

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)	GWA DOCKET 19-07
)	
THE PETITION OF THE GUAM)	
WATERWORKS AUTHORITY FOR)	ORDER
APPROVAL OF A MULTI-YEAR LEASE)	
AGREEMENT FOR HEAVY)	
EQUIPMENT)	

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] pursuant the Guam Waterworks Authority’s [“GWA”] Petition for Approval of a multi-year lease agreement between GWA and Morrico Equipment, LLC [“Morrico”].¹
2. GWA requests that the PUC approve its contract with Morrico for the five (5) year lease of heavy equipment.

BACKGROUND

3. GWA must use heavy equipment, operated by its employees, to perform many of the smaller capital improvement projects [“CIPs”] and smaller repairs to GWA’s water and waste-water systems. GWA has an ageing heavy equipment fleet that requires frequent repairs which cause substantial portions of the fleet to be inoperable for extended time periods. This creates a shortage of operable heavy equipment causing delays in the performing and completion of GWA’s smaller CIPs and repair operations.²
4. GWA incurs additional costs for short-term heavy equipment rentals to overcome heavy equipment shortfalls caused by the increased repair requirements of GWA’s ageing heavy equipment fleet.³
5. On May 31, 2018, GWA, in an effort to alleviate it’s shortages in operable heavy equipment and to mitigate the costs of short-term heavy equipment rentals, issued

¹ GWA Petition for Approval of Multi-Year Lease Agreement for Heavy Equipment, GWA Docket 19-07, filed on November 29, 2018.

² Consolidated Commission on Utilities [“CCU”] Resolution No. 04-FY2019, Relative to the Approval of a Multi-Year Lease Agreement for Heavy Equipment, issued on November 27, 2018, line 15, page 1.

³ Id., at line 25, page 1.

GWA-IFB-2018-12 (Heavy Equipment Lease). GWA only received one (1) bid from Morrico in response to this solicitation and GWA determined that Morrico's five (5) year lease option was the best option and it awarded the contract to Morrico.⁴

6. GWA's heavy equipment lease contract with Morrico requires Morrico to lease three (3) four (4) wheel drive backhoes, three (3) heavy duty trailers, and three (3) tandem dump trucks inclusive of full service and maintenance programs for the full term of the lease. This contract will cost GWA nineteen-thousand-three-hundred-forty-seven-dollars (\$19,347) per month, for a total of one-million-one-hundred-sixty-thousand-eight-hundred-twenty-nine-dollars (\$1,160,829) for the entire five (5) year term.⁵
7. On November 27, 2018, the Consolidated Commission on Utilities ["CCU"] adopted Resolution No. 04-FY2019 which authorized GWA's management to enter into the heavy equipment lease contract with Morrico, expend the amount of one-million-one-hundred-sixty-thousand-eight-hundred-twenty-nine-dollars (\$1,160,829) for the entire five (5) year term of the lease, subject to the PUC's approval of the contract.⁶
8. PUC Counsel issued his report on December 22, 2018.
9. GWA requests that the PUC approve its contract with Morrico for the five (5) year lease of heavy equipment.

DETERMINATIONS

10. Based on the information provided with GWA's petition, GWA's in house capability to maintain an effective operable rate for its heavy equipment fleet is being overcome by increasing maintenance needs of its ageing heavy equipment fleet.
11. Although GWA has various options to resolve this issue, such as improving its in-house maintenance capability, outsourcing it, or obtaining new heavy equipment, the most viable option, based on the information provided by GWA, to resolve the shortage of operable heavy equipment is renting the nine (9) pieces of heavy

⁴ GWA Petition, GWA Docket 19-07, at line 30, page 1.

⁵ CCU Resolution No. 04-FY2019, pages 2-3.

⁶ Id., page 3.

equipment described above from Morrico. Additionally, shorter lease periods, such as one (1) to four (4) years, were less prudent than the five (5) year contract term because the longer five (5) year term results in lowest overall rental costs for the heavy equipment.⁷

12. The total cost of the five (5) year term of GWA's contract with Morrico is one-million-one-hundred-sixty-thousand-eight-hundred-twenty-nine-dollars (\$1,160,829).
13. It is likely that the cost of purchasing such equipment is substantially similar to, or slightly higher than the costs of the GWA's lease contract with Morrico. Further, considering the additional costs of shipping such equipment to Guam, and the additional costs of the full service and maintenance programs these types of heavy equipment require, GWA's contract with Morrico is likely cheaper than the option of purchasing, servicing, and maintaining similar equipment, over the same five (5) year term.
14. GWA's operational capability will be enhanced by its plan to organize the heavy equipment it rents from Morrico under the contract, into three teams consisting of a one (1) backhoe, one (1) dump truck, and one (1) trailer and the necessary crews to man and operate them. GWA can deploy these teams quickly throughout Guam to conduct small CIPs and line repair and installation projects.⁸
15. Based on the foregoing, GWA's heavy equipment lease contract with Morrico is reasonable, prudent, and necessary. The PUC approves GWA's contract with Morrico for the lease of heavy equipment.

ORDERING PROVISIONS

After review of the record herein, including GWA's Petition for Approval of its heavy equipment lease contract with Morrico Equipment LLC, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

⁷ Id., line 20, page 2.

⁸ GWA Petition, GWA Docket No. 19-07, line 15, page 2.

1. GWA's Petition for Approval of its Heavy Equipment Lease Contract with Morrico Equipment, LLC is hereby approved.
2. GWA shall file a complete copy of its Heavy Equipment Lease Contract with Morrico Equipment, LLC with the PUC.
3. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

///

///

///

///

///

///

///

///

///

///

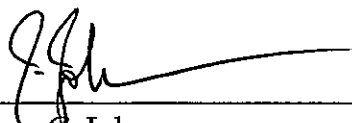
///

///

///

///

Dated this 27th day of December, 2018.



Jeffrey C. Johnson
Chairman



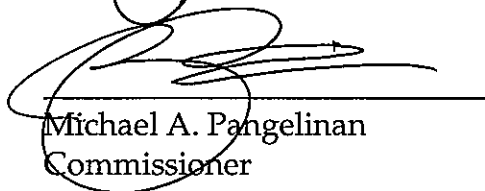
Joseph M. McDonald
Commissioner



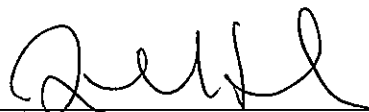
Rowena E. Perez
Commissioner



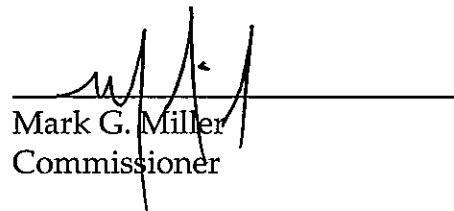
Filomena M. Cantoria
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Mark G. Miller
Commissioner