



INTRODUCTION

BACKGROUND

GPA entered into an ECA with GUP in November 2019. The ECA has been amended and restated a number of times, and the version currently in effect is the “Third Amended and Restated ECA.”² Article 3.2.2 of the ECA provides: “Prior to the Commercial Operation Date, GPA shall not pay for energy delivered to GPA during Testing and Commissioning.” GPA seeks to amend the ECA so that it can purchase additional testing power from GUP prior to the plant’s commercial operation date.

² *Id.* at p. 1.

Recently, the Ukudu Power Plant has been undergoing testing and commissioning activities, with the expected Commercial Operation Date in September 2025.³ The Ukudu power plant has successfully tested up to 145MW gross power through its simple cycle process and will be testing the steam turbine for combined cycle operations for its contracted capacity of 198MW in the coming months.⁴

Since 2024, GPA's average power demand has seen an increase of about 10MW, reaching its highest demand since Typhoon Mawar at 259MW on April 21, 2025. GPA further indicates that the peak demand has now reached 265MW.⁵ At the same time, several plants are currently undergoing long-needed overhauls in repairs while others were experiencing unscheduled outages.⁶ Piti 8 was down for over a week.

GPA submits that the additional energy produced by Ukudu testing has had the effect of mitigating the risk of load shedding by providing supplemental energy at a time of high demand. Customer demand, based on historical trends, is expected to rise still higher this summer as temperatures increase.⁷ In order to avoid the possibility of load shedding as demand increases, GPA proposes the purchase from GUP of additional power generated by the testing of the Ukudu plant.

GPA and GUP have negotiated a draft Amendment No. 1 to the Third Amended and Restated Energy Conversion Agreement which would enable GPA to purchase test

³ GPA Petition, Exhibit B, at p. 1; GPA Resolution No. FY2025-16, Authorizing the Guam Power Authority (GPA) to Receive Additional Pre-Commissioning Energy Support Services from Ukudu Power Plant, adopted and approved on April 22, 2025.

⁴ Id.

⁵ Conference between PUC ALJ Fred Horecky and GPA Counsel Marianne Woloschuk, CFO John Kim, and AGMO Jennifer Sablan on May 16, 2025; see also "Historical Peak Demand (MW) chart", GPA Petition, Exhibit B, at p. 7.

⁶ GPA Petition at p. 2.

⁷ Id.

energy generated during the additional testing hours, to set the terms for the purchase of power delivered to GPA during the additional testing hours, and to pay the costs associated therewith.⁸

The expected power output between May 30, 2025, and September 6, 2025, would be 135MW.⁹ The parties have now updated the agreed proposal to indicate that there will be 135 combined cycle capacity for 15 hours/day for a minimum of 65 days.¹⁰

The updated GPA Ukudu Cost Agreement Analysis indicates that GPA will pay GUP for the additional testing power in the approximate amount of \$4.9M. However, GPA contends that these costs will be offset by approximately \$9.2M in savings from energy produced by the more efficient new power plant, resulting in a net savings of approximately \$4,371,745.¹¹ In order to accomplish the additional testing, and to allow GPA to pay for additional testing during Ukudu's pre-commissioning, GPA requires an amendment to the ECA that will allow GPA to pay for additional testing during the Ukudu pre-commissioning period.

For a more detailed explanation of the cost breakdown, please see GPA Responses to Requests for Information attached to the ALJ Report as Exhibit "2".¹²

⁸ GPA Petition at Exhibit A, p. 1 (Amendment No. 1 to Third Amended and Restated Energy Conversion Agreement).

⁹ GPA Petition at Exhibit A, pgs. 5-6 (Schedule 3.1, Additional Testing Hours).

¹⁰ Ukudu Cost Agreement Analysis, submitted by GPA to ALJ Horecky on May 21, 2025, a true and correct copy of which is attached to the ALJ Report as Exhibit "1".

¹¹ Id. at Exhibit "1".

¹² GPA provided the ALJ with Responses to RFIs by email dated May 21, 2025.

The terms and conditions for the purchasing of such additional testing power are set forth in Schedule 3-1 Additional Testing Hours.¹³ There are also provisions for extending the initial term and providing for an extended term whereby GPA could continue to purchase additional testing power beyond September 6, 2025, until the COD.¹⁴

In GPA Resolution No. FY2025-16, the Guam Consolidated Commission on Utilities authorized GPA to compensate GUP for additional generation in an amount up to \$4.9M for the operation cost of the Ukudu power plant prior to the commercial operation date.¹⁵ GPA petitions the PUC to cover the cost of these services under the Levelized Energy Adjustment Clause (LEAC) because of the direct fuel savings.¹⁶

Since the aforementioned CCU Resolution did not request an amendment of the ECA to allow GPA to purchase energy during the testing period, the CCU amended Resolution No. FY2025-16 at its May 27, 2025 meeting, to allow the GPA General Manager to petition the PUC to amend the ECA and allow GPA to pay for \$4.9M of additional testing energy in the pre-commissioning period.¹⁷

ANALYSIS

I. GPA's Contract Review Protocol.

¹³ GPA Petition at Exhibit A, pgs. 5-6 (Schedule 3.1, Additional Testing Hours).

¹⁴ Id.

¹⁵ GPA Resolution No. FY2025-16, Authorizing the Guam Power Authority (GPA) to Receive Additional Pre-Commissioning Energy Support Services from Ukudu Power Plant, adopted and approved on April 22, 2025, GPA Petition at Exhibit B, p. 2.

¹⁶ Id.

¹⁷ GPA Petition at p. 3.

The GPA Contract Review Protocol requires that the PUC must review “any contract or obligation... which exceeds \$1,500,000.”¹⁸ Since the estimated cost for the purchase of additional testing power by GPA is approximately \$4.9M, prior PUC review and approval is required. GPA recognizes that prior PUC approval is required in Section F of Amendment No. 1 to Third Amended and Restated Energy Conversion Agreement.

II. GPA has justified the need for the purchase of additional testing power from GUP.

There has been an increase in Peak Demand to 265MW in May 2025.¹⁹ Prior peak demand for the months of May in 2023 and 2024 were 257MW and 252MW respectively. The increase in peak demand places additional load burdens upon the IWPS. GPA has established a standard that it should have sufficient generation capacity to survive an outage of its two largest available units. GPA’s calculation indicates that it could fall 44MW short in capacity without the additional power produced by the Ukudu plant.²⁰ With the minimum additional capacity of over 131,625,000 kWh from the additional test power, GPA should have sufficient power to prevent any undercapacity load imbalance.

On May 2, 2025, GPA issued a public notice indicating that the implementation of a rotating outage schedule was possible to address “an elevated risk of load shedding as key units are offline for necessary preventative maintenance or limited in capacity production and summer heat rises.” In the Notice, GPA indicated that it would file a

¹⁸ Contract Review Protocol for Guam Power Authority, Administrative Docket, dated February 15, 2007, at par. 1.

¹⁹ GPA Petition at Exhibit B, p. 8.

²⁰ GPA Petition at Exhibit B, p. 8.

petition before the PUC for “additional testing energy support from the Ukudu power plant during the peak summer months.”²¹

In its May 15, 2025, release (“GPA requests the Community to Conserve Power During Peak Hours”), GPA again asked customers to conserve power during the evening hours. It indicated that “GPA faces an increased risk of rotating outage as Baseload Unit Piti #8 remains offline for necessary engine overhaul or when other units operate at limited capacity.”²² Extended load shedding would present undesirable consequences for the people of Guam. GPA has proposed a reasonable and necessary plan to mitigate the potential of load shedding, which plan should prevent the harms that would result to customers.

III. GPA has presented a credible case that its plan to purchase additional testing power will produce cost savings for the ratepayers.

Cost savings are a benefit to ratepayers; however, even were there no cost savings from GPA’s plan to purchase additional testing power, it could be argued that the cost for such power is justified in order to prevent ongoing load shedding. The additional power serves a bridge to protect customers from load shedding until the Ukudu plant comes fully on line. It may be difficult to estimate the actual savings. The exact amount of power that will be purchased is unknown, and fuel prices could fluctuate. Also, there could be deviations in the guaranteed heat rate. Nevertheless, GPA has presented a plausible and reasoned argument that its plan to purchase additional testing power will produce cost savings for the ratepayers.

²¹ “GPA Continues to Urge Residents to Shift Peak Usage”, GPA Communications Release dated May 2, 2025.

²² GPA Press Release, GPA requests the Community to Conserve Power During Peak Hours, dated May 15, 2025.

GPA's case to demonstrate cost savings from its plan is set forth in the updated GPA Ukudu Cost Agreement Analysis (Exhibit "1").²³ GPA estimates that the total cost per kWh for the additional power generated purchased from the Ukudu plant is \$0.1596. However, the production cost for the existing system without the Ukudu plant is \$0.1883 (existing system fuel). Thus, the power produced by Ukudu is \$0.0288 per kWh less than the production cost for the existing system without Ukudu. Based upon a minimum kWh purchase of 131,625,000, GPA estimates that there will be savings from the purchase of the additional testing power from Ukudu in the amount of \$4,371,745. The reason for the variance is that the thermal efficiency of the Ukudu plant is far greater than for the existing system, and the Ukudu plant burns less fuel. The guaranteed BTU/kWh for Ukudu is 6,694; for the existing system BTU/kWh is likely over 12,000.²⁴

GPA agrees to supply the fuel required for the operation of the Ukudu plant for the testing period at no additional cost to GUP. GUP agrees to deliver to GPA, and GPA agrees to receive all the power generated during the Additional Testing Hours. GUP agrees to deliver at least sixty-five (65) days of power from the agreed commencement date of the Initial Term.²⁵

ORDERING PROVISIONS

After review of the record herein, including GPA's Petition to Amend the Energy Conversion Agreement, and to allow GPA to purchase Additional Testing Power from

²³ Ukudu Cost Agreement Analysis, Exhibit "1".

²⁴ GPA Petition at Exhibit B, p. 6 (Production Cost Ukudu 135MW Combustion Cycle and Production Cost Existing System without Ukudu); Conference between PUC ALJ Fred Horecky and GPA Counsel Marianne Woloschuk, CFO John Kim, and AGMO Jennifer Sablan on May 16, 2025.

²⁵ Exhibit "1".


Guam Ukudu Power LLC, GPA's Responses to Requests for Information, and the ALJ Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's request to amend the ECA between GPA and GUP, and to authorize GPA to pay for the additional pre-commissioning testing, which would result in additional energy support services from the Ukudu power plant, is approved.
2. GPA is authorized to expend up to the amount of \$4,900,000 for such energy support services.
3. 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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


[SIGNATURES TO FOLLOW ON NEXT PAGE]

Order
Amendment to Ukudu Power Plant
Energy Conversion Agreement
GPA Docket 25-12
May 29, 2025

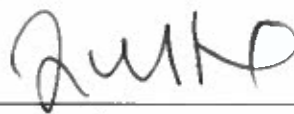
Dated this 29th day of May 2025.



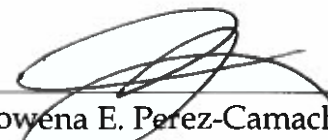
Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Rowena E. Perez-Camacho
Commissioner

Michael A. Pangelinan
Commissioner

Doris Flores Brooks
Commissioner