

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GWA Docket 20-06  
)  
The Petition of the Guam Waterworks ) ORDER  
Authority for Approval of Use of 2020A )  
Bond Proceeds. )  
\_\_\_\_\_ )

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (“PUC”) pursuant to the Petition for Approval of Use of 2020A Bond Proceeds (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on June 16, 2020.<sup>1</sup>

BACKGROUND

On March 26, 2020, the PUC adopted an “ORDER APPROVING LONG-TERM DEBT.”<sup>2</sup> The PUC authorized GWA to issue bonds in a principal amount not to exceed \$134,000,000. Attached to the PUC Order as Exhibit A was a “TABLE OF PROJECTS FUNDED BY SERIES 2020A BONDS.”<sup>3</sup>

In its Petition for Approval of the 2020 Bond Issuance, GWA estimated that there would be net proceeds in the construction fund for capital improvement projects of approximately \$108,926,000.<sup>4</sup> However, after the Bond Issuance was completed, there were Project Fund Deposits in the 2020A Construction Account in the total amount of

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<sup>1</sup> GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, filed June 16, 2020.

<sup>2</sup> PUC Order Approving Long-Term Debt, GWA Docket 20-03, dated March 26, 2020.

<sup>3</sup> Id. at p. 2 and Exhibit “A”.

<sup>4</sup> GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, at p. 1.

\$123,590,268.65.<sup>5</sup> Therefore, GWA has an additional \$14,664,270 available in construction funds for capital improvement projects. These additional available funds have not been allocated or approved for use on specific capital improvement projects.

### **DETERMINATIONS**

#### **A. Bond Review**

Pursuant to 12 GCA § 12105,<sup>6</sup> 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.<sup>7</sup>

#### **B. The Petition and CCU Resolution No. 29-FY2020**

In its Petition, GWA seeks PUC approval for the use of \$14,664,268.65 of additional bond funds. The proposed spending for such additional funds in FY2020 and FY2021 is set forth in the Project CIP List attached to GWA's Petition as Exhibit A. Said List is the same List attached to CCU Resolution No. 29-FY2020. A true and correct copy of Exhibit A is attached to the ALJ Report filed herein as Exhibit "1".

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<sup>5</sup> Citigroup Global Markets Inc., SOURCES AND USES OF FUNDS: Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2020A, Proposed Final Numbers, at p. 1.

<sup>6</sup> Formerly 12 GCA § 12004.

<sup>7</sup> See Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p.1 (Oct. 27, 2013).

In CCU Resolution No. 29-FY2020, the CCU has explained, in detailed fashion, all of the “CIP line items that experienced fund allotment changes to the 2020A Bond proceeds...” There is an explanation of all changes made to specific line items.<sup>8</sup> There has been no change in the total funding amount for the 2020-2024 Capital Improvement Program (CIP), as was submitted in GWA Docket 19-08. All of the same capital project line items slated for 2020 Bond Funding, as were included in the pre-issuance CIP project list, are still included in the Project List attached to GWA’s Petition.<sup>9</sup>

CCU Resolution No. 29-FY2020 indicates the spending changes that have been made to the Project CIP List as a result of the availability of additional bond funds: (1) with certain CIP line items, projects were previously intended to be funded with planned Internally Funded CIP (IFCIP) allotments; however, due to the anticipated drop in GWA revenues from the recent global pandemic, bond proceeds instead will be allocated to fund such CIP projects; and (2) some CIP line items for FY2020 and FY2021 are receiving additional funding.<sup>10</sup>

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<sup>8</sup> Draft Consolidated Commission on Utilities Resolution No. 29-FY2020, Relative to Approving the Guam Waterworks Authority’s “2020-2024 Capital Improvement Plan (CIP) Supplement”, at p. 2; said Resolution is anticipated to be adopted at the CCU Meeting scheduled for June 23, 2020.

<sup>9</sup> GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, at p. 1.

<sup>10</sup> Draft Consolidated Commission on Utilities Resolution No. 29-FY2020, Relative to Approving the Guam Waterworks Authority’s “2020-2024 Capital Improvement Plan (CIP) Supplement”, at p. 2; said Resolution is anticipated to be adopted at the CCU Meeting scheduled for June 23, 2020.



Many of the projects listed on Exhibit 1 to the ALJ Report, related to non-revenue water, “have been moved up in time and/or 2020 Bond Funding amounts have been increased.”<sup>11</sup>

**C. Bond Projects**

The purpose of this allocation of the additional funding is to “spread in various CIP line items that are intended to address non-revenue water loss, reduction in sanitary sewer overflows, remaining USEPA Court Order Projects, projects that address pending USEPA consent decree requirements and general GWA facility improvements.”<sup>12</sup>

The ALJ reviewed the projects listed in Exhibit 1. He gave particular attention to those projects where funding increases in FY2020 and FY2021 approached \$1M or more. For the most part, these projects involved expenditures where large sums were projected over the four-year period FY2020-2024. Spending was either accelerated or series 2020A proceeds were added in lieu of IFCIP funding allotment.

The projects include:

MP-GEN-MISC-04: “Information Technology Improvements”; \$1,250,000 of

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2020A proceeds were added in lieu of IFCIP funding allotment to address GWA

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<sup>11</sup> GWA Petition for Approval of Use of 2020A Bond Proceeds, GWA Docket 20-06, at p. 1.

<sup>12</sup> GWA Work Session, June 16, 2020, ISSUES FOR DECISION, at p. 21 (packet for CCU Members).

Information Technology hardware and software needs to improve service to customers.<sup>13</sup>

MP-GEN-MISC-05: “GWA Infrastructure Improvements”; \$2,000,000 of 2020A proceeds were added to the CIP line item to address structural and functional improvements for various GWA facilities.<sup>14</sup>

MP-PW-PIPE-13: “2-Inch Pipe Replacement Program; \$800,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address old 2-Inch diameter galvanized pipe prone to leaks.<sup>15</sup>

MP-PW-WELL-01: “Well Rehabilitation Program”; \$1,900,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address source water improvements.<sup>16</sup>

WW 09-01: “Lift Station Upgrades”; \$800,000 of 2020A proceeds were added to the CIP line item and \$250,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address sewer pump station and force main improvements required under the pending USEPA Consent Decree.<sup>17</sup>

WW 09-01: “Wastewater Collection System Replacement/Rehabilitation”;  
\$250,000 of 2020A proceeds were added to the CIP line item and \$1,050,000 of 2020A

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<sup>13</sup> CCU Resolution No. 29-FY2020, at p. 2.

<sup>14</sup> Id.

<sup>15</sup> Id. at p. 3.

<sup>16</sup> Id. at p. 4.

<sup>17</sup> Id.

proceeds were added in lieu of IFCIP funding allotment to address collection system improvements required under the pending USEPA Consent Decree.<sup>18</sup>

MP-WW-Pipe-01: "Gravity Pipe Rehabilitation/Replacement Program"; \$1,800,000 of 2020A proceeds were added in lieu of IFCIP funding allotment to address collection system improvements required under the pending USEPA Consent Decree.<sup>19</sup>

The ALJ has reviewed the proposed expenditures of the additional bond funds in Exhibit 1 hereto (Exhibit A to the Petition) and has compared them with the original expenditures indicated in the Schedule of Capital Projects submitted by GWA in GWA Docket 19-08, the Rate Case. The Schedule of Capital Projects filed in GWA Docket 19-08 is attached to the ALJ Report as Exhibit "2".<sup>20</sup> Most of the projects with substantial cost increases for FY2020 and FY2021 are those with high funding totals between 2020 and 2024. In response to a request by the PUC ALJ, the Chief Financial Officer of GWA, Taling M. Taitano, submitted reasonable explanations for the increases in the higher cost GWA bond funded projects.<sup>21</sup>

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<sup>18</sup> Id. at p. 5.

<sup>19</sup> Id.

<sup>20</sup> Exhibit 2 to the ALJ Report, Schedule of Capital Projects-Water, Wastewater, Electrical and Miscellaneous, FY2019-2024, submitted as Exhibit D to the Rate filing by GWA in GWA Docket 19-08, filed July 6, 2019.

<sup>21</sup> Email from GWA CFO Taling M. Taitano to PUC ALJ Fred Horecky, dated June 19, 2020, attached to the ALJ Report as Exhibit "3".



**D. Precedent for Approval of Additional Bond Funds**

A similar issue arose for approval of the use of additional bond proceeds with regard to the 2015 Bond issuance. There GWA sought PUC approval where it received \$11,569,463 more in net bond proceeds from the bond issuance than it had originally contemplated. The PUC approved GWA's petition for the use of such additional proceeds from the 2015 Bond Issuance for various specified bond projects.<sup>22</sup>

**CONCLUSION AND RECOMMENDATIONS**

The June 22, 2020, ALJ Report recommended that the PUC approve GWA's request for the use of the additional \$14,664,270, in accordance with the allocations set forth in Exhibit 1 attached to that Report. The Commission hereby adopts the findings and recommendations contained in ALJ Report. The requested allocations are appropriate expenditures for the additional funds secured through the bond issuance.

The Commission therefore issues the following:

**ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the GWA Petition, the June 22 ALJ Report, and the record herein, and after discussion at a duly noticed regular meeting held on June 25, 2020, for good cause shown and on motion duly made, seconded and carried by affirmative vote of the undersigned

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<sup>22</sup> PUC Order, GWA Docket 16-02. Dated April 28, 2016, at p. 7.

Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. GWA's request for the use of the additional \$14,664,270 in bond funds, in accordance with the allocations set forth in Exhibit 1 attached to the ALJ Report (and as Exhibit A to the GWA Petition), is approved.
2. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§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]

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Dated this 25th day of June, 2020.



Jeffrey C. Johnson  
Chairman



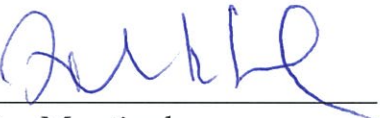
Rowena E. Perez-Camacho  
Commissioner



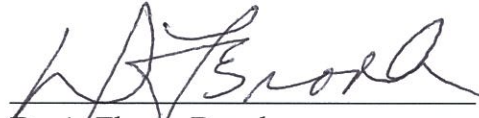
Joseph M. McDonald  
Commissioner



Michael A. Pangelinan  
Commissioner



Peter Montinola  
Commissioner



Doris Flores Brooks  
Commissioner

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Pedro S.N. Guerrero  
Commissioner