



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION BY THE GUAM)	GWA DOCKET 16-02
WATERWORKS AUTHORITY FOR)	
APPROVAL OF USE OF ADDITIONAL)	ALJ REPORT
2015 BOND PROCEEDS)	
_____)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Petition for Approval of Use of Additional 2015 Bond Proceeds (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on April 11, 2016.

BACKGROUND

On March 1, 2013, GWA filed its Five Year Financial Plan relative to fiscal years 2014 through 2018 (“Rate Plan”). The Rate Plan contemplated the issuance of three bonds during 2013, 2015, and 2018, in order to generate \$350 million for upgrades or rehabilitation of existing facilities or construction of new facilities.¹ The PUC approved the Rate Plan on October 29, 2013.

On November 25, 2015, GWA filed a Petition for PUC approval to issue bonds up to \$160,000,000, which was based on GWA’s Updated Capital Improvement Plan for fiscal years 2015-2020 (“GWA CIP FY2015-2020”). On December 10, 2015, through two orders, the PUC approved GWA’s issuance of bonds for the purpose of financing capital improvement projects for an amount not to exceed \$160,000,000.

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

DISCUSSION

A. Bond Review

Pursuant to 12 G.C.A. § 12105,² GWA cannot enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GWA's Contract Review Protocol, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.³

B. Petition

In its Petition, GWA submits that when it closed on the 2015 bond, it was able to secure \$140,019,463 for capital improvement projects, which made \$11,569,463 additional funds available to GWA than what was originally planned. As a result, GWA now seeks PUC approval for the use of \$11,569,463 of bond funds. According to GWA, the \$11,569,463 will help finance three (3) projects originally scheduled to be funded by GWA's 2018 Bond issue, as well as provide additional funding for four (4) projects.

GWA further submitted with the instant Petition a "2015-2020 CIP Supplement," which contains the same capital line items as the 2015-2020 CIP, but reflects some budgetary increases, as well as funding source alterations, based on the additional \$11,569,463 funding provided by the 2015 bond issue.⁴

² Formerly 12 G.C.A. §12004.

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

⁴ CCU Resolution No. 23-FY2016, pp. 1-2 (Mar. 22, 2016).

C. Bond Projects

Based on Resolution No. 23-FY2016 issued by the CCU and the 2015-2020 CIP Supplement, GWA and the CCU itemized the following seven (7) projects that require bond fund programming. In conversations with GWA's engineering team, a number of these items have been identified by GWA in order to prioritize reducing GWA's water loss in recognition of the PUC's concerns regarding leaks in the water system.

1. Leak Detection

Regarding this project, GWA intends to increase the budget originally estimated for this project by \$1,000,000 in order to accelerate work related to reducing water leakage throughout the system. The additional funding will continue the system wide leak detection efforts, which involve leak repair, leak analysis and inspection. According to GWA, \$100,000 will go towards the leak detection equipment upgrades, which will involve obtaining more technologically advanced instruments to improve GWA's ability to locate leaks. In addition, \$900,000 will go towards line replacement improvements.

2. Potable Water System Planning

GWA maintains that \$1,000,000 of the planned 2018 bond proceeds will be advanced to address design services for the water system, including alternatives for augmenting southern water transmission and distribution options, as well as to fund a portion of the Program Management Office work authorization.⁵ Specifically, the additional \$1,000,000 will go towards the following: \$150,000 for water and wastewater

⁵ CCU Resolution No. 23-FY2016, p. 2.

hydraulic modeling implementation and training; \$300,000 for non-revenue water-system improvements; \$200,000 for asset management implementation and training; and \$350,000 to pay for PMO work authorizations.

Based on conversations with GWA's engineering team, funding for non-revenue water-system improvements will assist GWA in its continued efforts to reduce water loss through the following, for example: ensuring that meters at water wells are working accurately; ensuring that production and customer meters are working accurately; ensuring that the data collected is accurate; installing meters; and making repairs to reduce leaks.

With regard to asset management implementation and training, this funding will assist GWA in acquiring a computerized maintenance and management system software, as well as receive training for the use of such software, which will allow GWA to better manage and maintain its assets.

3. Water Audit Program & Water Loss Control Plan

With respect to the Water Audit Program and Water Loss Control Plan, GWA advanced \$1 million of the planned 2018 bond proceeds to this project to continue funding the following: \$300,000 for non-revenue water assessment; and \$700,000 for non-revenue system improvements. In line with GWA's prioritization of lessening its water loss, this project continues GWA's efforts in locating points of water loss, and conducting system wide repairs to decrease such water loss.

4. Baza Gardens STP Replacement

Regarding this project, GWA advanced \$3 million of the planned 2018 bond proceeds to this project to supplement the construction fund needs for the first phase of this Court-ordered project.⁶

5. Agat/Santa Rita STP Replacement

With respect to the Agat-Santa Rita STP Replacement project, GWA added \$3 million to this project to supplement the construction budget in the event the construction costs exceed the original budget.⁷

6. Laboratory Modernization

Regarding the Laboratory Modernization project, GWA maintains that the additional \$500,000 increase will be used to supplement the construction fund as the cost estimate by the designer for the construction of the project is apparently greater than what was originally estimated. The additional increase will also allow GWA to purchase critical equipment and furnishings.⁸

7. General Plant Improvements

GWA added \$2,069,463 to this project to supplement funding needs for various operational projects.⁹ For instance, GWA submits that the \$2,069,463 will go towards the following: \$500,000 for vehicle fleet upgrades; \$819,463 for heavy equipment

⁶ CCU Resolution No. 23-FY2016, p. 2.

⁷ CCU Resolution No. 23-FY2016, p. 2.

⁸ CCU Resolution No. 23-FY2016, p. 2.

⁹ CCU Resolution No. 23-FY2016, pp. 2-3.

upgrades; \$250,000 for deep well pump and motor replacement; and \$500,000 to replace pumps and motors for GWA's wastewater pump stations.

CONCLUSION AND RECOMMENDATION

Pursuant to 12 G.C.A. §12105,¹⁰ GWA cannot enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GWA's Contract Review Protocol, filed in PUC Administrative Docket 00-04 on October 27, 2005, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000, and any use of such funds, must be approved by the PUC.¹¹

Based on a review of the above-referenced documents, the ALJ recommends that the PUC approve GWA's request for use of the additional \$11,569,463 GWA secured through the 2015 bond issuance for capital improvement projects. Accordingly, the ALJ recommends the PUC's approval of the Petition. A proposed Order is submitted herewith for the Commissioners' consideration.

Respectfully submitted this 26th day of April, 2016.



JOEPHET R. ALCANTARA
Administrative Law Judge

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¹⁰ Formerly 12 G.C.A. § 12004.

¹¹ See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1 (Oct. 27, 2013).