

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GWA Docket 26-01
)
REQUEST BY THE GUAM)
WATERWORKS AUTHORITY TO) **ALJ REPORT**
APPROVE PRESSURE ZONE)
REALIGNMENT PHASE II PROJECT)
)
)
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the Guam Waterworks Authority's ["GWA"] Petition seeking PUC approval to enter into a Construction Contract with Sumitomo Mitsui Construction Co., LTD for GWA's Pressure Zone Realignment Phase II Project.¹
2. The Phase II project is divided into Phases 2A and 2B. Phase 2A was funded by grant funds and is still under construction. Phase 2B of the Phase II project, which is the focus of GWA's Petition, is to construct pressure reducing/sustaining valve (PRSV) stations, to include flow meters, vaults, electrical infrastructure, and waterlines at 16 sites across the island.² The sixteen sites are indicated in Exhibit "1", which is attached hereto.³
3. The Work of the project is comprised of construction of Pressure Reducing/Sustaining Valve (PRSV) and Meter Stations and other improvements at different locations. It includes piping and connections, concrete vaults, electrical systems, SCADA systems, concrete control buildings, site work, pavement

¹ GWA Petition to Approve the Construction Contract for Pressure Zone Realignment Phase II Project with Sumitomo Mitsui Construction Co., LTD, GWA Docket 26-01, dated October 10, 2025 ("GWA Petition").

² GWA Petition at p. 1.

³ Exhibit "1", List of 16 Sites for Pressure Zone Realignment projects (GWA Petition at p. 2).

restoration, testing, startup, and appurtenant work at all sites, as shown and specified, complete and operable in accordance with Contract Documents.⁴

BACKGROUND

4. On February 14, 2024, GWA issued IFB-02-ENG-2024 for the construction of the Pressure Zone Realignment Phase II Project. Phase 2A of the project has been funded and is now continuing. This docket focuses upon Phase 2B, the purpose of which is “to construct pressure reducing/sustaining valves (PRSVP) and meter stations.”⁵
5. There were two bid proposals. The GWA engineering team analyzed the proposals received on July 26, 2024, and determined that Sumitomo Mitsui Construction Co., LTD, was the only responsive bidder and the lowest responsible bidder, meeting all bid requirements set forth by GWA.⁶
6. Sumitomo Mitsui Construction Co., LTD submitted a Base Bid proposal of Twenty-Three Million Two Hundred Forty-Two Thousand Seven Hundred Seventy-Seven Dollars (\$23,242,777.00), and GWA Management approved it as acceptable.⁷
7. On January 28, 2025, GWA Management sought approval from the Guam Consolidated Commission on Utilities to enter into a contract with Sumitomo for the bid amount, along with a ten percent (10%) contingency of Two Million Three Hundred Twenty-Four Thousand Two Hundred Seventy-Seven Dollars and Seventy Cents (\$2,324,277.70).⁸

⁴ Technical Specifications for GWA Pressure Zone Realignment Construction – Phase 2, GWA Project No. W18-001-BND, prepared in March 2023 by GHD, Executive Summary at p. 1.

⁵ Id. at p. 1.

⁶ Id.

⁷ Id. at p. 2.

⁸ Id. at pgs. 2-3.

8. In GWA Resolution No. 15-FY2025, the CCU authorized authorized GWA Management to accept the bid from Sumitomo Mitsui Construction Co., LTD, and to include the 10% contingency.⁹ GWA was authorized to enter into the Contract with Sumitomo Mitsui Construction Co., LTD. Total funding for the project was approved in the amount of \$25,567,054.70 (including Phases 2A and 2B).¹⁰ However, in the Contract dated April 11, 2025, only Phase 2A work under the contract in the amount of \$14,956,418.00 was certified.¹¹ GWA did not submit the Contract to the PUC for approval “as the funding for Phase 2A was entirely grant monies.”¹²
9. The CCU indicated that the Base Bid work consisted of the Contractor furnishing all labor, tools, equipment and materials necessary to complete the construction of the Pressure Zone Phase II work to include, but not limited to earthwork, pipework, roadway repair, PRVs, PRSVs, flow meters, concrete work, electrical work, fences and gates, SCADA, testing and start-up under the provisions of the bid documents and in accordance with applicable GWA standards.¹³
10. Attached to the CCU Resolution is the cost breakdown for the entire Phase II Project on a site-by-site basis.¹⁴
11. GWA is requesting PUC approval to enter into the Construction Contract with Sumitomo Mitsui Construction Co., LTD. The Contract, dated April 11, 2025, without technical data, has been provided to the Commissioners in their packets. The Contract is supported by detailed Technical Specifications of 517 pages, providing requirements for the construction of each of the 16 sites. The table of contents from such specifications is attached hereto as Exhibit “2”.

⁹ Id.

¹⁰ GWA Petition at Exhibit A-03.

¹¹ GWA Petition at p. 3.; Contract Between GWA and Sumitomo dated April 11, 2025, at

¹² GWA Petition at p. 3.

¹³ GWA Petition at Exhibit A-03.

¹⁴ GWA Petition at Exhibit A-06-A-013.

ANALYSIS

12. In response to the ALJ's Requests for Information No. 1, GWA has clarified the scope of work, budget, and funding source for this Phase II project.¹⁵ Phase 2A and Phase 2B of the GWA Phase II Project each involve a distinct scope of work, budget, and funding source.¹⁶
13. The Phase 2A project award, totaling \$14,956,418.00, has already been funded by grants.
14. The Sumitomo total bid amount of \$23,242,777.00 includes the bid amounts for Phases 2A +2B. Phase 2B, totaling \$8,286,659, will be funded by grants, internally funded CIP, and Series 2025A Bond Monies.¹⁷
15. The new amount of Phase 2B funding, \$8,286,659.00, which GWA describes as a "Proposed Change Order", requires PUC approval. In the Contract, GWA had estimated that the estimated cost for Phase 2B would be \$7,522,551.00. GWA has now explained the reasons for the increased amount for the Change Order, which relate to increased costs for five of the sites.¹⁸ Also, since this contract award is a multi-year procurement, the amount that the PUC must approve is "the estimated total cost of the Procurement", which includes all amounts GWA intends to expend on the entire Phase II project.¹⁹
16. GWA has indicated the breakdown for Phase II costs as follows:

	Amount	Notes
Phase 2A Award	\$ 13,854,832.16	Grant M-98T48323
	\$ 1,101,585.84	Grant M-96902619

¹⁵ GWA's Response to ALJ's RFI No. 1, dated October 17, 2025, at pgs. 1-2.

¹⁶ Id.

¹⁷ Id.

¹⁸ Email from GWA Legal Counsel Theresa Rojas to PUC ALJ Fred Horecky dated October 22, 2025.

¹⁹ Administrative Docket, Contract Review Protocol for Guam Waterworks Authority, Docket 00-04, dated October 27, 2005, at par. 9.

Total	2A Sub-	\$ 14,956,418.00	
Phase 2B Proposed Change Order Total	2B Sub-	\$ 8,286,359.00	
Total		\$ 23,242,777.00	Total Bid amount for Phase 2A + 2B

Phase 2B Funding	Amount	Notes
USEPA Grant No. M-98T48323	\$ 772,151.84	US EPA Grants
PW 09-04 Pressure Zone Realignment	\$ 5,624,399.03	IFCIP Monies
MP-PW-Pipe-15 Pressure Zone Realignment Phase 2	\$ 1,889,808.13	2025 Series A Bonds
Total	\$ 8,286,359.00	

20

17. Of the total contract award amount proposed of over \$25M, over \$15M is funded by grants.
18. The CCU justifies the expenditure of additional funds as a change order for the Phase 2B project based upon the assertion that the Pressure Zone Realignment Phase II Project is "critical."
19. In the GWA Resolution, the CCU stated as follows: "...GWA currently has a number of **critical** projects as part of GWA's Capital Improvement Program (CIP), including the installation (i.e. reparation, rehabilitation, replacement, relocation, or development) of pressure reducing/sustaining valves (PRSV), flow meters, and their appurtenances, as stated in GWA's Pressure Zone Realignment Plan, and Water Resources Master Plan..."²⁰ (emphasis added).
20. In its Response to ALJ's RFI No. 1, GWA has further explained why the Phase 2B project is "critical": "Pressure Reducing Valves (PRV) and Pressure Reducing Sustaining Valves (PRSV) are mechanical devices installed within a water distribution system meant to automatically reduce higher pressure to a lower more manageable source. **These valves are essential and critical to establishing pressure**

²⁰ GWA's Response to ALJ's RFI No. 1, dated October 17, 2025, at p. 2

²¹ GWA Petition at Exhibit A-01.

zones in the distribution system. In areas without PRV's, GWA's operators are often forced to manually "choke down" valves to reduce pressure where needed and these manual chokes are a less precise and sustainable method. Installing PRV's would give us greater control over the pressure level in our system. **Pressure zones are imperative and critical to controlling water pressure throughout our network and to protecting our pipes and other infrastructure from higher pressure levels.** Installed pressure zones also save energy and ensure reliable service."²² (emphasis added).

21. Based upon the explanation of GWA, the Pressure Zone Realignment is "critical" and "necessary." Without the implementation of these projects in the GWA water distribution system, GWA will be unable to properly reduce high pressure to a lower more manageable source. PRVs are necessary to protect pipes and other infrastructure. Without PRSVs, GWA would be compelled to manually reduce pressure, which is "a less precise and sustainable method." PRSVs will give GWA greater control over the pressure in the water system. Pressure zones are "imperative."
22. The ALJ concludes that the Sumitomo Contract, along with the detailed specifications, are adequate to protect the interests of GWA and the ratepayers in the proper construction of the sites.
23. The Phase 2B projects and funding sought by GWA are also prudent and reasonable. Without the projects, GWA would be left with a water system that would be unable to properly regulate water pressure. It would not be prudent to forego the pressure zone realignment measures which are needed to properly regulate the system.
24. In terms of the "critical" nature of the Phase II Projects, the cost involved appears to be "reasonable." The overall cost of over \$23M for the Pressure Zone Realignment Project is considerable; however, GWA has greatly reduced the cost of this project

²² GWA Response to ALJ's RFI No. 1 at p. 1.

by securing over \$15M in grant funds. Therefore, the change order amount for Phase 2B of \$8,286,359.00 is reasonable, given the extensive nature of the projects at 16 sites contemplated by this Petition.

25. The ALJ does not believe that the ten percent (10%) contingency of \$2,324,277.70 requested by GWA for the Sumitomo Mitsui Contract should be approved. At present it is unknown whether a contingency will be necessary. Under the GWA Contract Review Protocol, GWA is authorized to incur contract expenses up to 20% over the amount authorized by the PUC without prior PUC approval.²³ Should a contingency be required for this Contract award, GWA has adequate remedies under the Contract Review Protocol.
26. The contract time for final completion of Phase 2B (as well as Phase 2A) is a 760 days' timeline, which is expected to be completed by June 30, 2027 (the Notice of Proceed was issued April 21, 2025).²⁴

RECOMMENDATION

The Administrative Law Judge recommends that the PUC approve the award to Sumitomo Mitsui Construction Co., LTD for IFB-02-ENG-2024, Pressure Zone Realignment Construction Phase II Project, for funding in the amount of the base bid, \$23,242,777.00. The PUC should authorize GWA to enter into the Construction Contract with Sumitomo Mitsui Construction Co., LTD for GWA's Pressure Zone Realignment Phase II Project, and a Change Order for Phase 2B. A Proposed Order is submitted herewith for the consideration of the Commissioners.

²³ Administrative Docket, Contract Review Protocol for Guam Waterworks Authority, Docket 00-04, dated October 27, 2005, at par. 9.

²⁴ GWA's Response to ALJ's RFI No. 1, dated October 17, 2025, at pgs. 2.

ALJ Report
GWA Petition to approve Pressure Zone
Realignment Phase II Project
October 22, 2025

Dated this 22nd day of October, 2025.


Frederick J. Horecky
Chief Administrative Law Judge

1. New Asan flow meter; and
2. New Talofoto flow meter; and
3. New Sinajana flow meter; and
4. New East Agana flow meter; and
5. New Dairy Road PRSV and flow meter; and
6. New Army Drive PRSV and flow meter; and
7. New Gayinero PRSV and flow meter; and
8. New Larson Road PRSV and flow meter; and
9. New Latte Heights PRSV and flow meter; and
10. New Hawaiian Rock PRSV and flow meter; and
11. New Mangilao Tank flow meters and control building; and
12. New Volcano PRSV and flow meter; and
13. New Pago Bay PRSV and flow meter; and
14. Removal of existing PRV at Tri-Intersection; and
15. New waterline connection at Route 15; and
16. New waterline and PRSV at Nimitz Hill; and

Technical Specifications
For
GWA Pressure Zone Realignment Construction –
Phase 2
GWA Project No.: W18-001-BND

Prepared for:



March 2023

Prepared By



Technical Specifications
For
GWA Pressure Zone Realignment Construction –
Phase 2
GWA Project No.: W18-001-BND

Prepared for:



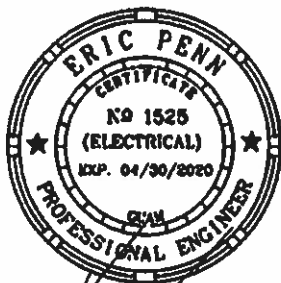
March 2023



Aaron C. Sutton
I hereby certify that these Specifications have been
prepared by me or under by direct supervision
(Civil Engineering Design)



Elijah G. Soto
I hereby certify that these Specifications have been
prepared by me or under by direct supervision
(Structural Engineering Design)



Eric Penn
I hereby certify that these Specifications have been
prepared by me or under by direct supervision
(Electrical Engineering Design)

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SECTION 011000 - SUMMARY

PART 1 - GENERAL

1.1 SUMMARY

A. Section Includes:

1. Contract description.
2. Substantial completion
3. Training Budget Bid Item
4. Order of precedence of contract documents
5. Contractor's use of Site.
6. Work sequence.
7. Permits.
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1.2 CONTRACT DESCRIPTION

- A.** Work of the Project comprises construction of Pressure Reducing/Sustaining Valve (PRSV) and Meter Stations and other improvements at different locations. It includes piping and connections, concrete vaults, electrical systems, SCADA systems, concrete control buildings, site work, pavement restoration, testing, startup, and appurtenant work at all sites, as shown and specified, complete and operable in accordance with the Contract Documents.
- B.** Perform Work of Contract under fixed cost Contract with Owner according to Conditions of Contract.
- C.** The Work to be performed under this Contract shall consist of furnishing plant, tools, equipment, materials, supplies, and manufactured articles, and furnishing all labor, transportation, and services, including fuel, power, water, and essential communications, and performing all work or other operations required for the fulfillment of the Contract in strict accordance with the Contract Documents. The Work shall be complete, and all work, materials, and services not expressly indicated or called for in the Contract Documents, which may be necessary for the complete and proper construction of the Work in good faith, shall be provided by the Contractor as though originally so indicated, at no increase in cost to GWA.

1.3 SUBSTANTIAL COMPLETION

- A.** Substantial Completion for each site is hereby defined as “the time at which the new PRSV/meter stations and electrical and SCADA equipment as defined in the base bid are operational” and can be used for the purpose for which they are intended. Substantial Completion will be awarded for the project as a whole. Each site will be considered