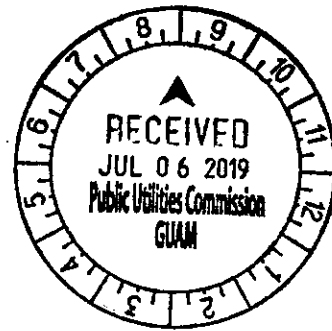


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8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9
10 IN RE: PETITION FOR APPROVAL OF
11 GWA'S THIRD FIVE-YEAR
12 FINANCIAL PLAN.

DOCKET NUMBER: 19-08

13 **PETITION FOR APPROVAL**
14 **OF GUAM WATERWORKS**
15 **AUTHORITY'S FIVE-YEAR FINANCIAL**
16 **PLAN AND RATE RELIEF**

17 Comes now, Guam Waterworks Authority ("GWA"), and hereby files this
18 Petition for Approval of the Guam Waterworks Authority's Five-Year Financial Plan as
19 previously approved by the Guam Consolidated Commission on Utilities ("CCU") on
20 June 5, 2019.

21
22 **I. JUSTIFICATION FOR APPROVAL**

23 On April 6, 2019, GWA published notice in a local paper of its intent to request
24 water and sewer rate increases over the existing tariffs last approved by the PUC in
25 2017. GWA conducted no less than seven public hearings over the subsequent
26 weeks, provided notice in the May customer billing cycle, and gave additional notice in
27 the paper on June 6, 2019. On June 5, 2019, by Resolution No. 36-FY2019, the
28 Consolidated Commission on Utilities ("CCU") under its budgetary authority in Public
29 Law 26-76, approved the filing of GWA's Five-Year Financial Plan ("Financial Plan").
30 Exhibit A. The primary reasons for the rate increases are: first, that they are
31 necessary to pay debt service on approximately \$134M in bonds to be issued by GWA
32 in 2019. This financing is required in part to comply with the November 2010 Order of

COPY

1 the United States District Court in Civil Case No. 02-00035 ("Order") by funding the
2 upgrade and refurbishment of GWA's existing water and wastewater infrastructure as
3 required under the Clean Water Act and the Safe Drinking Water Act, and second, to
4 get started on the Twenty-Year Master Plan which will include capital projects
5 necessary to comply with the impending Consent Decree currently being negotiated
6 with the USEPA.

7 In Exhibits B through D, the Commission will find the supporting testimony of
8 the GWA General Manager, GWA's financial and utility management expert, Mr. Eric
9 Rothstein, and the supporting financial schedules. As allowed by 12 GCA §14206, the
10 CCU has determined that the bonds are scheduled to be issued in three series during
11 calendar years 2019, 2022 and 2023. Annual debt service on GWA's senior lien debt
12 obligations is expected to increase from the current level of \$31.4M today to \$47.2M
13 by FY2024.

14 GWA is also seeking increased rates and charges to cover the cost of internally
15 financed capital projects of approximately \$96M over the five-year period, which will
16 support the projected five-year Capital Improvement Program and reduce GWA's
17 need for more expensive long-term debt. Furthermore, GWA is also seeking
18 increased rates to cover additional operation and maintenance expenses as is
19 discussed by major line item in testimony and shown in detail in the supporting
20 schedules.

21 The proposed rate increases to cover the increased costs set out in the
22 Financial Plan approved by the CCU and the testimony and exhibits attached hereto
23 are as follows for GWA's basic charges and non-lifeline water and sewer rates:

- 24 i. 10% in FY2020;
- 25 ii. 8.5% in FY2021;
- 26 iii. 8% in FY2022;
- 27 iv. 6% in FY2023; and
- 28 v. 5% in FY2024. a total of 38% over the five-year period

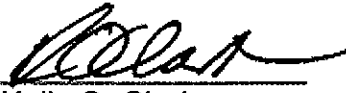
29
30 Lifeline water rate increases are limited to the 8% increase in FY 2022.

1 GWA believes these rate adjustments to be reasonable, necessary and in the
2 public interest so that the Authority may meet the requirements of the 2011 Court
3 Order, the adopted 2018 Water Resources Master Plan, and its upcoming Federal
4 Court Consent Decree requirements as well as continue meeting O&M needs.
5

6 **II. CONCLUSION**

7 Based upon the foregoing, as well as the exhibits and testimony attached
8 hereto, GWA requests the Guam Public Utilities Commission grant this Petition for
9 approval of the Guam Waterworks Authority's Five-Year Financial Plan and Rate
10 Relief as presented.
11

12 Respectfully submitted this 6th day of July, 2019.
13

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15 Kelly O. Clark
16 GWA General Counsel
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GUAM WATERWORKS AUTHORITY

EXHIBIT A



Petition for Approval of Guam Waterworks Authority's Five-Year
Financial Plan and Rate Relief; GWA Docket 19-08



CONSOLIDATED COMMISSION ON UTILITIES
Guam Power Authority | Guam Waterworks Authority
P.O. Box 2977 Hagatna, Guam 96932 | (671)649-3002 | guamccu.org

GWA RESOLUTION NO. 36-FY2019

**RELATIVE TO APPROVING THE FIVE-YEAR FINANCIAL PLAN
AND CAPITAL IMPROVEMENT PROGRAM**

WHEREAS, the Consolidated Commission on Utilities (“CCU”) is the governing body of the utilities and as such it possesses fiscal, contract and policy oversight over the Guam Waterworks Authority (“GWA”); and

WHEREAS, GWA is a Guam Public Corporation established and existing under the laws of Guam; and

WHEREAS, GWA prepared its third consecutive five-year financial plan FY2020-2024 which will provide for the continued modernization, operation, maintenance, and repair of GWA’s water and sewer systems and provide for appropriate debt service on approximately \$260 million in bonds to pay for the planned capital improvements to the benefit all of the people of Guam; and

WHEREAS, the Five-Year Financial Plan (“Financial Plan”) addresses the 5 year period FY2020-FY2024: (1) estimated annual budgets for operations, maintenance and repair of GWA’s water and sewer system, including capital improvement projects; and (2) a detailed descriptive plan for raising sufficient revenue to meet the projected costs set forth in the budget; and

WHEREAS, GWA’s proposed Financial Plan contains annual rate increases that are driven primarily by obligatory investment for system reliability, federal regulatory compliance, the 2011 Federal Court order and a forthcoming U.S.E.P.A. Consent Decree while concurrently meeting the bond rate covenants and PUC debt coverage requirements along with credit rating considerations; and

1 **WHEREAS**, GWA management has presented its comprehensive Financial Plan to the
2 CCU for its approval for release as described in the CFO Summary and accompanying
3 documents attached hereto as Exhibit A; and
4

5 **WHEREAS**, GWA's proposed Financial Plan provides the structure to support the 5-
6 year Capital Improvement Program attached hereto as Exhibit B, the FY2020 Budget and will
7 become the foundation for subsequent 5-year plans to enable the implementation of the 20-year
8 2018 Water Resources Master Plan; and
9

10 **WHEREAS**, highlights of the Financial Plan include:

11 1) Rate increase utilizing a "cash basis" analysis of 10% in FY2020, 8.5% in FY2021,
12 8% in FY2022, 6.5% in FY2023 and 5% in FY2024 to fund increases in operating
13 expenses and other costs subject to inflationary pressures, to pay for current debt
14 service and future debt service of approximately Two Hundred Sixty Million Dollars
15 (\$260,000,000) of bond financing in FY2020, FY2022 for much needed capital
16 improvement projects for service improvements which includes, but is not limited to,
17 the following projects:

- 18 a. continued development of water wells needed to support growth;
- 19 b. water distribution upgrades that will reduce GWA's water losses which
20 translates into lower power rates and lower costs for GWA's customers;
- 21 c. water booster station upgrades;
- 22 d. upgrades to GWA's sewer collection system and a comprehensive sewer line
23 replacement and rehabilitation program;
- 24 e. upgrades to over 20 wastewater pumping stations;
- 25 f. numerous upgrade projects for the electrical systems on sewer collection and
26 treatment facilities;
- 27 g. installing additional SCADA system so that GWA can monitor and operate its
28 water and wastewater system more efficiently;
- 29 h. continue the Court Order replacement of some of GWA's remaining steel
30 water storage tanks and add new concrete tanks that have a better life cycle
31 cost;
- 32

1 i. continue the Court Order refurbishment of some of GWA's steel water storage
2 tanks that will give the tanks an additional ten to fifteen years of life to allow
3 GWA the ability to replace the tanks as necessary; and

- 4 2) Ensure that the cash reserves required under the Bond Indenture and Stipulated Order
5 will be fully funded by the end of Fiscal Year 2024;
- 6 3) Ensures that the proper debt service coverage ratio that is required under the 2005,
7 2010, 2013 and 2016 Series Bond Indentures and future bond financing are
8 maintained.
- 9 4) Continuation of on-going efforts to reduce water losses by 10% over the next five
10 years through an aggressive leak detection and repair program, and prioritizing line
11 replacement projects;
- 12 5) Internally funded capital improvement projects of approximately Ninety-Six Million
13 Dollars (\$96,000,000) to reduce GWA's need to finance all capital projects and
14 thereby reduce costs to the consumers by eliminating the interest and costs associated
15 with financing.
- 16 6) Augments the existing Working Capital Reserve funds for Operations & Maintenance
17 and Debt Service by Fifteen Million Five Hundred Thousand Dollars (\$15,500,000)
18 to improve liquidity for dealing with unexpected events and to bring GWA closer to
19 conforming with industry standards for working capital and cash reserves of four (4)
20 months and sixty (60) days, respectively, as well as to create opportunities to enhance
21 investment grade status for GWA bonds, attain better access to financial market and
22 lower future debt costs; and
23

24
25 **WHEREAS**, the CCU has directed and Management has conducted a comprehensive
26 public information campaign, including public work sessions with the CCU, television and radio
27 interviews by the General Manager, several detailed presentations to the public in villages in the
28 north, central and south of Guam, the Mayor's Council of Guam, the Speaker and GWA's
29 oversight Chair at the Guam Legislature, and other community stakeholder groups such as the
30 Rotary Club of Guam and the Guam Chamber of Commerce, as well as distribution of
31 information on the plan to every GWA customer via billing inserts in the mail and publication of
32

1 the full text of the proposed plan on GWA's website, so that the plan can be thoroughly
2 evaluated and commented on by the public; and
3

4 **WHEREAS**, having thoroughly reviewed and analyzed the plan, the CCU now finds that
5 the Financial Plan is ready for approval and the CCU will authorize GWA management to file
6 the Financial Plan with the Guam Public Utilities Commission after the expiration of thirty days
7 from the date the notice is published in a newspaper of general circulation and on the GWA
8 webpage as required by the Ratepayers Bill of Rights as contained in Guam Code Annotated.
9

10 **NOW BE IT THEREFORE RESOLVED**, the Consolidated Commission on Utilities
11 does hereby approve and authorize the following:
12

13 The five-year Financial Plan required under GWA's master plan is hereby
14 approved for filing with the Guam Public Utilities Commission which includes, but is not limited
15 to the highlights set forth herein and below:
16

- 17 a. Rate increases of 10% in FY2020, 8.5% in FY2021, 8% in FY2022, 6.5% in
18 FY2023, and 5% in FY2024 to account for current debt service and future debt
19 service for approximately \$260 million in financing for capital projects and
20 increases in costs such as power costs; Navy water purchases and other normal
21 and recurring operating expenses due to inflation;
- 22 b. A reduction in water losses by 10% by the end of the five-year period;
- 23 c. Ninety-Six Million Dollars (\$96,000,000) set aside for internally funded capital
24 improvement projects to offset amounts GWA is required to borrow;
- 25 d. Fifteen Million Five Hundred Thousand Dollars (\$15,500,000) to augment the
26 existing Working Capital Reserve funds for Operations & Maintenance and
27 Debt Service of four (4) months and sixty (60) days respectively and beginning
28 FY2020 and thereafter, deposit into the Fund from monthly revenues collected
29 an amount equal to 1/12th of the budgeted amount detailed in the Plan on
30 GWA's annual budget, of which no expenditure or withdrawal shall be made
31 without prior written approval by the CCU.
32

