

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
January 30, 2020
Suite 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:35 p.m. on January 20, 2020, pursuant to due and lawful notice. Commissioners Johnson, Camacho, Montinola, Pangelinan, and McDonald were in attendance. The following matters were considered at the meeting under the agenda included as *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 December 5, 2019. 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 of business was Guam Waterworks Authority [GWA] Docket 20-01, Petition for Approval of the One-Year Contract Extension with JMI-Edison for the Purchase of Submersible Pumps and Motors Inventory for Deep Wells, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that the contract is for an indefinite quantity of submersible pumps and motors, that it had an initial term of three years and two option periods of one-year, that this extension was the exercise of the last of the year long option periods, and that GWA was requesting to purchase an additional \$736,866 worth of pumps and motors during the final option period which would increase the total contract price to \$2.6 million. Legal Counsel Camacho stated that GWA submitted adequate documentary justification for its petition and he recommended that the Commission approve the GWA's exercise of the contract's final one-year option period and GWA's request to purchase the additional pumps and motors during this option period. GWA GM Bordallo stated that GWA would revise the specifications and solicit for another contract because it has a continuing requirement for these submersible pumps and motors and that, due to the cost of this contract, it would bring the solicitation before the PUC prior to issuing it. Commissioner Pangelinan inquired as to why GWA was revising the specifications and GWA GM Bordallo stated that the existing contract's specifications required expensive stainless steel parts which GWA learned are not required and that the new specifications would be seeking cheaper equipment that

would have a similar service life to the more expensive equipment acquired under the existing contract. The Chairperson inquired as to whether GWA was getting its expected service life from the equipment it purchased under the existing contract and GWA GM Bordallo stated that the normal service life of the equipment was seven years and that GWA was only getting three years of service life due to Guam having more adverse conditions than other jurisdictions and that this contract has reduced the time it takes to repair wells because it keeps GWA's inventory stocked with the equipment GWA needs to keep its wells operational. Commissioner Pangelinan inquired if GWA sought approval of the initial contract with the Commission and Legal Counsel Camacho confirmed that GWA only brought the contract before the Commission after the contract costs reached the threshold amount requiring the Commission's review. Commissioner Pangelinan moved to approve the proposed order authorizing the extension and the contract's price increase, which motion was seconded by Commissioner Camacho. The motion carried unanimously.

The Chairperson announced that the next item of business was GWA Docket No. 20-02, Petition for Approval of a Groundwater Production and Meter Replacement Project, ALJ Report, and Proposed Order. ALJ Alcantara stated that, based on a study that found inaccuracies in GWA's production meters was prohibiting GWA from tracking distribution system losses, GWA developed this project to replace the pipes that proceeded and followed its production meters. ALJ Alcantara stated that after soliciting for this project, GWA only received only one bid from Giant Construction for \$1,379,405, that the contract contained all the appropriate provisions, and he recommended that the Commission approve the contract for this project to allow GWA to accurately measure the groundwater that is produced from GWA's wells. GWA GM Bordallo stated that this project was necessary for GWA to reduce its losses arising from non-revenue generating water that GWA produces. Commissioner Camacho inquired as to GWA's progress in reducing its non-revenue generating water since 2017 and GWA GM Bordallo stated that GWA replaced its non-functioning meters back then but now must replace aging pipes upstream and downstream from the new meters which are resulting in inaccurate readings in GWA's production meters. Commissioner Pangelinan inquired as to whether Giant Construction was a local company and GWA GM Bordallo confirmed that they have been on Guam a long time. The Chairperson inquired as to whether GWA would be adding meters to its transmission system to aid in determining where transmission leaks were located and GWA GM Bordallo stated that this was a priority project that GWA is planning on completing by 2022 and that GWA has recently completed a pilot project that resulted in a 35% to 60% reduction in line losses where such meters were placed. Commissioner Montinola inquired as to whether the pilot project results were low because of the master plan's goal of reducing non-revenue generating water to 20% and GWA GM Bordallo stated that they were implementing a new water-loss control plan using the more modern and practiced metric of decreasing real losses instead of a goal of a percent of non-revenue generating water. The Chairperson inquired as to what GWA considered as non-revenue

generating water and GWA GM Bordallo stated that the term means water GWA produces but does not collect any revenue from and that this was caused by line losses but could also be caused by authorized uses such as the water the Guam Fire Department's uses for fire suppression, training, or to maintain the fire hydrants. Commissioner inquired as to GWA's progress in detecting line leaks and GWA GM Bordallo stated that GWA has purchased new leak detection equipment, has trained employees on its use, and is currently reducing its leak backlog. A discussion ensued between Commissioner Camacho and GWA GM Bordallo concerning the Canada-Toto loop area wherein GWA GM Bordallo stated that GWA designated this area for a line replacement project. Commissioner Camacho made a motion to approve the order authorizing GWA to enter into the contract for the project, which motion was seconded by Commissioner Montinola. The motion carried unanimously.

3. Port Authority of Guam

The Chairperson announced that the next item of business was Port Authority of Guam's [PAG] Docket 20-03, Petition for Approval of Additional Expenditure for existing Owners/Agent Engineering (OAE) Services, and for Expenditure for Additional Services, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that this contract had an initial term of one year with four options to renew for periods of one year, that PAG was requesting to exercise the final one-year option, and to expend an additional \$1,574,035 for two sets of projects which would increase the total contract costs to \$4.5 million. Legal Counsel Camacho stated that the first set of projects cost \$774,035 and is for the environmental permitting, and live coral removal, relocation, and monitoring for PAG's H-Wharf maintenance and repair project. Legal Counsel Camacho stated that the second set of projects cost \$800,000 and is for program management coordination, the development of a 2020 master plan, a customs inspections feasibility study, and conceptual planning and development of a scope of work for architect and engineer design and services projects. Legal Counsel Camacho stated that the contract extension and the additional \$1,574,035 for the two sets of projects are reasonable, prudent, and necessary and he recommended that the Commission approve them. PAG GM Respicio stated that the first set of projects include environmental assessments and mitigation actions that PAG needs to complete to proceed with \$10 million worth of grant funded modernization projects and that the second set of projects will improve PAG's financial solvency by determining its container throughput, allow PAG to partner with Guam Customs and Quarantine to develop a customs inspection container facility. Commissioner Montinola inquired how long the coral relocation project would take and Legal Counsel Camacho stated that it would be dependent on weather, that PAG's contractor WSP would sub-contract this project out to an entity that has experience relocating coral on Guam, and that the coral monitoring program for the relocated coral had a goal of 65% of the relocated coral surviving after 18 months of being relocated. Commissioner Camacho inquired as

to whether the University of Guam was involved in the coral relocation and monitoring project and PAG GM Respicio stated that it was not but EPA and the Department of Agriculture were, and a member of PAG's staff stated that it was estimated that the coral relocation project would take approximately 4 weeks to remove and relocate about 830 live coral colonies from H-Wharf. Commissioner Montinola inquired as to whether the new inspection facility would be responsible for preventing invasive species from entering Guam and PAG GM Respicio stated that the new facility would be responsible for preventing invasive species and contraband from entering Guam. Commissioner Pangelinan inquired as to whether PAG originally had a \$800,000 budget for the second set of projects and PAG GM Respicio said that PAG had requirements in excess of that amount and that \$800,000 was the amount of grant funding PAG obtained to fund a portion of its master plan requirement and that PAG would be asking for more, but additional grant funding is not guaranteed. Commissioner Camacho inquired as to whether there were any other grants that PAG could benefit from and PAG GM Respicio stated that the second set of projects would give PAG a blueprint PAG could use to request for additional grant awards. Commissioner Montinola made a motion to approve the order authorizing PAG to exercise the contract's final one-year option, and to expend an additional \$1,574,035 for the two sets of projects, which motion was seconded by Commissioner Pangelinan. The motion carried unanimously.

4. Guam Power Authority

The Chairperson announced that the next item of business was the Guam Power Authority [GPA] Docket 20-02, GPA's Filing of FY2019 Approved Contracts and Obligations. ALJ Horecky stated that this report was for informational purposes and that it shows the amounts approved by the PUC and the actual expenditures incurred during the preceding fiscal year for GPA's contracts and obligations and he noted that for FY2019 the total revenue funded cap was \$26,330,445 all of which the Commission approved except for the line extensions, and that of this amount, GPA only spent \$11.8 million which indicates that GPA is not spending on 40% of the budget approved by the Commission.

The Chairperson announced that the next item of business was GPA Docket 20-04, Petition to Approve Procurement of PMC for Cabras 1 & 2, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that this solicitation for a PMC contract is similar to the solicitations for a PMC for Cabras 1 & 2 that the Commission has reviewed since the 1990s with the exception that for this contract, the PMC would be required to deactivate and decommission the Cabras 1 & 2 plants as soon as the GPA's new northern power plant becomes operational. Legal Counsel Camacho stated that although the final amount of the contract is not known at this time, the solicitation indicates that the operations and maintenance budget alone will be \$1.3 million per year which exceeds the review threshold, that the new contract would have an initial term of

thirty-six months, and two option periods for one-year periods, and he recommended that the Commission approve the solicitation. GPA GM Benavente stated that this solicitation is for the last PMC for Cabras 1 & 2 because after the new power plant comes on line, GPA will have to deactivate Cabras 1 & 2. Commissioner Camacho inquired how long the renewal periods would be and GPA GM Benavente stated that they would be for one-year period and that the initial term of the contract would be for thirty-six months. Commissioner Montinola inquired as to whether the total contract price was \$1.3 million per year and GPA GM Benavente stated that was only for the operations and maintenance budget each year and that the PMC awarded the contractor would put in additional amounts per year and that GPA would come back to the Commission to approve the final contract, and that he expected the PMC's cost would increase for the final years because of its decommissioning and deactivation activities. A discussion ensued between the Commissioners and GPA GM Benavente concerning what would happen to the plant after it was decommissioned. Commissioner Pangelinan made a motion to approve GPA's solicitation for a PMC for Cabras 1 & 2 which motion was seconded by Commissioner Montinola. The motion carried unanimously.

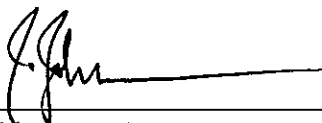
The Chairperson announced that the next item of business was GPA Docket GPA Docket 20-03, LEAC Filing for Period February-July 2020, ALJ Report, and Proposed Order. ALJ Horecky stated that GPA is proposing to reduce its LEAC Factor from 15.42 cents per KW hour to 13.1 cents per KW hour for all meters read after February 1, 2020. ALJ Horecky stated that for the last three LEAC periods, the rate remained steady at 15.5 cents per KW hour and that the Commission kept the LEAC at this rate to reduce GPA's under-recovery balance to \$3.3 million by January 31, 2020, and that when GPA filed its petition in December, 2019, it predicted an upward-forward movement in oil prices for the next six month period, and he stated that GPA should be following the Commission's established procedure by using a five-day average price of fuel ten-days prior to the Commission's meeting, and that GPA should not be using an estimated upward-forward movement factor as it did in this petition. ALJ Horecky stated that the Commission should consider GPA's request for \$1.5 million per LEAC Period to fund its Demand Side Management Program which encourages ratepayers to use more energy efficient appliances to reduce GPA's demand for fuel, and that he issued ~~discovery to GPA requesting their budget and plans for this program which the~~ Commission will address in February or March this year. ALJ Horecky stated that GPA submitted an updated request using the five-day average which results in a 13.4 cent LEAC Factor without the Demand Side Management Program which he recommends that the Commission approve because he does not have enough information concerning this program yet, and that the next change in the LEAC would be on August 1, 2020. The Chairperson inquired as to when ALJ Horecky would give the Commission a recommendation and ALJ Horecky stated he anticipated giving his recommendation in February, or March, 2020 after he receives the information he

requested from GPA. The Chairperson inquired as to whether GPA was out for funds for the Demand Side Management Program and GPA GM Benavente stated it has funded \$4.3 million for the program so far and that it found an additional \$500,000 that would allow the program to continue until March, 2020, but that it would be suspended after that until a funding source could be found, and that using the LEAC would fund the program to the amount of \$3 million per year. ALJ Horecky stated that he also recommends the Commission approve the 13.4 cent per KW hour LEAC Factor because it is a 12.82% decrease in the existing LEAC Factor. A discussion ensued between the Commissioners, GPA GM Benavente, and GPA staff regarding GPA's use of the upward-forward movement estimate, the future price of fuel oil, the effect of GPA's Demand Side Management Program, and the progress of the construction of the new northern power plant. Commissioner Montinola made a motion to approve GPA's petition to reduce its LEAC Factor from 15.42 cents per KW hour to 13.1 cents per KW hour for all meters read after February 1, 2020 which motion was seconded by Commissioner McDonald. The motion carried unanimously.

5. Administrative Matters.

The Chairperson announced that the next item of business was ALJ Status Report on GWA Rate Case, GWA Docket 19-08. ALJ Horecky stated that most of the work has been done by the parties which he was monitored and that there have been a wide range of discussions between them concerning several topics and that he felt that Georgetown, the Commission's consultant in this matter is doing a good job and that on February 19, 2020 there will be a working session between the parties and the Commissioners wherein the Commissioners can ask the parties questions, and that he has provided the Commissioners with a copy of the Stipulation and a summary of what GWA asked for in its original petition and what is contained in the stipulation, and that the Commission would address this matter on February 27, 2020. A discussion ensued between the Commissioner and ALJ Horecky concerning the time of the working session, and whether there would be a presentation, and who would be there from the parties.

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



Jeffrey C. Johnson
Chairperson

ATTACHMENT A
THE GUAM PUBLIC UTILITIES COMMISSION
NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the Guam Public Utilities Commission [PUC] will conduct a regular business meeting, commencing at 6:30 p.m. on January 30, 2020, at Suite 202 GCIC Building, 414 W. Soledad Ave., Hagatna.

The following business will be transacted:

Agenda

1. Approval of Minutes of December 5, 2019

2. Guam Waterworks Authority

GWA Docket 20-01, Petition for Approval of the One-Year Contract Extension with JMI-Edison for the Purchase of Submersible Pumps and Motors Inventory for Deep Wells, PUC Counsel Report, and Proposed Order

GWA Docket 20-02, Petition for Approval of a Groundwater Production and Meter Replacement Project, ALJ Report, and Proposed Order

3. Port Authority of Guam

PAG Docket 20-03, Petition for Approval of Additional Expenditure for existing Owners/Agent Engineering (OAE) Services, and for Expenditure for Additional Services, PUC Counsel Report, and Proposed Order

4. Guam Power Authority

GPA Docket 20-02, GPA's Filing of FY2019 Approved Contracts and Obligations (for Informational Purposes Only)

GPA Docket 20-04, Petition to Approve Procurement of PMC for Cabras 1 & 2, PUC Counsel Report, and Proposed Order

GPA Docket 20-03, LEAC Filing for Period February-July 2020, ALJ Report, and Proposed Order

5. Administrative Matters

ALJ Status Report on GWA Rate Case, GWA Docket 19-08

6. Other Business

Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Ms. Palomo.

This Notice is paid for by the Guam Public Utilities Commission

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GWA DOCKET 20-01

THE PETITION OF THE GUAM
WATERWORKS AUTHORITY FOR
APPROVAL TO EXTEND THE TERMS
OF THE INDEFINITE CONTRACT
WITH JMI-EDISON UNDER THE
CONTRACT REVIEW PROTOCOL

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the Guam Waterworks Authority's ["GWA"] Petition for Approval to Extend the Terms of the Indefinite Contract with JMI-Edison ["JMI"] Under the Contract Review Protocol.¹
2. GWA requests that the PUC approve GWA's second one-year extension of the GWA-JMI Indefinite Contract for submersible pumps and motors and the \$714,102.11 increase of the total contract amount to \$3,349,098.76.

BACKGROUND

3. In 2015, GWA entered into an indefinite quantity contract with JMI for the purchase of submersible pumps and motors for GWA's drinking water wells and the contract had an initial term of three years and two options to renew the contract for one year periods.² GWA did not seek PUC approval of the solicitation or the contract after it was awarded.
4. By 2017, GWA had incurred contract costs in the amount of \$963,018.62 and filed a petition in GWA Docket No. 17-08, to approve the contract and to purchase additional pumps and motors under the contract for the remainder of 2017 which would increase the contract costs to approximately \$1,300,282.92.³ The PUC approved GWA's petition in GWA Docket No. 17-08 by ratifying GWA's solicitation for the pumps and motors and the contract, and it authorized GWA to

¹ GWA Petition for Approval to Extend the Terms of the Indefinite Contract with JMI, GWA Docket 20-01, filed on December 27, 2019 at 1.

² PUC Order dated July 27, 2017, GWA Docket No. 17-08 at 2.

³ Id., at 5-6.

increase the contract costs to \$1,300,282.92.⁴ The PUC also ordered GWA to return to the PUC to approve GWA's purchase of additional pumps and motors under the contract in 2018.⁵

5. Accordingly, on November 30, 2017, in GWA Docket No. 18-02, the PUC authorized GWA to purchase additional pumps and motors under the contract at a cost not to exceed \$612,778.13.⁶ This authorization increased the total contract cost to \$1,913,061.05. The PUC also ordered GWA to return to the PUC to approve any additional purchases of pumps and motors under the contract after FY2018.⁷
6. On November 29, 2018, in GWA Docket 19-02, the PUC authorized GWA to purchase additional pumps and motors under the contract for FY2019 in the amount of \$736,866.55. This authorization increased the total contract cost to \$2,649,927.60. Additionally, GWA was ordered to submit documentation, such as a CCU Resolution, purchase orders, and a listing of its inventory, supporting the purchase of additional pumps and motors under the contract after FY2019.⁸
7. On November 26, 2019, the CCU approved GWA Resolution No. 07-FY2020, wherein the CCU authorized GWA to renew the contract for its second and final one-year renewal period and to expend the amount of \$714,102.11 for FY2020 for the contract, subject to the PUC's approval.⁹
8. PUC Counsel issued his report on January 17, 2020.
9. In this docket, GWA makes two requests. First, it requests to extend the contract for its second and final one-year option to renew. Second it requests authorization to purchase additional pumps and motors at a cost of \$714,102.11 for FY2020.¹⁰

⁴ Id., at 6.

⁵ Id.

⁶ PUC Order dated November 29, 2018, GWA Docket No., 19-02 at 1.

⁷ Id., at 2.

⁸ Id., at 4.

⁹ CCU Resolution at 3, Exhibit 1, GWA Petition.

¹⁰ GWA Petition at 1.

ANALYSIS

10. The PUC's Contract Review Protocol for GWA mandates that GWA obtain prior PUC approval for multi-year contracts that exceed the amount of one-million-dollar (\$1,000,000), including the cost incurred in any renewal option.¹¹ Here, the \$714,102.11 cost for the second and final one-year renewal option will increase to contract's total cost to \$3,364,029.71, which requires PUC approval because the total cost of the contract exceeds the \$1,000,000 contract review amount.
11. GWA states that it must exercise its second and final one-year renewal option because it must purchase sixty submersible motors, of various sizes, in the amount of \$446,969.74 and because it must purchase seventy-nine submersible pumps, of various types, in the amount of \$267,132.37 for a total of \$714,102.11 for FY2020.¹² As stated above, GWA was authorized, pursuant to the contract, to spend \$612,778.13 for FY2018 and the amount of \$736,866.55 for FY2019. This indicates that the \$714,102.11 amount GWA is requesting for FY2020 is \$22,528.88 less than its authorized spending on the contract for FY2019 which is a positive trend. Hence, GWA's request to exercise the contract's second and final one-year renewal option and to expend the amount of \$714,102.11 for FY2020 for the contract, are reasonable and prudent.
12. Further, GWA states that the purchase of these pumps and motors is necessary to maintain its inventory of submersible pumps and motors and that GWA relies on this equipment to ensure the reliability of operating its ninety-five drinking water wells.¹³ Hence, the GWA's exercise of the second and final one-year renewal period contract is necessary because GWA relies on its inventory of submersible pumps and motors provide drinking water to the people of Guam.
13. Additionally, as set forth above, GWA was ordered to submit documentation, such as a CCU Resolution, purchase orders, and a listing of its inventory, supporting the purchase of additional pumps and motors under the contract after FY2019. In support of its petition, GWA submitted GWA Resolution No. 07-FY2020, wherein the CCU authorized GWA to renew the contract for its second and final one-year renewal period and to expend the amount of \$714,102.11 for FY2020 for the

¹¹ PUC Order re Contract Review Protocol for GWA, PUC Administrative Docket 00-004, filed on October 27, 2005 at paragraph 4(b) at 2.

¹² GWA Petition at 2.

¹³ Id.

contract, subject to the PUC's approval.¹⁴ Additionally, GWA submitted a detailed lists of the pumps and motors it had purchased in prior years and a detailed list of the pumps and motors is plans to purchase in FY2020 under the contract. These documents adequately support and justify GWA's petition.

14. Based on the foregoing, the PUC finds that GWA's request to exercise the contract's second and final one-year renewal option and to expend the amount of \$714,102.11 for FY2020 for the contract, are reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GWA's Petition to approve GWA's second one-year extension of the GWA-JMI Indefinite Contract for submersible pumps and motors and to spend an additional \$714,102.11 for submersible pumps and motors under the contract for FY2020, and the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

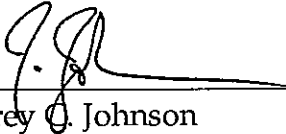
1. GWA's Petition to approve GWA's second one-year extension of the GWA-JMI Indefinite Contract for submersible pumps and motors and to spend an additional \$714,102.11 for submersible pumps and motors under the contract for FY2020 is hereby approved.
2. Should GWA solicit for another indefinite quantity contract for submersible pumps and motors which exceeds a one-year term, to include any optional renewal periods, GWA shall obtain prior PUC approval for such solicitation.
3. GWA 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 the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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¹⁴ CCU Resolution at 3, Exhibit 1, GWA Petition.

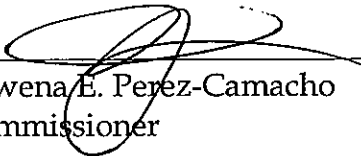
Dated this 30th day of January, 2020.



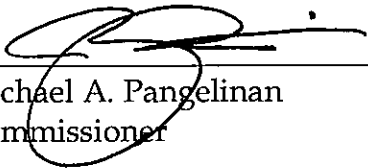
Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner

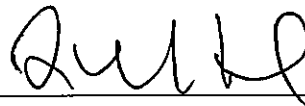


Rowena E. Perez-Camacho
Commissioner



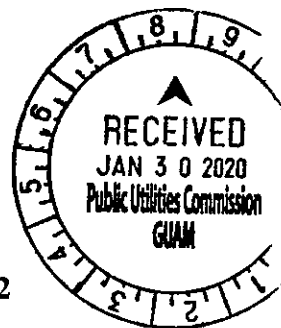
Michael A. Pangelinan
Commissioner

Doris Flores Brooks
Commissioner



Peter Montinola
Commissioner

Mark G. Miller
Commissioner



BEFORE THE PUBLIC UTILITIES COMMISSION

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

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**GWA DOCKET 20-02
ORDER**

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”).

On January 27, 2020, 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

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

¹ Petition, p. 2.

sites.”² GWA submits that the condition of such piping at the well sites is in “poor condition due to excessive corrosion”³

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

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,

² Petition, p. 1.

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

⁴ Resolution, p. 2.

⁵ Resolution, p. 2.

⁶ Resolution, p. 2.

⁷ Resolution, p. 4.

⁸ Petition, p. 2.

⁹ Petition, p. 2.

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

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

¹⁰ Petition, p. 2.

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.

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

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

¹⁵ Petition, p. 2.

¹⁶ Bid Form, p. 8.

¹⁷ Bid Form, p. 3.

existing piping and well heads; painting; and all other items required for a complete and operational system.¹⁸

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

¹⁸ Bid Form, p. 3.

¹⁹ Proposed Contract, p. 1.

²⁰ Proposed Contract, p. 1.

²¹ Proposed Contract, p. 1.

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 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 Talofoto 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.

²² Proposed Contract, p. 2.

²³ Proposed Contract, p. 2.

²⁴ Proposed Contract, pp. 4-5.

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. In the Resolution, the CCU 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

The ALJ found, as noted in prior dockets, that 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

The ALJ further found 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 submitted 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

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).

volumes.”²⁹ The ALJ therefore found that, 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.

Based on the documentation provided by GWA in this docket, and for the other reasons set forth herein, the ALJ recommended 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.

The Commission hereby adopts the findings made in the January 27, 2020 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:

1. That the instant Petition is hereby APPROVED.
2. GWA is authorized to enter into the proposed contract with Giant Construction Corporation, for a total cost of \$1,379,405.00, subject to the cost contingency provided under the Contract Review Protocol.
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

²⁹ Resolution, p. 1.

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]

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SO ORDERED this 30th day of January, 2020.



JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner

MARK MILLER
Commissioner



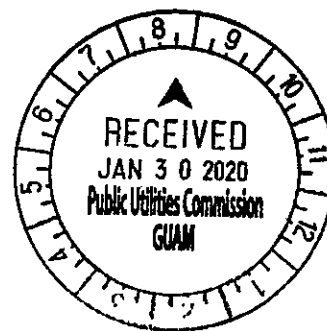
MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner

DORIS FLORES BROOKS
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

PAG DOCKET 20-03

PORT AUTHORITY OF GUAM'S)
PETITION FOR APPROVAL OF)
ADDITIONAL COSTS FOR OWNER'S)
AGENT ENGINEERING SERVICES)
CONTRACT WITH WSP USA INC.)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the Port Authority of Guam's ["PAG"] Petition for Approval of additional costs for its Owner's Agent Engineering Services ["OAE"] contract with WSP USA Inc. ["WSP"].¹
2. PAG requests that the PUC approve a total of \$1,574,035 in PAG/WSP OAE contract costs for two sets of projects. The first set of projects will cost \$774,035 and are for PAG Task Orders: (1) 3.1 (Expanded H-Wharf Environmental Permitting Support Services); (2) 3.1.R2 (Expanded H-Wharf Environmental Permitting Support Services Shifting from a CATEx Process to a Modified Environmental Assessment Process); (3) 3.1.R3 (Expanded H-Wharf Environmental Permitting Support Services and H-Wharf Package Update); and (4) 3.1.R4 (H-Wharf Coral Relocation and Monitoring Services).²
3. The second set of projects will cost \$800,000 and said projects consist of various FY2020 feasibility studies to ensure that PAG's Capital Improvement Projects ["CIP"] are aligned, planned, designed, and constructed as sound investments that proactively meet evolving cargo transshipment demands and changes in technology.³

¹ PAG Petition for Approval of Additional Costs for OAE Contract with WSP, PAG Docket 20-03 ["PAG Petition"], filed on January 16, 2020 at 1. NOTE: The page numbers expressed herein are based on the Petition's PDF stated page numbers which numerate all pages in an ascending order, from pages 1 thru 130, and said pagination does not necessarily reflect the inconsistent or non-existent page numbering used through the petition and the exhibits attached to it.

² Id., at 1.

³ Id., at 14.

BACKGROUND

4. The PAG/WSP OAE Contract is an Indefinite Delivery, Indefinite Quantity contract that is in its final option year and is set to expire on September 8, 2020.⁴ The contract's initial term was for one year and it had four options to renew for one year each for a total contract term of five years and the PUC approved this contract and its \$1,380,000 for Task Orders 1 and 2 on August 27, 2015.⁵ Since that time, the PUC has approved the Pag's expenditure of \$1,575,947 for six task additional orders under the contract.⁶ This has been a very important contract for PAG because the scale, complexity, and challenges imposed by completing PAG's Port Improvement Program ["PIP"] are unprecedented for PAG and require considerable technical expertise, capacity, and capability that is currently not present in PAG's organic staff and resources.⁷ PAG will be relying on the services of WSP, under this contract, to complete the additional projects that will increase the contract's costs by \$1,574,035.
5. The first set of projects involve PAG's H-Wharf. H-Wharf, which is also commonly known as Hotel Wharf, is a 500-foot-long waterfront structure that was constructed in 1948 by the U.S. military, was renovated sometime in the 1950s, and was used as the U.S. Navy's ammunition wharf throughout the Vietnam War. The U.S. Navy transferred H-Wharf to PAG in 1989 after constructing a new ammunition wharf on the north side of the Orote Peninsula. Between 1989 to 2001, PAG initially leased H-Wharf for various commercial activities such as cruise ship operations, administrative functions, fishing support operations, and recreational activities, and during the later years H-Wharf was used for PAG's scrap metal handling, vehicle import, and storage operations.⁸ PAG ceased its operations at H-Wharf after 2001 because H-Wharf had become structurally unsound. Currently, the maintenance and repair of H-Wharf and its access road is a high priority project for the PAG's PIP because a fully operational and safe H-Wharf is necessary to support PAG's increasing break bulk and bulk cargo handling operations, the PAG's support for potential military operations, and the PAG's cruise vessel mooring and passenger

⁴ Id., at 14 and 109.

⁵ PUC Order dated August 15, 2015, PAG Docket No. 15-05, at 7-8. NOTE: When PAG entered into the contract in 2015 it was with Parsons, Brinckerhoff, in 2017, Parsons, Brinckerhoff became WSP.

⁶ PUC Order dated August 30, 2018, PAG Docket 18-06 at 6.

⁷ PAG Petition at 106.

⁸ Id., at 69.

screening operations.⁹ This project will involve the replacement of the existing wharf cap, tie rods, and anchoring, as well as the installation of new sheet piles outside the existing face of the wharf.¹⁰

6. In addition to H-Wharf, the U.S. Government also transferred Cabras Island and Apra Harbor to the PAG, and PAG owns or asserts jurisdiction over the terrestrial and the submerged lands surrounding H-Wharf, and Dog Leg Pier located to the west of H-Wharf, and Outhouse Beach located to the east of H-Wharf.¹¹ PAG's H-Wharf maintenance and repair project will result in the loss of all marine communities attached to the existing submerged face of H-Wharf and within close proximity to its base. PAG's surveys indicate that there are more than 6,000 coral colonies that will be directly affected by the project and a significant number of them can be moved to adjacent hard bottom habitats that will not be affected by the project.¹²
7. The second set of projects concern the \$800,000 in grant funds that PAG received from a federal Office of Economic Adjustment ["OEA"] grant. PAG desires to use the grant funds for the following projects that it plans on having WSP complete under the contract in FY2020: (1) Program Management and Coordination; (2) The 2020 Master Plan; (3) Customs Inspection Feasibility Study; (4) Conceptual Planning and Development of a Scope of Work for A&E Design Services for the new Administrative Building Annex and Renovation of the Existing Administration Building; and (5) the Deep Draft Wharf and Fill Improvements Project Feasibility Study.¹³
8. On January 25, 2020, PUC Legal Counsel issued his report.

DETERMINATIONS

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9. The PUC's Contract Review Protocol for PAG mandates that PAG must obtain PUC approval for all professional service contracts in excess of \$1,000,000 and for any

⁹ Id., at 56.

¹⁰ Id., at 31.

¹¹ Id., at 70.

¹² Id., at 31.

¹³ Id., at 14-15.

contract that exceeds the amount of \$1,000,000.¹⁴ Here, the additional \$1,574,035 PAG is proposing for the PAG/WSP OAE Contract must be reviewed and approved by the PUC because it exceeds the protocol's \$1,000,000 review threshold.

10. The \$774,035 cost for the first set of projects are reasonable, prudent and necessary. As stated above, this cost is the total cost for four PAG Task Orders. The first three of these task orders will or have been performed by WSP or its consultants on a time and materials basis not to exceed the following described amounts and each of these task orders involve obtaining the necessary environmental permits for PAG to begin its H-Wharf maintenance and repair project. PAG Task Order 3.1 (Expanded H-Wharf Environmental Permitting Support Services) will cost up to \$153,650 and will continue the environmental permitting process that PAG began in 2018 for the H-Wharf project.¹⁵ PAG Task Order 3.1.R2 (Expanded H-Wharf Environmental Permitting Support Services Shifting from a CATEX Process to a Modified Environmental Assessment Process) will cost up to \$72,985 and involves the implementation of an expedited Environmental Assessment process to obtain permits required by the National Environmental Policy Act ["NEPA"] prior to September, 2019 to meet federal grant obligation deadlines.¹⁶ PAG Task Order 3.1.R3 (Expanded H-Wharf Environmental Permitting Support Services and H-Wharf Package Update) will cost up to \$64,700 and is the result of the Maritime Administration approving PAG's permits required by NEPA in July, 2019. These approvals require PAG, using WSP, to perform support and close out activities and to submit close-out reports and documentation to various regulatory agencies throughout 2020.¹⁷ The total cost of these permitting activities is \$291,335.
11. The remaining \$482,700 involves the most complex, delicate, and environmentally important requirement that PAG must complete prior to starting its H-Wharf maintenance and repair project. PAG Task Order 3.1.R4 (H-Wharf Coral Relocation and Monitoring Services) requires WSP to prepare a coral relocation plan, remove live coral colonies from the base and submerged face of H-Wharf, relocate them to existing submerged coral habitats to the west near Dog Leg Pier, and to the east, near Outhouse Beach, monitor them in their new locations at 6, 18, and 26 month intervals, and to survey an invasive species of coral that was found on the

¹⁴ PUC Order re Contract Review Protocol for PAG, PUC Administrative Docket 09-01, filed on June 20, 2011 ["PAG Contract Review Protocol"] at paragraphs 1(c) and (e) at 1.

¹⁵ PAG Petition at 2.

¹⁶ *Id.*

¹⁷ *Id.*

submerged face of H-Wharf.¹⁸ Specifically, dive teams will remove selected coral colonies from the submerged face and base of H-Wharf using hand tools, mainly hammers and chisels, place the removed coral colonies in plastic crates suspended by surface floats, transport them to their new locations at similar depths in which they were found, and re-secure them to hard bottom substrate using Portland cement.¹⁹ Further, the coral monitoring program targets at least a 75% survival rate for the relocated corals after 6 months, and at least a 65% survival rate after 18 months.²⁰ Hence, the higher cost of this task order reflects the tedious and delicate nature of the work. Further, this project is absolutely necessary because the alternative, simply destroying the 6,000 coral colonies that currently live on the submerged base and face of H-Wharf, albeit a reduction in project costs, would not only be impermissible under the environmental permits PAG has or will obtain for the H-Wharf maintenance and repair project, but would be culturally and publicly unacceptable to the People of Guam.

12. PAG will pay for the \$774,035 cost for the first set of projects using funds from the 2018 Port Revenue Bond financing as the PAG's local match for the 2016 Transportation Investment Generating Economic Recovery grant award in the amount of \$10 million.²¹
13. The \$800,000 cost of PAG's second set of projects are also reasonable, prudent, and necessary. WSP will perform the Program Management and Coordination, 2020 Master Plan, Customs Inspection Feasibility Study and Conceptual Planning and Development of a Scope of Work for A&E Design Services projects on a time and materials basis not to exceed the amount of \$800,000.²² Further, these projects are necessary sub-parts to larger PAG's bond funded projects which are needed to implement PAG's Modernization Program.²³
14. Based on the foregoing, PAG's Petition for Approval of additional costs for the PAG/WSP OAE Contract is reasonable, prudent, and necessary.

¹⁸ Id., at 4.

¹⁹ Id., at 33.

²⁰ Id., at 83.

²¹ Id., at 2.

²² Id., at 14.


²³ Id., at 15.

ORDERING PROVISIONS

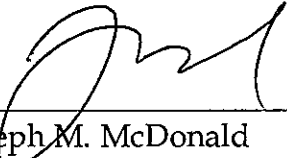
After review of the record herein, including PAG's Petition for Approval of additional costs for the PAG/WSP OAE Contract, the PUC Counsel's Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. PAG's Petition for Approval for Approval of additional costs for the PAG/WSP OAE Contract is hereby approved.
2. PAG is authorized to expend an additional \$774,035 for PAG Task Orders: (1) 3.1 (Expanded H-Wharf Environmental Permitting Support Services); (2) 3.1.R2 (Expanded H-Wharf Environmental Permitting Support Services Shifting from a CATEX Process to a Modified Environmental Assessment Process); (3) 3.1.R3 (Expanded H-Wharf Environmental Permitting Support Services and H-Wharf Package Update); and (4) 3.1.R4 (H-Wharf Coral Relocation and Monitoring Services).
3. PAG is authorized to expend an additional \$800,000 for its PAG/WSP OAE Contract for its Program Management and Coordination, 2020 Master Plan, Customs Inspection Feasibility Study; Conceptual Planning and Development of a Scope of Work for A&E Design Services for the new Administrative Building Annex and Renovation of the Existing Administration Building, and Deep Draft Wharf and Fill Improvements Project Feasibility Study projects.
4. PAG 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 the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 30th day of January, 2020.



Jeffrey C. Johnson
Chairman

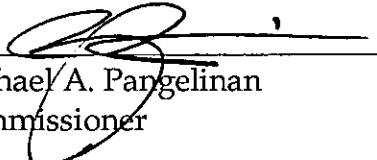


Joseph M. McDonald
Commissioner

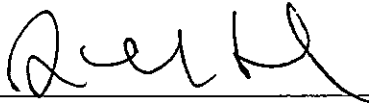


Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Mark G. Miller
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

)
) GPA DOCKET 20-04
)

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE PROCUREMENT OF A PMC FOR
CABRAS 1 AND 2 GENERATING
PLANTS

)
) ORDER
)
)
)
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to approve the Procurement of a PMC for Cabras 1 and 2 Generating Plants [Cabras 1&2].¹
2. GPA's current PMC Contract for Cabras 1 & 2 Utility Energy Service Contract will expire on September 30, 2020.
3. GPA is requesting the PUC's authorization to solicit for a new PMC Contract for Cabras 1&2 to ensure that a new PMC contract will immediately replace the aforementioned expiring contract.²

BACKGROUND

4. GPA's existing PMC contractor for Cabras 1&2 is TEMES and the PUC, in GPA Docket 17-09, authorized GPA's final extension of this contract to September 30, 2020.³
5. GPA's Consent Decree with the USEPA, which the PUC approved in GPA Docket No. 20-01, requires GPA to permanently de-activate and de-commission Cabras 1&2 by October 22, 2022 after its generating capacity is replaced by GPA's new 198MW

¹ GPA Petition to Approve the Procurement of a PMC for Cabras 1 and 2 Generating Plants, GPA Docket 20-04, dated December 5, 2019 [GPA's Petition].

² Id. at page 2.

³ Consolidated Commission on Utilities [CCU] Resolution No. 2019-17, attached to GPA' Petition [CCU Resolution], at page 1.

power plant project which is currently scheduled to be completed in the 4th quarter of 2022.⁴

6. GPA will require the generating capacity of Cabras 1&2 to operate the island-wide power system until its new power plant project is completed.⁵
7. GPA has prepared a Multi-Stepped Sealed Bid to solicit for a new PMC contract for Cabras 1&2 [IFB].⁶
8. On November 26, 2019, the CCU authorized GPA to issue the solicitation for a new PMC contract for Cabras 1&2 subject to the review and approval of the PUC.⁷
9. On January 13, 2020, the PUC Legal Counsel issued his report.

DETERMINATIONS

10. GPA's Contract Review Protocol states that for multi-year procurements with fixed terms and variable annual costs, GPA shall seek PUC approval of the procurement if the aggregate cost estimate for the entire term of the procurement exceeds its \$1,500,000 review threshold.⁸
11. The IFB's contract is a fixed annual management fee contract wherein GPA and the new PMC will mutually agree as to the contract deliverables and guarantees, and the contract will include provisions for operations, maintenance supplies and services, and inventory management and control.⁹ Hence, the total amount of the future contract is not known at this time. However, GPA's IFB states that GPA has set the O&M Budget for the new PMC contract at \$1,350,000 per year, and that the bidders must accept this amount and must allocate adequate funds for O&M.¹⁰ The

⁴ Order dated December 5, 2019, GPA Docket No. 20-01

⁵ GPA Petition at 2.

⁶ GPA IFB, attached as Exhibit to CCU Resolution.

⁷ CCU Resolution at page 2.

⁸ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at page 2.

⁹ GPA IFB at 43, attached as an Exhibit to CCU Resolution.

¹⁰ Id., at 9.

IFB's contract has an initial term of thirty-six months with two optional twelve-month periods.¹¹ Thus, the IFB's initial three year contract term exceeds the \$1,500,000 review threshold and GPA must obtain the PUC's approval of the IFB prior to issuing it.

12. Further, the PUC has previously found that PMCs for Cabras 1 and 2 has improved their operational efficiency, reliability, and cost savings.¹²
13. The IFB's contract provisions are those that have previously been used by GPA in its performance management contracts and approved by the PUC, which include the operation of Cabras 1 & 2, staff management and augmentation, budget management, procurement inventory management and control, plant engineering, environmental compliance, completion of critical repairs and major maintenance project.¹³
14. However, there are new contract provisions such as compliance with the recent consent decree between the USEPA and GPA, and the de-activation, de-commissioning, and clean-up of the Cabras 1 & 2 plants.¹⁴ These additional provisions are necessary to reflect the planned replacement of Cabras 1 & 2 with the new northern power plant.
15. GPA's IFB request is reasonable, prudent and necessary.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, GPA's Petition to approve the Procurement of a PMC for Cabras 1&2, the Report of PUC Legal Counsel, and the record herein, for good cause shown, and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

¹¹ Id., at 3.

¹² Order dated September 15, 2010 at 1, GPA Docket No. 10-4.

¹³ GPA IFB at 43, Exhibit attached to CCU Resolution.

¹⁴ Id.

PUC ORDER
THE APPLICATION OF THE
GUAM POWER AUTHORITY
TO APPROVE THE PROCUREMENT
OF A PMC FOR CABRAS 1 AND 2
GENERATING PLANTS
GPA Docket 20-04
January 30, 2020

1. GPA's Procurement of a PMC for Cabras 1&2 is approved.
2. 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 §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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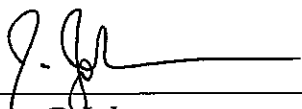
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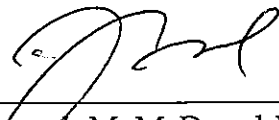
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PUC ORDER
THE APPLICATION OF THE
GUAM POWER AUTHORITY
TO APPROVE THE PROCUREMENT
OF A PMC FOR CABRAS 1 AND 2
GENERATING PLANTS
GPA Docket 20-04
January 30, 2020

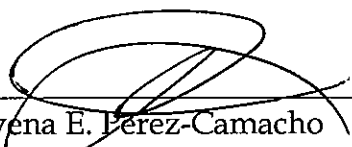
Dated this 30th day of January, 2020.



Jeffrey C. Johnson
Chairman

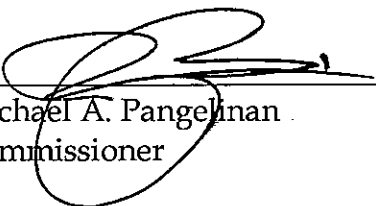


Joseph M. McDonald
Commissioner

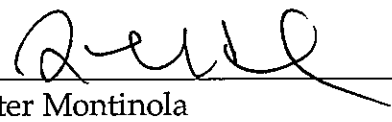


Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner



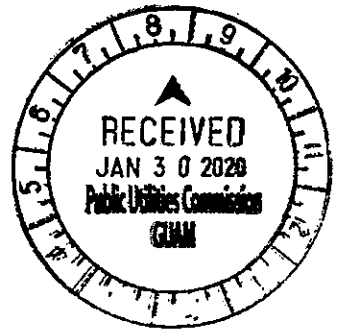
Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Mark G. Miller
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 20-03
)
The Guam Power Authority Levelized)
Energy Adjustment Clause (LEAC)) **ORDER**
)
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to set the LEAC Factor effective February 1, 2020.¹
2. GPA seeks to reduce the LEAC Factor from \$.154242/kWh to \$.131145/kWh for meters read on or after February 1, 2020.²

BACKGROUND

3. For the last three (3) 6-month LEAC periods, the LEAC Factor has remained constant at \$.154242/kWh. The PUC maintained the prior LEAC Factor in effect to reduce GPA's LEAC under-recovery balance.³
4. The under-recovery balance, as of January 31, 2019, was \$13,336,498.41. GPA's Petition estimated that the under-recovery balance will be reduced to \$3.3 million by January 31, 2020.⁴
5. The request in the GPA Petition to decrease the current LEAC factor to \$.131145/kWh is based upon an assumption that oil prices are projected to be \$50-55/Bbl. for the upcoming six-month period: "The oil market has continued to

¹ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019.

² Id.

³ PUC Order, GPA Docket 19-11, dated July 25, 2019.

⁴ Id.; see also email from Cora Montellano, Asst. CFO, GPA, to Frederick Horecky, PUC ALJ, dated December 30, 2019.

remain low with the price of residual fuel oil below \$40/Bbl. over the past three weeks."⁵

6. However, in its LEAC calculation, GPA included in its fuel pricing an estimated **"Forward Pricing + 7.5% Movement..."** based upon the Morgan Stanley pricing over the six-month period.⁶ It appears that, instead of basing its LEAC Factor projection upon the current fuel pricing, GPA added in an additional projected upward price movement of 7.5% over the next six-month period.
7. A review of the Consolidated Commission on Utilities Board Materials for its meeting of November 26, 2019, indicates its thought process for the "7.5% Movement" for Forward Pricing. At its meeting, the CCU considered different LEAC factors with varying upward price movement calculations, including proposals of 15% Movement up, 7.5% Movement Up and 5.7% with Market Movement up.⁷ In other words, GPA calculated different LEAC factors based upon its estimate of market increase in fuel prices over the next six months.
8. The LEAC factor requested by the CCU, \$.131145, was based upon an assumption of a 7.5% market movement from February to July 2020.
9. As GPA stated: "the Petition to decrease the current LEAC factor is a compromise between the projected decline in fuel prices over the next year and expected increases as OPEC and its allies continue its 1.2 billion barrels per day supply cut through the end of 2020 in the hopes of boosting the global economy."⁸
10. The change in the LEAC factor requested by GPA would reflect an approximate 14.97% decrease in the LEAC factor and an approximate 9.28% decrease on the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.⁹

⁵ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at attached letter dated December 12, 2019 from General Manager John Benavente to PUC ALJ Frederick Horecky.

⁶ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at Exhibit "A".

⁷ CCU Board Packet Materials for its meeting dated November 26, 2019, at pgs. 91-101.

⁸ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at attached letter dated December 12, 2019 from General Manager John Benavente to PUC ALJ Frederick Horecky.

⁹ GPA Petition to Set the LEAC Factor effective February 1, 2020, GPA Docket 20-03, filed December 12, 2019, at p. 1.

11. In addition to a "Forward Pricing" element in its LEAC calculation, a second new aspect of the current LEAC filing is that GPA seeks to include in the LEAC factor a charge to fund the GPA Demand Side Management Program. The Demand Side Management Program has been in effect since July of 2014.¹⁰ The purpose of the program is to provide rebates to GPA customers for the purchase of energy efficient appliances. At present GPA has implemented DSM programs for Central A/C, Ductless A/C, Washer, and Dryer.¹¹ The purpose of the DSM program is to reduce GPA ratepayer consumption of fuel through energy efficiency measures, and also to reduce the need to increase new generation capacity.
12. In its calculation of the proposed LEAC factor, GPA would include funding of \$1.5 Million for the DSM program for the period February 1, 2020 through July 31, 2020. GPA includes an estimated \$1.5 Million for costs associated with the DSM rebate program, "which has an estimated impact of \$0.002/kWh for the anticipated LEAC period. DSM under LEAC represents a 1.48% of the anticipated fuel cost for the period..."¹²
13. GPA's theory is that the funding of the DSM program through LEAC is justified, as DSM reduces GPA's fuel cost by lowering the consumption of fuel required to be included in the LEAC factor. GPA has also presented its request for inclusion of DSM program costs in its Petition in GPA Docket 20-05.¹³
14. The ALJ filed his Report herein dated January 27, 2020.¹⁴

DETERMINATIONS

15. Initially, it is unclear why GPA included a "Forward Pricing + 7.5% Movement" in its LEAC calculation. Historically, from the inception of the LEAC factor process to the present time, GPA has never previously included a "Forward Pricing Movement" in its LEAC Calculation. The customary approach has been that GPA determines a set fuel price for RFO and Diesel for the projected 6-month LEAC period. In accordance with established PUC procedure, the determination of the

¹⁰ PUC Order, GPA Docket 13-14, dated July 31, 2014.

¹¹ CCU Resolution No. 2019-18, adopted November 26, 2019, at p. 1.

¹² Id., at p. 2.

¹³ GPA Petition to Review and Approve the Execution of the GPA Demand Side Management (DSM) Programs using LEAC Funds, GPA Docket 20-05, dated December 5, 2019.

¹⁴ ALJ Report, GPA Docket 20-03, dated January 27, 2020.

projected fuel prices is always based upon the five-day average of such prices ten days before the PUC Meeting. Inclusion of Forward Pricing has never been a part of the process for determining the LEAC factor for the next six-month period.

16. The PUC should not allow GPA to include "Forward Pricing" in its LEAC determination. Such inclusion is contrary to the established LEAC process. Inclusion of forward pricing would render the specific fuel pricing upon a five-day average meaningless. An estimated forward pricing is highly speculative.
17. Additionally, "forward pricing" by GPA is unnecessary. GPA already has protection against inordinate price increases during the six-month LEAC period. GPA can file an interim petition for increase in LEAC during the LEAC period where there is a required \$2M threshold increase.¹⁵
18. Therefore, the calculation of the proper fuel pricing must be determined based upon the updated average of the Morgan Stanley Fuel Forecast prices for the five-day period occurring ten days before the PUC January 30, 2020, meeting date.
19. With regard to fuel pricing, fuel prices increased considerably after the Consolidated Commission on Utilities approved its LEAC factor in November of 2019. As of the date of CCU approval of the LEAC Factor, November 26, 2019, the Singapore Gasoil price for 10ppm was \$76.63; the Singapore HSFO price for 180CST was \$239.76 per metric ton. As of January 7, 2020, the price for Singapore Gasoil 10ppm had increased to \$81.21 per barrel; the price for Singapore HSFO 180CST had increased to \$336.85 per metric ton.¹⁶ However, more recently, fuel prices again decreased considerably. As of January 17, 2020, the price for Singapore Gasoil 10ppm had decreased to \$75.35 per barrel; the price for Singapore HSFO 180CST had decreased to \$329.55 per metric ton.¹⁷ The lesson from fuel pricing in this docket is that it is extremely volatile.
20. At this point in time, the ALJ is not yet prepared to recommend to the PUC that it include \$.0021/kWh in the LEAC factor for funding of the DSM program. The ALJ has issued requests for information to GPA concerning the DSM program, the responses to which are outstanding. A true and correct copy of the RFIs are attached to the ALJ Report hereto as Exhibit "1".

¹⁵ GPA Tariff Z.

¹⁶ Morgan Stanley Asia Morning Call, Price Indications for November 26, 2019 and January 3, 2020.

¹⁷ Morgan Stanley Asia Morning Call, Price Indications for January 17, 2020.

21. Additional time is needed for discussions between GPA and the ALJ before a proper recommendation can be made as to inclusion of DSM costs in the LEAC Factor.
22. On January 17, 2020, Lenora M. Sanz, GPA Controller, provided the ALJ the LEAC Analysis Update. In accordance with the established procedure, the Update provided a five-day average of fuel prices ten days before the PUC Meeting (Forward Pricing from January 13-17, 2020). A true and correct copy thereof is attached to the ALJ Report as Exhibit "2".¹⁸
23. The average fuel prices in the Update are \$59.14 per bbl. RFO and \$85.66 per bbl. Diesel. The recommended LEAC Factor for the next six-month period, Forward pricing (No Movement Up) without DSM, is \$0.134474, nearly two cents per kWh lower than the Factor for the last six-month period. At the end of the next six-month period there will be no under-recovery balance. The new Factor will result in a 12.82% decrease in the LEAC Factor and a 7.94% decrease in the total bill.¹⁹
24. Prices since the GPA Update continue to show the volatility of fuel prices. As of January 24, 2020, the price for Singapore Gasoil 10ppm had decreased to \$73.59 per barrel; however, the price for Singapore HSFO 180CST had increased to \$342.70 per metric ton. Morgan Stanley predicts that fuel prices will be decreasing for the next year into calendar year 2021.²⁰

ORDERING PROVISIONS

After carefully reviewing the record in this proceeding, having considered the LEAC Filing of GPA and the PUC Administrative Law Judge Report, and after discussion at a duly noticed regular meeting held on January 30, 2020, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The secondary Fuel Recovery Factor of \$0.134474 /kWh shall be effective for meters read on or after February 1, 2020.
2. The current singular LEAC factors are hereby adjusted, effective February 1, 2020, as shown in the following table:

¹⁸ Email from Lenora M. Sanz, GPA Controller, to Frederick J. Horecky, PUC ALJ, dated January 17, 2019.

¹⁹ Id.

²⁰ Morgan Stanley Asia Morning Call, Price Indications for January 24, 2020.

LEAC

Delivery Classification \$ per kWh

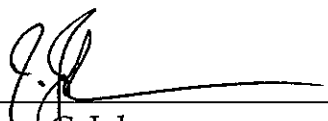
Secondary -	\$ 0.134474
Primary - 13.8 KV	\$ 0.130425
Primary - 34.5 KV	\$ 0.130050
Transmission - 115 KV	\$ 0.128449

For the entire LEAC period, these changes represent a 7.94% decrease in the total bill for a residential customer utilizing an average of 1,000 kilowatt hours per month.

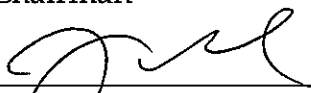
3. GPA should file for a change in the LEAC factors to be effective August 1, 2020, on or before June 15, 2020.
4. As requested by GPA, the forecast of the Working Capital Fund Requirement will remain the same, so there will not be a change in the Working Capital Surcharge for the period of February 1, 2020, through July 31, 2020.
5. GPA shall not include "Forward Pricing Movement" in its future LEAC determinations.
6. Whether DSM funding shall be included shall be determined in GPA Docket 20-06, upon further review by the ALJ and approval by the PUC.
7. 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]

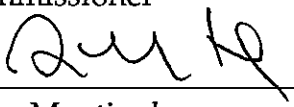
Dated this 30th day of January, 2020.



Jeffrey C. Johnson
Chairman

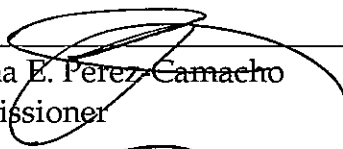


Joseph M. McDonald
Commissioner

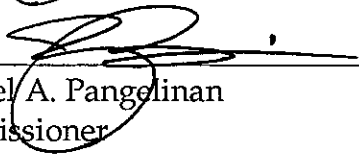


Peter Montinola
Commissioner

Mark Miller
Commissioner



Rowena E. Perez-Camacho
Commissioner



Michael A. Pangelinan
Commissioner

Doris Flores Brooks
Commissioner