

**GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING**

December 2, 2024

SUITE 205, 241 FARENHOLT AVENUE, OKA BUILDING, TAMUNING, GUAM

MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:30 p.m. on December 2, 2024, pursuant to due and lawful notice. The meeting was called to order at 6:35 p.m. **Commissioners Jeffrey C. Johnson, Peter Montinola, Joseph McDonald, Rowena Perez-Camacho and Doris Flores-Brooks were in attendance.** The following matters were considered at the meeting under the agenda included as Attachment "A" hereto.

1. APPROVAL OF MINUTES

The Chairman announced that the first item of business on the agenda was the approval of the minutes from the special meeting held on November 5, 2024. Commissioner Montinola moved to approve the minutes, subject to corrections, which motion was seconded by Commissioner McDonald, and the motion passed unanimously.

The Chairperson announced that the next item of business on the agenda was the Guam Waterworks Authority matters:

2. GUAM WATERWORKS AUTHORITY ("GWA")

- **GWA Docket No. 24-10 – Petition to Approve GWA’s Indefinite Delivery/Indefinite Quantity Hydraulic Modeling Services Contract with Brown & Caldwell.**

The Chairman announced that the first GWA matter was Docket No. 24-10, a Petition to Approve GWA’s Indefinite Delivery, Indefinite Quantity Hydraulic Modeling Services with Brown & Caldwell. Legal counsel Camacho provided a brief overview of GWA’s submission stating that GWA is basically asking the PUC to approve its indefinite delivery, indefinite quantity or IDIQ hydraulic modeling services with Brown & Caldwell, which contract has a term of five (5) years at an estimated cost of \$2,145,556.00. This relates to the stipulated order entered in Civil Case 02-0005, between GWA and the U.S. EPA, wherein GWA, as part of the Water Resources Master Plan (dating back to 2006), is required to maintain and develop computer models of GWA’s water and wastewater pipe networks. GWA requires PUC’s approval to enter into this IDIQ contract as (1) it exceeds the Contract Review Protocol threshold of \$1M; and (2) GWA’s specs may require use of bond funds. The IDIQ contract is based on an estimated number of hours required to carry out the

general scope of services and task orders over a five (5) year period, with the actual expenses on the contract incurred on a time and materials basis. Based on this methodology, GWA estimates the contract costing \$400K for the first year; \$400K for the second year; \$400K for the third year – basically \$400K and change for each year. Legal Counsel Camacho indicated that GWA successfully reduced the initial cost estimate, during the negotiations phase of the RFP, by about \$1.6M. It was recommended that GWA, to ensure it receives the benefit of the cost reduction, make the \$2.1M the maximum amount of the contract and require that any cost in excess of said amount be pre-approved by GWA. Legal counsel Camacho stated that he found the IDIQ contract prudent as it allows GWA to reduce cost by reducing its reliance on program management consultants; requires Brown and Caldwell's mainland staff to travel to Guam to perform major crane sessions at GWA's offices 4 times a year, with any additional training being held via web conferences. Additionally, Guam's procurement authorizes GWA to procure IDIQ contracts in instances such as this when it cannot estimate how much services and supplies are needed. GWA will not receive all the \$2.1M at once – the services will be used as funds become available. Lastly the contract is necessary because these services will be issued in capacity insurance projects – they select and identify sewer rehab and replacement in areas with inadequate capacity issues and they have to be completed by 2031 to prevent GWA from paying stipulated penalties and fees per the consent decree. GWA GM Bordallo commented that GWA intends to use this primarily for the requirements of the consent decree and provided additional insights on annual amounts and training requirements. A discussion ensued between Commissioner Perez-Camacho and GWA GM Bordallo regarding the RFPs and proposals received from Brown & Caldwell and DCA and the structure of splitting the scope of services to be performed to obtain the most cost-effective service under the contract. A further discussion ensued between Commissioner Brooks and GWA GM Bordallo regarding an apprenticeship or cooperative education programs to lessen off-island consultants and develop in-house capability or expertise on island.

There being no further comments by the Commissioners, GWA or any other party, Commission Montinola moved to approve the Petition, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

- **GWA Docket 25-03 – Petition to Approve GWA's Liquid Chlorine Supply Contract for Water Production and Treatment Facilities Island Wide.**

The Chairperson announced that the next item of business on the agenda was GWA Docket 25-03 – the Petition to Approve GWA's Liquid Chlorine Supply Contract for Water Production and Treatment Facilities Island-Wide. Legal counsel Camacho provided a brief synopsis of GWA's submission and stated that GWA is requesting the PUC to approve another indefinite quantity contract with Marianas Gas Corporation dba Island Equipment Company to provide liquid chlorine for island-wide water production treatment facilities. The contract has a 3-year additional term with two (2) 1-year options to renew and is estimated to cost about \$4.9M if it is renewed into its fifth year. Legal counsel Camacho discovered that the last time this liquid chlorine gas came before the PUC was back in 2017

when it approved a 2-year extension of the then existing contract that expired sometime in 2019. Between 2019 and the contract now before the PUC – GWA solicited another contract in 2019 that was also awarded to Island Equipment, who has been the supplier since 2014. Said 2019 contract was not submitted to PUC for approval despite its cost being over the Contract Review Protocol threshold, owing to a 2003 PUC Order, which stated that GWA did not require PUC approval for matters that are required by the stipulated consent decree in the U.S. EPA case. However, that isn't supported by the current Contract Review Protocol which came out in 2005, which clearly and unambiguously required GWA to obtain approval of any contracts over the threshold \$1M or any contracts that were to use bond funding. Further precedent doesn't support that argument either because in the 2017 case, PUC ratified the prior chlorine supply contract that it had not earlier approved -- and PUC clearly exercised its power of review then. There were different legal counsel back then and GWA's current legal counsel submitted this contract for PUC approval, although GWA did not seek PUC approval to solicit as they were required to do. Despite that, however, Legal counsel Camacho found that the estimated \$4.9M cost of the current contract is reasonable. GWA's prior contract, which did not come before the PUC for review, cost approximately \$4.6M – the new contract is about \$292,000 more than the prior contract and results in a 6% increase. In contrast, in 2019 GWA had an increase of its liquid supply contract, which was \$367,000 more than the 2014 contract cost of approximately \$4.2M. All of these increases in contract price is 3% less than the increases in the 2019 contract cost. That is a positive trend – it has to be considered just looking at the chlorine supply – the reason Island Equipment has been awarded the contract is because there is not a lot of elasticity to this contract due to the lack of competition demonstrated by the main potential bidders, who received IFB packets for GWA's 3 liquid chlorine solicitation over the last decade with only Island Equipment submitting a bid for all of those solicitations. Additionally, the liquid chlorine gas industry is highly regulated and the contract's cost reflects the specifications. Thus, PUC legal counsel Camacho found that the \$4.9M estimated contract cost to be reasonable and prudent. The use of chlorine in disinfecting drinking water is common and is a standard and regulated practice. The contract for liquid chlorine is also necessary as GWA is required to purchase liquid chlorine for treatment of drinking water to disinfect impurities and it satisfies both local and federal standards with respect to water quality. GWA's liquid chlorine supply contract is necessary to ensure GWA's safe compliant operation of its water production and facilities. Legal counsel Camacho recommended that PUC approve GWA's petition.

GWA legal counsel Rojas remarked on legal counsel Camacho's comments regarding GWA's prior interpretation and application of the PUC's 2003 Order, resulting from GWA's request for a waiver of contract review protocols for all projects that were under the 2011 Stipulated Order. This Stipulated Order stems from a 2002 case where U.S. EPA sued GWA. From 2002 to 2011 the Stipulated Order was entered and GWA understood that the projects and all remaining requirements were waived by PUC, as GWA sought the waiver for contract review protocols with PUC a year before. Thus, it was the position of prior GWA counsel that GWA did not need to seek PUC's approval. GWA GM Bordallo

expanded on GWA counsel's comments and stated that it is a continuing requirement of the 2011 Stipulated Order for GWA to maintain the chlorination systems and GWA has absolutely no choice with respect to whether it can purchase chlorine -- it has to be purchased or we have no water supply. GWA GM Bordallo provided further insights on the chlorine supplies and attempts to find multiple suppliers.

There being no further comments by the Commissioners, GWA or any other party, Commission Montinola moved to approve the Petition, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

3. GUAM POWER AUTHORITY ("GPA")

- **GPA Docket 24-24 – Petition of GPA to Approve the Purchase of the Water System Diesel (WSD) Generators.**

The Chairperson announced that the next item of business on the agenda was GPA Docket 24-24, GPA's Petition to Approve Purchase of the Water System Diesel (WSD) Generators. ALJ Alcantara provided a brief summary of GPA's submission and informed the PUC that GPA's request for procurement of medium sized WSD generators was before the PUC in January 2024. The PUC approved a budget of \$9.5M for the purchase of these WSD generators and also approved a 20% contingency for this procurement totaling \$11.4M. Accordingly, GPA issued IFB 48-24, which advertised a solicitation of 49 stationary generators and 11 portable generators with trailers ranging from 125kW to 300kW. Morrico Equipment was the lowest responsive and responsible bidder. CCU authorized GPA to award the medium-sized generators to Morrico, at a cost of \$3,006,527.48. GPA is requesting PUC's approval for the purchase of these medium-sized generators, particularly 49 stationary generators (i.e., 20 125kW generators, 13 175kW generators, 16 300kW generators); and 11 portables generators (i.e., 3 125kW generators, 5 175kW generators, and 3 300kW generators). The medium-sized generators will serve as a backup for certain critical water system sites such as those located in Pago Bay, Ypao, Paseo de Oro, Port Authority, Matagua, Dairy Road, Flora Pago, Leyang, Fena Lake, Yigo and Malojloj to name a few. During Typhoon Mawar a lot of water systems were down because of a lack of generators to energize the water systems throughout the island. Thus, the requirement of energizing these water systems throughout the island is critical for GWA's operations, especially during times of calamities and extended power outages. GPA submits that the funding for these generators will come from its CIP budget. PUC has already determined in GPA Docket 24-10 that GPA's solicitation of these water system generators are reasonable, prudent and necessary, as the aging fleet of the existing generators were not meeting the current demand especially in light of calamities and extended power outages coupled with obsolete replacement parts. GWA relies on the electric pumps to operate its pumping stations for both its drinking and wastewater system, thus the generators are necessary to keep these pumpstations operational during extended periods of power outage. PUC has prudently found that the WSD generators are over 29 years old, at the end of their service life, difficult to maintain, unreliable, and replacement parts are difficult to obtain if not obsolete. ALJ Alcantara recommended that PUC authorize and approve

GPA's petition to purchase the medium-sized generator from Morrico at a cost not to exceed \$3,006,527.48.

GPA GM Benavente provided additional comments in support of GPA's petition and the desperate need for these generators and further provided insight on the safety and security of the portables (i.e., trackers on the portables). A discussion ensued among the Commissioners with regard to the total cost of the contract for the stationary and portable generators.

Commissioner Perez-Camcho moved to approve GPA's petition at the cost of \$3,006,527.48, which motion was duly seconded by Commissioner Montinola, and the motion was carried and unanimously approved.

- **GPA Docket No. 24-25 – Petition of GPA to Approve Phase IV Renewable Energy Acquisition Award to KEPCO-EWP-Samsung C&T Consortium and Core Tech Solar Energy, LLC, for up to 192 MW of Renewal Energy Capacity.**

The Chairperson announced that the next item of business on the agenda was GPA Docket 24-25 - Petition to Approve Phase IV Renewal Energy Acquisition Award to KEPCO and Core Tech, for up to 192 MW of Renewable Energy Capacity. CALJ Horecky provided an update to the PUC stating that at the last meeting on November 5, 2024, the PUC authorized GPA to proceed with negotiating the KEPCO contract. To date, however, no contract or proposal has been received from GPA with regard to the Core Tech contract or proposal. On November 6, 2024, GPA Legal Counsel Woloschuk informed CALJ Horecky that the contracts would not be available for consideration as the proponents were still being worked out. GPA is hopeful that this matter may be back before the PUC in its January meeting. GPA GM Benavente commented that contracts for renewables are very important and there is some concern about the change of administration. KEPCO, in particular, wrote a letter to GPA regarding its position and the AG's requirement of certain matters being included in the contract. It is no longer a technical or price issue – it's a legal issue, basically 2 or 3 clauses that need to be resolved with Core Tech and KEPCO. GPA legal counsel Woloschuk stated that once an agreement has been reached then GPA can send the contract to the AG -- get it finalized and then to CALJ Horecky. All parties understand that time is of the essence.

- **GPA Docket 25-01 – Petition of GPA to Approve the Purchase of Water System Diesel Generators.**

The Chairperson announced that the next item of business on the agenda is GPA Docket No. 25-01, Petition to Approve the Purchase of Water System Diesel Generators – large-sized WSD generators. ALJ Alcantara provided a brief overview of GPA's submission noting that this is a result of PUC's prior approval of 94 water system generators back in January 2024 of \$9.5M for generators including a 20% contingency of about \$2M, wherein PUC found that these generators were reasonable, prudent and necessary for GPA. This docket concerns large-sized generators procured through IFB 52-54. Morrico Equipment was the lowest responsive and responsible bidder out of two bids. CCU Authorized GPA

to award the bid to Morrico for the large-sized generators at a cost of \$3,177,636.33 subject to PUC approval. These large-sized generators will serve the water stations in Agana Springs, Chaote in Ordot, Gaan at the Agat Storage Treatment Plant, Santa Ana Housing, Hagatna Wastewater Treatment Plant, Ty Ugum Wastewater Treatment Plant, Fujita Road in Tumon, Ugum at the Talofofu River, Route 16 Pumpstation, the Southern Pumpstation on Old Core Road and 2 mobile generators on trailers. GPA submits that the cost of the generators includes installation at the 12 physical sites and a 1-year warranty, which includes scheduled maintenance, any diagnostic and inspection costs during the warranty. The \$3,177,636.33 cost for 14 large-sized generators reflects: \$156,706.44 per unit for 2 500kW generators; \$284,315 per unit for 2 800kW generators; \$495,556 per unit for 2 1400kW generators and \$173,649.67 per unit for 3 500kW generators on trailers. GPA has indicated that the funding will come from its CIP budget. GPA has requested reimbursement from FEMA of \$10M for this purchase but it has not received any feedback regarding this request. Returning to PUC's prior finding that the existing generators are part of an aging fleet (most are more than 29 years old -- near the end of their service life, unreliable, very difficult to maintain, and spare replacement parts are difficult to obtain, if not obsolete). They also do not meet current demands and replacing the generators just makes the most sense. ALJ Alcantara recommended that the PUC authorize the purchase of the 14 large-sized generators from Morrico at a cost of \$3,177,636.33.

GPA GM Benavente commented that these are very critical machines and included installation, a 1-year warranty and scheduled maintenance during the warranty period.

There being no further comments by the Commissioners, GPA or any other party, Commissioner Montinola moved to approve GPA's petition, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

- **GPA Docket No. 25-04 - Petition for Approval and Authorization for GPA to Renew Property Insurance.**

The Chairperson announced that the next item of business on the agenda is GPA Docket No. 25-04, Petition for Approval and Authorization for GPA to Renew Property Insurance. Legal counsel Camacho provided a synopsis of GPA's petition and informed the PUC that the initial term of GPA's property insurance with AM Insurance would have expired on October 31, 2024 but was extended until December 31, 2024 in order to obtain regulatory approvals needed to exercise the first-term option, i.e., January 1, 2025 to October 2025, which will cost about \$5,978,600 for said 10-month period. GPA seeks the PUC's approval to exercise the extension of the contract for said coverage period. This requested extension has been approved by the CCU. PUC's approval is necessary as the contract extension amount exceeds the threshold provided in GPA's Contract Review Protocol. GPA's initial term is over and, although it obtained an extension from October 31st to December 31, 2024, it did not require PUC approval, as GPA had prior authority to incur an additional 20% over the amount authorized by PUC. PUC initially authorized GPA to expend the amount

of \$7.1M for the contract's initial 1-year term. The \$1,184,766 two-month extension is approximately \$235K less than 20% of the authorized amount.

Legal counsel Camacho compared the cost of the first-term extension with the prior year premium, i.e., adding the cost of the 2-month extension of \$1,184,766 to the cost of the 10-month period of \$5,978,600, totaling \$7,163,366. This amount is only \$63,366 over the \$7.1M previously authorized by PUC for the contract's additional term. The slight increase is justified because the first 1-year extension includes a cybersecurity component that the initial contract term (i.e., previous year) did not. Legal counsel Camacho further provided an analysis of increases of coverage since 2021 and found the cost of the 1-year extension reasonable.

The contract extension is also prudent as GPA did not have sufficient time to prepare a new solicitation and grant an award, coupled with the fact that there was also a risk of a protest which would have protracted the award of the contract. Hence, legal counsel Camacho found it (1) less risky for GPA to exercise the second 1-year extension instead of issuing a solicitation for a new contract; and (2) also necessary as year after year the PUC has recognized that GPA's bond extension or bond indentures require that GPA maintain property insurance coverage. Legal counsel Camacho recommended that the PUC authorize and approve GPA's first 1-year extension of property insurance with AM Insurance.

GPA GM Benavente elaborated further on the premium coverage and increases and bond requirements. Commissioner Perez-Camacho requested that a correction be made to the proposed Order with regard to the date of the coverage period.

There being no further comments by the Commissioners, GPA or any other party, Commissioner Montinola moved to approve GPA's petition, subject to the corrections to be made on the proposed Order, which motion was duly seconded by Commissioner McDonald, and the motion was carried and unanimously approved.

FOR INFORMATIONAL PURPOSES ONLY

- **GPA Docket No. 24-08 – GPA's Submission of its LEAC update Report as of September 30, 2024.**

The Chairperson announced that the next item of business on the agenda is GPA Docket No. 24-08, GPA's submission of its LEAC update report as of September 30, 2024. GPA GM Benavente addressed the Commission and stated that the current LEAC is approximately 26.6 cents. GPA's proposal is to bring the LEAC down to .208 so 20.8 cents from 26.2. That results in approximately 15% reduction on the total bill – within that range -- for various customers. GPA will have an under recovery of estimated at 4.285 at the end of January, which it hopes to recover slowly through the end of July. Thereafter, from July on, actually the first part of next year GPA will be on the Ukudu rate filing. Ukudu's commissioning target date is September 30 of next year and if all goes well it may be 1 to 3

months earlier. GPA has to move on this process as there is at least \$5M a month of fuel oil savings to the ratepayers – if the oil stays stable or if it went up a bit, there will still be a reduction on the LEAC and the total cost of ratepayers’ bill in the next LEAC period. GPA estimates 4.2, the LEAC is 0.208802, again down from the recent 0.261995, around 2.262. Residential customers had approximately 14.8% decrease to the total bill -- 20% on LEAC effective February. Single phase Schedule G is about 13.8 in the total bill. Schedule J -- commercial is 15.03 so all about 13% to 15% reduction in the rates – on the total bill. The residential customer today, 4,000 average, 1,000 is about \$262.00. That will drop – it’s in the report – to \$208.

- **GSWA – FY 2024 4th Quarter Host Community Premium Surcharge (HCPS) Fee’s Report.**

The Chairperson announced that the next item of business on the agenda is GSWA’s FY2024 4th Quarter Host Community Premium Surcharge Fee’s Report. CALJ Horecky informed the PUC that the report submitted is for informational purposes only – this report provides an overview of the host community premium surcharge fee, how the payments are collected and deposited into GSWA accounts and how they are expended out to the villages of Umatac and Chalan Pago. This report is an update and merely for informational purposes.

A discussion ensued between the Commissioners as to the PUC’s existing protocol and procedures addressing correspondence received from concerned citizens – customers of the utilities and telecom companies with regard to unresolved or ongoing issues being experienced with said utilities or telecom companies.

5. ADMINISTRATIVE MATTERS

- **FY2024 Financial Review**

The Chairperson announced that the next item of business on the agenda was Administrative matters -- PUC’s Budget Review. Commissioner Flores-Brooks provided a brief background of the work performed and bank reconciliations made to the account, highlighting unresolved accounts payable issues dating back to 2000. PUC is currently awaiting a proposal from Ernst & Young with regard to its request for assistance in clearing the unresolved accounts payable issues which continue to linger.

- **Certificate of Resolution**

The Chairman announced that the next item of business was the Certificate of Resolution, which updates the authorized signatories to PUC’s bank accounts. Commissioner Montinola moved to approve the Certificate of Resolution and Commissioner McDonald duly seconded the motion, which motion was carried and unanimously approved.

- **Administrative Order**

The Chairperson announced that the next item of business on the agenda was the Administrative Order, which re-appoints and updates the term of office for PUC's Certifying Officer and Disbursing Officer. Chairman Johnson and Ms. Lou Palomo were reaffirmed as Certifying Officer and Disbursing Officer, respectively. The decision followed discussions on Ms. Palomo's ongoing tenure. Upon motion duly made by Commissioner Montinola and seconded by Commissioner McDonald, the motion was carried and unanimously approved.

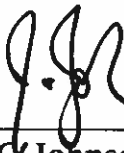
- **Scheduling of December Meeting**

The Chairman announced that the last item of business on the agenda was the scheduling of the PUC's December meeting. Commissioner Montinola stated that the last Thursday of December is the 26th, the day after Christmas. CALJ Horecky stated that he will not be on-island. A discussion ensued between the Commissioners and it was decided that as no pending matters were before the PUC, it will forego its December meeting and agreed to schedule its Regular Meeting on January 30, 2025. In the event a pressing matter arises that needs to be addressed, the Commission will schedule a special meeting on the 7th of January 2025 or set it where it can.

A discussion ensued between the Commissioners concerning PUC's existing office lease, the lack of operational elevators and ADA compliance issues. The PUC resolved to issue a notice directed to the landlord to address the issues raised, i.e., inoperable elevators and ADA violations.

6. **ADJOURNMENT**

There being no further business before the Commission, Commissioner Montinola moved to adjourn the meeting, which motion was duly seconded by all Commissioners. The motion passed unanimously and the meeting was adjourned at 8:48 p.m.



Jeffrey C. Johnson
Chairperson

5. On November 15, 2022, GWA issued the RFP to obtain IDIQ Water and Wastewater Hydraulic Modeling Services, and Brown and Caldwell and DCA were the only two firms that submitted proposals. GWA subsequently determined that Brown & Caldwell and DCA were the most qualified offerors, and they negotiated a \$2,145,556 contract with a term of up to five (5) years with Brown and Caldwell and a \$835,772 contract with DCA.⁶
6. On July 23, 2024, the Guam Consolidated Commission on Utilities ["CCU"] issued GWA Resolution No. 29-FY2024 authorizing GWA's Management to authorize the funding of \$2,145,556 to enable the execution of the contract between GWA and Brown and Caldwell and future task orders, and it authorized GWA's management to petition the PUC for approval of the funding of the contract.⁷
7. On November 24, 2024 PUC Legal Counsel issued his report recommending that the PUC approve GWA's Petition.

DETERMINATIONS

8. GWA must obtain the PUC's authorization to enter into the contract with Brown and Caldwell for the IDIQ Water and Wastewater Hydraulic Modeling Services. The PUC's Contract Review Protocol mandates that GWA obtain PUC approval for solicitations and contracts that exceed the amount of \$1,000,000.⁸ Additionally, any financial obligation that involves the use of bond funds must also be reviewed by the PUC.⁹ Here, GWA estimates that the cost of the IDIQ Water and Wastewater Hydraulic Modeling Services will be \$2,145,556 which exceeds the \$1,000,000 threshold for the PUC's approval.¹⁰ GWA plans to use a combination of grant funds, internally funded capital improvement program funds, System Development Charge Funds, and bond funds to cover the contract's costs.¹¹ Therefore, GWA must also obtain the PUC's approval of the Brown and Caldwell contract because it will be partially funded by bond funds. The \$835,772 DCA contract does not meet the \$1,000,000 contract review threshold and it is assumed here that GWA does not

⁶ Id., at 2.

⁷ Id., at 6.

⁸ Contract Review Protocol for GWA, Administrative Docket 00-04 dated October 27, 2005 at Par.1(c).

⁹ Id., at Par.1(d).

¹⁰ GWA Petition at 6.

¹¹ Id., at 5.

plan to use bond funds to cover the contracts costs because they did not request the PUC's approval of the DCA contract in their petition.

9. GWA's estimated cost of the contract with Brown and Caldwell for the IDIQ Water and Wastewater Hydraulic Modeling Services is reasonable. Although this is an IDIQ contract, GWA's \$2,145,556 cost is based on an estimated number of hours required to carry out the general scope of work for specific Task Orders to be entered over a five-year period and actual expenses under the contract will be incurred on a time and materials basis.¹² Based on this methodology, GWA estimates the contract will cost \$434,752 in the first year, \$424,627 in the second year, \$407,012 in the third year, \$449,469 in the fourth year, and \$429,696 in the fifth year for a total of \$2,145,556.¹³ Additionally, during the negotiation phase of the RFP process, GWA successfully reduced the estimated cost of the contract from the \$3,799,352 initially offered by Brown and Caldwell, to the \$2,145,556 estimate at issue here, which is a reduction of \$1,653,796. To ensure that GWA receives the benefit of this reduction, it is recommended that GWA make the \$2,145,556 the maximum amount of the contract and require any costs in excess of that amount be pre-approved by GWA. Hence, the contract's estimated \$2,145,556 cost is reasonable.

10. GWA's contract for IDIQ Water and Wastewater Hydraulic Modeling Services is prudent. The contract will permit GWA to reduce costs by reducing its reliance on program management consultants.¹⁴ The contract will require Brown and Caldwell's mainland staff to travel to Guam up to four times a year to perform major training sessions at GWA's offices and additional training may be held via web conferencing.¹⁵ Also, the IDIQ contract is proper for the Water and Wastewater Hydraulic Modeling Services. Guam Procurement Regulations authorize GWA to procure an indefinite delivery and indefinite quantity contract which is a contract for an indefinite amount of supplies or services to be furnished as ordered instead of at specified times. 2 G.A.R., Div. 4, §3119(i)(2). Here, this type of contract is appropriate because GWA will be relying on bond and grant funding which GWA might not receive at once to cover the entire costs of Water and Wastewater Hydraulic Modeling Services. Additionally, GWA can only use this type of contract twice per fiscal year per supply or service and GWA has done so by awarding two IDIQ contracts for the Hydraulic Modeling Services. Thus,

¹² Id., at 2.

¹³ Id., at 8.

¹⁴ Id., at 2.

¹⁵ Id., at 10.

GWA's solicitation for an indefinite delivery indefinite quantity engineering services contract is prudent.

11. GWA's contract for IDIQ Water and Wastewater Hydraulic Modeling Services is necessary. The hydraulic modeling services include Capacity Assurance Projects, which are projects to select and identify sewer rehabilitation and replacement in areas with inadequate capacity issues. These projects have Compliance Milestone deadlines that are part of the CD, and they must be completed by 2031 to prevent GWA from paying stipulated penalties and fees from being assessed. Thus, GWA's contract for IDIQ Water and Wastewater Hydraulic Modeling Services is necessary to complete Capacity Assurance Projects by 2031.
12. Based on the foregoing, GWA's contract for IDIQ Water and Wastewater Hydraulic Modeling Services is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GWA's Petition to Approve GWA's IDIQ Hydraulic Modeling Services Contract with Brown & Caldwell, and the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GWA's Petition to Approve GWA's IDIQ Hydraulic Modeling Services Contract with Brown & Caldwell is hereby approved.
2. GWA shall include a clause in the contract that states that the maximum amount of the contract is \$2,145,556 and that any costs in excess of that amount be pre-approved by GWA.
4. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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Order
GWA's Hydraulic Modeling
Services Contract
GWA Docket 24-10
December 2, 2024

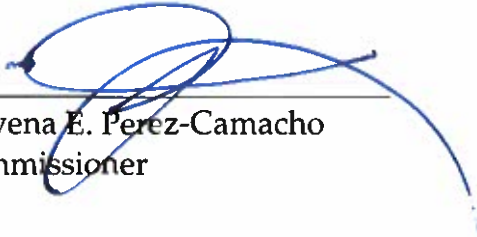
Dated this 2nd day of December, 2024.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

)
) GWA DOCKET 25-03
)
)
)

) ORDER
)

GUAM WATERWORKS AUTHORITY'S)
LIQUID CHLORINE CONTRACT)

INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Waterworks Authority's ["GWA"] Petition to Approve GWA's Liquid Chlorine Supply Contract for Water Production and Treatment Facilities Island-Wide.¹
2. GWA is requesting the PUC to approve its indefinite quantity contract with Marianas Gas Corp., dba Island Equipment Company ["Island Equipment"], to provide liquid chlorine for island-wide water production and treatment facilities. The contract has a three-year initial term with two one-year options to renew and is estimated to cost \$4,920, 534.60 if it renewed up to its fifth year.²

BACKGROUND

3. The PUC has previously determined that GWA's need for chlorine is essential and indispensable to its daily operations concerning the purification of Guam's drinking water. The use of chlorine in disinfecting drinking water is common, and a standard and regulated practice. GWA is required to purchase liquid chlorine for the treatment of drinking water to disinfect impurities, and to satisfy both local and federal standards with respect to water quality.³
4. The last liquid chlorine supply contract the PUC approved was with Island Equipment and it expired on or about July 28, 2019.⁴ The PUC also determined that GWA had awarded the contract to Island equipment in 2014 and despite the

¹Petition to Approve GWA's Liquid Chlorine Supply Contract for Water Production and Treatment Facilities Island-Wide, GWA Docket 25-03, dated November 4, 2024 [GWA Petition].

² GWA Petition at 2. NOTE: The page numbers in GWA'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 Petition which is continuous.

³ Order dated July 28, 2017 in GWA Docket No. 17-09 at 4.

⁴ Id..

contract cost being \$2,460,984 between 2014 and 2017 GWA only obtained approvals from the Guam Consolidated Commission on Utilities [“CCU”] and the PUC to issue the solicitation for a liquid chlorine supplier but did not obtain CCU or PUC approval for the contract with Island Equipment.⁵ Despite this, the PUC ratified the contract and the existing \$2,460,984 expenditures GWA made under for the contract, and the PUC authorized GWA to exercise the two one-year renewal options and their estimated additional \$1.8 million cost.⁶

6. Prior to the expiration of its liquid chlorine supply contract on July 28, 2019, GWA issued GWA-IFB-2019-05 and awarded a new liquid chlorine supply contract to Island Equipment with a three-year initial term and two one-year options to renew.⁷ This contract cost GWA \$4,628,004.30 over its five-year term which expired on or about September 16, 2024 and GWA obtained the CCU’s approval for this contract but did not obtain the PUC’s approval for the solicitation or the award of the contract to Island Equipment.⁸
7. On July 11, 2024, GWA issued GWA-IFB-2024-12 for Indefinite Quantity requirements contract for Liquid Chlorine Cylinders to be used to chemically treat and disinfect water extracted from the Northern Guam Lens Aquifer and the Ugum River at GWA’s water production and treatment facilities.⁹
8. Only Island Equipment submitted a bid for the amount of \$2,952,320.76 for the contract’s initial three-year term and the amount of \$1,968,213.84 for the contract’s two one-year renewal options for a total estimated contract price of \$4,920,533.84.¹⁰
9. On October 22, 2024, the CCU issued GWA Resolution No. 03-FY2025 which found Island Equipment’s bid offer to be fair and reasonable and which authorized GWA’s management to award the contract to Island Equipment subject to the PUC’s approval.¹¹
10. On November 27, 2024, PUC Legal Counsel issued his report recommending that the PUC approve the petition.

⁵ Id., at 4.

⁶ Id., at 3 and 5.

⁷ GWA Legal Counsel Email dated November 27, 2024 attached as Exhibit A to PUC Legal Counsel Report, GWA Docket No. 25-03 (Exhibit A).

⁸ Id.

⁹ GWA Petition at 4.

¹⁰ Id., at 5.

¹¹ Id.,

DETERMINATIONS

11. GWA was required to obtain the PUC's authorization to issue GWA-IFB-2019-05 and to award that solicitation's contract to Island equipment. The PUC's Contract Review Protocol mandates that GWA obtain PUC approval for solicitations and contracts that exceed the amount of \$1,000,000.¹² GWA states that it did not seek the PUC's authorization for the solicitation or the contract in 2019 because it believed that the PUC's 2003 order exempting GWA solicitations and awards of contracts required by the Stipulated Order in *United States v. Guam Waterworks Authority*, Civil Case No. 02-035 (U.S. District Court of Guam), from the contract review protocol still applied.¹³ However, this is not supported by the current contract review protocol, which was established on October 27, 2005 which does not include that older exemption. Additionally, it is not supported by precedent because in 2017 the PUC determined that the current contract review protocol required GWA to obtain the CCU and the PUC's approvals prior to issuing a solicitation for or awarding a contract for GWA's liquid chlorine supply that exceeded GWA's contract review threshold amount of \$1,000,000.¹⁴
12. GWA must obtain the PUC's authorization to issue GWA-IFB-2024-12 and to enter into the contract to Island Equipment. The PUC's Contract Review Protocol mandates that GWA obtain PUC approval for solicitations and contracts that exceed the amount of \$1,000,000.¹⁵ Here, the contract will cost an estimated \$4,920,533.84 if it is performed up to its fifth year. Therefore, GWA was required to obtain the PUC's prior authorization to issue GWA-IFB-2024-12 and there is no evidence indicating that GWA complied with this requirement. Further, GWA must obtain the PUC's authorization to enter into the contract with Island Equipment.
13. GWA's estimated \$4,920,533.84 cost of the liquid chlorine supply contract with Island Equipment arising from GWA-IFB-2024-12 is reasonable. As stated above, GWA's prior contract with Island Equipment for liquid chlorine cost GWA \$4,628,004.30 and the new contract is \$292,529.54 more than the old contract

¹² Contract Review Protocol for GWA, Administrative Docket 00-04 dated October 27, 2005 at Par.1(c).

¹³ Paragraph 3, Order dated April 11, 2003, GWA Miscellaneous Dockets, and GWA Legal Counsel Email attached as Exhibit A herein.

¹⁴ PUC Order dated July 27, 2017, GWA Docket No. 17-09 at 4.

¹⁵ Contract Review Protocol for GWA, Administrative Docket 00-04 dated October 27, 2005 at Par.1(c).

(\$4,920,533.84 - \$4,628,004.30 = \$292,529.54) resulting in a 6% increase. In contrast, in 2019 GWA had an increase in the cost of its liquid supply contract in that its 2014 contract cost approximately \$4,260,984 and its 2019 contract was \$367,020.30 more than its 2014 contract (\$4,628,004.30 - \$4,260,984 = \$367,020.30) resulting in a 9% increase in price. Hence, although there is an increase in the contract's price from the last contract, it is 3% less than the previous contract's increase which is a positive trend. It must also be considered that there is not much price elasticity to GWA's liquid chlorine supply contracts because there is a lack of competition demonstrated by the many potential bidders who received IFB packets for GWA's three liquid chlorine solicitations over the last decade, with only Island Equipment submitting a bid for each of those solicitations. Additionally, the liquid chlorine gas industry is highly regulated, and the contract's cost reflects this fact. Accordingly, GWA's estimated \$4,920,533.84 contract cost is reasonable.

14. GWA's liquid chlorine supply contract is prudent. As stated above, the use of chlorine in disinfecting drinking water is common, and a standard and regulated practice. Further, Guam Procurement Regulations authorize GWA to procure an indefinite delivery and indefinite quantity contracts which is a contract for an indefinite amount of supplies or services to be furnished as ordered instead of at specified times. 2 G.A.R., Div. 4, §3119(i)(2). Here, this type of contract is appropriate because the amount of liquid chlorine GWA requires is based on drinking water demand which is variable. Additionally, GWA can only use this type of contract twice per fiscal year per supply or service and GWA will not be requiring another liquid chlorine supply contract for at least the next three years. Thus, GWA's solicitation for an indefinite delivery indefinite quantity liquid chlorine supply contract is prudent.
15. GWA's liquid chlorine supply contract is necessary. As stated above, GWA is required to purchase liquid chlorine for the treatment of drinking water to disinfect impurities, and to satisfy both local and federal standards with respect to water quality. Therefore, GWA's liquid chlorine supply contract is necessary to ensure GWA's safe and regulatory compliant operation of GWA's Water Production and Treatment Facilities.
16. Based on the foregoing, GWA's request for the PUC to approve GWA's liquid chlorine supply contract with Island Equipment is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, Petition to Approve GWA’s Liquid Chlorine Supply Contract for Water Production and Treatment Facilities Island-Wide, and the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The PUC hereby ratifies GWA’s issuance of GWA-IFB-2019-05, its award of that solicitation’s \$4,628,004.30 contract to Island Equipment. GWA is hereby **ORDERED** to comply with GWA’s Contract Review Protocol for its liquid chlorine supply contracts and solicitations.
2. GWA’s Petition to approve its Liquid Chlorine Supply Contract for Water Production and Treatment Facilities Island-Wide with Island Equipment is hereby approved.
3. Exercise by GWA of any of the additional two renewal options in its Liquid Chlorine Supply Contract shall be brought to the PUC for prior approval.
4. GWA is ordered to pay the Commission’s regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC’s regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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Order
Guam Waterworks Authority
Liquid Chlorine Contract
GWA Docket 25-03
December 2, 2024

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Dated this 2nd day of December, 2024.




Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner

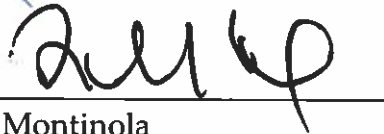


Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner

Michael A. Pangelinan
Commissioner



Peter Montinola
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**PETITION TO APPROVE THE
PURCHASE OF MEDIUM WATER
SYSTEM DIESEL (WSD) GENERATORS)
BY THE GUAM POWER AUTHORITY)
_____)**

**) GPA DOCKET 24-24
)
) ORDER**

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the September 9, 2024 Petition to Approve the Purchase of Medium Water System Diesel (“WSD”) Generators (the “Petition”), filed by the Guam Power Authority (“GPA”).

On December 2, 2024, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

Back in January 2024, the PUC reviewed and approved GPA’s request to procure WSD generators for approximately 94 Guam Waterworks Authority (“GWA”) sites at an estimated cost of \$11.4 Million. Based on its review, the PUC found that “[t]he generators meeting GPA’s full specifications and considering the costs of shipping and insurance, and the cost of the trailers for the portable units, GPA’s \$11.4 million estimated costs, which includes \$9.5 million for the generators and a 20% contingency of \$2 million” was reasonable, prudent, and necessary.¹

¹ Order, GPA Docket 24-10, p. 3 (Jan. 25, 2024).

Accordingly, the PUC authorized GPA to solicit the purchase of “new WSD generators for an estimated cost of \$11.4 million, which includes \$9.5 million for the generators and a 20% contingency of \$2 million.”²

In April 2024, GPA issued Invitation for Bid (“IFB”) 48-24, which advertised the solicitation of forty-nine (49) stationary generators and eleven (11) portable generators with trailers, ranging from 125kW to 300kW.³ Thereafter, GPA’s evaluation team determined Morrico Equipment, LLC (“Morrico”) to be lowest responsive and responsible bidder.

On August 27, 2024, the Guam Consolidated Commission on Utilities (the “CCU”), through GPA Resolution No. 2024-27, authorized GPA to award the medium-sized generators to the lowest, most responsive and responsible bidder, at a cost of \$3,006,527.48; and subject to the PUC’s approval.⁴

A. Contract Review Protocol

Pursuant to 12 G.C.A. § 12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Furthermore, GPA’s Contract Review Protocol requires that “[a]ll professional service procurements in excess of \$1,500,000” require “prior PUC approval . . . which shall be obtained before the procurement process is begun.”⁵

² Order, GPA Docket 24-10, p. 3.

³ Petition, p. 2.

⁴ GPA Resolution No. 2024-27, p. 1.

⁵ GPA’s Contract Review Protocol (“GPA CRP”), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis omitted).

B. GPA's Purchase of Medium-Sized Water System Diesel Generators

In its Petition, GPA requests PUC approval for the purchase of medium-sized generators, which range from 125kW to 300kW.⁶ Specifically, GPA intends to purchase twenty (20) stationary 125kW generators; thirteen (13) stationary 175kW generators; sixteen (16) stationary 300kW generators; three (3) portable 125kW generators; five (5) portable 175kW generators; and three (3) portable 300kW generators.⁷

According to GPA, the medium-sized generators will serve as back-up power for certain critical water system sites, such as those located in: Pago Bay, Ypao, Paseo de Oro, the Port, Mataguac, Dairy Road, Flora Pago, Leyang, Fema, Yigo, and Malojloj, just to name a few.⁸ These generators have a one (1) year warranty, which includes scheduled maintenance, any diagnostics and inspection costs.

C. Cost

GPA submitted that the cost for the sixty (60) medium-sized WSD generators total \$3,006,527.48.⁹ The purchase consists of twenty (20) 125kW generators, which cost \$34,833.07 per unit, and totaling \$696,661.40.¹⁰ GPA submitted that the funding will come from its CIP budget.

⁶ Petition, p. 2.

⁷ Petition, p. 2.

⁸ GPA Resolution No. 2024-28, "Exhibit A", pp. 1-2.

⁹ Petition, p. 2.

¹⁰ Petition, p. 2; *see* Bid Prices submitted by Morrico, appended hereto as "Exhibit 1."

CONCLUSION

In GPA Docket 24-10, the PUC determined that GPA's solicitation of waster system diesel generators to be reasonable, prudent, and necessary. Specifically, this Commission found that the "aging fleet" of generators was not meeting the current demand, especially in light of GPA's power outages; and that replacing the generators made the most sense since spare replacement parts were no longer being manufactured for the current generators.¹¹ Moreover, due to GWA's reliance on electric pumps to operate its pumping stations for both its drinking and wastewater system, the generators are necessary to keep these pump stations operational during extended periods of power outage.¹²

This Commission has additionally found that "[m]ost of the WSD generators are over 29 years old" and are "near the end of their service life."¹³ These generators have also "become difficult to maintain, unreliable," and are difficult to obtain replacement parts due to their age.¹⁴

For the reasons stated therein, the ALJ, therefore, found the instant purchase to be reasonable, prudent, and necessary.

RECOMMENDATION

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA's Petition. Accordingly, GPA should be authorized to purchase these medium-sized WSD generators from Morrigo at a cost not to exceed \$3,006,527.48.

¹¹ Order, GPA Docket 24-10, p. 3 (Jan. 25, 2024).

¹² Order, GPA Docket 24-10, p. 3 (Jan. 25, 2024).

¹³ Order, GPA Docket 24-10, p. 1 (Jan. 25, 2024).

¹⁴ Order, GPA Docket 24-10, p. 1 (Jan. 25, 2024).

The Commission hereby adopts the findings in the December 2, 2024 ALJ Report and therefore issues the following.

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to purchase sixty (60) medium-sized WSD generators from Morrico Equipment, LLC, at a cost not to exceed \$3,006,527.48.
3. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 2nd day of December, 2024.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PÉREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner



PETER MONTINOLA
Commissioner

MICHAEL A. PANGELINAN
Commissioner



DORIS FLORES BROOKS
Commissioner

P243032.JRA

EXHIBIT 1

BID PRICES

Bid No.	Size (kW)	Bidder		Bid Price per Unit	Bid Qty	Morrice	
		Brand	Kohler			Kohler	Total Costs
GPA-048-24	125	Stationary(277/480)		\$ 34,833.07	20	\$	696,661.40
	125	Mobile (120/208)		\$ 36,696.18	3	\$	110,088.54
	175	Mobile (277/480)		\$ 67,986.76	5	\$	339,933.80
	175	Stationary (277/480)		\$ 44,338.50	13	\$	576,400.50
	300	Mobile (277/480)		\$ 100,455.32	3	\$	301,365.96
	300	Stationary (277/480)		\$ 61,379.83	16	\$	982,077.28
					60	\$	3,006,527.48

Bid No.	Size (kW)	Bidder		Bid Price per Unit	Bid Qty	Morrice	
		Brand	Kohler			Kohler	Total Costs
GPA-053-24	30	Stationary, V- 277/280		\$ 21,901.54	5	\$	109,507.70
	30	Stationary, V- 120/240		\$ 21,992.68	6	\$	131,956.08
	30	Mobile, V- 120/240		\$ 31,980.18	8	\$	255,841.44
	30	Stationary, V- 120/208		\$ 22,393.75	3	\$	67,181.25
	60	Stationary, V- 277/480		\$ 26,577.52	7	\$	186,042.64
					29	\$	750,529.11

Bid No.	Size (kW)	Bidder		Bid Price per Unit	Bid Qty	Morrice	
		Brand	Kohler			Kohler	Total Costs
GPA-052-24	500	Stationary w/Install (277/480)		\$ 156,706.44	7	\$	1,096,945.08
	500	Mobile		\$ 173,649.67	3	\$	520,949.01
	800	Stationary w/Install (277/480)		\$ 284,315.03	2	\$	568,630.06
	1400	Stationary w/Install (277/480)		\$ 495,556.09	2	\$	991,112.18
					14	\$	3,177,636.33

Total \$ 6,934,692.92



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

) **GPA DOCKET 25-01**
)
) **PETITION TO APPROVE THE**
) **PURCHASE OF LARGE WATER**
) **ORDER**
) **SYSTEM DIESEL (WSD) GENERATORS)**
) **BY THE GUAM POWER AUTHORITY)**
)
_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC” or the “Commission”) pursuant to the October 3, 2024 Petition to Approve the Purchase of Large Water System Diesel (“WSD”) Generators (the “Petition”), filed by the Guam Power Authority (“GPA”).

On December 2, 2024, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

Back in January 2024, the PUC reviewed and approved GPA’s request to procure WSD generators for approximately 94 Guam Waterworks Authority (“GWA”) sites at an estimated cost of \$11.4 Million. Based on its review, the PUC found that “[t]he generators meeting GPA’s full specifications and considering the costs of shipping and insurance, and the cost of the trailers for the portable units, GPA’s \$11.4 million estimated costs, which includes \$9.5 million for the generators and a 20% contingency of \$2 million” was reasonable, prudent, and necessary.¹

¹ Order, GPA Docket 24-10, p. 3 (Jan. 25, 2024).

Accordingly, the PUC authorized GPA to solicit the purchase of “new WSD generators for an estimated cost of \$11.4 million, which includes \$9.5 million for the generators and a 20% contingency of \$2 million.”²

In April 2024, GPA issued Invitation for Bid (“IFB”) 52-24, which advertised the solicitation of the following: seven (7) 500kW, two (2) 800kW, and two (2) 1,400kW stationary generators; and three (3) 500kW portable generators with trailers. Thereafter, GPA’s evaluation team determined Morrico Equipment, LLC (“Morrico”) to be lowest responsive and responsible bidder, out of two bidders.³

On September 25, 2024, the Guam Consolidated Commission on Utilities (the “CCU”), through GPA Resolution No. 2024-28, authorized GPA to award the bid regarding large-sized generators to Morrico Equipment, LLC, at a cost of \$3,177,636.33; and subject to the PUC’s approval.⁴

A. Contract Review Protocol

Pursuant to 12 G.C.A. § 12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Furthermore, GPA’s Contract Review Protocol requires that “[a]ll professional service procurements in excess of \$1,500,000” require “prior PUC approval . . . which shall be obtained before the procurement process is begun.”⁵

² Order, GPA Docket 24-10, p. 3.

³ GPA Resolution No. 2024-28, p. 1 (Sept. 25, 2024).

⁴ GPA Resolution No. 2024-28, p. 1.

⁵ GPA’s Contract Review Protocol (“GPA CRP”), Administrative Docket 00-04, p. 1 (Feb. 15, 2008) (emphasis omitted).

B. GPA's Purchase of Large-Sized Water System Diesel Generators

In its Petition, GPA requests PUC approval of fourteen (14) large-sized generators, which range from 500kW to 1,400kW. Specifically, GPA intends to purchase seven (7) stationary 500kW generators; two (2) stationary 800kW generators; two (2) stationary 1,400kW generators; and three (3) portable 500kW generators with trailers from Morrico.⁶

According to GPA, the large-sized generators will serve the following stations: Agana Springs; Chaligan in Agat; Chaot New in Ordot; Gaan at the Agat Sewer Treatment Plant; Santa Ana Housing; Hagatna Wastewater Treatment Plant; Tai, Mangilao; Ugum Wastewater Treatment Plant; Fujita Road in Tumon; Ugum at the Talofof River Plant; Route 16 Pump Station; Southern Link Pump Station on Old Coral Road; and two mobile generators on trailers.⁷

GPA submitted that the cost of the generators includes installation, specifically at the twelve (12) physical sites listed above. In addition, the generators have a one (1) year warranty, which includes scheduled maintenance, any diagnostics and inspection costs.

C. Cost

GPA submitted that the cost for the fourteen (14) large-sized WSD generators total \$3,177,636.33.⁸ More specifically, the 500kW generators cost \$156,706.44 per unit; the 800kW generators cost \$284,315.03 per unit; the 1,400kW generators cost \$495,556.09 per unit; and the 500kW generators on trailers cost \$173,649.67 per unit.⁹

⁶ Petition, p. 2.

⁷ GPA Resolution No. 2024-28, "Exhibit A", pp. 1-2.

⁸ Petition, p. 2.

⁹ Petition, p. 2; *see* Bid Prices submitted by Morrico, appended hereto as "Exhibit 1."

GPA submitted that the funding will come from its CIP budget. GPA further submitted that it has requested \$10 million from FEMA for reimbursement for the subject purchase. However, there has been no feedback regarding this request.

CONCLUSION

In GPA Docket 24-10, the PUC determined that GPA's solicitation of waster system diesel generators to be reasonable, prudent, and necessary. Specifically, this Commission found that the "aging fleet" of generators was not meeting the current demand, especially in light of GPA's power outages; and that replacing the generators made the most sense since spare replacement parts were no longer being manufactured for the current generators.¹⁰ Moreover, due to GWA's reliance on electric pumps to operate its pumping stations for both its drinking and wastewater system, the generators are necessary to keep these pump stations operational during extended periods of power outage.¹¹

This Commission has additionally found that "[m]ost of the WSD generators are over 29 years old" and are "near the end of their service life."¹² These generators have also "become difficult to maintain, unreliable," and are difficult to obtain replacement parts due to their age.¹³

For the reasons stated herein, the ALJ, therefore, found the instant purchase to be reasonable, prudent, and necessary.

¹⁰ Order, GPA Docket 24-10, p. 3 (Jan. 25, 2024).

¹¹ Order, GPA Docket 24-10, p. 3 (Jan. 25, 2024).

¹² Order, GPA Docket 24-10, p. 1 (Jan. 25, 2024).

¹³ Order, GPA Docket 24-10, p. 1 (Jan. 25, 2024).

RECOMMENDATION

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve GPA's Petition. Accordingly, GPA should be authorized to purchase fourteen (14) large-sized WSD generators from Morrico, at a cost of \$3,177,636.33.

The Commission hereby adopts the findings in the December 2, 2024 ALJ Report and therefore issues the following.

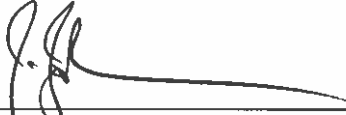
ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to purchase fourteen (14) large-sized WSD generators from Morrico Equipment, LLC, at a cost of \$3,177,636.33.
3. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 2nd day of December, 2024.



JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner



PETER MONTINOLA
Commissioner

MICHAEL A. PANGELINAN
Commissioner



DORIS FLORES BROOKS
Commissioner

P243034.JRA

EXHIBIT 1

BID PRICES

Bid No.	Size (kW)	Bidder		Bid Price per Unit	Bid Qty	Morrigo	
		Brand	Kohler			Kohler	Total Costs
GPA-048-24	125	Stationary	(277/480)	\$ 34,833.07	20	\$	696,661.40
	125	Mobile	(120/208)	\$ 36,696.18	3	\$	110,088.54
	175	Mobile	(277/480)	\$ 67,986.76	5	\$	339,933.80
	175	Stationary	(277/480)	\$ 44,338.50	13	\$	576,400.50
	300	Mobile	(277/480)	\$ 100,455.32	3	\$	301,365.96
	300	Stationary	(277/480)	\$ 61,379.83	16	\$	982,077.28
					60	\$	3,006,527.48
GPA-053-24	30	Stationary, V-	277/280	\$ 21,901.54	5	\$	109,507.70
	30	Stationary, V-	120/240	\$ 21,992.68	6	\$	131,956.08
	30	Mobile, V-	120/240	\$ 31,980.18	8	\$	255,841.44
	30	Stationary, V-	120/208	\$ 22,393.75	3	\$	67,181.25
	60	Stationary, V-	277/480	\$ 26,577.52	7	\$	186,042.64
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	500	Mobile		\$ 173,649.67	3	\$	520,949.01
	800	Stationary w/Install	(277/480)	\$ 284,315.03	2	\$	568,630.06
	1400	Stationary w/Install	(277/480)	\$ 495,556.09	2	\$	991,112.18
					14	\$	3,177,636.33
Total					\$	\$	6,934,692.92

5. The initial term of GPA's Property Insurance Contract would have expired on October 31, 2024 and GPA and AM Insurance agreed to extend the initial term until December 31, 2024 for the amount of \$1,184,766 to obtain the regulatory approvals required for GPA to exercise the first option term for the coverage period beginning on January 1, 2025 and ending on November 1, 2025 which will cost \$5,978,600 for that coverage period.⁵
6. On November 26, 2024, the Consolidated Commission on Utilities ["CCU"] adopted GPA Resolution No. 2025-02 authorized GPA to exercise the first option term for the coverage period beginning on January 1, 2025 and ending on October 31, 2025 for the amount of \$5,978,600.⁶
7. On November 24, 2024 PUC Legal Counsel issued his report recommending that the PUC approve the petition.

DETERMINATIONS

8. As stated above, the PUC ordered GPA to obtain the PUC's approval prior to exercising any of the four one-year options to renew in GPA's Property Insurance Contract with AM Insurance. Therefore, GPA must obtain the PUC's prior approval prior to exercising the first option period that will begin on January 1, 2025 and end on October 31, 2025. GPA was not required to obtain the PUC's approval for the two-month extension of the contract's initial term. Generally, GPA shall not incur expenses for PUC approved contracts and obligations in excess of 20% over the amount authorized by the PUC.⁷ Here, the PUC had authorized GPA to expend the amount of \$7,100,000 for the contract's initial one year term.⁸ The \$1,184,766 two-month extension is \$235,234 less than 20% of that amount ($\$7,100,000 \times .20 = \$1,420,000$). Therefore, GPA was not required to obtain the PUC's approval to extend the initial term of the contract to December 31, 2024.
9. The \$5,978,600 cost of the first one-year extension is reasonable. To accurately compare the cost of the twelve-month initial contract term and the first one-year extension, it is necessary to combine the price of the two-month extension and ten-

⁵ Id., at 5.

⁶ Amendment to GPA Petition filed on November 27, 2024.

⁷ Paragraph 10, Contract Review Protocol for GPA dated February 15, 2008, GPA Administrative Docket.

⁸ PUC Order dated October 31, 2023, GPA Docket No. 24-01 at 7.

month period of the first one-year extension. The \$1,184,766 two-month extension of the initial contract term to December 31, 2024, plus the \$5,978,600 cost of the first one-year extension result in the amount of \$7,163,366. This amount is only \$63,366 more than the \$7,100,000 amount the PUC authorized for the contract's initial term. Further, this slight increase is justified because unlike the contract's initial term, the property insurance coverage of the first one-year extension includes a cybersecurity component.⁹ GPA Property Insurance contract have been increases each year since 2021, with cost for 2021 being \$5,252,334, the cost for 2022 being \$5,788,646, the cost for 2023 being \$6,670,980, and the cost for 2024 being \$7,100,000.¹⁰ The average increase for this period is \$615,888.67 ($\$536,312 + 882,334 + 429,020 = \$1,847,660 / 3 = \$615,888.67$). Here, the \$63,366 increase from 2024 to 2025 is \$552,522.67 less than that average. ($\$615,888.67 - \$63,366.00 = \$552,522.67$). Therefore, the cost of the first one-year extension is reasonable.

10. The contract extension is prudent. Even with an extension of the contract's initial term to December 31, 2024, GPA has an insufficient amount of time to prepare a new property insurance solicitation, issue it, receive responses, and award a new property insurance contract. Hence, it is more prudent for GPA to exercise the second one (1) year extension of the contract instead of issuing a solicitation for a new contract.
11. The contract extension is necessary. As stated above, GPA is required by its Bond Indenture Agreements to maintain property insurance coverage.
12. Based on the foregoing, the first one-year extension of GPA's Property Insurance Contract with AM Insurance is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of Property Insurance Contract Extension with AM Insurance and its affiliates for the period beginning on January 1, 2025 and ending October 31, 2025, and the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

⁹ GPA Petition at 2.

¹⁰ PUC Order dated October 31, 2023, GPA Docket No. 24-01 at 4 and 7.

1. GPA's Petition for Approval of Property Insurance Contract Extension with AM Insurance and its affiliates for the period beginning on January 1, 2025 and ending October 31, 2025 is hereby approved.
2. A total property insurance premium in the amount of \$5,978,600 for the first one-year contract extension period beginning January 1, 2025 and ending October 31, 2025 is hereby approved.
3. Exercise by GPA of any of the additional three renewal options for property insurance shall be brought to the PUC for prior approval.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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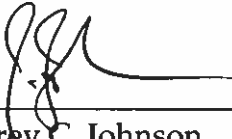
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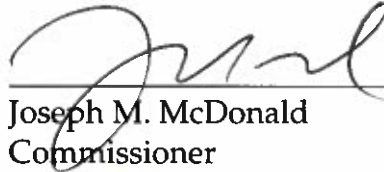
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Order
Guam Power Authority's
Property Insurance Contract
For FY 2025
GPA Docket 25-04
December 2, 2024

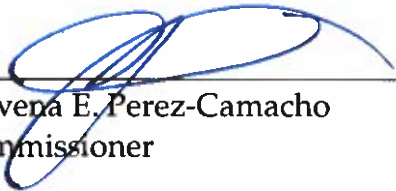
Dated this 2nd day of December, 2024.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Peter Montinola
Commissioner