

**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.<sup>1</sup> GPA requires the use of between one million barrels to two million barrels of RFO to operate its Cabras

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



baseload units.<sup>2</sup> GPA then issued GPA IFB-050-20 and subsequently determined that Hyundai had submitted lowest, responsible, and responsive bid.<sup>3</sup> This Commission approved the resulting contract in GPA Docket 20-17.<sup>4</sup>

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.<sup>5</sup>

**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."<sup>6</sup>

**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.<sup>7</sup> The instant request will extend the contract through August 31, 2026.<sup>8</sup>

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<sup>2</sup> See PUC Order, GPA Docket 20-17, p. 1.

<sup>3</sup> See PUC Order, GPA Docket 20-17, p. 2.

<sup>4</sup> See PUC Order, GPA Docket 20-17, p. 4.

<sup>5</sup> See PUC Order, GPA Docket 20-17, p. 4.

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

<sup>7</sup> Petition, p. 1.

<sup>8</sup> Petition, pp. 2-3.



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

GPA estimates that the cost for an additional two-year term is \$213,686,333.00.<sup>12</sup> This estimation is based on the purchase of 1.6 million barrels of RFO through August 31, 2026.<sup>13</sup>

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.<sup>14</sup> Accordingly, GPA submitted that it requires an uninterrupted supply of RFO for the next two years.<sup>15</sup>

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

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<sup>9</sup> Petition, p. 2.

<sup>10</sup> Petition, p. 2.

<sup>11</sup> Petition, p. 2.

<sup>12</sup> Petition, p. 2.

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

<sup>14</sup> Petition, p. 2.

<sup>15</sup> Petition, p. 2.



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

### **CONCLUSION**

Without a doubt, RFO is essential to GPA's operations since it is utilized for the baseload power generating plants.<sup>18</sup> 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.<sup>19</sup> 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.<sup>20</sup>

Moreover, as indicated by GPA, it was able to lessen the premium fee from \$79.000 to \$75.000 per metric ton of RFO.<sup>21</sup> The reduction of the premium fee could potentially save ratepayers approximately \$1,000,000.00 over two years.<sup>22</sup>

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

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<sup>16</sup> GPA Resolution FY2024-12, p. 2.

<sup>17</sup> GPA Resolution FY2024-12, p. 2.

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

<sup>19</sup> See PUC Order, GPA Docket 20-17, p. 1.

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

<sup>21</sup> Petition, p. 2.

<sup>22</sup> 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**

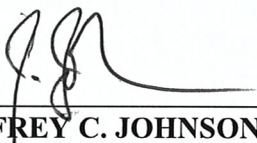
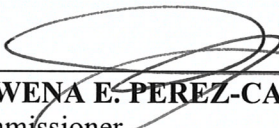
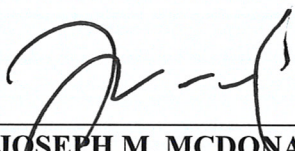
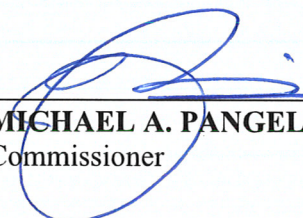
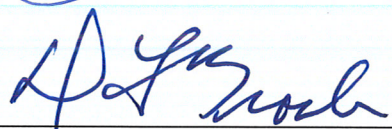
Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

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 29<sup>th</sup> day of February, 2024.

  
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**JEFFREY C. JOHNSON**  
Chairman  
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**ROWENA E. PEREZ-CAMACHO**  
Commissioner  
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**JOSEPH M. McDONALD**  
Commissioner  
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**PEDRO GUERRERO**  
Commissioner  
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**MICHAEL A. PANGELINAN**  
Commissioner  
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**PETER MONTINOLA**  
Commissioner  
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**DORIS FLORES BROOKS**  
Commissioner

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