



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-01
)
The Application of Guam Power)
Authority and Guam Waterworks) PUC COUNSEL REPORT
Authority to Approve the contract with)
Wipro Technologies for the)
Implementation of the Customer Care and)
Billing (CC&B) software package.)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petitions of the Guam Power Authority ["GPA"] and the Guam Waterworks Authority ["GWA"] for certain amendments to the Contract for implementation of the Customer Care & Billing ["CC&B"] software package with Wipro Technologies.¹

BACKGROUND

2. On October 14, 2013, GPA petitioned the PUC for approval of the replacement of its present Customer Information System (CIS) and for implementation services with Wipro Technologies regarding the Oracle Customer Care & Billing Customer Information System Software.²
3. PUC found that GPA had presented a compelling justification to implement its new CC&B software: "its current software is outdated, renders GPA subject to audit deficiencies, and does not enable GPA to take full advantage of the Smart Grid Project."³
4. PUC approved GPA's application to enter into a contract with Wipro Technologies in the amount of \$2,710,000 for fixed price implementation services for the Oracle Customer Care & Billing Customer Information System Software.⁴

¹ GPA Petition for Contract Review (Application of GPA & GWA to Approve the Contract with Wipro Technologies for the Implementation of the Customer Care & Billing (CC&B) Software Package), GPA Docket 14-01, filed November 6, 2014; GWA Petition for Approval of Customer Information System Contract beyond the One Million Dollar Threshold under the Contract Review Protocol, GPA Docket 14-01, filed October 10, 2014.

² PUC Order, GPA Docket 14-01, dated November 26, 2013, at p. 1.

³ Id. at p. 3.

⁴ Id. at p. 4.

5. The GPA Petition also included a request that the Customer Care & Billing Customer Information System Software be implemented for GWA. However, in its November 26, 2013 Order, PUC did not initially address the implementation of the CC&B project for GWA due to the absence of an identified funding source.⁵
6. PUC subsequently found that GWA was required to replace its aging Customer Information System, as such system was no longer supported by the vendor and was unable to adequately support GWA's mission.⁶ PUC authorized GWA to expend the amount of \$870,000 to Wipro for fixed implementation services for the Oracle Customer Care & Billing Customer Information System Software.⁷

ANALYSIS

7. In their Instant Petitions, both GPA and GWA have requested additional funds for services with Wipro to implement the CC&B Software.
8. A description of the change orders and services for which GPA and GWA seek PUC approval are attached hereto respectively as Exhibits "A" and "B".⁸
9. The cost breakdowns of GPA and GWA for the additional implementation services and the equipment required are attached hereto respectively as Exhibits "C" and "D".⁹
10. Counsel has reviewed the change orders provided by GPA and GWA. Counsel believes that the additional expenses requested thereunder by GPA and GWA for the specified Change Orders are justified. It is understandable that unanticipated difficulties and costs have arisen with regard to the implementation of the CC&B software. In the Report which it submitted to the PUC in November 20, 2013, PUC Consultant Slater, Nakamura & Co. indicated that cost overruns are normal and

⁵ PUC Supplemental Order, GPA Docket 14-01, dated December 30, 2013, at p. 1.

⁶ Id. at p. 3.

⁷ Id.

⁸ Letter from GPA GM John M. Benavente to Frederick J. Horecky, PUC Counsel, Re: GPA Docket 14-01, Customer Care & Billing, dated November 20, 2014, at pgs. 2-3; GWA Petition for Approval of the Customer Information System Contract beyond the One Million Dollar Threshold under the Contract Review Protocol, GPA Docket 14-01, filed October 10, 2014, at pgs. 3-4.

⁹ Letter from GPA GM Benavente to PUC Counsel Horecky, supra at p. 2; GWA Petition for Approval, supra, at p. 2.

ordinary in other jurisdictions for the type of software implementation projects which GPA and GWA are undertaking.¹⁰

11. Counsel notes that GWA has requested approval of \$82,735 for “Archival/recording/Application purchases” and \$255,500 for “Miscellaneous costs to cover additional hardware and features relevant to core CC&B Implementation.” Neither of these proposed expenditures has been reduced to Contract Change Orders.
12. GWA has only provided very cursory two line descriptions for the foregoing two budget items.¹¹ There is no detailed explanation of the specific hardware, terminals, servers, or workstations, or the specific “interface solutions” related to bill printing, archival subsystems, payment gateway subsystems (online billing) and application utility tools which GWA intends to purchase.
13. Counsel recommends that GWA be required to provide additional information before it is authorized to expend amounts for “Archival/recording/Application purchases” and “Miscellaneous costs to cover additional hardware and features relevant to core CC&B Implementation.” First, the GWA Accounting Division should certify that the initial funds approved by the PUC for GWA, \$870,000, have already been expended and are not available for the proposed Change Orders or the other proposed work not delineated in a formal Change Request.
14. GWA should be required to provide more detailed explanations to PUC concerning the specific equipment or items it intends to purchase, the cost for each item, and the justifications therefore. These items should be reduced to written Change Orders if they are intended to be funded under the Wipro Contract. If explicit Change Orders are not possible, GWA should explain why.
15. GWA should further explain whether it intends to make these purchases through Wipro or other vendors, and why such computer equipment purchases should be made under the Wipro contract as opposed to being made through general plant/budget expenditures.

¹⁰ Slater, Nakamura & Co., GPA Docket 14-01, Report on the Review of the Proposed Contract with Wipro Technologies, filed November 20, 2013.

¹¹ GWA Petition for Approval of Customer Information System Contract beyond the One Million Dollar Threshold under the Contract Review Protocol, GPA Docket 14-01, filed October 10, 2014, Exhibit “D” at p. 5.

16. Once GWA has provided the information detailed above, it should be authorized to expend the amounts requested for Archival/reporting/Application Purchases and Hardware Purchases and Other Features Relevant to Core CIS Implementation upon certification by PUC Counsel that GWA has provided such information and otherwise complied with the Order issued herein.
17. However, with regard to the proposed expenditures of both GPA and GWA for "10% Contingency" amounts to be added on, Counsel recommends that the PUC disapprove such "Contingency" amounts. GPA has proposed a 10% Contingency of \$60,000 and GWA has requested a 10% Contingency in the amount of \$150,000.
18. There is no indication in any of the moving papers of GWA or GPA as to how the "contingency" amounts were determined, what the proposed contingency might be used for, or justification for such a "contingency." It appears to have been arbitrarily determined by each utility.
19. Counsel believes it is not a desirable practice to allow the Consolidated Commission on Utilities to add in "contingencies" to the amounts requested in contract review proceedings. There is no indication of what the "contingencies" are, whether such contingency funds are presently needed, or what purposes the contingency funds would be used for in the future.
20. The Contract Review Protocol already provides for a built in contingency. Paragraph 9 of the GWA Contract Review Protocol provides as follows:

"GWA shall not incur expenses for PUC approved contracts and obligations in excess of 20% over the amount authorized by the Commission without prior PUC approval. In the event that GWA estimates that it will exceed the PUC approved level of expenditures by more than 20%, it shall submit to PUC the revised estimate and full explanation of all additional costs."¹²

GPA has the identical 20% contingency in its Contract Review Protocol.¹³

¹² Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, dated October 27, 2005, at p. 9.

¹³ Contract Review Protocol for Guam Power Authority, Administrative Docket, dated February 15, 2008, at p. 4.

21. The whole purpose of the contract review procedure is for the utilities and the CCU to attempt to determine the actual cost of contracts that are proposed to be entered into. Allowing for an additional arbitrary "contingency" to be built in to contract proposals is contrary to principles of cost containment and accuracy in the cost estimation process.
22. In addition, allowing CCU to add in a "contingency" would then allow for a "contingency upon a contingency" under the Contract Review Protocol. The 20% Contract Review Protocol Contingency would then be based upon the 10% contingency already built into the Contract.
23. If the PUC approves GPA's request, there will be an approved additional authorization for GPA of \$88,000 (the "additional Authorization required of \$148,000 minus the 10% contingency of \$60,000, as set forth in Exhibit "C"). GPA will have the PUC 20% contingency under the Contract Review Protocol of \$17,600 on the additional authorization required. See Exhibit "C".
24. If that 20% contingency is exceeded, GPA will be required to seek further approval from the PUC.
25. The 20% contingency available to GWA should be determined after GWA provides the information required hereunder and when PUC Counsel issues the certification provided for herein.

RECOMMENDATION

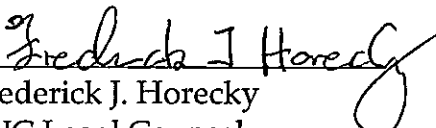
26. Counsel recommends that the PUC authorize GPA to expend up to \$3,340,000 in additional task orders for completion of the Customer Care & Billing (CC&B) software implementation.
27. The 20% contingency under the Contract Review Protocol applies to the additional authorization of \$88,000 for GPA.
28. At present GWA should be authorized to expend up to \$1,011,765 in additional change orders for the Customer Care & Billing (CC&B) software implementation.

29. The contingency for GWA shall be determined after it provides the information set forth herein.
30. Before GWA expends any amounts for "Archival/reporting/Application purchases (\$82,735)" or Miscellaneous Costs to cover additional hardware and features relevant to core CC&B implementation (\$255,500), the GWA Accounting Division should certify that the initial funds approved by the PUC for GWA, \$870,000, have already been expended and are not available for the proposed Change Orders or the other proposed work not delineated in a formal Change Request.
31. GWA should be required to provide more detailed explanations to PUC concerning the specific equipment or items it intends to purchase, the cost for each item, and the justifications therefore. These items should be reduced to written Change Orders if they are intended to be funded under the Wipro Contract. If explicit Change Orders are not possible, GWA should explain why.
32. GWA should further explain whether it intends to make these purchases through Wipro or other vendors, and why such computer equipment purchases should be made under the Wipro contract as opposed to being made through general plant/budget expenditures. GWA shall provide a written explanation to the PUC setting forth specific purchases to be made, "additional interface solutions", as well as terminals, servers, and work stations necessary to operate the CIS. Pricing for each item to be purchased shall be provided along with justifications.
33. When GWA has provided cost breakdowns, justifications, and the other information set forth in this Report for these additional expenditures, Counsel shall provide written certification that GWA has complied with this requirement and is authorized to expend amounts for those two categories for which no formal Change Orders have been submitted.

PUC Counsel Report
GPA and GWA Applications
To Approve Contract Amendments
with Wipro Technologies
GPA Docket 14-01
November 28, 2014

34. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 28th day of November, 2014.



Frederick J. Horecky
PUC Legal Counsel

GPA TASK ORDERS

1. CR-GPA-002 (\$130,000.00) – to utilize technical staff of Wipro to set up and maintain database and system environments during development. GPA found this aspect was more challenging than originally anticipated.
2. CR-GPA-003 (\$5,000.00) – The Bank of Guam, GPA's Trustee was not able to accommodate the format requirements of the system. GPA entered into a task order to convert the CC&B formatting requirements into a format that will accommodate data transfers between GPA and the Bank of Guam.
3. CR-GPA-004 (\$370,000.00) – this task order is required to pay Wipro personnel November 24 – the original Go Live date – through January 19, 2015 – the revised Go Live date.
4. CR-GPA-005 (\$100,000.00) – this task order was requested to provide subject matter experts from Wipro to assist GPA employees through the user acceptance testing phase. GPA personnel have found the testing process to be exceedingly slow due to the lack of familiarity with the new system.
5. CR-GPA-006 (\$100,000.00) – GPA is anticipating there will be an additional need for post Go Live support. Level 3, 4 and 5 post Go Live support was built into the original contract. This means that staff would be available to address issues related to the debugging of system problems. The GPA implementation team has requested Level 1 and Level 2 support which is continuing availability of personnel to help GPA staff work through day to day processing issues.

GWA TASK ORDERS AND OTHER PROPOSED WORK

1. CR-GWA-001 (\$42,128.00) – this change would create a “portal” that would allow GWA cashiers to accept payments and print payment receipts and it would also create a system that is capable of allowing GWA to accept payments on behalf of GPA. See Exhibit A. Features include integration with printer for receipt printing, barcode reader interface, cash drawer summary by payment methodology and ability to integrate all the above with GWA’s Customer Information System.
2. CR-GWA-002 through 004 (\$9,582.56) – these changes would allow for GWA to create estimated bills with only a service charge, allow GWA to send a letter to customers notifying them that their bill has been estimated and the basis therefor, and also would allow GWA to cancel and re-bill estimated bill if followed by actual readings. Exhibit B.
3. CR-GWA-005 (\$90,000.00) – this change would provide for three (3) subject matter experts from Oracle to be on-site at GWA two weeks prior to GWA’s “go live” implementation date and for 4 weeks afterwards. Essentially, these personnel would be “tweaking” the system during actual operations whenever the need arises, including making changes to software code. Exhibit C.
4. Archival/reporting/Application Purchases (\$82,735.00) – these amounts, while not identified in a formal Change Request as of this date, include costs to cover additional interface solutions which include, but are not limited to, bill printing, archival subsystems, payment gateway subsystems (online billing) and application utility tools. See Exhibit D at 5.
5. Hardware Purchases and Other Features Relevant to Core CIS Implementation (\$255,500.00) – this includes costs to purchase hardware such as “point-of-sale” terminals, servers and PC workstations necessary to effectively operate the CIS. Id.
6. Contingency (\$150,000.00) – as GWA implements the new software system, over time needs will arise to modify, enhance or purchase equipment or consulting services necessary to ensure the CIS project is a success. GWA is asking for a modest \$150,000 contingency to meet the unknown challenges as it implements this critical project. Id.

GPA Cost Breakdown

Description	Amount
Initial Authorization	\$ 2,710,000
Initial Task Order*	2,635,000
Task Order 2	130,000
Task Order 3	5,000
Net Project Cost to date	2,770,000
Task Order 4	370,000
Task Order 5	100,000
Task Order 6	100,000
Contingency - 10%	60,000
Estimated Project Cost	\$ 3,400,000
PUC 20% Threshold	\$ 3,252,000
Additional Authorization required	\$ 148,000

GWA Cast Breakdown

	Summary	Amount
13		
14		
15	Contract with WIPRO -- Customer Care & Billing (CC&B) System	\$ 870,000
16	Implementation Services	
17	(PUC Order GPA Docket 14-01, 30DEC2013)	
18		
19	CR-GWA-001 -- Assessment for Customized Payment Portal	42,182
20	CR-GWA-002 -- Assessment to Create Estimated bills with service charge only	} 9,583
21	CR-GWA-003 -- Assessment to Send letter whenever a bill is estimated	
22	CR-GWA-004 -- Assessment to Cancel and Rebill estimated bills, if followed by actual	
23	CR-GWA-005 -- Subject Matter Expert (SME) Consulting Service	90,000
23	Total:	\$ 1,011,765
24	Archival/reporting/Application purchases	82,735
25	Miscellaneous Costs to cover additional hardware and features relevant	
26	to core CC&B Implementation	255,500
27	Contingency - 10%	150,000
27		488,235
28	Total Budget	\$ 1,500,000
29		
30		
31		
32		