

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 17-05
)
The Application of the Guam Power Authority to Award a Contract for Environmental Engineering and Technical Services, to Leidos, Inc.) **PUC COUNSEL REPORT**
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_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] requesting Approval for Award of a Contract for Environmental and Technical Services to Leidos Engineering LLC.¹

BACKGROUND

2. In its Order dated October 27, 2016, the PUC authorized GPA to issue a procurement for Environmental Engineering & Technical Services.²
3. The PUC authorized GPA to expend a contract amount not to exceed \$1.5M for the 5-year base period of the contract for Environment Engineering & Technical Services, to be funded through revenue funds.³
4. Subsequent to the PUC Order, GPA solicited the services of a firm or consortium of firms to provide Engineering and Technical Services supporting Resource Plans (RFP-17-002).⁴ There were seven bidders, and Leidos was determined to be the most qualified proponent.⁵
5. GPA now requests that PUC approve the award of contract for Engineering and Technical Services to Leidos Engineering LLC.

¹ GPA Petition Requesting Approval for Award of Contract for Environmental Engineering and Technical Services to Leidos, Inc., GPA Docket 17-05, filed July 12, 2017.

² PUC Order, GPA Docket 17-05, Approval of the Procurement of Environmental Engineering & Technical Services, dated October 27, 2016, at p. 4.

³ Id.

⁴ Guam Consolidated Commission on Utilities Resolution No. 2017-20, Authorizing Management of the Guam Power Authority to Award the Contract for Engineering and Technical Services to Support GPA’s Resource Plans (RFP-17-002) to Leidos, Inc., adopted on May 23, 2017.

⁵ Id., at Appendix A.

ANALYSIS

6. The PUC previously determined that GPA has a need to procure the Engineering and Technical Services which it now seeks to award to Leidos.⁶
7. The PUC is aware of the many services that Leidos and its predecessors have performed before GPA over the years; the services provided appear to have been competent and professional.
8. GPA attached the proposed Contract with Leidos for Engineering and Technical Services supporting GPA's Resource Plans.⁷
9. Table 1 to GPA's proposed Contract with Leidos indicates certain tasks which GPA has negotiated or plans to negotiate with Leidos. See Attachment 1 hereto.⁸
10. As GPA has pointed out, its Energy Conversion Agreements for Piti #7 [TEMES], Piti #8 and #9 [MEC] are expiring within the next two years, and ownership of those plants will transfer to GPA.⁹ GPA also plans to seek contractors to provide O & M services for those plants.
11. There is a need for Leidos to assist GPA in the tasks which have been identified as 17-01 and 17-02 concerning transfer of the IPP-owned Units to GPA.
12. GPA estimates that the cost of the assessment and transition to GPA for the IPP Units will be \$601,900.00 (for Leidos). The tasks include: condition assessments, Environmental Site Assessments, preparation of documents related to the procurement process for plant O & M services (including contracts with the providers), and life extension studies for the three plants. See Table 2, attached hereto as Attachment 2.

⁶ PUC Order, GPA Docket 17-05, Approval of the Procurement of Environmental Engineering & Technical Services, dated October 27, 2016, at p. 3.

⁷ GPA RFP-17-002, Contract for Engineering and Technical Services Supporting GPA's Resource Plans, attached to GPA's Petition herein.

⁸ Table 1 to GPA RFP-17-002, Contract for Engineering and Technical Services supporting GPA's Resource Plans.

⁹ Guam Consolidated Commission on Utilities Resolution No. 2017-20, adopted May 23, 2017, at p. 1.

13. The cost includes travel and other related expenses. The cost for these tasks is high. However, Leidos will provide experts with a broad range of capabilities. The transition of these plants to GPA ownership and the contracting of proficient O & M services are highly important tasks and require the type of expertise that Leidos can provide.¹⁰
14. GPA has listed three additional tasks (17-03 – 17-05), which include a transition plan to ULSD for Piti #8 and #9 and an assessment on a Waste-to-Energy Feasibility Study. It has been suggested that the Waste-to-Energy Study concept may have been dropped.¹¹ However, GPA has not provided any written change to the tasks at present. No details have been provided for these additional tasks. GPA indicates that the scope of work for those projects will be discussed and finalized in FY2018.
15. GPA seeks to authorize the General Manager to expend \$1,000,000.00 for these task orders in 2017-2018. Counsel notes that, if said amounts are spent, GPA would only have \$500,000.00 left for services from Leidos under the Contract for years 2019 through 2021. The authorized limit approved by PUC for this project is not to exceed \$1.5M.
16. GPA indicates that it will likely need to seek increased funding levels for its Contract with Leidos for years 2019 through 2021.¹²
17. Counsel has concerns with GPA's proposals to date. Perhaps GPA could take further efforts to reduce the cost of this contract.
18. Part of GPA's plan for transition to ULSD is the "modification of current facilities to retrofit them for ULSD usage..."¹³
19. The conversion of Piti #8 and #9 to ULSD would be an extremely expensive undertaking. An option is for GPA to negotiate with USEPA to allow said units to continue to run on RFO.
20. GPA should advise the PUC as to what actions it has undertaken to negotiate with USEPA to allow the continued operation of Piti #8 and #9 on RFO, even after 2021.

¹⁰ See Leidos Proposal for GPA-RFP-17-002, Best and Final Offer in Response to GPA Letter dated June 3, 2017, dated June 13, 2017.

¹¹ Phone conf. between GPA Counsel Graham Botha and PUC Counsel Fred Horecky on July 24, 2017.

¹² Id.

¹³ Guam Consolidated Commission on Utilities Resolution No. 2017-20, adopted May 23, 2017, at p. 1.

It is at least worth the effort to attempt to save many millions of dollars for the ratepayers.

21. As to work for Leidos concerning the Waste to Energy Feasibility Study, Counsel believes that a Waste to Energy plant would presently not be lawful under the applicable Guam statutes. What would be the purpose of such study?
22. GPA should be required to submit a report responding to the issues that Counsel has set forth herein.

RECOMMENDATION

23. Counsel recommends that the Commission approve GPA's Petition for Approval to Award a Contract for Environmental Engineering and Technical Services to Leidos, Inc.
24. The total amount which GPA is authorized to award under the 5-year contract should remain at a not to exceed level of \$1.5M (through 2021), until such time as GPA petitions the PUC for increases in the contract amount and such increases are approved.
25. On or before September 27, 2017, GPA should submit a report to PUC which includes the following:
 - (a) A current listing of the services that GPA expects Leidos to provide under the Contract;
 - (b) A full explanation of a status of GPA's plans to transition the Piti #8 and #9 to ULSD, and explanation of efforts, if any, to persuade the USEPA to allow GPA to continue to run Piti #8 and #9 on RFO for the remaining life of the units or for at least some additional period of time;
 - (c) An explanation of the current legality of Waste-to-Energy units, and why GPA believes that such an assessment should be a priority for tasks assigned to Leidos;
 - (d) An explanation of scope of services and the estimated cost for tasks 17-03, 17-04, and 17-05.
26. A Proposed Order is submitted herewith for the consideration of the Commissioners.

PUC Counsel Report
Award of Contract for
Environmental Engineering
& Technical Services to Leidos
July 24, 2017

Dated this 24th day of July, 2017.

Frederick J. Horecky
PUC Legal Counsel

Tasks Negotiated:

TASK #	TITLE	DESCRIPTION	EST. COST
17-01	IPP-owned Units	Condition Assessment, assembling historical data, transition to GPA, and related tasks	\$601,900.00
17-02			

Upcoming Tasks:

TASK #	TITLE	DESCRIPTION	COMMENTS
17-03	Fuel Bulk Storage Facility Assessment & Conversion Plan	Condition Assessment, assembling historical data, complete a transition plan to ULSD	Scope of Work and Estimated Costs to be discussed in detail and finalized for FY 2018
17-04	Waste-to-Energy Feasibility Study	Preliminary Assessment, Discussion of Available Technology	Scope of Work and Estimated Costs to be discussed in FY 2018
17-05	Integrated Resource Plan - Support		Scope of Work and Estimated Costs to be discussed in FY 2018

Table 2 – GFE Summary

Task	No. of Staff	Labor Estimate
1 – Project Kickoff and Data Request	7	\$4,100
2 – Site Visits for Condition Assessments	2	\$34,600
3 – Data Repository	8	\$13,000
4 – Piti 7 Condition Assessment	7	\$58,700
5 – Piti 7 ESA	5	\$19,700
6 – Piti 7 Contracting Support	7	\$137,900
7 – Piti 7 Transition Support	7	\$29,700
8 – Piti 8 and Piti 9 Condition Assessment	7	\$58,700
9 – Piti 8 and Piti 9 ESA	5	\$19,700
10 – Piti 8 and Piti 9 Contracting Support	7	\$137,900
11 – Piti 8 and Piti 9 Transition Support	7	\$29,700
	Total	\$543,700

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