



GUAM WATERWORKS AUTHORITY

“Better Water. Better Lives.”

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GWA DOCKET NO. 19-08

PUC Petition for Approval of GWA's Third Five-Year Financial Plan
(Base Rate Increase)

September 22, 2022 Rate Decision: Ordering Provision No. 7
Annual True-Up Submission, Projection, and Request for
Fiscal Year 2024 Rates

TAB NO.	DOCUMENT TITLE
A	GWA General Manager Transmittal Letter
B	True-Up Projection for FY2024 Report
C	True-Up Schedules (MFRs)
D	CCU GWA Resolution No. 33-FY2023

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10 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

11) GWA DOCKET NO. 19-08
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1 **COMES NOW**, the GUAM WATERWORKS AUTHORITY (“GWA”), by and through
2 its counsel of record, THERESA G. ROJAS, ESQ., and hereby files GWA’s Annual True-up
3 Submission, Projection, and Request for approval of Fiscal Year 2024 rates. The following
4 Attachments, in compliance with the September 22, 2022, Rate Decision, ordering provision
5 seven (7), are enclosed:

- | | |
|------------------------|--|
| 1. Attachment A | GWA General Manager Transmittal Letter |
| 2. Attachment B | True-Up Projection for FY2024 Report |
| 3. Attachment C | True-Up Schedules |
| 4. Attachment D | CCU GWA Resolution No. 33-FY2023 |

1 In support of this submission, the Guam Consolidated Commission on Utilities has duly
2 passed and adopted GWA Resolution 33-FY2023 attached herein and incorporated by reference
3 as if fully set forth.

4 **RESPECTFULLY SUBMITTED** this 1st day of June, 2023.

5 By:

6 
7 **THERESA G. ROJAS, ESQ.**
8 GWA Legal Counsel

TAB NO.	DOCUMENT TITLE:
A	GWA General Manager Transmittal Letter

ATTACHMENT A

GWA General Manager Transmittal Letter



GUAM **WATERWORKS** AUTHORITY

June 1, 2021

Jeffrey C. Johnson, Chairman
Frederick J. Horecky, Chief Administrative Law Judge
Guam Public Utilities Commission
Suite 207, GCIC Building
Post Office Box 862
Hagatna, Guam 96932

Hafa Adai,

The Guam Waterworks Authority (GWA) is pleased to submit its FY 2023 True-Up package that presents requirements for a system-wide increase of 27.0 percent for basic, lifeline and non-lifeline rates and charges to be implemented in October 2023. GWA's True-Up Projection for FY2024 has not been adjusted to consider the potential negative economic impact of Typhoon Mawar which devastated Guam on May 24, 2023.

Specific rate adjustments and bill impacts are calculated as uniform percentage increases to be applied to existing rates inclusive of the residential lifeline rate.¹ GWA is prepared to provide information on rate adjustments and related bill impacts under its proposed rate structure revision² upon Guam Public Utilities Commission (PUC) request.

This submittal complies with applicable ordering provision in the PUC's *Rate Order* of September 22, 2022, and includes a narrative discussion and supporting schedules that document the factors that have precipitated the need for rate relief. It includes supporting schedules required under the PUC administrative order prescribing rules for practice and procedure (Docket No, 00-04: Rule 20. Standard Filing Requirements) as well as an additional Schedule L providing bill impact information.

We are prepared to address any questions or concerns regarding this filing and look forward to the GPUC's timely review and decision on this matter.

Miguel C. Bordallo, P.E.
General Manager

¹ Given that "the total actual overall cost of providing service to all classes of customers" has increased by more than twenty percent (20%) as prescribed at: 12 GCA Autonomous Agencies, Ch. 12 Public Utilities Commission and the Guam Telecommunications Act Of 2004, § 12004. General Powers and Duties. (p. 8)

² Amended Petition to Approve a New Rate Design Structure for the Guam Waterworks Authority as Proposed In PUC GWA Docket 19-08, dated April 3, 2023

xc: Therese G. Rojas, General Counsel, Guam Waterworks Authority
 Taling Taitano, Chief Financial Officer, Guam Waterworks Authority
 Gilda Mafnas, Deputy Chief Financial Officer, Guam Waterworks Authority
 Chris Budasi, **Assistant General Manager of Administration and Support**
 Eric Rothstein, Galardi Rothstein Group
 Cody Stanger, Galardi Rothstein Group

TAB NO.	DOCUMENT TITLE:
B	True-Up Projection for FY2024 Report

ATTACHMENT B

True-Up Projection for FY2024 Report

June 1 | 2023



GUAM **WATERWORKS** AUTHORITY

GWA Docket No.: 19 -08

True-Up Projection for FY2024 Report

Submitted in compliance with the Guam PUC Rate Decision
issued on September 22nd, 2022 – Ordering Provision No. 7

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I. Executive Summary

Guam Waterworks Authority (GWA) proposes a 27.0 percent increase to water and wastewater basic, lifeline and non-lifeline rates and charges across all its customer class applicable on October 1, 2023. These increases are necessitated by water usage patterns and related revenue performance that remain well-below pre-pandemic levels; acute inflationary increases in Operations and Maintenance (O&M) expenses, particularly power expenses; debt service expenses that increased in FY 2022 as the capitalized interest offset of GWA's Series 2020 revenue bond payment ended; and depletion of all remaining reserves in FY2023 to maintain debt service coverage above 1.30x. The proposed rate increases are projected to increase system rate revenues by \$28.8 million¹ and will allow GWA to fund necessary O&M expenses and internally-financed capital improvements, rebuild a modest level of rate stabilization reserves, and enable incremental improvement in debt service coverage levels.

GWA's extraordinary rate relief request is the culmination of a sequence of developments that have placed GWA in a precarious financial position - without access to emergency reserves and net operating revenues below debt payment requirements. Notably, GWA's True-Up Projection for FY2024 has not been adjusted to consider the potential negative economic impact of Typhoon Mawar which devastated Guam on May 24, 2023.

II. Introduction

GWA is completing the fifth year of its third five-year financial plan (FY2020 through FY2024) and rate relief application with the Public Utilities Commission of Guam (PUC). GWA was allowed annual water and wastewater basic and non-lifeline rate increases of 5.0 percent for a portion of FY2020 and all of FY2021.² GWA completed seven Analytical Studies by May 31, 2021 in support of a stipulated Comprehensive Review and Update (CRU) to inform determination of FY2022 – FY2024 rates. Delays in consideration of the May 2021 filing resulted in no rate increase being granted for FY2022. GWA was allowed annual basic and non-lifeline rate increases of 5.5 percent for FY2023 and for FY2024 subject to a true-up.

For the true-up to determine proposed FY2024 rates, GWA management has thoroughly reviewed its revenue requirements and other requisites such as rate covenants and financial policies and considered known and measurable changes in costs and conditions. Based on these analyses, GWA has determined and recommends a 27.0 percent rate increase for basic, lifeline and non-lifeline rates for FY2024 for all rate classes. This recommended rate increase is needed to meet increased power costs and existing debt

¹ Excludes System Development Charge revenues, Other Revenues, and Bad Debt adjustment.

² FY20 Rate Decision, Petition for Approval of GWA's Third Five-Year Financial Plan and Based Rate Relief, Ordering Provision No. 4, p.7; Approved FY2020 and FY2021 rate increases and pro forma rates increases are listed as an appendix to Exhibit 1: Stipulations of the Guam Waterworks Authority and Georgetown Consulting Group on Behalf of the Public Utility Commission of Guam in re: Petition for Approval of GWA's Third Five-Year Financial Plan Docket No.: 19-08.

service; it does not address forthcoming capital program financing that will impose additional debt service requirements. Furthermore, GWA's True-Up Projection for FY2024 has not been adjusted to consider the potential negative economic impact of Typhoon Mawar which devastated Guam on May 24, 2023.

Operating costs are earmarked at \$29.7 million in salaries and benefits (inclusive of \$3.7 million in capitalized labor); \$24.2 million in power costs; \$5.9 million in water purchases; \$9.7 million in administrative and general expenses; \$7.5 million in contractual expenses; and \$3.8 million in retiree supplemental annuities and health care for a combined Fiscal Year 2024 total of \$80.7 million (exclusive of \$28.8 million in depreciation). The proposed FY2024 budget, as recommended, excluding interns and federally funded positions, allows GWA a staff level of 392 full time equivalents (FTE) to meet operations and maintenance and customer service mandates.

FY2024 debt service expenses are scheduled to be \$39.0 million reflecting the \$5.6 million increase that occurred in FY2023 after the capitalized interest period associated with GWA's Series 2020 bonds expired. Internally financed capital improvements are forecast to be \$8.8 million. Debt service coverage is targeted at 1.35x to achieve an incremental step toward compliance with the PUC's established policy of a 1.40x coverage level. The proposed FY2024 rates provide for an incremental replenishment of Rate Stabilization Fund (RSF) reserves of \$7.5 million.

I. FY2020 - FY2023 Financial Performance – Uses of Reserves

GWA's extraordinary rate relief request is the culmination of a sequence of developments that have placed GWA in a precarious financial position - without access to emergency reserves or American Rescue Plan Act (ARPA) funds and net operating revenues below debt payment requirements. Chart 1 compares revenue and overall expense (O&M plus debt service) changes for the first four years of GWA's FY 2020-24 rate application period.³ During this period, pandemic-related impacts severely dampened billable water demands, with attendant impacts on service revenue performance. Although GWA responded with significant reductions in controllable spending, debt service coverage ranged from 1.30x to 1.31x⁴ between FY 2020 and FY 2022 and is anticipated to be approximately 1.28x in FY2023 only after depletion of available reserves.⁵

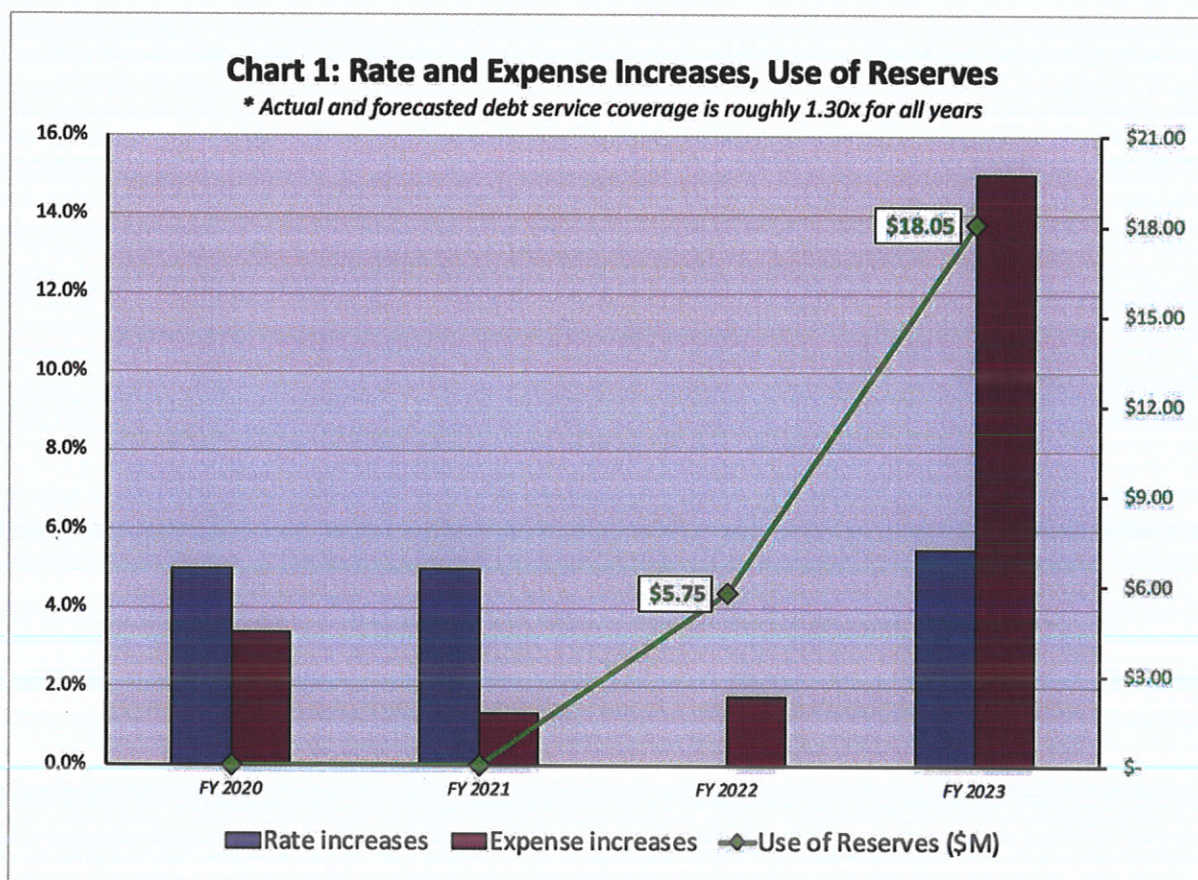
In this context, it is important to recognize that use of reserves and ARPA funds is a financial band-aid, a life preserver— and now unavailable to mitigate GWA's prospective financial challenges. In FY2022 and

³ FY2020 -FY2022 audited values, FY2023 annualized based on 7 months actual performance.

⁴ Affirmed with the PUC's Order related to the FY2022 – FY2024 CRU temporarily authorizing GWA to achieve no less than a 1.30x ratio.

⁵ With respect to expenses specifically, GWA experienced significant and largely uncontrollable O&M cost increases in selected cost categories including most notably power purchase expenses that were 50.0% higher (\$9.3 million) than FY 2022. Similarly, annual debt service increased \$5.6 million in FY 2023 as the capitalized interest period ended on the Series 2020 Bonds. These increases have been temporarily offset with unsustainable curtailment of other O&M expenses that are also subject to acute inflationary pressures.

FY2023, GWA will have depleted its \$23.8 million in rate stabilization fund reserves and ARPA funding to meet the lower 1.3x DSC target. In FY2024, will not have reserves or ARPA funds available to respond to unforeseen financial challenges that could jeopardize compliance with bond covenants. To illustrate the magnitude of GWA's rate relief deficiency, Schedule A-2 offers *Historical and Forecasted Operating Results without Use of Reserves or FY 2024 Rate Adjustment* for FY2022 - FY2024. This indicates that GWA would have technically defaulted in FY2022 (with coverage at 1.14x) and based on annualized data is expected to have expenses exceed revenues in FY2023. In short, given the depletion of available reserves and ARPA funding, without substantial rate relief, GWA will fall into technical default or even run a deficit in FY2024.



The substantial use of reserves in FY2022 and FY2023 is unsurprising and underscores the uncertainties that make prospective reserve replenishment an imperative. It is unsurprising because (1) no rate relief was provided in FY2022 notwithstanding the scheduled \$5.6 million increase in debt service on existing GWA debt and (2) the \$9.2 million (50.0%) increase in power costs in FY2023. It underscores the need to replenish reserves, at least in part, due to the uncertain and uncontrollable nature of some O&M expenses and because the circumstances that characterize the forthcoming FY 2025 – FY2029 financial plan period are no less arduous than those that recently forced the depletion of all reserves.

II. Projected FY2024 Financial Performance

Though required FY2024 rate increases are markedly higher than selected rate increase forecasts developed throughout the CRU adjudication process, GWA's proposed FY2024 rates will provide for only limited recovery of its financial health. FY2024 values in Schedule A-2, which forecasts financial performance under existing rates, are based on revenue billing determinants as discussed below, GWA's CCU-approved FY2024 O&M budget, and existing debt service obligations.⁶ Without reserves to bolster coverage, denying GWA a significant rate increase in FY2024 is simply untenable. FY2024 debt service coverage would be 0.85x with no rate increase. Implementation of the CRU pro forma 5.5 percent rate adjustment, as shown in Schedule A-3 *Historical and Forecasted Operating Results under PUC-Approved FY 2023 & FY 2024 Rate Adjustments* would also be woefully inadequate with debt service coverage at only 0.98x and no reserves available for the FY2025 – FY2029 period.

As shown in Schedule A-1 *Historical and Forecasted Operating Results with FY 2024 Rate Adjustment Request*, GWA's proposed rates would provide an initial step towards return to debt service coverage levels prescribed by PUC policy, would still constrain non-utility⁷ O&M expenditures⁸, and would replenish rate stabilization reserves to levels roughly 65 percent of pre-pandemic levels. And, unfortunately, there are relatively few options to deviate from the proposed rate increases – all with adverse consequences:

- Further O&M expense reductions are unsustainable;
- Lower coverage and reserve levels defer and exacerbate future rate increase requirements that will be required to finance over \$900 million (current dollars) in initially planned capital encumbrances over the next five years;
- Reducing the proposed lifeline rate adjustment with a corresponding increase in basic and non-lifeline rates would amplify inter-class subsidies – moving away from alignment to cost-of-service rates.

III. Revenue Projections

The schedules outlined above incorporate enhancements to the methods used to forecast revenues in prior five-year rate applications and true-up submittals. As highlighted in the Demand Forecasting analytical study, revenue forecasting is appropriately informed by historical trends in account populations, billable volumes, and price elasticity of demand estimates. In contrast to assumptions of constant per account usage and limited account growth used in prior submittals, GWA has developed a revenue forecasting infrastructure that considers key trends and price responses. GWA's FY2024 revenue forecasts employ this enhanced methodology.

⁶ These results, which include the effect of the PUC's 5.5 percent increases in FY2023, provide context for the potential impacts of Georgetown Consulting Group's position that GWA should be denied any rate relief over the FY2022 – 2024 period.

⁷ Power and water purchases are largely dictated by GPA's LEAC (Levelized Energy Adjustment Clause) and water purchases subject to U.S. Navy rates. As noted, power expense has increased dramatically due to both LEAC rates and additional power demands for operation of the Northern District WWTP.

⁸ To levels below that contemplated in the PUC's FY2020 rate decision prior to the onset of recent inflationary trends.

- Residential account growth is assumed to be 0.67% per year while smaller meter sizes for Commercial 1 customers are expected to grow between 0.25% and 1.0% per annum over the forecast period. Other accounts are assumed to remain flat, which is consistent with historical trends.
- Water demand and wastewater flows per account, for the most part, are expected to remain consistent with levels observed so far in FY 2023. One exception to this is the Hotel class, which assumes an 8.0% per year increase in water demand per account (though still well below pre-pandemic levels).
- Price elasticity factors of 1.0 for residential and 1.5 for non-residential are applied to demand per account forecasts. These factors reflect the expected percentage decrease in demand per account for every 10.0% real increase in rates (i.e., after accounting for inflation). Based on GWA's recommended 27.0% rate increase, a corresponding decrease in residential demand per account of 2.4% and a non-residential decrease of 3.6% in FY 2024 is projected.

Notably, the revenue forecast methodology was tested by comparing actual historical data to forecasted performance using the same billing determinants. Predicted revenue values were within 0.15% of actual revenue performance. GWA's FY2024 revenue forecasts are unassailably grounded by reference to historical experience and established economic principles.

IV. Operations and Maintenance Expenses

GWA's O&M expense forecasts are similarly grounded by reference to historical experience and austere assessments of prospective requirements:

- **Power Purchases** - Following dramatic increases in power expenses in FY2022 and FY2023 due to (LEAC) rate increases and additional kilowatt-hour (kwh) consumption due primarily to the new Northern District Wastewater Treatment Plant (NDWWTP), expenses are anticipated in FY2024 to be \$24 million based on an annual consumption of 62 million kwh using an aggregate average (GWA-wide) cost of \$.43/kwh. This reduction from a peak of nearly \$28 million in FY2023 is still over 200 percent higher than anticipated with GWA's initial FY2020 - FY2024 rate filing and 52 percent (or \$8.3 million) higher than that anticipated with GWA's CRU filing in May 2021.⁹
- **Water Purchases** – Are projected for FY2024 to be almost \$0.5 million below that projected for FY2023 and 4.3 percent higher than FY2022 actual expenses notwithstanding increases in Navy water rates. Reflecting significant efforts to reduce water purchases during the FY2020 – FY2024

⁹ References to O&M expenses forecast in GWA's CRU filing of May 2021 are exclusive of additional O&M expenses forecast to implement programs and initiatives outlined in the CRU analytical studies.

The PUC's Rate Decision dated September 22, 2022 that was informed by GWA's CRU filing and subsequent discovery and testimony of GWA and PUC staff consultants was not supported by a revised Schedule A outlining approved O&M expense line-item detail. Accordingly, references are made to GWA's filing submitted in May 2021.

period, the FY2024 budgeted expense is 64 percent of that projected with GWA's CRU filing in May 2021 and 53 percent of the stipulation-informed FY20 Rate Decision¹⁰

- **Salaries and Benefits** – For FY2024, salaries and benefits are projected at \$29.7 million, inclusive of \$3.7 million of capitalized labor,¹¹ to fully fund 392 positions.¹² This amount is more than \$1.6 million below that projected in the stipulation-informed FY20 Rate Decision¹³ which did not include adjustments for new operational requirements during the FY2020 – FY2024 period including, for example, the Northern District WWTP or implementation of GWA's Water Loss Control program. It is \$2.7 million (or 8.4 percent) lower than that anticipated with GWA's CRU filing in May 2021.
- **Administrative and General**¹⁴ - For FY2024, Administrative and General expenses are budgeted at \$12.0 million which is \$1.6 million lower than that projected in the stipulation-informed FY20 Rate Decision, and \$3.5 million lower than that anticipated with GWA's CRU filing in May 2021. The FY2024 budgeted amount will provide for limited re-building to normal activity relative to acute austerity measures imposed in FY 2022. The FY24 budget request represents a 20% increase from FY22 audited expenses but is still below audited expenses prior to the pandemic.
- **Contractual** - For FY2024, Contractual expenses are budgeted at \$7.5 million which is \$0.9 million lower than that projected in the stipulation-informed FY20 Rate Decision and approximates that anticipated with GWA's CRU filing in May 2021. Projections for contractual expenses now include legal expenses projected to be more than \$1.0 million for two (2) ongoing court cases - Badger Meter and Core Tech - that require technical expertise.¹⁵
- **Retiree Benefits**¹⁶ - Costs for retirees is estimated at \$3.8 million which is approximately \$0.74 million below that anticipated for the stipulation-informed FY20 Rate Decision and CRU filing in May 2021.

¹⁰ GWA Docket 19-08: FY20 Rate Decision referencing Stipulations of the Guam Waterworks Authority and Georgetown Consulting Group on Behalf of the Public Utility Commission of Guam dated January 17, 2020.

¹¹ Capitalized labor expense is a claim on GWA cash and therefore included for purposes of cash-flow analysis supporting revenue requirement determination. Capitalized labor is estimated based on the methodology advanced in the Capitalized Labor analytical study submitted for the CRU.

¹² This total includes annual pay for performance adjustments averaged at 2% of base pay per employee; overtime for eligible employees at 3% of base pay; holiday work and night differential for eligible employees funded at approximately 1% of base pay, respectively. Total benefits comprise 38% of base salaries.

¹³ GWA Docket 19-08: FY20 Rate Decision referencing Stipulations of the Guam Waterworks Authority and Georgetown Consulting Group on Behalf of the Public Utility Commission of Guam dated January 17, 2020.

¹⁴ Include Sludge; Chemicals; Materials & Supplies; Transportation; Communications; Claims; Insurance; Travel & Training; Advertising; Miscellaneous; Regulatory and Bad Debt.

¹⁵ Other new contractual expenses include funds for a management audit, funding for technical support with GWA's SCADA systems and equipment at various facilities, additional lab testing requirements and ongoing improvements to GWA's Financial Management Information System.

¹⁶ Includes supplemental annuities for retirees; health insurance premiums; and Cost of Living Allowance (COLA) for retirees.

In short, GWAs FY2024 budgeted O&M expenses, excepting Power Purchases, are well below that anticipated in either the PUC's FY20 Rate Decision or CRU adjudication. Non-power O&M expense has increased at a compound annual growth rate of 1.2 percent since FY2019 while GWA has new operational requirements and is subject to inflationary pressures. Significant further O&M expense reductions are simply unsustainable.

V. Capital Financing

Capital financing related expenses, as shown on Schedule A, include debt service payments and Internally Financed Capital Improvement Projects (IFCIP). For FY2024, scheduled debt service on existing debt is \$39.0 million reflecting expiration of the capitalized interest period associated with GWA's Series 2020 bond issues (which increased debt service by \$5.6 million in FY2023). This debt service level is the denominator of GWA's debt service coverage ratio such that Net Operating Revenues Available For Debt Service¹⁷ must be at or above \$52.7 million to reach a coverage target of 1.35x. GWA's proposed 27.0 percent rate increase for all rate components—basic, lifeline and non-lifeline—is necessary to achieve that level of Net Operating Revenues Available For Debt Service based on the enhanced revenue forecasting described above.

GWA's FY2024 budgeted IFCIP level of \$8.8 million does not drive the FY2024 rate increase requirement of 27 percent. Rather, this is a use of funds required to achieve target coverage and reduces the amount of capital project funding that will be required to be debt financed in the FY2025 – FY2029 period. GWA's FY2024 capital financing includes use of available bond proceeds, application of SRF and DOD¹⁸ grant proceeds, application of System Development Charge revenues, and IFCIP.

Importantly, the FY2024 True-Up schedules do not directly outline the implications of GWA's prospective capital financing needs. Ongoing CIP planning¹⁹ indicates that GWA's capital encumbrance requirements over the next five years will exceed \$900 million (current dollars), most of which will require new bonded indebtedness authorization²⁰ and new money transactions that will impose significant additional debt service payment and coverage-related revenue requirements in GWA's forthcoming FY2025 – FY2029 financial plan. These prospective requirements are among the primary reasons for (at least incremental) replenishment of GWA's rate stabilization reserves.

VI. Rate Case Dynamics

As noted, GWA's current precarious financial position that necessitates a 27 percent increase to basic, lifeline and non-lifeline rates and charges is a predictable consequence of a series of unfortunate

¹⁷ Net Operating Revenues Available For Debt Service equals Total Sources of Funds (Operating Revenues, Interest and Investment Income, Rate Stabilization Fund Transfers In) less System Development Charges, plus Capitalized Labor expense, plus retiree, COLA, and end-of-year pension and OPEB adjustments.

¹⁸ State Revolving Fund (SRF) and Department of Defense (DOD)

¹⁹ To update the Integrated Water Resources Master Plan and evaluate potential implications of the proposed Partial Consent Decree with USEPA.

²⁰ Whether implemented with traditional revenue bonds or a combination of construction period financing (e.g., Tax-Exempt Commercial Paper) and later "take-out" refunding bonds as outlined in the Capital Financing analytical study submitted in conjunction with the CRU.

outcomes of the FY2020 – FY2024 rate application adjudication in combination with unforeseen inflation of specific major expenses. Ironically, as shown in the table below, GWA's proposed rate relief is cumulatively (at 47.7 percent) marginally higher than that proposed with GWA's initial FY2020 – FY2024 rate application (at 44.1 percent) notwithstanding that annual FY2023 power costs are \$11.7 million higher and billable water demands and wastewater flows are roughly 11.3 percent lower than pre-pandemic FY2019 levels.

Table 1: Docket 19-08: GWA FY 2020 – FY2024 Rate Case						
Alternative Proposed / Approved Basic and Non-Lifeline Rate Increase Adjustments						
Description	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Cumulative / Compounded
GWA FY2020-FY2024 Rate Application	10.0%	8.5%	8.0%	6.5%	5.0%	44.1%
GWA Stipulation / Pro Forma Rates	5.0%*	5.0%	5.5%	3.0%	2.5%	22.8%
GWA Stipulation / Nov. Modified Request (ARPA Funding)	5.0%	5.0%	8.1%	6.5%	6.5%	35.2%
PUC Decisions and Orders Subject to True-Up	5.0%	5.0%	0.0%	5.5%	5.5%	22.7%
PUC Decisions + GWA Proposed FY2024 Rates	5.0%	5.0%	0.0%	5.5%	27%	47.7%
PUC Consultant Stipulation / CRU Position	5.0%	5.0%	0.0%	0.0%	0.0%	10.3%
* With denial of rate compression, rate increases were made effective March 1, 2020. - Blue shading indicates the rate adjustment subject to true-up						

As the exhaustive record in Docket 19-08 documents, delays and difficulties with the rate adjudication process resulted in several outcomes that have and continue to adversely impact GWA's financial position. Delays in negotiation of the stipulation that informed the FY20 Rate Decision, and subsequent denial of rate compression related to FY2020 rates, was estimated to reduce GWA rate relief in FY2020 by \$2.2 million.²¹ Unnecessarily protracted review of GWA's analytical studies and FY2022 – FY2024 rate application²² (comprising the CRU submittal requirements), resulted in no rate relief in FY2022 notwithstanding the fact that stipulated pro forma rate increases anticipated a 5.5 percent rate increase in FY2022 as shown above.²³

Equally ironically, these rate relief denials throughout the FY2020 – FY2024 rate case have contributed to the very adverse outcome that GWA sought to avoid with its CRU submittal – the complete depletion of available reserves during the CRU period. Indeed, a fundamental difference between Georgetown

²¹ Docket 19-08: Guam Waterworks Authority Response to Administrative Law Judge report and Proposed Rate Decision dated February 25, 2020.

²² Timely submitted on March 31, 2021 and May 1, 2021 respectively.

²³ This rate increase, in January 2020, was projected to generate an additional \$6.5 million in revenues in FY2022.

Consulting Group's (GCG) position and GWA's CRU requests²⁴ centered on the question of uses of ARPA funds and RSF reserves. Unforeseen power expenses, other inflationary pressures and limited post-pandemic economic recovery through the current fiscal year have made that question moot for FY2023. GWA will deplete its reserves in FY2023 and is still expected to miss, though not by much, the temporarily reduced debt service coverage target of 1.30x. GWA's proposed 27 percent rate increase that anticipates partial replenishment of RSF reserves in advance of the FY2025 – FY2029 again seeks to ensure GWA has some flexibility, as was needed in FY2023, to respond to adverse conditions without requiring mid-year rate relief or falling into technical default.

VII. FY 2025 – FY2029 Outlook and Asymmetric Risks

GWA's proposed FY2024 rate increases are projected to increase system revenues by \$28.8 million and will allow GWA to fund necessary O&M expenses and internally financed capital improvements, as well as enable incremental improvement in debt service coverage and reserve levels. Notwithstanding these incremental improvements, GWA's FY2024 rate increases will need to be complemented by further, significant rate adjustments in GWA's forthcoming FY2025-FY2029 five-year financial plan and rate relief application. GWA's proposed FY2024 rates are projected to replenish less, roughly 65%, of the reserve levels held prior to adjudication of GWA's CRU between June 2021 and September 2022. GWA's FY 2025 – FY 2029 financial plan will need to provide for financing, largely through debt issues, of substantial capital improvements (many of which may be required under federal enforcement actions), will need to further replenish reserves, and will need to achieve PUC policy-prescribed minimum debt service coverage levels of 1.40x.

The pendency of GWA's need to substantially increase rates in FY2025 – FY2029 underscores asymmetric risks associated with the PUC's FY2024 rate decision. With the absence of available reserves and current debt service coverage only marginally above the PUC's temporary target of 1.30x, a decision to award lower rate relief than requested invites the potential for technical default of GWA's bonds²⁵ and underfunding of required utility operations and/or capital spending that is subject to regulatory enforcement actions. On the other hand, if the PUC approves GWA's requested rate relief and its cash-flow projections turn out to be overly conservative, GWA's depleted cash reserves will only be replenished more rapidly than forecast and its FY2025 - FY 2029 rate relief adjusted downward accordingly. The precarious nature of GWA's current financial position – with depleted reserves and diminished debt service coverage performance – argue for effective risk management.

VIII. Conclusions

GWA has responded to the pandemic with a series of austerity measures and atypical actions, most notably use of ARPA and RSF reserves, to fund needed utility operations, advance its capital program and avoid technical default on its bonds. With usage patterns still well below pre-pandemic levels, increasing

²⁴ Whether developed before or after affirmation of the availability of American Rescue Plan Act (ARPA) funds.

²⁵ Given covenants that prescribe a minimum coverage target of 1.25x.

O&M and capital expenses, and now depleted reserves, GWA is in a precarious financial position with daunting requirements on the FY2025 – FY2029 horizon.

GWA's proposed 27 percent rate increase is necessary to reverse the drain of GWA resources and incrementally improve GWA's financial position. This improvement is critically important in advance of the FY2025 – FY2029 financial planning period that must enable financing of important system improvements required to comply with federal regulatory mandates. GWA's recent uses of reserves to bridge gaps in revenue recovery have deferred rate relief that is now unavoidable. Profoundly difficult and confusing rate case dynamics have exacerbated these challenges with additional delays in rate relief and unfortunate deferral of rate design reforms and customer assistance program development that could have mitigated impacts for GWA's economically disadvantaged customers.

GWA is at an inflection point with respect to the PUC's FY2024 rate decision. An inflection point characterized by asymmetric risks. If the PUC elects to grant GWA's requested rate relief and GWA's financial performance is better than projected, GWA will be able to reduce its FY2025 – FY2029 rate relief request accordingly. If the PUC elects to grant rate relief below GWA's requested levels,²⁶ risks of technical default and/or mid-year rate increase requirements prevail.

²⁶ And GWA's forecasts turn out not to be overly conservative but rather reasonable and accurate.

TAB NO.	DOCUMENT TITLE:
C	True-Up Schedules (MFRs)

ATTACHMENT C

True-Up Schedules (MFRs)

List of True-Up Schedules

Provides the title and a description of each schedule in GWA's submittal

Schedule	Title	Description
A-1	Historical and Forecasted Operating Results with FY 2024 Rate Adjustment Request	Provides pro forma results-- including use of reserves and DSC-- for Historical Year, Current Year, and Forecasted Year under GWA's proposed rate adjustment
A-2	Historical and Forecasted Operating Results without Use of Reserves or FY 2024 Rate Adjustment	Presents pro forma results under scenario in which reserves were not available for DSC and no rate adjustment is granted for the Forecast Year
A-3	Historical and Forecasted Operating Results under PUC-Approved FY 2023 & FY 2024 Rate Adjustments	Presents pro forma results under scenario in which PUC's previously-approved rate adjustment is adopted for the Forecast Year
B-1	Rate Revenues and Billing Determinants by Class, Historical Year	Summarizes water and wastewater billing determinants (accounts, volumes billed) and various revenue components (base charge, volumetric rate revenues, surcharges) by customer class for the Historical Year
B-2	Rate Revenues and Billing Determinants by Class, Current Year Estimates	Summarizes water and wastewater billing determinants (accounts, volumes billed) and various revenue components (base charge, volumetric rate revenues, surcharges) by customer class for the Current Year
B-3	Rate Revenues and Billing Determinants by Class, Forecast Year Estimates	Summarizes water and wastewater billing determinants (accounts, volumes billed) and various revenue components (base charge, volumetric rate revenues, surcharges) by customer class for the Forecast Year
C	Comparison of Operating Expense by Major Cost Category	Compares O&M costs for the Historical Year, Current Year, and Forecast Year and presents O&M totals on (1) a cash flow basis and (2) within GWA's typical budget format (with depreciation, bad debt expense, and capitalized labor included).
D	Navy Water Purchases	Outlines water purchase volumes, applicable rates, and other applicable costs
F	Debt Service and Other Financing Charges	Delineates principal and interest payments on outstanding bonds for the Historical Year, Current Year, and Forecast Year and estimates debt service payments or other financing costs based on the capital financing plan (if relevant)
G	Internally Funded CIP, Actual and Planned Expenditures	Identifies capital improvements projects by major function (water, wastewater, etc) that are funded by net operating revenues for the Historical Year (actual) and Current and Forecast Years (planned)
J-1	Proof of Water System Revenues, Forecast Year	Provides water revenue calculation for the Forecast Year, including number of accounts by meter size and customer class; billable water demand by rate tier and class; and nominal rate components by class under GWA's proposed rate adjustment
J-2	Proof of Wastewater System Revenues, Forecast Year	Provides wastewater revenue calculation for the Forecast Year, including number of accounts by meter size and customer class; billable flows by class; and nominal rate components by class under GWA's proposed rate adjustment
K	Rates and Proposed Rate Adjustments for the Forecast Year	Identifies the proposed nominal rates for the Forecast Year under GWA's proposed rate adjustment and compares those rates to existing rates (Current Year) and to rates effective during the prior year (Historical Year)
L*	Bill Impacts by Customer Class based on Proposed Rate Adjustment ¹	Presents residential and non-residential bill impacts--both nominal dollar and percentage changes-- at various levels of consumption for different customer classes

* Schedule L is a new schedule which provides important information regarding bill impacts to residential and non-residential customers based on GWA's proposed rate adjustment for the Forecast Year

True-Up Schedule A-1

Historical and Forecasted Operating Results with FY 2024 Rate Adjustment Request

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
Non-Lifeline Rate Increase	0.0%	5.5%	27.0%
Lifeline Rate Increase	0.0%	0.0%	27.0%
Surcharge	3.6%	3.5%	3.8%
CASH SOURCES			
Water Service Revenues	64,607,199	68,999,129	86,611,560
Legislative Surcharge	2,007,183	2,335,332	3,185,435
Water SDC Revenues	498,145	660,000	489,600
Water Rate Revenues	\$ 67,112,526	\$ 71,994,461	\$ 90,286,595
Wastewater Service Revenues	27,939,855	30,991,533	39,299,585
Legislative Surcharge	1,003,591	763,370	1,047,659
Navy Service Revenues (inc. surcharge)	5,902,821	6,244,199	7,995,558
Wastewater SDC Revenues	747,217	990,000	734,400
Wastewater Rate Revenues	\$ 35,593,485	\$ 38,989,103	\$ 49,077,202
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,262,236)
Total Operating Revenues¹	\$ 101,141,989	\$ 109,329,749	\$ 137,575,861
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	5,750,000	18,050,000	(7,500,000)
TOTAL SOURCES	\$ 107,167,868	\$ 127,654,749	\$ 130,350,861
CASH USES			
Power Purchases ²	18,577,440	27,871,109	24,169,088
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits ³	24,985,288	25,874,595	29,732,853
Admin & General ⁴	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
O&M Subtotal	\$ 69,108,209	\$ 78,960,855	\$ 80,709,910
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	1,598,655	4,804,084	8,784,879
TOTAL USES	\$ 102,566,278	\$ 122,801,617	\$ 128,536,854
Net Annual Cash Flow	\$ 4,601,590	\$ 4,853,132	\$ 1,814,007
DEBT SERVICE COVERAGE			
Net Revenues	\$ 38,059,659	\$ 48,693,894	\$ 49,640,951
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other ⁵	3,303,593	673,200	729,706
Net Revenues Available for Debt Service	\$ 43,817,657	\$ 49,990,525	\$ 52,846,657
Total Debt Service	33,458,069	39,036,678	39,042,065
Debt Service Coverage	1.310	1.281	1.354

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (per audited financials)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments

True-Up Schedule A-2

Historical and Forecasted Operating Results without Use of Reserves or FY 2024 Rate Adjustment

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
Non-Lifeline Rate Increase	0.0%	5.5%	0.0%
Lifeline Rate Increase	0.0%	0.0%	0.0%
CASH SOURCES			
Water Service Revenues	64,607,199	68,999,129	69,948,785
Legislative Surcharge	2,007,183	2,335,332	2,570,258
Water SDC Revenues	498,145	660,000	489,600
Water Rate Revenues	\$ 67,112,526	\$ 71,994,461	\$ 73,008,643
Wastewater Service Revenues	27,939,855	30,991,533	31,684,209
Legislative Surcharge	1,003,591	763,370	853,078
Navy Service Revenues (inc. surcharge)	5,902,821	6,244,199	6,293,610
Wastewater SDC Revenues	747,217	990,000	734,400
Wastewater Rate Revenues	\$ 35,593,485	\$ 38,989,103	\$ 39,565,297
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,569,000)
Total Operating Revenues ¹	\$ 101,141,989	\$ 109,329,749	\$ 110,479,240
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	-	-	-
TOTAL SOURCES	\$ 101,417,868	\$ 109,604,749	\$ 110,754,240
CASH USES			
Power Purchases ²	18,577,440	27,871,109	24,329,492
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits ³	24,985,288	25,874,595	29,732,853
Admin & General ⁴	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
O&M Subtotal	\$ 69,108,209	\$ 78,960,855	\$ 80,870,315
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	1,598,655	4,804,084	8,784,879
TOTAL USES	\$ 104,164,933	\$ 122,801,617	\$ 128,697,259
Net Annual Cash Flow	\$ (2,747,065)	\$ (13,196,868)	\$ (17,943,019)
DEBT SERVICE COVERAGE			
Net Revenues	\$ 32,309,659	\$ 30,643,894	\$ 29,883,925
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other ⁵	3,303,593	673,200	729,706
Net Revenues Available for Debt Service	\$ 38,067,657	\$ 31,940,525	\$ 33,089,631
Total Debt Service	33,458,069	39,036,678	39,042,065
Debt Service Coverage	1.138	0.818	0.848

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (per audited financials)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments

True-Up Schedule A-3

Historical and Forecasted Operating Results under PUC-Approved FY 2023 & FY 2024 Rate Adjustments

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
Non-Lifeline Rate Increase	0.0%	5.5%	5.5%
Lifeline Rate Increase	0.0%	0.0%	0.0%
CASH SOURCES			
Water Service Revenues	64,607,199	68,999,129	73,362,578
Legislative Surcharge	2,007,183	2,335,332	2,706,530
Water SDC Revenues	498,145	660,000	489,600
Water Rate Revenues	\$ 67,112,526	\$ 71,994,461	\$ 76,558,708
Wastewater Service Revenues	27,939,855	30,991,533	32,835,964
Legislative Surcharge	1,003,591	763,370	897,220
Navy Service Revenues (inc. surcharge)	5,902,821	6,244,199	6,643,255
Wastewater SDC Revenues	747,217	990,000	734,400
Wastewater Rate Revenues	\$ 35,593,485	\$ 38,989,103	\$ 41,110,839
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,569,000)
Total Operating Revenues ¹	\$ 101,141,989	\$ 109,329,749	\$ 115,574,846
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	5,750,000	18,050,000	-
TOTAL SOURCES	\$ 101,417,868	\$ 127,654,749	\$ 115,849,846
CASH USES			
Power Purchases ²	18,577,440	27,871,109	24,329,492
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits ³	24,985,288	25,874,595	29,732,853
Admin & General ⁴	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
O&M Subtotal	\$ 69,108,209	\$ 78,960,855	\$ 80,870,315
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	1,598,655	4,804,084	8,784,879
TOTAL USES	\$ 104,164,933	\$ 122,801,617	\$ 128,697,259
Net Annual Cash Flow	\$ (2,747,065)	\$ 4,853,132	\$ (12,847,412)
DEBT SERVICE COVERAGE			
Net Revenues	\$ 32,309,659	\$ 48,693,894	\$ 34,979,532
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other ⁵	3,303,593	673,200	729,706
Net Revenues Available for Debt Service	\$ 38,067,657	\$ 49,990,525	\$ 38,185,238
Total Debt Service	33,458,069	39,036,678	39,042,065
Debt Service Coverage	1.138	1.281	0.978

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (per audited financials)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments

True-Up Schedule B-1

Rate Revenues and Billing Determinants by Class, Historical Year

FY 2022	Customer Accounts¹	Volume (kgals)²	Base Charge Revenues	Volume Revenues	Surcharge Revenues	Total Revenues
Water System						
Residential	39,924	1,680,591	\$ 11,926,597	\$ 19,889,729	\$ 1,167,644	\$ 32,983,969
Residential (lifeline)		1,807,631		5,444,529		5,444,529
Commercial 1+	2,389	635,313	1,043,963	9,354,358	355,532	10,753,854
Commercial 2-	20	69,998	30,135	1,030,655	38,307	1,099,097
Commercial 3	282	129,268	131,662	1,903,340	73,261	2,108,262
Hotels	55	454,698	118,032	6,694,968	245,268	7,058,268
Government	422	702,200	329,290	8,939,326	331,826	9,600,442
Agriculture	330	66,055	105,259	312,374	14,406	432,039
Irrigation	33	5,203	14,075	25,464	1,408	40,947
Subtotal, Billed Revenues	43,455	5,550,957	\$ 13,699,013	\$ 53,594,743	\$ 2,227,651	\$ 69,521,407
Adjustments ³						(2,907,025)
Water Revenues						\$ 66,614,382
Wastewater System						
Residential	24,539	-	\$ 9,279,310	\$ -	\$ -	\$ 9,279,310
Commercial 1+	1,868	395,441	-	3,215,146	205,025	3,420,170
Commercial 2-	18	55,909	-	1,105,328	39,792	1,145,120
Commercial 3	273	113,323	-	3,058,257	97,769	3,156,026
Hotels	51	315,455	-	6,237,740	224,559	6,462,299
Government	273	600,235	-	6,806,889	168,097	6,974,985
Leachate		42,137		1,155,403	41,594	1,196,997
Navy		491,181		5,697,703	205,117	5,902,821
Subtotal, Billed Revenues	27,021	2,013,682	\$ 9,279,310	\$ 27,276,466	\$ 981,952	\$ 37,537,727
Adjustments ³						(2,691,460)
Wastewater Revenues						\$ 34,846,267
System Rate Revenues						\$ 101,460,649

1 - Average number of customers billed monthly during the fiscal year

2 - Includes consumption attributed to GWA (i.e., non-revenue accounts)

3 - Post billing adjustments including restatement of revenues to eliminate non-revenue accounts

True-Up Schedule B-2

Rate Revenues and Billing Determinants by Class, Current Year Estimates

FY 2023	Customer Accounts¹	Volume (kgals)²	Base Charge Revenues	Volume Revenues	Surcharge Revenues	Total Revenues
Water System						
Residential	40,124	1,762,454	\$ 12,765,688	\$ 18,635,357	\$ 1,097,388	\$ 32,498,433
Residential (lifeline)		1,492,022		5,304,987		5,304,987
Commercial 1+	2,437	647,733	1,113,030	10,059,301	390,445	11,562,776
Commercial 2-	21	71,944	33,946	1,117,298	40,233	1,191,477
Commercial 3	282	131,897	139,182	2,048,363	76,449	2,263,994
Hotels	55	556,166	125,496	8,637,254	306,236	9,068,986
Government	430	735,531	359,618	11,422,793	411,766	12,194,177
Agriculture	328	44,087	110,058	219,992	11,534	341,584
Irrigation	33	4,191	15,011	21,626	1,280	37,918
Subtotal, Billed Revenues	43,709	5,446,026	\$ 14,662,029	\$ 57,466,971	\$ 2,335,332	\$ 74,464,333
Adjustments ³						(3,129,872)
Water Revenues						\$ 71,334,461
Wastewater System						
Residential	24,612	-	\$ 9,374,561	\$ -	\$ -	\$ 9,374,561
Commercial 1+	1,902	394,953	-	3,380,794	118,150	3,498,944
Commercial 2-	19	57,416	-	1,197,705	41,857	1,239,562
Commercial 3	271	102,084	-	2,952,266	103,174	3,055,440
Hotels	51	380,024	-	7,927,298	277,039	8,204,337
Government	274	436,905	-	5,347,721	186,889	5,534,610
Leachate		35,823	-	1,036,007	36,260	1,072,267
Navy		492,896	-	6,033,043	211,157	6,244,199
Subtotal, Billed Revenues	27,128	1,900,101	\$ 9,374,561	\$ 27,874,834	\$ 974,527	\$ 38,223,922
Adjustments ³						(224,819)
Wastewater Revenues						\$ 37,999,103
System Rate Revenues						\$ 109,333,564

1 - Average number of customers billed monthly during the fiscal year

2 - Includes consumption attributed to GWA (i.e., non-revenue accounts)

3 - Post billing adjustments including restatement of revenues to eliminate non-revenue accounts

True-Up Schedule B-3

Rate Revenues and Billing Determinants by Class, Forecast Year Estimates

FY 2024	Customer Accounts¹	Volume (kgals)²	Base Charge Revenues	Volume Revenues	Surcharge Revenues	Total Revenues
Water System						
Residential	40,389	1,731,543	\$ 16,296,683	\$ 23,228,213	\$ 1,501,946	\$ 41,026,842
Residential (lifeline)		1,465,854		6,621,863		6,621,863
Commercial 1+	2,441	625,451	1,413,205	12,321,644	521,924	14,256,774
Commercial 2-	21	69,354	43,048	1,366,312	53,556	1,462,915
Commercial 3	282	127,149	176,515	2,504,884	101,893	2,783,293
Hotels	55	580,637	159,144	11,438,784	440,721	12,038,650
Government	430	709,052	456,061	13,968,605	548,137	14,972,804
Agriculture	328	42,499	139,584	269,042	15,528	424,154
Irrigation	33	4,040	19,038	26,464	1,729	47,232
Subtotal, Billed Revenues	43,978	5,355,581	\$ 18,703,279	\$ 71,745,812	\$ 3,185,435	\$ 93,634,526
Adjustments ³						(3,837,531)
Water Revenues						\$ 89,796,995
Wastewater System						
Residential	24,775	-	\$ 11,957,647	\$ -	\$ -	\$ 11,957,647
Commercial 1+	1,915	381,366	-	4,143,040	157,436	4,300,475
Commercial 2-	19	55,349	-	1,464,558	55,653	1,520,211
Commercial 3	271	98,409	-	3,609,136	137,147	3,746,283
Hotels	51	396,745	-	10,497,970	398,923	10,896,893
Government	274	421,177	-	6,539,474	248,500	6,787,974
Leachate		35,823	-	1,315,786	50,000	1,365,786
Navy		495,360	-	7,702,850	292,708	7,995,558
Subtotal, Billed Revenues	27,304	1,884,229	\$ 11,957,647	\$ 35,272,813	\$ 1,340,367	\$ 48,570,828
Adjustments ³						(228,026)
Wastewater Revenues						\$ 48,342,802
System Rate Revenues						\$ 138,139,797

1 - Average number of customers billed monthly during the fiscal year

2 - Includes consumption attributed to GWA (i.e., non-revenue accounts)

3 - Post billing adjustments including restatement of revenues to eliminate non-revenue accounts

True-Up Schedule C

Comparison of Operating Expense by Major Cost Category

Expense Category	Historical		Current Year		Forecast	
	FY 2022		FY 2023		FY 2024	
Power Purchases	\$ 18,577,440	50.0%	\$ 27,871,109	-13.3%	\$ 24,169,088	
Water Purchases	5,656,471	12.8%	6,379,054	-7.5%	5,900,000	
Salaries & Benefits	24,985,288	3.6%	25,874,595	14.9%	29,732,853	
Admin & General	7,956,423	15.4%	9,179,209	5.5%	9,687,858	
Contractual Expense	4,492,845	31.3%	5,901,271	26.5%	7,464,494	
Retiree Expense	7,439,742	-49.5%	3,755,617	0.0%	3,755,617	
O&M Subtotal, Cash Basis	\$ 69,108,209	14.3%	\$ 78,960,855	2.2%	\$ 80,709,910	
Budget Adjustments						
+ Depreciation	28,462,573	1.0%	28,737,060	0.3%	28,817,076	
- Capitalized Labor ¹	(3,699,767)	-38.6%	(2,273,431)	62.7%	(3,700,000)	
+ Bad Debt Expense ²	2,028,510	4.5%	2,118,815	6.8%	2,262,236	
O&M Subtotal, Annual Budget Reporting	\$ 95,899,525		\$ 107,543,299		\$ 108,089,222	

1 - Within GWA's operating budget, capitalized labor expense is credited against the Salaries & Benefits line item

2 - Consistent with GWA's audited financials, bad debt expense is shown as a revenue item in Schedule A; however, bad debt is typically included within GWA's operating budget under the Admin & General cost category

True-Up Schedule D

Navy Water Purchases

	Historical	Current Year	Forecast
	FY 2022	FY 2023	FY 2024
Navy Contract (FENA)			
Purchased Water (Kgals)	476,155	533,033	491,132
Rate per Kgal	\$10.83	\$11.20	\$11.20
Percent Change in Rate		3.4%	0.0%
Water Purchase Costs	\$ 5,156,756	\$ 5,969,970	\$ 5,500,678
Other Costs	\$ -	\$ -	\$ -
Water Purchases	\$ 5,156,756	\$ 5,969,970	\$ 5,500,678
Other Contract			
Purchased Sewer (Kgals)	18,108	14,121	12,709
Rate per Kgal	\$27.48	\$31.42	\$31.42
Percent Change in Rate	5.0%	14.4%	0.0%
Sewer Purchase Costs	\$ 497,543	\$ 443,682	\$ 399,325
Total Purchases	\$ 5,654,299	\$ 6,413,651	\$ 5,900,003

True-Up Schedule F

Debt Service and Other Financing Charges

	Historical	Current Year	Forecast
	FY 2022	FY 2023	FY 2024
Issuance			
2013 Revenue Bonds			
Principal	\$ 2,990,000	\$ 3,145,000	\$ 3,315,000
Interest	1,257,338	1,100,363	935,250
Total Payment	\$ 4,247,338	\$ 4,245,363	\$ 4,250,250
2014 Refunding Revenue Bonds			
Principal	\$ 555,000	\$ 4,005,000	\$ 4,205,000
Interest	3,230,500	3,202,750	3,002,500
Total Payment	\$ 3,785,500	\$ 7,207,750	\$ 7,207,500
2016 Revenue Bonds			
Principal	\$ 4,055,000	\$ 835,000	\$ 875,000
Interest	6,951,500	6,748,750	6,707,000
Total Payment	\$ 11,006,500	\$ 7,583,750	\$ 7,582,000
2017 Refunding Revenue Bonds			
Principal	\$ 2,145,000	\$ 2,250,000	\$ 2,365,000
Interest	5,266,250	5,159,000	5,046,500
Total Payment	\$ 7,411,250	\$ 7,409,000	\$ 7,411,500
2020A Revenue Bonds			
Principal	\$ -	\$ -	\$ -
Interest	6,700,000	6,700,000	6,700,000
Total Payment	\$ 6,700,000	\$ 6,700,000	\$ 6,700,000
2020B Refunding Revenue Bonds			
Principal	\$ -	\$ -	\$ -
Interest	5,890,815	5,890,815	5,890,815
Total Payment	\$ 5,890,815	\$ 5,890,815	\$ 5,890,815
Capitalized Interest Proceeds	(5,583,333)	-	-
Existing Debt Service	\$ 33,458,069	\$ 39,036,678	\$ 39,042,065
Other Debt			
Proposed Debt Service		-	-
Interest, Construction Financing Program		-	-
Total Debt Service	\$ 33,458,069	\$ 39,036,678	\$ 39,042,065

True-Up Schedule G

Internally Funded CIP, Actual and Planned Expenditures

	FY 2022	FY 2023	FY 2024
Project	Actual	Planned	Planned
WATER			
PRV	\$ 47,600	\$ 12,329	\$ -
Main Lines & Valves	385,420	136,225	-
Hydrants	-	-	-
Pumps & Motors	-	1,492,116	1,000,000
Pipes	-	-	-
Pumping Equipments	-	51,735	-
Submersible Cables	-	249,291	-
Leak Detection & Equipment	388,079	-	-
Critical Parts	41,179	193,597	1,549,491
Facility Improvements	-	42,319	-
Water Subtotal	\$ 862,278	\$ 2,177,612	\$ 2,549,491
WASTEWATER			
Pumps & Motors	\$ -	\$ -	\$ 1,000,000
Spare Parts & Equipment	-	-	126,000
Pipes	-	-	-
Collection System Replacements	-	-	-
Emergency Replacements	-	-	-
Specialized Equipment	-	-	-
Treatment Plant Improvement	-	180,067	-
Wastewater Subtotal	\$ -	\$ 180,067	\$ 1,126,000
OTHER			
Meter Replacements - Small Meters & boxes	\$ -	\$ -	\$ 382,500
Replacements of Large Meters > 2"	-	-	400,000
Transportation, Light Fleet	604,957	959,723	500,000
Transportation, Heavy Equipment	-	215,145	70,000
IT Applications Software - Implementation	126,480	122,667	2,741,000
IT New Hardware	4,940	-	830,888
Facility Renovations	-	1,122,820	140,000
Specialized/Field Equipment	-	26,050	45,000
Other Projects Subtotal	\$ 736,377	\$ 2,446,405	\$ 5,109,388
Grand Total	\$ 1,598,655	\$ 4,804,084	\$ 8,784,879

True-Up Schedule J-1

Proof of Water System Revenues, Forecast Year

Customer Class									
	RES	COM-1	COM-2	COM-3	HOT	GOV	AG	IRR	TOTAL
BILLING DETERMINANTS									
Water Demand (kgals)									
Tier 1 (up to 3 kgals)	1,731,543	625,451	69,354	127,149	580,637	709,052	42,499	4,040	
Tier 2 (up to 10 kgals)	1,465,854	-	-	-	-	-	-	-	
Tier 3 (above)	-	-	-	-	-	-	-	-	
Subtotal	3,197,397	625,451	69,354	127,149	580,637	709,052	42,499	4,040	5,355,581
Water Accounts by Meter Size									
3/4 inch	39,912	1,622	2	166	2	163	264	15	
1 inch	314	286	2	31	1	46	34	6	
1.5 inch	99	292	3	42	2	78	23	5	
2 inch	25	143	4	25	7	55	7	7	
3 inch	8	23	2	6	4	34	-	-	
4 inch	19	46	5	8	19	28	-	-	
6 inch	11	27	2	3	15	18	-	-	
8 inch	2	1	2	-	4	6	-	-	
10 inch	-	2	-	-	1	4	-	-	
12 inch	-	-	-	-	-	-	-	-	
Subtotal	40,389	2,441	21	282	55	430	328	33	43,978
WATER RATES									
Volumetric Rates									
Tier 1 (up to 5 kgals)	\$ 3.830	\$ 19.730	\$ 19.730	\$ 19.730	\$ 19.730	\$ 19.730	\$ 6.340	\$ 6.560	
Tier 2 (above 5 kgals)	\$ 15.870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Tier 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Monthly Base Charges by Meter Size									
3/4 inch	\$ 33.330	\$ 33.330	\$ 33.330	\$ 33.330	\$ 33.330	\$ 33.330	\$ 32.200	\$ 33.330	
1 inch	\$ 38.890	\$ 38.890	\$ 38.890	\$ 38.890	\$ 38.890	\$ 38.890	\$ 37.570	\$ 38.890	
1.5 inch	\$ 61.020	\$ 61.020	\$ 61.020	\$ 61.020	\$ 61.020	\$ 61.020	\$ 58.970	\$ 61.020	
2 inch	\$ 77.720	\$ 77.720	\$ 77.720	\$ 77.720	\$ 77.720	\$ 77.720	\$ 75.100	\$ 77.720	
3 inch	\$ 138.820	\$ 138.820	\$ 138.820	\$ 138.820	\$ 138.820	\$ 138.820	\$ 134.140	\$ 138.820	
4 inch	\$ 194.310	\$ 194.310	\$ 194.310	\$ 194.310	\$ 194.310	\$ 194.310	\$ 187.740	\$ 194.310	
6 inch	\$ 360.840	\$ 360.840	\$ 360.840	\$ 360.840	\$ 360.840	\$ 360.840	\$ 348.650	\$ 360.840	
8 inch	\$ 527.360	\$ 527.360	\$ 527.360	\$ 527.360	\$ 527.360	\$ 527.360	\$ 509.530	\$ 527.360	
10 inch	\$ 721.680	\$ 721.680	\$ 721.680	\$ 721.680	\$ 721.680	\$ 721.680	\$ 697.270	\$ 721.680	
12 inch	\$ 860.420	\$ 860.420	\$ 860.420	\$ 860.420	\$ 860.420	\$ 860.420	\$ 831.310	\$ 860.420	
WATER RATE REVENUES									
Volume Revenues									
Tier 1 (up to 3 kgals)	\$ 6,631,810	\$ 12,340,155	\$ 1,368,364	\$ 2,508,647	\$ 11,455,968	\$ 13,989,590	\$ 269,447	\$ 26,504	
Tier 2 (up to 10 kgals)	23,263,107	-	-	-	-	-	-	-	
Tier 3 (above)	-	-	-	-	-	-	-	-	
Subtotal	\$ 29,894,918	\$ 12,340,155	\$ 1,368,364	\$ 2,508,647	\$ 11,455,968	\$ 13,989,590	\$ 269,447	\$ 26,504	\$ 71,853,593
Base Charge Revenues									
3/4 inch	\$ 15,963,256	\$ 648,553	\$ 600	\$ 66,527	\$ 800	\$ 65,260	\$ 101,881	\$ 5,999	
1 inch	146,693	133,237	933	14,545	467	21,467	15,329	2,878	
1.5 inch	72,126	213,570	2,319	30,754	1,464	56,871	16,276	3,661	
2 inch	23,005	133,057	3,731	23,316	6,373	51,606	6,308	6,528	
3 inch	13,327	38,314	3,332	9,995	6,663	55,806	-	-	
4 inch	43,525	108,036	10,881	18,654	44,691	64,122	-	-	
6 inch	47,631	116,912	8,660	12,990	64,951	76,498	-	-	
8 inch	11,602	6,328	12,657	-	25,313	34,806	-	-	
10 inch	-	17,320	-	-	8,660	30,311	-	-	
12 inch	-	-	-	-	-	-	-	-	
Subtotal	\$ 16,321,165	\$ 1,415,328	\$ 43,112	\$ 176,781	\$ 159,383	\$ 456,746	\$ 139,793	\$ 19,067	\$ 18,731,376
FORECAST CALIBRATION									
Calibration factor ¹	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	
Calibrated Revenues	\$ 46,146,758	\$ 13,734,849	\$ 1,409,359	\$ 2,681,400	\$ 11,597,929	\$ 14,424,667	\$ 408,626	\$ 45,503	\$ 90,449,091
LEGISLATIVE SURCHARGE									
Surcharge	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	
Surcharge Revenues	\$ 1,501,946	\$ 521,924	\$ 53,556	\$ 101,893	\$ 440,721	\$ 548,137	\$ 15,528	\$ 1,729	\$ 3,185,435
Totals by Class	\$ 47,648,705	\$ 14,256,774	\$ 1,462,915	\$ 2,783,293	\$ 12,038,650	\$ 14,972,804	\$ 424,154	\$ 47,232	\$ 93,634,526

1 - Adjustment factor calibrates historical billing determinants and actual revenue performance with predicted results from the RAM's revenue forecasting module

True-Up Schedule J-2

Proof of Wastewater System Revenues, Forecast Year

Customer Class									
	RES	COM-1	COM-2	COM-3	HOT	GOV	Leachate	NAVY	TOTAL
BILLING DETERMINANTS									
Billable Flows (kgals)									
Subtotal	-	381,366	55,349	98,409	396,745	421,177	35,823	495,360	1,884,229
Wastewater Accounts by Meter Size									
3/4 inch ¹	28,271	1,314	-	161	1	77			
1 inch	145	209	1	29	1	32			
1.5 inch	57	224	3	40	2	50			
2 inch	21	98	4	25	7	40			
3 inch	8	20	2	6	4	29			
4 inch	16	33	5	8	18	25			
6 inch	10	16	2	2	14	14			
8 inch	2	1	2	-	4	4			
10 inch	-	1	-	-	-	2			
12 inch	-	-	-	-	-	-			
Subtotal	28,530	1,915	19	271	51	274	-	-	31,059
WASTEWATER RATES									
Volumetric Rates									
Rate per Kgal	\$ -	\$ 10.88	\$ 26.50	\$ 36.73	\$ 26.50	\$ 15.55	\$ 36.73	\$ 15.55	
Monthly Base Charges by Meter Size									
3/4 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1.5 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
3 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
4 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
6 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
8 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
10 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
12 inch	\$ 34.98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
WASTEWATER RATE REVENUES									
Volume Revenues									
Subtotal	\$ -	\$ 4,149,264	\$ 1,466,758	\$ 3,614,558	\$ 10,513,740	\$ 6,549,298	\$ 1,315,786	\$ 7,702,850	\$ 35,312,254
Base Charge Revenues									
3/4 inch	\$ 11,866,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1 inch	60,795	-	-	-	-	-	-	-	
1.5 inch	23,996	-	-	-	-	-	-	-	
2 inch	8,885	-	-	-	-	-	-	-	
3 inch	3,358	-	-	-	-	-	-	-	
4 inch	6,576	-	-	-	-	-	-	-	
6 inch	4,338	-	-	-	-	-	-	-	
8 inch	770	-	-	-	-	-	-	-	
10 inch	-	-	-	-	-	-	-	-	
12 inch	-	-	-	-	-	-	-	-	
Subtotal	\$ 11,975,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,975,611
FORECAST CALIBRATION									
Calibration factor ²	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%	NA	NA	
Calibrated Revenues	\$ 11,957,647	\$ 4,143,040	\$ 1,464,558	\$ 3,609,136	\$ 10,497,970	\$ 6,539,474	\$ 1,315,786	\$ 7,702,850	\$ 47,230,461
LEGISLATIVE SURCHARGE									
Surcharge	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	
Surcharge Revenues	\$ -	\$ 157,436	\$ 55,653	\$ 137,147	\$ 398,923	\$ 248,500	\$ 50,000	\$ 292,708	\$ 1,340,367
Totals by Class	\$ 11,957,647	\$ 4,300,475	\$ 1,520,211	\$ 3,746,283	\$ 10,896,893	\$ 6,787,974	\$ 1,365,786	\$ 7,995,558	\$ 48,570,828

1 - Includes multi-family units that currently receive the residential wastewater charge

2 - Adjustment factor calibrates historical billing determinants and actual revenue performance with predicted results from the RAM's revenue forecasting module

2 - Navy and leachate revenues are not included in the revenue forecast calibration analysis and are therefore not subject to the adjustment factor

True-Up Schedule K

Rates and Proposed Rate Adjustments for the Forecast Year

	FY 2022	increase	FY 2023	increase	FY 2024
Proposed Rate Increase		5.5%		27.0%	
Water Rates					
Monthly Base Charge¹					
3/4 inch	\$24.87	\$1.37	\$26.24	\$7.09	\$33.33
1 inch	\$29.02	\$1.60	\$30.62	\$8.27	\$38.89
1.5 inch	\$45.54	\$2.50	\$48.04	\$12.98	\$61.02
2 inch	\$58.00	\$3.19	\$61.19	\$16.53	\$77.72
3 inch	\$103.60	\$5.70	\$109.30	\$29.52	\$138.82
4 inch	\$145.02	\$7.98	\$153.00	\$41.31	\$194.31
6 inch	\$269.31	\$14.81	\$284.12	\$76.72	\$360.84
8 inch	\$393.59	\$21.65	\$415.24	\$112.12	\$527.36
10 inch	\$538.63	\$29.62	\$568.25	\$153.43	\$721.68
12 inch	\$642.17	\$35.32	\$677.49	\$182.93	\$860.42
Volumetric Rates					
Residential					
Tier 1 Threshold	5 kgals		5 kgals		5 kgals
Tier 2 Threshold	above		above		above
Tier 1 Rate	\$3.01	\$0.00	\$3.01	\$0.82	\$ 3.83
Tier 2 Rate	\$11.83	\$0.66	\$12.49	\$3.38	\$15.87
Tier 3 Rate					
Non-Residential²					
Commercial-1	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Commercial-2	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Commercial-3	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Hotels	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Government	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Airport	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Agriculture	\$4.73	\$0.26	\$4.99	\$1.35	\$6.34
Irrigation	\$4.89	\$0.27	\$5.16	\$1.40	\$6.56
Wastewater Rates					
Monthly Base Charge³					
3/4 inch	\$27.54	\$0.00	\$27.54	\$7.44	\$34.98
1 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1.5 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Volumetric Rates					
Residential	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial-1	\$8.11	\$0.45	\$8.56	\$2.32	\$10.88
Commercial-2	\$19.77	\$1.09	\$20.86	\$5.64	\$26.50
Commercial-3	\$27.42	\$1.50	\$28.92	\$7.81	\$36.73
Hotels	\$19.77	\$1.09	\$20.86	\$5.64	\$26.50
Government	\$11.60	\$0.64	\$12.24	\$3.31	\$15.55
Navy	\$11.60	\$0.64	\$12.24	\$3.31	\$15.55
Legislative Surcharge					
Surcharge ⁴	3.60%		3.50%		3.80%

1 - Monthly base charges for the Agriculture customer class are roughly 96.6% of stated base charge

2 - Non-residential volumetric water rates are applied to all levels of demand

3 - Currently, only residential customers - regardless of meter size - receive a monthly wastewater charge

4 - Not applied to lifeline rate components

True-Up Schedule L

Bill Impacts by Customer Class based on Proposed Rate Adjustment¹

				Forecast Year		
	Meter Size	Kgals	FY 2023	Increase	FY 2024	% Change
Customer Class						
Residential	3/4 inch	3	\$63.73	\$17.34	\$81.07	27.2%
Residential	3/4 inch	5	\$69.75	\$18.98	\$88.73	27.2%
Residential	3/4 inch	6	\$82.68	\$22.52	\$105.20	27.2%
Residential	3/4 inch	7	\$95.60	\$26.07	\$121.67	27.3%
Residential	3/4 inch	9	\$121.46	\$33.16	\$154.62	27.3%
Residential	3/4 inch	12	\$160.24	\$43.80	\$204.04	27.3%
Commercial-1	3/4 inch	30	\$722.00	\$198.04	\$920.03	27.4%
Commercial-1	2 inch	100	\$2,379.45	\$652.67	\$3,032.12	27.4%
Commercial-2	2 inch	500	\$16,736.15	\$4,587.20	\$21,323.34	27.4%
Commercial-3	3/4 inch	50	\$2,028.12	\$555.49	\$2,583.61	27.4%
Hotel	2 inch	300	\$10,067.02	\$2,759.25	\$12,826.28	27.4%
Hotel	4 inch	800	\$26,834.86	\$7,355.11	\$34,189.97	27.4%
Government	3/4 inch	50	\$1,337.57	\$366.65	\$1,704.22	27.4%
Government	1.5 inch	150	\$3,980.96	\$1,091.25	\$5,072.21	27.4%
Agriculture	3/4 inch	20	\$129.53	\$35.51	\$165.04	27.4%
Irrigation	3/4 inch	20	\$133.97	\$36.81	\$170.78	27.5%

1 - Assumes billable wastewater flows are 80% of water demand for non-residential customers (except Ag and Irrigation)

TAB NO.	DOCUMENT TITLE:
D	CCU GWA Resolution No. 33-FY2023

ATTACHMENT D

CCU GWA Resolution No. 33-FY2023



GWA RESOLUTION NO. 33-FY2023

**RELATIVE TO APPROVING THE GUAM WATERWORKS AUTHORITY ANNUAL
FISCAL YEAR 2023 TRUE-UP AND FISCAL YEAR 2024 BUDGET**

WHEREAS, under 12 G.C.A. § 14105, the Consolidated Commission on Utilities (“CCU”) has plenary authority over financial, contractual, and policy matters relative to the Guam Waterworks Authority (“GWA”); and

WHEREAS, the Guam Waterworks Authority (“GWA”) is a Guam Public Corporation established and existing under the laws of Guam; and

WHEREAS, FY2024 is the fifth (5th) and final year of GWA’s Five (5) Year FY2020-FY2024 Rate Plan approved by the CCU on June 5, 2019, in GWA Resolution 36-FY2019; and

WHEREAS, GWA petitioned the PUC for approval of the FY2020-FY2024 Rate Plan on July 6, 2019, and, in response, the Guam Public Utilities Commission (PUC) on February 27, 2020, issued the FY20 Rate Decision in GWA Docket 19-08 approving rate increases for non-lifeline rates in the amount of 5.0% for FY2020 effective March 2020 and 5.0% for FY2021; and

WHEREAS, the PUC, in the February 27, 2020, order, required GWA to conduct six analytical studies to be submitted on March 31, 2021, as well as a Comprehensive Review and Update (CRU) of GWA’s Financial Plan, informed by the analytical studies, for FY2022 through FY2024 by May 1, 2021; and

WHEREAS, GWA submitted the analytical studies by the March 31, 2021, deadline to the PUC; and

WHEREAS, the CCU on April 27, 2021, in GWA Resolution 18-FY2021 approved the CRU which GWA subsequently filed with the PUC on May 1, 2021; and

1 **WHEREAS**, the PUC did not act upon GWA's May 2021 CRU filing prior to the
2 beginning of FY 2022 and no rate increase was adopted for FY 2022; and

3
4 **WHEREAS**, the PUC on September 22, 2022, in GWA PUC Docket 19-08 Rate
5 Decision approved basic and non-lifeline 5.5% rate increases for FY2023 and for FY2024; and

6
7 **WHEREAS**, the PUC Rate Decision required a True Up projection to address the
8 FY2024 rate increase to be provided by June 1, 2023; and

9
10 **WHEREAS**, on April 3, 2023, as amended on April 4, 2023, GWA submitted a petition
11 to the PUC to *Approve a New Rate Design Structure* as proposed in GWA PUC Docket 19-08
12 which adds an additional tier to residential water rates, adds a base rate to non-residential sewer
13 charges, reduces the residential sewer base rate and establishes volumetric sewer rates for
14 residential customers, applies the legislative surcharge to all rate components; and

15
16 **WHEREAS**, based on the tentative schedule for action on the rate design, the petition
17 was amended to request the approval of the new rate design for use in the FY2025-FY2029
18 Financial Rate Plan, with the FY2024 revenue projections and corresponding true-up rate
19 adjustment request based on the current rate design; and

20
21 **WHEREAS**, GWA anticipates exhausting all rate stabilization reserves and the ARPA
22 allotment in the current fiscal year (FY 2023); and

23
24 **WHEREAS**, GWA's debt service on existing debt increased by \$5.6 million in FY 2023
25 and is scheduled to remain at \$39.0 million in FY2024; and

26
27 **WHEREAS**, GWA Management has formulated and thoroughly reviewed the Fiscal
28 Year 2023 (FY2023) projected year end results in conjunction with the development of
29 Management's proposed FY2024 budget and does hereby submit said budget to the CCU for
30 their approval; and

31 //

1 **WHEREAS**, rate increases are necessary to maintain financial stability, partially
2 replenish reserves, and meet GWA's obligatory requirements such as bond debt covenants; and
3

4 **WHEREAS**, the proposed rate increase is anticipated to generate an additional \$28.8
5 million in rate revenues which is necessary to meet increased O&M expense and debt service
6 (increasing by \$5.6 million in FY2023); and
7

8 **WHEREAS**, the impact of the proposed rate increases (including surcharge adjustments)
9 on a typical residential customer is in the range of \$18.98 - \$26.07 or 27.3% for an average
10 residential customer consuming between 5k - 7k gallons of water per month; non-residential
11 customers such as hotel and retail customers will also see a 27.4% increase as reflected in True-
12 Up Schedule L attached herein; and
13

14 **WHEREAS**, the foremost and principal cost driver for this year's true-up filing is
15 GWA's obligatory requirement for protecting public health and environment impacted by
16 inflationary and supply chain pressures; and
17

18 **WHEREAS**, GWA's financial resources and stability have been affected by the delay
19 and reduction of requested rate increases over this five-year period, FY2020-FY2024; and
20

21 **WHEREAS**, GWA will return to the bond market to raise funds to pay for the capital
22 investments to meet regulatory requirements and manage aging infrastructure assets, thus
23 requiring increases to existing debt service levels; and
24

25 **WHEREAS**, after careful analysis of recent and new developments since the
26 preceding CRU, including known and measurable changes in costs and conditions since the CRU
27 approval, the FY2024 budget projection recommended by Management for approval by the CCU
28 proposes a rate increase of 27% for basic, lifeline and non-lifeline rates across all rate structures
29 and customer classes, and an increase of the legislative surcharge from 3.5% to 3.8%; and
30

31 //

1 **WHEREAS**, operating revenues are projected to reach \$137.6 million in FY2024 derived
2 from approximately \$86.6 million in water sales, \$39.3 million in wastewater and \$8.0 million in
3 Navy wastewater service charges, \$4.2 million from water and wastewater legislative surcharges;
4 \$474 thousand in Other revenues and \$1.2 million in water and wastewater System Development
5 Charges – net of \$2.3 million in bad debt adjustments; and

6
7 **WHEREAS**, operating costs representing cash uses are earmarked at \$29.7 million in
8 salaries and benefits (exclusive of a \$3.7 million capitalized labor adjustment); \$24.2 million in
9 power costs; \$5.9 million in water purchases; \$9.7 million in administrative and general
10 expenses; \$7.5 million in contractual expenses; and \$3.8 million in retiree supplemental annuities
11 and health care for a combined Fiscal Year 2024 total of \$80.7 million; and

12
13 **WHEREAS**, FY2024 non-cash adjustments to GWA's budget include depreciation
14 expense of \$28.8 million, capitalized labor of \$3.7 million, and bad debt expense of \$2.3 million
15 bringing the FY 2024 Operations and Maintenance Budget to \$108.1 million; and

16
17 **WHEREAS**, the budget as recommended, excluding interns and federally funded
18 positions, allows GWA a staff level of 392 full time equivalents (FTE) to meet operations and
19 maintenance and customer service mandates; and

20
21 **WHEREAS**, the FY2024 Budget represents management's best estimates of resources
22 necessary to conduct its strategic objectives consistent with the Authority's mission; and

23
24 **WHEREAS**, the FY2023 True Up and the FY2024 Budget have not been adjusted to
25 reflect the recent impact of Typhoon Mawar which devastated Guam on May 24, 2023 and while
26 not clear, the economic impact is likely to have a negative effect on the financial projections and
27 will need to be managed; and

28
29 **WHEREAS**, the FY2024 revenues support the debt service target of 1.35x coverage and
30 replenishment of \$7.5 million in cash reserves used during the pandemic related years; and

31 //

1 **WHEREAS**, critical internally funded capital improvement projects (CIPs) are
2 forecasted to cost \$8.8 million in FY2024; and

3
4 **WHEREAS**, budget transfer authority will allow the General Manager to address any
5 unanticipated changes in future conditions;

6
7 **NOW BE IT THEREFORE RESOLVED**; the Consolidated Commission on Utilities
8 does hereby approve the following:

- 9 1. The recitals set forth above hereby constitute the findings of the CCU.
- 10 2. The CCU affirms management's recommended rate increase of 27% across all
11 rate structures and customer classes and a 3.8% for the legislative surcharge
12 (Exhibit A).
- 13 3. The CCU finds that the Fiscal Year 2024 Proposed Budget of \$137.6 million
14 and \$108.1 million in operating revenues and expenses, respectively, in
15 addition to other cash flow requirements such as debt service, bond reserves,
16 working capital, internally funded CIPs, and bond covenants for the bond
17 indenture (1.25x DSC) and PUC (1.4x DSC temporarily reduced to 1.3x) are
18 just and reasonable.
- 19 4. The CCU authorizes a staff level of 392 full time equivalents, excluding
20 interns and federally funded positions.
- 21 5. The CCU hereby further authorizes the General Manager up to 10% transfer
22 authority between and among Operations & Maintenance budget expenses as
23 necessary to meet the mission of GWA; any transfers above 10% require CCU
24 approval.
- 25 6. The CCU authorizes management to submit the FY2023 True-Up and FY2024
26 Budget with the recommended rate increases to the PUC by the June 1, 2023,
27 deadline.

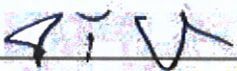
28
29 **RESOLVED**, that the Chairman certified, and the Board Secretary attests to the adoption
30 of this Resolution.

31 //

DULY AND REGULARLY ADOPTED, this 30th day of May 2023.

Certified by:

Attested by:



JOSEPH T. DUENAS

Chairperson



PEDRO ROY MARTINEZ

Secretary

SECRETARY'S CERTIFICATE

I, Pedro Roy Martinez, Board Secretary of the Consolidated Commission on Utilities as evidenced by my signature above do hereby certify as follows:

The foregoing is a full, true, and accurate copy of the resolution duly adopted at a regular meeting by the members of the Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

AYES:

4

NAYS:

0

ABSTAIN:

0

ABSENT:

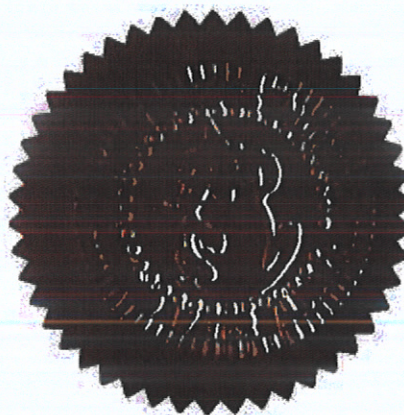
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True-Up Schedule A-1

Historical and Forecasted Operating Results with FY 2024 Rate Adjustment Request

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
Non-Lifeline Rate Increase	0.0%	5.5%	27.0%
Lifeline Rate Increase	0.0%	0.0%	27.0%
Surcharge	3.6%	3.5%	3.8%
CASH SOURCES			
Water Service Revenues	64,607,199	68,999,129	86,611,560
Legislative Surcharge	2,007,183	2,335,332	3,185,435
Water SDC Revenues	498,145	660,000	489,600
Water Rate Revenues	\$ 67,112,526	\$ 71,994,461	\$ 90,286,595
Wastewater Service Revenues	27,939,855	30,991,533	39,299,585
Legislative Surcharge	1,003,591	763,370	1,047,659
Navy Service Revenues (inc. surcharge)	5,902,821	6,244,199	7,995,558
Wastewater SDC Revenues	747,217	990,000	734,400
Wastewater Rate Revenues	\$ 35,593,485	\$ 38,989,103	\$ 49,077,202
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,262,236)
Total Operating Revenues ¹	\$ 101,141,989	\$ 109,329,749	\$ 137,575,861
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	5,750,000	18,050,000	(7,500,000)
TOTAL SOURCES	\$ 107,167,868	\$ 127,654,749	\$ 130,350,861
CASH USES			
Power Purchases ²	18,577,440	27,871,109	24,169,088
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits ³	24,985,288	25,874,595	29,732,853
Admin & General ⁴	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
O&M Subtotal	\$ 69,108,209	\$ 78,960,855	\$ 80,709,910
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	2,193,267	3,642,885	8,784,879
TOTAL USES	\$ 102,566,278	\$ 121,640,418	\$ 128,536,854
Net Annual Cash Flow	\$ 4,601,590	\$ 6,014,331	\$ 1,814,007
DEBT SERVICE COVERAGE			
Net Revenues	\$ 38,059,659	\$ 48,693,894	\$ 49,640,951
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other ⁵	3,303,593	673,200	729,706
Net Revenues Available for Debt Service	\$ 43,817,657	\$ 49,990,525	\$ 52,846,657
Total Debt Service	33,458,069	39,036,678	39,042,065
Debt Service Coverage	1.310	1.281	1.354

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (see above)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments

True-Up Schedule A-2

Historical and Forecasted Operating Results without Use of Reserves or FY 2024 Rate Adjustment

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
Non-Lifeline Rate Increase	0.0%	5.5%	0.0%
Lifeline Rate Increase	0.0%	0.0%	0.0%
CASH SOURCES			
Water Service Revenues	64,607,199	68,999,129	69,948,785
Legislative Surcharge	2,007,183	2,335,332	2,570,258
Water SDC Revenues	498,145	660,000	489,600
Water Rate Revenues	\$ 67,112,526	\$ 71,994,461	\$ 73,008,643
Wastewater Service Revenues	27,939,855	30,991,533	31,684,209
Legislative Surcharge	1,003,591	763,370	853,078
Navy Service Revenues (Inc. surcharge)	5,902,821	6,244,199	6,293,610
Wastewater SDC Revenues	747,217	990,000	734,400
Wastewater Rate Revenues	\$ 35,593,485	\$ 38,989,103	\$ 39,565,297
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,569,000)
Total Operating Revenues ¹	\$ 101,141,989	\$ 109,329,749	\$ 110,479,240
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	-	-	-
TOTAL SOURCES	\$ 101,417,868	\$ 109,604,749	\$ 110,754,240
CASH USES			
Power Purchases ²	18,577,440	27,871,109	24,329,492
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits ³	24,985,288	25,874,595	29,732,853
Admin & General ⁴	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
O&M Subtotal	\$ 69,108,209	\$ 78,960,855	\$ 80,870,315
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	2,193,267	3,642,885	8,784,879
TOTAL USES	\$ 104,759,545	\$ 121,640,418	\$ 128,697,259
Net Annual Cash Flow	\$ (3,341,677)	\$ (12,035,669)	\$ (17,943,019)
DEBT SERVICE COVERAGE			
Net Revenues	\$ 32,309,659	\$ 30,643,894	\$ 29,883,925
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other ⁵	3,303,593	673,200	729,706
Net Revenues Available for Debt Service	\$ 38,067,657	\$ 31,940,525	\$ 33,089,631
Total Debt Service	33,458,069	39,036,678	39,042,065
Debt Service Coverage	1.138	0.818	0.848

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (see above)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments

True-Up Schedule K

Rates and Proposed Rate Adjustments for the Forecast Year

	FY 2022	increase	FY 2023	increase	FY 2024
Proposed Rate Increase		5.5%		27.0%	
Water Rates					
Monthly Base Charge¹					
3/4 inch	\$24.87	\$1.37	\$26.24	\$7.09	\$33.33
1 inch	\$29.02	\$1.60	\$30.62	\$8.27	\$38.89
1.5 inch	\$45.54	\$2.50	\$48.04	\$12.98	\$61.02
2 inch	\$58.00	\$3.19	\$61.19	\$16.53	\$77.72
3 inch	\$103.60	\$5.70	\$109.30	\$29.52	\$138.82
4 inch	\$145.02	\$7.98	\$153.00	\$41.31	\$194.31
6 inch	\$269.31	\$14.81	\$284.12	\$70.72	\$360.84
8 inch	\$393.59	\$21.65	\$415.24	\$112.12	\$527.36
10 inch	\$538.63	\$29.62	\$568.25	\$153.43	\$721.68
12 inch	\$642.17	\$35.32	\$677.49	\$182.93	\$860.42
Volumetric Rates					
Residential					
Tier 1 Threshold	5 kgals		5 kgals		5 kgals
Tier 2 Threshold	above		above		above
Tier 1 Rate	\$3.01	\$0.00	\$3.01	\$0.82	\$3.83
Tier 2 Rate	\$11.83	\$0.66	\$12.49	\$3.38	\$15.87
Tier 3 Rate					
Non-Residential²					
Commercial-1	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Commercial-2	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Commercial-3	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Hotels	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Government	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Airport	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Agriculture	\$4.73	\$0.26	\$4.99	\$1.35	\$6.34
Irrigation	\$4.89	\$0.27	\$5.16	\$1.40	\$6.56
Wastewater Rates					
Monthly Base Charge³					
3/4 inch	\$27.54	\$0.00	\$27.54	\$7.44	\$34.98
1 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1.5 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Volumetric Rates					
Residential	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial-1	\$8.11	\$0.45	\$8.56	\$2.32	\$10.88
Commercial-2	\$19.77	\$1.09	\$20.86	\$5.64	\$26.50
Commercial-3	\$27.42	\$1.50	\$28.92	\$7.81	\$36.73
Hotels	\$19.77	\$1.09	\$20.86	\$5.64	\$26.50
Government	\$11.60	\$0.64	\$12.24	\$3.31	\$15.55
Navy	\$11.60	\$0.64	\$12.24	\$3.31	\$15.55
Legislative Surcharge					
Surcharge ⁴	3.60%		3.50%		3.80%

1 - Monthly base charges for the Agriculture customer class are roughly 96.6% of stated base charge

2 - Non-residential volumetric water rates are applied to all levels of demand

3 - Currently, only residential customers - regardless of meter size - receive a monthly wastewater charge

4 - Not applied to lifeline rate components

True-Up Schedule L

Bill Impacts by Customer Class based on Proposed Rate Adjustment¹

			Forecast Year			
Meter Size	Kgals		FY 2023	Increase	FY 2024	% Change
Customer Class						
Residential	3/4 inch	3	\$63.73	\$17.34	\$81.07	27.2%
Residential	3/4 inch	6	\$82.68	\$22.52	\$105.20	27.2%
Residential	3/4 inch	9	\$121.46	\$33.16	\$154.62	27.3%
Residential	3/4 inch	12	\$160.24	\$43.80	\$204.04	27.3%
Commercial-1	3/4 inch	30	\$722.00	\$198.04	\$920.03	27.4%
Commercial-1	2 inch	100	\$2,379.45	\$652.67	\$3,032.12	27.4%
Commercial-2	2 inch	500	\$16,736.15	\$4,587.20	\$21,323.34	27.4%
Commercial-3	3/4 inch	50	\$2,028.12	\$555.49	\$2,583.61	27.4%
Hotel	2 inch	300	\$10,067.02	\$2,759.25	\$12,826.28	27.4%
Hotel	4 inch	800	\$26,834.86	\$7,355.11	\$34,189.97	27.4%
Government	3/4 inch	50	\$1,337.57	\$366.65	\$1,704.22	27.4%
Government	1.5 inch	150	\$3,980.96	\$1,091.25	\$5,072.21	27.4%
Agriculture	3/4 inch	20	\$129.53	\$35.51	\$165.04	27.4%
Irrigation	3/4 inch	20	\$133.97	\$36.81	\$170.78	27.5%

1 - Assumes billable wastewater flows are 80% of water demand for non-residential customers (except Ag and Irrigation)