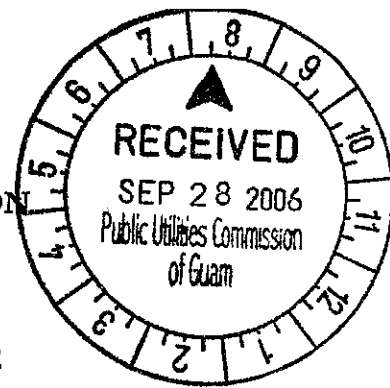


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



FOCUSED MANAGEMENT AUDIT  
OF DEPARTMENT OF PUBLIC  
WORKS' SOLID WASTE MANAGEMENT  
DIVISION BILLING AND COLLECTION  
SYSTEM

DOCKET 06-2

ORDER

In response to its administrative law judge's [ALJ] April 20, 2006 memorandum [Attachment A], the Guam Public Utilities Commission [PUC] at its April 20, 2006 meeting directed ALJ to oversee a focused management audit by Georgetown Consulting Group [GCG] of the Department of Public Works' [DPW] solid waste management's [SWM] billing and collection practices and the Department of Administration's restricted account management. On August 18, 2006, GCG filed its audit report [Attachment B] with PUC. On September 21, 2006 GCG presented its report to PUC at a workshop.

After careful review of the GCG audit report and the record herein, including comments from DPW, for good cause shown and on motion duly made, seconded and carried by the undersigned commissioners, the Guam Public Utilities Commission **HEREBY FINDS AND ORDERS THAT:**

1. The audit report presents compelling and convincing evidence that DPW is not prepared to assume the financial responsibilities, which would be imposed upon it by the proposed \$90 million dollar revenue bonds financing, which is necessary to fund the Government of Guam's compliance with the Federal Consent Decree<sup>1</sup>.
2. DPW does not have adequate resources [management, staff, financial, legal, engineering and systems] to implement the audit recommendations in a timely manner.
3. Accordingly, it is critical that the legislation recommended in the audit report be implemented *concurrently* with any legislative authorization for the Government to proceed with the revenue bond financing - *paramount of which is the recommendation that SWM be reconstituted as a public corporation under the governance of the Consolidated Commission on Utilities*. PUC respectfully cautions the Government of Guam, in furtherance of its May 2, 2006 letter to Vice Speaker Brown [Attachment C] that without

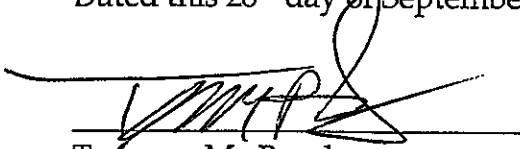
<sup>1</sup> Consent Decree dated February 11, 2004 in *USA v. Government of Guam*, District Court Civil Case 02-22.

these legislative reforms, PUC has material concern over DPW's ability to collect, deposit, account for and properly expend the *just and reasonable* rate revenues awarded by PUC in a manner which will enable DPW and the Government of Guam to comply with its proposed bond covenants.

4. PUC stands ready, upon request, to propose specific legislation to implement the audit recommendations.
5. In the interim, PUC is committed to do its part in implementing those audit recommendations, which are within its power to address. Accordingly, the following regulatory activities shall be commenced under ALJ's oversight:
  - a. In anticipation of the revenue requirements, which would be imposed on DPW by the revenue bond financing, DPW has requested GCG's assistance in preparing a petition for FY07 rate relief for PUC consideration during the January 2007 regulatory session. ALJ is authorized and directed to oversee the preparation of this petition by GCG in collaboration with DPW. As part of this rate proceeding, GCG shall: i] propose a residential lifeline rate, a variable residential rate and a prepaid decal system for residential service; ii] propose necessary amendments to SWM's service rules; and iii] examine and make recommendations regarding SWM's \$10 million dollar accounts receivable.
  - b. PUC is encouraged by DPW's acceleration of the timeline for outsourcing the collection of residential waste for the entire island not later than July 2007. On or before October 15, 2006, DPW shall inform PUC of the additional resources, which it will require to successfully meet this deadline. DPW's progress under the timeline will be examined during the January 2007 rate proceeding.
6. PUC stands ready to issue necessary regulatory orders, which will be required to secure revenue bond financing; subject to its strong reservation that without the concurrent legislation recommended above, it is questionable whether DPW and the Government of Guam will be able to meet the requirements of the bond covenants.
7. Except as provided herein, the deadlines for action recommended in the audit report will be suspended pending further consideration during the January 2007 regulatory session.

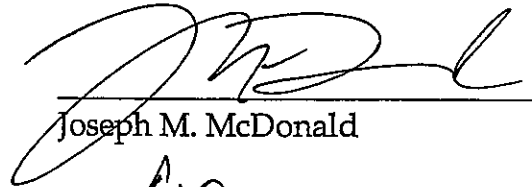
8. A copy of this Order shall be transmitted to the Speaker of the 28<sup>th</sup> Guam Legislature, to the Governor of Guam, to the Department of Public Works and to the Consolidated Commission on Utilities.

Dated this 28<sup>th</sup> day of September 2006.



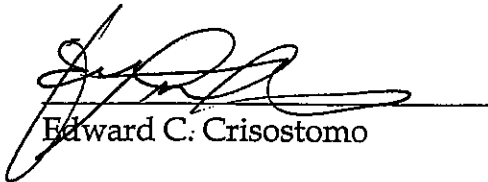
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Terrence M. Brooks



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Joseph M. McDonald



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Edward C. Crisostomo

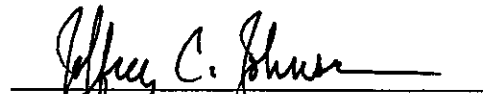


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Filomena M. Cantoria

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Rowena E. Perez



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Jeffrey C. Johnson