

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



APPLICATION OF THE GUAM WATERWORKS
AUTHORITY TO ISSUE WATER AND WASTEWATER
SYSTEM REVENUE BONDS

DOCKET 05-10

ORDER APPROVING ISSUANCE OF REVENUE BONDS

Pursuant to Article 2 of Chapter 14, Title 12, Guam Code Annotated (the "Act"), Guam Waterworks Authority (the "Authority") is authorized by the issuance of revenue bonds to raise funds for the purpose of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the System, or any part thereof, and for the purpose of refunding any such bonds or any other prior obligations of the Authority, or for any combination of such purposes, in accordance with and subject to the requirements and limitations set forth in the Act. Pursuant to such authority, the Authority proposes to issue its Water and Wastewater System Revenue Bonds, Series 2005 (the "Series 2005 Bonds") in an aggregate principal amount not to exceed \$110,000,000 to finance capital improvements (collectively, the "Projects") to the System, to refund the Authority's Certificates of Participation, Series 2005 (the "Series 2005 Certificates") and the loan from Guam Power Authority (the "GPA loan"), and for certain other purposes in connection with the issuance of such bonds, including to pay costs incurred in connection with such issuance. The Authority's use of the revenue bond proceeds is subject to review and approval by the Guam Public Utilities Commission ("Commission") under 12GCA 12004. In connection with said issuance, the Authority proposes to enter into an indenture (the "General Indenture"), by and between the Authority, Bank of Guam, as trustee (the "Trustee"), and U.S. Bank National Association, as co-trustee (the "Co-Trustee"), and a supplemental indenture (the "Supplemental Indenture"), by and between the Authority, the Trustee and the Co-Trustee, and may enter into one or more reimbursement agreements, credit agreements, or similar agreements (each a "Credit Agreement") in connection with the provision of credit enhancement with respect to the Series 2005 Bonds.

The Authority has applied to the Commission for approval of the terms and conditions pursuant to which the Series 2005 Bonds in an aggregate principal amount not to exceed \$110,000,000 are to be issued for the purpose of paying the costs of the Projects and refunding the Series 2005 Certificates and the GPA loan.

The proposed form of General Indenture and Supplemental Indenture have been presented to the Commission and are attached hereto as Exhibit A and Exhibit B, respectively.

By order dated September 13, 2001 (the "2001 Order"), the Commission established a surcharge (now known as the "Navy/GPA surcharge") originally to produce revenues dedicated to the funding of the payment of the Authority's arrearages to Guam Power Authority ("GPA") and Guam Telephone Authority (GTA).

Pursuant to a Consent Decree filed in the United States District Court for the Territory of Guam on May 9, 2003 (the "Consent Decree") with respect to Civil Case No. 99-00102, the Authority has agreed to make certain payments to the United States Department of Justice as part of the settlement of such case. These payments are to be made monthly in increasing amounts with the final payment due in 2012. The Consent Decree establishes a lien for the benefit of the Navy on the Authority's revenues and assets.

By order dated June 23, 2003 (the "2003 Order"), the Commission authorized the use of Navy/GPA surcharge revenues to fund the payment of the Authority's obligations to the Navy under the Consent Decree, as well as the Authority's obligations to GPA and certain obligations to the Commission. In addition, the 2003 Order provided that the Navy/GPA surcharge "shall be assessed, collected, held, disbursed and reconciled in strict accordance with the 2001 Order" (GTA having been paid in full).

In connection with the issuance of the Series 2005 Bonds and the execution and delivery of the General Indenture and the Supplemental Indenture, because the Navy lien is prior to the lien for the benefit of the bondholders, the Authority has requested that this Commission confirm for the benefit of bondholders the imposition of the Navy/GPA surcharge to fund payments to the Navy and to GPA (as well as the Commission), and the mechanism by which the amount of the surcharge is established.

The Commission having duly considered the application of the Authority and the information presented on the Authority's behalf and having determined the issuance of the Series 2005 Bonds as described herein from time to time for the purpose of financing the Projects and the confirmation of the Navy/GPA surcharge are in the best interest of the Authority's ratepayers, **IT IS ORDERED AS FOLLOWS:**

1. The terms and conditions pursuant to which the Series 2005 Bonds are to be issued and included in Exhibit A and Exhibit B hereto are hereby approved; provided, however, that any material modification or amendment of any of those documents from the form of those exhibits shall be subject to prior Commission review and approval. The Authority shall have the responsibility of bringing any such material modification or amendment to the Commission's attention. The Commission's administrative law judge is hereby authorized to determine and confirm, by closing certificate or otherwise, that the forms of indenture and supplemental indenture executed and delivered by the Authority do not contain any material modification or amendment from the forms of such documents included as Exhibit A and Exhibit B hereto.

2. For the purpose of financing the Projects, the Authority is authorized to borrow funds through the issuance of the Series 2005 Bonds in an aggregate principal amount not to exceed \$110,000,000 and on the terms and conditions described in Exhibit A and Exhibit B hereto. The Series 2005 Bonds shall have maturities not later than 2040 and bear interest at rates not to exceed 6.5% per annum. The Series 2005 Bonds shall be sold at such price or prices as may be determined by the Authority.
3. The execution and delivery by the Authority of such Credit Agreements as are determined by the Authority to be necessary or appropriate in connection with the provision of credit enhancement with respect to the Series 2005 Bonds are hereby approved; provided that interest on any obligations payable pursuant to any such Credit Agreement shall be calculated at a rate that does not exceed the maximum rate set forth in the immediately preceding paragraph 2.
4. The imposition of the Navy/GPA surcharge is hereby confirmed for the benefit of bondholders. The surcharge amount shall be calculated for each fiscal year in accordance with the 2001 Order and the 2003 Order, provided, however, that the surcharge shall be in such amount as is necessary to produce revenues in each fiscal year approximately equal to \$2,750,000 with the following prioritization: 1) payments to Navy under the terms and conditions established by the Consent Decree and resultant payment plan; 2) Commission annual assessments and invoices in excess of sixty days; and 3) payments to GPA of any excess of funds collected from the surcharge after payments to Navy and Commission. Revenues and payment from the Navy/GPA surcharge shall not be included in any debt service coverage calculation or rate covenant adopted or approved by this Commission. In accordance with the 2003 Order, the surcharge shall remain in force and effect until the Authority's obligations to GPA and Navy have been paid in full, whereupon it shall expire.

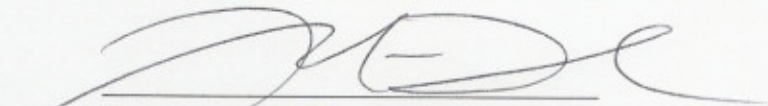
Dated this 27th day of October 2005.



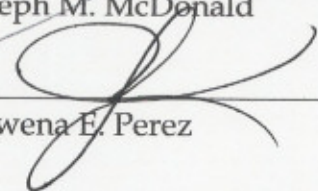
Terrence M. Brooks



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