



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**REQUEST BY THE GUAM )  
WATERWORKS AUTHORITY FOR )  
APPROVAL OF THE ISSUANCE OF )  
\$195M IN WATER AND WASTEWATER )  
REVENUE BONDS AND TO APPROVE )  
THE ASSOCIATED DOCUMENTS )**

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**GWA DOCKET 14-01**

**ALJ REPORT RE: 2013 BONDS**

**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Petition to Approve the Issuance of \$195M in Water and Wastewater Revenue Bonds and to Approve the Associated Documents (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on October 24, 2013.

**BACKGROUND**

On March 1, 2013, GWA filed its Five Year Financial Plan relative to fiscal years 2014 through 2018 (“Rate Plan”). The Rate Plan contemplated the issuance of three new bonds during 2013, 2015, and 2018, in order to generate \$350 million in capital expenditures for upgrades or rehabilitation of existing facilities or construction of new facilities.<sup>1</sup> On June 5, 2013, GWA filed its Petition for approval of the Rate Plan.

On October 22, 2013, the Consolidated Commission on Utilities (the “CCU”) authorized GWA’s issuance of water and wastewater revenue bonds in a principal amount not to exceed \$195,000,000.<sup>2</sup> Thereafter, on October 24, 2013, GWA filed its

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<sup>1</sup> GWA’s 5 Year Financial Rate Plan (“Rate Plan”), p. 6 (Mar. 1, 2013).

<sup>2</sup> Petition to Approve the Issuance of \$195M in Water and Wastewater Revenue Bonds and to Approve the Associated Documents (“Petition”), Exhibit A (CCU Resolution No. 04-FY2014), p. 4 (Oct. 24, 2013).

***ORIGINAL***

Petition for PUC approval of the FY2014 Revenue Bonds. Also on that day, the Board of Directors of the Guam Economic Development Authority (“GEDA”) issued Resolution No. 13-057, which approved and authorized GWA’s issuance and sale of revenue bonds, as well as the execution of the related bond documents and agreements.

On October 29, 2013, the PUC approved the Rate Plan, thereby approving the proposed five-year rate increases contained therein. On November 7, 2013, Public Law 32-069 (“P.L. 32-069”) was signed into law, and generally authorized GWA to issue an additional \$450,000,000 in revenue bonds. On November 15, 2013, Lummus Consultants International Inc. (“Lummus”), the PUC’s consultants for water and wastewater matters, filed its report detailing its findings and recommendations with respect to the subject petition.

## **DISCUSSION**

### **A. Bond Review**

Pursuant to 12 G.C.A. §12004, GWA cannot enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s express approval. Additionally, pursuant to GWA’s Contract Review Protocol, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.<sup>3</sup>

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<sup>3</sup> See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1 (Oct. 27, 2013).

**B. Petition**

GWA's Petition seeks PUC approval of the issuance of \$195 million revenue bonds.

**1. Uses**

GWA maintains that the purpose of the bonds is to “fund capital projects required to meet the Order for Preliminary Relief (‘Order’) in Civil Case No. 02-00035 in the United States District Court dated November 10, 2011 and for other capital projects necessary for system improvement, to fund a capitalized interest account and to fund a debt service reserve account.”<sup>4</sup> GWA further maintains that such bonds will also fund “other capital projects that promote operational efficiency such as line replacement that will eliminate chronic leaks.”<sup>5</sup>

**2. \$195 Million**

GWA submits that the value of the bonds is \$177,480,000, which is comprised of the following: \$13,901,344 for a debt service reserve; \$20,744,313 for capitalized interest; \$3,553,382 for the cost of issuance of the bond, including an underwriter discount; and \$139,280,961 for deposit into GWA's construction fund.<sup>6</sup>

GWA maintains that approval of \$195 million in total bonds authorized would account for any “variances between the current projected interest rate and the actual interest rate [at] the time of sale” and that such amount “provides the necessary flexibility to ensure the sale goes through without having to return to the PUC to seek further

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<sup>4</sup> Petition, p. 1.

<sup>5</sup> Petition, p. 2.

<sup>6</sup> Petition, p. 2.

approvals.”<sup>7</sup> Further, GWA submits that its underwriters have indicated that \$195 million “is sufficient to cover any differences between projected and actual interest rates that might arise at the time of sale, while not exceeding the maximum interest rate currently set by law at 7.5%.”<sup>8</sup>

### **3. Capitalized Interest**

GWA indicates that the CCU has approved “funding two (2) years of capitalized interest in this bond series, which is less than the three (3) years of capitalized interest in the 2010 bond issuance that was previously approved by the PUC.”<sup>9</sup> GWA adds that “[t]he use of the capitalized interest is a matter of policy which relates to not charging customers for the cost of capital until the projects funded by the capital are placed on line and able to benefit the customer.”<sup>10</sup> GWA further adds that such capitalized interest “lowers rate hikes in the near term to ensure that rate shock does not occur due to having customers immediately pay the full cost of debt service the year the bond issues.”<sup>11</sup>

### **4. Time Is of the Essence**

Additionally, GWA submits that it has “almost used up the amounts available for certifying new projects, and most critically timelines in CY2014 and CY2015 required by the [federal] Order.”<sup>12</sup> Accordingly, GWA maintains that it “cannot afford to

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<sup>7</sup> Petition, p. 2.

<sup>8</sup> Petition, p. 2.

<sup>9</sup> Petition, p. 3.

<sup>10</sup> Petition, p. 3.

<sup>11</sup> Petition, p. 3.

<sup>12</sup> Petition, p. 3.

wait too long to issue the bonds as GWA needs to have the bond proceeds on hand in order to continue to certify funding for upcoming projects.”<sup>13</sup>

#### **5. “Exhibit A”**

Further still, GWA has provided the PUC with a table identifying the projects which will require funding by the subject bonds. The table identifies the need for \$95,130,000 for potable water projects, which include tank replacements and repairs; \$33,300,000 for wastewater projects; \$5,395,000 for electrical engineering projects; and \$5,500,000 for miscellaneous projects, which include laboratory modernization, land surveys, and general plant improvements. Accordingly, the bonds are necessary to fund about \$139,325,000 worth of projects.

#### **C. CCU Resolution**

Pursuant to Resolution No. 04-FY2014, the CCU found that a need existed “for certain additions and improvements to the System, including certain water production, treatment and distribution projects, certain wastewater collection and treatment projects, and certain electrical projects, contained in the Authority’s Capital Improvement Plan (collectively, the ‘Projects’), and has determined that it is in the public interest for the Authority to issue bonds pursuant to the Act for such purposes . . . .”<sup>14</sup> In addition, the CCU further found that “it is necessary and desirable to issue one or more series of Guam Waterworks Authority Water and Wastewater Revenue Bonds (the ‘Bonds’) to finance the Projects and/or to redeem or retire all or a portion of the Prior Bonds . . . .”<sup>15</sup>

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<sup>13</sup> Petition, p. 3.

<sup>14</sup> Petition, Exhibit A , p. 1

<sup>15</sup> Petition, Exhibit A, p. 2.

Accordingly, the CCU authorized the “[i]ssuance of one or more series of additional Bonds from time to time pursuant to the Act and the General Indenture as supplemented by the Supplemental Indenture is hereby authorized in an aggregate principal amount not to exceed (a) \$195,000,000 to finance the Projects, to pay the costs of issuance, to pay for credit enhancement, if any, to pay for capitalized interest, and to fund a deposit to a debt service reserve fund, plus (b) with respect to any redemption or retirement of Prior Bonds, an aggregate principal amount sufficient to provide funds for such redemption or retirement of all or a portion of such Prior Bonds, plus related costs of issuance and of such redemption or retirement.”<sup>16</sup>

Furthermore, these Bonds “shall be issued in such series and amounts and at such times as the Chairman of the Commission, the Vice Chairman of the Commission or the General Manager of the Authority (the ‘Designated Officers’) deem appropriate, provided that such bonds have a final maturity not later than 30 years from their date of issuance, bear interest at a rate or rates and are sold for such price or prices not exceeding any limitation established by the Legislature, and are issued and sold pursuant to the Indenture and otherwise in compliance with the provisions of the Act.”<sup>17</sup>

Pursuant to the Resolution, the CCU also approved the Bond Documents, which include the Supplemental Indenture, the Supplemental Continuing Disclosure

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<sup>16</sup> Petition, Exhibit A, p. 4.

<sup>17</sup> Petition, Exhibit A, p. 4.

Agreement and the Bond Purchase Agreement, and authorized GWA to execute such documents, subject to the approval of the Legislature, GEDA, and the PUC.<sup>18</sup>

**D. Public Law 32-069**

In P.L. 32-069, the Guam Legislature (the “Legislature”) expressly found that “in order for [GWA] to be able to finance the projects required in the timelines prescribed in the United States District Court of Guam Civil Case No. 02-00035, November 10, 2011 Order, the Authority must be authorized to issue an additional Four Hundred Fifty Million Dollars (\$450,000,000) in bonds.”<sup>19</sup> The Legislature indicated that the proceeds from the issuance of these bonds would fund the following:

[B]ring all three southern wastewater treatment plants in Agat, Umatac and Baza Gardens into compliance with their secondary treatment permits at an estimated cost of 111 Million Dollars by 2018; repair or rebuild all GWA water storage tanks island-wide at an estimated cost of 153.4 Million Dollars by 2021; invest 48.5 Million Dollars for water distribution projects island-wide to begin replacing badly leaking water lines, improve pressure with booster pump upgrades and refurbishing or drilling new wells; fund 39.4 Million Dollars for systems analysis and monitoring and technology upgrades for better system management and energy savings; and to minimize ratepayer impact and allow for gradual rate increases spread out over five to seven years, an additional amount of 108 Million Dollars is required to fund two years of capitalized interest plus a debt service reserve for each bond borrowing.<sup>20</sup>

Accordingly, P.L. 32-069 amended Section 2 of P.L. 30-145, and authorized GWA’s issuance and sale of revenue bonds, “provided that such bonds shall

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<sup>18</sup> Petition, Exhibit A, pp. 5-6.

<sup>19</sup> P.L. 32-069, pp. 1-2 (Nov. 7, 2013).

<sup>20</sup> P.L. 32-069, pp. 2.

have a principal amount *not to exceed* Six Hundred Seventy Million Dollars (\$670,000,000), *shall* have a final maturity not later than 2055, *shall* bear interest at such rate or rates and *shall* be sold for such price or prices as *shall* result in a net yield to the bondholders *not exceeding* seven and one-half percent (7.5%) per annum . . . .”<sup>21</sup> Further, the Legislature required that “the issuance, terms and conditions of the bonds *shall* have been approved by the Guam Public Utilities Commission . . . .”<sup>22</sup>

**E. GEDA Authorization**

Pursuant to GEDA Resolution No. 13-057, GEDA’s Board of Directors found that “it is in the public interest for GWA to sell the 2013 Bonds for the purposes of financing the Projects and redeeming or retiring all or a portion of the Prior Bonds . . . .”<sup>23</sup> Accordingly, the GEDA Board of Directors approved GWA’s “issuance and sale of the 2013 Bonds in an aggregate principal amount not to exceed (1) \$195,000,000 for the purpose of financing the Projects, plus (b) with respect to any redemption or retirement of Prior Bonds, an aggregate principal amount sufficient to provide funds for such redemption or retirement of all or a portion of such Prior Bonds, plus related costs of issuance and of such redemption or retirement . . . .” subject to the approval of the Legislature, and the PUC.<sup>24</sup> The GEDA Board of Directors further approved the Bond Purchase Agreement form, the Supplemental Indenture, as well as the Preliminary Official Statement.<sup>25</sup>

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<sup>21</sup> P.L. 32-069, p. 4 (emphases in original).

<sup>22</sup> *Id.* (emphasis in original).

<sup>23</sup> GEDA Resolution No. 13-057, p. 2 (Oct. 24, 2013).

<sup>24</sup> GEDA Resolution No. 13-057, p. 2.

<sup>25</sup> GEDA Resolution No. 13-057, pp. 2-3.



**F. Bond Purchase Agreement**

The proposed Bond Purchase Agreement contains reasonable terms and conditions, and provides a detailed list of the necessary documents to be submitted prior to, or at the time of, closing, and which includes an opinion from GWA's counsel verifying facts related to the execution of the bond documents.<sup>26</sup> Among others, the Purchase Agreement also contains a mutual indemnification clause, as well as conditions that will trigger the termination of the Purchase Agreement.<sup>27</sup>

**G. Preliminary Official Statement**

As described in the Preliminary Official Statement ("POS"), "[t]he Authority is issuing the 2013 Bonds (i) to fund capital improvements to the System; (ii) to provide for capitalized interest on the 2013 Bonds through September 30, 2015; (iii) to fund a deposit to the Bond Reserve Fund; and (iv) to pay costs of issuing the 2013 Bonds."<sup>28</sup> The POS indicates that the following capital improvements are to be funded by the proceeds of the subject bonds.

| <u>Project Type</u>                                    | <u>Cost</u>          |
|--|----------------------|
| Water production, treatment, distribution, and storage | \$95,130,000         |
| Wastewater collection and treatment                    | \$33,300,000         |
| Electrical, including monitoring and control           | \$5,395,000          |
| General plant and miscellaneous                        | \$5,500,000          |
| <b>Total</b>   | <b>\$139,325,000</b> |

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<sup>26</sup> See, e.g., Petition, Exhibit C ("[Proposed] Bond Purchase Agreement"), pp. 9-16.

<sup>27</sup> See, e.g., Petition, Exhibit C, pp. 16-21.

<sup>28</sup> Preliminary Official Statement, p. 5.

Appended to the POS are the following documents.

**1. Consulting Engineer's Report**

In the report by Brown and Caldwell, attached as Appendix A to the POS, GWA's engineering consultants identified the following as the purposes for the 2013 bonds.

| <u>Description</u>                    | <u>Cost</u>   |
|---------------------------------------|---------------|
| Gross bond proceeds                   | \$177,480,00  |
| Debt service reserve                  | \$13,901,344  |
| Capitalized interest                  | \$20,744,313  |
| Cost of issuance/Underwriter discount | \$3,553,382   |
| Deposit to construction fund          | \$139,280,961 |

In their findings, GWA's engineering consultants maintain that during the course of their investigations, "nothing has come to our attention that would lead us to believe that significant funds will be required for the GWA System improvements identified in the five-year CIP beyond those funds identified herein."<sup>29</sup>

The consultants, therefore, maintain that GWA's CIP is "reasonable, necessary, and adequate for the identified projects that are necessary to meet the requirements of the 2011 Court Order, to provide reliable water and wastewater service to GWA customers, and to provide adequate reserve capacity for anticipated growth in customer connections reflected in this Report."<sup>30</sup> Finally, Brown and Caldwell determined

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<sup>29</sup> POS, Appendix A ("Consulting Engineer's Report"), p. 9-2.

<sup>30</sup> POS, Appendix A, p. 9-2.

that “GWA’s projected operating results, which include future rate increases and bond sales, appear reasonable and sufficient to meet the 1.25 debt service coverage requirement of the General Bond Indenture.”<sup>31</sup>

## **2. Provisions of the General Indenture**

According to the POS, the General Indenture is in the same form which was approved by the PUC in 2005, with the exception of the removal of language referring to the Navy/GPA surcharge.<sup>32</sup>

## **3. Proposed Form of Opinion of Bond Counsel**

In the proposed Opinion, the Orrick firm provides the following opinions: (1) that the 2013 Bonds constitute a “valid and binding limited obligation[ ]” of GWA “payable solely from the Revenues of the System”<sup>33</sup>; and that the due execution and delivery of the Indenture “constitutes the valid and binding obligation” of GWA.<sup>34</sup> In addition, the Orrick firm further maintains that the Indenture “creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds . . . .”; and that the interest on the subject bonds is “excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.”<sup>35</sup>

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<sup>31</sup> POS, Appendix A, p. 9-2.

<sup>32</sup> POS, Appendix D (“Summary of Certain Provisions of the Indenture”), p. D-30-D-32.

<sup>33</sup> POS, Appendix E (“Proposed Form of Opinion of Bond Counsel”), p. E-3.

<sup>34</sup> POS, Appendix E, p. E-3.

<sup>35</sup> POS, Appendix E, pp. E-3-E-4.

**4. Proposed Supplemental Indenture**

The proposed Supplemental Indenture is relatively similar in form to the Supplemental Indenture executed for the 2010 Series Bonds.

**5. Continuing Disclosure Statement**

Pursuant to the Continuing Disclosure Statement appended to the POS, GWA is further required to provide an Annual Report, which includes the submission of audited financial statements and other operating reports, to each Repository each fiscal year.<sup>36</sup>

**H. Lummus Report**

In their report, the PUC's water and wastewater consultants, Lummus, detailed its investigation related to the instant petition. With respect to impact on ratepayers, Lummus explained that "[i]n order to produce total rate revenues (\$80.6 million) to pay for all costs that the Authority is expected to incur in FY2014 including any debt service associated with the FY2013 Bonds, the Authority will increase rates and charges for both water and wastewater services on an Across-The-Board (A-T-B) basis by 15% (except for lifeline service levels to residential customers)." GWA has further been authorized to implement the following rate increases for the subsequent fiscal years: 14.5%

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<sup>36</sup> POS, Appendix F ("Proposed Form of Opinion of Bond Counsel"), pp. F-2-F3.

for FY2015; 16.5% for FY2016; 7.0% for FY2017; and 4.0% for FY2018.<sup>37</sup> All these increases are subject to annual true-ups.<sup>38</sup>

Based on its review of the record, Lummus recommended that the Commission require “GWA to provide updates on all significant factors that could materially impact their decision to approve or not approve the issuance of the FY 2013 Bonds (this includes such factors as the ratings assigned to the FY 2013 Bonds, financial market conditions and specifically the expected interest rate on the Bonds (not to exceed 7.5%), significant changes to the OS from the POS, any significant changes in GWA’s financial condition or the condition/operability of it facilities, etc.).”<sup>39</sup>

Lummus further advised that “[t]he POS should show both interest and principal payments annually”; that “the Commission should have GWA’s best estimate of the complete [debt service] schedule and how it effects the finances of the 5 year plan before it rules on GWA’s petition for approval.”<sup>40</sup> Lummus further advised that “the principal payments now on this table indicate that a large percentage of these payments occur late in the 30 year amortization period, which would indicate relatively high interest payments over the life of the bonds.”<sup>41</sup> However, Lummus questions why there is no

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<sup>37</sup> Lummus Consultants International Inc.’s Findings and Recommendations to Docket GWA 14-01 Petition of Guam Waterworks Authority to Approve the Issuance of \$195M in Water and Wastewater Revenue Bonds and to Approve the Associated Documents (“Lummus Report”), GWA Docket 14-01, p. 11 (Nov. 15, 2013)

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<sup>38</sup> Lummus Report, p. 11.

<sup>39</sup> Lummus Report, p. 15.

<sup>40</sup> Lummus Report, p. 15.

<sup>41</sup> Lummus Report, p. 15.

“rationale behind this and why alternative payback schedules with significantly lower total interest payments were not selected.”<sup>42</sup>

Ultimately, Lummus recommended that “[u]nless there is updated information provided just prior to the Commission’s decision in this matter that would have a significant negative impact on GWA or its customers that was not known to us as of the date of this report,” the Commission should approve the issuance of these Bonds.<sup>43</sup> Upon approval, Lummus advises that the PUC “should require verification from GWA that the proceeds of the bonds are used for the specific improvements for which they are needed and for which they were designated to be applied to.”<sup>44</sup> In addition, Lummus recommended that “for all future Bond Issues that a qualified Consulting Engineer be selected that has absolutely no conflict of interest with GWA or even the appearance of a potential conflict of interest”; and that the use of “a completely independent Engineering firm also has the advantage of adding another set of experts to evaluate the system and provide their professional opinion as to quality and performance of its facilities and operations.”<sup>45</sup>

## **CONCLUSION**

### **A. Approval of Bond Issuance**

Pursuant to 12 G.C.A. §12004, GWA cannot enter into any contractual agreements or obligations which could increase rates and charges without the PUC’s

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<sup>42</sup> Lummus Report, p. 15.

<sup>43</sup> Lummus Report, p. 15.

<sup>44</sup> Lummus Report, p. 15.

<sup>45</sup> Lummus Report, p. 14.

express approval. Additionally, pursuant to GWA's Contract Review Protocol, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.<sup>46</sup> Moreover, P.L. 32-069 expressly requires PUC approval for issuance of the bonds.<sup>47</sup>

The Administrative Law Judge (the "ALJ") has reviewed the documents itemized in this Report, namely: GWA's Petition; the proposed Supplemental Indenture; the proposed orders, along with the attached "Exhibit A," submitted by GWA; the CCU Resolution; P.L. 32-069; the GEDA Resolution; the proposed Bond Purchase Agreement; and the Preliminary Official Statement and its appendices; and the Lummus Report. Based on a review of the above-referenced documents, which comprise the record in this docket, and for the reasons set forth herein, the ALJ recommends that the PUC approve GWA's request to issue the 2013 water and wastewater revenue bonds in the amount indicated, and in accordance with the terms set forth in GWA's Petition and corresponding documents.

**B. Capital Improvement Projects**

Based on the documents on record, GWA has adequately demonstrated that issuance of the subject bonds is reasonable, necessary, and in the interest of ratepayers, in order for GWA to "fund capital projects required to meet the Order for Preliminary Relief ("Order") in Civil Case No. 02-00035 in the United States District Court dated November 10, 2011 and for other capital projects necessary for system improvement, to fund a

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<sup>46</sup> See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1 (Oct. 27, 2013).

<sup>47</sup> P.L. 32-069, pp. 2-3.

capitalized interest account and to fund a debt service reserve account”<sup>48</sup>; and further still, that such bonds will also fund “other capital projects that promote operational efficiency such as line replacement that will eliminate chronic leaks.”<sup>49</sup>

GWA has adequately set forth the specific projects which will require bond funding as “Exhibit A” to its proposed Order submitted to the PUC. At this juncture, however, the Commission need not specifically approve each project funded by the revenue bonds. The proposed Order submitted herewith requires GWA to obtain prior approval of these projects scheduled on “Exhibit A” to the Debt Order before any bond proceeds can be expended or committed on them. At present, it is sufficient for the PUC to authorize the issuance of the subject bonds and to subsequently review the bond funded projects prior to procurement.

**C. Approval of Bond Indenture**

The PUC has previously approved the General Indenture back in 2005, and very minor revisions, as discussed herein, have been made to the document. In addition, the proposed Supplemental Indenture for the subject bonds are relatively similar in form to the Supplemental Indenture executed for the 2010 Series Bonds. Accordingly, the ALJ recommends that the Commission approve the issuance, terms, and conditions of the 2013 revenue bonds, the 2005 Indenture, and the proposed Supplemental Indenture.

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<sup>48</sup> Petition, p. 1.

<sup>49</sup> Petition, p. 2.



**D. All Other Authorizations for the Issuance Have Been Given**

The issuance of the subject bonds, as shown above, has been authorized by the Legislature, GEDA, and the CCU. Therefore, all required authorizations, other than that of the PUC, have been given.

**D. Impact on Ratepayers**

As Lummus has observed, GWA's Five Year Rate Plan, which was approved by the PUC on October 29, 2013, included the debt service associated with the 2013 bonds. Accordingly, the rate path adopted by the PUC recognized the approval of the bond issuance, and appear at this time to sufficiently cover the debt service on such bonds, subject of course to the annual true-up process.

**E. Capitalized Interest**

With respect to capitalized interest, P.L. 32-069, the Legislature has expressly authorized \$108,000,000 of the bond proceeds for GWA to "fund two years of capitalized interest plus a debt service reserve for each bond borrowing" in order to "minimize ratepayer impact and allow for gradual rate increases spread out over five to seven years."<sup>50</sup> Thus, such capitalized interest appears to have been determined to be in the ratepayers' best interest.

**F. \$20 Million Obligation**

Contained in the legislative findings of P.L. 32-069, the Legislature also expressly found that while "the provision still remains in Guam law," it "needs to be repealed to make it clear that this is no longer a requirement to be placed upon GWA's ratepayers" and that "adding another 20 Million Dollars rate increase onto GWA

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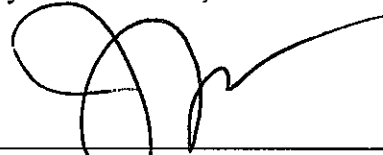
<sup>50</sup> P.L. 32-069, p. 2.

ratepayers is not in the public interest.” P.L. 32-069, p. 3. Public Law 32-069, therefore, amended Section 2 of P.L. 30-145, eliminating the provision requiring GWA to pay the Government of Guam \$20 million. As a result, this particular obligation appears no longer due or outstanding.

### **RECOMMENDATION**

Based on the foregoing, the ALJ recommends that the PUC approve the issuance, terms and conditions of the 2013 Water and Wastewater Revenue Bonds. The ALJ has reviewed the proposed Order, and Order Approving Long-Term Debt, submitted by GWA, which have been revised and is attached hereto for the Commissioners’ consideration.

Respectfully submitted this 15<sup>th</sup> day of November, 2013.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke extending to the right.

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**JOEPHET R. ALCANTARA**  
Administrative Law Judge