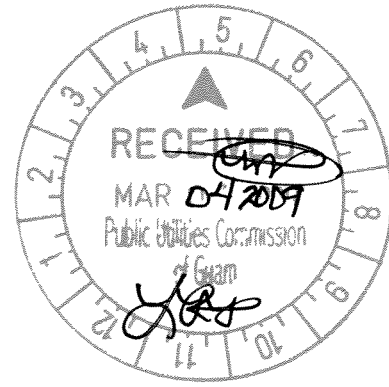


1 **D GRAHAM BOTHA, ESQ.**
2 **Legal Counsel**
3 **Guam Power Authority**
4 **1911 Route 16, Suite 227**
5 **Harmon, Guam 96913**
6 **Ph: (671) 648-3203/3002**
7 **Fax: (671) 648-3290**



8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 IN THE MATTER OF:

10 The Application of the Guam Power Authority)
11 to Exercise Financing Options under the PMC)
12 with TEMES for the Turbine Overhaul of)
13 Cabras Unit 2.)

DOCKET NO. 94-04

PETITION FOR CONTRACT REVIEW

14
15 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel
16 of record, D. GRAHAM BOTHA, ESQ., and hereby files GPA's Petition for the Public Utilities
17 Commission of Guam to review and approve GPA's request to exercise financing options under
18 the Performance Management Contract (PMC) agreement between GPA and Taiwan Electrical
19 and Mechanical Engineering Services ("TEMES") for the Turbine Overhaul of Cabras Unit 2, as
20 follows:

21 **BACKGROUND**

22 The Guam Power Authority has a Performance Management Contract (PMC) agreement
23 with TEMES for Cabras 1&2. This PMC agreement allows to GPA to request that the PMC
24 provide financing, at GPA's request, for the PMC to perform necessary repairs. The CCU in
25 Resolution 2009-06 has approved GPA's request to advance the turbine overhaul of Cabras Unit
26 No. 2 and has approved PMC financing for the overhaul costs. The projected turbine overhaul is
27 expected to cost approximately \$1,800,000 in parts and labor, technical services, and
28 contingency, and TEMES has agreed to finance \$1,700,000 costs of this turbine overhaul at a 5%
interest rate over an eighteen (18) month period.

COPY

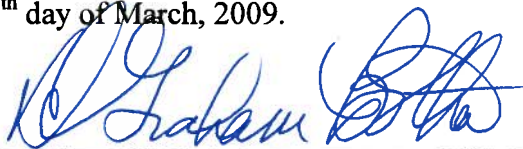
1 **DISCUSSION**

2 GPA hereby petitions the PUC, pursuant to the Contract Review Protocol for the Guam
3 Power Authority, approved by the PUC, to review and approve the financing agreements with
4 TEMES for the turbine overhaul for Cabras Unit No. 1. In support of this Petition, GPA hereby
5 provides the PUC with Consolidated Commission on Utilities (CCU) Resolution No. 2009-06,
6 which authorizes the General Manager to proceed with the financing agreement with TEMES for
7 the turbine overhaul. Said resolution and its exhibits are attached herein as Exhibit A, and
8 incorporated by reference herein as if fully set forth. Additional justification for advancing the
9 turbine overhaul and PMC financing is set forth in GPA's position paper on Financing of Cabras
10 Unit No. 2 Turbine Overhaul, attached herein as Exhibit B, and incorporated by reference herein
11 as if fully set forth.

12 **CONCLUSION**

13 The PUC should approve GPA's request to exercise the financing agreement with
14 TEMES for the overhaul of Cabras Unit No. 2 with an interest rate of 5% and an 18 month
15 repayment period. This turbine overhaul of the Cabras Unit will consolidate and minimize
16 outages for the Cabras plants, and is reasonable, prudent, and necessary.

17 **RESPECTFULLY SUBMITTED** this 4th day of March, 2009.

18 
19
20 D. GRAHAM BOTHA, ESQ.
21 GPA Legal Counsel



**CONSOLIDATED
COMMISSION ON UTILITIES**

Guam Power Authority • Guam Waterworks Authority
P.O. BOX 2977 • Agana, Guam 96932

RESOLUTION NO. 2009 -06

**RESOLUTION RELATIVE TO APPROVAL FOR ADVANCING THE
TURBINE OVERHAUL OF THE CABRAS POWER PLANT UNIT NO. 2
AND APPROVAL FOR PMC FINANCING OF THE OVERHAUL COSTS**

WHEREAS, Guam Power Authority (hereinafter referred to as "GPA") and Taiwan Electrical and Mechanical Engineering Services (hereinafter referred to as "TEMES") entered into a three-year Performance Management Contract (PMC), which commenced on January 1, 2003 and terminating on December 31, 2005;

WHEREAS, there have been four amendments that extended the Contract term for additional three years and six months and terminating said contract on June 30, 2009;

WHEREAS, Cabras Unit #2 is currently at limited load to minimize boiler tube failures, and have resulted in the TEMES and the Authority consideration to reschedule the boiler overhaul from the 1st quarter of FY2010 to the 3rd quarter of FY2009 in lieu of the original schedule to overhaul Cabras Unit #1; the outage schedule is for 45 days, starting on April 24, 2009 through June 4, 2009.

WHEREAS, the Authority desires the turbine overhaul of Unit #2 to be concurrent to the boiler overhaul to take advantage of the extended duration of the outage, otherwise, the turbine overhaul would be performed late next year for an extended thirty to forty-five day period.

WHEREAS, the inspection report submitted by GE and TEMES to the Authority in March 2005 on the findings and repairs made on unit #2 turbine recommended replacement of two high pressure stages of the turbine and one row of intermedium pressure blades during the next overhaul, and also recommended that intervals between the overhaul periods be reduced to lessen the risk of unexpected damage;

WHEREAS, the turbine overhaul would cost the Authority approximately \$1,800,000 in parts & labor, technical services, and contingency,

WHEREAS, TEMES has agreed to finance the \$1,700,000 costs of this turbine overhaul at a 5% interest rate over an eighteen (18) month period;

1
2 **WHEREAS**, there is a need to place orders for long lead-time turbine replacement parts
3 estimated to cost \$350,000 as soon as possible in order to meet the 3rd quarter outage schedule;
4

5 **NOW, THEREFORE, BE IT RESOLVED**, by the CONSOLIDATED COMMISSION
6 ON UTILITIES, the GOVERNING BODY of the GUAM POWER AUTHORITY as
7 FOLLOWS:
8

- 9 1. The Consolidated Commission on Utilities hereby grants the Authority's request to
10 perform the turbine overhaul of Unit #2 to coincide with the boiler overhaul and supports
11 the Authority's continued effort to maintain generation reliability.
12 2. The Commission further authorizes the General Manager to procure long lead item
13 materials for the turbine overhaul not to exceed \$350,000.
14 3. The CCU also authorizes the General Manager to enter into a financing agreement with
15 TEMES to fund the turbine overhaul inclusive of the cost for long lead item parts, labor,
16 fees and GRT for \$1,700,000 at 5.0 % annual interest for a period of 18 months.
17

18
19 **RESOLVED, THAT THE CHAIRMAN OF THE COMMISSION CERTIFIES AND THE**
20 **SECRETARY OF THE COMMISSION ATTESTS THE ADOPTION OF THIS**
21 **RESOLUTION.**
22

23 **DULY AND REGULARLY ADOPTED THIS 27th DAY OF JANUARY, 2009.**
24

25
26 Certified by:

27
28 
29
30 **SIMON A. SANCHEZ II**
31 **CHAIRMAN**
32

26 Attested by:

27
28 
29
30 **GLORIA B. NELSON**
31 **SECRETARY**
32

33 **SECRETARY'S CERTIFICATION**
34

35 I, **GLORIA B. NELSON**, Secretary, Consolidated Commission on Utilities, hereby
36 certifies as follows;
37

38 The foregoing is a full, true, and correct copy of a resolution duly adopted at a regular
39 meeting of the members of the Consolidated Commission on Utilities of the Guam Power
40 Authority duly and legally held at the meeting place thereof on January 27, 2009, at which
41 meeting all of the said members had due notice and at which at least a majority thereof were
42 present.
43

44 At said meeting, said resolution was adopted by the following vote:
45

46 Ayes 4

47
48 Nays 0
49

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Abstain _____ 0 _____

Absent _____ 1 _____

Said original resolution has not been amended, modified, or rescinded since the date of its adoption, and the same is now in full force and in effect.

SO CERTIFIED this 27th day of January, 2009.




GLORIA B. NELSON
Secretary, Consolidated Commission on Utilities



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

MEMORANDUM

To: Chairman, Consolidated Commission on Utilities

From: GPA General Manager

Date: January 23, 2009

Subject: Request for Advancing Turbine Overhaul of Cabras Unit No. 2
to 3rd Quarter of 2009, and Approval for PMC Financing of Overhaul
Costs

We have prepared a resolution for CCU consideration and approval. TEMES has requested and the Authority agreed to re-schedule the turbine overhaul of Cabras Unit #2 to the 3rd quarter of FY2009 instead of the 1st quarter of FY2010 and will combine with the boiler overhaul of Unit #2. The overhaul of the turbine is necessary to maintain reliability of the unit. The turbine inspection report submitted by General Electric and TEMES to the Authority in March 2005 on the findings and repairs made on Unit #2 turbine recommended the replacement of three stages of the turbine during the next overhaul. If we wait, then either Unit 1 or Unit 2 turbine will miss its scheduled period for overhaul (GPA uses a 5-year duration between turbine-generator overhauls and schedules separate years for each turbine so that outage duration and costs are minimized).

Because of the extensive work that includes both boiler as well as generator rotor replacement, GPA has insufficient funds to complete the needed turbine overhaul. The only way GPA can accomplish the turbine overhaul is for financing by the PMC or some other source of funds. TEMES has agreed to provide that financing at very attractive rates.

Based on the PMC and the Manager of Generation's recommendation, I am requesting the Commission's favorable adoption of the attached Resolution No. 2009-06 .

JOAQUIN C. FLORES, P.E.

Attachments :

DEFERRED PAYMENT AGREEMENT

This Agreement is made and entered into on the _____ day of _____ 2009, by and between: CONTRACTOR, Taiwan Electrical and Mechanical Engineering Services, Inc., (hereinafter "TEMES"), and GUAM POWER AUTHORITY (hereinafter "GPA").

RECITALS

WHEREAS, GPA and TEMES entered into a three-year Performance Management Contract (PMC), which commenced on January 1, 2003 and terminating on December 31, 2005;

WHEREAS, Amendment No. 1 through Amendment No. 4 extend the Contract term for additional three and a half years, commencing on January 1, 2006 and terminating on June 30, 2009.

WHEREAS, GPA and TEMES have agreed to re-schedule the Cabras No. 2 turbine overhaul from 4th quarter of CY 2009 to April 2009;

WHEREAS, GPA is soliciting for TEMES' financing assistance for this overhaul in addition to the U.S. \$3,234,600 approved in January 2009 for financing FY 2009 PIPs and CIPs;

WHEREAS, the PMC, in accordance with GPA-RFP-02-015, Volume II, Section 2 – Financing, allows GPA to solicit for TEMES' participation in long or short term debt financing for necessary capital or expense expenditures;

WHEREAS, TEMES has agreed to additional financing of U.S. \$1,700,000 for project management and engineering services, non-destructive examinations, equipment inspection and repairs, and parts, materials, and supplies related to the turbine overhaul of Cabras Unit 2:

FOR VALUE RECEIVED, based on invoices submitted to GPA by TEMES in accordance with Section 10 of the PMC, based on work to be performed by TEMES for the PIPs and CIPs, the undersigned GPA (the "Borrower") hereby acknowledges the debt owed to TEMES (the "Lender") and promises to pay to the Lender at Taiwan Electrical and Mechanical Engineering Services, Inc., No. 178 Cabras Highway, Route 11 Piti, Guam 96915 the principal amount of ONE MILLION SEVEN HUNDRED THOUSAND AND NO DOLLARS (\$1,700,000.00), or as otherwise adjusted by the parties, based on work performed by TEMES and invoiced to GPA, and interest at the rate of 5% per annum on the unpaid balance as follows:

1. GPA will pay eighteen (18) equal monthly installments of \$ 98,226.91 each. GPA's monthly payments shall not, in any month, or cumulatively, exceed the amount of actual work performed and invoiced.
2. GPA will pay the first installment on June 01, 2009.
3. Interest will accrue based on total cost of actual work performed and invoiced to GPA by TEMES, and a similar installment on the first day of each month after until the principal and interest have been paid in full.
4. Payments will be applied first on interest and then on principal.
5. GPA will pay the entire amount of principal and interest within eighteen (18) months beginning in June 2009.

6. GPA may prepay all or any part of the principal without penalty.
7. TEMES shall invoice GPA for work performed in accordance with the PMC, and GPA will pay approved invoices within thirty (30) days.
8. Payment on interest for GPA's failure to make installment payments within 30 days shall be made in accordance with the provisions of the Prompt Payment Act (PPA), 5 GCA §§22502-22507.

This agreement shall be governed by, and construed and enforced in accordance with the laws of Guam.

IN WITNESS WHEREOF the parties hereto have caused this Deferred Payment Agreement to be executed on this date.

DATED: _____

Tsun Ren Ho
Plant General Manager, Cabras PMC
Taiwan Electrical and Mechanical Engineering Services, Inc. (TEMES)

JOAQUIN C. FLORES, P.E.
Guam Power Authority (GPA), General Manager

GUAM POWER AUTHORITY

Payment Schedule Cabras 1&2 Turbine Overhaul

Principal Amount \$ 1,700,000
 Interest Rate 5.0%
 Term 18 mos.
 Monthly Amortization (\$98,226.91)
 Start Date 6/1/2009

Mo	Principal	Interest	Total P&I	Balance	Total P&I By FY
	\$	\$		\$	
1	91,143.58	7,083.33	\$98,226.91	1,608,856.42	
	\$	\$		\$	
2	91,523.34	6,703.57	\$98,226.91	1,517,333.08	
	\$	\$		\$	
3	91,904.69	6,322.22	\$98,226.91	1,425,428.40	
	\$	\$		\$	
4	92,287.62	5,939.28	\$98,226.91	1,333,140.77	\$392,907.63 FY 09
	\$	\$		\$	
5	92,672.16	5,554.75	\$98,226.91	1,240,468.62	
	\$	\$		\$	
6	93,058.29	5,168.62	\$98,226.91	1,147,410.33	
	\$	\$		\$	
7	93,446.03	4,780.88	\$98,226.91	1,053,964.30	
	\$	\$		\$	
8	93,835.39	4,391.52	\$98,226.91	960,128.90	
	\$	\$		\$	
9	94,226.37	4,000.54	\$98,226.91	865,902.53	
	\$	\$		\$	
10	94,618.98	3,607.93	\$98,226.91	771,283.55	
	\$	\$		\$	
11	95,013.23	3,213.68	\$98,226.91	676,270.32	
	\$	\$		\$	
12	95,409.12	2,817.79	\$98,226.91	580,861.21	
	\$	\$		\$	
13	95,806.65	2,420.26	\$98,226.91	485,054.55	
	\$	\$		\$	
14	96,205.85	2,021.06	\$98,226.91	388,848.71	
	\$	\$		\$	
15	96,606.71	1,620.20	\$98,226.91	292,242.00	
	\$	\$		\$	
16	97,009.23	1,217.68	\$98,226.91	195,232.77	\$1,178,722.90 FY 10
	\$	\$		\$	
17	97,413.44	813.47	\$98,226.91	97,819.33	
	\$	\$		\$	
18	97,819.33	407.58	\$98,226.91	\$ 0.00	\$196,453.82 FY 11
	\$	\$		\$	
	1,700,000.00	68,084.36	1,768,084.36		\$1,768,084.36

GPA
Amortization Schedule

Cabras 1&2 Turbine Overhaul
 Principal Amount \$ 1,700,000
 Interest Rate 5.0%
 Term 18 mos.
 Monthly Amortization (\$98,226.91)
 Start Date 6/1/2009

Mo	Principal	Interest	Total P&I	Balance	Total P&I By FY
1	\$ 91,143.58	\$ 7,083.33	\$98,226.91	\$ 1,608,856.42	
2	\$ 91,523.34	\$ 6,703.57	\$98,226.91	\$ 1,517,333.08	
3	\$ 91,904.69	\$ 6,322.22	\$98,226.91	\$ 1,425,428.40	
4	\$ 92,287.62	\$ 5,939.28	\$98,226.91	\$ 1,333,140.77	\$392,907.63 FY 09
5	\$ 92,672.16	\$ 5,554.75	\$98,226.91	\$ 1,240,468.62	
6	\$ 93,058.29	\$ 5,168.62	\$98,226.91	\$ 1,147,410.33	
7	\$ 93,446.03	\$ 4,780.88	\$98,226.91	\$ 1,053,964.30	
8	\$ 93,835.39	\$ 4,391.52	\$98,226.91	\$ 960,128.90	
9	\$ 94,226.37	\$ 4,000.54	\$98,226.91	\$ 865,902.53	
10	\$ 94,618.98	\$ 3,607.93	\$98,226.91	\$ 771,283.55	
11	\$ 95,013.23	\$ 3,213.68	\$98,226.91	\$ 676,270.32	
12	\$ 95,409.12	\$ 2,817.79	\$98,226.91	\$ 580,861.21	
13	\$ 95,806.65	\$ 2,420.26	\$98,226.91	\$ 485,054.55	
14	\$ 96,205.85	\$ 2,021.06	\$98,226.91	\$ 388,848.71	
15	\$ 96,606.71	\$ 1,620.20	\$98,226.91	\$ 292,242.00	
16	\$ 97,009.23	\$ 1,217.68	\$98,226.91	\$ 195,232.77	\$1,178,722.90 FY 10
17	\$ 97,413.44	\$ 813.47	\$98,226.91	\$ 97,819.33	
18	\$ 97,819.33	\$ 407.58	\$98,226.91	\$ 0.00	\$196,453.82 FY 11
\$ 1,700,000.00 \$ 68,084.36 \$ 1,768,084.36					\$1,768,084.36

GPA Position Paper
Financing of Cabras Unit No.2 Turbine Overhaul

The Authority is requesting for Commission approval of a \$1,700,000 financing agreement between the GPA and Taiwan Electrical & Mechanical Engineering Services (TEMES), the PMC for Cabras 1& 2 Power plant. Although the turbine overhaul was originally scheduled for the 1st quarter of FY 2010 circumstances have arisen that require earlier action. The following contains information to support and explain why the overhaul should be undertaken in FY 2009.

The original FY 2009 plan for major maintenance on the Cabras steam plants was the turbine work on Unit 1 during the 2nd quarter of FY 2009. The work included overhaul of the turbine, boiler inspection and repairs, and preventive maintenance of auxiliary mechanical and electrical equipment. The overhaul of Unit 2 was originally scheduled for the 1st quarter of FY 2010 and included minor work on the boiler, turbine overhaul and generator rotor rewinding, and preventive maintenance of plant mechanical and electrical systems.

In August 2008 Cabras Unit 2 boiler started experiencing boiler tube failures in the wall sections near the areas subjected to the burner flames. The failures were occurring in the sections that were not included the earlier major boiler section replacement. The recurrence of the tube failures reached a point in September 2008 that GPA de-rated the unit to lower the boiler tube pressures to minimize tube rupture failures. At this time the availability of replacement tubes was limited and the delivery of orders for replacement boiler tubes would not arrive until mid-December 2008.

On October 30, 2008 TEMES requested that the Cabras overhauls be revised to move up the Cabras No.2 boiler repairs to April-June 2009 and to delay the Cabras No. 1 turbine overhaul until sometime in early FY 2010. The frequency of tube failures of the No.2 boiler during mid- 2008 and subsequent de-rating (limited to 75% of maximum nameplate) warranted advancing the Cabras No. 2 boiler work and to push back the Cabras No. 1 overhaul until the next fiscal year.

Overhaul of Cabras No. 2 boiler will require 35 days to complete as approximately fifty percent of the wall tubes in the high temperature areas will be replaced. Due to the lengthy outage duration, GPA and TEMES have agreed to expand the overhaul work to include re-winding of No. 2 generator rotor and the turbine overhaul. Completing these additional work items will extend the outage by another ten days. On a positive note, combining overhauls would save on having another 40-45 day outage than if the turbine overhaul was performed at a later date.

Another reason for performing the turbine overhaul during this outage is that TEMES strongly suggested that GPA not wait until late CY2010 to perform the turbine overhaul and the blade replacement. Citing their 2005 report on the Cabras Unit 2 Overhaul, TEMES indicated that General Electric recommended replacement of three rows of

blades at the next overhaul. If GPA does not perform the work as recommended, the turbine overhaul will wait until late 2010 to get done.

Initially the idea of combining three major maintenance expenditures totaling over \$ 4.3 million was not considered feasible because of funding constraints. However, TEMES offered to finance the turbine overhaul using the same financing terms as those in the December 2008 CIP financing agreement of five percent interest for eighteen months. In consideration of reducing the risks of damage to the turbine associated with delaying the overhaul, GPA considered the financing offer an acceptable option to resolve the lack of funding issue. The additional monthly expenses estimated for this financing is less than \$ 99,000.