

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GSWA Docket 19-01
)
MSW Consultants' Final PUC)
Management Audit of GSWA) **ORDER**
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the submission by MSW Consultants ["MSW"] of the Final PUC Management Audit of the Guam Solid Waste Authority ["GSWA"].¹
2. In Public Law 34-058: 3, enacted on November 1, 2017, the Guam Legislature added 10 GCA § 51A119, which required the Guam Public Utilities Commission to perform a management audit of the existing operations of the Guam Solid Waste Authority.
3. On July 25, 2019, the PUC approved the Final Proposal of MSW Consultants for the conduct of the Management Audit of GSWA, the Management Audit schedule, and a budget of \$278,400.²
4. MSW proceeded with the project in August 2019.
5. In this proceeding, the PUC is now addressing the issue of whether the MSW Final Report should be adopted as the PUC Management Audit, in accordance with 10 GCA § 51A119.

BACKGROUND

6. Copies of the Final Report of MSW, as updated, have been provided to the PUC Commissioners, and the Report has been filed in this Docket.
7. In November 2019, three MSW consultants, Steve Lynch, Walt Garrison, and Don Grigg, visited Guam for approximately one week to conduct the necessary

¹ MSW Consultants Final Report, Management Audit of the Guam Solid Waste Authority, submitted on October 23, 2020.

² PUC Order, GSWA Docket 19-01, dated July 25, 2019.

investigation, onsite inspections, and meetings with officials of GSWA and the PUC.

8. MSW had originally contemplated that it would make two more trips to Guam for the project; however, the Second Working Meeting and the Final Meeting and Presentation, scheduled for this year, had to be cancelled due to the corona virus pandemic.
9. MSW was able to complete the Report through email communications, by conducting online discussions with GSWA officials, the ALJ, and PUC Commissioners, and by coordinating with the parties as to issues which needed resolution, prior to the completion of the Report.
10. On October 21, 2020, MSW conducted an online presentation of its Report with members of the PUC. PUC Commissioners were provided copies of the Report in advance of the presentation and had a full opportunity to question MSW representatives concerning the Report.
11. A copy of the MSW presentation is attached to the ALJ Report as Exhibit "1". The presentation provides a good summary of the major findings and recommendations of MSW.
12. The Administrative Law Judge ["ALJ"] filed his Report herein on October 26, 2020. The PUC adopts the recommendations contained in the Report.

DETERMINATIONS

13. The Management Audit Scope adopted by the PUC contained five major tasks: (1) an examination of the GSWA facilities and baseline assessments of the Collection System, the Transfer Stations, and the Landfill; (2) Evaluation of Current Rate Structure, a cost of service study, and a determination made if the current rate structure is sufficient to meet the needs of GSWA; (3) Comparative Analysis of Manpower and Staffing, to meet the requirements of the Ratepayer Bill of Rights, 12 GCA §§ 12102.1 through 12102.2, which require the PUC to conduct a study comparing the staffing pattern and manpower levels of GSWA to the staffing patterns and manpower levels of at least (4) utilities in the United States Mainland; (4) Evaluation of Current Management Practices and Capabilities of GSWA, and whether such practices are in accord with industry best management practices; and (5) preparation and presentation of a final report.

14. The Final Report of MSW fully addresses each of the five tasks required in the Scope of Work. It contains detailed and appropriate information on the issues set forth in the Scope of Work.
15. The Report contains a complete examination of the collection system, transfer Stations, and the Landfill. It examines details of the collection system, such as the types of equipment utilized (semi-automated, mini-packer, and Baby Packer), the routes carried out by GSWA, and the GSWA Staffing. The Report provides PUC with a good understanding of the basic components of the GSWA system and their functioning.
16. An important task in this project is for MSW to provide GSWA and PUC with an updated rate model, and to particularly address whether the current rate structure is sufficient to meet the needs of GSWA. The rate model is based upon various cost determinations arrived at by MSW. Particularly expensive aspects of the program are cell construction at \$2M per acre. For example, Cell 3 contracted construction costs are approximately \$27,000,000 for approximately 13.3 acres (roughly \$2M per acre).³ Cell closure costs are estimated to be \$820,000 per acre.⁴
17. MSW concluded that rate increases will be necessary to enable GSWA to meet its full costs. According to MSW, existing rates will not be sufficient to fund GSWA operations in coming years. The need for rate increases is primarily due to the necessity of establishing reserve funds for Layon cell construction and Layon/Ordot closure. Increases could be in the form of a single increase in FY2024 or increases in both FY2022 and 2024. Total estimated increases would range around 30%, or an increase of approximately \$10 per customer over the present bill. Commercial rates would increase from \$171.60 per ton to \$225 per ton. Such increases would mitigate substantial long-term projected deficiencies in the Layon Closure and Post-Closure Reserve Funds under current and projected rates and projected system costs.⁵
18. The rate increase recommendations by MSW are merely that—recommendations. Of course, any actual rate increase would have to be approved by the PUC after a full rate investigation and case.

³ Final Report at p. 3-2.

⁴ Id., at p.3-3.

⁵ Final Report at p. 3-5.

19. A major issue raised by MSW is that, under the current system, Guam households are not required to utilize collection services provided by GSWA—residential curbside refuse collection is therefore “non-mandatory.” Only roughly 50% of residential households presently have service (although this estimate may need to be further refined). MSW points out that “Guam is in a very small minority of jurisdictions that has not established exclusive, mandatory residential refuse collection.”⁶ Requiring residential homeowners to have mandatory service would increase the revenues of GSWA and at least partially reduce the amount of rate increases that GSWA would require.
20. MSW has also provided a “Manpower & Staffing Analysis” of GSWA. Before PUC can approve any rate increase for a public utility, it must compare GSWA with “at least (4) other utilities in the US mainland which provides similar services to a comparable number of customers.”⁷ This study was prepared in order to assist GSWA in the event that it files a rate case. The statutorily mandated manpower & staffing study will already have been accomplished.
21. MSW has provided a study which complies with the statutory requirements. Based upon an overview of 4 selected cities, MSW concludes that “GSWA is maintaining slightly larger collection system than necessary to service its customer base. However, this may be appropriate if GSWA is obligated to collect from non-customers and/or support other services (e.g., illegal dump cleanups), which may not be the case in the benchmark cities. Furthermore, GSWA maintains incrementally more customer service staff. This is to be expected from a non-exclusive provider of service who must track current customers and manage new customer onboarding and suspension of accounts for former customers.”⁸
22. Regarding manpower & staffing, MSW again concludes that “non-mandatory collection policy hampers GSWA productivity and increases management burden.”⁹

⁶ Id., at p. 3-6.

⁷ 12 GCA § 12102.2(d).

⁸ Id., at p. 4-4.

⁹ Id., at p. 4-6.

23. MSW has also conducted a “Management & Operational Evaluation” of GSWA. MSW finds that “the current management staffing configuration is appropriate for the GSWA’s current break down of directly managed and contracted operations.”¹⁰
24. MSW also determines that “current authority senior management and staff possess the industry knowledge, experience, and commitment to operate the residential collection system and the residential convenience centers affectively. The framework for the collection system is appropriate, and the user fee structure is typical of numerous programs on the US mainland that must cover their full costs from direct fees charged to customers.”¹¹
25. MSW does recommend some modifications of the refuse and recycling route configurations. These would involve “route balancing” and reduction of the numbers of operating routes per day. MSW questions, however, whether GSWA should takeover certain functions that are presently contracted, such as Ordot Post-Closure and Layon Operations.¹²

ORDERING PROVISIONS

Upon consideration of the record herein, 10 GCA § 51A119, the Final Report of MSW Consultants, and the ALJ Report, and for good cause shown, upon motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

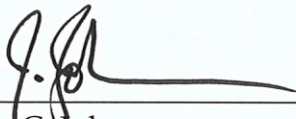
1. The FINAL REPORT of MSW Consultants is approved.
2. The PUC adopts the FINAL REPORT as the PUC Management Audit of GSWA.
3. GSWA shall carefully review the recommendations in the REPORT concerning its operations and make specific written determinations as to whether it will adopt such recommendations.
4. The rate recommendations in the Report are recommendations only and shall not be final unless and until approved by the PUC after a full investigation and the completion of a full rate case proceeding.

¹⁰ Id., at p. 6-1.


¹¹ Id., at p. 6-2.

¹² Id., at p. 6-3.

Dated this 29th day of October 2020.



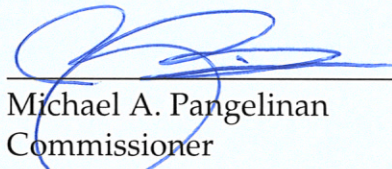
Jeffrey C. Johnson
Chairman



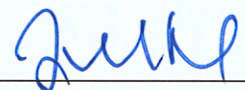
Rowena E. Perez-Camacho
Commissioner



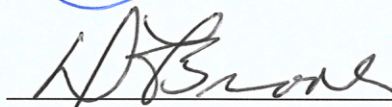
Joseph M. McDonald
Commissioner




Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



Doris Flores Brooks
Commissioner



Pedro S.N. Guerrero
Commissioner