

**GPA DOCKET 24-10**

## PUC LEGAL COUNSEL REPORT

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition To Approve GPA's request to purchase Water System Diesel (WSD) Generators.<sup>1</sup>
2. GPA requests that the PUC approve GPA's request to issue a solicitation to purchase WSD generators for approximately 94 Guam Waterworks Authority [GWA] sites and GPA estimates that the cost of purchasing the generators will be approximately \$11.4 million.<sup>2</sup>

3. GPA operates and maintains over 220 standby generators for GWA that are located at GWA's water wells, wastewater facilities, and water booster pump stations throughout Guam which provide a backup power supply for these sites to ensure their continuous operation during periods when GPA is unable to supply power to the areas where these GWA facilities are located.<sup>3</sup>
4. Most of the WSD generators are over 29 years old, near the end of their service life, and have become difficult to maintain, unreliable, and GPA has experienced difficulty obtaining replacement parts to for them due to their age.<sup>4</sup>
5. GPA estimates that WSD generators at 94 GWA sites need replacement and that this would require the purchase of twenty-two 30KW, seven 60KW, twenty-three

<sup>4</sup> Id.

125KW, thirteen 175KW, sixteen 300KW, nine 500KW, two 800KW, and two 1,400KW generators. Additionally, GPA will solicit for the purchase of ten portable generators, five 175KW, three 300KW, and two 500KW generators on trailers, for an additional backup power supply for critical GWA sites.<sup>5</sup> GPA estimates that the contract for the purchase of the WSD generators will be \$11.4 million, \$9.5 million for the generators plus a 20% contingency of \$2 million.<sup>6</sup>

6. On November 28, 2023, the Guam Consolidated Commission on Utilities passed Resolution No. FY2024-06 which authorized GPA's General Manager to procure the WSD generators and to expend the amount of \$11.5 million subject to the PUC's approval.<sup>7</sup>

### ANALYSIS

7. GPA must obtain the PUC's authorization to issue a solicitation for the WSD generators. 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.<sup>8</sup> Here, GPA estimates that the cost of the generators will be \$11.5 million which exceeds that amount.<sup>9</sup> Therefore, GPA must obtain the PUC's approval of the solicitation for the WSD generators prior to issuing it.
8. The estimated cost of purchasing the WSD generators is reasonable. A cursory internet price search for the sizes of generators that will be solicited for resulted in an approximate total cost of \$7,737,877. Although this amount is \$1,762,123 less than the \$9.5 million that GPA estimated, the prices for the larger units were for used generators, most of the prices for the smaller sized generators were for the generators only without coverings, etc., no shipping or insurance was included, and no trailers were included. Hence, for the generators meeting GPA's full specifications and considering the costs of shipping and insurance, and the cost of the trailers for the portable units, GPA's \$11.4 million estimated costs, which includes \$9.5 million for the generators and a 20% contingency of \$2 million, is reasonable.

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<sup>5</sup> Id.

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

<sup>7</sup> Id., at 9.

<sup>8</sup> Paragraph 1(e), Administrative Docket, Contract Review Protocol for GPA dated February 15, 2008

<sup>9</sup> GPA Petition at 5.

9. GPA's solicitation for the purchase of new WSD generators is prudent. 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 backup generators that provide backup power to GWA's water and wastewater facilities. GPA's aging fleet of WSD generators is not meeting this demand and it is better to replace the generators, especially considering spare or replacement parts for many of them are no longer being made for them due to their age. Therefore, GPA's purchase of new WSD generators is prudent.
10. GPA's solicitation for the purchase of new WSD generators 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. Therefore, GPA's purchase of new WSD generators is necessary.
11. Based on the foregoing, GPA's solicitation to purchase new WSD generators is reasonable, prudent, and necessary.

### RECOMMENDATION

12. Counsel recommends that the PUC approve GPA's request for authorization to solicit for the purchase of new WSD generators.
13. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 19th day of January, 2024.

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