



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION FOR APPROVAL OF
CONTRACT INCREASE FOR UREA
SUPPLY WITH PACIFIC
PETROLEUM TRADING COMPANY
BY THE GUAM POWER AUTHORITY**

GPA DOCKET 25-08

ALJ REPORT

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the February 12, 2025 Petition for Approval of Contract Increase for Urea Supply with Pacific Petroleum Trading Company (“Pacific Petroleum”), filed by the Guam Power Authority (“GPA”), and referred to hereinafter as the “Petition.”

BACKGROUND

Back in 2022, GPA issued an Invitation for Bid for the supply of diesel fluid/urea and consequently selected and entered into a contract with Pacific Petroleum.¹ The contract provides a base term of three years with two optional one-year extensions.² Pursuant to the agreement, the three-year base term terminates on May 1, 2025; with the first extension the optional term ending on May 1, 2026; and the second extension ending on May 1, 2027.³

In March 2024, GPA entered into a contract with Aggreko to install and operate a temporary power plant to provide an additional 20MW capacity to support the GPA’s grid

¹ Petition, “Exhibit A” (CCU Resolution FY2025-10), p. 1 (Jan. 28, 2025).

² Resolution FY2025-10, p. 1.

³ Resolution FY2025-10, p. 1.

until the Ukudu power plant comes online.⁴ Pursuant to its contract with Aggreko, GPA agreed to supply the urea that Aggreko needs for emission controls.⁵

On January 28, 2025, the Consolidated Commission on Utilities (the “CCU”) found that urea consumption increased substantially due to the increased operations of the Aggreko units.⁶ Accordingly, the CCU authorized GPA to expend a total of \$4,842,501 for the entire life of the contract.⁷

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.**”⁸ In this instance, GPA anticipates that the subject contract will reach and exceed the threshold provided under the Contract Review Protocol.

B. Pacific Petroleum Purchases for Urea

In the Petition, GPA submits that since March of last year, it has contracted with Aggreko to operate a temporary power plant that provides an additional 20MW capacity to

⁴ Resolution FY2025-10, p. 1.

⁵ Resolution FY2025-10, p. 1.

⁶ Resolution FY2025-10, p. 1.

⁷ Resolution FY2025-10, p. 1.

⁸ GPA’s Contract Review Protocol, Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis in original).

support the power grid until the Ukudu power plant comes online.⁹ According to GPA, GPA agreed to supply Aggreko with the urea required to control emissions for power generation.¹⁰ As a result, GPA has been purchasing what it deems “substantially greater quantities” of urea than originally budgeted when it entered into its contract with Pacific Petroleum. Accordingly, GPA now needs to increase its budget to purchase urea.

According to GPA, the cost for the purchase of urea will exceed \$1,514,752 by the end of this month.¹¹ In fact, GPA projects that by the end of FY2025, the costs associated with the purchase of urea will reach \$2,885,001; and \$4,842,501 by the end of FY2026.¹² In response to the Request for Information issued by the Administrative Law Judge, however, GPA submitted that for the final three years of the contract, GPA and Pacific Petroleum were able to reduce the cost from \$1.95 per gallon to \$1.35 per gallon for the third contract term; \$2.90 per gallon to \$1.35 per gallon for the first option year; and \$2.90 per gallon to \$1.35 per gallon for the last option year.

Urea, a diesel exhaust fluid, is primarily used to reduce emission from diesel engines “[b]y converting harmful NOx emissions into harmless nitrogen and water vapor.”¹³ Urea not only improves air quality, it “can also help to improve the performance of diesel engines.”¹⁴ GPA submits that the Yigo diesel plants and the Aggreko units

⁹ Petition, p. 2.

¹⁰ Petition, p. 2.

¹¹ Petition, p. 2.

¹² Petition, p. 3.

¹³ “How Diesel Exhaust Fluid Works to Reduce Emissions”, Fuelfixer, found at <https://www.fuelfixer.co.uk/2023/04/how-diesel-exhaust-fluid-reduces-emissions/#:~:text=By%20converting%20harmful%20NOx%20emissions,the%20performance%20of%20diesel%20engines>.

¹⁴ “How Diesel Exhaust Fluid Works to Reduce Emissions”, Fuelfixer, found at <https://www.fuelfixer.co.uk/2023/04/how-diesel-exhaust-fluid-reduces-emissions/#:~:text=By%20converting%20harmful%20NOx%20emissions,the%20performance%20of%20diesel%20engines>.

cannot “operate in compliance with environmental law without urea” and that it is therefore a “necessary component of their operations.”¹⁵

CONCLUSION AND RECOMMENDATION

As indicated in the Petition, urea is used to lessen the health and environmental impact of emissions in diesel power plants. Without the use of urea, there is risk of certain environmental impacts, as well as the potential of failing required environmental emissions standards. In sum, the Yigo diesel plants and the Aggreko units cannot “operate in compliance with environmental law without urea” and it is therefore a “necessary component of their operations.”¹⁶ In addition, the reduction of the pricing for the final three years of the contract benefits ratepayers since GPA must purchase urea for these diesel units.

Based on the record 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 expend a total of \$4,842,501 for the purchase of urea from Pacific Petroleum, which includes expenditures already made and expenditures anticipated through Fiscal Year 2026. A proposed Order for the PUC is attached hereto for the PUC’s consideration.

Dated this 26th day of February, 2025.



JOEPHET R. ALCANTARA
Administrative Law Judge

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emissions/#:~:text=By%20converting%20harmful%20NOx%20emissions,the%20performance%20of%20diesel%20engines.

¹⁵ Petition, p. 3.

¹⁶ Petition, p. 3.