RESOLUTION NO. 2018-07

RELATIVE TO AUTHORIZATION OF PITI 8&9 CONTRACT EXTENSION

WHEREAS, in 1996 under an Energy Conversion Agreement (ECA), GPA contracted an Independent Power Producer for a Build, Operate and Transfer (BOT) project to construct Piti 8 & 9 Power Plant, perform twenty-years of Operation and Maintenance (O&M), and transfer ownership of the plant to GPA at the end of the contract term; and

WHEREAS, Marianas Energy Company currently manages and operates the plant under the ECA which will expire in January 2019; and

WHEREAS, the Piti 8 & 9 Power Plant contains two slow speed diesel units providing 88 MW of production capacity which is 42% of GPA’s total baseload capacity; and

WHEREAS, GPA does not have the staff to manage, operate, and maintain the Piti 8 & 9 Power Plant upon the transfer date of January 2019; and

WHEREAS, GPA proposes a private-public partnership to maintain high efficiency and reliability necessary to support the Island Wide Power System (IWPS); and

WHEREAS, GPA intended to solicit for a new IPP contract but was only recently able to complete a site inspection of the plant performed by specialists in slow speed technology that identifies necessary life extension, safety, and environmental projects required for optimum plant operation; and

WHEREAS, the delay in this task prevented timely completion of the bid documents and may impact the transition to a new IPP contract prior to the ECA expiration date; and

WHEREAS, GPA continues to experience delays in contract awards due to procurement protests which may impact the transition schedule; and
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WHEREAS, without a contract extension, MEC will not continue to manage and operate the power plant beyond January 2019; and

WHEREAS, land-based slow speed diesel plants are unique, and there may be challenges in seeking or retaining employees having specialized skills in the operation and maintenance of these units; and

WHEREAS, the continued reliability of the MEC power plant is crucial to the IWPS especially since the loss of the Cabras 3&4 Power Plant and the aged condition of the Cabras 1&2 Power Plant; and

WHEREAS, prior to operation of the New Power Plant, an outage of both Piti 8 & 9 is estimated to cost customers an additional $221,658 in fuel expenses per day assuming a system peak of 277 MW, all other units available, a $60/bbl RFO cost, and an $80/bbl ULSD cost; and

WHEREAS, sustained outages of Piti 8 & 9 will result in increased use of the Cabras 1&2 power plant and less efficient Combustion Turbine Power Plants; and

WHEREAS, with the recommended capital investments and planned conversion from RFO to ULSD fuel, GPA will benefit if the plant is managed by the firm that has an established relationship with OEMs and key suppliers; and

WHEREAS, an extended period of cross-training and transitioning prior to expiration of the ECA and before a new IPP contract commences will ensure the plant will continue to be operated and maintained by qualified personnel; and

WHEREAS, GPA and MEC have mutually agreed to negotiate a 5-year extension of the contract starting in January 2019 pursuant to Article 32 of the ECA as indicated in the attached Exhibit, “MEC Contract Extension Agreement”; and

WHEREAS, approval is requested to allow the General Manager to negotiate an extension to the ECA with MEC for an additional 5 years, and to petition the PUC for approval to negotiate the contract extension.

NOW, THEREFORE, BE IT RESOLVED, by the CONSOLIDATED COMMISSION ON UTILITIES, the GOVERNING BODY of the GUAM POWER AUTHORITY as FOLLOWS:

1. The CCU authorizes GPA to negotiate an extension of the Energy Conversion Agreement for management, operations, and maintenance of Piti 8 & 9 power plant with Marianas Energy
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Company with the following contract parameters as laid out in the attached Exhibit, "MEC Contract Extension Agreement":

a. Term: 5 years
b. Fees:
   i. Annual Fixed Recapitalization Fee of $7,067,000 for $35,334,000 of priority projects needed to ensure plant reliability, and the fuel conversion to ultra-low sulfur diesel to comply with USEPA regulations.
   ii. Fixed O&M Fee = $6.3720/kW per month estimated at $10,085 million annually
   iii. Variable O&M Fee = $0.0024/kWh estimated at $2,245 million annually
c. Performance Guarantees
   i. Heat Rate – 7,720 BTU/KWH (HHV)
   ii. Availability – 90%
d. Other requirements
   i. Annual Performance Test (Heat Rate)
   ii. ULSD Fuel Conversion

2. The General Manager is authorized to petition the PUC for approval of the extension.

RESOLVED, that the Chairman certifies and the Board Secretary attests to the adoption of this Resolution.

DULY AND REGULARLY ADOPTED AND APPROVED THIS 27th DAY OF MARCH 2018.

Certified by: Attested by:

[Signature]
JOSEPH T. DUENAS
Chairperson
Consolidated Commission on Utilities

[Signature]
J. GEORGE BAMBA
Secretary
Consolidated Commission on Utilities
I, J. George Bamba, Secretary for the Consolidated Commission on Utilities (CCU), as evidenced by my signature above do certify as follows:

The foregoing is a full, true, and accurate copy of the resolution duly adopted at a regular meeting of the members of Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

Ayes: 5

Nays: 0

Absent: 0

Abstain: 0