

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 17-18
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR APPROVING) **ORDER**
THE PROCUREMENT FOR SUPPLY OF)
DIESEL FUEL OIL TO GPA)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Guam Power Authority’s [“GPA”] Petition for PUC review and approval of GPA’s Procurement for Supply of Diesel Fuel Oil.¹

BACKGROUND

2. GPA’s present contracts with IP&E Guam and Mobil Oil Guam to supply diesel fuel oil No. 2 for its base load and peaking units were originally approved by the PUC in GPA Docket 14-05 on December 1, 2014.²
3. The present contracts, for a three year base period, expire on December 31, 2017.³ Although the contracts would allow GPA to extend for two additional one-year terms, GPA has determined that a new solicitation is needed to reflect necessary changes and to update GPA’s supply requirement.⁴
4. The Guam Consolidated Commission on Utilities [“CCU”] authorized GPA to petition PUC for approval to issue bids to procure a contractor for the supply of Diesel Fuel Oil No. 2 for the Baseload Plants, Fast Track Diesel Plants, and Combustion Turbine Plants.⁵ PUC approval is required as the total cost for the new contract will exceed \$1.5M under the Contract Review Protocol.⁶
5. GPA proposes that the solicitation of competitive bids for a new diesel fuel supply contract be through a Multi-Step Bid Process.⁷ GPA submits that diesel fuel oil is

¹ GPA Petition for Contract Review, GPA Docket 17-18, filed February 9, 2017.

² PUC Order, GPA Docket 14-05, dated December 1, 2014.

³ Guam Consolidated Commission on Utilities Resolution No. 2017-05, adopted January 24, 2017, p. 1.

⁴ Id.

⁵ Id. at p. 2.

⁶ Id. at p. 1.

⁷ Id.

essential to the operation of the diesel power plants, and that a contract for such supply is reasonable, prudent, and necessary.⁸

DETERMINATIONS

6. Diesel fuel oil No.2 is utilized at various GPA Baseload, Diesel Fast Track and Combustion Turbine Plants. These include Baseloads (Cabras 1&2 and MEC 8&9), the Peaking Units (Tenjo Vista, Fast Tracks: Manenggon and Talofofo), and Combustion Turbines (TEMES Ct and the Northern Diesel Plants: Dededo Ct, Macheche CT, and Yigo CT).⁹
7. Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island wide utility power demand.¹⁰
8. GPA needs to issue an IFB for diesel fuel so that it can secure a new contract which will provide GPA with a continuous supply of diesel fuel necessary to maintain the Authority's electric power generation capacity.
9. As a result of the Cabras 3&4 explosion in August 2015, GPA's consumption of diesel fuel has greatly exceeded (by 380%) the amounts that were anticipated under the existing contract. The estimated annual fuel oil requirements under the new contract which GPA seeks to procure will be substantially higher. See Exhibits A and B to CCU Resolution No. 2017-05, true and correct copies of which are attached to the PUC Counsel Report herein dated February 13, 2017.¹¹
10. GPA's Petition includes a Draft Bid Package for the Multi-Step Bid for the supply of Diesel Fuel Oil No. 2.¹² In accordance with the draft bid, GPA will seek to procure between 20,060,000 and 28,100,000 gallons of diesel fuel oil per year.¹³ GPA will first determine which bidders are qualified under the technical bid, and then will select

⁸ GPA Petition for Contract Review, GPA Docket 17-18, filed February 9, 2017, at p. 2.

⁹ Guam Consolidated Commission on Utilities Resolution No. 2017-05, adopted January 24, 2017, at p. 1.

¹⁰ Guam Consolidated Commission on Utilities Resolution No. 2012-10, Schedule 1, at p. 4 of 8.

¹¹ Guam Consolidated Commission on Utilities Resolution No. 2017-05, adopted January 24, 2017, Exhibit A and Exhibit B (copies of which are attached to the PUC Counsel Report dated February 13, 2017).

¹² GPA submitted a Compact Disc, with the Draft Bid Package, to the Office of PUC Counsel on February 14, 2017.

¹³ Guam Consolidated Commission on Utilities Resolution No. 2017-05, adopted January 24, 2017, Exhibit B.

the bidder whose proposal yields the lowest overall Contract Price for the contract base year period.¹⁴

11. GPA has also proposed a draft contract for the selected bidder.¹⁵ The contract term will be for a term of two years, to commence on January 1, 2018, and continue until midnight of December 31, 2019. GPA will have an option to extend the contract for three (3) additional one (1) year terms, renewable annually, with the mutual agreement of both parties.¹⁶
12. The Contract has various provisions designed to protect GPA and its ratepayers, including warranty and quality assurance provisions, indemnity and insurance requirements, provisions for termination for the convenience of GPA, etc.¹⁷
13. The Contract also has provisions indicating that GPA's estimates for volume of diesel fuel to be utilized are estimates only, and shall in no manner work to the detriment of GPA.
14. The proposed Contract appears to adequately protect the interests of GPA and its ratepayers.

ORDERING PROVISIONS

Upon consideration of the record herein, the Petition of GPA, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's request to proceed with the procurement for supply of Diesel Fuel to GPA for the Baseload plants, Fast-Track Diesel Plants, and Combustion Turbine Plants is hereby approved.
2. GPA has demonstrated a clear need for Diesel Fuel Oil No. 2 for its plants, and such fuel is essential to the operation of the plants. It is reasonable, prudent, and necessary for GPA to proceed with procurement for the supply of diesel fuel oil.

¹⁴ Draft IFB Bid Package, Vol. 1 Commercial Terms and Conditions, §§4.2 and 4.3, pgs. 23-25.


¹⁵ GPA Petition for Contract Review, GPA Docket 17-18, filed February 9, 2017, IFB, Volume II CONTRACT.

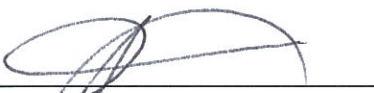
¹⁶ Id., Volume II CONTRACT, Section 3, at p. 9 of 38.


¹⁷ Id., CONTRACT, at pgs.12 of 38 through 23 of 38.

3. Once a final contract for supply of diesel fuel oil has been negotiated, GPA should submit such contract to the PUC for final review and approval.
4. 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.

Dated this 23rd day of February, 2017.

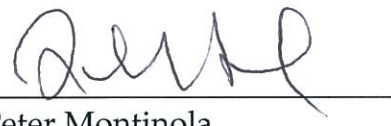


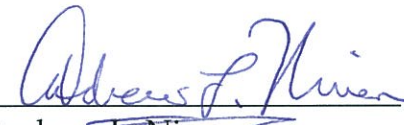
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