

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 15-21
)
The Request of the Guam Power)
Authority to Authorize Expenditures for) **PUC COUNSEL REPORT**
the Demolition of the Cabras No. 3&4)
Roof.)
_____)



INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Request of the Guam Power Authority ["GPA"] to Authorize Expenditures for the Demolition of the Cabras No. 3&4 Roof.¹

BACKGROUND

2. On August 31, 2015, Cabras No. 3&4 Plant suffered an explosion, which caused the collapse of the building's roof and rendered both units inoperable.²
3. GPA indicates that the collapsed roof poses an extreme hazard which is hampering investigation efforts into the root cause of the accident, as well as hindering the full damage assessment efforts. GPA cannot determine whether Cabras No. 3&4 will be available for operation in the future until the assessment is done.³
4. In this matter, procurement for the Roof Demolition was done by Korea East West ["KEWP"], the Performance Management Contractor for the Cabras No. 3&4 units for GPA.⁴
5. KEWP, as the PMC for GPA, is authorized to procure required services for the operations and maintenance of the Cabras No. 3&4 plant.⁵ KEWP received quotes

¹ Guam Consolidated Commission on Utilities Resolution No. 2015-55, Relative to Authorizing Expenditures for the Demolition of the Cabras No. 3&4 Roof, at p.1, dated October 27, 2015. The Resolution serves as GPA's "Request" in this matter, as it asks the Guam Public Utility's Commission to review and approve the expenditures for the Roof Demolition and associated work.

² Id. at p. 1.

³ Id.

⁴ Id.

⁵ Id.

for required roof demolition and associated demolition work from three contractors, including Pernix LLC.⁶

6. Pernix Guam LLC proposed to undertake the demolition work for a total lump sum bid of \$4,798,888.00. See **BID SUMMARY**, attached hereto as Exhibit "1".
7. GPA, at the request of Insurers in this matter, has also agreed to certain incentive pay for Pernix if it completes the project early. GPA requests an additional amount, not to exceed \$500,000, to expedite project completion time.⁷
8. GPA is also requesting authorization to use the Self-Insurance Fund for the roof demolition of the Cabras No. 3&4 Plant; it agrees to reimburse the Self-Insurance Fund with any insurance proceeds received from its insurer Dongbu Insurance Ltd.⁸

ANALYSIS

9. GPA needs to do a root cause analysis and assessment for Cabras No. 3&4 Power Plant explosion and fire. However, it has been advised by its consultant BWSC and others that it cannot undertake such analysis unless the Cabras No. 3&4 roof is demolished and other precautions are taken to avoid injury during the assessment process.
10. For the foregoing reasons, it is justified to allow GPA to expend sums for the demolition of the building's roof and the associated civil works.
11. Although the cost of the project appears high, KEWP did receive quotes from the three contractors on Guam which have the capacity to do such work. Pernix LLC was the lowest responsible bidder.⁹
12. Therefore, it appears that GPA has little choice but to accept the price bid offered by Pernix Guam LLC.
13. GPA has included a provision for "incentive pay for early project completion" upon the suggestion of its Insurer. Apparently, if Pernix completes the project early,

⁶ Id.

⁷ Guam Consolidated Commission on Utilities, Resolution No. 2015-55, at p.1, adopted October 27, 2015.

⁸ Id.

⁹ Id.

there could be savings on the project in terms of the amount that the Insurers would need to pay.¹⁰

RECOMMENDATIONS

14. As there appears to be little other option, Counsel recommends that the PUC authorize GPA to expend an amount not to exceed \$5,298,888.00 for the purpose of securing construction services for the Cabras No. 3&4 Plant Roof Demolition and associated building demolition work.
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 28th day of October, 2015.

Frederick J. Horecky
PUC Legal Counsel

¹⁰ Oral Presentation of GPA GM John Benavente to the CCU at its meeting on October 27, 2015, at the GPA Conference Room.

BID SUMMARY

Solicitation No.: EWP-RFQ-10380 "Demolition of Roof for Explosion-Fire Damage Cabras Units #3 & #4, Cabras Island, Guam.

A. BASIC BID

1 Mobilization/Demobilization	\$ 900,905.00
2 Environmental Control	\$ 35,000.00
3 Debris Catchment and Drainage	\$ 245,000.00
4 Brace Wall with Existing Crane Beam	\$ 1,127,339.00
5 Demolition of Concrete Metal Decked Roofing System including beams and trusses	\$ 1,946,000.00
6 Remove Upper Walls up to 30% AS NEEDED. <i>AS NEEDED</i>	\$ 330,000.00
7 Fall Protection system install and remove.	\$ 180,000.00
8. Remove Crane Cab, trolley and parts, except girder	\$ 34,644.00
LUMP SUM BID	\$ 4,798,888.00

Contractor to receive day for day Extensions of time for recognized Holidays, and Weather days beyond 3 days per calendar month. Contractor will receive standby costs for delays and/or work stoppages at the request of the owner, Fire Department, Insurance Company or their agents.

Work hours will not be limited and the contract will accommodate multiple shifts that will not be restricted to certain hours or days of the week.

Contract will be directly to ^{KENP} ~~GPA~~ and GPA will guarantee payments due to the contractor.

Additional work will be performed at the rates submitted in the original proposal or as otherwise negotiated prior to work beginning.

Incentive Pay for early project completion:

\$500,000 – 60 days early

\$375,000 – 45 days early

\$250,000 – 30 days early

\$125,000 – 15 days early

\$0 for 0-15 days early

RESPECTFULLY SUBMITTED BY:

Pernix Guam, LLC
(BIDDER)


GT&C-23

GENERAL TERMS AND CONDITIONS
Demolition of Roof for Explosion-Fire Damaged Cabras Units #3
Cabras Island, Guam

Guam Power Authority
ENGG Administration

OCT 21 2015

RECEIVED
By: *[Signature]* Time: *9:17 am*


Peter Allen
(BY)

President
(TITLE)

P.O. Box 23068, Barrigada, Guam 96921
(BUSINESS ADDRESS)