



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**PETITION FOR APPROVAL OF ) GWA DOCKET 18-01**  
**AMENDMENT NO. 7 TO PMO WITH )**  
**BROWN & CALDWELL BY GUAM ) ORDER**  
**WATERWORKS AUTHORITY )**  

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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”).

On November 29, 2017, the Administrative Law Judge of the PUC assigned to this docket, Joephet R. Alcantara (the “ALJ”), filed a report regarding the instant Petition, which included his findings and recommendations based on the administrative record before the PUC. The ALJ made the following findings.

**DETERMINATIONS**

**A. Review of GWA’s PMO Contract**

Pursuant to 12 G.C.A. §12105,<sup>1</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

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<sup>1</sup> Formerly 12 G.C.A. § 12004.

obtained before the procurement process is begun . . . .”<sup>2</sup> GWA must also seek PUC’s approval for any uses of bond funds.<sup>3</sup>

**B. Request for \$2 Million Increase**

In its Petition, GWA maintained 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.”<sup>4</sup> 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.<sup>5</sup>

GWA submitted 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”).<sup>6</sup> GWA further submitted 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.”<sup>7</sup>

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

<sup>3</sup> *Id.*

<sup>4</sup> Petition, p. 3.

<sup>5</sup> Petition, pp. 1, 3.

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

<sup>7</sup> Petition, pp. 4-5.

GWA also submitted 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.”<sup>8</sup> In addition, GWA maintained that the cost associated with the PMO is commensurate with average PMO costs in the industry.<sup>9</sup> GWA contends that the instant request is about “half” the funding approved by the Consolidated Commission on Utilities (“CCU”) and the PUC last year.<sup>10</sup>

**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

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<sup>8</sup> Petition, p. 5.

<sup>9</sup> Petition, p. 5.

<sup>10</sup> Petition, p. 3.

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 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-Umatac-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-Talofofa 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.

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 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. The ALJ also found that, as GWA has indicated, the U.S. E.P.A. SRF grant would fund certain eligible projects.<sup>11</sup>

The ALJ further found 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.<sup>12</sup> In the same report, GWA also indicated that the PMO's function would generally be eliminated in 2019.<sup>13</sup>

Accordingly, based on the documents submitted by GWA and the record before this Commission, the ALJ recommended the following. First, the ALJ recommended 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 recommended that the PUC also approve the funding requested for these particular projects: (1) the Consulting Engineer's Report for

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<sup>11</sup> Petition, pp. 5-6.

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

<sup>13</sup> GWA's PMO Transition Overview, p. 8.

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 recommended 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 recommended that the PUC should revisit approval of the 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.

#### **ORDERING PROVISIONS**

Upon careful consideration of the record herein, the November 29, 2017 ALJ Report, 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 GWA's October 12, 2017 Petition is hereby GRANTED to the extent that GWA is authorized to increase its contract with Brown & Caldwell for an amount not to exceed \$1,365,349.00, and that approval of the remaining amount requested shall be considered after GWA's submission of the following: (a) a detailed list or work authorization itemizing specific projects or line items that account for the \$730,555.00 increase requested by GWA; and (b) a PMO Elimination Plan by January 31, 2018, which shall address GWA's current and future efforts to eliminate its reliance on PMO services.

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 the instant contract review proceedings. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 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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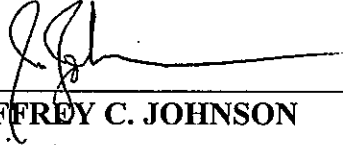
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SO ORDERED this 30<sup>th</sup> day of November, 2017.



**JEFFREY C. JOHNSON**  
Chairman

**ROWENA E. PEREZ**  
Commissioner

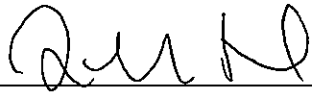


**JOSEPH M. MCDONALD**  
Commissioner

**FILOMENA M. CANTORIA**  
Commissioner



**MICHAEL A. PANGELINAN**  
Commissioner



**PETER MONTINOLA**  
Commissioner



**ANDREW L. NIVEN**  
Commissioner

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