

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
June 25, 2020
GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:43 p.m. on June 25, 2020, pursuant to due and lawful notice. Commissioners Johnson, Perez-Camacho, Montinola, Pangelinan, McDonald, Flores-Brooks, and Guerrero 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 May 28, 2020. Legal Counsel Camacho stated that the minutes were not completed and would be available for the PUC's review at its next meeting and the Chairperson tabled this matter until the next PUC's next meeting.

2. Guam Waterworks Authority

The Chairperson announced that the next item of business was Guam Waterworks Authority [GWA] Docket 20-04, Petition for Approval of the Contract with Red Rock Consulting PTY LTD. for the Upgrade of GWA's Enterprise Resource Planning System, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that at the PUC's initial meeting for this contract it did not get the sufficient number of votes to pass, GWA filed a Supplemental Brief for the last month's PUC meeting answering some of the questions that the PUC raised about the contract and the PUC voted to allow GWA to file a motion to reconsider at its May 2020 meeting, and that GWA did so on June 9, 2020. Legal Counsel Camacho stated that the PUC asked GWA to contact the Port Authority of Guam [PAG] to explore the feasibility of joining them in their procurement of a similar system, and that GWA determined it was not feasible to do so because although PAG was obtaining an Oracle JDE 1 System, it's for their financial management software only and it's not the same package that GWA is obtaining, and because GWA could not operate its system using PAG's licenses. Legal Counsel Camacho stated that GWA would try to get a similar discount that PAG obtained for their software, and he recommended that the PUC approve the motion to reconsider because the contract is reasonable, prudent, and necessary. GWA GM Bordallo stated that GWA's 20-year old system needs to be replaced, that GWA properly vetted and verified that the system its obtaining will benefit GWA and the ratepayers because it is

the most economical and will increase GWA's capability. Commissioner Perez-Camacho inquired whether GWA had received a response from Oracle or Red Rock concerning its request for discount similar to PAG and GWA's Budasi stated that Red Rock did provide a little bit less than 1% of a discount that results in a 2.5% discount on the Oracle pricing. Commissioner Flores-Brooks inquired as to whether what GWA found when it compared the JDE 1 system to two other systems and GWA's Budasi stated that the comparison that was done was based off of a consultant that was hired back in 2011 to also look at the GPA and GWA systems, and they compared it with four other top-tier ERP system competitors of JDE 1, that the consultant went through and reviewed each system, compared the different modules, and concluded that the functionalities were the same, that GWA would obtain greater savings by doing an upgrade instead of purchasing licenses for a new system, that it would be quicker and faster for GWA's employees to learn that upgrade instead of a new system, and that GWA would have to undergo a costly historical data migration if it obtained a new system and could avoid these costs by doing a upgrade instead. GWA's Budasi stated that GWA received pricing for a new system that would be almost a million dollars higher than doing the upgrade. A discussion ensued between Commissioner Brooks and GWA's Budasi about how the consultant performed the evaluation, the consultant's qualifications, and how GWA procured the consultant.

Commissioner Perez-Camacho inquired as to what the dollar amount of the discount was and GWA's Budasi stated that it was about \$31,000. Commissioner Montinola inquired whether SAP, the other company reviewed by GWA, provided service to Guam and what types of upgrade support GWA would receive and GWA's Budasi stated that he believed they did but that GWA chose to upgrade to avoid the higher licensing costs for the SAP system and that the contract includes the upgrade, additional licensing modules and extensions, and support contracts that have the contractor taking care of the back end of the system for the first three years. But we have an option. So, every year we would renew that support contract. A conversation ensued between Commissioner Montinola and GWA's Budasi concerning the complexity of the upgrade, and GWA's in house capabilities and the possibility of additional costs that were not included in the contract, and how GWA would pay for the cost of the upgrade. Commissioner Perez-Camacho moved to approve the proposed order approving the petition but with an amendment to reflect the discounted price reflecting what GWA is actually going to pay, which motion was seconded by Commissioner Montinola. The motion passed with four affirmative votes to two opposition votes from Commissioners Flores-Brooks and Guerrero.

The Chairperson announced that the next item of business was GWA Docket 20-06, Petition of the Guam Waterworks Authority for Approval of Use of 2020A Bond Proceeds, ALJ Report, and Proposed Order. ALJ Horecky stated that GWA is requesting approval of the use of 2020 bond and that GWA estimated approximately

\$109 million in net proceeds, that that GWA received approximately \$123 million in net proceeds, and that there is an additional \$14,664,270.00 available for capital improvement projects, and that the PUC must approve the use of such additional bond funds. ALJ Horecky stated that the bond funds have to be used for approved bond projects, and that the PUC had previously approved a list of bond projects, and that the petition requests the PUC approve the use of the additional bond funds for some of these projects that have been identified by GWA, that GWA seeks to use the additional bond funds instead of the revenue funds it sought to use for those projects, and that the total project costs are about \$320 million over a four year period. ALJ Horecky stated that the main projects are a water system reservoir project for almost \$71 million, a deep well rehabilitation project for almost \$12 million, water well improvements for over \$10 million, and a water distribution system for almost \$10 million, and that GWA had moved up the funding for these projects for 2020 and 2021. ALJ Horecky stated that GWA's allocation of the funds for these projects was reasonable, and that he recommends that the PUC approve GWA's request for the use of the additional \$14,664,270.00 in bond funds in accordance with GWA's requested allocations. GWA GM Bordallo stated that GWA received \$14 million dollars more than it anticipated and that the benefit for GWA and the ratepayers is that the additional funds can be used on the capital improvement projects reducing the amount of revenue funds that GWA had planned to use for those projects. A discussion ensued between Commissioner Flores-Brooks and GWA GM Bordallo regarding the bond interest rates, GWA and the Government of Guam's bond rating, GWA's efforts to market the bonds, wherein Commissioner Flores-Brooks congratulated GWA for obtaining the additional bond funds, and for passing GWA's audits. A discussion ensued between Commissioner Guerrero and GWA GM Bordallo concerning the effect of GWA's revenue reduction due to the pandemic emergency and the lack of tourist arrivals on Guam, GWA's cost containment plan, GWA's debt service amount, and the repayment terms and interest rates for GWA's bonds. Commissioner Montinola made a motion to approve the proposed order granting GWA's petition, which motion was seconded by Commissioner Pangelinan. The motion passed with six affirmative votes to one vote in opposition made by Commissioner Guerrero.

3. Guam Power Authority.

The Chairperson announced that the next item of business was Guam Power Authority [GPA] Docket 20-14, Petition for Approval of Procurement for Aggreko Performance Management Contract (PMC), PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that the Aggreko plant is one of the results of the loss of Cabras 3 and 4, that the initial contract for the plant started on January 9, 2016, that GPA relies on the Aggreko plant's 40MW of generating capacity along with Cabras 1 and 2 to prevent rolling blackouts and to provide sufficient power to Guam. Legal Counsel Camacho stated that the Aggreko plant consists of 39 portable generator sets

that are enclosed in standard-sized ISO 20-foot containers, and that each of these 39 units is rated at 1,014 kilowatts of gross-generating output, that the contract for the plant contains a provision whereby Aggreko would run it until January 8, 2021, and then ownership of the 39 generators would pass to GPA. Legal Counsel Camacho stated that GPA has used PMCs since the 1990s as the model for its generating plants whereby the contractor will manage the plant and use GPA personnel to operate it. Legal Counsel Camacho stated that GPA is requesting PUC approval for the solicitation to obtain a PMC for the Aggreko plant and that GPA wants to use the multistep sealed bidding process to obtain this contract, that the CCU approved the solicitation, subject to PUC approval, and that the IFB's contract is a fixed annual management contract fee wherein GPA and the PMC will mutually agree as to the contract deliverables and guarantees, and that the contract includes provisions for operations and maintenance supplies and services and inventory management and control, and that, although there is no PMC at this time to determine the contract cost, the PUC must approve the solicitation because the plant's annual operations and maintenance costs is about \$1,350,000.00 a year and that the contractor would be responsible for funding the O&M budget up to this amount annually. Legal Counsel Camacho stated that the proposed contract, has an initial term of 36 months with two optional 12-months periods, that the proposed contract is very similar if not identical to PMC contracts previously used by GPA, and that what's different is the provision for GPA to request that the PMC relocate some of the plant's diesel units to ensure efficient distribution capacity at other GPA sites after GPA's renewable energy systems and its new northern power plant come on line, and that he finds the solicitation to be reasonable, prudent, and necessary, and that he recommends the PUC approve it. GPA GM Benavente stated that the contract was extended around 2017 for four years, and that it includes a lease-to-own provision, that GPA purchased the Aggreko plant for \$1.8 million over the past four years and by January, 2021, GPA gains ownership of the plant, and that the annual fees to operate the plant are about \$7 million, and that GPA plans on operating the plant for the next three years until the new northern power plant come online which would save the ratepayers about \$20 million. GPA GM Benavente stated that the plant units are very reliable, very flexible, and that it takes about 30 people to operate it.

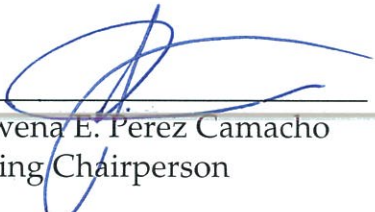
The Chairperson inquired as to the lifespan of the plant's units and whether GPA would continue to use 30 people to operate the plant and GPA GM Benavente stated that the lifespan of the plant's units was about 10 years and that GPA would continue to use 30 of its employees to operate the plant. A discussion ensued between Commissioner Guerrero and GPA GM Benavente concerning Guam's required power load, and the current generating capacity of GPA's existing plants, and the U.S. Navy's plants. Commissioner Guerrero stated that there was no need for a PMC and that GPA could operate the plant itself and he moved to table GPA's petition until GPA provided more data, to which there was no second. GPA GM Benavente stated that the Aggreko plant was necessary because without it, Guam would be experiencing load shedding until the new northern power plant comes online. A discussion ensued between the

Chairperson, Commissioners Montinola and Flores-Brooks, Legal Counsel Camacho, GPA GM Benavente concerning the initial cost of the Aggreko plant, the annual fees that GPA was currently paying Aggreko to operate the plant, the current costs of operating the Aggreko plant, GPA's solicitation for a PMC for the Aggreko plant, the cost threshold requiring the PUC approval of the solicitation for the PMC, the term of the proposed PMC, GPA's historical use of PMC to operate its generating plants, and GPA's plans to retire the Cabras 1 and 2 plants and the Aggreko plant. Commissioner Pangelinan inquired as to whether GPA would operate the Aggreko plant itself if it did not get any reasonable bids in response to its solicitation and whether it would consider a two year term for the PMC and GPA GM Benavente stated that GPA would just operate the plants if the bids were too expensive but would likely have to hire more people if GPA was operating the plant without a PMC, and that GPA really needs the longer term it is soliciting form because the new northern power plant might not come online until sometime in 2023 or possibly 2024. Commissioner Montinola inquired how much cheaper it would be for GPA to operate the plant instead of using a PMC and GPA GM Benavente stated that it would be about \$1 million less but it would cause many headaches that a PMC would prevent, especially with procurement and procurement protests that could delay needed maintenance on the plant. Commissioner Montinola moved to approve the proposed order granting GPA's petition, which motion was seconded by Commissioner McDonald. The motion passed with six affirmative votes to one opposition vote by Commissioner Guerrero.

4. Administrative Matters.

The Chairperson announced that the next item of business was administrative matters, however, there were none.

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



Rowena E. Perez Camacho
Acting Chairperson

ATTACHMENT A
BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE., HAGATNA, GUAM
6:30 p.m., June 25, 2020

Agenda

1. Approval of Minutes of May 28, 2020
 2. Guam Waterworks Authority
 - GWA Docket 20-04, Petition for Approval of the Contract with Red Rock Consulting PTY LTD. for the Upgrade of GWA's Enterprise Resource Planning System, PUC Counsel Report, and Proposed Order
 - GWA Docket 20-06, Petition of the Guam Waterworks Authority for Approval of Use of 2020A Bond Proceeds, ALJ Report, and Proposed Order
 3. Guam Power Authority
 - GPA Docket 20-14, Petition for Approval of Procurement for Aggreko Performance Management Contract (PMC), PUC Counsel Report, and Proposed Order
 4. Administrative Matters
 5. Other Business
-

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GWA DOCKET 20-04

THE GUAM WATERWORKS
AUTHORITY'S MOTION FOR
RECONSIDERATION FOR APPROVAL
OF GWA'S ENTERPRISE RESOURCE
PLANNING SYSTEM UPGRADE
UNDER THE CONTRACT REVIEW
PROTOCOL

ORDER

INTRODUCTION

1. This matter originally came before the Guam Public Utilities Commission ["PUC"] on March 26, 2020 pursuant the Guam Waterworks Authority's ["GWA"] Petition for Approval of GWA's Enterprise Resource Planning System Upgrade Under the Contract Review Protocol.¹ However, at that meeting, the only three out of five Commissioner's present at that meeting voted to approve the petition resulting in its denial as a result of its failure to garner the necessary four votes for approval.
2. During the March 26, 2020, GWA was informed that it could bring this matter up again at the PUC's next meeting and GWA filed a supplemental brief in support of its original Petition and GWA continues to request that the PUC approve GWA's contract with Red Rock Consulting Pty. Ltd. [DXC Red Rock] for the upgrade of GWA's Enterprise Resource Planning System [ERP].²
3. GWA's supplemental brief in this matter was discussed at the PUC's May 28, 2020 meeting and the PUC voted in favor of reconsidering this matter at its June 25, 2020 meeting. Accordingly, GWA filed its Motion to Reconsider on June 5, 2020.³

BACKGROUND

3. Since 1998, GWA has used its ERP software system to manage its accounting, procurement, and human resource activities and the version of this software used

¹ GWA Petition for Approval of GWA's Enterprise Resource Planning System Upgrade under the Contract Review Protocol, GWA Docket 20-04, filed on February 27, 2020 [GWA Original Petition] at 1.

² GWA Supplemental Brief in Support of the Contract to Upgrade GWA's Enterprise Resource Planning System, GWA Docket 20-04, filed on February 27, 2020 [GWA Supplemental Brief] at 1.

³ GWA Motion for Reconsideration Filed on June 5, 2020 [GWA Motion for Reconsideration] at 1.

by GWA is JDE World ERP v9.3. This version of the ERP software is one version behind the current version and will not be supported or upgraded by the vendor after March, 2020. Further, GWA employees have had to develop and implement manual workarounds and stand-alone applications to perform tasks and create reports on its increasingly inefficient and outdated ERP software.⁴

4. GWA seeks to migrate its existing ERP software to a new, modern, browser-based digital platform called JDE E1. Oracle is the only software company offering the JDE E1 software and DXC Red Rock is the only contractor with a proprietary pre-built JDE E1 configuration and implementation plan for engineering and construction firms in the Western Pacific Region.⁵
5. On December 5, 2018, GWA issued a sole source procurement awarding the contract for the discovery phase of its JDE E1 upgrade to DXC Red Rock. The discovery phase of the upgrade included defining the scope for a technical and transformational upgrade and it had several key project planning deliverables including pricing.⁶ DXC Red Rock subsequently submitted proposal for a three year contract with implementation of the upgrade in the first year, and recurring licensure costs and managed services for all three years with a total contract estimated the cost of \$5,286,385.⁷
6. On January 21, 2020, GWA issued a second sole source procurement awarding the contract for the JDE E1 upgrade to DXC Red Rock.⁸ On February 21, 2020, the Consolidated Commission on Utilities [CCU] approved GWA Resolution No. 13-FY2020 which authorized GWA to enter into a contract with DXC Red Rock for the JDE E1 upgrade for the amount of \$5,286,385 and to seek the PUC's approval of the contract.⁹
7. PUC legal counsel reviewed GWA's original petition and concluded that: (1) The \$5,286,385 cost for GWA's JDE E1 upgrade contract with DXC Red Rock requires PUC approval because the total cost of the contract exceeds the \$1,000,000 contract review amount; (2) The \$5,286,385 contract cost is reasonable; (3) GWA's use of the

⁴ GWA Original Petition., at 1-2.

⁵ Id., at 2.

⁶ Id.

⁷ GWA Exhibits at 51. NOTE: Exhibit page numbers refer to the PDF page numbers and not any page numbers listed in the exhibits.

⁸ Id., at 45.

⁹ Id., at 47-51.

sole source procurement method is prudent because there is only one source for the supply and because the compatibility of equipment, accessories, and replacement parts is of paramount importance to GWA because no other digital platform or software system will be suitable or acceptable to meet its needs; and (4) GWA's upgrade to the JDE E1 digital platform is necessary due to GWA's existing software's age, increasing inefficiency, and the withdrawal of technical support from its licensor. Accordingly, PUC Counsel recommended that the PUC approve GWA's Petition.¹⁰

8. At the March 26, 2020 meeting, questions were raised about GWA's use of the sole source procurement method to achieve its upgrade to the JDE E1 digital platform as well as the efficacy of GWA's decision to upgrade their existing software system instead of putting the service out to bid and replacing it with an entirely new system.
9. GWA's Supplemental Brief and GWA's Motion for Reconsideration seek to answer these questions by explaining that GWA's use of the sole source procurement method to upgrade to the JDE E1 digital platform is justified because the upgrade's software functionality supports GWA's business needs, the license purchase investment has already been made, and because the upgrade allows GWA to integrate its Computerized Maintenance Management System [CMMS] or Asset Management software with the financial system eliminating the costly integration of two different systems.¹¹
10. GWA's Supplemental Brief and GWA's Motion for Reconsideration also explain that GWA is unable to maintain its current system without an upgrade or replacement because: (1) Technical support for its existing software expired in March, 2020; (2) The current process is too manual and does not provide for the traceability of source transactions and monthly management reports have to be completed off their system; (3) Training new employees on the system's "green screen" is difficult; (4) GWA staff are unable to work with their existing system remotely; and because (5) The existing system uses an obsolete tape based back-up system.¹²

¹⁰ PUC Counsel Report dated March 16, 2020 for GWA Docket No. 20-04 at 2-3.

¹¹ GWA Supplemental Brief at 2.

¹² Id., at 5-7.

11. GWA has also compared the benefits of its proposed upgrade to its current software system and competitor software systems and it has determined that it is more beneficial for GWA to proceed with its proposed upgrade.¹³ Finally, GWA has providing more data showing that the JDE E1 digital platform it seeks to upgrade to remains an industry leader.¹⁴
12. On June 22, 2020, PUC Counsel issued his report for GWA's Motion for Reconsideration.

DETERMINATIONS

13. Clearly, its not hard to beat GWA's existing software system which is over twenty years old. As stated above, the existing software's "green-screen" interface, its taped back-up system, the need to generate monthly management reports outside of the system, and the inability of users to access the system remotely are all good indicators that GWA should replace its existing software system. If this is not sufficient justification, the expiration of technical support for the software system in March, 2020 is. Hence, the replacement of GWA's existing software system is necessary.
14. The real issue in this matter is whether it would be more reasonable or prudent to solicit and obtain a new software system in lieu of proceeding with the proposed upgrade. GWA completed a performance analysis of the JDE E1 digital platform to its peer competitors and concluded that each of these software systems had equal performance scores.¹⁵ Hence, it is unlikely that GWA will be obtaining any enhanced performance from other software systems by taking this course of action.
15. Cost is the main difference between GWA proceeding with its proposed upgrade and soliciting for and obtaining a new software system. As set forth in PUC Counsel's prior report on this matter, the upgrade's \$5,286,385 contract cost is reasonable because the typical cost for an average mid-size business' ERP software upgrade is between 3% to 7% of its annual revenue and for GWA, this translates to a range of \$3.3 million to \$7.4 million.¹⁶ As also stated in that report, this mid-

¹³ Id., at 7-10.

¹⁴ Id., at 10-12.

¹⁵ GWA Supplemental Brief and Motion for Reconsideration at 54. NOTE: Page numbers in the exhibits to the brief are not contiguous and the page number here is the PDF page number which is contiguous.

¹⁶ PUC Counsel Report dated March 16, 2020 for GWA Docket No. 20-04 at 2.

range cost position is justified because GWA is not merely trying to upgrade its existing licenses as allowed by Oracle, but is also purchasing additional licenses, support, infrastructure, and professional services from Oracle and DXC Red Rock.¹⁷ A new software system would be much more than the \$5,286,385 cost for GWA's proposed upgrade because it would have to pay for new licenses and it would likely take additional time to migrate GWA to a new software system than it would to upgrade GWA's existing software system.

16. Risk is the other difference between GWA's proposed upgrade and soliciting for a new software system. Specifically, GWA's proposed use of the sole source procurement method is, as previously stated in PUC Counsel's prior report, legal, and it bears less risk. Specifically, sole sourcing the upgrade greatly reduces the risk of a procurement protest that might result in the delay of replacing GWA's aged and inefficient software system.
17. Finally, at the May 28, 2020 PUC meeting, the PUC requested that GWA explore the feasibility of GWA participating in the Port Authority of Guam's procurement of its JDE Enterprise One Financial Management System Upgrade which was approved by the PUC at the May 28, 2020 PUC meeting. GWA responds to this inquiry by stating that GWA's management spoke with Oracle and GWA's proposed consultant, Red Rock concerning this matter, and that due to GWA and the Port Authority of Guam having different boards and due to GWA and the Port Authority of Guam performing entirely different functions, the systems and licenses would not be shareable. Nevertheless, GWA stated that it requested that Oracle and Red Rock provide it with a larger discount similar to that provided to the Port Authority of Guam, however, GWA has not received a response to its request as of the date of this report.¹⁸

¹⁷ Id.

¹⁸ A copy of GWA's Email to PUC Legal Counsel is as follows:

koclark@guamwaterworks.org

Sun 6/21/2020 6:30 PM

Mr. Camacho,

GWA management spoke with Oracle and GWA's proposed consultant, Red Rock about participating with the Port Authority in its E1 procurement. Because the entities have different Boards and perform entirely different functions, the systems and licenses would not be shareable. However, GWA has formally asked Red Rock and Oracle for a deeper discount on the services that is similar or will exceed the pricing discount allowed for the Port. We have not heard back with respect to that request. Thank you for your assistance and let me know if you require any further information.

KC [Kelly Clark, Esq.]

18. Based on the foregoing, GWA's sole source procurement of the DXC Red Rock contract and the contract's \$5,286,385 cost are reasonable, prudent, and necessary, and the alternative of placing the software contract out to obtain a different software system should not be pursued because it entails greater cost and risk, with no substantial performance gains to justify the increased cost and risk.

ORDERING PROVISIONS

After review of the record herein, GWA's Petition for Approval of GWA's Enterprise Resource Planning System Upgrade Under the Contract Review Protocol, 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 sole source procurement of the DXC Red Rock contract for GWA's upgrade to the JDE E1 digital platform and the contract's \$5,286,385 cost is hereby approved.
2. 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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Order
GWA's Motion for Reconsideration for Approval
of GWA's Enterprise Resource Planning System
Upgrade
GWA Docket 20-04
June 25, 2020

Dated this 25th day of June, 2020.



Jeffrey C. Johnson
Chairman

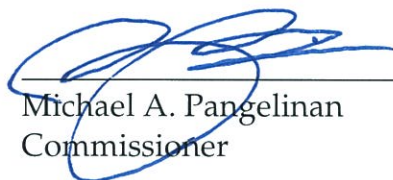


Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Pete Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GWA Docket 20-06
)
The Petition of the Guam Waterworks) ORDER
Authority for Approval of Use of 2020A)
Bond Proceeds.)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (“PUC”) pursuant to the Petition for Approval of Use of 2020A Bond Proceeds (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on June 16, 2020.¹

BACKGROUND

On March 26, 2020, the PUC adopted an “ORDER APPROVING LONG-TERM DEBT.”² The PUC authorized GWA to issue bonds in a principal amount not to exceed \$134,000,000. Attached to the PUC Order as Exhibit A was a “TABLE OF PROJECTS FUNDED BY SERIES 2020A BONDS.”³

In its Petition for Approval of the 2020 Bond Issuance, GWA estimated that there would be net proceeds in the construction fund for capital improvement projects of approximately \$108,926,000.⁴ However, after the Bond Issuance was completed, there were Project Fund Deposits in the 2020A Construction Account in the total amount of

¹ GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, filed June 16, 2020.

² PUC Order Approving Long-Term Debt, GWA Docket 20-03, dated March 26, 2020.

³ Id. at p. 2 and Exhibit “A”.

⁴ GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, at p. 1.

\$123,590,268.65.⁵ Therefore, GWA has an additional \$14,664,270 available in construction funds for capital improvement projects. These additional available funds have not been allocated or approved for use on specific capital improvement projects.

DETERMINATIONS

A. Bond Review

Pursuant to 12 GCA § 12105,⁶ GWA cannot enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GWA's Contract Review Protocol, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.⁷

B. The Petition and CCU Resolution No. 29-FY2020

In its Petition, GWA seeks PUC approval for the use of \$14,664,268.65 of additional bond funds. The proposed spending for such additional funds in FY2020 and FY2021 is set forth in the Project CIP List attached to GWA's Petition as Exhibit A. Said List is the same List attached to CCU Resolution No. 29-FY2020. A true and correct copy of Exhibit A is attached to the ALJ Report filed herein as Exhibit "1".

⁵ Citigroup Global Markets Inc., SOURCES AND USES OF FUNDS: Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2020A, Proposed Final Numbers, at p. 1.

⁶ Formerly 12 GCA § 12004.

⁷ See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p.1 (Oct. 27, 2013).

In CCU Resolution No. 29-FY2020, the CCU has explained, in detailed fashion, all of the “CIP line items that experienced fund allotment changes to the 2020A Bond proceeds...” There is an explanation of all changes made to specific line items.⁸ There has been no change in the total funding amount for the 2020-2024 Capital Improvement Program (CIP), as was submitted in GWA Docket 19-08. All of the same capital project line items slated for 2020 Bond Funding, as were included in the pre-issuance CIP project list, are still included in the Project List attached to GWA’s Petition.⁹

CCU Resolution No. 29-FY2020 indicates the spending changes that have been made to the Project CIP List as a result of the availability of additional bond funds: (1) with certain CIP line items, projects were previously intended to be funded with planned Internally Funded CIP (IFCIP) allotments; however, due to the anticipated drop in GWA revenues from the recent global pandemic, bond proceeds instead will be allocated to fund such CIP projects; and (2) some CIP line items for FY2020 and FY2021 are receiving additional funding.¹⁰

⁸ Draft Consolidated Commission on Utilities Resolution No. 29-FY2020, Relative to Approving the Guam Waterworks Authority’s “2020-2024 Capital Improvement Plan (CIP) Supplement”, at p. 2; said Resolution is anticipated to be adopted at the CCU Meeting scheduled for June 23, 2020.

⁹ GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, at p. 1.

¹⁰ Draft Consolidated Commission on Utilities Resolution No. 29-FY2020, Relative to Approving the Guam Waterworks Authority’s “2020-2024 Capital Improvement Plan (CIP) Supplement”, at p. 2; said Resolution is anticipated to be adopted at the CCU Meeting scheduled for June 23, 2020.

Many of the projects listed on Exhibit 1 to the ALJ Report, related to non-revenue water, “have been moved up in time and/or 2020 Bond Funding amounts have been increased.”¹¹

C. Bond Projects

The purpose of this allocation of the additional funding is to “spread in various CIP line items that are intended to address non-revenue water loss, reduction in sanitary sewer overflows, remaining USEPA Court Order Projects, projects that address pending USEPA consent decree requirements and general GWA facility improvements.”¹²

The ALJ reviewed the projects listed in Exhibit 1. He gave particular attention to those projects where funding increases in FY2020 and FY2021 approached \$1M or more. For the most part, these projects involved expenditures where large sums were projected over the four-year period FY2020-2024. Spending was either accelerated or series 2020A proceeds were added in lieu of IFCIP funding allotment.

The projects include:

MP-GEN-MISC-04: “Information Technology Improvements”; \$1,250,000 of

2020A proceeds were added in lieu of IFCIP funding allotment to address GWA

¹¹ GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, at p. 1.

¹² GWA Work Session, June 16, 2020, ISSUES FOR DECISION, at p. 21 (packet for CCU Members).

Information Technology hardware and software needs to improve service to customers.¹³

MP-GEN-MISC-05: “GWA Infrastructure Improvements”; \$2,000,000 of 2020A proceeds were added to the CIP line item to address structural and functional improvements for various GWA facilities.¹⁴

MP-PW-PIPE-13: “2-Inch Pipe Replacement Program; \$800,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address old 2-Inch diameter galvanized pipe prone to leaks.¹⁵

MP-PW-WELL-01: “Well Rehabilitation Program”; \$1,900,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address source water improvements.¹⁶

WW 09-01: “Lift Station Upgrades”; \$800,000 of 2020A proceeds were added to the CIP line item and \$250,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address sewer pump station and force main improvements required under the pending USEPA Consent Decree.¹⁷

WW 09-01: “Wastewater Collection System Replacement/Rehabilitation”;
\$250,000 of 2020A proceeds were added to the CIP line item and \$1,050,000 of 2020A

¹³ CCU Resolution No. 29-FY2020, at p. 2.

¹⁴ Id.

¹⁵ Id. at p. 3.

¹⁶ Id. at p. 4.

¹⁷ Id.

proceeds were added in lieu of IFCIP funding allotment to address collection system improvements required under the pending USEPA Consent Decree.¹⁸

MP-WW-Pipe-01: “Gravity Pipe Rehabilitation/Replacement Program”; \$1,800,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address collection system improvements required under the pending USEPA Consent Decree.¹⁹

The ALJ has reviewed the proposed expenditures of the additional bond funds in Exhibit 1 hereto (Exhibit A to the Petition) and has compared them with the original expenditures indicated in the Schedule of Capital Projects submitted by GWA in GWA Docket 19-08, the Rate Case. The Schedule of Capital Projects filed in GWA Docket 19-08 is attached to the ALJ Report as Exhibit “2”.²⁰ Most of the projects with substantial cost increases for FY2020 and FY2021 are those with high funding totals between 2020 and 2024. In response to a request by the PUC ALJ, the Chief Financial Officer of GWA, Taling M. Taitano, submitted reasonable explanations for the increases in the higher cost GWA bond funded projects.²¹

¹⁸ Id. at p. 5.

¹⁹ Id.

²⁰ Exhibit 2 to the ALJ Report, Schedule of Capital Projects-Water, Wastewater, Electrical and Miscellaneous, FY2019-2024, submitted as Exhibit D to the Rate filing by GWA in GWA Docket 19-08, filed July 6, 2019.

²¹ Email from GWA CFO Taling M. Taitano to PUC ALJ Fred Horecky, dated June 19, 2020, attached to the ALJ Report as Exhibit “3”.

D. Precedent for Approval of Additional Bond Funds

A similar issue arose for approval of the use of additional bond proceeds with regard to the 2015 Bond issuance. There GWA sought PUC approval where it received \$11,569,463 more in net bond proceeds from the bond issuance than it had originally contemplated. The PUC approved GWA's petition for the use of such additional proceeds from the 2015 Bond Issuance for various specified bond projects.²²

CONCLUSION AND RECOMMENDATIONS

The June 22, 2020, ALJ Report recommended that the PUC approve GWA's request for the use of the additional \$14,664,270, in accordance with the allocations set forth in Exhibit 1 attached to that Report. The Commission hereby adopts the findings and recommendations contained in ALJ Report. The requested allocations are appropriate expenditures for the additional funds secured through the bond issuance.

The Commission therefore issues the following:

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the GWA Petition, the June 22 ALJ Report, and the record herein, and after discussion at a duly noticed regular meeting held on June 25, 2020, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned

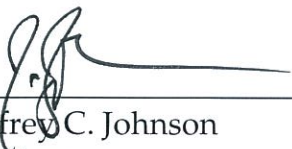
²² PUC Order, GWA Docket 16-02. Dated April 28, 2016, at p. 7.

Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. GWA's request for the use of the additional \$14,664,270 in bond funds, in accordance with the allocations set forth in Exhibit 1 attached to the ALJ Report (and as Exhibit A to the GWA Petition), is approved.
2. 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 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 25th day of June, 2020.



Jeffrey C. Johnson
Chairman



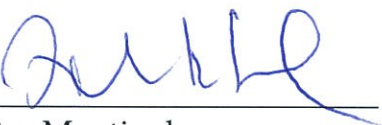
Rowena E. Perez-Camacho
Commissioner



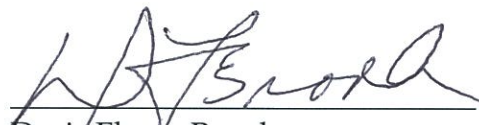
Joseph M. McDonald
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Doris Flores Brooks
Commissioner

Pedro S.N. Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 20-14)

THE APPLICATION OF THE GUAM)
POWER AUTHORITY TO APPROVE)
THE PROCUREMENT OF A PMC FOR)
THE MANAGEMENT, OPERATION,)
AND MAINTENANCE OF THE 40MW)
AGGREKO POWER PLANT)

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 the 40MW Aggreko Power Plant [Aggreko Plant].¹
2. GPA’s contract for the Aggreko Plant will expire on January 8, 2021 and GPA will take ownership of the plant after that date.
3. GPA is requesting the PUC’s authorization to solicit for a PMC Contract to manage, operate, and maintain the Aggreko Plant after it takes ownership of the plant.²

BACKGROUND

4. GPA contracted for the operation of the Aggreko Plant on January 9, 2016 to mitigate the loss of the Cabras 3 and 4.³ The Aggreko Plant consists of 39 portable generator sets enclosed in standard size ISO 20 foot containers with integrated lifting forgings on the corners and each of the units is rated at a 1014KW gross output.⁴

¹ GPA Petition to Approve the Procurement of a PMC for the Aggreko Plant, GPA Docket 20-14, dated May 29, 2020 [GPA’s Petition].

² Id. at page 1.

³ Id.

⁴ GPA IFB at 162. NOTE: The following page citations for GPA’s Petition refer to the PDF pages due to the pages on GPA’s Petition not being contiguous.

5. GPA states that contracting a PMC for the Aggreko Plant and the use of GPA personnel will allow GPA to continue to operate the plant after GPA takes ownership of it on January 9, 2021.⁵
6. GPA will require the 40MW generating capacity of the Aggreko Plant to operate the island-wide power system until GPA's Phase II Renewable Resource Acquisition contracts start in the 3rd Quarter of 2022, and GPA's new power plant begins operations in the 4th Quarter of 2022.⁶
7. GPA has prepared a Multi-Stepped Sealed Bid to solicit for a PMC contract for the Aggreko Plant [IFB].⁷
8. On May 26, 2020, the CCU authorized GPA to issue the solicitation for a PMC contract for the Aggreko Plant subject to the review and approval of the PUC.⁸
9. On June 22, 2020 the PUC Legal Counsel submitted 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.⁹
11. The IFB's contract is a fixed annual management fee contract wherein GPA and the 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.¹⁰ Hence, the total amount of the future

⁵ Consolidated Commission on Utilities [CCU] Resolution No. GPA Resolution No. 2020-10, attached to GPA's Petition at 3.

⁶ Id.

⁷ GPA IFB, attached as Exhibit to CCU Resolution at 5.

⁸ CCU Resolution at 4.

⁹ PUC Order, Administrative Docket, Contract Review Protocol for GPA, at 2.

¹⁰ GPA IFB at 45, attached as an Exhibit to CCU Resolution.

contract is not known at this time. However, GPA's IFB states that total O&M Budget for the PMC contract for the Aggreko Plant is \$1,350,000 per year, and that the contractor is responsible for funding the O&M Budget up to this amount annually.¹¹ The IFB's contract has an initial term of thirty-six months with two optional twelve-month periods.¹² 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. 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 Aggreko Plant, staff management and augmentation, budget management, procurement inventory management and control, plant engineering, environmental compliance, completion of critical repairs and major maintenance projects.¹³
13. However, there is a provision wherein GPA may request the PMC for the Aggreko Plant to relocate some of its diesel units to ensure the efficient distribution of capacity at other GPA sites and the PMC may have to develop of cost-effective Relocation and Clean-Up Plan that will be subject to the approval of the CCU and the PUC.¹⁴ This additional provision will give GPA greater flexibility as to its use of the 39 portable generator sets at the Aggreko Plant after additional renewable energy resources and the new northern power plant begin operating.
14. GPA's request to issue the IFB for a PMC for the Aggreko Plant 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 the Aggreko Plant, the Report of PUC Legal Counsel, and the record herein, for good cause shown, and on motion duly made,

¹¹ Id., at 161.

¹² Id., at 7.

¹³ GPA IFB at 86, .

¹⁴ Id., at 56.

seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Procurement of a PMC for the Aggreko Plant 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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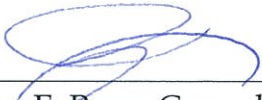
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Order
THE APPLICATION OF THE
GUAM POWER AUTHORITY
TO APPROVE THE PROCUREMENT
OF A PMC FOR THE AGGREKO PLANT
GPA Docket 20-14
June 25, 2020

Dated this 25th day of June, 2020.



Jeffrey C. Johnson
Chairman




Rowena E. Perez-Camacho
Commissioner

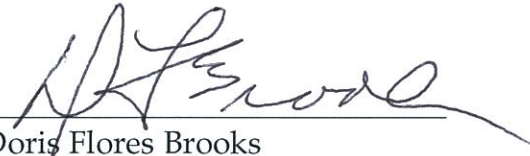


Michael A. Pangelinan
Commissioner


Pete Guerrero
Commissioner



Joseph M. McDonald
Commissioner



Doris Flores Brooks
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Peter Montinola
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