

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
February 27, 2020
Suite 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special meeting commencing at 6:35 p.m. on February 27, 2020, pursuant to due and lawful notice. Commissioners Johnson, Perez-Camacho, Pangelinan, Flores-Brooks and Guerrero were in attendance. The following matters were considered at the meeting under the agenda included as *Attachment "A"* hereto.

1. Approval of Minutes

The Chairperson announced that the first item of business on the agenda was approval of the minutes of January 30, 2020. Upon motion duly made, seconded, and unanimously carried, the Commission approved the minutes subject to correction.

2. Guam Power Authority

The Chairperson announced that the next item of business was Guam Power Authority [GPA] Docket 20-07, Petition for Approval of the Procurement for Supply of Diesel Fuel Oil to GPA, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated that GPA was soliciting for a contract to supply a range between two to three million gallons of Diesel Fuel Oil No. 2 for GPA's Tenjo Vista Power Plant, that the solicitation was for a contract with an initial term of three years commencing on June 1, 2020 and ending on May 12, 2023 with two options to extend the contract for one-year periods, that GPA estimates that the cost of the contract would exceed the \$1.5 million review threshold, that GPA would have to return to Commission for approval of the contract after they had award it. and that GPA's solicitation was reasonable, prudent, and necessary and he recommends that the Commission approve it. Commissioner Flores-Brooks moved to approve the proposed order authorizing the solicitation, which motion was seconded by Commissioner Pangelinan. The motion carried unanimously.

The Chairperson announced that the next item of business was GPA Docket No. 20-08, Petition to Exercise Extension Option under the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility Contract with Isla Petroleum and Energy, LLC, PUC Counsel Report, and Proposed Order. Legal Counsel Camacho stated this contract had an initial term of two years with three options to extend the

contract for one year periods, that the contract's initial term expired on September 30, 2019, that the Commission approved the first option to renew the contract for one year expiring on September 30, 2020, that GPA was requesting the Commission to approve the exercise of the second and third options to extend the contract to September 30, 2022, that GPA estimates \$885,108.88 for the cost of the second extension and \$911,662.13 for the cost of the third extension, that approving these two extensions would raise the total contract price to \$1,796,771.01, that the gradual price increase for the two terms was reasonable, and that approving the extensions was prudent because Isla Petroleum and Energy, LLC was doing a good job operating the facility, and he recommended that the Commission approve the request. Commissioner Guerrero inquired when the final extension would end and whether we would still need the contract after the new power plant is completed and Legal Counsel Camacho stated that the second extension would end on September 30, 2021, and that the third extension would end on September 30, 2022 and that GPA intended to operate the bulk fuel storage facility after the new power plant was completed and that GPA would have to solicit for a new contract prior to the expiration of the third contract extension. Commissioner Flores-Brooks inquired as to whether the Commission approved just the initial contract term or approved the initial contract term and its optional extension periods and Legal Counsel Camacho stated the Commission usually approves the initial term and requires the agency to petition for the approval of any optional terms, and that for this contract, the Commission has the option of approving only the second extension and requiring GPA to petition for approval of the third extension instead of approving both extensions at once. GPA Legal Counsel Botha stated that the bulk fuel storage facility was an old facility that GPA was converting to store ultra-low-sulfur-diesel and planned to continue to use the facility for the next five to ten years or at least until the new power plant was constructed, certified, and operational. Commissioner Guerrero inquired whether the increased use of solar power is resulting in a reduced need for diesel fuel and a discussion ensued between Commissioner Guerrero and GPA Legal Counsel Botha on the status of various GPA solar power projects and their estimated effects on GPA's overall diesel fuel consumption. Commissioner Flores inquired whether GPA would still need the bulk fuel storage facility after the new power plant is completed and GPA Legal Counsel Botha stated that GPA would still need the facility after the new power plant is operational. Commissioner Guerrero moved to approve the order granting the Petition to Exercise Extension Option under the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility Contract with Isla Petroleum and Energy, LLC., which motion was seconded by Commissioner Perez-Camacho. The motion carried unanimously.

3. Guam Waterworks Authority

The Chairperson announced that the next item of business was Guam Waterworks Authority's [GWA] Docket 19-08, Petition for Approval of GWA's Third Five-Year

Financial Plan and Rate Relief, GWA-Georgetown Consulting Group [GCG] Stipulation, ALJ Report, and Proposed Order. ALJ Horecky stated that the stipulation was the result of long negotiations between GWA and GCG and that the stipulation results in a 5% increase in rates for 2020 and a 5% increase in rates for 2021, and that he considers these increases just and reasonable rates. ALJ Horecky stated the stipulation also required GWA to perform a series of studies, that this was a five year rate case and that the rate increases were only for the first two years, GWA must complete a comprehensive review by May, 2021 and the rates for the remaining three years would be based on that review, and that GWA would have to develop a water loss reduction plan, and that this plan was one of the main reasons he believes that the stipulation should be approved because it would result in greater efficiencies in GWA's water production operations, and that the stipulation also set the parameters for GWA's FY2020 \$134 million bond issuance. ALJ Horecky stated that the only remaining issue was GWA's request to compress the new rates to make-up for the period it took to negotiate the new rates and that the Commission should not approve this because in the stipulation GWA has already agreed that the new rates would begin when the Commission approved the stipulation, because GWA's estimated loss of \$1.9 million, based on the difference of starting the rate now instead of October 1, 2019, may be offset by the opportunities to reduce their water loss and opportunities to reduce expenses, and because of the rate shock that would be caused to the ratepayers because, if GWA's request was approved, the rate for the first year would be and 8.57% increase instead of a 5% increase. GWA GM Bordallo stated that the Commission should approve GWA's request because it has the authority to make the new rate effective on October 1, 2019, because it is unfair that GWA does not have the benefit of the five month period between October 1, 2019 and the present during which GWA and GCG were negotiating the stipulation, and because GWA does not have the full twelve-month period to reduce its expenses to sufficiently offset GWA's lost revenue for those five months.

The Chairperson stated that the Commission does not have a set rule for granting compression requests and that in the past the Commission has granted such requests and denied them as well, and that the stipulation states that the new rates would take effect when the Commission approves the stipulation. Commissioner Flores-Brooks stated that affordability is a big issue with the U.S. poverty rate being at 15% and Guam's poverty rate being higher at 30% and a rate increase of 8.7% would be too high for most of the ratepayers, especially in light of the large tourist cancellations and economic disruption caused by the COVID-19 virus. Commissioner Flores-Brooks inquired as to whether GWA was able to fund any cap-ex projects and GWA GM Bordallo stated that with what GWA has now, it could fund some but not all of its cap-ex projects, and that it had \$5 million for such projects. A discussion ensued between Commissioner Guerrero, GPA GM Bordallo, and ALJ Horecky regarding GWA's five-year CIP project list in which GWA stated it would provide Commissioner Guerrero with a list of those projects. Commissioner Flores-Brooks inquired whether GWA

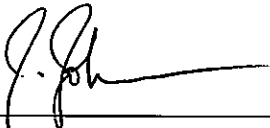
earmarked what its \$10 million in system development funds would be used for and when GWA would issue its 2019 Audit and GWA GM Bordallo affirmed that GWA had earmarked its system development funds and GWA's Taling Taitano stated that the audit would be completed around April 1, 2020. Commissioner Flores-Brooks inquired as to whether GWA's net position would increase or decrease compared to 2018 and GWA GM Bordallo stated that it would increase. A discussion then ensued between Commissioner Flores-Brooks, GWA GM Bordallo, and GWA's Taling Taitano regarding GWA's OpEd and regarding GWA's consent decree. Commissioner Pangelinan stated that he was concerned that GWA's request for compression had not gone through an analysis and vetting process and GWA GM Bordallo stated that GWA's request compression request is for a 8.5% increase in the first year and only a 2% increase in the second year. Commissioner Perez-Camacho inquired whether GWA was asking the Commission to reduce the expenses for the first set of months if the Commission did not approve GWA's compression request and GWA GM Bordallo affirmed that this was GWA's request because GWA believes that such proration of its expenses is fair if the Commission does not approve its compression request. ALJ Horecky stated that GCG considered this request and that GCG recommends that the Commission should not approve it because GCG states that there were \$1.9 million of expenses GWA claimed for FY2019 that it did not in fact incur. The Chairperson inquired as to whether the parties desired to re-open negotiations and neither party indicated that they desired to do so. A discussion ensued between Commissioner Guerrero, the Chairperson, and GWA GM Bordallo regarding GWA's water losses, the potential loss of revenue caused by the decline in Guam's visitor industry, and federal funding for GWA projects. Commissioner Flores-Brooks made a motion to approve the GWA-GCG Stipulation effective March 1, 2020, which motion was seconded by Commissioner Perez-Camacho. The motion carried with four votes in favor of the motion and one, being made by Commissioner Guerrero, against it.

The Chairperson announced that the next item of business was GWA Docket 19-08, GWA Accounting Order, ALJ Report, and Proposed Order. ALJ Horecky stated that GWA and GCG both approved of the accounting order, the order states that expenses that GWA would incur for the studies required by the rate stipulation, and that GWA would pay for these studies using its capital fund which would be amortized and paid back to GWA's capitol fund over a period of five years, and he recommended that the Commission approve the accounting order. Commissioner Flores-Brooks inquired as to the approximate amount of the costs for the studies and ALJ Horecky estimated the cost to be between \$500,000 to \$1 million and GWA GM Bordallo stated that they could be above \$1 million. Commissioner Flores-Brooks made a motion to approve the accounting order, which motion was seconded by Commissioner Perez-Camacho. The motion carried unanimously.

4. Administrative Matters.

The Chairperson announced that the next item of business was the FY 2019 PUC Annual Report. ALJ Horecky stated that the law requires that the Commission provide this report to the Governor and the Speaker of the Guam Legislature annually, that the report is due each January and that it was not completed earlier due to other pending matters, and that the report covers every regulatory proceedings the Commission covered in FY 2019, and that the Commissioners could move to approve it or move to authorize the Chairperson to sign the report on behalf of the Commission. A discussion ensued between the Commissioners and ALJ Horecky regarding Attachment A of the report and the length of the report. Commissioner Flores-Brooks inquired as to whether the report had an executive summary and CCRs ALJ Horecky stated that it did. Commissioner Flores-Brooks moved to authorize the Chairperson to sign the report on behalf of the Commission. The motion carried unanimously.

There being no further administrative matters or business, the Commissioners moved to adjourn the meeting.



Jeffrey C. Johnson
Chairperson

ATTACHMENT A
THE GUAM PUBLIC UTILITIES COMMISSION
NOTICE OF PUBLIC MEETING

NOTICE IS HEREBY GIVEN that the Guam Public Utilities Commission [PUC] will conduct a regular business meeting, commencing at 6:30 p.m. on February 27, 2020, at Suite 202 GCIC Building, 414 W. Soledad Ave., Hagatna.

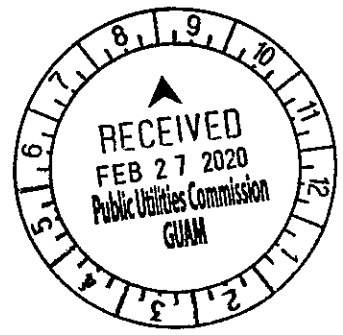
The following business will be transacted:

Agenda

- 1. Approval of Minutes of January 30, 2019**
- 2. Guam Power Authority**
 - **GPA Docket 20-07, Petition for PUC Approval of the Procurement for Supply of Diesel Fuel Oil to GPA, PUC Counsel Report, and Proposed Order**
 - **GPA Docket 20-08, Petition to Exercise Extension Option under the Management, Operation and Maintenance of GPA's Fuel Bulk Storage Facility Contract with Isla Petroleum and Energy, LLC, PUC Counsel Report, and Proposed Order**
- 3. Guam Waterworks Authority**
 - **GWA Docket 19-08, Petition for Approval of GWA's Third Five-Year Financial Plan and Rate Relief, GWA-GCG Stipulation, ALJ Report, and Proposed Order**
 - **GWA Docket 19-08, GWA Accounting Order, ALJ Report, and Proposed Order**
- 4. Administrative Matters**
 - **FY 2019 PUC Annual Report**
- 5. Other Business**

Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Ms. Palomo.

This Notice is paid for by the Guam Public Utilities Commission



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
) GPA DOCKET 20-07
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR) ORDER
APPROVING THE PROCUREMENT)
FOR SUPPLY OF DIESEL FUEL OIL TO)
THE GUAM POWER AUTHORITY.)
_____)

INTRODUCTION

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] For Approving the Procurement for Supply of Diesel Fuel Oil to GPA.¹
2. GPA requests approval of its solicitation for a contract for the supply of Diesel Fuel Oil No. 2 for GPA's Tenjo Vista Power Plant.²

BACKGROUND

3. GPA operates the Tenjo Vista Diesel Power Plant which requires the use of Diesel Fuel Oil No. 2 to operate and the plant used 2,086,644 gallons of said fuel oil in FY2019.³
4. GPA has existing contracts that supply Diesel Fuel Oil to its baseload and peaking units and these contracts include the Tenjo Diesel Power Plant.⁴
5. GPA seeks to solicit for a separate contract to supply Diesel Fuel Oil No. 2 to the Tenjo Vista Diesel Power Plant only and it seeks a contract with an initial term of

¹ GPA Petition for Approving the Procurement of the Supply of Diesel Fuel Oil to GPA, GPA Docket 20-07, dated February 14, 2020.

² Id., at 1. NOTE: Page Numbers are the PDF page numbers and not the page numbers used in the actual Petition.

³ Id., at 1.

⁴ Id., at 2.

three years commencing June 1, 2020 and ending on May 1, 2023 with two additional one-year extension options.⁵

6. On January 28, 2020, the Guam Consolidated Commission on Utilities ["CCU"] issued Resolution No. 2020-20 authorizing GPA's management, subject to the PUC's approval, to solicit for a contractor to Supply Diesel Fuel Oil No. 2 to GPA's Tenjo Vista Power Plant.⁶
7. On February 23, 2020, PUC Legal Counsel submitted his report.

DETERMINATIONS

8. GPA's contract review protocol requires that any GPA contract that exceeds the amount of \$1,500,000 requires prior PUC approval and which shall be obtained before the procurement process is begun.⁷ Here, GPA must obtain the PUC's authorization to solicit for a contract to supply Diesel Fuel Oil No. 2 to its Tenjo Vista Power Plant because it is estimated that the contract will cost in excess of \$1.5 million review threshold.⁸
9. GPA seeks to use the multi-step invitation for bids solicitation method to solicit for a contract to supply Diesel Fuel Oil No. 2 to its Tenjo Vista Power Plant.⁹ Said procurement method is authorized by 5 G.C.A. §5211(h) and 2 G.A.R., Div. 4, Chap. 3, §3109(a).
10. GPA's draft contract for the supply of Diesel Fuel Oil No. 2 to GPA's Tenjo Vista Power Plant, which is part of the solicitation, contains all the standard contract clauses, including quantity and quality assurances, security of supply, permits and responsibilities, force majeure, disputes, default, and termination for convenience.¹⁰

⁵ Id., at 3.

⁶ Id., at 3.

⁷ Contract Review Protocol for GPA, Order dated February 15, 2008, Administrative Docket at 1.

⁸ Id., at 3.

⁹ Id., at 5.

¹⁰ Id., at 6-7.

11. The solicitation and draft contract define the minimum quantity of fuel oil to be delivered to the plant annually as two million gallons and the maximum amount to be delivered as 3 million gallons. This is an acceptable range because, since FY2016, the lowest amount of fuel oil the plant used was 2,086,644 gallons of fuel oil in FY2019, and highest amount of fuel oil the plant used annually during this period was 3,474,324 in FY2016. Although the plant's FY2016 annual fuel consumption rate was higher than the three-million-gallon maximum amount, it is in line with the plant performance during the last two years in which it consumed less than that amount, specifically it consumed 2,990,526 gallons in FY2018 and 2,086,644 in FY2019.¹¹
12. GPA's request is reasonable, prudent and necessary. The PUC approves GPA's request for approval of its solicitation for a contract for the supply of Diesel Fuel Oil No. 2 for GPA's Tenjo Vista Power Plant.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approving the Procurement for Supply of Diesel Fuel Oil to GPA, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for approval of its solicitation for a contract for the supply of Diesel Fuel Oil No. 2 for GPA's Tenjo Vista Power Plant is hereby approved.
2. GPA 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 the 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.

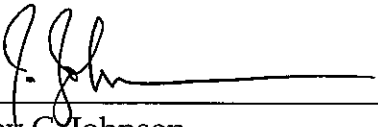
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¹¹ Id., at 47.

Order
The Application of GPA
for Approving the
Procurement for the Supply
Of Diesel Fuel Oil to GPA
GPA Docket 20-07
February 27, 2020

Dated this 27th day of February, 2020.

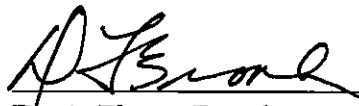


Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner



Rowena E. Perez Camacho
Commissioner



Doris Flores Brooks
Commissioner



Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner



Pedro S.N. Guerrero
Commissioner

GPA DOCKET 20-08

ORDER

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] to Exercise the Second Extension Option under the Management, Operation, and Maintenance of GPA’s Fuel Bulk Storage Facility Contract [“PMC”] with IP&E.¹
2. The initial two (2) year term of GPA’s PMC with IP&E expired on September 30, 2019, with three (3) options to extend for additional one (1) year terms. The first optional extension period is set to expire on September 30, 2020.²
3. GPA requests approval to exercise the PMC’s second and third options extending the PMC for an additional two (2) years from October 1, 2020 to September 30, 2022.³

4. On April 27, 2017, the PUC authorized GPA to enter into the PMC with IP&E for an initial two (2) year term and ordered GPA to seek approval for any extension of the PMC with the PUC.⁴

⁴ PUC Order, GPA Docket 17-04, dated April 27, 2017, at 3 [PUC Order dated April 27, 2017].

5. Under this contract, IP&E manages, operates, and maintains GPA's Fuel Bulk Storage Facility.⁵
6. The initial two (2) year term of the PMC expired on September 30, 2019.⁶
7. The PUC authorized GPA to expend up to a total amount of \$1,644,300.00 for the PMC's two-year initial term.⁷
8. On March 28, 2019, the PUC authorized GPA to exercise the first option to extend the PMC for a one (1) year period from October 1, 2019 to September 30, 2020 and to expend up to a total amount of \$859,320 for that extension.⁸
9. GPA estimates the cost of exercising the second option to extend the PMC for a one (1) period from October 1, 2020 to September 30, 2021 will be approximately \$885,108.88 and the cost of exercising the third and final option to extend the PMC for a one (1) year period from October 1, 2021 to September 30, 2022 will be approximately \$911,662.13 for a total amount of \$1,796,771.01.⁹
10. On January 28, 2020, the Guam Consolidated Commission on Utilities ["CCU"] issued CCU Resolution No. 2020-03 authorizing GPA to exercise the second and third one-year contract extensions of the PMC with IP&E subject to the PUC's approval.¹⁰ However, neither the CCU in its resolution making this authorization, nor GPA's Petition, specifies what funding source GPA intends on using to pay for the \$1,796,771.01 estimated cost of the PMC's second and third one-year extensions.
11. On February 23, 2020 PUC Legal Counsel issued his report.

⁵ Petition at 1.

⁶ PUC Order dated April 27, 2017 at 3.

⁷ Id.

⁸ Id., PUC Order dated March 28, 2019, GPA Docket No. 19-08 at 3 [PUC Order dated March 28, 2019].

⁹ Petition at 1.

¹⁰ Petition at 3.

DETERMINATIONS

12. The PUC previously determined that the PMC for the Fuel Bulk Storage Facility should be adequate to require proper performance by the contractor, and that a PMC for that facility is responsible, prudent and necessary.¹¹
13. If the PUC does not approve the options to extend the PMC, GPA will have seven months to solicit for, procure, and obtain the PUC's approval for a new contract to manage GPA's Fuel Bulk Storage Facility.
14. GPA's estimated \$885,108.88 cost for the second option to extend the PMC is \$25,788.88 more than the estimated \$859,320 cost of the first extension year, and GPA's estimated \$911,662.13 cost for the third option to extend the PMC is \$26,553.25 more than the second option to extend. These increases in cost do not appear to be excessive considering inflation and other rising cost factors such as the rise in minimum wage and gross receipts taxes on Guam.
15. GPA's request is reasonable, prudent and necessary.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Contract for the management, operation, and maintenance of the GPA Fuel Farm Bulk Storage Facility, the Report of PUC Counsel, and the record herein, for good cause shown, and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's exercise of the second option to extend the Performance Management Contract to IP&E Guam LLC., for the management, operation and maintenance of the GPA Fuel Farm Bulk Storage Facility, from October 1, 2020 to September 30, 2021, and the third option to extend said contract from October 1, 2021 to September 30, 2022 are approved.

¹¹ PUC Order dated April 27, 2017 at 2.

2. GPA is authorized to expend up the amount of \$885,108.88 for the second option to extend the PMC and GPA is authorized to expend the amount of \$911,662.13 for the third option to extend the PMC.
3. GPA 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.

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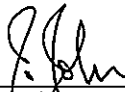
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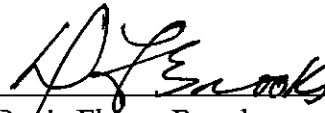
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Dated this 27th day of February, 2020.

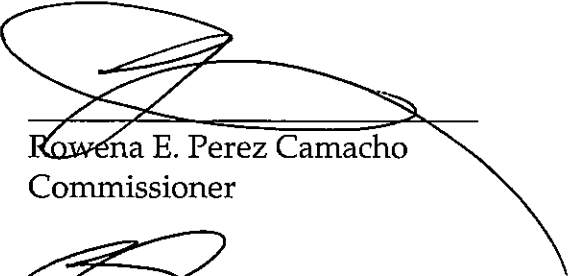


Jeffrey C. Johnson
Chairman

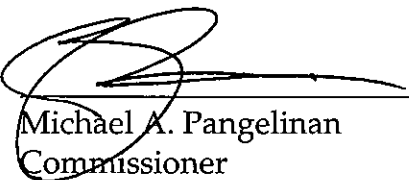
Joseph M. McDonald
Commissioner



Doris Flores Brooks
Commissioner

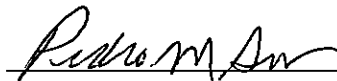


Rowena E. Perez Camacho
Commissioner



Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

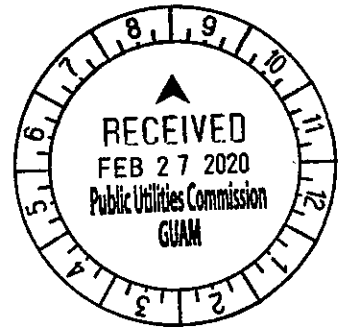


Pedro S.N. Guerrero
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION FOR APPROVAL OF
GWA'S THIRD FIVE-YEAR
FINANCIAL PLAN AND BASE RATE
RELIEF

)
) GWA DOCKET 19-08
)
) FY20 RATE DECISION
)
)



Background

GWA and the PUC Consultant Georgetown Consulting Group were able to resolve the issues in this rate case through Stipulations entered into on January 17, 2020.¹ The Parties intend such Stipulations to be a resolution of current issues concerning the rate case. The PUC adopts the ALJ Report filed herein on February 24, 2020, including the *Background, Stipulations, and Analysis* sections.²

Determinations

1. In accordance with the Stipulations entered into by the Parties, the PUC should approve the Stipulations and order the Parties, GWA and GCG, to fully perform their obligations and duties under the Stipulations. A true and correct copy of said Stipulations is attached hereto as Exhibit "1".
2. On February 12, 2020, GWA and GCG both submitted detailed briefs which more fully explained the Stipulations entered into and the justifications for their provisions. The analyses contained therein adequately explain the bases for the Stipulations. The Parties also presented summaries of their positions at the PUC Work Session on February 19, 2020.
3. At the Work Session scheduled on February 19, 2020, GWA and GCG confirmed on the record that they will adhere to every provision in the Stipulations and carry out their obligations under the Stipulations.
4. The Stipulations were bargained at arms-length by the Parties and represent a full and final resolution of presently pending issues in the rate case. Each of the Stipulations has a reasonable basis and plausible justification. The agreements reached by the Parties are appropriate and supportable. The PUC should approve the Stipulations.
5. GWA and PUC have complied with notice and other requirements of the Ratepayer Bill of Rights. There is a requirement under the Ratepayer Bill of Rights that must be satisfied before the PUC can properly address a petition for rate increase. 12 GCA §12102.2(d) requires that the PUC, in determining approval of any proposed rate increase, take into account the results of required staffing pattern and manpower

¹ Stipulations of the Guam Waterworks Authority and Georgetown Consulting Group on behalf of the Public Utilities Commission of Guam, GWA Docket 19-08, dated January 17, 2020.

² ALJ Report, GWA Docket 19-08, dated February 24, 2020.

studies.³

6. The statute requires that such study compare GWA with at least four (4) comparable utilities in the U.S. Mainland. The statutory requirements were complied with: on February 18, 2020, GCG filed the Guam Waterworks Authority Staffing Study in this Docket.⁴ GCG compared GWA to a cross-section of AWWA water and wastewater utilities. Although GCG found that GWA may be overstaffed in comparison to the mainland utilities, it determined that, for various reasons, the study results were not reliable at the present time.

7. GCG recommends at this time that no adjustment to the staffing related revenue requirements be made for FY 2020-2021. PUC supports this recommendation. GWA is not comparable to mainland water/wastewater utilities, as city or county governments often provide services to such entities (unlike GWA). A more detailed staffing study will be performed to support the FY2022 Comprehensive Review and Update of GWA's financial plan. The study should be completed by March 31, 2021.

8. In its brief, GWA addressed certain procedural aspects of the process concerning the rate case proceedings and was concerned about the length of time that it has taken to resolve the case and the level of scrutiny. GWA submits that time to resolve this case will be 236 days from the filing of its petition on July 6, 2019, implying that there was inordinate delay in resolving the case. This was a complex rate case; the PUC does not find that there was inordinate delay in this proceeding.

9. 12 GCA Sec. 12119 provides: **"Failure of the Commission to act upon a rate request change within one hundred twenty (120) days of final filing shall be deemed a final order denying said rate request change** for the purposes of this Section." (emphasis added). Should GWA insist that the one-hundred-and-twenty-day period expired before the rate case was addressed, the only result would be an order denying any rate relief.⁵

10. Rule 24 (e) of the PUC Rules of Practice and Procedure provides that "the Commission shall act on a utility's application for rate change within one hundred twenty days **after the final filing by the utility of all documentation, including responses to discovery, as may be necessary to support the application;** provided, however that the ALJ shall make the determination of when this "final filing" has occurred." (emphasis added).

11. GWA never requested a determination from the ALJ as to when a "final" filing occurred. There is no "final filing" which commences the running of the 120 days until all responses to discovery are filed. There was a discovery conference between the parties on September 18, 2019. As late as October 16, 2019, GCG was sending discovery responses to GWA's Requests for Information. Furthermore, the Combined Proposed Schedule of the parties provided for filing by GWA of a second set of Requests for Information on January 6, 2020, and GCG responses to GWA's second set of RFI's by January 22, 2020. Under Rule 24 (a), the one hundred and twenty day would not start

³ 12 GCA §12102.2(d).

⁴ Georgetown Consulting Group, Inc., Guam Waterworks Authority Staffing Study, GWA Docket 19-08, filed February 18, 2020.

⁵ 12 GCA Sec. 12119.

to run before October 15, 2019, and arguably not until GCG submitted responses to discovery on January 22, 2020.

12. As GCG outlined at the Work Session on February 19, 2020, GWA did not provide a Rate Study (rate design analysis) or a cost of service analysis in this docket. It has long been established that a rate study and cost of service analysis are fundamental to regulatory rate proceedings. Both GCG and the ALJ indicated on the record in this proceeding that these studies should ordinarily be a part of a petition to increase rates. GCG has indicated that the length of these proceedings was caused by the need to supplement the record with information that GWA did not provide. Although GWA claims that it met all of the filing requirements, in the 2009 rate case, GWA committed to future rate design changes based upon a Cost of Service Study by July 2011.⁶

13. Given the complex number of issues in the case, the length of the proceedings has not been unreasonable. The Financial Plan included three new debt series issues in 2019, 2022 and 2023. The proceeding included such diverse issues as the magnitude of recurring user rate increases, large debt financings, construction budget prioritization, water loss reduction measures and consumer affordability. There were issues concerning alternative debt financing measures, reduction of debt service coverage ratios, and capitalized interest and principal deferral in bond issuances.

14. As to the level of PUC scrutiny in this case, a third GWA rate plan, which would increase rates by 44% over five years, had to be examined carefully and critically. GWA's Twenty-Year Water Resources Master Plan Update proposed a continuing series of rate increases over the twenty-year period of between 4 and 5% annually. Another major concern was that the 58% non-revenue water loss has not improved over many years. Thus, this case justified a high level of PUC scrutiny.

15. The Stipulations embody workable solutions which will provide GWA with sufficient revenues to fund its capital improvement programs. A very detailed plan has been adopted to address the water loss issue.

16. In its Petition, GWA had originally proposed a rate increase of 10% for FY2020 and 8.5% for 2021. The Stipulation now provides that the agreed increase for Water and Wastewater base rates for FY2020 will be 5% and 5% for FY2021. All FY2020-2021 rates are to be applied across-the-board to all rate classes with no change in the lifeline rates during FY2020 or FY2021.⁷

17. These rate revenue increases will be adequate to support GWA operations and maintenance. The two-year cumulative increase has been reduced from 18.5% to 10%, a 45% decrease. The reduction of the original rate request of GWA will result in savings to the ratepayers of \$10 to \$15 million.⁸

18. An issue that GWA raised for the first time in its February 12, 2020, brief, and its presentation before the PUC on February 19, 2020, was that the PUC should grant it "compression" on the rate increase for FY 2020. According to GWA, if a 5% rate

⁶ GWA Docket 09-03, July 27, 2009, GPUC Rate Decision and supporting July 14, 2009, Stipulation, paragraph 8.

⁷ GCG Presentation before the PUC on February 19, 2020.

⁸ Id.

increase were now granted by the PUC effective March 1, 2020, GWA will have been denied the benefit of the increase for the first five months of fiscal year 2020.

19. Based upon approval by the PUC of an FY2020 rate increase effective March 1, 2020, GWA is requesting that an increase of 8.57 percent to basic charges and non-lifeline rates be effective on that date and an FY2021 increase of 2%.⁹

20. GWA never presented this request to GCG in the negotiations of the Stipulations. Larry Gawlik of GCG stated at the February 19, 2020, Work Session that there was no discussion on compression included in the Stipulations. GWA GM Miguel Bordallo admitted during the Work Session that it was an “oversight” not to include “compression” in the Stipulations. Compression is not mentioned or included within the Stipulations. It is not appropriate to impose compression when it was not specifically referenced or agreed to in the Stipulations.

21. The specific provision in the Stipulation which addresses when the FY2020 Base Rate Increase will become effective states as follows: “The rate increase for FY2020 will take place upon the PUC issuing a final order in Docket No. 19-08...”.¹⁰ GWA’s position would essentially make the rate increase effective October 1, 2019, which is directly contrary to the express language of the Stipulations.

22. In the sentence preceding the above provision, the Stipulations state that the Parties agree to a base rate increase of 5% in FY2020. However, that sentence does not indicate when the base rate becomes effective. The provision previously cited directly addresses that issue and controls general language concerning a 5% increase in FY2020. The Appendix A Proforma also does not specifically address compression nor indicate when the FY2020 proposed rates will go into effect.

23. The PUC should deny GWA’s request for compression and adopt the position of GCG. Had the Parties discussed and agreed to “compression” there would have been a Stipulation on this issue. The fact that there was not a stipulation indicates that there was no such agreement. An 8.57% rate increase implemented now, immediately, would not be in the best interest of ratepayers.

24. The target increases now provided for in FY2022 through 2024 are 5.50% for FY2022, 3% for FY2023, and 2.5% for FY2024. However, such rates are “subject to Adjustment.”¹¹ The FY2022 through FY2024 rates are “proforma”, “based on the best estimates that the Parties currently have.” These “proforma” rates will be “subject to redetermination after the analytical studies in FY2021 are completed and the FY 2022 Comprehensive Review and Update of GWA’s Financial Plan completed.”¹²

----- 25. Rates cannot be set now for FY2022-2024 as there is simply an insufficient record to enable the Parties to set such rates at the present. That is why GWA is being required to conduct the six analytical studies set forth in the Stipulations. -----

⁹ GWA Position Statement on Stipulation, pg. 3.

¹⁰ Stipulations, pg. 7.

¹¹ GWA Presentation to the Consolidated Commission on Utilities, Regular Meeting, January 28, 2019, at p. 64 of the CCU Board Packet.

¹² GCG GPUC Workshop Briefing, pg. 3.

26. The PUC should approve the proposed for FY2020 and 2021 as “just” and “reasonable” pursuant to 12 GCA §§ 12116 and 12118. The rates appear to be based upon a reasonable determination of GWA’s revenue needs and the cost of the CIP program. The agreement of the Parties to reduce the original rate requests indicates that the interests of the ratepayers have been considered and respected.

27. The Water Loss Reduction Program is one of the most significant aspects of the Stipulations. GWA’s Rate petition did not include a defined water loss reduction program for the purposes of reducing water loss levels. The Stipulation deals with the substantial problem of water loss at a level of 55-58% that has adversely affected GWA’s operations for over 40 years.

28. The program includes a comprehensive systemwide water loss reduction assessment and program designed to provide meaningful reductions in water loss volumes (kGal). A water loss reduction plan, including annual loss reduction targets, will be completed and submitted by March 31, 2021, to be considered by PUC in the update to GWA’s Five-Year Plan.¹³ In FY 2020-2021, GWA will include water loss reduction project spending of no less than \$14M.¹⁴ FY2020 and 2021 production volumes will be adjusted based on projected non-revenue water reduction of 2% of actual FY2019 production and 2.75% of FY2020 production respectively.¹⁵ Measures agreed to in the Stipulations will be undertaken to reduce GWA water loss by 20% over the five-year period.

29. The Stipulations address GWA’s Capital Financing process. There are presently two separate debt service coverage ratio calculates applicable to GWA’s debt borrowing: the bond indenture coverage ratio of 1.25x coverage and the PUC 1.75x coverage target pursuant to the PUC’s FY 2005 Rate Order, with the inclusion of Working Capital Reserve fund balances per CCU policy.¹⁶

30. The Parties have agreed that the dual calculations are “uncommon among water system debt issuers”, and that a simpler debt service coverage ratio standard should be adopted.¹⁷ The PUC 1.75x standard may exceed coverage levels required for comparable and even more favorably rated water system issuers.¹⁸ Such a standard is a difficult barrier to meet, and in this case would require tremendous rate increases.¹⁹ Therefore, the Parties both recommend that the CCU and PUC provide any necessary policy changes that will allow for the adoption of a 1.40x debt service coverage ratio.

31. Adoption of this 1.40x standard will end certain confusion that presently exists, and further provide a standard that is easier to apply and is more acceptable in the national credit market.

32. The Parties have further adopted certain agreements as to the Revenue Bond Debt Structure that will be used for the proposed \$134M bond issuance. The first is that the

¹³ Id. at pg. 9.

¹⁴ Stipulations, pg. 9.

¹⁵ Id.

¹⁶ GWA Position Statement on Stipulation, pg. 10.

¹⁷ Id.

¹⁸ Id.

¹⁹ Statement of Larry Gawlik at PUC Work Session on February 19, 2020.

bond issuance will be structured with two years of capitalized interest. There are arguments for and against capitalization of interest. Such capitalization more closely aligns ratepayer benefit from capital projects with their actual availability. Capitalized interest is generally accepted in regulatory settings as a means to align debt payment obligations to asset in-service dates, and thereby nominally matches revenues and expense.²⁰

33. Capitalizing costs may place additional pressure on rates outside the current rate application period.²¹ Such capitalization merely defers principal payments and will thereafter result in a rate bump or increase when principal/interest payments become due.²² However, it is clear that, without such capitalization, there would be a more immediate rate impact, and rates would have to increase to enable the bond debt service to be paid. The PUC should approve capitalization of interest for a period of two-years.

34. Similarly, the Parties assume that principal payments will be deferred for five years with the upcoming bond issuance. This will defer the rate impact. In this case, if principal payments were not deferred, there would be a “rate bump” in FY2022. The purpose of deferral is “rate smoothing.”²³ However, deferral of principal will result in interest being paid on the deferral.²⁴

35. The five-year deferral of principal payments is justified as a part of the overall rate package. Such deferral will avoid an immediate rate impact during this five-year rate period. It is an appropriate part of the overall rate plan that the Parties have crafted.

36. The Parties have also agreed that GWA will explore alternatives to bond financing, such as tax-exempt commercial paper and lines of credit, for future capital borrowing needs. It makes sense for GWA to consider other forms of financing that could reduce the cost of borrowing. These alternatives will require further consideration and approval by CCU, PUC, and possibly the Guam Legislature.

37. There are currently pending negotiations between GWA and USEPA concerning a Consent Decree. GWA will likely agree with USEPA to capital programs and projects with spending commitments that will impact future rate revenue requirements. In the Stipulations, the Parties have agreed that, upon completion of substantive Consent Decree negotiations with USEPA, GWA will provide a detailed briefing on the proposed decree to the PUC. The briefing will outline, among other matters, potential GWA spending commitments that will impact future rate revenue requirements and to provide a comparison to what was projected in GWA’s Five-Year Financial Plan.²⁵ This provision in the Stipulations should be approved.

38. The ALJ and GWA do not presently agree whether GWA is required to obtain prior approval of its settlement agreement with USEPA before entering into the Consent Decree. It is the ALJ’s position that prior PUC approval of such settlement agreement is

²⁰ GWA Position Statement on Stipulation, pg. 12.

²¹ Id.

²² Statement of Larry Gawlik at PUC Work Session on February 19, 2020.

²³ Id.

²⁴ Statement of Eric Rothstein at PUC Work Session on February 19, 2020.

²⁵ Stipulations, pg. 11.

required under Guam statute and the GWA-PUC Contract Review Protocol. 12 GCA Sec. 12105 (e)(1) requires PUC approval of any contract or obligation which could increase rates prior to entry into such contract by GWA. Furthermore, the Contract Review Protocol requires prior PUC review of any contract or obligation which exceeds \$1,000,000.

39. This remains an open issue in this Docket. The PUC retains jurisdiction over such issue and reserves the right to later decide whether PUC prior approval of the Consent Decree Settlement is required pursuant to statute and the Contract Review Protocol.

Ordering Provisions

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

1. All rulings and orders of the ALJ in this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters currently require discussion.
2. The Stipulations of the Guam Waterworks Authority and Georgetown Consulting Group, on behalf of the Public Utilities Commission of Guam, entered into by the Parties on January 17, 2020 and attached hereto as Exhibit "1", are hereby approved and adopted by the PUC.
3. The Parties are hereby ordered and directed to perform and carry out all obligations and duties set forth in the Stipulations.
4. GWA is awarded water and wastewater base rate increases of 5.0% in FY2020 and 5.0% in FY2021. The rate increase for FY2020 will be effective upon the issuance of this Decision by the PUC. The FY2021 increase will take effect on October 1, 2020. There shall be no change in the "lifeline" rate for FY2020 and FY2021.
5. Based upon the information received by the PUC as of the date of this Decision, the rates proposed by the Parties are "just" and "reasonable" pursuant to 12 GCA §§ 12116 and 12118.
6. GWA and GCG have agreed to "proforma" rates for FY2022, 2023, and 2024. However, such rates are not "final" at the present time. Based upon the studies that GWA has agreed to undertake, and the submission of information required by the Stipulations, the PUC will undertake an FY2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan. The final rates for those fiscal years will be determined by the PUC based upon the results of the studies to be performed.
7. In accordance with the Stipulations, GWA shall undertake various analytical studies to support the FY2022 Comprehensive Review and Update of GWA's Financial Plan and the subsequent annual rate review processes for FY2023 and 2024. The required studies include Demand Forecasting, a comprehensive system-wide Water Loss Reduction program, a Cost of Service/Rate Design

Study, an Affordability Study (concerning the ability of low-income rate payers to afford the rapidly increasing water and wastewater rates), Financing and Alternatives to Bond Issuance, a review of the Capitalized Labor Expense protocol, and a study designed to connect more rate payers to the wastewater system and cesspool/septic tank elimination.

8. On or before May 1, 2021, GWA will file its FY2022 Comprehensive Review and Update to GWA's 5-Year Financial Plan which will compare its forecast to actual performance of GWA revenues and expense categories. Such update will include an analysis of how the Demand Forecast, Water Loss Reduction, Cost of Service study, Affordability study, Financing study and other analyses should be incorporated into the Five-Year Financial Plan.
9. GWA shall complete all analytical studies referenced in the Stipulations and file them with the PUC no later than March 31, 2021, to support a Comprehensive Review and Update of GWA's Financial Plan.
10. GWA shall comply with its agreement to undertake a comprehensive system wide Water Loss Reduction program designed to provide meaningful reductions in annual water loss volumes (kGal). The annual non-revenue water loss of 55-58%, according to GCG, is "the single most important issue confronting GWA." GCG estimates that these water losses cost Guam consumers an excess of \$10-\$12 million annually in terms of variable cost of water system operations. Future investments for oversizing facilities can be avoided by reducing water loss.
11. GWA shall continue its ongoing loss reduction field work with Water Systems Optimization, Inc. GWA will identify water loss reduction projects in accordance with the Stipulations. A Water Loss Reduction Plan, including annual loss reduction targets, will be completed and submitted by GWA to the PUC by March 31, 2021, to be considered in the update of GWA's Five-Year Plan.
12. In FY2020-2021, GWA will include water loss reduction project spending of no less than \$14M.
13. GWA shall adjust its FY2020 and 2021 water production volumes based on projected non-revenue water reduction of 2% of actual FY2019 production and 2.75% of actual FY2020 production respectively. GWA will undertake all measures agreed to in the Stipulations to reduce GWA water loss by 20% over the Five-Year period.
14. GWA shall investigate the availability and relative cost of alternative debt instruments such as letters-of-credit and surety bonds to fund debt service reserves in lieu of bond financing required reserves through debt issuance proceeds. If such options are determined to be viable and economical, GWA shall recommend to the CCU, Legislature and PUC the approval of such option(s) for meeting debt service reserve fund requirements as delineated in GWA's Indenture.
15. GWA shall investigate the availability and relative cost of the use of commercial paper and lines of credit to finance the ongoing capital construction program following issuance of its Series 2020 revenue bonds. GWA shall complete such

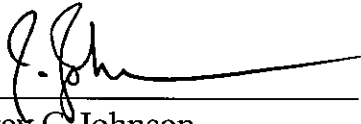
activities in a timely manner to allow adjustment to FY2022-2024 rates in conjunction with the FY2022 Comprehensive Review and Update of GWA's Financial Plan. GWA will provide to the CCU and PUC detailed submissions and briefings on all documentation required for the FY2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan. These submissions and detailed briefings on the submissions, and the GWA rate model adjustments, will be provided to the CCU and PUC by May 1, 2021.

16. Both GWA and GCG will support policy changes that create one standard for debt service coverage at 1.40x debt service coverage.
17. The Parties shall use best efforts to revise the CCU policy (Resolution No. 21-FY2014) that establishes a cash reserve for the purpose of meeting PUC's current established Aggregate Debt Service Coverage Ratio of 1.75x. Such revision will mean that net revenues are not supplemented with cash reserves.
18. The Parties will also use best efforts to revise and clarify the PUC Order, Docket 04-01, FY2005 Rate Order, that establishes a minimum 1.75x coverage ratio for setting just and reasonable rates.
19. GWA's Five-Year Financial Plan will be based on a projected fund balance target of not less than \$3 million and a debt service coverage ratio of 1.40x-1.50x.
20. GWA's \$134 million Series 2020 bond issue will be structured with a term of thirty (30) years, two (2) years of capitalized interest, assumed to be issued at an average coupon rate of five percent (5%) with cost of issuance equal to two percent (2%) of par. For the Series 2020 bonds principal payments will be deferred for a five (5) year period.
21. GWA will re-program all existing non-committed bond fund balances (from its past three issues), in an amount of no less than \$2.7 million, to its capital program, subject to the applicable PUC review procedures and will provide a priority consideration in funding with reprogramed funds non-revenue water projects.
22. GWA will use its best efforts to enter into a zero-cost "water exchange" program with Navy. If unable to do so, GWA will prioritize reducing the amount of water purchased from the US Navy and undertake the necessary construction to eliminate Navy water (if supported by a large benefit-cost ratio supporting such construction).
23. GWA will ensure that the new SCADA system is designed to assist GWA in the identification and detection of water losses and the prioritization and targeting of water loss projects.
24. Upon completion of substantive Consent Decree negotiations with USEPA, GWA will provide a detailed briefing on the proposed decree to the PUC. This briefing will outline, among other matters, potential GWA spending commitments that will impact future rate revenue requirements and provide a comparison to what was projected in GWA's Five-Year Financial Plan.

25. The ALJ and GWA do not presently agree as to whether prior PUC approval of the GWA- USEPA Consent Decree Settlement Agreement is required by Guam statute and the Contract Review Protocol. This remains an open issue in this Docket. The PUC retains jurisdiction over such issue and reserves the right to later decide whether PUC prior approval of the Consent Decree Settlement is required pursuant to statute and the Contract Review Protocol.
26. 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 §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.
27. PUC will keep this docket open in order to conduct all proceedings referenced in the Stipulation. The ALJ is authorized and directed to oversee such administrative tasks and to issue such administrative orders as may be reasonable and necessary to implement this Decision.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

Dated this 27th day of February, 2020.



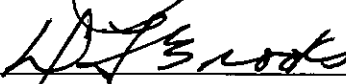
Jeffrey C. Johnson
Chairman



Rowena E. Perez-Camacho
Commissioner



Michael A. Pangelinan
Commissioner



Doris Flores Brooks
Commissioner

Joseph M. McDonald
Commissioner

Peter Montinola
Commissioner

Pedro S.N. Guerrero
Commissioner

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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE: PETITION FOR APPROVAL OF) DOCKET NUMBER NO. 19-08
GWA'S THIRD FIVE-YEAR)
FINANCIAL PLAN.) STIPULATIONS OF THE GUAM
) WATERWORKS AUTHORITY AND
) GEORGETOWN CONSULTING GROUP
) ON BEHALF OF THE PUBLIC UTILITY
) COMMISSION OF GUAM
)

PROPOSED STIPULATION

The GUAM WATERWORKS AUTHORITY (hereinafter "GWA") and GEORGETOWN CONSULTING GROUP, INC. (hereinafter "GCG") (hereinafter both jointly referred to as the "Parties"), hereby agree and stipulate to recommend the following to the GUAM PUBLIC UTILITIES COMMISSION (hereinafter "PUC") for approval in Docket No. 19-08:

PREAMBLE

Whereas GWA published notice in a local paper of its intent to request PUC approval of water and sewer rate increases above existing tariffs on April 6, 2019; and

Whereas GWA conducted no less than seven (7) public hearings over the subsequent weeks, provided notice in the May 2019 customer billing cycle, and gave notice in the paper on June 6, 2019; and

Whereas the Guam Consolidated Commission on Utilities (CCU) under its budgetary authority in Public Law 26-76, by Resolution No. 36-FY 2019, approved filing of GWA's Five-Year Financial Plan on June 5, 2019; and

Whereas GWA petitioned the PUC on July 6, 2019 for approval of its Five-Year Financial Plan and rate relief and submitted a complete application for rate relief in conformance with applicable PUC rules (Part 4: Application for Rate Relief, Rules 19 -21); and

Whereas, GCG was authorized by the PUC to serve as Technical Consultants on April 23, 2019 in Docket No. 19-08 to review GWA's Petition and GCG reviewed GWA's Petition and rate filing information; and

Whereas, the PUC has indicated that it will schedule a public meeting in February 2020 to hear testimony from and receive a briefing on the recommended stipulation between GWA and GCG concerning GWA's Five-Year Financial Plan and rate application; and

Whereas, the Parties jointly recommend that a series of studies be undertaken to provide the PUC critical information upon which to consider adjustments to its FY 2020 – 2024 financial plan; and

*Whereas, the Parties jointly recommend that the annual rate review process before the PUC be omitted in FY 2021 and be modified in FY 2022 to provide for a **Comprehensive Review and Update of GWA's Financial Plan** taking into account the special studies agreed upon in this Stipulation. **The Comprehensive Review and Update of GWA's Financial Plan** will be used to adjust rates for FY 2022 – FY 2024.*

NOW THEREFORE, the Parties Agree to the following Stipulated Provisions which it recommends for approval by the PUC:

STIPULATED PROVISIONS

I. Analytical Studies to be Undertaken to Support the FY 2022 Comprehensive Review and Update of GWA's Financial Plan and subsequent annual rate review processes.

The following studies must be completed by GWA and filed with the PUC no later than March 31, 2021 for consideration by the PUC in support of a **Comprehensive Review and Update of GWA's Financial Plan** (as described further below). The studies will be subject to appropriate review and analysis by each Party. The studies 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. GWA may elect to work with GPA in producing this forecast.

a. The forecast will consider, as deemed appropriate, variables such as: weather, measures of economic activity, population, construction, water appliance efficiency and conservation measures, tourism and other variables considered relevant.

- b. GWA will consider, as deemed appropriate, modeling the hotel class by individual customer for the largest 10 – 20 customers and meeting with local hotel facility managers about plans such as expansion and water conservation measures and equipment that they plan to install within the next five (5) years. GWA will consider, as deemed appropriate, the relationship between hotel water consumption, tourist arrivals and room occupancy.
- c. Related projections of GWA water production will be prepared specifically to include consideration of demonstrated impacts of GWA's water loss management initiatives.
- d. The study must be completed no later than March 31, 2021 for consideration by the PUC in the FY 2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan.

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.

- a. GWA will undertake a comprehensive systemwide water loss reduction program designed to provide meaningful reductions in annual water loss volumes (kGal) deemed to be economically justifiable. The Parties agree that any water loss reduction project shown in the analytical study to have a benefit-cost ratio above 1.25 will be accelerated to the extent practicable.
- b. GWA will continue its ongoing loss reduction field work with Water Systems Optimization, Inc. (WSO), or other experts, for the purpose of identifying implementable loss reduction measures and appropriate loss reduction targets for its water system. GWA will evaluate calendar year 2020 outcomes of water loss reduction efforts in district metering areas for consideration in making adjustments to its FY 2022 – 2024 water production and variable expense estimates.
- c. GWA will identify water loss reduction projects and the corresponding benefit-cost ratio associated with each project and will rank each water loss reduction project with a benefit-cost ratio above 1.0 from the highest to the lowest. Documentation of water loss reductions achieved for the period and a comprehensive five (5) year (FY 2022 – 2026) water loss reduction plan (inclusive of annual loss reduction targets using appropriate and industry standard metrics)

will be completed and submitted no later than March 31, 2021 for consideration by the PUC in the FY 2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan.

- d. Annually, GWA will provide to the PUC information on results achieved, allowing the PUC to actively monitor and independently verify GWA's progress in water system loss reduction and its undertaking of the water loss reduction projects stipulated to in this proceeding. The annual report will be prepared in a form mutually agreeable by the Parties. These annual updates will include the identification of potential barriers to achievement of loss reduction targets and identification of any corrective actions required to ensure the targets are achieved.

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

- a. The COS study will examine GWA's current allocation of costs to its various water and wastewater customer classifications and present alternatives to GWA's current rate designs to support low-income affordability and water conservation objectives. The study must be completed and submitted to the PUC to support the FY 2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan.

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

- a. In conjunction with GWA's COS study, GWA will prepare an evaluation of options to address low-income water affordability challenges through both the

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.

² National Association of Clean Water Agencies (NACWA).

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 design of a Customer Assistance Program and revision of its current residential
2 lifeline rate structure. The study will consider alternative low-income Customer
3 Assistance Programs (CAP) and the financing of such programs (intra- and inter-
4 class subsidies) as well as rate design alternatives.

- 5 b. The Parties agree that reasonable efforts will be made to provide for water rates
6 that result in an improvement in the affordability of basic water service and
7 consider cost impacts of all Guam utilities on low-income customers. The study
8 will be completed and submitted no later than March 31, 2021 to the PUC to
9 support the FY 2022 Comprehensive Review and Update to GWA's Five-Year
10 Financial Plan.

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

- 16 a. GWA agrees to investigate the availability and relative costs of alternative debt
17 instruments such as letters-of-credit or surety bonds to fund debt service reserves
18 in lieu of bond financing required reserves through debt issuance proceeds. If
19 determined to be viable and economical, GWA agrees to recommend to the CCU,
20 Legislature and PUC the approval of this option for meeting debt service reserve
21 fund requirements delineated in GWA's indenture.
- 22 b. GWA agrees to investigate the availability and relative costs of the use of
23 commercial paper or lines of credit to finance its ongoing capital construction
24 program following issuance of its Series 2020 revenue bonds. If determined to be
25 viable and economical, GWA agrees to seek necessary approvals to allow GWA
26 the option to employ commercial paper for prospective capital financing.
- 27 c. These activities will be completed a timely manner to allow adjustment to FY 2022
28 – 2024 rates in conjunction with the FY 2022 Comprehensive Review and Update
29 of GWA's Financial Plan. Given the uncertainty of both the availability and costs
30 of these alternative financing options, the Parties agree that the stipulated FY 2020
31 and FY 2021 rates will not assume the availability of these instruments.
32

1 6. Capitalized Labor – GWA agrees to undertake a review of its current capitalized
2 labor expense protocol to be completed no later than March 31, 2021 to support the FY 2022
3 Comprehensive Review and Update to GWA's Five-Year Financial Plan.

4 7. Cesspool/Septic Tank Elimination – GWA agrees to investigate options to
5 enhance compliance with Title 10, Chapter 48, Toilet Facilities and Sewage Disposal, potentially
6 including legislatively approved transfer of regulatory authority to GWA. GWA will complete
7 its septic tank / cesspool review and analysis, and provide its recommendations to the PUC for
8 review and consideration no later than March 31, 2021.

9 a. GWA will identify all residential facilities with 200 ft. of an existing GWA
10 sanitary sewer line or 1000 ft. of a GWA water well that require specific action
11 steps to be taken by GWA in accordance with Chapter 48. GWA will estimate the
12 potential consumer and GWA investments required, identify potential sources of
13 funding these investments and estimate GWA revenue impacts and expenses of
14 implementation.

15 b. GWA will consider alternative funding mechanisms to assist consumers in
16 connecting to the sewer system, including use of the SDC fund to increase the
17 funds available in the sewer connection revolving fund. GWA will evaluate
18 potential obstacles, if any, to using the SDC fund and outline potential solutions.
19 Other funding mechanisms may be explored as well including private sector
20 financing.

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

25 8 FY 2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan
26 -The review will require GWA to supplement the filings of the studies enumerated below with
27 reporting to the PUC by May 1, 2021 on:

28 a. Forecasted (per the stipulated FY 2020 – 2024 rate plan) versus actual performance
29 by the categories of GWA revenues and expense included in GWA's Five-Year
30 Financial Plan filed with the PUC on July 6, 2019. This variance analysis reporting
31 will address and explain, through narrative and supporting analyses, reasons for
32 variances between forecasted and actual (FY 2020 audited data and FY2021 YTD

1 data) performance greater than 5 percent. PUC may ask for further explanation of
2 other documented variances throughout the review process.

3 b. GWA will submit proposed updates to its Five-Year Financial Plan for FY 2022 –
4 2024 and supporting rate model based in part on the findings and recommendations
5 of the studies enumerated above. GWA will provide documentation of how
6 findings of each study were incorporated into GWA's revised financial plan by
7 major categories of GWA revenues and expense.

8 c. GWA will provide documentation including, but not limited to a petition, reports,
9 memos, spreadsheets and workpapers outlining how the findings and
10 recommendations of the GWA demand forecast, water loss reduction, cost of
11 service, affordability, capital financing, and other analyses are proposed to be
12 incorporated into the FY 2022 Comprehensive Review and Update to GWA's
13 Five-Year Financial Plan.

14 The FY 2022 **Comprehensive Review and Update to GWA's Five-year Financial Plan**
15 contemplates an enhanced annual rate review process and specifically does not constitute a new
16 GWA rate application. GWA will provide both the CCU and PUC detailed submissions and
17 briefings on these submissions and GWA rate model adjustments by May 1, 2021. As noted
18 below, GWA will respond to Requests for Information or PUC submittals regarding the studies
19 and GWA rate model adjustments on a timely basis throughout the review process. PUC action
20 on the FY 2022 Comprehensive Review and Update to GWA's Five-year Financial Plan is
21 anticipated by September 2021. The review process is recommended by the Parties to provide for
22 full and appropriate consideration of the studies that GWA has agreed to complete by March 31,
23 2021.

24 25 **II. GWA's FY 2020 – FY 2024 Financial Plan**

26 1. FY 2020 – 2021 Base Water Rates – By this Stipulation, the Parties agree to the
27 proforma results of operations contained in the detailed Attachment A for the period FY 2020 –
28 2021 that memorializes the details of projections that the Parties have agreed to recommend to
29 the PUC for its review and approval.

30 2. FY 2020 – FY 2021 Base Rate Increase Implementation – The Parties agree to the
31 stipulated water and wastewater base rate increases of 5.0 % in FY2020 and 5.0% in FY2021.
32 The rate increase for FY 2020 will take place upon the PUC issuing a final order in Docket No.

1 19-08 and for FY 2021 will take effect on October 1, 2020. There will be no change to the
2 "lifeline" rate for FY2020 and FY2021.

3
4 3. DSCR – The Parties acknowledge that the projected debt service coverage ratio
5 (DSCR) for FY2020-2021 is below the target of 1.75x the PUC has set to be achieved for
6 ratemaking purposes.

7 4. Policy Changes – The Parties will use best efforts to secure revisions to CCU and
8 PUC policies related to minimum debt service coverage levels:

- 9 a. Revision of the CCU policy (adopted by Resolution No. 21-FY2014) that calls for
10 funding of a Working Capital and Debt Service Reserve that "serves to establish a
11 Cash Reserve for supplementing Net Revenues for the sole purpose of meeting the
12 PUC's currently established ADSCR [Aggregate Debt Service Coverage Ratio]
13 requirement that Net Revenues will be 175%- or 1.75 times annual debt service."
14 The revision would provide for meeting of a PUC minimum ADSCR target based
15 on a calculation consistent with GWA's indenture (and common municipal finance
16 practice) that does not supplement Net Revenues with such reserves.
- 17 b. Revision and clarification of the PUC's order (Regulatory Review of GWA
18 Interim Financial Plan Under Federal Court Order in Civil Case 02-35 - Docket
19 04-01: FY 2005 Rate Order) that a minimum 1.75x coverage ratio is established
20 for purposes of setting just and reasonable rates for GWA (Paragraph 8, p. 5).
- 21 c. The Parties to this stipulation agree to support the approval of both policy changes
22 inclusive of a minimum 1.40x debt service coverage ratio. It is further
23 recommended that as part of CCU and PUC's consideration of alternative debt
24 financing instruments, the PUC debt service coverage policy be reevaluated based
25 on references to credit rating agency medians of comparable and favorably rated
26 debt issuers and consideration of customer affordability of utility services.

27 5. kGal Water Sales – For purposes of the FY 2020 – 2021 revenue requirements, the
28 Parties stipulate that the annual water sales volumes by customer class will not be adjusted from
29 GWA's original July 6, 2019 rate application. Adjustments may be implemented beginning in
30 FY 2022 based on the results of the supporting "Analytical Studies" enumerated above that will
31 be incorporated into the FY 2022 Comprehensive Review and Update to GWA's Five-Year
32 Financial Plan.

6. Water Loss Reduction Program – The Parties stipulate GWA will be deploying an aggressive water loss reduction program. For purposes of FY 2020 – 2021, GWA’s water production forecast will be adjusted to reflect anticipated reductions in water losses due to GWA’s expansion and acceleration of water loss reduction measures:

- a. FY 2020 production volumes will be adjusted based on a projected reduction of non-revenue water by 2.00% of actual FY 2019 production (adjusted for partial year implementation, which implementation will begin no later than March 1, 2020).
- b. FY 2021 production volumes will be adjusted based on a projected non-revenue water reduction of an additional 2.75% of actual FY 2020 production for a cumulative total of 4.75% (adjusted for FY 2020 partial year implementation).
- c. GWA will include planned water loss reduction project spending for FY 2020 – 2021 of no less than \$14 million. GWA will consider the efficacy of alternative project delivery options to effect acceleration of water loss reduction project implementation.

7. Labor/Benefits Expenses – The Parties stipulate to the GCG adjustments for FY 2020 – 2021 of Personnel Salary and Benefits expenses. Projected annual expense reductions are:

FY 2020	FY 2021
\$2,248,207	\$1,958,153

8. Variable Operations and Maintenance Expenses – The Parties stipulate to the GCG adjustments for FY 2020-2021 of certain variable (e.g., water production dependent) expenses. These adjustments relate to water purchases, salaries and benefits, contractual expenses, and Administrative and General expenses (inclusive of related power expense impacts) and were determined by applying unit savings estimated by GCG to the volume reductions outlined herein. Projected annual expense reductions are:

FY 2020	FY 2021
\$2,030,877	\$3,703,629

1 9. Capital and Financing Programs – The Parties have agreed to the following for
2 purposes of development of GWA's Five-Year Financial Plan:

- 3 a. GWA's financial plan will be based on a projected fund balance target (as shown
4 in Attachment A) of not less than \$3 million and a debt service coverage ratio⁴ of
5 1.40x – 1.50x.
- 6 b. GWA's \$134 million Series 2020 bond issue will be structured with a term of
7 thirty (30) years, two (2) years of capitalized interest, and assumed to be issued at
8 an average coupon rate of five percent (5%) with costs of issuance equal to two
9 percent (2%) of par. For the Series 2020 bonds principal payments will be deferred
10 for a five (5) year period.
- 11 c. GWA will re-program all existing non-committed bond fund balances (from its
12 past three issues) in an amount of no less than \$2.7 million to its capital program
13 (see Attachment B), subject to applicable PUC review procedures and will provide
14 a priority consideration to funding with reprogramed funds non-revenue water
15 projects.

16 **III. Potential Capital and Financing Program Revisions**

17
18 Based on outcomes of the efforts outlined in item number 5 above to be completed by
19 March 31, 2021, the Parties stipulate to the following (which may result in adjustments to GWA's
20 Financial Plan):

- 21 a. GWA's targeted debt service coverage ratio⁵ of 1.40x – 1.50x may be adjusted
22 based on evaluation of potential policy changes enumerated in 4 (c) above.
- 23 b. Use of up to \$50 million in commercial paper or lines-of-credit, to the extent
24 allowed by GWA enabling legislation and if cost-effective, may be used to
25 augment GWA's ongoing construction capital requirements with available capital
26 funds.
- 27 c. GWA will seek to lower the financing cost associated with the capital funding of
28 debt service reserve funds for subsequent borrowings by using letters-of-credit or
29 surety bonds as allowed by GWA enabling legislation.

30
31

⁴ As traditionally calculated as the ratio of net operating expenses divided by scheduled debt service payments per
32 GWA's bond indenture (without adjustment for debt service reserve funds).

⁵ As traditionally calculated as the ratio of net operating expenses divided by scheduled debt service payments per
GWA's bond indenture (without adjustment for debt service reserve funds).

IV. Water Loss Reduction Targets

The Parties stipulate that the water loss reduction targets for the water system will be based on the work of WSO and GWA who will prioritize each water loss reduction project based on its respective benefit-cost ratio. The Parties agree that the water loss reduction targets should reflect an aggressive approach to water loss management with the objective to have GWA's water loss rates compare favorably with established industry benchmarks as soon as reasonably possible within a twenty (20) year period. The capital investment program will be reprogramed as necessary starting with projects having the highest benefit-cost ratio to achieve these targets. Further:

- a. GWA will use its best efforts to enter into a zero-cost "water exchange" program with Navy. Absent the ability to enter into a zero-cost exchange program, GWA will prioritize reducing the amount of water purchased from the US Navy or undertake the necessary construction to eliminate Navy water (if supported by a large benefit-cost ratio supporting such construction).
- b. GWA will ensure the new SCADA system is designed to assist GWA in the identification and detection of water losses and the prioritization and targeting of water loss projects.
- c. For the period FY2020-2024 GWA's water loss reduction targets will be as determined through the study to be completed by March 31, 2021 with designated benchmarks to reduce water losses by 20% as compared to its 2019 water loss level and to the median level of comparable water utilities in the US Mainland in less than twenty (20) years from 2019.

V. Consent Decree:

Upon completion of substantive Consent Decree negotiations with USEPA (and lifting of confidentiality restrictions), GWA will provide a detailed briefing on the proposed decree to the PUC. This briefing will outline, among other matters, potential GWA spending commitments that will impact future rate revenue requirements and to provide a comparison to what was projected in GWA's Five-Year Financial Plan.

VI. Requirements of 12 GCA § 12102.2. (d) Staffing Study

1 The Parties acknowledge that the PUC, pursuant to 12 GCA 12102.2 (d), Proposed
2 Public Utility Rate Increases, is required to conduct studies comparing the staffing pattern and
3 manpower levels of GWA and other utilities under their purview to the staffing patterns and
4 manpower levels of at least four (4) mainland utilities providing similar services with a
5 comparable number of customers. The Parties acknowledge that the PUC must, in determining
6 approval of any proposed rate increase, take into account the results of such staffing studies.

- 7 a. GCG conducted a staffing study pursuant to the statute comparing GWA to a large
8 cross-section of water utilities. The results indicate GWA is an outlier when
9 compared directly to this cross-section of mainland water/wastewater utilities
10 participating in the annual AWWA Benchmarking Review and has a greater
11 manpower level than participating utilities.
- 12 b. GCG does not believe the data in the AWWA Benchmarking Review is directly
13 comparable to GWA as many mainland water systems included in the review are
14 part of city or county governments wherein the utility is provided services such as
15 IT, procurement, HR, finance and other services from the county or municipal
16 government.
- 17 c. Any realistic comparison will be difficult given the unique nature of the Guam
18 water system due in part to the inheritance of the legacy systems of the US Navy
19 and the Public Utility Agency of Guam systems. For this reason, we do not believe
20 it appropriate that the staffing study performed be used by the PUC at this time.
- 21 d. The Parties recommends that the Analytical Studies to be Undertaken to Support
22 the FY 2022 Comprehensive Review and Update of GWA's Financial Plan include
23 a more detailed staffing study by the PUC taking into account many of the issues
24 that have surfaced such as: elasticity/affordability/age of the system and resulting
25 system losses that may enable a future smaller and efficient system. This study
26 should be completed by March 31, 2021.
- 27 e. GCG recommends no adjustment to GWA staffing for FY 2020 – FY 2021 is
28 appropriate at this time.

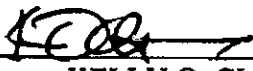
29 **VII. Procedural Provisions**

30
31 The FY 2022 Comprehensive Review and Update to GWA's Five-Year Financial Plan
32 will be an abbreviated proceeding designed to take into consideration all the required studies that
are to be submitted no later than March 31 of 2021 along with any legislative authorization or

1 statutory changes GWA has pursued in furtherance of this stipulation. GWA will file its proposed
2 FY 2022 Comprehensive Review and Update to its Five-Year Financial Plan for PUC review no
3 later than May 1, 2021 – giving the PUC ample opportunity for RFI's and responses to be
4 exchanged prior to the September PUC meeting for approval.

5 **SO STIPULATED this 17th day of January 2020.**

6
7 **GUAM WATERWORKS AUTHORITY**

8
9 BY: 
10 KELLY O. CLARK
11 GWA GENERAL COUNSEL
12

13
14 **GEORGETOWN CONSULTING GROUP, INC.**

15
16 BY: 
17 JAMSHED MADAN
18

19 **ATTACHMENTS A & B**
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GUAM WATERWORKS AUTHORITY

PROPOSED 5-YEAR FINANCIAL PLAN 2020 - 2024

	Projection			
	2020	2021	2022	2023
Basic Charge -Water	5.00%	5.00%	5.50%	3.00%
Lifeline Increase	0.00%	0.00%	0.00%	0.00%
Non-Lifeline Increase	5.00%	5.00%	5.50%	3.00%
Legislative Surcharge	3.60%	3.60%	3.50%	3.40%
Customer Growth	0.50%	0.50%	0.50%	0.50%
Demand Growth	0.00%	0.00%	0.00%	0.00%
OPERATING REVENUES				
Water Revenues	120,007,713	125,418,435	132,046,975	135,575,856
Wastewater Revenues	\$ 73,925,751	\$ 77,436,674	\$ 81,489,096	\$ 83,856,280
Legislative Surcharge	42,401,836	44,115,188	46,589,441	47,746,340
Other Revenues	3,680,126	3,866,573	3,968,438	3,973,236
System Development Charge	431,932	430,737	433,741	432,137
	914,964	929,304	832,509	892,259
Total Operating Revenues	121,354,609	126,778,476	133,313,225	136,900,252
O & M EXPENSES				
Power Purchases	13,360,490	12,985,578	12,437,383	11,464,591
Water Purchases	9,723,387	10,123,306	10,377,505	10,700,149
	23,083,877	23,108,884	22,814,888	22,164,741
Salaries and Benefits				
<i>Intentionally Left Blank</i>	24,627,194	26,814,544	28,847,199	30,089,804
Administrative and General Expenses				
<i>Intentionally Left Blank</i>	12,020,482	12,262,728	12,155,884	12,237,962
Depreciation Expense				
<i>Intentionally Left Blank</i>	21,962,670	22,271,032	22,300,621	22,648,171
Contractual Expense				
<i>Intentionally Left Blank</i>	6,025,390	7,305,994	7,222,396	7,704,660
Retiree Supplemental Annuities/Health care costs				
<i>Intentionally Left Blank</i>	3,763,479	3,933,180	4,112,018	4,300,483
Total Operating Expenses	91,483,090	95,696,362	97,453,007	99,145,822
Earnings (Loss) from Operations	29,871,519	31,082,114	35,860,218	37,754,430
Interest Income-Bond 2013,2014 Refunding,2016,2017 Refunc	1,350,758	1,539,593	1,303,222	1,397,858
Interest Income-Other Funds	216,573	248,637	210,495	225,235
Interest Income-SDC	25,567	29,850	26,760	27,392
Interest Expense-Bond 2013,2014 Refunding,2016,2017 Refur	(32,105,188)	(31,659,950)	(31,189,350)	(34,944,625)
Interest Expense-BOG	(67,345)	-	-	-
Interest Expense-Commercial Paper	-	-	280,000	-
AFUDC	-	-	-	340,000
Amortization of Discount, Premium and Issuance Costs	(403,640)	(276,930)	(258,049)	(326,206)
Grants & other contributions (net of federal expenditures)	39,732,857	39,732,857	33,430,130	8,000,000
Deferred outflows from Pension	(344,114)	(289,263)	(306,689)	(287,976)
Net Income (Loss)	38,276,987	40,426,908	39,316,739	11,846,108
INCREASE (DECREASE) in Capital	38,276,987	40,426,908	39,316,739	11,846,108
BOND DEBT SERVICE	34,175,188	34,229,950	40,934,350	40,929,625
				40,935,013

GUAM WATERWORKS AUTHORITY

PROPOSED 5-YEAR FINANCIAL PLAN 2020 - 2024

	Projection			
	2020	2021	2022	2023
DEBT SERVICE COVERAGE CALCULATION - Section 6.12				
Earnings (Loss) from Operations	29,871,519	31,082,114	35,860,218	37,754,430
Investment Income-Other funds	216,573	248,637	210,495	225,235
COLA	644,877	688,520	735,117	784,867
System Development Charge	(914,964)	(929,304)	(832,509)	(884,691)
Depreciation	21,962,670	22,271,032	22,300,621	22,648,171
Balance Available for Debt Service - Section 6.12	51,780,674	53,360,999	58,273,942	60,520,445
Debt Service Coverage (1.25X) - Section 6.12	1.52	1.56	1.42	1.48
DEBT SERVICE COVERAGE CALCULATION - PUC Debt Ratio				
Balance Available for Debt Service	51,780,674	53,360,999	58,273,942	60,520,445
Transfer + Reserve for O & M	-	-	-	-
Transfer + Reserve for Debt Service	-	-	-	-
2017 Refunding bond savings	-	-	-	-
Available for Debt Service - Reserve for Debt Service	11,217,733	11,217,733	11,217,733	11,217,733
Balance Available for Debt Service - PUC	62,998,408	64,578,733	69,491,677	71,738,178
Debt Service Coverage (1.75X) - PUC	1.84	1.89	1.70	1.75
Requested Amount at 1.4	51,780,674	53,360,999	58,273,942	60,520,445
Reduced Revenues	47,845,263	47,921,930	57,308,090	57,301,475
% of revenues	3.3%	4.3%	0.7%	2.4%
CASH FLOW STATEMENT				
Net Income (Loss)	38,276,987	40,426,908	39,316,739	11,846,108
Depreciation & Amortization	22,366,310	22,547,962	22,598,670	22,574,378
AFUDC	-	-	-	-
Principal Payments - Bonds	(8,770,000)	(9,270,000)	(9,745,000)	(10,235,000)
Working Capital Change (Increase)Decrease	(876,321)	(542,131)	(932,330)	(625,422)
Principal Payments-BOG	(2,780,552)	-	-	-
Transfer to Trust	-	-	-	-
Deferred outflows from pension	344,114	268,263	306,689	287,976
Gross Bond Proceeds	134,000,000	-	-	85,000,000
Deposit to Bond Construction Fund	(108,925,581)	-	-	(69,094,585)
Deposit to CAP Interest Fund	(13,400,000)	-	-	(8,500,000)
Deposit to Debt Service Reserve Fund	(88,994,419)	-	-	(55,705,415)
Cost of Issuance/Underwriter Discount	(2,680,000)	-	-	(1,700,000)
Loss on Defeasance Bond/Amortization of Discl,	403,640	276,930	288,049	326,206
Premium&IssuanceCost	-	-	-	-
Revenue Funded CAPEX	-	-	-	-
Bond Reserve Requirement	-	-	-	-
System Development Charge	500,000	500,000	500,000	(449,399)
Working Capital Reserve for CAPEX/PAYGO	(17,000,000)	(12,400,000)	(17,500,000)	(15,000,000)
Working Capital Reserve for O & M	-	-	-	-
Working Capital Reserve for Debt Service	(39,732,857)	(8,000,000)	(33,430,130)	(8,000,000)
Grants and Contributions	6,700,000	(39,732,857)	(33,430,130)	(8,000,000)
Transfer from Capitalized Interest Fund	-	6,700,000	-	4,250,000
Prior Year Adjustment & Loss on Asset Disposal/Invty writedown	-	-	-	-
Cash Surplus (Deficit)	(570,680)	776,075	1,412,686	3,824,247
Beginning Balance	4,962,086	4,391,406	5,167,481	6,580,167
Ending Balance	\$ 4,391,406	\$ 5,167,481	\$ 6,580,167	\$ 10,404,414

GWA Cat	GCG Cat	Project #	Project Description	FY2020	FY2021	FY2022	FY2023	FY2024	Subtotal By Project
				Total	Total	Total	Total	Total	FY20-FY24

Subtotal GCG Cat = 2 "Consent Decree Projects"

PW	3	PW 05-09	Leak Detection	0	500	0	0	100	600
PW	3	PW 05-10	Potable Water System Planning	0	500	0	0	0	500
PW	3	PW 09-03	Water Distribution System Pipe Replacement and Upgrades	500	1000	2250	1750	2250	7,750
PW	3	PW 14-01	Fire Hydrant Replacement Program	0	0	500	0	500	1,000
PW	3	MP-PW-Pipe-01	Astumbo Zone Piping	0	0	368	4482	0	4,850
PW	3	MP-PW-Pipe-04	Hyundai Well Piping	500	0	0	0	0	500
PW	3	MP-PW-Pipe-05	Kaiser Zone Looping	300	0	0	0	0	300
PW	3	MP-PW-Pipe-06	Mangilao Pressure Zone Realignment	300	0	0	0	0	300
PW	3	MP-PW-Pipe-07	Mataguac BPS Suction Piping	0	500	0	0	0	500
PW	3	MP-PW-Pipe-09	Yigo, Santa Rosa Zone Realignment	0	0	178	2164	0	2,342
PW	3	MP-PW-Pipe-10	Miscellaneous Piping Projects	100	100	694	0	0	894
PW	3	MP-PW-Pipe-11	Miscellaneous Piping Connections	100	100	194	0	0	394
PW	3	MP-PW-Pipe-12	Rehabilitation and Replacement Program	1000	1000	2500	3400	2000	9,900
PW	3	MP-PW-Pipe-13	2-Inch Pipe Replacement Program	2730	1200	1750	1750	1750	9,180
PW	3	MP-PW-Pipe-14	Asbestos Cement Pipe Replacement Program	0	0	3850	3850	3850	11,550
PW	3	MP-PW-Pipe-15	PRV Rehab and Replacement	1000	1450	1000	1468	1468	6,386
PW	3	MP-PW-Pipe-16	Valve Exercise, Repair, and Replacement Program	250	0	250	0	250	750
PW	3	MP-PW-Pipe-17	Cross Island Highway Piping	0	100	1401	0	0	1,501
PW	3	MP-PW-BPS-01	Rehabilitate and Replace BPSs	409	150	150	150	150	1,009
PW	3	MP-PW-BPS-02	Nimitz Hill Upper BPS	48	0	0	0	0	48
PW	3	MP-PW-Misc-02	Master Meter Implementation and Ongoing Meter Replacement	500	250	734	734	734	2,952
PW	3	MP-PW-Misc-03	Hydrant Condition Assessment and Maintenance	0	0	970	970	970	2,910
PW	3	MP-PW-Misc-05	Leak Detection Assistance	250	0	0	0	0	250

Subtotal GCG Cat = 3 "NRW Projects"

PW	4	PW 09-01	Ugum Water Treatment Plant Intake	0	500	700	0	0	1,200
PW	4	MP-PW-SWTP-01	Ugum SWTP River Intake Cleaning Project	0	0	380	0	0	380
PW	4	MP-PW-SWTP-02	Ugum SWTP Intake Modifications	1000	0	174	0	0	1,174
PW	4	MP-PW-SWTP-03	Ugum SWTP Reliability Improvements	1000	0	150	0	0	1,150
PW	4	MP-PW-SWTP-04	Ugum SWTP 7-Year Improvement Project	0	0	0	0	3168	3,168
PW	4	MP-PW-Well-05	Wellhead Protection Program	350	0	0	660	0	1,010
PW	4	MP-PW-Well-06	Well Repair Program	500	250	1500	1274	1274	4,798
PW	4	DoD-3	Rehabilitation and New NGLA Monitoring Wells	4000	0	0	0	0	4,000
WW	4	MP-WW-Pipe-27	Septic/Cesspool System Reduction Program	0	0	350	3000	5238	8,588
WW	4	MP-WW-WWTP-04	Pago Socio WWTP Pump Station Conversion	0	0	1700	1000	0	2,700
WW	4	MP-WW-WWTP-09	Ocean Outfall Inspection Program	150	0	0	0	0	150
WW	4	MP-WW-Misc-03	Miscellaneous Wastewater Improvements	0	200	1500	1000	0	2,700
WW	4	MP-WW-Misc-04	Fats, Oils, and Grease Study	150	0	0	0	0	150
MISC	4	MC 05-01	Laboratory Modernization	0	0	0	0	0	0
MISC	4	MP-Gen-Misc-09	Security and Resilience Program	100	100	200	100	100	600

Subtotal GCG Cat = 4 "Env-Safety Compliance Projects"

PW	5	PW 05-13	Deep Well Rehabilitation	1538	0	4000	0	0	5,538
PW	5	PW 05-14	New Deep Wells at Down Hard	500	0	0	0	0	500

GWA Cat	GCG Cat	Project #	Project Description	FY2020		FY2021		FY2022		FY2023		FY2024		Subtotal By Project FY20-FY24
				Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	
PW	5	PW 05-15	Rehabilitation of Asan Springs	550	0	0	0	0	0	0	0	0	0	550
PW	5	PW 09-02	Water Wells	1500	1400	0	0	0	0	2000	0	0	0	4,900
PW	5	MP-PW-Well-03	Capacity Enhancement – Well Exploration Program	0	0	0	0	500	0	0	0	1188	0	1,688
PW	5	MP-PW-Well-04	Capacity Enhancement – Well Development and Construction Program	0	0	0	0	379	4622	0	0	0	0	5,001
WW	5	WW 17-01	Wastewater Sewer System Expansion	0	0	0	0	0	0	0	0	0	0	-
WW	5	DoD-02	Northern Systems Wastewater System	6000	0	0	0	0	0	0	0	0	0	6,000
MISC	5	MC 09-01	General Plant Improvements / Water	0	100	500	800	500	1000	0	0	0	0	2,400
Subtotal GCG Cat = 5 "Capacity Projects"				10,088	1,500	5,379	7,422	2,188	26,577					
PW	6	PW 05-06	Water Booster Pump Station	1200	700	300	2000	0	0	0	0	0	0	4,200
PW	6	PW 05-07	Meter Replacement Program	0	0	0	0	0	0	0	0	0	0	-
PW	6	PW 05-12	Brigade II (Ugum Lift) BPS Upgrade	0	0	0	0	0	0	0	0	0	0	-
PW	6	PW 05-16	Master Meters	0	0	0	0	0	0	0	0	0	0	-
PW	6	PW 09-04	Pressure Zone Realignment / Development 2005 Improvements	561	0	0	0	0	0	0	0	650	0	1,211
PW	6	PW 12-01	Water Audit Program & Water Loss Control Plan	0	0	0	0	0	0	0	0	0	0	-
PW	6	MP-PW-Pipe-02	Route 1 Astumbo Zone Piping	0	0	0	0	0	0	545	3324	0	0	3,869
PW	6	MP-PW-Pipe-03	Harmon Cliffline Piping to Route 1	0	0	0	0	0	0	424	0	0	0	424
PW	6	MP-PW-Pipe-08	Nimitz Lower BPS Piping	0	0	0	0	0	0	121	1469	0	0	1,590
PW	6	MP-PW-BPS-03	Route 15 BPS	0	0	0	0	0	0	0	86	0	0	86
PW	6	MP-PW-Well-01	Well Rehabilitation Program	400	3500	2308	5368	440	1518	0	0	0	0	12,016
PW	6	MP-PW-Well-02	Well Equipment Overhaul Program	0	0	1000	0	0	0	0	0	0	0	2,518
WW	6	WW 09-11	WWTP Priority 1 Upgrades	0	0	0	0	0	0	0	0	0	0	-
EE	6	EE 09-02	Electrical Upgrade - Water Wells	90	0	0	0	0	0	0	0	0	0	90
EE	6	EE 09-04	Electrical Upgrade -Water Booster	150	0	0	0	0	0	0	0	0	0	150
EE	6	EE 09-05	Electrical Upgrade - Other Water	100	0	0	0	0	0	0	0	0	0	100
EE	6	EE 09-07	SCADA Improvements – Phase 2	45	0	0	0	0	0	0	0	0	0	45
EE	6	EE 09-08	SCADA Improvements – Phase 3	125	0	0	0	0	0	0	0	0	0	2,125
EE	6	EE 09-09	SCADA Improvements – Phase 4	0	0	0	0	0	0	0	0	0	0	-
EE	6	MP-Gen-EE-01	SCADA Implementation Phase A2 – Initial Project Completion	2000	2600	1500	2600	2600	2600	600	600	330	0	11,300
EE	6	MP-Gen-EE-02	SCADA Implementation Phase B – Additional Sites	0	0	0	0	0	0	0	0	0	0	1,200
EE	6	MP-Gen-EE-04	SCADA System Improvement Program	0	0	0	0	0	0	0	0	0	0	330
MISC	6	MC 15-01	Information Technology Intergration Improvements	0	100	500	500	500	500	250	1000	0	0	1,600
MISC	6	MP-Gen-Misc-01	GWA Systems Planning	700	500	100	250	100	200	0	0	0	0	2,550
MISC	6	MP-Gen-Misc-04	Information Technology Improvements	5400	200	100	100	100	200	0	0	0	0	6,000
MISC	6	MP-Gen-Misc-05	GWA Infrastructure Improvements	500	2000	0	250	0	0	0	0	0	0	2,750
MISC	6	MP-Gen-Misc-07	Mobile Equipment Replacement Program	800	200	100	100	400	0	0	0	0	0	1,600
Subtotal GCG Cat = 6 "Efficiency Projects"				12,071	9,800	5,908	12,858	15,117	55,754					
PW	7	MP-PW-Misc-01	South Guam Water Supply Study	200	0	0	0	0	0	0	0	0	0	200
PW	7	MP-PW-Misc-04	OneGuam Program	50	50	50	50	50	50	0	0	0	0	250
MISC	7	MP-Gen-Misc-02A	WRMP Update (Comprehensive Update)	0	0	100	0	0	0	0	0	0	0	100
MISC	7	MP-Gen-Misc-02B	WRMP Update (Interim Update)	200	0	0	0	0	0	0	0	0	0	200
MISC	7	MP-Gen-Misc-03	Surveying and Property Delineation	0	250	250	250	0	0	0	0	0	0	750
MISC	7	MP-Gen-Misc-05	GPWA Fleet Maintenance Facility	0	0	500	0	0	0	0	0	0	0	500
Subtotal GCG Cat = 7 "Discretionary Projects"				450	300	900	300	50	2000					

FY2020	FY2021	FY2022	FY2023	FY2024	Subtotal By Project FY20-FY24
Total	Total	Total	Total	Total	
42,241	1,750	1,214	1,214	214	46,847
31,987	26,100	21,219	17,442	16,381	135,551
7,987	6,850	16,789	20,718	14,022	72,797
29,859	12,650	18,841	27,614	27,135	136,454

Grand Totals by Year 112,074 47,350 58,063 66,988 57,752 **342,227**