

BEFORE THE PUBLIC UTILITIES COMMISSION

**PETITION FOR APPROVAL OF)
A GROUNDWATER PRODUCTION)
METER REPLACEMENT PROJECT)
WITH GIANT CONSTRUCTION)
CORPORATION)
_____)**

GWA DOCKET 20-02

ALJ REPORT

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the December 27, 2019 Petition for Approval of a Groundwater Production Meter Replacement Project contract with Giant Construction Corporation (“Giant Construction”), GWA Project No. W19-001-BND (hereinafter referred to as the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

BACKGROUND

According to GWA, back in June of 2017, GWA’s consultant Brown and Caldwell performed field tests on sixty (60) well “head flow meters”, and that based on these tests, Brown and Caldwell found that the meter readings were “inaccurate.”¹ Accordingly, GWA sought to develop and implement a Groundwater Production Meter Replacement Project “intended to replace” those “faulty groundwater production meters,” which will also include replacement of “‘above-ground’ discharge piping at various well sites.”² GWA submits that the condition of such piping at the well sites is in “poor condition due to excessive corrosion”³

¹ Petition, p. 2.

² Petition, p. 1.

³ Consolidated Commission on Utilities Resolution No. 04-FY2020 (Oct. 29, 2019) (“Resolution”), p. 2.

In August of 2019, GWA advertised Invitation for Bids (IFB-05-ENG-2019) for the Groundwater Production Meter Replacement Project, which sought bids related to the construction of the project.⁴ GWA received bids from only one contractor, Giant Construction.⁵ Thereafter, GWA evaluated the bids submitted by Giant Construction, and determined the bids to be satisfactory.⁶

Thereafter, the Consolidated Commission on Utilities (the “CCU”) authorized GWA to accept Giant Construction’s bid.⁷

DISCUSSION

A. GWA’s Request for Approval of Award

GWA maintains that based on the 2017 field test on sixty (60) existing well head flowmeters, the existing meter readings were “shown to be inaccurate.”⁸ GWA submits that “[t]hese meter reading inaccuracies are affecting non-revenue water calculations, making it difficult to track distribution system losses.”⁹ And according to GWA, replacement of these production meters will also require “unobstructed, straight run, and full pipes for the length of three or more pipe diameters upstream of the meter and two or more diameters downstream to be more accurate.”¹⁰

⁴ Resolution, p. 2.

⁵ Resolution, p. 2.

⁶ Resolution, p. 2.

⁷ Resolution, p. 4.

⁸ Petition, p. 2.

⁹ Petition, p. 2.

¹⁰ Petition, p. 2.

B. Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Generally, 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"¹¹

With respect to bond funded projects, GWA is required to obtain prior approval of these projects scheduled on "Exhibit A" to the Debt Order before any bond proceeds can be expended or committed on them.¹²

C. Cost

In this instance, the CCU authorized GWA to enter into a contract with Giant Construction at a cost of \$1,379,405.00 for Giant Construction's Basic Bid.¹³ The CCU also authorized an added ten percent (10%) contingency on the contract, increasing the total authorized contract cost to \$1,517,345.50.¹⁴ GWA submits that funding for the project will come from CIP Line Item PW 05-07 Meter Replacement Program, IFCIP, or any other CIP line item applicable to the project's intent.¹⁵

¹¹ GWA's Contract Review Protocol ("Contract Protocol"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

¹² PUC Order (Approval \$161M Revenue Bonds), GWA Docket 15-10 (Dec. 10, 2015).

¹³ Resolution, p. 4.

¹⁴ Resolution, p. 4.

¹⁵ Petition, p. 2.

According to GWA's Summary Evaluation, it appears that the Basic Bid submitted by Giant Construction was half of GWA's estimate for the basic bid. Based on the Summary Evaluation, GWA estimated that the entire cost of the basic bid is about \$3.1 million for thirty (30) well sites. The Summary Evaluation further noted that Giant Construction had "satisfactorily completed several projects with GWA."

D. IFB IFB-05-ENG-2019 and Giant Construction's Bid

The project involves the replacement of well piping and meters at sixty (60) well sites at various locations. The "basic bid" includes thirty (30) wells; and two (2) "additive bids" include the other thirty (30) wells.

According to the Invitation for Bid, each item on bid includes "all labor, materials and equipment necessary to produce a complete and finished job."¹⁶ The project further includes mobilization and demobilization costs, which consists of labor, bond fees, permit fees, equipment and tools.¹⁷

The work for the piping and meter replacement includes demolition of the existing production well piping, valves and supports; disposal of the old pipes and valves; disconnection of the chlorination system and electrical lines; supplying and installing the new piping, fittings, valves, gauges, instruments, and appurtenances; connections to the existing piping and well heads; painting; and all other items required for a complete and operational system.¹⁸

¹⁶ Bid Form, p. 8.

¹⁷ Bid Form, p. 3.

¹⁸ Bid Form, p. 3.

Giant Construction's bids for all labor and materials at thirty well sites indicated in the "Basic Bid" ranged from \$39,500 to \$49,800 per well site. Therefore, these costs include the furnishing and installation of new electromagnetic flow meters and pressure gauges, as specified in the IFB. Also included was a bid of \$64,905.00 for mobilization and demobilization.

The proposed contract between Giant Construction and GWA contains the usual contract provisions, and incorporates the scope of work indicated in the documents, which is generally described as: the replacement of groundwater well production meters and above-ground piping, and other well pump discharge equipment, at up to sixty (60) GWA well sites.¹⁹ The work includes removal of the existing piping valves, flow meters and supports, and installation of new production meters, valves, gauges, and pipe supports, among others.²⁰

The contract indicates that the project will be completed within 365 calendar days after the commencement date, with final payment due 425 calendar days after such commencement date.²¹

Also contained in the contract is a liquidated damages schedule, which allows for damages of \$1,000 per day beyond the date for substantial completion, or damages of \$1,000 per day for any corrections or remaining work needed after substantial completion of the project.²² The contract also contains a special damages provision, which

¹⁹ Proposed Contract, p. 1.

²⁰ Proposed Contract, p. 1.

²¹ Proposed Contract, p. 1.

²² Proposed Contract, p. 2.

requires the contractor to reimburse GWA for any fines or penalties resulting from contractor's failure to substantially complete the project within the time prescribed, or any costs GWA incurs for the contractor's refusal to finish the finish any remaining work after substantial completion of the project.²³

The contract indicates a total payment of \$1,379,405.00 to Giant Construction, but allows for the submission of progress payments. Further, the contract warrants that the contractor is familiar with the conditions at the sites, is aware of the general nature of the work, and is familiar with the laws and regulations that may impact the project.²⁴

E. Giant Construction

Giant Construction is a duly licensed contractor engaged in civil construction projects. Giant Construction's current projects include GWA projects, such as the GWA Line Replacement Phase 4, and the GWA Talofofu Sewer Improvement project. In addition, Giant Construction's Responsible Managing Employee and Vice President has over thirty (30) years and extensive experience in small and large-scale commercial and civil projects, which include work involving residential subdivisions, hotels, and GWA pipeline projects.

F. Resolution No. 21-FY2019

The Petition is supported by CCU Resolution No. 04-FY2020 issued by the CCU at its October 29, 2019 meeting (the "Resolution"). In the Resolution, the CCU

²³ Proposed Contract, p. 2.

²⁴ Proposed Contract, pp. 4-5.

authorized GWA accept the Basic Bid submitted by Giant Construction.²⁵ In particular, the CCU authorized GWA to enter into a contract with Giant Construction at a cost of \$1,379,405.00.²⁶ The CCU also authorized an additional ten percent (10%) contingency on the contract amount, increasing the total authorized contract cost to \$1,517,345.50.²⁷

CONCLUSION AND RECOMMENDATION

As noted in prior dockets, the PUC has long recognized the need for GWA to continuously engage in efforts to replace old and aging infrastructure as one means to reduce water loss, which should reduce costs and improve system reliability.²⁸

Indeed, the continuation of such efforts are reasonable and necessary for the overall sustainability and operations of GWA's water system, and will eventually result in savings for GWA's ratepayers by reducing such water loss.

GWA submits that it is working to improve its measurement of groundwater that is produced from the wells; and to accomplish this goal, GWA needs "properly functioning flow meters to ensure under-or-over reported total production volumes."²⁹ Therefore, with properly functioning flow meters, reporting of production values will be more accurate. Addressing the deficiencies caused by the malfunctioning meters will make it easier to track distribution system losses and improve non-revenue water calculations.

²⁵ Resolution, p. 4.

²⁶ Resolution, p. 4.

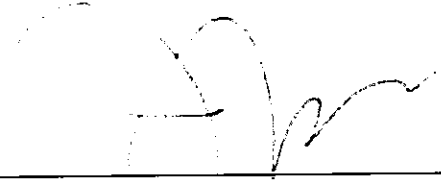
²⁷ Resolution, p. 4.

²⁸ *See, e.g.*, PUC Order (approving GWA's Contract relative to Phase IV Line Replacement Project), GWA Docket 15-12 (Jan. 22, 2016).

²⁹ Resolution, p. 1.

Based on the documentation provided by GWA in this docket, and for the other reasons set forth herein, the ALJ recommends that the PUC approve the contract between GWA and Giant Construction to complete the items indicated on the Basic Bid submitted by Giant Construction, at a cost of \$1,379,405.00. Further, the usual cost contingency indicated in GWA's Contract Review Protocol shall apply. A proposed Order is submitted herewith for the Commissioners' consideration.

Respectfully submitted this 27th day of January, 2020.



JOEPHET R. ALCANTARA
Administrative Law Judge

P203001.JRA