

BEFORE THE PUBLIC UTILITIES COMMISSION



PETITION OF)	GWA DOCKET 17-06
GUAM WATERWORKS AUTHORITY)	ALJ REPORT RE: ANNUAL
FOR RATE RELIEF)	TRUE UP FOR FY2018 RATES
_____)	

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the PUC’s Rate Decision dated October 29, 2013 (the “Rate Decision”). Pursuant to the Rate Decision, GWA is required to provide the PUC with certain updated information annually, specifically its annual “true up” report.

BACKGROUND

On June 1, 2017, GWA submitted its annual “true up” report (hereinafter referred to as the “Annual True Up” or “FY2017 True Up”). Pursuant to the Rate Decision, the PUC has approved a rate increase of four percent (4%) for fiscal year 2018 (“FY2018”).

DISCUSSION

A. Annual True Up Request

1. Base Rate and Lifeline

In the Annual True Up, GWA submits that it has examined the following: (1) its latest available financial data; (2) developments since the last annual true up filing; (3) financial policies; (4) a forecast of FY2017’s year-end results; (5) FY2018 revenue requirements; (6) known and measureable changes in costs and conditions; and (7) its rate covenants.¹

¹ Annual True Up, p. 2.

Based on its examination of the items above, GWA requests implementation of the four percent (4%) proposed rate increase across all rates and customer classes, excluding lifeline rates.²

2. Legislative Surcharge

With respect to its Legislative Surcharge, which must be adjusted annually and is restricted to paying for health care benefits and annuities of GWA's retirees, GWA requests an increase of this surcharge from 3.7% to 3.75%.³

B. Annual True Up Review

1. Operating Expenses for FY2018

As indicated in the Annual True Up, GWA's projected operating expenses for FY2018 necessitate a revenue requirement of about \$84.5 million. This requirement involves the following: about \$24 million in salaries and benefits; about \$21 million in utilities; about \$12 million in general and administrative expenses; about \$4.5 million in contractual expenses; and about \$3.4 million in retiree annuities and benefits, along with other expenses.⁴ Its revenue requirement for FY2017 was approximately \$75 million, though \$81 million was approved.⁵

2. Revenues

GWA forecasts that its revenues will grow from \$106 million to \$112 million, or 6%, in FY2018.⁶ GWA assumes that there will be no organic growth in

² Annual True Up, p. 2.

³ Annual True Up, p. 2.

⁴ Annual True Up, p. 12; Schedule C.

⁵ Annual True Up, p. 12.

⁶ Annual True Up, p. 7.

customer base, but that the increase will be attributable to the proposed rate increase.⁷ GWA submits that the four percent (4%) rate increase will add approximately \$6 million in water and wastewater revenues.⁸

3. Debt Service

GWA's debt service for FY2018 is estimated at about \$29,960,827.⁹ GWA's debt service for FY2017 is annualized at \$24,562,301.¹⁰ GWA submits that its debt service will increase by \$5 million in FY2018.¹¹ However, since the PUC's recent authorization for the refund of GWA's 2010 bonds, GWA estimates an annual savings of about \$455,600, which lessens its debt service.

4. Summary of Staff

In its filing, GWA further indicated that it currently has three hundred thirty-two employees, totaling \$21,756,707 in gross salaries.¹² It has sixty-three vacant positions.¹³ GWA projects that it will need \$24 million for salaries and benefits for FY2018.¹⁴

⁷ Annual True Up, p. 7.

⁸ Annual True Up, p. 7.

⁹ Annual True Up, p. 13.

¹⁰ Annual True Up, p. 13.

¹¹ Annual True Up, p. 13.

¹² Annual True Up, p. 14.

¹³ Annual True Up, p. 14.

¹⁴ Annual True Up, p. 12.

5. Faulty Meters, Water Loss, and School Shutdowns

As part of this review, the ALJ issued a Request for Information (“RFI”) which identified certain areas of concern, namely: (1) faulty meters; (2) water loss; (3) and water loss affecting schools.

In response to the RFI, GWA provided some insight on the issue of its low-reading meters. GWA indicated that a particular disc in the meter’s measuring chamber has been cracking. GWA submits that the manufacturer has admitted that there have been issues with the quality of these meters. In response, GWA is working with the manufacturer to replace the failing meters “with a more robust model” under warranty.

With respect to its water losses in general, GWA submits that water loss, or non-revenue water, is comprised of: unbilled, unauthorized consumption; apparent losses, such as metering inaccuracies; and real losses, such as leaks in its transmission system. GWA maintains that real losses of about 46% are attributable to leaks in GWA’s system. To address this water loss, GWA has initiated the following: its line replacement program; its reservoir replacement program; staffing its leak detection and leak repair programs; pressure zone realignment and system meter project (to improve water pressure and water delivery); hydrant repair and replacement; and the completion of its System Control and Data Acquisition program.

GWA maintains that it is able to repair its water leaks and further maintains that it does not need a contractor to address this issue. With respect to its efforts to solving its water loss problem, GWA is “stymied” by factors, which include: a shortage of manpower in its leak repair crews; and, it experiences shortages in its parts and supplies.

Lastly, GWA currently has a standard procedure when there are water outages at schools. During such outages, GWA provides a water tanker if the school does not already have a storage tank and pump system. In cases where the school has storage tanks, GWA assists with refilling the tanks with water. In cases where the schools have no tanks, then GWA stages a tanker at the school for its use.

GWA also indicated that GWA has a fleet of mobile water tanks and water buffaloes. GWA is able to set up water tanks at school sites to prevent schools from shutting down during times of water loss.

RECOMMENDATION

Based on the record, the ALJ hereby recommends that the PUC authorize GWA to implement the 4% rate increase for FY2018. With respect to the Legislative Surcharge, the ALJ recommends that the PUC approve the increase of this surcharge to 3.75% as requested by GWA. GWA should be required to submit a report to the PUC, within thirty (30) days, detailing the status of all Federal Stipulated Order projects, including a timeline of events and deadlines for any outstanding projects. GWA should further be required to submit a report to the PUC, also within thirty (30) days, detailing the status of all Capital Improvement projects, including a timeline of events and deadlines for any outstanding projects. A proposed Order is submitted herewith for the Commissioners' consideration.

Respectfully submitted this 27th day of September, 2017.



JOEPHET R. ALCANTARA
Administrative Law Judge