

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF:</b>	)	
	)	<b>GPA Docket 11-02</b>
	)	
<b>The Application of the Guam Power Authority requesting Approval of the Procurement of an Integrated Program Management Office (PMO)</b>	)	<b>PUC COUNSEL REPORT</b>
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**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for Contract Review for Approval of the procurement of an Integrated Program Management Office Contract (PMO).<sup>1</sup>

**BACKGROUND**

1. GPA seeks to procure an “Integrated Program Management Office” [a separate PMO for GPA and GWA] to address plant Capital Improvement Projects, significant Military Build-Up requirements, and ongoing Operational Requirements.<sup>2</sup>
2. The Consolidated Commission on Utilities has approved procurement for an integrated PMO.<sup>3</sup> Attached hereto as Exhibit “1” is a description of the PMO as presented by GPA and GWA Management to the CCU.<sup>4</sup>
3. The purpose of the PMO is to provide “professional/technical staff in support of existing GPA and GWA staff to manage the overall development of the utilities’ infrastructure program; development of a PMO office will improve operational efficiencies and promote employee development.”<sup>5</sup>

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<sup>1</sup> GPA Petition for Contract Review, Approval of the Procurement of an Integrated Program Management Office Contract (PMO), GPA Docket 11-02, filed January 18, 2011.

<sup>2</sup> Id. at pgs. 1-2.

<sup>3</sup> CCU Resolution No. 2-11-03, issued January 11, 2011.

<sup>4</sup> Program Management Office (Guam Power Authority & Guam Waterworks Authority), Presentation to CCU on or about January 11, 2011.

<sup>5</sup> Id. at p. 1.

4. The proposed Request for Proposals will award separate contracts to GPA and GWA from different qualified offerors. It is anticipated that GPA and GWA will fund the PMO “through project management costs included in the various project budgets...”<sup>6</sup>
5. GPA and GWA have jointly submitted a proposed Request for Proposals that contains standard terms and conditions for the procurement of the PMO.<sup>7</sup>
6. The PMOs have substantial responsibilities and will play a large role in the procurement and implementation of major capital improvement projects over the next number of years.
7. The PMO’s overall responsibilities will include, but are not limited to: project financing, procurement, program management team organization and communications, coordination with the Department of Defense and the government of Guam, program planning, financial planning, environmental services, survey and rights of way, design, construction, program schedules and reporting, asset management, public outreach programs and communications, startup testing and commissioning, and staff development and process improvements.<sup>8</sup>
8. Attached hereto as Exhibit “2” is the Scope of Work for the PMO, which includes a detailed description of its tasks and responsibilities.
9. The proposed contract term would be for a period of five years from the date of award of the contract with an option to extend the contract for two two-year periods, subject to the availability of funds and mutual written agreement.<sup>9</sup>
10. Counsel attended the CCU meeting of January 11, 2011 wherein GPA management presented the justification for establishment of PMOs. According to the General Manager, in an ordinary year, GPA might procure and approve construction and capital improvement projects valued in the range of \$20 to \$30M. However, in light of the large number of projects anticipated by virtue of the military buildup and

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<sup>6</sup> Id.

<sup>7</sup> See Draft Request for Proposal, attached to Petition for Contract Review, GPA Docket 11-02, filed January 18, 2011.

<sup>8</sup> Request for Proposal, attached to Petition for Contract Review, GPA Docket 10-02, p. 48.

<sup>9</sup> Request for Proposal Attached to GPA Petition for Contract Review, GPA Docket 11-02, filed January 18, 2011, at p. 30 (Section II – Contract Period).

bond related capital improvement projects, the volume of projects and the amount of work needed to procure and award such projects will increase dramatically.

11. It is anticipated that, by April of this year, GPA and GWA will receive funds in the approximate amounts of \$160M and \$420M from the Department of Defense respectively to process buildup projects.<sup>10</sup> The current managerial and personnel resources of GPA and GWA, at present, are not sufficient, by themselves, to process the large volume of anticipated projects.
12. For these reasons, it appears that procurement of a PMO for GPA and GWA will be crucial to those utilities to procure and award the large number of projects required.

### RECOMMENDATIONS

11. Counsel recommends that the PUC approve the procurements for Integrated Program Management Offices for GPA and GWA.
12. Counsel believes that implementation of PMOs will be a difficult and time consuming process. Careful planning and detailed consideration of the implementation process for the PMO will be required. PUC should monitor the progress of GPA.
13. At present, it is still not entirely clear as to the sources from which the PMOs will be funded, and in what amounts. GPA and GWA indicate that the PMOs will be funded through project management costs included in the various project budgets; however, the funding mechanism for different projects may be through federal grant, bond funds, or local revenues.
14. Previously GPA had contemplated that a portion of the funding for the PMO could come from the PMO funding for the SmartGrid Project. On July 27, 2010, the PUC approved funding for the Smart Grid project in an amount up to \$3,277,902 to Strategic Planning Stage of the Smart Grid Project, which included the development of the Smart Grid Initiative Project Management Office and Creation of the PMO infrastructure.<sup>11</sup>

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<sup>10</sup> E-mail from Randall V. Wiegand to Frederick J. Horecky dated February 14, 2011.

<sup>11</sup> PUC Order In the Matter of GPA Petition for Use of 2010 Bond Funds, GPA Docket 10-01, issued July 27, 2010 at p. 2.

15. However, GPA subsequently determined that there should be separate PMOs for SmartGrid and CIPS/military buildup projects. GPA is seeking to expedite the SmartGrid project<sup>12</sup>
16. GPA anticipates that funding of PMO services will be included as part of the project costs and is estimated at approximately 6% of total project costs. See GPA Program Management Office Funding Explanation, attached hereto as Exhibit "3".<sup>13</sup> As indicated in Exhibit "3", the estimated cost of the PMO for pending GPA internal projects, Military Build-Up Projects, other Navy Funded Projects and Other Services is \$15.710M.
17. GPA and GWA should be required to seek the approval of the PUC for the contracts entered into for PMO after the procurement process is completed. At that time a much more thorough and detailed cost estimate for PMO services, as well as the breakdown of sources for the funding, should be provided to the PUC.
18. An Order is submitted herewith for the consideration of the Commissioners.

Dated this 14<sup>th</sup> day of February, 2011.

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Frederick J. Horecky  
PUC Legal Counsel

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<sup>12</sup> Discussions between GPA CFO and PUC Counsel on February 18, 2011.

<sup>13</sup> See GPA Program Management Office Explanation, submitted by GPA AGMO on February 14, 2011.