



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>IN RE: REVIEW AND APPROVAL OF</b>	)	<b>GWA DOCKET 14-06</b>
<b>BID AND PROPOSED</b>	)	
<b>CONTRACT WITH SUMITOMO</b>	)	<b>ALJ REPORT</b>
<b>MITSUI CONSTRUCTION</b>	)	
<b>COMPANY, LTD. FOR</b>	)	
<b>EFFICIENCY UPGRADES</b>	)	
_____	)	

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the September 3, 2014 Petition for Approval of the Bid and the Proposed Contract with Sumitomo Mitsui Construction Co. for Energy Efficiency Upgrades to GWA’s Windward Hills, Malojloj and Pago Bay Booster Pump Stations (the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

**BACKGROUND**

On May 1, 2014, GWA issued bid No. IFB-01-ENG-2014 to seek a contractor to perform energy efficiency upgrades to the following booster pump stations: Windward Hills, Malojloj, and Pago Bay.<sup>1</sup> On August 8, 2014, GWA received bids from eight (8) vendors.<sup>2</sup> Thereafter, GWA’s consultants, Duenas, Camacho and Associates (“DCA”) reviewed the bid documents and determined that Sumitomo Mitsui Construction Co. (“Sumitomo”) was the lowest bidder.<sup>3</sup> DCA indicated in its review that Sumitomo “is

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<sup>1</sup> Petition, p. 1.

<sup>2</sup> Petition, p. 2.

<sup>3</sup> Petition, Exhibit 2 (DCA’s Construction Bid Evaluation, p. 1 (July 18, 2014)).

a well know[n] contractor on Guam” and recommended that GWA move “forward with this lowest responsible bidder.”<sup>4</sup>

## **DISCUSSION**

### **A. Contract Review Protocol**

Pursuant to 12 G.C.A. §12004, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. In addition, GWA’s Contract Review Protocol requires that “[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 . . . .”<sup>5</sup> Further, 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.<sup>6</sup>

### **B. Invitation for Bid**

The subject procurement sought the service of a contractor to perform energy efficiency upgrades to GWA’s Windward Hills, Malojloj, and Pago Bay booster pump stations. GWA submits that the work primarily consists of “‘right sizing’ the pumps at the booster stations so that they operate more efficiently and installing variable frequency drives thereby producing significant energy cost savings.”<sup>7</sup>

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<sup>4</sup> Petition, Exhibit 2 (DCA’s Construction Bid Evaluation, p. 2 (July 18, 2014)).

<sup>5</sup> GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

<sup>6</sup> *Id.*

<sup>7</sup> Petition, p. 1.

With respect to the Malojloj Line upgrades, the contractor is required to replace three (3) pumps, which includes valves and piping; installation of a flow meter, pressure switch, and pressure “transducer”; replacing electrical system and lighting; replacing the motor control system with new variable frequency drives (“VFDs”), and installing and integrating a new pump control system. The scope of work also includes testing the pumps, and training.

With respect to the Pago Bay Booster Pump Station upgrades, the contractor is also required to replace three (3) pumps, which includes valves and piping; installation of a flow meter, pressure switch, and pressure “transducer”; replacing electrical system and lighting; replacing the motor control system with new VFDs; installing and integrating a new pump control system; testing the pumps, and training.

With respect to the Windward Hills upgrades, again the contractor is required to replace three (3) pumps, which includes valves and piping; installation of a flow meter, pressure switch, and pressure “transducer”; replacing electrical system and lighting; replacing the motor control system with new VFDs, and installing and integrating a new pump control system. The scope of work again includes testing the pumps, and training related to these upgrades.

**C. Contract Term**

The contract requires that all the work specified in the bid be completed within 365 days following the execution of the contract and GWA’s issuance of the Notice to Proceed.



**D. Cost**

GWA submits that the entire cost of the contract is \$1,172,342.60,<sup>8</sup> which includes a ten percent (10%) contingency on top of the \$1,065,766.00 total bid.<sup>9</sup> GWA further submits that the contract will be funded by 2010 Bond proceeds, as well as federal funds issued by the U.S. Department of Interior.<sup>10</sup> Specifically, the upgrades to the Pago Bay and Windward Hills booster pump stations will be funded by the 2010 Bond; while a federal grant issued by the U.S. Department of Interior will fund the upgrade to the Malojloj booster pump station.<sup>11</sup>

**E. GWA's Petition**

In its Petition, GWA maintains that the energy efficiency upgrades will result in annual energy savings. For instance, GWA submits that the Pago Bay upgrades will result in an annual savings of \$42,841 after about three (3) years and three (3) months; the Windward Hills upgrade will result in an annual savings of \$12,102 after about six (6) years and nine (9) months; and finally, the Malojloj Line upgrades will result in an annual savings of \$8,562 after about eight (8) years and six (6) months. Accordingly, GWA submits that these upgrades results in savings for its ratepayers “over the long term while costing them little to nothing.”<sup>12</sup>

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<sup>8</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014 (Aug. 12, 2014)), p. 3.

<sup>9</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014), p. 3.

<sup>10</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014), pp. 1-2.

<sup>11</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014), pp. 1-2.

<sup>12</sup> Petition, p. 2.

GWA further maintains that its initial cost estimate for the project was \$996,373.90; and, therefore, did not seek PUC approval of the procurement. However, since Sumitomo's bid, which was the lowest bid, exceeded \$1 million, the PUC's regulatory review was triggered.

This project has already been approved and reviewed by the Commission as CIP PW 05-06, Water Booster Pump Station.<sup>13</sup>

**F. CCU Resolution No. 31-FY2014**

The instant petition is supported by Resolution No. 31-FY2014 issued by the Consolidated Commission on Utilities (the "CCU") at its August 17, 2014 meeting. In the Resolution, the CCU found the terms of Sumitomo's proposal to be fair and reasonable; and, therefore, authorized GWA to contract with Sumitomo for the project.<sup>14</sup> The CCU further approved funding of \$1,065,766.00, plus a ten percent (10%) contingency, for a total of \$1,172,342.60.<sup>15</sup>

**CONCLUSION**

The ALJ finds that GWA's energy efficiency upgrades to the Windward Hills, Malojloj, and Pago Bay booster pump stations are reasonable and necessary, and will eventually result in savings for GWA's ratepayers. In addition, the ALJ finds that GWA has provided adequate documentation to support its selection of Sumitomo as the winning

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<sup>13</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014), p. 2.

<sup>14</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014), p. 3.

<sup>15</sup> Petition, Exhibit 2 (Resolution No. 31-FY2014), p. 3.

lowest bid, and that the submission of eight (8) vendors for the subject procurement makes this selection fairly competitive.

Moreover, this Commission has already reviewed and approved these projects, including the sources of funding, as CIP PW 05-06, Water Booster Pump Station. In fact, it appears that a federal grant will fund the Malojloj Line upgrades. Therefore, the ALJ recommends that the PUC ratify the subject procurement and approve GWA's contract for the energy efficiency upgrades with Sumitomo.

### **RECOMMENDATION**

Based on the documentation provided by PAG in this docket, and for the other reasons set forth herein, the ALJ recommends that the PUC approve the contract between GWA and Sumitomo for the Energy Efficiency Retrofit Pump Station upgrades, and for a total cost of for a total of \$1,172,342.60. A proposed Order for the PUC is attached hereto for the PUC's consideration.

Dated this 22<sup>nd</sup> day of September, 2014.



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**JOEPHET R. ALCANTARA**  
Administrative Law Judge

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