

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 26-10)

PETITION OF THE GUAM POWER)
AUTHORITY TO AMEND THE)
UKUDU POWER PLANT ENERGY)
CONVERSION AGREEMENT TO)
PERMIT GPA TO PAY FOR)
ADDITIONAL TESTING)

PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Amend the Ukudu Power Plant Energy Conversion Agreement to Permit GPA to Pay for Additional Testing.¹
2. GPA requests that the PUC approve Amendment No. 2 to the Third Amended and Restated Energy Conversion Agreement ["ECA"] it has with Guam Ukudu Power ["GUP"] which amends Article 3.2.2 of the ECA by adding the following language: "...and, for the Additional Testing Hours for the 75-day period from midnight on October 1, 2025, to midnight on December 14, 2025, GPA shall pay GUP the sum of \$6,148,441.00.² GPA plans to fund the \$6,148,441.00 amount through the Levelized Energy Adjustment Clause ["LEAC"].³

BACKGROUND

3. On October 31, 2019, the PUC approved the ECA in GPA Docket No. 19-13.⁴ GPA entered into the ECA with GUP in November, 2019 and the ECA has been amended and restated a number of times, and the version currently in effect is the Third Amended and Restated ECA.⁵ The most recent ECA amendment was Amendment No. 1 to the Third Amended and Restated ECA which was approved by the PUC on May 29, 2025 in GPA Docket No. 25-12 and under this amendment, Article 3.2.2 of the ECA currently reads:

¹ GPA Petition to Amend the Ukudu Power Plant Energy Conversion Agreement to Permit GPA to Pay for Additional Testing, GPA Docket 26-10, dated April 3, 2026 [GPA Petition].

² Id., at 3. NOTE: The page numbers in GPA's Petition and its exhibits are not continuous and the page numbers cited herein refer to the page number of the PDF version of the Petition which is continuous.

³ Id., at 1.

⁴ PUC Order dated October 31, 2019 in GPA Docket No. 19-13 at 20.

⁵ PUC Order dated May 29, 2025, GPA Docket No. 25-12 at 1.

Section 7.1 and Schedule 4 notwithstanding, prior to the Commercial Operation Date, GPA will make all reasonable efforts to accept all the energy generated and shall pay for such energy delivered to GPA during Testing and Commissioning on terms mutually agreed upon by the Parties that provide a benefit to the ratepayers. The Parties agree to increase the daily Testing hours and GPA shall pay the costs associated therewith and for any energy produced from the additional Testing Hours in accordance with terms set forth in Schedule 3-1.⁶

This article requires that, prior to the Commercial Operation Date [“COD”], GPA is authorized to pay for energy delivered to GPA during Testing and Commissioning [“Test Energy”] during additional Testing Hours for the period from May 30, 2025 through September 6, 2025 as set forth in Schedule 3-1 of the ECA.

4. From May 30 to September 6, 2025, GUP provided GPA Test Energy during peak hours and GUP charged GPA a Fixed Operations and Maintenance Charge [“FOMC”] and a Variable Operation and Maintenance Charge [“VOMC”] in accordance with Schedule 3-1 of the ECA. At GUP’s request, GPA agreed to pay the FOMC directly to GUP’s contractor, Doosan Ukudu Power LLC [“Doosan”] during this period.⁷
5. On or about the time that ECA Amendment No. 1 was approved, the COD, wherein GUP would take full operational control of the Ukudu power plant was September 30, 2025. However, on September 3, 2025, GUP notified GPA that the COD must be extended because one of the plant’s three gas turbine generators were damaged and had to be shipped to the manufacturer’s factory in Sweden for repairs. GPA and GUP entered into negotiations for ECA Amendment No. 2 for the Test Energy GPA received after September 6, 2026 and prior to the COD. These negotiations were unsuccessful because Doosan would not agree on the amount of the FOMC payments it would receive for the extended Test Energy period.⁸
6. The COD was achieved on December 25, 2025, GUP took full operational

⁶ GPA Petition at 1-2.

⁷ Id., at 2.

⁸ Id., at 3.

control of the Ukudu Power Plant and sought to resolve the outstanding issue of the Test Energy GPA received from September 7 to December 25, 2026. To dispense with the GPA's direct FOMC payments to Doosan, GPA and GUP agreed on a draft Amendment No. 2 for the ECA. This amendment would revise the language of Article 3.2.2 of the ECA to read:

Section 7.1 and Schedule 4 notwithstanding, prior to the Commercial Operation Date, GPA will make all reasonable efforts to accept all the energy generated and shall pay for such energy delivered to GPA during Testing and Commissioning on terms mutually agreed upon by the Parties that provide a benefit to ratepayers. The Parties agree to increase the daily Testing hours and GPA shall pay the costs associated therewith and for any energy produced from the Additional Testing Hours in accordance with the terms set forth in Schedules 3-1 and, **for the Additional Testing Hours for the 75-day period from midnight on October 1, 2025, to midnight on December 14, 2025, GPA shall pay GUP the sum of \$6,148,441.00 (Bold Emphasis Added to Denote the Additional Language).**⁹

This amendment will require GPA to pay GUP the amount of \$6,148,441. As GUP's contractor, Doosan can apply to GUP for what it believes to be its share of this lump sum payment.¹⁰

7. On March 30, 2026, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. FY2026-09 authorizing GPA's General Manager to increase the cost of the ECA by \$6,148,441 and to approve ECA Amendment No. 2 subject to the PUC's approval.¹¹

ANALYSIS

⁹ Id. NOTE: The \$6,148,441 amount stated in the amendment is likely a typographic error due to GPA and GUP agreeing that the lump sum payment should be \$6,148,451 which is \$10 more than the amount stated in the amendment (\$6,148,451 - \$6,148,441 = \$10). See GPA Responses to PUC Counsel Information Requests ["GPA Responses"] at 277-278. The correct \$6,148,451 amount shall be used here.

¹⁰ Id., at 4.

¹¹ Id., at 7.

8. GPA must obtain the PUC's approval to increase the ECA's Test Energy Costs to \$6,148,441 through ECA Amendment No. 2. GPA's Contract Review Protocol requires GPA to obtain the PUC's prior approval for any contract or obligation which exceeds \$1,500,000.¹² Additionally, the PUC approved ECA Amendment No. 1 only authorized GPA to incur \$4,900,000 in ECA Test Energy Costs.¹³ Here, the \$6,148,441 in Test Energy costs in ECA Amendment No. 2 exceeds the contract review threshold and the \$4,900,000 Test Energy Cost that the PUC previously authorized. Therefore, GPA must obtain the PUC's approval for ECA Amendment No. 2 and its \$6,148,441 cost.

9. The \$6,148,451 in Test Energy costs in ECA Amendment No. 2 must be corrected to \$6,126,431 to be reasonable. As stated above the PUC has already approved the ECA. As shown above, Amendment 2 of the ECA would require GPA to pay GUP \$6,148,441 for the Additional Testing Hours for the 75-day period from midnight on October 1, 2025, to midnight on December 14, 2025. ECA Amendments 1 and 2 both require GPA to pay the costs associated with testing and for any energy produced from testing in accordance with the terms set forth in Schedules 3-1 of the ECA. There is no Schedule 3-1 in the ECA but there is a Schedule 3 which has equations for FOMC and VOMC.¹⁴ GPA states that the \$6,148,441 lump-sum payment to GUP: "is calculated using the same formulas for FOMC and VOMC as were used in Schedule 3-1 to Amendment No. 1, as well as actual energy supplied by Ukudu during the relevant time period according for figures supplied by GUP, plus related services."¹⁵ Using the Equations in ECA Schedules 3, GPA and GUP both conclude that the FOMC for the 75-day period is \$4,121,813.20 and that the VOMC for that period is \$209,060.78.¹⁶ The FOMC amount is based on the equation $\$1,308 \text{ hr/unit} \times 3,151.14 \text{ hrs/unit}$.¹⁷ However, the product of this equation is \$4,121,691.12 ($\$1,308 \times 3,151.14 = \$4,121,691.12$) which is \$122.08 less ($\$4,121,813.20 - \$4,121,691.12 = \122.08) than the FOMC amount agreed to by GPA and GUP. The VOMC amount is based on the equation $104,530,390 \text{ Kwh} \times \0.0020 per Kwh .¹⁸ The product of this equation is \$209,060.78 ($104,530,390 \times \$0.0020 = \$209,060.78$)

¹² PUC Order, Administrative Docket, Contract Review Protocol for GPA, at 1.

¹³ PUC Order dated May 29, 2025, GPA Docket No. 25-12 at 8.

¹⁴ GPA Responses to PUC Counsel Information Requests ["GPA Responses"], GPA Docket No. 26-10, at PUC 211-214.

¹⁵ GPA Petition at 3.

¹⁶ GPA Responses at PUC 277-278.

¹⁷ Id., at 277.

¹⁸ Id.

which results in the \$209,061 VOMAC amount when rounded up. Hence, the corrected \$4,121,691 FOMAC and the \$209,061 VOMAC amount equal \$4,330,752 ($\$4,121,691 + \$209,061 = \$4,330,752$).

The remaining part of the lump-sum amount is a \$1,817,577 payment to Siemens TA. This amount is for direct costs consisting of additional commissioning field service specialists in the amount of \$1,990,775, and various indirect costs in the amount of amount of \$199,077 for a total amount of \$2,189,852 ($\$1,990,775 + \$199,077 = \$2,189,852$).¹⁹ The \$372,275 difference ($\$2,189,852 - \$1,817,577 = \$372,275$) between the Siemens TA portion of the lump-sum amount and the amount of claimed by Siemens TA results from of applying 83% of the total amount claimed by Siemens TA to the lump sum payment ($\$2,189,852 \times 83\% = 1,817,577$). It appears that the reason for the use of a percentage of what Siemens TA claimed is because the amount Siemens TA claimed was based on a 92-day period instead of the 75-day period set forth in ECA Amendment No. 2.²⁰ However, 75-days out of the 92-day period is 82% ($75 / 92 = .8152$). Hence, the correct apportionment of the Seimens TA claim should be \$1,795,679 ($\$2,189,852 \times 82\% = \$1,795,679$) which is \$21,898 less than the 1,817,577-amount based on the 83% apportionment.

Based on the foregoing, using the corrected \$4,121,691 FOMAC the \$209,061 VOMAC, and the corrected \$1,795,679, which is 82% of the Seimens TA claim, the total amount of \$6,126,431 is the reasonable amount for the lump-sum payment required by ECA Amendment No. 2.

10. The corrected \$6,126,431 Test Energy costs in ECA Amendment No. 2 is prudent. The PUC has previously found that the power produced by GPA's system without the Ukudu plant costs \$0.1883 per Kwh.²¹ Hence, for the 104,530,390 Kwhs at issue for the 75-day period covered by ECA Amendment No. 2, it would have cost GPA \$19,683,072 if they did not use the Ukudu plant ($104,530,390 \text{ Kwh} \times \$0.1883 \text{ per Kwh} = \$19,683,072$). Here, the \$6,126,431 corrected Test Energy costs in ECA Amendment No. 2 is \$13,556,641 less than if GPA used its existing system without the Ukudu plant ($\$19,683,072 - \$6,126,431 = \$13,556,641$). Therefore, the corrected \$6,126,431 Test Energy costs in ECA Amendment No. 2 is prudent.

¹⁹ Id., at 279.

²⁰ Id.

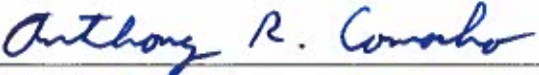
²¹ PUC Order dated May 29, 2025, GPA Docket No. 25-12 at 8.

11. The corrected \$6,126,431 Test Energy costs in ECA Amendment No. 2 is necessary. The Ukudu plant prevented substantial load shedding by providing 104,530,390 Kwhs during the 75-day period because GPA's existing system could not supply those Kwhs to meet the demand during that period. Therefore, the corrected \$6,126,431 Test Energy costs in ECA Amendment No. 2 is necessary.
12. Based on the foregoing, the corrected \$6,126,431 Test Energy costs in ECA Amendment No. 2 is reasonable, prudent, and necessary.

RECOMMENDATION

13. Counsel recommends that the PUC grant GPA's Petition to Amend the Ukudu Power Plant Energy Conversion Agreement to Permit GPA to Pay for Additional Testing in the amount of the corrected \$6,126,431 costs as set forth herein.
14. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 17th day of April, 2026.



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