



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM

GUAM WATERWORKS AUTHORITY  
EPA ORDER – INTERIM FINANCIAL PLAN  
DOCKET 02-02

PROPOSED MINIMUM FILING REQUIREMENTS

Prepared by Georgetown Consulting Group, Inc.  
September 15, 2003

GUAM WATERWORKS AUTHORITY  
EPA ORDER – INTERIM FINANCIAL PLAN  
DOCKET 02-02

PROPOSED MINIMUM FILING REQUIREMENTS

Our recommendations for the minimum filing requirements for GWA to comply with the EPA Order for the Interim Financial Plan (IFP) consists of two components:

1. For the rate increases requested in the filing, GWA should follow the PUC's rules and regulations dealing with the standard filing requirements. These are Rules 20 and 21. These rules require a petition, written testimony, schedules and exhibits and detailed working papers that are cross indexed to the filing exhibits.
2. For the portion of the filing that deals with the specifics of the EPA Stipulated Order for Preliminary Relief ("Stipulated Order") we have proposed a separate set of requirements. These requirements will similarly be comprised of written testimony, schedules and exhibits and working papers and should describe in detail as to how GWA has met the requirements of the EPA's Stipulated Order for Preliminary Relief.

These are both discussed separately below.

GWA Rate Case Standard filing Requirements

The contents of Rule 20 should be carried over intact. This rule requires GWA to file a petition, prefiled written testimony in question and answer format, supporting schedules and work papers indexed to the schedules they support. The purpose of these requirements is for GWA to present its case in chief with all of the required supporting schedules, exhibits and work papers to carry its burden of proof in establishing the need for rate and any other relief that is sought.

Rule 21 of the PUC's Rules and Regulations were created on a generic basis for all utilities and we hereby conform and customize them for this specific proceeding. This rule describes a detailed set of schedules that should accompany GWA's rate filing. We provide a description of the schedules to be filed and in addition we have attached a proforma set of schedules.

**(a) Schedule A - Revenue Requirement**

It is our understanding that GWA will seek two sets of rate relief for, at least FY 2004 and FY 2005.<sup>1</sup> GWA's filing should consist of a complete set of supporting schedules for each of the two rate increases being requested. GWA should present a

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<sup>1</sup> The ALJ has ruled that rate relief for FY 2006 and beyond will be consider as part of the Final Financial Plan.

consolidated (water and wastewater) summary of the revenue requirements of the utility using a three-year presentation of income, debt service and cash flow, consistent with the PUC-approved minimum filing requirements. For the rate relief sought to take effect during FY 2004 the first year presented should be the full twelve months of operations as presented in the most recent audit for FY 2002. The second year would be the actual results for the current FY 2003 and the last year should be FY 2004 with results presented both without and with the annual impact of the requested change in revenues during FY 2004. Contained within the prefiled testimony of GWA should be a full explanation of how the figures for FY 2004 were derived and supported by a CCU approved budget for FY 2004. For the rate relief sought to take effect during FY 2005, GWA should present data for FY 2003, FY 2004 and FY 2005 in a similar format as just described above. The figures for FY 2005 need to be completely supported by testimony, exhibits and work papers and the CCU approved budget for FY 2005 should accompany the filing. GWA should provide evidence that the CCU has approved its rate filing.

On Schedule A (a format for this and other schedules has been attached) should be a presentation of a pro forma income statement at a level of detail of the GWA's audit (at a minimum). There should also be a presentation for each of the required years' debt service (principal and interest) and the calculation of any coverage requirements of the lenders to GWA, as may be applicable in the future.

Finally, Schedule A should include a cash flow analysis with supporting schedules for each year showing the major categories of cash flow, i.e. cash derived from operations, capital expenditures (Schedule G), changes in working capital (Schedule H), contributions in aid of construction (Schedule H or I), grants (Schedule H or I), etc.

A SOURCE column on Schedule A should reference either other minimum filing requirement schedules or other documents filed with GWA's application to provide any relevant support needed.

#### **(b) Schedule B- Revenues**

For the FY 2004 rate relief GWA should provide a schedule for FY 2002 and FY 2003 revenues for both the water and wastewater departments<sup>2</sup>. Information for these years should include customer counts and consumption by customer classification (residential, commercial, etc.) and by department. Revenues for each of the years should be segregated by customer classifications for each department, as well as by fixed (customer charge) versus variable (consumption) charges.

For FY 2002 and FY 2003, GWA should reconcile the difference (if any) between the number of customers and the amount of consumption and the revenues recorded for each.

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FY 2004 revenues (both with and without rate increases) are shown on Schedule J.

A similar set of schedules should be produced for rate relief sought in FY 2005.

**(c) Schedule C, C1 and C2 - Operating Expenses.**

GWA should provide details of its operating and maintenance expenses on a consolidated and departmental (Water - Schedule C1 and Wastewater - Schedule C2) basis. The minimum level of detail of the expenses must be the level of detail of the monthly income statements provided to the PUC.

The sum of the various classifications of expenses should tie to the expense categories on Schedule A and the specific Schedule A line number should be identified. The sum of the expenses on Schedule C1 (water) and Schedule C2 (wastewater) should equal the total expenses on Schedule C.

In addition, GWA shall show the number of employees for each of the years shown on the schedule.

**(d) Schedule D - Water Purchases**

GWA should provide sufficient information, by major contract, of all water purchased or forecasted to be purchased in all three years required in the minimum filing. GWA may combine lesser contracts into other, but major contracts such as with the Navy, Air force and Earthtech shall be separately indicated.

**(e) Schedule F - Debt Service.**

GWA shall provide for each year a schedule the principal and interest payments for each component of debt (long-term or short-term) for each of the years. In addition, GWA should provide the terms and amortization period for each debt instrument within the capital structure.

**(f) Schedule G - Internally Funded Construction.**

GWA shall provide for each schedule year a prioritized schedule of the capital improvement projects that were or will be internally funded. To the degree possible, construction should be segregated into water and wastewater components. Capital for projects that would serve both the water and wastewater customers should be classified as common. For each projected year internally funded projects should be provided.

**(g) Schedule H - Working Capital.**

GWA shall provide for each schedule year, a schedule containing a detailed calculation of working capital, if such is a revenue requirement of the utility. For the year in which rate relief is being sought, the computation should include both with and without rate relief scenarios. GWA shall compute increases and decreases in balance sheet items as sources or uses of cash and determine whether the net results increases or

decreases its revenue requirements. GWA may at its option include other cash flow items (that may be presented in Schedule I) in its presentation of working capital.

**(h) Schedule I - Other Cash Flow Items.**

If not included in Schedule H, GWA shall provide for each schedule year a schedule of actual or forecasted sources or uses of cash which may affect cash flow, such as insurance or dispute settlements, contributions in aid of construction, FEMA and DOI grants, funding of reserves required by the EPA Order, etc.

**(i) Schedule J - Proof of Revenues.**

GWA shall file a proof of revenues, which demonstrates that the requested rate change will result in the total required revenues. Such proof of revenues should consist of all revenues that will be produced by the utility-proposed rates compared with the revenues that would result for existing rates. The Proof of Revenues shall be separately performed for both the water and wastewater department.

**(j) Schedule K - Externally Funded Construction.**

GWA shall provide for each schedule year a schedule of externally funded projects, including project lists [current and forecasted] completion dates, and expended and unexpended bond (or other debt instrument).

**(k) Schedule L - Tariff Revisions**

GWA shall file proposed tariff revisions which the requested tariff changes including any new tariffs requested for proposed new services, which clearly show the changes requested by the utility, i.e. strikeout or other equivalent format. Upon the rendering of a decision by the PUC regarding the utility's requested rate changes, a complete set of all revised components of the utility's tariff will be filed with the Commission before the requested rates go into effect.

### Schedule Formats

In this electronic version the Schedule Formats are attached as an electronic Excel file.  
In the hard copy filed they are inserted here.

Guam Waterworks Authority  
Minimum Filing Requirements  
Exhibits A through J  
TestYear: Fiscal 2004

**GUAM WATERWORKS AUTHORITY**  
Schedule A - Revenue Requirement (Combined)

	FY2002	FY2003	FY2004 w/o Incr.	FY2004 w. Incr.	SOURCE
	(A)	(B)	(C)	(D)	
1.					
2.					
3.					
4.					
5. <b>OPERATING REVENUES</b>					
6. Water Revenues	\$ -	\$ -	\$ -	\$ -	Schedules B & J
7. Wastewater Revenues					Schedules B & J
8. Other Revenues					
9. <i>Intentionally Left Blank</i>					
10. <i>Intentionally Left Blank</i>					
11. Requested Increase					Schedule J
12. Total Operating Revenues	\$ -	\$ -	\$ -	\$ -	
13.					
14.					
15. <b>OPERATING &amp; MAINTENANCE EXPENSES</b>					
16. Power Purchases	\$ -	\$ -	\$ -	\$ -	
17. Water Purchases					Schedule D
18. <i>Intentionally Left Blank</i>					
19.	\$ -	\$ -	\$ -	\$ -	Schedule C
20.					
21. Salaries and Wages					
22. <i>Intentionally Left Blank</i>					
23. Administrative and General Expenses					
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. <i>Intentionally Left Blank</i>					
31. Depreciation Expense					
32. Contractual Expense					
33. <i>Intentionally Left Blank</i>					
34. <i>Intentionally Left Blank</i>					
35. <i>Intentionally Left Blank</i>					
36. Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	Schedule C
37.					
38. Operating Net Income (Loss)	\$ -	\$ -	\$ -	\$ -	
39.					
40. Interest Income	\$ -	\$ -	\$ -	\$ -	
41. Interest Expense					
42. Grants					
43. <i>Intentionally Left Blank</i>					
44. Net Income (Loss)	\$ -	\$ -	\$ -	\$ -	
45.					
46. Deprecation Expense on Contrib. Capital					
47.					
48. NET INCREASE (DECREASE) in Capital	\$ -	\$ -	\$ -	\$ -	
49.					
50.					
51. <b>DEBT SERVICE</b>					
52.					
53. Principal					
54. Interest					
55.	\$ -	\$ -	\$ -	\$ -	Schedule F
56.					
57.					
58. Coverage (TIER)					
59.					
60.					
61. <b>CASH FLOW STATEMENT</b>					
62.					
63. Net Income (Loss)	\$ -	\$ -	\$ -	\$ -	
64. Add: Depreciation	-	-	-	-	
65. Subtract: Principal Payments	-	-	-	-	Schedule F
66. Working Capital Changes					Schedule H
67. Capital Improvement Projects [Internal]					Schedule G
68. Capital Improvement Projects [External]					
69. Construction Fund (LT Debt)					
70. O&M, Renovation, Replacement Reserve					
71. <i>Intentionally Left Blank</i>					
72.	\$ -	\$ -	\$ -	\$ -	



**GUAM WATERWORKS AUTHORITY**  
Schedule B - Summary of Revenues

	FY2002				FY2003			
	Customers (A)	Consumption kGal (B)	Customer Chge \$ (C)	Consumption \$ (D)	Customers (E)	Consumption kGal (F)	Customer Chge \$ (G)	Consumption \$ (H)
1. Water Revenues								
2.								
3.								
4.								
5.								
6. Agriculture/Irrigation			\$ -	\$ -			\$ -	\$ -
7. Commercial								
8. Government								
9. Residential								
10. Residential Lifeline								
11.								
12. TOTALS			\$ -	\$ -	0	0	\$ -	\$ -
13.								
14. Wastewater Revenues								
15.								
16. Commercial I			\$ -	\$ -			\$ -	\$ -
17. Commercial II								
18. Commercial III								
19. Government								
20. Residential								
21.								
22. Total Wastewater	0	0	\$ -	\$ -	0	0	\$ -	\$ -
23.								
24. Grand Total	0	0	0	0	0	0	0	0
25.								
26.								
27.								
28.								
29.								
30.								
31.								
32.								
33.								
34.								
35.								
36.								
37.								
38.								
39.								
40.								
41.								
42.								
43.								
44.								
45.								
46.								
47.								
48.								
49.								
50.								
51.								
52.								

See Schedule J for Forecast Year Revenues

# GUAM WATERWORKS AUTHORITY

## Schedule C - Operating Expenses (Combined)

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1. <b>Water Purchases</b>			
2. Navy Contract	\$ -	\$ -	\$ -
3. Earthtech Contract			
4. Other Contracts			
5. <i>Intentionally Left Blank</i>			
6. <i>Intentionally Left Blank</i>			
7. <b>Subtotal</b>	\$ -	\$ -	\$ -
8.			
9.			
10. <b>Power Purchases - GPA</b>			
11.			
12.			
13. <b>Salaries and Wages</b>			
14. Salaries and Wages - Straight	\$ -	\$ -	\$ -
15. Salaries and Wages - OT			
16. <i>Intentionally Left Blank</i>			
17. Pension and Benefits			
18. <i>Intentionally Left Blank</i>			
19. <i>Intentionally Left Blank</i>			
20. <b>Subtotal</b>	\$ -	\$ -	\$ -
21.			
22.			
23. <b>Administrative &amp; General</b>			
24. Chemicals	\$ -	\$ -	\$ -
25. Materials & Supplies			
26. Rental of Equipment			
27. Transportation			
28. Insurance			
29. Advertising			
30. Regulatory Expense			
31. Bad Debt Expense			
32. Miscellaneous			
33. <i>Intentionally Left Blank</i>			
34. <i>Intentionally Left Blank</i>			
35. <b>Subtotal</b>	\$ -	\$ -	\$ -
36.			
37. <b>Depreciation</b>			
38.			
39. <b>Contractual</b>			
40. Legal	\$ -	\$ -	\$ -
41. Testing			
42. Other			
43. <i>Intentionally Left Blank</i>			
44. <i>Intentionally Left Blank</i>			
45. <b>Subtotal</b>	\$ -	\$ -	\$ -
46.			
47. <b>Total Operating &amp; Maint. Expense</b>	\$ -	\$ -	\$ -
48.			
49.			
50.			
51.			
52.			

# GUAM WATERWORKS AUTHORITY

## Schedule C1 - Operating Expenses (Water)

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1. <b>Water Purchases</b>			
2. Navy Contract	\$ -	\$ -	\$ -
3. Earthtech Contract			
4. Other Contracts			
5. <i>Intentionally Left Blank</i>			
6. <i>Intentionally Left Blank</i>			
7. <b>Subtotal</b>	\$ -	\$ -	\$ -
8.			
9.			
10. <b>Power Purchases - GPA</b>			
11.			
12.			
13. <b>Salaries and Wages</b>			
14. Salaries and Wages - Straight	\$ -	\$ -	\$ -
15. Salaries and Wages - OT			
16. <i>Intentionally Left Blank</i>			
17. Pension and Benefits			
18. <i>Intentionally Left Blank</i>			
19. <i>Intentionally Left Blank</i>			
20. <b>Subtotal</b>	\$ -	\$ -	\$ -
21.			
22.			
23. <b>Administrative &amp; General</b>			
24. Chemicals	\$ -	\$ -	\$ -
25. Materials & Supplies			
26. Rental of Equipment			
27. Transportation			
28. Insurance			
29. Advertising			
30. Regulatory Expense			
31. Bad Debt Expense			
32. Miscellaneous			
33. <i>Intentionally Left Blank</i>			
34. <i>Intentionally Left Blank</i>			
35. <b>Subtotal</b>	\$ -	\$ -	\$ -
36.			
37. <b>Depreciation</b>			
38.			
39. <b>Contractual</b>			
40. Legal	\$ -	\$ -	\$ -
41. Testing			
42. Other			
43. <i>Intentionally Left Blank</i>			
44. <i>Intentionally Left Blank</i>			
45. <b>Subtotal</b>	\$ -	\$ -	\$ -
46.			
47. <b>Total Operating &amp; Maint. Expense</b>	\$ -	\$ -	\$ -
48.			
49.			
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51.			
52.			

**GUAM WATERWORKS AUTHORITY**  
**Schedule C 2 - Operating Expenses (Wastewater)**

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1.			
2. <b>Power Purchases - GPA</b>			
3.			
4.			
5. <b>Salaries and Wages</b>			
6. Salaries and Wages - Straight	\$ -	\$ -	\$ -
7. Salaries and Wages - OT			
8. <i>Intentionally Left Blank</i>			
9. Pension and Benefits			
10. <i>Intentionally Left Blank</i>			
11. <i>Intentionally Left Blank</i>			
12. <b>Subtotal</b>	\$ -	\$ -	\$ -
13.			
14.			
15. <b>Administrative &amp; General</b>			
16. Chemicals	\$ -	\$ -	\$ -
17. Materials & Supplies			
18. Rental of Equipment			
19. Transportation			
20. Insurance			
21. Advertising			
22. Regulatory Expense			
23. Bad Debt Expense			
24. Miscellaneous			
25. <i>Intentionally Left Blank</i>			
26. <i>Intentionally Left Blank</i>			
27. <b>Subtotal</b>	\$ -	\$ -	\$ -
28.			
29. <b>Depreciation</b>			
30.			
31. <b>Contractual</b>			
32. Legal	\$ -	\$ -	\$ -
33. Testing			
34. Other			
35. <i>Intentionally Left Blank</i>			
36. <i>Intentionally Left Blank</i>			
37. <b>Subtotal</b>	\$ -	\$ -	\$ -
38.			
39. <b>Total Operating &amp; Maint. Expense</b>	\$ -	\$ -	\$ -
40.			
41.			
42.			
43.			
44.			
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# GUAM WATERWORKS AUTHORITY

## Schedule D - Details of Water Purchases

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1. <b>Water Purchases</b>			
2.			
3.			
4. <b>Navy Contract</b>			
5. Purchased kGal			
6. Rate Per Kgal	\$ -	\$ -	\$ -
7. Total Purchase Costs	\$ -	\$ -	\$ -
8. Other Costs			
9. <b>Total Costs</b>	\$ -	\$ -	\$ -
10.			
11. <b>Earthtech Contract</b>			
12. Purchased kGal			
13. Rate Per Kgal	\$ -	\$ -	\$ -
14. Total Purchase Costs	\$ -	\$ -	\$ -
15. Other Costs			
16. <b>Total Costs</b>	\$ -	\$ -	\$ -
17.			
18. <b>Airforce Contract</b>			
19. Purchased kGal			
20. Rate Per Kgal	\$ -	\$ -	\$ -
21. Total Purchase Costs	\$ -	\$ -	\$ -
22. Other Costs			
23. <b>Total Costs</b>	\$ -	\$ -	\$ -
24.			
25. <b>Other Contract</b>			
26. Purchased kGal			
27. Rate Per Kgal	\$ -	\$ -	\$ -
28. Total Purchase Costs	\$ -	\$ -	\$ -
29. Other Costs			
30. <b>Total Costs</b>	\$ -	\$ -	\$ -
31.			
32. <b>Other Contract</b>			
33. Purchased kGal			
34. Rate Per Kgal	\$ -	\$ -	\$ -
35. Total Purchase Costs	\$ -	\$ -	\$ -
36. Other Costs			
37. <b>Total Costs</b>	\$ -	\$ -	\$ -
38.			
39.			
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# GUAM WATERWORKS AUTHORITY

## Schedule F - Debt Service (Combined)

	<u>FY2002</u> (A)	<u>FY2003</u> (B)	<u>FY2004</u> (C)
1. Series:			
2. Principal	\$ -	\$ -	\$ -
3. Interest			
4. Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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.			
26.			
27.			
28.			
29.			
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**GUAM WATERWORKS AUTHORITY**  
Schedule G - Internally Funded Construction (Combined)

	Item	Department	FY2002 (A)	FY2003 (B)	FY2004 (C)
1.					
2.		Water	\$ -	\$ -	\$ -
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.	<b>Subtotal Water</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11.					
12.		Wastewater			
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20.					
21.					
22.					
23.					
24.	<b>Subtotal Wastewater</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
25.					
26.		Common			
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.	<b>Subtotal Common</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
38.					
39.					
40.	<b>Total Internally Funded</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
41.					
42.					
43.					
44.					
45.					
46.					
47.					
48.					
49.					
50.					
51.					
52.					

# GUAM WATERWORKS AUTHORITY

## Schedule H - Working Capital

	FY2002 (A)	FY2003 (B)	FY2004 (C)
1. <b>Accounts Receivable</b>	\$ -	\$ -	\$ -
2. <i>Intentionally Left Blank</i>			
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. <b>Accounts Payable</b>			
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. <b>Other Cash Flow Items (I)</b>			
32. <i>Intentionally Left Blank</i>			
33. <i>Intentionally Left Blank</i>			
34. <i>Intentionally Left Blank</i>			
35. <i>Intentionally Left Blank</i>			
36. <i>Intentionally Left Blank</i>			
37. <i>Intentionally Left Blank</i>			
38. <i>Intentionally Left Blank</i>			
39. <i>Intentionally Left Blank</i>			
40.			
41. \$ -	\$ -	\$ -	
42.			
43.			
44. Increase/(Decrease in Working Capital)	\$ -	\$ -	
45.			
46.			
47.			
48.			
49. <b>Note: Other Cash flow items may be shown separately as S</b>			
50.			
51.			
52.			



**GUAM WATERWORKS AUTHORITY**  
Schedule J1 - Proof of Revenues (Water)  
Page 1

**Current Rates**

	METER SIZE	Basic Rate (A)	Block 1 Rate (B)	Block 2 Rate (C)	Customers (D)	Block 1 Consumption kGal (E)	Block 2 Consumption kGal (F)	Basic Revenues \$ (G=AxD)	Block 1 Revenues \$ (H=BxE)	Block 2 Revenues \$ (I=CxF)	TOTAL Revenues \$ (J=G+H+I)
1.											
2.											
3.											
4.	Residential										
5.	3/4"	\$ 6.00	\$ 2.40	\$ 2.85							
6.	1"	\$ 7.00	\$ 2.40	\$ 2.85							
7.	1 1/2"	\$ 11.00	\$ 2.40	\$ 2.85							
8.	2"	\$ 14.00	\$ 2.40	\$ 2.85							
9.	3"	\$ 25.00	\$ 2.40	\$ 2.85							
10.	4"	\$ 35.00	\$ 2.40	\$ 2.85							
11.	6"	\$ 65.00	\$ 2.40	\$ 2.85							
12.	8"	\$ 95.00	\$ 2.40	\$ 2.85							
13.	10"	\$ 130.00	\$ 2.40	\$ 2.85							
14.	12"	\$ 155.00	\$ 2.40	\$ 2.85							
15.											
16.	Commercial and Government										
17.											
18.	3/4"	\$ 6.00	\$ 3.56								
19.	1"	\$ 7.00	\$ 3.56								
20.	1 1/2"	\$ 11.00	\$ 3.56								
21.	2"	\$ 14.00	\$ 3.56								
22.	3"	\$ 25.00	\$ 3.56								
23.	4"	\$ 35.00	\$ 3.56								
24.	6"	\$ 65.00	\$ 3.56								
25.	8"	\$ 95.00	\$ 3.56								
26.	10"	\$ 130.00	\$ 3.56								
27.	12"	\$ 155.00	\$ 3.56								
28.											
29.											
30.											
31.	Agriculture and Irrigation										
32.	3/4"	\$ 6.00	\$ 1.19								
33.	1"	\$ 7.00	\$ 1.19								
34.	1 1/2"	\$ 11.00	\$ 1.19								
35.	2"	\$ 14.00	\$ 1.19								
36.	3"	\$ 25.00	\$ 1.19								
37.	4"	\$ 35.00	\$ 1.19								
38.	6"	\$ 65.00	\$ 1.19								
39.	8"	\$ 95.00	\$ 1.19								
40.	10"	\$ 130.00	\$ 1.19								
41.	12"	\$ 155.00	\$ 1.19								
42.											
43.											
44.	TOTALS				0	0	0	\$ -	\$ -	\$ -	\$ -

## Page 2

[illegible][illegible]

### Schedule J2- Proof of Revenues (Wastewater)

## Current Rates

[illegible]

Guam Waterworks Authority  
Minimum Filing Requirements  
Exhibits A through J  
TestYear: Fiscal 2005

**GUAM WATERWORKS AUTHORITY**  
Schedule A - Revenue Requirement (Combined)

	FY2003	FY2004	FY2005 w/o Incr.	FY2005 w. Incr.	SOURCE
	(A)	(B)	(C)	(D)	
1.					
2.					
3.					
4.					
5.	<b>OPERATING REVENUES</b>				
6.	\$ -	\$ -	\$ -	\$ -	Schedules B & J
7.					Schedules B & J
8.					
9.					
10.					
11.					
12.	\$ -	\$ -	\$ -	\$ -	Schedule J
13.					
14.					
15.	<b>OPERATING &amp; MAINTENANCE EXPENSES</b>				
16.	\$ -	\$ -	\$ -	\$ -	
17.					Schedule D
18.					
19.	\$ -	\$ -	\$ -	\$ -	Schedule C
20.					
21.					
22.					
23.					
24.					
25.					
26.					
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.	\$ -	\$ -	\$ -	\$ -	Schedule C
37.					
38.	\$ -	\$ -	\$ -	\$ -	
39.					
40.	\$ -	\$ -	\$ -	\$ -	
41.					
42.					
43.					
44.	\$ -	\$ -	\$ -	\$ -	
45.					
46.					
47.					
48.	\$ -	\$ -	\$ -	\$ -	
49.					
50.					
51.	<b>DEBT SERVICE</b>				
52.					
53.					
54.					
55.	\$ -	\$ -	\$ -	\$ -	Schedule F
56.					
57.					
58.					
59.					
60.					
61.	<b>CASH FLOW STATEMENT</b>				
62.					
63.	\$ -	\$ -	\$ -	\$ -	
64.	-	-	-	-	
65.	-	-	-	-	Schedule F
66.					Schedule H
67.					Schedule G
68.					
69.					
70.					
71.					
72.	\$ -	\$ -	\$ -	\$ -	

**GUAM WATERWORKS AUTHORITY**  
Schedule B - Summary of Revenues

	FY2003				FY2004			
	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			\$ -	\$ -			\$ -	\$ -
7. Commercial								
8. Government								
9. Residential								
10. Residential Lifeline								
11.								
12. TOTALS			\$ -	\$ -	0	0 \$	- \$	-
13.								
14. Wastewater Revenues								
15.								
16. Commercial I			\$ -	\$ -			\$ -	\$ -
17. Commercial II								
18. Commercial III								
19. Government								
20. Residential								
21.								
22. Total Wastewater	0	0 \$	- \$	-	0	0 \$	- \$	-
23.								
24. Grand Total	0	0	0	0	0	0	0	0
25.								
26.								
27.								
28.								
29.								
30.								
31.								
32.								
33.								
34.								
35.								
36.								
37.								
38.								
39.								
40.								
41.								
42.								
43.								
44.								
45.								
46.								
47.								
48.								
49.								
50.								
51.								
52.								

See Schedule J for Forecast Year Revenues

# GUAM WATERWORKS AUTHORITY

## Schedule C - Operating Expenses (Combined)

	FY2003 (A)	FY2004 (B)	FY2005 (C)
1. <b>Water Purchases</b>			
2. Navy Contract	\$ -	\$ -	\$ -
3. Earthtech Contract			
4. Other Contracts			
5. <i>Intentionally Left Blank</i>			
6. <i>Intentionally Left Blank</i>			
7. <b>Subtotal</b>	\$ -	\$ -	\$ -
8.			
9.			
10. <b>Power Purchases - GPA</b>			
11.			
12.			
13. <b>Salaries and Wages</b>			
14. Salaries and Wages - Straight	\$ -	\$ -	\$ -
15. Salaries and Wages - OT			
16. <i>Intentionally Left Blank</i>			
17. Pension and Benefits			
18. <i>Intentionally Left Blank</i>			
19. <i>Intentionally Left Blank</i>			
20. <b>Subtotal</b>	\$ -	\$ -	\$ -
21.			
22.			
23. <b>Administrative &amp; General</b>			
24. Chemicals	\$ -	\$ -	\$ -
25. Materials & Supplies			
26. Rental of Equipment			
27. Transportation			
28. Insurance			
29. Advertising			
30. Regulatory Expense			
31. Bad Debt Expense			
32. Miscellaneous			
33. <i>Intentionally Left Blank</i>			
34. <i>Intentionally Left Blank</i>			
35. <b>Subtotal</b>	\$ -	\$ -	\$ -
36.			
37. <b>Depreciation</b>			
38.			
39. <b>Contractual</b>			
40. Legal	\$ -	\$ -	\$ -
41. Testing			
42. Other			
43. <i>Intentionally Left Blank</i>			
44. <i>Intentionally Left Blank</i>			
45. <b>Subtotal</b>	\$ -	\$ -	\$ -
46.			
47. <b>Total Operating &amp; Maint. Expense</b>	\$ -	\$ -	\$ -
48.			
49.			
50.			
51.			
52.			

# GUAM WATERWORKS AUTHORITY

## Schedule C1 - Operating Expenses (Water)

	FY2003 (A)	FY2004 (B)	FY2005 (C)
1. <b>Water Purchases</b>			
2. Navy Contract	\$ -	\$ -	\$ -
3. Earthtech Contract			
4. Other Contracts			
5. <i>Intentionally Left Blank</i>			
6. <i>Intentionally Left Blank</i>			
7. <b>Subtotal</b>	\$ -	\$ -	\$ -
8.			
9.			
10. <b>Power Purchases - GPA</b>			
11.			
12.			
13. <b>Salaries and Wages</b>			
14. Salaries and Wages - Straight	\$ -	\$ -	\$ -
15. Salaries and Wages - OT			
16. <i>Intentionally Left Blank</i>			
17. Pension and Benefits			
18. <i>Intentionally Left Blank</i>			
19. <i>Intentionally Left Blank</i>			
20. <b>Subtotal</b>	\$ -	\$ -	\$ -
21.			
22.			
23. <b>Administrative &amp; General</b>			
24. Chemicals	\$ -	\$ -	\$ -
25. Materials & Supplies			
26. Rental of Equipment			
27. Transportation			
28. Insurance			
29. Advertising			
30. Regulatory Expense			
31. Bad Debt Expense			
32. Miscellaneous			
33. <i>Intentionally Left Blank</i>			
34. <i>Intentionally Left Blank</i>			
35. <b>Subtotal</b>	\$ -	\$ -	\$ -
36.			
37. <b>Depreciation</b>			
38.			
39. <b>Contractual</b>			
40. Legal	\$ -	\$ -	\$ -
41. Testing			
42. Other			
43. <i>Intentionally Left Blank</i>			
44. <i>Intentionally Left Blank</i>			
45. <b>Subtotal</b>	\$ -	\$ -	\$ -
46.			
47. <b>Total Operating &amp; Maint. Expense</b>	\$ -	\$ -	\$ -
48.			
49.			
50.			
51.			
52.			



# GUAM WATERWORKS AUTHORITY

## Schedule C 2 - Operating Expenses (Wastewater)

	FY2003 (A)	FY2004 (B)	FY2005 (C)
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			
21.			
22.			
23.			
24.			
25.			
26.			
27.			
28.			
29.			
30.			
31.			
32.			
33.			
34.			
35.			
36.			
37.			
38.			
39.			
40.			
41.			
42.			
43.			
44.			
45.			
46.			
47.			
48.			
49.			
50.			
51.			
52.			

**Power Purchases - GPA**

**Salaries and Wages**

Salaries and Wages - Straight

Salaries and Wages - OT

*Intentionally Left Blank*

Pension and Benefits

*Intentionally Left Blank*

*Intentionally Left Blank*

**Subtotal**

**Administrative & General**

Chemicals

Materials & Supplies

Rental of Equipment

Transportation

Insurance

Advertising

Regulatory Expense

Bad Debt Expense

Miscellaneous

*Intentionally Left Blank*

*Intentionally Left Blank*

**Subtotal**

**Depreciation**

**Contractual**

Legal

Testing

Other

*Intentionally Left Blank*

*Intentionally Left Blank*

**Subtotal**

**Total Operating & Maint. Expense**

# GUAM WATERWORKS AUTHORITY

## Schedule D - Details of Water Purchases

	FY2003 (A)	FY2004 (B)	FY2005 (C)
1. <b>Water Purchases</b>			
2.			
3.			
4. <b>Navy Contract</b>			
5. Purchased kGal			
6. Rate Per Kgal	\$ -	\$ -	\$ -
7. Total Purchase Costs	\$ -	\$ -	\$ -
8. Other Costs			
9. <b>Total Costs</b>	\$ -	\$ -	\$ -
10.			
11. <b>Earthtech Contract</b>			
12. Purchased kGal			
13. Rate Per Kgal	\$ -	\$ -	\$ -
14. Total Purchase Costs	\$ -	\$ -	\$ -
15. Other Costs			
16. <b>Total Costs</b>	\$ -	\$ -	\$ -
17.			
18. <b>Airforce Contract</b>			
19. Purchased kGal			
20. Rate Per Kgal	\$ -	\$ -	\$ -
21. Total Purchase Costs	\$ -	\$ -	\$ -
22. Other Costs			
23. <b>Total Costs</b>	\$ -	\$ -	\$ -
24.			
25. <b>Other Contract</b>			
26. Purchased kGal			
27. Rate Per Kgal	\$ -	\$ -	\$ -
28. Total Purchase Costs	\$ -	\$ -	\$ -
29. Other Costs			
30. <b>Total Costs</b>	\$ -	\$ -	\$ -
31.			
32. <b>Other Contract</b>			
33. Purchased kGal			
34. Rate Per Kgal	\$ -	\$ -	\$ -
35. Total Purchase Costs	\$ -	\$ -	\$ -
36. Other Costs			
37. <b>Total Costs</b>	\$ -	\$ -	\$ -
38.			
39.			
40.			
41.			
42.			
43.			
44.			
45.			
46.			
47.			
48.			
49.			
50.			
51.			
52.			

# GUAM WATERWORKS AUTHORITY

## Schedule F - Debt Service (Combined)

	FY2003 (A)	FY2004 (B)	FY2005 (C)
1. Series:			
2. Principal	\$ -	\$ -	\$ -
3. Interest			
4. Total	\$ -	\$ -	\$ -
5.			
6. Series:			
7. Principal	\$ -	\$ -	\$ -
8. Interest			
9. Total	\$ -	\$ -	\$ -
10.			
11. TECP			
12. Principal	\$ -	\$ -	\$ -
13. Interest			
14. Total	\$ -	\$ -	\$ -
15.			
16. Line of Credit			
17. Principal	\$ -	\$ -	\$ -
18. Interest			
19. Total	\$ -	\$ -	\$ -
20.			
21.			
22. Total Principal	\$ -	\$ -	\$ -
23. Total Interest			
24. Total Debt Service	\$ -	\$ -	\$ -
25.			
26.			
27.			
28.			
29.			
30.			
31.			
32.			
33.			
34.			
35.			
36.			
37.			
38.			
39.			
40.			
41.			
42.			
43.			
44.			
45.			
46.			
47.			
48.			
49.			
50.			
51.			
52.			

**GUAM WATERWORKS AUTHORITY**  
Schedule G - Internally Funded Construction (Combined)

	Item	Department	FY2003 (A)	FY2004 (B)	FY2005 (C)
1.					
2.		Water	\$ -	\$ -	\$ -
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.	Subtotal Water		\$ -	\$ -	\$ -
11.					
12.					
13.		Wastewater			
14.					
15.					
16.					
17.					
18.					
19.					
20.					
21.					
22.					
23.					
24.	Subtotal Wastewater		\$ -	\$ -	\$ -
25.					
26.					
27.		Common			
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.	Subtotal Common		\$ -	\$ -	\$ -
38.					
39.					
40.	Total Internally Funded		\$ -	\$ -	\$ -
41.					
42.					
43.					
44.					
45.					
46.					
47.					
48.					
49.					
50.					
51.					
52.					

**GUAM WATERWORKS AUTHORITY**  
Schedule H - Working Capital

	FY2003 (A)	FY2004 (B)	FY2005 (C)
1. <b>Accounts Receivable</b>	\$ -	\$ -	\$ -
2. <i>Intentionally Left Blank</i>			
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. <b>Accounts Payable</b>			
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. <b>Other Cash Flow Items (I)</b>			
32. <i>Intentionally Left Blank</i>			
33. <i>Intentionally Left Blank</i>			
34. <i>Intentionally Left Blank</i>			
35. <i>Intentionally Left Blank</i>			
36. <i>Intentionally Left Blank</i>			
37. <i>Intentionally Left Blank</i>			
38. <i>Intentionally Left Blank</i>			
39. <i>Intentionally Left Blank</i>			
40.			
41.	\$ -	\$ -	\$ -
42.			
43.			
44. Increase/(Decrease in Working Capital)		\$ -	\$ -
45.			
46.			
47.			
48.			
49.			
50.			
51.			
52.			

Note: Other Cash flow items may be shown separately as Schedule I

**GUAM WATERWORKS AUTHORITY**  
Schedule J1 - Proof of Revenues (Water)  
Page 1

**Current Rates**

	METER SIZE	Basic Rate		Block 1 Rate		Block 2 Rate		Customers (D)	Block 1 Consumption		Block 2 Consumption	Basic Revenues		Block 1 Revenues		Block 2 Revenues		TOTAL Revenues \$	
		(A)	(B)	(B)	(B)	(C)	(C)		kGal	(E)	(F)	\$(G=AxD)	\$(H=BxE)	\$(I=CxF)	\$(J=G+H+I)				
1.																			
2.																			
3.																			
4.	Residential																		
5.	3/4"	\$ 6.00	\$	2.40	\$	2.85													
6.	1"	\$ 7.00	\$	2.40	\$	2.85													
7.	1 1/2"	\$ 11.00	\$	2.40	\$	2.85													
8.	2"	\$ 14.00	\$	2.40	\$	2.85													
9.	3"	\$ 25.00	\$	2.40	\$	2.85													
10.	4"	\$ 35.00	\$	2.40	\$	2.85													
11.	6"	\$ 65.00	\$	2.40	\$	2.85													
12.	8"	\$ 95.00	\$	2.40	\$	2.85													
13.	10"	\$ 130.00	\$	2.40	\$	2.85													
14.	12"	\$ 155.00	\$	2.40	\$	2.85													
15.																			
16.	Commercial and Government																		
17.																			
18.	3/4"	\$ 6.00	\$	3.56															
19.	1"	\$ 7.00	\$	3.56															
20.	1 1/2"	\$ 11.00	\$	3.56															
21.	2"	\$ 14.00	\$	3.56															
22.	3"	\$ 25.00	\$	3.56															
23.	4"	\$ 35.00	\$	3.56															
24.	6"	\$ 65.00	\$	3.56															
25.	8"	\$ 95.00	\$	3.56															
26.	10"	\$ 130.00	\$	3.56															
27.	12"	\$ 155.00	\$	3.56															
28.																			
29.																			
30.	Agriculture and Irrigation																		
31.																			
32.	3/4"	\$ 6.00	\$	1.19															
33.	1"	\$ 7.00	\$	1.19															
34.	1 1/2"	\$ 11.00	\$	1.19															
35.	2"	\$ 14.00	\$	1.19															
36.	3"	\$ 25.00	\$	1.19															
37.	4"	\$ 35.00	\$	1.19															
38.	6"	\$ 65.00	\$	1.19															
39.	8"	\$ 95.00	\$	1.19															
40.	10"	\$ 130.00	\$	1.19															
41.	12"	\$ 155.00	\$	1.19															
42.																			
43.																			
44.	TOTALS							0		0	0	\$	\$	\$	\$	\$	\$	\$	\$

**Schedule J1 - Proof of Revenues (Water)**

### Proposed Rates

[illegible]

GUAM WATERWORKS AUTHORITY  
Schedule J2- Proof of Revenues (Waste/Water)

Current Rates

	Basic Rate (A)	Block 1 Rate (B)	Block 2 Rate (C)	Block 1		Block 2		Basic Revenues (G=AxD)		Block 1 Revenues (H=BxE)		Block 2 Revenues (I=CxF)		TOTAL Revenues \$ (J=G+H+I)	
				Customers (D)	Consumption kGal (E)	Consumption kGal (F)		\$		\$		\$		\$	

\$ 22.00

Residential

Commercial 1

Commercial 2

Commercial 3

Government

Totals at Current Rates

\$ - \$ - \$ - \$ - \$ -

Proposed Rates

Residential

Commercial 1

Commercial 2

Commercial 3

Government

Totals at Proposed Rates

\$ - \$ - \$ - \$ - \$ -

REQUESTED INCREASE IN REVENUES

\$ -



### GWA Interim Financial Plan Additional filing Requirements.

The requirements of the IFP are set out in paragraphs 28 & 29 of the Stipulated Order. The major items are:

1. The period of the IFP is from the date of approval, which we estimate to be during March 2004, until the approval date of the Final Financial Plan (FFP), which we estimate to be June 2005.
2. The IFP should detail how revenue will be generated to cover the cost of compliance activities and deliverables required by the Stipulated Order as well as any other anticipated expenses including:
  - a. All existing debt and anticipated debt service;
  - b. Buildup of financial reserves.
3. The IFP requires the submission of a restructured user fee system.

As previously indicated GWA's filing must contain prefiled testimony, supporting exhibits and work papers that establish that GWA has met the requirements of the Stipulated Order with regard to the IFP.

In order to develop our proposed filing requirements for the review of the GWA IFP, a brief discussion of the process that we believe will be required of GWA will be useful. Given the requirements of the IFP as outlined above, we believe that GWA will have to go through the following processes and present their findings to the PUC for review and approval with the prefiled testimony and supporting material described above:

1. Inventory all of the requirements of the Stipulated Order for Preliminary Relief for capital and operating requirements as well as implementation dates.
2. Determine the baseline financial data to be used – Operating Statement & Balance Sheet.
3. Determine the Sources of funds available to GWA from all sources – Grants and EPA & GEPA funds.
4. Determine the least cost financial strategy to fulfill the requirements of the Stipulated Order.

The PUC's review and approval process for the IFP should focus on whether adequate and appropriate data has been acquired, analyzed and utilized appropriately for the various processes described above. Although it is possible that there could be differing approaches to craft the IFP, we believe that many of the elements that we have described above should be the minimum required to be filed.

### Requirements of the Stipulated Order

1. For each of the first 49 paragraphs of the Stipulated Order that have a financial impact in the years in which rate relief is being requested, the following information should be presented by GWA for review and evaluation:

- a. Overall cost for the requirement for the period presented in the IFP broken out by:
    - i. Operating expense;
    - ii. Cash flow requirements, such as the establishment of various operating reserves;
    - iii. Capital expense including engineering design; construction observation; Regulatory/Program Management; and Other Project Administration.
    - iv. Funding source: Bonds; Existing Cash Flow; Grants; EPA and GEPA funds.
  - b. Deadlines.
  - c. Source and Work papers for each estimate. It is likely that in many cases the estimate for the period of the IFP will be a segment of a longer period required for the entire requirement to be implemented. This should be presented in the detailed work-papers.
2. Other requirements not directly listed as a project in the Stipulated Order should also be presented for review and evaluation. This is because the Stipulated Order has a requirement that requires GWA to “properly operate and maintain all facilities and systems of treatment and control ...”<sup>3</sup>. This will require GWA to identify:
- a. Annual Renewals and Replacements to the extent not explicit in the Stipulated Order that are required to adequately operate and maintain all facilities.
  - b. Revenue enhancement projects.
  - c. Potential applications to be undertaken by outside management, if required.
  - d. Implementation of procedures required to improve performance to conform to the National Pollution Discharge Elimination System (“NPDES”).
3. Identification of all debts and liabilities for review and evaluation that need to be covered by revenues including: required payments to the Pension fund; required payments to creditors (IBM for the GWA computer); vendors; others.<sup>4</sup>
4. Identification of restricted reserves and funds for review and evaluation that need to be set up.<sup>5</sup>

To the extent that GWA is seeking to change an existing law or a requirement of the Stipulated Order this should be clearly identified, supported by prefiled testimony identifying clearly the basis for the change proposed, the likelihood of the request for change being granted and the impact on GWA’s filing if the change is not implemented.<sup>6</sup>

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<sup>3</sup> Stipulated Order, page 2.

<sup>4</sup> This is a requirement of paragraph 28 of the Stipulated Order and should be a specific requirement of the financial impact of the ordering paragraph.

<sup>5</sup> This is a requirement of paragraph 32 of the Stipulated Order. These reserves need to be fully developed within two years – by June 5, 2005.

<sup>6</sup> GWA has indicated that it will seek a change in Guam law with regard to the role that GEDA is to play in the acquisition of debt; a change in the requirement to fund specific operating reserves in a specific period of time.

Attached to this letter we have developed a matrix that displays the information requirements that we believe should be presented to the PUC for review and approval. We would also point out that the requirements developed here would be developed in a manner similar to the requirements developed in the Financial Plan and compliance Schedules developed by GWA and transmitted to the USEPA on January 31, 2002 in response to the Consent Order. The USEPA had approved the original Financial Plan but it was never implemented. Many of the projects and requirements in the Stipulated Order carry over from the prior Financial Plan.

#### Baseline Financial Data

The ability of GWA to undertake all of the requirements of the Stipulated Order must be analyzed in the context of its current and future operations. The current operating and financial data are therefore an appropriate starting point over which the Stipulated Order requirements will be superimposed. This will provide the tools to develop the financial strategy as to how the requirements will be implemented and the appropriate development of the future level of rates and the amount of debt financing required. Some of this information will overlap with the requirements previously set out as minimum rate case filing requirements.

Requirements for baseline financial data to be provided in the filing:

1. Use FY 2003 as the starting point. Data should be normalized to reflect annual effects of the recent changes and efficiencies implemented in FY 2003.
2. Planning and projections for FY 2004 through FY 2006. The reason that this goes beyond the period of the IFP described above of February 2004 through June 2005 is that a key element in the financial plan will be to determine the appropriate level of debt, both short (if applicable) and long term. Access to the long-term debt markets will be determined in large part through GEDA's efforts under current Guam law. Subsequent issuance of debt will also be required to meet all of the requirements of the Stipulated Order. To the extent that GWA's IFP proposes and anticipates changes in Guam law this should be specifically identified and highlighted for the PUC in prefiled testimony and testimony from appropriate GEDA officials with regard to their point of view of the advisability of the proposals as well as the likelihood of obtaining long term debt in the time frame under consideration should be provided. Contingency plans in the event that the changes sought by GWA are not successful should be presented and described in detail by both GWA and GEDA.
3. Assumptions for baseline revenue growth and baseline expense growth for the projection period.
4. Assumptions for enhanced revenues from meter program and other non-baseline revenue growth; assumptions for expense savings from any efficiencies.
5. Operating income impact of Stipulated Order requirements. Given that GWA is currently in violation of many USEPA regulations the cost of bringing the operation into compliance.

## Funds Available to GWA

The funds available to GWA will impact the amount of funds that need to be borrowed and the overall financial strategy. For the period provided in the financial plan information on the following should be documented and provided with the filing:

1. Sewer "Seed Money" for the sewer connection program through USEPA Section 319 funds.
2. USEPA grant funds. Prior USEPA correspondence says that this is approximately \$1.45 million annually for FY 2003 through FY 2006. Based on Congressional appropriations.
3. Other potential appropriations from EPA are from Special Appropriations and Deep Well Grant Project.
4. Short-term debt.
5. Long-term debt.
6. Internally generated funds.

## Least Cost Financial Strategy

There is an extended discussion on the least cost financial strategy that was contained in GWA's original Financial Plan and Compliance Schedules. The essential conclusion of the prior plan was that funding all of the USEPA requirements through an increase in rates alone would be prohibitive. The requirements in the Stipulated Order are even greater than the requirements in the prior Consent Order. The IFP should identify the least cost financial strategy being requested for approval by the PUC and indicate the contingency plans in the event that the strategy is not successful.

REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT

AND

DEVELOPMENT OF THE INTERIM PLAN

2/2004 – 7/2005

	Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
1	Compliance Monitor	A	<ul style="list-style-type: none"> <li>• Appoint Contact Person</li> </ul>	June 25, 2003	No
2	EPA Approval Process	n/a	<ul style="list-style-type: none"> <li>• Provides 30-day turnaround</li> </ul>	Various	No
3	General Manager	A	<ul style="list-style-type: none"> <li>• Advertise for Qualified GM</li> </ul>	June 15, 2003	No
		B	<ul style="list-style-type: none"> <li>• Hire Qualified GM</li> </ul>	Sept 5, 2003	No: Incremental cost to existing operating budget?
4	Chief Engineer	A	<ul style="list-style-type: none"> <li>• Advertise for Chief Engineer</li> </ul>	July 15, 2003	No
		B	<ul style="list-style-type: none"> <li>• Hire Chief Engineer – Best Efforts</li> </ul>	October 5, 2003	Yes: Incremental cost to existing operating/capital budget?
5	Chief Financial Officer	A	<ul style="list-style-type: none"> <li>• Advertise for Chief Financial Officer</li> </ul>	August 5, 2003	No
		B	<ul style="list-style-type: none"> <li>• Hire Chief Financial Officer – Best Efforts</li> </ul>	November 5, 2003	Yes: Incremental cost to existing operating budgets?
6	General Manager's Authority	A	Report on any legal barriers to GM oversight of CFO	July 5, 2003	No
		B	<ul style="list-style-type: none"> <li>• EPA Comments on 6.a</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>• GWA's response to EPA's comments</li> </ul>	EPA + 30	No
7	Conflict of Interest	A	<ul style="list-style-type: none"> <li>• Permits GWA Contracts to fill Staff vacancies</li> </ul>	Continuous	No
8	Certification of Directly Responsible Charge Operators (DRCs)	A	<ul style="list-style-type: none"> <li>• Notify Employees not qualified as DRCs</li> </ul>	June 15, 2003	No
		B	<ul style="list-style-type: none"> <li>• All DRC operators to certified level</li> </ul>	December 5, 2003	Yes: Incremental Training Costs and Salary Increments; Grant money?
9	GWA Reorganization	A	<ul style="list-style-type: none"> <li>• GWA draft reorganization plans</li> </ul>	September 5, 2003	Yes: May require outside assistance
		B	<ul style="list-style-type: none"> <li>• EPA Comments on Draft Plan</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>• GWA Finalized Plan</li> </ul>	EPA + 90	Yes: May require outside assistance
		D	<ul style="list-style-type: none"> <li>• EPA Comments on Final Plan</li> </ul>	not specified	No
		E	<ul style="list-style-type: none"> <li>• Final Reorganization Plan</li> </ul>	EPA + 30	No
		F	<ul style="list-style-type: none"> <li>• Fill and Train all positions</li> </ul>	EPA + 180	Yes: Requires Phase in Plan and Associated Costs of new and retrained Staff
10	Master Plans	A	<ul style="list-style-type: none"> <li>• Draft Scope of Work and Draft RPP</li> </ul>	July 5, 2003	Yes: May require outside assistance
		B	<ul style="list-style-type: none"> <li>• EPA responds to drafts</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>• GWA finalizes RPP</li> </ul>	EPA + 30	Yes: May require outside assistance
		D	<ul style="list-style-type: none"> <li>• List of Five qualified offerors and qualifications</li> </ul>	EPA + 30 + 60	Yes: May require outside assistance



REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT

AND

DEVELOPMENT OF INTERIM PLAN (IP)

2/2004 – 7/2005

Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
	E.	<ul style="list-style-type: none"> <li>GWA selects qualified candidate(s) and awards contract(s)</li> </ul>	EPA approval of offerers + 45	Yes: May require outside assistance
	F0	<ul style="list-style-type: none"> <li>GWA Obtains Master Plans Including:                             <ul style="list-style-type: none"> <li>a. twenty year plan using 10-state standards as guideline</li> <li>b. twenty year plan using Hawaii Water Standards</li> <li>c. cost/benefit of water conservation</li> <li>d. Evaluation of control process (SCADA) &amp; MIS</li> <li>e. Five Year plan for revenues (including user fees and sewer connection fees)</li> <li>f. Five-year plan of O&amp;M, projected budgets, capital budgets consistent with master plan and financial reserves</li> </ul> </li> </ul>	Complete draft due around December 1, 2004 and Final Plan due around March 1, 2005	Yes: Cost of plans originally estimated to be \$1 million. Payments should be spread over period. Should also have Impact Fee and revenues. Should also have connection fees for sewer.
	F1	<ul style="list-style-type: none"> <li>GWA completes leak detection study</li> </ul>	December 5, 2003	Yes: Incremental Costs for outside assistance. May have grant funds available?
	F2	<ul style="list-style-type: none"> <li>GWA completes water budget quantifying and describing sources and uses of potable water</li> </ul>	February 5, 2004	Yes: Incremental costs for outside assistance. May have grant funds available
	F3	<ul style="list-style-type: none"> <li>GWA to locate, map treatment facilities, waterwells, collection systems, etc.</li> </ul>	March 5, 2004	Yes: Incremental costs for outside assistance. May have grant funds available
	F4	<ul style="list-style-type: none"> <li>GWA to develop hydraulic analyses and model for water system(s)</li> </ul>	June 5, 2004	Yes: Incremental costs for outside assistance. May have grant funds available
11 Interim Disinfection Program	A	<ul style="list-style-type: none"> <li>GWA to develop program</li> </ul>	Sept 5, 2003	Yes: GWA may require outside assistance
	B	<ul style="list-style-type: none"> <li>EPA Comments on program</li> </ul>	not specified	
	C	<ul style="list-style-type: none"> <li>Implementation of approved plan</li> </ul>	EPA+30	Yes: GWA may require outside assistance; grant may be available; some capital costs
	D	<ul style="list-style-type: none"> <li>Annual reports and updates</li> </ul>	ongoing	
12 Interim Chlorine Residual Level Monitoring Program	A	<ul style="list-style-type: none"> <li>GWA to develop program</li> </ul>	September 5, 2003	Yes: GWA may require outside assistance; grant funds may be available

REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT  
AND  
DEVELOPMENT OF INTERIM PLAN (IP)  
2/2004 – 7/2005

Item	Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
		B	<ul style="list-style-type: none"> <li>EPA Comments on Program</li> </ul>	not specified	
		C	<ul style="list-style-type: none"> <li>Implementation of approved plan</li> </ul>	EPA+30	Yes: GWA may require outside assistance; grant may be available; some capital costs
		D	<ul style="list-style-type: none"> <li>Annual reports and updates</li> </ul>	ongoing	
13	Leak Detection and Response Program	A	<ul style="list-style-type: none"> <li>Develop program</li> </ul>	December 5, 2003	Yes: GWA may require outside assistance
		B	<ul style="list-style-type: none"> <li>EPA Comments on Program</li> </ul>	not specified	
		C	<ul style="list-style-type: none"> <li>Implementation of Program</li> </ul>	EPA + 30	Yes: Outside Assistance; capital costs: revenue enhancement?; operating cost savings
14	Water Meter Improvement Program	A	<ul style="list-style-type: none"> <li>Develop program</li> </ul>	September 5, 2003	Yes: GWA may require outside assistance
		B	<ul style="list-style-type: none"> <li>EPA Comments on Program</li> </ul>	not specified	
		C	<ul style="list-style-type: none"> <li>Begin Implementation of Program</li> </ul>	EPA + 30	Yes: Additional Capital Costs and operating costs; offset by revenue enhancement and operating cost reductions
		D	<ul style="list-style-type: none"> <li>Achieve goal of fully and accurately read water consumption</li> </ul>	June 5, 2006	Yes: Additional Capital Costs and operating costs for three years; offset by revenue enhancement and operating cost reductions for current and subsequent years; grant monies?
15	Parts Inventories for Wastewater and Water	A	<ul style="list-style-type: none"> <li>Develop and maintain 60-day inventory</li> </ul>	December 5, 2003	Yes: Additional up front capital costs
		B	<ul style="list-style-type: none"> <li>Report on Inventory Adequacies</li> </ul>	December 5, 2003	No
		C	<ul style="list-style-type: none"> <li>Semiannual reports on inventory adequacy</li> </ul>	ongoing	No
16	Routine Maintenance Report	A	<ul style="list-style-type: none"> <li>Provide a Report on Needed Tools &amp; Equip</li> </ul>	December 5, 2003	Yes, in conjunction with inventory requirement (above) and ongoing O&M
17	Standby Generators	A	<ul style="list-style-type: none"> <li>Submit list indicating size of standby generator for each applicable location</li> </ul>	September 5, 2003	No
		B	<ul style="list-style-type: none"> <li>EPA Comments on List</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Respond to EPA Comments</li> </ul>	EPA + 30	No
		D	<ul style="list-style-type: none"> <li>Supply generators for all applicable locations</li> </ul>	June 5, 2005	Yes: Incremental CIPs and possible bonding? Grants?
18	Underground Storage Tanks	A	<ul style="list-style-type: none"> <li>Prepare inventory of UG storage and perform temporary closures as required</li> </ul>	September 5, 2003	No

REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT  
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DEVELOPMENT OF INTERIM PLAN (IP)  
2/2004 – 7/2005

No.	Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
		B	<ul style="list-style-type: none"> <li>EPA Comments on List and Closures</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>GWA responds to EPA and performs additional required tasks</li> </ul>	EPA + 30	?
19	Emergency Plan	A	<ul style="list-style-type: none"> <li>Develop Plan for Typhoon, Earthquake, etc.</li> </ul>	December 5, 2004	Assume "in house"?
		B	<ul style="list-style-type: none"> <li>EPA Comments on Plan</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implement Plan</li> </ul>	EPA + 30	No
20	Preventive Maintenance Program	A	<ul style="list-style-type: none"> <li>Develop Draft Plan for System-wide maintenance</li> </ul>	June 5, 2004	Yes: Incremental Software for existing IBM system; outside assistance
		B	<ul style="list-style-type: none"> <li>EPA Comments on Plan</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implementation of Plan</li> </ul>	EPA + 30	Possible Incremental O&M may be offset by costs incurred through lack of maintenance?
21	Operations & Maintenance Manuals	A	<ul style="list-style-type: none"> <li>Submit a Plan &amp; Schedule for Developing the Manuals</li> </ul>	December 5, 2003	No
		B	<ul style="list-style-type: none"> <li>EPA Comments on Plan</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Complete O&amp;M manuals including procedures for on-going updates and changes</li> </ul>	June 5, 2005	Yes: Some Publication assistance at a minimum; some overlap with CMMS system (# 20) and Emergency Plan (# 19)
22	GWA Authority	A	<ul style="list-style-type: none"> <li>Report on the steps to autonomy</li> </ul>	July 5, 2003	Yes: Incremental Legal expense?
		B	<ul style="list-style-type: none"> <li>EPA Comments on Report</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implementation of Action leading to Autonomy</li> </ul>	EPA + 30	No?
23	Standard Operating Procedures	A	<ul style="list-style-type: none"> <li>Prepare Draft SOP manual on procurements and compliance with statutes</li> </ul>	December 5, 2003	Yes: Some overlap with #21 and #22
		B	<ul style="list-style-type: none"> <li>EPA comments on Draft SOP manual</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implement SOP with procedures for updates and changes</li> </ul>	EPA + 30	No
24	Vulnerability Assessment	A	<ul style="list-style-type: none"> <li>Submission of Complete Assessment</li> </ul>	December 5, 2003	? Some overlap with #19-23?
		B	<ul style="list-style-type: none"> <li>Emergency Response Plan</li> </ul>	June 5, 2004	?
25	Trade Organizations	A	<ul style="list-style-type: none"> <li>Join AWWA and WEF</li> </ul>	September 5, 2003	Minor



REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT  
AND  
DEVELOPMENT OF INTERIM PLAN (IP)  
2/2004 – 7/2005

	Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
26	Financial Standard Operating Procedures	A	<ul style="list-style-type: none"> <li>Develop Procedures for fiscal management and control, budgeting, accounting and financial planning</li> </ul>	June 5, 2004	Yes: GWA may require outside assistance
		B	<ul style="list-style-type: none"> <li>EPA Comments on Procedures</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implement Procedures</li> </ul>	EPA + 30	No
27	Annual Budgets	A	<ul style="list-style-type: none"> <li>Submit Annual Budgets to EPA in format required</li> </ul>	ongoing	Yes: Possible request for rates and changes in tariffs
28	Interim Financial Plan	A	<ul style="list-style-type: none"> <li>Develop and Submit Financial Plan to EPA and PUC including identification of all existing debt</li> </ul>	December 5, 2003	Yes: May require outside assistance; surcharge available for PUC costs
		B	<ul style="list-style-type: none"> <li>Prepare Rate Filing as may be required per 28.a including proposed changes in tariffs</li> </ul>	December 5, 2003	Yes: May require outside assistance
29	Approval of Interim Plan	A	<ul style="list-style-type: none"> <li>GWA notifies EPA of PUC approval of interim plan</li> </ul>	March 6, 2003	No
		B	<ul style="list-style-type: none"> <li>Implementation of Plan</li> </ul>	March 2003	No
30	Approval of Financial Plan	A	<ul style="list-style-type: none"> <li>PUC approval of Master Plan and Financial Plan</li> </ul>	September 5, 2005?	Yes
31	Five Year Plan	A	<ul style="list-style-type: none"> <li>Prepare and submit annual forecast of revenues and costs consistent with budgets and rates</li> </ul>	June 5, 2005	No
		B	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>GWA Implements 5-year programs</li> </ul>	EPA + 30	Costs possibly included in above items
32	Financial Reserves	A	<ul style="list-style-type: none"> <li>Debt Service Reserve</li> </ul>	Issuance + 30	Assume funds are from bond proceeds
		B	<ul style="list-style-type: none"> <li>Plan O&amp;M and Replacement Reserves</li> </ul>	September 5, 2003	No
		C	<ul style="list-style-type: none"> <li>EPA Comments on Plans</li> </ul>	not specified	No
		D	<ul style="list-style-type: none"> <li>Implement Reserve Plan</li> </ul>	EPA + 30	3-months O&M may be funded with LOC tilt funded by rates
		E	<ul style="list-style-type: none"> <li>Fund Reserves</li> </ul>	June 5, 2005	Small impact
33	Late Payments	A	<ul style="list-style-type: none"> <li>Develop program for penalties and disconnection</li> </ul>	September 5, 2003	No
		B	<ul style="list-style-type: none"> <li>Develop enforcement procedures</li> </ul>	September 5, 2003	No
		C	<ul style="list-style-type: none"> <li>EPA Comments on Plans</li> </ul>	not specified	No
		D	<ul style="list-style-type: none"> <li>Implementation of Plans</li> </ul>	EPA + 30	Should result in net benefit over prior years

REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT

AND

DEVELOPMENT OF INTERIM PLAN (IP)

2/2004 – 7/2005

	Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
34	Sewer Hook-up Revolving Fund	A	<ul style="list-style-type: none"> <li>Develop program for connection</li> </ul>	December 5, 2004	Use available Funds from GEPA water planning committee
		B	<ul style="list-style-type: none"> <li>EPA Comments on Plan</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implement Plan</li> </ul>	EPA + 30	Increased revenues over incremental capital and operating costs
35	Agana Ocean Outfall	A	<ul style="list-style-type: none"> <li>Develop design schedule and baseline monitoring</li> </ul>	December 5, 2003	Incremental Costs already incurred? Grant available? See prior plan.
		B	<ul style="list-style-type: none"> <li>Submit Plan for Construction</li> </ul>	August 5, 2003	Yes. Onsite Engineering assistance required?
		C	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		D	<ul style="list-style-type: none"> <li>Program Completion</li> </ul>	June 5, 2006	Capital Costs Covered by Bonds
36	Northern District Ocean Outfall	A	<ul style="list-style-type: none"> <li>Develop design schedule and baseline monitoring</li> </ul>	December 5, 2003	Incremental Costs already incurred? Grant available? See prior plan.
		B	<ul style="list-style-type: none"> <li>Submit Plan for Construction</li> </ul>	August 5, 2003	Yes. Onsite Engineering assistance required?
		C	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		D	<ul style="list-style-type: none"> <li>Program Completion</li> </ul>	June 5, 2006	Capital Costs Covered by Bonds
37	Assessment of Chaot Wastewater Pump Station et al.	A	<ul style="list-style-type: none"> <li>Retain Engineering Firm for Assessment</li> </ul>	not specified	Incremental Expense over existing budget? See prior plan
		B	<ul style="list-style-type: none"> <li>Provide Engineering Assessment to EPA</li> </ul>	December 5, 2003	See above
		C	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		D	<ul style="list-style-type: none"> <li>Plan for corrective action and design</li> </ul>	EPA + 180	Yes. Capital Cost to be funded with bonds
		E	<ul style="list-style-type: none"> <li>EPA comments</li> </ul>	not specified	No
		F	<ul style="list-style-type: none"> <li>Complete project</li> </ul>	December 5, 2004	Yes: Capital Costs to be funded with bonds
38	Water Transmission Line Construction Plan	A	<ul style="list-style-type: none"> <li>Develop Plan to treat well water resources</li> </ul>	December 5, 2003	Yes; Onsite assistance may be required
		B	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Implement Plan</li> </ul>	EPA + 30	Yes
39	Northern District STP Renovations	A	<ul style="list-style-type: none"> <li>Develop interim corrective action plan</li> </ul>	September 5, 2003	? See prior plan.
		B	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Complete Planned Renovations</li> </ul>	December 5, 2004	Yes; Capital costs funded with bond proceeds. See prior plan
40	Agana Main Sewage Pump Station Diverter Box	A	<ul style="list-style-type: none"> <li>Develop Schedule for Repair</li> </ul>	August 5, 2003	No
		B	<ul style="list-style-type: none"> <li>EPA Comments</li> </ul>	not specified	No
		C	<ul style="list-style-type: none"> <li>Complete Project</li> </ul>	December 5, 2003	Yes. Incremental O&M and Capital? Grants?

REQUIREMENTS OF THE STIPULATED ORDER OF CONSENT

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2/2004 – 7/2005

	Description	Steps	Details and Actions	Due Date	Impacts on IP and Financial Considerations Y/N
41	Ugum Surface Water Treatment Plant	A	• Develop scope and plan for project	September 5, 2003	?
		B	• EPA Comments on scope and plan	not specified	No
		C	• Complete Project	June 5, 2006	Yes. Capital costs to be funded with bond proceeds
42	Agana STP Renovation	A	• Develop Interim Corrective Plan	September 5, 2003	Yes. Outside engineering assistance may be required See prior plan.
		B	• EPA Comments on Plan	not specified	No
		C	• Complete Project	June 4, 2005	Yes. Capital costs to be funded with bond proceeds
43	Agat, Baza Gardens and Umatac-Meriao STP Renovations	A	• Plan to bring these plants into compliance	September 5, 2003	Yes. Outside Engineering. See prior plan.
		B	• EPA Comments on Plan	not specified	No
		C	• Complete Project	June 5, 2005	Yes. Capital Costs to be Funded with bonds
44	Santa Rita Spring Booster Pump Station Rehabilitation	A	• Plan for Design and Construction	August 5, 2003	Costs may have already been incurred?
		B	• EPA Comments	not specified	No
		C	• Complete Project	no date specified	Yes. Completion date may be in completed plan of June 21, 2002
45	Rehab/Replace Drinking Water Wells	A	• Develop Phase 1 and Phase 2 Plan	December 5, 2003	Yes. Outside assistance may be required
		B	• EPA Comments	not specified	No
		C	• Complete Phase 1	June 5, 2005	Yes. Capital Cost to be funded with bonds
		D	• Complete Phase 2	June 5, 2007	Yes. Capital Cost to be funded with bonds
46	Operator Training Program	A	• Develop Program	December 5, 2003	No
		B	• EPA Comments	Not Specified	No
		C	• Implement Program	EPA + 30	?
47	Other Training Programs	A	• Develop Program	June 5, 2004	?
		B	• EPA Comments	not specified	?
		C	• Implement Program	EPA + 30	?
48	Notice of Non-Compliance	A	• Submission of notice of non-compliance of above	ongoing	No
49	Compliance Progress Reports	B	• Quarterly Compliance Reports	ongoing (begin January 28 2004)	No

FINANCIAL CONSIDERATIONS RESULTING FROM  
STIPULATED ORDER OF CONSENT

	Description	Step	Incremental to FY03 Actual Costs	Revenue	Capital	Operating Expense	Grants EPA/GEPA	Grants Other	Debt/Bonds	Estimated by: GWA(A) Consultant(B) Prior EPA Plan (C)
4	Chief Engineer	B	Y			\$				
5	Chief Financial Officer	B	Y			\$				
8	Certification of Directly Responsible Charge Operators DRCs	B	Y			\$				\$1,500,000(C)
9	GWA Reorganization	A,C,E,F	Y		\$	\$				
10	Master Plans	A-E	Y		\$	?				
		F0	Y		\$	?			\$	\$2,300,000 (C)
		F1	Y		\$	?	\$			
		F2	Y		\$	?	\$			
		F3	Y		\$	?	\$			
		F4	Y		\$	?	\$			
11	Interim Disinfection Program	A-D	Y			\$	\$			
12	Interim Chlorine Residual Level Monitoring Program	A-C	Y			\$	\$			
13	Leak Detection Program	A-C	Y	\$	\$			\$		
14	Water Meter Improvement Program	A-D	Y	\$	\$			\$	\$	\$4,500,000 (C)
15	Parts Inventory	A-C	Y		\$	\$				
16	Routine Maintenance Reporting	A	Y			\$				
17	Standby Generators	A-E	Y		\$	\$		\$	\$	
18	Underground Storage Tasks	A-C	Y		\$					

FINANCIAL CONSIDERATIONS RESULTING FROM  
STIPULATED ORDER OF CONSENT

	Description	Step	Incremental to FY03 Actual Costs	Revenue	Capital	Operating Expense	Grants EPA/GEPA	Grants Other	Debt/Bonds	Estimated by: GWA(A) Consultant(B) Prior EPA Plan (C)
20	Preventive Maintenance Program	A-C	Y		\$	\$				\$1,500,000(C)
21	O&M Manuals	A-C	Y			\$				
22	GWA Authority	A	Y			\$				
23	Standard Operating Procedures	A-C	Y		?	\$				
24	Vulnerability Assessment	A-B	Y			\$				
26	Financial SOPs	A-B	Y			\$				
28	Interim Financial Plan	A-B	Y			\$				
30	Approval of Master Plan	A	Y			\$				
31	Five Year Plan	A	Y			\$				
32	Financial Reserves	A-E	Y		\$				\$	
33	Late Payments	A-D	Y	\$						
34	Sewer Hook-up Revolving Fund	A-C	Y	\$	\$			\$		\$6,000,000 (C)
35	Agana Ocean Outfall	A-D	Y		\$				\$	\$4,400,000(C)
36	Ocean District Outfall	A-D	Y		\$					\$4,300,000(C)
37	Chaut Assessment	A-F	Y		\$	\$			\$	
38	Water Transmission Line	A-C	Y		\$		\$		\$	
39	Northern District STP	A-C	Y		\$				\$	\$2,000,000(C)
40	Agana Station Box	A-C	Y		\$				\$	\$1,600,000(C)
41	Ugum Surface Water Treatment Plant	A-C	Y		\$				\$	
42	Agana STP Renovation	A-C	Y		\$				\$	\$3,800,000(C)





**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**REGULATORY REVIEW OF GWA  
INTERIM FINANCIAL PLAN  
REQUIRED BY STIPULATED ORDER  
FOR PRELIMINARY RELIEF IN  
U.S. V. GWA and the Government of Guam  
CV02-00035 (U.S. District Court of Guam)**

**DOCKET NO. 02-35**

**SUPPLEMENTAL TESTIMONY OF:  
SIMON A. SANCHEZ, II  
AND  
RANDALL V. WIEGAND**

September 28, 2004

1    **Q.** Please state your names and titles.

2    **A.** Our names are Simon A. Sanchez, II, Chairman of the Consolidated  
3    Commission on Utilities and Randall V. Wiegand, Chief Financial Officer of  
4    the Guam Waterworks Authority.

5

6    **Q.** Please state the purpose of your testimony.

7

8    **A.** The purpose of our testimony is to provide some recently obtained  
9    information to the Public Utilities Commission as the result of meetings with  
10   potential bond underwriters for the Guam Waterworks Authority.

11

12   **Q.** What is the supplemental information you wish to provide?

13

14   **A.** On September 22, 2004 we attended and participated in an interview of  
15   five candidates to be the underwriter for the Guam Waterworks Authority's  
16   upcoming bond financing.

17

18   The candidate firms were:

19        UBS Financial Services

20        Merrill Lynch

1 JP Morgan

2 Citigroup

3 Lehman Brothers

4  
5 Each of the five firms had submitted proposals in response to a Request For  
6 Proposals (RFP) that had been issued by the Guam Economic Development  
7 and Commerce Authority (GEDCA). The proposals were rated by a team of  
8 evaluators from GEDCA and GWA. The September 22 meeting was  
9 scheduled in Los Angeles to allow GWA for an opportunity to meet with  
10 and interview the underwriters face to face to supplement the "paper"  
11 evaluation.

12  
13 In the RFP, the underwriters were advised that GWA intended to issue a  
14 Bond Anticipation Note as a means of obtaining interim financing until the  
15 question of a potential privatization of the Authority had been explored at  
16 which time the Note would be taken out by permanent financing. Each of  
17 the firms was asked to comment on the financing plan and was encouraged  
18 to provide any alternative proposals.



1 One of the most interesting proposals received was a recommendation to  
2 pursue permanent financing of the initial \$70 million offering via a bond  
3 issuance with an option for the bonds to be callable at par value for purposes  
4 of a possible privatization of the Authority no earlier than two years after the  
5 issuance of the notes. The bonds could have a feature of capitalizing all  
6 interest costs for the first one or two years which would mean that GWA  
7 would have no debt service costs for the first one or two years after the  
8 receipt of the funds.

9  
10 Another option that was discussed was the bifurcation of the debt issuance in  
11 accordance with the asset life of certain equipment funded with the bonds.

12 Under this scenario, for instance, GWA may be able to include the financing  
13 of its meter program under a 10 year term while the remainder of the bonds  
14 may be financed using a 30-40 year term.

15  
16 Each of the firms was also given an opportunity to make a rate strategy  
17 proposal to the evaluation team. The consistent theme across all of the  
18 underwriters is that GWA's alternatives for obtaining funds will  
19 dramatically improve once an investment grade rating is achieved. Some of  
20 the underwriters indicated it would be impossible for GWA to obtain an

1 investment grade rating within the next two years. However, the firms  
2 whom we believe knew the most about GWA's current turnaround (e.g.  
3 O&M cost reductions, recent and proposed rate hikes, change in  
4 governance) indicated that an investment grade rating would be achievable  
5 over the next few months through a combination of:

- 6 1) Strong presentations by management of a plan for revitalizing the  
7 utility;
- 8 2) a well grounded consulting engineer's report confirming the  
9 projected project costs and further detailing how debt service  
10 coverage would be achieved in the future; and
- 11 3) necessary phased-in rate increases from an independent Public  
12 Utilities Commission demonstrating a willingness to work with  
13 GWA to insure GWA could service the new debt and continue the  
14 much needed overhaul of the Authority.

15  
16 We discussed some of our timing issues such as:

17 --- the need for future GWA rate increases would be partially offset by  
18 additional revenues from the automated meter reading program as well as  
19 additional savings from operations as efficiencies improve;

1           -- capitalized interest would help allay the need for sizeable rate  
2 increases now and suggested that perhaps it would make sense to delay the  
3 significant portion of the increases until more information about the  
4 additional revenues and additional savings were known;

5           -- whether the rating agencies may be comforted by the fact that the  
6 PUC will establish a policy of ensuring GWA debt service coverage does  
7 not drop below 1.75 times.

8  
9           The unanimous response we received was that because of GWA's poor  
10 historical record and because there is not a consistent record of rate increases  
11 demonstrating the willingness of GWA and the PUC to aggressively pursue  
12 rate increases, a clear commitment to additional phased-in rate increases  
13 would be essential in order for GWA to achieve an investment grade rating.  
14 They indicated that there are a lot of utilities that can provide brilliant  
15 explanations for why rates shouldn't be increased, but that in many cases,  
16 there is not an actual willingness to grant the increases. The uniform  
17 response we received from all of the underwriters was that GWA and the  
18 PUC would need to demonstrate an on-going willingness to raise rates over  
19 time in order for the GWA to obtain an investment grade rating and be able  
20 to take advantage of the lower cost financing alternatives.

1  
2 **Q.** What is the central message intended for the PUC by this supplemental  
3 testimony?

4  
5 **A.** The PUC needs to be advised (and is already aware) that GWA is  
6 working in an extremely fluid environment. New information is received  
7 almost on a daily basis. GWA's plan for moving forward improves with  
8 every additional relationship that is developed with its consultants,  
9 underwriters, and engineers. While GWA is constantly examining  
10 alternatives for identifying lowest cost financing alternatives for its  
11 ratepayers, the only financing plan that has been reviewed and approved by  
12 the Consolidated Commission on Utilities is the plan to issue a BAN in the  
13 approximate amount of \$70 million, meter financing of \$13 million, and  
14 short term borrowing of approximately \$8 million. While better alternatives  
15 may develop as GWA progresses with its revitalization plan, the fact  
16 remains that rating agencies will demand a record of support for appropriate  
17 rate increases from the PUC.

18 **B.** Additionally, the inescapable reality is that within the next few years,  
19 GWA will issue more than \$160 million in long-term debt and will be facing  
20 annual debt service costs of approximately \$15 million. The additional

1 revenues and savings from improved management and operations will not be  
2 anywhere near enough to fund this amount, and thus, the debt service will  
3 need to be primarily funded through graduated rate increases that continue  
4 now from the work begun with the April rate hike. Even though GWA  
5 acknowledges the actual financing vehicles that ultimately fund the GWA  
6 capital plan may provide lower immediate costs, the financing plan  
7 considered by the PUC at this time should be consistent with the overall  
8 phased-in plan rate adopted by the CCU last year, the ignored phased-in rate  
9 hike plan offered by Georgetown Consulting Group a few years ago and as  
10 reflected in the approved budget and the minimum filing requirement  
11 schedules.

12  
13 GEDCA will be hiring GWA's underwriter in the next few weeks. With  
14 its new underwriter, GEDCA and BoA, GWA can finalize the best  
15 permanent financing approach for all. However, we still must get gradual  
16 rate relief from the PUC now in order to avoid huge rate increases later.  
17 Gradual rate hikes phased in over time will be more attractive to  
18 lenders/bond markets since it shows our commitment to insuring  
19 repayment while recognizing that a phased in approach also helps rate  
20 payers adjust over time. It also allows projects to be built sooner at the

1 lowest interest rates possible from a good bond rating in order to produce  
2 efficiencies that will lower the amount of rate hikes needed down the  
3 road.

4  
5 Similar to the painful but necessary GPA LEAC adjustments from last  
6 October, when the dollars recovered helped improve GPA's operations  
7 and balance sheet in order to generate rate payer savings down the road,  
8 continuing graduated rate increases now will produce significant savings  
9 to rate payers later.

10  
11 Everyone gets a win with this approach

12  
13 Q. Does this conclude your testimony?

14 A. Yes.

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM

GUAM WATERWORKS AUTHORITY  
EPA ORDER - INTERIM FINANCIAL PLAN

DOCKET 02-02



Resolution

The Guam Public Utilities Commission [PUC], after due consideration and for just cause shown, finds that:

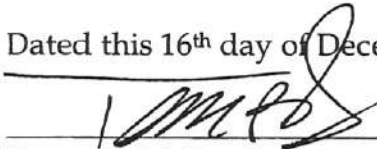
1. PUC is charged by section 28 of the District Court of Guam's June 5, 2003 Stipulated Order For Preliminary Relief [*Civil Case No. 02-00035 - "EPA Order"*] to review and approve an Interim Financial Plan, including necessary rate relief, by which Guam Waterworks Authority [GWA] will be able to fund the activities, projects and duties required of it by the EPA Order until a Final Financial Plan is approved in early 2006;
2. On October 29, 2003, GWA, in accordance with the requirements of Public Law 26-23, published a 90 day notice of its intention to petition for PUC approval of rate relief necessary to fund an Interim Financial Plan, which petition should be filed with PUC in late January 2004;
3. Pursuant to the requirements of the EPA Order, GWA was required to submit its proposed Interim Financial Plan, with collateral petition for rate relief, with PUC not later than October 5, 2003. The consequent three month delay in making this filing has created a sense of urgency in both expediting regulatory action on the anticipated petition and on starting the revenue stream necessary to enable GWA to comply with the requirements of the EPA Order;
4. PUC's administrative law judge is responsible under PUC Rule 24 *et. sec.* with overseeing the prehearing process by which GWA's petition for approval of rate relief and its Interim Financial Plan will be brought before PUC for consideration during the March 2004 regulatory session.
5. GWA's petition may present a threshold regulatory issue of whether to entertain GWA's rate relief requirements for the entire Interim Financial Plan period in March 2004 or to consider these requirements in an incremental manner by fiscal year. A decision on this potential threshold

issue will require a careful examination of: a] GWA's ability to satisfy, in its January 2004 petition, the minimum filing requirements for each increment of rate relief it requires during the Interim Financial Plan; b] the reliability of financial projections for out-years; c] the importance of starting the Interim Financial Plan revenue stream at the earliest possible date given the timeline mandated by the EPA Order; d] the likelihood that subsequent events [*external financing requirements, private management contracts, accounts receivable, etc.*] may impact financial projections; and e] whether an incremental approach to regulatory review of the rate relief required by the Interim Financial Plan would best enable PUC to discharge the duties expected of it under EPA Order. PUC finds that under the circumstances regulation would be best served if this threshold issue, if it arises, is adjudged by PUC's administrative law judge pursuant to his authority under PUC Rule 24 *et. sec.*

**NOW, THEREFORE**, in due consideration of the above findings and on motion made, seconded and carried by the vote of the undersigned commissioners, the Guam Public Utilities Commission **HEREBY RESOLVES THAT:**

1. The authority of PUC's administrative law judge [ALJ] to adjudicate and rule on the threshold issue, as defined and described above, is hereby confirmed and approved.
2. PUC hereby reaffirms its commitment to discharge the duties conferred upon it by the EPA Order in a timely and independent manner.

Dated this 16<sup>th</sup> day of December 2003.

  
Terrence M. Brooks

  
Edward C. Crisostomo

  
Gerald M. Woo

  
Rowena E. Perez

  
Filomena M. Cantoria

  
Richie T. Lim

  
Joseph M. McDonald