



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

<b>PETITION TO AUTHORIZE GWA TO</b>	)	<b>GWA DOCKET 15-07</b>
<b>USE THE REMAINING BALANCE OF</b>	)	
<b>THE FUNDS REQUESTED FOR PMO</b>	)	
<b>WORK ORDER NUMBER 2014-11 TO</b>	)	
<b>MANAGE THE U.S. EPA'S STATE</b>	)	<b>ORDER</b>
<b>REVOLVING FUND PROJECTS AND</b>	)	
<b>FOR AN ADDITIONAL \$5.3M IN</b>	)	
<b>ADDITIONAL FUNDING FOR</b>	)	
<b>VARIOUS IMPORTANT PROJECTS</b>	)	
_____	)	

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the "PUC" or the "Commission") pursuant to the Petition for approval of \$544,925 for State Revolving Fund ("SRF") Grant Project Support, and a \$5,303,145 increase in the Program Management Office ("PMO") contract with Brown & Caldwell, filed by the Guam Waterworks Authority ("GWA") on August 5, 2015.

**DETERMINATIONS**

On August 27, 2015, the PUC reviewed the subject petition and subsequently approved a \$1,718,100 increase in the PMO contract with Brown & Caldwell, particularly funding for SRF project management, the Consulting Engineer's Report for the 2015 Revenue Bonds, and the facility plans for the Northern District and the Hagatna Wastewater Treatment Plants.<sup>1</sup> The PUC further ordered that the remaining amount would be considered upon GWA's submission of work authorizations related to

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<sup>1</sup> PUC Order, GWA Docket 15-07, p. 8 (Aug. 27, 2015).

the other projects.<sup>2</sup> On September 15, 2015, GWA filed with the PUC work authorizations relating to such projects.

Pursuant to 12 G.C.A. §12004,<sup>3</sup> GWA may not 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 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 . . . ."<sup>4</sup> GWA must also seek PUC's approval for any uses of bond funds.<sup>5</sup>

In its Petition, GWA maintained that it continues to "need help relative to compliance with the November 2011 Court Order ('Court Order'), for matters contained in the Stipulation attached to PUC's Order approving GWA's 5 Year rate plan covering FY2013-FY2018, . . . and planning such as the update to GWA's Master Plan . . . ."<sup>6</sup>

GWA further maintained that utilizing the PMO "will save GWA significant sums of money since the PMO is already familiar with GWA's system" since Brown & Caldwell developed the original Master Plan in 2006, as well as the Consulting

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<sup>2</sup> PUC Order, GWA Docket 15-07, p. 8 (Aug. 27, 2015).

<sup>3</sup> Renumbered as 12 G.C.A. § 12105.

<sup>4</sup> GWA's Contract Review Protocol ("GWA CRP"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

<sup>5</sup> *Id.*

<sup>6</sup> Petition to Authorize the Guam Waterworks Authority to Use the Remaining Balance of the Funds Requested for PMO Work Order Number 2014-11 to Manage the USEPA's State Revolving Fund Projects and for an additional \$5.3M in Additional Funding for Various Important Projects ("Petition"), p. 3 (August 5, 2015).

Engineers Reports for GWA's bond issuances.<sup>7</sup> GWA maintains that "if any other firm was hired to perform such work, GWA's fees for the same scope of work would undoubtedly be higher since any firm unfamiliar with GWA's system and its finances would have to essentially 'start from scratch' as opposed to updating existing data."<sup>8</sup> GWA further submitted that the funding source of these additional projects will be from the 2010 and 2013 bond proceeds.

The following projects presently require additional funding: (1) Program Management Support relative to helping GWA meet critical deadlines under GWA's Capital Management Plan at an estimated cost of \$894,882.00; (2) Solids Disposal Odor Assessment relative to sludge causing nuisance odor problems at Government of Guam's Layon landfill at an estimated cost of \$140,420; (3) Master Plan Update for 2006 Master Plan at an estimated cost of \$2,623,300; and (4) Source Control Program Technical Support at an estimated cost of \$471,368.

Based on the supplemental documents submitted by GWA, the purpose behind Program Management Support is to provide GWA with management and consulting relative to assisting GWA meet critical deadlines under GWA's Capital Improvement Program and engineering advice on critical issues. The deliverables include the production of schedules, budgets, scopes of work, progress reports, PUC Quarterly Reports, training reports, document review, research, engineering studies, business case studies, technical reviews, and contract negotiation support.

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<sup>7</sup> Petition, p. 6.

<sup>8</sup> Petition, p. 6.



In particular, the PMO will assist GWA in developing scopes of work for CIP projects, PUC Stipulated Order projects, and Court Order projects, as well as manage the project team members. The PMO will continue to prepare quarterly reports to the PUC on the status and performance of its team; and on an as-needed basis, the PMO will provide qualified and specialized technical support necessary to respond to GWA's issues. In addition, the PMO will be available to prepare and review requests for proposals and scopes of work to procure engineering and construction contracting services from the community. This ongoing work with GWA is planned to occur over a twelve (12) month period.

According to the work authorization submitted by GWA, the village of Inarajan experiences "nuisance odor conditions" believed to originate from the Layon Landfill. GWA maintained that the disposal of dewatered solids from the Hagatna Wastewater Treatment Plant and the Northern District Wastewater Treatment Plant at the landfill has been identified as a potential source of such "nuisance odor conditions." Accordingly, the project will involve an independent engineering assessment related to the processing, hauling, and disposal of the dewatered wastewater solids generated at the wastewater treatment plants. In particular, a field investigation will be conducted, resulting in the preparation of a technical memorandum that will provide GWA with findings and recommendations that include short-term and long-term measures. GWA submitted that this project will take five (5) months to complete.

Generally, the Master Plan Update will involve the evaluation of GWA's water and wastewater system adequacy and capacity. The update will assess GWA's

progress with respect to its 2006 Water Resources Master Plan, and will further develop a plan for the next twenty (20) years.

The project will involve the evaluation and identification of source water possibilities. The project will also involve the evaluation of needs related to GWA's water and wastewater systems, such as rehabilitation, expansion, and upgrades. The project also includes CIP planning, which will include studies on capital projects, financial planning, procurement, and the impact of storm water; and of course, the generation of a Master Plan Report.

While the cost of the Master Plan Update is estimated at \$2,623,300, GWA submitted that the project will be funded by GWA's SRF grant. GWA estimated that the work will be completed by March of 2017.

According to the work authorization submitted by GWA, GWA was tasked back in 2013 by the U.S. E.P.A. to implement a Source Control Program to address pretreatment, as well as fats, oils, and grease ("FOG"). GWA has initiated this program, but the activities described in the work authorization will provide GWA with technical support to complete and execute the Source Control Program requirements. Based on the work authorization, the bulk of the work will be performed by, and paid to, a subcontractor.

In particular, a subcontractor will prepare a Draft Implementation Plan for GWA's Pretreatment Program, and will review and revise the FOG regulations applicable to Guam. The subcontractor will also coordinate with the U.S. E.P.A. to finalize the pretreatment and FOG regulations specific to Guam; conduct a baseline assessment to

identify all known Sanitary Sewer Overflows for the past ten (10) years; establish a database for Food Service Establishments based on the NPDES requirements; develop an inspection program to evaluate, track and enforce the approved FOG regulations. The subcontractor will also prepare an Annual Report template to be submitted to the U.S. E.P.A. annually. GWA estimated that the work will be completed by March of 2017.

On September 22, 2015 the Administrative Law Judge of the PUC Joephet R. Alcantara (the “ALJ”) filed a report regarding the Petition, which included his findings and recommendation based on the administrative record before the PUC.

With respect to the projects discussed above that require PUC approval for additional funding for the PMO contract, based on the additional documents submitted by GWA, the ALJ found that the additional funds for the following projects: (1) Program Management Support relative to helping GWA meet critical deadlines under GWA’s Capital Management Plan; (2) Solids Disposal Odor Assessment relative to sludge causing nuisance odor problems at Government of Guam’s Layon landfill; (3) Master Plan Update for 2006 Master Plan; and (4) Source Control Program Technical Support; are critical and necessary in order for GWA to meet the deadlines imposed by the federal Stipulated Order, as well as to improve GWA’s water and wastewater systems.

The ALJ also found that it did not appear that the increase requested herein would have a negative impact on rates since, as GWA has indicated, the source of funding would be the 2010 and 2013 bond proceeds.<sup>9</sup> Further, as GWA has indicated, the SRF grant would fund this work, and therefore would not result in any negative impact to

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<sup>9</sup> Petition, p. 6.



ratepayers.<sup>10</sup> Accordingly, after review of the supplemental documents, the ALJ recommended that the PUC approve GWA's request for additional funding for its contract with Brown & Caldwell, not to exceed \$5,303,145.00.

The Commission hereby adopts the findings contained in the September 22, 2015 ALJ Report and, therefore, issues the following:

### **ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the September 22, 2015 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GWA's August 5, 2015 Petition for a \$5,303,145 increase in the Program Management Office contract with Brown & Caldwell is fully APPROVED.
2. That GWA shall continue to provide the PUC with monthly PMO reports generated by Brown & Caldwell to track project performance and progress.
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 associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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<sup>10</sup> Petition, pp. 5-6.

**SO ORDERED** this 24<sup>th</sup> day of September, 2015.



**JEFFREY C. JOHNSON**  
Chairman



**ROWENA E. PEREZ**  
Commissioner

**JOSEPH M. MCDONALD**  
Commissioner



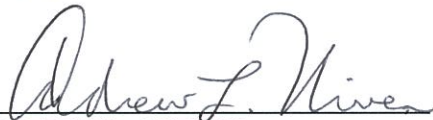
**FILOMENA M. CANTORIA**  
Commissioner



**MICHAEL A. PANGELINAN**  
Commissioner



**PETER MONTINOLA**  
Commissioner



**ANDREW L. NIVEN**  
Commissioner

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