



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION FOR APPROVAL)
OF CONTRACT EXTENSION)
WITH JMI-EDISON AND)
GUAM PACIFIC ENTERPRISES,))
INC. FOR THE PURCHASE OF)
TEMPERATURE SENSORS,)
SUBMERSIBLE CABLES,)
BOOSTER PUMPS AND)
MOTORS.)

GWA DOCKET 19-10

ALJ REPORT

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition for Approval of Contract Extension with JMI-Edison and Guam Pacific Enterprises, Inc. for the Purchase of Temperature Sensors, Submersible Cables, Booster Pumps and Motors (the “Petition”), filed by the Guam Waterworks Authority (“GWA”) on May 16, 2019.

BACKGROUND

In August of 2015, GWA issued Invitation for Bid Number GWA 2015-08 (“IFB 2015-08”) soliciting bids for temperature sensors, submersible cables, and 2-horsepower (“2HP”) booster pumps and motors for GWA’s water and wastewater facilities.¹ In October of 2015, GWA’s procurement team reviewed bids submitted by JMI-Edison and Guam Pacific Enterprises, Inc. (“GPE”).² GWA’s procurement team determined that GPE was the lowest responsive and responsible bidder for the temperature sensors and the submersible electrical cables; and that JMI-Edison provided the best bid

¹ Petition, p. 1 (May 16, 2019).

² Petition, p. 1.

for the 2HP booster pumps and motors.³ Thereafter, GWA awarded the bids to GPE and JMI-Edison; and subsequently entered into three-year contracts with these vendors, with two (2) one-year options to renew.⁴

On April 25, 2019, the CCU authorized GWA to proceed with the two-year contract extensions with both the GPE and JMI-Edison contracts.⁵

DISCUSSION

A. GWA's Request for Contract Extensions

GWA issued IFB 2015-08 to solicit bids for temperature sensors, submersible cables, and 2HP booster pumps and motors, to provide the agency with adequate stock of such equipment when needed.⁶ In December 2015, GWA entered into a contract with GPE for the purchase of temperature sensors, at a cost of \$695.00 each, and at an annual cost of \$13,900.00; and \$179,860.00 per year for submersible electrical cables.⁷ GWA also entered into a contract with JMI-Edison for the purchase of 2HP booster pumps and motors, at a cost of \$1,409.30 each, and at an annual cost of \$49,325.59.⁸

According to GWA, since December 2018, it has already expended a total of \$575,345.00 over three (3) years on its contract with GPE; and \$139,256.29 on its

³ Petition, pp. 1-2.

⁴ Petition, pp. 1-2.

⁵ Resolution, p. 3.

⁶ Resolution, p. 1.

⁷ Petition, pp. 1-2.

⁸ Petition, p. 2.

contract with JMI-Edison.⁹ GWA submits that it requires additional funding to purchase more submersible cables at a cost of \$480,160.00 for the next two (2) years; and more 2HP booster pumps and motors at a cost of \$112,744.00 for the next two (2) years.¹⁰ GWA also requests a ten percent (10%) contingency on top of these amounts.¹¹

GWA maintains that its aim is to “maintain adequate quantities of submersible cables and chlorination system booster pumps and motors as a preventative measure for ensuring all water system mechanical and electrical assets are replaced in a timely manner as part of a normal production well and disinfection system.”¹² Accordingly, GWA submits that “[h]aving the necessary inventory on-hand allows GWA to continue providing reliable and quality water and saves substantial time and costs to its ratepayers.”¹³

B. Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Generally, 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”¹⁴

⁹ Petition, pp. 2-3; Resolution, pp. 2-3.

¹⁰ Petition, p. 2; Resolution, p. 3.

¹¹ Petition, p. 2; Resolution, p. 3.

¹² Petition, p. 3.

¹³ Petition, p. 3.

¹⁴ GWA’s Contract Review Protocol (“Contract Protocol”), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

With respect to multi-year contracts, “[t]he term of a contract or obligation (procurement) will be the term stated therein, including all options for extension or renewal”; and that the “test to determine whether a procurement exceeds the \$1,000,000 threshold for the PUC review and approval (the review threshold) is the total estimated cost of the procurement, including cost incurred in any renewal options.”¹⁵

C. Cost

In this instance, GWA is requesting approval of a total of \$1,366,795.69 for its two-year contract extensions with GPE and JMI-Edison. Specifically, GWA’s purchase of submersible cables and temperature sensors from GPE in the amount of \$480,160.00; and 2HP booster pump motors from JMI in the amount of \$112,744; plus a ten percent (10%) contingency on top of these amounts. GWA’s operating revenue will fund the extensions of the subject contracts.¹⁶

D. Resolution No. 21-FY2019

The Petition is supported by CCU Resolution No. 21-FY2019 issued by the CCU at its April 25, 2019 meeting (the “Resolution”). In the Resolution, the CCU authorized GWA to proceed with the two-year contract extensions with both the GPE and JMI-Edison contracts.¹⁷ In particular, the CCU authorized GWA’s purchase of submersible cables and temperature sensors from GPE in the amount of \$480,160.00; and

¹⁵ *Id.*, p. 2.

¹⁶ Resolution, p. 3.

¹⁷ Resolution, p. 3.

2HP booster pump motors from JMI-Edison in the amount of \$112,744.00.¹⁸ The CCU also authorized ten percent (10%) contingencies for each contract.¹⁹

CONCLUSION

As noted in prior dockets, GWA purchases submersible pumps and motors on an as needed basis, and periodically replenishes its inventory of spare parts. It is also clear that these pumps and motors are necessary to operate GWA's waster and wastewater facilities.

It is prudent and necessary for GWA to "maintain adequate quantities of submersible cables and chlorination system booster pumps and motors as a preventative measure for ensuring all water system mechanical and electrical assets are replaced in a timely manner as part of a normal production well and disinfection system."²⁰ Indeed, "[h]aving the necessary inventory on-hand allows GWA to continue providing reliable and quality water"²¹

Based on the documentation provided by GWA in this docket, and for the other reasons set forth herein, the ALJ recommends that the PUC authorize GWA's purchases indicated in its Petition, and to authorize GWA to exercise the two-year renewals contained in its contracts with GPE and JMI-Edison, at costs of \$480,160.00 and \$112,744.00, respectively. These contracts should be subject to the usual cost

¹⁸ Resolution, p. 3.

¹⁹ Resolution, pp. 3-4.

²⁰ Petition, p. 3.

²¹ Petition, p. 3.

contingencies provided under the Contract Review Protocol.²² A proposed Order is submitted herewith for the Commissioners' consideration.

Dated this 27th day of August, 2019.



JOEPHET R. ALCANTARA
Administrative Law Judge

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²² See Section 9, GWA's Contract Review Protocol, Administrative Docket 00-004, p. 1 (Oct. 27, 2005).