

**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 Talofofo.<sup>1</sup> According to GPA, its current contract for Diesel No. 2 will expire on December 31, 2024.<sup>2</sup>

---

<sup>1</sup> Petition, p. 1 (Feb. 14, 2024).

<sup>2</sup> 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.<sup>3</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>4</sup>

**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.<sup>5</sup> GPA plans to announce the issuance of a multi-step IFB between March and April of this year.<sup>6</sup> 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.<sup>7</sup>

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.<sup>8</sup> Bidders are further required to provide GPA with \$500,000.00 bid bond.<sup>9</sup>

---

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

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

<sup>5</sup> IFB, p. 1; Proposed Contract, p. 5.

<sup>6</sup> IFB, p. 2.

<sup>7</sup> IFB, p. 3.

<sup>8</sup> 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.<sup>10</sup> 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.<sup>11</sup> 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.<sup>12</sup> And in such instances, the contractor will be liable to GPA for the difference in the cost of fuel oil.<sup>13</sup>

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.<sup>14</sup> Based on this growth, GPA has estimated upwards of 55.5 million gallons of fuel per year for all the site locations.<sup>15</sup>

**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.<sup>16</sup>

---

<sup>9</sup> IFB, pp. 16-17.

<sup>10</sup> Proposed Contract, pp. 9, 13.

<sup>11</sup> Proposed Contract, p. 16.

<sup>12</sup> Proposed Contract, p. 20.

<sup>13</sup> Proposed Contract, p. 20.

<sup>14</sup> Proposed Contract, p. 48.

<sup>15</sup> Proposed Contract, p. 49.

<sup>16</sup> 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.<sup>17</sup> 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.

---

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

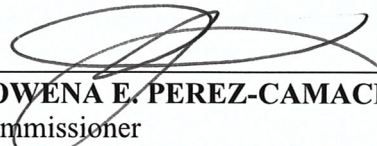

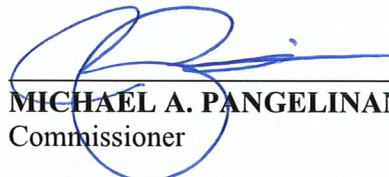
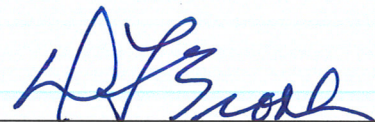
### **ORDERING PROVISIONS**

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 29<sup>th</sup> 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

P243006.JRA