



**GPA RESOLUTION NO. FY2023-09**

**RELATIVE TO AUTHORIZATION OF PITI 8 & 9 CONTRACT EXTENSION**

**WHEREAS**, the twenty (20) year Energy Conversion Agreement (ECA) between the Guam Power Authority (GPA) and Marianas Energy Company (MEC) to Build, Operate and Transfer (BOT) the Piti 8 & 9 baseload generators commenced in January 1999; and

**WHEREAS**, GPA entered into a negotiated Consent Decree with the U.S. EPA in 2020, stipulating to convert Piti 8 & 9 to ultra-low sulfur fuel, retire Cabras 1 & 2 baseload units, commission 100 MW of renewable energy generation, and commission new combined cycle units; and

**WHEREAS**, Piti 8 & 9 are baseload units critical to produce 38% of energy for Guam until approximately one (1) year after the commissioning of the new Ukudu combined cycle units and until adequate reserves are obtained; and

**WHEREAS**, the ECA expired in January 2019, and GPA petitioned and was approved for a five-year extension by the CCU and PUC in April 2018; and

**WHEREAS**, the COVID-19 pandemic, permitting issues, adverse weather, and labor and supply chain limitations adversely impacted GPA's ability to timely fulfill some Consent Decree compliance requirements, resulting in GPA's petition to the U.S. EPA to modify the Consent Decree milestone schedule; and

**WHEREAS**, the revised Consent Decree was approved by the U.S. District Court of Guam in January 2022, extending the commissioning of the new combined cycle units until April 2024; and

**WHEREAS**, a five (5) year extension of the current contract ensures the stable management and operation of Piti 8 & 9 by MEC, complementing the modified Consent Decree milestone schedule and;

1           **WHEREAS**, without such extension and in consideration of the continued labor  
2 challenges, GPA will be challenged to hire and train personnel to manage, operate, and maintain  
3 the Piti 8 & 9 Power Plant upon the expiration of the amended ECA in January 2024; and

4           **WHEREAS**, the Piti 8 & 9 units are the most reliable and efficient units in the GPA power  
5 system, and must be operated and maintained by experienced management, operation and  
6 maintenance personnel during the next few years, particularly until the new Ukudu Power Plant  
7 and the Phase IV renewables are commissioned;

8           **WHEREAS**, without a contract extension, MEC will not continue to manage and operate  
9 the power plant, and will have difficulty in retaining existing workers beyond January 2024; and

10           **WHEREAS**, upon the commissioning of the new Ukudu Power Plant, the capacity factor  
11 and use of the Piti units are expected to decrease allowing for solicitation of a new contract based  
12 on its future use; and

13           **WHEREAS**, GPA and MEC have mutually agreed to negotiate a five-year extension of the  
14 contract starting in January 2024 pursuant to Article 32 of the ECA as indicated in the attached  
15 exhibit, "MEC Contract Extension Agreement"; and

16           **WHEREAS**, approval is requested to allow the General Manager to negotiate an extension  
17 of the ECA with MEC for an additional five years, and to petition the PUC for approval of the  
18 contract extension.

19           **NOW, THEREFORE, BE IT RESOLVED**, by the Consolidated Commission on Utilities, subject  
20 to the approval of the Public Utilities Commission, as follows:

21           1. The General Manager of GPA is authorized to negotiate an extension of the Energy  
22 Conversion Agreement (ECA) for management, operations, and maintenance of the  
23 Piti 8 & 9 power plant with Marianas Energy Company with the following contract  
24 parameters as set forth in the attached Exhibit, "MEC Contract Extension Agreement":

25           a. Term: 5 years

26           b. Fees:

27           i. Fixed O&M Fee = \$7.730/kW per month estimated at \$7,936,546 annually

28           ii. Variable O&M Fee = \$0.0028/kWh estimated at \$1,548,624 annually

- 1                   iii. Cylinder Lube oil and emulsifier passed thru at cost to GPA (estimated at  
2                               \$1,671,989 and \$1,259,300 respectfully) unchanged from current ECA  
3                   iii. Annual Approval by GPA of Capital Improvement priority projects and of  
4                               Major Overhaul (\$800,000) to ensure plant reliability and continued  
5                               operation


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

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9                   **RESOLVED**, that the Chairman certifies and the Board Secretary attests the adoption of  
10 this Resolution.

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14                   **DULY AND REGULARLY ADOPTED AND APPROVED THIS 21<sup>st</sup> day of February, 2023.**

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16 Certified by:

Attested by:

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20 \_\_\_\_\_  
21 JOSEPH T. DUENAS  
22 Chairperson  
23 Consolidated Commission on Utilities

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PEDRO ROY MARTINEZ  
Secretary  
Consolidated Commission on Utilities

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I, **Pedro Roy Martinez**, 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

