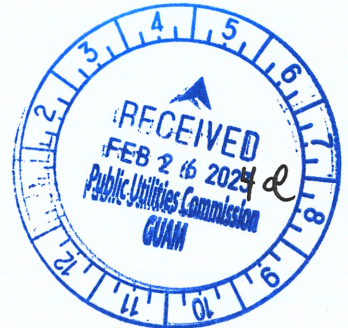


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**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

ALJ REPORT



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”).

BACKGROUND

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 Talofofu.¹ According to GPA, its current contract for Diesel No. 2 will expire on December 31, 2024.²

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

¹ Petition, p. 1 (Feb. 14, 2024).

² Petition, p. 1.

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

DISCUSSION

A. Contract Review Protocol

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

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.

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

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

⁸ IFB, p. 6.

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.

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

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 finds 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

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)).

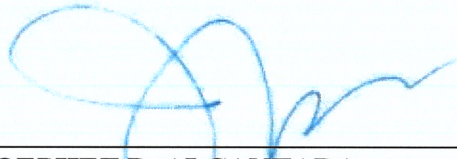
¹⁷ See, e.g., Order, GPA Docket 17-18, p. 3 (Sept. 28, 2017).

generation at capacity. The ALJ, therefore, further finds 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 recommends 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. A proposed Order for the PUC is attached hereto for the PUC's consideration.

Dated this 26th day of February, 2024.



JOEPHET R. ALCANTARA
Administrative Law Judge

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