

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE CONTRACT EXTENSION FOR
PROFESSIONAL PRINTING,
MAILING, PROCESSING, AND
OTHER SERVICES

GPA DOCKET 21-11

PUC COUNSEL REPORT



INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition for Contract Review.¹
2. The GPA-Graphic Center, Inc., ["Graphic Center"] Contract for Professional Printing, Mailing, Processing, and Other Services was set to expire on or about April 18, 2021.²
3. GPA requests that the PUC approve an eight-month extension of the contract which will cost \$300,000.³

BACKGROUND

4. On April 6, 2016, GPA entered into a five (5) year contract, which had a one (1) year initial term with four (4) one (1) year options to renew with Graphic Center to provide Professional Printing, Mailing, Processing, and Other Services. Under the contract, Graphic Center provided GPA with professional printing, mailing, and processing services for approximately fifty-thousand (50,000) electric power billings each month.⁴

¹ GPA Petition to Approve the Contract Extension for Professional Printing, Mailing, Processing, and Other Services, GPA Docket 21-11, dated May 20, 2021 [GPA Petition].

² GPA Petition at 3. NOTE: The page numbers in GPA's Petition and its exhibits are not continuous and the page numbers cited herein refer to the page number of the PDF version of the PDF which is continuous.

³ Id., at 2.

⁴ Id., at 1 and 3.

5. The contract's initial one (1) year term has expired, and GPA has exercised all four (4) of its one (1) year options to renew. GPA has expended the total amount of \$1.42 million on the contract over this five (5) year period.⁵
6. Prior to the expiration of the contract's last one (1) year option to renew, GPA solicited for a new contract for professional printing, mailing, processing, and other services by issuing an Invitation for Bids ["IFB"] in December, 2020. GPA received one (1) bid in response to the IFB and GPA had to issue a second IFB due to the bid not meeting the IFB's requirements.⁶
7. As a result of the need to issue a second IFB and the expiration of the contract, GPA negotiated an eight-month extension of the contract so that the professional printing, mailing, processing, and other services GPA requires, especially for the billing of its fifty-thousand (50,000) customers, will continue without interruption until GPA procures a new contract. GPA estimates that the eight (8) month contract extension will cost \$300,000 which GPA intends to pay for using its revenue funds.⁷
8. On April 27, 2021, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. 2021-10 authorizing GPA's management to exercise the month-month contract extension up to eight (8) months or until a new contract is awarded, whichever comes first, subject to the PUC's approval.⁸

ANALYSIS

9. GPA must obtain the PUC's approval for the eight (8) month extension of the contract. Generally, a multi-year procurement with fixed terms and fixed annual costs, GPA must obtain PUC approval if the total costs over the entire procurement term exceed the review threshold of one-million-five-hundred-thousand-dollars (\$1,500,000).⁹ Here, GPA did not obtain the PUC's approval of the contract because the total cost of the contract for its initial one (1) year term, and four (4) one (1) year

⁵ Id., at 3 and email from Graham Botha, Esq., to Anthony R. Camacho, Esq., dated June 16, 2021 [June 16, 2021 Email].

⁶ GPA Petition at 1.

⁷ Id., at 3 and June 16, 2021 Email.

⁸ GPA Petition at 4.

⁹ Paragraph 4(c), Order dated February 15, 2008, GPA Contract Review Protocol.

renewal periods did not exceed the review threshold of \$1.5 million. However, GPA must obtain the PUC's approval for the eight (8) month contract extension because adding the three-hundred-thousand-dollar (\$300,000) cost of the contract extension to the existing \$1.42 million cost of the contract would increase the contract's total cost to \$1.72 million which is in excess of the review threshold.

10. The cost of the contract extension is reasonable. The average monthly cost of the original contract was approximately twenty-three-thousand-six-hundred-sixty-six-dollars ($\$1,420,000/60 \text{ months} = \$23,666.67 \text{ per month}$). Here, the average monthly cost of the contract extension is thirty-seven-thousand-five-hundred-dollars per month ($\$300,000/8 \text{ months} = \$37,500 \text{ per month}$). Although the average monthly cost of the contract extension is approximately thirteen-thousand-eight-hundred-thirty-three-dollars ($\$37,500 - \$23,666 = \$13,833$) higher than the average monthly cost of the contract over the five-year term, these calculations do not consider any price or cost increases in the contract over its five-year term. Further, considering such price increase coupled with the current increases in costs of materials and shipping created due to shortages or conditions related to the global pandemic emergency, the increase in average monthly costs is reasonable. Nonetheless, GPA should seek to mitigate the monthly increase in prices by awarding a new contract for professional printing, mailing, processing, and other services as soon as possible and prior to the expiration of the eight (8) month contract extension.
11. The contract extension is prudent. GPA's plan to use the contract extension is a good one because it will prevent a gap in the professional printing, mailing, processing, and other services from occurring as a result GPA having to issue a second IFB for these services.
12. The contract extension is necessary. GPA's ability to bill its customers as required will be adversely affected by a gap in its professional printing, mailing, processing, and other services. Specifically, without a contractor to provide these services, GPA's likely does not have the capability to print, mail, and process the fifty-thousand (50,000) or so electric power bills it sends out each month in a timely manner. Hence, a gap in these services will have an adverse effect on GPA's revenue stream and the contract extension is necessary to prevent this from occurring.
13. Based on the foregoing, GPA's contract extension with Graphic Center and the extension's \$300,000 cost are reasonable, prudent, and necessary, and the extension

will prevent a gap occur in the professional printing, mailing, processing, and other services GPA relies on to print, mail, and process the fifty-thousand (50,000) or so electric power bills it sends out every month.

RECOMMENDATION

14. Counsel recommends that the PUC approve GPA's eight-month contract extension with Graphic Center for the amount of \$300,000.
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 18th day of June, 2021.

Anthony R. Camacho

Anthony R. Camacho, Esq.
PUC Legal Counsel