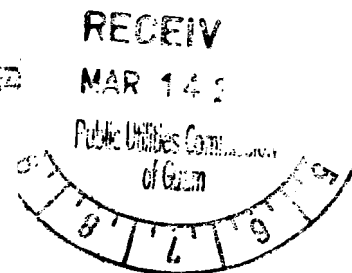


BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM

GUAM WATERWORKS AUTHORITY-)
EPA FINANCIAL PLAN)

DOCKET 02-02



ORDER

This Order responds to the United States Environmental Protection Agency's [EPA] February 25, 2002 letter [the "EPA Letter"] regarding Guam Waterworks Authority's [GWA] financial plan and compliance schedule.

In August 2001 EPA, GWA and Governor Carl Gutierrez executed a consent order in which GWA agreed during the next five years to bring its wastewater treatment facilities into compliance with Federal law and permitting requirements. The Consent Order required GWA to submit for EPA approval a financial plan with compliance schedule [the "Financial Plan"] under which such work would occur. The Financial Plan, which calls for GWA to undertake \$90 million dollars in capital and operational expenditures, was submitted for EPA approval on January 31, 2002. The EPA Letter approves the plan, provided that the Commission and the Guam Legislature commit to provide the authorizations, approvals and rate relief, which are reasonably necessary to enable GWA to timely discharge its duties under the Financial Plan. The EPA Letter requires that these commitments be provided to EPA not later than March 30, 2002.

After discussion with its consultants and its administrative law judge [ALJ] and for good cause shown, the Commission at a duly noticed and convened meeting and upon motion, seconded and carried by vote of the undersigned, hereby **ORDERS THAT**:

The Commission shall, in a timely manner, order such rate relief and grant such regulatory approval as may be required by GWA to enable it to comply with the Financial Plan in a prudent and reasonable manner. In making this commitment, the Commission finds that the Consent Order constitutes a lawful GWA obligation, which under 12 GCA 12004 the Commission is required to fund, if necessary, through rates.

2. Given the substantial impact, which the Financial Plan could have on GWA ratepayers, the Commission hereby asserts its audit powers under P.L. 25-05:12, as the jurisdictional basis for overseeing GWA's implementation of the Financial Plan and of the recommendations of the Commission's revenue cycle audit, as approved in December 2001. The Commission finds that implementation of the audit recommendations, which will be funded through the Financial Plan, is crucial to GWA's ability to execute its duties under the Financial Plan. ALJ is authorized and directed to establish the protocol under which this Commission oversight shall occur.

- 3 Subject to legislative approval, GWA is hereby authorized to borrow not to exceed \$21.2 million dollars in short-term debt for the purpose of funding the Financial Plan related projects identified in Attachment A to this Order. The terms and conditions as well as the uses and commitment of such funds shall require **prior** Commission review and approval. ALJ is authorized and directed to establish the regulatory process by which this review shall occur. The Commission shall provide such regulatory assurances as may be reasonably necessary to induce lenders to extend GWA this short term debt.
4. The Commission finds that an operational and “best practices” personnel audit of GWA would meaningfully enhance GWA’s ability to execute the Financial Plan. The Commission further finds that the audit expense would be significantly exceeded by savings and revenue enhancements resulting from implementing audit recommendations. In the event the Legislature approves, as part of its short-term debt authorization, funding for the Commission to undertake this audit, ALJ is authorized and directed to recommend the procurement process by which the Commission will undertake this audit.
5. The Commission is a creature of statute and, therefore, cautions EPA that the Commission’s ability to meet the commitments contained herein is expressly contingent upon a reciprocal commitment from the government of Guam that it will not take any action to limit or otherwise compromise the Commission’s regulatory authority over GWA, as asserted herein.

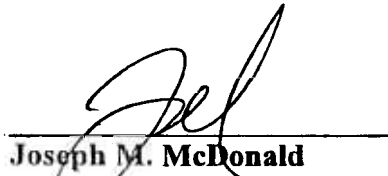
Dated this 14th day of March 2002.



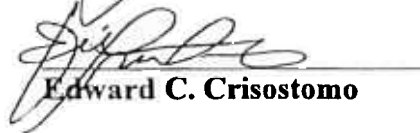
Terrence M. Brooks



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