

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GWA Docket 23-06  
)  
REQUEST BY THE GUAM )  
WATERWORKS AUTHORITY FOR ) **ALJ REPORT**  
APPROVAL TO REALLOCATE A )  
PORTION OF GWA'S SERIES A BOND )  
PROCEEDS )  
\_\_\_\_\_ )



**INTRODUCTION**

This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Waterworks Authority [“GWA”] for PUC Approval to reallocate a Portion of GWA’s Series 2020A, 2016, and 2013 Bond Proceeds.<sup>1</sup>

The objective of the bond proceeds reallocation is to provide additional funding for the District Court Ordered repair, rehabilitation, reallocation, and construction of the reservoir/tank projects, and to perform “newly prioritized inspection and replacement design of water and sewer utilities crossing bridges to prevent critical failures, such as the Pago Bay Bridge water line failure.”<sup>2</sup> GWA’s management seeks to reallocate \$11,893,376.94 of the 2020A Bond Proceeds from projects which can be deferred to a later date, or which have alternate funding sources.<sup>3</sup>

Of the total reallocation, \$10,993, 376.94 would be for the reservoir /tank projects and \$900,000.00 for the water and sewer utilities crossing bridges.<sup>4</sup>

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<sup>1</sup> GWA Petition for Approval to Reallocate a Portion of GWA’s Series 2020A Bond Proceeds, GWA Docket 23-06, filed August 4, 2023.

<sup>2</sup> Id. at Exhibit B-02.

<sup>3</sup> Id. at p. 3 and Exhibit B-02; see also GWA’s Response to PUC Requests for Information, GWA Docket 23-06, filed August 16, 2023, at pgs. 5-6, RFI No. 13 and 14.

<sup>4</sup> Id. at Exhibit B-05.



## **BACKGROUND**

On March 26, 2020, in GWA Docket 20-03, the PUC approved GWA's petition to issue up to \$134,000,000 in water and wastewater system revenue bonds primarily for the financing of new capital projects.<sup>5</sup> After certain deductions from the bond proceeds for various bond funds, the net amount of the bonds available for Capital Improvement Projects was \$103,672,000.00.<sup>6</sup>

In GWA Docket 22-09, GWA requested that bond funds be reallocated from certain projects in the amount of \$30,425,000 to "PW09-11 Water System Reservoirs 2005 improvements". This is the same reservoir/tank projects for which GWA seeks to allocate additional funds in the present docket.

When GWA first issued the Series 2020A Bonds, it anticipated that \$25M of the total 2020A Bond proceeds would be allocated to the reservoir/tank projects.<sup>7</sup> In GWA Docket 22-09, the PUC approved the reallocation of \$30,425,000 to the reservoir/tank projects, which increased the total allocation for the water reservoirs/tanks to \$56,127,005.<sup>8</sup>

In this Docket, if the PUC approves the reallocation of \$10,993,376.94 from the bond proceeds to reservoirs/tanks, the total amount of 2020A bond proceeds allocated to reservoirs/tank projects out of the net available funds of \$103,672,000.00, would be

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<sup>5</sup> Id. at p. 1.

<sup>6</sup> ALJ Report, GWA Docket 22-09, dated September 24, 2022, at p. 2.

<sup>7</sup> GWA Petition for Approval to Reallocate a Portion of GWA's Series A Bond Proceeds, GWA Docket 22-09, filed September 16, 2022, at Exhibit A-11.

<sup>8</sup> Id. at Exhibit "B".



roughly \$67,120,381.00. The present current balance in the PW09-11 Water Reservoir 2005 Improvements CIP account would be \$62,284,417.49.<sup>9</sup>

The overall significance of the reservoirs/tank projects in the scheme of GWA bond financing cannot be underestimated. In 2013, in Public Law No. 32-069, the Guam Legislature authorized the issuance of additional GWA Bonds for Court-Ordered projects in the amount of \$450,000,000.00. Bond issuances were undertaken in 2013, 2016, and 2020. \$153.4M of that amount was authorized for the repair and rebuilding of all GWA water storage tanks island wide.<sup>10</sup> \$130,083,170.00 has been approved for water storage tanks to date.<sup>11</sup>

The Guam Consolidated Commission on Utilities, in GWA Resolution No. 28-FY2023, adopted and approved May 30, 2023, approved the reallocation of \$11,893,376.94 of 2020A Bond proceeds from various CIP line items to the CIP line items PW 09-11 “Water System Reservoirs 2005 Improvements and MP-PW-Pipe “Rehabilitation and Replacement Program”.<sup>12</sup>

## ANALYSIS

### **A. Review of the Request for Reallocation of Bond Funds**

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<sup>9</sup> GWA Petition at Exhibit B-05.

<sup>10</sup> Public Law No. 32-69, Section 1, enacted November 5, 2013.

<sup>11</sup> GWA’s Response to PUC Requests for Information, GWA Docket 23-06, filed August 16, 2023, at pgs. 1-2, RFI No. 3.

<sup>12</sup> GWA Petition at Exhibit B-01 through Exhibit B-05.



Pursuant to GWA's Contract Review Protocol, all externally funded loan obligations and other financial obligations, such as lines of credit, bonds, etc., in excess of \$1,000,000.00, **and any use of such funds, must be approved by the PUC.**<sup>13</sup>

In Section 3 of the PUC Order in GWA Docket 20-03, dated March 26, 2020, "any reprogramming of Projects and/or associated proceeds of the 2020 Bonds for other projects shall be subject to prior Commission approval."<sup>14</sup>

**B. The Bond Reallocation is necessary to enable GWA to complete the substantial amount of remaining work that must still be undertaken on the reservoir/tank projects.**

GWA indicates that it has completed a majority of the Court Ordered compliance requirements with respect to the Repair, Rehabilitation, Relocation or Replacement of GWA's water storage reservoirs. However, "notwithstanding these achievements, 13 reservoirs to be constructed, replaced and rehabilitated remain outstanding to date."<sup>15</sup>

There are "three remaining concrete reservoirs" for which construction procurements "are near final and repairs for several of the ten existing steel reservoirs are in progress or are pending scheduled inspections."<sup>16</sup>

GWA has received bids for the construction of the new tank projects and subsequent finalization of construction contracts for these projects require fund certification.<sup>17</sup> "The remaining tanks requiring rehabilitation and repair are being inspected and assessed to

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<sup>13</sup> Contract Review Protocol for Guam Waterworks Authority, Administrative Docket 00-04, p. 1.

<sup>14</sup> GWA Petition at Exhibit A-03.

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

<sup>16</sup> Id.

<sup>17</sup> GWA Petition at Exhibit B-01 [Guam Consolidated Commission on Utilities, GWA Resolution No. 28-FY2023, adopted and approved May 30, 2023].



finalize the scope and cost for repair and rehabilitation projects; the projects will be authorized as required to meet the current Court Order requirements pending fund certification.”<sup>18</sup>

**C. GWA presently has insufficient funding to complete the Reservoir/Tank projects.**

Because the \$25M amount allocated for the reservoir/tank projects in the original 2020 bond issuance was not sufficient to complete the projects, GWA had to request allocation of an additional \$30M in reallocation from the Series 2020A Bond Proceeds in GWA Docket 22-09. To complete the projects, GWA has now been compelled to request an additional nearly \$11M in reallocation of funds.

As was previously determined by the PUC in GWA Docket 22-09, the costs for instruction, repair, replacement and rehabilitation of GWA’s remaining reservoir projects, have significantly increased in recent years. Over the past few years, the PUC has noted the same trend towards increasing costs regarding Port Authority of Guam and Solid Waste CIP projects. As the PUC has often seen regarding costs for capital improvement projects, escalated costs have resulted primarily from inflation, worldwide increases in fuel and oil, and Guam’s limited construction market supply which has greatly increased construction demand locally. “All of the above have and still require GWA to request approval to reallocate available bond funding away from wastewater and other projects to adequately fund the court-ordered tank projects.”<sup>19</sup>

**D. GWA will secure additional bond funding for the Reservoir/Tanks projects by deferring several non-Court-Ordered projects in the current CIP plan.**

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<sup>18</sup> Id.

<sup>19</sup> Id. at pgs. 2-3.



Attached hereto as Exhibit “A” is the “Bond Reallocation Schedule” proposed by GWA in Guam Consolidated Commission on Utilities Resolution 28-FY2023.<sup>20</sup> The schedule indicates that there are proposed bond fund reductions from several projects, including the 2-inch Pipe Replacement Program, Well Piping and Rehabilitation programs, Water Wells, and PRV Rehab and Replacement.

GWA indicates that funding for these deferred CIP projects will need to be obtained through future capital financing sources.<sup>21</sup> Therefore, this reallocation will likely cause GWA’s CIP “to need adjustment to reflect the required movement of funding.”<sup>22</sup> In addition, not all six of the listed projects from which funds are being reallocated are being deferred, as most have alternate funding sources or work is being done under related projects.<sup>23</sup>

GWA does not anticipate that the deferment of CIP projects for the reservoir/tank projects will cause any detriment or harm to GWA or its ratepayers.<sup>24</sup>

**E. GWA also seeks to reallocate bond funding from various water line projects to perform newly prioritized inspection and replacement design of water and sewer utilities crossing bridges, to prevent critical failures, such as the Pago Bay Bridge water line failure.**

GWA management now seeks to reallocate funding from various water line projects in the amount of \$900,000.00 for “MP-PW-Pipe 12 Rehabilitation and Replacement

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<sup>20</sup> Exhibit A hereto is Exhibit B-05 attached to GWA’s Petition.

<sup>21</sup> GWA Petition at Exhibit B-02.

<sup>22</sup> Id. at Exhibit B-03.

<sup>23</sup> GWA’s Response to PUC Requests for Information, GWA Docket 23-06, filed August 16, 2023, at p. 5, RFI No. 13.

<sup>24</sup> Id.



Program.” The purpose is to inspect and replace water and sewer facilities crossing bridges to prevent critical failures.

In its Response to PUC Requests for Information, GWA has presented a more detailed explanation of the need to inspect and replace water and sewer facilities crossing bridges:

“The recent failure of the pipe suspended underneath the Pago Bay Bridge has highlighted the poor condition of exposed pipes at bridge crossings throughout the island, the challenges faced by GWA crews to safely make timely repairs to these crossings, and criticality of these crossings to be able to provide reliable service to the island proves the project essential. Several of these crossings need immediate attention for design and rehabilitation, and the remaining need corrective and preventative attention before they deteriorate to the point of needing immediate attention.”<sup>25</sup>

The total estimated cost to fund the water and sewer bridge utility inspections and design is expected to be \$1,232,909.00.<sup>26</sup>

GWA also does not believe that deferral of CIP projects for the MP-PW-Pipe 12 “Rehabilitation and Replacement Programs” will cause any detriment or harm to GWA or its ratepayers.<sup>27</sup>

### **RECOMMENDATION**

Based on the record before this Commission, the Administrative Law Judge recommends the reallocation of \$10,993,376.94 of the Series 2020A Bond Proceeds, from various deferred CIP line items identified in Exhibit “A”, to increase funding for the CIP line item for PW09-11 “Water System Reservoirs 2005 Improvements”, and

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<sup>25</sup> Id. at p. 4, RFI No. 10.

<sup>26</sup> Id. at p. 5, RFI No. 12.

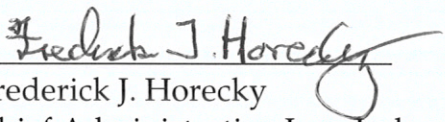
<sup>27</sup> Id. at pgs. 5-6, RFI No. 14.



\$900,000.00 for CIP line item for “MP-PW-Pipe 12” Rehabilitation and Replacement Program”. The reallocated bond funds, in the total amount of \$11,893,376.94, are for the projects specified in GWA’s Petition.

A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 21<sup>st</sup> day of August, 2023.

  
Frederick J. Horecky  
Chief Administrative Law Judge



Guam Waterworks Authority

Bond Reallocation Schedule - CCU Resolution 28-FY2023

B2020A Bond Schedule and Reallocation						
CIP Number	CIP Name	Available Balance	Fund Reduction	Reallocated Funding	Adjusted Balance	Comment
MP-PW-Pipe-04	Hyundai Well Piping	\$ 500,000.00	\$ (500,000.00)		\$ -	Reallocate to MP-PW-Pipe-12
MP-PW-Pipe-05	Kaiser Zone Looping	\$ 400,000.00	\$ (400,000.00)		\$ -	Reallocate to MP-PW-Pipe-12
MP-PW-Pipe -13	2-Inch Pipe Replacement Program	\$ 3,330,000.00	\$ (3,130,000.00)		\$ 200,000.00	USEPA Grant Funded, Reallocate to PW 09 11
MP-PW-Pipe -15	PRV Rehab and Replacement	\$ 1,613,376.94	\$ (1,213,376.94)		\$ 400,000.00	USEPA Grant Funded, Reallocate to PW 09-11
MP-PW-Well-01	Well Rehabilitation Program	\$ 3,600,000.00	\$ (3,600,000.00)		\$ -	USEPA Grant Funded, Reallocate to PW 09 11
PW 09-02	Water Wells	\$ 3,458,085.00	\$ (3,050,000.00)		\$ 408,085.00	Deferred

Total Funding Reduction

\$ (11,893,376.94)

Total Reallocation

\$ 11,893,376.94

PW 09-11	Water Reservoir 2005 Improvements	\$ 51,291,040.55		\$ 10,993,376.94	\$ 62,284,417.49	Court Ordered Projects
MP-PW-Pipe-12	Rehabilitation and Replacement Program	\$ 980,401.00		\$ 900,000.00	\$ 1,880,401.00	Bridge Waterline/Sewerline Replacement Projects