

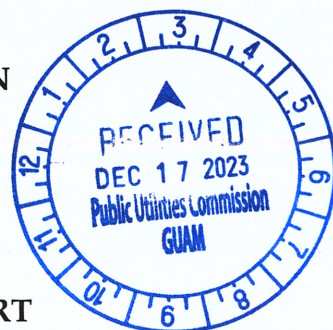
BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GUAM POWER AUTHORITY WATER  
SYSTEM DIESEL GENERATOR FUEL  
CONTRACT EXPENDITURE

GPA DOCKET 24-09

PUC COUNSEL REPORT



INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition To Approve an Increase in Contract Expenditures for Water System Diesel Generator Fuel.<sup>1</sup>
2. GPA requests that the PUC approve an increase in its contract with Morrico Equipment, LLC [Morrico] for the supply of Diesel Fuel Oil No. 2 to the GPA Water System Diesel generators at Guam Waterworks Authority's [GWA] sites [Contract] from \$1,150,200 to \$3,296,277.<sup>2</sup>

BACKGROUND

3. In FY2022 GPA issued GPA-IFB-012-22 (Multi-Step) (Diesel Supply to GPA WSD and GWWA Generators) and only received one bid from Morrico in response to the solicitation. On or about July 26, 2022 GPA and Morrico entered into the Contract which had a three (3) year initial term that began on October 1, 2022 and that expired on September 30, 2025 and GPA estimated that the Contract would cost \$1,150,200 for this three (3) year initial term, and the Contract provides for two one-year extension options renewable annually by mutual agreement of both parties.<sup>3</sup>
4. GPA's estimate that the cost of the Contract's initial term would be \$1,150,200 was based on its assumption that the Contract would cost \$383,400 for each year of the initial term. However, Typhoon Mawar struck Guam in May, 2023 during the Contract's first year, and due to the increased demand for generator fuel at sites the Contract supplied fuel to, and due to the sharp rise in prices for diesel fuel during

<sup>1</sup> GPA Petition to Approve An Increase in Contract Expenditures for Water System Diesel Generator Fuel, GPA Docket 24-09, dated December 6, 2023 [GPA Petition].

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

<sup>3</sup> Id., at 1.



that same period, GPA expended the amount of \$982,359 for the Contract's first year, and it estimates that it will spend \$578,480 for the remaining two (2) years of the Contract's initial term, for a total cost of \$2,139,318 for said term.<sup>4</sup>

5. GPA estimates that cost for the two (2) year extension option is \$1,156,959, and that, with the revisions and the exercise of the two (2) year extension, the total Contract cost is estimated to be \$3,296,277.<sup>5</sup>
6. On November 28, 2023, the Guam Consolidated Commission on Utilities passed Resolution No. FY2024-05 which authorized an increase in the Contract's price to \$3,296,277 for the five (5) year contract period subject to the PUC's approval.<sup>6</sup>

### ANALYSIS

7. GPA must obtain the PUC's authorization to increase the Contract from \$1,150,200 to \$3,296,277. Generally, GPA's Contract Review Protocol requires that GPA must obtain prior PUC approval for any contract or obligation which exceeds \$1,500,000 and, with regard to multi-year contracts, the test to determine whether a procurement exceeds the \$1,500,000 threshold for PUC review and approval is the total estimated cost of the procurement, including cost incurred in any renewal options.<sup>7</sup> Here, GPA's revised estimates, inclusive of the two (2) year extension options show that the Contract is expected to cost a total of \$3,296,277. Therefore, the PUC must review and approve the contract prior to GPA expending amounts in excess of \$1,500,000 on it.
8. The increase in the Contract's estimated cost is reasonable. The extended power outages in the months following Typhoon Mawar, and the load shedding that Guam is currently experiencing as a result of the unscheduled outages of GPA's baseload plants, have caused an unexpected increase in the demand for the diesel fuel that GPA and GWA rely upon to operate the generators that keep pumping stations functional during these power outages. This increased demand coupled with the increase in fuel prices has resulted in the Contract's cost estimate increasing to \$3,296,277. Therefore, the Contract's price increase is reasonable.

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<sup>4</sup> Id., at 2.

<sup>5</sup> Id., at 8. NOTE: The GPA Petition's PDF page numbers are used here because the page numbering in the petition and its exhibits are not continuous.

<sup>6</sup> Id., at 9.

<sup>7</sup> Contract Review Protocol for GPA, Administrative Docket, filed February 15, 2008 at Par: 1(e) and 4(b).



9. The increase in the Contract's price is prudent. Increasing the Contract's price now is prudent because load shedding and increased fuel prices are expected to continue into the next couple of fiscal years. Therefore, the increase in the Contract's price is prudent.
10. The increase in the Contract's price is necessary. GWA relies on electric pumps to operate its pumping stations in both its drinking water and wastewater systems and the diesel generators at these pumping stations are necessary to keep these pumping stations operational during extended periods when the Island Wide Power System is unable to provide electricity. GPA must continue its supply of diesel fuel for these generators to ensure that they are always available should there be a power outage. Therefore, the increase in the Contract's price is necessary.
11. Based on the foregoing, GPA's increase in the Contract's price to \$3,296,277 is reasonable, prudent, and necessary.

#### **RECOMMENDATION**

12. Counsel recommends that the PUC approve GPA's request to increase the Contract's price to \$3,296,277.
13. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 17th day of December, 2023.

*Anthony R. Camacho*

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PUC Legal Counsel