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By: Leelyn Harris

BEFORE THE PUBLIC UTILITIES COMMISSION



PETITION OF)
GUAM WATERWORKS AUTHORITY)
FOR RATE RELIEF)
_____)

GWA DOCKET 09-03

ALJ REPORT RE: ANNUAL
TRUE UP FOR FY2013 RATES

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the PUC's July 27, 2009 Rate Decision, the July 14, 2009, August 31, 2011, the September 28, 2012, and the January 24, 2013 Stipulations between the Guam Waterworks Authority ("GWA") and the PUC's water and wastewater consultants, Georgetown Consulting Group ("Georgetown"), filed in this docket. Pursuant to the July 14, 2009 Stipulation, GWA is required to provide the PUC with certain updated information annually.

BACKGROUND

On July 13, 2012, GWA submitted its annual "true up" report (hereinafter referred to as the "Annual True Up" or "FY2013 True Up"). On August 31, 2012, the Administrative Law Judge of the PUC (the "ALJ") transmitted GWA's report to Georgetown for its review. Thereafter, Georgetown undertook preliminary discovery with respect to the issues related to GWA's submission. On October 1, 2012, GWA and Georgetown filed a Stipulation wherein the parties agreed to certain findings and recommendations for the PUC. On October 30, 2012, the PUC approved the September 28, 2012 Stipulation.

Thereafter, Georgetown and GWA engaged in further discussions, as well as the exchange of financial information, related to the Annual True-Up. On January 24, 2013, GWA and Georgetown transmitted a Stipulation to the ALJ, which made further findings and joint recommendations related to the PUC's review of the True Up. The Stipulation also contained a

COPY

revised Revenue Implementation Program, as well as financial schedules used to support GWA's True Up. On January 24, 2013, the parties filed an executed version of the Stipulation, which is attached and incorporated hereto as "Exhibit A," and referred to herein as the "Stipulation."

DISCUSSION

A. Annual True Up

1. Base Rate and Lifeline

In the Annual True Up, GWA maintained that "[t]he planned rate increases for FY2013 include the following: 1) 8% rate increase in Basic and Non-lifeline rates across all water and wastewater customer classes; and 2) 8% increase in Lifeline rates across all water and wastewater customer classes."¹ GWA further maintained that "[t]he increases set out in the 2009 Rate Plan form part of the basis of GWA's proposed FY2013 budget requests, however, due to financial and operational challenges, the assumptions and targets proposed in the 2009 Rate Plan were not achieved."² Accordingly, GWA proposed the following: an increase in Basic and Non-lifeline rates of "an additional 2.85% across all water and wastewater customer classes in order to meet FY2013 revenue requirements."³

2. Legislative Surcharge

In addition, GWA submitted that the Legislative surcharge should be reduced from its current rate of 5.6% to 4.40%.⁴ GWA maintained that this surcharge, which is restricted

¹ GWA's Annual True Up in GWA Docket 09-03 ("Annual True Up"), p. 1 (July 13, 2012).

² Annual True Up, p. 1.

³ Annual True Up, p. 1.

⁴ Annual True Up, p. 1.

to paying for health care benefits and annuities of GWA's retirees, must be adjusted annually to "replicate the obligation mandated by public law."⁵

3. Tipping Fee

GWA also proposed the addition of a new Tipping Fee surcharge at 1.70% "across all water and wastewater customer classes except lifeline customers" in order to pay "the Landfill Receiver (GBB) for bio-solids disposals at the Landfill."⁶ GWA maintained that "[t]his amount was calculated to amortize the pre-FY2013 unpaid tipping fee obligation over the course of 1 year and at which time the surcharge is scheduled to expire."⁷

4. Regulatory Surcharge

GWA further proposed the addition of a new 1.36% Regulatory surcharge, which will fund GWA's regulatory expenses.⁸ GWA submitted that this surcharge will replace the expired GPA/Navy/PUC surcharge.⁹

B. January 24, 2013 Stipulation

1. Across the Board Rate Increase

Pursuant to the Stipulation, the parties have agreed on the following. First, conditioned on the PUC's adoption of "Attachment 1" of the Stipulation, or the newly revised Revenue Implementation Program, the parties recommend that the PUC adopt an "additional revenue award of an overall increase in Lifeline and non-lifeline rate elements of 6% for

⁵ Annual True Up, p. 3.

⁶ Annual True Up, p. 2.

⁷ Annual True Up, p. 3.

⁸ Annual True Up, p. 2.

⁹ Annual True Up, p. 3.

FY2013.”¹⁰ Georgetown further submits, however, that in assessing a compressed rate, which will account for the earlier months in FY2013, “the increase in Lifeline and non-Lifeline rates if implemented on February 1, 2013 shall be 9%.”¹¹

2. General Lifeline Rates

Pursuant to 12 G.C.A. §12004 of the Public Utilities Commission and the Guam Telecommunications Act of 2004, the PUC is tasked with establishing and modifying “reasonable rates and charges for services, including General Lifeline Rates, which as far as Guam Telephone Authority, the Guam Waterworks Authority, and Guam Power Authority are concerned, when all rates for respective blocks of usage are considered together, shall be at least adequate to cover the full cost of such service or subject to any contractual agreements of the utilities to the holders of any bonds and shall increase rates or charges from time to time as may be necessary pursuant to any contractual obligations.” Under the Act, “General Lifeline Rates may only be increased when the total actual overall cost of providing service to all classes of customers, increases by no less than twenty percent (20%).” 12 G.C.A. §12004.

In its True Up, GWA maintained that “[t]he last lifeline increase occurred in FY2010” and that “O&M expenses are projected to reach \$74.4 million under the proposed FY2013 budget.”¹² GWA submitted that this results in “approximately 23% above FY2010

¹⁰ Stipulation FY2012 Annual True Up for FY 2013 Rates (“Stipulation”), p. 5 (Jan. 24, 2013). A review of the financial schedules attached to the Stipulation, however, indicate a rate increase of 6.10% assessed on all Basic, Lifeline, and Non-Lifeline rate elements.

¹¹ Stipulation, p. 5. A review of the financial schedules attached to the Stipulation, however, indicate a rate increase of 9.15% assessed on all Basic, Lifeline, and Non-Lifeline rate elements. Thus, the parties really propose a 9.15% increase on these rate elements.

¹² Annual True Up, p. 3.

operating costs of \$60.3 million.”¹³ In addition, the January 24, 2013 Stipulation contends that “the lifeline rate is able to be adjusted due to the increases in base rates in FY2012 plus the request of GWA in this true-up, i.e. a 20% increase in cost of service since the last time that lifeline rates were adjusted has been met, which is the threshold that permits increases in GWA’s existing ‘Lifeline’ rates.”¹⁴ Furthermore, pursuant to the 2009 Rate Order, the PUC had approved a rate increase of 8% with respect to GWA’s Lifeline rate. Under these circumstances, the ALJ hereby finds that GWA’s Lifeline rate may be increased.

3. Tipping Fee and Regulatory Surcharge

With respect to the proposed Tipping Fee and Regulatory Surcharge, GWA and Georgetown now submit that these fees shall not be established. Instead, the parties submit that “the underlying expenses that these surcharges were designed to recover will be included in rate components of all other customer tariffs.”¹⁵

4. Legislative Surcharge

With respect to the Legislative Surcharge, the parties jointly submit that the current rate of 5.6% should be reduced to 2.63%.¹⁶

5. Water and Wastewater Revenue

In the Stipulation, the parties agreed that the water and wastewater revenues should be based on a 7.5% increase in volume for FY2012, as opposed to the 5% increase originally proposed by GWA in its True Up.¹⁷

¹³ Annual True Up, p. 3.

¹⁴ Stipulation, p. 1.

¹⁵ Stipulation, p. 2.

¹⁶ Stipulation, p. 3.

6. Backbilling

With respect to the issue of backbilling, GWA and Georgetown agreed to split the backbilling revenue evenly between FY2012 and FY2013. The parties further agreed that GWA's backbilling shall of course comply with Guam law, and also that the parties would submit to the PUC, no later than May 1, 2013 their recommendations when the backbilling revenues should be recorded.

7. General and Administrative Expenses

The parties have agreed to lessen the projection of the General and Administrative expense by \$500,000.¹⁸

8. Cost for Tipping

The parties also have agreed to a projected cost of \$1.6 million related to Tipping fees for FY2013.¹⁹

9. Working Capital Allowance

The parties have established a working capital allowance of \$1.453 million.²⁰

10. Operations and Management Fund

The parties have agreed to reserve \$842,000 in cash to fund the O&M and OMRRF fund.²¹

¹⁷ Stipulation, p. 3.

¹⁸ Stipulation, p. 4.

¹⁹ Stipulation, p. 4.

²⁰ Stipulation, p. 4.

²¹ Stipulation, p. 4.

11. Debt Service Coverage Ratio

The parties have established a debt service coverage ratio (“DSCR”) of 1.75x.²²

12. Meter Replacement and Revenue Implementation Programs

With respect to issues related to GWA’s meter replacement program, “excessive” and “unaccounted” water loss, reduction of energy consumption, and water purchases from the U.S. Navy, the parties have agreed to the implementation of a new Revenue Implementation Program, which the parties believe “will provide significant net benefits to GWA ratepayers.”²³

13. Revenue Implementation Program

Under the new Revenue Implementation Program, GWA agreed to the following. First, GWA will prepare a monthly “billing consumption analysis” that “tracks the consumption patterns of the Badger meters installed subsequent to July 2012.”²⁴ Second, GWA will test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters. GWA further agreed to submit a report summarizing the results of such testing by October 1 of each year.

In addition, the parties agreed that GWA shall file an “updated plan” identifying “potential ways” it can minimize U.S. Navy water purchases by June 30, 2013.²⁵ The parties submit that “[t]he programs should identify all investments required and known barriers to

²² “GWA and GCG accept for the purposes of stipulation that a DSCR standard of 1.75x on senior debt per the PUC policy and basis of several stipulations should be the rate-making standard to determine what additional revenues should be approved by the PUC and that this stipulation has provided for such a requirement.” Stipulation, p. 4.

²³ Stipulation, pp. 4-5.

²⁴ Stipulation, “Attachment 1.”

²⁵ Stipulation, “Attachment 1.”

implementation and be included with GWA's filed testimony."²⁶ Next, the parties further agreed that GWA shall file a report on the "actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment."²⁷

14. Multi-Year Rate Filing

The Stipulation further indicates that GWA's next multi-year rate plan would be initiated no later than April 1, 2013. The parties indicate that this rate filing shall include the "latest requirements of the U.S. E.P.A. Amended District Court Order."²⁸

15. Tiyan Interim Rates

Lastly, the parties have recommended that the "Interim Tiyan Rates," which was originally established under the PUC's August 13, 2011 Rate Order in GWA Docket 07-04, and continued by way of the PUC's September 19, 2011 Order, be extended through FY2013 and should be subject to the same rate increase discussed above.²⁹

RECOMMENDATION

A. Findings

Based on the record, the ALJ hereby finds that the joint findings contained in the Stipulation are reasonable. Accordingly, the ALJ recommends that the PUC adopt the findings set forth in the January 24, 2013 Stipulation.

The ALJ further finds that the provisions concerning the revised Revenue Implementation Program are reasonable, and therefore recommends that the PUC approve the

²⁶ Stipulation, "Attachment 1."

²⁷ Stipulation, "Attachment 1."

²⁸ Stipulation, p. 5.

²⁹ Stipulation, p. 5.

provisions contained in “Attachment 1” of the Stipulation. Accordingly, and in support of the parties’ efforts, the ALJ recommends that the PUC require GWA to prepare a monthly “billing consumption analysis” that “tracks the consumption patterns of the Badger meters installed subsequent to July 2012,”³⁰ as set forth in the Revenue Implementation Program. In addition, the ALJ also recommends that the PUC require GWA to test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year.

The ALJ further recommends that the PUC additionally require GWA to file a report identifying “potential ways” it can minimize U.S. Navy water purchases by June 30, 2013 and as set forth in the Revenue Implementation Program.³¹ The ALJ additionally recommends that the PUC require GWA to file a report on the “actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment” as set forth in the Revenue Implementation Program.³²

With respect to the issue of backbilling, the ALJ recommends that the PUC require GWA to submit its recommendation pertaining to when backbilling revenues should be recorded, as discussed in the Stipulation, by May 1, 2013.

Finally, the ALJ recommends that the PUC require GWA to submit its next multi-year rate plan by March 1, 2013, as contemplated in its January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

³⁰ Stipulation, “Attachment 1.”

³¹ Stipulation, “Attachment 1.”

³² Stipulation, “Attachment 1.”

B. Rates

Based on the administrative record established in this docket, along with the representations made by the parties in the Stipulation, the ALJ hereby finds that the proposed rates and surcharges contained in the Stipulation are just and reasonable. Accordingly, the ALJ recommends that the PUC approve the recommendations relating to rate relief as described in the Stipulation.

In particular, the ALJ recommends that the PUC adopt the following. With respect to GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, the ALJ recommends that the PUC approve the proposed increase of 9.15% on these rate elements, to be assessed through FY2013, beginning February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases were not assessed. Sample residential, commercial, government, and hotel bills reflecting such 9.15% rate increase are attached hereto as "Exhibit B."

Regarding the Legislative Surcharge, the ALJ recommends that the PUC approve the reduction of this surcharge from 5.6% to 2.63% as recommended by the parties. Finally, regarding GWA's Tiyan interim rates, the ALJ recommends that these rates continue to be assessed through FY2013, beginning February 1, 2013, with such rates subject to the same rate increase set forth in the January 24, 2013 Stipulation.

Respectfully submitted this 25th day of January, 2013.



DAVID A. MAIR
Administrative Law Judge

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF GUAM**

PETITION OF GUAM)	
)	
WATERWORKS AUTHORITY FOR)	ANNUAL TRUE-UP
)	IN GWA DOCKET 09-03
RATE RELIEF)	
)	

STIPULATION – FY 2012 ANNUAL TRUE UP FOR FY 2013 RATES

The **GUAM WATERWORKS AUTHORITY** (“GWA”) and **GEORGETOWN CONSULTING GROUP, INC.** (“GCG”), which serves as independent regulatory consultant to the **GUAM PUBLIC UTILITIES COMMISSION** (“PUC”) (the “Parties”), hereby enter into this evidentiary stipulation and make the following joint recommendations to the PUC for its consideration:

1. On or about July 13, 2012, GWA filed its view of the fifth year of the five year rate plan previously approved by the PUC and requested that base rate increases and additional surcharges be implemented. GCG was requested by Administrative Law Judge (ALJ) David A. Mair to review the filing and to confer with GWA to discuss and propose a time frame for the proceeding. It was agreed that GCG shall have up to 90 days from the date of an earlier procedural stipulation to file its position. Shortly after the 90 days and after appropriate communication with ALJ Mair, GCG filed its position with GWA and requested discussions and conferences with GWA with the goal of arriving at a recommended true-up stipulation of this proceeding.
2. The Parties entered into discussions and on January 9, 2013 reached an agreement in principle to make a joint recommendation to the ALJ and PUC. This document represents that agreement.

BACKGROUND ON OVERALL GWA REQUEST

3. GWA is proposing an across-the-board rate increase of 8% on every rate element in its various tariffs, including the residential lifeline tariff. GWA & GCG accept for the purposes of stipulation that the lifeline rate is able to be adjusted due to the increases in base rates in FY 2012 plus the request of GWA in this true-up, i.e. a 20% increase in cost of service since the last time that lifeline rates were adjusted has been met, which is the threshold that permits increases in GWA’s existing “Lifeline” rates. In addition, GWA is proposing additional increases (surcharges) in all base rates of 2.85%, with the exception its “Lifeline” rates. These are not the percentage overall revenue increases to GWA but rather the percentage increase of each tariff element. GWA uses its Fiscal Year 2013

(FY2013) budget as the test year and the Minimum Filing Requirements ("MFR") are presented using the FY2013 budget and comparing it to actual Fiscal Year 2012 data.

GWA's true-up case results in a projected Debt Service Coverage Ratio ("DSCR") of 1.86 times the current senior bond debt service. This is well in excess of the of 1.25 times indenture requirement and above the PUC standard of 1.75 times DSCR.

In addition to the base rate increase, GWA is also proposing two surcharges. One of these is called the tipping fee surcharge. GWA is proposing to apply a percentage of 1.7% on all non-lifeline billed revenues in order to recover about \$950,000 over twelve months for the purpose of recovering past expenses that have accrued on the books as a payable to the landfill.

The second surcharge GWA has proposed is a PUC annual regulatory surcharge. As with the surcharge described above, GWA is recommending a percentage of non-lifeline billed revenues of 1.36% in order to recover about \$800 thousand over the next twelve months for expenses associated with docket specific expenses and the annual administrative expense assessed by the PUC.

GWA is recommending continuation of the Legislative Surcharge, but has adjusted the percentage from 5.6% to 4.4%, which percent is designed to recover approximately \$2.5 million. The reduction in percentage merely reflects increases in other rates and does not reduce revenue to GWA. The dollar billing impact would be similar to what is currently in effect today.

The "old" GPA/GTA/Navy/PUC surcharge has been allowed to expire since the indebtedness of GWA to GPA, GTA and the Navy has been extinguished. GWA is proposing to continue a similar surcharge to recover rate case and assessment charges, but in the newly proposed "annual regulatory surcharge" of 1.36% discussed above.

The issue of Tiyan and other unmetered customers has not been addressed in the filing. GWA and GCG accept for the purposes of stipulation that rates would need to be adjusted for these customers as well.

RESOLUTION OF ISSUES

GWA and GCG agree to jointly recommend the following resolution of issues to the ALJ and PUC:

4. There shall be no Tipping Fee Surcharge (1.70% of non-Lifeline revenues) nor Regulatory Surcharge (1.36% of non-Lifeline revenues) added to customers' bills. Rather the underlying expenses that these surcharges were designed to recover will be included in rate components of all other customer tariffs.

For the Tipping Fee surcharge GWA is proposing to recover past due payments to DPW of an estimated \$864 thousand (originally estimated at \$950 thousand) that have accrued

on the books of GWA over the past three years. GWA and GCG accept for the purposes of stipulation that the payable should be paid and have included an amount that reduces the payable on GWA's books as a use of cash in the working capital requirement calculation for FY 2013. GWA was required by Court Order and PUC Order to pay Gershman, Brickner and Bratton, Inc ("GBB") for arrearages incurred.

The Regulatory Surcharge provides a revenue stream for the PUC annual assessment and regulatory costs for ratemaking incurred by the PUC. The proposed surcharge is differently structured from prior years since it also includes GWA regulatory costs for its consultants. The total estimated cost for FY 2013 is \$765 thousand.

5. The Legislative or Retirement Benefits Surcharge should be reduced from the current level of 5.6% to 2.63% to recover the anticipated GWA expenses for FY 2013 to be recovered over non-Lifeline revenues.
6. GWA and GCG stipulate that water and waste-water revenues should be based on an increase in volume of 7.5% over FY 2012 rather than 5% as filed by GWA. This is based on observed increases in volumes from the installation of the first 11,300 of the 19,500 new Badger Meters recently acquired by GWA to improve performance as well as to meet the requirements of the recent Stipulated Order from the District Court. Given the uncertainties surrounding the success of implementation of a new program the Parties have accepted for the purposes of stipulation to reflect GCG's analysis of less than half of the anticipated additional volumes registering on the new meters. GWA and GCG recognize that in the next GWA base rate filing, which shall occur no later than April 1, 2013, there will be sufficient additional data to determine the additional revenues with greater certainty.

GWA and GCG also accept for the purposes of stipulation that additional current volumes of water sold will result in additional GWA wastewater revenues because non-residential consumers are billed based upon water volumes. In addition GWA will receive additional water and wastewater revenues from the back-billing of those consumers who have not been properly billed due to inaccurate meters. For purposes of this Stipulation GWA accepts the GCG compromise to reflect 50% of the back-billing revenues as FY 2012 revenues and 50% as FY 2013. There is no agreement between GWA and GCG as to how the split between FY 2012 and FY 2013 revenues are to be appropriately determined in practice. The Parties agree on the appropriate back-billing period as defined by Guam law; however the Parties don't agree on when the back-billing revenues should be recorded. GWA and GCG recommend that positions on this issue, after additional conferences with GWA and its auditors, be filed by the Parties no later than May 1, 2013 for review and determination of the appropriate recording period by the PUC.

7. GWA accepts GCG's view that FY 2013 power expenses should be adjusted to take into account the FY 2012 actual expense. GWA and GCG accept that for purposes of this stipulation the power expense for the test year will be identical to the power expenses incurred in FY 2012.

8. GWA assumes a full complement of 334 people for the full twelve months, including those positions that are not filled (about twelve positions are vacant or under-recruitment). As of September 20, 2012 GWA employed 318 FTEs. Additionally GWA has indicated there was a General Manager initiated hiring freeze in FY 2012. The record contains information regarding employee expenses through November 2012 which showed the employee level was 308 employees. GCG determined, and GWA accepted for purposes of stipulation, that October and November 2012 actual labor information annualized should be used to determine the value of annual labor expense for FY 2013; however, the Parties agree that GWA has the flexibility to manage employee levels within the context of its budget.
9. GWA accepts GCG opinion for the purposes of stipulation that the General and Administrative expense ("Other" contractual expense) as filed by GWA be reduced by \$500,000 to reflect uncertainties in the projection of the figure.
10. GWA accepts GCG view for the purposes of stipulation that the FY2013 projected cost for current Tipping Fees of \$1.6 million in the cost of service be included for FY 2013 rates. GWA and GCG recommend monitoring these costs and a true-up of these costs in the next rate filing (anticipated in March 2013). GWA has estimated a considerably higher tipping fee in the test year FY 2013 than in prior years. Prior to FY 2013 GWA has been paying approximately \$20 thousand per month for disposing of waste at the new landfill. The projected cost of disposal in the test year (FY 2013) is \$1.6 million or over \$125 thousand per month. This increase is driven in part by the expectation that the amount of disposal of wastewater leachate will increase due to the increased level of treatment required to meet EPA standards. GWA had to estimate as best as possible the level of waste and the cost of delivery and disposal.
11. GWA and GCG accept for the purposes of stipulation that the working capital allowance should be \$1.453 million. The working capital allowance is primarily based upon accounts receivable (revenue driven) and accounts payable (expense driven). To the degree that the projections of these two items differ, the requirement for working capital varies.
12. GWA and GCG accept for the purposes of stipulation that there will be a cash requirement of \$842,000 to fully fund the O&M and OMRRF fund and that this cash requirement is fully provided for in the stipulation.
13. GWA and GCG accept for the purposes of stipulation that a DSCR standard of 1.75x on senior debt per the PUC policy and basis of several stipulations should be the rate-making standard to determine what additional revenues should be approved by the PUC and that this stipulation has provided for such a requirement.
14. GWA and GCG continue to discuss the issues raised by GCG with regard to the meter replacement program, the continuation of excessive water losses and unaccounted for water of approximately 55%, the potential reduction of energy consumption by installing

efficient pumps and motors, and the reduction of water purchases from Navy. GWA asserts with certainty that many or all of problems faced by GWA with regard to these issues are being systematically worked on. Initial plans and reports have been submitted to the PUC and/or available on GWA's website including: *GWA Capital Improvement Plan 2012-2016*, *GWA Potable Water Enhancement Plan*, *GWA Water Audit Program & Water Loss Control Plan*, and *GWA's Comprehensive Management Plan*. One example of GWA's success is the reduction of Navy Purchases, amounting to reduction of 20% in FY 2012. In the case of meter replacement GWA and GCG agree that initial data is encouraging and reflects increased volumes of consumption and reliability of the automatic reading function. The other areas of excessive water losses and unaccounted for water, the potential reduction in energy consumption and water purchases from Navy still require more time and resources. Attachment 1 memorializes the details of actions that GWA and GCG have agreed for the purpose of stipulation to recommend to the PUC for its review and approval. GWA believes that the actions described in Attachment 1, when implemented by GWA, will provide significant net benefits to GWA ratepayers after the appropriate funds for the required actions are provided. But GWA must make the Civil Case No. 02-00035 Order for Preliminary Relief RE; deadlines for Outstanding Projects Under the Amended Stipulated Order, Filed 11/10/2011 the highest priority along with 2012 EPA's Significant Finding for the Potable Water System and the pending 2013 EPA's Significant Finding for the Wastewater System. Meanwhile, GWA will continue to diligently pursue the progress required in the areas providing for meaningful levels of water loss reduction.

15. GWA and GCG agree that the issues mentioned in paragraph 14 above are significant from the point of view of ratepayer impact and that fixing the problems will have a high benefit to cost ratio. GWA indicated that it has already embarked on a program to implement solutions to the problems and continues to do so and would be pursuing that course of action regardless of the outcome of this proceeding.
16. Based on the adoption of Attachment 1, GCG supports and recommends PUC approval of the additional revenue award of an overall increase in Lifeline and non-lifeline rate elements of 6% for FY 2013. Since GCG agreed to support the appropriate compression of rates required for FY 2013 in a prior stipulation the increase in Lifeline and non-Lifeline rates if implemented on February 1, 2013 shall be 9%. GWA will file a compliance tariff with the PUC for review and approval within a week of PUC issuance of an order in this proceeding.
17. GWA commits to initiate pursuant to the Ratepayer Bill of Rights a new multi-year rate plan no later than April 1, 2013, which will incorporate the latest requirements of the USEPA Amended District Court Order.
18. The "Interim Tiyan Rates" approved under ordering paragraph 5 in the PUC's August 13, 2007 FY07 Rate Order in Docket 07-04 and further approved by PUC Order on September 19, 2011 will continue throughout FY2013 (February 1, 2013 onward), provided however, that the interim rates be subject to the same percentage of rate increase set forth in Paragraph 16 of 9%.

19. Attached hereto as Attachment 2 are sample bills showing the impact of the changes recommended by the Parties on certain typical customers. The impacts are summarized in the table below:

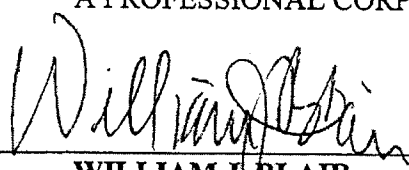
CONSUMER IMPACTS

Customer Class	Consumption	Monthly Bill	
		Increase-\$	Increase-%
Residential	7,500	\$4.79	6.94%
Commercial-1	35,910	\$17.99	4.11%
Government-G6	73,000	\$41.61	4.11%
Hotel-HA	10,380,000	\$7,261.00	4.11%


SO STIPULATED this 24th day of January, 2013.

GEORGETOWN CONSULTING GROUP, INC.

BY: **BLAIR STERLING JOHNSON & MARTINEZ**
A PROFESSIONAL CORPORATION

BY: 
WILLIAM J. BLAIR
Attorneys for Georgetown Consulting Group, Inc.

GUAM WATERWORKS AUTHORITY

BY: 
SAMUEL J. TAYLOR
Attorneys for Guam Waterworks Authority

ATTACHMENT 1
FY 2012 ANNUAL TRUE-UP FOR FY 2013 RATES
Revenue Implementation Program

1. During the remainder of FY 2013 GWA shall prepare on a monthly basis a "billing consumption analysis" that tracks the consumption patterns of the Badger meters installed subsequent to July 2012. This analysis shall segregate the meters replaced into three major categories. The three categories are (a) low-read accounts, (b) zero-read accounts, and (c) all other accounts.
 - a. For each of the three major categories GWA shall identify and segregate the meters in each category by residential, commercial, and other customer classes.
 - b. For each customer classification in each category GWA shall determine the aggregate monthly consumption pattern before and after meter replacement by meter class.
 - c. GWA shall compute the aggregate monthly consumption differential for each customer classification of the three categories and provide a trend analysis.
 - d. GWA shall provide a copy of its monthly trend analysis, inclusive of raw data, to the PUC. To the extent that GWA provides a monthly report to the CCU containing similar information, it may provide that report to the PUC in lieu of a separate report.
 - e. GWA may suspend such monthly reporting to the PUC at that time it determines the new meters are performing correctly.
 - f. GWA shall present the impact of its recent meter replacement program on the reduction of unaccounted for water to the PUC when the data is considered reliable.
2. To insure the PUC of the continued accuracy of consumer metering and stability of GWA's revenue stream it shall annually engage in the comprehensive testing of its meters. Such annual testing shall include the random testing for accuracy of no less than 160 residential, government and small commercial meters, for the remainder of FY2013. A summary level test report shall be provided to PUC no later than October 31 of each year.
3. GWA shall file by June 30, 2013 an updated plan for potential ways that it can minimize Navy water purchases. These programs should identify all investments required and known barriers to implementation and be included with GWA's filed testimony.
4. GWA shall file by June 15, 2013 its actual cost performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plant to advanced primary treatment. GWA shall provide an analysis of the estimates used in this FY2012 true-up for FY 2013 with actual YTD data determined to be reliable by GWA at the time of the filing.
5. This "Attachment 1, FY 2012 ANNUAL TRUE-UP FOR FY 2013 RATES, Revenue Implementation Program" replaces in entirety the "Attachment 1, FY 2012 Revenue Implementation Program" from the Stipulation – FY 2011 Annual True Up for 2012 Rates.

GUAM WATERWORKS AUTHORITY
Sample Bills

FY2012
RESIDENTIAL < THAN (5KGALS)

Assumptions:
Residential - R1 Customer

5,000 gal per month- Current 4,000

5,000 gal per month- NEW 4,000

Water & Sewer Service

Existing Rates (as of October 1, 2011):

FY2013- UNCOMPRESSED

Proposed Rates: -Basic
Additional Increase

Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPA/Navy/PUC

6.10%
0.00%
6.10%
6.10%
0.00%
0.00%
4.50%
0.00%

FY2013- COMPRESSED

Proposed Rates: -Basic
Additional Increase

Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPA/Navy/PUC

9.15%
0.00%
9.15%
9.15%
0.00%
0.00%
2.63%
0.00%

	Rates	Bill
Water		
Basic Charge	\$ 12.87	\$ 12.87
Water Consumption		
Lifeline	2.74	10.96
Non-Lifeline	-	-
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPA/Navy/PUC	2.00%	0.26
Legislative Surcharge (retirement)	5.60%	0.72
Sub-Total Water	\$ 24.81	\$ 24.81
Sewer Charge (Fixed)	\$ 25.08	25.08
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPA/Navy/PUC	2.00%	-
Legislative Surcharge (retirement)	5.60%	-
Sub-Total Wastewater		25.08
TOTAL BILL	\$ 49.89	\$ 49.89

	Rates	Bill
Water		
Basic Charge	\$ 13.66	\$ 13.66
Water Consumption		
Lifeline	2.91	11.63
Non-Lifeline	-	-
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	0.61
Sub-Total Water	\$ 25.90	\$ 25.90
Sewer Charge (Fixed)	\$ 26.61	26.61
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	-
Sub-Total Wastewater		26.61
TOTAL BILL	\$ 52.51	\$ 52.51

	Rates	Bill
Water		
Basic Charge	\$ 14.05	\$ 14.05
Water Consumption		
Lifeline	2.99	11.96
Non-Lifeline	-	-
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	0.37
Sub-Total Water	\$ 26.38	\$ 26.38
Sewer Charge (Fixed)	\$ 27.37	27.37
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	-
Sub-Total Wastewater		27.37
TOTAL BILL	\$ 53.75	\$ 53.75

Increased Bill

\$ 2.62

Increased Bill

\$ 3.87

EXHIBIT B

GUAM WATERWORKS AUTHORITY Sample Bills

RESIDENTIAL > THAN (5KGALS)

Assumptions:

Residential - R1 Customer
5000 gal per month
2500 gal addl per month - current
2500 gal addl per month- NEW

5,000
2,500
2,500

Water & Sewer Service

Existing Rates (as of October 1, 2011):

Proposed Rates: -Basic
Additional Increase
Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPANavyPUC

6.10%
0.00%
6.10%
0.00%
0.00%
0.00%
4.50%
0.00%

Proposed Rates: -Basic
Additional Increase
Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPANavyPUC

9.15%
0.00%
9.15%
9.15%
0.00%
0.00%
2.63%
0.00%

	Rates	Bill
Water		
Basic Charge	\$ 12.87	\$ 12.87
Water Consumption	2.74	13.70
Lifeline	6.13	15.33
Non-Lifeline		
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPANavyPUC	2.00%	0.56
Legislative Surcharge (retirement)	5.60%	1.58
Sub-Total Water		\$ 44.04
Sewer Charge (Fixed)	\$ 25.08	25.08
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPANavyPUC	2.00%	-
Legislative Surcharge (retirement)	5.60%	-
Sub-Total Wastewater		25.08
TOTAL BILL		\$ 69.12

	Rates	Bill
Water		
Basic Charge	\$ 13.66	\$ 13.66
Water Consumption		
Lifeline	2.91	14.54
Non-Lifeline	6.50	16.26
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPANavyPUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	1.35
Sub-Total Water		\$ 45.80
Sewer Charge (Fixed)	\$ 25.08	26.61
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPANavyPUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	-
Sub-Total Wastewater		26.61
TOTAL BILL		\$ 72.41

	Rates	Bill
Water		
Basic Charge	\$ 14.05	\$ 14.05
Water Consumption		
Lifeline	2.99	14.95
Non-Lifeline	6.69	16.73
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPANavyPUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	0.81
Sub-Total Water		\$ 46.54
Sewer Charge (Fixed)	\$ 27.37	27.37
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPANavyPUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	-
Sub-Total Wastewater		27.37
TOTAL BILL		\$ 73.91

Increased Bill

\$ 3.29

Increased Bill

\$ 4.79

GUAM WATERWORKS AUTHORITY

Sample Bills

COMMERCIAL _1 ACCOUNT

Assumptions:
Commercial 1 - C1 Customer- Grocery Store
35,910 gal per month- current

35,910
35,910

35,910 gal per month- NEW

Sewer Service
Existing Rates (as of October 1_2011):

Proposed Rates: -Basic
Additional Increase
Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPA/Navy/PUC

6.10%
0.00%
6.10%
6.10%
0.00%
0.00%
4.50%
0.00%

9.15%
0.00%
9.15%
9.15%
0.00%
0.00%
2.63%
0.00%

	Rates	Bill
Water		
Basic Charge- depending on the meter size	\$ 12.87	\$ 12.87
Water Consumption		
Lifeline		
Non-Lifeline	7.62	273.63
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPA/Navy/PUC	2.00%	5.73
Legislative Surcharge (retirement)	5.60%	16.04
Sub-Total Water		\$ 308.28
Sewer Charge	\$ 4.20	120.66
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPA/Navy/PUC	2.00%	2.41
Legislative Surcharge (retirement)	5.60%	5.76
Sub-Total Wastewater		129.83
TOTAL BILL		\$ 438.11

	Rates	Bill
Water		
Basic Charge	\$ 13.66	\$ 13.66
Water Consumption		
Lifeline		
Non-Lifeline	\$ 8.08	290.33
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	13.68
Sub-Total Water		\$ 317.66
Sewer Charge	\$ 4.46	128.02
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	5.76
Sub-Total Wastewater		133.78
TOTAL BILL		\$ 451.44
Increased Bill		\$ 13.33

	Rates	Bill
Water		
Basic Charge	\$ 14.05	\$ 14.05
Water Consumption		
Lifeline		
Non-Lifeline	\$ 8.32	298.67
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	8.22
Sub-Total Water		\$ 320.94
Sewer Charge	\$ 4.58	131.70
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	3.46
Sub-Total Wastewater		135.16
TOTAL BILL		\$ 456.10
Increased Bill		\$ 17.99

GUAM WATERWORKS AUTHORITY

Sample Bills

GOVERNMENT-G6 ACCOUNT

Assumptions:
Government - G6 Customer- High School

73,000 gal per month- Current
73,000 gal per month- NEW

Proposed Rates: -Basic
Additional Increase
Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPA/Navy/PUC

6.10%
0.00%
6.10%
6.10%
0.00%
0.00%
4.50%
0.00%

Proposed Rates: -Basic
Additional Increase
Lifeline
Non-Lifeline
Annual Regulatory Surcharge
Tipping fee Surcharge
Legislative surcharge
GPA/Navy/PUC

9.15%
0.00%
9.15%
9.15%
0.00%
0.00%
2.63%
0.00%

Sewer Service

Existing Rates (as of October 1, 2011):

	Rates	Bill
Water		
Basic Charge	\$ 75.08	\$ 75.08
Water Consumption Lifeline	7.62	556.26
Non-Lifeline		
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPA/Navy/PUC	2.00%	12.63
Legislative Surcharge (retirement)	5.60%	35.36
Sub-Total Water		\$ 679.32
Sewer Charge	\$ 5.32	310.69
Surcharges:		
Tipping fee surcharge	-	-
Annual Regulatory Surcharge	-	-
GPA/Navy/PUC	2.00%	6.21
Legislative Surcharge (retirement)	5.60%	17.40
Sub-Total Wastewater		334.30
TOTAL BILL		\$ 1,013.62

	Rates	Bill
Water		
Basic Charge	\$ 79.66	\$ 79.66
Water Consumption Lifeline	8.08	590.19
Non-Lifeline		
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	30.14
Sub-Total Water		\$ 700.00
Sewer Charge	\$ 5.64	329.64
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	4.50%	14.83
Sub-Total Wastewater		344.47
TOTAL BILL		\$ 1,044.47

	Rates	Bill
Water		
Basic Charge	\$ 81.95	\$ 81.95
Water Consumption Lifeline	8.32	607.16
Non-Lifeline		
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	18.11
Sub-Total Water		\$ 707.22
Sewer Charge	\$ 5.81	339.12
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
GPA/Navy/PUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	8.91
Sub-Total Wastewater		348.03
TOTAL BILL		\$ 1,055.25

Increased Bill

\$ 30.85

Increased Bill

\$ 41.62

	Rates	Bill
Water		
Basic Charge	\$222.41	222.41
Water Consumption		
Irrigation		
Non-Irrigation		
Non-Lifeline	8.32	86,332.85
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
SPANavyPUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	2,274.77
Sub-Total Water		\$ 88,830.03
		4.11%
Sewer Charge	\$ 11.18	92,813.48
Surcharges:		
Tipping fee surcharge	0.00%	-
Annual Regulatory Surcharge	0.00%	-
SPANavyPUC	0.00%	-
Legislative Surcharge (retirement)	2.63%	2,436.24
Sub-Total Wastewater		95,252.72
		4.11%
TOTAL BILL		\$184,082.75
		4.11%
Increased Bill		\$ 7,764.16

BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION OF GUAM WATERWORKS AUTHORITY FOR RATE RELIEF <hr/>)))))	GWA DOCKET 09-03 ORDER RE: ANNUAL TRUE UP FOR FY2013 RATES
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INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the PUC’s July 27, 2009 Rate Decision, the July 14, 2009, August 31, 2011, the September 28, 2012, and the January 24, 2013 Stipulations between the Guam Waterworks Authority (“GWA”) and the PUC’s water and wastewater consultants, Georgetown Consulting Group (“Georgetown”), filed in this docket. Pursuant to the July 14, 2009 Stipulation, GWA is required to provide the PUC with certain updated information annually.

DETERMINATIONS

On July 13, 2012, GWA submitted its annual “true up” report (hereinafter referred to as the “Annual True Up” or “FY2013 True Up”). On August 31, 2012, the Administrative Law Judge of the PUC (the “ALJ”) transmitted GWA’s report to Georgetown for its review. Thereafter, Georgetown undertook preliminary discovery with respect to the issues related to GWA’s submission. On October 1, 2012, GWA and Georgetown filed a Stipulation wherein the parties agreed to certain findings and recommendations for the PUC. On October 30, 2012, the PUC approved the September 28, 2012 Stipulation.

Thereafter, Georgetown and GWA engaged in further discussions, as well as the exchange of financial information, related to the Annual True Up. On January 17, 2013, GWA and Georgetown transmitted a Stipulation to the ALJ, which made further findings and joint recommendations related to the PUC's review of the True Up. The Stipulation also contained a revised Revenue Implementation Program, as well as financial schedules used to support GWA's True Up. On January 24, 2013, the parties filed an executed version of the Stipulation, which is attached and incorporated hereto as "Exhibit A," and referred to herein as the "Stipulation." On January 25, 2013, the ALJ issued an ALJ Report detailing his findings and recommendations regarding the Stipulation.

A. July 13, 2012 True Up

In the Annual True Up, GWA maintained that "[t]he planned rate increases for FY2013 include the following: 1) 8% rate increase in Basic and Non-lifeline rates across all water and wastewater customer classes; and 2) 8% increase in Lifeline rates across all water and wastewater customer classes."¹ GWA further maintained that "[t]he increases set out in the 2009 Rate Plan form part of the basis of GWA's proposed FY2013 budget requests, however, due to financial and operational challenges, the assumptions and targets proposed in the 2009 Rate Plan were not achieved."² Accordingly, GWA proposed the following: an increase in Basic and Non-lifeline rates of "an additional 2.85% across all water and wastewater customer classes in order to meet FY2013 revenue requirements."³

¹ GWA's Annual True Up in GWA Docket 09-03 ("Annual True Up"), p. 1 (July 13, 2012).

² Annual True Up, p. 1.

³ Annual True Up, p. 1.

In addition, GWA submitted that the Legislative surcharge should be reduced from its current rate of 5.6% to 4.40%.⁴ GWA maintained that this surcharge, which is restricted to paying for health care benefits and annuities of GWA's retirees, must be adjusted annually to "replicate the obligation mandated by public law."⁵

GWA also proposed the addition of a new Tipping Fee surcharge at 1.70% "across all water and wastewater customer classes except lifeline customers" in order to pay "the Landfill Receiver (GBB) for bio-solids disposals at the Landfill."⁶ GWA maintained that "[t]his amount was calculated to amortize the pre-FY2013 unpaid tipping fee obligation over the course of 1 year and at which time the surcharge is scheduled to expire."⁷

GWA further proposed the addition of a new 1.36% Regulatory surcharge, which will fund GWA's regulatory expenses.⁸ GWA submitted that this surcharge would replace the expired GPA/Navy/PUC surcharge.⁹

B. January 24, 2013 Stipulation

1. Basic, Lifeline, and Non-Lifeline Rates

In the January 25, 2013 ALJ Report, the ALJ found that, pursuant to the January 24, 2013 Stipulation, Georgetown recommended the PUC's adoption of

⁴ Annual True Up, p. 1.

⁵ Annual True Up, p. 3.

⁶ Annual True Up, p. 2.

⁷ Annual True Up, p. 3.

⁸ Annual True Up, p. 2.

⁹ Annual True Up, p. 3.

“Attachment 1” of the Stipulation, or the newly revised Revenue Implementation Program, as well as the PUC’s adoption of an “additional revenue award of an overall increase in Lifeline and non-lifeline rate elements of 6% for FY2013.”¹⁰ The ALJ found that a review of the financial schedules attached to the Stipulation, however, indicated a rate increase of 6.10% assessed on all Basic, Lifeline, and Non-Lifeline rate elements.

The ALJ further found that pursuant to Georgetown’s recommendation, in order to assess a compressed rate, which would account for the earlier months of FY2013, “the increase in Lifeline and non-Lifeline rates if implemented on February 1, 2013 shall be 9%.”¹¹ The ALJ again found that a review of the financial schedules attached to the Stipulation, however, indicated a rate increase of 9.15% assessed on all Basic, Lifeline, and Non-Lifeline rate elements, as opposed to 9%. The ALJ concluded that the parties intended to propose a 9.15% increase on these rate elements.

With respect to GWA’s Lifeline rates, the ALJ found that pursuant to 12 G.C.A. §12004 of the Public Utilities Commission and the Guam Telecommunications Act of 2004, the “General Lifeline Rates may only be increased when the total actual overall cost of providing service to all classes of customers, increases by no less than twenty percent (20%).” 12 G.C.A. §12004. The ALJ determined that since there has been a 20% increase in the cost of service, and since the PUC had already approved a rate increase of 8% with respect to GWA’s Lifeline rate pursuant to the PUC’s 2009 Rate Order, GWA’s Lifeline rate may be increased under these circumstances.

¹⁰ Stipulation FY2012 Annual True Up for FY 2013 Rates (“Stipulation”), p. 5 (Jan. 24, 2013).

¹¹ Stipulation, p. 5.

Based on the administrative record established in this docket, along with the representations made by the parties in the Stipulation, the ALJ recommended that the PUC approve the proposed increase of 9.15% with respect to GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, to be assessed through FY2013, beginning February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases were not assessed.

2. Tipping Fee, Regulatory Surcharge, and Legislative Surcharge

With respect to the proposed Tipping Fee and Regulatory Surcharge, the ALJ found that GWA and Georgetown agreed that these fees would not be established, but will instead be recovered "in rate components of all other customer tariffs."¹² With respect to the Legislative surcharge, the ALJ found that Georgetown and GWA recommended that the surcharge should be reduced to 2.63%.¹³ Based on the recommendation of the parties, the ALJ recommended that the PUC approve the reduction of the Legislative surcharge from 5.6% to 2.63%.

3. Tiyan Interim Rates

With respect to GWA's Tiyan interim rates, the ALJ found that GWA and Georgetown recommended that these rates be extended through FY2013 and that these rates also should be subject to the same rate increase discussed above.¹⁴ The ALJ therefore recommended that these rates continue to be assessed through FY2013, beginning

¹² Stipulation, p. 2.

¹³ Stipulation, p. 3.

¹⁴ Stipulation, p. 5.

February 1, 2013, with such rates subject to the same rate increase set forth in the January 24, 2013 Stipulation.

4. Revised Revenue Implementation Program

In the January 25, 2013 ALJ Report, the ALJ found that the provisions concerning the revised Revenue Implementation Program submitted by Georgetown and GWA were reasonable. As a result, the ALJ recommended that the PUC approve the provisions contained in “Attachment 1” of the Stipulation.

Specifically, the ALJ recommended that the PUC require GWA to prepare a monthly “billing consumption analysis” that “tracks the consumption patterns of the Badger meters installed subsequent to July 2012,”¹⁵ as set forth in the Revenue Implementation Program; that the PUC require GWA to test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year; that the PUC require GWA to file a report identifying “potential ways” it can minimize U.S. Navy water purchases by June 30, 2013 as set forth in the Revenue Implementation Program¹⁶; and that the PUC require GWA to file a report on the “actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment” as set forth in the Revenue Implementation Program.¹⁷

¹⁵ Stipulation, “Attachment 1.”

¹⁶ Stipulation, “Attachment 1.”

¹⁷ Stipulation, “Attachment 1.”

5. **Backbilling**

With respect to the issue of backbilling, the ALJ found that GWA and Georgetown agreed to split the backbilling revenue evenly between FY2012 and FY2013. Since there was some disagreement on when the backbilling revenue should be recorded, the ALJ recommended that the PUC require GWA to submit its recommendation pertaining to this issue by May 1, 2013.

6. **Multi-Year Rate Filing**

With respect to GWA's next multi-year rate filing, the ALJ found that the Stipulation indicated that GWA would initiate the filing of its next multi-year rate plan no later than April 1, 2013, and that this filing would include the "latest requirements of the U.S. E.P.A. Amended District Court Order."¹⁸ The ALJ, however, recommended that the PUC require GWA to submit its next multi-year rate plan by March 1, 2013, as contemplated in GWA's January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

7. **Other Findings Contained in the Stipulation**

With respect to the other findings contained in the Stipulation, the ALJ determined that, based on the record, the joint findings were reasonable. The ALJ therefore recommended that the PUC adopt the findings set forth in the January 24, 2013 Stipulation.

The Commission hereby adopts the findings made in the January 24, 2013 Stipulation, as well as the January 25, 2013 ALJ Report; and, therefore, issues the following:

¹⁸ Stipulation, p. 5.

ORDERING PROVISIONS

Upon consideration of the record herein, the January 24, 2013 Stipulation between Georgetown and GWA, and the January 25, 2013 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. The proposed increase of 9.15% on GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, is APPROVED and shall be assessed through FY2013, commencing February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases have not assessed.

2. The proposed reduction of the Legislative Surcharge from 5.6% to 2.63% is APPROVED, commencing February 1, 2013.

3. GWA's Tiyan interim rates shall continue to be assessed through FY2013. However, commencing February 1, 2013, such rates shall be subject to the same rate increase set forth in Paragraph 1 above.

4. The revised Revenue Implementation Program, contained in "Attachment 1" of the January 24, 2013 Stipulation is APPROVED.

5. GWA shall prepare a monthly billing consumption analysis pursuant to the Revenue Implementation Program, commencing February 1, 2013.

6. GWA shall test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year.

7. GWA shall file a report identifying ways it can minimize U.S. Navy water purchases, pursuant to the Revenue Implementation Program, by June 30, 2013.

8. GWA shall file a report on the actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment, pursuant to the Revenue Implementation Program, by June 15, 2013.

9. GWA shall submit its recommendation pertaining to when backbilling revenues should be recorded, as discussed in the January 24, 2013 Stipulation, by May 1, 2013.

10. GWA shall submit its next multi-year rate plan by March 1, 2013, as contemplated in its January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

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11. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with the instant docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 29th day of January, 2013.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Röwena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

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