



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

PETITION BY THE GUAM)	GWA DOCKET 16-04
WATERWORKS AUTHORITY FOR)	
APPROVAL OF USE OF ADDITIONAL)	ORDER
2015 BOND PROCEEDS)	
_____)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Petition for Approval of Use of 2015 Bond Proceeds (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on June 21, 2016.

DETERMINATIONS

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 new bonds during 2013, 2015, and 2018, in order to generate \$350 million in capital expenditures for upgrades or rehabilitation of existing facilities, or construction of new facilities.¹ The PUC approved the Rate Plan on October 29, 2013; and on October 7, 2013, Public Law 32-069 (“P.L. 32-069”) was signed into law, which generally authorized GWA to issue an additional \$450,000,000 in revenue bonds.

On October 27, 2015, the Consolidated Commission on Utilities (the “CCU”) adopted and approved GWA’s Updated Capital Improvement Plan for fiscal years (“FY”) 2015-2020 (“GWA CIP FY2015-2020”); and on November 24, 2015, the CCU

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

approved GWA's issuance of water and wastewater system revenue bonds in a principal amount not to exceed \$160,000,000.² Thereafter, on November 25, 2015, GWA filed a Petition for PUC approval to issue up to \$160,000,000 in bonds. 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.

On April 11, 2016, GWA petitioned the PUC for approval of the use of an additional \$11,569,463 of 2015 Bond funds, which became available to GWA when it closed on the bond. On April 28, 2016, the PUC approved GWA's request to program the additional \$11,569,463 of 2015 Bond funds.

On July 26, 2016, the Administrative Law Judge of the PUC Joepheth R. Alcantara (the "ALJ") filed a report regarding the instant Petition, which included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

A. Bond Review

Pursuant to 12 G.C.A. § 12105,³ 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

² Petition to Approve the Issuance of \$161M in Water and Wastewater Revenue Bonds and to Approve the Associated Documents, Exhibit A (CCU Resolution No. 09-FY2015), p. 3 (Nov. 25, 2015).

³ Formerly 12 G.C.A. § 12004.

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.⁴

B. Petition

In its Petition, GWA submitted that when it closed on the 2015 bond, it was able to secure \$140,019,463 for capital improvement projects, which included an additional \$11,569,463 of 2015 Bond funds available to GWA. Since GWA already requested, and was given, PUC approval for use of the \$11,569,463, GWA sought PUC approval to program the remaining \$128,450,000 in bond funds.

GWA submitted that some of the major projects included in the request for use of the 2015 bond proceeds involve the following: a new Water Booster pump station; repair of deep wells; continuation of its master meters project; water distribution system upgrades; Ugum Water Treatment Plant Reservoir; Agana Heights and Chaot Tanks; tank repairs; tank replacement in Piti and Hyundai; fire hydrant replacement program; lift station upgrades; wastewater collection system; Umatac-Merizo replacement; SCADA improvements; and land survey costs; to name a few.

With the Petition, GWA again submitted to the PUC its GWA CIP FY2015-2020. In a prior docket, the PUC reviewed GWA's supplement to the GWA CIP FY2015-2020. In the Petition, GWA further requested that all bond projects in excess of one million dollars (\$1,000,000) be approved by the PUC.

⁴ See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1 (Oct. 27, 2013).

C. Bond Projects

Based on the GWA CIP FY2015-2020, the following are a few itemized projects that require bond fund programming for about twenty (20) potable water projects, which include tank replacements and repairs in Piti and Hyundai, Yigo, Mangilao, Astumbo, Agana Heights and Chaot, and Barrigada; new deep wells, as well as the rehabilitation of existing wells; new fire hydrants; and continuation of GWA's meter replacement program, leak detection program, potable water system planning, among others.

The major potable water projects involve the replacement of the tanks in Piti and Hyundai, budgeted at \$10.5 million; completion of the master meters project, budgeted at \$3,616,000; Ugum Water Treatment Plant reservoir, which GWA has budgeted \$6,410,000 from the bond proceeds; with a huge chunk of the proceeds for Water System Reservoirs 2005 Improvements, which GWA has budgeted \$42,350,000 from such proceeds.

Also indicated was \$28,727,000 for seven (7) wastewater projects that include the following: wastewater system planning; wastewater system replacement and rehabilitation; sewage pump station upgrades; planning and design for the Umatac-Merizo STP Improvement; and planning and design of a new wastewater treatment facility at the Umatac-Merizo STP; Umatac-Merizo STP replacement, which GWA has budgeted \$8 million from the bond proceeds; Baza Gardens STP replacement, which GWA has budgeted \$13.7 million from the bond proceeds; among others.

GWA submitted that the bond proceeds will also fund \$8,750,000 for five (5) electrical engineering projects, which include upgrades to water wells and water booster stations, and Phases 3 and 4 of GWA's SCADA program. GWA has budgeted \$1,177,000 to finish off Phase 3, and has budgeted \$6.5 million for Phase 4 of its SCADA program.

Additionally, GWA submitted that the bond proceeds are further intended to fund \$3.825 million for four (4) miscellaneous projects, which include \$627,000 for the construction costs to the renovation of the Laboratory, land surveys, \$700,000 for general plant improvements throughout the utility, and \$500,000 for information technology ("IT") improvements. The IT improvements will involve desktop replacement, network and security system improvements, virtual server and storage solutions, among others. Accordingly, the bond proceeds will fund \$128,450,000 worth of projects.

Based on a review of the administrative record, the PUC's prior review and approval of the 2015 Bond, and for other reasons set forth herein, the ALJ recommended that the PUC approve GWA's request for use of the \$128,450,000 for capital improvement projects as identified in GWA CIP FY2015-2020. Accordingly, the ALJ recommended the PUC's approval of the Petition.

GWA should be reminded that any contract in excess of one million dollars (\$1,000,000) requires PUC approval prior to any issuance of invitations for bids or requests for proposals pursuant to GWA's Contract Review Protocol. In addition, GWA should be required to submit to the PUC a report detailing the status of all Federal Stipulated Order projects, including a timeline of events and deadlines for any outstanding

projects. In addition, GWA should be required to submit to the PUC a report detailing the status of all Capital Improvement projects, including a timeline of events and deadlines for any outstanding projects. GWA should further be required to submit to the PUC an accounting of any remaining bond funds from prior bond issues. These reports should be submitted to the PUC by the next PUC hearing.

The Commission hereby adopts the findings contained in the July 26, 2016 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the July 26, 2016 ALJ Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS the following:

1. That GWA's request for use of the \$128,450,000 for capital improvement projects as identified in GWA CIP FY2015-2020 is APPROVED and GWA's June 21, 2016 Petition for the approval of use of 2015 Bond Proceeds is GRANTED.

2. GWA shall submit to the PUC a report detailing the status of all Federal Stipulated Order projects, including a timeline of events and deadlines for any outstanding projects, by the next PUC hearing.

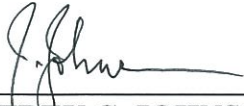
3. GWA shall also submit to the PUC a report detailing the status of all Capital Improvement projects, including a timeline of events and deadlines for any outstanding projects, by the next PUC hearing.

4. GWA shall submit to the PUC an accounting of any remaining bond funds from prior bond issues, indicating what has been spent and what remains in the account for such bonds, by the next PUC hearing.

5. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b), 12024(b) (renumbered as 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 28th day of July, 2016.



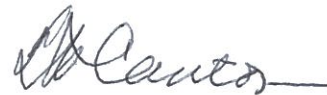
JEFFREY C. JOHNSON
Chairman



ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner



FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

P163022.JRA