

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: GUAM WATERWORKS AUTHORITY FY 2020 – 2024.

) DOCKET NUMBER NO. 19-08
) STIPULATIONS OF THE GUAM WATERWORKS AUTHORITY AND GEORGETOWN CONSULTING GROUP ON BEHALF OF THE PUBLIC UTILITY COMMISSION OF GUAM

GWA ACCOUNTING ORDER

I. BACKGROUND

On February 1, 2020 Guam Water Authority (GWA) and Georgetown Consulting Group (GCG) agreed to a stipulation that a series of studies be undertaken to provide the PUC with critical information upon which to consider adjustments to its FY 2020 – FY 2024 financial plan. The studies must be completed by March 31, 2021 and will be used in support of the FY 2022 Comprehensive Review and Update of GWA’s Financial Plan, which GWA will submit to the PUC for review no later than June 1, 2021.

GWA petitioned the PUC on July 6, 2019 for approval of its Five-Year Financial Plan and rate relief. GWA and GCG began stipulation discussions in September and these discussions continued through until the stipulation was signed. During the discussions, GWA indicated that the cost of these studies would be significant, in excess of \$1 million, and the study costs were not included in its Five-Year Financial Plan. The studies are described in further detail in the stipulation and include:

- 1. Demand Forecasting – GWA must prepare a comprehensive econometric forecast of water sale volumes (kGal) by customer class using a methodology similar to the method used by the Guam Power Authority (GPA) to prepare its electricity sales forecast.
2. Water Loss Reduction – GWA will advance and expand water loss reduction measures including accelerating planned water line replacements, implementation of district metering areas and other high priority measures.
3. Cost of Service/Rate Design - GWA must conduct a water and wastewater cost of service and rate design (COS) study that independently examines the allocation of costs to all

1 customer classes of both the water and wastewater systems employing analysis methodologies as
2 outlined in the American Water Works Association's (AWWA) and Water Environment
3 Federation's (WEF) manuals of standard practice.¹

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5 4. **Affordability** – GWA will prepare an evaluation of household water affordability
6 using measures as outlined in the AWWA/NACWA²/WEF report submitted to EPA in May
7 2019,³ and will prepare Financial Capability Assessment (FCA) information using its
8 recommendations.

9 5. **Capital Financing** – GWA agrees to pursue legislative and other actions
10 necessary, including working with the PUC and the Guam Economic Development Authority
11 (GEDA) and appropriate financial advisors to enable access to certain financing tools, and to
12 modify selected financial policies. GCG agrees to support GWA's actions before the PUC in
13 pursuing the following enhancements to its financing vehicles:

- 14 a. GWA agrees to investigate the availability and relative costs of alternative debt
15 instruments such as letters-of-credit or surety bonds to fund debt service reserves
16 in lieu of bond financing required reserves through debt issuance proceeds.
17 b. GWA agrees to investigate the availability and relative costs of the use of
18 commercial paper or lines of credit to finance its ongoing capital construction
19 program following issuance of its Series 2020 revenue bonds.

20 6. **Capitalized Labor** – GWA agrees to undertake a review of its current capitalized
21 labor expense protocol.

22 7. **Cesspool/Septic Tank Remediation** – GWA agrees to investigate options to
23 enhance compliance with Title 10, Chapter 48, Toilet Facilities and Sewage Disposal, potentially
24 including legislatively approved transfer of regulatory authority to GWA.

- 25 a. GWA will identify all residential facilities with 200 ft. of an existing GWA
26 sanitary sewer line or 1000 ft. of a GWA water well that require specific action
27 steps to be taken by GWA in accordance with Chapter 48. GWA will estimate the
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30 ¹ AWWA Manual of Practice (M1), Principles of Water Rates, Fees and Charges, 7th Edition and WEF Manual of
Practice (No. 27), Financing and Charges for Wastewater Systems, 4th Edition.

31 ² National Association of Clean Water Agencies (NACWA).

32 ³ "Developing a Framework for Household Affordability and Financial Capability Assessment in the Water Sector,"
prepared by Raftelis, Galardi Rothstein Group, and Corona Consulting for the American Water Works Association,
National Association of Clean Water Agencies, and Water Environment Federation, completed in April 2019 and
submitted to US EPA in May 2019.

1 potential consumer and GWA investments required, identify potential sources of
2 funding these investments, and estimate GWA revenue impacts and expense of
3 implementation.

- 4 b. GWA will consider alternative funding mechanisms to assist consumers in
5 connecting to the sewer system including use of the SDC fund to increase the funds
6 available in the sewer connection revolving fund. GWA will evaluate potential
7 obstacles, if any, to using the SDC fund and outline potential solutions. Other
8 funding mechanisms may be explored as well including private sector financing.

9 GWA agrees to notify the CCU and PUC on a timely basis if potential barriers, including
10 funding and procurement issues, may preclude completion of the above listed studies by the
11 completion dates scheduled and to request necessary modifications and approval of any changes.

12 Additionally, costs that are projected to exceed \$100,000 related to Docket 19-08 and
13 incurred by the PUC, which includes the current and proposed Staffing Study required by 12 GCA
14 12102.2(d), were not included in the FY 2020 – FY 2021 financial plan.

15 There have also been significant expenses incurred to date by the PUC for consulting firm
16 assistance with the regulatory oversight of this rate case. And, to the extent that the PUC engages
17 consulting assistance for oversight of the studies mentioned above, additional expenses will need
18 to be budgeted, reviewed and approved by the CCU and PUC - and funded through charges to
19 GWA.

20 Consolidated Commission on Utilities Resolution 21-FY2014 established the Working
21 Capital Reserve Fund (aka Operations and Maintenance Reserve) to cover cash flow variations
22 due to unanticipated and unforeseeable expenses. This Fund may be used to pay for the stipulated
23 analytical studies and then reimbursed over the amortization period discussed below.

24 **II. DISCUSSION**

25 The analytical studies listed above are an integral part of the stipulation between GWA
26 and GCG and the costs were not included in GWA's filing. GWA and GCG believe that outcomes
27 of the studies will be informative for adjustment of GWA's Financial Plan, and will provide
28 benefits to GWA's customers. This accounting order provides for the deferral of costs associated
29 with the analytical studies identified above and the creation of a regulatory asset in a GWA
30 Account 186.3. This accounting order also affords GWA the opportunity to recover the amortized
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1 regulatory expenses through a separate surcharge. During the FY 2022 Comprehensive Review
2 and Update of GWA's Financial Plan, GWA and GCG will determine the amortization period for
3 the regulatory asset costs, recognizing that the regulatory expense amortization period should
4 reflect the incurrence of additional atypical expenses for the Comprehensive Review and Update.
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7 **III. ORDER**

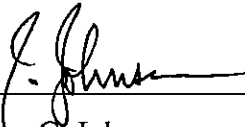
8 After careful review and consideration of the record in this matter, and the recommendations
9 of the ALJ, for good cause shown, on motion duly made, seconded and carried by the
10 undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS**
11 **THAT:**
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- 13 1. GWA will establish in Account 186.3, a regulatory asset which will contain the costs of
14 the analytical studies mentioned above and associated regulatory costs.
- 15 2. GWA will accrue interest on the funds in the regulatory asset account at five percent per
16 annum.
- 17 3. GWA will amortize these costs in the account over a period determined by the PUC in
18 2021 and can be included in GWA rates (or a separate surcharge) established at that time.
- 19 4. The Working Capital Fund will be used to pay for regulatory oversight and the various
20 studies which will be reimbursed over the amortization period.
- 21 5. GWA will provide PUC with final accounting journal entries for this regulatory asset in
22 its filing for the FY 2022 Comprehensive Review and Update of GWA's Financial Plan.
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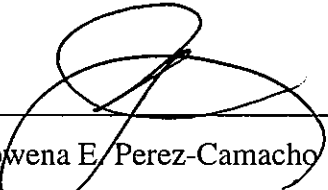
26 **SIGNATURES TO FOLLOW ON NEXT PAGE]**
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1 Dated this 27th day of February, 2020.

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Jeffrey C. Johnson
Chairman



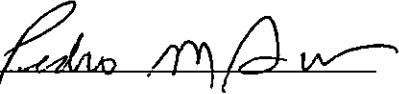
Rowena E. Perez-Camacho
Commissioner



Michael A. Pangelinan
Commissioner



Doris Flores Brooks
Commissioner



Pedro S.N. Guerrero
Commissioner