

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: )

GPA DOCKET 25-07

PETITION OF THE GUAM POWER )  
AUTHORITY FOR AUTHORIZATION )  
TO PROCURE STRATEGIC PROGRAM )  
MANAGEMENT OFFICE FOR GPA'S )  
FUTURE PROJECTS )

PUC COUNSEL REPORT

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] pursuant the Guam Power Authority's [GPA] Petition for Authorization to Procure Strategic Program Management Office[SPMO] for GPA's Future Projects [Petition].<sup>1</sup>
2. GPA requests that the PUC approve GPA's request to solicit for an SPMO for future GPA projects with a 3-year base contract with an option to renew for an additional 3-year period and GPA estimates the cost of the SPMO contracts will be \$10,519,542.<sup>2</sup> GPA also requests that the PUC's authorize GPA to procure the services of one or more firms on an indefinite delivery, indefinite quantity basis to establish an SPMO.<sup>3</sup>

BACKGROUND

3. On July 31, 2014, in GPA Docket No. 14-02, the PUC issued an order denying GPA's petition for approval of implementation of additional services under GPA's Integrated Program Management Services [PMO] contract.<sup>4</sup> In that order, the PUC cited the following concerns that justified its denial of the petition: (1) GPA's failure to budget the PMO's costs in its FY2014 rate filing; (2) The inclusion of PMO services in the ongoing internal management of GPA; (3) The lack of detail about services to be performed in the scope of work and the absence of a breakdown of costs within each sub-task activity; (4) Lack of a cost-benefit analysis for the retention of the PMO services.<sup>5</sup>

<sup>1</sup> GPA Petition for Authorization to Procure an SPMO for GPA's Future Projects, GPA Docket 25-07, filed on February 11, 2025 at 1.

<sup>2</sup> Petition at 6. NOTE: The page numbers cited in the petition are the PDF page numbers.

<sup>3</sup> Id., at 2.

<sup>4</sup> PUC Order dated July 31, 2014 in GPA Docket No. 14-02 at 4.

<sup>5</sup> Id., at 1.

4. In that order, the PUC cited the following concerns about GPA's administration and oversight of the PMO services contract: (1) GPA's payment of amounts to the PMO contractor in excess of a PUC imposed ceiling; (2) GPA's failure to monitor expenditures under the PMO program; (3) GPA's program expenditures that exceeded the budget; (4) Lack of accountability in the PMO program; (5) Contract anomalies and lack of indication in PMO billings as to what services were performed; and (6) The relation of PMO activities to the internal functions of GPA such as media and public information functions, administrative support for GPA's budget office, handling customer service complaints, work on customer power and billing issues, and the implementation of plans for a new GPA office building.<sup>6</sup>
5. Here, GPA has determined that an SPMO can provide engineering design and technical analysis, cyber and physical security planning, information technology and operational technology support, and construction and that the SPMO will: (1) Develop and implement procedures and standards to ensure the prudent and efficient expenditure of funds; (2) Provide technical services; (3) Train and mentor GPA engineers; (4) Assist in the certification of work on projects; and (5) Keep management apprised on the status of projects.<sup>7</sup>
6. GPA's total estimated cost of its current projects is \$70,130,282 and the source of funds for those projects are bonds, federal grants, or revenue funds and GPA proposes to pay for the \$10,519,542 estimated SPMO contracts cost through these same project based funding sources.<sup>8</sup>

### ANALYSIS

7. The PUC's Contract Review Protocol for GPA mandates that GPA obtain prior PUC approval before the procurement process has begun for all professional service contracts that exceed the amount of \$1,500,000.<sup>9</sup> Here, the \$10,519,542 estimated cost for the SPMO contracts requires the PUC's approval prior to procurement process beginning because the total cost of the contracts exceeds the \$1,500,000 contract review amount.

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<sup>6</sup> Id.

<sup>7</sup> Petition at 2.

<sup>8</sup> Petition at 2 and 6.

<sup>9</sup> PUC Order re Contract Review Protocol for GPA, PUC Administrative Docket, filed on February 15, 2008 at paragraph 1(c) at 1.

8. GPA's \$10,519,542 estimated cost for the SPMO contracts is not reasonable. GPA will expend approximately \$1,753,257 for each year of the six-year term of the SPMO contracts ( $\$10,519,542 \div 6 = \$1,753,257$ ). GPA's cost estimate for the SPMO contracts is based on its assumption that the SPMO contracts will cost 15% of the \$70,130,282 estimated cost of GPA's current projects ( $\$70,130,282 \times 15\% = \$10,519,542$ ).<sup>10</sup> GPA must fund \$29,229,000 of its current projects with its revenues (\$20,000,000 (New T&D Building with Disaster Recovery Center) + \$9,225,000 (GPA Physical Security) = \$29,229,000).<sup>11</sup> If GPA's estimates are accurate, the SPMO contracts might increase the costs of GPA's current projects to \$80,649,824 ( $\$70,130,282 + \$10,519,542 = \$80,649,824$ ). GPA would likely not be able to obtain additional funds from its externally funded projects and would have to transfer \$6,135,792 from these projects to the SPMO contracts resulting in a corresponding reduction of construction inputs into those projects ( $\$35,448,984$  (New hospital substation with transmission lines) +  $\$5,456,298$  (Underground Mitigation of P-087) =  $\$40,905,282 \times 15\% = \$6,135,792$ ).<sup>12</sup> For GPA's revenue funded projects, GPA would have to either transfer \$4,384,350 ( $\$29,229,000 \times 15\% = \$4,384,350$ ) from those projects to the SPMO contracts resulting in a corresponding reduction of construction inputs into those projects or raise an additional \$730,725 ( $\$4,384,350 \div 6 = \$730,725$ ) for each year of the proposed six years of the SPMO contracts. The reduction in construction inputs for the projects or the extra revenue funds that must be generated to fund the SPMO contracts renders the \$10,519,542 cost of the SPMO contracts unreasonable.
9. GPA's proposed procurement for SPMO contracts is not prudent. As stated above, for GPA's one PMO contractor, its payments to the PMO contractor were in excess of a PUC imposed ceiling, GPA failed to monitor the PMO contractor's expenditures, GPA's program expenditures exceeded the budget, there was a lack of accountability, and there were contract anomalies and a lack of indication in PMO billings as to what services were performed. Here, GPA is not asking to solicit for one contractor, but several contractors on an indefinite delivery and indefinite quantity basis. Based on GPA's negative history with accounting for, controlling, and supervising a single contractor for this type of service, GPA's proposal for a multiple award on an indefinite delivery, indefinite quantity basis is

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<sup>10</sup> Petition at 6.

<sup>11</sup> Id., at 9.

<sup>12</sup> Id.

not prudent as the same problems that were prevalent with one such contractor, will likely be compounded by several such contractors.

10. GPA's procurement of SPMO contracts is not necessary. GPA states that, currently, it's Engineering & Technical Services Division is able to successfully manage the current projects but will require increased resources to address the significant near-term infrastructure projects.<sup>13</sup> GPA asks the PUC to take further risks, despite its poor history in such contracts, on its proposed solicitation for SPMO contracts, because 26 GPA employees in that division will be eligible to retire in the next 5 years, and that 10 of those employees are engineers.<sup>14</sup> Albeit, this may have been a valid reason a decade ago, it is not today. The University of Guam has a fully accredited engineering program and it is likely, that if GPA increases its recruitment efforts, GPA can hire 16 non-engineer employees in that division, and the 10 engineer employees in that division if it begins its recruitment efforts now and not 5 years from now. Hence, the \$10,519,542 SPMO contracts expense is not a necessary expense.
11. Based on the foregoing, GPA's request to solicit for SPMO contracts for current and future GPA projects with 3-year base contracts with an option to renew for additional 3-year periods on an indefinite delivery, indefinite quantity basis for the estimated amount of \$10,519,542 is not reasonable, prudent, or necessary.

### **RECOMMENDATION**

12. Counsel recommends that the PUC deny GPA's request that the PUC approve GPA's proposed solicitation for SPMO contracts for an indefinite delivery, indefinite quantity with 3-year base contracts with an option to renew for additional 3-year periods for the estimated amount of \$10,519,542.

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<sup>13</sup> Id., at 5.

<sup>14</sup> Id.

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

Dated this 24<sup>th</sup> day of March, 2025.

*Anthony R. Camacho*

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Anthony R. Camacho, Esq.  
PUC Legal Counsel