

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
November 29, 2018
Suite 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:45 p.m. on November 29, 2018, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Cantoria, Pangelinan, and Montinola were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairperson announced that the first item of business on the agenda was approval of the minutes of October 28, 2018. Upon motion duly made, seconded and unanimously carried, the Commission approved the minutes subject to correction.

2. Guam Waterworks Authority

The Chairperson announced that the next item on the agenda was Guam Waterworks Authority [GWA] Docket 19-02, GWA Petition for Approval of Supplemental for FY2019 Deep Well Pump and Motor Purchases Pursuant to Paragraph 2 of PUC Order dated November 30, 2017, Administrative Law Judge [ALJ] Report, and Proposed Order. The ALJ stated that on November 30, 2017, in GWA Docket No. 18-02, the PUC issued an order approving GWA's contract with JMI Edison for the purchase of submersible pumps and motors for GWA's drinking water wells for the 3 year term of the contract, which had 2 option periods of 1 year each. GWA made a request for additional spending under the contract for FY2018 which the PUC approved, however, the PUC required GWA to obtain the approvals of the Consolidated Commission on Utilities [CCU] and the PUC for additional spending or other years. GWA has determined that its operational needs for FY2019 require additional spending under its contract with JMI Edison because GWA must purchase an additional 53 submersible motors, and an additional 93 submersible pumps to obtain proper inventory levels of critical spares in accordance with GWA's established operations and maintenance practices. The total costs of these additional motors and pumps is \$736,866.55 which GWA will fund by its internal revenues.

The ALJ stated that GWA's spent \$612,687.15 on motors and pumps in FY2018, and that the amount GWA is requesting for FY2019 does not exceed the FY2018 amount by too much. The ALJ also stated that GWA purchases these pumps on an "as needed" basis and that GWA periodically replenishes its stock or spare motors and pumps to keep its 120 deep water wells operational. The ALJ recommends that the PUC approve GWA's

purchases of the motors and pumps for FY2019 and that the PUC order GWA to obtain PUC approval if it exercises its last option period for GWA's contract with JMI Edison and GWA makes additional purchases under the contract for FY2020.

Commissioner Perez inquired from GWA whether GWA had purchased any of these motors and pumps in 2017 and what their cost and life expectancy was. GWA's General Manager [GM] Bordallo responded by affirming the purchase of these same types of motors and pumps, that their costs were on par with what they have been spending, and that their average life expectancy was 3 years, but that some motors and pumps were lasting 6 to 7 years, and that GWA should be seeing an average life expectancy for the motors and pumps of approximately 5 years. The Chairperson inquired from GWA as to the warranty period for the motors and pumps and GWA GM Bordallo stated that it was 1 year and that GWA was working with the Guam Power Authority [GPA] to develop solutions to improve the well systems that would extend the life of the motors and pumps.

A conversation ensued between the Chairperson, Commissioners Perez and Montinola, and GWA GM Bordallo concerning the Santa Rita Spring and GWA GM Bordallo stated that GWA has a reservoir there and that when the demand for drinking water exceeds the reservoir's supply there is a tie-in to the U.S. Navy's system to fulfill that excess demand, and that the source for the reservoir is ground water. GWA GM Bordallo also stated during the conversation that there is a spring in Umatac, but it is not currently tied into GWA's system and GWA currently has no plans to use it at this time.

Commissioner Montinola and the Chairperson inquired as to the brands of the pumps that were lasting 3 years and 5 years and GWA GM Bordallo stated that they were the same brand but despite having the same motor size, they could be set up for different stages depending on the depth of the well. Commissioner Perez inquired as to the number of water wells GWA was operating and GWA GM Bordallo stated that out of 120 wells, 10 of them are inoperable and need major repairs to become operable. The Chairperson commended GWA on keeping the water system operational during the last storm and a conversation ensued between the Chairperson and GWA GM Bordallo and GPA GM Benavente about ensuring that sufficient generators were located at the wells in preparation for the next storm.

Commissioner Perez inquired as to whether GWA was monitoring the environmental health of Guam's aquifer to ensure that saltwater would not infiltrate GWA's drinking water system and GWA GM Bordallo stated that GWA was working closely with WERI to monitor the aquifer and that GWA received federal funding, as part of military build-up project funding, to construct new deep observation wells in the aquifer, and that WERI and USGS have an existing network of monitoring wells to keep track of the health of Guam's sub-basin aquifers. GWA GM Bordallo further stated that the federal funding would allow GWA to construct 7 new monitoring wells and rehabilitate the 9 existing monitoring wells and that through the *One Guam* initiative, GWA and the U.S.

Navy would be collaborating to ensure that all of Guam monitoring wells would be properly maintained.

Commissioner Montinola moved to approve GWA's for supplemental FY2019 deep well pump and motor purchases, which motion was seconded by Commissioner Perez. The motion carried unanimously.

The Chairperson announced that the next item of business was GWA Docket No. 19-04, GWA's Petition for Approval of GWA's Contract with Infratec International, LLC for the Route 1 Asan-Adelup Sewer Rehabilitation and Replacement Construction Project, ALJ Report, and Proposed Order. The ALJ stated that in 2017, GWA completed its design to rehabilitate and replace the sewer line that runs along Route 1 from the War in the Pacific Park in Asan, to the main sewer pump station in Hagatna, and that GWA issued a solicitation, received 2 bids in response to the solicitation, and that GWA determined that Infratec International, LLC submitted to lowest responsive and responsible bid for the project. The ALJ stated that this project's scope of work involves the rehabilitation, repair, and replacement of sewer manholes, 5,000 linear feet of gravity sewer line, trench excavation, the removal of existing asbestos cement pipes, the installation of PVC pipes, sewer line painting, pavement resurfacing, closed circuit TV inspections, and the installation of poured in place pipes.

The ALJ stated that this project would be fully funded by grants or funds provided by the U.S. Environmental Protection Agency's [USEPA] State Revolving Fund, and would not produce a revenue requirement for GWA. The CCU approved this contract via CCU Resolution No. 44-FY2018 which authorizes funding in the amount of \$6,903,361.07 which would be funded or reimbursed by the USEPA funds. Commissioner McDonald inquired as to whether the roads would be blocked off for the duration of the project's estimated 450 days of construction and GWA GM Bordallo responded that the roads would not be blocked off for that long a duration because the construction would take place in segments and that only the manhole entrances would be blocked off because they will be working through the manholes and not trenching the roadways and only a few areas will require excavation. Commissioner Montinola inquired as to why there were no bidders for Project B, which requires the use of open-cut trenching for the project and GWA GM Bordallo stated that the potential bidders did not want to do everything the way the project designer had planned, and that with the proposed project award, GWA does not require the open trenching set forth in Project B. GWA GM Bordallo also stated that this project was part of the priority list of USEPA projects for Guam and the total cost for the listed projects is approximately \$17,000,000. GWA GM Bordallo also stated that this is a critical project because the sewer line in this area was very old and GWA had to make substantial in-house repairs to it that included by-passing substantial portions of the line, and that some of the old asbestos pipes must be replaced because they were crumbling into the ground.

The Chairperson and Commissioner Montinola inquired as to what cured in place piping [CIPP] was and GWA GM Bordallo stated that CIPP was installing a new pipe within an existing pipe much like a sock and is made from a fabric reinforced fiberglass resin and it has a life-expectancy of 30-40 years.

Commissioners Pangelinan and Perez inquired as to the contract review process for this project because it involves the reimbursement of funds and the ALJ responded that the PUC can review and approve it because it involves the reimbursement of over \$1,000,000 and this would apply even if the reimbursement exceeded that amount, and GWA had to pay the rest. Commissioner Montinola inquired as to whether this contract was 100% reimbursed and GWA's Mr. Clark affirmed that it would be 100% reimbursed. Commissioner Montinola moved to approve GWA's Contract with Infratec International, LLC for the Route 1 Asan-Adelup Sewer Rehabilitation and Replacement Construction Project, which motion was seconded by Commissioner Pangelinan. The motion carried unanimously.

3. Guam Power Authority

The Chairperson announced that the next item on the agenda was GPA Docket 18-09, Petition for an Increase in the Stanley Engineering, Procurement and Construction Management [EPCM] Contract, ALJ Report, and Proposed Order. The ALJ stated that GPA is requesting an increase in the amount of \$2.6 Million for consulting and technical services for the 4 year period ending in 2022. The ALJ stated that this contract has grown in the scope of its services since it began in 2016. Originally, the EPCM Contract was meant to assist GPA with the selection of its new generation plant and has grown so that the contractor will now be GPA's representative for the entire construction process of GPA's new 180 megawatt power plant. Further, the contractor will assist GPA in the selection of the actual bidder from a pre-qualified list and it will assist GPA in preparing bid documents, responding to questions, and it will assist GPA in negotiating the final contract. Further, during the construction period, the contractor will have to provide monthly status reports, progress reports, and updated schedules to GPA, and the contractor will have to supervise the budget and the amounts expended. The contractor will also provide engineering services and construction services for the new IPP generation project which is expected to begin in 2020. Finally, the contractor will provide GPA regulatory support.

The ALJ stated that the PUC has previously approved the amount of \$1.35 million for this contract in GPA Docket No. 17-05 in 2016, and the PUC has previously authorized the amount of \$750,000 for this contract for the new power plant. The ALJ stated that in March, 2018, the PUC reduced GPA's requested appropriation for this contract from \$650,000 to \$600,000 and prohibited GPA from using the approved funds on this contract for purposes such as marketing, lobbying, community outreach, and public relations, and the PUC instructed GPA to limit the scope and cost of this contract at that time. If the PUC grants this petition, the cost of the contract would increase to \$3.95

million for services through 2022. GPA submitted a budget estimate with the contract and the CCU submits that the projected budget is necessary to complete the procurement and engineering support during construction and commissioning through 2022. The ALJ stated that based on his review, there is a need for the contract because the construction of the 180 megawatt power plant and the pipeline required to fuel it is a substantial technical undertaking, and the contractor's assistance is necessary to ensure the efficient and safe construction of the plant. The ALJ stated that the budget provided by GPA does not specify exactly what services it will be receiving from the contractor and it appears that GPA simply accepted what the contractor provided as an estimate of its required services. The ALJ recommended reducing the regulatory budget by \$60,000 but not reducing the estimated cost of the PUC required rate impact study. Overall, the ALJ recommended reducing the \$2.6 million amount GPA requested to \$2.4 million.

Further, the ALJ stated that GPA's funding source for the contract was the Cabras 3 and 4 insurance proceeds and that GPA provide the PUC a report stating the total amount they received in these insurance proceeds, and the expenditures and projected expenditures GPA has made or intends to make using these proceeds.

The Chairperson inquired as to whether GPA agreed to reduce the amount requested for the contract to \$2.4 million and GPA GM Benavente agreed to the reduction. GPA GM stated that the contract is necessary because GPA does not have the personnel resources to construction the new power plant and the pipeline. He further stated that the total projected cost of the new plant is approximately \$300 million and that this contract was only a little more than 1 ½% of that amount, and that if the PUC gives GPA a budget for this contract GPA will control its costs.

Commissioner Perez expressed her concern that we do not have a runaway consultant that is telling GPA that it needs this contract because she has faith in GPA's personnel and their proven expertise, and she requested that GPA manage the costs of this contract. Commissioner Perez also instructed GPA to come before the PUC to obtain its approval prior to expending any further amounts on the contract, to ensure that money is not spend on the contract without prior PUC approval, so that the ratepayers are protected. GPA GM Benavente assured the PUC that he would obtain its prior approval before he expends any more funds on this contract and that GPA would avoid runaway consultants.

Commissioner Montinola inquired as to what the amount of insurance proceeds GPA received for Cabras 3 and 4 and what had been expended from these proceeds so far. GPA GM Benavente stated that he will provide the report as requested by the ALJ and that he does not have the exact figures but he believes that GPA received \$125 million for the plants, and another \$5 to \$10 million for business interruption, and that out of these proceeds, he believes that there is approximately \$80 million remaining, and that out of this, he believes that about \$55 million will go toward the construction of the new

plant. Commissioner Montinola further inquired as to whether the \$125 million mentioned by GPA GM was a gross or net amount. GPA GM Benavente and GPA's Mr. Kim confirmed that the amount was a gross amount and that there was an adjuster commission fee and that the net insurance proceeds GPA received was lower than the gross amount that was stated.

Commissioner Montinola then confirmed with the ALJ that the reduction of the \$2.6 million request to \$2.4 million was a 7.7% reduction and that a third of the reduction came for the regulatory budget for the contract, but the amount of the reduction was not from the rate impact study. Commissioner Montinola moved to approve GPA's amended request for a \$2.4 million increase in the Stanley EPCM Contract, which motion was seconded by Commissioner Cantoria. The motion carried unanimously.

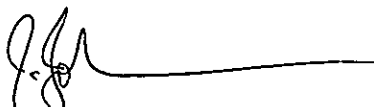
4. Administrative Matters

The Chairperson indicated that the next item of business was the elections for the positions of Chairperson and Vice-Chairperson which he wanted to hold in January, 2019.

The Chairperson indicated that the next item of business was to instruct ALJ Horecky to call Senator Telena Nelson's Office to get an update on the status of the nomination of Mark G. Miller as PUC Commissioner and ALJ Horecky stated that he would do so.

The Chairperson indicated that the next item of business was a list of the of the Commissioners and the expiration dates of their commission which was prepared by Lou Palomo and is available for the commissioners' review.

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



Jeffrey C. Johnson
Chairperson

**THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE., HAGATNA, GUAM
6:30 P.M., November 29, 2018**

Agenda

- 1. Approval of Minutes of October 25, 2018**
- 2. Guam Waterworks Authority**
 - GWA Docket 19-02, Petition for Approval of Supplemental Request for FY2019 Deep Well Pump and Motor Purchases pursuant to Paragraph 2 of PUC Order dated November 30, 2017, ALJ Report, and Proposed Order**
 - GWA Docket 19-03, Petition for Approval of Contract for Route 1 Asan-Adelup Hagatna Sewer Rehabilitation and Replacement Construction Project, ALJ Report, and Proposed Order**
- 3. Guam Power Authority**
 - GPA Docket 18-09, Petition for an Increase in the Stanley Engineering, Procurement and Construction Management (EPCM) Contract, ALJ Report, and Proposed Order**
- 4. Administrative Matters**
- 5. Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



**IN RE: PETITION FOR APPROVAL
OF INCREASED SPENDING
UNDER EXISTING CONTRACT
WITH JMI-EDISON FOR
SUBMERSIBLE PUMPS &
MOTORS**

GWA DOCKET 19-02

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the October 29, 2018 Petition for Additional Purchases for Submersible Pumps and Motors to JMI-Edison (the “Petition”), filed by the Guam Waterworks Authority (“GWA”), and the November 30, 2017 Order issued by the Commission in GWA Docket 18-02.

On November 27, 2018, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

In 2015, GWA entered into a three-year contract with JMI-Edison for the purchase of submersible pumps and motors for GWA’s drinking wells. The contract provided a three-year term, with two (2) yearlong options to renew. Later in 2017, the Commission ratified and approved the contract between JMI-Edison for the purchase of submersible pumps and motors in GWA Docket 17-08.

On October 18, 2017, GWA requested increased spending under the contract with JMI-Edison. On November 30, 2017, in GWA Docket 18-02, the PUC authorized GWA “to

purchase submersible pumps and motors under the existing contract with JMI-Edison for FY2018, at a cost not to exceed \$612,778.13.”¹ With regard to “purchases after FY2018,” Ordering Provision No. 2 of that Order required GWA “to submit . . . documentation of approval of additional purchases under the contract by the Consolidated Commission on Utilities, which GWA estimates at \$213,403.57 per quarter.”²

In its Petition, GWA maintained that based on its operational needs for Fiscal Year 2019 (“FY2019”), it has determined that it will need to purchase “additional pumps and motors to maintain proper inventory levels of critical spares in accordance with established operations and maintenance practices, which averages out to be One Hundred Eighty-Four Thousand Two Hundred Sixteen Dollars and Sixty-Four Cents (\$184,216.64) per quarter.”

In particular, GWA intended on purchasing fifty-three (53) submersible motors of various sizes, at a cost of \$415,860.18; and ninety-six (96) submersible pumps of various types or stages, at a cost of \$321,006.37. Therefore, the total cost of these purchases amounts to \$736,866.55.³

In GWA Resolution No. 48-FY2018, the Consolidated Commission on Utilities (the “CCU”) authorized GWA to purchase the additional pumps and motors under the JMI-Edison contract and at a cost of \$736,866.55. Further, in support of its request, GWA has provided the PUC with a matrix of its intended purchases of deep well submersible pumps and

¹ Order, GWA Docket 18-02, p.4 (Nov. 30, 2017).

² Order, GWA Docket 18-02, p.4 (Nov. 30, 2017).

³ GWA Resolution No. 48-FY2018, pp. 2-3 (Aug. 28, 2018).

motors for FY2019. GWA has indicated that these purchases for FY2019 will be funded by GWA's revenues.⁴

Under the JMI-Edison contract, the submersible motors range from \$2,218.17 to \$19,393.95, depending on the strength and horsepower of the motor. The submersible pumps range from \$1,020.24 to \$9,468.84, depending on the size of, and number of stages contained in, the pump. In FY2018, GWA was authorized to purchase fifty (50) motors and around seventy (70) pumps, for a total cost of \$612,778.13.

As noted in the administrative record in GWA Docket 17-08, GWA purchases submersible pumps and motors on an as-needed basis, and periodically replenishes its inventory of spare parts. As stated before, it is clear that these pumps and motors are necessary to operate GWA's one hundred and four (104) deep wells.

Based on the documentation provided by GWA in this docket, the ALJ recommended that the PUC authorize GWA's purchase of submersible pumps and motors for FY2019, at a total estimated cost of \$736,866.55. If GWA exercises its final option to renew the JMI-Edison contract, GWA should submit to the PUC documentation supporting purchases for FY2020.

The Commission hereby adopts the findings made in the November 27, 2018 ALJ Report, and therefore, issues the following:

ORDERING PROVISIONS

Upon careful consideration of the record herein, 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:

⁴ GWA Resolution No. 48-FY2018, p. 3 (Aug. 28, 2018).

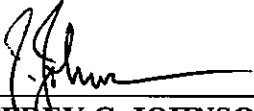
1. That the instant Petition is hereby APPROVED and GWA is AUTHORIZED to purchase submersible pumps and motors for FY2019 from JMI-Edison, at a cost of \$736,866.55.

2. With regard to purchases after FY2019, GWA shall submit to the PUC documentation supporting purchases of submersible pumps and motors, such as: a CCU Resolution authorizing any additional purchases for FY2020; purchase orders; and a listing of its inventory.

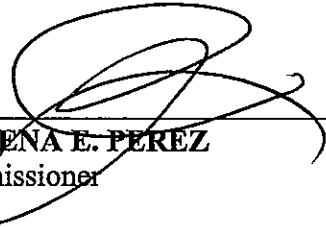
3. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 29th day of November, 2018.



JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner



FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION FOR APPROVAL OF)
CONTRACT FOR ROUTE 1 ASAN-)
ADELUP-HAGATNA SEWER)
REHABILITATION AND)
REPLACEMENT CONSTRUCTION)
PROJECT WITH INFRA TECH)
INTERNATIONAL, LLC BY GUAM)
WATERWORKS AUTHORITY)
_____)

GWA DOCKET 19-03

ORDER



INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the November 8, 2018 notification to the PUC related to the Route 1 Asan-Adelup-Hagåtña Sewer Rehabilitation and Replacement Project contract with Infratech International, LLC (hereinafter referred to as the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

On November 27, 2018, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

Back in June 2015, GWA procured an engineering team to design a sewer rehabilitation and replacement project for the sewer line along Route 1, from the “War in the Pacific National Historical Park” in Asan to the Main Pump Station in Hagåtña. GWA then entered into a contract with HDR Engineering, Inc. (“HDR”) to design this rehabilitation and replacement project.¹ In April, 2017, HDR completed the final design of this project.

¹ CCU Resolution No. 44-FY2018, p. 2.

Based on HDR's designs, GWA issued an Invitation to Bid for the project on May 12, 2017. However, GWA received no bids. On October 31, 2017, GWA again issued an Invitation to Bid for the project. But again it received no bids.

Thereafter, GWA consulted with contractors to determine why the procurement for the project had been unsuccessful. Subsequently, GWA developed two separate bids: "Schedule A," which involves "cured-in-place piping"; and "Schedule B," which involves "open cut trenching."²

On May 4, 2018, GWA issued an Invitation to Re-Bid, particularly IFB-05-ENG-2018, for the rehabilitation and repair project, and included Schedules A and B. Thereafter, GWA received two (2) bids.³ Both bidders submitted proposals for "Schedule A"; and no proposals for "Schedule B."

HDR evaluated the two bids and determined that Infratech International, LLC ("Infratech") submitted the lowest responsive and responsible bid.⁴ HDR further noted in its review that "[o]verall, the pricing for the base bid line items were close to the engineer's estimate"⁵

On August 28, 2018, the Consolidated Commission on Utilities (the "CCU") authorized GWA to accept the bid proposed by Infratech, specifically "Schedule A" and "Additive Bid No. 2," through Resolution No. 44-FY2018.⁶ Accordingly, the CCU authorized GWA to enter into a contract with Infratech, and further authorized funding in the total amount

² CCU Resolution No. 44-FY2018, p. 2.

³ CCU Resolution No. 44-FY2018, p. 3.

⁴ CCU Resolution No. 44-FY2018, p. 3.

⁵ CCU Resolution No. 44-FY2018, "Exhibit B," p. 1.

⁶ CCU Resolution No. 44-FY2018, p. 4.

of \$6,903,361.17, which includes a ten percent (10%) contingency on top of Infratech's proposed total bid of \$6,275,782.88.⁷

According to GWA, the entire project would be fully funded by the U.S. E.P.A. through a State Revolving Fund grant, and that the cost of the project is one hundred percent (100%) reimbursable.⁸

1. GWA's 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"⁹

However, Section 2 of the Contract Review Protocol further provides that "[f]or contracts that involve the receipt by GWA of revenues or reimbursement of costs in excess of \$1,000,000 . . . (a) GWA is permitted to evaluate the contract without PUC approval"¹⁰ Still the Contract Review Protocol requires that prior to entering into the contract, GWA must provide the PUC with the following: (i) GWA's governing body resolution authorizing the contract; (ii) an affidavit from GWA management stating that the contract does not produce an increased revenue requirement with supporting documentation; and (iii) a narrative description

⁷ CCU Resolution No. 44-FY2018, p. 4.

⁸ Affidavit of Miguel Bordallo, P.E., p. 1 (Nov. 8, 2018).

⁹ GWA's Contract Review Protocol ("Contract Protocol"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

¹⁰ Contract Protocol, p. 2.

of the contract.¹¹ Such contract will be “deemed approved” unless rejected by the PUC within thirty (30) days after an adequate filing has been made.¹²

2. Narrative Description of the Contract and Scope of Work

Based on the bid documents, the scope of work includes the following: trench excavation for pipe repair work; removal of existing asbestos cement pipes; pipe repair through installation of PVC pipes; pavement resurfacing; and sewer line cleaning, to name a few. Included also are closed-circuit television inspections; and the installation of cured-in-place pipes. The work includes the rehabilitation of sewer manholes, new manhole frames, and traffic control work.

In its submission, GWA maintained that the “[t]he objective . . . is to improve the sewer collection system” by “rehabbing, repairing and/or replacing sewer manholes and over 5,000 linear feet of gravity sewer line.” The project extends along Route 1, from the “War in the Pacific National Historical Park” in Asan, to the Main Pump Station in Hagåtña, and will be limited to sewer infrastructure elements along the government easements. The work is expected to be completed within 450 days.

3. No Increased Revenue Requirement

A. Affidavit of Miguel Bordallo, P.E.

Based on the affidavit submitted by Miguel Bordallo, General Manager for GWA, the subject contract will be “fully funded by grants or funds provided to [GWA] under the U.S. E.P.A.’s State Revolving Fund and the work called for under the contract for said project is

¹¹ Contract Protocol, p. 2.

¹² Contract Protocol, p. 2.

100% reimbursable”¹³ The affidavit therefore maintained that the contract “will not produce an increased revenue requirement” for GWA.¹⁴

B. Cost and Funding

According to the documents submitted by GWA, it has been authorized by the CCU to enter into a contract with Infratech, for a total amount of \$6,903,361.17, which includes a ten percent (10%) contingency on top of Infratech’s proposed total bid of \$6,275,782.88.¹⁵

In addition, according to the documents submitted by GWA, this project will be fully funded by the U.S. E.P.A. through an SRF grant fund. Attached to the affidavit is a copy of a Notice of Award from the U.S. E.P.A. that indicates an amount of \$17,399,733.00 for “the design and construction of projects identified on the approved Guam Environmental Protection Agency’s priority list for the protection of human health and the environment.”

4. Governing Body Resolution Authorizing the Contract

On August 28, 2018, the CCU issued Resolution No. 44-FY2018, which authorized GWA to accept the bid proposed by Infratech, specifically “Schedule A” and “Additive Bid No. 2.”¹⁶ Through its Resolution, the CCU also authorized GWA to enter into a contract with Infratech, and authorized funding in the total amount of \$6,903,361.17, which includes a ten percent (10%) contingency on top of Infratech’s proposed total bid of \$6,275,782.88.¹⁷

¹³ Affidavit of Miguel Bordallo, P.E., p. 1 (Nov. 8, 2018).

¹⁴ Affidavit of Miguel Bordallo, P.E., p. 1 (Nov. 8, 2018).

¹⁵ CCU Resolution No. 44-FY2018, p. 4.

¹⁶ CCU Resolution No. 44-FY2018, p. 4.

¹⁷ CCU Resolution No. 44-FY2018, p. 4.

The ALJ found that the subject contract involves the reimbursement of costs in excess of \$1,000,000; accordingly, GWA is permitted to evaluate the contract without PUC approval”¹⁸ Further, GWA has adequately submitted documentation to support the approval of the contract.

Specifically, GWA provided the PUC with a copy of CCU Resolution No. 44-FY2018, which authorizes GWA to accept the bid proposed by Infratech, specifically “Schedule A” and “Additive Bid No. 2”; The resolution also authorizes GWA to enter into a contract with Infratech, and authorized funding in the total amount of \$6,903,361.17, which includes a ten percent (10%) contingency on top of Infratech’s proposed total bid of \$6,275,782.88.¹⁹

The ALJ further found that GWA has sufficiently provided the PUC with an affidavit by GWA Management, with supporting documents, indicating that the subject contract will be “fully funded by grants or funds provided to [GWA] under the U.S. E.P.A.’s State Revolving Fund and the work called for under the contract for said project is 100% reimbursable”²⁰ and that the contract “will not produce an increased revenue requirement” for GWA.²¹

The ALJ found that GWA has adequately described the nature of the contract through a narrative, and through supporting documentation, such as the bid evaluation by HRD and Infratech’s winning bid. The ALJ further found that based on the submission of the Notice of Award, the subject project appears fully funded by the U.S. E.P.A. through an SRF grant fund.

The Commission hereby adopts the findings made in the November 27, 2018 ALJ Report, and therefore, issues the following:

¹⁸ Contract Protocol, p. 2.

¹⁹ CCU Resolution No. 44-FY2018, p. 4.

²⁰ Affidavit of Miguel Bordallo, P.E., p. 1 (Nov. 8, 2018).

²¹ Affidavit of Miguel Bordallo, P.E., p. 1 (Nov. 8, 2018).

ORDERING PROVISIONS

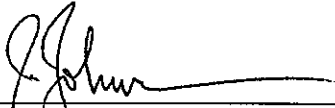
Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED so that GWA may enter into the subject contract with Infratech International, LLC for an amount not to exceed \$6,903,361.17, which includes a ten percent (10%) contingency on top of Infratech's proposed total bid of \$6,275,782.88.

2. GWA is 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 matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 29th day of November, 2018.



JEFFREY C. JOHNSON
Chairman



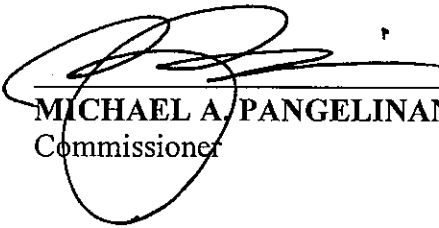
ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner



FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner

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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 18-09
)
The Application of the Guam Power)
Authority for an increase in the Stanley) **ORDER**
Engineering, Procurement and)
Construction Management (EPCM))
Contract.)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for an Increase in the Stanley Engineering, Procurement and Construction Management (EPCM) Contract.¹

BACKGROUND

2. In the present Petition, GPA seeks an increase for the Stanley EPCM contract in the amount of \$2.6M for consulting and technical services through 2021/2022.²
3. When GPA first sought to retain an EPCM Contractor in 2015, it anticipated that the cost would be “a one-time expense” in the amount of \$750,000, to be funded from 2014 Bond Funds.³
4. Initially, GTA contemplated that the primary task of the EPCM Contractor was the development of bid documents for the 180MW plant and the selection of a bidder.⁴
5. However, the anticipated role of the EPCM Contractor has now transformed into a far broader concept. That role now includes an expanded set of tasks and responsibilities for Stanley as the “Owner’s Representative” through the entire construction process for the 180MW plant (which spans over a four-year period).
6. As outlined in GPA’s petition, Stanley’s additional tasks will now include provision of the following:

¹ GPA Petition for an Increase in the Stanley Engineering Procurement and Construction Management (EPCM) Contract, GPA Docket 18-09, filed October 30, 2018.

² Id. at p. 1.

³ PUC Order, GPA Docket 17-05, dated October 27, 2016, at §17, p. 3.

⁴ PUC Counsel Report, GPA Docket 18-09 at §7, at p. 2, dated March 26, 2018.

- a. Procurement Process Support; Stanley will assist GPA in the selection of the contractor for the 180MW plant from the prequalified short list; assist GPA in contract negotiations with the selected IPP proponent in 2019; and provide responses to proponent questions and clarifications of the bid documents. Stanley will be present during contract negotiations and contract review, and will make recommendations.⁵
- b. Project Management of the EPCM Contract, which will continue through the entire project; as project manager, Stanley will be responsible for submitting project status reports to GPA, monthly progress reports, and an updated project schedule. It will monitor the project and control the budget.⁶
- c. Project support including a schedule for deliverables by the project contractor; Stanley will provide a list of deliverables by the IPP contractor with an estimated schedule.⁷
- d. Engineering services to GPA for the IPP New Generation, including Owner's Representative services, design review of proposer's submitted documents, and verification of compliance with technical specifications.⁸
- e. Commercial and contractual support, including preparation of responses to requests for information.⁹
- f. Construction services for IPP New Generation, including technical review and comment on submitted IPP Construction documents, participation in factory acceptance tests, monitoring of IPP construction progress, and the provision of commissioning and start-up support. Construction mobilization is planned for April 2020.¹⁰
- g. Regulatory Support, which includes expert testimony before the PUC, Legislature and CCU, and preparation of a rate impact study for the selected IPP proponent.¹¹

⁵ Stanley Consultants Inc., Scope of Work for Budget Forecast for GPA EPCM-New Generation Project, dated October 14, 2018, at p. 1. (Attached to GPA's Petition).

⁶ Id. at p. 2.

⁷ Id. at p. 2.

⁸ Id. at pgs. 2-3.

⁹ Id. at p. 3.

¹⁰ Id. at p. 3.

¹¹ Id. at p. 4.

7. To date, the PUC has previously approved roughly \$1.35M for the Stanley EPCM Contract:
 - a. In GPA Docket 17-05, on October 27, 2016 the PUC authorized GPA to expend \$750,000 for an EPCM contractor for the proposed new plant, to be paid from 2014 bond fund allocation for LNG Initial Startup.¹²
 - b. In this Docket (GPA Docket 18-09), on March 29, 2018, the PUC approved an additional expenditure of \$600,000.00 for completion of bid documents, incorporation of LNG details in the bid, addressing of regulatory requirements, and support for procurement activities.¹³
 - c. However, the PUC Order reduced the amount approved from \$650,000 to \$600,000, prohibited GPA from using authorized funds for “marketing, lobbying, community outreach, or public relations, or any similar or related activity”, and indicated that “GPA should do more to limit the scope and cost of this contract.”¹⁴
8. On October 19, 2018, the Guam Consolidated Commission on Utilities authorized the General Manager of GPA to petition the PUC for approval to increase the Stanley EPCM contract by an additional \$2.6M for a contract total of \$3.95M for services through September 2022.¹⁵
9. With its Petition, GPA has submitted a proposed “GPA EPCM New Generation Full Project Budget Estimate.”¹⁶ The Budget Estimate is attached to the ALJ Report as Exhibit “A”. The greatest portion of the expenditures are for support for GPA oversight of IPP Project, and Owner’s Engineer Services.¹⁷ The increase in funds for the Stanley EPCM Contract would be paid from Cabras 3 & 4 Insurance Proceeds.¹⁸
10. The CCU submits that the projected budget is necessary to complete the procurement support and to provide owner’s engineer support during construction and commissioning through 2022. The CCU also suggests that the total projected

¹² PUC Order, GPA Docket 15-05, dated October 27, 2016, at p. 9.

¹³ PUC Order, GPA Docket 18-09, dated March 29, 2018, at p. 2 & 4-5.

¹⁴ Id. at pgs. 4-5.

¹⁵ CCU Resolution No. 2018-25, Relative to Authorization of Contract Increase for Engineering, Procurement, and Construction Management through 2022, adopted October 19, 2018, at p. 2.

¹⁶ Attachment to Stanley Consultants Inc., Scope of Work for Budget Forecast for GPA EPCM-New Generation Project, dated October 14, 2018.

¹⁷ See Exhibit A attached hereto.

¹⁸ CCU Resolution No. 2018-25 at p. 1.

cost for EPCM “is within a reasonable percentage (1%-3%) of the total new power plant cost expected in developing and commissioning a new power plant.”¹⁹ GPA’s Petition includes an October 17, 2018, statement by Stanley Consultants Inc. that “[T]he percentage of total cost for Owner’s Engineer services on a power plant project can range from 1% to 4% of total project costs depending on the scope and level of services to be provided.”²⁰

11. The ALJ Report was filed herein on November 27, 2018.²¹ The PUC adopts the conclusions and recommendations set forth therein.

DETERMINATIONS

12. In various prior Orders, the PUC has previously approved the procurement of an EPCM contract and found justification for increased expenditures for the Stanley EPCM Contract.²²
13. GPA clearly has a need for an EPCM Contractor. The proposed 180MW IPP project is a substantial and technical undertaking. It has some complicated aspects including provision for dual firing with both ULSD and LNG and the need to install a new pipeline. GPA needs the technical assistance of a contractor such as Stanley to assist it as Owner’s Representative and to guide GPA through the construction and commissioning process. Such assistance can help to ensure that the new plant is constructed in an efficient and safe manner.
14. On the other hand, expenses for services as Owner’s Representative must be reasonable. Such costs cannot alone be based upon formulaic calculations of total project costs and percentages thereof.
15. Stanley’s Project Budget Estimate has listed projected expenses for regulatory support, support for GPA oversight of the IPP project, and Owner’s Engineer Services. However, the PUC has not been provided any backup support for the estimated costs, nor detailed task information as to how the estimates in the Budget Estimate Report were arrived at. The estimated costs are not apportioned to any specific services to be provided.

¹⁹ Id. at p. 1.

²⁰ October 17, 2018, Statement by Stanley Consultants Inc., attached to GPA’s Petition.

²¹ ALJ Report, GPA Docket 18-09, dated November 27, 2018,

²² PUC Order, GPA Docket 15-05, dated October 27, 2016, at p. 4; PUC Order, GPA Docket 18-09, dated March 29, 2018, at p. 2 & 4-5.

16. From the estimate provided, it does appear that GPA could reduce costs for some of the proposed services. For example, GPA lists “regulatory support” through financial close at a total of \$187,569 (four-year budget). This includes such tasks as “to provide expert testimony to PUC, the Legislature, and the CCU.”
17. While some such support could be required, it is difficult to believe that the amount of such services would be at the cost indicated. Even at \$300 per hour, such task would involve over 626 hours of consultant time. GPA itself is very capable in handling testimony before the PUC, the Legislature and the CCU. While limited expert testimony could be required before the PUC, it should not arise to the cost level projected by Stanley.
18. The ALJ recommends that the PUC reduce the proposed budget for “regulatory support” by \$60,000. There is already a separate allocation of \$32,500 for the PUC required “Rate Impact Study”, which will assess the rate impact of the winning proponent’s proposal upon GPA ratepayers.
19. GPA has further opportunities to cut costs and expenses from this contract. The greatest part of the expenses relates to items involving support for GPA Oversight of the IPP Project and Owner’s Engineer Services. Until the last year, these expenses are both over \$230,000 per year. Through careful budgeting, GPA and Stanley should be able to reduce costs in these areas. The total amount approved for 2019 through 2022 should be \$2.4M, a reduction of \$200,000 from the amount sought. Such a reduction will encourage the parties to streamline the costs for this project.
20. GPA should be authorized to increase the Stanley EPCM contract for consulting and technical services for GPA up to an amount not to exceed \$2.4M for years 2019 through 2022.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Report of the Administrative Law Judge, 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** that:

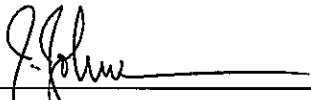
1. GPA’s request to increase funds for the Stanley EPCM contract is approved.
2. GPA is authorized to expend up to an amount not to exceed \$2.4M for consulting

and technical services under the Stanley EPCM Contract through 2022.


3. The funding source for such increase in the Stanley contract shall be from the Cabras 3 & 4 Insurance proceeds.
4. GPA has recently tapped the insurance proceeds for many expenditures. Within 30 days from the date of this Order, GPA shall submit to the PUC a report indicating the total amount of proceeds received under the Cabras 3 & 4 Insurance Settlement to date, itemizing each and every expenditure which has been made from such proceeds, or projected expenditures, and the purpose(s) for which such expenditures or projected expenditures have been made.
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 §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]


Dated this 29th day of November, 2018.



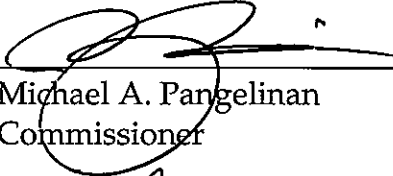
Jeffrey C. Johnson
Chairman



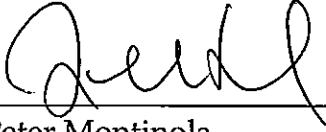
Rowena E. Perez
Commissioner




Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Filomena M. Cantoria
Commissioner