



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION BY THE GUAM  
WATERWORKS AUTHORITY FOR  
APPROVAL TO ENTER INTO A  
LEAK DETECTION CONTRACT

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) DOCKET GWA 09-01  
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ORDER

On September 8, 2008, the Guam Waterworks Authority ["GWA"] filed its Petition for Approval of a Leak Detection Contract for the Guam Waterworks Authority.<sup>1</sup> GWA is required to develop and implement a comprehensive leak detection program.<sup>2</sup>

GWA estimates that its current unaccounted for water losses are 50% and that it cannot reduce such water losses without implementing a comprehensive leak detection and repair program.<sup>3</sup> Although GWA published a bid solicitation for leak detection services, no firm responded to the bid solicitation. Subsequent to the closing of the bid solicitation, GWA received a proposal for leak detection services from GRH Technologies Construction Co. LTD. ["GRH"], a company in Taiwan. In accordance

<sup>1</sup> GWA's Petition was filed pursuant to the Contract Review Protocol adopted by the Guam Public Utilities Commission on October 27, 2005.

<sup>2</sup> Paragraph 13 of the Stipulated Order (as amended), District Court Civil Case No. 02-00035.

<sup>3</sup> GWA Petition at p.1; GWA lack sufficient resources in-house to accomplish this task.

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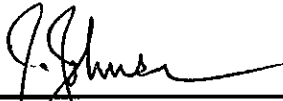
<sup>9</sup> GCG letter to PUC Chairman dated January 23, 2009, GWA Leak Detection Contract - Docket No. GWA 09-01.

<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.



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).

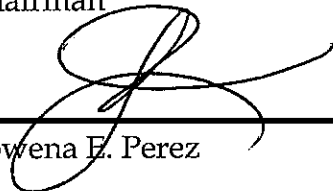
Dated this 26<sup>th</sup> day of January, 2009.



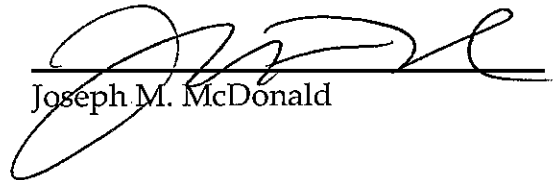
Jeffrey C. Johnson  
Chairman



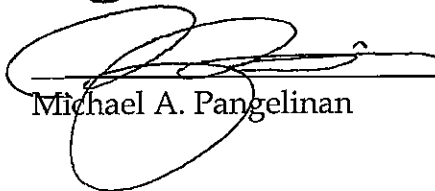
Filomena M. Cantoria



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