

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 14-02
)
The Application of the Guam Power)
Authority Requesting Approval of the) ORDER
Procurement of an Integrated Program)
Management Office (PMO).)

INTRODUCTION

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

BACKGROUND

- 2. The R.W. Armstrong ["RWA"] Program Management Office ["PMO"] Contract has recently been before the PUC for consideration.
3. In its December 30, 2013 Order, PUC raised numerous concerns with regard to the RWA Contract including: (a) failure of GPA to budget costs for the PMO in its FY2014 rate filing; (b) the inclusion in PMO services relating to ongoing internal management of the Authority; (c) the lack of detail about services to be performed in the scope of work and the absence of a breakdown of costs within each sub-task activity; (d) lack of a Cost-Benefit Analysis for the retention of the RWA services.
4. In its April 24, 2014 Order, the PUC, although approving excess expenditure under the RWA Contract, found numerous serious deficiencies in the PMO Contract and Administration, including: (1) violation by GPA of the PUC Order dated January 11, 2012, through authorizing payment to the PMO in excess of the \$3.9M cap; (2) failure of GPA to properly monitor expenditures under the PMO program; (3) excess of program expenditures over budget; (4) the lack of accountability of the PMO program; (5) contract anomalies and lack of indication in PMO billings as to what services were performed; and (6) relation of PMO activities to internal agency function of GPA (non-LNG related matters) such as media and public information functions, administrative support for budget office, handling of customer service

1 GPA Petition for Contract Review of GPA Implementation of Additional Program Management Services under the R.W. Armstrong PMO Contract, GPA Docket 14-02, filed April 24, 2014.

2 PUC Order, GPA Docket 14-02, dated December 30, 2013; PUC Order, GPA Docket 14-02, dated April 24, 2014.

3 PUC Order, GPA Docket 14-02, dated December 30, 2013, at pgs. 5-7.

complaints, work on customer power/billing issues and implementation of the plans for the new GPA office building.⁴

5. In the present Petition, GPA seeks approval for a contract amendment to the existing RWA Contract for \$440,000 for FY2014 and \$880,000 for FY2015.⁵ However, in its subsequent filing, GPA Response to PUC Counsel Report, dated June 26, 2014, GPA now contends that it is only seeking \$440,000 for FY 2014.⁶
6. These services would be paid for by internally funded CIP funds.⁷ The scope of work includes numerous very broadly defined activities relating to “program management services” concerning Resource Implementation Plan and IRP Strategy, but also includes “Identification and Analysis of outside impacts to GPA’s operation and finances, as well as to promote employee development and improve operational efficiencies including renewables, military build-up, fuel pricing, general economic conditions, etc.”⁸
7. On June 3, 2014, the Guam Consolidated Commission on Utilities adopted Resolution No. 2014-28, Approval of Continued Program Management Services for the Resource Implementation Plan and Execution Plan for LNG.⁹ There, CCU has authorized the General Manager of GPA to seek an additional \$1,022,500 for the RWA PMO Contract.¹⁰ The funding sought therein is for activities that are stated to commence in June through August of 2014 and continue into 2015. Activities for which funds are sought are very broad, including community engagement, retirements, staffing impacts, media tools, workforce availability, training and others.¹¹ On June 18, 2014, GPA filed a new petition seeking an additional \$1,022,500 in program management fees for Armstrong. This petition will also be heard at the PUC meeting on July 31, 2014.

⁴ PUC Order, GPA Docket 14-02, dated April 24, 2014, at pgs. 2-3.

⁵ Guam Consolidated Commission on Utilities Resolution No. 2014-15, Approval of the Guam Power Authority’s Implementation of Program Management Services, adopted April 8, 2014, at p. 4; the attachment thereto “Task 01-IRP Program Management Services Task Reset, pg. 4.

⁶ GPA Response to PUC Counsel Report and Proposed Order, GPA Docket 14-02, filed June 26, 2014.

⁷ Id. at p. 4.

⁸ Id. at Task 01-IRP Program Management Services Task Reset.

⁹ Guam Consolidated Commission on Utilities Resolution No. 2014-28, Approval of Continued Program Management Services for the Resource Implementation Plan and Execution Plan for LNG, adopted June 3, 2014.

¹⁰ Id. at p. 3.

¹¹ Exhibit A to CCU Resolution No. 2014-28.

DETERMINATIONS

8. The PUC is currently conducting an analysis of the PMO program “concerning its cost effectiveness, the accountability of the program, and options for either eliminating or otherwise carrying out the functions of the PMO program.”¹² GPA’s present petition should not in any event be approved prior to completion of the PUC analysis of the PMO program.
9. However, even aside from the completion of the pending PUC study, there are reasons to deny GPA’s Petition. GPA has not, to date, satisfactorily addressed the concerns of the PUC or responded to the serious questions raised in the December 30, 2013 and April 24, 2014 Orders with regard to the PMO program.
10. Although GPA originally indicated that the PMO office would be supported from bonds funds, with no rate impact, it now seeks to fund the PMO from revenue funds. In the current year budget and the 2014 rate case proceedings, there was no provision made by GPA for PMO expenditures with internal revenue funds.
11. GPA’s pending request for \$1,022,500 additional for the PMO program may overlap with the programs and activities for which funding is sought (\$440,000 for FY2014). Even if there is no overlap, there have been an increasing number of separate PMO funding requests from GPA to PUC. Such funding should ordinarily be handled in the budget. GPA should not be making *seriatim* continuous requests for PMO funding. Such an approach is wasteful of GPA and PUC resources. Intended PMO expenditures should be properly addressed in the annual budgeting process and included in the budget.
12. It is not necessary or appropriate for the PUC to grant this request at the present time. In its June 26 Filing, GPA claims that the PUC should approve a “not to exceed time and expense procedure” before the actual work scope, budget and schedule are defined. The PUC adopts the reasoning in Counsel’s Supplemental Report filed herein that GPA should develop the actual work scope, budget and schedule, and present the same to the PUC, before the PUC authorizes GPA to

¹² Status Report of Legal Counsel, GPA Docket 14-02, dated May 27, 2014, at p. 1.

expend PMO funds. GPA's suggested approach would result in the loss of any regulatory control by PUC in the monitoring of PMO expenditures.¹³

13. As with prior submissions regarding PMO funding, GPA has failed to give project spending details for each subcategory of work or provide any cost information other than lump sum amounts. There is not a clear explanation of what the funds are for, or how these lump sum amounts were arrived at. Requested FY2015 expenditures can be requested in the FY2015 rate case. GPA has not provided an adequate justification or budget for the amounts requested.
14. The proposed Task One includes many very broadly defined activities without specifics and does not precisely indicate what services the PMO would be performing under the task order. As was true with prior PMO expenditures, there are broad arrays of activities intended to be performed by the PMO which go far beyond implementation of the IRP/RIP. Unless GPA better defines the scope of these activities, these expenditures should not be approved by the PUC.

ORDERING PROVISIONS

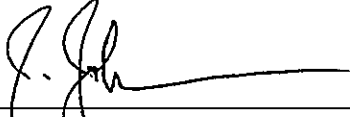
After careful review and consideration of the above determinations, the Petition of GPA, the PUC Counsel Report, the GPA Response, and the Supplemental PUC Counsel Report, and the record herein, for good cause shown and on Motion duly made, seconded, and carried by the undersigned Commissioners, the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

1. The PUC denies GPA's Petition for Approval of Additional Program Management Services under the RWA PMO Contract.
2. 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.

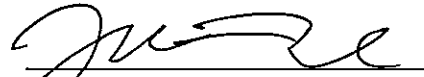
¹³ Supplemental PUC Legal Counsel Report, GPA Docket 14-02, filed July 25, 2014.

Order
GPA Petition for Approval of
Additional Program Management Services
under the RWA PMO Contract
GPA Docket 14-02
July 31, 2014

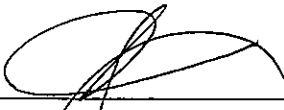
Dated this 31st day of July, 2014.



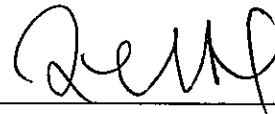
Jeffrey C. Johnson
Chairman



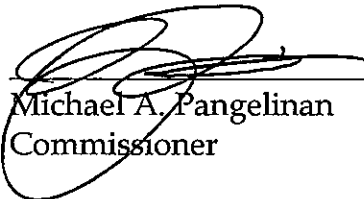
Joseph M. McDonald
Commissioner



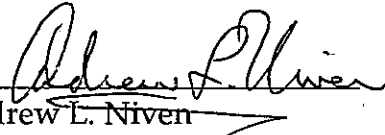
Rowena E. Perez
Commissioner



Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner



Filomena M. Cantoria
Commissioner