



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION FOR APPROVAL	)	GWA DOCKET 15-05
OF PROPOSED BID FOR	)	
CHEMICALS REGARDING	)	ALJ REPORT
NORTHERN DISTRICT	)	
WASTEWATER TREATMENT	)	
PLANT AND THE HAGATNA	)	
WASTEWATER TREATMENT	)	
PLANT.	)	
_____	)	

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the July 30, 2015 Petition for Approval of GWA’s Proposed Bid for Chemicals Regarding the Northern District Wastewater Treatment Plant and the Hagåtña Wastewater Treatment Plant (the “Petition”), filed by the Guam Waterworks Authority (“GWA”).

**DISCUSSION**

**A. Contract Review Protocol**

Pursuant to 12 G.C.A. §12004,<sup>1</sup> 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>2</sup>

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<sup>1</sup> Renumbered as 12 G.C.A. § 12105.

<sup>2</sup> GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

With respect to multi-year contracts, “[t]he term of a contract or obligation (procurement) will be the term stated therein, including all options for extension or renewal”; and the “test to determine whether a procurement exceeds the \$1,000,000 threshold for the PUC review and approval (the review threshold) is the total estimated cost of the procurement, including cost incurred in any renewal options.”<sup>3</sup>

**B. GWA’s Petition for PUC Approval**

In the Petition, GWA submits that it is required to purchase “ACH and polymer chemicals to ensure that GWA’s Northern District and Hagåtña Wastewater Treatment Plants (‘WWTP’) remain in compliance with the Clean Water Act”<sup>4</sup>; as well as to “operate GWA’s Northern District Wastewater Treatment Plant (NDWWTP) and Hagåtña Wastewater Treatment Plant (HWWTP) and keep GWA in compliance with federal laws, permits and federal guidelines.”<sup>5</sup> GWA further submits that since it will continue to “need wastewater treatment chemicals into the future, using a multi-year contract allows GWA to keep costs at a fixed price[] for products over a longer period of time as well as promote efficiency by avoiding the need to continue to prepare and issue bids for such services . . . .”<sup>6</sup> GWA notes that its current contract for these chemicals will expire in about five (5) or six (6) months.<sup>7</sup>

As part of the Petition, GWA has attached its proposed Invitation to Bid (the “Bid”) as “Exhibit A” to Resolution No. 33-FY2015 issued by the Consolidated Commission on Utilities (“CCU”).

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<sup>3</sup> GWA CRP, p. 2.

<sup>4</sup> Petition for Approval of GWA’s Proposed Bid for Chemicals Regarding the Northern District Wastewater Treatment Plant and the Hagåtña Wastewater Treatment Plant, p. 1 (July 30, 2015).

<sup>5</sup> Petition, p. 2.

<sup>6</sup> Petition, p. 2.

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

GWA submits that the estimated annual cost for the purchase of these chemicals is about \$1.2 million.<sup>8</sup> Accordingly, the cost for a three (3) year contract, with an exercised two yearly options to renew, would potentially cost GWA \$6 million for the next five (5) years.<sup>9</sup>

**C. Invitation to Bid**

The Bid lists chemicals that GWA has already used and tested, and found to be able to perform and keep GWA in compliance with federal laws, permits and guidelines.<sup>10</sup> In particular, the Bid seeks pricing for inorganic coagulants; flocculant aid/coagulant aid; and sludge dewatering cationic polymer.<sup>11</sup>

With respect to quantity, GWA maintains in the Bid that the rates of consumption for such chemicals are already known.<sup>12</sup> Accordingly, for inorganic coagulants, the Bid indicates its rate of use for this chemical to be between 803,528 to 1,607,056 pounds per year, depending on the brand of the inorganic coagulant, for both wastewater treatment plants.<sup>13</sup> GWA indicates in the Bid that the rates of use for these inorganic coagulants successfully reduce total suspended solids and biochemical oxygen demand in our waterways that comply with the 2011 federal Order.<sup>14</sup>

For flocculant aid, the Bid indicates its rate of use for this chemical to be between 111,763 to 125,789 pounds per year, depending on the brand of the flocculant aid, for both

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<sup>8</sup> Petition, p. 1; Resolution, p. 1.

<sup>9</sup> Resolution, p. 1.

<sup>10</sup> Bid, p. 4.

<sup>11</sup> Bid, pp. 9-12.

<sup>12</sup> Bid, p. 4.

<sup>13</sup> Bid, p. 10.

<sup>14</sup> Bid, p. 10.



wastewater treatment plants.<sup>15</sup> For sludge dewatering cationic polymer, the Bid indicates its rate of use for this chemical to be about 138,061 pounds per year for both wastewater treatment plants.<sup>16</sup> The bid indicates that the amount listed is able to dewater its sludge to 30% solid cakes, which meets federal regulations.<sup>17</sup>

**D. Contract Term**

According to the Bid, the contract term is for three (3) years with the price fixed, with two (2) options to renew for additional one (1) year terms.<sup>18</sup> GWA maintains that considering it “will continue to need wastewater treatment chemicals into the future, using a multi-year contract allows GWA to keep costs at a fixed priced for products over a longer period of time as well as promote efficiency by avoiding the need to continue to prepare and issue bids for such services . . . .”<sup>19</sup>

**E. CCU Resolution No. 33-FY2015**

The instant petition is supported by CCU Resolution No. 33-FY2015. In the Resolution, the CCU found that GWA “has determined that issuing the bid . . . for wastewater treatment chemicals necessary to operate GWA’s Northern District Wastewater Treatment Plant (NDWWTP) and the Hagatna Wastewater Treatment Plant (HWWTP) and for the treatment of wastewater required by USEPA.”<sup>20</sup> The Resolution further found that the estimated “amount per year for this bid will be One Million Two Hundred Thousand (\$1,200,000.00), for a total

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<sup>15</sup> Bid, p. 11.

<sup>16</sup> Bid, p. 12.

<sup>17</sup> Bid, p. 12.

<sup>18</sup> Bid, pp. 4, 33.

<sup>19</sup> Petition, p. 2.

<sup>20</sup> CCU Resolution No. 33-FY2015, p. 1 (July 23, 2015).

estimated amount of Six Million Dollars (\$6,000,000.00) for the full five (5) years of the proposed Contract.” And according to the CCU, it found that considering “GWA will continue to need wastewater treatment chemicals into the future, a multiple year contract of up to five years is in the best interest of GWA . . . .”<sup>21</sup> The Resolution also authorized GWA to issue the bid for the purchase of wastewater treatment chemicals for the Northern District Wastewater Treatment Plant (NDWWTP) and the Hagåtña Wastewater Treatment Plant (HWWTP), as well as petition the PUC for approval of such bid.<sup>22</sup>

### **CONCLUSION**

The ALJ finds that GWA’s use of a multi-year contract for the purchase of inorganic coagulant, flocculant aid/coagulant aid, and sludge dewatering cationic polymer is reasonable and necessary given that these chemicals are indispensable and required for GWA’s daily wastewater operations. In addition, the ALJ finds that GWA has provided adequate documentation to support the procurement of these chemicals, which it requires to operate its Northern District Wastewater Treatment Plant (NDWWTP) and Hagåtña Wastewater Treatment Plant (HWWTP), and keep GWA in compliance with federal laws, permits and federal guidelines. Therefore, the ALJ recommends that the PUC approve the subject Bid.

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<sup>21</sup> CCU Resolution No. 33-FY2015, pp. 1-2 (July 23, 2015).

<sup>22</sup> CCU Resolution No. 33-FY2015, p. 2 (July 23, 2015).

### **RECOMMENDATION**

Based on the foregoing, the ALJ recommends that the PUC approve GWA's Petition. Accordingly, GWA should be authorized to proceed with the procurement related to the purchase of inorganic coagulant, flocculant aid/coagulant aid, and sludge dewatering cationic polymer, as set forth in the Invitation to Bid submitted by GWA. A proposed Order is submitted herewith for the Commissioners' consideration.

Dated this 24<sup>th</sup> day of August, 2015.



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**JOEPHET R. ALCANTARA**  
Administrative Law Judge

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