

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

In the Matter of the Informal		
Application of Guam Waterworks		GWA Docket 09-02
Authority for a Commission-Initiated		
Interim Rate Increase		

Report of Georgetown Consulting Group, Inc.

February 11, 2009

## INTRODUCTION

The last base rate increase for Guam Waterworks Authority (“GWA”) was authorized in August 2007. Immediately thereafter, GWA began experiencing what has turned out to be a number of rate increases for electric service and for water purchased from the Navy:

	LEAC Rate Increases -----	Navy Water Increases -----
August 2007	8.5%	
October 2007		59%
March 2008	14.0%	
June 2008	9.0%	
October 2008	7.0%	16%

However, since October 2008 there have been 2 decreases in the LEAC factor, both of which appear to have been omitted from the GWA presentation:

- On November 10, 2008 the PUC Ordered that the LEAC factor be reduced from 18.775 cents per kWh to 17.105 cents per kWh.
- On January 26, 2009 the PUC Ordered that the LEAC factor be lowered from 17.105 cents per kWh to 15.763 cents per kWh. These 2 decreases of approximately 16% in the LEAC factor completely offset the June 2008 and October 2008 increases.

In combination, GWA claims that these increases have contributed to the following financial effects:

1. \$4.3 million, or 30%, increase in energy and purchased water cost.
2. 2008 Debt Service Coverage (“DSC”) below 1.0. DSC levels claimed by GWA are:

2008	
September	(0.16)
October	( 0.37)
December	(0.46)
First quarter	(0.33)
Annualized year	+ 0.10 <sup>vi</sup>

3. Potential technical default under the 2005 Revenue Bond indenture.

<sup>vi</sup> One of the significant problems with this proceeding, as will be discussed later, is differing data for the same period presented by GWA. In the spreadsheet provided by GWA (Copy of Attachment 2 - with debt service coverage - October through December 2008), the projected DSCR is 0.10. This means that GWA projects that it will only have available 1/10 of the debt service coverage required in 2009. In another spreadsheet - the MFR for the upcoming rate case that has been filed, GWA shows that the DSCR for 2009 without a rate increase is 0.63.

4. Cash reaching dangerously low levels as of January 2009.

## RELIEF SOUGHT

GWA has requested the PUC to conduct an expedited investigation into the adverse financial impact of the claimed significant rate hikes in power and Navy water costs. GWA suggests that the higher power and Navy water costs would have required a rate increase of 10.73% if the rate relief had been granted effective on October 1, 2008 (the beginning of GWA's current fiscal year) in order to compensate GWA to recover these higher costs not included in the prior base rate case. Since there has not been any award to date, GWA suggests that a substantially higher rate award would now be required due to compression. In a schedule accompanying the General Manager's February 1, 2009 transmittal, GWA suggests that if a rate increase were awarded effective on March 1, 2009, a rate increase of 16.84% would be required to recover the higher power and water charges in the period remaining in the fiscal year. It is noteworthy that this increase is greater than the 12.9% increase that GWA has given Notice to its ratepayers it will seek in connection with its soon-to-be-filed base rate case.

GWA claims that it is not in a position to seek interim relief<sup>2</sup>. Instead, it asks the PUC to:

1. initiate a rate investigation on its own motion.
2. increase GWA's rates as soon as possible for at least, but not necessarily limited to, the power and Navy water cost increases.

GWA also claims that there is a compression issue, in that the longer that rate action is delayed, the higher will be the rate increase that will ultimately be mandated. In making this claim, GWA is assuming that the rate increase would be ramped up so that it is able to recover the annual amount of the purchased water and power cost increases not covered by rates since October 1, 2007 in the period March 1, 2009 through September 30, 2009.

As we will state later in more detail, we are not in favor under the current circumstances of considering any compression. GWA chose not to file a request for an increase through the traditional channels with the appropriate Ratepayer Bill of Rights notice. Rather, in one form or another, GWA has been informally approaching the PUC over a long period of time in an effort to get the PUC to initiate a rate investigation. Had GWA simply followed the mandated procedures and filed a formal request for rate relief, the proceeding would have been over by now. Thus, the alleged need for compression is attributable solely to GWA's hesitancy formally to seek needed rate relief.

GCG has not researched the legal issue of whether compression in the current circumstance could be deemed to constitute retroactive ratemaking. However, in GCG's view, it would be bad ratemaking policy and perhaps illegal.

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<sup>2</sup> Allegedly, this is due to the time delay resulting from compliance with the notice requirements of Guam's Ratepayer Bill of Rights.

## INCONSISTENT DATA

There are a number of instances in which the data that GWA has provided lacks consistency, which causes us not to have the level of confidence that normally would be expected or required when changing rates. This raises questions concerning the overall need for rate relief, interim or otherwise, and the amount of relief that might be appropriate.

With no attempt to list each instance of inconsistent data, the following lists and discusses briefly some of the inconsistencies that have been noted in the course of our review and which cause us concern:

1. In item 2.c. of GWA Request for Emergency Relief, PUC Docket 09-02, GGC Requests for Information - Set #1, GWA was asked:

What actions has GWA taken to reduce Navy water purchases?

GWA's response was:

Our largest single point of Navy water purchase is in the Santa Rita area near the Fena Water Treatment Plant. In the past we purchased approximately 1500 gallons per minute at this location. It was limited to 1500 gpm only because the Navy restricted their feed to prevent more than 1500 gpm from flowing. We have reduced our average usage from Fena water to approximately 900 gpm. This was accomplished by reducing water losses and by increasing the amount of water moved from Talofofa across island to the Agat/Santa Rita pressure zone. (The reduction in losses in A/SR is described in our response to leak detection RFI below.) We increased flow across island from 400 to about 600 gpm. This water is coming from the well fields in the north.

Total water production has decreased over time. While it may be that purchases at Fena were reduced, data provided by Mr. Olive on January 20, 2009 in support of a PUC-initiated increase does not reflect a significant reduction in purchases from Navy.

	FY '07	FY '08	FY '09
	-----	-----	-----
Water production (kGal) and costs			
-----			
1. Total water production	15,856,019	15,496,660	15,107,492
2. Navy purchases	1,314,913	1,317,469	1,208,880

While the Fena flow reduction is 40%<sup>3</sup>, from 2008 to 2009 the Navy purchases are projected to decline by only 8%. No further explanation was provided nor was there

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<sup>3</sup> From 1,500 gallons per minute to 900 gpm.

enough time for follow-up discovery. We also emphasize that the 2009 amounts are projected.

2. In “Responses FY09\_GWA\_MFR GCG Feb2\_09.xls”, provided by GWA, the purchases from Navy in fiscal years ‘07 and ‘08 are identical to those above. The projected 2009 purchases, however, are 1,137,058 (as contrasted to 1,208,880 above). They also are 1,137,058 in the GWA-provided “Attachment\_1\_MFR\_09 Schedule D F Jan30\_2009.xls” spreadsheet.

Basing the PUC-initiated increase on the lower Navy purchases provided by GWA in these documents reduces the amount requested by GWA.

3. In item 3.a. of GWA Request for Emergency Relief, PUC Docket 09-02, GGC Requests for Information - Set #1, GWA provided the following data concerning its consumption of electricity:

	FY 2007	FY 2008	FY 2009
kWh projected:	54,000,000	47,000,000	59,000,000 <sup>4</sup>

In “Power\_Water\_Spreadsheet.xls”, GWA provided information that establishes that the above, provided in this request for emergency relief, is projected data for all three years. That spreadsheet also provides actual power consumption data:

	FY 2007	FY 2008
kWh actual:	47,101,915	60,582,865

Accordingly:

- a. With water production declining, albeit slightly, from FY '07 to FY '08, the projected information provided by GWA makes it appear that electric consumption fell dramatically from FY '07 to FY '08, and then increased dramatically to FY '09. These figures appear unreasonable and are unsupported..
- b. Nonetheless, actual water production declined slightly from FY '07 to FY '08, and yet actual kWh consumption increased by 29%. On a per gallon basis, kWh consumption increased by 32%.
- c. The 59 million kWh projection for FY '09, which is the basis for the power production part of GWA’s request at this time, is based on the kWh/kGal ratio that was achieved in FY '08, which is 32% higher than it was in FY '07. In effect, GWA’s

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<sup>4</sup> It is not clear whether the kWh data provided by GWA is all projected, or a mixture of actual and projected data. Nothing provided by GWA enables us to make this determination.

request at this time seeks to recover significantly higher rates to compensate for this apparent decline in efficiency for which no explanation has been offered.

4. On February 1, 2009, Mr. Olive provided to Mr. Madan a document, with an Adobe PDF attachment, concerning the level of increase GWA hoped to receive on a PUC-initiated motion. The attachment reflects the following purchased power costs:

Avg Electrical cost (\$ per kGal)	\$ 0.75	\$ 0.95	\$ 1.04
Water production (Kgal)	15,856,019	15,496,660	15,107,492
Total purchase power	\$ 11,914,539	\$ 14,719,152	\$ 15,711,792

This is inconsistent with similar data provided in “Responses FY09\_GWA\_MFR GCG Feb2\_09.xls”:

Total purchase power	\$ 11,914,539	\$ 14,615,005	\$ 16,261,312
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Taking all of the above into account, we reach the following conclusions concerning GWA’s request and the data provided by GWA:

1. GWA wants the PUC to take the extraordinary action of increasing rates *on its own motion* in a very short time frame. The rate increase would be based on increases in costs for purchases of water and electricity.
2. GWA has provided contradictory and inconsistent data.
3. The purchased water data that GWA would have the PUC use, in increasing rates on its own, exceeds purchased water data provided by GWA in the Minimum Filing Requirements (which GCG has possession of) in the forthcoming rate case.
4. The purchased power data reflects significant increases in the level of power purchases as a result of apparent inefficiencies in the use of electricity, with no explanation.

## RECOMMENDATIONS

In spite of the inadequacies of the GWA presentation and lack of consistent data, GCG believes that in the current circumstances the PUC should initiate this proceeding on its own motion. GWA will soon file for permanent rate relief and in that case there should be a thorough investigation of all of the data issues presented here. That GWA filing is expected to be received at the end of February 2009. GWA has also recently received a favorable rating review from Fitch – from Stable to Positive. While GWA does not have an investment grade rating, Fitch indicated that with continued performance it could hope to achieve that status sometime in the future. Given the significant need for capital, an improved rating would be helpful in the attraction of capital.

We have estimated appropriate values that the Commission, should it deem appropriate to do so, might use in determining to increase GWA's rates on its own initiative in spite of the inconsistencies discussed in the previous section and other issues identified in this section.

We recommend that the Commission consider authorizing an increase of 6.44% in base rates, and that it do so without a compression adjustment. This recommendation is based on the following:

1. GWA's request for a 10.73% uncompressed, 16.84% increase *with compression* is based strictly on a comparison of its purchased power and water costs from 2007 to the increases in those costs in 2008 and 2009.
2. GWA asks that the PUC increase rates to recover a cost increase of \$5,735,560, as follows:

GWA's REQUEST	Actual FY '07	Projected FY '09	Requested Cost Increase	
-----	-----	-----	-----	
<b>Purchased water</b>				
-----				
Navy				
1. kGal purchase	1,314,913	1,208,880		
2. Cost per kGal	\$ 2.05	\$ 3.80		
	-----	-----		
3. Total Navy cost	\$ 2,695,572	\$ 4,593,744	\$ 1,898,172	L.1 x L.2
Air Force				
4. kGal purchase	19,988	56,357		
5. Cost per kGal	\$ 1.50	\$ 1.56		
	-----	-----		
6. Total Air Force cost	\$ 29,982	\$ 87,917	\$ 57,935	L.4 x L.5
			-----	
7. Total water cost increase			\$ 1,956,107	L.3 + L.6



**Purchased power**

8.	Avg Electrical cost (\$ per kGal)	\$ 0.75	\$ 1.04	
9.	Water production (Kgal)	15,856,019	15,107,492	
10.	Total power cost	\$ 11,914,539	\$ 15,711,792	L.8 x L.9
11.	Power cost increase		\$ 3,797,253	
12.	Total 2-year cost increase		\$ 5,753,360	L.7 + L.11

While we strongly disagree with the concept of single-issue ratemaking, we also recognize<sup>5</sup> that these costs appear to have increased and that GWA’s Debt Service Coverage (“DSC”) has fallen and is projected to fall further. In materials prepared for the upcoming base case, the *claimed* DSC results are:

FY ‘07	1.07
FY ‘08	1.10
FY ‘09	0.63 without increase
FY ‘09	1.39 with increase.

- We believe that GWA has supported the existence of a real increase in purchased water costs, albeit not at the level requested by GWA. As noted in the prior section of this report, substantial questions remain concerning the appropriate amount of Navy purchases to be reflected as a revenue requirement for ratemaking purposes. This will be addressed in the upcoming base rate case to be filed by GWA.

In contemporaneous documents, GWA has provided differing estimates for purchases from the Navy. The following table compares the purchases and costs provided by GWA to those that we recommend the PUC consider in this proceeding:

	GWA	Recommended	
PURCHASED WATER COSTS	-----	-----	
<b>Water production (kGal) and costs</b>			
-----			
Navy			
1.	kGal purchase	1,208,880	1,137,058 (1)
2.	Cost per kGal	\$ 3.80	\$ 3.80
3.	Total Navy cost	\$ 4,593,744	\$ 4,320,821 L.1 x L.2

<sup>5</sup> Subject to the uncertainties discussed throughout this report.

	Air Force			
4.	kGal purchase	56,357	56,357	
5.	Cost per kGal	\$ 1.56	\$ 1.56	
		-----	-----	
6.	Total Air Force cost	\$ 87,917	\$ 87,917	L.4 x L.5
7.	Total water cost	\$ 4,681,661	\$ 4,408,738	L.3 + L.6
8.	FY '07 purchased water cost	2,725,554	2,725,554	
		-----	-----	
9.	Increase in purchased water cost	<b>\$ 1,956,107</b>	<b>\$ 1,683,184</b>	L.7 - L.8
		=====	=====	

- (1) Recommended volume from:  
 "Responses FY09\_GWA\_MFR GCG Feb2\_09.xls" and from  
 "Attachment\_1\_MFR\_09 Schedule D F Jan30\_2009.xls."

4. GWA seeks a cost increase of \$3,797,253 for purchased power, based on the following:

	Actual FY '07	Actual FY '08	Projected FY '09	
Purchased power cost	-----	-----	-----	
1. Avg Electrical cost (\$ per kGal)	\$ 0.75	\$ 0.95	\$ 1.04	
2. Water production (Kgal)	15,856,019	15,496,660	15,107,492	
	-----	-----	-----	
3. Total purchased power cost	\$ 11,914,539	\$ 14,719,152	\$ 15,711,792	L.1 x L.2
4. Increase from FY '07 to FY '09			\$ 3,797,253	
Energy Consumption and Cost				
	-----			
5. kWh	47,101,915	60,582,865	59,000,000	
6. kWh / kGal	2.97	3.91	3.91	L.5 / L.2

Based on the above, GWA's requested increase in purchased power costs appears to be based on an increase in kWh/kGal from 2.97 in FY '07 to the level achieved in FY '08, 3.91. That is a 32% decrease in efficiency.

Obviously, the accuracy of this conclusion depends on the accuracy of the kWh and water production data that has been provided, about which we have severe reservations.

5. We have calculated a reasonable increase in electric consumption and cost from FY '07 to FY '09 of \$1,967,084, as follows:

	FY '07	Recommended	Increase	
PURCHASED POWER COSTS	-----	-----	-----	
1. Water production (Kgal)		15,107,492		
2. kWh / kGal		2.97		
		-----		
3. kWh	47,101,915	44,878,340		
4. Estimated LEAC rate	0.10797	0.15763		Lines 21 & 20
	-----	-----		
5. Estimate LEAC charge	\$ 5,085,547	\$ 7,074,173	\$ 1,988,626	L.3 x L.4
6. Total purchased power	11,914,539			
	-----			
7. Estimated base electric cost, FY '07	\$ 6,828,992			L.6 - L.5
8. Average base electric cost per kWh	\$ 0.14498			L.7 / L.3
9. Increase base rate by 6%		\$ 0.15368		L.8 x 1.06
		-----		
10. Estimated base electric cost, projection		\$ 6,897,008		L.3 x L.9
11. Increase in base electric cost			68,015	L.10 - L.7
			-----	
12. Total recommended electric cost increase			<b>\$ 2,056,641</b>	
			=====	
LEAC rates and dates				
	-----			
	Months in			
	place in			
	FY '07	LEAC rate		
	-----	-----		
13. through 2/07	4			
14. Feb 07	6	0.098589		
15. Aug 07	2	0.108893		
16. Mar 08		0.123957		
17. June 08		0.150467		
18. Oct 08		0.170440		
19. Dec 08		0.187750		
20. Feb 09		0.171050		
		0.157630		
21. Time-weighted average LEAC	0.10797			

GWA has stated that its electric consumption in FY '07 was 47,101,915 kWh. The data that GWA used to prepare its request assumed a 32% increase in the amount of electricity used per kGal of water produced. Without substantial explanation and justification, such an increase is unacceptable and should not be used in the establishment of water rates, either on a temporary or permanent basis. We understand that this represents a significant difference in energy between that claimed by GWA and this estimate. GWA does indicate

that there is continuing discussion that is currently taking place to evaluate the appropriate meter readings.

Accordingly, applying the kWh / kGal rate achieved in FY '07, *according to GWA*, to the water production projection produces a kWh consumption, for ratemaking purposes, of 44,878,340 kWh (line 3).

We then estimated the LEAC rate paid by GWA in FY '07 and multiplied it by FY '07 electric consumption to derive the LEAC revenues paid by GWA in FY '07. We also multiplied the recommended kWh consumption by the current LEAC rate to determine the LEAC revenues that should be allowed. The difference, \$1,988,626, is a reasonable estimate *at this time* for the increase in LEAC rates.

We also estimated the base electric cost in FY '07, which was then increased by the 6% GPA rate increase scheduled to become effective March 1, 2009.

6. Based on the above, the recommended total increase is 6.60%:

	FY '07	FY '09	Increase	
	-----	-----	-----	
Total increase in costs				
-----				
1. Water	\$ 2,725,554	\$ 4,408,738	\$ 1,683,184	
2. Power	11,914,539	13,971,980	2,056,641	
	-----	-----	-----	
3. Total	\$ 14,640,093	\$ 18,379,918	\$ 3,739,825	
4. GWA rate based revenue			\$ 56,700,000	
Percent increase in GWA rate based revenue				
-----				
5. Water			2.97%	L.1 / L.4
6. Power			3.63%	L.2 / L.4
			-----	
7. Total			6.60%	L.3 / L.4

## CLOSING THOUGHTS

GWA's rates were changed in August 2007, near the end of FY '07. Despite cost increases experienced during FY '08, GWA achieved a DSCR of 1.10x in 2008<sup>6</sup>. Without a rate increase, it is projecting a DSCR of 0.63X in FY '09. What remains unexplained in this data is why the DSCR is projected to decline by so much during FY '09.

Our preliminary analysis of the data suggests that certain GWA costs contain significant increases and while we do not know if the increases are reasonable or justified, they do cause a significant decrease in the DSCR, in fact in the same order of magnitude of the water and power increases. As discussed above, while the (projected) purchased power cost per kGal has increased, the reason for that increase is because the kWh / kGal ratio has increased (*i.e.*, a decrease in efficiency). That ratio is or at least should be somewhat within GWA's control. While it cannot control the rate it pays for electricity, it can take actions that preclude a sharp increase in the apparent rate of electric consumption per kGal of water produced.

With regard to expense increases discussed above, GWA is showing sharp increases in salaries and wages and A&G expenses:

	FY '07	'08 - '07	'09 - '08	Two Year Increase
	-----	-----	-----	-----
Salaries and Wages	\$ 14,932,375	\$ 1,076,863	\$ 2,595,515	\$ 3,672,378 25%
A&G Expenses	5,906,311	(525,667)	1,932,265	1,406,598 24%
TOTAL				\$5,078,976

When asked about the increase in labor, GWA's response was:

What is causing the labor to increase dramatically? Is that a major contributing factor to the DSCR decline?

“Dramatically” may be an overstatement! The increase (FY 2008 vs FY2009) is primarily attributable to normal growth which is estimated to be a factor of 6% of FY2008 actuals. This rate is to account for salary increments, promotions, overtime, benefits etc., and estimated CTP requirements. Yes, the increase is a contributing factor like all other revenue requirements, but not a major factor when considered in perspective to power and water increases.

While GWA is claiming normal growth, 6%, as the increase, the data shows that salary and wage and A&G expense are increasing, over two years, at a rate of 25%. These cost increases must be justified in the upcoming base rate proceeding. No PUC review and approval of CTP wage increases has been requested by GWA nor approved by the PUC.

<sup>6</sup> Subject to verification and normalization.

### **Documents Referenced in Preparing Report**

1. Correspondence - GWA to Commission Chairman Jeffrey C. Johnson.
2. February 1, 2009 correspondence - Leonard Olive to Jamshed K. Madan
3. Table 1,2,3, re Olive Letter.pdf, referenced in Item #1
4. GWA Response GCG Request for Information Set 1
5. Responses FY09\_GWA\_MFR GCG Feb2\_09.xls (portion used).
6. Attachment\_1\_MFR\_09 Schedule D F Jan30\_2009.xls (portion used).
7. Power\_Water\_Spreadsheet.xls

Correspondence - GWA to Commission Chairman Jeffrey C. Johnson.

GUAM WATERWORKS AUTHORITY

"Good Water Always"

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January 7, 2009

Mr. Jeffrey C. Johnson  
Chairman, Guam Public Utilities Commission  
Suite 207 GCIC Building  
414 West Soledad Avenue  
Hagatna, Guam 96910

Dear Chairman Johnson:

We are writing to request the Public Utilities Commission (PUC) to initiate and conduct an expedited investigation into the adverse financial impact of significant rate hikes in power and Navy water costs to the Guam Waterworks Authority's (GWA).

These two costs represent over one-third (1/3) of GWA's operating costs and both witnessed significant increases that were not anticipated by either the PUC or GWA after the PUC approved the last rate hike for GWA in August 2007.

GWA took a beating in FY2008 from multiple LEAC rate adjustments. Since the last rate order in August 2007, the LEAC rate increased four-fold; August 2007 +8.5%; March 2007 +14%; June 2008 + 9%; October 2008 +7%. GWA and the PUC could not have anticipated the unprecedented magnitude and frequency of the increases that occurred in 2008. Even the PUC had to approve its first ever midterm increase of the LEAC last June, just sixty (60) days after they had approved the original six (6) month LEAC in March 2008.

If the PUC and GPA could not forecast power rate hikes of this magnitude with any degree of certainty, how could GWA be expected to? Rates were increasing so fast that any petition for relief would have been outstripped by real time events. Most importantly, GWA saw its annual energy costs increase from approximately \$11.9 million in FY2007 to \$14.6 million in FY2008, a 23% increase in a period of just one (1) year. This nearly \$3 million increase was the single most significant reason GWA lost \$2.1M in 2008.

In addition, the Navy increased its tariff 59% from \$2.09 per thousand gallons to \$3.25 in October 2007. GWA was first given notice in September 2007, AFTER the PUC approved rate adjustment. First, the CCU protested the original proposed rate of \$4.05 and was successful in convincing the Navy to a reduced rate of \$3.25. GWA also acted aggressively to reduce and offset the hike without the benefit of rate relief by cutting back on Navy water purchases by 1/3 by fixing leaks and moving cheaper GWA water from the north. Despite our best efforts, it was not enough to offset the \$1.5M FY08 increase in Navy water costs. To make things worse, in October 2008, the Navy instituted another 16% increase in its water rate to GWA.

Combined, GWA has seen its energy and purchased water cost rise a total of \$4.3 million, or 30%. The impact of the increase is apparent in GWA's operating results for FY2008 which



are reporting a net loss of \$2.3 million.

Of serious concern is the impact on GWA's PUC and bond covenant mandated Debt Service Coverage (DSC) ratio. GWA's 2008 DSC ratio fell under 1.0 which could put GWA in technical default of the 2005 Revenue bond coverage ratio of 1.25. Had energy and water costs remained stable, or if the increase in costs were offset by some form of rate relief, GWA would have met its DSC at approximately 1.30.

Our latest FY2009 cash flow (attached) does not show conditions improving. October and November 2009 ended in a negative note, and this trend is projected to continue throughout the remainder of the fiscal year. By the end of January 2009, our projections disclose GWA running out of cash and the DSC continuing to track at less than 1.0. GWA's financial stability is in a very precarious and vulnerable position making it extremely difficult to operate without the funds to meet its revenue requirements.

This is not the first time GWA has reported our financial position to the PUC, and I have attached copies of some of those correspondences for your ease of reference. Rest assured we are mindful of the impact increases will have on our ratepayers, but we are also concerned about preserving GWA's financial integrity balanced against the need for maintaining reasonable rates for its customers.

As you know, GWA has formally applied for rate relief and is in the process of complying with the Ratepayer Bill of Rights law. Imbedded in that rate case is about a 10% rate impact due to higher power and Navy water costs. The 10% represents the rate IF THE CHANGE WAS MADE RETRO TO OCTOBER 1, 2008. Unfortunately, the law will not allow GWA to take any expedited action except through the current process. This puts both GWA and the PUC in an awkward position with the ratepayers. The longer relief is denied, the higher subsequent rate hikes must be. The ratepayers would be best served by an expedited investigation by the PUC to determine if and how soon rate relief is needed in order to keep any rate adjustments as low as possible by allowing them as soon as possible, AT LEAST FOR THESE TWO CRITICALLY INCREASED COST ITEMS: POWER AND NAVY WATER.

However, the PUC has the power to conduct independent investigations when it believes a significant adverse impact is occurring either to ratepayers or the utility. The PUC has exercised its power of initiating independent investigations on a least three (3) separate occasions without the utility having formally filed a petition or other request for rate relief. One of the three PUC actions included specific rate relief found in Docket 01-08, establishing the 11.5% "regulatory surcharge" for GWA to retire its debts to GPA and GTA

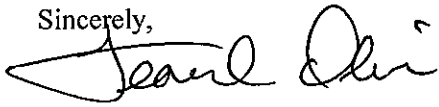
In each of those instances, the PUC has undertaken a careful review of a utility's finances and the extraordinary circumstances – including the amount of time required to obtain rate relief under the timeliness established in the Ratepayer Bill of Rights.

While both GWA and the PUC believed the world would work in a certain way after the last rate case in August 2007, to no one's fault, 2008 caught us all by surprise. But the impact is real and significant. That is why GWA is respectfully requesting the PUC to see if there are valid financial threats to GWA that would cause undue future burden to our ratepayers or affect GWA's ability to serve ratepayer demand.

We humbly request your consideration to our investigation request. The analysis is fairly straight forward and the PUC's consultants could quickly analyze the situation for the PUC. The timing of

PUC's action is crucial and I respectfully ask the PUC to act in the most expeditious manner. We look forward to your timely response.

Sincerely,

A handwritten signature in black ink, appearing to read "Leonard Olive". The signature is written in a cursive style with a large, sweeping initial "L".

Leonard Olive  
General Manager

cc: Mr. Fred Horecky, Legal Counsel to Guam PUC  
Mr. Jamshed K. Madan, Principal, GCG

Attachments



**GUAM WATERWORKS AUTHORITY**  
**"Good Water Always"**

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October 15, 2008

**VIA E-MAIL**

Mr. Jeffrey Johnson, Chairman  
Public Utilities Commission of Guam  
Suite 207, GCIC Building  
Hagåtña, GU 96932

Dear Mr. Chairman,

The Guam Waterworks Authority ("GWA") proffers the following response to item 3, entitled "Interim Rate Relief" in the ALJ's October 2, 2008 letter summarizing the September 24, 2008 regulatory conference.

First, if the Public Utilities Commission of Guam ("PUC") is to "initiate" interim rate relief, GWA believes that such a request cannot arise from GWA in the form of a petition, otherwise GWA believes that doing so will require adherence to the notice requirements set forth in the Ratepayer Bill of Rights. *See e.g.*, 12 G.C.A. §§ 12001.1 and 12001.2 (advance notice requirements in the ratepayer bill of rights only apply to "Public Utilities").

Second, if the Guam Public Utilities Commission, upon the advice of Georgetown Consulting Group ("GCG") or its own accord, does indeed decide that GWA needs interim rate relief, the language of 12 G.C.A. § 12001.1, provides ample authority when it states that "*I Liheslaturan Guåhan* intends to make it clear that it does not want to interfere with the ability of the Public Utilities Commission to regulate and set rates for the Public Utilities..." Thus, to GWA it is clear that the ratepayer bill of rights only applies to actions of "Public Utilities" and not the Guam PUC.

Third, in light of the above language giving broad power to the Public Utilities Commission of Guam to initiate its own rate relief to Public Utilities, it has exercised that power on at least three separate occasions in that it has modified a utility's rate structure without that utility having formally filed a petition or other request for rate relief. In each

of those instances, the PUC has undertaken a careful review of a utility's finances, the exigent circumstances – including the amount of time required to obtain rate relief under the timelines established in the ratepayer bill of rights, and usually following a recommendation of granting such relief from Georgetown Consulting Group, initiated rate relief proceedings without adhering to the ratepayer bill of rights. The three examples are:

1. GTA's rate proceeding in Docket 00-05 as evidenced in the PUC Order Re-Instituting Rate Proceeding dated Sept 13, 2001.
2. Establishing the 11.5% "regulatory surcharge" for GWA to retire its debts to GPA and GTA in Docket 01-08 on the advice of Georgetown Consulting in its report dated August 2001.
3. Modified the Navy surcharge in Docket 98-01 in an Order dated June 23, 2003, to permit GWA to pay for the debt GWA incurred by using Navy water without paying for it prior to the creation of the Consolidated Commission on Utilities.

Moreover, there is no doubt that GWA needs some rate relief because GWA's costs for both Navy water purchases as well as power costs have risen in ways that were not contemplated by the PUC, GWA or GCG in August of 2007. For example, since August of 2007, GPA has been granted the following upward LEAC adjustments:

1. 8/2007 – 8.5%
2. 3/2008 – 14%
3. 6/2008 – 9%
4. 10/2008 – 7% adjustment (just recently approved).

Despite GWA's best efforts at conservation, we are unable to continue to absorb these costs without having negative impacts on GWA's operating and maintenance tempo since expenditures for power accounts for roughly 25% of GWA's total budget which due to the very rapid and unexpected price of oil has risen by 40% in only 14 months or from \$11,914,539 in FY2007 to \$14,719,152 – i.e., approximately three million (\$3,000,000) dollars in one year alone. See Exhibit A attached hereto.

In addition, the Navy's rates since the beginning of FY2008 have changed dramatically. In fact, just after GWA was given a rate adjustment in August of 2007, the Navy again wrote to GWA asking to raise its rates despite the complete lack of indication (now or then) that their costs had changed one bit. GWA paid the Navy \$2,778,150 in FY 2007 and \$4,222,880 in FY2008 for a \$1.5 million dollar increase despite the fact that GWA bought less water. Exhibit A. GWA had been negotiating with the Navy to modify its rates, but until just recently, GWA did not in fact know what the rate would in fact ultimately end up being. In both the case of power and the Navy water, GWA has tried its best to mitigate its expenses by fixing leaks, shutting down wells, and other austerity measures to reduce the impact to GWA's ratepayers as both the CCU and the PUC have asked GWA to do.

Our current situation is that the latest LEAC and the Navy increases in rates have just been finalized and/or approved. Thus, until just recently both the latest LEAC and Navy rates may not have even been eligible to be treated as "lawful obligations" subject to coverage by the PUC as they had not yet been finalized or approved. In reality, it is very difficult to ask for relief when you don't know what that relief will ultimately end up needing to be – especially in this volatile economic environment. The PUC now knows GWA's financial position.

In sum, the Guam Public Utilities Commission is not without means to effectuate rate relief on its own initiative as noted in the ALJ's letter dated October 2, 2008. Having said that, GWA humbly asks for your guidance as to whether or not rate relief will be initiated by the PUC, and if so, at what point could GWA reasonably expect to see such relief.

Sincerely,

A handwritten signature in black ink, appearing to read "John Benayente". The signature is fluid and cursive, with a prominent loop at the end.

John Benayente, P.E.  
GWA General Manager (interim)

cc: Jeffrey C. Johnson, Chairman, Guam PUC  
Bill Blair, Legal Counsel to GCG  
Jamshed K. Madan, Principal GCG  
Fred Horecky, Legal Counsel to Guam PUC

## Water Supplies and Power Costs

Description	Audited FY2007	Current FY2008	Projected FY2009
<u>Water Production Volume (Kgal/year)</u>			
Ugum River WTP	843,000	802,080	882,288
Wells and Deep Wells	13,678,118	13,711,786	12,157,630
Air Force	19,988	53,601	55,209
Navy	1,314,913	1,274,609	1,208,880
Total Water Production	15,856,019	15,842,075	14,304,006
<u>Navy Water Supply Costs</u>			
Unit Cost (\$ per Kgal)	\$2.05	\$3.25	\$3.80
Navy Production (Kgal)	1,314,913	1,274,609	1,208,880
Total Navy Water Supply Cost	\$2,748,168	\$4,142,479	\$4,593,744
<u>Air Force Water Supply Costs</u>			
Projected Unit Cost (\$ per Kgal)	\$1.50	\$1.50	\$1.56
Air Force Production	19,988	53,601	55,209
Total Air Force Water Supply Cost	\$29,982	\$80,401	\$86,126
Total Water Purchases (Kgal)	1,334,901	1,328,210	1,264,089
Total Water Purchase Costs	\$2,778,150	\$4,222,880	\$4,679,870
<u>Power Costs</u>			
Avg. Electrical Cost (\$ per Kgal)	\$0.75	\$0.93	\$1.00
Water Production Level (Kgal)	15,856,019	15,842,075	16,261,312
Total Purchase Power	\$11,914,539	\$14,719,152	\$16,261,312
<u>Annual Increase in Costs</u>			
Power Increase over Prior Year		\$2,804,613	\$1,542,160
Water Increase over Prior Year		<u>\$1,444,730</u>	<u>\$456,989</u>
Total		\$4,249,343	\$1,999,150
Monthly amortization			
<u>Rate Based Revenues</u>		\$52,800,000	\$53,161,000 <sup>(1)</sup>
<u>Percent Deficiency of Rate-based Revenues</u>			
Water		-2.74%	-0.86%
Power		<u>-5.31%</u>	<u>-2.90%</u>
Total		-8.05%	-3.76%
			-11.81%

<sup>(1)</sup> based on projected 2% growth in customer base

RATE COMPRESSION SCHEDULE

FY2008 Rate Deficit : 8.05%		Oct. '07	Nov. '07	Dec. '07	Jan. '08	Feb. '08	Mar. '08	Apr. '08	May '08	Jun. '08	Jul. '08	Aug. '08	Sep. '08
Estimated Monthly rate deficit		8.05%	0.73%	0.81%	0.89%	1.01%	1.15%	1.34%	1.61%	2.01%	2.68%	4.03%	8.05%
Compressed rate		8.05%	8.78%	9.59%	10.48%	11.49%	12.64%	13.98%	15.59%	17.60%	20.29%	24.31%	32.36%
FY2009 Rate Deficit : 3.76%		Oct. '08	Nov. '08	Dec. '08	Jan. '09	Feb. '09	Mar. '09	Apr. '09	May '09	Jun. '09	Jul. '09	Aug. '09	Sep. '09
Estimated Monthly rate deficit		3.76%	0.34%	0.36%	0.42%	0.47%	0.54%	0.63%	0.75%	0.94%	1.25%	1.88%	3.76%
Compressed rate		3.76%	4.10%	4.46%	4.90%	5.37%	5.90%	6.53%	7.28%	8.22%	9.47%	11.35%	15.11%
Combined FY2007 & 2008 rate deficit: 11.81%		Oct. '08	Nov. '08	Dec. '08	Jan. '09	Feb. '09	Mar. '09	Apr. '09	May '09	Jun. '09	Jul. '09	Aug. '09	Sep. '09
Estimated Monthly rate deficit		11.81%	1.07%	1.18%	1.31%	1.48%	1.69%	1.97%	2.36%	2.95%	3.94%	5.91%	11.81%
Compressed rate		11.81%	12.88%	14.06%	15.38%	16.85%	18.54%	20.51%	22.87%	25.82%	29.76%	35.65%	47.47%

Cash flow  
FY2009

Description	Actual												Total	
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
<b>Operating Revenues</b>														
Utility Customer Service Billing (including surcharges)	3,971,158	3,522,179	4,517,263	5,133,873	4,868,691	4,400,347	4,219,772	5,360,197	4,375,858	4,849,798	4,201,935	4,460,861	53,882,050	
Non-payment of Customer Utility Bills (1)	(404,808)	(361,477)	(422,105)	(416,166)	(450,805)	(443,588)	(436,033)	(422,782)	(383,240)	(449,055)	(385,274)	(426,310)	(5,001,643)	
Miscellaneous Revenues	78,925	92,691	38,346	79,128	74,112	66,115	151,592	74,091	73,484	52,760	137,074	73,705	989,903	
Total Operating Revenues	3,644,275	3,253,293	4,133,524	4,786,835	4,491,998	4,022,874	3,935,331	5,011,506	4,066,082	4,453,503	3,953,735	4,108,356	49,870,310	
<b>Operating Expenses</b>														
Salaries and Wages & Benefits	1,155,882	1,187,884	1,371,000	1,191,000	1,191,000	1,191,000	1,191,000	1,191,000	1,191,000	1,191,000	1,191,000	1,191,000	14,433,736	
Sup Annuity, Retiree & Medical/Dental/Life Insurance	177,965	177,965	177,965	177,965	177,965	177,965	177,965	177,965	177,965	177,965	177,965	177,965	2,135,680	
Other O&M Expenses	490,754	453,650	478,815	478,815	478,815	478,815	478,815	478,815	478,815	478,815	478,815	478,815	5,732,554	
Insurance Claims	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	216,000	
Contractual Changes	236,197	288,926	517,353	501,203	501,203	320,871	304,721	304,721	304,721	304,721	304,721	304,721	4,163,079	
Purchased Power	1,127,433	1,409,728	1,376,129	1,310,584	1,310,584	1,310,584	1,310,584	1,310,584	1,310,584	1,310,584	1,310,584	1,310,584	15,708,546	
Purchased Water	374,953	467,192	421,077	421,077	421,077	421,077	421,077	421,077	421,077	421,077	421,077	378,989	4,926,601	
Total Operating Expenses	3,580,164	3,973,345	4,360,339	4,098,644	4,098,644	3,918,312	3,902,162	3,902,162	3,902,162	3,860,054	3,860,054	3,860,054	47,316,096	
<b>Operating Income (Loss)</b>	63,111	(720,052)	(226,815)	688,191	393,354	104,562	33,169	1,109,344	163,920	593,449	93,681	248,302	2,554,214	
<b>Non-Operating Expenses (Income)</b>														
Debt Service	891,045	891,045	891,045	891,045	891,045	891,045	891,045	891,045	891,045	891,045	891,045	891,045	10,662,540	
Transfer in (out) to bond funds	-	-	-	-	-	-	-	-	-	-	-	-	-	
AR collections	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(6,000,000)	
PLC charges	21,600	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	264,271	
AP - prior year	2,340,000	172,089	46,934	-	-	-	-	-	-	-	-	-	2,589,033	
Total Non-operating	2,762,645	585,815	458,979	413,045	413,045	413,045	413,045	413,045	413,045	413,045	413,045	413,045	7,515,844	
<b>Ending Fiscal Year Balances</b>														
OMRRRF Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	
Operating Cash Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	
Construction (Bond) Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Net Cash flow</b>	(2,688,534)	(1,305,867)	(886,794)	285,146	(19,691)	(308,483)	(379,876)	696,299	(249,125)	180,404	(319,364)	(184,743)	(4,961,630)	
<b>Beginning Cash balance</b>	4,204,262	1,514,728	208,861	(477,933)	(192,788)	(212,479)	(520,662)	(900,839)	(204,540)	(453,665)	(273,261)	(592,625)	4,204,262	
<b>Cash Available</b>	1,514,728	208,861	(477,933)	(192,786)	(212,479)	(520,962)	(900,839)	(204,540)	(453,665)	(273,261)	(592,625)	(757,368)	(757,368)	
<b>Debt Service Coverage Ratio (1.25)</b>	0.10	(1.12)	(0.35)	1.09	0.61	0.16	0.05	1.73	0.26	0.92	0.15	0.39	0.33	
<b>Rate based revenue deficiency</b>	-73.82%	-40.14%	-16.62%	5.94%	-0.44%	-7.67%	-9.65%	13.89%	-6.13%	4.05%	-8.08%	-4.01%	-9.95%	

Notes:  
(1) 10% of gross billings  
(2) Estimates based on prior year actual sales.





## GUAM WATERWORKS AUTHORITY

**"Good Water Always"**

Post Office Box 3010, Hagåtña, Guam 96932

Phone: (671)647-7838/2588/7055 Fax: (671)646-2594

September 29, 2008

Jeff Johnson, Chairman  
The Guam Public Utilities Commission  
Suite 207, GCIC Building  
Hagatna, Guam 96932

Dear Mr. Johnson:

Enclosed are the financial statements of the Guam Waterworks Authority's (GWA) for the period ending July 31, 2008. This submission is intended to satisfy our filing requirements for the month of September 2008.

We are nearing the close of another fiscal year and the year can be best described as an uphill struggle with many challenges along the way starting with the termination of our AMR Contractor and followed shortly thereafter by our Meter Reading Contractor. The most disturbing among all the other statistics because of the tremendous impact on GWA's operating outcome, is the surge in energy and purchased water expenses. The compounding effect of the increases translates to an 11% deficiency in revenues (See Table attached) and our financial position as of the date speaks to that realization as net operating losses are reported at \$1.7M and revenues are currently trailing FY2008's projection by 5%.

In the past 24 months, we've seen combined energy and water cost increase approximately \$5.0 million from \$14.7 million to \$19.6 million. As it stands today, these expenses

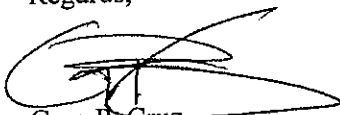
Jeff Johnson, Chairman  
The Guam Public Utilities Commission  
September 29, 2008  
Page 2 of 2

represent 36% of operating revenues in comparison to 31% in FY2007, even though FY2008 revenues was attenuated by the August 2007 14.24% PUC rate order which absent such relief, the ratio would have been 41%.

What is more alarming is there doesn't appear to be any relief in the near future from these inflationary pressures on GWA's revenue requirements. The Navy has already advised GWA that effective October 1, 2008 our water purchase rate will increase to \$.55 per thousand gallons, despite the fact that they had already raised their tariff 59% at the beginning of the fiscal year. Similarly, our energy costs are expected to reach \$15.4 million in FY2008, approximately \$3.5 million above FY2007's level. Our FY2009 projections also include the expectation of a LEAC and base rate adjustments within the next 6-9 months.

I will be pleased to submit additional information at your request. Please do not hesitate to contact me by email at [gpcruz@guamwaterworks.org](mailto:gpcruz@guamwaterworks.org) or by telephone at 647-2588.

Regards,



Greg P. Cruz  
CFO

## Water and Power Costs

### Water Supplies and Power Costs

Description	Audited FY2007	Current FY2008	Projected FY2009	
<b>Water Production Volume (Kgal/year)</b>				
Ugum River WTP	843,000	802,080	882,288	
Wells and Deep Wells	13,678,118	13,711,786	12,157,630	
Air Force	19,988	53,601	55,209	
Navy	1,314,913	1,274,609	1,208,880	
<b>Total Water Production</b>	<b>15,856,019</b>	<b>15,842,075</b>	<b>14,304,006</b>	
<b>Navy Water Supply Costs</b>				
Unit Cost (\$ per Kgal)	\$2.05	\$3.25	\$3.80	
Navy Production (Kgal)	1,314,913	1,274,609	1,208,880	
<b>Total Navy Water Supply Cost</b>	<b>\$2,748,168</b>	<b>\$4,142,479</b>	<b>\$4,593,744</b>	
<b>Air Force Water Supply Costs</b>				
Projected Unit Cost (\$ per Kgal)	\$1.50	\$1.50	\$1.56	
Air Force Production	19,988	53,601	55,209	
<b>Total Air Force Water Supply Cost</b>	<b>\$29,982</b>	<b>\$80,401</b>	<b>\$86,126</b>	
<b>Total Water Purchase Costs</b>	<b>\$2,778,150</b>	<b>\$4,222,880</b>	<b>\$4,679,870</b>	
<b>Power Costs</b>				
Avg. Electrical Cost (\$ per Kgal)	\$0.75	\$0.93	\$1.02	
Water Production Level (Kgal)	15,856,019	15,842,075	14,304,006	
<b>Total Purchase Power</b>	<b>\$11,914,539</b>	<b>\$14,719,152</b>	<b>\$16,261,312</b>	
<b>Annual Increase in Costs</b>				
Power Increase over Prior Year		\$2,804,613	\$1,542,160	
Water Increase over Prior Year		\$1,401,927	\$222,408	
Percent Deficiency of Rate-based Revenues		-8%	-3%	-11%

February 1, 2009 correspondence - Len Olive to Jamshed K. Madan

**Jim,**

**Please see my responses to your questions in red below and the backup for the responses in the three Tables attached.**

**It is now 11:00pm SuperBowl Sunday your time, so I just barely made my promise to get this to you before Monday!**

**Regards,**

**LenO**

**From:** Jamshed K. Madan [mailto:[jkmadan@gmail.com](mailto:jkmadan@gmail.com)]

**Sent:** Sunday, February 01, 2009 11:16 AM

**To:** Olive, Leonard

**Cc:** Fred Horecky; [emargerison@snet.net](mailto:emargerison@snet.net); William J. Blair; Johnson, Jeff; Olive, Leonard; Gawlik, Larry; [gdcmgr@ite.net](mailto:gdcmgr@ite.net); [staylor@ite.net](mailto:staylor@ite.net); John Benavente; Greg Cruz

**Subject:** Re: Emergency Petition

Thanks Len:lme things that would help:

- What are you asking for in \$ and %? **Approximately 11%. Please refer to Table 1 in the attachment. Please note however, this is predicated on the rate taking effect at the beginning of FY2009 (Table 1). As part of the analysis, a compression schedule has been included which describes the required rate at any given point in time (Table 2).**
  - Do you have a tariff worked out? **No, but given the small window of time for a response, Table 3 is our best shot at this time.**
  - Are you asking for increases on the lifeline rates? **No, please refer to Tables.**
  - What is causing the labor to increase dramatically? Is that a major contributing factor to the DSCR decline? **"Dramatically" may be an overstatement! The increase (FY 2008 vs FY2009) is primarily attributable to normal growth which is estimated to be a factor of 6% of FY2008 actuals. This rate is to account for salary increments, promotions, overtime, benefits etc., and estimated CTP requirements. Yes, the increase is a contributing factor like all other revenue requirements, but not a major factor when considered in perspective to power and water increases.**
  - Why have revenues fallen off? Is that not a factor in the DSCR decline? **Revenues have not fallen off: FY2007, \$47million +/-; FY2008, \$53million +/-; FY2009, \$57million +/- with NO rate adjustment (see Table 1) or \$63million +/- with 12.9% rate adjustment.**

- This case is still just power and water increases? Is there a change? **No change unless GCG and the PUC recommend otherwise.**
- Will you change your request in the permanent rate case? **It will depend on the amount of relief granted by the PUC.**

Table 1,2,3, re Olive Letter.pdf, referenced in Item #1.

TABLE 1

## Water Supplies and Power Costs

Description	Audited FY2007	Current FY2008	Projected FY2009
<u>Water Production Volume (Kgal/year)</u>			
Ugum River WTP	843,000	802,080	882,288
Wells and Deep Wells	13,678,118	13,322,395	12,959,967
Air Force	19,988	54,716	56,357
Navy	1,314,913	1,317,469	1,208,880
Total Water Production	15,856,019	15,496,660	15,107,492
<u>Navy Water Supply Costs</u>			
Unit Cost (\$ per Kgal)	\$2.05	\$3.25	\$3.80
Navy Production (Kgal)	1,314,913	1,317,469	1,208,880
Total Navy Water Supply Cost	\$2,695,572	\$4,281,774	\$4,593,744
<u>Air Force Water Supply Costs</u>			
Projected Unit Cost (\$ per Kgal)	\$1.50	\$1.50	\$1.56
Air Force Production	19,988	54,716	56,357
Total Air Force Water Supply Cost	\$29,982	\$82,074	\$87,917
Total Water Purchases (Kgal)	1,334,901	1,372,185	1,265,237
Total Water Purchase Costs	\$2,725,554	\$4,363,848	\$4,681,661
<u>Power Costs</u>			
Avg. Electrical Cost (\$ per Kgal)	\$0.75	\$0.95	\$1.04
Water Production Level (Kgal)	15,856,019	15,496,660	15,107,492
Total Purchase Power	\$11,914,539	\$14,719,152	\$15,711,792
<u>Annual Increase in Costs</u>			
Power Increase over Prior Year		\$2,804,613	\$992,640
Water Increase over Prior Year		<u>\$1,638,295</u>	<u>\$317,813</u>
Total		\$4,442,908	\$1,310,452
<u>Rate Based Revenues</u>			
Rate Based Revenues		\$52,800,000	\$56,700,000 <sup>(1)</sup>
<u>Percent Deficiency of Rate-based Revenues</u>			
Water		-3.10%	-0.56%
Power		<u>-5.31%</u>	<u>-1.75%</u>
		-8.41%	-2.31%
			Total
			-3.66%
			<u>-7.06%</u>
			-10.73%

<sup>(1)</sup> based on current rates without the 12.9% proposed increase.



TABLE 2

## RATE COMPRESSION SCHEDULE

<u>FY2008 Rate Deficit : 8.41%</u>	<u>Oct.' 07</u>	<u>Nov.' 07</u>	<u>Dec.' 07</u>	<u>Jan. '08</u>	<u>Feb. '08</u>	<u>Mar. '08</u>
Estimated Monthly rate deficit	8.41%	0.76%	0.84%	0.93%	1.05%	1.20%
Compressed rate	8.41%	9.17%	10.02%	10.95%	12.00%	13.20%
	<u>Apr. '08</u>	<u>May '08</u>	<u>Jun. '08</u>	<u>Jul. '08</u>	<u>Aug. '08</u>	<u>Sep. '08</u>
	1.40%	1.68%	2.10%	2.80%	4.21%	8.41%
Compressed rate	14.60%	16.29%	18.39%	21.19%	25.40%	33.81%
<u>FY2009 Rate Deficit : 2.31%</u>	<u>Oct.' 08</u>	<u>Nov.' 08</u>	<u>Dec.' 08</u>	<u>Jan. '09</u>	<u>Feb. '09</u>	<u>Mar. '09</u>
Estimated Monthly rate deficit	2.31%	0.21%	0.23%	0.26%	0.29%	0.33%
Compressed rate	2.31%	2.52%	2.75%	3.01%	3.30%	3.63%
	<u>Apr. '09</u>	<u>May '09</u>	<u>Jun. '09</u>	<u>Jul. '09</u>	<u>Aug. '09</u>	<u>Sep. '09</u>
	0.39%	0.46%	0.58%	0.77%	1.16%	2.31%
Compressed rate	4.01%	4.47%	5.05%	5.82%	6.98%	9.29%
<u>Combined FY2007 &amp; 2008 rate deficit: 10.73%</u>	<u>Oct.' 08</u>	<u>Nov.' 08</u>	<u>Dec.' 08</u>	<u>Jan. '09</u>	<u>Feb. '09</u>	<u>Mar. '09</u>
Estimated Monthly rate deficit	10.73%	0.98%	1.07%	1.19%	1.34%	1.53%
Compressed rate	10.73%	11.71%	12.78%	13.97%	15.31%	16.84%
	<u>Apr. '09</u>	<u>May '09</u>	<u>Jun. '09</u>	<u>Jul. '09</u>	<u>Aug. '09</u>	<u>Sep. '09</u>
	1.79%	2.15%	2.68%	3.58%	5.37%	10.73%
Compressed rate	18.63%	20.78%	23.46%	27.04%	32.40%	43.13%

TABLE 3

<b>TARIFF</b>			
<b>Description</b>	<b>Actual FY2007</b>	<b>Current FY2008</b>	<b>Projected FY2009</b>
Projected Unit Rate Increase (excd lifeline)			16.84%
Water			16.84%
Sewer			16.84%
Basic (Service) Charge by Water Meter Size (all classes)			
3/4"	\$7.46	\$8.69	\$10.15
1"	\$8.71	\$10.15	\$11.86
1 1/2"	\$13.67	\$15.93	\$18.61
2"	\$17.41	\$20.29	\$23.71
3"	\$31.09	\$36.24	\$42.34
4"	\$43.52	\$50.72	\$59.26
6"	\$80.82	\$94.20	\$110.06
8"	\$118.13	\$137.68	\$160.87
10"	\$161.65	\$188.41	\$220.14
12"	\$192.73	\$224.63	\$262.46
Water Consumption Charges - Commercial, Government & Golf Courses			
3/4"	\$4.42	\$5.15	\$6.02
1"	\$4.42	\$5.15	\$6.02
1 1/2"	\$4.42	\$5.15	\$6.02
2"	\$4.42	\$5.15	\$6.02
3"	\$4.42	\$5.15	\$6.02
4"	\$4.42	\$5.15	\$6.02
6"	\$4.42	\$5.15	\$6.02
8"	\$4.42	\$5.15	\$6.02
10"	\$4.42	\$5.15	\$6.02
12"	\$4.42	\$5.15	\$6.02
Water Consumption Charges - Agriculture and Irrigation			
3/4"	\$1.47	\$1.71	\$2.00
1"	\$1.47	\$1.71	\$2.00
1 1/2"	\$1.47	\$1.71	\$2.00
2"	\$1.47	\$1.71	\$2.00
3"	\$1.47	\$1.71	\$2.00
4"	\$1.47	\$1.71	\$2.00
6"	\$1.47	\$1.71	\$2.00
8"	\$1.47	\$1.71	\$2.00
10"	\$1.47	\$1.71	\$2.00
12"	\$1.47	\$1.71	\$2.00

CONTINUED ON NEXT PAGE

TABLE 3 - continuation

TARIFF - continuation

Description	Actual FY2007	Current FY2008	Projected FY2009
Residential - 5,000 and greater per month			
3/4"	\$3.55	\$4.14	\$4.84
1"	\$3.55	\$4.14	\$4.84
1 1/2"	\$3.55	\$4.14	\$4.84
2"	\$3.55	\$4.14	\$4.84
3"	\$3.55	\$4.14	\$4.84
4"	\$3.55	\$4.14	\$4.84
6"	\$3.55	\$4.14	\$4.84
8"	\$3.55	\$4.14	\$4.84
10"	\$3.55	\$4.14	\$4.84
12"	\$3.55	\$4.14	\$4.84
Wastewater Charge (\$ per 1,000 gallons of WW)			
Commercial I	\$2.30	\$2.83	\$3.31
Commercial II (D/H Hotels)	\$5.61	\$6.91	\$8.07
Commercial III (E) High Strength	\$7.78	\$9.58	\$11.19
Navy and Air force (federal)	\$3.29	\$4.05	\$4.73
Government	\$3.29	\$4.05	\$4.73
WW - Residential (\$/month-acct)	\$22.00	\$22.00	\$25.70
Surcharges on Non-lifeline Portion of Utility Bills			
Public Utilities Surcharge	9.5%	8.03%	8.03%
Sup. Annuity Retirement (SAR)	4.1%	3.49%	3.49%
Total	13.6%	11.5%	11.52%

GWA Response GCG Request for Information Set 1

GWA REQUEST FOR EMERGENCY RELIEF  
PUC DOCKET 09-02  
GCG REQUESTS FOR INFORMATION - SET #1

1. In the format of the Minimum Filing Requirements (last rate case) provide the following for Schedule A; Schedule B; Schedules C, C1 and C2; Schedule D; and Schedule F:

Schedule	Status
A	Pending
B	Pending
C	Pending
C1	Submitted 01_31_09,
C2	Submitted 01_31_09,
D	Submitted 01_30_09,
F	Submitted 01_30_09,

- a. 2007 actual; 2008 actual; and 2009 budget;

2. With respect to water purchases from the Navy, provide for 2007, 2008 and 2009 (projected or budget):

- a. The rate for water purchased, indicating the date of the price change;

FY2007	FY2008	FY2009
Rate (per kgal): \$2.09	\$3.25	\$3.80
Effective Date: 10/01/2006	10/01/2007	10/01/2008

- b. The volume of water purchased;

FY2007	FY2008	FY2009
Volume (kgal): 1,314,913	1,317,469	1,209,000 (a)

(a) projected

- c. Explanation of the increase of water purchased from Navy from 868 Kgals in 2008 to 1,209 Kgals in 2009 (projected).

We concluded that the actual volume in FY2008 was a representative amount of purchases for FY2009. At the time, the FY2008 volume was based on annualized data from nine (9) months of actual volume and further reduced by projected line losses to arrive at the projected level for FY2009.

Provide the basis for the 2009 projection and actual consumption to date.

FY2008 purchases (kgal): 1,273,000

Projected reduction in line loss: 3%

Projected purchases (kgal): 1,209,000

FY2009 Consumption as of 12/31/08 (Kgal): 362,000

What actions has GWA taken to reduce Navy water purchases?

Our largest single point of Navy water purchase is in the Santa Rita area near the Fena Water Treatment Plant. In the past we purchased approximately 1500 gallons per minute at this location. It was limited to 1500 gpm only because the Navy restricted their feed to prevent more than 1500 gpm from flowing. We have reduced our average usage from Fena water to approximately 900 gpm. This was accomplished by

reducing water losses and by increasing the amount of water moved from Talofoto across island to the Agat/Santa Rita pressure zone. (The reduction in losses in A/SR is described in our response to leak detection RFI below.) We increased flow across island from 400 to about 600 gpm. This water is coming from the well fields in the north.

In the future we will be able to produce more water at Ugum and move more water cross island to A/SR pressure zone. In addition to Ugum project completion (2009) we need some booster station upgrades to increase our pumping capacity beyond what we are currently moving from the north.

- d. What are the projected losses associated with Navy water purchases. Unfortunately we do not have the sufficient data for calculating losses associated with Navy water purchases. The charges for water purchases are based on readings from master meters and the Navy does not disclose service addresses for the customers served by the meters.

3. With respect to power purchases for 2007, 2008 and 2009 (projected or budget):

- a. The Kwh used for each year;

<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>
Kwh projected: 54,000,000	47,000,000	59,000,000

- b. Price per Kwh broken down by base rate and LEAC over the time period. Provide the date for each rate change.

<b>Description</b>	<b>Effective Date</b>	<b>Rate/Kwh</b>
LEAC	August 2007	\$ .123957
LEAC	March 2008	.150467
LEAC	June 2008	.170440
LEAC	October 2008	.187750
LEAC	December 2008	.171050
LEAC	February 2009	.157150

<b>Description</b>	<b>Effective Date</b>	<b>Rate/Kwh</b>
Base – SchS3	October 2007 – January 2009	\$8.09
	February 2009 - present	8.58
Base – SchS1	October 2007 – January 2009	8.09
	February 2009 - present	8.58
Base - SchL	October 2007 – January 2009	19.43
	February 2009 - present	20.60
Base – SchK3	October 2007 – January 2009	16.19
	February 2009 - present	17.16
Base – SchK1	October 2007 – January 2009	16.19
	February 2009 - present	17.16
Base - SchF5	October 2007 – January 2009	26.34
	February 2009 - present	27.92

- c. Total dollars paid for power purchases.

FY2007	FY2008	FY2009
Actual: \$11,914,000	\$14,615,000	\$16,261,000 (b)

(b) projected

- d. Provide an explanation as to why Kwh purchased per Kgal of water production<sup>1</sup> increase from 2.97 in 2007 to 3.91 in 2008.

A power audit is currently underway and GWA and GPA are currently working together to investigate the volatility in Kwh consumption. For example, sometime in November 2008 a credit adjustment was made in favor of GWA amounting to approximately 2.0M Kwh for we were successful in identifying in our favor a credit adjustment for FY2008 consumption amounting to approximately 2.0M Kwh. The audit is ongoing and constitutes analyzing approximately 250 meters.

What is the comparable figure in 2009 and what are actual power purchases to date?

FY2009 estimated Kwh per kgal: 3.91

FY2009 power purchases as of 12/31/2008: \$ 3,992,000

- e. What is the cost of power purchases associated with water line losses?

We can only conclude based on the average water loss rate of 53% in FY2008, power purchases associated with line losses is \$7.8M (\$14.6M times 53%).

4. To the extent some amount of relief is awarded, does GWA propose to provide for any increase in the lifeline rate? \$-0-

If not, provide the 2009 (budget or projected) revenues before the proposed increases broken down for water and wastewater excluding lifeline and surcharge revenues.

Description	Revenue w/o Increase	Revenue w/Increase
Water	33,800,000	38,200,000
Wastewater	13,900,000	15,701,000
Lifeline	434,000	434,000
Surcharges	<u>4,800,000</u>	<u>5,400,000</u>
Total	52,934,000	59,735,000

5. For 2009, Provide: Submitted 01/30/09

- Monthly financials for October through December 2008.
- Coverage calculations through December 2008. Provide details for both the numerator and denominator.
- Coverage calculations projected for the remainder of the year. Provide details for both the numerator and denominator.

<sup>1</sup> Please confirm that water production is water produced and not water sold.

6. What current information has been shared with the Fitch rating agency regarding Navy water purchases, power purchases and debt service coverage? Provide a copy of whatever has been provided to Fitch.

Please refer to Attachments (submitted 01/30/09).

7. Please indicate whether GWA has implemented the second step of the salary increases for CTP. If so, when and whether any approval was sought from the PUC pursuant to the Contract Review Protocol and whether there is a CCU Resolution approving such action. Provide if available. If the increase has not been implemented, indicate if and following what protocol will it be implemented.

GWA has not implemented the second step of the CTP increases. The CCU has approved the incremental adjustments and a copy of the CCU resolution will be provided by February 2, 2009. Implementation is subject to improvements in GWA's financial condition and the projected impact on revenue requirements is estimated at \$850,000.



Responses FY09\_GWA\_MFR GCG Feb2\_09.xls (portion used)

**GUAM WATERWORKS AUTHORITY**  
**Schedule A - Revenue Requirement (Combined)**

1.		FY2007	FY2008	FY2009	FY2009
2.		(A)	(B)	w/o Incr.	w. Incr.
3.				(C)	(D)
4.					
5.	<b>OPERATING REVENUES</b>				
6.	Water Revenues	\$ 27,535,265	\$ 30,542,672	\$ 32,014,734	\$ 32,014,734
7.	Wastewater Revenues	14,131,314	16,261,253	17,086,927	17,086,927
8.	Other Revenues & System Development Charge	912,118	1,249,713	3,481,720	3,481,720
9.	GPA/Navy Surcharge	3,514,028	3,466,617	3,090,096	3,489,028
10.	Retiree Surcharge	1,535,105	1,504,950	1,343,018	1,516,402
11.					
12.	<b>Requested Increase</b>				5,705,809
13.	<b>Total Operating Revenues</b>	\$ 47,627,830	\$ 53,025,205	\$ 57,016,495	\$ 63,294,620
14.					
15.					
16.	<b>OPERATING &amp; MAINTENANCE EXPENSES</b>				
17.	Power Purchases	\$ 11,914,539	\$ 14,615,005	\$ 16,261,312	\$ 16,261,312
18.	Water Purchases	2,820,954	4,408,514	4,445,289	4,445,289
19.		\$ 14,735,493	\$ 19,023,519	\$ 20,706,601	\$ 20,706,601
20.					
21.	<b>Salaries and Wages</b>	\$ 14,932,375	\$ 16,009,238	\$ 18,604,753	\$ 18,604,753
22.	<i>Intentionally Left Blank</i>				
23.	<b>Administrative and General Expenses</b>	5,906,311	5,380,644	7,312,909	7,312,909
24.	<i>Intentionally Left Blank</i>				
25.	<i>Intentionally Left Blank</i>				
26.	<i>Intentionally Left Blank</i>				
27.	<i>Intentionally Left Blank</i>				
28.	<i>Intentionally Left Blank</i>				
29.	<i>Intentionally Left Blank</i>				
30.	<i>Intentionally Left Blank</i>				
31.	<b>Depreciation Expense</b>	9,748,542	10,676,795	10,767,963	10,767,963
32.	<b>Contractual Expense</b>	3,433,330	3,313,820	3,612,341	3,612,341
33.	<b>Bad Debt Expense</b>	859,601	1,000,000	598,129	598,129
34.	<i>Intentionally Left Blank</i>				
35.	<i>Intentionally Left Blank</i>				
36.	<b>Total Operating Expenses</b>	\$ 49,615,652	\$ 55,404,016	\$ 61,602,696	\$ 61,602,696
37.					
38.	<b>Operating Net Income (Loss)</b>	\$ (1,987,822)	\$ (2,378,811)	\$ (4,586,201)	\$ 1,691,924
39.					
40.	Interest Income-Construction Fund	\$ 3,225,083	\$ 1,763,765	\$ 250,000	\$ 250,000
41.	Interest Income-Other Funds	-	-	-	-
42.	Interest Expense-Bonds	(6,266,080)	(6,182,047)	(5,746,544)	(5,746,544)
43.	Interest Expense-Others	(86,348)		(254,209)	(254,209)
44.	AFUDC	2,136,807	2,120,806	1,002,000	1,002,000
45.	Amortization of Issuance Costs	(68,262)	8,050	(68,262)	(68,262)
46.	Grants	1,656,861	2,702,996	1,900,000	1,900,000
47.	Other Expenses/Income	(570,375)	-	(275,000)	
48.	Supplemental/COLA Annuities		(1,630,817)		-
49.	Recoveries of bad debts	27,086	997,278	500,000	
50.	<b>Net Income (Loss)</b>	\$ (1,933,050)	\$ (2,598,780)	\$ (7,278,216)	\$ (1,225,091)
51.					
52.	Depreciation Expense on Contrib. Capital				
53.					
54.	<b>NET INCREASE (DECREASE) in Capital</b>	\$ (1,933,050)	\$ (2,598,780)	\$ (7,278,216)	\$ (1,225,091)
55.					

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009 w/o Incr.</u>	<u>FY2009 w. Incr.</u>
1.				
2.				
56.				
57. <b>DEBT SERVICE COVERAGE CALCULATION</b>			\$ (2,782,172)	
58.				
59. Earnings from Operations	\$ (1,987,822)	\$ (2,378,811)	\$ (4,586,201)	\$ 1,691,924
60. Investment Income-Other Funds	-	-	-	-
61. Transfer from (to) restricted fund	-	-	-	-
62. Unfunded Retirement Liability	749,533	850,000	1,000,000	1,000,000
63. Interest/Investment Income	3,225,083	1,763,765	250,000	250,000
64. Recoveries	27,086	997,278	500,000	500,000
65. GPA/Navy Surcharge	(3,514,028)	(3,466,617)	(3,090,096)	(3,489,028)
66. Depreciation	9,748,542	10,676,795	10,767,963	10,767,963
67. Balance Available for Debt Service	<u>\$ 8,248,394</u>	<u>\$ 8,442,410</u>	<u>\$ 4,841,666</u>	<u>\$ 10,720,859</u>
68.				
69. <b>Debt Service</b>				
70. Interest	\$ 5,839,794	\$ 5,746,544	\$ 5,648,544	\$ 5,648,544
71. Principal	1,865,000	1,960,000	2,058,000	2,058,000
72.	<u>\$ 7,704,794</u>	<u>\$ 7,706,544</u>	<u>\$ 7,706,544</u>	<u>\$ 7,706,544</u>
73.				
74.				
75. <b>Debt Service Coverage (DSC)</b>	<b>1.07</b>	<b>1.10 x</b>	<b>0.63 x</b>	<b>1.39</b>
76.				
77.				
78. <b>CASH FLOW STATEMENT</b>				
79.				
80. Net Income (Loss)	\$ (1,933,050)	\$ (2,598,780)	\$ (7,278,216)	\$ (1,225,091)
81. Add: Depreciation & Amortization	9,816,804	10,668,745	10,836,225	10,836,225
82. Deduct: AFUDC	(2,136,807)	(2,120,806)	(1,002,000)	(1,002,000)
83. Deduct: Interest Income-Construction Fund	(3,225,083)	(1,763,765)	(250,000)	(250,000)
84. Transfer from (to) restricted fund - RSTF	-	-	-	-
85. Subtract: Principal Payments	(1,865,000)	(1,960,000)	(1,960,000)	(1,960,000)
86. Working Capital Change (Increase)Decrease	-	-	-	-
87. Capital Improvement Projects [Internal]	(62,532)	(316,991)	(2,000,000)	(2,000,000)
88. Capital Improvement Projects [Grants]	(1,656,861)	(2,702,996)	(1,900,000)	(1,900,000)
89. CAP I Fund	-	-	-	-
90. Long Term Debt Proceeds	-	-	-	-
91. Construction Fund (LT Debt)	-	-	-	-
92. Inventory Purchases	-	-	-	-
93. O&M, Renovation, Replacement Reserve	-	-	-	-
94. Rate Stabilization Fund	-	-	-	-
95. Surcharge Payment (GPA & Navy)	(3,438,618)	(3,344,915)	(3,391,860)	(3,391,860)
95. Self Insurance Funding	-	-	-	-
95. Retirees' Benefits payment (Prior Obligation)	-	473,252	1,000,000	1,000,000
95. <b>Cash Surplus (Deficit)</b>	<u><b>\$ (4,501,147)</b></u>	<u><b>\$ (3,666,256)</b></u>	<u><b>\$ (5,945,851)</b></u>	<u><b>\$ 107,274</b></u>

Attachment\_1\_MFR\_09 Schedule D F Jan30\_2009.xls (portion used)

**GUAM WATERWORKS AUTHORITY**  
**Schedule D - Details of Water Purchases**

	<u>FY2007</u> (A)	<u>FY2008</u> (B)	<u>FY2009</u> (C)
1. <b>Water Purchases</b>			
2.			
3.			
4. <b>Navy Contract</b>			
5. Purchased kGal	1,314,913	1,317,469	1,137,058
6. Rate Per Kgal	\$ 2.09	\$ 3.25	\$ 3.80
7. Total Purchase Costs	\$ 2,748,168.00	\$ 4,281,580.30	\$ 4,320,820.91
8. Other Costs	0	0	0
9. <b>Total Costs</b>	<u>\$ 2,748,168.00</u>	<u>\$ 4,281,580.30</u>	<u>\$ 4,320,820.91</u>
10.			
11. <b>Earthtech Contract</b>			
12. Purchased kGal	-	-	-
13. Rate Per Kgal	\$ -	\$ -	\$ -
14. Total Purchase Costs	\$ -	\$ -	\$ -
15. Other Costs			
16. <b>Total Costs</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
17.			
18. <b>Airforce Contract</b>			
19. Purchased kGal	48,524	84,622	82,979
20. Rate Per Kgal	\$ 1.50	\$ 1.50	\$ 1.50
21. Total Purchase Costs	\$ 72,786.00	\$ 126,933.70	\$ 124,468.10
22. Other Costs	0	0	0
23. <b>Total Costs</b>	<u>\$ 72,786.00</u>	<u>\$ 126,933.70</u>	<u>\$ 124,468.10</u>
24.			
25. <b>Other Contract</b>			
26. Purchased kGal			
27. Rate Per Kgal	\$ -	\$ -	\$ -
28. Total Purchase Costs	\$ -	\$ -	\$ -
29. Other Costs			
30. <b>Total Costs</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
31.			
32. <b>Other Contract</b>			
33. Purchased kGal			
34. Rate Per Kgal	\$ -	\$ -	\$ -
35. Total Purchase Costs	\$ -	\$ -	\$ -
36. Other Costs			
37. <b>Total Costs</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
38.			
39. <b>Grand Total</b>	<u><u>\$ 2,820,954</u></u>	<u><u>\$ 4,408,514</u></u>	<u><u>\$ 4,445,289</u></u>
40.			
41. <b>From Sch A</b>	2,820,954	4,408,514	4,445,289
42.			
43.	-	-	-
44.			
45.		-	

Power\_Water\_Spreadsheet.xls

GWA  
Power and Water Costs

**Power**

Fiscal Year	Projected	Actual	Projected KWH Consumption	Actual KWH Consumption	Total Water		
					Production (kgal)	Avg. Cost per kgal	Avg. KWH per kgal
FY2007	\$ 12,382,250	\$ 11,914,000	54,058,000	47,101,915	15,857,000	0.75	2.97
FY2008	11,642,766	14,615,000	47,101,915	60,582,865	15,496,000	0.94	3.91
FY2009	\$ 16,261,000	\$ -	59,062,038	-	15,107,000	1.08	3.91

-5%

- Q. Was the last rate case using FY2007 as a test year?
- Q. I note that the increased power costs 2008 v 2007 is also related to increased kWh consumption. Cause or Causes?
- Q. Production = Sales more or less? When the need for increased electricity for same level of sales?

**Navy Water Purchase**

Fiscal Year	Projected (a)	Actual	Projected kgal	Actual Kgal	Cost per kgal
FY2007	\$ 3,800,000	\$ 2,748,168	1,818,182	1,314,913	2.09
FY2008	2,820,954	4,281,774	867,986	1,317,469	3.25
FY2009	\$ 4,594,200	\$ -	1,209,000	-	3.80

- Q. Is the annual increase from the Navy unlimited? Negotiable? Can or did GWA inquire the causes for these per kGal increases?
- Q. In our earlier correspondence, I suggested that you show the DSCR every month and you concurred. Would you provide the DSCR ratio for FY 2007 and FY2008 and FY 2009 with the components of the Debt Service shown and the computation of the earnings used for the numerator of that ratio?

- Q. Are you able to show (quantify) what GWA is not doing as a result of these unfavorable variances?

(a) does not include Air Force water purchases