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2 **RESOLUTION NO. 2021-02**

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4 **RELATIVE TO AUTHORIZATION OF UKUDU POWER PLANT ENERGY CONVERSION**
5 **AGREEMENT (ECA) AMENDMENT FOR RELOCATION OF EMERGENCY DIESEL UNITS AND**
6 **PURSUIT OF MINOR SOURCE AIR PERMIT**
7

8 **WHEREAS**, Guam Power Authority (GPA) and Guam Ukudu Power (GUP) LLC signed the Energy
9 Conversion Agreement (ECA) for the construction, operation and transfer of a 198 MW power plant
10 to be sited on GPA owned property in Ukudu, Dededo; and

11 **WHEREAS**, GUP LLC is a local company formed by the KEPCO-EWP consortium (“KEPCO-
12 EWP”); and

13 **WHEREAS**, the anticipated Commercial Operation Date (COD) of the Ukudu Power Plant was
14 October 2022; and

15 **WHEREAS**, GPA expected that the new plant would be permitted under a minor source air
16 permit application process, although not specifically noted in the RFP, which would provide the
17 shortest timeframe to commission a new power plant; and

18 **WHEREAS**, to comply with bid reserve requirements, GUP LLC added 65 MW of standby
19 generators with a maximum 500 hours of operations to the site; and

20 **WHEREAS**, it was determined that the emergency diesel units required to operate during
21 Ukudu unit outages would significantly limit plant operations under a minor source permit during a
22 scheduled 23-day steam turbine outage which occurs every four years; and

23 **WHEREAS**, GPA and GUP LLC attempted to negotiate a minor source permit process early in
24 2020 but GUP LLC noted significant estimated cost overruns causing negotiations to fail and GUP LLC
25 pursued a major source air permit path; and

26 **WHEREAS**, USEPA expressed significant concerns on GUP LLC’S major source air permit path
27 because of significant delays which would occur because of lengthy air monitoring requirements
28 before a major source permit could be issued which would move COD past 2025; and

29 **WHEREAS**, USEPA encouraged GPA to work out an alternative which would permit the plant
30 under minor source; and

31 **WHEREAS**, in August 2020 GPA and GUP LLC again initiated discussions for a minor source
32 path and reached an agreement, **Attachment A**, which included the following:

- 33 • Permit the UKUDU Combined Cycle Plant as a minor source air permit.
- 34 • Install forty- one megawatts (41 MW) of diesel engines with continuous operation
35 capability near the GPA Cabras Bulk Fuel Oil Storage Facility and permit the plant for
36 maximum operational hours (~5000hrs).
- 37 • Agreed on a Fixed and Variable O&M rate to compensate for the operation and
38 maintenance of the new diesel plant fully dispatchable anytime by GPA; and
39

40 **WHEREAS**, a minor source air permit path would alleviate USEPA concerns on the overall
41 permitting and construction schedule of the Ukudu Power Plant and any further delays in the
42 retirement of the Cabras 1&2 Power Plant; and

43 **WHEREAS**, although the diesel engines are for a reduced capacity, the diesel engines are units
44 which could be operated in excess of 500 hours to support the entire Island-Wide Power System
45 (IWPS) and its efficiency and operating costs along with the Yigo Diesel Units (formerly Aggreko units)
46 could allow for the eventual retirement of older units; and

47 **WHEREAS**, GPA’s analysis of future generation system reliability shows that relocating the
48 GUP LLC Diesel Plant provides significant additional value to GPA significantly increasing the peak load
49 carrying capability of the GPA system, in addition to allowing retirements of older generating units
50 which would reduce costs; and

51 **WHEREAS**, the proposed location of the new diesel plant eliminates costly fuel trucking cost
52 and will have minimal interconnection costs because of its proximity to GPA’s future ULSD bulk
53 storage fuel tanks and also GPA transmission lines; and

54 **WHEREAS**, GUP LLC recently replaced its Engineering, Procurement and Construction
55 contractor Hyundai due to delays and potential cost overrun issues with schedule uncertainty, and
56 contracted Doosan Industries in December 2020 on a minor source path and based on the GPA
57 August 2020 proposal; and

58 **WHEREAS**, over the past year, GUP LLC and its contractors and consultants have gained
59 considerable experience for construction on Guam and has completed substantial work on the air
60 permit and the Environmental Impact Assessment (EIA), which are also required for minor source
61 permitting and supports the new schedule as achievable; and

62 **WHEREAS**, GPA would urgently seek support from air permitting agencies to prioritize the
63 power plant work to ensure progress on the plant schedule will meet the USEPA consent decree and
64 to minimize any further delays due to the COVID pandemic; and

65 **WHEREAS**, an amendment is required of the GUP LLC/GPA ECA which increases the contract
66 cost above the GPA General Manager’s approval authority; and

67 **WHEREAS**, GPA is in discussions with USEPA for a modification of the consent decree to
68 reflect the proposed new power plant minor source air permit schedule and appears to be on track
69 towards such modification.

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71 **NOW, THEREFORE, BE IT RESOLVED, by the CONSOLIDATED COMMISSION ON UTILITIES**
72 **(CCU), subject to the review and approval of the PUBLIC UTILITIES COMMISSION (PUC), as follows:**

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74 1. The CCU authorizes GPA to amend the Ukudu Power Plant Energy Conversion Agreement (ECA)
75 for the relocation and operation of 41MW diesel units with a fixed O&M cost of \$2,000,000
76 annually and a variable O&M cost of \$0.025/kWh net production when dispatched by GPA.

77

78 2. The CCU authorizes GPA to amend the ECA to require Guam Ukudu Power (GUP) LLC to pursue
79 a minor source air permit with the new COD of the Ukudu plant to be no later than April 2024
80 with best efforts to achieve a target COD of November 2023.

81 **RESOLVED**, that the Chairman of the Commission certifies and the Board Secretary attests the
82 adoption of this Resolution.

83

84 **DULY and REGULARY ADOPTED AND APPROVED THIS 26th DAY of JANUARY, 2021**

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Certified by:

Attested by:



JOSEPH T. DUENAS
Chairperson
Consolidated Commission on Utilities



MICHAEL LIMTIACO
Secretary
Consolidated Commission on
Utilities

88 I, Michael Limtiaco, Secretary for the Consolidated Commission on Utilities (CCU), as
89 evidenced by my signature above do certify as follows:

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

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99 Ayes: 4
100
101 Nays: 0
102
103 Absent: 1
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105 Abstain: 0
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