

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)	GPA Docket 11-02
)	
The Application of the Guam Power Authority requesting Approval of the Procurement of an Integrated Program Management Office (PMO))	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”] for Review and Approval of contracts for an Integrated Program Management Office [“PMO”] to address planned Capital Improvement Projects, significant Military Build-up requirements, and ongoing operational requirements.¹ GPA seeks to issue awards to R.W. Armstrong for GPA and Brown & Caldwell for GWA as the most qualified proposers.²

BACKGROUND

2. In its Order dated March 21, 2011, the PUC authorized GPA to procure PMOs for GPA and GWA.³
3. GPA was authorized to procure PMOs for a five-year contract term with an option to extend the contract for two (2) year periods, subject to availability of funds and mutual written agreement.⁴
4. Subsequently, GPA issued a Request for Proposals for provision of PMO services to GPA and GWA.⁵ The RFP Evaluation sheets indicate that R.W. Armstrong is the most qualified proposer for the GPA PMO, and that Brown & Caldwell is the most qualified proposer for the GWA PMO.⁶

¹ GPA Petition for Approval of PMO Contracts, GPA Docket 11-02, filed December 13, 2011.

² Id. at p. 1.

³ PUC Order, GPA Docket 11-02, dated March 21, 2011.

⁴ Id. at p. 2.

⁵ Letter from GPA General Manager to PUC Administrative Law Judge, GPA Docket 11-02 [Response to GPA/GWA PMO Questions], dated January 6, 2012.

⁶ Id., Attachment 1.

5. The Consolidated Commission on Utilities has approved the awards to R.W. Armstrong and Brown & Caldwell for the GPA and GWA PMOs respectively.⁷
6. GPA has negotiated an initial “not to exceed” cost for the initiation of PMO services of \$3.9 Million with R.W. Armstrong; and GWA has negotiated an initial “not to exceed cost” of \$3.2 Million with Brown & Caldwell.⁸
7. In response to questions from PUC Counsel, GPA responded that “the costs of the PMOs are based on the estimated project management costs for the bond funded projects which the PMOs will support. These costs were calculated as no more than 5% of the total project cost... It is anticipated that these costs will cover the next 36 months of PMO services.” [Counsel attaches hereto the entire GPA “Response to GPA/GWA PMO Questions as Exhibit “1” for the consideration of the Commissioners].
8. GPA has also submitted the proposed Scope of Services for R.W. Armstrong and Brown & Caldwell, as well as the format for the proposed contracts.⁹

ANALYSIS

9. A primary concern of the PUC should be the “rate impact” of the contracts at issue, i.e. whether the contracts “could increase rates...”¹⁰
10. GPA has clarified that PMO costs of \$3.9M and \$3.2M for the GPA and GWA PMOs are derived as a percentage of the total bond funded project costs that will be funded from bond funds already authorized by the PUC.¹¹ The specific bond funded projects for which PMO costs are allocated are set forth in Attachment 2.¹²

⁷ CCU GPA Resolution No. 2011-63 and No. 11-FY2012.

⁸ Id. at p. 1. GWA Resolution

⁹ See Attachments 2 &3 to Letter from General Manager of GPA to PUC ALJ, GPA Docket 11-02, dated January 6, 2012.

¹⁰ 12 GCA §12004

¹¹ Letter from General Manager of GPA to PUC ALJ, GPA Docket 11-02, dated January 6, 2012, at Attachment 2.

¹² Id.

11. The present PMO funding does not include military build-up projects. However, GPA indicates that “additional funding has been programmed for GPA under revenue funds in fiscal years 2013 (\$1M) and 2014 (\$1M).”¹³
12. If additional funding is required for the PMOs, GPA needs specific contract review approval from the PUC for any expenditure of bond funds, and for any expenditure of revenue funds for the PMO contracts in excess of \$1.5M.
13. There is a concern that the scope of services under these contracts is broad, and there could be a possibility of cost overruns and/or unanticipated expense. However GPA indicates that the PMO costs are reflected in its budget as part of existing operational requirements, and there will be no additional ratepayer impact.¹⁴
14. GPA also indicates that the contracts are structured such that the costs are defined as “not to exceed” values. “GPA and GWA will closely monitor the contracts and insure that Task Orders are issued with defined scopes of work, defined deliverables, and defined costs as a condition for approving any invoices from the PMO.”¹⁵
15. In its prior Order in this Docket, PUC expressed a concern regarding the need of the PMO contracts to specify how the PMO will optimize skills of GPA/GWA employees and further required that elements of the staff development plans be specifically and in detail set forth in the contracts. GPA indicates that these objectives cannot be accomplished until there is a contract in place and a thorough analysis of existing personnel and resources conducted by the PMOs. GPA and GWA indicate that they remain committed to staff development and process improvement; they request that, after award of the contract and a subsequent assessment by the PMO, they then be allowed to provide notice to the PUC of the staff development and process improvement plan.¹⁶

RECOMMENDATIONS

16. Counsel recommends that the PUC approve GPA’s and GWA’s contracts with R.W. Armstrong and Brown & Caldwell for PMOs.

¹³ Letter from General Manager of GPA to PUC ALJ, GPA Docket 11-02, dated January 6, 2012, at p. 2.

¹⁴ Id. at p. 3.

¹⁵ Id. at p. 3.

¹⁶ Id. at p. 3.

17. It appears that the principal costs of these contracts are provided for in the bond fund allocations. There should be no additional rate impact.
18. GPA should file a report with PUC before the 15th day of June for each year that the PMO contracts are in effect as to what steps the PMOs have taken to develop the skills of GPA/GWA employees and what actual improvements have occurred in the skill levels of such employees.
19. GPA should also be reminded that if any additional bond or revenue funds are used for the PMO contracts, GPA/GWA must request approval from the PUC for expenditure of such funds in accordance with the requirements of the Contract Review Protocol.
20. An Order is submitted herewith for the consideration of the Commissioners.

Dated this 10th day of January, 2012.

Frederick J. Horecky
PUC Legal Counsel