



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-02
Petition for Contract Review of)
Ratification of Additional Charges under) ORDER
the R.W. Armstrong PMO Contract)

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for Contract Review for Ratification of Additional Charges under the R. W. Armstrong PMO Contract.1

BACKGROUND

- 2. On January 11, 2012, the PUC authorized GPA to expend a "not to exceed" amount of \$3.9M for the Program Management Office Contract with R.W. Armstrong.2
3. Notwithstanding the PUC Order, it now appears from the facts set forth in GPA's Petition that GPA expended \$4,444,221.37 for the R.W. Armstrong Contract in 2012 and 2013 (an excess of \$544,221.37 over the authorized amount).3
4. GPA indicates that its own Performance Management Contractors for its Cabras Plants are responsible for the over expenditure; according to GPA, the contract cap of \$3.9M was exceeded by \$544,221.37 "inadvertently" "due to invoices from the Performance Management Contractors."4
5. GPA now requests that the PUC ratify the additional charges under the R.W. Armstrong PMO Contract in the amount of \$544,221.37. These additional charges represent work that has already been performed by R.W. Armstrong at the request of GPA.5 GPA believes that it has a legal obligation to pay the amounts of the invoices to R.W. Armstrong "since work was performed in good faith and was

1 GPA Petition for Contract Review, GPA Docket 14-02, filed March 14, 2014.
2 PUC Order, GPA Docket 11-02, dated January 11, 2012.
3 GPA Petition for Contract Review, GPA Docket 14-02, filed March 14, 2014, at p. 1-2.
4 Guam Consolidated Commission on Utilities Resolution No. 2014-08, Relative to the Ratification of Generation Expenditures, issued March 11, 2014.
5 GPA Petition for Contract Review, GPA Docket 14-02, filed March 14, 2014, at p. 2.

consistent with the mission and objectives of the Authority under the direction of GPA personnel.”⁶

DETERMINATIONS

6. R.W. Armstrong has performed the services requested by GPA.⁷ There was an agreement between GPA’s PMCs and Armstrong as to the cost of those services. GPA has a legal obligation to pay the amounts on the invoices for work performed by R.W. Armstrong.
7. PUC should ratify the amount of \$544,221.37 for services performed by R.W. Armstrong. PUC has a duty to assist GPA in meeting its contractual obligations. 12 GCA §12004.
8. GPA is responsible for exceeding the \$3.9M contract cap imposed by the PUC Order.
9. GPA violated the PUC Order dated January 11, 2012, by authorizing payment to PMO R.W. Armstrong of \$544,221.37 in excess of the \$3.9M cap.
10. The failure of GPA to properly monitor its expenditures under the PMO Program raises concerns about a lack of monitoring of PMO expenses. GPA has not taken proper care to assure that PMO expenditures are within the limits established by the PUC.
11. PUC Counsel has submitted his Report dated April 22, 2014. Therein he has raised several concerns about the nature and scope of the PMO program. The program has gone considerably over budget. In January 2012, the General Manager of GPA indicated that GPA’s PMO costs of \$3.9M were anticipated to “cover the next 36 months of PMO services.” Instead, the PMO budget only lasted for two years, and GPA expended a total of \$4,444,221.37 for two years (2012-2013) for its PMO services.
12. The PUC agrees that the concerns raised by PUC Counsel are serious. There has been a lack of accountability in the program. The Program has gone far beyond the military buildup and CIP rationale which was originally used to justify the program

⁶ Guam Consolidated Commission on Utilities Resolution No. 2014-08, at p. 2.

⁷ Id. at Attachment A.

by GPA. The extensive program costs may not be in the best interest of the ratepayers.

13. The PMO billings contain very little indication of what services were performed or what results were achieved by the consultants. There is usually only an indication on the billings of hours worked and amounts billed.
14. Many of the PMO activities relate to internal agency functions of GPA involving media and public information functions, administrative support for the budget office, the GPA Centrex phone system, handling customer service relations, work on customer power/billing issues and implementation of the plans for the new GPA office building. GPA never needed a PMO to handle these internal functions prior to 2012. These types of functions were never considered by the PUC when it approved the creation of the PMO Office.
15. Based upon PUC Counsel's Report, there is a need for the PUC to undertake a more detailed investigation and review of the PMO Office expenditures.

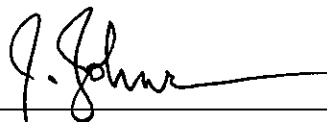
ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the PUC Counsel Report, and the record herein, for good cause shown and on Motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The PUC ratifies the additional charges under the R.W. Armstrong PMO Contract in the amount of \$544,221.37. GPA should be authorized to expend \$544,221.37 to pay additional charges for services rendered by R.W. Armstrong.
2. GPA's failure to contain its PMO expenditures within the \$3.9M cap established by the PUC is evidence of a lack of care by GPA in monitoring PMO expenditures. PUC should undertake a full investigation and review of the PMO program.
3. GPA violated the PUC Order dated January 11, 2012, by authorizing payment to PMO R.W. Armstrong of \$544,221.37 [in excess of the \$3.9M cap].
4. PUC Counsel is authorized, if he deems it necessary, to engage the services of one of the PUC consultants to perform an investigation/review of the PMO program.

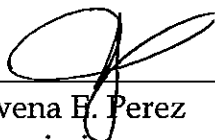
5. PUC Counsel/ Consultant should be authorized to explore such issues as the cost-effectiveness of the PMO program, the PUC's ability to maintain accountability of the program, and options for either eliminating or otherwise carrying out the functions of the PMO program. The PUC Counsel/Consultant shall make recommendations to the PUC as to what course of action it should take.
6. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 24th day of April, 2014.

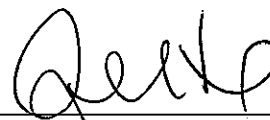


Jeffrey C. Johnson
Chairman

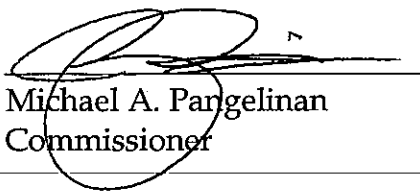
Joseph M. McDonald
Commissioner



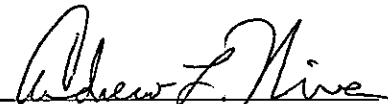
Rowena E. Perez
Commissioner



Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner

Filomena M. Cantoria
Commissioner