

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



**PETITION TO APPROVE CONTRACT)
AMENDMENTS WITH DUENAS)
CAMACHO AND ASSOCIATES, INC.)
TO COMPLETE PHASE 3 TANK)
INSPECTION AND REPAIRS, DISTRICT)
METERING AND PRESSURE ZONE)
REALIGNMENT, DEEP WELLS GAC)
SYSTEM INSTALLATION AND)
REHABILITATION, AND WATERLINE)
REPLACEMENTS.)
_____)**

GWA DOCKET 22-03

ALJ REPORT

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the Petition to Approve Contract Amendments with Duenas Camacho and Associates, Inc. to Complete Phase 3 Tank Inspection and Repairs, District Metering and Pressure Zone Realignment, Deep Wells GAC System Installation and Rehabilitation, and Waterline Replacements (the “Petition”), filed by the Guam Waterworks Authority (“GWA”) on November 18, 2021.

BACKGROUND

In June 17, 2019, GWA entered into an Indefinite Delivery/Indefinite Quantity (“IDIQ”) contract with Duenas, Camacho & Associates, Inc. (also referred to herein as “DCA” or the “Contractor”) for Project and Construction Management services.¹ The initial task orders under this contract concerned construction management for the Tank

¹ Petition to Approve Contract Amendments with Duenas Camacho and Associates, Inc. to Complete Phase 3 Tank Inspection and Repairs, District Metering and Pressure Zone Realignment, Deep Wells GAC System Installation and Rehabilitation, and Waterline Replacements, pp. 1-2 (Nov. 18, 2021).

Repairs and Bypass project; construction management for the Tai Road/S-14 and Toto-Canada/Blas Street Waterline Replacement project; and project and construction management services for the Ugum Water Treatment Plant Rehabilitation.² The contract was subsequently amended to include an additional task order, issued back in July, related to the management of the Yigo Sewer Pump Station Flood Mitigation and Facility Rehabilitation construction project.³ This amendment increased the total amount of the contract from \$750,000.00 to \$846,164.00.⁴

On October 26, 2021, the Consolidated Commission on Utilities (the “CCU”) issued GWA Resolution No. 04-FY2022, which approved an additional \$2,000,000.00 of funding to the DCA contract.⁵ The CCU authorized this expenditure in order “to enable execution of multiple task orders, to include Project Management and Construction Management for Phase 3 Tank Inspection and Repairs; Construction Management of District Metering Area (DMA) and Pressure Zone Realignment (PZR) Construction; Construction Management of Deep Wells A-23 and A-25 GAC [Filter] System Installation”; construction management for the rehabilitation of Groundwater Wells A-02, A-12, D-05, and F-03; and construction management for the Waterline Replacement project.⁶

² Petition, pp. 1-2.

³ Petition, p. 2.

⁴ Petition, p. 2.

⁵ GWA Resolution No. 04-FY2022, issued by the Consolidated Commission on Utilities, pp. 2-3 (Oct. 26, 2022) (hereinafter referred to as the “Resolution”).

⁶ Resolution, pp. 2-3.

DISCUSSION

A. Review of GWA's ID/IQ Contract with Duenas, Camacho & Associates for Project and Construction Management Services

Pursuant to 12 G.C.A. §12105,⁷ GWA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, 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 G.C.A. §12004, which shall be obtained before the procurement process is begun"⁸ GWA must also seek PUC's approval for any uses of bond funds.⁹ In this instance, the authorization sought for additional funding to the DCA contract is above \$1,000,000.

B. GWA's Request for Approval of Additional Task Orders with DCA, Costs, and Funding

The original IDIQ contract between GWA and DCA encompasses engineering services, which include project management, construction management, survey services, and utility consulting engineering services. In its Petition, GWA requests that the PUC authorize an additional \$2,000,000.00 for the DCA contract.¹⁰ According to GWA, the additional funding will allow GWA to issue additional task orders related to the following projects: (1) Project and Construction Management for Phase 3 Tank Inspection and

⁷ Formerly 12 G.C.A. §12004.

⁸ GWA's Contract Review Protocol ("GWA CRP"), Administrative Docket 00-04, p. 1 (Oct. 27, 2005).

⁹ *Id.*

¹⁰ Petition, p. 2.

Repairs; (2) Project and Construction Management of District Metered Areas and Pressure Zone Realignment; (3) Construction Management of Deep Wells A-23 and A-25 GAC [Filter] System Installation; (4) Construction Management for the Rehabilitation of Groundwater Wells A-02, A-12, D-05, and F-03; and (5) Construction Management for Waterline Replacement Construction project.¹¹ GWA has also added a contingency of \$150,000.00.¹²

With respect to the Phase 3 Tank Inspection and Repairs project, GWA estimates the cost of this task order at around \$600,000.00. According to GWA, this budget is comprised of about \$120,000.00 for pre-inspection and inspection services; and about \$460,000.00 for repairs completed by a subcontractor. The budget also includes \$10,000.00 in expenses.

With respect to the District Metering Area and Pressure Zone Realignment project, GWA estimates the cost of this task order at around \$200,000.00. This budget is comprised of about \$190,000.00 in pre-construction, construction, and post-construction services; and about \$10,000.00 in expenses.

Regarding the Deep Well GAC System Installation project, GWA estimates the cost of this task order at around \$200,000.00, which includes a budget of about \$190,000.00 in pre-construction, construction, and post-construction services; and about \$10,000.00 in expenses.

¹¹ Petition, pp. 2-3.

¹² Petition, p. 3.

Regarding the Rehabilitation project for the Groundwater Wells, GWA estimates the cost of this task order at around \$640,260.80, which includes a budget of about \$530,000.00 in pre-construction, construction, and post-construction services; about \$76,650.00 for the subcontractor's work; and about \$32,200.00 in expenses.

Finally, concerning the Waterline Replacement Construction project, GWA submits that this task order will cost an estimated \$200,000.00, which includes a budget of about \$190,000.00 in pre-construction, construction, and post-construction services; and about \$10,000.00 in expenses.

GWA submits that the additional task orders will be paid for by GWA Bond funds or other funding sources.¹³

C. Board Resolution No. 04-FY2022

The instant request is supported by GWA Resolution No. 04-FY2022. In the Resolution, the CCU approved the additional \$2,000,000.00 of funding for the DCA contract.¹⁴ In the Resolution, the CCU found that these projects will allow GWA to continue “to make improvements to the water system”, which “will improve water supply, reduce water loss, create pressure zones, repair/maintain water storage reservoirs, and install new waterlines”¹⁵ The CCU further submits that these projects are in line with

¹³ Petition, p. 3; Resolution, p. 2.

¹⁴ Resolution, pp. 2-3.

¹⁵ Resolution, p. 2.

the CCU's Five Year Capital Improvement Program that addresses the 2011 federal court order; EPA compliance requirements; and other regulatory priorities.¹⁶

CONCLUSION

As indicated in the Resolution, the additional task orders under the contract aligns with the CCU's Five Year Capital Improvement Program that addresses the 2011 federal court order; EPA compliance requirements; and other regulatory priorities.¹⁷ And indeed, there is much work to be done to increase water supply, reduce water loss, along with other improvements to the water system and infrastructure. The projects managed under the DCA contract would bring GWA closer to these objectives. As indicted in prior GWA dockets, a consulting engineer's role is especially crucial in these instances where GWA lacks resources in project and construction management.

Further, this Commission has expressed its steadfast concern over GWA's water loss management. The launch of the District Metered Areas and Pressure Zone Realignment projects, and continuation of its Waterline Replacement project, endeavor to stem GWA's water losses. According to GWA's 2020 Audit by Deloitte, the realignment of pressure zones will "employ piping and pressure-control valve installation in distinct zones across the water distribution network to reduce background water losses," specifically in "instances where losses occur at pipe joins and other locations in quantities/flow rates which do not surface and are therefore not visually detectable or

¹⁶ Resolution, p. 2.

¹⁷ Resolution, p. 2.

reported.”¹⁸ In addition, the implementation of District Metered Areas will help GWA focus its repair efforts to further reduce water losses.¹⁹

In addition, according to an August 8, 2018 news article in the Stars and Stripes, Guam, “GWA’s A-23 and A-25 are two other wells that had significant levels for [the compound perfluorooctane sulfonate] PFOS.”²⁰ “According to GWA, the wells without treatment have been turned off while GWA works on procuring GAC systems for these sites to protect the public.”²¹ In the article, GWA’s General Management is quoted as stating that “GAC is a multi-stage filtration type system that is installed at the water well which is designed to treat the water for specific organic materials such as PFAS and related constituents by adsorption onto the carbon of the filter.”²² The installation of a GAC filtration system will allow Deep Wells A-23 and A-25 to be usable.

Based on this record, and for the other reasons set forth herein, the ALJ recommends that the PUC authorize the amount of \$1,681,058.00 which reflects actual costs submitted by GWA, to enable GWA to issue additional task orders to the June 17, 2019 IDIQ contract with DCA.

¹⁸ Independent Auditor’s Report for 2020 and 2019, prepared by Deloitte (“2020 Deloitte Audit”), p. 15 (Mar. 19, 2021).

¹⁹ 2020 Deloitte Audit, p. 15.

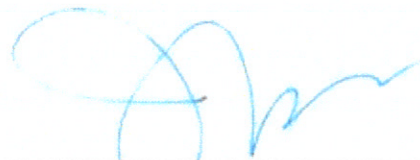
²⁰ <https://guam.stripes.com/community-news/one-guam-partnership-keep-guams-drinking-water-clean-and-safe>.

²¹ <https://guam.stripes.com/community-news/one-guam-partnership-keep-guams-drinking-water-clean-and-safe>.

²² <https://guam.stripes.com/community-news/one-guam-partnership-keep-guams-drinking-water-clean-and-safe>.

The ALJ does not recommend at this time any additional contingency amount since all PUC-approved GWA contracts are already subject to 20% contingency above an authorized amount. A proposed Order is submitted herewith for the Commissioners' consideration.

Dated this 30th day of November, 2021.



JOEPHET R. ALCANTARA
Administrative Law Judge

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