



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagatna, Guam 96932 | (671) 648-3002 | guamccu.org

RESOLUTION NO. 2018-07

RELATIVE TO AUTHORIZATION OF PITI 8&9 CONTRACT EXTENSION

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4 **WHEREAS**, in 1996 under an Energy Conversion Agreement (ECA), GPA contracted an
5 Independent Power Producer for a Build, Operate and Transfer (BOT) project to construct Piti 8 &
6 9 Power Plant, perform twenty-years of Operation and Maintenance (O&M), and transfer
7 ownership of the plant to GPA at the end of the contract term; and

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

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

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

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

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

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

22 **WHEREAS**, GPA continues to experience delays in contract awards due to procurement
23 protests which may impact the transition schedule; and

25 **WHEREAS**, without a contract extension, MEC will not continue to manage and operate the
26 power plant beyond January 2019; and

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

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

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

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

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

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

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

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

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

- 52 1. The CCU authorizes GPA to negotiate an extension of the Energy Conversion Agreement for
53 management, operations, and maintenance of Piti 8 & 9 power plant with Marianas Energy

54 Company with the following contract parameters as laid out in the attached Exhibit, "MEC
55 Contract Extension Agreement":

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

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

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

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

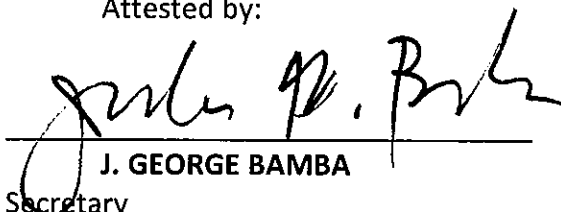
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77 Certified by:

Attested by:

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81 **JOSEPH T. DUENAS**

J. GEORGE BAMBA

82 Chairperson

Secretary

83 Consolidated Commission on Utilities

Consolidated Commission on Utilities

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88 **I, J. George Bamba**, Secretary for the Consolidated Commission on Utilities (CCU), as
89 evidenced by my signature above do certify as follows:
90 The foregoing is a full, true, and accurate copy of the resolution duly adopted at a regular
91 meeting of the members of Guam Consolidated Commission on Utilities, duly and legally held
92 at a place properly noticed and advertised at which meeting a quorum was present and the
93 members who were present voted as follows:

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96 Ayes: 5
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98 Nays: 0
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100 Absent: 0
101
102 Abstain: 0

