



with authority provided by the sole source provisions of the Procurement Law, GWA now seeks approval from the Commission to enter into a contract with GRH. <sup>4</sup>

Pursuant to the Contract Review Protocol for Guam Waterworks Authority, all externally funded loan obligations in excess of \$1,000,000.00, and the use of such funds, require prior PUC approval under 12 GCA §12004. <sup>5</sup> The anticipated cost of GWA's Leak Detection Contract is \$4.5 million over a period of up to 45 months. <sup>6</sup> In support of its request for approval of a Leak Detection Contract, GWA relies in part upon the recognition by the regulatory consultant of the PUC, Georgetown Consulting Group, that "an ongoing leak detection program is essential to bringing water losses in line with industry standards." <sup>7</sup> GWA also contends that its proposed contactor, GRH, guaranteed in its proposal to reduce GWA's current 50% water loss to 35% water loss at the end of a 45 month maximum contract period (a 15% reduction), which would translate into approximately 6,000,000 gallons less per day that GWA would have to produce. <sup>8</sup>

GCG submitted various information requests to GWA on October 7, 2008; subsequent to the provision of responses by GWA, and a follow up meeting in Guam between GCG and GWA representatives on January 14, 2008, GCG has submitted its

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<sup>4</sup> GWA Petition at pgs. 1 - 2.

<sup>5</sup> Administrative Docket (docket 00-04), Contract Review Protocol for Guam Waterworks Authority, filed October 27, 2005.

<sup>6</sup> GWA Petition at pg. 2.

<sup>7</sup> GCG Report on GWA's Request for Bond Programming, August 29, 2008, at p. 4.

<sup>8</sup> GWA Petition at p. 2. In such event GWA could take wells off-line thereby reducing its operational and maintenance expenses while improving service to its customers. Potential net savings would approach a total of \$3,579,473 for the maximum 45 month contract period if all phases of the contact are implemented.

evaluation of the GWA Leak Detection Contract to the Chairman of the PUC in a letter dated January 23, 2009.<sup>9</sup> GCG recommends that the PUC approve the leak detection contract with certain modifications.<sup>10</sup>

After careful consideration of the record herein, the Petition of GWA, and the Report of GCG, for good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned commissioners, the Commission hereby ORDERS THAT:

1. Pursuant to the Contract Review Protocol, GWA's September 8, 2008 Petition seeking to enter into a Leak Detection Contract is hereby approved, subject to the conditions set forth herein.
2. As a condition of PUC Approval, the present payment term associated with Phase 3 (months 30-45) of the proposed contract, which currently provides GRH with a 50/50 shared performance premium for losses reduced in excess of 17.5%, be deleted from the contract. Alternatively, if GRH and GWA desire to include a true performance provision in the contract for Phase 3 activities (wherein GRH would assume actual risk) the actual sharing arrangement should be defined following completion of Phase 2.

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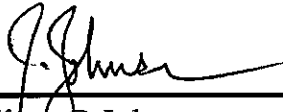
<sup>9</sup> GCG letter to PUC Chairman dated January 23, 2009, GWA Leak Detection Contract - Docket No. GWA 09-01.

<sup>10</sup> GCG raises the legitimate concern that GWA's current water losses, in excess of 50%, are considerably above the 12 to 16 percent that would be deemed prudent for a reasonably efficient water utility; such losses impose a burden upon customers and waste water, money and resources.

3. Following GWA providing its first semi-annual report summarizing the results of the first six-months of “leak detection” activities, GCG and GWA shall collaboratively initiate review of the results and determine whether specific water loss performance benchmarks can be developed for the next five-years taking into account the costs being borne by GWA ratepayers and the investments required to meet these performance benchmarks. A similar collaborative review shall take place following GWA providing its second semi-annual report on phase 1 “leak detection” activities. These two reviews would allow GWA and GCG to collaboratively determine whether preliminary results from GWA’s “leak detection” activities indicate that continued “leak detection” activities over a five-year period would be expected to lead to bringing GWA’s unaccounted for water into line with industry norms or whether further study of other potential root causes is required. The results of GWA and GCG collaborative efforts should be presented to the PUC no later than December 1, 2010.
4. GWA, to the extent that it does not presently have such a program, shall establish a monitoring system to keep track of water loss mitigation activities and water loss savings (performance). GWA shall provide PUC, on a semi-annual basis, with a report that summarizes leak detection activities and water loss levels vs. water loss savings (performance). The format of this semi-annual report shall be developed collaboratively with GCG.
5. Through the Contract Review Protocol, the PUC is hereby approved for all 3 phases of the proposed Leak Detection Project; however, any future funding for the Leak Detection Contract will require PUC approval unless

the funds come from any remaining balance in the Leak Detection/Line Replacement approved funding limits as set forth in schedule B of Attachment C as contained in the PUC's Order relative to Approving the use of bond proceeds, dated October 27, 2005 (subject to the 20% variance limitation).

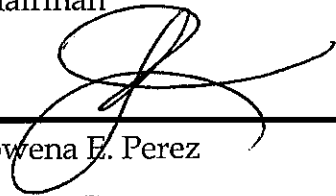
Dated this 26<sup>th</sup> day of January, 2009.



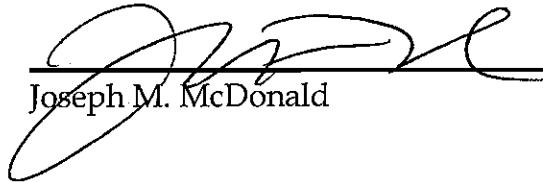
Jeffrey C. Johnson  
Chairman



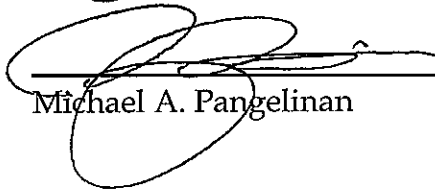
Filomena M. Cantoria



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