



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

|                                     |   |                         |
|-------------------------------------|---|-------------------------|
| <b>PETITION TO APPROVE AWARD OF</b> | ) | <b>GPA DOCKET 25-03</b> |
| <b>CONTRACTS TO SUPPLY ULTRA-</b>   | ) |                         |
| <b>LOW SULFUR DIESEL (ULSD) TO</b>  | ) | <b>ORDER</b>            |
| <b>VARIOUS POWER GENERATING</b>     | ) |                         |
| <b>PLANT SITE LOCATIONS BY GUAM</b> | ) |                         |
| <b>POWER AUTHORITY</b>              | ) |                         |
| _____                               | ) |                         |

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the October 4, 2024 Petition to Approve Award of Contracts to Supply Ultra Low Sulfur Diesel Fuel Oil No. 2 to Various Plant Site Locations (the “Petition”), filed by the Guam Power Authority (“GPA”).

On November 1, 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 ultra low sulfur diesel (“ULSD”) fuel oil, which include the following: Yigo CT and Yigo Diesel for “Site Location 1”; Macheche CT and Dededo CT for “Site Location 2”; Cabras 1, Cabras 2, and Piti 7 for “Site Location 3”; and Manenggon Diesel and Talofofo Diesel Plant for “Site

Location 4.”<sup>1</sup> According to GPA, its current contracts are set to expire on December 31, 2024.<sup>2</sup>

On February 29, 2024, this Commission authorized GPA to issue an Invitation for Bid in order to procure a bulk supply of ULSD fuel oil (“Fuel Oil”).<sup>3</sup> Thereafter, GPA issued Invitation for Multi-Step Bid under No. GPA-050-24 for bulk supply of Diesel Fuel Oil No. 2.<sup>4</sup> Two vendors submitted bids in response to the solicitation, namely Mobil Oil Guam, Inc. (“Mobil”) and IP&E Holdings LLC (“IP&E”).<sup>5</sup>

With respect to Site Location 1, Mobil submitted the lowest responsive bid, which offered Fixed Service Fees of \$0.28 per gallon for the first year, \$0.29 per gallon for the second year, and \$0.30 per gallon for the third year.<sup>6</sup> GPA estimates a total value of \$62,254,400 for this three-year period.<sup>7</sup> With respect to Site Location 2, IP&E submitted the lowest responsive bid, which offered Fixed Service Fees of \$0.30 per gallon for the first year, \$0.30 per gallon for the second year, and \$0.30 per gallon for the third year.<sup>8</sup> GPA estimates a total value of \$76,238,400 for this three-year period.<sup>9</sup>

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<sup>1</sup> Petition, p. 1 (Oct. 4, 2024).

<sup>2</sup> Petition, p. 1.

<sup>3</sup> See Order, GPA Docket 24-14, p. 5 (Feb. 29, 2024).

<sup>4</sup> See Petition, “Exhibit A,” Resolution No. FY2024-32, issued by the Consolidated Commission on Utilities, p. 1 (Sept. 25, 2024) (“Resolution FY2024-32”).

<sup>5</sup> Resolution FY2024-32, p. 1.

<sup>6</sup> Resolution FY2024-32, p. 1.

<sup>7</sup> Resolution FY2024-32, p. 1.

<sup>8</sup> Resolution FY2024-32, p. 1.

<sup>9</sup> Resolution FY2024-32, pp. 1-2.

With respect to Site Location 3, IP&E submitted the lowest responsive bid, which offered Fixed Service Fees of \$0.25 per gallon for the first year, \$0.25 per gallon for the second year, and \$0.25 per gallon for the third year.<sup>10</sup> GPA estimates a total value of \$22,986,080 for this three-year period.<sup>11</sup> With respect to Site Location 4, Mobil submitted the lowest responsive bid, which offered Fixed Service Fees of \$0.4770 per gallon for the first year, \$0.4880 per gallon for the second year, and \$0.50 per gallon for the third year.<sup>12</sup> GPA estimates a total value of \$9,016,580 for this three-year period.<sup>13</sup>

On September 25, 2024, the Consolidated Commission on Utilities issued Resolution No. FY2024-32, which authorizes GPA to enter into contracts with Mobil and IP&E at the proposed “Fixed Service Fee” rates for three years, and at a total estimated cost of \$170,495,460.00.<sup>14</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>15</sup>

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<sup>10</sup> Resolution FY2024-32, p. 2.

<sup>11</sup> Resolution FY2024-32, p. 2.

<sup>12</sup> Resolution FY2024-32, p. 2.

<sup>13</sup> Resolution FY2024-32, p. 2.

<sup>14</sup> Resolution FY2024-32, p. 3.

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

**B. Mobil and IP&E Contracts for Supply of ULSD Fuel Oil No. 2**

The two Fuel Oil contracts are substantively identical. As indicated in the proposed contracts, both contractors are required to provide GPA with Ultra Low Diesel Fuel Oil No. 2, delivered to GPA's power generating plants for the term of the contracts, and in volumes required by GPA.<sup>16</sup> The Fuel Oil supplied to GPA must conform to the product quality requirements specified in "Schedule A" of the contracts, and must originate from reputable sources not sanctioned by the U.S. government.<sup>17</sup> Moreover, the contractors are fully responsible for arranging the transportation of Fuel Oil to GPA's facilities.<sup>18</sup>

In instances where the contractor is unable to timely deliver any Fuel Oil supply, the contractor is required to provide GPA with at least five (5) days notice. In such an instance, GPA has expressly reserved its right to procure the Fuel Oil elsewhere; and if the cost of such Fuel Oil exceeds the contract price provided under the contracts, then the contractor is required to reimburse GPA for the difference.<sup>19</sup> In addition, the contracts expressly contain a liquidated damages provision that allows the imposition of liquidated damages whenever GPA suffers damages due to any delay in delivery of the Fuel Oil or where the quality of the Fuel Oil is outside the required specifications.<sup>20</sup>

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<sup>16</sup> Proposed Contract, p. 9.

<sup>17</sup> Proposed Contract, p. 9.

<sup>18</sup> Proposed Contract, pp. 25-26.

<sup>19</sup> Proposed Contract, p. 26.

<sup>20</sup> Proposed Contract, p. 28-29.

As indicated in the proposed contracts, the contract price will be calculated by adding the Reference Price plus the Fixed Service Fee, multiplied by the gallons of Fuel Oil supplied.<sup>21</sup> The Reference Price is defined as the “mean average of the previous month’s daily Mid-of-Plotts (MOPS) price postings.”<sup>22</sup> Under the contracts, the MOPS is the “average of high and low price assessments reported in the Platt’s Asia-Pacific/Arab Gulf Marketscan FOB Singapore Price Assessment for Gasoil 10 ppm.”<sup>23</sup>

Under the contracts, the contract term will be for three (3) years, beginning on January 1, 2025 through December 31, 2027, with options to extend the contract an additional two (2) years.<sup>24</sup> GPA has indicated that the total three-year cost for the supply of Fuel Oil under these contracts is about \$170,495,460. Resolution FY2024-32 issued by the CCU at its September 25, 2024 meeting authorizes GPA to enter into contracts with Mobil and IP&E at the proposed Fixed Service Fee rates that correspond to the different Location Sites, plus the fuel reference price, for a total estimated cost of \$170,495,460 for all three years.<sup>25</sup>

### **CONCLUSION**

Without a doubt, Fuel Oil is essential to GPA’s operations since it is utilized at various diesel-fired power generators. Without such Fuel Oil, GPA will be unable to provide the necessary generation capacity, especially during times when certain base load

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<sup>21</sup> Proposed Contract, p. 11.

<sup>22</sup> Proposed Contract, p. 11.

<sup>23</sup> Proposed Contract, p. 11.

<sup>24</sup> Proposed Contract, p. 10.

<sup>25</sup> Resolution FY2024-32, p. 3.

units are down, in order to provide a stable and uninterrupted supply of electricity to meet the island-wide utility power demand. The ALJ found that this Commission has consistently determined that GPA requires a continuous supply of diesel fuel to maintain the authority's electric power generation capacity; and that the purchase and delivery of such Fuel Oil is reasonable, prudent and necessary.<sup>26</sup> In addition, the ALJ found that the selection of bids of IP&E and Mobil demonstrates that the Fixed Service Fee was competitively obtained.

The contracts contains various provisions designed to protect GPA and ratepayers, such as the provisions discussed above, along with provisions on warranty and quality assurance, insurance requirements, and a provision on termination for convenience. Accordingly, the ALJ found that the proposed contract appears to adequately protect the interests of GPA and its ratepayers.

Moreover, the ALJ found that the contracts with Mobil and IP&E for the supply of Fuel Oil ensures that GPA has a continuous supply of fuel to the power plants necessary to perform its electric power generation near capacity. The ALJ, therefore, found the subject contracts to be reasonable, prudent, and necessary.

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 enter into contracts with Mobil and IP&E for the supply of ULSD Fuel Oil No. 2.

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<sup>26</sup> See, e.g., Order, GPA Docket 24-05, p. 4 (Nov. 30, 2023); Order, GPA Docket 24-14, p. 4 (Feb. 29, 2014).

The Commission hereby adopts the findings in the November 1, 2024 ALJ Report and therefore issues the following.

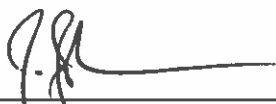
**ORDERING PROVISIONS**

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 enter into contracts with Mobil and IP&E for the supply of ULSD Fuel Oil No. 2 at the proposed Fixed Service Fee rates that correspond to the different Location Sites, plus the fuel reference price, for a total estimated cost of \$170,495,460 for a three year base term.
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 5<sup>th</sup> day of November, 2024.



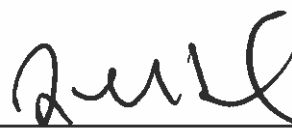
**JEFFREY C. JOHNSON**  
Chairman



**ROWENA E. PEREZ-CAMACHO**  
Commissioner



**JOSEPH M. MCDONALD**  
Commissioner



**PETER MONTINOLA**  
Commissioner



**MICHAEL A. PANGELINAN**  
Commissioner



**DORIS FLORES BROOKS**  
Commissioner

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