

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN RE:) GWA Docket 19-08
)
AMENDED PETITION TO APPROVE A)
NEW RATE DESIGN STRUCTURE FOR) **ORDER**
THE GUAM WATERWORKS)
AUTHORITY AS PROPOSED IN PUC)
GWA DOCKET 19-08)
_____)



INTRODUCTION

This matter comes before the Guam Public Utilities Commission [“PUC”] pursuant to the Amended Petition of the Guam Waterworks Authority [“GWA”] for PUC Review and Approval of GWA’s proposed rate design structure for water and wastewater rates, as properly introduced and on record in PUC GWA Docket 19-08.¹

BACKGROUND

The PUC adopts the Background statement in the ALJ Report dated February 26, 2024. As set forth in the ALJ Report, the PUC is now considering the following changes to GWA’s Rate Design: (1) replacement of a Two-Tier Volumetric Charge System in the Water Rate Structure with a Three-Tier Volumetric Charge System for Residential Customers; (2) a slight increase in Water Volumetric Charges for Commercial Classes; (3) regarding the Wastewater Rate Structure, a change in Residential monthly base charges from fixed to being based upon meter sizes; (4) implementation of wastewater fixed monthly base charges for Non-Residential Classes; (5) implementation of volumetric wastewater charges for residential customers; and (6) a slight increase in volumetric wastewater charges for non-residential customers.

¹ GWA Amended Petition, GWA Docket 19-08, dated April 3, 2023.

DETERMINATIONS

1. The PUC Consultant, Concentric Energy Advisors, has submitted a detailed report including a description of the rate design changes proposed by GWA and a rate evaluation. Overall, CEA has determined that all the changes proposed by GWA to the rate structure are reasonable, based on cost causation, and generally send appropriate price signals to customers.
2. It is appropriate for GWA to reduce the present subsidization by the water system of the wastewater system. The proposed rate design will reduce the inter-system subsidy and move the two systems closer to their cost of service.
3. The PUC adopts both the CEA Report and the ALJ Report dated February 26, 2024, and all findings, conclusions, and recommendations therein.
4. The adoption by GWA of a Three-Block Volumetric water charge for the residential class is reasonable from a conservation and cost causation standpoint.
5. Under the current Two-Tier structure, usage of 5.0 kGals or less monthly is billed at \$3.51/kGal; usage above 5 kGals monthly is billed at \$14.58/kGal. Under the proposed Three-Tier structure, the breakpoint of the First Block will be reduced from 5kGals to 3kGals. Such usage will be billed at \$3.50/kGal. In the Second Block, monthly usage from 3kGals to 10 kGals will be billed at \$7.50/kGal. In the Third Block, monthly usage above 10 kGals will be billed at \$15.00/kGal.
6. The proposed Three-Block Volumetric charge system for residential customers is in line with cost-of-service principles. The reduction of the breakpoint for the First Block from 5 kGals to 3kGals will mean that rate charges for residential customers are more in line with cost-of-service principles—the amount that residential ratepayers pay is closer to the cost of the water with which they are provided.

7. While the volumetric water rates for the non-residential classes increased marginally across the board, the non-residential water rate design is mostly unchanged in the proposed changes.
8. For Wastewater Rates, GWA proposes that residential customers will be charged a meter-based monthly fixed charge rather than the current monthly charge irrespective of meter size. Customers will have a greater incentive to conserve water. For the non-residential customers, GWA also proposes the introduction of a meter-based monthly fixed charge. These are reasonable structural changes for both the residential and non-residential customer charges.
9. Introduction of a fixed monthly charge for commercial customers is consistent with water utility practice in the United States. According to the PUC Consultant CEA, many utilities have both fixed monthly charges and volumetric charges for water and wastewater customers. A water utility may implement uniform rates plus a fixed charge. With a fixed monthly baseline charge, the utility recovers fixed costs from its customers regardless of their volumetric consumption. This is rational in that a water utility faces some costs that do not differ with consumption.
10. The introduction of a flat volumetric charge for residential wastewater services is a reasonable structural change from the current rate where customers pay a fixed monthly fee irrespective of the amount of wastewater they generate.
11. There is also a slight increase in the wastewater volumetric charges for the non-residential customers, which is also reasonable.
12. Both the CEA Report and the ALJ Report have provided a substantial amount of information concerning the impact of these structural rate design changes upon GWA ratepayers. The PUC fully adopts the rate impact findings of CEA and the ALJ, and adopts the supporting data and exhibits contained therein and incorporates them by reference into this Order.

13. The “average” residential customer will experience a decrease in their total water and wastewater bills resulting from the rate design structure changes. GWA has estimated that the average bill impacts from applying the rate design structure changes to the FY2024 rates would be an overall reduction in water and wastewater rates for the residential class, but increases in the average bill impact for commercial, hotel, and government classes within a range of 2.9% to 4.9%.
14. CEA has recommended that GWA phase-in the initial base fixed monthly wastewater charge to minimize the impact to low usage wastewater customers. This recommendation will be further considered by the PUC at such time when it determines that the rate design changes proposed by GWA should be implemented.
15. GWA has already indicated for the record that it does not intend to implement these rate design changes for FY2025 and not until FY2026 at the earliest. Before these rate design principles can be embedded in actual rates, the PUC must understand how the implementation of the rate design structure principles will affect rates in the year or years in which the new rate design structure is implemented.
16. After the PUC determines water and wastewater rates for FY2026, it will conduct further proceedings through its Consultant and ALJ, to recommend when the proposed rate design proposals should be implemented and whether there should be a phase-in of such implementation.

ORDERING PROVISIONS


After careful review and consideration of the above determinations, the GWA Amended Petition to Approve a New Rate Design Structure, the Concentric Energy Advisors Report dated February 20, 2024, the ALJ Report dated February 26, 2024, 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:

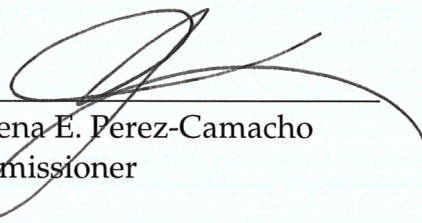
1. The findings, conclusions and recommendations in the CEA Report and the ALJ Report are hereby approved and adopted.
2. The rate design proposals of GWA, as described in the recommendations of said Reports, are approved in principle.
3. Before these rate design principles are embedded in rates, the PUC must first understand the applicable rates to which these principles are being applied. After the PUC determines new GWA water and wastewater rates for FY2025, 2026, and FY 2027, it will be in a better position to determine when the new rate design structure should be implemented and whether there should be a phase-in of such implementation.
4. After the adoption of FY2025, 2026 and FY2027 GWA rates, the PUC will conduct further proceedings, through its Consultant and the ALJ, to determine the years for which the rate design principles should be implemented and whether there should be a phase-in of such implementation.
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 of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses are 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.

Order
Amended Petition to Approve
a New Rate Design Structure
GWA Docket 19-08
March 28, 2024

Dated this 28th day of March 2024.



Jeffrey C. Johnson
Chairman

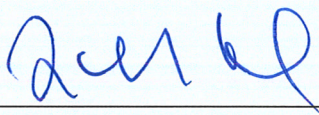


Rowena E. Perez-Camacho
Commissioner




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Doris Flores Brooks
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