



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION FOR APPROVAL OF) GWA DOCKET 16-06
AMENDMENT NO. 6 TO PMO WITH)
BROWN & CALDWELL BY GUAM) ORDER
WATERWORKS AUTHORITY)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for approval of a \$4,059,877 increase in the Program Management Office (“PMO”) contract with Brown & Caldwell, specifically Amendment No. 6, filed by the Guam Waterworks Authority (“GWA”) on August 31, 2016.

DETERMINATIONS

Pursuant to 12 G.C.A. §12004,¹ 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”² GWA must also seek PUC’s approval for any uses of bond funds.³

¹ Renumbered as 12 G.C.A. § 12105.

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

³ *Id.*

On September 27, 2016, the Administrative Law Judge of the PUC Joepheth R. Alcantara (the “ALJ”) filed a report regarding the Petition, which included his findings and recommendations based on the administrative record before the PUC.

In its Petition, GWA maintained that it “continues to need significant assistance 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, SRF project management, Project Management Services for the Umatac-Merizo WWTP Upgrade, analysis and planning to improve Ground Water Production Well meter replacement among others”⁴ Based on this need, GWA sought PUC approval to increase the existing contract value with the PMO by \$4,059,877.00 for services described in the Petition.⁵

GWA submitted that the cost of the increase will be funded by 2010, 2013, 2016 bond proceeds, and State Revolving Funds (“SRF”).⁶ GWA further submitted that the cost associated with the PMO is commensurate with average PMO costs in the industry.⁷ In addition, GWA maintained that the PMO’s assistance with negotiating engineering fees has resulted in a \$7 million savings for GWA over the life of the PMO contract.⁸

⁴ Petition for Approval of Amendment Number Six to Brown and Caldwell PMO Contract (“Petition”), p. 3 (August 31, 2016).

⁵ Petition, p. 6.

⁶ Petition, p. 6.

⁷ Petition, p. 5.

⁸ Petition, p. 5.

GWA further submitted that it is working on a transition plan to reduce GWA's reliance on PMO management assistance.⁹ In particular, the General Manager and Chief Engineer are in the process of developing a transition plan that will detail the manner and timing of certain PMO services and activities that will be assumed by GWA staff.¹⁰

A. Program Management Support

Based on the work authorization submitted by GWA, the purpose behind Program Management Support is to provide GWA with management and consulting services for GWA's capital improvement projects. The deliverables include the production of schedules, budgets, scopes of work, work authorizations, staffing plans for capital improvement projects. The PMO will continue to provide qualified and specialized technical support necessary to respond to GWA's issues on an as-needed basis. 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. Further, the PMO is expected to work with GWA in promoting knowledge transfer between the PMO and GWA staff through mentoring and training. This ongoing work with GWA is planned to expire at the end of the 2017 fiscal year, and which cost is estimated at \$782,995.00.

B. Agat-Santa Rita WWTP Mixing Zone Study

According to the work authorization submitted by GWA, this project involves the study of the potential dilution zone in Tipalao Bay. The PMO will assist

⁹ Petition, p. 3.

¹⁰ Petition, p. 6.

GWA from project initiation to completion, including the preparation of a detailed study plan; actual field work, which includes a dye field study; dilution modeling based on observed conditions; an analysis report based on the field study; and workshop training with GWA on interpretation of the results. This project is estimated at \$447,250.00, and is expected to be completed by January 31, 2017.

C. Project Management for the Umatac-Merizo WWTP Upgrade Design

According to the work authorization, the PMO will assist GWA from start to finish, which includes the following: preparation of the bid documents for the design and build contract, procurement, design, and construction management, all the way through warranty review.¹¹ This project is estimated at \$1,250,757.00, and is scheduled to be completed by December, 2018, pursuant to federal court order.

D. Agat to Umatac Potable Waterline Analysis

Based on the work authorization submitted by GWA, the PMO will assist GWA with analyzing “up to five (5) alternatives” for a potable water line from Agat to Umatac, and will result in the preparation of a technical report to GWA summarizing this analysis.¹² The PMO will provide recommendations in this report. This project is estimated at \$56,030.00.

E. Tumon Wastewater Investigation and Analysis (Phase 1)

According to the work authorization, the PMO will assist GWA with performing a focused study of the Tumon Sewer Basin. Phase 1 involves “an in-depth

¹¹ Work Authorization 2016-07, pp. 3-7.

¹² Work Authorization 2016-01, p. 2.

analysis of existing sewershed information and updating the GWA geographical information system”¹³ The study will involve data collection, site visits, evaluation of the data, and the production of a technical memorandum documenting the findings of the study. This project is estimated at \$187,990.00 and is estimated to be completed within four (4) months.

F. Hydraulic Modeling Phase 3

Based on the work authorization submitted by GWA, the PMO will assist GWA with on-call services related to water system issues, for instance: implementation of the pressure zone realignment plan; taking storage tanks offline for inspection; placing new storage tanks in service; analyzing available fire flow; analyze water system piping; conducting analyses for growth, development, efficiency, and maintenance, among others. The PMO will also update the hydraulic model, by updating the geographic information system (GIS), the model piping, model facilities, to name a few. The PMO will further provide a training exercise based on the water model. This project is estimated at \$148,746.00 and is estimated to be completed by July 31, 2017.

G. Engineering for Groundwater Well Production Meters

According to the work authorization submitted by GWA, the purpose of the project is to verify meter performance, as well as to develop bid-ready plans and specification to replace under-performing and failing production flow meters at the groundwater well sites. This project involves the PMO visiting GWA’s 120 well sites to develop a site-specific meter replacement or repair strategy. For sites requiring meter

¹³ Work Authorization 2016-02, p. 2.

replacement, the PMO will develop site-specific construction plans for meter replacement. The PMO will also provide services during the procurement process, as well as services during construction. This project is estimated at \$301,539.00 and is estimated to be completed by January 31, 2017.

H. Backflow Prevention Study

Based on the work authorization submitted by GWA, the PMO will assist GWA with the development and preparation of a program for a reliable backflow prevention program that GWA can implement.¹⁴ Aside from managing this project, the PMO will also work with GWA to collect the data needed for this type of study, as well as conduct a limited amount of interviews with GWA customers.¹⁵ The PMO will then undertake, with GWA, the development of policies and procedures for backflow prevention; the PMO will further prepare a technical memorandum that encapsulates the backflow prevention program for GWA to implement.¹⁶ This project is estimated at \$154,570.00.

I. Project Management Support for EPA Funded SRF Projects

As indicated in the Petition, this project involves management of nine (9) discrete rehabilitation programs, which include the following: (1) Southern SSES Rehabilitation (Agat-Santa Rita, Umatac-Merizo); (2) Route 1 Asan-Adelup-Hagatna; (3) Route 2 Agat War in the Pacific Project; (4) F and A Series Wells Rehabilitation; (5) Tumon Sewer Hotspots; (6) Route 4 Hagatna; (7) D-Series Wells Rehabilitation;

¹⁴ Work Authorization 2016-09, p. 2.

¹⁵ Work Authorization 2016-09, p. 3.

¹⁶ Work Authorization 2016-09, pp. 4-5.

(8) Baza Gardens-Talofofo SSES Rehabilitation; and (9) Tamuning Sewer Hot Spots.¹⁷ According to the work authorization submitted by GWA, the PMO will manage these projects from the initiation phase, through pre-design, bidding, construction, and close-out. In particular, the PMO's duties include arranging and coordinating procurement; reviewing bids; managing construction contracts; and monitoring schedules, among others. This work authorization is only through December 31, 2017, and is estimated at \$730,000.00.

CONCLUSION

Based on his review, the ALJ found that the additional funds for the projects described in the Petition and its supporting documents 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.

Further, it did not appear that the increase requested would have a negative impact on rates since, as GWA has indicated, the source of funding would be the 2010, 2013, and 2016 bond proceeds.¹⁸ Additionally, as GWA has indicated, the SRF grant would also fund certain eligible projects.¹⁹

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 GWA's request for additional funding for its contract with Brown & Caldwell, not to exceed \$4,059,877.00. However, since GWA indicated that it is working on a transition plan to reduce GWA's reliance on PMO management assistance, the ALJ further recommended

¹⁷ Petition, p. 4.

¹⁸ Petition, p. 6.

¹⁹ Petition, pp. 5-6.

that GWA should file such a plan with the PUC by December 31, 2016, so that the PUC can examine GWA's efforts in lessening its reliance on PMO services.

The Commission hereby adopts the findings contained in the September 27, 2016 ALJ Report and, therefore, issues the following:

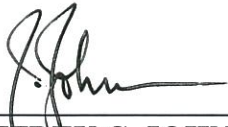
ORDERING PROVISIONS

After careful review and consideration of the above determinations, the September 27, 2016 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 31, 2016 Petition for approval of Amendment Number Six to the PMO contract with Brown & Caldwell is GRANTED to the extent that GWA is authorized to increase its contract with Brown & Caldwell for an amount not to exceed half of \$4,059,877.00 (or \$2,029,938.50), and that approval of the remaining half shall be considered upon GWA's submission of a transition plan by December 31, 2016, which shall address GWA's current and future efforts to reduce its reliance on PMO services.

2. 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.

SO ORDERED this 29th day of September, 2016.



JEFFREY C. JOHNSON
Chairman

ROWENA E. PEREZ
Commissioner



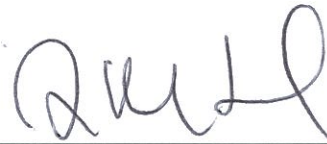
JOSEPH M. MCDONALD
Commissioner



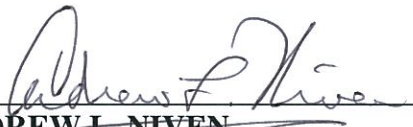
FILOMENA M. CANTORIA
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