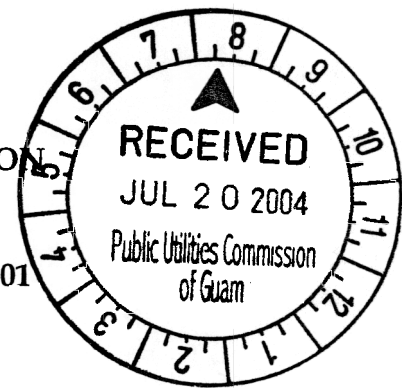


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

REGULATORY REVIEW OF GWA
INTERIM FINANCIAL PLAN UNDER
FEDERAL COURT ORDER IN CIVIL
CASE 02-35

DOCKET 04-01



ORDER

By its March 31, 2004 Order, the Guam Public Utilities Commission [PUC] established a protocol and schedule under which Guam Waterworks Authority [GWA] will prepare and submit an Interim Financial Plan [IFP] and petition for FY05 rate relief to PUC for regulatory review. These work products, including: GWA's FY05 CCU approved budget; petitions for approval of short and long term borrowing; collection plan; debt retirement plan; restructured user fees; and petition for FY05 rate relief are due for filing with PUC by August 13, 2004.

GWA is substantially behind the curve in the preparation and presentation of the IFP to PUC for regulatory review. The Federal Order mandated that the IFP be submitted for regulatory review not later than October 5, 2003. Accordingly, there is a sense of regulatory urgency that GWA make a full, complete and timely filing on August 13, 2004. The filing will then be examined by PUC's regulatory consultant [Georgetown Consulting Group - GCG] in preparation for public hearing before PUC on October 4, 2004.

In the interim, four regulatory matters require PUC attention and are the subject of this Order:

1. The Consolidated Commission on Utilities has decided to retain consulting services to craft a request for proposal [RFP] from companies who desire to serve as a multi-year concessionaire of GWA. A threshold matter requiring PUC approval, under the contract review protocol, is the consultant's contract, the expense of which is estimated to be in an amount not to exceed \$4 million dollars. By letter dated July 16, 2004, GCG has recommended that PUC approve this consulting procurement. The concessionaire RFP will undergo PUC review at a later date.
2. On May 20, 2004 GWA petitioned PUC for approval of a \$1.3 million long term [40 year] loan from the U.S. Department of Agriculture to fund the rehabilitation of 10 deep water wells. By letter dated July 16, 2004 GCG recommends approval of this loan transaction.

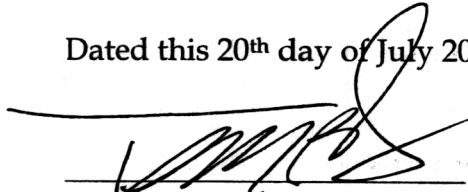
3. Section 5 of PUC's March 31, 2004 Order directed GWA, not later than May 1, 2004, to initiate litigation to test the legality of P.L. 27-29. Pursuant to the requirement of 12 GCA 14109, GWA requested the services of the Attorney General to initiate this litigation. By letter dated April 30, 2004, this request for legal services was denied and no action has been taken in compliance with this PUC order provision. This causes serious regulatory concern for two reasons:
 - a. The failure to promptly challenge the legality of P.L. 27-29 may materially impact GWA's ability to access the external financing marketplace as it leaves open the legality of about \$1.5 million in accrued, mandated supplemental annuity expenses and also exposes GWA to further potential liability in FY05; and
 - b. PUC finds that GWA's inability under current law to independently access the courts is a substantial obstacle to its full and timely compliance with the Federal Order. Under Federal Order section 22, GWA is required to take affirmative action to resolve such obstacles.
4. On April 1, 2004, GWA requested PUC authorization to record the surcharge revenues "below the line" as other revenues. The purpose of the accounting action would be to insure that the surcharge does not affect GWA's operating revenues. By letter dated July 16, 2004, GCG supports this request.

In furtherance of the forgoing and in the exercise of our judgment and for good cause shown, PUC by the affirmative vote of the undersigned commissioners hereby **ORDERS THAT:**

1. The GWA procurement for concessionaire consulting services is approved in an amount not to exceed \$4 million dollars.
2. The long-term loan of \$1.3 million dollars from the U.S. Department of Agriculture to fund the rehabilitation of 10 deep water wells is approved. The loan proceeds shall not be used for any other purpose without prior PUC approval.


3. PUC recommends that GWA immediately bring itself into compliance with Federal Order section 22 and that it seek guidance and appropriate relief from the District Court of Guam with regard to its lack of independent access to the courts.
4. GWA is authorized to record its surcharge revenues below the line as other revenue.

Dated this 20th day of July 2004.




Terrence M. Brooks

Edward C. Crisostomo



Gerald M. Woo

Rowena E. Perez



Joseph M. McDonald



Richie T. Lim



Filomena M. Cantoria