



GUAM POWER AUTHORITY

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FOR IMMEDIATE RELEASE
GUAM DAILY POST
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Re: Comments on Issues of Press Release from Senator Ridgell's Office, October 26, 2021

GPA would like to point out that this issue was thoroughly vetted and approved by both the CCU (Resolution 2021-02, 1/26/2021) and the PUC (Docket 21-07, 2/25/21). GPA provided a presentation on Jan 21, 2021 which detailed the reasons for the amendment and the resulting cost savings opportunities in addition to resetting the commissioning date to April 2024. The agreement also was acceptable to USEPA which resulted in avoidance of penalties due to delays from permitting, pandemic factors and other constraints during the period.

The contract, which was awarded to the multi-national, multi-billion-dollar corporation out of South Korea known as KEPCO, has been both delayed and significantly changed due to an inability to get the environmental permits necessary for its full construction at the Ukudu site.

Response: The build, operate, transfer contract between GPA and Guam Ukudu Power, LLC, does not dictate the type of permit required (i.e., minor source v. major source). The Ukudu plant could have been permitted under major source but would have taken longer simply due to process defined by USEPA; the minor source permit process is generally shorter. The selection to seek a particular permit type was based on a myriad of factors, to include meeting the Consent Decree deadlines. The 198MW power plant is the core of the contract, and the baseload plant will be sited in Ukudu. The relocation of the reserve diesel units together with a change in operating dispatch ability provided additional benefits and opportunities to retire aged, costlier reserve generating units which would more than offset the additional contract changes. It was in everyone's best interest to complete the plant as early as possible so that fuel savings would flow earlier to ratepayers.

The procurement for 198MW combined cycle plant, which is the intent of the procurement, is intact. The 41 MW reserve diesel relocation to Cabras is more a physical site relocation in order to as expeditiously as possible get the core 198 MW combined cycle plant completed. The amendment provided additional services and opportunity for the retirement of aged and costlier generators resulting in cost saving for ratepayers. The amendment was thoroughly vetted in public meetings, and ultimately approved by the CCU and PUC.

Specifically, they were unable to obtain a Major Source Permit for the Ukudu site from the U.S. Environmental Protection Agency.

Response: Incorrect! See above.

The USEPA's website defines a major source as a 'stationary source or group of stationary sources that emit or have the potential to emit 10 tons per year or more of a hazardous air pollutant or 25 tons per year or more of a combination of hazardous air pollutants.' GPA, the CCU and the PUC then opted to split the project up and construct part of the massive power plant at Cabras to allow them to apply for Minor Source Permits. They are proposing to keep most of the power plant at Ukudu while building a 41-Megawatt power plant down at Cabras all under the same contract. This will result in an increase to the costs of the contract by a little more than 4 million dollars annually.

Response: Incorrect! See discussion above.

This is a major departure from both the scope of work and cost of the original contract.

Response: Incorrect. The core of the contract is the 198 MW combined cycle plant. The reserve diesel units are a small part of the contract and less than 5% of the cost. The relocation of the reserve units and change in dispatch ability allows GPA to retire aged and costlier units resulting in additional savings to ratepayers.

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The Office of Senator Clynt Ridgell has received inquiries as to the appropriateness of this change, and whether the new plan to locate 41MW at Cabras should have been subject to a separate procurement action...

Response: No. The units are a component of Guam Ukudu Power's plan to meet GPA's contractual requirements under the initial procurement. The relocation plan provided the opportunity for additional benefits, including increased reliability and ratepayer savings. The amendment was appropriate and was properly vetted and approved by the CCU & PUC.

or if the entire contract for the Ukudu power plant should be subject to new procurement action.

Response: There is no justification to nullify a valid contract resulting from a proper, legal, planned procurement action. Demanding new procurement action may result in legal action against the Government of Guam, and will subject GPA and its ratepayers to huge penalties for failure to meet consent decree deadlines. GPA will be forced to rehabilitate the existing aged baseload plants, negating its progress to add more renewables and increasing risk of blackouts and rate increases.

Senator Ridgell has asked these questions of the Public Auditor, Benjamin J. Cruz.

Further, because of the inability to obtain this Major Source Permit, the Ukudu Power project has been delayed with a new date of completion being November 2023 and commissioning no later than April 2024. Once operational, GPA will purchase power from the plant's operator for a period of 25 years. This means that if the plant is commissioned in 2024 the contract will last until 2049, a full four years after the requirement for 100% renewable energy.

Response: The GPA-Guam Ukudu Power contract was signed on Nov 9, 2019. PL-35-46 was signed Nov. 12, 2019. 100% renewables in our industry does not mean complete elimination of conventional units which are needed to provide sufficient energy for the island on rainy days or natural disasters.

GPA's mission is to provide reliable energy at an affordable cost. GPA will not be able to accomplish its mission without conventional generation as we transition over the next twenty-five years to 100% renewables as mandated. How we get there is GPA's responsibility and should be left to our industry professionals. The plan being currently implemented by GPA which includes the 198MW Combined Cycle Plant and the 41 MW of diesel reserves in no uncertain terms allows GPA to achieve its mission.

PUC Order re Docket 21-07 can be found here: <https://guampuc.com/wp-content/uploads/2021/03/GPA-Docket-21-07-PUC-ORDER.pdf>