

**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Jeffrey C. Johnson  
Chairman  
Law Judge

Suite 207, GCIC Building  
Post Office Box 862

Frederick J. Horecky  
Chief Administrative

Peter B. Montinola  
Vice-Chairman  
Judge

Hagåtña, Guam 96932  
Telephone: (671) 472-1907  
Fax: (671) 472-1917

Joephet R. Alcantara  
Administrative Law

**Commissioners**  
Joseph M. McDonald  
Rowena E. Perez-Camacho  
Michael A. Pangelinan  
Doris Flores Brooks  
Pedro S.N. Guerrero

Lourdes R. Palomo  
Administrator

Anthony R. Camacho  
Legal Counsel

Colleen N.S. Chlarson  
Administrative Assistant

November 15, 2023

Senator Sabina Flores Perez  
Chairperson, Committee on Environment, Revenue and Taxation, Labor,  
Procurement, and Statics, Research and Planning  
37<sup>th</sup> Guam Legislature  
163 Guam Congress Building  
2<sup>nd</sup> Floor  
Hagatna, Guam 96910

**SUBJECT: Testimony of Chairman Jeffrey C. Johnson, Guam Public Utilities  
Commission, on Bill No. 165-37(COR)**

Dear Chairperson Perez:

**INTRODUCTION**

The Guam Public Utilities Commission ["PUC"] appreciates the opportunity to comment on proposed Bill No. 165-37 (COR). The PUC commends you for introducing and sponsoring this important Bill for the Guam Solid Waste Authority ["GSWA"].

This Bill is critical for the future financial health of GSWA. It will ensure that GSWA has the necessary financial resources to carry out its operations.

**PASSAGE OF THIS BILL WILL LIKELY OBIVIATE THE IMMEDIATE NEED FOR  
GSWA TO FILE A PETITION FOR RATE INCREASE**

The implementation of a requirement that all residences and residential buildings of four or less units have Universal Garbage Collection Services will reduce the immediate need of GSWA to

seek rate increases with the PUC. In its 2020 Final Report on the Management Audit of GSWA, the PUC had determined that GSWA would likely need significant increases in residential and commercial tipping fees. PUC recommended that GSWA file a petition for rate increases with the PUC.

Adoption of this Bill into law will likely obviate the need for GSWA to file for a rate increase at the present time. The Universal Garbage Collection Services requirement will substantially increase the revenues of GSWA. If a rate increase is required in the future, at the very least, the implementation of Universal Garbage Collection should significantly reduce the amount of any necessary future rate increases.

**THE REQUIREMENT FOR UNIVERSAL SERVICE IS AN ACCEPTED INDUSTRY  
WIDE STANDARD FOR GARBAGE COLLECTION**

As pointed out in Section 1, Legislative Findings and Intent, the requirement that all residential building owners and existing customers of the Guam Waterworks Authority have garbage collection services is consistent with, and in agreement with, the 2020 PUC Final Report on the Management Audit of GSWA.

In the PUC Management Audit, Table E-1 surveyed 15 randomly selected U.S. Cities that had about 40,000 total households served. These included jurisdictions across the United States. Of the jurisdictions listed, only Guam does not have mandatory garbage collection service. Of roughly 38,000 households on Guam, 18,000 are not currently GSWA customers. The Report stated: "Collection productivity is therefore lower than expected, as most US residential curbside collection programs service every household." The Report pointed out that "Communities with mandatory, exclusively provided curbside collection services gain three advantages over Guam's current non-mandatory system:

- The size of the customer base remains stable over time, because customers cannot opt to drop or add service (which could be disruptive for unexpected additions or subtractions).
- They can charge a fair, revenue-sufficient rate to all customers who benefit from having a solid waste utility; and
- They can operate their residential collection services with the optimal efficiency that is gained by servicing every household in a residential neighborhood."

The PUC fully agrees with the "Purpose" statement of a new Article 10 which the Bill would add to Chapter 51A, Title 10 Guam Code Annotated. Universal Garbage Collection services for Guam would mitigate the financial and logistical challenges posed by "piggy backing" (dumping by unsubscribed residents of their garbage into residential or commercial trash bins) and illegal dumping.

**THIS BILL, AND BILL NO. 182-37(COR), PRESENT A WELL THOUGHT OUT PLAN  
TO ADDRESS THE FINANCIAL NEEDS OF GSWA**

Significant drivers of GSWA's need for additional rates are Ordot Landfill closure costs and Leyon Landfill construction costs for new cells.

Senator Perez has also sponsored another Bill, Bill No. 182-37(COR), to establish The Ordot Dump Reserve Fund. This Bill will create an Ordot Dump Reserve Fund for the benefit of the Guam Solid Waste Authority, which fund would result from civil damages owed by the Federal Government to the Government of Guam (Government of Guam v. United States of America, Case No. 1:17-cv-2487). That Bill could fund GSWA's costs for the closure of the Ordot Landfill. Both Bills proposed by Senator Perez provide meritorious sources of funds to GSWA which could prevent or forestall the necessity for a GSWA rate case. Passage of these two bills will go a long way toward assuring a financially sound solid waste authority. All Senators should support these worthwhile Bills, rather than compelling GSWA to seek rate increases from the ratepayers.

### **REQUIRING ALL RESIDENTIAL BUILDING OWNERS TO SUPPORT THE COSTS OF THE SOLID WASTE SYSTEM IS FAIR, JUST, AND EQUITABLE**

A requirement that all residential building owners and GWA customers utilize garbage collection services is fair, just, and equitable. At present, half of the households (approximately 20,000) are supporting and furnishing the costs for garbage removal services provided by GSWA through rate payments. Those paying for garbage collection services are subsidizing those who do not pay. Garbage collection is a service that benefits all citizens of Guam. Everyone benefits from a clean and safe environment. All residents have a responsibility to ensure that garbage removal services are fully funded and efficient. The burden of rates to support the garbage collection system should be borne by all residential building owners and residents.

A basic principle of Rate Design is that "rates should be designed so that costs are fairly apportioned among customers, and "undue discrimination" in rate relationships is avoided". (Synapse Energy Economics, Inc., The Ratemaking Process, July 2017; <https://www.synapseenergy.com/sites/default/files/Ratemaking-Fundamentals-FactSheet.pdf>).

### **PUC CONDITIONALLY SUPPORTS A CUSTOMER ASSISTANCE PROGRAM**

Under Section 2, new Article 10 GCA §51A1004, GSWA is authorized to establish a Customer Assistance Program to provide financial assistance to eligible ratepayers. GSWA is required to establish income eligibility standards for the residential class ratepayer to receive financial assistance, "which shall include a reduction or waiver of fees." The PUC has always been supportive of such programs and was instrumental in supporting legislation that established a lifeline program for GTA and the telecommunications companies. However, such a program must be established in the proper manner. It should begin with legislation authorizing a lifeline rate program for GSWA. The particulars of the program and the eligibility requirements should be set forth in the legislation.

Once such a foundation is established, and GSWA implements appropriate rules and regulations, a customer assistance program can be implemented. However, such a program must be subject to the approval of the Guam Public Utilities Commission as the authority which must approve all

commercial, government, and residential tipping and user fees for the Guam Solid Waste Authority. 10 GCA §51A301(e). The PUC must assure that any customer assistance plan does not place burdensome funding requirements on classes other than those eligible for the program.

**FURTHER REVIEW RECOMENDED FOR §51A1003**

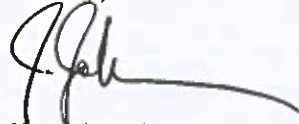
The PUC suggests that the Legislature rename §51A1003 “Subscription for, and Mandatory Provision of, Garbage Collection Services”. There should be a clear requirement in the law that owners of residential buildings and GWA customers are mandated to have garbage collection services. At present the above section does require “subscription” to such services; to preclude any doubt that there is a mandatory requirement for provision of such services, there should be mandatory language that garbage collection services must be provided. The first sentence of that provision would provide: “All owners of residential buildings are required to subscribe to and obtain, public or private garbage collection services, except as provided in §51A1005, under the following conditions....”

**CONCLUSION**

In conclusion, adoption of Bill No. 165-37(COR) will greatly improve the financial condition of GSWA and avoid the necessity for implementation of substantial rate increases. The Guam Legislature should fully support this Bill and advocate its enactment into law.

Thank you for your consideration of this Testimony.

Sincerely,



Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission