

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GWA Docket 24-08
)
GUAM WATERWORKS AUTHORITY)
WATER LOSS CONTROL PROGRAM) **ALJ REPORT**
CONTRACT)
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INTRODUCTION

This matter comes before the Guam Public Utilities Commission [“PUC”] pursuant to GWA’s Petition for Review and Approval of Two Separate Task Orders for Year 4 and Year 5 of the Water Loss Control Professional Services Contract with E Source, formerly known as Water Systems Optimization, Inc. [“WSO”].

On July 8, 2021, GWA entered into a multi-year contract with E Source for the Water Loss Control Program.¹

In support of its Petition, GWA has submitted draft Resolution No. 23-FY2024, which is presently unsigned by the members of the Consolidated Commission on Utilities. GWA indicates that “the approval of Year 4 and Year 5 Task Orders is anticipated through GWA Resolution No. 23-FY2024 and will be voted upon by the CCU during the regular meeting of May 8, 2024.”² It appears that the “May 8” date is a typographical error, as the draft of GWA Resolution No.23-FY2024 indicates an adoption date of “this 28th day of May 2024.” Unless GWA submits a fully executed GWA Resolution No. 23-

¹ GWA Petition, GWA Docket 24-08, dated May 7, 2024.

² Id. at p. 3.

FY2024 to the PUC before its Meeting on May 30, 2024, the PUC will be unable to entertain this docket.

BACKGROUND

In GWA Docket 23-11, GWA requested PUC approval of its Year 3 Task Order for the Professional Services Contract with E Source. PUC Administrative Law Judge Joephet Alcantara prepared a detailed description of GWA's Water Loss Reduction Program. This Report incorporates the Background portion set forth in Administrative Law Judge Alcantara's Report in GWA Docket 23-11:

"Back in GWA Docket 19-08, the PUC required GWA to provide the Commission with an analytical study on a comprehensive system-wide Water Loss Reduction program. Pursuant to the February 27, 2020 FY20 Rate Decision, GWA submitted a Water Loss Study, which set forth its Water Loss Control Program and provided details on an islandwide "DMA-based water loss control approach with a view to providing a long-term . . . approach to monitoring and managing water losses within the GWA water supply and distribution network."³ The program discussed in the study involves the installation of 36 district metered areas [DMAs], covering "594 miles of main and 42,000 customer service connections"⁴, that would closely monitor the level of water losses; and with a goal to provide complete island-wide coverage of the entire water distribution network.⁵

To implement this essential component of the program, GWA had to seek technical assistance with a water loss control specialist company experienced in implementing

³ GWA Phase 3 Water Loss Control Program Development, GWA Docket 19-08, p. 1 (Mar. 2021).

⁴ GWA Phase 3 Water Loss Control Program Development, p. 2.

⁵ GWA Phase 3 Water Loss Control Program Development, p. 75.

DMAs.⁶ This contractor would further provide supervision of GWA's implementation of the DMA monitoring system, training for GWA's staff in comprehensive leak detection, and supervision of the water loss control program.⁷

Indeed, the PUC's consultants, Georgetown Consulting Group, expressed that GWA's Water Loss study presented encouraging strategies for reductions in water loss⁸; and that the "proposal" shows "significant improvements in results compared to the past efforts."⁹ Significantly, GCG has indicated that GWA should be supported for implementing this plan and "if GWA follows the guidelines WSO has outlined carefully . . . the Commission can expect to see improvements."¹⁰

On March 18, 2021, GWA issued RFP 2021-03, which sought the professional services of a utility consultant to support the implementation of its Water Loss Control Program.¹¹

On July 8, 2023, GWA entered into a contract with E Source, formerly known as WSO.¹² The contract was for a three year term with two one-year extensions (GWA now seeks funding for the two extension years, Year 4 and Year 5).

⁶ GWA Phase 3 Water Loss Control Program Development, p. 75.

⁷ GWA Phase 3 Water Loss Control Program Development, p. 75.

⁸ GCG Report, GWA Docket 19-08 p. 12 (Oct.22, 2021).

⁹ GCG Report, p. 58.

¹⁰ GCG Report, p. 58.

¹¹ GWA RFP 2021-03, p. 3 (Mar. 18, 2021).

¹² GWA Resolution No. 35-FY2023, issued by the Consolidated Commission on Utilities ("Resolution No. 35-FY2023"), p.1 (July 25, 2023).

In GWA Docket 23-11, the PUC Order determined that GWA had already funded the first two years of the E Source Contract in a total amount of \$785,363.00.¹³ In that Docket, the PUC authorized GWA to expend an additional \$422,289.00 from GWA's Operations and Maintenance budget to fund its Year 3 Task Order with E Source.¹⁴

ANALYSIS

A. GWA's Contract Review Protocol

GWA's Contract Review Protocol issued in Administrative Docket 00-04, requires "prior PUC approval under 12 GCA §12004..." for "[a]ll professional service procurements in excess of \$1,000,000 ".¹⁵ In GWA Docket 23-11, GWA sought PUC approval of the Year 3 funding for the E Source Contract, as the requested increase of \$422,289.00 increased the total contract price to total amount of \$1,207,752.00.¹⁶

With respect to "multi-year contracts" the "test to determine whether a procurement exceeds the \$1,000,000 threshold for the PUC review and approval (the review threshold) is **the total estimated cost of the procurement, including cost incurred in any renewal options.**"¹⁷ (Emphasis added). Here GWA is requesting funding of \$401,724.00 for the Year 4 Task Order and funding of \$441,896.40 for the Year 5 Task Order (which includes a 10% contingency of \$40,172.40).¹⁸ PUC approval is required for the funding of the Years 4 and 5 Task Orders. If approved, the total funding for the Contract for Years 1-5 will be \$2,051,372.40.

¹³ PUC Order, GWA Docket 23-11, dated September 28, 2023, at pgs. 4-5.

¹⁴ Id. at p. 6.

¹⁵ GWA's Contract Review Protocol, Administrative Docket 00-04, dated October 27, 2005, at p. 1.

¹⁶ PUC Order, GWA Docket 23-11, dated August 31, 2023, at p. 3.

¹⁷ GWA's Contract Review Protocol, Administrative Docket 00-04, dated October 27, 2005, at p. 2.

¹⁸ GWA Petition, GWA Docket 24-08, dated May 7, 2024, at pgs. 2-3.

B. GWA has justified its Request for approval of an Extension of the Contract.

GWA's request for approval of the Years 4 and 5 Task Orders are "part of its efforts to reduce non-revenue water and make improvements in the system where service delivery has been below standard."¹⁹ The funding source for the project will be from GWA Operations and Maintenance (O & M) budget and Internally Funded CIP.

GWA's proposal for Task Order 4 is attached as Exhibit D to GWA's petition. The Task Order for Year 4 indicates that additional work on tasks contained in the first three-year Task Orders will be continued.²⁰ These include review of water audit data, water loss program management services, transient data logging and Data Analysis, and various annual expenses.²¹

There is no proposal for Task Order 5 included in GWA's Petition. For all the prior years of the contract, there are proposals which point out the work tasks to be performed, the number of hours and charges estimated for each consultant, and the total cost of the work order. No such information is provided for Year 5, 2025. However, GWA has indicated that the budget for the Year 5 Task Order is \$441,896.40, which includes the same base charge of \$401,724.00 as for Year Four, plus a 10% contingency of \$40,172.40 (Total: \$441,896.40).²² It appears that the same tasks for Year 4 will also be performed in Year 5, the only difference being an escalation of 10% in the cost for Year 5.

¹⁹ Id. at p. 2.

²⁰ Id. at Exhibit A-30.

²¹ Id.

²² Id. at p. 3.

Both Georgetown Consulting Group and the PUC have supported the continuation of the E Source Contract and the Water Loss Program. GCG believes that if GWA follows the guidelines that WSO has outlined, the PUC should expect to see improvements.²³ In GWA Docket 23-11, the ALJ concluded that “GWA’s Water Loss Control Program along with strides towards implementing an island-wide “DMA-based water loss control approach with a view to providing a long term....approach to monitoring and managing water losses within the GWA water supply and distribution network “ is essential in being able to monitor and eventually decreasing GWA water loss.”²⁴

The PUC adopted the ALJ’s conclusion and held that “...the Commission should support GWA’s efforts to implement essential components of its Water Loss Control Program and permit GWA to continue its work with E Source, who provides GWA with technical assistance as a water loss control specialist company experienced in implementing DMAs.”²⁵

C. During the GWA Work Session of the CCU on May 21, 2024, GWA presented further justification for Approval of the Task Orders for Year 4 and Year 5 of the Water Loss Control Professional Services Contract.

At the Work Session, GWA Assistant General Manager of Engineering Jeanette Babauta Owens informed the CCU Commissioners that, since the E Source Contract and the Water Loss Program were launched in 2021, a total of 606 water leaks and 25 more

²³ PUC Order, GWA Docket 23-11, dated September 28, 2023 at p. 2.

²⁴ GWA Phase III Water Loss Control Program Development, p. 1.

²⁵ PUC Order, GWA Docket 23-11, dated September 28, 2023 at p. 6.

illegal connections have been uncovered.²⁶ Chairman Joey Duenas stated that the DMAs help in locating leaks and will identify where funds should go first on waterline replacement.²⁷

The E Source contract has been of substantial benefit to GWA and the ratepayers by identifying leaks, enabling GWA to repair them, and suggesting where funds should go first on waterline replacement. The program allows GWA to monitor water flows into and out of each DMA and to determine “real, physical water losses”.

D. There is a need to further build out District Metered Areas (DMAs) as a component of the Water Loss Control Program.

In its Water Loss Control Program Status Report, filed with the PUC in GWA Docket 19-08, on November 30, 2023, GWA has pointed out that there is a need to establish additional DMAs.²⁸ GWA stated as follows:

“The WLCP included recommendation to develop a system of DMAs to provide complete island-wide coverage of the entire water distribution network. GWA began implementation of the DMAs in 2021 following the completion of the WLCP. The objective of the implementation of DMAs is to establish the needed infrastructure, equipment and operational processes for monitoring of water flows into and out of each DMA and thereby achieve enhanced management of Non-Revenue Water (NRW) Levels, especially real, physical water losses. The WLCP DMA implementation plan provided for 36 DMAs in total over the course of three years to provide needed coverage over GWA’s water distribution network.”²⁹

²⁶ Pacific Daily News May 21, 2024, 606 Leaks, 25 illegal connections found since GWA installed the water loss control program in 2021, https://www.guampdn.com/news/606-leaks-25-illegal-connections-found-since-gwa-installed-water-loss-control-program-in-2021/article_c21ca604-172d-11ef-b604-ff812fce4e1d.html

²⁷ [GWA CCU Work Session 05212024 \(youtube.com\)](https://www.youtube.com/watch?v=05212024)

²⁸ GWA Report: Water Loss Control Program Status Report, GWA Docket 19-08, dated November 30, 2023.

²⁹ Id. at p. 2.

“As of November 30, 2023, a total of twenty-one (21) DMAs have been established with full time monitoring of DMA inflow, authorized consumption (outflow) and NRW”.³⁰ An additional DMA was under construction in Year 2. In Year 3, GWA intended to complete the construction of an additional fourteen (14) DMAs.³¹ Also, in Year 4, GWA intends to provide additional training and recruit additional staffing to deploy a third Leak Detection Team.³²

As a result of the DMAs and the Leak Detection Program, GWA has been able to obtain and record better pipeline condition data. However, the information indicates that, in some areas, “the existing piping has exceeded its useful service life. Although leak repairs are made, sustainable reductions and water loss will require line replacements and not just repairs.”³³ Thus, in its FY2025-2029 draft Rate Petition, GWA has proposed substantial funding for additional line replacements in the approximate amount of \$130M.

It now appears that the remaining 14 DMAs will not be completed by August 2024, as suggested in the November 2023 Water Loss Control Program Report.³⁴ Neither Task Orders 4 nor 5 include funds for the completion of the DMAs. The 2024 and 2025 funds will continue to be used to monitor the DMAs that have already been established.³⁵

³⁰ Id. at p. 2.

³¹ Id. at p. 3.

³² Id. at p. 3.

³³ Id. at p. 4.

³⁴ GWA Report: Water Loss Control Program Status Report, GWA Docket 19-08, dated November 30, 2023, at p. 3.

³⁵ Email from Theresa Rojas, GWA Counsel, to Fred Horecky, PUC ALJ, dated May 21, 2024 (responding to requests for information).

In response to the ALJ's request for information concerning when the remaining 14 DMAs would be completed, GWA indicated that they would be completed at some point during the next five-year rate period (FY2025-2029):

"The remaining 14 DMAS are tied to the completion of the CIPs. There are two CIPs needed: 1) Pressure Zone Realignment (PZR) all phases (Phase I, Phase II, Phase III and Phase IV) and 2) District Meter Areas (DMA). PZR Phase I approximately \$7.3 million is anticipated to be completed by Summer 2024. PZR Phase II design is complete and in currently construction procurement. PZR Phase III and PZR Phase IV is currently in design only. Construction funding for PZR Phase III and Phase IV are programmed under GWA 5-Year Rate Plan. The DMA Design IDIQ is in procurement."³⁶

During the GWA Work Session referenced above, CCU Commissioner Mike Limtiaco asked GWA Management what the "return on investment" had been for the first three years of the E Source Contract in terms of water loss mitigation. Management did not indicate that there had been any decrease in water loss (NRW) as a result of the establishment of the DMAs. However, it was suggested that there would be drastic improvement in the present water loss if the CIP program for line replacement were approved by the PUC in the pending rate case.

E. GWA's Proposed "10% contingency" is not necessary.

As a part of its proposal, GWA has included in the total sum a "10% contingency of ...\$40,172.40..." for the Year 5 Task Order. In the Contract Review Protocol, GWA already is authorized to incur expenses for this contract up to 20% over the amount authorized by the commission.³⁷ Thus, the 10% contingency is unnecessary.

³⁶ Email from Theresa Rojas, GWA Counsel, to Fred Horecky, PUC ALJ, dated May 21, 2024, Re: Year 4 and Year 5 Task Orders for E Source Contract.

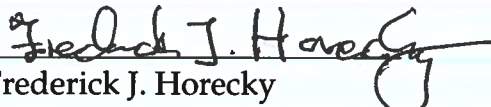
³⁷ GWA's Contract Review Protocol, Administrative Docket 00-04, dated October 27, 2005, at p. 4.

RECOMMENDATION AND CONCLUSION

Based upon the documentation in the record, GWA has justified the awarding of the Year 4 and Year 5 Task Orders for the Professional Utility Services Contract with E Source. The continuation of the DMA and Water Loss Program are crucial for GWA's efforts to reduce water loss. The PUC should approve the Year 4 Task Order in the amount of \$401,724.00 and the Year 5 Task Order into the amount of \$401,724.00. The total additional funding for these two task orders is \$803,448.00. The total authorized funding for the contract would then be \$2,011,200.00.

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

Respectfully submitted this 27th day of May, 2024.


Frederick J. Horecky
Chief Administrative Law Judge