

BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION OF)	GWA DOCKET 09-03
GUAM WATERWORKS AUTHORITY)	ORDER RE: ANNUAL
FOR RATE RELIEF)	TRUE UP FOR FY2013
_____)	RATES

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the PUC’s July 27, 2009 Rate Decision, the July 14, 2009, August 31, 2011, the September 28, 2012, and the January 24, 2013 Stipulations between the Guam Waterworks Authority (“GWA”) and the PUC’s water and wastewater consultants, Georgetown Consulting Group (“Georgetown”), filed in this docket. Pursuant to the July 14, 2009 Stipulation, GWA is required to provide the PUC with certain updated information annually.

DETERMINATIONS

On July 13, 2012, GWA submitted its annual “true up” report (hereinafter referred to as the “Annual True Up” or “FY2013 True Up”). On August 31, 2012, the Administrative Law Judge of the PUC (the “ALJ”) transmitted GWA’s report to Georgetown for its review. Thereafter, Georgetown undertook preliminary discovery with respect to the issues related to GWA’s submission. On October 1, 2012, GWA and Georgetown filed a Stipulation wherein the parties agreed to certain findings and recommendations for the PUC. On October 30, 2012, the PUC approved the September 28, 2012 Stipulation.

Thereafter, Georgetown and GWA engaged in further discussions, as well as the exchange of financial information, related to the Annual True Up. On January 17, 2013, GWA and Georgetown transmitted a Stipulation to the ALJ, which made further findings and joint recommendations related to the PUC's review of the True Up. The Stipulation also contained a revised Revenue Implementation Program, as well as financial schedules used to support GWA's True Up. On January 24, 2013, the parties filed an executed version of the Stipulation, which is attached and incorporated hereto as "Exhibit A," and referred to herein as the "Stipulation." On January 25, 2013, the ALJ issued an ALJ Report detailing his findings and recommendations regarding the Stipulation.

A. July 13, 2012 True Up

In the Annual True Up, GWA maintained that "[t]he planned rate increases for FY2013 include the following: 1) 8% rate increase in Basic and Non-lifeline rates across all water and wastewater customer classes; and 2) 8% increase in Lifeline rates across all water and wastewater customer classes."¹ GWA further maintained that "[t]he increases set out in the 2009 Rate Plan form part of the basis of GWA's proposed FY2013 budget requests, however, due to financial and operational challenges, the assumptions and targets proposed in the 2009 Rate Plan were not achieved."² Accordingly, GWA proposed the following: an increase in Basic and Non-lifeline rates of "an additional 2.85% across all water and wastewater customer classes in order to meet FY2013 revenue requirements."³

¹ GWA's Annual True Up in GWA Docket 09-03 ("Annual True Up"), p. 1 (July 13, 2012).

² Annual True Up, p. 1.

³ Annual True Up, p. 1.

In addition, GWA submitted that the Legislative surcharge should be reduced from its current rate of 5.6% to 4.40%.⁴ GWA maintained that this surcharge, which is restricted to paying for health care benefits and annuities of GWA's retirees, must be adjusted annually to "replicate the obligation mandated by public law."⁵

GWA also proposed the addition of a new Tipping Fee surcharge at 1.70% "across all water and wastewater customer classes except lifeline customers" in order to pay "the Landfill Receiver (GBB) for bio-solids disposals at the Landfill."⁶ GWA maintained that "[t]his amount was calculated to amortize the pre-FY2013 unpaid tipping fee obligation over the course of 1 year and at which time the surcharge is scheduled to expire."⁷

GWA further proposed the addition of a new 1.36% Regulatory surcharge, which will fund GWA's regulatory expenses.⁸ GWA submitted that this surcharge would replace the expired GPA/Navy/PUC surcharge.⁹

B. January 24, 2013 Stipulation

1. Basic, Lifeline, and Non-Lifeline Rates

In the January 25, 2013 ALJ Report, the ALJ found that, pursuant to the January 24, 2013 Stipulation, Georgetown recommended the PUC's adoption of

⁴ Annual True Up, p. 1.

⁵ Annual True Up, p. 3.

⁶ Annual True Up, p. 2.

⁷ Annual True Up, p. 3.

⁸ Annual True Up, p. 2.

⁹ Annual True Up, p. 3.

“Attachment 1” of the Stipulation, or the newly revised Revenue Implementation Program, as well as the PUC’s adoption of an “additional revenue award of an overall increase in Lifeline and non-lifeline rate elements of 6% for FY2013.”¹⁰ The ALJ found that a review of the financial schedules attached to the Stipulation, however, indicated a rate increase of 6.10% assessed on all Basic, Lifeline, and Non-Lifeline rate elements.

The ALJ further found that pursuant to Georgetown’s recommendation, in order to assess a compressed rate, which would account for the earlier months of FY2013, “the increase in Lifeline and non-Lifeline rates if implemented on February 1, 2013 shall be 9%.”¹¹ The ALJ again found that a review of the financial schedules attached to the Stipulation, however, indicated a rate increase of 9.15% assessed on all Basic, Lifeline, and Non-Lifeline rate elements, as opposed to 9%. The ALJ concluded that the parties intended to propose a 9.15% increase on these rate elements.

With respect to GWA’s Lifeline rates, the ALJ found that pursuant to 12 G.C.A. §12004 of the Public Utilities Commission and the Guam Telecommunications Act of 2004, the “General Lifeline Rates may only be increased when the total actual overall cost of providing service to all classes of customers, increases by no less than twenty percent (20%).” 12 G.C.A. §12004. The ALJ determined that since there has been a 20% increase in the cost of service, and since the PUC had already approved a rate increase of 8% with respect to GWA’s Lifeline rate pursuant to the PUC’s 2009 Rate Order, GWA’s Lifeline rate may be increased under these circumstances.

¹⁰ Stipulation FY2012 Annual True Up for FY 2013 Rates (“Stipulation”), p. 5 (Jan. 24, 2013).

¹¹ Stipulation, p. 5.

Based on the administrative record established in this docket, along with the representations made by the parties in the Stipulation, the ALJ recommended that the PUC approve the proposed increase of 9.15% with respect to GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, to be assessed through FY2013, beginning February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases were not assessed.

2. Tipping Fee, Regulatory Surcharge, and Legislative Surcharge

With respect to the proposed Tipping Fee and Regulatory Surcharge, the ALJ found that GWA and Georgetown agreed that these fees would not be established, but will instead be recovered "in rate components of all other customer tariffs."¹² With respect to the Legislative surcharge, the ALJ found that Georgetown and GWA recommended that the surcharge should be reduced to 2.63%.¹³ Based on the recommendation of the parties, the ALJ recommended that the PUC approve the reduction of the Legislative surcharge from 5.6% to 2.63%.

3. Tiyan Interim Rates

With respect to GWA's Tiyan interim rates, the ALJ found that GWA and Georgetown recommended that these rates be extended through FY2013 and that these rates also should be subject to the same rate increase discussed above.¹⁴ The ALJ therefore recommended that these rates continue to be assessed through FY2013, beginning

¹² Stipulation, p. 2.

¹³ Stipulation, p. 3.

¹⁴ Stipulation, p. 5.

February 1, 2013, with such rates subject to the same rate increase set forth in the January 24, 2013 Stipulation.

4. Revised Revenue Implementation Program

In the January 25, 2013 ALJ Report, the ALJ found that the provisions concerning the revised Revenue Implementation Program submitted by Georgetown and GWA were reasonable. As a result, the ALJ recommended that the PUC approve the provisions contained in “Attachment 1” of the Stipulation.

Specifically, the ALJ recommended that the PUC require GWA to prepare a monthly “billing consumption analysis” that “tracks the consumption patterns of the Badger meters installed subsequent to July 2012,”¹⁵ as set forth in the Revenue Implementation Program; that the PUC require GWA to test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year; that the PUC require GWA to file a report identifying “potential ways” it can minimize U.S. Navy water purchases by June 30, 2013 as set forth in the Revenue Implementation Program¹⁶; and that the PUC require GWA to file a report on the “actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment” as set forth in the Revenue Implementation Program.¹⁷

¹⁵ Stipulation, “Attachment 1.”

¹⁶ Stipulation, “Attachment 1.”

¹⁷ Stipulation, “Attachment 1.”

5. Backbilling

With respect to the issue of backbilling, the ALJ found that GWA and Georgetown agreed to split the backbilling revenue evenly between FY2012 and FY2013. Since there was some disagreement on when the backbilling revenue should be recorded, the ALJ recommended that the PUC require GWA to submit its recommendation pertaining to this issue by May 1, 2013.

6. Multi-Year Rate Filing

With respect to GWA's next multi-year rate filing, the ALJ found that the Stipulation indicated that GWA would initiate the filing of its next multi-year rate plan no later than April 1, 2013, and that this filing would include the "latest requirements of the U.S. E.P.A. Amended District Court Order."¹⁸ The ALJ, however, recommended that the PUC require GWA to submit its next multi-year rate plan by March 1, 2013, as contemplated in GWA's January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

7. Other Findings Contained in the Stipulation

With respect to the other findings contained in the Stipulation, the ALJ determined that, based on the record, the joint findings were reasonable. The ALJ therefore recommended that the PUC adopt the findings set forth in the January 24, 2013 Stipulation.

The Commission hereby adopts the findings made in the January 24, 2013 Stipulation, as well as the January 25, 2013 ALJ Report; and, therefore, issues the following:

¹⁸ Stipulation, p. 5.

ORDERING PROVISIONS

Upon consideration of the record herein, the January 24, 2013 Stipulation between Georgetown and GWA, and the January 25, 2013 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. The proposed increase of 9.15% on GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, is APPROVED and shall be assessed through FY2013, commencing February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases have not assessed.

2. The proposed reduction of the Legislative Surcharge from 5.6% to 2.63% is APPROVED, commencing February 1, 2013.

3. GWA's Tiyan interim rates shall continue to be assessed through FY2013. However, commencing February 1, 2013, such rates shall be subject to the same rate increase set forth in Paragraph 1 above.

4. The revised Revenue Implementation Program, contained in "Attachment 1" of the January 24, 2013 Stipulation is APPROVED.

5. GWA shall prepare a monthly billing consumption analysis pursuant to the Revenue Implementation Program, commencing February 1, 2013.

6. GWA shall test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year.

7. GWA shall file a report identifying ways it can minimize U.S. Navy water purchases, pursuant to the Revenue Implementation Program, by June 30, 2013.

8. GWA shall file a report on the actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment, pursuant to the Revenue Implementation Program, by June 15, 2013.

9. GWA shall submit its recommendation pertaining to when backbilling revenues should be recorded, as discussed in the January 24, 2013 Stipulation, by May 1, 2013.

10. GWA shall submit its next multi-year rate plan by March 1, 2013, as contemplated in its January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

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11. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with the instant docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 29th day of January, 2013.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

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