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Attorney for Petitioner Guam Waterworks Authority



BEFORE THE PUBLIC UTILITIES COMMISSION OF GUAM

IN RE: PETITION OF THE GUAM)	
WATERWORKS AUTHORITY TO)	DOCKET NO. 02-02
CHANGE AND INCREASE RATES)	
AND CHARGES)	GUAM WATERWORKS
)	AUTHORITY'S PETITION TO
)	INCREASE RATES
)	AND CHARGES
)	

COMES NOW, Petitioner, GUAM WATERWORKS AUTHORITY (GWA), a public corporation, organized and existing under the Laws of Guam, authorized, in relevant part, to produce, treat, transmit, store, distribute and sell water on Guam, and to collect, treat and dispose of waste water on Guam, does hereby file with the Public Utilities Commission of Guam (PUC) this Petition to Increase Rates and Charges and requests that the PUC hear and determine that the increased rates as reflected in the attached written testimony, schedules, exhibits, and detailed working papers are just and reasonable. In support of this request, GWA avers:

1. GWA is a public utility as defined by the applicable laws of Guam and is subject to the regulation of the PUC.
2. Under existing rates GWA's revenues and revenue projections are not sufficient to cover GWA's operating expenses. GWA's rates and charges must be revised to permit it to meet its operating expenses and to provide funds to maintain its drinking water and waste water plant

and facilities to serve existing and future customers on Guam.

2 3. GWA is required to provide clean and safe drinking water, reliable service and a safe
3 environment for the people of Guam. Unfortunately, GWA has failed to effectively provide these
4 requirements to its customers and, as a result, GWA has been sued by the United States
5 Environmental Protection Agency (USEPA) for its failure to adequately protect the island's water
6 and wastewater systems. As a result of the lawsuit, GWA is under a Federal Court Order to
7 address the deficiencies in the island's water system.

8 4. GWA has estimated that the needed repairs will require an investment in excess of
9 \$200 million. The ability to improve services to customers, rebuild and repair the water and
10 wastewater systems will have to be funded by long term financing whose source of repayment
11 must come from significant cost cutting and the rate increases proposed in the attached written
testimony, schedules, exhibits, and detailed working papers.

13 5. Guam's Consolidated Commission on Utilities took office in January, 2003 with an
14 mandate to improve the effectiveness and efficiency of GWA's operations. GWA has reduced full
15 time positions from three-hundred-thirty (330) in FY 2002 to less than two-hundred-sixty (260)
16 today, resulting in annualized payroll savings of nearly \$2.6 million. An additional 10% reduction
17 of employees is expected to occur in FY 2004. GWA has also spent approximately \$1 million per
18 year to extend pipelines for private developers and GWA's current management has ceased this
19 practice. Another \$1.8 million in contractual obligations also has been cut. These savings have
20 reduced GWA operating losses and allowed GWA to invest in \$2.1 million in previously un-
21 funded capital improvement projects. While GWA's efforts to cut expenses helps provide funds
22 for system replacement, cost cuts alone will not raise enough money and the proposed rate

increases, as reflected in the attached written testimony, schedules, exhibits, and detailed working papers, are necessary in order to pay for the long-term recovery and restoration of Guam's water and wastewater systems and to bring the operation of said systems in compliance with the Federal Safe Drinking and Clean Water Acts.

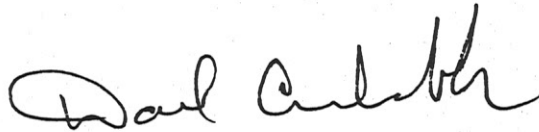
WHEREFORE, GWA requests the PUC to:

6. Schedule a hearing upon proper notice for the presentation of evidence as to the rates necessary to provide adequate drinking water and wastewater service to its customers.

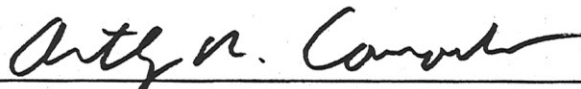
7. Enter an Order approving GWA's proposed increase of rates and charges, as reflected in the attached written testimony, schedules, exhibits, and detailed working papers, to become effective on April 1, 2004, or as soon as lawfully permitted.

8. Grant such other additional relief as may be required in light of the evidence produced at the hearing.

RESPECTFULLY SUBMITTED this 29th day of January, 2004 by:



DAVID R. CRADDICK
General Manager, Guam Waterworks Authority



ANTHONY R. CAMACHO, ESQ.
Attorney for the Petitioner, GWA

TESTIMONIES OF:
[1] David E.R. Craddick
[2] Randell V. Wiegand

***Testimony of Simon Sanchez, Chairman, CCU,
will be filed under separate cover.**

1 **TESTIMONY OF DAVID E.R. CRADDICK**

2 **GENERAL MANAGER**

3
4
5 **Q. What is your background as a Water Manager?**

6
7 **A.** My name is David Craddick. I am the General Manager for Guam Waterworks
8 Authority.

9 I was appointed Deputy Director of Maui Counties Water Department in
10 November of 1990. After serving one year as deputy I was appointed Director in
11 January of 1992 and served until December of 2002. I came to Maui after it was
12 separated from the control of the Mayor in 1989 and left when the department was
13 put back under the Mayor in 2002.

14 The system delivered water to a population of approximately 120 thousand
15 people with 3% population growth per year. Water is delivered to major resort,
16 substantial agricultural developments and residences from sea level to 4500-foot
17 elevation with 8 separate water systems, including non-potable. This was done in
18 competition with private water systems on two islands. During the 1992 to 2002
19 time, with staff that put out \$2 to \$3 million per year in CIP during the 1980's, an
20 average of \$13 million per year in CIP work was completed. This was done with
21 \$50 million in the bank when receiving the appointment Issuing \$35 million in
22 revenue bonds, using equipment leasing, inter-fund borrowing and raising rates to
23 cash fund a line replacement program to replace 1% of the distribution system per

1 year for the next hundred years. Six treatment plants were built to meet EPA's
2 1993 Surface Water Treatment amendment to the Safe Drink Water Act, raw and
3 finished water storage increased over 100%, an average of three miles of water
4 lines per year from 1994 on were installed, a financial model was put in place to
5 determine financing needs for future line replacements, a County wide impact fee
6 was implemented based on average equity in the existing system (Buy in
7 Methodology), revenues were increased by 30% over the twelve years based on
8 inclined block rates to encourage conservation, unaccounted for water was
9 reduced from 23% to 5.8% with both an aggressive leak detection and complete
10 meter change out, conversion from flashy stream flow to stored or reliable ground
11 water occurred for the surface water systems, two new major aquifers were
12 developed and one brought online (increasing production by 13 million gallons
13 per day), four watershed partnership groups were formed to protect the aquifers
14 and a program for implementing a SOP proving for planned maintenance of major
15 assets were all completed under my administration. On the administrative side,
16 although I did not directly manage the wastewater department, billing was done
17 for the water and wastewater departments, several water conservation programs
18 were jointly developed including conversion to 30% reclaimed wastewater and a
19 conversion from maintaining two sets of books for budget and audit purposes to
20 one system producing both sets of numbers was completed. All this was done
21 with employees that were represented by two unions. This forms my back ground
22 as a water manager reporting to a semi autonomous nine member Board.

1 My experience prior to going to Maui included, from 1966 to 1983,
2 development of 90% of Maui's ground water system, installation of all of it's
3 booster stations, most of it's well pumps and construction of most of the
4 wastewater injection wells with a private contractor. State and Pacific wide I
5 managed completion or worked with and on crews drilling approximately ten
6 wells per year ranging in production capacity of 1 to 14 million gallons per day at
7 depths to 4500 feet and managed installation of an average of twenty pumps per
8 year. Between 1983 and 1989 I assisted in developing commercial and residential
9 property in American Samoa. At this point I had to deal with construction
10 organization and logistics involving over a hundred workers at any one time.

11 I graduated from the University of Hawaii with BS degrees in Mechanical and
12 Civil Engineering in 1974 and obtained my Professional Engineers license in
13 Mechanical Engineering in 1975.

14
15 **Q. What are the specifics of the stipulated order; number of deadlines met?**

16
17 **A. See the Quarterly Compliance Report Two as Exhibit D.**

18
19 **Q. What are all the actions overseen by the compliance monitor and reported**
20 **to EPA at GWA's weekly conference call with EPA.**

21
22 **A. Within ten days after the date of entry of this Stipulated Order for Preliminary**
23 **Relief by the Court (hereinafter the "Entry Date"), GWA shall appoint one individual**

1 whose primary responsibility will be to coordinate and report on all compliance
2 activities and deliverables required by this Stipulated Order for Preliminary Relief.
3 The primary function of the Compliance Monitor is to coordinate and report on all
4 compliance activities and deliverables required by the SO. This task
5 involves (a) providing support for GWA in maintaining progress within the schedule
6 set forth in the SO, (b) seeking guidance, funding and technical support from EPA
7 and other sources as needed to comply with the SO schedule and import expertise as
8 needed and (c) to negotiate adjustments in the original SO and/or its schedule as
9 developments and progress within the SO so indicate by maintaining constant full
10 communication with the EPA Region IX personnel enforcing and supporting GWA's
11 efforts to comply with the SO.

12
13
14 **Q. Why is USEPA so concerned about potential threats to the Guam water**
15 **supply?**

16
17 **A.** The USEPA is concerned about potential threats to Guam's water supply
18 because people have died in other jurisdictions for failure to adequately disinfect its
19 water supply. Guam is fairly unique in its use of an aquifer that water travels through
20 at rates measured in miles per day. Wastewater overflows one day have the potential
21 to entering the drinking water system the next day and entering the ocean two to three
22 days later if it moves through the ground. When The USEPA makes a determination
23 of an eminent danger to life and health it is a critical matter for any community.

1
2 **Q. How will a transmission line help address these risks?**

3
4 **A.** A transmission system will deliver water to centralized disinfection areas where
5 disinfection time can be assured and water can be transferred from one service area to
6 another without affecting system pressures while allowing peak hour demands to be
7 met. A transmission line will also eliminate the need to shut down wells while
8 repairing waterlines and eliminates causing line vacuums that can suck contaminated
9 water into the line. This will also allow removal of Chlorine gas from areas in close
10 proximity to homes and schools. Other security matters are also alleviated.

11
12 **Q. What is the record of sewage overflows in the last year?**

13
14 **A.** Sewage overflows are listed in the enclosed EPA yearly report attached as
15 Exhibit E

16
17 **Q. What is the automated meter-reading program and what impact will it have**
18 **on GWA operations?**

19
20 **A.** The automated meter-reading program is a result of public laws, PUC orders and
21 a general move toward best industry practices and more efficient operations. It's

1 impact on GWA operations will result in a reduction of operating cost and accurate
2 speedy reading of the meters while reducing unaccounted for water production.

3 **Q. What are the cost estimates for the Stipulated Order?**

4
5 **A.** Cost estimates are \$215million for the interim financial plan.
6

7 **Q. How were the costs estimated?**
8

9 **A.** Costs were estimated using GCG estimates for the 2000 Compliance Order and
10 adding new projects not considered in that compliance order. The major addition is
11 the transmission system which would require installation of 49 miles of 24 to 36inch
12 pipelines going directly from a source to storage or from one storage facility to
13 another, with some storage upgrades and booster station optimization to reduce
14 operating costs. Design and construction costs are estimated at \$310 per foot, using
15 pipe expected to provide on the order of one hundred years of service, with storage
16 and booster station upgrades at \$20 million for a total of \$100 million.

17 Another change is the method of treating wastewater. We are looking at future
18 requirements for resources for the island and making a move toward reclaiming the
19 water rather than polluting the marine environment at deeper locations. This increases
20 costs by about \$15 million.
21

22 **Q. Please summarize the highlights of the Stipulated Order.**

1
2 A. The highlights of the Stipulated Order are compliance with current EPA
3 regulations, a plan to meet future regulations, planning mechanisms to protect
4 Guam's resources for future generations, SOP mechanisms in place for operation
5 efficiency and financing models in place to prevent a return to the past situation.
6 Fines or potential to appointment a receiver to force compliance are also in place.

7
8 **Q. How does the interim financial plan relate to the Final Master Plan?**

9
10 A. The interim financial plan deals with emergency items needed in the next five
11 years. The Master plan horizons are five to twenty five years and twenty five to one
12 hundred years in scope.

13
14 **Q. Does this conclude your testimony?**

15
16 A. Yes.

17
18
19 SUBMITTED BY: 

20 **David E.R. Craddick, General Manager**

1 **TESTIMONY OF RANDALL V. WIEGAND**

2 **CHIEF FINANCIAL OFFICER**

3

4

5 **Q. Please state your name and title.**

6

7 **A. My name is Randall V. Wiegand. I am the Chief Financial Officer of the Guam**
8 **Waterworks Authority.**

9

10 **Q. Please describe your educational background and work experience.**

11

12 **A. I graduated from Seattle Pacific University in 1983 with a Bachelor's degree in**
13 **Business Finance. I received a Master's of Business Administration degree with an**
14 **emphasis in Finance and International Business from the University of Washington in**
15 **1990. In 1993 I obtained a license to practice public accounting in the state of**
16 **Washington and the Territory of Guam. In 1996, I became a Certified Government**
17 **Financial Manager and in 2003, I became a Certified Fraud Examiner.**
18 **Beginning in 1990, I worked for five years as an auditor for Deloitte and Touche where I**
19 **participated in five audits of the Guam Power Authority. In 1995 I went to work for the**
20 **Guam Power Authority as its Comptroller. My responsibilities included oversight of the**
21 **Accounting and Budget Divisions, point of contact for communications with the Public**
22 **Utilities Commission, insurance, investments, bond management, investor relations, etc.**
23 **In 2000 I became the Underwriting Manager for Pacificare Asia Pacific. In 2001 I**

1 returned to the Government of Guam and went to work for the Office of the Public
2 Auditor as Audit Manager. While there I participated in an audit of the Guam
3 Waterworks Authority. In September 2003 I was hired by the Consolidated Commission
4 on Utilities as Chief Financial Officer for the Guam Waterworks Authority and the
5 Guam Power Authority.

6
7 **Q. What is the purpose of your testimony?**

8
9 **A.** The purpose of my testimony is to provide evidence of the need for the Guam
10 Waterworks Authority to raise rates as follows:

11

Description of Rate	Percentage Increase
April 1, 2004 Water Rate	12%
April 1, 2004 Wastewater Rate	12%
April 1, 2004 Fire Hydrant Rate	1%
April 1, 2004 Legislative Surcharge	2.5%
April 1, 2005 Water Rate	5%
April 1, 2005 Wastewater Rate	5%
April 1, 2006 Water Rate	5%
April 1, 2006 Wastewater Rate	5%

12

13 **Q. Why is GWA requesting an increase for the costs of operating and maintaining**
14 **fire hydrants?**

1 **A.** The Public Utilities Commission has established a Tariff to enable the Guam
2 Waterworks Authority to recover the costs of installing, maintaining, replacing, and
3 exercising fire hydrants throughout the island. For the last six years, the Guam Fire
4 Department has not paid GWA for the cost of providing these services. GWA has
5 made numerous attempts to collect these funds, however, the Guam Fire Department
6 and the Department of Administration have maintained that there has been no
7 Legislative appropriation to pay the Tariff. GWA does not believe it would be good
8 public policy to try to enforce the Tariff by disconnecting water service to the island's
9 fire hydrants. However, GWA is anticipating the issuance of bonds in the near future.
10 It is expected that the financial markets will require GWA to enter into a "no free
11 service" covenant which is forcing GWA to recover the costs associated with the fire
12 hydrants in a manner which can be enforced. GWA has determined that a factor for
13 these costs should be rolled into the base water rate for all customers.

14
15 **Q. What are the annual costs of amortization, maintenance and operation of**
16 **the fire hydrants?**

17
18 **A.** GWA General Manager David R. Craddick has developed the following
19 estimate of the costs derived from fire hydrants:

20 GWA is requesting that this amount be rolled into base water rates.

21
22 **Q. What is the purpose of the Legislative Surcharge?**
23

1 **A.** Historically, the Guam Legislature has appropriated a supplemental annuity and
2 cost of living adjustment benefit to retirees of the Government of Guam. This is not a
3 benefit that government retirees earned or were promised in return for their service to the
4 government. This is an unfunded, unvested benefit mandated by the Guam Legislature.
5 The payments have been described as an attempt to ensure that government retirees are
6 not forced to seek welfare benefits. About seven years ago in response to declining
7 General Fund revenues, the Guam Legislature began assign costs of these supplemental
8 annuity and COLA benefits to autonomous agencies and public corporations within the
9 Government of Guam. The agencies were required to pay the supplemental annuities and
10 COLA benefits for individuals who had retired from the agencies.

11
12 Due to GWA's poor financial condition, the share of the costs for retirees from the
13 Guam Waterworks Authority and its predecessor agency – the Public Utility Agency
14 of Guam have continued to be borne by the General Fund. In 2002, the Guam
15 Legislature passed Public Law 26-49 which required GWA to pay approximately
16 \$905,000 for supplemental annuities and COLA's. GWA was unable to make any
17 payments. In the Fiscal Year 2003 budget, there was no obligation assigned to GWA.
18 However, Public Law 27-029 has mandated that GWA pay supplemental annuities,
19 cost of living adjustments, and the employer portion of health insurance premiums on
20 behalf of retirees of the Guam Waterworks Authority and the Public Utility Agency
21 of Guam.

22
23 **Q.** Do you believe it is reasonable that GWA should be assessed for these costs?

1 **A.** No. GWA is willing to pay for obligations which were legally incurred by the
2 agency. However, because this is not and never has been an operational cost of operating
3 the utility, it is inappropriate for the costs of this benefit to be assigned to GWA.
4

5 **Q. How does GWA believe the Legislative Surcharge should be established?**
6

7 **A.** Because the benefit costs are not current operating expenses of the utility, GWA
8 believes the Public Utility Commission should order GWA to record surcharge
9 revenues as "Other Income" and to record the benefit costs as "Other Expense."

10 This would ensure that GWA's operating margins would not be affected by the
11 actions of the Legislature. GWA also requests the PUC to include language in the
12 Tariff that would ensure the Tariff is not collected during any month in which the
13 costs are paid for by the General Fund.
14

15 **Q. Is GWA requesting a change in the lifeline rate?**
16

17 **A.** Yes. While GWA recognizes the legislative intent behind the creation of the
18 lifeline rate, GWA also believes it is not good ratemaking policy to allow the
19 proportion of the lifeline rate to the regular rates to deviate significantly from the
20 proportion that existed at the time the lifeline rate was created.
21

22 **Q. Is GWA in essence filing a three year rate case?**

1 **A.** Yes. GWA originally filed with an intention to have a three year rate case acted
2 upon at one time by the PUC to ensure that GWA could access financial markets with
3 the pre-approved assurance that the PUC would support GWA's borrowing efforts
4 with rates sufficient to repay the debt. However, at a regulatory conference in
5 December, 2002, the Administrative Law Judge of the PUC ruled that the three rate
6 increases should be handled on a bifurcated process. The Consolidated Commission
7 elected not to contest the ruling.
8

9 **Q. Do you support utilizing a bifurcated process?**
10

11 **A.** Yes. I am new to the Guam Waterworks Authority. There are no other
12 employees here who have been through a rate case with the PUC. GWA's planning
13 processes have been weak to non-existent in the past. This filing represents the first
14 attempt by the utility to project revenues and expenditures beyond a one year period.
15 Additionally, there are some issues with the way GWA has been capitalizing its costs
16 in the past. We are working to correct those problems and improve the integrity of
17 the data we provide. Because of these changes, I believe the data we provide to the
18 PUC in the next year or two will be more reliable than the data included in this filing.
19 The bifurcated process allows us to apply for the immediate rate relief required for
20 Fiscal Year 2004 while allowing for improved data to be incorporated into the
21 process as it becomes available.
22 Additionally, by the time data for the rollout of the April 1, 2006 rate increase is
23 being reviewed, GWA will have a much better sense of the cost of money for the first

1 significant issuance of bonds. The cost of money is the most significant factor of all
2 of the rate increases and it will be important for GWA and the PUC to know with a
3 greater level of certainty what range of interest costs will be faced by the utility.
4 Finally, the bifurcated process essentially provides a true-up feature to the rate
5 proceeding. If we develop information over the next two years that indicates the full
6 12-5-5 rate structure is required, that could be dealt with in a bifurcated process.
7 GWA is currently in the process of rebuilding its finance department. Due to the
8 current resource limitations, GWA is unable to develop a rate case with the rigor we
9 desire. Unfortunately, due to the time pressure created by the Stipulated Order, GWA
10 cannot wait until additional financial resources are developed. We believe the PUC
11 Commissioners will be much more comfortable provided rate relief in installments
12 knowing that any weakness in financial information can be corrected later in the
13 ratemaking process.

14
15 **Q. Why was GWA pursuing a three year rate case?**

16
17 **A.** GWA has a need to raise capital as soon as possible in order to meet the
18 requirements of the Stipulated Order. GWA has created a financial plan to enable it
19 to borrow the needed funds in the most economical manner possible. The plan
20 includes earning an investment grade rating from at least one major bond rating
21 agency by 2006. After obtaining the rating, GWA will commit to a large issuance of
22 bonds to include refunding debt issuances from 2004 and 2005. The first full fiscal
23 year in which the impact of the 2006 debt issuance will be included is Fiscal Year

1 2007. See Exhibit C.¹ Therefore, all of GWA's financial planning efforts are
2 directed towards ensuring borrowers that GWA will have a rate structure sufficient to
3 maintain an adequate debt service coverage ratio in 2007.
4

5 **A.** GWA's financial advisors have indicated that investors would require a premium
6 on funds issued by GWA until an investment grade rating is achieved. Further, they
7 have advised that GWA would not be able to obtain in investment grade rating until
8 there is a track record developed of GWA achieving debt service coverage levels
9 capable of assuming debt, a strong management team, and a series of positive rate
10 actions by the PUC. GWA believes that as a result of the time pressures created by
11 the Stipulated Order as well as the involvement of the United States Environmental
12 Protection Agency will allow GWA to obtain an investment grade rating on a more
13 condensed schedule.
14

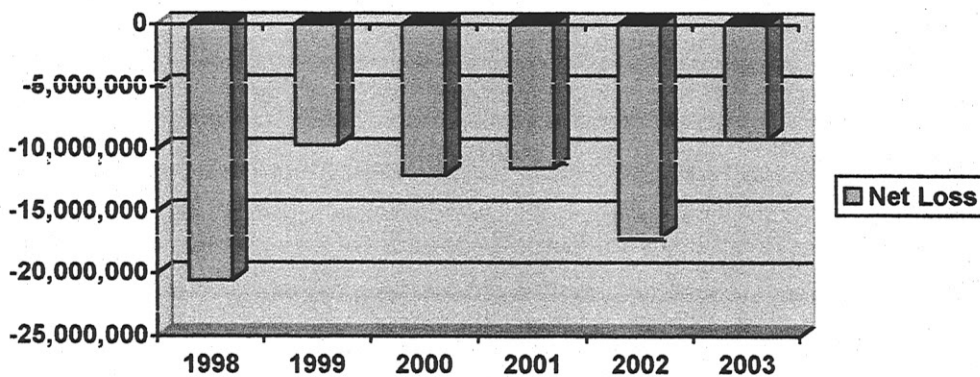
15 **Q. Is GWA filing a cost of service study in conjunction with this filing?**
16

17 **A.** No. GWA is requesting that the rate increase for the first increase be applied on
18 an across the board basis to all non-lifeline rates. GWA is in favor of initiating
19 gradual moves towards cost based rates during the consideration of the smaller rate
20 adjustments. GWA currently has a cost of service study that was performed by
21 Deloitte & Touche in 2000. This study was updated by Carter and Burgess in 2003.
22 GWA can make these available as a basis for any changes to its rate structure.

¹ Although GWA's rate plan provides surpluses from FY04-FY06, the revenues are much closer to total system costs projected for FY07.

1 **Q. Please describe the financial condition of the utility.**

2
3 **A.** As the attached chart shows, the financial statements of the Guam Waterworks
4 Authority have reflected net losses since 1998 – the first time in recent history that
5 GWA was auditable. The losses total nearly \$80 million over the six year period.
6



7
8
9 Because of these losses, GWA has not been investing funds into the infrastructure of
10 the utility. This pattern has contributed to the current condition of the island's water
11 infrastructure.
12

13 Because of this financial condition, GWA does not believe it can immediately access
14 financial markets to obtain capital at favorable rates without first being able to
15 demonstrate the commitment of the PUC to supporting the utility with a series of rate
16 increases.
17

1 Additionally, GWA is in the process of rebuilding its in-house financial capabilities.
2 Currently, GWA has only one senior member of its financial team that holds a four
3 year financial related degree. We are in the process of hiring additional personnel
4 with requisite qualifications and experience to help build the quality of data we are
5 able to produce.
6

7 **Q. What are the coverage ratios for GWA?**
8

9 **A.** GWA does not any currently carry any significant amounts of debt on its balance
10 sheet, therefore historical debt service ratios are of limited value. GWA plans to
11 request the CCU adopt an internal policy of maintaining a debt service coverage ratio
12 of 2 times debt service to ensure that there will always be sufficient funds to re-invest
13 in the water and wastewater infrastructure and more than adequate coverage ratios for
14 the initial debt offering.
15

16 **Q. What is the interim financial plan?**
17

18 **A.** The Stipulated Order required that GWA submit an interim financial plan by
19 October 5, 2003. A copy of the financial plan is included as Exhibit B. The plan lays
20 out GWA's strategy for financing the projects required under the Stipulated Order.
21 GWA is uncertain of the receptiveness of the financial markets to an unrated bond
22 issuance. While bids from GWA's automated meter reading project indicated GWA
23 has the ability to obtain small amounts of lease capital at rates less than 6%. On the

1 other hand, GWA has contacted some professionals from the traditional capital
2 markets who have indicated the rates GWA may be required to pay for a debt
3 issuance would be in the range of 8-11% per annum.
4 Because of this, one of the highest financial priorities for GWA is to obtain an
5 investment grade bond rating. This should ensure that GWA is able to borrow at rates
6 close to 6% in today's market conditions. GWA's plan is to borrow short term
7 money in 2004 and 2005. In 2006, after an investment grade rating is earned, GWA
8 will then seek to refund the short term borrowing with a long term issuance of bonds
9 to cover projects undertaken in the first five years of the Stipulated Order. The
10 estimated dates and amounts of the issuances are as follows:

<u>Date</u>	<u>Amount</u>	<u>Type of Financing</u>
May 2004	\$ 27 million	Short term
May 2005	20 million	Short term
May 2006	158 million	Municipal bonds

20 For purposes of conservatism, GWA's analysis assumes an 8% interest rate for the
21 first two borrowings and a 5.5% rate for the large bond issuance after an investment
22 grade rating is received.

1 As an alternative to the high rates of the traditional financial markets, GWA is
2 planning to investigate options for obtaining lease financing in conjunction with the
3 bidding of some of its early construction projects. GWA is planning to issue bids for
4 the design, rehabilitation, and possible operation of two of its treatment plants shortly
5 after the filing of this petition with the PUC. GWA is planning to seek bids
6 containing options for lease financing which would be included as a factor in the
7 determination of the low cost bidder. If a contractor has an existing relationship with
8 a financing company or if the contractor has superior financial statements, GWA may
9 be able to finance the project at a lower rate than it could obtain on the capital
10 markets. If the rates offered with the automated meter bids are an indication, this
11 may be an opportunity for GWA to save additional costs.

12
13 **Q. How were GWA revenues projected?**

14
15 **A.** Fiscal Year 2003 was not a good year in which to base projected revenues. The
16 year was marred by Typhoon Pongsonga and the following months included a
17 significant number of adjustments that were necessary to correct bills which had been
18 estimated in the immediate aftermath of the typhoon. GWA took what it believed to
19 be "normal months" from FY2003 and projected those months throughout the year.
20 At the time the initial revenue forecast was completed, GWA did not have any
21 indications that there would be any increase in sales growth. At the time the budget
22 was being reviewed by the Consolidated Commission on Utilities, there were some

1 positive economic developments forming and GWA added an assumption of 1.3%
2 sales growth for Fiscal Year 2004.

3 GWA has also built into its forecast \$40,000 in additional revenues that will come
4 from additional customers connecting to the sewer system.

5
6 **Q. How will GWA's Accounts Receivable collection assumptions affect this rate**
7 **filing?**

8
9 **A.** GWA currently estimates there are nearly 4,000 accounts which are consuming
10 water and yet not disconnected. This prompted GWA to undertake a mass
11 disconnection program in October 2003. The purpose of the program is to reduce all
12 outstanding accounts receivable balances to the level required under GWA's service
13 rules and regulations which is ____ days. However, GWA's program has not been
14 resulting in increased collections to the Authority. In most cases, GWA is finding
15 that the outstanding bills are owed by people who have vacated the premises without
16 closing their accounts and by people who are choosing to go without water rather than
17 paying a large past due bill. GWA also has a substantial number of meters in its
18 system which the disconnection crews are unable to locate. For all of these reasons,
19 GWA has not seen any significant improvement in collections as a result of its
20 upgraded disconnection efforts.

21
22 **Q. What measures has GWA taken to reduce costs?**
23

1 **A.** The two most significant measures taken by GWA to reduce its operating costs
2 has been the reduction in employment levels. There were 322 employees on the
3 payroll on September 30, 2002. This number had been reduced to 303 on January 1,
4 2003. Currently, GWA has approximately 250 employees on its payroll.

5
6 GWA has also been attempting to convert its meters to those that can be read through
7 radio frequencies. Under this program, GWA would be able to reduce its meter
8 reading staff to two or three personnel who would drive the routes and pick up signals
9 from the meters indicating current usage levels. Prior to the initiation of this
10 program, GWA was paying GPA approximately \$450,000 per year to perform meter
11 reading on behalf of GWA. However, the significant savings from this effort are
12 expected from increase sales from the new meters. The majority of GWA's meters
13 are at or beyond their expected useful life. As meters age and wear down, they tend
14 to underrecord the water which passes through them. GWA believes a substantial
15 amount of sales are being lost through the use of aged meter equipment. GWA is
16 expecting growth in revenues to begin when the meter installation process begins and
17 to continue throughout the next two and one-half years as the old meters are replaced.

18
19 GWA has eliminated the practice of providing line extensions without receiving a full
20 down payment in advance as well as drastically reducing the use of pumper truck
21 rentals by improving the availability of pumps at sewage stations. GWA has incurred
22 costs averaging approximately \$500,000 per year for the last five years for line
23 extensions to customers without any co-payment.

1 Finally, GWA has significantly reduced the amount of overtime paid to employees.
2 GWA has eliminated overtime payments to professional and supervisory personnel
3 and has drastically reduced the overtime paid to staff level personnel. Some of this
4 savings will be offset in inevitable pay increases. For the last four years, GWA has
5 been prohibited from offering salary increases to its employees. We are concerned
6 that if this continues, we will lose our ability to retain some of our more experienced
7 personnel. For this reason we are building in some salary increases into our FY05
8 and FY06 budgets.

9
10 **Q. What is the status of GWA's procurement of automated meter reading**
11 **equipment?**

12
13 **A.** GWA issued a total of three bids for automated meter reading equipment. The
14 first two were cancelled as a result of bid protests. The third procurement led to the
15 award of the contracts on December 17, 2003. However, subsequent to the award, a
16 protest was received. The protest became a court action. The matter is currently
17 being resolved by the courts. GWA's filing assumes the matter will be settled by
18 February 1, 2004.

19
20 **Q. Are there any other issues that should be discussed in the context of this**
21 **rate proceeding?**
22

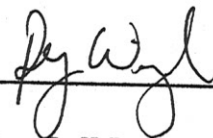
1 **A.** Yes. The rate currently being utilized by GWA for residential meters is a rate for
2 $\frac{3}{4}$ " pipe. In reality, nearly all of GWA's residential customers have $\frac{5}{8}$ " lines going
3 into their homes. There is currently no rate for $\frac{5}{8}$ " lines. We view this as a minor
4 error which needs to be corrected on GWA's rate schedules.

5
6 Additionally, there are issues of charges for private fire lines as well as adjustments to
7 auxiliary fees that GWA wishes to enter into dialog with the PUC over.

8
9 **Q.** Does this conclude your testimony?

10
11 **A.** Yes.

12
13
14 **SUBMITTED BY:**



15 **Randall V. Wiegand, Chief Financial Officer**
16
17
18
19
20

EXHIBITS

A - F

3	C	D	E	F	G	H	I	J	K	L	
1	STIPULATED ORDER PROJECT LIST										
2	Stipulated Order for Preliminary Relief Civil No. 02-00035				Amounts in \$1,000						
3	Exhibit A										
4											
5	Line #	SO Par. #	Expense Project Description	Source of Funds	Estimated Cost	FY 2004	FY 2005	FY 2006	FY2007	FY 2008	Total
6	1	1	Compliance Specialist.	P Roll	\$450	\$90	\$90	\$90	\$90	\$90	\$450
7	2	3	General Manager	P Roll	\$650	\$130	\$130	\$130	\$130	\$130	\$650
8	3	4	Chief Engineer	P Roll	\$600	\$120	\$120	\$120	\$120	\$120	\$600
9	4	5	Chief Financial Officer	P Roll	\$375	\$75	\$75	\$75	\$75	\$75	\$375
10	5	8	Operator Certification	P Roll	\$25	\$5	\$5	\$5	\$5	\$5	\$25
11	6	46	Operator Training and Certification Support	P Roll	\$420	\$20	\$100	\$100	\$100	\$100	\$420
12	7	9	GWA Reorganization	P Roll	\$50	\$50	\$0	\$0	\$0	\$0	\$50
13	8	10	Watershed Master Plan	R&R CIP	\$1,000	\$300	\$600	\$100	\$0	\$0	\$1,000
14	9	10	Watershed Master Plan	DW Grant	\$250	\$250	\$0	\$0	\$0	\$0	\$250
15	10	10	Watershed Master Plan	WW Grant	\$250	\$250	\$0	\$0	\$0	\$0	\$250
16	11	11	Interim Disinfection	DW Grant	\$434	\$434	\$0	\$0	\$0	\$0	\$434
17	12	11	Interim Disinfection	Fed Grant	\$485	\$485	\$0	\$0	\$0	\$0	\$485
18	13	12	Interim Disinfection Monitoring	P Roll	\$1,000	\$200	\$200	\$200	\$200	\$200	\$1,000
19	14	13	Leak Detect and Response(Line Replacement)	R&R CIP	\$5,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$5,000
20	15	14	Water Meter Improvement	Lease	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$10,000
21	16	15	Ess. Parts Inv. (items not available within 4 days)	Operations	\$1,000	\$200	\$200	\$200	\$200	\$200	\$1,000
22	17	16	Tool and Equip. (Responsive Ops Minimums)	Operations	\$700	\$200	\$200	\$200	\$50	\$50	\$700
23	18	17	Stand-By Generators	Bonds	\$1,000	\$100	\$300	\$200	\$200	\$200	\$1,000
24	19	18	Underground Storage tanks	P Roll	\$250	\$250	\$0	\$0	\$0	\$0	\$250
25	20	19	Emergency Response Plan	P Roll	\$20	\$20	\$0	\$0	\$0	\$0	\$20
26	21	20	Development and Implementation of a GWA	P Roll	\$1,995	\$265	\$600	\$600	\$265	\$265	\$1,995
27	22	21	Operatons And Maintenance Manuals	P Roll	\$40	\$20	\$20	\$0	\$0	\$0	\$40
28	23	23	Standard Operating Procedures	P Roll	\$100	\$20	\$20	\$20	\$20	\$20	\$100
29	24	24	Vulnerability Assessment	DW Grant	\$115	\$115	\$0	\$0	\$0	\$0	\$115
30	25	25	Memberships in AWWA and WEF	Operations	\$20	\$4	\$4	\$4	\$4	\$4	\$20
31	26	26	Financial Standard Operating Procedures	P Roll	\$20	\$10	\$10	\$0	\$0	\$0	\$20
32	27	27	Annual Budget	P Roll	\$100	\$20	\$20	\$20	\$20	\$20	\$100
33	28	30	Financial Plan (Includes Interim Plan [28] and	Operations	\$575	\$250	\$100	\$75	\$75	\$75	\$575
34	29	31	Five Year Operating Plan (moving five year plan).	P Roll	\$25	\$5	\$5	\$5	\$5	\$5	\$25
35	30	32 - 1	Reserves - Debt Service	Operations	\$11,745	\$1,515	\$3,230	\$5,000	\$1,000	\$1,000	\$11,745
36	31	32 - 2	Reserves - Emergency Operations, Maintenance,	Operations	\$13,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$13,000
37	32	33	Late Payment Management Program	P Roll	\$250	\$50	\$50	\$50	\$50	\$50	\$250
38	33	34	Revolving Fund for Sewer Hook-Up	GEPA Gran	\$375	\$75	\$75	\$75	\$75	\$75	\$375
39	34	38	Water Transmission Line Construction (WTLC)	Bonds	\$100,000	\$0	\$0	\$50,000	\$50,000	\$0	\$100,000
40	35	38	WTLine A Series Wells to Ordot Reservoir	DW Grant	\$2,087	\$2,087	\$0	\$0	\$0	\$0	\$2,087
41	36	40	Agana Main Sewer Pump Station Diverter Box	R&R CIP	\$550	\$250	\$300	\$0	\$0	\$0	\$550
42	37	41	Ugum Surface Water Treatment Plant Restoration	DW Grant	\$1,725	\$1,725	\$0	\$0	\$0	\$0	\$1,725
43	38	41	Ugum Surface Water Treatment Plant Restoration	R&R CIP	\$1,500	\$0	\$1,500	\$0	\$0	\$0	\$1,500
44	39	35	Agana Ocean Outfall	Bonds	\$300	\$300	\$0	\$0	\$0	\$0	\$300
45	40	42	Agana Sewer Treatment Plant	Bonds	\$17,000	\$7,000	\$9,000	\$1,000	\$0	\$0	\$17,000
46	41	36	Northern District Ocean Outfall	Bonds	\$500	\$500	\$0	\$0	\$0	\$0	\$500
47	42	39	Northern District Sewer Treatment Plant	Bonds	\$15,000	\$7,000	\$7,000	\$1,000	\$0	\$0	\$15,000
48	43	37	Chaot WW Pump Station and Collection System	R&R CIP	\$1,050	\$50	\$1,000	0	0	0	\$1,050
49	44	43	Comprehensive Performance Evaluations (CPE)	Bonds	\$4,160	\$100	\$2,060	\$2,000	\$0	\$0	\$4,160
50	45	43	Comprehensive Performance Evaluations (CPE)	WW Grant	\$2,050	\$1,360	\$690	\$0	\$0	\$0	\$2,050
51	46	44	Santa Rita Springs Booster Station Rehabilitation	DW Grant	\$389	\$389	\$0	\$0	\$0	\$0	\$389
52	47	44	Santa Rita Springs Booster Station Rehabilitation	R&R CIP	\$700	\$0	\$500	\$200	\$0	\$0	\$700
53	48	45	Rehabilitation/Replacement of Drinking Water	R&R CIP	\$1,500	\$500	\$1,000	\$0	\$0	\$0	\$1,500
54	49	47	Management and Administrative Training	P Roll	\$100	\$20	\$20	\$20	\$20	\$20	\$100
55	50		EPA Stipulated Order Projects-Direct Cost		\$200,930	\$39,809	\$32,224	\$65,489	\$56,704	\$6,704	\$200,930
56	51		Leyang/So. Barragada Sewer Collector	WW Grant	\$2,600	\$2,600	\$0	\$0	\$0	\$0	\$2,600
57	52	SO misc	Engineering Design	Bonds	\$6,000	\$2,000	\$2,000	\$2,000	\$0	\$0	\$6,000
58	53	SO misc	Construction Management	Bonds	\$1,344	\$0	\$207	\$282	\$455	\$400	\$1,344
59	54	SO misc	Regulatory/Program Management	Operations	\$145	\$20	\$25	\$30	\$35	\$35	\$145
60	55	SO misc	Other Project Administration	Operations	\$1,250	\$250	\$250	\$250	\$250	\$250	\$1,250
61	56		EPA Stipulated Order Projects - Indirect Cost		\$8,739	\$2,270	\$2,482	\$2,562	\$740	\$685	\$8,739
62	57		EPA Stipulated Order Projects - Total Cost		\$209,669	\$42,079	\$34,706	\$68,051	\$57,444	\$7,389	\$209,669
63	58		Misc Projects on going		\$2,600						
64	59		TOTAL FUNDING NEEDS		\$212,269						



GUAM WATERWORKS AUTHORITY

Post Office Box 3010, Hagatna, Guam 96932

Phone: (671) 647-2605 Fax: (671) 646-2335

October 16, 2003

Ben Machol
Manager, Pacific Islands Office (CMD-6)
U. S. Environmental Protection Agency, Region 9
75 Hawthorne Street
San Francisco, CA 94105

Dear Ben,

Pursuant to further compliance to the STIPULATED ORDER FOR PRELIMINARY RELIEF; CIVIL CASE No. 02-00035, The Guam Waterworks Authority herewith presents supplemental information to the Project List submitted on September 3, 2003 to complete the Paragraphs 28, Interim Financial Plan submittal to EPA. Please also see letter attached.

CERTIFICATION STATEMENT

I certify under penalty of law that I have examined and am familiar with the information submitted in this document and all attachments and that this document and its attachments were prepared either by me personally or under my direction or supervision in a manner designed to ensure that qualified and knowledgeable personnel properly gathered and presented the information contained therein. I further certify, based on my personal knowledge or on my inquiry of those individuals immediately responsible for obtaining the information, that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing and willful submission of a materially false statement.

Paul J. Kemp

PAUL J. KEMP

Environmental & Safety Compliance Specialist

October 16, 2003

Date

**CC: Barry Pollock, Region 9, USEPA
Michael Lee, Region 9, USEPA
Fred Castro, Guam EPA
Chris Lund, Guam EPA
Attorney General of Guam
Consolidated Commission of Utilities (8)
Simon Sanchez
Benigno M. Polomo
Frank Shimizu
Judith P. Gutherz
Vincent Camacho
Pauline J. S. Onedera
Randall V. Wiegand
Anthony R Camacho**

**File
DRC**

**Enclosure:
Interim Financial Plan (2004 – 2006).
[Narrative and Appendices, A, B, C & D].**



GUAM WATERWORKS AUTHORITY

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October 16, 2003

Ben Machol
Manager, Pacific Islands Office (CMD-6)
U. S. Environmental Protection Agency, Region 9
75 Hawthorne Street
San Francisco, CA 94105

Dear Ben,

Additional Information on Paragraphs 28, 29 and 32(2):

On September 3, 2003 GWA submitted a project list for its Interim Financial Plan. This material has also been submitted to the PUC. Additional material sent October 16, 2003 completes the Submittal for the Interim Financial Plan. This will also be sent to the PUC. The material submitted details how revenue will be generated for the interim period before the final financial plan in the Master Plan is complete. We believe the revenues will be sufficient to cover the cost of compliance activities and deliverables required by this Stipulated Order for Preliminary Relief, as well as any other anticipated expenses during the period before the final financial plan is approved, including all existing debt and expected debt service, and the buildup of Financial Reserves. The interim financial plan also includes a restructured user fee with a total 22%, plus hydrant and retirement annuity, increase in rates. This is in addition to the 11.5% increase to pay GPA and Navy past payables. The interim financial plan proposes building financial reserves over a period of five years (as submitted for EPA Review on September 12, 2003) at the rate of \$2 million per year. The Court Order requires a build up within two years.

The slower build up is being proposed to reduce rate shock and cash will in fact be on hand for emergencies. Cash generated from bond financing will not all be spent in the year in which it is generated. Should a project or incident arise that requires funds beyond what has been collected and deposited into the EOMRR Reserve fund GWA proposes to consult with EPA. If EPA in consultation with GWA agrees that the priority of the "new" emergency exceeds Court Order project priority the bond funds would be reprogrammed to deal with the new emergency. This scenario will only be required for the five years needed to build the fund.

GWA is coordinating with the PUC to ensure that: (1) GWA complies with the public notification requirements for proposed rate increases and (2) GWA's filings for rate increases are made in accordance with applicable PUC regulations.

The Rate Relief Filing procedure consists of essentially three steps following preparation of the interim financial plan to describe the rate relief required and approval by the CCU [Completed] (SO Paragraph 28):

(1) Publication of Intent to apply for Rate Increase, (Ratepayer Bill of Rights requires that no action be taken before 90 days following publication) [In preparation] (Time not clearly allocated to SO Paragraph 28 or 29, or counted into the timing for these paragraphs).

(2) Submittal of Rate Petition to PUC according to PUC Minimum Filing Requirements guidelines, [In preparation – this is a substantial submittal – to be delivered no later than December 15, 2003.] (This part of the process is not clearly allocated to SO Paragraph 28 or 29, or considered within in these paragraphs).

(3) PUC review of submittal and PUC approval (up to 90 days) (SO Paragraph 29).

Efforts have hitherto focused on obtaining EPA support for the need to have the PUC consider the full three year plan approved by the CCU. This appears to have been successful with PUC recognition of the February 06 completion of the master plan.

The PUC proposed in September to initiate their "Review Clock" (SO Paragraph 29) as soon as they receive an "acceptably" prepared "Minimum Filing" submittal, but they may not act before the end of the Ratepayer Notification period.

It is on this basis that GWA anticipates that PUC approval will be obtained within the projected time to allow implementation of rate relief as planned in April 2004. This will allow completion of the projects within the time allowed under the Court Order.

Respectfully Submitted,



PAUL J. KEMP

Environmental & Safety Compliance Specialist.

October 16, 2003



GUAM WATERWORKS AUTHORITY

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Phone: (671) 647-2605 Fax: (671) 646-2335

Interim Financial Plan

October 16, 2003

As required by the Stipulated Order for Preliminary Relief of Civil Case No. 02-00035 United States of America v. Guam Waterworks Authority and the Government of Guam, the Guam Waterworks Authority is submitting its Interim Financial Plan to the United States Environmental Protection Agency (USEPA) and the Guam Public Utilities Commission (GPUC).

The purpose of the plan is to detail how revenue will be generated for the interim period before the final financial plan and the Master Plan are developed.

The plan indicates that the Guam Waterworks Authority will seek the following rate increases from the GPUC:

<u>Date</u>	<u>Percentage</u>
April 2004	12%
April 2005	5%
April 2006	5%

GWA will file its formal rate petition with the GPUC on or before December 15, 2003. Prior to and during the evaluation of the rate petition, the percentage rates for each increase may be subject to change, however, GWA believes that by April 2006, the total percentage of rate increases that will be in place will be approximately 22%.

Other than the PUC surcharge which was added to GWA bills by the GPUC in October, 2001, GWA does not have a history of satisfactory rate petitions before the GPUC. Because of this, GWA has determined that it will be critical for GWA to secure positive rate actions prior to seeking financing solutions from financial markets and other lending institutions. After the rate actions are in place, GWA will seek the following issuances of debt:

<u>Date</u>	<u>Amount</u>	<u>Type of Financing</u>
May 2004	\$ 27 million	Short term
May 2005	20 million	Short term
May 2006	175 million	Municipal bonds

The first two issuances will be interest only borrowings to obtain seed capital to begin construction on a series of projects included as Appendix C including the Northern and Hagåtña Sewage Treatment Plants. GWA anticipates that due to its lack of an investment grade bond rating and its history of substandard financial and operational performance, the interest rate achieved on the two issuances of short term debt will be at higher than market rates. By May 2006, GWA forecasts that it will have achieved an investment grade bond rating. At this time, GWA will issue an offering of approximately \$175 million of bonds including the takeout of the two earlier borrowings.

A schedule of GWA financial activities that map out the milestones that must be achieved in order to accomplish this interim financial plan are included as Appendix A.

A table detailing the cash flow and debt service implications of this plan is included as Appendix B.

A schedule of cost and completion estimates for the implementation of the Stipulated Order is included as Appendix C.

The schedule of assumptions that were used to develop the interim financial plan is included as Appendix D.

Financial Reserves

This filing indicates that debt service reserves and emergency working capital reserves will be built up over the five year period.

Privatization

The Consolidated Commission on Utilities which oversees the Guam Waterworks Authority has adopted a two pronged approach. While GWA staff is moving forward with the plans outlined in the interim financial plan, the CCU has initiated a process in which private sector proposals will be reviewed and evaluated to determine if all or any part of GWA operations and the conditions in the Stipulated Order could be more effectively and efficiently achieved through a privatization process.

Appendix A

Guam Waterworks Authority

Schedule of Financial Milestones for Achieving the Interim Financial Plan

October 2003	GWA files Interim Financial Plan with U.S. Environmental Protection Agency (USEPA) and Guam Public Utilities Commission (GPUC).
October 2003	GWA files public notice of intention to seek rate relief from GPUC within 90 days.
October 2003	GWA CFO files assessment of GWA financial capabilities with Consolidated Utilities Commission. Assessment will include analysis as to appropriate staffing levels of GWA and appropriate staff qualifications.
October 2003	GWA to issue RFP for Financial Advisor with substantial background in water debt financing.
December 2003	GWA to select Financial Advisor
January 2004	GWA files formal rate petition with GPUC. Current projection of rate petition is shown in Appendix A. Petition to include a filing for the creation of user connection fees and charges for water and wastewater.
January 2004	Financial Advisor to provide report to GWA recommending investment vehicle for short term financing and a strategy for obtaining financing.
March 2004	GPUC to hold public hearing to entertain arguments on behalf of GWA's rate petition.
April 2004	GPUC to act on GWA's petition for rate relief. Relief to be effective April 1, 2004.
May 2004	GWA to obtain short term financing of approximately \$27 million.
June 2004	GWA to seek preliminary bond rating from major credit rating agency. Results of review will be used as a road map to achieve investment grade rating.
April 2005	Year 2 installment of rate relief to take effect April 1, 2005.

May 2005	GWA to obtain short term financing of approximately \$20 million.
March 2006	GWA to seek bond rating from at least two major credit rating organizations.
May 2006	GWA to issue \$175 million of investment grade municipal bonds to include repayment of 2004 and 2005 short term financing offerings.

Appendix B

Guam Waterworks Authority

Pro-forma of Operations FY2004-2008

(1000\$)	12%	5%	5%	5%	5%
	FY2004	FY2005	FY2006	FY2007	FY2008
Water Revenues	\$22,887	\$23,345	\$26,146	\$27,383	\$29,305
Wastewater Revenues	\$12,758	\$13,013	\$14,575	\$15,264	\$16,336
Add'l Sewer Revenues (required hookups)	\$40	\$80	\$150	\$470	\$600
Meter Management (revenue loss reduction)	\$100	\$800	\$800	\$1,600	\$1,600
Prior Year Collections	\$2,000	\$1,000	\$500	\$250	\$0
Water Rate Increase 1 @ 12%	\$1,373	\$2,801	\$0	\$0	\$0
Rate increase - Supplemental for Retirees	\$785				
Water Rate Increase 4 @ 5%	\$0	\$584	\$1,237	\$1,922	\$2,654
Sewer Rate Increase 1 @ 12%	\$765	\$1,562	\$0	\$0	\$0
Sewer Rate Increase 4 @ 5%	\$0	\$325	\$690	\$1,071	\$1,480
Fire hydrant Rate change \$0.12	\$402	\$804	\$804	\$804	\$804
Fire hydrant charge	\$420	\$0	\$0	\$0	\$0
Uncollectable Allowance	(\$848)	(\$250)	(\$200)	(\$150)	(\$100)
Other Revenues	\$200	\$351	\$351	\$351	\$351
Surcharge	\$2,719	\$2,719	\$2,719	\$2,719	\$2,719
Rate increase on surcharge	\$0	\$0	\$0	\$0	\$0
Total	\$43,602	\$44,415	\$45,053	\$48,966	\$53,030
Operating Expense	\$31,700	\$32,300	\$32,600	\$33,000	\$33,300
Depreciation	\$10,000	\$11,000	\$12,000	\$13,000	\$14,000
Interest Income	\$0	\$0	(\$3,620)	(\$1,078)	(\$965)
PMC Contract	\$0	\$500	\$500	\$500	\$500
Revenue Audit Implementation	\$150	\$0	\$0	\$0	\$0
Total Operating Expense	\$41,850	\$43,800	\$41,480	\$45,422	\$46,835
Net Operating Income	\$1,752	\$615	\$3,573	\$3,544	\$6,195
Interest (Short -Term)	\$0	\$0	\$0	\$0	\$0
Interest (Long-Term)	\$0	\$0	\$3,360	\$3,299	\$4,134
Total Interest	\$0	\$0	\$3,360	\$3,299	\$4,134
Net Income	\$1,752	\$615	\$6,933	\$6,843	\$10,329
DSCR Calculation					
Income	\$1,752	\$615	\$6,933	\$6,843	\$10,329
Interest	\$179	\$409	\$3,360	\$3,324	\$4,134
Depreciation	\$10,000	\$11,000	\$12,000	\$13,000	\$14,000

Total Available	\$11,931	\$12,024	\$22,293	\$23,167	\$28,463
Bond Debt Service	\$0	\$1,518	\$3,301	\$7,953	\$12,705
Meter Lease Costs	\$400	\$800	\$800	\$800	\$800
GPA/Navy Payments	\$2,719	\$2,719	\$2,719	\$2,719	\$2,719
Total Debt	\$3,119	\$5,037	\$6,820	\$11,472	\$16,224
Debt Service Coverage Ratio	3.83	2.39	3.27	2.02	1.75
Minimum DSCR Assumption	1.50	1.50	1.50	1.50	1.50
(Surplus)/Deficit	0.00	0.00	0.00	0.00	0.00
Cash Generated:					
Earnings	\$1,752	\$615	\$6,933	\$6,843	\$10,329
Plus: Depreciation	\$10,000	\$11,000	\$12,000	\$13,000	\$14,000
Less: Principal Payments	\$0	\$1,518	\$3,301	\$7,953	\$12,705
Internally Generated Funds for Construction	\$11,752	\$10,097	\$15,632	\$11,890	\$11,624
Work Cap Reserve *	\$10,900	\$11,104	\$11,263	\$12,241	\$13,258
Rate Increase Assumptions:					

Rate Increase #1 of \$4.4 million annually awarded in third quarter of 2004 FY

Rate Increase #2 of \$ 2.2 million annually awarded the same time of year the 1st increase is approved.

* EPA Court Order requires 90 day working capital reserve.

Appendix C

Guam Waterworks Authority

Stipulated Order Project List

Stipulated Order for Preliminary Relief Civil No. 02-00035 Amounts in \$1,000

Line #	Stipulated Order Par. Number	Expense Project Description	Source of Funds	Estimated Cost	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1	1	Compliance Specialist.	P Roll	\$400	\$80	\$80	\$80	\$80	\$80
2	3	General Manager	P Roll	\$600	\$120	\$120	\$120	\$120	\$120
3	4	Chief Engineer	P Roll	\$500	\$100	\$100	\$100	\$100	\$100
4	5	Chief Financial Officer	P Roll	\$325	\$65	\$65	\$65	\$65	\$65
5	8	Operator Certification	P Roll	\$25	\$5	\$5	\$5	\$5	\$5
6	46	Operator Training and Certification Support Program	Fed Grant	\$2,000	\$700	\$400	\$300	\$300	\$300
7	9	GWA Reorganization	P Roll	\$50	\$50	\$0	\$0	\$0	\$0
8	10	Watershed Master Plan	R&R CIP	\$1,000	\$300	\$600	\$100	\$0	\$0
9	11	Interim Disinfection	DW Grant	\$919	\$919	\$0	\$0	\$0	\$0
10	12	Interim Disinfection Monitoring	P Roll	\$1,000	\$200	\$200	\$200	\$200	\$200
11	13	Leak Detect and Response (Line Replacement)	R&R CIP	\$5,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
12	14	Water Meter Improvement	Lease	\$10,000	\$10,000	\$0	\$0	\$0	\$0
13	15	Ess. Parts Inv. (items not available within 4 days)	Operations	\$1,000	\$200	\$200	\$200	\$200	\$200
14	16	Tool and Equip. (Responsive Ops Minimums)	Operations	\$700	\$200	\$200	\$200	\$50	\$50
15	17	Stand-By Generators	Bonds	\$700	\$200	\$200	\$100	\$100	\$100

16	18	Underground Storage tanks	P Roll	\$250	\$0	\$0	\$0	\$0
17	19	Emergency Response Plan	P Roll	\$20	\$0	\$0	\$0	\$0
18	20	Development and Implementation of a GWA Preventive Maintenance Program	P Roll	\$1,995	\$600	\$600	\$265	\$265
19	21	Operatons And Maintenance Manuals	P Roll	\$40	\$20	\$0	\$0	\$0
20	23	Standard Operating Procedures	P Roll	\$100	\$20	\$20	\$20	\$20
21	24	Vulnerability Assessment	DW Grant	\$115	\$0	\$0	\$0	\$0
22	25	Memberships in AWWA and WEF	Operations	\$20	\$4	\$4	\$4	\$4
23	26	Financial Standard Operating Procedures	P Roll	\$20	\$10	\$0	\$0	\$0
24	27	Annual Budget	P Roll	\$100	\$20	\$20	\$20	\$20
25	30	Financial Plan (Includes Interim Plan [28] and PUC Review [29].	Operations	\$575	\$100	\$75	\$75	\$75
26	31	Five Year Operating Plan (moving five year plan).	P Roll	\$25	\$5	\$5	\$5	\$5
27	32 - 1	Reserves - Debt Service	Operations	\$36,865	\$1,515	\$3,230	\$7,760	\$12,125
28	32 - 2	Reserves - Emergency Operations, Maintenance, Renovation and Replacement	Operations	\$10,000	\$2,000	\$2,000	\$2,000	\$2,000
29	33	Late Payment Management Program	P Roll	\$250	\$50	\$50	\$50	\$50
30	34	Revolving Fund for Sewer Hook-Up	WW Grant	\$375	\$75	\$75	\$75	\$75
31	38	Water Transmission Line Construction (WTLC)	Bonds	\$100,000	\$0	\$50,000	\$50,000	\$0
32	38	WTLLine A Series Wells to Ordot Reservoir	DW Grant	\$2,000	\$0	\$0	\$0	\$0
33	40	Agana Main Sewer Pump Station Diverter Box	R&R CIP	\$550	\$250	\$300	\$0	\$0

34	41	Ugum Surface Water Treatment Plant Restoration	DW Grant	\$3,200	\$1,700	\$1,500	\$0	\$0	\$0
35	35	Agana Ocean Outfall	Bonds	\$300	\$300	\$0	\$0	\$0	\$0
36	42	Agana Sewer Treatment Plant Renovation/Expansion	Bonds	\$17,000	\$7,000	\$9,000	\$1,000	\$0	\$0
37	36	Northern District Ocean Outfall	Bonds	\$500	\$500	\$0	\$0	\$0	\$0
38	39	Northern District Sewer Treatment Plant	Bonds	\$15,000	\$7,000	\$7,000	\$1,000	\$0	\$0
39	37	Chaot WW Pump Station and Collection System Engineering Assessment	R&R CIP	\$50	\$50	\$0	0	0	0
40	43	Comprehensive Performance Evaluations (CPE) for the Agat Baza Gardens, and Umatac-Merizo Sewer Treatment Plants	Bonds	\$700	\$100	\$600	\$0	\$0	\$0
41	44	Santa Rita Springs Booster Station Rehabilitation	DW Grant	\$989	\$389	\$500	\$100	\$0	\$0
42	45	Rehabilitation/Replacement of Drinking Water Wells.	R&R CIP	\$1,500	\$500	\$1,000	\$0	\$0	\$0
43	47	Management and Administrative Training	P Roll	\$100	\$20	\$20	\$20	\$20	\$20
44		EPA Stipulated Order Projects-Direct Cost		\$216,858	\$38,567	\$29,224	\$65,199	\$66,879	\$16,989
45		Engineering Design @ 7.5%	Bonds	\$4,000	\$2,000	\$2,000	\$0	\$0	\$0
46		Construction Observation @ 3.5%	Bonds	\$1,344	\$0	\$207	\$282	\$455	\$400
47		Regulatory/Program Management		\$0	\$0	\$0	\$0	\$0	\$0
48		Other Project Administration		\$0	\$0	\$0	\$0	\$0	\$0
49		EPA Stipulated Order Projects - Indirect Cost		\$5,344	\$2,000	\$2,207	\$282	\$455	\$400
50		EPA Stipulated Order Projects - Total Cost		\$222,202	\$40,567	\$31,431	\$65,481	\$67,334	\$17,389

51	-Bond Funded	\$149,544	\$27,100	\$19,507	\$52,482	\$50,555	\$500
	-Payroll Funded	\$5,800	\$1,300	\$1,115	\$1,085	\$750	\$750
52	-Operations Funded	\$49,160	\$4,169	\$5,734	\$10,239	\$14,454	\$14,564
	-R & R CIP	\$8,100	\$2,100	\$2,900	\$1,100	\$1,000	\$1,000
	-DW Grant Funded	\$7,223	\$5,123	\$2,000	\$100	\$0	\$0
	-WW Grant Funded	\$375	\$75	\$75	\$75	\$75	\$75
	-Fed Grant Funded	\$2,000	\$700	\$400	\$300	\$300	\$300
	TOTAL FUNDING NEEDS	\$222,202					

Debt service requirements based
on bond needs
problem is funds must be available
up front to enter into contract.

		\$12,711	\$2,304	\$1,658	\$4,461	\$4,297	\$43
			\$1,513	\$1,718	\$4,529	\$4,365	\$111
			\$1,513	\$3,231	\$7,760	\$12,125	\$12,235

Appendix D

Guam Waterworks Authority

Assumptions of Interim Financial Plan

Water Revenues. Kgal sales are projected to decrease slightly from FY03 to FY04. From FY04 to FY05, kgal sales are projected to increase by 2%. Kgal sales for FY06, FY07, and FY08 are expected to remain even.

Waste Water Revenues. Wastewater usage is projected to increase by 1% from FY03 to FY04. From FY04 to FY05, usage is projected to increase by 2%. For FY06, FY07, and FY08 wastewater usage is expected to remain even.

Add'l Sewer Revenues. The forecast assumes that revenues related to sewer connections will dramatically increase from FY06 – FY08. We are assuming that as GWA's ability to accept sewage from areas that do not currently have sewage facilities available, residents will be required to connect to the system largely at their cost.

Meter Management Revenue. We are projecting revenue increases due to the meter management program over the period as non-functioning and partially functioning meters throughout the island are replaced with the electronic meters.

Rate Increase – Supplemental for Retirees. Included in the Fiscal Year 2004 budget package, the Guam Legislature assigned payment responsibility for supplemental payments to government retirees who had previously worked for GWA or its predecessor agency to GWA. Also assigned was a portion of health insurance costs for the same retirees. The CCU initiated a resolution wherein they would approach the Legislature to recommend a reversal of this policy. If the policy is not reversed, the CCU would seek to recover the costs through an additional rate increase.

Fire Hydrant Charge. The previously uncollected Fire Hydrant charge will be shifted to GWA ratepayers under the planned PUC filing. For several years, the Guam Legislature has neglected to appropriate money for the government to pay GWA's tariff to recover costs for installing and maintaining fire hydrants. The CCU is committed to the cessation of this practice. If the government of Guam continues to underfund this tariff, the cost will be shifted to GWA ratepayers.

Uncollectable Allowance. We are conservatively forecasting our bad debt allowance to decrease steadily over the period. In reality, GWA has an initiative in place that should drastically reduce bad debt costs by the end of FY04. If the initiative is successful, the actual numbers could be much greater than forecast.

Surcharge. The 2001 PUC surcharge to enable GWA to have a revenue stream to pay off past due debts is forecast to continue throughout the period.

Expenses. Expenses are forecast to grow between 1-2 percent per year for the five year period.

Depreciation. The estimate of depreciation expense is not supported by analysis. However, for purposes of calculating the debt service ratio, the expense is removed. Therefore, we do not believe this will have a significant impact on our financial plan.

PMC Contract. The Public Utilities Commission had previously mandated that GWA put its sewage treatment plants under a performance management contract. This requirement may not be applicable if GWA is able to meet the standards set forth in the EPA stipulation.

Economic Assumptions. We are assuming that the Guam economy will not see any significant improvement over the period. Due to recent tax increases and planned utility rate increases, GWA is forecasting that small increases in expenses will prevail over the period.

Government of Guam. We are assuming that any additional unfunded mandates assessed to GWA by the Government of Guam will be offset with corresponding additional rate increases.

Natural Disasters. We are assuming that GWA will not be significantly adversely affected by natural disasters including typhoons and earthquakes.

Guam Waterworks Authority
Revenue Requirement
Exhibit C

	FY04	FY05	FY06	FY07
Projected Revenues	\$ 42,347,627	\$ 49,361,184	\$ 51,770,990	\$ 51,770,990
Operating Costs				
Labor Costs	12,075,497	13,291,893	13,523,812	13,523,812
Operating and Maintenance Expenses	19,837,984	25,024,784	20,414,757	20,414,757
Total Labor and O&M	31,913,481	38,316,677	33,938,569	33,938,569
Cash Flow After Operating Costs	10,434,146	11,044,507	17,832,421	17,832,421
Debt Service	1,023,070	3,191,790	6,529,729	12,131,376
Capital Projects				
Capital Lease Payments	1,141,099	1,711,648	1,141,099	1,141,099
Engineering Projects	2,100,000	2,900,000	1,100,000	1,100,000
Vehicle Purchases	-	336,000	403,000	403,000
Furniture & Fixtures	-	300,000	450,000	450,000
SCADA	-	-	-	-
Total Capital Projects	3,241,099	5,247,648	3,094,099	3,094,099
Net Cash Flow	6,169,977	2,605,069	8,208,593	2,606,946
Working Capital Requirements				
Working Capital Fund	2,000,000	2,000,000	2,000,000	2,000,000
Payments to GPA	900,000	900,000	900,000	900,000
Payments to Navy	540,000	540,000	540,000	540,000
Subtotal	3,440,000	3,440,000	3,440,000	3,440,000
Total Cash Flow to GWA	2,729,977	(834,931)	4,768,593	(833,054)
Accumulated Cash Flow	2,729,977	1,895,046	6,663,640	5,830,586

Assumptions

8% interest on first two bond issuances
 First two issuances include principal repayment
 5.5% interest on third bond issuance after securing BBB rating.
 Third issuance takes out first two issuances
 2007 assumes 2006 plus actual p&i cost



GUAM WATERWORKS AUTHORITY

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January 28, 2004

Pursuant to further compliance to the STIPULATED ORDER FOR PRELIMINARY RELIEF; CIVIL CASE No. 02-00035, The Guam Waterworks Authority herewith presents the report required on or following this date as ordered, adjudged and decreed items numbered: #49 Compliance Progress Report No. 02.

CERTIFICATION STATEMENT

I certify under penalty of law that I have examined and am familiar with the information submitted in this document and all attachments and that this document and its attachments were prepared either by me personally or under my direction or supervision in a manner designed to ensure that qualified and knowledgeable personnel properly gathered and presented the information contained therein. I further certify, based on my personal knowledge or on my inquiry of those individuals immediately responsible for obtaining the information, that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing and willful submission of a materially false statement.

PAUL J. KEMP
Environmental & Safety Compliance Specialist

January 28, 2004
Date

**A copy of the STIPULATED ORDER FOR PRELIMINARY RELIEF;
CIVIL CASE No. 02-00035 is posted for public review on the
GWA web site;
< <http://www.guamwaterworks.org/> >.**

QUARTERLY COMPLIANCE PROGRESS REPORT

No. 02

1. The **STIPULATED ORDER FOR PRELIMINARY RELIEF; CIVIL CASE No. 02-00035 (SO)** contains 14 Sections with a total of 74 descriptive subsections or "Paragraphs" of which the first 48 specify deliverable actions requiring documentation and the remaining 26 define administrative procedures for open communication and amendment and for penalties and remedies for failure to comply with the scheduled execution of the "deliverables".

2. Submissions are made to the US EPA Region 9, with copies sent to the CCU, GEPA, AG and OPA. Copies of this report are public information and the current edition will be posted on the GWA web-site:
< <http://www.guamwaterworks.org/> >.

3. Following is a summary of the status of the SO deliverable items by Section and Paragraph Number.

Paragraph No.	Title	Status
Section I	Submittals by Defendants	
01	SO Compliance Monitor	Completed, 06/08/2003.
02	EPA Approval of Plans and Other Submittals	Continuous.
Section II	Management and Organizational Structure of GWA	
03	SO General Manager	Interim General Manager, 01/01/2003 General Manager 12/01/2003
04	SO Chief Engineer	Interim Engineering Services Contract Completed, 01/14/2004. Job Posting and Screening for Stipulated Order Chief Engineer in Progress.
05	SO Chief Financial Officer	Completed 09/08/2003
06	General Manager's Authority	CCU Resolution passed 01/27/2004
07	Conflict of Interest Provision	Continuous
08	Certification of Operators in Direct Responsible Charge (DRC Operators).	All GWA personnel notified of need for certification of DRC operators as of 06/15/2003 Initial listing of DRC Operators submitted to EPA on 12/30/2003. Review and EPA Response, pending.

Paragraph No.	Title	Status
09	GWA SO Reorganization	Draft Plan submitted to EPA on 09/05/2003. EPA has asked for further discussion with the drafters of the plan for clarification prior to commenting. GWA Review meeting scheduled for 01/29/2004
Section III	Operations at GWA	
10	Water Resources Master Plan	RFQ approved by EPA on 10/10/2003. Candidate list for screening by EPA submitted on 01/08/2004. Approval received for all submittals 01/22/2004. Evaluation Committee to meet to review qualifications submitted.
11	Interim Disinfection Program	This paragraph coupled with the EPA Grant Project to rehabilitate essential chlorination systems is still in design. Approval is pending review by GWA Chief Engineer under contract services. Preliminary evaluation by GWA staff of all wells and chlorination systems is in progress.
12	Interim Disinfection Residual Level Monitoring Program	Sample point selection and installation of suitable sample taps at well sites is in co-design with GEPA. All disinfected wells will be sampled daily. High risk wells will be sampled twice daily. Distribution system will be sampled from 60 selected locations weekly.
13	Leak Detection and Response Program	Submitted 11/27/2003. Program in Operation. EPA review pending.
14	Water Meter Improvement Program	EPA Approved Program 08/19/2003. Small Meters Awarded. Decision on Large Meter award or re-bid pending. Program on Hold due to protest filed in Guam Superior Court. Compliance with SO deadline is at risk.

Paragraph No.	Title	Status
15	Parts Inventory for POTW and Public Water Systems	Preliminary Submittal 11/27/2003. Supplemental Details submitted 12/26/2003.
16	Routine Maintenance and Repairs for POTW and Public Water Systems	Submitted 12/02/2003. EPA Reviewing.
17	Standby Generators, Water and Wastewater	Submitted 09/05/2003. EPA Comments/disapproved on 09/25/2003, listing not complete. Updated submittal 10/26/2003. EPA Review/Comments 12/10/2003. GWA preparing further update.
18	Underground Storage Tanks	Submitted, 09/05/2003. EPA comments/disapproved on 10/26/2003, listing not complete. GWA updated submittal 10/26/2003. EPA Reply 12/30/2003. GWA working on response.
19	Emergency Response Plan	Submitted 12/31/2003. EPA Reviewing. Certified to EPA HQ 01/14/2004. Confirmed Certification pending.
20	Preventive Maintenance Program	Preliminary submittal due 06/05/2004
21	Operations and Maintenance Manuals	Submitted 12/02/2003, EPA Reviewing
22	GWA's Authority Barriers to Compliance with the Stipulated Order.	Submitted 09/02/2003. EPA Comments 09/24/2003. GWA Response 11/02/2003. EPA and GWA reviewing, GWA to provide more comprehensive response to EPA. GWA and CCU to prepare legislation language to eradicate barriers to GWA's ability to function as an autonomous utility.
23	Standard Operating Procedures	Submitted 11/30/2003. EPA Reviewing.
24	Vulnerability Assessment	Completed and submitted to EPA HQ 12/29/2003. Certification of completion sent Received at EPA HQ 01/15/2004.
25	Trade Organizations	Completed 08/19/2003. EPA approved as submitted.

Paragraph No.	Title	Status
Section IV	Financial Administration at GWA	
26	Financial Standard Operating Procedures	Draft to be submitted by 06/05/2004
27	Annual Budget	FY-2004 Budget Approved by CCU 09/15/2003
28	Interim Financial Plan	Submitted to EPA 10/16/2004. Notice to Rate Payers 10/29/2003. Preliminary submitted to PUC 12/11/2003. Full Rate Filing by GWA to PUC Pending. 90 day notice to rate payers completed 01/27/2004.
29	PUC Approval of Interim Financial Plan	PUC to approve within 60 days of Full Rate Filing by GWA.
30	Approval of Final Financial Plan	PUC to approve Final Financial Plan within 90 days after it is produced and approved in the <i>Paragraph 10</i> Water Resources Master Plan.
31	Five Year Plan	First 5 year plan due for submittal 06/05/2005
32	Financial Reserves	Submitted 12/02/2003
32(1)	Debt Service Reserves	To be submitted to EPA within 30 days of issuance of debt or bonds.
32(2)	Emergency Operations, Maintenance Renovation and Replacement Reserves	Submitted 09/05/2003. EPA approved 5 year reserve development 12/29/2003, with use of bond funding for emergencies.
33	Late Payments	Submitted 09/02/2003. Approved as amended 11/14.2003. Further revision under review.
34	Sewer Hook-up Revolving Fund	Draft to be submitted 10/24/2004
Section V	Construction and Rehabilitation Projects at GWA	
35	Agana Ocean Outfall	See 35,36,39,42 Combined Project

Paragraph No.	Title	Status
35,36,39,42 Combined Project	Combined Project , Agana Ocean outfall, Agana STP Renovation, Northern District Outfall and Northern District STP Renovation	Submitted 09/12/2003 as BOT Project. EPA informal comments received 09/24/2003. GWA revisions submitted 10/14/2004. EPA conditional approval 12/04/2003. Revised BOT schedule submitted 01/05/2004. BOT schedule deadline to start 08/08/2004, expected start 05/01/2004.
36	Northern District Ocean Outfall	See 35,36,39,42 Combined Project
37	Assessment of Chaot Wastewater Pump Station and Sewer Collection and Conveyance System	Under Paragraph 48 notice of delay, Paragraph 74 amendment to SO requested and with Warning letter from EPA of 12/18/2003: EA sent to EPA by 01/16/2004. Final EA delay due to waiting for Paragraph 4 Chief Engineer contract to be completed. Draft EA to Chief Engineer 01/15/2004. Delay has incurred penalties, see Paragraphs 53 and 55 below.
38	Water Transmission line Construction Plan	Submitted 11/27/2003. EPA reviewing.
39	Northern District STP Renovation	See 35,36,39,42 Combined Project
40	Agana Main Sewage Pump Station Diverter Box	Submitted 07/30/2003. EPA extends schedule to 04/30/2004 Schedule: Design 01/26/2004 Materials 01/31/2004 Tap into line 02/29/2004 Install Bypass line 04/30/2004
41	Ugum Surface Water Treatment Facility	Submitted 09/08/2003 EPA comments/disapproval 10/23/2003 Revised submittal 11/27/2003 with draft RFP Comments and revision discussion 12/03/2003. Revision of Scope of Work and Request for Proposals in progress, subject to chief engineer's review.
42	Agana STP Renovation	See 35,36,39,42 Combined Project

Paragraph No.	Title	Status
43	Agat, Baza Gardens and Umatac-Merizo STP's Renovation and and/or Expansions	GWA schedule approved 09/29/2003 GWA Scope of work revised 10/31/2003 EPA approved SOW 12/24/2003 Request for Statement of Qualifications issued 12/24/2003 SOQ's due 01/28/2004
44	Santa Rita Spring Booster Pump Station Rehabilitation	Submitted 09/11/2003 Paragraph 75 request for extension for revision of Scope of Work, approved by EPA 12/29/2003 Revised SOW submitted 12/30/2003, EPA reviewing.
45	Rehabilitation/Replacement of Drinking Water Wells	Submitted 10/04/2003 EPA Comments 10/14/2003 GWA Revision 11/15/2003, EPA reviewing.
Section VI	Training at GWA	
46	Operator Training	Submitted 12/02/2003, EPA reviewing.
47	Other Training	Due 06/05/2004, submitted 12/02/2003, EPA reviewing.
Section VII	Reporting Requirements and Notice Provisions	
48	Notice of Noncompliance or Delay	This paragraph has been exercised for non material delays, accepted by EPA
49	Compliance Progress Reports	Progress Report 01 issued 10/28/2003. Progress Report 02 issued 01/28/2004.
50	Contact Addresses	See Stipulated Order Page 33.
51	Notices and Submissions	Formal Format, see Stipulated order Page 34.
Section VIII	EPA Access	
52	Authorized EPA Access	In full compliance.
Section IX	Stipulated Penalties	
53	Stipulated Penalties	Penalties for delay of Paragraph 37 Engineering Assessment have been levied at \$1,000/day from 01/16/2004. Final Engineering Assessment completed and submitted to EPA on 01/28/2004, limiting the total fine to \$12,000.
54	Accrual of Stipulated Penalties	None Accrued.
55	Payment of Accrued Penalties	Payment of Paragraph 53 Penalties in preparation. Due February 21, 2004.

Paragraph No.	Title	Status
56	Review of Stipulated Penalties	None Contested.
57	Interest on Stipulated Penalties	None Incurred.
58	Other Relief Beyond Stipulated Penalties	None Incurred.
Section X	Force Majeure	
59	Force Majeure Delays	None Incurred.
60	Force Majeure Defined	See Stipulated Order Page 36.
61	EPA Must Approve Force Majeure Delays	None Incurred.
62	Written Notification of Force Majeure Delays to EPA	None Incurred.
63	Forfeiture of Force Majeure Delay Approval if no Notice is Given to EPA	None Incurred.
64	EPA Written Notice of Justified Force Majeure Delay	None Incurred.
65	GWA Must Prove Force Majeure	None Incurred.
Section XI	Dispute Resolution	
66	Dispute Resolution Defined	No disputes have occurred.
67	Written Notice of Dispute to be made to EPA and DOJ	No disputes have occurred.
68	Informal Negotiations to Precede Formal Court Filings	No disputes have occurred.
Section XII	Applicability	
69	The Provisions of the SO are Applicable to GWA	Complete Concurrence.
Section XIII	General	
70	SO is Enforceable	Complete Concurrence.
71	SO Compliance Does Not Exempt GWA From CWA or SDWA Compliance	Complete Concurrence.
72	SO Compliance Does Not Exempt GWA From NPDES Compliance	Complete Concurrence.

DATE: January 2003 - December 2003

DATE: January 2003 - December 2003

MINIMUM FILING REQUIREMENTS

Guam Waterworks Authority
Schedule A

	FY2002 (A)	FY2004 w/o Incr. (C)	FY2004 w. Incr. (D)	SOURCE
1.				
2.				
3.				
4.				
5. OPERATING REVENUES				
6. Water Revenues				
7. Wastewater Revenues	\$ 25,416,027	\$ 23,537,404	\$ 24,949,648	Schedules B & J
8. Other Revenues	13,472,480	13,048,675	13,829,196	Schedules B & J
9. Surcharge	150,710			
Fire Hydrant	1,697,540	2,718,783	2,718,783	
10. Retiree Annuity and Insurance Surcharge	818,150	400,000	250,000	
11. Requested Increase				
12. Total Operating Revenues	\$ 41,554,907	\$ 39,704,862	\$ 41,747,627	Schedule J
13.				
14.				
15. OPERATING & MAINTENANCE EXPENSES				
16. Power Purchases	\$ 5,340,209	\$ 8,074,144	\$ 8,074,144	
17. Water Purchases	\$ 7,679,851	\$ 4,453,000	\$ 4,453,000	Schedule D
18. Communication		\$ 86,447	\$ 86,447	
19.	\$ 13,020,060	\$ 12,613,591	\$ 12,613,591	Schedule C
20.				
21. Salaries and Wages				
22. Intentionally Left Blank	12,017,883	\$ 12,075,497	\$ 12,075,497	
23. Administrative and General Expenses	16,282,777	3,775,417	3,775,417	
24. Intentionally Left Blank				
25. Intentionally Left Blank				
26. Intentionally Left Blank				
27. Intentionally Left Blank				
28. Intentionally Left Blank				
29. Intentionally Left Blank				
30. Intentionally Left Blank				
31. Depreciation Expense				
32. Contractual Expense	11,317,653	10,000,000	10,000,000	
33. Bad Debt Expense	3,315,768	2,631,500	2,631,500	
34. Intentionally Left Blank		817,476	817,476	
35. Intentionally Left Blank				
36. Total Operating Expenses	\$ 55,954,141	\$ 41,913,481	\$ 41,913,481	Schedule C
37.				
38. Operating Net Income (Loss)	\$ (42,934,081)	\$ (29,299,890)	\$ (29,299,890)	
39.				
40. Interest Income				
41. Interest Expense	\$ 20,493	\$ -	\$ -	
Recoveries of Bad Debts	(572,050)		921,400	
42. Grants	562,196			
43. CIAC + Other Income	4,206,620	9,770,000	9,770,000	
44. Net Income (Loss)	245,932			
45.	\$ 4,463,191	\$ 9,770,000	\$ 10,691,400	
46. Deprecation Expense on Contrib. Capital				
47.				
48. NET INCREASE (DECREASE) in Capital	\$ 4,463,191	\$ 9,770,000	\$ 10,691,400	
49.				
50.				
51. DEBT SERVICE				
52.				
53. Principal				
54. Interest	\$ -	\$ 101,670	\$ 101,670	
55.		\$ 921,400	\$ 921,400	
56.	\$ -	\$ 1,023,070	\$ 1,023,070	Schedule F
57.				
58. Coverage (TIER)				
59.				
60.				
61. CASH FLOW STATEMENT				
62.				
63. Net Income (Loss)	\$ 4,463,191	\$ 9,770,000	\$ 10,691,400	
64. Add: Depreciation				
65. Subtract: Principal Payments				
66. Working Capital Changes		(101,670)	(101,670)	Schedule F
67. Capital Improvement Projects [Internal]				Schedule H
68. Capital Improvement Projects [External]				Schedule G
69. Construction Fund (LT Debt)				
70. O&M, Renovation, Replacement Reserve				
71. Intentionally Left Blank				
72.	\$ 4,463,191	\$ 9,668,330	\$ 10,589,730	

GUAM WATERWORKS AUTHORITY
Schedule B - Summary of Revenues

	FY2002				FY2003			
	Customers	Consumption Kgal	Customer Chge \$	Consumption \$	Customers	Consumption Kgal	Customer Chge \$	Consumption \$
1. Water Revenues	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
2.								
3.								
4.								
5.								
6. Agriculture/Irrigation	843	193,206,497	6	312,269	831	193,246,315	-	305,492
7. Golf Course	15	12,796,177	6	45,714	15	17,839,844		15,860
8. Hotels	62	816,536,140	6	3,280,505	56	780,902,700		3,061,859
9. Commercial	2,423	959,570,096	6	4,016,132	2,398	1,075,005,873		4,134,233
10. Government	682	534,377,787	6	2,029,036	561	834,632,109		2,103,560
11. Residential	34,106	2,120,574,327	6	8,982,505	34,488	1,982,312,362	6	8,812,451
12. Residential Lifeline	34,106	2,046,360,000		4,911,264	34,488	2,069,280,000	6	4,966,272
13. TOTALS	38,131	6,683,421,024	30	23,577,425	38,349	6,953,219,203		23,399,728
14. Wastewater Revenues								
15.								
16. Commercial I	1,704	395,818,980	-	697,014	1,706	507,306,029	-	817,168
17. Commercial II	32	110,726,925		397,399	32	117,346,077		431,335
18. Commercial III & Hotel	252	701,074,658		3,244,058	235	638,930,263		2,945,256
19. Government	523	367,651,845		2,657,248	402	490,997,910		2,632,028
20. Residential	19,905	2,400,925,256	22	5,941,261	20,346	2,342,968,892	22	6,153,464
21.								
22. Total Wastewater	22,416	3,976,197,664		12,936,980	22,721	4,097,549,171		12,979,251
23.								
24. Grand Total	38,131	10,659,618,688	30	36,514,405	38,349	11,050,768,374		36,378,978
25.								
26. Frydramt/Other Rev				972,597				
27.								
28.								
29. Total				37,487,002				
30.				39,039,217				
31. Per Audit				(1,552,215)				
32.								
33. Difference								
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See Schedule J for Forecast Year Revenues

GUAM WATERWORKS AUTHORITY

Schedule C - Operating Expenses (Combined)

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1. Water Purchases			
2. Navy Contract	\$3,547,653	3,250,036 0	2,844,884
3. Earthtech Contract	1,725,673	1,837,134	1,608,116
4. Other Contracts	171,948	31,446	
5. <i>Intentionally Left Blank</i>			
6. <i>Intentionally Left Blank</i>			
7. Subtotal	5,445,274	5,118,616	4,453,000
8.			
9.			
10. Power Purchases - GPA	7,679,851	6,866,678	8,074,144
11.			
12.			
13. Salaries and Wages			
14. Salaries and Wages - Straight	10,946,079	11,130,888	8,657,895
15. Salaries and Wages - OT	1,071,804		300,000
16. <i>Intentionally Left Blank</i>			
17. Pension and Benefits	2,944,881	2,963,017	3,117,602
18. <i>Intentionally Left Blank</i>			
19. <i>Intentionally Left Blank</i>			
20. Subtotal	14,962,764	14,093,905	12,075,497
21.			
22.			
23. Administrative & General			
24. Chemicals	552,600	396,756	501,500
25. Materials & Supplies	3,953,548	2,486,046	2,760,352
26. Rental of Equipment	864,679	1,464,787	600,000
27. Transportation	203,930	570,755	375,565
28. Insurance	884,319	815,987	50,000
29. Advertising	11,258	22,951	75,000
30. Regulatory Expense	217,989	165,610	100,000
31. Bad Debt Expense	9,216,734	2,150,543	817,476
32. Miscellaneous	185,746	94,026	138,000
33. <i>Professional Services/Acctg</i>		64,221	61,108
34. <i>Communications</i>			86,447
35. Subtotal	16,090,803	8,231,682	5,565,448
36.			
37. Depreciation	11,415,601	10,035,700	10,000,000
38.			
39. Contractual			
40. Legal	129,262	76,491	20,000
41. Testing	371,460	523,518	550,000
42. Other	62,139	1,612,695	1,175,392
43. <i>Intentionally Left Blank</i>			
44. <i>Intentionally Left Blank</i>			
45. Subtotal	562,861	2,212,704	1,745,392
46.			
47. Total Operating & Maint. Expense	56,157,154	46,559,284	41,913,481
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GUAM WATERWORKS AUTHORITY

Schedule C1 - Operating Expenses (Water)

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1. Water Purchases			
2. Navy Contract	3,547,653	3,250,036	2,844,884
3. Earthtech Contract	1,725,673	1,837,134	1,608,116
4. Other Contracts	171,948	31,446	
5. <i>Intentionally Left Blank</i>			
6. <i>Intentionally Left Blank</i>			
7. Subtotal	5,445,274	5,118,616	4,453,000
8.			
9.			
10. Power Purchases - GPA	1,921,823	2,711,127	7,202,182
11.			
12.			
13. Salaries and Wages			
14. Salaries and Wages - Straight	1,472,159	1,376,047	4,939,442
15. Salaries and Wages - OT	246,939	191,767	156,500
16. <i>Intentionally Left Blank</i>			
17. Pension and Benefits	421,866	393,577	1,832,327
18. <i>Intentionally Left Blank</i>			
19. <i>Intentionally Left Blank</i>			
20. Subtotal	2,140,964	1,961,391	6,928,269
21.			
22.			
23. Administrative & General			
24. Chemicals	261,650	129,155	213,500
25. Materials & Supplies	124,155	279,359	1,732,152
26. Rental of Equipment	99,101	143,326	185,000
27. Transportation	2,270	26,793	233,073
28. Insurance			30,000
29. Advertising			45,000
30. Regulatory Expense			60,000
31. Bad Debt Expense			
32. Miscellaneous			82,800
Repairs/Services	50,773	48,169	
Well Permits	88,714	24,050	
33. <i>Audit</i>			36,665
34. <i>Communications</i>	9,535	732	41,718
35. Subtotal	636,198	651,584	2,659,908
36.			
37. Depreciation			
38.			
39. Contractual			
40. Legal	-	-	12,000
41. Testing			330,000
42. Other			675,958
43. <i>Intentionally Left Blank</i>			
44. <i>Intentionally Left Blank</i>			
45. Subtotal	-	-	1,017,958
46.			
47. Total Operating & Maint. Expense	10,144,259	10,442,718	22,261,317
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GUAM WATERWORKS AUTHORITY

Schedule C 2 - Operating Expenses (Wastewater)

	FY2002 (A)	FY2003 (B)	FY2004 (C)
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2.	Power Purchases - GPA	5,758,484	4,155,551	871,962
5.	Salaries and Wages			
6.	Salaries and Wages - Straight	2,835,106	2,606,201	3,718,453
7.	Salaries and Wages - OT	171,304	96,553	143,500
8.	Intentionally Left Blank			
9.	Pension and Benefits	730,297	698,983	1,285,275
10.	Intentionally Left Blank			
11.	Intentionally Left Blank			
12.	Subtotal	3,736,707	3,401,737	5,147,228
15.	Administrative & General			
16.	Chemicals	202,546	110,156	288,000
17.	Materials & Supplies	102,451	621,526	1,028,200
18.	Rental of Equipment	360,202	515,093	415,000
19.	Transportation	8,032	20,809	142,493
20.	Insurance			20,000
21.	Advertising			30,000
22.	Regulatory Expense			40,000
23.	Bad Debt Expense			
24.	Miscellaneous			55,200
25.	Repairs/Services	194,874	521,357	
26.	Audit			24,443
27.	Communication	8,473	588	44,729
28.	Subtotal	876,578	1,789,529	2,088,065
29.	Depreciation			
31.	Contractual			
32.	Legal	-	-	8,000
33.	Testing			220,000
34.	Other			499,434
35.	Intentionally Left Blank			
36.	Intentionally Left Blank			
37.	Subtotal	-	-	727,434
39.	Total Operating & Maint. Expense	10,371,769	9,346,817	8,834,689

GUAM WATERWORKS AUTHORITY
Schedule D - Details of Water Purchases

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	(A)	(B)	(C)
1. Water Purchases			
2.			
3.			
4. Navy Contract			
5. Purchased kGal	2,217,283	1,569,439	2,226,500
6. Rate Per Kgal	\$1.60	\$2.00	\$2.00
7. Total Purchase Costs	\$3,547,653	\$3,138,878	\$4,453,000
8. Other Costs			
9. Total Costs	<u>3,547,653</u>	<u>3,138,878</u>	<u>4,453,000</u>
10.			
11. Earthtech Contract			
12. Purchased kGal	1,180,283	1,323,225	1,024,278
13. Rate Per Kgal	\$1.57	\$1.57	\$1.57
14. Total Purchase Costs	\$1,725,673	\$1,323,225	\$1,608,116
15. Other Costs			
16. Total Costs	<u>1,725,673</u>	<u>1,323,225</u>	<u>1,608,116</u>
17.			
18. Airforce Contract			
19. Purchased kGal	91,951	20,553	
20. Rate Per Kgal	\$1.87	\$1.53	\$0.00
21. Total Purchase Costs	171,948	31,446	0
22. Other Costs			
23. Total Costs	<u>171,948</u>	<u>31,446</u>	<u>0</u>
24.			
25. Other Contract			
26. Purchased kGal			
27. Rate Per Kgal	0	0	0
28. Total Purchase Costs	0	0	0
29. Other Costs			
30. Total Costs	<u>0</u>	<u>0</u>	<u>0</u>
31.			
32. Other Contract			
33. Purchased kGal			
34. Rate Per Kgal	0	0	0
35. Total Purchase Costs	0	0	0
36. Other Costs			
37. Total Costs	<u>0</u>	<u>0</u>	<u>0</u>
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Note: \$1.57/kgal & \$.15/kgal in excess

GUAM WATERWORKS AUTHORITY

Schedule F - Debt Service (Combined)

	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>
	(A)	(B)	(C)
1. Series:			
2. Principal	\$ -	\$ -	101,670
3. Interest			921,400
4. Total	<u>\$ -</u>	<u>\$ -</u>	<u>1,023,070</u>
5.			
6. Series:			
7. Principal	\$ -	\$ -	\$ -
8. Interest			
9. Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
10.			
11. TECP			
12. Principal	\$ -	\$ -	\$ -
13. Interest			
14. Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
15.			
16. Line of Credit			
17. Principal	\$ -	\$ -	\$ -
18. Interest			
19. Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
20.			
21.			
22. Total Principal	\$ -	\$ -	\$ -
23. Total Interest			
24. Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
25.			
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GUAM WATERWORKS AUTHORITY
Schedule H - Working Capital

	FY2002	FY2003	FY2004	CHANGE FY2003 VS FY2002	CHANGE FY2004 VS FY2003
	(A)	(B)	(C)		
1. Accounts Receivable(net)	16,972,009	17,429,937			
2. <i>Intentionally Left Blank</i>	6,645,964	5,954,726	6,300,345	(691,238)	345,619
3. <i>Intentionally Left Blank</i>					
4. <i>Intentionally Left Blank</i>					
5. <i>Intentionally Left Blank</i>					
6. <i>Intentionally Left Blank</i>					
7. <i>Intentionally Left Blank</i>					
8. <i>Intentionally Left Blank</i>					
9. <i>Intentionally Left Blank</i>					
10. <i>Intentionally Left Blank</i>					
11. <i>Intentionally Left Blank</i>					
12. <i>Intentionally Left Blank</i>					
13. <i>Intentionally Left Blank</i>					
14. <i>Intentionally Left Blank</i>					
15.					
16. Accounts Payable	(23,231,864)	(29,372,411)	(25,003,200)	(6,140,547)	4,369,211
17. <i>Intentionally Left Blank</i>					
18. <i>Intentionally Left Blank</i>					
19. <i>Intentionally Left Blank</i>					
20. <i>Intentionally Left Blank</i>					
21. <i>Intentionally Left Blank</i>					
22. <i>Intentionally Left Blank</i>					
23. <i>Intentionally Left Blank</i>					
24. <i>Intentionally Left Blank</i>					
25. <i>Intentionally Left Blank</i>					
26. <i>Intentionally Left Blank</i>					
27. <i>Intentionally Left Blank</i>					
28. <i>Intentionally Left Blank</i>					
29. <i>Intentionally Left Blank</i>					
30.					
31. Other Cash Flow Items (I)					
32. <i>Materials & Supplies Inventory</i>	1,431,442	1,680,725	2,500,000	249,283	819,275
33. <i>Accrued Payroll and employee benefits</i>	(472,936)	(884,252)	(678,594)	(411,316)	205,658
34. <i>Current portion of employee annual leave</i>	(413,806)	(413,806)	(413,806)	0	0
35. <i>Accrued supplemental/COLA annuities</i>	(905,848)	0		905,848	0
36. <i>Customer deposits</i>	(1,590,009)	(1,910,889)	(2,071,329)	(320,880)	(160,440)
37. <i>Intentionally Left Blank</i>					
38. <i>Intentionally Left Blank</i>					
39. <i>Intentionally Left Blank</i>					
40.					
41.	\$ (18,537,057.00)	\$ (24,945,907.00)	\$ (19,366,584.00)	\$ (6,408,850.00)	\$ 5,579,323.00
42.					
43.					
44. Increase/(Decrease in Working Capital)		\$ (6,408,850.00)	\$ 5,579,323.00		
45.					
46.					
47.					
48.					
49.					
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51.					
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Note: Other Cash flow items may be shown separately as Schedule I

THE TESTIMONY OF SIMON
SANCHEZ, CHAIRMAN, CCU WILL
BE FILED UNDER SEPARATE
COVER.