



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: REVIEW AND APPROVAL OF) GWA DOCKET 15-08
INCREASE IN CONTRACT)
AMOUNT WITH SUMITOMO) ORDER
MITSUI CONSTRUCTION)
COMPANY, LTD. FOR)
EFFICIENCY UPGRADES)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the September 9, 2015 Petition for Approval of an increase in the Contract with Sumitomo Mitsui Construction Co. (“Sumitomo”) 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”).

DETERMINATIONS

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.¹ On September 3, 2014, GWA filed a petition for PUC approval of the bid, as well as approval of its proposed contract with Sumitomo for the work related to the energy efficiency upgrades.² On September 25, 2014, the PUC approved the Sumitomo contract for a total cost of \$1,172,342.60.³ Thereafter, GWA

¹ Petition, GWA Docket 15-08, p. 1 (Sept. 9, 2015).

² Petition, GWA Docket 14-06, p. 1 (Sept. 3, 2014) (hereinafter “September 3, 2014 Petition”).

³ PUC Order, GWA Docket 14-06, p. 6 (Sept. 25, 2014).

entered into a contract with Sumitomo in the amount of \$1,065,766.00.⁴ Subsequently, “GWA executed Change Order No. 1 with Sumitomo using approved contingency funding in the amount of \$74,339.65 for additional work needed at the Pago Bay Booster Pump Station to replace broken gate valves and corroded pipe spools and tees which were not included in the Scope of Work of the Original Contract”⁵; and thereby raising the present cost of the contract to \$1,140,105.65.

On September 22, 2015, the Administrative Law Judge of the PUC (the “ALJ”) filed an ALJ Report regarding the Petition, which included his findings and recommendations based on the administrative record before the PUC. In the ALJ Report, the ALJ found the following. Pursuant to 12 G.C.A. §12004,⁶ GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. 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”⁷ 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.⁸

⁴ Petition, p. 1.

⁵ Petition, pp. 1-2.

⁶ Renumbered as 12 G.C.A. § 12105.

⁷ GWA’s Contract Review Protocol (“GWA CRP”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

⁸ *Id.*

The ALJ found that the subject contract involves energy efficiency upgrades to GWA's Windward Hills, Malojloj, and Pago Bay booster pump stations.⁹ When GWA first presented this contract for PUC approval, GWA maintained 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."¹⁰

With respect to the Malojloj Line upgrades, Sumitomo 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, Sumitomo 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.

Also, with respect to the Windward Hills upgrades, again Sumitomo 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

⁹ PUC Order, GWA Docket 14-06, pp. 1-4 (Sept. 25, 2014).

¹⁰ Petition, p. 1.

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.

GWA sought PUC approval for additional work at Malojloj, Windward Hills, and Pago Bay Booster Pump stations related to replacing valves that are inoperable and leaking pipe spools and tees due to corrosion; additional electrical rooms to separate the electrical panels from the pumps to avoid water from leaky fittings or when the pumps undergo servicing; and additional hand holds.¹¹ GWA's Engineering Division maintained that "the modifications are necessary for the pump stations to operate efficiently and ensure that the equipment lasts long enough to realize the projected payback periods."¹²

GWA submitted that the additional work will increase the contract by \$299,425.47, and therefore increase the total amount of the contract to \$1,439,531.12.¹³

Based on the documents provided by GWA, the increase includes additional materials for the upgrades to the Pago Bay Booster Pump Station at a cost of \$19,247.69. In addition, the upgrades to the Windward Hills Booster Pump Station, which include labor, equipment, and materials, will cost an additional \$89,456.95. With respect to the Malojloj Line Booster Pump Station, the additional labor, equipment, and materials cost \$190,720.83. GWA submitted that the contract will be funded by 2013 Bond proceeds, as well as federal funds issued by the U.S. Department of Interior.¹⁴

¹¹ Petition, p. 2; Petition, Exhibit 1 (Resolution No. 40-FY2015), pp. 1-2.

¹² Petition, p. 2.

¹³ Petition, p. 2.

¹⁴ Petition, Exhibit 1 (Resolution No. 40-FY2015), p. 3.

The ALJ found that the instant petition was supported by Resolution No. 40-FY2015 issued by the Consolidated Commission on Utilities (the “CCU”) at its July 23, 2015 meeting. In the Resolution, the CCU approved the change order related to the additional work; and, therefore, authorized the increase in GWA’s contract with Sumitomo.¹⁵

The ALJ found that GWA’s energy efficiency upgrades to the Windward Hills, Malojloj, and Pago Bay booster pump stations were reasonable and necessary, and would eventually result in savings for GWA’s ratepayers. In its September 3, 2014 Petition, GWA maintained that the energy efficiency upgrades will result in annual energy savings. For instance, 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.¹⁶ According to GWA, these upgrades will result in savings for its ratepayers “over the long term while costing them little to nothing.”¹⁷

The ALJ further found that the Commission has on several prior occasions reviewed and approved these projects. And while the PUC previously approved a total contract amount of \$1,172,342.60, the current cost of the contract is at \$1,140,105.65. Accordingly, 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

¹⁵ Petition, Exhibit 1 (Resolution No. 40-FY2015), p. 3.

¹⁶ September 3, 2014 Petition, p. 2.

¹⁷ September 3, 2014 Petition, p. 2.

increase between GWA and Sumitomo, particularly Change Order No. 2, for the Energy Efficiency Retrofit Pump Station upgrades, for an additional cost of \$299,425.47, and for a total cost of \$1,439,531.12.

The Commission hereby adopts the findings made in the September 22, 2015 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 increase in the contract between GWA and Sumitomo for the Energy Efficiency Retrofit Pump Station upgrades, particularly for Change Order No. 2, is hereby APPROVED for an additional cost of \$299,425.47 and a total cost of \$1,439,531.12.

2. 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 associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 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 PUC.

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SO ORDERED this 24th 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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