

Invitation For Multi-Step Bid

BID No.: GWA 2006-15

PERFORMANCE MANAGEMENT CONTRACT

FOR THE

**GUAM WATERWORKS AUTHORITY
WASTEWATER TREATMENT PLANTS, WASTEWATER
COLLECTION SYSTEM, AND WASTEWATER LIFT
STATIONS**



VOLUME II

Technical & Functional Requirements

MAY 2006

TABLE OF CONTENTS

1.	Introduction	1
2.	Financing	2
2.1.	Performance Management Contractor Financing Responsibilities	2
2.1.1.	Capital and Expense Funding	2
2.1.2.	Working Capital	2
2.1.3.	Document Management of Operations and Maintenance	2
2.1.4.	Performance Management Contractor Expenses	2
2.2.	Guam Waterworks Authority Financing Responsibilities	2
2.2.1.	Guam Waterworks Authority Capital and Expense Funding Intent	2
2.2.2.	Reimbursement of Contractor for Procurement of O&M Materials and Contracts	3
2.2.3.	Reimbursement of Contractor for Performance Improvement Projects and Capital Improvement Projects	3
3.	Budget	4
3.1.	Performance Management Contractor Budget Responsibilities	4
3.1.1.	Optimize Spending Within Authorized Limits	4
3.1.2.	Historical Data	4
3.2.	Guam Waterworks Authority Budget Responsibilities	4
3.2.1.	Authorize O&M Spending Budget	4
4.	Staffing	5
4.1.	GWA Employees & PMC Management	5
4.1.1.	Performance Management Contractor Staffing Responsibilities	5
4.1.1.1.	PMC Utilization of Existing GWA Employees	5
4.1.1.2.	Adjust Staffing Levels	5
4.1.1.3.	PMC Staffing Level	5
4.1.1.4.	Line Management Responsibility	5
4.1.1.5.	Chain of Command	5
4.1.1.6.	Employee Performance Review	6
4.1.1.7.	Responsibility for Direct Hires from Outside GWA	6
4.1.1.8.	Authority to Promote and Demote Personnel	7
4.1.1.9.	Safety Compliance Personnel	7
4.1.1.10.	Manage Scheduling of Leave Time	7
4.1.1.11.	Overtime	8
4.1.1.12.	Equipment Clearance System-Safety	8
4.1.1.13.	Disciplinary Action Documentation	9
4.1.1.14.	Dispute Resolution Process Usage	9
4.1.1.15.	Utilization of Employees/Consultants	9
4.1.1.16.	Cooperation with GWA Personnel Administration	10
4.1.2.	GWA Staffing Responsibilities	10
4.1.2.1.	Personnel Administration	10
4.1.2.2.	Select, Provide, Promote, and Demote Classified All Employees	10

4.1.2.3.	Administer Salary, Benefits & Disciplinary Actions	10
4.1.2.4.	Cross Training of Transitional Employees	11
4.1.2.5.	Resource Allocation of Maintenance and Support Personnel	11
4.1.2.6.	Resource Allocation of Engineering Personnel	11
4.1.2.7.	Resource Allocation of Engineering Department Personnel	11
4.1.2.8.	Grievance Reporting Procedure and Arbitration	11
4.1.2.9.	Disciplinary Actions and Procedures, Including Poor Performance	11
4.1.2.10.	Communicating of Reporting Structure	12
4.1.2.11.	Replacement of Employees	12
4.1.2.12.	GWA Employee Payroll	12
4.2.	PMC Management and Workforce	12
4.2.1.	PMC Staffing Level	12
4.2.1.1.	Organizational Chart	12
4.2.1.2.	Functional Chart	13
4.2.1.3.	Staffing Chart	13
4.2.1.4.	Cost Proposal	13
4.2.1.5.	Wage Determination	13
4.2.1.6.	Hiring of H2 Workers	14
4.2.1.7.	Qualifications of PMC Hired Operational Employees	14
5.	Training	15
5.1.	Performance Management Contractor Training Responsibilities	15
5.1.1.	Operational Line of Progression (Traditional & OJT)	15
5.1.2.	Maintenance Apprenticeship Style Training (Traditional & OJT)	16
5.1.3.	Leadership-Management	16
5.1.4.	3-Year Targeted Personnel Development Plan	16
5.1.5.	Indemnification for EPA/GEPA Violations for Certification Deficiencies of GWA Employees	16
6.	Operations	17
6.1.	Performance Management Contractor Operations Responsibilities	17
6.1.1.	Use of CMMS System	17
6.1.2.	Environmental Compliance	17
6.1.3.	Improve Existing Operating Procedures	17
6.1.4.	Create Additional Operational Procedures as Required to Cover all Major Operating Functions	18
6.1.5.	Treatment Plant, Collection Station, and Lift Station Operating Procedure Multimedia and Content Format	18
6.1.6.	Internet File Formats	18
6.1.9.	GWA Plant Procedures	18
6.1.10.	Physical Boundaries of Treatment Plants, Collection, and Lift Stations	19
7.	Maintenance	20
7.1.	Performance Management Contractor Responsibilities	20
7.1.1.	Maintain Required Spare Parts Inventory	20

7.1.2.	Recommended Store’s Inventory Optimization	20
7.1.3.	Quality of Refurbishing of Stock Items After Usage	21
7.1.4.	Account for the “Whereabouts of” Specialized Tools & Assets	21
7.1.5.	Create a Quality Improvement / Root Cause Analysis Culture	21
7.2.	Guam Waterworks Authority Maintenance Responsibilities	22
7.2.1.	Punctual Assignment of Central Maintenance Services Support	22
7.2.2.	Tool and Equipment Inventory	22
7.2.3.	Parts and Warehouse Supervision	22
8.	Performance Improvement Projects (PIPs)	23
8.1.	PMC PIP Responsibilities	23
8.1.1.	Identify and Recommend Additional PIPs	23
8.1.2.	Identify and Recommend Additional Capital Improvement Projects	23
8.1.3.	Project Management for all Accepted PIPs/CIPs	24
8.1.4.	Field Installation	24
8.1.5.	Acceptance Testing	24
8.2.	GWA PIP Responsibilities	24
8.2.1.	Provide Listing of Recommended PIPs including CIPs	24
8.2.2.	Updated Performance Improvement Plan	25
8.2.3.	PIP/CIP Funding and Project Oversight	25
8.2.4.	Compensation	25
9.	Procurement Authority	26
9.1.	PMC Outsourcing Responsibilities	26
9.1.1.	Operations and Maintenance Outsourcing	26
9.1.2.	Recommended & Pre-Qualify Vendors for Authorization	26
9.1.3.	Procure Operating & Maintenance Supplies & Services	26
9.1.4.	Third-Party O&M Outsource Contracts	26
9.1.5.	Create or Improve Procurement Procedures to expedite Repairs	27
9.2.	GWA Procurement Responsibilities	27
9.2.1.	Recommendation Listing of Available Local Vendors	27
9.2.2.	Authorize Recommended Vendors	27
10.	Communications and Reporting	28
10.1.	PMC Communications and Reporting Responsibilities	28
10.1.1.	Auditable Reporting of Performance Measurements	28
10.1.2.	Weekly and Monthly PIP Status	28
10.1.3.	Monthly Expenditures	28
10.1.4.	Incentive/Penalty Calculations	28
10.1.5.	Personnel Performance Reviews	28
10.1.6.	Documentation in Support of Disciplinary Procedures	28
10.1.7.	Conduct Spare Parts Inventory & Variance Reporting	29
10.1.8.	Provide “Off-Spec Conditions” & Variance Reporting	29
10.2.	Guam Waterworks Authority Responsibilities	29

10.2.1.	Monthly Review of Reported Performance Measurements	29
10.2.2.	Compensation-External Influences	29
10.2.3.	Incentive/Penalty Calculations Review	29
11.	Contract Fees	30
11.1.	Proposed Fixed Management Fees	30
11.2.	Proposed O&M Spending Budget	30
12.	Contract Terms	31
12.1.	Contract Period	31
12.2.	Optional Three-Year Contract Extension	31
12.3.	Renewal of the Agreement	31
12.4.	PMC Contract Responsibilities	31
12.4.1.	Comply with Annual Quality Audit	31
12.4.2.	Use of English & Other U.S. Standards	31
12.4.3.	Use of Compatible Software and Electronic Formats	31
12.4.4.	Availability/Outage Definition Standards	32
12.4.5.	Identify Optimum Requirements for the Plant	32
12.5.	Guam Waterworks Authority Contract Responsibilities	32
12.5.1.	Timely Payments	32
12.6.	Exception Petition Procedure	33

1. Introduction

This document describes the functional and technical requirements of the Performance Management Contract. It establishes the rules of engagement and delineates the responsibilities between the Guam Waterworks Authority (GWA) and the Performance Management Contractor (PMC or CONTRACTOR).

2. Financing

2.1. Performance Management Contractor Financing Responsibilities

2.1.1. Capital and Expense Funding

Guam Waterworks Authority (GWA) may solicit PMC participation in a short-term debt financing for necessary capital or expense expenditures. This participation may include direct loans and/or indirect involvement through guarantees or some other form of participation. Such participation is not mandatory. GWA may request such participation only if the PMC agrees. Such financing shall be at the current Bloomberg-Liber Rate on the effective date of the GWA-PMC Contract. However, while not mandatory GWA reserves the right to include this option in the qualitative portion of the Proposal review.

2.1.2. Working Capital

The PMC shall have sufficient working capital to support its cash flow requirements including any cash flow requirements associated with its operations and maintenance (O&M) procurement responsibilities as defined elsewhere. The term “sufficient working capital” as used herein shall mean at least the amount of \$10,000,000 in the form of cash, irrevocable letters of credit, or a letter from a financial institution, which is insured by the Federal Deposit Insurance Corporation of the United States, stating that the PMC is pre-qualified to obtain financing for said amount, or an irrevocable letter of credit by such financial institution for said amount.

2.1.3. Document the Management of Operations and Maintenance

The PMC shall optimally manage the O&M spending not to exceed the authorized budget amount for each contract year. The PMC shall provide appropriate justifications and auditable records of all O&M procurement activities.

2.1.4. Performance Management Contractor Expenses

All PMC direct and indirect expenses and taxes, including all PMC employee related expenses and taxes are the sole responsibility of the PMC.

2.2. Guam Waterworks Authority Financing Responsibilities

2.2.1. Guam Waterworks Authority Capital and Expense Funding Intent

GWA intends to totally fund all capital and O&M expenditures, but reserves the option to seek funding assistance from the PMC. Should the PMC provide funding assistance, the PMC and GWA shall negotiate a compensation structure for the use of the capital.

2.2.2. Reimbursement of Contractor for Procurement of O&M Materials and Contracts

GWA will make timely reimbursements to the PMC for the expenses incurred by the PMC in conjunction with the PMC's O&M procurement responsibilities. The PMC shall also include certifications, receipts, proof of payment and delivery on site of materials and services to be entitled for reimbursable compensation. The PMC shall invoice GWA for these expenses no more than once monthly.

2.2.3. Reimbursement of Contractor for Performance Improvement Projects (PIP) and Capital Improvement Projects (CIP)

Payments for PIP and CIP will be made on a reimbursable basis. GWA will make timely reimbursements to the PMC for actual cost and a charge for administration, finance fees and interest not to exceed five percent (5%) of the actual project cost. Payments shall not exceed the amounts agreed to and approved by GWA and the PMC or as otherwise agreed to by the parties through a change order. The PMC shall invoice GWA for progress payments for work completed upon such PIP or CIP no more than once monthly.

3. Budget

3.1. Performance Management Contractor Budget Responsibilities

3.1.1. Optimize Spending Within Authorized Limits

The PMC shall optimize O&M spending (excluding GWA Employees' base salaries, premiums and benefits but including overtime) for each contract year within authorized limits.

Overtime of GWA Employees shall not exceed 10% of base annual salaries, except during emergency response for force majeure situations, such as Typhoon Recovery and other critical support periods, which does not constitute normal operations. The allowance for overtime during these situations will require approval from GWA for GWA employees.

Should overtime be necessary due to staffing vacancies caused by termination, transfer, or retirement, or resignation of GWA employees, and such employees are not replaced within twelve (12) days, GWA will review over-time credit for such staff replacement.

3.1.2. Historical Data

The PMC shall track all O&M costs based on the format provided in Volume III Historical Expenses by Object Code. The PMC shall track and submit data to GWA monthly and at the end of each contract year.

3.2. Guam Waterworks Authority Budget Responsibilities

3.2.1. Authorize O&M Spending Budget

GWA shall authorize the proposed O&M spending budgets for each contract year by the PMC. GWA reserves the right to negotiate bid amounts prior to contract commencement. The negotiated amounts shall establish the maximum spending limit for O&M expenses.

4. Staffing

4.1. GWA Employees & PMC Management

4.1.1. Performance Management Contractor Staffing Responsibilities

4.1.1.1. PMC Utilization of Existing GWA Employees

The PMC shall utilize all GWA employees currently employed at its Wastewater Treatment Plants, Collection System, and Lift Stations, beginning on the Commencement Date and continuing through the Termination Date of the Contract. The PMC may request for the reduction of the number of GWA employees employed at the Wastewater Treatment Plants, the Collection System, and Lift Stations, pursuant to paragraph 4.1.1.2 herein.

4.1.1.2. Adjust Staffing Levels

The PMC has the responsibility to adjust staffing levels, with GWA's approval, for optimal operation and maintenance of the Wastewater Treatment Plants, the Collection System, and the Lift Stations. Staffing level shall not exceed 60 Full Time Employees (FTEs). The current total number of FTEs working at the Wastewater Treatment Plants, Collection System, and Lift Stations is 45.

4.1.1.3. PMC Staffing Level

The PMC shall provide appropriate staffing levels of PMC employees. The Qualitative Scoring will evaluate the PMC's proposed staffing level.

4.1.1.4. Line Management Responsibility

The PMC management is responsible for supervising the GWA FTEs working at the Wastewater Treatment Plants, the Collection System, and the Lift Stations. The PMC shall have the authority, with consultation and coordination with GWA, to establish work rules, assign and direct the work of the GWA work force, make work schedules, establish safety procedures, prescribe training and approve attendance at training, and any other necessary management actions in performing the requirements of this contract. The PMC shall have discretion in selecting methods and means in the management of GWA employees to accomplish the repair, operation, and maintenance of the plant.

4.1.1.5. Chain of Command

The PMC, in dialog with and with the consent of GWA, will be responsible for creating an appropriate reporting structure.

4.1.1.6. Employee Performance Review

The PMC will have the authority and discretion to counsel or issue written warnings to individual employees for unsatisfactory work performance and violations of work rules, conduct rules, safety procedures, or other conduct the PMC determines to be detrimental to the safe and efficient repair, management, operation, and maintenance of the Wastewater Treatment Plants, the Collection System, and the Lift Stations.

In its sole discretion, GWA may take disciplinary actions, as it deems appropriate. The PMC shall cooperate and assist GWA by providing such witnesses and evidence as GWA may reasonably request to support any disciplinary action. The PMC may request disciplinary action but shall not have authority to initiate or direct disciplinary action against any individual GWA employee; provided, however, that GWA shall use its best efforts to proceed promptly, diligently, and thoroughly to process all requests and take such disciplinary action as requested by the PMC if reasonable under the circumstances, including, but not limited to the immediate suspension of GWA employees during the notice period of GWA's disciplinary procedures, or placing employee on administrative leave pending adverse action, if their continued presence would interfere with the safe and efficient operation of Wastewater Treatment Plant, the Collection System, or the Lift Stations, or the safety and health of persons, or if the suspension was necessary to eliminate the possibility of deliberate damage to equipment, property, or important documents.

The PMC will conduct regular performance reviews of each employee, which will be coordinated with GWA Human Resources Division. In addition, the PMC will provide input for setting annual personnel development goals. The employee performance reviews and development goals setting made by the PMC do not replace the formal performance reviews performed by GWA supervisors. However, they provide one of the key inputs to the formal GWA review process. These PMC inputs will drive promotion and demotion decisions and standards for job performance. Documentation of both good and unacceptable employee performance shall be the responsibility of the PMC and/or those GWA employees that report directly to the PMC.

The PMC, at its own discretion, may have the authority to make cash awards to GWA employees using PMC funds as an incentive for superior work performance or other significant contribution by an individual GWA employee for the safe and efficient repair, management, operation, and maintenance of the Wastewater Treatment Plants, or the Collection System, or the Lift Stations, based upon employee superior performance as evaluated by PMC. The cost for cash awards is not reimbursable by GWA.

4.1.1.7. Responsibility for Direct Hires from Outside the Guam Waterworks Authority

PMC may participate in the interview and selection process of any and all new

Wastewater Treatment Plant, or Collection System, or Lift Stations, employees for positions not filled by the normal internal transfer of employees by GWA but rather through direct hire from the outside labor pool. The PMC will have a voice in the interview and selection process of the new employee, including but not limited to the use of standardized aptitude testing. This action is subject to the standard Government of Guam hiring practices in accordance with local and federal laws, personnel rules and regulations, and other administrative orders, policies and procedures.

4.1.1.8. Authority to Promote and Demote Personnel

The PMC may provide GWA recommendations for appropriate promotions or demotions. GWA shall retain all authority and responsibility for promotions and demotions – recognizing PMC recommendations, GWA system needs and Guam civil service rules and regulations. The PMC shall establish a standardized procedure guideline for making promotion and demotion recommendations for GWA employees working at the Treatment Plants, Collection System, and Lift Stations.

4.1.1.9. Safety Compliance Personnel

The PMC will provide their own safety equipment and test procedures. This is specifically referring to the confined / enclosed space issues as defined by OSHA/GOSHA. The PMC will not rely on GWA for these type of services unless in the case of an emergency. However, all safety equipment and test procedures shall be reviewed and approved by GWA Safety Division.

In addition, the PMC shall allow GWA Safety Division Inspectors to conduct periodic scheduled and unscheduled facilities inspections to detect potential hazards so that proper remediation activities can be implemented. GWA Safety Division Inspectors shall document and forward all inspection results through the GWA and the PMC chains of command.

4.1.1.10. Manage Scheduling of Leave Time

The PMC will manage and approve the scheduling of vacation, holiday and other leave time to minimize overtime and other O&M costs, subject to the constraints of GWA Leave Policies and in accordance with Personnel Rules & Regulations, public laws and executive orders as amended or established. The PMC will also have authority to schedule extended hours, staggered hours, flexible hours and Sunday working hours as the PMC may determine necessary to ensure the safe and efficient management, operation, maintenance and repair of the Wastewater Treatment Plants, the Collection System, and the Lift Stations.

The PMC shall not unreasonably deny employee requests for authorized absence. PMC's disapproval of GWA employee requests for authorized absence shall be based

solely upon scheduling needs to ensure the safe and efficient repair, management, operation, and maintenance of the Wastewater Treatment Plants, the Collection System, and the Lift Stations.

4.1.1.11. Overtime

In the event that PMC requires GWA personnel to perform overtime, PMC shall follow established GWA personnel rules and regulations, policies and procedures, guidelines, and applicable local and federal laws in the requesting and reporting of overtime.

4.1.1.12. Equipment Clearance System – Safety

The PMC will develop, train employees on the use of and establish their own equipment clearance system. This clearance system shall apply to all equipment associated with the Wastewater Treatment Plants, the Collection System, and the Lift Stations.

This training shall adhere to the OSHA/GOSHA mandated training program peculiar to the employees' job and environment, operating practices and procedures with a practical understanding of prevention strategies.

The PMC shall design the training program in a manner that will instruct employees in the safe and healthy performance of their work.

The PMC shall tailor this training and evaluation to the employee's job requirements and level of responsibility.

The PMC shall keep all Occupational Safety and Health training records for the contract duration. As a minimum, the training records shall indicate the following information:

- Subject matter;
- Duration; start and stop time;
- Names of attendees;
- Date of Training.

The PMC shall ensure that all employees, upon assignment to positions involving potential exposures to hazardous or toxic substances, including asbestos exposure equal to or exceeding the permissible exposure limits (PEL) undergo proper medical examination and are entered into a medical surveillance program as required by GOSHA.

The PMC shall ensure that all employees assigned to positions involving potential exposures to hazardous or toxic substances are issued and are required to wear equipment and/or devices such as:

- Welding or wire mesh gloves;
- Respirators;
- Hard hats;
- Goggles;
- Foot protection;
- Face shields;
- Rubber gloves and coveralls;
- Safety glasses.

4.1.1.13. Disciplinary Action Documentation

The PMC will document and forward recommendations of any suggested disciplinary action to GWA's Assistant General Manager for Production and Treatment, for GWA employees working at the Treatment Plants, or to GWA's Assistant General Manager for Collection and Distribution, for GWA employees working for the Collection System and Lift Stations. All recommendations for disciplinary action must comply with requirements set forth by the GWA Personnel Rules & Regulations, Civil Service laws and other administrative policies as amended or established. The Assistant General Managers will forward such recommendations to the General Manager of GWA for further disposition as required. The PMC may request that GWA transfer any GWA employee who has a pending disciplinary action and who is assigned to the Wastewater Treatment Plants, or the Collection System, or the Lift Stations, and such transfer shall occur if approved by GWA, unless such transfer terminated by the GWA employee's successful appeal or suspension of such transfer.

4.1.1.14. Dispute Resolution Process Usage

Should the PMC have a problem that is not resolved to their satisfaction, regarding personnel or disciplinary action, it will have the right to have the issue reviewed as part of the dispute resolution process.

4.1.1.15. Utilization of Employees/Consultants

PMC may, at any time, with the prior written consent of GWA, have PMC employees or consultants perform functions, duties, and responsibilities at the Treatment Plants, the Collection System, and the Lift Stations as required by the PMC or GWA to perform the services required by the scope of work. Reimbursement for salaries and benefits shall be based on the rates approved by GWA. Reimbursement shall only be for the period the PMC hired Employees/Consultants are employed and performing work up to the termination date of their employment/contract with the PMC. GWA may, at its sole discretion, refuse any PMC Employee provided or offered in accordance with this paragraph, if GWA determines that such PMC Employee lacks the requisite skill, experience, qualifications, or expertise.

4.1.1.16. Cooperation with GWA Personnel Administration

PMC shall cooperate with GWA in GWA's personnel administration to the extent that PMC has a role in the supervisory process.

4.1.2. Guam Waterworks Authority Staffing Responsibilities

4.1.2.1. Personnel Administration

GWA shall, perform all personnel administration functions for GWA employees assigned to the Treatment Plants, the Collection System, and the Lift Stations. GWA shall have access to its employees assigned to the Treatment Plants, the Collection System, and Lift Stations for the purpose of performing its administrative functions. Personnel administration functions shall include, but not be limited to:

- (a) Computation and payment of compensation as authorized by administrative laws, rules, policies and procedures; GWA shall retain its standard responsibilities for all GWA employee payroll expenses and disbursements;
- (b) Administration of sick leave, maternity leave, paternity leave, annual leave, military leaves of absence and such other programs providing GWA employees authorized absences;
- (c) Recruitment, examination and appointment of new hires;
- (d) Administration of employee benefit plans, health insurance, retirement plans, worker compensation plans, the Drug Free Workplace Policy, and such other programs for the welfare of GWA employees;
- (e) In-service training programs and such other training programs for which GWA employees are eligible; and,
- (f) Such other personnel matters not related to the maintenance, operation, and repair of the Transportation section.

4.1.2.2. Select, Provide, Promote and Demote All Classified Employees

GWA shall select, provide, promote and demote all classified employees for normal operation and maintenance of the plant, in accordance with the applicable policies, personnel rules and regulations, administrative orders, Guam Laws, and Federal laws. The PMC may submit recommendations for promotions and demotions of classified employees.

4.1.2.3. Administer Salary, Benefits & Disciplinary Actions

While GWA is not responsible for the direct line management of the O&M, it is responsible for functions such as disciplinary action. All salary and benefit administration

will continue to be the responsibility of the GWA and shall be consistent with other standard practices. GWA supervision will continue to have the same responsibility to enforce disciplinary action type issues as present.

4.1.2.4. Cross Training of Transitional Employees

The responsibility for any cross training of transitional employees will reside in the GWA divisions that utilize them.

4.1.2.5. Resource Allocation of Maintenance and Support Personnel

The PMC will optimize the use of maintenance and support personnel subject to GWA's specified minimum and maximum acceptable performance standards. The PMC must follow GWA guidelines in the reporting and request of overtime or off-shift work.

4.1.2.6. Resource Allocation of Engineering Personnel

At the PMC's request, GWA may supply Engineering Personnel services as required on a case-by-case basis consistent with the GWA Wastewater Treatment Plant, Collection System, and Lift Station mission and availability of staff and skill sets. In the event that the PMC requires the need for overtime or off-shift work from GWA Engineering Personnel, the associated overtime or shift differential pay (based on prevailing rates) shall be treated as an added cost to the actual O&M Spending Budget. The PMC must follow GWA guidelines in the reporting and request of overtime or off-shift work.

4.1.2.7. Resource Allocation of Engineering Department Personnel

At the PMC's request, GWA may supply Engineering Department project management and other engineering and technical services as required on a case-by-case basis consistent with the GWA Engineering Department mission and availability of staff and skill sets. The labor costs (based on prevailing rates) of such additional utilization shall also be treated as an added cost to the actual O&M Spending Budget.

4.1.2.8. Grievance Reporting Procedure and Arbitration

GWA will provide copies of the Grievance reporting and resolution procedures to the PMC. Disputes will be handled in accordance with the existing GWA policies. GWA will develop a specific process of handling higher-level disputes between the PMC and GWA personnel. Cost associated with disputes requiring payment to non-PMC employees may require the PMC to adjust the monthly invoice payments

4.1.2.9. Disciplinary Actions and Procedures, Including Poor Performance

GWA will be responsible for administering disciplinary actions against GWA employees per GWA standard policies and procedures. GWA management will determine and apply the degree of penalty to employees as appropriate. Should the PMC's O&M activities be impacted, then the degree of required payment will be discussed with GWA and possibly adjusted to reimburse the PMC for only fair losses, not to include the lose of production or electrical output.

4.1.2.10. Communicating of Reporting Structure

GWA shall communicate and inform all employees of the newly adopted reporting system and the associated process to handle and resolve any future disciplinary action processes.

4.1.2.11 Replacement of Employees

GWA shall use best efforts to replace all employees who resign, retire, transfer or upon any official personnel action that will cause departure. The required replacement date shall be twelve (12) weeks from the departure of the predecessor employee or upon any official personnel action that will cause the departure. In cases of emergency, GWA, may at its discretion, assign GWA employees on a temporary basis to the Treatment Plants, the Collection System, and the Lift Stations until the vacant positions are filled with permanent employees.

GWA shall notice the PMC thirty (30) days prior to the final replacement date that its best efforts to replace employees was unsuccessful. Upon receipt of this notice, PMC may hire personnel to replace GWA employees at wage rates and benefits subject to approval by GWA. Reimbursement shall only be for the period of time PMC hired employees are employed and performing work up to the termination date of their employment with PMC.

4.1.2.12. Guam Waterworks Authority Employee Payroll

GPA shall retain its standard responsibilities for all employee payroll expenses and disbursements.

4.2. PMC Management and Workforce

4.2.1. Performance Management Contractor Staffing Level

4.2.1.1. Organizational Chart

The PMC shall submit to GWA, an organizational chart depicting the organizational hierarchy and the staffing levels of each occupational trade position both supervisory and non-supervisory, and managerial positions necessary for the optimal operation and maintenance of the Treatment Plants, the Collection System, and the Lift

Stations in addition to any GWA employees, or in lieu of any GWA employees who are terminated, transferred, retire, or resign, and whom GWA does not replace within one week from the date of termination, transfer, retirement, or resignation.

4.2.1.2. Functional Chart

The PMC shall submit to GWA a functional chart depicting the purposes and functions of each section within the organizational layout for any additional employment positions necessary for the optimal operation and maintenance of the Treatment Plants, the Collection System, and the Lift Stations.

4.2.1.3. Staffing Chart

In addition to the organizational/functional charts, the PMC must submit a staffing chart itemizing the positions, salary rate, and the benefits cost per position of any PMC Employees the PMC desires to hire in addition existing GWA employees or in lieu of any GWA employees who are terminated, transferred, retire, or resign, and whom GWA does not replace within one week from the date of such termination, transfer, retirement, or resignation.

4.2.1.4. Cost Proposal

The PMC shall submit a cost proposal for any PMC Employees that must contain the following:

- a.) Direct labor costs
- b.) Non-labor costs such as medical/dental benefits, pension plans, vacation time, bonuses; and
- c.) Other pertinent information necessary for potential employees to make an informed decision for employment with PMC.

4.2.1.5. Wage Determination

In accordance with 5 G.C.A. §5801, the PMC shall pay all PMC employees in accordance with the Wage Determination for Guam issued by the U.S. Department of Labor for such labor as is employed in the direct delivery of the services required by scope of work.

The Wage Determination most recently issued by the U.S. Department Labor shall be used to determine the wages that are paid to all PMC employees working on this project. In addition to the Wage Determination, PMC must provide health and similar benefits having a minimum value as detailed in the Wage determination issued by the U.S. Department of Labor, and shall contain provisions guaranteeing a *minimum* of ten (10) paid holidays per annum per employee.

Information regarding the Wage Determination can be obtained at www.bls.gov/oes/current/oes_gu.htm.

4.2.1.6. Hiring of H2 Workers

The PMC shall not hire H2 workers for the operations and maintenance of the plant without first obtaining approval from the Consolidated Commission on Utilities, the Guam Waterworks Authority, in addition to any other approval or authorizations required by Guam, Federal, or third-country laws or regulations to hire and bring H2 workers to Guam.

All good faith efforts must be exhausted in the recruitment of vacant positions before the PMC displaces any U.S. citizen in the recruitment of vacancies at the Treatment Plants, the Collection System, and the Lift Stations.

4.2.1.7. Qualification of PMC hired Operational Employees

The PMC shall require all temporary or contracted PMC employees hired to replace GWA employees who are terminated, transfer, retire, or resign, and whom GWA does not replace within twelve (12) days from the date of such termination, transfer, retirement, or resignation, to be certified for the position level of the operation to be filled. All certifications shall be approved by the U.S. or Guam Environmental Agencies, or made in accordance with their standards.

5. Training

5.1. Performance Management Contractor Training Responsibilities

The PMC shall be responsible for all training and associated costs necessary to perform contract obligation, adhere to Federal Environmental Protection Agency (EPA) and Guam Environmental Protection Agency (GEPA) requirements, OSHA or GOSHA requirements, or other required or necessary courses for personnel enhancement or certification for GWA employees or others under PMC management. At a minimum, the PMC must include in its proposal a training program that will result in all existing GWA employees, who are eligible, having two (2) opportunities to take the Level I Certification Test within one (1) year of the PMC receipt of the Notice to Proceed, and the program shall include progressive certification training up to Level IV. The PMC shall include the estimated costs of the training program in their proposal for GWA's consideration and approval.

The PMC shall develop, as a Performance Improvement Project (PIP), an Apprentice program to ensure a work force is available and that positions vacated due to termination, resignation or other reasons would not compromise the ability to operate and maintain the Treatment Plants, the Collection System, and the Lift Stations. This program shall incorporate the operations and maintenance sections of the Treatment Plants, the Collection System, and the Lift Stations, and shall be in accordance to the U.S. Department of Labor standards for Apprenticeship programs, to include theory courses and on the job training.

The PMC shall retain training records and certificates of all GWA employees under PMC Management. The PMC shall submit copies of GWA employees' records, including but not limited to certificates, recordings of actual training hours per event (OJT and/or classroom training), individual training assessments, progress reports, evaluations and other related documents upon completion of each training activity for filing into employees' official personnel files. Upon PMC's completion of Contract, all original documents, i.e. training certificates, recordings of training hours, individual assessments, progress reports, evaluations and other related forms will be turned over to GWA.

5.1.1. Operational Line of Progression (Traditional & On-the-Job Training)

The PMC will be required to develop the elements required for a successful operational line of progression for non-supervisory personnel. This standard will then be used to develop the procedure to govern this activity. Each operating position shall have a specific check listing of duties requiring support from both formal training (CD interactive or traditional class environment) and on the job training (OJT). Subject to civil service rules and regulations, employees will be required to successfully pass and progress to the highest level of each position and not be allowed to "Freeze" themselves in a lower position.

5.1.2. Maintenance Apprenticeship Style Training (Traditional & OJT)

The PMC will be required to develop the elements of an “apprenticeship like” employee development program for the Mechanical, Electrical and Instrument & Control maintenance functions. This program shall have specific training aspects associated with achievement and not be a time based only, system. The program should have a blend of class environment (CD, interactive) and on the job training (OJT). The PMC shall encourage GWA employees assigned to the Wastewater Treatment Plants, the Collection System, and Lift Stations to successfully pass and progress to the highest level of their positions.

5.1.3. Leadership – Management

It is recognized that the shift and maintenance leaders will benefit from specialized training focused on leadership. The PMC shall organize and present to GWA the content, activities, proposed time frame and deliverables of a training program to increase the “Leadership Skills” of these important leaders. The PMC shall institute the training program and complete it within the first 18 months of the contract. The same training / development program will be provided to all future permanent “leader” personnel (temporary rotation of personnel will not be included if anticipated to be less than 6 months in duration) who enter these positions during the term of the contract. The PMC may offer this training to selected personnel, to be determined at their discretion, even though they may not hold any of these positions, since those personnel may temporarily serve as shift or maintenance leaders as required.

5.1.4. 3-Year Targeted Personnel Development Plan

The PMC shall summarize the individual aspects of the training modules, as outlined in the individual items of training responsibility described elsewhere, into an all-inclusive comprehensive three (3) year training program. This three (3)-year view of the total training needs will be reviewed with GWA personnel to monitor the progression of the training activities, in meeting the needs of the plant personnel. Successes and failures of the overall training efforts, along with the rate of completion, will be measured and documented as part of the incentive payout system.

5.1.5. Indemnification for EPA/GEPA Violations for Certification Deficiencies of GWA Employees

GWA agrees to the extent allowed by law to defend, indemnify, and hold harmless the PMC, it affiliates, predecessors, and assigns, and its present and former officers, directors, employees, agents, contractors, from any and against any damages incurred by or imposed on the PMC which arise from the non-certification or the deficient level of certification of

any GWA employees who work at the Treatment Plants, the Collection System, and the Lift Stations.

6. Operations

6.1. Performance Management Contractor Operations Responsibilities

6.1.1. Use of the CMMS System

The PMC shall develop and implement a computerized maintenance management system (CMMS) for the GWA's Waste-Water Division no later than the end of the 2nd contract year. The PMC shall research and propose a CMMS package as a Capitol Improvement Project.

6.1.2. Environmental Compliance

The PMC shall operate in compliance with all environmental requirements and shall support GWA in the following areas:

- Document and review NPDES influent and effluent test data and take corrective action;
- Monitor NPDES influent and effluent tests and results to be in compliance with all applicable rules and regulation;
- Conduct testing on the Treatment Plants, the Collection System, and the Lift Stations, to comply with all Standard Operating Procedures and develop Standard Operating Procedures as required;
- Monitor all wastewater operations to ensure compliance with all local, federal and international regulations.
- Implement, monitor, report and comply with GWA and Federal Spill Prevention Control and Countermeasures (SPCC) programs and policies.
- Implement and Complete, within required timelines, Capital Improvement Projects required by the Stipulated Order in *USEPA v. GWA*, CV02-00035

6.1.3. Improve Existing Operating Procedures

The PMC shall audit all operational procedures turned over at time of contract award, revise to proper "best in class" operating standards, train employees to the proper use of all procedures, audit employees to their use of all procedures and take corrective action of variances relating to operational performance deficiencies.

The PMC shall update GWA's wastewater SOPs within six (6) months of the effective date of the GWA-PMC Contract. The PMC shall train all GWA's Wastewater Division Employees on the revised/updated SOPs within one (1) year of the effective date of the

GWA-PMC Contract.

6.1.4. Create Additional Operational Procedures (OP's) as required to Cover all Major Operating Functions

The PMC shall develop new operating procedures throughout the term of the contract as required. All operating procedures generated by the PMC will become the property of GWA. The PMC will grant GWA access rights to all procedures during the term of the contract for review, usage and possible replication at other GWA operating units.

6.1.5. Treatment Plant, Collection Station, and Lift Station Operating Procedure Multimedia and Content Format

The PMC shall provide GWA with five bound, high-quality hardcopies of all Treatment Plant, Collection System, and Lift Station Operating Procedures. In addition, all such Operating Procedures shall be available on CD-ROM format. Content format shall be optimized for Microsoft Internet Explorer 5.0, and above and for development using Microsoft Front Page.

Two sets of Treatment Plant, Collection System, and Lift Station Operating Procedures will be kept at all times in the GWA General Manager's Office. One set each will be given to the following:

- Assistant General Manager for Production and Treatment;
- Assistant General Manager for Collection and Distribution;
- Chief Engineer
- Each Wastewater Treatment Plant

6.1.6. Internet File Formats

All Treatment Plant, Collection System, and Lift Station Procedures shall make use of the following Internet file formats: Hypertext mark-up language (HTML), Joint Photographers Expert Group (JPEG), Graphic Interchange Format (GIF), Shockwave Flash (SWF) and Realmedia files (RM). The PMC shall supply all code and software required to produce and edit the Plant Procedure files.

6.1.9. GWA Plant Procedures

The PMC shall use existing GWA Operating Procedures until replaced by new Operating Procedures which are developed by the PMC and approved by GWA. Further, the PMC may use existing GWA Operating Procedures as a guideline for the creation of new Treatment Plant, Collection System, and Lift Station Operating Procedures. The PMC

shall conduct an annual review of the aforementioned GWA Operating Procedures and update or amend them, with the approval of GWA, as required.

6.1.10. Physical Boundaries of

The attached edited map identifies the physical boundaries of the Treatment Plants, the Collection system, and the Lift Stations so far as such are known to GWA. The PMC is responsible for the upkeep of the grounds, associated buildings, and janitorial services for the Treatment Plants, the Collection System, and the Lift Stations. The electrical demarcation is such that PMC will be responsible for all equipment associated with the Treatment Plants, the Collection System, and the Lift Stations.

7. Maintenance

7.1. Performance Management Contractor Maintenance Responsibilities

7.1.1. Maintain Required Spare Parts Inventory

The PMC will manage the spare parts associated with the Treatment Plants, the Collection System, and the Lift Stations. This will require the PMC to replace all material, parts, components and equipment currently placed in stock, or which must be placed in stock, as it is used at the Treatment Plants, the Collection System, and the Lift Stations. The PMC shall be responsible for the management of the spare parts inventory and for replacing any losses. The PMC will be responsible for the security and proper storage of the spare parts. The PMC will be responsible for annual inventory counts and will report the year prior as well as current year's inventory to GWA. The PMC shall use the same standards for inventory valuation and item count currently used by GWA. Large items removed from stock such as motors, pump assemblies, circuit breakers, etc. shall be repaired to like new condition and returned to stock if the repair option is the best option in support of the operation of the Treatment Plants, or the Collection System, or the Lift Stations. If the original item removed from the Treatment Plant, the Collection System, or the Lift Station is not repairable, then new or like new equipment or parts must be procured by the PMC to replenish the stock items.

The PMC shall determine whether items in the inventory are "active" or "inactive". The PMC may sell off the inactive items if they have no value to GWA or the Treatment Plants, the Collection System, or the Lift Stations, and only after it has secured GWA's agreement to do so. The PMC shall use proceeds of the sale to secure needed items for stock. Lastly, the PMC shall take all active inventory items and tie them to the equipment as listed in the CMMS. This tying of items and their description to specific equipment will aid the planners efforts in better matching materials to maintenance requirements

7.1.2. Recommended Store's Inventory Optimization

The PMC shall be responsible for the following to optimize the inventory for the Treatment Plants, the Collection System, and the Lift Stations, such optimization of inventory shall be completed by the sixth (6th) month of the 1st year from the effective date of the GWA-PMC Contract:

- Review and provide a recommended list of spare parts and inventory requirements for all systems associated with the Treatment Plant, the Collection System, and the Lift Stations
- Determine inventory requirements to ensure continuous rotation, refurbishment, and/or replacement of parts
- Identify and make necessary adjustments to the existing safety stock levels and ordering schedules

- Track and account all inventory proceedings
- Ensure parts specifications are updated for system upgrades.

GWA and the PMC shall discuss and agree, in writing, on all inventory proceedings. All inventories at the beginning of the contract term are the property of GWA. The PMC shall use the aforesaid GWA inventory first, until exhausted. The PMC may purchase additional inventory items as required after the effective date of the GWA-PMC Contract. All such PMC shall be the sole property of the PMC and shall be purchased with PMC funds. The PMC may store such inventory on GWA property at locations approved by GWA. All PMC purchased inventory items shall be expensed to the annual O&M Budget for the years in which they are drawn. At the end of the contract term, or the final extension thereof, GWA may purchase the remaining inventory, in whole or in part as decided by GWA in its sole discretion, from the PMC.

7.1.3. Quality of Refurbishing of Stock Items after Usage

The PMC shall carefully consider the quality of all refurbishment activities performed on items returned to stock. Quality of repairs often times will not be realized until the component is placed into service. This activity often times is many years past the date of the actual repair. The PMC shall keep record of any associated warranties and request extended warranties where applicable, based on commencement from “In service” dates not delivered dates. All warranties shall be transferred to GWA at the end of the contract period for any stock items that GWA purchases from the PMC.

7.1.4. Account for the “Whereabouts of” Specialized Tools & Assets

The PMC and GWA shall perform an inventory of all tools, non-stock parts, material and equipment assigned to the Treatment Plants, the Collection System, and the Lift Stations, at the time of turn over of management responsibilities. The PMC shall be responsible for the safe use and control of all tooling during the contract terms. Should additional tooling or equipment be required the PMC may first request to use tooling from the central maintenance group or other GWA sites, however GWA is not obligated to supply such tooling or devices if they need such for other GWA projects. The PMC may be required to secure tooling and equipment on its own to support the safe and reliable O&M practices of the Treatment Plants, the Collection System, and the Lift Stations.

7.1.5. Create a Quality Improvement / Root Cause Analysis Culture

GWA requires the PMC to institute a training program to introduce and establish a Quality Improvement Process for the GWA employees working at the Treatment Plants, the Collection System, and the Lift Stations within one (1) year of the effective date of the GWA-PMC Contract. The PMC shall structure this process to minimize the “rework” of items and have a high focus on “Prevention” techniques. The PMC shall structure quality improvement techniques around proven Deming type principles of:

- 1) Reason for Improvement;
- 2) Current Situation Documentation;
- 3) Analysis;
- 4) Countermeasures;
- 5) Results;
- 6) Standardization; and,
- 7) Future Plans.

These seven steps shall employ proven statistical processes and lead to improving the employee's skill level and determining root cause of failures. Failures may occur with equipment, people, process, materials, or many other items. Once training has been completed, the PMC must actively support this aspect of the plant culture and report on the success or failures to the GWA oversight team. The PMC must provide follow up training in future years based on employee knowledge retention and employee turnover.

7.2. Guam Waterworks Authority Maintenance Responsibilities

7.2.1. Punctual Assignment of Maintenance Services Support

GWA will provide timely and effective service support from its maintenance personnel in accordance with maintenance requirements. This support shall report to the PMC or the Treatment Plant, the Collection System, and the Lift Station personnel as requested in accordance with GWA's guidelines for requesting overtime or off-shift work. Should the support personnel not report as required, the PMC may exercise options to obtain support services from alternative resources. GWA and the PMC shall resolve the cost of these alternative resources in accordance with the proper dispute resolution procedures.

7.2.2. Tool and Equipment inventory

GWA shall provide the PMC with GWA's existing inventory of tools, equipment and vehicles that are assigned to the Wastewater Treatment Plants, the Collection System, and the Lift Stations.

7.2.3. Parts Warehouse Supervision

GWA shall provide warehouse supervision equivalent to what GWA is currently providing. The PMC is encouraged to utilize this level of support.

8. Performance Improvement Projects (PIPs)

Performance Improvement Projects (PIPs) are defined as major non-routine maintenance projects that are not classified as Capitol Expenses under Generally Accepted Accounting Principals. PIPs shall not be treated as normal O&M expenses and shall be approved by GWA prior to their commencement. PIPs and Capitol Improvement Projects (CIPs) are discussed in more detail in Volume III.

8.1. PMC Performance Improvement Project Responsibilities

8.1.1. Identify and Recommend Additional Performance Improvement Projects

The PMC shall identify and bring to GWA's attention future PIP requirements. The proposed PIP's will become the basis for further refinement of both the O&M Expense Budget and the Capital Budget. Annual dialog among GWA and PMC representatives will determine which items GWA will fund. GWA and PMC personnel shall use quality improvement techniques along with financial analysis to determine which proposed activities would provide the greatest return to the GWA customer.

The PMC and GWA shall perform all economic feasibility studies with respect to additional Performance Improvement Projects together. Financial analysis shall include the use of PROSCREEN II/PROVIEW by GWA wherever appropriate.

The economic analysis methodologies used to gauge the return on investment shall include an assessment of costs and benefits within the context of Treatment Plant, Collection System, and Lift Station requirements. In addition, the analytical methodologies shall account for the sensitivities of the preferred decisions with respect to externalities such as fuel prices, system demand and energy requirements and any other variables as the PMC and GWA may wish to investigate.

8.1.2. Identify and Recommend Additional Capital Improvement Projects

The PMC is responsible for identifying and recommending to GWA all future Capital Improvement Projects (CIP's). If a CIP contributes to performance improvement then it will also be included in the list of PIP's; however, not all CIP's are PIP's. The proposed CIP's will become the basis for further refinement of GWA's Capital Budget. Annual dialog between GWA and PMC representatives will determine which items GWA will fund. GWA and PMC personnel shall use quality improvement techniques along with financial analysis to determine which proposed activities would provide the greatest return to the GWA customer.

The economic analysis methodologies used to gauge the return on investment shall include an assessment of costs and benefits within the context of the wastewater system

requirements. In addition, the analytical methodologies shall account for the sensitivities of the preferred decisions with respect to externalities such as energy requirements and any other variables as the PMC and GWA may wish to investigate.

8.1.3. Project Management for All Accepted PIP's / CIP's

The PMC shall accept project management duties for all PIP's and CIP's. Should the PMC elect to hire a third party to perform this activity, the PMC will be fully responsible for the third party's actions, performance and payment under the PMC's fixed management fee. Payment for such election is not reimbursable by GWA.

8.1.4. Field Installation

The PMC bears the responsibility for field installation-type activities of all assigned PIP and CIP items. In the event of CIP items, the GWA Engineering Department has first right of refusal to perform this function. Should the PMC elect to hire a third party to perform this activity, the PMC will be fully responsible for the **third party's** actions, performance and payment.

8.1.5. Acceptance Testing

The PMC will be responsible for performing all acceptance testing for PIP and CIP items. This is to include the creation of structured and non-structured acceptance testing procedures inclusive of pass/fail criteria.

Regarding CIP activities managed by the GWA Engineering Department, they will perform this acceptance testing function. Should the PMC elect to hire a third party to perform this activity, the PMC will be fully responsible for the third party's actions, performance and payment.

8.2. Guam Waterworks Authority Performance Improvement Project Responsibilities

8.2.1. Provide Listing of Recommended Performance Improvement Projects (Including Capital Improvement Projects)

GWA shall provide the listing of recommended Performance Improvement Projects (PIP's) and Capital Improvement Projects (CIP's) to the PMC. The initial listing will contain activities to be performed over a multi-year time frame. Both GWA and the PMC shall mutually agree to the overall priority and scheduling of these activities. The goals of 1) safety and insurance issues 2) minimization of total cost to the GWA customer, 3) Improvement of plant reliability and/or efficiency and 4) Effective outage scheduling,

shall drive the PIP and CIP activities and their schedule.

8.2.2. Updated Performance Improvement Plan

GWA reserves the right to change the projected Performance Improvement Plan project schedule prior to Phase Two Proposal submittals.

8.2.3. PIP/CIP Funding and Project Oversight

GWA has the responsibility for PIP and CIP project funding. However, expensed PIP's shall be funded through the O&M expenditures. In the event of project overruns, the PMC can issue a compensation exception petition to GWA for review. Should both parties not be able to resolve the issue, both parties shall enter into a dispute resolution process as set forth in Section 27 of the contract.

8.2.4. Compensation

Payments for CIPs will be made on a reimbursable basis. GWA will reimburse the PMC for actual cost and a charge for administration, finance fees and interest not to exceed five percent (5%) of the actual project cost. Payments shall not exceed the amounts agreed to and approved by GWA and the PMC or as otherwise agreed to by the parties through a change order.

9. Procurement Authority

9.1. PMC Procurement Outsourcing Responsibilities

9.1.1. Operations and Maintenance Outsourcing

The PMC shall implement procurement methods to ensure cost controls remain within the authorized O&M Spending Budget. The PMC shall allow GWA access to all procurement and cost records. All procurement and cost records and processes are subject to audit by GWA.

9.1.2. Recommend & Pre-qualify Vendors for Authorization

PMC shall frequently provide a listing of those vendors who they have experienced solid success with and wish for GWA to allow bidding on upcoming work required by the PMC. This pre-qualification of vendors will expand the available pool of high quality vendors and ensure they are informed of GWA's intent to bid out work in their areas of core competencies.

9.1.3. Procure Operating & Maintenance Supplies & Services

The PMC shall procure normal as well as special materials, supplies and services, to support the operation and maintenance of the Treatment Plants, Collection System, and Lift Stations. These goods and services in most all cases will be pre-qualified and approved in the budget process. Those items that are pre-qualified and approved will be processed through the normal PMC directed process.

The PMC will obtain the best terms, conditions, pricing, and availability to meet the needs of the station and ensure high levels of reliability as well as keep outages to a minimum with this process.

9.1.4. Third-Party O&M Contracts

The PMC will have unilateral freedom to develop relationships with outside resources to support the O&M needs of the plant. The PMC will direct the procurement functions as required and utilize outside resources when required. The PMC will be responsible for payment of these outside resources.

The PMC will obtain the best terms, conditions, pricing, and availability to meet the needs of the Wastewater Treatment Plants, the Collection System, and the Lift Stations and the PMC shall ensure high levels of reliability as well as minimizing system failures.

9.1.5. Create or Improve Procurement Procedures to Expedite Repairs

The PMC will develop its own internal procurement procedures to support the purchase and acquisition of emergency materials and professional services. The PMC will direct the procurement functions as required and utilize outside resources as required. The PMC will be responsible for payment of these outside resources. The PMC will obtain the best terms, conditions, pricing, and of the said purchases and acquisitions from outside resources.

9.2. Guam Waterworks Authority Procurement Responsibilities

9.2.1. Recommendation Listing of Available Local Vendors

GWA will provide a complete listing of all vendors, suppliers and consulting organizations utilized in the past two years, to the PMC for their consideration and use. The listing shall include company name, address, and phone and fax numbers. A summary of the basic services provided will be included in the listing of vendors and any basic rates charged to GWA in the past two years.

9.2.2. Authorize Recommended Vendors

GWA will determine and create a listing of those vendors it has authorized and recommends to perform services as well as supply goods for the PMC. This listing should contain only those vendors who have actually performed work in the past two years and who have achieved good performance ratings.

GWA shall document, certify and store the mode of selection of these vendors and all supporting documents related to the recommendation or non-recommendation of vendors.

10. Communications and Reporting

10.1. Performance Management Contractor Communications and Reporting Responsibilities

10.1.1. Auditable Reporting of Performance Measurements

The PMC shall provide comprehensive weekly and monthly reporting of actual historical measurements for all performance measures and information on fuel deliveries and consumption. The report shall include detailed explanations of any violations of minimum guaranteed performance.

10.1.2. Weekly and Monthly Performance Improvement Project Status

The PMC shall provide Gantt charts identifying task level percent-completion and critical paths. The PMC shall provide these Gantt charts with annotations using Microsoft Project. If the PMC should chose to deliver these charts using other acceptable project management software, it shall provide a copy of the generating software to GWA, and provide training in the use of this software without charge. The PMC shall provide monthly project status reports during the planning stage and weekly project status reports during the actual project implementation until the completion of the project.

10.1.3. Monthly Expenditures

The PMC shall provide summaries of compliance/non-compliance regarding monthly expenditures. The accounting and reporting of these monthly expenditures shall conform to generally accepted accounting standards.

10.1.4. Incentive/Penalty Calculations

The PMC shall provide detailed and accurate reports documenting the calculations of incentive and penalty payments for GWA's review and approval.

10.1.5. Personnel Performance Reviews

The PMC shall provide regular personnel performance reviews as required by standard GWA / Government of Guam rules and regulations. The PMC shall coordinate these regular reviews with the GWA Human Resource Division.

10.1.6. Documentation in Support of Disciplinary Procedures

The PMC shall document and store all evidence in support of all recommendations for disciplinary action against GWA personnel under their purview as required by standard

GWA / Government of Guam rules and regulations.

10.1.7. Spare Parts Inventory & Variance Reporting

The PMC shall conduct quarterly reporting of spare parts inventory and variances in accordance with generally accepted accounting principals. The PMC shall closely coordinate said quarterly inventory reports with GWA Accounting.

10.1.8. Provide “Off Spec Conditions” & Variance Reporting

The PMC shall provide the Treatment Plant, Collection System, and Lift Station operators with the minimum and maximum influent and effluent capabilities for the next 24 hours everyday at midnight. The PMC shall provide detailed explanations of any inability to meet desired operational levels.

10.2. Guam Waterworks Authority Responsibilities

10.2.1. Monthly Review of Reported Performance Measurements

GWA’s General Manager or his designee will verify the PMC’s actual performance and the PMC’s adherence to best practices in order to assure long-term viability of the Wastewater Treatment Plants, the Collection System, and the Lift Stations. GWA’s General Manager or his designee will conduct a review, in cooperation with the PMC, of the PMC’s reported measured performance in order to reach agreement on the actual level of achieved performance improvement. Discovered variances may trigger compensation dispute procedures or, in an extreme case, contract termination procedures.

10.2.2. Compensation - External Influences

GWA shall monitor, record and report the observed measurements of all external variables that are used in the determination of PMC compensation. GWA and the PMC shall identify these exogenous variables.

10.2.3. Incentive/Penalty Calculations Review

GWA will review and verify the PMC’s calculations of incentive / penalty payments. GWA and the PMC shall, in their best efforts, reach an agreement on the actual incentive /penalty payments. Discovered variances may trigger compensation dispute procedures or, in an extreme case, contract termination procedures.

11. Contract Fees

11.1. Proposed Fixed Management Fees

A portion of the PMC's compensation may be in the form of fixed monthly management fees. The PMC may propose either a constant fee for the life of the contract, or an escalating fee. Front-end loaded fees will be expressly prohibited. Higher proposed management fees will result in lower scoring in the IFB process.

11.2. Proposed O&M Spending Budget

The PMC shall propose an O&M Spending Budget, based on the object codes specified in Volume III for each contract year. Compensation for O&M Spending will be made on a reimbursable basis not to exceed the proposed Annual O&M Spending Budget. Cost plus reimbursement is not allowed. Higher proposed O&M Spending Budget will result in lower scoring in the IFB process.

12. Contract Terms

12.1. Contract Period

Pursuant to 12 GCA §14402 and §14404, the contract period shall be three (3) years with an option for a **three-year** contract extension.

12.2. Optional Three-Year Contract Extension

The first two (2) years of the Three (3)-Year Contract Extension shall be pursuant to 12 GCA §14402 and §14404, and the final year shall be made in accordance with 12 GCA §14104.1(c). GWA shall give appropriate notice of its intentions regarding its option to exercise the Three-year contract extension. At the beginning of the 3rd contract year GWA and the PMC shall negotiate the contract extension terms based on the requirements specified in Paragraph 12.4.4. Final confirmation by mutual agreement between GWA and the PMC for contract extension shall be given after completion of negotiation no less than six months prior to the end of the contract term. However, GWA may elect to reverse its decision without penalty at any time within six months of the end of the contract period based on poor PMC performance during this period.

12.3. Renewal of the Agreement

GWA and the PMC may renew this agreement upon the mutual agreement of the parties. If the Agreement shall be renewed, then the parties shall meet and discuss the new terms and conditions of the Agreement six months before Termination Date.

12.4. Performance Management Contractor Contract Responsibilities

12.4.1. Comply with Annual Quality Audit

The PMC shall comply with all GWA or authorized third party quality audits.

12.4.2. Use of English & Other US Standards

All communications, correspondence, reports, engineering calculations and drawings, O&M records, documentation and other forms of verbal, electronic and written communications shall be in English language and other US standard units of measure, forms and formats.

12.4.3. Use of Compatible Software and Electronic Formats

All communications, correspondence, reports, engineering calculations and drawings, O&M records, documentation and other forms of electronic and written communications

shall conform to formats used by the following software:

- AutoCAD;
- Microsoft Word;
- Microsoft Excel;
- Microsoft Front Page;
- Microsoft Power Point;
- Microsoft Project.

12.4.4. Identify Optimum Requirements for the Plant

The PMC shall identify the optimum requirements to maintain the performance guarantees for the Treatment Plants, the Collection System, and the Lift Stations, by the beginning of the 3rd contract year. These requirements shall be considered as starting negotiation points between GWA and the PMC, should GWA elect to exercise the additional three-year contract extension. The optimal requirements to be identified by the PMC shall include, but not limited to, the following:

- PMC Fixed Management Fees
- O&M Spending Budget
- CIP/PIP Requirements
- Training Requirements
- PMC Staff Requirements
- GWA Staff Requirements

The PMC shall determine cost savings in each requirement for the Contract to yield a high positive Net Present Value to GWA.

12.5. Guam Waterworks Authority Contract Responsibilities

12.5.1. Timely Payments

GWA shall provide prompt payments to the PMC for costs and services rendered in accordance with the Contract. Said payment shall be made within thirty (30) days of being invoiced. Should part of the invoice be challenged, GWA will at a minimum pay the unchallenged portions of the invoice under the same terms. Should GWA fail to make any payments due to the PMC under the Contract, GWA shall pay interest to the PMC in accordance with the provisions of the Prompt Payment Act, 5 GCA Sections 22502-22507.

12.6. Exception Petition Procedure

The PMC or GWA may at times wish to petition for special exceptions to the standard implementation of the agreed upon compensation structure. Such petitions would generally be made where there is a belief that extraordinary circumstances beyond the control of either party have led to extreme positive or negative variations in actual measured performance. A procedure will need to be developed to provide for the resolution of such petitions. At a minimum, the process should require the petitioner to perform a root cause analysis, of the alleged extraordinary event, prior to and in support of its petition. If the petition procedure fails to achieve a resolution that is satisfactory to both parties, then the petitioning party may choose to enter into a dispute resolution in accordance with the Dispute Resolution Procedure discussed elsewhere. All face-to-face negotiations shall be conducted on Guam and in accordance with Guam Law.