

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GWA DOCKET 25-06

GUAM WATERWORKS AUTHORITY'S)
PETITION TO APPROVE PURCHASE OF)
LEASED HEAVY EQUIPMENT AND)
LEASE EXTENSION)
_____))
_____)

PUC ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] pursuant to the Guam Waterworks Authority's [GWA] Petition to Approve Purchase of Leased Heavy Equipment and Lease Extension [Petition].¹
2. GWA requests that the PUC approve the purchase of heavy equipment in the amount of \$519,510 and for the three-month lease extension with Morrico Equipment LLC [Morrico] in the amount of \$58,041.45.²

BACKGROUND

3. On December 27, 2018, the PUC approved GWA's heavy equipment lease with Morrico. The lease's five-year term was estimated to cost GWA \$1,160,829.³
4. GWA leased three 4-wheel drive backhoes, three heavy duty trailers, and three tandem dump trucks, and the lease term was set to expire in January, 2025 for the backhoes, one trailer, and one of the dump trucks, and the lease term was set to expire for the two dump trucks and two trailers in February, 2025, which triggered a lease termination or the option to purchase.⁴
5. GWA determined that it is in GWA's best interest to exercise the option to purchase the three dump trucks for the amount of \$329,388, the three backhoes for the

¹ GWA Petition to Approve Purchase of Leased Heavy Equipment and Lease Extension, GWA Docket 25-06, filed on March 11, 2025 at 1.

² Id., at 5. NOTE: Page number cited herein are the PDF page numbers.

³ PUC Order dated December 27, 2018, GWA Docket No. 19-07, at 2 and 4.

⁴ Petition at 2 and 6.

amount of \$149,451, and the three trailers for the amount of \$40,671 for the total amount of \$519,510.⁵

6. GWA also negotiated an extension of the lease for a three-month period at the original lease rate of \$19,347.15 per month for a total of \$58,041.45 to ensure that the lease did not terminate prior to obtaining the regulatory authorizations GWA would be required to obtain prior to exercising the option to purchase the equipment.⁶
7. On February 25, 2025, the Guam Consolidated Commission on Utilities [CCU] issued GWA Resolution No. 19-FY2025 authorizing GWA to exercise the option to purchase the three backhoes, the three trailers, and the three dump trucks for the total amount of \$519,510, to extend the lease for an additional three months for a total of \$58,041.45, and to use GWA's revenue funds and Internally Funded Capital Improvement Project funds to fund the purchase the heavy equipment and for the lease extension.⁷
8. On March 23, 2025, PUC Legal Counsel filed his report in this matter recommending that the PUC approve GWA's Petition.

DETERMINATIONS

9. The PUC's Contract Review Protocol for GWA mandates that multi-year procurements with fixed terms and variable annual costs that exceed \$1,000,000, GWA shall seek PUC approval in the event a procurement should exceed 120% of the aggregate cost initially approved by the PUC.⁸ Here, the PUC approved the lease's original estimated cost of \$1,160,829. However, the additional \$519,510 cost of exercising the option to purchase the heavy equipment and the additional \$58,041.45 for the three-month extension will increase the total cost of the lease to \$1,738,380.45 which exceeds the amount of \$1,392,994.80 which is 120% of the original \$1,160,829 estimated cost of the lease approved by the PUC. Therefore, GWA must obtain the PUC's approval to exercise the option to purchase the heavy equipment and extend the lease.

⁵ Petition at 7.

⁶ Petition at 8.

⁷ Petition at 9.

⁸ PUC Order re Contract Review Protocol for GWA, PUC Administrative Docket, filed on October 27, 2005 at paragraph 4(d) at 3.

10. GWA's \$519,510 cost to exercise the option of purchasing the heavy equipment and the \$58,041.45 cost for the three-month lease extension are reasonable. GWA has determined that Morrico's offer to sell the used dump trucks for \$109,796 each, the used backhoes for \$49,817 each, and the three used trailers at \$13,557 each, is within current fair market value because the equipment is in good to excellent condition and has been well maintained under the lease terms.⁹ Additionally, the three-month extension of the lease was made without increasing the existing monthly lease rate of \$19,347.15 per month.¹⁰ Therefore, the \$519,510 cost to exercise the option of purchasing the heavy equipment and the \$58,041.45 cost for the three-month lease extension are reasonable.
11. GWA's exercise of the option to purchase the heavy equipment and its decision to extend the lease for an additional three-months are prudent. GWA conducted a thorough cost-benefit analysis that found exercising the option to purchase the backhoes and dump trucks instead of leasing them for another three years would save GWA the amount of \$982,094.¹¹ Additionally, although the lease extension is for a three-month period, it will terminate when GWA's exercise of the option to purchase is approved by the PUC and the lease billing will be prorated based on the number of days the lease was active.¹² Thus, GWA's exercise of the option to purchase the heavy equipment and extended the lease for an additional three months is prudent.
12. GWA's exercise of the option to purchase the heavy equipment and its decision to extend the lease for an additional three-months are necessary. GWA must use heavy equipment operated by its employees to perform many of the smaller capital improvement projects and smaller repairs to GWA's water and waste-water systems. Here, the backhoes, trailer, and dump trucks at issue here, were organized by GWA into three teams each consisting of one backhoe, one dump truck, and one trailer, with the necessary crews to man and operate them, and GWA deployed these teams quickly throughout Guam to conduct small CIPS, and line repair and installation projects.¹³ The extension of the lease was necessary to prevent it from terminating prior to GWA obtaining the necessary approvals from the CCU and the PUC. Therefore, GWA's exercise of the option to purchase the

⁹ Petition at 4.

¹⁰ Petition at 8.

¹¹ Petition at 11.

¹² Petition at 5.

¹³ PUC Order dated December 27, 2018, GWA Docket No. 19-07, at 1 and 3.

heavy equipment and its decision to extend the lease for an additional three-months are necessary.

13. Based on the foregoing, GWA's \$519,510 cost to exercise the option of purchasing the heavy equipment and the \$58,041.45 cost for the three-month lease extension are reasonable, prudent, and necessary.

ORDERING PROVISIONS

After reviewing the record herein, GWA's Petition to Approve Purchase of Leased Heavy Equipment and Lease Extension, 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 Petition to Approve Purchase of Leased Heavy Equipment and Lease Extension is hereby approved.
2. 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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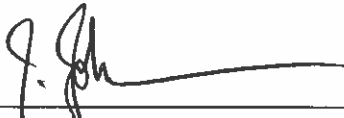
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Dated this 27th day of March, 2025.



Jeffrey C. Johnson
Chairman



Rowena E. Perez-Camacho
Commissioner

Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner



Doris Flores Brooks
Commissioner



Peter Montinola
Commissioner