

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



**PETITION FOR APPROVAL OF
JDE ENTERPRISEONE FINANCIAL
MANAGEMENT SYSTEM UPGRADE**

PAG DOCKET 20-04

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to a May 15, 2020 petition filed by the Jose D. Leon Guerrero Commercial Port, Port Authority of Guam (“PAG” or the “Port”), seeking PUC approval of the bond expenditure related to the Port’s proposed upgrade of its Financial Management System, specifically from Oracle’s JD Edwards World system to Oracle’s JD Edwards EnterpriseOne software and technology system.

On March 23, 2020, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

Since 1999, PAG has been utilizing a Financial Management System known as Oracle’s JD Edwards World (“JDE World”), which provides PAG with a software system for its ~~general accounting, human resources, payroll, budget, accounts receivable and payable,~~ procurement, inventory, work orders, and fixed asset capabilities.¹ According to PAG, this system “will reach its end of life on 2022.”²

¹ PAG Board Resolution No. 2020-02 (“Resolution”), p. 1 (Feb. 28, 2020).

² PAG’s Response to RFI, Appendix (“Appendix”), p. 7 (May 22, 2020).

From May 2019 through January 2020, a pilot program was deployed to determine the “compatibility and viability” of a system upgrade from JDE World to JD Edwards EnterpriseOne (“EnterpriseOne”), a more advanced and robust system.³ According to PAG, the pilot program was “successful” and revealed that the EnterpriseOne system provided a “faster reporting tool, expanded and more detailed functional modules, integration, and adaptability to new technology.”⁴

In the middle of the pilot program, Public Law 35-44 (“P.L. 35-44”) was signed into law, which authorized the reprogramming of projects funded by the Port’s revenue bond proceeds, which includes upgrading the Port’s information technology system and integrating its Financial Management System with its Terminal Operating System. P.L. 35-44, Section 1(d), p. 4 (Oct. 16, 2019).

On February 28, 2020, PAG’s Board of Directors (the “Board”) issued Resolution No. 2020-02, which authorized PAG to allocate a portion of its bond revenue proceeds in an amount up to \$2.5 million for the upgrade from JDE World to EnterpriseOne.⁵ The Board further authorized PAG to seek PUC approval of the bond expenditure pursuant to PAG’s Contract Review Protocol.⁶

On March 31, 2020, PAG issued a Notification of Procurement Over \$500,000 to the Office of the Attorney General.⁷ In April 2020, PAG engaged with Oracle in price negotiations. On May 8, 2020, PAG issued a letter to Oracle accepting an April 30, 2020

³ Resolution, p. 1.

⁴ Resolution, p. 1.

⁵ Resolution, p. 1.

⁶ Resolution, p. 1.

⁷ Appendix, p. 12.

counter-offer.⁸ On May 20, 2020, the ALJ assigned to this matter issued a Request for Information (“RFI”), seeking information and documents related to the Financial Management System upgrade with Oracle for the EnterpriseOne system.

A. PAG’s May 15, 2020 Petition

In its Petition, PAG requests that the PUC approve the bond expenditure related to the Port’s upgrade of its Financial Management System, specifically from JDE World to EnterpriseOne.⁹ According to PAG, “[t]he purpose of this service is to upgrade from JDE World to JDE EnterpriseOne which includes full data migration, cloud database licensing, on premise database licensing and support, and [disaster recovery] hardware and support.”¹⁰ The upgrade would also include a skills workshop, 24/7 application management, helpdesk, and training.¹¹

According to PAG, EnterpriseOne is a “more robust and technologically updated version of JDE World.”¹² And that because both products are by Oracle, the transition should be “smooth,” minimally disruptive to PAG’s operations, and therefore, “cost efficient.”¹³

Cost for the upgrade is \$2,028,816 for implementation of the new system, and \$111,430.40 for training; for a total of \$2,140,246.40. PAG submits that the upgrade will be funded by revenue bond proceeds.¹⁴

⁸ Appendix, p. 34.

⁹ Petition Re: PAG Financial Management System Upgrade to JDE EnterpriseOne, p. 1 (May 15, 2020) (“Petition”).

¹⁰ Petition, p. 1.

¹¹ Petition, p. 1.

¹² Petition, p. 1.

¹³ Petition, p. 1.

¹⁴ Resolution, p. 1.

B. PAG's Contract Review Protocol

Pursuant to 12 G.C.A. §12105, PAG may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to PAG's current Contract Review Protocol, "[a]ll internally financed contracts utilizing O&M funds in excess of \$1,000,000" and "[a]ll capital items by account group utilizing O&M funds, which in any year exceed \$1,000,000"; and "[a]ny contract or obligation not specifically referenced above which exceeds \$1,000,000" "shall require prior PUC approval under 12 G.C.A. Section 12004."¹⁵

Further, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.¹⁶

C. Key Services and Deliverables, and Costs

Based on the contract documents, the upgrade will affect the following existing modules: Accounts Receivables; Accounts Payables; General Accounting; Financial Reporting; Budgeting; Fixed Assets, Equipment/Plant Management; Human Resources; Distribution/Logistics; and Work Order.¹⁷ The upgrade will also set up a "cloud" infrastructure.¹⁸ The services will include production preparation; a disaster recovery build; and then "going live", and post-production support.¹⁹ In addition, the key deliverables include the

¹⁵ Contract Review Protocol, PAG Docket 09-01, p. 1 (June 20, 2011).

¹⁶ See Contract Review Protocol for Port Authority of Guam, PAG Docket 09-01, p. 1 (June 20, 2011).

¹⁷ Appendix, p. 59.

¹⁸ Appendix, p. 60.

¹⁹ Appendix, pp. 61-62.

following: upgrades tests; post-production support; test cases; configuration and demonstration of user dashboards; workshops of the new system; and a project management plan.²⁰

A breakdown of the fees, over three years, is as follows: \$1,528,294 for the first year; \$250,698.52 for the second year; and \$249,823.96 for the third year; for a total \$2,028,816 to implement the new system.²¹ The bulk of the cost for the first year is for advanced customer services at about \$950,000.²²

Finally, the offer includes an additional \$111,430.40 for training.²³ The bulk of the costs are for finance, asset management, HR, payroll, and engineering training (over the course of 5 to 10 days), at a little less than \$800 per person.²⁴

D. Upgrade

According to the documentation provided by PAG, the key differences between JDE World and EnterpriseOne involve, among others, a much larger provision of tools for the user. For instance, EnterpriseOne provides 27 more modules; over 90 mobile applications (where JDE World provides none); smart phone applications (where JDE World provides none); tablet devices (where JDE World provides none); more supported operating systems; more supported platforms; and is offered in 4 more languages. EnterpriseOne further provides some cross industry capabilities, such as project and government contract accounting; and expense management.²⁵ With respect to human resources, EnterpriseOne offers competency

²⁰ Appendix, p. 62.

²¹ Appendix, p. 25.

²² Appendix, p. 25.

²³ Appendix, p. 25.

²⁴ Appendix, p. 28.

²⁵ PAG's Response to RFI, p. 3.

management, performance management; and E-recruiting, among others.²⁶ With respect to distribution, EnterpriseOne offers fulfillment management; demand scheduling execution; requisition self-service; supplier self-service; and a buyer workspace.²⁷

In addition, PAG submitted that what makes EnterpriseOne technologically more robust includes the following. EnterpriseOne offers “cloud” compatibility, certain customizations, and process automations.²⁸ Other advances include report customization that can address requirements by financial institution, external auditors, and various stakeholders; invoicing that can be generated and emailed directly to customers; data downloads to Excel format, job costing, work orders, human resources, procurement and inventory functions.²⁹

E. Sole Sourcing

Generally, a contract may be awarded “for a supply, service, or construction item without competition when, under regulations promulgated by the Policy Office, the Chief Procurement Officer, . . . the head of a purchasing agency, or a designee of either officer above the level of the Procurement Officer determines in writing that there is only one source for the required supply, service or construction item.” 5 G.C.A. § 5214; *See also* 2 G.A.R., Div. 4, § 3112 (“A contract may be awarded for a supply, service, or construction item without competition when the provisions of this Section are met, provided that the Chief Procurement Officer, . . . the head of a Purchasing Agency, or their designee above the level of Procurement Officer determines in writing that there is only one source for the required supply, service, or construction item.”).

²⁶ PAG’s Response to RFI, p. 3.

²⁷ PAG’s Response to RFI, p. 3.

²⁸ PAG’s Response to RFI, p. 4.

²⁹ PAG’s Response to RFI, p. 5.

In addition, 2 G.A.R., Division 4, Section 3112(b) (“Conditions for use of Sole Source Procurement”), provides that a “[s]ole source procurement is not permissible unless a requirement is available from only a single supplier.” 2 G.A.R., Div. 4, § 3112(b). Section 3112(b) further adds that “[a] requirement for a particular proprietary item does not justify a sole source procurement if there is more than one potential bidder or offeror for that item. The following are examples of circumstances which could necessitate sole source procurement: (1) where the compatibility of equipment, accessories, or replacement parts is the paramount consideration” 2 G.A.R., Div. 4, § 3112(b). The regulations further seem to provide that where a procurement is restricted to one potential contractor, such use of sole sourcing “shall be accompanied by an explanation as to why no other will be suitable or acceptable to meet the need.” 2 G.A.R., Div. 4, § 3112(b).

In this instance, the documentation provided by PAG includes a March 30, 2020 Determination of Need, executed by PAG’s General Manager Rory J. Respicio, as head of a purchasing agency, wherein he states that “Oracle and its authorized resellers are the only distributors of the Oracle JD Edwards Enterprise One software and its associated Oracle software support services.”³⁰ In the same vein, PAG’s use of the sole sourcing appears appropriate here because there is primarily one source for the supply and service for the upgrade of PAG’s current financial management system, namely Oracle. Indeed, according to the vendor, as of March 17, 2020, “Oracle and its authorized resellers only distribute Oracle JD Edwards Enterprise One software and its associated Oracle software support services.”³¹

Further, based on a review of PAG’s documentation, the compatibility of equipment, accessories, and replacement parts is of great significance, especially at this pivotal

³⁰ Appendix, p. 2.

³¹ Appendix, p. 5.

moment. PAG's Information Technology Systems Manager has indicated that the current system "will reach its end life on 2022", and that "[t]he only compatible upgrade path for this obsolete system is to migrate to [EnterpriseOne] system which is also provided and supported by Oracle."³² The manager further added that "[i]t's the only compatible financial software that will migrate seamlessly due to its similar (but upgraded) database structure/schema, tables, modules, features and technology"; and that a "[u]ser's learning curve will be easy too, due to its compatible and similar functionality, menus, processing options, and system structure in general."³³

Moreover, PAG's documentation further indicates that the agency engaged in price negotiations with Oracle, pursuant to 2 G.A.R., Div. 4, Section 3112(b), which resulted in almost \$75,000 savings.

F. Market

In response to the May 20, 2020 RFI, PAG indicated that "[s]ince Oracle is the sole provider of the [JDE EnterpriseOne] software and its associated Oracle software support services, there's no known market for the upgrade."³⁴ PAG has indicated that the only alternative would be to migrate to a brand new financial management system.³⁵ Such migration, according to PAG, would be more costly since a brand new system costs upwards of \$2.7 million to \$5.9 million, and would exclude costs associated with learning the new system, business disruption, data compatibility and the resulting migration.³⁶

³² Appendix, p. 7.

³³ Appendix, p. 7.

³⁴ PAG's Response to RFI, p. 6.

³⁵ PAG's Response to RFI, p. 6.

³⁶ PAG's Response to RFI, p. 6.

G. Public Law 35-44

In the Petition, PAG maintained that the contract will be funded through its 2018 bond proceeds. Indeed, in P.L. 35-44, the Guam Legislature expressly found that the Port's modernization necessitates an "upgrade to the terminal operating system to allow for automated invoicing, cargo and container tracking, financial management, and maintenance management"; that "[t]o enhance the Port's invoicing to ensure one hundred percent (100%) cost recovery per the established tariffs, the Terminal Operating System and Financial Management System must be integrated, along with an upgrade of the Port's current information technology system for accurate financial data on the expenses rendered to vessel operations and related services versus revenues; along with "improvements" to the Port's information technology systems. P.L. 35-44, Section 1(b) and (d), pp. 2, 4-5 (Oct. 16, 2019).

Further, Section 2 of P.L. 35-44, which approved PAG's issuance of the revenue bonds, authorizes PAG to "shore up" its "financial management systems", specifically for an "upgrade to the Port's information technology system and integration of the Terminal Operating System and Financial Management System." P.L. 35-44, Section 2(a)(2), p. 6.

CONCLUSION

Oracle has been described as "the world leader in IT platforms, middleware, databases, business software and programming languages (with Java). The company offers the world's fastest servers (Exadata X3 with 26 TB of RAM) and is one of the leading storage providers (Sun)."³⁷ "Oracle is also the only [enterprise resource planning] provider to sell

³⁷ <https://www.fss-group.com/en/jd-edwards/> (last accessed May 24, 2020).

complete solutions—from server farms in the data center to printed forms in the customer’s corporate design.”³⁸

In addition, EnterpriseOne has been described as “an integrated international application suite with comprehensive enterprise resource planning software that combines business value, standards-based technology, and comprehensive industry experience into a low total cost of ownership business solution. JD Edwards [EnterpriseOne] was the first [enterprise resource planning] solution to run all applications on the Apple iPad and also provides mobile application solutions.”³⁹

According to Oracle’s EnterpriseOne website, EnterpriseOne offers a number of efficiencies to improve business, such as automation, which “reduces manual tasks and enables users to focus on more critical and more creative tasks, increasing employee satisfaction.”⁴⁰ “Manual data entry is tedious, expensive, and prone to problems. Inaccurate and inconsistent data entry often results in information gaps. Delivering real-time data into EnterpriseOne applications leads to optimized operations, more accurate analytics, and better regulatory compliance.”⁴¹

EnterpriseOne further provides its consumers with a “choice of applications and control over operations for both on-premises and hybrid cloud models.”⁴² For instance, its

³⁸ <https://www.fss-group.com/en/jd-edwards/> (last accessed May 24, 2020).

³⁹ <https://www.fss-group.com/en/jd-edwards/> (last accessed May 24, 2020).

⁴⁰ <https://www.oracle.com/a/ocom/docs/applications/jdedwards/jde-world-migration-ebook.pdf> (last accessed May 24, 2020).

⁴¹ <https://www.oracle.com/a/ocom/docs/applications/jdedwards/jde-world-migration-ebook.pdf> (last accessed May 24, 2020).

⁴² <https://www.oracle.com/a/ocom/docs/applications/jdedwards/jde-world-migration-ebook.pdf> (last accessed May 24, 2020).

“cloud” services “enables lines of business to rapidly respond to evolving business conditions to capture market opportunities.”⁴³

Based on the foregoing, the ALJ found that upgrading PAG’s current Financial Management System is crucial to its operations. As indicated by the findings of the Guam Legislature, the Port’s modernization necessitates an “upgrade to the terminal operating system to allow for automated invoicing, cargo and container tracking, financial management, and maintenance management”; that “[t]o enhance the Port’s invoicing to ensure one hundred percent (100%) cost recovery . . . along with an upgrade of the Port’s current information technology system for accurate financial data on the expenses rendered to vessel operations and related services versus revenues.” P.L. 35-44, Section 1(b) and (d), pp. 2, 4-5. It is of great benefit for ratepayers to protect the business operations of the Port’s activities. Especially during these times, it would be tragic if the Port’s operations decrease in efficiency, productivity, and financial stability.

The ALJ further found that the upgrade to the Port’s Financial Management System, and the corresponding expenditure, are reasonable, prudent, and necessary, especially to support the Port’s modernization and efforts to improve its services for the ratepayers. Accordingly, the ALJ therefore recommended that the PUC approve PAG’s Petition, specifically authorizing \$2,140,264.40 for the bond expenditure related to the Port’s upgrade of its Financial Management System, specifically from JDE World to EnterpriseOne.

The Commission hereby adopts the findings made in the May 26, 2020 ALJ Report, and therefore, issues the following.

⁴³ <https://www.oracle.com/a/ocom/docs/applications/jdedwards/jde-world-migration-ebook.pdf> (last accessed May 24, 2020).

ORDERING PROVISIONS

Upon careful consideration of the record herein, 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 the instant Petition is hereby APPROVED.
2. PAG is authorized to enter into the proposed contract with Oracle for the upgrade of its Financial Management System to JDE EnterpriseOne, for a total cost of \$2,140,264.40, to be funded by PAG's Revenue bond proceeds.
3. PAG shall return to Oracle to attempt to negotiate a lower cost for the JDE EnterpriseOne upgrade considering its use by other agencies in Guam.
4. PAG 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 this matter. 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.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 28th day of May, 2020.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner

PEDRO GUERRERO
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner

DORIS FLORES BROOKS
Commissioner

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