

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM**

GUAM WATERWORKS AUTHORITY )  
APPLICATION FOR RATE RELIEF ) DOCKET 00-01:A  
\_\_\_\_\_ )

**Decision and Order**

**Background**

On October 5, 1999, the Guam Public Utilities Commission [Commission] initiated an investigation of Guam Waterworks Authority's [GWA] financial condition, its need for rate relief and its compliance with its statutory duties. In furtherance of this investigation, GWA applied to the Commission, on December 28, 1999 in this docket for authority to increase its rates by 18.8% to produce an additional \$6.3 million dollars in annualized FY00 revenues.

On January 31, 2000, Georgetown Consulting Group [GCG], in its capacity as the Commission's independent regulatory analyst, filed its report recommending that GWA be awarded annual rate relief of \$5.4 million dollar, in the manner depicted on Exhibit A to this Decision. The GCG report also recommends that GWA begin regular financial and operational reports to the Commission, develop action plans to address malfunctioning meters and to install mandated sewer connections and that an interim residential water lifeline rate be established at the current residential rate for the first 5,000 kgal consumed per month. The GCG report also recommends approval of the Navy Water Supply Contract with conditions. On February 4, 2000, GWA filed responsive testimony supporting the GCG position.

A public evidentiary hearing on GWA's petition was scheduled and held, pursuant to due and lawful public notice, at 6:00 p.m. on February 8, 2000 at Room 202, GCIC Building, Hagatna, Guam. On January 24, 2000, GPA petitioned to intervene in this docket. The petition was granted without objection on February 8, 2000. The evidentiary record and public comments at the hearing are summarized in the report and recommendations of the Commission's administrative law judge, Harry M. Boertzel (ALJ), dated and filed February 22, 2000.

During the course of an extended, duly noticed and convened special meeting of the Commission, which was held at Room 202, GCIC Building on February 23, 24 and 25, 2000, the Commission examined the ALJ Report, the evidentiary record and the issues and positions of the parties. After such examination and review, and in the exercise of its judgment and for good cause shown, the Commission has made, by an affirmative vote of at least five Commissioners, the following determinations:

### **Determinations**

1. The substantial rights of the parties were carefully preserved in the process of permitting factual materials into the record as evidence and by allowing the arguments, reasoning, and statement of position of the parties to be brought before the Commission.
2. The rulings and orders of ALJ during the course of this proceeding should be ratified and confirmed. All motions not heretofore granted or denied should be denied.
3. An interim residential lifeline rate for water should be established for the first 5,000 gallons used per month at the current residential rate of \$2.40 per thousand gallons for meters read on and after March 1, 2000. This interim rate should be subject to true up after a cost of service is performed, which will enable the Commission to adjust the interim rate without regard to the 20% rule contained in 12 GCA section 12004.
4. In the GWA – GCG recommendation that GWA be awarded rate relief of \$5.4 million dollar, is a recommended increase in the residential sewer charge from \$20 to \$24.44 per month. It would be contrary to the Commission's duty under 12 GCA section 12004 to increase the residential sewer charge before first establishing a lifeline rate for this service. Accordingly, the proposed increase to the residential sewer charge should be deferred pending a Commission proceeding during the August, 2000 regulatory session to consider the adoption of a lifeline rate for this service.

5. The deferral of the recommended increase in the residential sewer rate has the effect of reducing the GWA – GCG recommended \$5.4 million rate increase to \$4.206 million. GWA should be awarded this increase in the manner depicted in Exhibit A, excluding the increase to the residential sewer rate. This increase should be effective for meters read on and after March 1, 2000.
  
6. GWA should be ordered and directed to prepare and file the following reports with the Commission:
  - a. A quarterly report [first due on May 1 for the first two quarters of FY00] detailing its accounts receivable collection efforts, which will include: i] an aging of receivables by customer class and major customers; ii] a summary of billings and collections for the quarter; iii] a summary of the efforts of the new meter service section including the number of disconnects for the quarter and the number of accounts not disconnected despite non-payment; iv] a summary of dispute settlements for the quarter; and v] a summary of collections from inactive accounts.
  
  - b. A monthly financial and operational report [due to the Commission by the 30<sup>th</sup> of the following month, commencing February, 2000] including: i] income statement, balance sheet and cash flow statement; ii] statement showing production and purchases of water [by source]; iii] sales data [customers, gallons and revenue] for each customer class; iv] employee count report [by department, if applicable]; v] an analysis showing level of water losses on both a percentage and gallon basis; and vi] summary of meter replacement and sewer connection activities.
  
  - c. An action plan, with budget, timeline and revenue estimate, to test and repair or replace all malfunctioning water meters and to identify, collect for and meter all unauthorized hook-ups to its water system. The plan should be filed not later than May 8, 2000.
  
  - d. An action plan, with budget, timeline and revenue estimate, for GWA, in collaboration with the Guam Environment Protection Agency, to enforce and comply with the requirements of 10 GCA

Chapter 48 [Toilet Facilities and Sewage Disposal]. The plan should be filed not later than May 8, 2000.

- e. A report on GWA's position regarding the feasibility of a public-private partnership to resolve its historic obligations and to fund necessary infrastructure improvements. This report should be filed not later than May 8, 2000.
7. Either external financing or a public – private partnership will be necessary to enable GWA to resolve its historic obligations and to fund critical infrastructure improvements. The Commission will address this subject in Stage II of this docket. In preparation for this review, GCG, under ALJ oversight, should be authorized and directed to determine whether funding would be available to GWA from the Rural Utilities Service, which was instrumental in funding the development of GTA's network.
  8. ALJ should be directed to continue his oversight and development of the broad regulatory initiative concerning GWA, started by the Commission's October 5, 1999 Order Instituting Investigation and supplemental by Commission Order dated December 17, 1999.
  9. The draft Navy water supply contract, in form filed with the Commission on February 8, 2000, requires Commission approval under 12 GCA §12004. The contract should be approved by the Commission, subject to the following conditions:
    - a. The contract effective date is October 6, 1999.
    - b. The due date of the first installment on the security deposit under contract section IV(3)(3) is May 1, 2000.

ALJ should be authorized to review and approve any changes to the draft contract, which in his judgment are not material; provided, however, that any material change should be submitted to the Commission for review and approval.

As part of this determination, the Commission considers it important to state its understanding of Navy's frustration over the length of time it has taken GWA to negotiate a new water supply contract and over GWA's inability to keep its account with Navy current. Nevertheless, the record in this proceeding and in the collateral dockets, in which the Commission will examine GWA's historic liabilities, long term financing, the feasibility of a public-private partnership, a system development charge and a spectrum of operational issues, reflects a clear commitment by GWA management and this Commission to lead GWA to the achievement of its corporate mission. In this rate proceeding, the Commission has called upon GWA customers to participate in this effort through a rate increase to enable GWA to honor its current business commitments on a going forward basis. It, therefore, seems only fair, reasonable and consistent with a "good neighbor policy" that Navy join in this community effort by supporting the above contract approval conditions, which will have the effect of enabling GWA to purchase water at the meaningfully lower rate, established under the draft contract, effective October 6, 1999.

10. GWA should be ordered to pay for the Commission's expenses, including, without limitation, consulting and counsel fees and expenses and the expenses of conducting and transcribing the hearing process.

### **Order**

In furtherance of the above 10 determinations, and in the exercise of our judgment, after considering the record, ALJ's report and recommendations and the arguments, reasoning and position of the parties and the public comments, and for good cause shown, the Guam Public Utilities Commission, by an affirmative vote of at least five Commissioners, hereby **ORDERS THAT:**

All rulings and orders of the ALJ during the course of this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters require discussion.

2. GWA is awarded rate relief for meters read on and after March 1, 2000 in the amount of \$4.206 million in the manner depicted in Exhibit A, excluding, however, the rate increase reflected in Exhibit A for residential sewer service. The proposed residential sewer service increase is not approved, but is instead deferred pending a Commission proceeding during the August, 2000 regulatory session to consider the adoption of a lifeline rate for that service.
3. An interim residential water lifeline rate is established, under authority of 12 GCA section 12004, for meters read on and after March 1, 2000, for the first 5,000 gallons used per month at the current residential rate of \$2.40 per thousand gallons. This interim rate shall be subject to true-up after a cost of service is performed. The interim status of this rate shall exempt it from the 20% rule contained in section 12004 until it is made permanent by Commission order.
4. GWA shall prepare and file with the Commission the reports described in determination 6 and in accordance with the deadlines established in that determination.
5. GCG, under ALJ oversight, is authorized and directed to determine whether funding would be available to GWA from the Rural Utilities Service, which has been instrumental in funding the development of GTA's network.
6. The draft Navy water supply contract, in form filed with the Commission on February 8, 2000 is approved, subject to the conditions that its effective date be October 6, 1999 and the due date of the first installment on the security deposit under contract section IV(3)(3) is May 1, 2000. ALJ is authorized to review and approve any changes to the draft contract, which in his judgment are not material; provided, however, that any material changes shall be submitted to the Commission for review and approval. A copy of this order shall be transmitted to Captain Beary, Commanding Officer, Navy Public Works Center.

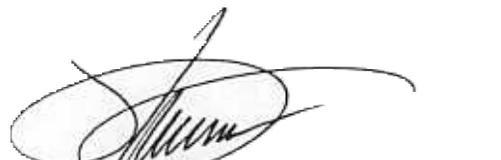
7. ALJ is directed to continue his oversight and development of proceedings initiated under Stage II of this docket [GWA historic liabilities, unestablished tariffs, long term financing and/or strategic partnership] and under collateral dockets 00-01:B [system development charge] and 00-1:C [operational issues] for Commission consideration.
8. GWA shall pay for the Commission's expenses, including, without limitation, consulting and counsel fees and expenses and the expenses of conducting and transcribing the hearing process.

Dated this 25<sup>th</sup> day of February, 2000.



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**Terrence M. Brooks**

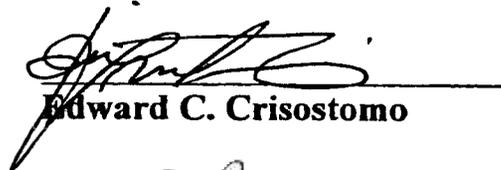


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**Joseph D. Torres**

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**Vicente D. Gumataotao**



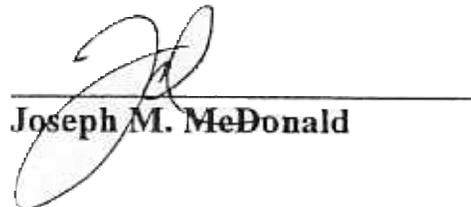
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**Edward C. Crisostomo**



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**Filomena M. Cantoria**



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**Joseph M. McDonald**



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**Paul E. R. Packbier**