



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION FOR APPROVAL OF
AMENDMENT NO. 7 TO PMO WITH
BROWN & CALDWELL BY GUAM
WATERWORKS AUTHORITY**

GWA DOCKET 18-01

ALJ REPORT

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for approval of a \$2,095,904.00 increase in the Program Management Office (“PMO”) contract with Brown & Caldwell, specifically Amendment No. 7, filed by the Guam Waterworks Authority (“GWA”) on October 12, 2017 (the “Petition”).

DISCUSSION

A. Review of GWA's PMO Contract

Pursuant to 12 G.C.A. §12105,¹ 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 Formerly 12 G.C.A. § 12004.

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

³ *Id.*

B. Request for \$2 Million Increase

In its Petition, GWA maintains that it “continues to need significant assistance on numerous projects such as compliance with the [federal] Court Order[,] matters contained in the Stipulation attached to PUC’s Order approving GWA’s 5-year rate plan covering FY2013-FY2018, SRF grant project management, Consulting Engineer’s Report and Certification for 2018 revenue bond financing, and hydraulic modeling and training for wastewater collection system analysis, among others.”⁴ Based on this need, GWA seeks PUC approval to increase funding for its existing contract with the PMO by \$2,095,904.00 for services described in the Petition.⁵

GWA submits that the cost of the increase will be funded by 2010, 2013, 2015 bond proceeds, and U.S. E.P.A. State Revolving Funds (“SRF”).⁶ GWA further submits that the PMO “brings . . . technical resources, subject matter knowledge, and seasoned management from a pool of national experts as well as its local staff”; that it has “effectively managed the U.S. E.P.A. funded infrastructure improvement projects for GWA.”⁷

GWA also submits that the PMO has “helped GWA achieve investment grade ratings from all three credit rating agencies . . . resulting in over \$41 million in interest savings over the lifetime of the previous two bond sales.”⁸ In addition, GWA maintains that the cost associated with the PMO is commensurate with average PMO costs

⁴ Petition, p. 3.

⁵ Petition, pp. 1, 3.

⁶ Petition, p. 6.

⁷ Petition, pp. 4-5.

⁸ Petition, p. 5.

in the industry.⁹ GWA contends that the instant request is about “half” the funding approved by the Consolidated Commission on Utilities (“CCU”) and the PUC last year.¹⁰

1. New Bond Funded Projects

a. Program Management Support for 2017-2018

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 PMO will assist with developing scopes of work and work plans for CIP projects, and court-ordered related projects. The PMO will also develop schedules, budgets, work authorizations, and staffing plans for capital improvement projects.

The PMO will continue to provide qualified and specialized technical support necessary to respond to GWA’s critical issues on an as-needed basis. At GWA’s discretion, the PMO will also provide some program contract assistance, such as review of requests for proposals and the negotiation of contracts. The budget for this project will provide the PMO with housing subsistence, utilities, leased cars, and air fare for technical experts. This ongoing work with GWA is planned to expire at the end of the 2018 fiscal year, and which cost is estimated at \$730,555.00.

b. Consulting Engineer’s Report for 2018 Bond Financing

Based on the work authorization submitted by GWA, the PMO will assist GWA primarily with the preparation of a Consulting Engineer’s Report and Consulting Engineer’s Certificate, which will be included in GWA’s Official Statement of the

⁹ Petition, p. 5.

¹⁰ Petition, p. 3.

Revenue Bond documents for the 2018 bond issue. In addition to crafting GWA's capital improvement program summary, this Engineer's Report will also include financial projections through year 2023. The PMO will also provide some support to GWA's finance team at rating agency and bond insurer presentations. This project is estimated at \$210,043.00 and is estimated to be completed by June 1, 2018.

c. Project Management System for New Wells

According to GWA, the intent is that the PMO will provide project management services for the construction of three (3) new wells. Based on the work authorization, the PMO will assist GWA with managing the project from start to finish, which includes the following: design, bidding, construction, and closeout. The PMO will be required to provide project management oversight and technical. This project is estimated at \$110,013.00.

d. Hydraulic Modeling and Training for Wastewater Collection

According to GWA, the intent behind this project is to collect flow metering data, as well as update GWA's wastewater collection system model. The updated model will then be used to identify deficiencies in the system.

Based on the work authorization submitted by GWA, the PMO will develop a flow metering plan, which will enable GWA to install flow meters in its collection system. The PMO will analyze the flow metering data and determine for GWA whether any meters require maintenance. Among other tasks, the PMO will also provide "on-call" assistance for specific issues concerning GWA's wastewater collection system. Finally,

the PMO will provide training on the wastewater collection system model for GWA staff. This project is estimated at \$224,923.00.

2. SRF Grant Funded Project Support

With respect to the SRF Grant-funded project support, the PMO has been managing ten (10) sewer rehabilitation and groundwater well reconstruction projects for the past two (2) years. These projects include the following: (1) Southern SSES Rehabilitation (Agat-Santa Rita-Umatat-Merizo); (2) Route 1 Asan-Adelup-Hagatna; (3) Asan Sewer Break Repair; (4) Route 2 Agat War in the Pacific Project; (5) F and A Series Wells Rehabilitation; (6) Tumon Sewer Hotspots; (7) Route 4 Hagatna; (8) D-Series Wells Rehabilitation; (9) Baza Gardens-Talofofo SSES Rehabilitation; and (10) Tamuning Sewer Hot Spots.

According to the work authorization submitted by GWA, the PMO will continue the management of these projects, through bidding, construction, and close-out. With respect to these projects, the PMO is required under the grant to manage the construction contracts, monitor schedules and costs, and meet with U.S. EPA officials, among other tasks. This work is scheduled to continue from January 1, 2018 through the end of the year, and is estimated at \$820,370.00.

RECOMMENDATION

With respect to the projects discussed above that require PUC approval for additional funding for the PMO contract, based on the documents submitted by GWA and the record before this Commission, the ALJ finds 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. The ALJ also finds that, as GWA has indicated, the U.S. E.P.A. SRF grant would fund certain eligible projects.¹¹

The ALJ also finds that the instant request appears to be only half a million dollars more than what was projected in GWA's December 29, 2016 PMO Transition Overview, filed in GWA Docket 16-06. In that report, GWA projected that the PMO costs would increase by \$1.5 million in 2018.¹² In the same report, GWA also indicated that the PMO's function would generally be eliminated in 2019.¹³

Accordingly, based on the documents submitted by GWA and the record before this Commission, the ALJ recommends the following. First, the ALJ recommends that the PUC approve GWA's request for additional funding for its contract with Brown & Caldwell, with respect to the PMO activities related to the SRF Grant-funded project support, not to exceed \$820,370.00. Second, with respect to funding for new bond-funded PMO projects, the ALJ recommends that the PUC also approve the funding requested for these particular projects: (1) the Consulting Engineer's Report for 2018 Bond Financing; (2) Project Management System for New Wells; and (3) the Hydraulic Modeling and Training for Wastewater Collection; not to exceed \$544,979.00.

Finally, with respect to Program Management Support for 2017-2018, the ALJ recommends that GWA submit a more detailed list or work authorization itemizing specific projects or line items that account for the \$730,555.00 increase requested by GWA. Moreover, the ALJ further recommends that the PUC should revisit approval of the

¹¹ Petition, pp. 5-6.

¹² GWA's PMO Transition Overview, GWA Docket 16-06, p. 9 (Dec. 29, 2016).

¹³ GWA's PMO Transition Overview, p. 8.

remaining funding after GWA submits a PMO Elimination Plan by January 31, 2018, which shall address GWA's current and future efforts to eliminate its reliance on PMO services. A proposed Order is submitted herewith for the Commissioners' consideration.

Respectfully submitted this 29th day of November, 2017.



JOEPHET R. ALCANTARA
Administrative Law Judge

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