

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

)
) GWA DOCKET 20-04
)

THE GUAM WATERWORKS
AUTHORITY'S MOTION FOR
RECONSIDERATION FOR APPROVAL)
OF GWA'S ENTERPRISE RESOURCE)
PLANNING SYSTEM UPGRADE)
UNDER THE CONTRACT REVIEW)
PROTOCOL)

ORDER

INTRODUCTION

1. This matter originally came before the Guam Public Utilities Commission ["PUC"] on March 26, 2020 pursuant to the Guam Waterworks Authority's ["GWA"] Petition for Approval of GWA's Enterprise Resource Planning System Upgrade Under the Contract Review Protocol.¹ However, at that meeting, the only three out of five Commissioners present at that meeting voted to approve the petition resulting in its denial as a result of its failure to garner the necessary four votes for approval.
2. During the March 26, 2020, GWA was informed that it could bring this matter up again at the PUC's next meeting and GWA filed a supplemental brief in support of its original Petition and GWA continues to request that the PUC approve GWA's contract with Red Rock Consulting Pty. Ltd. [DXC Red Rock] for the upgrade of GWA's Enterprise Resource Planning System [ERP].²
3. GWA's supplemental brief in this matter was discussed at the PUC's May 28, 2020 meeting and the PUC voted in favor of reconsidering this matter at its June 25, 2020 meeting. Accordingly, GWA filed its Motion to Reconsider on June 5, 2020.³

BACKGROUND

3. Since 1998, GWA has used its ERP software system to manage its accounting, procurement, and human resource activities and the version of this software used

¹ GWA Petition for Approval of GWA's Enterprise Resource Planning System Upgrade under the Contract Review Protocol, GWA Docket 20-04, filed on February 27, 2020 [GWA Original Petition] at 1.

² GWA Supplemental Brief in Support of the Contract to Upgrade GWA's Enterprise Resource Planning System, GWA Docket 20-04, filed on February 27, 2020 [GWA Supplemental Brief] at 1.

³ GWA Motion for Reconsideration Filed on June 5, 2020 [GWA Motion for Reconsideration] at 1.

by GWA is JDE World ERP v9.3. This version of the ERP software is one version behind the current version and will not be supported or upgraded by the vendor after March, 2020. Further, GWA employees have had to develop and implement manual workarounds and stand-alone applications to perform tasks and create reports on its increasingly inefficient and outdated ERP software.⁴

4. GWA seeks to migrate its existing ERP software to a new, modern, browser-based digital platform called JDE E1. Oracle is the only software company offering the JDE E1 software and DXC Red Rock is the only contractor with a proprietary pre-built JDE E1 configuration and implementation plan for engineering and construction firms in the Western Pacific Region.⁵
5. On December 5, 2018, GWA issued a sole source procurement awarding the contract for the discovery phase of its JDE E1 upgrade to DXC Red Rock. The discovery phase of the upgrade included defining the scope for a technical and transformational upgrade and it had several key project planning deliverables including pricing.⁶ DXC Red Rock subsequently submitted proposal for a three year contract with implementation of the upgrade in the first year, and recurring licensure costs and managed services for all three years with a total contract estimated the cost of \$5,286,385.⁷
6. On January 21, 2020, GWA issued a second sole source procurement awarding the contract for the JDE E1 upgrade to DXC Red Rock.⁸ On February 21, 2020, the Consolidated Commission on Utilities [CCU] approved GWA Resolution No. 13-FY2020 which authorized GWA to enter into a contract with DXC Red Rock for the JDE E1 upgrade for the amount of \$5,286,385 and to seek the PUC's approval of the contract.⁹
7. PUC legal counsel reviewed GWA's original petition and concluded that: (1) The \$5,286,385 cost for GWA's JDE E1 upgrade contract with DXC Red Rock requires PUC approval because the total cost of the contract exceeds the \$1,000,000 contract review amount; (2) The \$5,286,385 contract cost is reasonable; (3) GWA's use of the

⁴ GWA Original Petition., at 1-2.

⁵ Id., at 2.

⁶ Id.

⁷ GWA Exhibits at 51. NOTE: Exhibit page numbers refer to the PDF page numbers and not any page numbers listed in the exhibits.

⁸ Id., at 45.

⁹ Id., at 47-51.

sole source procurement method is prudent because there is only one source for the supply and because the compatibility of equipment, accessories, and replacement parts is of paramount importance to GWA because no other digital platform or software system will be suitable or acceptable to meet its needs; and (4) GWA's upgrade to the JDE E1 digital platform is necessary due to GWA's existing software's age, increasing inefficiency, and the withdrawal of technical support from its licensor. Accordingly, PUC Counsel recommended that the PUC approve GWA's Petition.¹⁰

8. At the March 26, 2020 meeting, questions were raised about GWA's use of the sole source procurement method to achieve its upgrade to the JDE E1 digital platform as well as the efficacy of GWA's decision to upgrade their existing software system instead of putting the service out to bid and replacing it with an entirely new system.
9. GWA's Supplemental Brief and GWA's Motion for Reconsideration seek to answer these questions by explaining that GWA's use of the sole source procurement method to upgrade to the JDE E1 digital platform is justified because the upgrade's software functionality supports GWA's business needs, the license purchase investment has already been made, and because the upgrade allows GWA to integrate its Computerized Maintenance Management System [CMMS] or Asset Management software with the financial system eliminating the costly integration of two different systems.¹¹
10. GWA's Supplemental Brief and GWA's Motion for Reconsideration also explain that GWA is unable to maintain its current system without an upgrade or replacement because: (1) Technical support for its existing software expired in March, 2020; (2) The current process is too manual and does not provide for the traceability of source transactions and monthly management reports have to be completed off their system; (3) Training new employees on the system's "green screen" is difficult; (4) GWA staff are unable to work with their existing system remotely; and because (5) The existing system uses an obsolete tape based back-up system.¹²

¹⁰ PUC Counsel Report dated March 16, 2020 for GWA Docket No. 20-04 at 2-3.

¹¹ GWA Supplemental Brief at 2.

¹² Id., at 5-7.

11. GWA has also compared the benefits of its proposed upgrade to its current software system and competitor software systems and it has determined that it is more beneficial for GWA to proceed with its proposed upgrade.¹³ Finally, GWA has providing more data showing that the JDE E1 digital platform it seeks to upgrade to remains an industry leader.¹⁴
12. On June 22, 2020, PUC Counsel issued his report for GWA's Motion for Reconsideration.

DETERMINATIONS

13. Clearly, its not hard to beat GWA's existing software system which is over twenty years old. As stated above, the existing software's "green-screen" interface, its taped back-up system, the need to generate monthly management reports outside of the system, and the inability of users to access the system remotely are all good indicators that GWA should replace its existing software system. If this is not sufficient justification, the expiration of technical support for the software system in March, 2020 is. Hence, the replacement of GWA's existing software system is necessary.
14. The real issue in this matter is whether it would be more reasonable or prudent to solicit and obtain a new software system in lieu of proceeding with the proposed upgrade. GWA completed a performance analysis of the JDE E1 digital platform to its peer competitors and concluded that each of these software systems had equal performance scores.¹⁵ Hence, it is unlikely that GWA will be obtaining any enhanced performance from other software systems by taking this course of action.
15. Cost is the main difference between GWA proceeding with its proposed upgrade and soliciting for and obtaining a new software system. As set forth in PUC Counsel's prior report on this matter, the upgrade's \$5,286,385 contract cost is reasonable because the typical cost for an average mid-size business' ERP software upgrade is between 3% to 7% of its annual revenue and for GWA, this translates to a range of \$3.3 million to \$7.4 million.¹⁶ As also stated in that report, this mid-

¹³ Id., at 7-10.

¹⁴ Id., at 10-12.

¹⁵ GWA Supplemental Brief and Motion for Reconsideration at 54. NOTE: Page numbers in the exhibits to the brief are not contiguous and the page number here is the PDF page number which is contiguous.

¹⁶ PUC Counsel Report dated March 16, 2020 for GWA Docket No. 20-04 at 2.

range cost position is justified because GWA is not merely trying to upgrade its existing licenses as allowed by Oracle, but is also purchasing additional licenses, support, infrastructure, and professional services from Oracle and DXC Red Rock.¹⁷ A new software system would be much more than the \$5,286,385 cost for GWA's proposed upgrade because it would have to pay for new licenses and it would likely take additional time to migrate GWA to a new software system than it would to upgrade GWA's existing software system.

16. Risk is the other difference between GWA's proposed upgrade and soliciting for a new software system. Specifically, GWA's proposed use of the sole source procurement method is, as previously stated in PUC Counsel's prior report, legal, and it bears less risk. Specifically, sole sourcing the upgrade greatly reduces the risk of a procurement protest that might result in the delay of replacing GWA's aged and inefficient software system.
17. Finally, at the May 28, 2020 PUC meeting, the PUC requested that GWA explore the feasibility of GWA participating in the Port Authority of Guam's procurement of its JDE Enterprise One Financial Management System Upgrade which was approved by the PUC at the May 28, 2020 PUC meeting. GWA responds to this inquiry by stating that GWA's management spoke with Oracle and GWA's proposed consultant, Red Rock concerning this matter, and that due to GWA and the Port Authority of Guam having different boards and due to GWA and the Port Authority of Guam performing entirely different functions, the systems and licenses would not be shareable. Nevertheless, GWA stated that it requested that Oracle and Red Rock provide it with a larger discount similar to that provided to the Port Authority of Guam, however, GWA has not received a response to its request as of the date of this report.¹⁸

¹⁷ Id.

¹⁸ A copy of GWA's Email to PUC Legal Counsel is as follows:

koelark@guamwaterworks.org

Sun 6/21/2020 6:30 PM

Mr. Camacho,

GWA management spoke with Oracle and GWA's proposed consultant, Red Rock about participating with the Port Authority in its E1 procurement. Because the entities have different Boards and perform entirely different functions, the systems and licenses would not be shareable. However, GWA has formally asked Red Rock and Oracle for a deeper discount on the services that is similar or will exceed the pricing discount allowed for the Port. We have not heard back with respect to that request. Thank you for your assistance and let me know if you require any further information.

KC [Kelly Clark, Esq.]

18. Based on the foregoing, GWA's sole source procurement of the DXC Red Rock contract and the contract's \$5,286,385 cost are reasonable, prudent, and necessary, and the alternative of placing the software contract out to obtain a different software system should not be pursued because it entails greater cost and risk, with no substantial performance gains to justify the increased cost and risk.

ORDERING PROVISIONS

After review of the record herein, GWA's Petition for Approval of GWA's Enterprise Resource Planning System Upgrade Under the Contract Review Protocol, and 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:

1. GWA's Petition to approve GWA's sole source procurement of the DXC Red Rock contract for GWA's upgrade to the JDE E1 digital platform and the contract's \$5,286,385 cost is hereby approved.
2. 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.

///

///

///

///

///

///

///

///

Order
GWA's Motion for Reconsideration for Approval
of GWA's Enterprise Resource Planning System
Upgrade
GWA Docket 20-04
June 25, 2020

Dated this 25th day of June, 2020.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner

Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner

Pete Guerrero
Commissioner