

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GWA Docket 22-02
)
THE PETITION OF THE GUAM)
WATERWORKS AUTHORITY TO)
APPROVE CHANGE ORDER NO. 5) **ALJ REPORT**
WITH GIANT CONSTRUCTION CORP.)
FOR GROUNDWATER PRODUCTION)
METER REPLACEMENT PROJECT: GWA)
PROJECT NO. W19-001-BND.)
_____)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the October 18, 2021, Petition for PUC Review to Approve Change Order No. 5 with Giant Construction Corp. for the Groundwater Production Meter Replacement Project.¹

BACKGROUND

A. The Petition

In June 2017, GWA Consultant Brown and Caldwell conducted a field test on 60 existing well head flowmeters and developed bid-ready plans and specifications to replace faulty flowmeters and to standardize well head discharge piping.² Based on the 2017 field test on sixty (60) well head flowmeters, the existing meter readings were "shown to be inaccurate."³ GWA submitted that "these meter reading inaccuracies are affecting non-revenue water calculations making it difficult to track distribution system losses."⁴ The main objective of the Production Meter Replacement Project for 60 critical production wells "is to get accurate measurements of the volume of ground water

¹ GWA Petition, GWA Docket 22-02, dated October 18, 2021.

² Guam Consolidated Commission on Utilities Resolution No. 04-FY2020, Exhibit A-15 of the Petition.

³ Id., at p. 2.

⁴ Id.

produced from the wells. Completion of this project will be critical to GWA's water loss control program on meeting its overall water loss control objectives."⁵

The Groundwater Production Meter Replacement Project was awarded to Giant Construction Corp. in IFB-05-ENG-2019. Giant was the only bidder. The Guam Consolidated Commission on Utilities ["CCU"] approved the project award to Giant Construction Corporation and authorized GWA to enter into a contract with Giant⁶: "The original scope of the project was to replace faulty groundwater production meters and above-ground discharge piping at 60 critical production wells; however, in anticipation of a funding shortfall, the bid schedule was divided into a Basic Bid, Additive Bid No. 1 and Additive Bid No. 2. Under the Basic Bid schedule, only work for 30 deep wells of the 60 was awarded though GWA included provisions in the bid such that if additional funding was obtained after the contract was executed, any or all Bid items not exercised could be restored via Change Order."⁷

B. GWA Docket 20-02

In its Order dated January 30, 2020, the PUC authorized GWA to enter into the proposed contract with Giant Construction Corporation at a total cost of \$1,379,405.00, subject to the cost contingency provided under the Contract Review Protocol.⁸ The PUC found that "the work for the piping and meter replacement includes demolition of the existing production well piping, valves and supports; disposal of the old pipes and valves; disconnection of the chlorination system and electrical lines; supplying and installing the new piping, biddings, valves, gauges, instruments and appurtenances; connection to the existing piping and well heads; painting; and all other items required for a complete and operational system."⁹ The

⁵ Petition, at pgs. 1-2.

⁶ Petition, at p. 2.

⁷ Id.

⁸ PUC Order, GWA Docket 20-02, dated January 30, 2020, at p. 8.

⁹ Id., at pgs. 4-5.

PUC further determined that the Groundwater Production Meter Replacement Project was based upon “the need for GWA to continuously engage in efforts to replace old and aging infrastructure as one means to reduce water loss, which should reduce costs and improve system reliability.”¹⁰ Furthermore, GWA needed “properly functioning flowmeters” to ensure the proper reporting of under-or-over reported total production volumes.” Properly functioning flowmeters would produce more accurate reports of water production values. Addressing the deficiencies caused by the malfunctioning meters would make it easier to track distribution system losses and improve non-revenue water calculations.¹¹

DISCUSSION

A. GWA’s Present Request for Approval

Since the PUC approval of the Groundwater Production Meter Replacement Project in January of 2020, GWA has approved Change Orders No. 1, 2, 3 and 4 to the Contract with Giant Construction Corp., which has increased the total authorized contract from \$1,379,405.00 to \$1,443,409.43. Under the current contract amount, Giant Construction Corp. has “substantially completed the replacement of the meters and above-ground discharge piping for the 30 critical production wells to include 28 production wells originally listed in the Basic Bid Schedule.”¹² GWA now seeks approval of Change Order No. 5, to continue replacement of 15 additional critical production wells and above-ground discharge piping and meters to meet the original intent of the project: “The amount required for Change Order No. 5 is \$741,744.65. This amount includes the original bid price of \$687,960 plus an escalation cost of \$53,784.65, Giant Construction Corp. represents that escalation costs of \$53,784.65 are due to the

¹⁰ Id., at p. 7.

¹¹ Id., at p. 8.

¹² Petition, at p. 2.

increased costs of ductile iron pressure pipe, fittings, and meters but GWA finds these costs reasonable considering the initial bid prices were from September 2019.”¹³

B. Contract Review Protocol

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 GCA §12004 [now recodified as §12105] which shall be obtained before the procurement process is begun...”¹⁴

Regarding the Groundwater Meter Replacement Project awarded to Giant Construction, GWA did seek PUC approval under the Contract Review Protocol and was authorized to enter the proposed contract for a total cost of \$1,379,405.00. Under the Contract Review Protocol, as well as pursuant to the PUC Order in GWA Docket 20-02, GWA is allowed to exceed the aggregate cost initially approved by PUC by 20% without the need for further PUC approval.¹⁵ Since the amount that GWA is seeking for approval of Change Order No. 5 is an additional amount of \$741,744.65, GWA has exceeded the 20% cost contingency provided under the Contract Review Protocol. Therefore, the additional amount of \$741,744.65 for Change Order No. 5 must be approved by the PUC.

C. Cost

If Change Order No. 5 is approved by the PUC, the total cost for the Giant Construction Contract will be as follows: (1) \$1,379,405.00 for Giant Construction’s Basic Bid, the work which has been substantially completed; and (2) the proposed Change Order No. 5 amount of \$741,744.65 (which includes an escalation cost of \$53,784.65). The approved total authorized funding amount would be \$2,185,154.08.

¹³ Id. at p. 3.

¹⁴ GWA’s Contract Review Protocol, Administrative Docket 00-04, p. 1, dated October 27, 2005.

¹⁵ Id., at Section 4(d).

The sources of funding for Change Order No. 5 are GWA bond funds applicable to the project and other funding sources.¹⁶ Funding for the project will come from CIP Line Item PW05-07 Meter Replacement Program, IFCIP, or any other CIP line item applicable to the project's intent.¹⁷

If the PUC approves the additional amount of \$741,744.65, GWA could exceed that amount by \$148,348.93 (20%), without the need for further PUC approval. However, if GWA sought to Approve Additive Bid No. 2 for 15 additional flowmeters, it would again have to seek PUC approval under the Contract Review Protocol.¹⁸

D. The Cost Increase for the Giant Construction Contract is justified

After the PUC approved the original contract cost of \$1,379,405.00, GWA management subsequently approved Change Orders No. 1, 2 and 3. Change Order No. 1 changed water meter Output/Input option from 2x Pulse/Switch Output, 1x Status Input, to GSM, Antenna Remote + cable 2x Pulse/Switch Output, 1x Status input. This would allow wireless communication with the meter in the absence of SCADA. Certain fittings were deleted from the project. The net increase in cost is \$21,802.27. Change Order No. 2 had no cost impact but adjusted the time for completion of the contract.

Change Order No. 3 increased the flange distance by lengthening the above ground discharge piping by excavating a portion of the exit pipe, replace existing diagonal pipe and fittings, and install concrete thrust block and backfill. Certain fittings were changed to flange type, and additional pipe support was added for the by-pass line for 30 wells. The total cost increase from these Change Orders is \$42,202.16.

Change Order No. 4 increases the number of days in the contract time for completion.¹⁹ These Change Orders have increased the total authorized contract value by \$64,004.43,

¹⁶ Petition, at p. 3.

¹⁷ PUC Order, GWA Docket 20-02, dated January 30, 2020, at p. 4.

¹⁸ GWA's Contract Review Protocol, Administrative Docket 00-04, p. 1, dated October 27, 2005, Section 4(d).

¹⁹ See Change Orders 1,2,3, and 4, Exhibit A to Petition, Exhibit A-20 through Exhibit A-23.

from the original amount to a new total contract amount of \$1,443,409.43. These amounts are scheduled to be approved in GWA Resolution No. 02-FY2022 and appear to be reasonable.

The major cost additive or increase for which GWA seeks PUC approval is for Change Order No. 5.²⁰ GWA management seeks to change the existing contract scope with Giant Construction Corporation by adding the 15 critical production wells listed in Additive Bid No. 1. To reiterate, the original Giant Construction bid included a Basic Bid, an Additive Bid No. 1, and Additive Bid No. 2. Only the Basic Bid of work for 30 deep wells of the 60 was awarded in the initial IFB. It was the funding for the Basic Bid that PUC approved in GWA Docket 20-02 in the amount of \$1,379,405.00. Here GWA is not required to rebid for Additive Bid No. 1, which includes replacement of 15 additional critical production wells and above-ground discharge pipping and meters. The original bid included provisions that if additional funding was obtained after the contract was executed, any or all Bid Items not exercised could be restored via Change Order.²¹

In its original bid, the Giant Construction Corp. proposed a bid price for Additive Bid No. 1 in the amount of \$687,960.00. However, on September 22, 2021, Giant Construction advised GWA that there had been a \$53,784.65 price escalation for piping materials from the bidding date on September 27, 2019, to July 7, 2021, thus increasing the Additive Bid No. 1 price to \$741,744.65.²² GWA has submitted to the PUC for approval proposed Change Order No. 5, which provides for a net increase in the contract amount for Giant of \$741,744.65. This amount includes the original bid price of \$687,960 plus an escalation cost of \$53,784.65. Giant Construction Corp has represented that these escalation costs of \$53,784.65 are due to the increase costs of

²⁰ Petition, Change Order No. 5, at Exhibit A-06.

²¹ Petition, at p. 2.

²² Petition, Correspondence from Giant Construction to GWA, dated September 22, 2021, and July 7, 2021, at Exhibit A-07 and Exhibit A-08.

ductile iron pressure pipe, fitting and meters; GWA finds these costs reasonable considering the initial bid prices were from September 2019.²³ GWA has demonstrated that the increased costs for the Change Orders, as well as the escalation in price for Additive Bid No. 1, are reasonable and justified.

E. Resolution No. 02-FY2022

GWA's Petition includes a draft of GWA Resolution No.02-FY2022.²⁴ GWA's Petition indicates that said Resolution has not yet been approved, but that GWA's petition is filed "in anticipation of an approval of GWA Resolution No.02-FY2022 to be voted upon on October 26, 2021, during the Guam CCU's regular board meeting."²⁵ Therefore, PUC review and/or approval of GWA's petition is contingent upon GWA's submission to the PUC, prior to its October 28 meeting, of a fully approved and executed CCU Resolution.

F. Adjustment of Contract Time

With the prior Change Orders and Change Order No. 5, the total calendar days authorized for completion of the project, commencing with the issuance of the date of the initial notice to proceed, are 839. From the Work Schedule submitted by GWA, it is anticipated that the construction on the additional 15 water wells will be completed by on or about July 11, 2022.²⁶

CONCLUSION AND RECOMMENDATION

In GWA Docket 20-02, the PUC already determined that there is a compelling need to replace well piping and meters for well sites at various locations. Without replacement of the meters, GWA will be unable to properly measure groundwater that is produced from the wells. Properly functioning flowmeters are necessary to ensure

²³ Id. at p. 3.

²⁴ Id., Exhibit A-01 through A-05.

²⁵ Id. at p. 1.

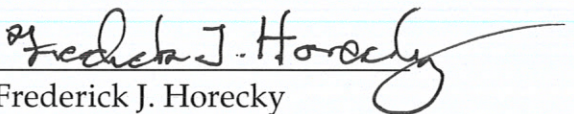
²⁶ Id., Exhibit A-09.

that under-or-over reported total production volumes are mitigated.²⁷ Without properly functioning meters, GWA will be unable to track distribution system losses and improve non-revenue water calculations. Reduction of non-revenue water loss has been a major goal of the PUC in recent GWA rate cases.²⁸

Based on the documentation provided by GWA in this docket, and for the reasons stated herein, the ALJ recommends that the PUC approve the increase in the cost for the contract between GWA and Giant Construction to the total amount of \$2,185,154.08. Furthermore, as to the additional cost of \$741,744.65 for Additive Bid No. 1, the usual cost contingency of 20% indicated in GWA's Contract Review Protocol should apply.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

Respectfully submitted this 25th day of October 2021.


Frederick J. Horecky
Chief Administrative Law Judge

²⁷ CCU Resolution No. 04-FY2020, adopted October 29, 2019, at p. 1.

²⁸ See PUC FY20 RATE DECISION, GWA Docket 19-08, dated February 27, 2020, at p. 5.