. When an agency attempts to undertake functions that are not within its statutory mandate, a court may hold that such functions are invalid and illegal, without authority. Carlson v. Guam Telephone Authority, 2002 Guam 15. This issue is of considerable importance. If GPA does not have the power to act as a fuel distributor or franchisee for on-island and regional transshipment of LNG, the use for LNG on Guam could be limited to the supply of the Ukudo Plant. In its Phase 1 Study, Stanley/GPA should arrange for a comprehensive legal opinion as to whether intra-island sale of LNG and regional transshipment are activities that GPA can legally enter. Stanley should also address in its study the issue of whether supply of LNG to Ukudo alone would create a large enough volume of LNG to justify the LNG infrastructure.

- (3) GPA’s Petition states that renewable integration (new bid/RPS) will be considered in LNG projections. Unless something has been overlooked, there does not appear to be anything in Stanley’s Phase 1 Study to indicate that renewable integration will be considered. At pages 18-19 of the prior ALJ Report, the ALJ questioned how implementation of LNG is compatible with statutory mandates for conversion to renewable energy pursuant to 12 GCA

§8311. Stanley originally estimated that LNG could not be delivered to the Ukudo Plant until 2028. Now the commercial operation date for the new plant is not likely to occur until 2026. This further extends the earliest date upon which LNG could even be delivered to the plant until at least 2030-2031. Yet, by 2035 GPA is legislatively mandated to have 50% renewable power and 100% renewable by 2045. The underlying question is whether implementation of the LNG Plan is consistent with GPA's current plan to implement 100% renewables by 2045. This is no longer only the Guam Legislature's plan—GPA has adopted renewable integration as its own plan. Attached to the ALJ Report as Exhibit "1" is GPA's projection of renewable integration into the system. By 2040, GPA projects that all its generation will be renewable. The system would then be comprised of 1,383.5 MW of solar power, with most of that total including load shifting capacity during nighttime hours. What will be the need for the Ukudo plant and LNG when this renewable integration is accomplished? It also brings into question the length of the time that the Ukudo plant will be needed for island generation. If the Ukudo plant will be obsolete in 2040, why should LNG infrastructure be implemented for a time of ten years (2030 to 2040)? The Study must show that there is sufficient time during which the costs of the LNG infrastructure can be recaptured through savings.

- (4) Stanley's Phase 1 Study should specifically address the option of not proceeding ahead with the LNG infrastructure plan, and the advantages/disadvantages that would result for Guam and the ratepayers by not proceeding ahead.
- (5) Stanley's Phase 1 Study should be revised to include all the above issues. As part of an Order in this matter, the PUC will require that Stanley revise its Study to include all the issues raised in the ALJ Report. Stanley should further submit its revised Study plan to the PUC.

3. Whether a Phase 1 Study should be approved by the PUC is an open question.

After disapproving any plan for proceeding with LNG in GPA Docket 15-05, the PUC later indicated in the same docket that GPA, in procurements for new generation, could entertain and consider LNG proposals that provided efficient, reliable and least-cost baseload capacity.¹¹ In addition, on August 30, 2018, in GPA Docket 18-02, the PUC required that the Ukudo Power Plant “must be capable of dual firing for ultra-low sulfur diesel (ULSD) **or natural gas**...”.¹² For the new Ukudo Plant, GPA is already having a pipeline constructed for the delivery of LNG to Ukudo that is estimated to cost in the range of \$20M.

These prior PUC actions suggest that LNG should be at least considered by the PUC as a possible option. PUC has previously indicated that there should be a determination as to whether LNG is an “efficient, reliable and least-cost baseload capacity.”

On the other hand, there are numerous concerns about the LNG project, including cost, feasibility, complexity, legality, environment and others, as outlined in the prior ALJ Report. The Stanley Updated Proposal indicates that the LNG project is truly daunting—there are many complex issues that must be resolved before the other phases could be implemented. The prior RW Beck Report in 2013 indicated the high amount of risk that could be entailed in an LNG project.

4. The PUC should allow Stanley to proceed ahead with the Phase 1 Study upon compliance with certain conditions.

If a Phase 1 Study is completed, the PUC will have a more accurate record upon

¹¹ Supplemental Order, GPA Docket 15-05, April 27, 2017, at p. 2.

¹² PUC Order, GPA Docket 18-02, dated August 30, 2018, at p. 2.

which to base its decision as to whether to proceed with any additional phases of the project. Also, in the meantime, PUC can hire its own consultant for a complete and extensive review of any study prepared by Stanley. Only Phase 1 of the Study will be approved at this time, upon satisfaction of certain conditions.

ORDERING PROVISIONS

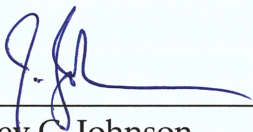
After review of the record herein, including GPA's Petition for PUC Approval of the Updated Phase 1 Liquified Natural Gas Pre-Development Study, and the ALJ Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The PUC conditionally authorizes Stanley Consultant Inc. to proceed with its Phase 1 Study upon further certification by the ALJ that Stanley has complied with the requirements of this Order. Stanley is first required to incorporate the issues raised in this ALJ Report in its Phase 1 Study proposal. Stanley must then submit the further revised Study proposal to the PUC. Upon determination/certification by the ALJ that the further revised Study proposal incorporates the required issues and complies with the PUC Order, Stanley will be authorized to proceed with the Phase 1 Study.
2. Upon certification by the ALJ that all conditions in the PUC Order have been complied with, GPA is authorized to expend up to the sum of \$1,720,000.00 for Phase I of GPA's LNG Pre-Development Study with Stanley Consultants.
3. 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)

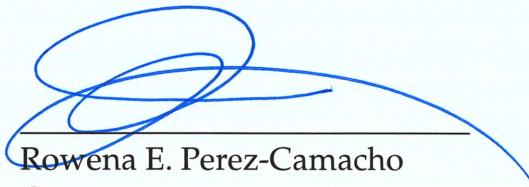
and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the
Public Utilities Commission.

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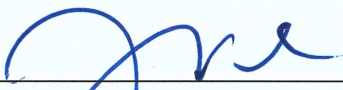
Dated this 30th day of November, 2023.



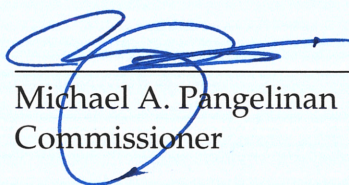
Jeffrey C. Johnson
Chairman



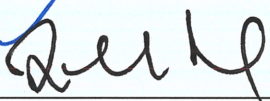
Rowena E. Perez-Camacho
Commissioner



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

**PETITION FOR APPROVAL TO
AUTHORIZE GPA TO EXERCISE ITS
OPTION TO RENEW UNARMED
SECURITY GUARD SERVICES**

GPA DOCKET 24-04

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or “Commission”) pursuant to the November 4, 2023 Petition (hereinafter referred to as the “Petition”) for approval to exercise options to renew Guam Power Authority’s (“GPA”) contract with Pacific Island Security Agency (“PISA”) related to unarmed security guard services.¹

On November 28, 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

Back in 2022, GPA issued IFB GPA-033-22, which sought unarmed, uniformed security guard services for key assets and locations.² Thereafter, GPA entered into a contract with PISA, for an initial term of one year (with two year-long renewal options), at a cost of \$798,912.00.³ Since the initial term of the contract expired in June 2023, GPA

¹ Petition, p. 1.

² GPA Resolution No. 2023-22, issued by the Consolidated Commission on Utilities (“Resolution No. 2023-22”), p. 1 (July 25, 2023).

³ Resolution No. 2023-22, p. 1.

has exercised a portion of the first option year at an additional cost of \$199,728.00, and which extended the contract through September 30, 2023.⁴ On July 25, 2023, the Consolidated Commission on Utilities (hereinafter the “CCU”) issued GPA Resolution No. 2023-22, authorizing an extension of both renewal options through the end of the second option year, which adds an additional \$1,398,096.00 to the contract, and which totals \$2,396,736.00 for all three years.

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. Additionally, pursuant to GPA’s current Contract Review Protocol, “[a]ll professional services contracts in excess of \$1,500,000” . . . “shall require prior PUC approval” Contract Review Protocol, PUC Administrative Docket No. ADM 00-04, p. 1 (Feb. 15, 2008). GPA is seeking PUC review and approval of this contract since the exercise of the two option years will increase the total cost of the contract over \$1.5 million.

Based on the description indicated in the Purchase Order, PISA is tasked with providing unarmed uniformed security guard services to help protect GPA’s assets from theft, larceny, vandalism, terrorist and other illicit acts. Such services include the provision of posted guards and roving security services, twenty-four hours a day, seven days a week, 365 days a year. PISA’s security guards are specifically assigned to the following facilities: the Gloria B. Nelson building in Fadian; the Supply Warehouse and storage yards in Dededo; the Yigo Diesel/Yigo Combustion Turbine Power Plant compound; and the Cabras Power Plant compound in Piti. A list of their duties include: responding to security threats and breaches, and suspicious activity; securing entrance

⁴ Resolution No. 2023-22, p. 1.

points; providing immediate response during emergencies; assisting with access control measures; perimeter patrol; monitoring CCTV and responding to alarms, just to name a few.

The monthly cost for these services is \$66,576.00. GPA is requesting PUC approval for its contract since the total amount of the contract, with both option years exercised, will cost \$2,396,736.00. According to GPA, exercising these renewal options “work to GPA’s advantage, given the increased demand for unarmed uniformed security guard services” since Typhoon Mawar.⁵

CONCLUSION AND RECOMMENDATION

Based on the documentation provided, the ALJ found that the subject contract is prudent, reasonable, and necessary. This Commission has recognized in prior dockets that the physical security of GPA’s assets, facilities, and certainly personnel are critical to its daily operations. Without a doubt, GPA should exercise its best efforts in obtaining security for GPA’s assets and personnel in order to protect its power-generation facilities from threats of damage, tampering, vandalism, theft, and even terrorist activities, most especially during these times where generation capacity is crucial and limited. Overlooking this need may risk potentially threatening the public health, welfare and safety of the island.

Furthermore, the ALJ found that GPA has made it a priority and is making strides to improve the physical security of its facilities, which includes this contract for unarmed security personnel. Exercising the two year-long options also appears reasonable based on

⁵ Petition, p. 2.

these circumstances; and that the issuance of a brand new procurement will not guarantee lower prices, and may likely result in higher rates.

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 contract with PISA, at a total cost of \$2,396,736.00.

The Commission hereby adopts the findings in the November 28, 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:

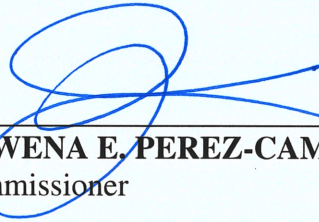
1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to exercise both renewal options in its contract with Pacific Island Security Agency related to unarmed security guard services, for a total cost of \$2,396,736.00 for the entire 3 year contract.
3. GPA is ordered to pay the PUC's 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

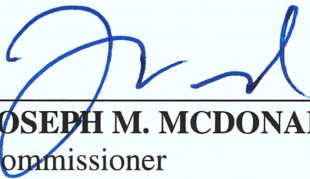
SO ORDERED this 30th day of November, 2023.



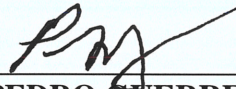
JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner



PEDRO GUERRERO
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



DORIS FLORES BROOKS
Commissioner

P233024.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION FOR APPROVAL TO)
AWARD THE CONTRACT FOR BULK)
SUPPLY OF ULTRA LOW SULFUR)
DIESEL FUEL OIL TO HYUNDAI)
CORPORATION BY GUAM POWER)
AUTHORITY)
_____)

GPA DOCKET 24-05

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the November 14, 2023 Petition for Approval to Award the Contract for the Bulk Supply of Ultra Low Sulfur Diesel Fuel Oil (the “Petition”), filed by the Guam Power Authority (“GPA”).

On November 28, 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 8 and 9.¹ In addition, the new Ukudu Power Plant will also run on ULSD fuel oil.² According to GPA, its contract with Mobil Oil Guam is set to expire on January 31, 2024.³ On March 30, 2023, this Commission authorized GPA to issue an Invitation for Bid in order to procure a bulk supply of ULSD fuel oil.⁴ Thereafter, GPA

¹ See Order, GPA Docket 23-12, p. 1 (Mar. 30, 2023).

² See Order, GPA Docket 23-12, p. 1.

³ See Order, GPA Docket 23-12, p. 1.

⁴ See Order, GPA Docket 23-12, p. 5.

issued Invitation for Multi-Step Bid No. GPA-040-23 for bulk supply of Diesel Fuel Oil No. 2.⁵ In response to the solicitation, three vendors submitted bids.⁶ Hyundai Corporation submitted the lowest responsive bid, which offered a Fixed Premium Fee of about \$8.00 per barrel of fuel; and about \$4.00 less than the highest bid, and about \$2.00 less than the next lowest bid.⁷ Therefore, Hyundai's bid price results in about \$117 per barrel of fuel, \$2.00 less than the next lowest bid. On October 31, 2023, the Consolidated Commission on Utilities issued Resolution No. FY2024-04, authorizing GPA to enter into a contract with Hyundai Corporation at the proposed fixed fee rate for three years, and at a total estimated cost of \$846,864,000.00 for 7.2 million barrels of fuel.⁸

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."⁹

As indicated in the proposed contract, Hyundai is required to provide GPA with an "uninterrupted" bulk supply of ULSD fuel oil to GPA's power plants.¹⁰ The proposed contract includes a provision that allows the contractor to source fuel oil from other vendors

⁵ Resolution No. FY2024-04, issued by the Consolidated Commission on Utilities, p. 2 (Oct. 31, 2023).

⁶ Resolution No. FY2024-04, p. 1 and "Exhibit A".

⁷ Resolution No. FY2024-04, p. 1 and "Exhibit A".

⁸ Resolution No. FY2024-04, p. 2.

⁹ GPA's Contract Review Protocol ("GPA CRP"), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

¹⁰ Proposed Contract, p. 9.

in order to guarantee fuel oil supply security.¹¹ 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.¹² 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.¹³

As indicated in the proposed contract, 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.¹⁴ In addition, GPA has estimated that it will need about 2 million barrels of ULSD fuel oil for the first year of the contract; about 2.5 million barrels of fuel oil for the second year of the contract; and about 2.7 million barrels of fuel oil for the third year of the contract.¹⁵ Accordingly, based on these estimates, GPA has indicated that the total three-year cost for the bulk supply of ULSD is about \$846,864,000.00. Resolution No. FY2024-04 issued by the CCU at its October 31, 2023 authorizes GPA to enter into a contract with Hyundai Corporation at the proposed fixed premium fee rate, and for a total estimated cost of \$846,864,000.00 for 7.2 million barrels of fuel for all three years.

CONCLUSION

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

¹¹ Proposed Contract, p. 19.

¹² Proposed Contract, p. 23.

¹³ Proposed Contract, p. 33.

¹⁴ Proposed Contract, p. 9.

¹⁵ Resolution No. FY2024-04, p. 1 and "Exhibit A".

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. This Commission has consistently determined that GPA requires a continuous supply of diesel fuel to maintain the authority's electric power generation capacity; and that the purchase and delivery of such fuel oil is reasonable, prudent and necessary.¹⁶

In addition, the selection of Hyundai's bid out of three total bid submissions demonstrates that the fixed premium fee was competitively obtained. Furthermore, the contract keeps this fixed premium fee the same throughout the three-year term. GPA also has the option to extend the contract for an additional two (2) years. Based on the bid, it appears, too, that Hyundai's fixed premium fee lessens by twenty cents should GPA exercise any extension of the contract.

Additionally, the contract contains various provisions designed to protect GPA and ratepayers, such as 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.

Moreover, the ALJ found that the contract with Hyundai for the 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 subject contract to be reasonable, prudent, and necessary.

RECOMMENDATION

¹⁶ See, e.g., Order, GPA Docket 17-18, p. 3 (Sept. 28, 2017).

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 enter into a contract with Hyundai Corporation for the bulk supply of ULSD fuel oil.

The Commission hereby adopts the findings in the November 28, 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:

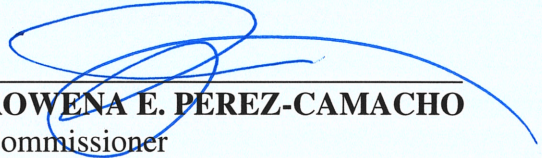
1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to enter into a contract with Hyundai Corporation for the bulk supply of ULSD fuel oil.
3. GPA is authorized to expend up to \$235,240,000 for the first year; up to \$294,050,000 for the second year; and up to \$317,574,000 for the third year of the 3-year contract term.
4. 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 30th day of November, 2023.



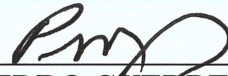
JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ-CAMACHO
Commissioner



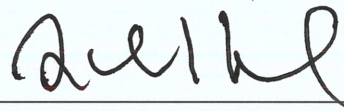
JOSEPH M. MCDONALD
Commissioner



PEDRO GUERRERO
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



DORIS FLORES BROOKS
Commissioner

P233026.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO PROCURE 40
MW OF TEMPORARY POWER

GPA DOCKET 24-07

ORDER



INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Procure 40 MW of Temporary Power.¹
2. GPA is currently relying on Cabras 1&2 power plants and GPA's Interruptible Load Program [ILP] Partners to generate electricity for the Island Wide Power System which are not capable of providing sufficient generation to meet demand due to required maintenance outages and GPA must resort to load shedding during these outages.²
3. GPA requests that the PUC authorize GPA to issue a solicitation to obtain a three (3) year lease with two (2) one (1) year optional extensions and a lease to own option for 40 MW of temporary generation within the next one-hundred-fifty (150) days and GPA estimates that the cost of such lease will exceed the amount of \$1,500,000.³

BACKGROUND

4. Typhoon Mawar caused significant damage to the Yigo CT units reducing GPA's reserve capacity by 20 MW and it caused a significant delay in completing the new Ukudo Power Plant, and GPA has to rely on the aged and deteriorating Cabras 1&2 power plants which require frequent maintenance, and which have frequent unscheduled outages due to mechanical issues.⁴

¹ GPA Petition to Procure 40 MW of Temporary Power, GPA Docket 24-07, dated November 14, 2023 [GPA Petition].

² GPA Petition at 2. 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 4.

⁴ Id., at 3.

5. During the scheduled and unscheduled outages of Cabras 1&2, GPA has resorted to load shedding because it does not have enough generation capacity to meet the demands of the Island Wide Power System.⁵ Although GPA's ILP partners have reduced the amount of load shedding during these outages, GPA is unable to use this resource because doing so will cause ILP partner generation to substantially degrade.⁶
6. On September 27, 2023, the Guam Consolidated Commission on Utilities ["CCU"] issued GPA Resolution No. FY2023-37 authorizing GPA to issue a solicitation for a three (3) year lease with two (2) one (1) year optional extensions and a lease to own option for 40 MW of temporary power generation capacity within the next one-hundred-and-fifty (150) days subject to PUC approval.⁷
7. On November 16, 2023 PUC Legal Counsel issued his report recommending that the PUC approve GPA's petition.

DETERMINATIONS

8. GPA must obtain the PUC's authorization to issue a solicitation for 40MW of temporary power generation capacity. The PUC's Contract Review Protocol mandates that GPA shall obtain PUC approval for solicitations and contracts that exceed the amount of \$1,500,000. Here, GPA estimates that the cost of the leases for the temporary power generation capacity will exceed that amount.⁸ Therefore, GPA must obtain the PUC's approval of the solicitation for the temporary generation capacity prior to issuing it.
9. GPA's desire to issue a solicitation for 40MW of temporary power generation capacity is reasonable. GPA is in the untenable position of having to rely on Cabras 1&2, which have frequent scheduled and unscheduled maintenance outages, while it has limited reserve generation capacity to meet the demand of the Island Wide Power System during those outages. If GPA acquires an additional 40MW of generation capacity, it will have sufficient reserve generation capacity to meet the

⁵ Id.

⁶ Id.

⁷ Id., at 4.

⁸ Id., at 1.

demands of the Island Wide Power Systems during those outages.⁹ GPA's desire to obtain a three (3) year lease with two (2) one (1) year optional extensions and a lease to own option for 40 MW of temporary power generation capacity is also reasonable because of the delay in the completion of the Ukudo Power Plant caused by Typhoon Mawar, and these leases should cover extended period it will take to complete the new power plant. Therefore, GPA's desire to issue a solicitation for 40MW of temporary power generation capacity is reasonable.

10. GPA's solicitation for 40MW of temporary power generation is prudent. GPA is losing revenue during each load shedding event. As load shedding is expected to continue without more reserve power generating capacity, it is prudent to acquire the additional 40MW of temporary power generation to prevent these revenue losses.
11. GPA's solicitation for 40MW of temporary generation capacity is necessary. Due to the delay in the completion of the new Ukudo Power Plant, GPA must either continue its load shedding during the scheduled or unscheduled outages of Cabras 1&2 or increase its reserve generation capacity. Load shedding is places great hardships on the people of Guam which will be greatly mitigated or prevented by GPA's acquisition of 40 MW of temporary power generation capacity. Therefore, GPA's desire to issue a solicitation for 40MW of temporary power generation is necessary.
12. Based on the foregoing, GPA's desire to issue a solicitation for 40MW of temporary power generation capacity is reasonable. is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition to procure 40MW of Temporary Generation Capacity, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition to procure 40MW of Temporary Generation Capacity is hereby approved.

⁹ Id., at 3.

2. GPA is authorized to issue a solicitation to obtain a three (3) year lease with two (2) one (1) year optional extensions and a lease to own option for 40 MW of temporary power generation capacity within the next 150 days.
3. 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 the 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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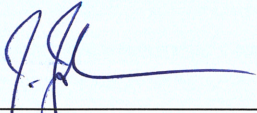
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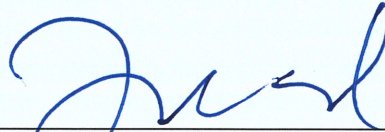
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PUC Order
GPA's Application to Procure
40MW of Temporary Power
GPA Docket 24-07
November 30, 2023

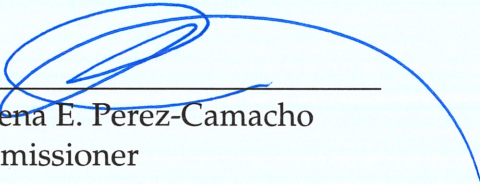
Dated this 30th day of November, 2023.



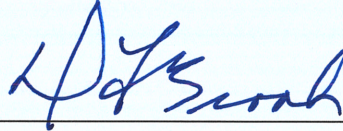
Jeffrey C. Johnson
Chairman



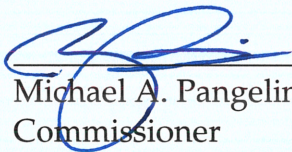
Joseph M. McDonald
Commissioner



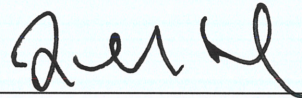
Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Pete Guerrero
Commissioner