

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

GUAM WATERWORKS
AUTHORITY [GWA] REQUEST FOR
PUC INVESTIGATION OF COSTS

GWA DOCKET 09-02

ORDER APPROVING GUAM WATERWORKS
AUTHORITY BASE RATE INCREASE

The background of this matter is set forth in the prior ORDER of the Commission issued in this docket on February 27, 2009.¹ This proceeding arose upon written request by the Guam Waterworks Authority [GWA] that the Guam Public Utilities Commission [PUC] initiate and conduct an investigation into the adverse financial impact to GWA of significant rate hikes in power and Navy water costs.² Upon reference of this matter by the PUC to its consultant, Georgetown Consulting Group, Inc. [GCG], GCG submitted its Report to the PUC recommending that the PUC should, on its own initiative, consider authorizing an increase of 6.60% in the base rates of GWA, without a compression adjustment.³ In addition, by letter dated February 27, 2009, Leonard Olive, General Manager of GWA, indicated that GWA stipulated to the GCG recommendation of a 6.6% rate increase to offset the increased costs of both Navy water and power purchases.⁴

In accordance with to its statutory powers, the PUC determined that the base rate increase proposed by GCG should be scheduled for public hearings, for the purpose of receiving public comment and testimony on the recommended rate increase. Pursuant to duly issued Notice of Public Hearing, the PUC conducted three public hearings on the recommended rate increase.⁵ At the Hagatna public hearing, Mayors Dean Sanchez of Umatac and Ben Gumataotao of Piti testified against the proposed increase, contending that poor people of the island would be obligated to pay the rate increase and that any Navy price increase for water from Fena Reservoir should be negotiated, as the water belongs to the people of Guam. In addition, these Mayors suggested that

¹ Order Scheduling Public Hearings on Proposed Guam Waterworks Authority Rate Increase, issued February 27, 2009.

² Letter dated January 7, 2009 from Leonard Olive, General Manager, GWA, to Jeffrey C. Johnson, Chairman, PUC.

³ Report of Georgetown Consulting Group, Inc. dated February 11, 2009, GWA Docket 09-02.

⁴ Letter dated January 7, 2009 from Leonard Olive, General Manager, to Jeffrey C. Johnson, Chairman, PUC.

⁵ Public hearings were conducted on March 19, 2009, at Suite 202 GCIC Building, Hagatna, and on March 20, 2009, at the Asan Community Center and the Dededo Senior Citizens Center.

customer service and other management issues of GWA should be addressed first before rates are increased.

At the Asan and Dededo Public Hearings there was testimony from Mayors Benny San Nicolas of Asan, Melissa Savares of Dededo, and Vice Mayor Ronald Flores of Yigo. Mayor San Nicolas felt that there was a need to improve water works and pipes in the villages for efficiency. Mayor Savares indicated that residents would support rate increases, but only if GWA services are improved. Vice Mayor Flores also felt that GWA is not efficient, as water leaks are not being addressed and service has not been improved, despite prior rate increases.

The PUC has now duly considered the record in these proceedings, the request of GWA for a PUC investigation of its increased power and Navy water costs, the Report and recommendation of GCG, and the public testimony given at the three scheduled public hearings. For good cause shown and on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission makes the following determinations:

Determinations

1. Due and proper notice of scheduled public hearings was issued in accordance with law.
2. Based upon the record herein, it has been affirmatively established, by a preponderance of the evidence, that a rate increase for GWA is necessary. PUC hereby determines that, on its own initiative, a base rate increase of 6.60% should be granted to GWA. Pursuant to 12 GCA §12004, the PUC is obligated to provide GWA rates that are adequate "to cover the full cost of such service..." In accordance with the Report submitted by GCG, it has been established that the proposed rate increase is necessary to enable GWA to pay for the increases in its power costs and Navy water costs experienced from FY'07 through FY'09 and continuing thereafter.⁶
3. GWA should be awarded, for meters read on and after April 1, 2009, a base rate increase of 6.60%, excluding lifeline.
4. The PUC is mindful of the concerns raised by the Mayors in their testimony; however, GWA has taken steps to address these concerns. GWA has entered into a Leak Detection Contract with GRH Technologies Ltd. ("GRH"). GRH has guaranteed that it will correct water line losses and reduce them by fifteen percent. In addition, GWA officials have publicly stated at PUC meetings that they did negotiate with the U.S. Navy concerning the amount of water price increases and were successful in obtaining a lesser increase than the Navy had originally intended to charge. Notwithstanding these efficiency concerns raised by the Mayors,

⁶ The PUC adopts the calculations set forth in GCG's Report at pages 7 - 11.

the base rate increase recommended is necessary to enable GWA to cover legitimate costs of its operations and services.

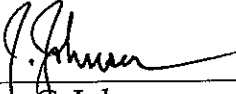
5. The Commission finds that the base rate increase recommended by GCG for GWA is "just and reasonable and in conformance with public law."
6. "Just and reasonable" rates must enable a public utility such as GWA to cover all of its operating expenses. 12 GCA §12017.

Ordering Provisions

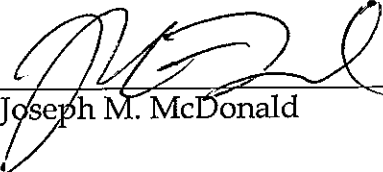
After careful review and consideration of the above determinations, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS THAT:

1. GWA is awarded, for meters read on and after April 1, 2009, a base rate increase of 6.60%, excluding lifeline.
2. GWA shall amend its rate schedules in accordance with this Order and file the same with the Commission.
3. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

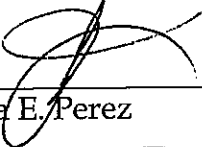
Dated this 30th day of March, 2009.



Jeffrey C. Johnson
Chairman

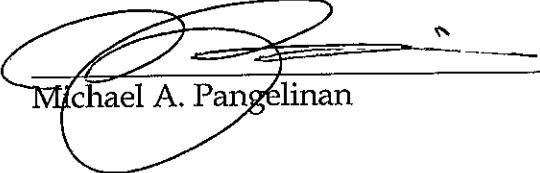


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