

**GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
February 29, 2024
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA**



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:35 p.m. on February 29, 2024, pursuant to due and lawful notice. **Commissioners Jeffrey C. Johnson, Joseph McDonald, Doris Flores-Brooks, Rowena Perez-Camacho and Michael Pangelinan** were in attendance. The following matters were considered at the meeting under the agenda included as *Attachment "A"* hereto.

1. Approval of Minutes of January 25, 2024.

The Chairperson announced that the first item of business on the agenda was the approval of the minutes of January 25, 2024. Commissioner Pangelinan moved to approve the minutes of the January 25, 2024 meeting subject to corrections, which motion was seconded by Commissioner McDonald, the motion passed unanimously.

2. Guam Waterworks Authority

The Chairperson introduced the deferred item, Guam Waterworks Authority ("GWA") Docket 19-08, regarding a Petition to Approve a New Rate Design Structure. The Chairperson noted the presence of reports and a proposed order but stated that they wouldn't be discussed during that evening's session. Administrative Law Judge Frederick Horecky ("ALJ Horecky") commented on the issue, stating that he and Concentric Energy Advisors had received the reports late, prompting the need for additional time for GWA to review and respond to them. As a result, the discussion was postponed until the next PUC meeting. ALJ Horecky provided background information on the current rate design structure, explaining that GWA wasn't seeking implementation until FY 2026, with potential phased changes. ALJ Horecky mentioned that the matter would be revisited in FY 2025 for implementation.

3. Guam Power Authority.

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket 24-11, Petition of the Guam Power Authority to Approve the Relocation of the Yigo Diesel Generators, Legal Counsel Report, and Proposed Order.

PUC Legal Counsel Anthony R. Camacho ("PUC Counsel") presented a report regarding GPA's request for PUC authorization to solicit a contract for repairing or replacing 20 of the 39 1-megawatt Yigo diesel units. The contract would include relocation, installation,

commissioning, operation, and maintenance for a three-year base period with two optional 1-year extensions, totaling approximately \$13 million. PUC Counsel deemed the \$13 million cost reasonable due to late overhauls and deferred maintenance affecting the Yigo diesel units, resulting in a decline in power generation capacity. The repair estimate is \$7 million, with an additional \$2 to \$3 million annually for operation. He highlighted the contract's importance in providing adequate generation to historically underserved southern Guam and ensuring stability for GPA's customer, the U.S. Navy Base Guam. PUC Counsel emphasized the necessity of the contract to address GPA's dire baseload generation capacity and mitigate disruptions in the island-wide power system until the Ukudu plant's commissioning in 2025.

PUC Counsel recommended PUC approval and submitted a proposed order for consideration.

GPA GM John Benavente (GPA Benavente) commented that GPA intends to relocate some of the Yigo diesel units to the southern part of the island to create a network of capacity linking Umatac to Talofofu diesel. He emphasized the urgency of fixing the power issue now. Additionally, he highlighted that the permitting process for the relocation is progressing well, with coordination efforts with Guam EPA indicating that the intended area is permissible.

A discussion ensued between the Commissioners, PUC Counsel, and GPA Benavente. Commissioner Flores-Brooks inquired about the decision to repair only 20 out of the 39 Yigo diesel units, noting a separate docket for 24-15 concerning 20 megawatts. GPA Benavente clarified that the decision to focus on 20 units was to expedite the process, aiming for completion by September. He explained that Aggreko, the provider of temporary power, would assist in repairing 14 additional units, totaling 20 megawatts at Yigo. These repaired units, along with existing 8 megawatts and the additional 20 from Tenjo Vista, would provide adequate power for southern Guam.

Commissioner Flores-Brooks raised concerns about the project's scope, questioning its impact on the entire island, to which GPA Benavente reassured that it would address island-wide issues, particularly the transmission line challenges.

Regarding the bidding process, GPA Benavente stated the plan to finalize and release bids within a month with a target of September. Chairman Johnson and GPA Benavente discussed the plan to relocate some units to Tenjo Vista and the need for temporary power until the repairs are complete. Commissioner Pangelinan sought clarification on the rationale behind the estimated repair costs and the relocation plan. PUC Counsel provided insight into the reasoning behind the cost estimates, citing comparisons with similar projects and operational costs. PUC Counsel also clarified the relocation plan, emphasizing the two-step process involving both repair and relocation to optimize power generation capacity.

Commissioner McDonald moved to approve the draft order granting the petition which motion was seconded by Commissioner Perez-Camacho, and the motion passed unanimously.

- **GPA Docket No. 24-12**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority (“GPA”) Docket 24-12, Petition of the Guam Power Authority to Approve the Two Consecutive Year Extensions of the Residual Fuel Oil Number 6 Supply Contract with Hyundai Corporation, ALJ Report, and Proposed Order.

Administrative Law Judge Joephet Alcantara (“ALJ Alcantara”) presented a report regarding the extension of a contract between GPA and Hyundai for Residual Fuel Oil Number 6 (RFO) supply. The original contract, authorized by the PUC in 2020, required renewal by August 31, 2024. The request is to extend it through August 31, 2026, with a negotiated lower premium fee, potentially saving ratepayers approximately a million dollars over two years. The estimated cost for the extended term is \$213,686,333.00, based on the purchase of about 1.6 million barrels of RFO. This extension is deemed necessary due to the delay in commissioning the Ukudu powerplant caused by Typhoon Mawar, requiring continuous RFO supply for Cabras baseload units. The request is supported by a CCU resolution.

ALJ Alcantara recommended PUC authorization for the contract extension, highlighting RFO's essential role in GPA's operations and the cost-saving negotiations.

GPA Benavente expressed gratitude for Hyundai's continued supply of RFO, noting the difficulty in securing alternative contracts for such fuel. He emphasized the necessity of the current agreement due to delays in commissioning the Ukudu powerplant, originally scheduled for 2024 but now anticipated for January 2026. He mentioned negotiations to expedite Ukudu's commissioning to as early as September 30, 2025, ensuring a supply of energy oil for Cabras 1 and 2 up to 2026. However, he clarified that Cabras 1 and 2 are not expected to operate beyond December 2025, despite the contract extension to 2026.

A discussion ensued between the Chairman, Commissioner Pangelinan and GPA Benavente. Chairman Johnson and GPA Benavente discussed the historical significance of the RFO contract, noting its expense due to environmental regulations. GPA Benavente explained the complexities of RFO pricing, highlighting the necessity of the contract extension until Ukudu's commissioning in 2025. They discussed the logistical aspects of transitioning away from RFO, including tank cleaning and product disposal. Commissioner Pangelinan sought clarification on cost discrepancies, which GPA Benavente attributed to commodity price protection. Chairman Johnson highlighted the modifications in RFO types purchased over time. They concluded with considerations for tank filling and logistical challenges.

There being no further discussion, Commissioner Pangelinan moved to approve the draft order granting the petition which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

- **GPA Docket No. 24-13**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority (“GPA”) Docket Number 24-13, Petition of the Guam Power Authority to Approve the Extension of the Ultra-Low Sulfur Diesel Storage Lease Agreement with Tristar Terminals Guam, ALJ Report, and Proposed Order.

ALJ Alcantara presented GPA's request to extend Tristar storage tank leases until June 30th, 2026, emphasizing the need for uninterrupted supply of ultra-low sulfur diesel to several power plants. The proposed amendment maintains storage fees at \$98,000 per month, with a termination provision for flexibility. The extension cost for Tank 1906 and Tank 1907 totals \$4.802 million. The CCU supported the extension, considering Tristar tanks as the only suitable option for diesel storage.

Given GPA's limited alternatives, ALJ Alcantara recommended PUC approval for the extension to ensure continuous fuel supply to power plants.

GPA Benavente highlighted the connection between the delay in commissioning the Ukudu powerplant and the utilization of Tristar tanks for supplying ultra-low sulfur diesel to Piti 8 and 9 since July 2022. He mentioned the scheduled commissioning dates for Tank Number 1935 and Tank Number 1934 and emphasized the necessity of having one tank operational to service fuel to Ukudu. The Tristar tanks will serve as additional reserves until the second tank is fully tested, possibly until December 2025. GPA Benavente reiterated that while the contract extends to 2026, GPA aims to terminate it once the need diminishes, ensuring coverage for potential setbacks.

A discussion ensued between the Chairman and GPA Benavente. Chairman Johnson inquired about the fuel tank situation at the Ukudu site, to which GPA Benavente confirmed the presence of two tanks holding approximately 180,000 barrels, equivalent to one month of operation at 100% capacity. GPA Benavente explained the rationale behind having additional storage capacity in the event of a tsunami or other emergencies. He mentioned the possibility of adding more reserve storage at Tristar for other plants. Chairman Johnson then asked about the capability of these tanks to hold natural gas, to which GPA Benavente explained the need for specialized tanks for natural gas and discussed the potential use of floating storage and regasification facilities. GPA Benavente noted that if the transition to natural gas occurs, the need for Tristar's services would no longer be necessary.

There being no further discussion, Commissioner Perez-Camacho moved to approve the draft order granting the petition which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

- **GPA Docket No. 24-14**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority (“GPA”) Docket Number 24-14, Petition of the Guam Power Authority to Approve Procurement of Supply of Ultra-Low Sulfur Diesel with Various Power Generating Plant Site Locations, ALJ Report, and Proposed Order.

ALJ Alcantara presented a report regarding GPA's procurement of ultra-low sulfur diesel fuel oil, specifically Diesel Fuel Oil No. 2. He outlined GPA's current usage of Diesel No. 2 in various generators across multiple locations. The current contract for Diesel No. 2 is set to expire at the end of the year, prompting GPA to solicit bids for a new supply contract. The proposed contract includes provisions for delivery, quantity requirements, and contingency measures for ensuring fuel supply security. GPA estimated a significant quantity of fuel needed based on past usage trends. The CCU supported GPA's petition to issue an IFB for the procurement of Diesel No. 2, acknowledging its essential role in GPA's operations to maintain stable electricity supply.

Based on this, ALJ Alcantara recommended authorization for GPA to proceed with the multistep IFB related to the procurement of Diesel No. 2 fuel oil.

GPA Benavente emphasized the variability in prices for diesel fuel across different locations, attributing it mainly to delivery costs rather than the fuel price itself. He noted that there are only two suppliers, IP&E and Mobil, with whom they've been working for years. The fluctuation in prices is also influenced by the capacity and demand, with some locations requiring more frequent deliveries. He highlighted that once the Ukudu powerplant comes online, the reliance on fast strike production will decrease significantly, leading to more stable fuel costs and increased efficiency.

A discussion ensued between the Commissioners and GPA Benavente. Commissioner Flores-Brooks inquired about the future plans for power units considering the retirement of Cabras 1 and 2 and the potential retirement of other units. GPA Benavente explained that the retirement of additional units will depend on various factors, including the periodic maintenance of the Ukudu steam turbine, which necessitates a temporary reduction in generation capacity. He also discussed the impact of battery storage and renewable energy on future energy needs and cost savings. Additionally, Commissioner Flores-Brooks raised questions about the significant increase in diesel fuel consumption estimates for the upcoming year, to which GPA Benavente clarified that the estimates are projections based on various factors and not necessarily indicative of actual purchase quantities. The discussion highlighted the complex interplay between energy demand,

generation capacity, renewable energy integration, and cost considerations in planning Guam's energy future.

There being no further discussion, Commissioner Perez-Camacho moved to approve the draft order granting the petition which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

- **GPA Docket No. 24-15**

The Chairperson announced that the next item of business on the agenda was Guam Power Authority ("GPA") Docket Number 24-15, Petition of the Guam Power Authority for the Approval of the Award of 20 Megawatts of Temporary Power, ALJ Report, and Proposed Order. A full review and discussion for this matter was postponed until the next PUC meeting; however, ALJ Horecky offered some insight on the matter.

ALJ Horecky provided an update regarding the proposed temporary power project involving the relocation of 39 1-megawatt units from Yigo to Tenjo and the addition of 20 megawatts of new power at the Yigo CT site. He highlighted the legislative process's challenges, including revisions to GPA statutes, and mentioned the upcoming consideration of Bill 206 on March 6th. This bill would authorize GPA to proceed with the emergency procurement of 20 new megawatts. However, three prerequisites must be met before approval: the passage of Bill 206, approval of the contract by the governor, and review by the Attorney General for legality. ALJ Horecky expressed optimism for progress and committed to working closely with GPA's legal counsel for timely action.

A short discussion ensued between the Commissioners and GPA Benavente. GPA Benavente provided an extensive update on the progress and challenges regarding the proposed temporary power project. He highlighted efforts to secure 20 megawatts of new power at the Yigo CT site due to anticipated load shedding issues. GPA Benavente emphasized the need for legislative approval of Bill 206 to enable the project, noting its significance in meeting summer demand and avoiding potential power shortages. He discussed the legislative process and expressed cautious optimism about securing approval. Additionally, GPA Benavente addressed the cost implications and potential fuel savings for ratepayers. Despite the challenges, he underscored the importance of timely action to ensure adequate power supply and financial benefits for ratepayers. The discussion also touched on the status of other legislative measures and lessons learned from past efforts.

- **Other Discussion**


Chairman Johnson acknowledged GPA Chief Financial Officer John Kim's ("GPA Kim") presence and requested an update on the under-recovery status. GPA Kim responded that as of January 31st, the under-recovery stands at \$33 million.

4. Administrative Matters.

The Chairperson announced that the next item of business on the agenda was Administrative matter, Notice of Resignation of Commissioner Pedro Guerrero.

The Chairman expressed appreciation for Commissioner Guerrero's three years of service and noted that the Commission will miss him. Chairman Johnson mentioned that the Commission will soon determine Commissioner Guerrero's replacement. Additionally, he informed the Commission that he, Commissioner Montinola, and Commissioner McDonald were all recently reappointed by the Legislature.

There being no further business, the Commissioners moved to adjourn the meeting.



Jeffrey Johnson
Chairperson

ATTACHMENT A
THE GUAM PUBLIC UTILITIES COMMISSION
AMENDED 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 February 29, 2024, 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 January 25, 2024**
3. **Guam Waterworks Authority**
 - **GWA Docket 19-08:** Petition to Approve a New Rate Design Structure; Concentric Energy Advisors Report; ALJ Report; and Proposed Order
4. **Guam Power Authority**
 - **GPA Docket No. 24-11:** Petition of the Guam Power Authority to Approve the Relocation of the Yigo Diesel Generators; Legal Counsel Report; and Proposed Order
 - **GPA Docket No. 24-12:** Petition of the Guam Power Authority to Approve the Two (2) Consecutive Year Extension of the Residual Fuel Oil (RFO) No. 6 Supply Contract with Hyundai Corporation; ALJ Report; and Proposed Order
 - **GPA Docket No. 24-13:** Petition of the Guam Power Authority to Approve the Extension of the Ultra-Low Sulfur Diesel (ULSD) Storage Lease Agreement with Tristar Terminals Guam, Inc.; ALJ Report; and Proposed Order
 - **GPA Docket No. 24-14:** Petition of the Guam Power Authority to Approve Procurement of Supply of Ultra Low Sulfur Diesel (ULSD) for the Various Power Generating Plant Site Locations; ALJ Report; and Proposed Order
 - **GPA Docket No. 24-15:** Petition of the Guam Power Authority to Approve the Award of 20MW of Temporary Power; ALJ Report; and Proposed Order
5. **Administrative Matters**
 - **Notice of Resignation of Commissioner [for informational purposes only]**
6. **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:)

GUAM POWER AUTHORITY)
RELOCATION OF YIGO DIESEL)
GENERATORS)

GPA DOCKET 24-11)

ORDER)



INTRODUCTION

1. This matter comes before the Public Utilities Commission [“PUC”] pursuant to the Guam Power Authority’s [“GPA”] Petition to Approve the Relocation of the Yigo Diesel Generators.¹
2. GPA has solicited a project to supply 20MW of temporary power within 100 days and GPA plans on using the current location of the Yigo Diesel Generators to install this temporary power supply.²
3. GPA requests that the PUC authorize GPA to solicit for a contractor to repair or replace twenty of the thirty-nine 1MW Yigo Diesel Units and relocate, install, commission, operate, and maintain the units for a three-year base period, with two optional one-year extensions. GPA estimates that it will cost \$7 million to repair or replace twenty of the Yigo Diesel units, and that it will cost \$2-3 million to operate and maintain them annually, and that the total cost for the contract’s initial three-year term will be approximately \$13 million.³

BACKGROUND

4. The thirty-nine existing Yigo Diesel units require significant repairs, overhaul, or replacement to operate at their capacity and these services have been delayed due to procurement protests.⁴

¹ GPA Petition to Approve the Relocation of the Yigo Diesel Generators, GPA Docket 24-11, dated February 14, 2024 [GPA Petition].

² GPA Petition at 1. 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 2.

⁴ Id., at 4.

5. GPA has solicited for temporary power generation capacity to bridge the gap in GPA's existing generation capacity until the Ukudu Power Plant is commissioned in Late 2025 and GPA has determined that the current site of the Yigo Diesel units is the optimal site to locate this temporary power generation capacity.⁵
6. GPA intends to solicit for a contract with a three-year base term with two one-year options to renew, to repair or replace twenty of the thirty-nine 1MW Yigo Diesel units, relocate them to a GPA owned property adjacent to its Tenjo Vista Power Plant, and commission and operate them at that location to provide temporary power generation to Southern Guam and U.S. Navy Base, Guam.⁶
7. On January 23, 2024, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. FY2024-11 authorizing GPA's management to procure the services for the repair or replacement of up to twenty Yigo Diesel units and the relocation, installation, commissioning, and the operation of these units adjacent to the Tenjo Vista Power Plant.⁷
8. On February 26, 2024 the PUC Legal Counsel issued his report on this matter.

DETERMINATIONS

9. GPA must obtain the PUC's authorization to solicit for the contract to repair or replace twenty Yigo Diesel units and to relocate, install, commission, and operate them adjacent to the Tenjo Vista Power Plant. GPA's Contract Review Protocol states that for multi-year procurements with fixed terms and variable annual costs, GPA shall seek PUC approval of the procurement if the aggregate cost estimate for the entire term of the procurement exceeds its \$1,500,000 review threshold.⁸ Here, GPA estimates that the contract's three-year base term will cost \$13 million which exceeds the \$1,500,000 review threshold. Therefore, GPA must obtain the PUC's approval to solicit for the contract.
10. The \$13 million estimated cost of the contract is reasonable. As a result of delayed overhauls and maintenance caused by procurement protests, the Yigo Diesel units

⁵ Id., at 4.

⁶ Id.

⁷ Id., at 5.

⁸ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at page 2.

have significantly declined in their power generation capacity and will likely require significant repair and replacement to get twenty of them commissioned to produce 20MW of power generation capacity.⁹ Here, GPA estimates that the repair or replacement, and the relocation and commissioning of these will cost \$7 million and an additional \$2-3 million per year to operate. Therefore, GPA's estimated cost of repairing or replacing twenty of the Yigo Diesel units and relocating, commissioning, maintaining and operating them at GPA's Tenjo Vista location is reasonable.

11. The contract is prudent. GPA's plan to use the 20MW that will be provided by the repair or replacement, and relocation of the Yigo Diesel Units will ensure GPA's ability to provide adequate generation capacity for southern Guam, which has been a historically underserved area, and U.S. Navy Base Guam, which is an important GPA customer.
12. The contract is necessary. GPA currently only has two baseload power plants and Cabras 1 and 2 are one of these baseload plants. If GPA does not exercise increase its generation capacity, the extensions, it remains unlikely that Cabras 1 and 2 will remain continuously online and this is currently causing and will continue to cause great disruption in GPA's ability to operate the island-wide power system until the new northern power plant is completed. If this contract is approved, these disruptions should cease because GPA will have both the temporary power generating capacity that it solicited for, and, through the contract, the repaired or replaced Yigo Diesel units that will be operating at GPA's Tenjo Vista location that will provide an additional 20MW until the new Ukudu Plant is commissioned.
13. Based on the foregoing, GPA's plan to solicit for a contract to repair or replace twenty Yigo Diesel units and to relocate, install, commission, and operate them adjacent to the Tenjo Vista Power Plant is reasonable, prudent, and necessary, and, once commissioned and operational, these units will help to prevent the current great disruptions in GPA's ability to operate the island-wide power system until the new northern power plant is completed.

⁹ PUC Order dated January 30, 2020 in GPA Docket No. 20-04 at 2.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, GPA’s Petition to Approve the Relocation of the Yigo Diesel Generators, the Report of PUC Legal Counsel, 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. GPA’s request for authorization to solicit for a contract, with a three-year base term and two one-year options to renew, to repair or replace twenty Yigo Diesel units and to relocate, install, commission, and operate them adjacent to the Tenjo Vista Power Plant, is approved.
2. 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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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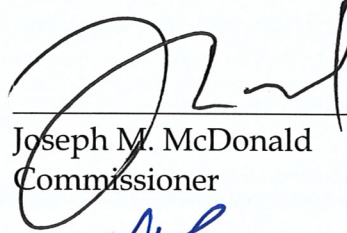
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Order
Petition of the Guam Power Authority
To Approve the Relocation of the Yigo
Diesel Generators
GPA Docket 24-11
February 29, 2024

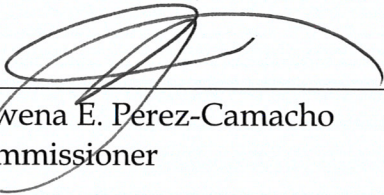
Dated this 29th day of February, 2024.



Jeffrey C. Johnson
Chairman



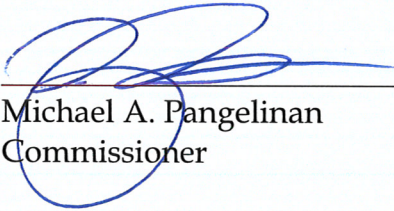
Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

Pete Guerrero
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION OF GUAM POWER
AUTHORITY TO APPROVE THE
TWO (2) CONSECUTIVE YEAR
EXTENSION OF THE RESIDUAL
FUEL OIL (RFO No. 6) SUPPLY
CONTRACT WITH HYUNDAI
CORPORATION**

GPA DOCKET 24-12

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the February 14, 2024 Petition to Approve the Two (2) Consecutive Year Extension of the Residual Fuel Oil (“RFO No. 6”) Supply Contract with Hyundai Corporation (“Hyundai”), filed by the Guam Power Authority (“GPA”) (referred to herein as the “Petition”).

On February 27, 2024, 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 2020, the PUC authorized GPA to procure a new contract for the supply of Residual Fuel Oil No. 6 (“RFO”) for its baseload power generating plants.¹ GPA requires the use of between one million barrels to two million barrels of RFO to operate its Cabras

¹ See PUC Order, GPA Docket 20-17, p. 2 (July 30, 2020).

baseload units.² GPA then issued GPA IFB-050-20 and subsequently determined that Hyundai had submitted lowest, responsible, and responsive bid.³ This Commission approved the resulting contract in GPA Docket 20-17.⁴

The subject contract between GPA and Hyundai provided an initial term of three (3) years, with two one-year options to extend the contract. In its July 30, 2020 Order, the PUC authorized \$276,779,088 for the initial three-year term of the contract.⁵

A. Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Furthermore, GPA's Contract Review Protocol requires that "[a]ll professional service procurements in excess of \$1,500,000" require "prior PUC approval . . . which shall be obtained before the procurement process is begun."⁶

B. Contract with Hyundai for RFO

As indicated in the Petition, GPA has already exercised one of the options to renew, which expires on August 31, 2024.⁷ The instant request will extend the contract through August 31, 2026.⁸

² See PUC Order, GPA Docket 20-17, p. 1.

³ See PUC Order, GPA Docket 20-17, p. 2.

⁴ See PUC Order, GPA Docket 20-17, p. 4.

⁵ See PUC Order, GPA Docket 20-17, p. 4.

⁶ GPA's Contract Review Protocol ("GPA CRP"), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

⁷ Petition, p. 1.

⁸ Petition, pp. 2-3.

In preparation for the upcoming year, GPA negotiated with Hyundai a lower premium fee.⁹ Specifically, the parties have agreed to lower the premium fee from \$79,000 to \$75,000 per metric ton of RFO.¹⁰ According to GPA, the renegotiation of the premium fee could potentially save ratepayers approximately \$1,000,000.00 over two years.¹¹

GPA estimates that the cost for an additional two-year term is \$213,686,333.00.¹² This estimation is based on the purchase of 1.6 million barrels of RFO through August 31, 2026.¹³

GPA maintains that due to Typhoon Mawar, the commissioning of the new Ukudu Power Plant will certainly be delayed, necessitating the need for RFO to fuel GPA's Cabras 1 and Cabras 2 baseload units.¹⁴ Accordingly, GPA submitted that it requires an uninterrupted supply of RFO for the next two years.¹⁵

The instant request is supported by the Consolidated Commission on Utilities through GPA Resolution No. FY2024-12, which authorized GPA to enter into an

⁹ Petition, p. 2.

¹⁰ Petition, p. 2.

¹¹ Petition, p. 2.

¹² Petition, p. 2.

¹³ GPA Resolution FY2024-12, issued by the CCU, "Exhibit A" (Jan. 23, 2024).

¹⁴ Petition, p. 2.

¹⁵ Petition, p. 2.

additional two-year term with Hyundai for the supply of RFO.¹⁶ The CCU further authorized the cost of \$213,686,333.00 for such extension of the contract.¹⁷

CONCLUSION

Without a doubt, RFO is essential to GPA's operations since it is utilized for the baseload power generating plants.¹⁸ Specifically, GPA requires the use of RFO to operate its Cabras units, and needs between one million barrels to two million barrels of fuel oil to operate those plants.¹⁹ Without such fuel oil, GPA will be unable to provide the necessary generation capacity to provide a stable and uninterrupted supply of electricity to meet the island-wide utility power demand. Therefore, this Commission has consistently determined that the purchase and delivery of such fuel oil is reasonable, prudent and necessary.²⁰

Moreover, as indicated by GPA, it was able to lessen the premium fee from \$79,000 to \$75,000 per metric ton of RFO.²¹ The reduction of the premium fee could potentially save ratepayers approximately \$1,000,000.00 over two years.²²

Ultimately, the ALJ found that the contract with Hyundai for the supply of RFO ensures that GPA has a continuous supply of fuel to the Cabras baseload units, which is supremely necessary for GPA to perform its electric power generation at capacity. The

¹⁶ GPA Resolution FY2024-12, p. 2.

¹⁷ GPA Resolution FY2024-12, p. 2.

¹⁸ See PUC Order, GPA Docket 20-17, p. 2 (July 30, 2020).

¹⁹ See PUC Order, GPA Docket 20-17, p. 1.

²⁰ See, e.g., Order, GPA Docket 17-18, p. 3 (Sept. 28, 2017).

²¹ Petition, p. 2.

²² Petition, p. 2.

ALJ, therefore, found the request to extend the RFO contract with Hyundai to be reasonable, prudent, and necessary.

RECOMMENDATION

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA's Petition. Accordingly, GPA should be authorized to extend its contract with Hyundai Corporation for the supply of RFO for an additional two-year term ending on August 31, 2026.

The Commission hereby adopts the findings in the February 27, 2024 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:

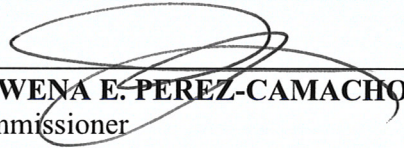
1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to extend its contract with Hyundai Corporation through August 31, 2026 at a total cost of about \$213,686,333.00 for the supply of RFO.
3. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, 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 29th day of February, 2024.



JEFFREY C. JOHNSON
Chairman

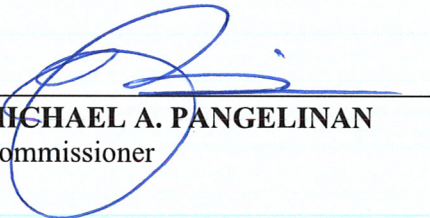


ROWENA E. PEREZ-CAMACHO
Commissioner



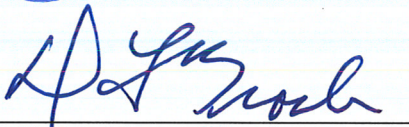
JOSEPH M. MCDONALD
Commissioner

PEDRO GUERRERO
Commissioner



MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



DORIS FLORES BROOKS
Commissioner

P243010.JRA

BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION OF GUAM POWER) GPA DOCKET 24-13
AUTHORITY TO APPROVE)
EXTENSION OF THE ULSD STORAGE) ORDER
LEASE AGREEMENT WITH TRISTAR)
TERMINALS GUAM, INC.)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the February 14, 2024 Petition (hereinafter referred to as the “Petition”) for review and approval of the Tristar Terminals Guam, Inc. (“Tristar”) contract related to GPA’s extension of its leases for Tank 1906 and Tank 1907, which store Ultra Low Sulfur Diesel (“ULSD”) fuel. GPA seeks PUC approval to extend the Tristar leases through June 30, 2026.¹

On February 26, 2024, 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

On September 28, 2017, the PUC authorized GPA to enter into an agreement with Tristar to lease a storage tank for ULSD fuel oil for a term of five years, specifically through December 31, 2022. The PUC authorized this lease at an annual cost of

¹ Petition, p. 1.

\$1,176,000.00.² Thereafter, on January 1, 2018, GPA entered into an agreement with Tristar, which included among others, the leasing of Tristar’s Tank 1906 “for the storage of Diesel product.”³ Subsequently, at GPA’s request, the PUC further authorized GPA to amend the Tristar agreement, adding the lease of Tristar’s Tank 1907 for additional ULSD fuel oil storage. In GPA Docket 23-05, the PUC authorized GPA to extend its contract with Tristar for an additional two years, specifically through June 30, 2024.⁴ In the Order, the PUC directed that GPA return to the Commission in the event GPA sought to extend the term of the contract beyond June 30, 2024.

1. GPA’s Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Additionally, pursuant to GPA’s current Contract Review Protocol, “[a]ll professional service procurements in excess of \$1,500,000” “shall require prior PUC approval”⁵ Further, with respect to multi-year contracts, GPA’s Contract Review Protocol provides that “GPA must obtain PUC approval if the total costs over the entire procurement term exceed the review threshold.”⁶

² PUC Order, GPA Docket 21-16, p. 2 (Sept. 30, 2021) (citing PUC Order, GPA Docket 17-23, pp. 1-4 (Sept. 28, 2017)).

³ Contract No. TTGI-SA-2018-01, between Tristar Terminals Guam, Inc. and Guam Power Authority, p. 4 (Jan. 1, 2018).

⁴ PUC Order, GPA Docket 23-05, p. 5 (Dec. 19, 2022).

⁵ Contract Review Protocol, PUC Admin. Docket 00-04, p. 1 (Feb. 15, 2008).

⁶ *Id.*, p. 3.

2. Extension of Contract Terms and Costs

According to GPA, its lease of Tank 1906 and Tank 1907 is set to expire this summer.⁷ GPA maintains that the extension of the ULSD storage lease agreement with Tristar is necessary in order to ensure the uninterrupted supply of ULSD to its power plants, namely Tenjo Vista, Piti 7, Piti 8, and Piti 9.⁸

Based on the proposed amendment to the contract extending the lease term through June 30, 2026, the storage fees for the tanks remain unchanged at \$98,000.00 per month, excluding the handling and throughput fees.⁹ These fees were negotiated, and have remained the same, since 2018. In addition, the proposed amendment allows GPA to terminate the contract prior to the expiration of the term of the contract upon written consent of the parties, which may be useful should GPA no longer need the storage.¹⁰

According to GPA, an additional twenty-five (25) months at \$98,000.00 per month for Tank 1906 will cost \$2,450,000.00; and an additional twenty-four (24) months at \$98,000.00 per month for Tank 1907 will cost \$2,352,000.00.¹¹ As a result, the total cost of the subject extension is \$4,802,000.00.¹²

4. CCU Approval

On January 23, 2024, the Consolidated Commission on Utilities (the “CCU”) issued GPA Resolution No. 2024-13 (the “Resolution”), wherein it found that currently the

⁷ Petition, p. 1; Resolution, p. 1.

⁸ Petition, p. 1; Resolution, p. 1.

⁹ Petition, p. 2; Resolution, p. 1.

¹⁰ Petition, p. 2; Resolution, p. 1.

¹¹ Petition, p. 2; Resolution, p. 1.

¹² Petition, pp. 2-3; Resolution, p. 2.

Tristar Terminal tanks are the only tanks suitable for the bulk storage of ULSD.¹³ In particular, since Tank 1934 and Tank 1935 are expected to be fully converted to store ULSD in 2026, the continued lease of Tank 1906 and Tank 1907 is necessary to ensure the “uninterrupted supply of bulk ULSD . . . to power plants Tenjo Vista, Piti 7, Piti 8, and Piti 9.”¹⁴

Accordingly, the CCU determined that the contract extension of the lease concerning the ULSD storage tanks is “reasonable and prudent”¹⁵; and therefore, approved the contract extensions for both Tank 1906 and Tank 1907, to expire on June 30, 2026.¹⁶ Additionally, the CCU authorized the corresponding cost for the extension, at an approximate total of \$4,802,000.00.¹⁷

RECOMMENDATION AND CONCLUSION

Based on the documentation provided, the ALJ found that the subject contract is necessary, and that the extensions of the terms referred to herein are reasonable and prudent. As indicated by GPA, the contract extension referred to in this matter is vital since it ensures the “uninterrupted” supply of ULSD fuel to the power plants.¹⁸

This Commission has previously held that any disruption to the safe distribution of fuel resources to GPA, “could be a potential threat to the public health, welfare and safety

¹³ Resolution, p. 1.

¹⁴ Resolution, p. 1.

¹⁵ Resolution, p. 2.

¹⁶ Resolution, p. 1.

¹⁷ Resolution, pp. 1-2.

¹⁸ Resolution, p. 2.

of our island.”¹⁹ In addition, this Commission has consistently found that GPA “has little choice but to utilize the storage tanks of Tristar.”²⁰ No other alternatives appear available to GPA at this time.

Further, based on the record before the PUC, the fees for the two tanks under the extended lease agreement will continue to remain the same, notably unchanged from the fees that were negotiated back in 2018.

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 the contract extension with Tristar, at a cost of about \$2,450,000.00 for Tank 1906; and about \$2,532,000.00 for Tank 1907; for a total cost of \$4,802,000.00.

The Commission hereby adopts the findings in the February 26, 2024 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 extend its contract with Tristar Terminals Guam, Inc. through June 30, 2026 at a cost of about \$2,450,000.00 for Tank 1906; and about \$2,532,000.00 for Tank 1907; for a total cost of \$4,802,000.00.

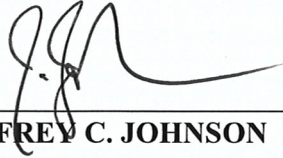
¹⁹ PUC Order, PAG Docket 21-01, p. 7 (Jan. 28, 2021).

²⁰ PUC Supplemental Order, GPA Docket 13-11, p. 2 (Sept. 24, 2013).

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 29th day of February, 2024.



JEFFREY C. JOHNSON
Chairman

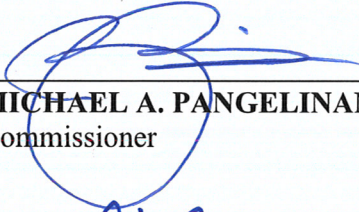


ROWENA E. PEREZ-CAMACHO
Commissioner



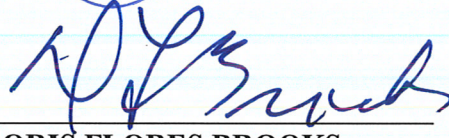
JOSEPH M. MCDONALD
Commissioner

PEDRO GUERRERO
Commissioner



MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



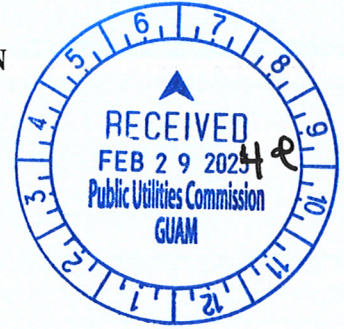
DORIS FLORES BROOKS
Commissioner

P243008.JRA

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION OF THE GUAM POWER)
AUTHORITY TO APPROVE THE)
PROCUREMENT OF SUPPLY OF)
ULTRA LOW SULFUR DIESEL FOR)
THE VARIOUS GENERATING PLANT)
SITE LOCATIONS)**

**GPA DOCKET 24-14)
ORDER)**



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the February 14, 2024 Petition for Approval of the Procurement of Supply of Ultra Low Sulfur Diesel (“ULSD”) Fuel Oil (the “Petition”), filed by the Guam Power Authority (“GPA”).

On February 26, 2024, 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 Diesel Fuel Oil No. 2 (“Diesel No. 2”), which include generators at four site locations, specifically: Yigo Combustion Turbine (“CT”) and Yigo Diesel; Dededo and Macheche CTs; Cabras 1 & 2 and Piti 7; and Mañenggon and Talofof. ¹ According to GPA, its current contract for Diesel No. 2 will expire on December 31, 2024. ²

¹ Petition, p. 1 (Feb. 14, 2024).

² Petition, p. 1.

On January 23, 2024, the Guam Consolidated Commission on Utilities (the “CCU”), through GPA Resolution No. 2024-14, authorized GPA to petition the PUC for approval to procure a new contract for the supply of Diesel No. 2 fuel oil; and to issue and Invitation for Bid (“IFB”) to procure a supplier for such fuel.³

A. Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Furthermore, GPA’s Contract Review Protocol requires that “[a]ll professional service procurements in excess of \$1,500,000” require “prior PUC approval . . . **which shall be obtained before the procurement process is begun.**”⁴

B. Invitation for Bid for Diesel Fuel Oil No. 2 and Proposed Contract

In the subject procurement, GPA intends to solicit bids for a supply of Diesel No. 2 fuel.⁵ GPA plans to announce the issuance of a multi-step IFB between March and April of this year.⁶ GPA indicates that the supply contract will be for an initial term of three (3) years, which may be renewed annually for an additional two years.⁷

According to the IFB, the bidders are required to provide a bid price for each year of the contract specified in the price proposal form of the IFB documents.⁸ Bidders are further required to provide GPA with \$500,000.00 bid bond.⁹

³ Petition, “Exhibit A”, pp. 1-2 (GPA Resolution No. FY2024-14, issued by the Consolidated Commission on Utilities (hereinafter referred to as the “Resolution”).

⁴ GPA’s Contract Review Protocol (“GPA CRP”), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

⁵ IFB, p. 1; Proposed Contract, p. 5.

⁶ IFB, p. 2.

⁷ IFB, p. 3.

⁸ IFB, p. 6.

Pursuant to the Proposed Contract, the contractor will be required to deliver the fuel oil to points of delivery directed by GPA, and in such quantities required by GPA.¹⁰ The proposed contract includes a provision that allows the contractor to source fuel oil from other vendors in order to guarantee fuel oil supply security.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.¹² And in such instances, the contractor will be liable to GPA for the difference in the cost of fuel oil.¹³

GPA has indicated that it has utilized about 46 million gallons of Diesel No. 2 in Fiscal Year 2022, and 39 million gallons of Diesel No. 2 in Fiscal Year 2023.¹⁴ Based on this growth, GPA has estimated upwards of 55.5 million gallons of fuel per year for all the site locations.¹⁵

C. CCU Resolution No. 2024-14

The Petition is supported by GPA Resolution No. 2024-14 issued by the CCU at its February 21, 2023 meeting (the “Resolution”). In the Resolution, the CCU authorized GPA to petition the PUC for approval to procure a new contract for the bulk supply of diesel fuel oil. The CCU further authorized GPA to issue an IFB to procure a supplier for the bulk supply of Diesel No. 2 fuel oil.¹⁶

⁹ IFB, pp. 16-17.

¹⁰ Proposed Contract, pp. 9, 13.

¹¹ Proposed Contract, p. 16.

¹² Proposed Contract, p. 20.

¹³ Proposed Contract, p. 20.

¹⁴ Proposed Contract, p. 48.

¹⁵ Proposed Contract, p. 49.

¹⁶ Petition, pp. 1-2 and “Exhibit A” (GPA Resolution No. FY2023-12, issued by the Consolidated Commission on Utilities, pp. 1-2 (Feb. 21, 2023)).

CONCLUSION

Based on the documentation provided by GPA, the CCU has authorized GPA to petition the PUC for approval to issue an IFB to procure the supply of Diesel No. 2 fuel oil. Without a doubt, diesel fuel oil is essential to GPA's operations since it is utilized at various diesel-fired generators. Without such fuel oil, GPA will be unable to provide the necessary generation capacity, especially during times when certain base load units are down. It is imperative that GPA procure such fuel oil in order to provide a stable and uninterrupted supply of electricity to meet the island-wide power demand.

Accordingly, the PUC has consistently determined that GPA requires a continuous supply of fuel in order to maintain the authority's electric power generation capacity; and that the procurement of such fuel oil is reasonable, prudent and necessary.¹⁷ The ALJ therefore found that the procurement of Diesel No. 2 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, further found the instant procurement to be reasonable, prudent, and necessary.

RECOMMENDATION

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA's Petition. Accordingly, GPA should be authorized to issue an Invitation for Bid related to the procurement of the bulk supply of Diesel No. 2 fuel oil.

The Commission hereby adopts the findings in the February 26, 2024 ALJ Report and therefore issues the following.

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

ORDERING PROVISIONS

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

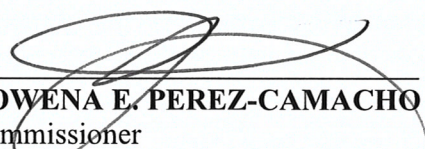
1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to issue an Invitation for Bid related to the procurement of the bulk supply of Diesel No. 2 fuel oil.
3. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

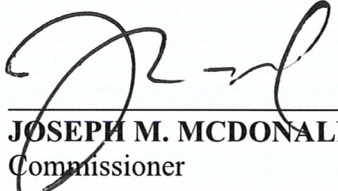
SO ORDERED this 29th day of February, 2024.



JEFFREY C. JOHNSON
Chairman

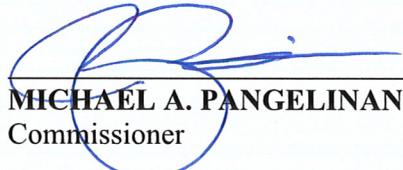


ROWENA E. PEREZ-CAMACHO
Commissioner



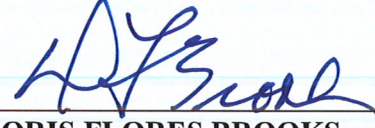
JOSEPH M. MCDONALD
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DORIS FLORES BROOKS
Commissioner