

1 **GUAM CONSOLIDATED COMMISSION ON UTILITIES**

2 **RESOLUTION NO. 03 – FY2007**

3
4 **RELATIVE TO APPROVING THE PERFORMANCE MANAGEMENT CONTRACT**
5 **BY AND BETWEEN THE GUAM WATERWORKS AUTHORITY (“GWA”) AND**
6 **VEOLIA WATER FOR THE MANAGEMENT OF GWA’S WASTEWATER SYSTEM**

7
8 **WHEREAS**, Pursuant to Public Law 26-76 and 12 G.C.A. § 14106, the Consolidated
9 Commission on Utilities (“CCU”) is the governing body and the contracting authority of the
10 Guam Waterworks Authority and has authority to review and approve certain projects relative
11 to the outsourcing of GWA management functions; and

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13 **WHEREAS**, the Performance Management Contract (“PMC”) approach at the Guam
14 Power Authority (“GPA”) has seen improved results for its power plants that are more efficient
15 and as a result has saved the ratepayers of GPA in excess of \$28 million dollars (\$28,000,000.00)
16 since initiating the first contract in 2003 because the plants now are using less fuel and have less
17 down time for maintenance and repair. Specifically, GPA’s Cabras 1 & 2 PMC has resulted in a
18 total savings of \$23.4 million dollars over the 30 months since initiating the contract in 2003
19 while the Cabras 3 & 4 PMC has resulted an estimated savings of \$5.4 million dollars over 12
20 months based on meeting it’s first contract year guarantees; and

21
22 **WHEREAS**, the CCU recognizes that when additional resources are provided to GWA
23 employees, such as experienced management, adequate financing from rates and loans,
24 additional equipment, tools, training and other additional expertise such as engineers or other
25 professionals, GWA employees provide excellent results for the agency and the ratepayers.

26
27 **WHEREAS**, the CCU considered the PMC as another effective resource and tool that
28 would provide additional training, management expertise and engineering support among other
29 things to GWA, and approved obtaining bids for the management of the GWA wastewater
30 system; and

1 **WHEREAS**, GWA, through a fair, open and competitive multi-step bid process,
2 determined that Veolia Water Company, one of the worlds leading water and wastewater
3 operators who design, build and operate water and wastewater facilities throughout the world,
4 was the lowest responsible bidder for GWA Bid No 2006 – 15 pertaining to the management of
5 the GWA wastewater system; and
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7 **WHEREAS**, a cost-benefit presentation by the General Manager of the Guam
8 Waterworks Authority (“GWA GM”) showed that there was a 25% negative benefit to such a
9 project, and a similar cost-benefit analysis presented by General Manager for Consolidated
10 Utility Services (“GMCUS”) indicated a 50% positive benefit to such a project, the CCU
11 acknowledged that such analyses are based upon differing assumptions that may not fully take
12 into account other intangibles and costs or benefits to such an endeavor; and
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14 **WHEREAS**, the professional financial consultant hired by the GWA General Manger to
15 assist in his cost-benefit analysis indicated that the cost-benefit analysis was incomplete in that it
16 did not look at the cost-benefit of having GWA perform the same tasks on the same timelines
17 that Veolia is proposing to perform under Bid No. 2006 -15; and
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19 **WHEREAS**, there was clear and compelling testimony from GWA’s engineering section, line
20 employees and management that GWA clearly needs additional resources in order to adequately
21 manage the large scope of work that is needed to implement the Master Plan; and
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23 **WHEREAS**, while the CCU recognized that the employees of GWA without additional
24 resources could accomplish the work necessary to operate the GWA wastewater system, train
25 employees and improve the wastewater system over a number of years, the CCU noted that
26 adding the PMC would help GWA accelerate the pace of improving the operations and
27 efficiency of GWA’s wastewater system; and
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29 **WHEREAS**, the CCU has determined that its mission is to ensure that the people of
30 Guam receive reliable and affordable electrical, water, and wastewater utility services; and
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1 **WHEREAS**, in order to achieve quality service levels to utility customers, the CCU
2 recognizes that GWA must have highly trained, highly skilled and highly motivated work force;
3 and
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5 **WHEREAS**, the CCU has consistently directed the management officials of both utilities
6 to provide adequate numbers of employees and train them appropriately, such as by initiating a
7 comprehensive safety program, hiring safety monitors, and establishing an apprentice program to
8 replace an aging workforce; and
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10 **WHEREAS**, the CCU recognizes that the utility employees must be given proper
11 resources to ensure that they have the proper tools to perform their jobs and since the CCU has
12 taken over governance of the Guam Waterworks Authority and provided additional financial
13 resources, the budget for tools has increased significantly, a crane has been purchased, numerous
14 vehicles have been purchased to replace broken down and malfunctioning vehicles; two new
15 backhoes have been purchased, new materials and other equipment has either been purchased
16 outright or otherwise been made readily available to employees; and
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18 **WHEREAS**, since the inception of the Consolidated Commission on Utilities, numerous
19 capital projects have been completed, are in the process of being completed or are in active
20 planning stages, and include but are not limited to the following:

- 21 1. Complete upgrade and refurbishment of the Hagåtña Sewer Treatment Plant;
- 22 2. Refurbishment of the Ugum Water Treatment Plant;
- 23 3. Repair and upgrade of the Northern District Treatment Plant;
- 24 4. Built a new Choat pump station which now prevents sewage overflows from
25 endangering nearby wells;
- 26 5. Provided funding for GWA's deep well section and to the distribution crews to ensure
27 that the "water shifting" that was occurring a few short years ago is a thing of the
28 past;
- 29 6. The CCU approved bringing more wells into GWA's arsenal in order to enhance
30 service and to lower rates;
- 31 7. Fujita Lift Station upgrade to pumps;
- 32 8. Sinajana Water Transmission Line;

- 1 9. Agat Collector System;
- 2 10. Water Tank Repairs;
- 3 11. Island-wide transmission line upgrade;
- 4 12. Distribution line upgrade – to eliminate water service problems due to 2” lines or for
- 5 other reasons;
- 6

7 **WHEREAS**, the finding by the United States Environmental Protection Agency, that
8 under the CCU, the Guam Waterworks Authority is providing the cleanest water in decades, and
9 the Master Plan prepared by Brown and Caldwell, projecting that GWA has approximately \$800
10 million dollars worth of additional projects that need to be performed over the next twenty (20)
11 years, all of which will require a highly skilled, motivated, well-trained and supported workforce
12 to be provided additional resources to accomplish the tasks set forth in the Master Plan; and
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14 **WHEREAS**, based on two weeks of deliberations of all related matters, including taking
15 in public testimony for and against the implementation of a PMC for GWA the CCU
16 unanimously approves the Proposed Contract between GWA and Veolia Water Company for the
17 purpose of having Veolia manage its Wastewater System under the purview and direction of
18 GWA in the form as presented to it during the October 31, 2006 meeting; and
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20 **NOW THEREFORE, BE IT RESOLVED BY THE CONSOLIDATED**
21 **COMMISSION ON UTILITIES, AS THE GOVERNING BODY OF THE GUAM**
22 **WATERWORKS AUTHORITY, AS FOLLOWS:**
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24 **Section 1.** The foregoing recitals hereto are hereby ratified, confirmed, and
25 incorporated herein by reference.
26

27 **Section 2.** The GWA PMC selection committee, following a fair, open and
28 competitive multi-step bid process, determined that Veolia Water Company, one of the world's
29 leading water and wastewater operators who design, build and operate water and wastewater
30 facilities throughout the world, was the lowest responsible bidder for GWA Bid No 2006 – 15.
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