

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
DECEMBER 29, 2014
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:38 p.m. on December 29, 2014, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, Montinola, Cantoria, and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairman announced that the first item of business on the agenda was approval of the minutes of December 1, 2014. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

2. Guam Power Authority

The Chairman announced that the next item on the agenda was GPA Docket 15-06, Petition for Approval of Settlement with Pruvient Energy Guam Investments Inc. to Terminate Energy Conversion Agreement, PUC Counsel Report, and Proposed Order. Counsel gave the background and history of the Tanguissan Power Plants 1&2, which had been in operation since 1971 and 1972 respectively. GPA has had an Energy Conversion Agreement with the plant operator. The current operator is Pruvient. GPA, as a part of its plans to comply with US EPA environmental regulations, desires to terminate the operations of the Tanguissan plants and to mothball them. Unless the ECA is terminated now, it would remain in effect until 2017. GPA has negotiated an agreement with Pruvient to terminate the ECA. The legal documents have been drafted to affect the termination, including bill of transfer, sales agreement, closing statement, etc. At present GPA does not utilize the Tanguissan plants very often. The plants have been in operation for over 40 years.

To continue plant operation, GPA must pay Pruvient a monthly fee of over half a million dollars. GPA believes that the Tanguissan plants have served their useful life. It estimates the cost would be \$18M to bring the Tanguissan plants into compliance with the new EGU-MACT rules of the US EPA. Continued operation of the plants is no longer feasible in light of the new compliance requirements.

GPA has agreed to pay Pruvient \$8.1M as the settlement amount to end the Energy Conversion Agreement. Although the cost seems high, if GPA continued to operate the Tanguissan plants through 2017, the cost would roughly be \$28M. By terminating the ECA, GPA will save a debt amount of roughly \$20M.

GPA requests approval to withdraw the settlement funds from the Working Capital Fund. There are issues as to what amount is left in the Fund, and the period over which GPA would intend to pay this amount back to the WCF. GPA proposed making payments of \$550,000 per month to the WCF. However the Consolidated Commission had requested more rapid repayment. Counsel suggested that GPA should pay the entire \$8.1M back to the WCF within one year. This should not overburden GPA, as the closure of the Tanguissan plants will save it in the area of \$863,000 per month (that amount includes employee salary and benefits that will be transferred to other positions).

The prepared Order would approve the termination of the Energy Conversion Agreement and authorize GPA to expend \$8.1M for this purpose. One year after closure, GPA would be required to provide a report to the PUC indicating the total amount in which the WCF has been reimbursed and the then current balance of the WCF, the cost for mothballing the Tanguissan plants, and any additional costs associated with the closure and clean-up.

A representative from Pruvient, Attorney Anita Arriola, echoed and agreed with Counsel's comments. The Chairman asked whether the termination costs would actually be \$9.4M rather than \$8.1M. GPA Counsel Botha indicated that if the November and December payments are included, the cost could be between \$8.1M and \$9.4M. The Chairman asked whether GPA would have any difficulty in repaying the Working Capital Fund within the one-year time period. Acting GM Benavente indicated that GPA would not have a problem.

Commissioner Cantoria asked how this proposal would affect the ratepayers. GM Benavente indicated that if the ECA continued, GPA would pay out over \$16M for the monthly payments. The Termination Agreement will save \$8M. GM indicated that GPA was avoiding rate increases, at least through 2015 and possibly 2016. The Chairman asked the GM whether there was a problem with an oil spill in the Tanguissan area. GM Benavente indicated that the spill had been there for many years and GPA was "close to cleaning up that area." The spill was not endangering the aquifer. GM Benavente also indicated that it would take time to burn the existing fuel supply in the Tanguissan generators down.

Commissioner Niven asked what the current balance in the Working Capital Fund was at the present time. GM Benavente estimated that it was around \$30M. Commissioner Niven indicated that, with the termination payment, the Fund would be in the low \$20M range; what would be GPA's working target for that balance? GM Benavente indicated that GPA was trying to go to a 40-day cash on hand situation. There is also nearly \$15M in the Self-Insurance Fund. Commissioner Niven further asked Mr. Benavente whether GPA had a preliminary plan as to how it would actually physically remove Tanguissan or the other plants that are deactivated. Mr. Benavente indicated that GPA would place security at the plant and the electrical components of the plant would be deactivated and shut down, including the main transformer. GPA will explore whether any prospective purchasers are interested in buying the plant. If not,

GPA will look for the salvage value based upon the amount of metal in the plant. There may be asbestos in the plant that has to be dealt with. The Department of Defense may have responsibility for cleaning up Tanguissan 1. There may also be a use of the area for sea water air conditioning.

Commissioner Montinola asked what would happen to the existing employees of the Tanguissan Plants. GM Benavente indicated that there were approximately 48 Full-Time equivalent employees at the Tanguissan plants. The actual number comes out to about 35. The employees from those plants would be moved to other plants where there are shortages, in order to reduce overtime. GPA is seeking to reduce the FTEs down to 33. Some electricians, technicians, welders, etc. may also be able to help GWA. The idea is to downsize or right-size. Commissioner Pangelinan indicated that he saw no downside to this plan to terminate the operation of the Tanguissan plants. However, he wondered whether deactivation of the Tanguissan plants placed more of a burden on the other plants. GM Benavente indicated that no additional burden was placed on the other plants. The Tanguissan plants are the most inefficient plants. GPA will still have about 420 megawatts of generation capacity.

Commissioner Perez asked whether, under the current contract with Pruvient, there could be an amendment to handle the mothballing. Or, would that be an entirely different RFP Process? Mr. Benavente indicated that it would be a different process. At present GPA is not thinking about trying to start up the Tanguissan plants anymore, so everything would be shut down. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to terminate the Energy Conversion Agreement with Pruvient for the Tanguissan Plants, and to pay Pruvient the sum of \$8.1M. The Commissioners adopted the Order made *Attachment "B"* hereto.

3. Guam Waterworks Authority

The Chairman announced that the next item of business was GWA Docket 13-01, GWA Petition for Approval of Additional \$2.458 Million for GWA's Program Management Office Contract with Brown & Caldwell, Lummus Consultants' Report, ALJ Report, and Proposed Order.

Counsel, through inadvertent mistake, began to cover another docket, GWA Docket 15-02, GWA's Request to Reprogram 2010 Bond Proceeds. Counsel indicated that GWA's petition sought to reallocate \$9.7M of the 2013 Bond Funds to complete projects. The Commission had already approved the 2013 bond issue. All these funds were approved for special projects. GWA has decided that it wishes to take some of the funds that were originally allocated for certain projects and shift those to other projects for which it has a more immediate need. This concept makes sense: GWA prioritizes certain projects that it needs more resources for. A chart of the significant projects has been attached to GWA's petition. For example, GWA needs an additional \$1.5M for the meter replacement program. It also needs \$400,000 for hydraulic study efforts and planning for future growth. Another \$2M is needed for replacement of water pipes. 15,500 feet of pipe will be replaced in 2015 and 2,000 feet of pipe per year thereafter, at

an additional cost of \$2M. There is a fire hydrant replacement program for \$1M and a \$1M reallocation to the Baza Gardens sewage treatment plant replacement. Another \$1M was for facility planning/improvement design for the Umatac-Merizo Wastewater Treatment Plant. \$1.5M was for the Hagatna Wastewater Treatment Plant, interim measures, rehabilitation, and upgrades. There is an increase for SCADA improvements of \$700,000, and funding for miscellaneous projects for an additional \$600,000. To offset these increases, there are also reductions in a total amount of \$9.7M. These include a \$3M reduction for water system reservoirs, \$3M reduction for wastewater collection system rehabilitation, \$1M reduction for the Umatac-Merizo replacement. Priorities change for utilities over the years. It seems appropriate to allow GWA to make changes in the allocation of bond funds.

The ALJ Report supports GWA's bond allocation request. ALJ believes the request should be approved because these improvements are designed to improve the water system and to replace and rehabilitate aspects of the infrastructure. The reallocation allows GWA to meet the requirements of the Federal Stipulated Order. The projects and reallocations are reasonable given the need for expansion and improvement of Guam Water and Wastewater Systems. The Order proposed by the ALJ would approve the Petition to reprogram \$9.7M of 2013 Bond funds. With respect to the meter replacement program, GWA would be required to file a report with the PUC detailing the status of that program by April 1, 2015.

The Chairman clarified that Counsel had covered GWA Docket 15-02, GWA's Request to Reprogram 2010 Bond Proceeds. When Docket 15-02 is completed, the Commission would return to GWA Docket 13-01 on the Petition for Additional Program Management Office Contract funds for Brown & Caldwell. Commissioner Niven noted that there were at least four projects where there were reductions of over \$1M in order to shift the money. The underlining reasons for reducing those projects were and whether the reason was that money wasn't needed to complete the projects or that the projects had been delayed. Acting GWA GM Tom Cruz indicated that it was both. He indicated that GWA had found some savings in the procurement of engineering services for the reservoir improvement projects. Instead of going out to bid for each reservoir separately, GWA has determined that it can group three or four reservoirs in one RFP and find savings. Each tank is in the range of \$4-\$5 million. With procurement, engineering services and design, GWA is able to get accounting scales by grouping certain sites together.

Counsel Taylor indicated that engineering firm would be obtained to concentrate on each area of the island, north, central and south. There would be the same designer for each zone. Savings are derived by having one firm do each zone. GM Cruz further indicated that GWA was receiving state revolving fund grants from the US EPA for some of the projects that were previously bond funded. Presently, there are savings because a much less expensive upgrade for the Umatac-Merizo wastewater treatment plant was developed. Commissioner Niven indicated that GWA has not had to actually compromise the projects at all, but just found ways to complete them without using all

the bond funds that were originally assigned to them. GM Cruz indicated that such was correct.

Chairman Johnson asked whether all plants had to be secondary wastewater. Counsel Taylor indicated that was the quality standard. There have been discussions with US EPA. GWA is still negotiating with the federal government to assist with the northern wastewater treatment plant. There is discussion of about \$160M, nothing definite until an agreement is signed. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GWA to reprogram the 2010 Bond Proceeds in the amount of \$9.7M and adopted the Order made *Attachment "C"* hereto.

The Chairman indicated that the Commission would then again proceed with GWA Docket 13-01, Petition for Approval of Additional \$2.458M on GWA's Program Management Contract with Brown & Caldwell, Lummus Consultants' Report, ALJ Report, and Proposed Order. Counsel indicated that the PMO Office concept was approved by the PUC in January 2011. In four years, GWA had made total expenditures for the PMO Office of roughly \$12.2M. Because of this large amount, the Commission needs to consider these issues carefully. There seems to be some justification for GWA's use of the PMO, based upon GWA's lack of internal engineering resources [as pointed out by Lummus]. However, since the creation of the PMO, the PUC has requested that GWA make training efforts to either hire sufficient resources or to train their existing employees to be able to take over some of the functions of the PMO. The Lummus Report concludes that such continues to be an important goal.

It does not seem that GWA has made a lot of progress in moving away from the PMO within the last four years. Hopefully the next few years will bring more progress. GWA has agreed to undertake a training program with the assistance of the PMO. Lummus has made specific recommendations for training and the precise programs for training the employees. The proposed work authorizations for training programs need to be revised. The question is what GWA is doing to alter its reliance on the PMO. It is easy for it to request money for a PMO than it is to undertake the changes within the utility that would actually obviate the need for the PMO. Programs in which GWA seeks to expend \$2.458M on the PMO are management and design for the Agat-Santa Rita wastewater treatment plant, revolving fund grant project support in the amount of \$1,090,000.

Both Lummus and the ALJ recommend that the Commission initially approve half of the amount for the first year (\$545,000). GWA can then come back to the PUC, having fulfilled certain reporting requirements, and the PUC can then determine what further need there is for the funding of this program. Lummus anticipates that GWA should internally be training its grants managers, other engineers and technicians to take over some of these grant functions. PUC needs to continue to examine the training function on an ongoing basis. GWA needs to be doing more internal training with the PMO. PMO will also perform work on the Umatac-Merizo wastewater treatment plant, disinfection and water quality standards, and Baza Gardens wastewater cross island conveyance system.

Lummus is concerned that GWA has not fully complied with its reporting requirements. The ALJ recommends that GWA comply with quarterly reporting requirements in a numerical and graphical form detailed in the Lummus Report, as well as quarterly reports on staffing and planning. GWA needs to file plans and procedures concerning funding of the PMO and staffing/project bidding. These and other reporting requirements are contained in the Proposed Order. The ALJ has approved the recommendations from Lummus.

GWA would be required to file a report on staffing, training and project bidding with the PUC by February 28, 2015.

The Chairman and Commissioner Montinola asked whether GWA/the PMO had any issues with the recommended reporting requirements. GWA Counsel Taylor indicated there were no issues with the recommended reporting requirements. Chairman Johnson asked whether GWA had hired any new engineers in the engineering department in the last 12 months. Acting GM Cruz indicated that on November 1, GWA hired a professional engineer with an engineering degree and a Master's in Environmental Science. She heads up the development/planning section. The Assistant Chief Engineering position is still vacant. Counsel Taylor indicated that there are announcements out for engineering positions; the pay is not bad, but the problem is our location.

Commissioner Montinola asked whether there were existing GWA scholarships for engineers. Counsel Taylor indicated that there were. GWA hires engineers for summer internships. GM Cruz indicated that GWA has a budget for junior engineers in the upcoming budget. He indicated that the PMO does bring a lot of subject matter experience which is necessary in GWA's engineering office. Subject matter expertise in wastewater treatment design is necessary.

The Chairman asked the acting GM about the knowledge transfer from the PMO to GWA's engineering department. The Chairman asked whether this transfer was occurring at a good rate or could be improved. Acting GM Cruz indicated that the transfer was happening. He indicated that the engineering department had moved into the new facility in Fadian. The Chairman asked whether Brown & Caldwell came to GWA, as its office is in the GCIC Building. Ms. Chang of Brown & Caldwell indicated that she is working with the Ugam team. The knowledge transfer is there because they are working as a team to discuss whatever that project is supposed to be. Later on, the engineer would be able to handle that type of discussion.

GWA staff member indicated that the priority has been completing the Court Ordered projects, but now GWA can concentrate on the formal training requirement and ensure that there is a formal training program in place. Commissioner Perez asked whether GWA had considered a formal assessment or evaluation. GWA staff member indicated that an analysis had to be done before starting - that's the first step. Commissioner Perez further asked whether there were other personnel that could step up to the plate. Acting GM Cruz mentioned that this summer GWA had hired two engineering

students who were going to the UOG's engineering program. Counsel Taylor indicated that GWA would always need subject matter expertise that could not be found in house. Commissioner Perez concurred that such need would exist. But we need to make sure that GWA personnel are absorbing that kind of knowledge. Counsel Taylor has noticed a massive improvement by GWA in terms of project management.

Commissioner Cantoria asked whether GWA sends personnel for training in the states. Acting GM Cruz indicated that it does send employees to training, but the training occurs here locally. Specialists are brought here from off island. Ms. Chang of Brown & Caldwell indicated that it brings in engineers with specialties, so that GWA can call these specialists directly. A network system is being developed. A GWA staff member pointed out that the University of Guam will have a four year engineering program. Commissioner Perez asked how many of the engineers were licensed had taken the licenser exam. Acting GM Cruz indicated that it was 10 to 12.

Commissioner Montinola asked whether GWA or the consultants are doing the reports. Acting GM Cruz indicated that the PMO is the generator of the report. They are submitted on behalf of and through GWA. Upon motion duly made, seconded and unanimously carried, the Commissioners approved an increase in the Program Management Office Contract with Brown & Caldwell in the amount of \$1,913,390.00 with approval of the remaining amount subject to project re-evaluation. The Commissioners adopted the Order made *Attachment "D"* hereto.


4. Administrative Matters

Administrator Palomo indicated the Chairman had requested that she obtain two proposals for computers for Commissioners (so that the meeting packets can be available electronically). She has received one from Marianas Electronics for Apple Ipads. They come in 16 or 64 gigabytes. After discussion, the Commissioners and the Administrator agreed that nine Ipads would be in order. The Administrator indicated that possibly a link could be placed on our website where the briefing materials would appear; the Commissioners could then click on a certain tab and review them. Commissioner Pangelinan wondered whether the review would be quick enough. The Chairman requested that the Administrator speak with GPA concerning "Board Minutes" program that it uses with the CCU. The Administrator indicated that the cost for GPA may be \$15,000 or \$30,000. Commissioner Montinola indicated that there is a new store in Tumon called "In the Box". It is an Apple store. He indicated that the prices are same as those online plus 4% for GRT. Administrator Palomo indicated that she would call that business.

The Administrator also mentioned that it may be possible to reduce the monthly charges from the PUC website consultant [Ideal Advertising] which is presently \$585 per month. Currently the Administrator is doing the monthly inputting for the website thus indicating the charges could be reduced. Commissioner Montinola suggested Counsel could write the consultant asking them for a hosting proposal, since they are not doing input.

Chairman Johnson indicated that he wished to formalize the process of determining the Chairman for the Public Utilities Commission. He indicated that it had been two or three years since the Commissioners discussed this subject. The Chairman also indicated that there should be a Vice Chair. The Chairman indicated that he was still willing to serve as Chairman for another year or two. Commissioner Niven nominated Jeff Johnson as Chair and Rowena Perez as Vice Chair. The nominations were closed. Upon motion duly made, seconded and unanimously carried, the Commissioners elected Jeff Johnson as Chairman and Rowena Perez as Vice Chairman for an additional two year period. Such election will occur every two years.

There being no further business, the Commissioners moved to adjourn the meeting.



Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
6:30 p.m., December 29, 2014**

Agenda

1. Approval of Minutes of December 1, 2014
2. Guam Power Authority
 - GPA Docket 15-06, Petition for Approval of Settlement with Pruvient Energy Guam Investments Inc. to Terminate Energy Conversion Agreement, PUC Counsel Report, and Proposed Order
3. Guam Waterworks Authority
 - GWA Docket 13-01, GWA Petition for Approval of Additional \$2.458M in GWA's Program Management Office Contract with Brown & Caldwell, Lummus Consultants' Report, ALJ Report, and Proposed Order
 - GWA Docket 15-02, GWA's Request to Reprogram 2010 Bond Proceeds, ALJ Report, and Proposed Order
4. Administrative Matters
 - PUC Administrator Report on Ipads
5. Other Business

ATTACHMENT A

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-06
)
The Petition of the Guam Power Authority))
for Approval of Settlement with Pruvient) ORDER
Energy Guam Investment, Inc., to)
Terminate the Energy Conversion)
Agreement.)



INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Approval of Settlement with Pruvient Energy Guam Investment, Inc. ["Pruvient"], to terminate the Energy Conversion Agreement.¹

BACKGROUND

- 2. The Tanguisson Plants 1 & 2 went into service in 1971/1972. Each plant has a capacity of 26.5 MW.
- 3. In 1996, GPA entered into a twenty year Energy Conversion Agreement [ECA] with Hawaiian Electric Company for the operation of the Tanguisson plants through 2017. Pruvient is the current operator of the plants.²
- 4. GPA now seeks to terminate its ECA with Pruvient. GPA is concerned that it would incur considerable cost to bring the Tanguisson plants into compliance with the EGU MACT rules enacted by the United States Environmental Protection Agency [USEPA].³
- 5. Under the USEPA EGU MACT rules, GPA asserts that it would be required to install substantial stack emission controls on the Tanguisson plants to be in compliance by May 2015.⁴ By deactivating the Tanguisson plants prior to May 2015, GPA would not have to incur additional compliance costs.⁵

¹GPA Petition for Approval of the Settlement with Pruvient Energy Guam Investment, Inc. to Terminate the Energy Conversion Agreement, GPA Docket 15-06, filed December 2, 2014.

²Id. at p.1.

³Id.

⁴Id.

⁵Id. at pgs. 1-2

ATTACHMENT B

6. GPA further believes that the remaining costs under the ECA for operating the Tanguisson plants would be \$28 Million. These costs could be reduced or eliminated by terminating the Pruvient ECA.⁶

DETERMINATIONS

7. Cost savings of \$28 Million could result from early termination of the ECA over the three year period.⁷ GPA would not incur EGU MACT compliance costs in the estimated amount of \$14 Million plus \$218,000 per year in additional monitoring costs.⁸
8. GPA has agreed to a settlement amount of \$8.1 Million with Pruvient, which is essentially the amount required to buy out the remaining term of the ECA.⁹ Thus, the net savings would be roughly \$20 Million.¹⁰
9. From a fiscal perspective, the termination would appear to be a desirable result for GPA. It will subsequently not be required to expend monthly payments to Pruvient of \$550,000. These payments are presently due to Pruvient regardless of whether the Tanguisson plants are dispatched.¹¹
10. As the "least efficient of the GPA Baseload Plants"¹², the Tanguisson plants are not being dispatched often at the present time.¹³ Those plants will likely be run even less when the Dandan solar project comes on line.¹⁴
11. GPA is not aware of the costs for "mothballing" the Tanguisson plants at the present time. However, it believes that those costs will be "insignificant" compared to the costs of continuing to pay for a plant that will not run very much.¹⁵

⁶Id. See also Attachments A.1 through A.5

⁷Id. at p.1

⁸Id.

⁹Id. at p.3

¹⁰Id. at Attachment A.1

¹¹Phone Discussion between GPA Counsel and PUC Counsel on December 18, 2014.

¹²GPA Petition for Approval of Settlement with Pruvient to Terminate the Energy Conversion Agreement, GPA Docket 15-06, filed December 2, 2014, at p. 1.

¹³GPA Responses to PUC Requests for Information, GPA Docket 15-06, filed December 12, 2014, at p. 3.

¹⁴Id.

¹⁵Id. at p.2

12. GPA plans to pay the termination cost of \$8.1 Million to Pruvient from the Working Capital Fund in one lump sum. It would then replenish the WCF in the amount of \$550,000 per month (i.e, the amounts it would otherwise have had to pay to Pruvient).¹⁶
13. The CCU has asked GPA to replenish the fund more quickly; GPA "is now working on increasing the monthly payment."¹⁷ GPA indicates that the total monthly costs foregone are \$863,209 (which includes labor, benefits, water and power costs).¹⁸ There should be a more expedited replenishment of the WCF. Repayment of the WCF should be made within one year from the date of the Order issued herein.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of Settlement with Pruvient Energy Guam Investment, Inc. to Terminate the Energy Conversion Agreement, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's settlement with Pruvient to terminate the Energy Conversion Agreement is approved.
2. GPA is authorized to expend \$8.1 Million from the Working Capital Fund to terminate the ECA. The Tanguisson plants may be decommissioned, taken off line, and mothballed.
3. The WCF must be reimbursed in full within one year from the date of the Order issued by the PUC. It is not desirable that the WCF be underfunded for a long period of time.
4. GPA shall issue a Report to the PUC within one year from the date of this Order indicating: (a) the total amount in which the WCF has been reimbursed and the balance of the WCF; (b) the cost for mothballing the Tanguisson plants and any additional costs associated with its closure and cleanup; and (c) any other costs resulting from the closure of the plants.

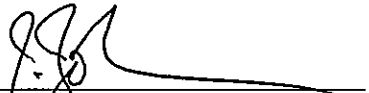
¹⁶Id. at p.3

¹⁷Id. at p.3

¹⁸Id. at Attachment A.1.

5. 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 29th day of December, 2014.



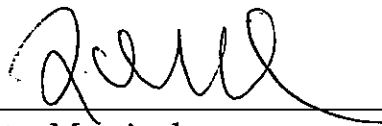
Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner



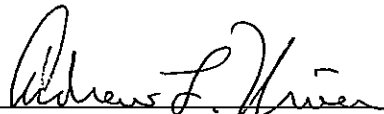
Rowena E. Perez
Commissioner




Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner



Filomena M. Cantoria
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**IN RE: REQUEST BY THE GUAM
WATERWORKS AUTHORITY TO
REPROGRAM 2013 BOND
PROCEEDS**

GWA Docket No. 15-02

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") at the request of Petitioner Guam Waterworks Authority ("GWA") for approval to reprogram projects funded by GWA's 2013 Bond ("2013 Bond") proceeds, filed with the PUC on December 5, 2014.

DETERMINATIONS

In its Petition, GWA sought approval to reallocate \$9.7 million of 2013 Bond funds to complete projects required under the November 10, 2011 Order for Preliminary Relief Re: Deadlines for Outstanding Projects under the Amended Stipulated Order issued by the District Court of Guam in U.S. v. Guam Waterworks Authority, Civil Case No. 02-00035 (hereinafter referred to as the "Amended Stipulated Order"). The Petition was supported by Resolution No. 01-FY2015 ("CCU Resolution"), issued by the Consolidated Commission on Utilities ("CCU"), which approved GWA's Capital Improvement Plan for 2014-2019 (hereinafter referred to as the "CIP"), and authorized GWA to seek PUC approval for the 2013 Bond fund reallocations.

ATTACHMENT C

In addition, the Petition was further supported by the CIP, which is attached to GWA's Petition as "Exhibit A" to the CCU Resolution. GWA's request for reprogramming affects only a few potable water and wastewater projects, as well as an electrical engineering project, and a single miscellaneous project, which are contained in the CIP.

GWA further set forth such projects requiring 2013 Bond reprogramming in its Petition. The capital improvement projects requiring reprogramming include only a few potable water and wastewater projects, as well as an electrical engineering project, and a single miscellaneous project. Pursuant to 12 G.C.A. §12004, the PUC is tasked with reviewing and approving all uses of bond proceeds.

On December 24, 2014, the Administrative Law Judge of the PUC (the "ALJ"), issued an ALJ Report regarding GWA's request to reprogram the 2013 Bond proceeds. Upon review, and based on the documentation provided by GWA, the ALJ found that the projects for which GWA sought approval for reprogramming in its Petition were designed to improve Guam's water and wastewater utility infrastructure; to increase their reliability and efficiency; and to comply with the Amended Stipulated Order. Accordingly, the ALJ found that such projects and the reallocations were reasonable given the need for the expansion and improvement of Guam's water and wastewater systems; and, therefore, recommended the PUC's approval of the Petition.

The ALJ, however, further recommended that GWA submit to the PUC updates on the meter replacement program. The ALJ recommended that the PUC require GWA to report on the status of this program by April 1, 2015.

The Commission hereby adopts the findings made in the December 24, 2014 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

Upon consideration of the record herein, the December 24, 2014 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. GWA's petition for approval to reprogram \$9.7 million of 2013 Bond funds is hereby GRANTED.

2. With respect to the Meter Replacement Program, GWA shall file a report with the PUC detailing the status of the program by April 1, 2015.

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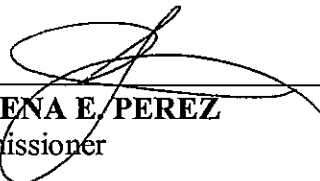
[SIGNATURES TO FOLLOW ON NEXT PAGE]

3. GWA is further ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 29th day of December, 2014.




JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ
Commissioner



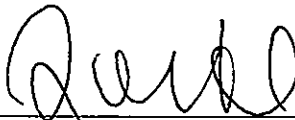
JOSEPH M. MCDONALD
Commissioner



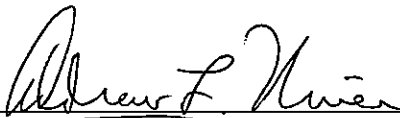
FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P141081-JRA



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

) **GWA DOCKET 13-01**
)
) **PETITION OF GUAM WATERWORKS**) **ORDER**
) **AUTHORITY FOR APPROVAL OF**)
) **ADDITIONAL \$2.458M IN PROGRAM**)
) **MANAGEMENT OFFICE CONTRACT**)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for approval of a \$2.458 million increase in the Program Management Office (“PMO”) contract with Brown & Caldwell, filed by the Guam Waterworks Authority (“GWA”) on October 10, 2014.

DETERMINATIONS

Pursuant to 12 G.C.A. §12004, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Additionally, pursuant to GWA’s Contract Review Protocol issued in Administrative Docket 00-04, “[a]ll professional service procurements in excess of \$1,000,000” require “prior PUC approval under 12 G.C.A. §12004, which shall be obtained before the procurement process is begun”¹ GWA must also seek PUC’s approval for any uses of bond funds.²

¹ GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

² *Id.*

ATTACHMENT D

A. GWA's Petition for \$2.458 Million Increase

In the instant Petition, GWA maintained that it continues to be faced with insufficient staff in the Engineering and Planning Divisions, and therefore needs assistance relative to compliance with Court Ordered requirements, PUC Stipulated orders, and Findings of Significant Deficiencies in the Water System, as well as Administrative Orders on Umatac-Merizo WWTP issued by the U.S. E.P.A.³ Accordingly, GWA submitted that it needs the continued support of the PMO in order for it to be successful in its compliance efforts.

B. List of PMO Projects

The Petition was also supported by certain Brown & Caldwell work authorizations submitted by GWA, which pertain to the following projects: (1) Formal Training Program Assistance; (2) Management of Design for Agat-Santa Rita WWTP; (3) State Revolving Fund (SRF) Grant Project Support; (4) Umatac-Merizo WWTP Disinfection and Water Quality Standards (WQS) Monitoring Support; and (5) Baza Gardens Wastewater Cross-Island Pumping and Conveyance System – 10% Concept Design.

C. Report by Lummus Consultants International

To aid in the instant regulatory review, the ALJ assigned Lummus to examine GWA's request. On November 10, 2014, Lummus transmitted to GWA forty-three (43) requests for information relating to the PMO contract and projects; and on

³ Petition, p. 2.

November 21, 2014, GWA submitted its responses to the requests for information.⁴ On December 20, 2014, Lummus submitted its report to the ALJ (the “Lummus Report”).

According to the Lummus Report, Lummus found that “the efforts being managed through the PMO are critical to GWA’s operations and management”; and that “equally critical is the need to build internal capabilities to provide the type of expertise offered by the PMO.”⁵ Based on its examination, Lummus offered the following recommendations to the Commission relative to GWA’s request for an increase in its PMO contract.

1. **Review of Work Authorizations**

a. **Formal Training Program Assistance (WA No. 2014-09)**

With respect to this project, Lummus recommended approval of the project, but recommended that the PUC monitor the progress and effectiveness of the subtasks contained in the work authorization throughout the duration of the project. In addition, Lummus further recommended that GWA amend this work authorization to reflect the following:

1.f. – Specify the number or percentage of skills assessment tests that will be developed by the PMO;

1.h. – Specify the number of courses (and/or the names of courses) for which the PMO will have primary responsibility to develop their content. (For example, those listed in section 1.c.);

1.i. – Specify the percentage of training curriculum and content that will be delivered/taught by the PMO, or the

⁴ Lummus Report, p. 5.

⁵ Lummus Report, p. 2.

number of courses that the PMO will deliver/teach. (For example, those listed in section 1.c.);

Task 3 – Specify the number or percentage of performance measures that the PMO will have primary responsibility for establishing/developing.⁶

b. **Management of Design for Agat-Santa Rita WWTP (WA No. 2014-10)**

Lummus recommended approval of this project, but recommended the following: that “Task 4” be amended to indicate that the PMO will prepare any documents required for construction bidding and any RFPs or RFQs that may arise during the execution of the Agat WWTP project; and that “Task 6” should be amended to indicate that the PMO will provide assistance to GWA’s Communications and Customer Service, assuring that technical engineering documents presented for public viewing are organized, presentable, meaningful, public-friendly, and convey appropriate messages approved by GWA.⁷ In addition, Lummus further recommended that any references to construction management services should be removed.⁸

c. **State Revolving Fund (SRF) Grant Project Support (WA No. 2014-11)**

With respect to this particular project, Lummus recommended that the PUC approve funding for the first year of this project, and then revisit approval of the second

⁶ Lummus Report, p. 3.

⁷ Lummus Report, p. 3.

⁸ Lummus Report, p. 3.

half of the project after an evaluation of eleven (11) months of progress and results.⁹ In particular, Lummus recommended a two-phase approach, which is detailed as follows.

Phase 1 – First year – Fully fund the WA for approximately half of the proposed hours (about \$545,000) assuming that the PMO will expend approximately half of its projected labor hours in the first year. The GPUUC should also authorize GWA to hire two Engineers/Technicians (to be funded from savings in phase 2 below and by avoiding the need for similar services by the PMO going forward) whose primary duty will be to shadow appropriate PMO personnel (for example – Smith, Cheng, Watson and the Inspector) during the first year to become fully familiar with and knowledgeable about the tasks performed by those consultants (one-on-one training) for this WA. GWA should take other similar steps to increase the training of GWA’s Grants Manager and the Assistant Grants Manager. This enhanced Grants Management Team should also receive specific training as a result of implementation of WA-09.

Phase 2 – Second year – Near the end of year 1 or the beginning of year 2 GWA should assess the capabilities of GWA’s Grants Managers and the 2 new Engineers/technicians to handle many if not most of the tasks performed by the PMO in phase 1. Based on this assessment adjust the needed continuation of PMO Fees to reflect activities that can be undertaken by the new GWA staff and Grants Personnel.¹⁰

Accordingly, Lummus recommended approval for full funding of the first half of the project, with the remaining balance subject to the PUC’s review of the project after eleven (11) months.

⁹ Lummus Report, p. 4.

¹⁰ Lummus Report, p. 4.

Moreover, Lummus additionally recommended the following: that “Task 2” be amended to indicate that the PMO team has primary responsibility for the initial drafting of each Project Implementation Plan (“PIP”).

d. **Umatac-Merizo WWTP Disinfection and Water Quality Standards (WQS) Monitoring Support (WA No. 2014-12)**

Lummus recommended approval of this project with the added recommendation that GWA amend this work authorization by indicating under “Task 6” that the PMO is responsible for preparing the documents required for construction bidding and any RFPs or RFQs that may arise during the design engineering phase of the project.¹¹

e. **Baza Gardens Wastewater Cross-Island Pumping and Conveyance System – 10% Concept Design (WA No. 2014-13)**

Lummus recommended approval of this project with no added recommendations.¹²

2. **Proposed Ordering Provisions**

In its report, Lummus found that “[a]lthough some advances have been made, GWA has not fully complied” with the ordering provisions contained in the PUC’s July 31, 2014 Order.¹³ Based on its review, Lummus recommended that the PUC continue to require that GWA “comply fully with all the Ordering Provisions listed in the Order

¹¹ Lummus Report, p. 5.

¹² Lummus Report, p. 5.

¹³ Lummus Report, p. 5.

...”¹⁴ With respect to certain provisions, Lummus further recommended some minor modifications.

For instance, with respect to Ordering Provision No. 2, Lummus recommended that the quarterly reports include staff training planned for the following quarter; number of local hires; budgeting information; and new professional employee information. A detailed discussion of these additional requirements is contained on pages 6 through 7 of the Lummus Report.

With respect to Ordering Provision No. 3, Lummus determined that it was unclear whether GWA satisfied this reporting requirement, and therefore it recommended that GWA file its plans and procedures with the PUC.¹⁵ With respect to Ordering Provision No. 4, Lummus recommended that GWA file a report on staffing and project bidding by February 28, 2015.¹⁶

With respect to Ordering Provision No. 6, Lummus determined that it was unclear whether GWA satisfied this reporting requirement, and therefore it recommended that GWA file its staffing plans with the PUC.¹⁷

With respect to Ordering Provision No. 7, Lummus again determined that it was unclear whether GWA satisfied this reporting requirement, and therefore it recommended that GWA file its project bidding plans with the PUC.¹⁸

¹⁴ Lummus Report, p. 6.

¹⁵ Lummus Report, p. 7.

¹⁶ Lummus Report, p. 7.

¹⁷ Lummus Report, p. 8.

Based on the administrative record before the Commission, the ALJ found the request reasonable, insofar as GWA requires the additional funding in order to meet the deadlines and complete the projects imposed under the federal Stipulated Order, but subject to the following conditions.

The ALJ therefore recommended that the PUC approve the instant petition, but only for the amount of \$1,913,390, as recommended by Lummus. Pursuant to the recommendation, GWA may increase its contract price with Brown & Caldwell, not to exceed \$1,913,390. Approval of the remaining amount should be subject to project re-evaluation, with respect to Work Authorization No. 2014-11, after eleven (11) months of progress and results.

As further recommended by Lummus, the ALJ indicated that GWA should continue to be ordered to provide the PUC with quarterly reports comprised of a narrative, numerical, and graphical format detailed in both the June 20, 2014 Lummus Report, as well as the December 20, 2014 Lummus Report. Thus, these reports should be due two weeks after the end of each quarter. Further, the other provisions contained in the PUC's July 31, 2014 Order should be amended based on Lummus' recommendations detailed herein and in the Lummus Report.

The Commission hereby adopts the findings contained in the December 20, 2014 Lummus Report, the December 24, 2014 ALJ Report and, therefore, issues the following:

¹⁸ Lummus Report, p. 8.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the December 20, 2014 Lummus Report filed in this docket, the December 24, 2014 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. The October 10, 2014 Petition for a \$2,458,315.00 increase in the Program Management Office contract with Brown & Caldwell is approved for the amount of \$1,913,390.00 only, and that approval of the remaining amount should be subject to project re-evaluation, specifically Work Authorization No. 2014-11, after eleven (11) months of progress and results. GWA shall petition the PUC for the additional funds, if necessary, prior to the expiration of this period.

2. GWA shall file with the PUC quarterly reports comprised of a narrative, numerical, and graphical format detailed in both the June 20, 2014 Lummus Report and the December 20, 2014 Lummus Report; and that such reports should be due two weeks after the end of each quarter.

3. With respect to regulatory review, GWA shall put into place certain plans and procedures intended to “greatly reduce or eliminate the time lag that currently leads to situation in which the PMO begins work on projects for which payment has not been approved by the Commission”¹⁹; *these plans and procedures shall be filed with the PUC by February 28, 2015*; GWA shall “plan for and anticipate the need for Commission

¹⁹ June 20, 2014 Lummus Report, p. 2.

approval earlier in the process and for GWA to seek such approval in a timelier manner”²⁰; and GWA shall file any petitions related to increases in its PMO contract at least ninety (90) days before the PMO begins work on projects for which costs have yet to be reviewed and approved by the Commission.

4. Regarding training, staffing, and project bidding, GWA shall file with the PUC a *report detailing plans related to staffing and project bidding by February 28, 2015*;

5. The report related to training shall detail plans related to: providing “more formal training of its technical management Staff by the PMO”; increasing training days to at least thirty (30) per year, with at least five (5) per quarter and no more than ten (10) in any one quarter; and establishing “performance measures should be established to verify the level and quality of one-on-one/on-the-job training being provided and/or verification of employee skills and competencies.”²¹

6. The report related to staffing shall detail GWA’s plans to hire more professional staff, with the goal of hiring two (2) professional engineers this current year, and two (2) to four (4) more next year²²; *and shall file its report on staffing plans with the PUC by February 28, 2015.*

7. The report related to project bidding shall indicate whether or not certain projects managed by the PMO could be separately pursued under the “competitive

²⁰ June 20, 2014 Lummus Report, p. 2.

²¹ June 20, 2014 Lummus Report, p. 2.

²² June 20, 2014 Lummus Report, p. 2.

bidding processes for all projects that are not typical management and supervisory assistance handled by a PMO, and for which there is adequate time”²³; *and shall file this report on project bidding with the PUC by February 28, 2015.*

8. With respect to the PMO’s use of local firms, GWA shall indicate in its quarterly reports any plans to increase the PMO’s use of local firm “over the next few years and payments specified in quarterly reports.”²⁴

9. GWA shall continue to provide the PUC with monthly reports generated by Brown & Caldwell to track project performance and progress; these reports are to be provided to the PUC and Lummus inasmuch as Lummus has been authorized to monitor the effectiveness of the PMO.

10. GWA is ordered to pay the Commission’s regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant contract review. Assessment of the PUC’s regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§12002(b), 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.


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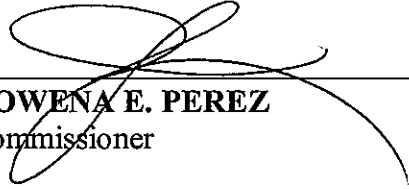
²³ June 20, 2014 Lummus Report, p. 3.

²⁴ June 20, 2014 Lummus Report, p. 2.

SO ORDERED this 29th day of December, 2014.



JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ
Commissioner




JOSEPH M. MCDONALD
Commissioner




FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

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