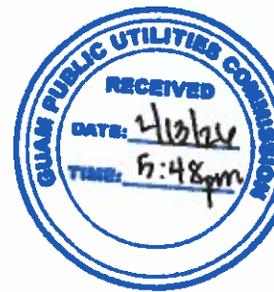


POSITION STATEMENTS OF GWA AND GCG IN GWA DOCKET 24-05
(ORDERING PROVISION NO. 8 PROCEEDINGS)



Proposed GWA Multi-Year Rate Plan True-Up Process Framework

Staff Initial Response to ALJ

1. Introduction and Purpose

This is a limited scope proceeding that was established by Guam Public Utilities Commission (PUC) Order in the just completed Guam Waterworks Authority (GWA) true up proceeding to establish rates for the year ending September 2026. In particular the commission ruled:

"The ALJ is ordered to conduct a proceeding subsequent to the Commission's issuance of its Order in this proceeding to obtain input from all Parties as to the process and boundaries of what is permissible as adjustments in a true-up proceeding. The ALJ's recommendations, as accepted or modified by the Commission, shall be made in a timely fashion to guide GWA's filing in the subsequent true-up proceeding for FY2027 rates."

The True-Up Process Framework was established to provide a structured, transparent, and limited-scope method for updating GWA's five-year rate plan on an annual basis after it is initially filed and approved by the Commission. The PUC approves multi-year with annual reviews to provide long-term stability, rate predictability, and a clear roadmap for capital investment and financial management.

However, actual results may diverge from approved projections over the 5 years of the proposed plan due to uncontrollable factors such as changes in capital project schedules, power purchase costs, navy water cost, debt service, federal grant timing, customer demand, or other material events.

The purpose of the annual true-up is to:

- Monitor GWA's progress against the initial Commission-approved five-year plan;
- Identify material deviations in future years that are the subject of the true up that may affect debt service coverage (DSC), liquidity, capital execution, or revenue sufficiency;
- Make limited, clearly defined adjustments without re-opening the underlying rate case; and
- Maintain the integrity and predictability of the multi-year rate framework.

2. Status of Approved Multi-Year Projections ("Presumptive Weight")

The ALJ has indicated that the financial projections approved in the initial and most recently approved five-year plan (for true up filings) have “presumptive weight” and serve as the binding starting point for all annual true-ups. With this presumption Staff points out that there are important qualifications that go along with this condition. These include that when initially presented the information needs to be vetted and subject to discovery as would be the test year in the filing. For example, with the initial filing there are 5-years worth of projections and each year of projection will be subject to discovery. This has not been the case in any recent filings which have generally focused only on the test year in that filing. For future true up filings in the 5-year plan when filed, the out years beyond the test year will also be subject to discovery and each filing needs to contain a narrative of whether the original projections have changed or not and the reasons for it. The original projections remain in place unless GWA demonstrates that a limited, permitted adjustment category applies.

For and future five-year plan filings by GWA, discovery should be permitted on all five-years of the data and assumptions in the filing and supported by a full narrative and work papers from GWA.

3. Scope and Limits of the True-Up Process

The true-up process is intentionally limited in scope. It is not intended to reconsider the cost-of-service study, rate design, new initiatives, discretionary O&M changes, or CIP reprioritizations except under specific allowed circumstances. As discussed the changes that should be considered are changes, generally not in the control of GWA, that change the assumptions and values used in the initial 5 year filing.

4. Categories of Permitted True-Up Adjustments

4.1 Capital Improvement Program (CIP) Variances

4.2 Debt Service Schedule Adjustments

4.3 Revenue Variances

4.4 Operating Reserve Adjustments

4.5 Grant Funding Variances

4.6 DSC Maintenance Adjustments

4.7 O&M Variance Beyond Materiality Threshold

As mentioned above not any change is valid for true up. Changes from changed circumstances beyond the control of GWA should be evaluated and changes should be proposed by GWA with supporting narrative and work papers. This should be memorialized in the Commission Order and made part of the Minimum Filing Requirements for the 5-year plans and true up filings.

5. Categories of Prohibited Adjustments

In general, adjustments should not be considered as presumptively allowed for new programs, staffing, discretionary O&M, management-controlled decisions, CIP reprioritization for convenience, or rate design changes unless the conditions described above for change are present.

6. Materiality Thresholds

Staff recommends that a materiality threshold of $\pm 5\%$ applies to O&M, revenue variances, CIP cost variances, and other financial metrics be considered as a threshold for adjustment. Variances within $\pm 5\%$ of the approved budget or projection must be absorbed within GWA's existing operations and are not eligible for true-up adjustments. Variances exceeding the $\pm 5\%$ threshold may be considered only when:

- 6.1. They are caused by uncontrollable events;
- 6.2. They materially affect DSC, liquidity, or capital execution; and
- 6.3. Supporting documentation is provided demonstrating the cause and prudence of the variance.

Materiality thresholds ensure that the true-up process focuses on significant deviations without encouraging unnecessary adjustments.

7. Discovery Parameters

Discovery is permitted on all five years included in GWA's initial 5-year plan filing. For subsequent true-up filings, discovery is more limited in scope: parties may conduct discovery on future-year values only to:

- Verify the accuracy and continued validity of the initial projections for those future years
- Examine and evaluate any changes proposed by GWA to the previously approved 5-year plan values, assumptions, and methodologies.

8. Other Issues

While filing annual true ups GWA should present for the Commission's review progress on key issues that the 5-year plans are in large part designed to address:

- **Construction Requirements:** These are largely based on the Master Plan (and updates) to produce efficiency and safety in the system. In addition, the requirements of the projects in the Consent Order have been a large driver of construction in recent years. It is our understanding that the Consent Order projects are largely completed.
- **Water Losses:** The construction program was also designed to substantially reduce water losses. In Docket 19-08, GWA stipulated to:

“water loss reduction targets will be as determined through the study to be completed by March 31, 2021 with designated benchmarks to reduce water losses by 20% as compared to its 2019 water loss level and to the median level of comparable water utilities in the US Mainland in less than twenty (20) years from 2019.”

This has not happened, in fact water losses appear to be higher in the most recent filing. Staff's position is that the 19-08 Stipulation on water loss reduction is still in effect. With the water losses showing no improvement does the construction program indicated by the Master Plan need to be modified with the attendant change in the financing schedule and debt service that is a driver of rate increases? Can GWA provide an estimate of when the short-term reduction in water loss of 20% as compared to 2019 levels is still achievable, and if so when. Attachment A to this document is Staff's proposal to materially advance GWA's efforts to reduce water losses.

- **Staffing Study:** The Staffing Study requirement has not been met for several annual cases. A discussion in how to meet this requirement, which is a commission requirement to fulfill should be undertaken. A requirement as to how to identify a panel of comparable water utilities stateside could be an initial effort done collaboratively between GWA and Staff.
- **Compliance with Commission Orders:** We note that compliance with some commission Orders are delinquent. Quarterly progress reports on the construction program in the south to increase the supply of GWA water and thereby decrease the supply of Navy water have not been forthcoming. Staff has no objection of reducing the frequency of the reports from quarterly to

semiannual. The delinquent reports should be provided and a short review from Staff should be provided to the ALJ on receipt.

9. Proposed Annual Procedural Schedule

- Filing

- GWA & Staff technical meeting - Day 30
- Staff discovery, set 1 - Day 45
- GWA response to discovery, set 1 - Day 60
- Staff discovery, set 2 - Day 75
- GWA response to discovery, set 2 - Day 90
- Staff Report Day 120
- Settlement Discussions Day 130-135
- ALJ Report Day 150
- GPUC Order Day 170

ATTACHMENT A

Framework for Water Loss Reduction & Navy Water Supply Substitution

1. Purpose

The objective of this attachment is to specify how GWA can materially advance the intent of prior stipulations to reduce non-revenue water (NRW) and decrease reliance on Navy (FENA) water. While master planning and capital allocations exist, measurable progress has been limited. This proposal provides a structured delivery system that aligns CIP execution with regulatory oversight and improves the accuracy of future True-Ups.

2. Program Management Approach

According to GWA General Manager, GWA is current using individual project PMs for each major effort affecting NRW and Navy water purchases, including

- DMA implementation and leak detection systems
- ACP rehabilitation/relining technology pilots
- Booster pump station & well rehabilitation (southern system)
- PFAS mitigation and treatment design
- SCADA integration and flow monitoring improvements

Each PM would use a standardized MS Project or equivalent template, including:

- Work breakdown structure & milestones
- Budget vs. actual spend tracking
- Critical path & delay flags
- Risk register and mitigation steps
- Status and variance summary

GWA would compile individual PM reports into a single quarterly program status report for Commission review. This structure supports accountability while meeting the Commission's preference for greater use of local PM resources.

3. Proposed Reporting Schedule

To comply with the existing requirement for quarterly updates—and to address the missed Q2 and Q3 filings—the following structure is recommended:

Report Type	Frequency	Responsible Party	Contents
PM-Level Progress Report	Quarterly	Assigned PM	Schedule, budget vs. actuals, risks
CIP Roll-Up Report	Quarterly	GWA Planning/Engineering	Project tables with metrics
Annual Effectiveness Report	Annually	GWA Management	Documented reductions in NRW and Navy water purchased

4. Technology and Cost-Efficiency Pilot (ACP Relining)

GWA has initiated engineering work on in-place rehabilitation of asbestos cement (AC) pipe, eliminating the need for pipe removal and disposal. This approach—distinct from sliplining and CIPP—may materially reduce cost and construction disruption.

Pilot performance data (cost per foot, time savings, NRW reduction benefit) should be included in future Commission reports, beginning Q1 2026.

5. Ties to True-Up & Ratepayer Impacts

A more disciplined PM/reporting structure will:

- Provide a transparent link between CIP execution and reduced Navy water purchases
- Improve accuracy of True-Up forecasts for FY26 and beyond
- Create traceable, auditable progress toward water loss reduction targets
- Offer ratepayer protection through a measurable return on capital invested

Requested Commission Action

GWA requests that the Commission consider formalizing the above structure as the process for future water loss and Navy reduction reporting, in lieu of a single outside Program Manager. This method retains local control, increases accountability, and aligns capital investment with regulatory oversight.

Optional Proposed Reporting Frequency Adjustment

While GWA currently appears out of compliance with the January 2025 quarterly report requirement (no filings submitted for Q2 or Q3 2025), meaningful program-level progress has now begun—particularly through new ACP rehabilitation technologies and initiation of project-level PM assignments.

Recommendation:

Convert the current quarterly reporting requirement to semiannual reporting, provided that:

1. Each major water-loss / Navy-reduction project has an assigned project manager, and
2. Each PM follows the standardized reporting format (schedule, budget-to-actual, milestones, variance, risk).

Semiannual reporting will allow actual progress to be measurable, rather than filing reports that repeat prior status.

Because no report has been issued since January, a single catch-up report should be filed now (covering Q2 & Q3 as a combined submission) and serve as the transition point to semiannual cycles beginning next period.

IMPROVING THE PUC TRUE UP PROCESS AND TIMELINE

GUAM WATERWORKS AUTHORITY

The Guam Waterworks Authority (GWA) relies on the annual True-Up and rate adjustment process to ensure that rates remain aligned with actual operating costs, debt service obligations, capital program requirements, and financial commitments under the Bond Indenture. The recently concluded FY 2026 True-Up proceeding (Ordering Provision #8) also requires:

"The ALJ is ordered to conduct a proceeding subsequent to the Commission's issuance of its Order in this proceeding to obtain input from all Parties as to the process and boundaries of what is permissible as adjustments in a true-up proceeding. The ALJ's recommendations, as accepted or modified by the Commission, shall be made in a timely fashion to guide GWA's filing in the subsequent true-up proceeding for FY2027 rates."

This brief memorandum outlines GWA's position with respect to the true-up process and boundaries (Issue 1); suggests improvements to make the process more efficient, less costly, and consistent with budget and Bond Indenture reporting requirements (Issues 2 and 3); and summarizes issues for which agreement between the parties has already been reached (Issue 4).

ISSUE 1 – CLARIFYING THE PURPOSE AND SCOPE OF THE ANNUAL TRUE-UP

The Five-Year Financial Plan is a comprehensive review of the financial needs of the utility, including:

- Revenue requirements
- Operations and maintenance (O&M) costs
- Debt service and financing needs
- Capital Improvement Program (CIP) planning
- Multi-year rate adjustments
- Long-term financial projections and coverage compliance

Each Five-Year Financial Plan undergoes extensive consultant review and provides a multi-year roadmap for GWA's financial needs. The annual True-Up, by contrast, is intended to address differences between projected and actual results for a single fiscal year, making incremental adjustments (upward or downward) to the proposed rate adjustment for the following fiscal year based on actual operating results. The annual True-Up is intended to be a targeted, year-to-year adjustment, not a reconstruction or re-analysis of GWA's long-range financial plan.

Unnecessarily revisiting long-term planning elements during the annual True-Up process results in:

- Inefficient use of resources related to the redundant review of assumptions and future year forecasts already approved in the Five-Year Plan—forecasts that will be ‘trued-up’ in subsequent years when more recent information is available anyway;
- Excessive staff workload and diversion of resources from core operational needs;
- Prolonged review cycles that delay the regulatory process; and
- (in some cases) PUC action slipping beyond September, impacting budget approval, Bond Indenture obligations, and billing implementation.

GWA agrees with the June 5, 2025 Order from the ALJ, which was issued when this matter of discovery was brought before the ALJ as part of Docket 24-05, when he stated that “the current proceeding is a true-up of a single fiscal year (FY 2026)” and that “The True-Up proceeding is a process which the PUC developed whereby the water and wastewater rates in a prior fiscal year are reviewed to determine what the rates should be in a subsequent fiscal year.” The order also states that, in each of the historical true-up dockets reviewed by the ALJ, the “PUC examined and approved rates for a specific fiscal year.”

GWA believes the ALJ’s June 2025 Order provides appropriate guidance for annual True-Up boundaries and expansion of the current process beyond a given true-up year would introduce inefficiencies and impose an even greater, and unnecessary, cost burden on ratepayers.

ISSUE 2 – IMPROVING AND FORMALIZING ANNUAL TRUE-UP SCHEDULE

GWA believes the creation of an approximate annual True-Up schedule would benefit all stakeholders, allow the parties to anticipate deliverable dates/True-Up milestones and thereby plan workload accordingly, and enable GWA to efficiently meet budget and Bond Indenture deadlines.

GWA’s fiscal year begins on October 1, and the CCU should approve a full budget each September at the latest. GWA’s Bond Indenture further requires that the CCU-approved budget be submitted to the Trustee and Co-Trustee in September. However, PUC rate and True-Up decisions have lately been made in late September, often on the last Thursday of the month. This delays CCU approval of the final budget until October, forcing:

- An interim 1st-quarter budget in September;
- A revised full-year budget in October; and
- Two separate budget submissions to the Trustee—one interim and one final.

This multiple-budget submission results in duplicative work for Finance staff as they strive to ensure GWA’s critical operational needs are met. This process also creates disruption in operational planning, delays in the finalization of GWA’s spending plan, and affects project scheduling and vendor coordination. The current schedule also compresses the time available for implementing and testing billing system updates.

GWA recommends that the PUC move its annual True-Up and rate action to the August business meeting, as reflected in the attached Proposed Annual True-Up Schedule which assumes a 120-day process from GWA's filing through completion of a stipulated agreement (see Issue 3). The adjusted schedule would:

- Allow CCU to approve the full budget in September
- Eliminate interim budgets and duplicate trustee submissions
- Provide adequate time for billing system testing
- Ensure a smoother and more predictable fiscal year transition
- Improve coordination across GWA, CCU, PUC, and consultants

ISSUE 3 – CLARIFICATION OF THE 120-DAY RULE

PUC rules provide that the Commission has 120 days to act on GWA filings. Historically, GWA understood this 120-day period to begin upon submission of a complete filing in accordance with the PUC's published Minimum Filing Requirements (MFRs). In recent proceedings, however, it has been asserted that the 120-day period begins only after all RFIs (Requests for Information) are answered and the filing is deemed "complete." The term *complete* is not defined in statute or order, and there are currently no mandated timelines governing RFIs and the completion of the discovery process.

Given the one-year scope of the annual True-Up and September Bond Indenture and budget deadlines, GWA believes the true-up process can be completed in 120 days after submission of a complete filing that meets all MFRs—including a comprehensive 90-day discovery process that would provide for several rounds of discovery as well as additional workshops (see Proposed Annual True-Up Schedule).

ISSUE 4 – ITEMS THE PARTIES HAVE AGREED SHOULD BE INCLUDED IN THE TRUE-UP

In prior discussions, GWA and the PUC's consultants agreed that the True-Up will include, at a minimum, the following analytical components:

1. An updated Rate Application Model (RAM) with updated revenue and expense information (including water purchases, debt service, and financing costs, etc.) for the current and True-Up year;
2. All schedules and information defined in the PUC's MFRs; and
3. Line-item comparison of prior year actuals to the True-Up filing and the values in the approved Five-Year Plan for the True-Up year.

SUMMARY

To improve overall regulatory efficiency and ensure timely implementation of rates needed for CCU budget approval in September, billing system testing, and Bond Indenture compliance, GWA recommends that the PUC reaffirm the one-year scope of the annual True-Up (consistent with historical practice and the ALJ's June 2025 Order) and establish a regulatory calendar that provides guidance for the timing and duration of annual True-Up activities that anticipates PUC rate action at the August meeting.

GWA remains committed to working collaboratively with the PUC, the Administrative Law Judge, and the PUC's consultants to implement these enhancements and continue improving the annual True-Up process.

Proposed Annual True-Up Schedule			<i>(1 month)</i>	<i>(3 months)</i>
			Preparation of Filing	Review / Discovery
March	1	Audit of prior FY complete		
	15	Budget development for TU year complete		
April	1			
	15	GWA Filing / Review Period Begins		
May	1	Initial RFIs		
	15	RFI #1 Response		
June	1	Follow-Up RFIs		
	15	RFI #2 Response		
July	1	Additional Workshops (if necessary)		
	15	PUC Consultant's Report / Negotiations Begin		
August	1			
	15	Signed Stipulation to ALJ ALJ Report / PUC action		
September	1			
	15	Budget submitted to CCU / Trustee		

Frederick J Horecky

From: Robert Edmond Young <reyoung@economists.com>
Sent: Friday, December 5, 2025 7:23 AM
To: Fred Horecky; Miguel Bordallo; Cody Stanger; Taling M. Taitano; Theresa G. Rojas
Subject: Comparison of GWA and Staff Positions

All,

I prepared a summary comparison of our two positions in the True-Up framework. Apologies for the late notice, in the middle of an office move 🙄 🙄

Talk to you soon.

Regards,

Robert Young
Managing Director,
Economists.com
7380 SW Kable Ln.
Portland, Oregon 97224

A quick comparison of the two True-Up position papers.

Summary Table: GWA vs. Staff

Issue	GWA Position	PUC Staff Position
Purpose of True-Up	One-year reconciliation only	Validate multiyear plan annually
Discovery Scope	Only the True-Up year	5 years in initial filing; limited future-year discovery ongoing
Permitted Adjustments	RAM updates + actuals vs projections	Seven categories + 5% materiality threshold

Issue	GWA Position	PUC Staff Position
Schedule	Strict 120 days; finish by August	170-day process with multiple discovery rounds
Out-Year Adjustments	Avoid reopening out-years	Required narrative; out-years must be tested
Broader Compliance Issues	Not Addressed	Included (NRW, Navy water, staffing study. CIP compliance)

Regards,

Robert

Robert Young

Managing Director

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Portland, OR 97224

503-816-5103

From: jamshed madan <jammadan@gmail.com>

Sent: Monday, December 1, 2025 3:58 PM

To: Robert Edmond Young <reyoung@economists.com>

Cc: Bill Norris <bnorris@norriswater.com>; Dan T Stathos <dan_stathos@aol.com>

Subject: Re: 12 1 25 RY DRAFT GWA True-Up Framework_ Revised.docx

OK with me.

Jim

GCG PROPOSAL FOR PROTOCOLS FOR PROCESS AND BOUNDARIES OF WHAT IS PERMISSIBLE AS ADJUSTMENTS IN A TRUE-UP PROCEEDING

GCG provides this initial proposal for True-Up protocols based on the initial submitted filings from GWA and GCG and further based on the conference with the ALJ. We believe that many of the proposals may have agreement based on the discussions in conference between the parties.

INITIAL AND TRUE-UP FILING OF THE 5-YEAR PLANS

With the INITIAL FILING of each 5-Year Plan:

GWA will:

- Provide its petition together with the testimony and exhibits as well as the required Minimum filing Requirements.
- Provide the rate model that has been developed by GWA and used by the parties in the current 5-Year plan. A narrative for the model shall be provided for the record and full access to the model shall be provided to all parties.
- GWA's petition shall propose a rate path for the full 5 years of the plan with a full narrative, support and work papers for each of the 5 years. All the parties agree that the initial decision of the GPUC shall set rates for the full 5 years. The rate for the first year shall be implemented at the conclusion of the initial filing and the rates for each subsequent year shall be subject to annual True-Ups based on the protocols to be developed in this proceeding. GWA shall take into consideration that rate stability and predictability are important considerations for the 5-Year Plan and to the extent possible shall attempt to smooth out variations in annual rate increases using well established rate smoothing techniques and accounting orders if necessary.

GCG will:

- Review the complete 5-Year filing and issue discovery on the complete filing.
- Make recommendations for each year in the 5-Year Plan with the understanding that the rate as determined by the GPUC for the initial year under review will be implemented after the proceeding and that the rates developed for each of the other years will be given "presumptive weight" in future annual True-Up proceedings.
- Take into consideration that rate stability and predictability are important considerations for the 5-Year Plan and to the extent possible shall recommend scenarios to smooth out variations in annual rate increases using well established rate smoothing techniques and accounting orders if necessary.

For each TRUE-UP FILING of the 5-Year Plan:

GWA will:

- For each of the annual True-Ups GWA shall provide a filing for the remainder of the 5 years remaining. For each year of the remaining 5-Year Plan it will be agreed by the parties that the GPUC has assigned “presumptive weight” to the values developed in the initial filing. The parties will agree that unless these are reasons to change the values developed in the initial filing and the rate developed as a consequence, the values will remain in place. GWA will indicate the review and analysis it conducted for each of the remaining years to determine whether the values should remain in place or be modified. In general the parties agree that changes in value that vary +/- 5% from the initial determination should not be made. The parties also agree that, in general, changes for events that are beyond the control of GWA should be the basis of adjustments.
- For each annual True-Up filing GWA shall also provide a comparison for the current year for which the rates were set between the projection used to set rates and the actual results. As actual results will not be available for a full year comparison partial year results will be provided and updated as available. A reconciliation of these actual results to the presentations made to the CCU shall also be provided.
- No changes to the model initially presented in the initial filing should be made unless there is an overriding reason to do so. To the extent possible the RAM shall remain unchanged for the duration of each 5 Year Plan.

GCG will:

- Review and analyze the test year in each annual True-Up and make recommendations regarding the rate for that year and other issues under consideration. For the years beyond the test year GCG will examine the changes proposed by GWA to the values and make recommendations to the changes in the values last adopted by the GPUC.
- The GPUC decision will be memorialized in the model and be the starting point for review and analysis in the next annual True-Up filing.

OTHER ISSUES

- For each 5-Year filing GWA shall provide a narrative for the derivation of the construction amounts and the reconciliation with the Master Plan. Changes to the Master Plan from the version last presented shall be presented. In addition, changes to the amounts required for the Consent Decree shall be broken out separately and presented in the filing. The filing should also identify the amounts in the Master Plan that documents the water loss reduction program.
- The parties agree that the stipulation with regard to water losses adopted in Docket 19-08 is still in effect. For each 5-Year Plan GWA shall indicate provide a schedule that shows the most recent 5 years of total water production, water consumption and water losses, and the projected value for the next 5 years in the following format:

1. Water Produced

- Total raw water entering the system (gallons or m³)
- Total treated water output from treatment plants
- Well production flow totals
- Purchased water volumes

2. Water Delivered (Metered Sales)

- Sum of all billed customer consumption
- Authorized but unbilled consumption (hydrant flushing, firefighting, etc.)

3. System Water Loss

Calculated as:

$$\text{Water Produced} - \text{Authorized Consumption} = \text{Water Losses}$$

- The schedule should also include the 5 years of historical data and 5 years of projected data for the marginal cost of producing water presented in the following format:

1. Energy (Electricity or Fuel)

- Well pumping electricity
- Booster pump electricity
- Treatment plant electricity
- High-lift pumping
- Generator fuel (if regularly used for production)

2. Treatment Chemicals

- Chlorine/bleach
- Coagulants
- Lime
- Membrane chemicals
- Anti-scalants
- Ammonia/chloramines
- PFAS treatment related chemicals that vary with output
- Exclude fixed chemical costs (e.g., minimum deliveries that don't change).

3. Purchased Water

4. Incremental Operations Costs

- Membrane wear proportional to throughput
- Filter media consumption proportional to flow
- Residuals/waste disposal proportional to flow
- Operator overtime only if linked to higher demand periods

Staff will work with GWA to refine the above report and schedule a session to discuss GWA's plans to reduce water losses.

- GWA shall provide the current draft contract for a staffing study to the GPUC for review and approval prior to entering into the contract.
- GWA shall bring itself into compliance with Commissions orders by December 31, 2025. Convert the current quarterly reporting requirement to semiannual reporting, provided that:
 1. Each major water-loss / Navy-reduction project has an assigned project manager, and
 2. Each PM follows the standardized reporting format (schedule, budget-to-actual, milestones, variance, risk).

Semiannual reporting will allow actual progress to be measurable, rather than filing reports that repeat prior status.

Because no report has been issued since January, a single catch-up report should be filed now (covering Q2 & Q3 as a combined submission) and serve as the transition point to semiannual cycles beginning next period.

Technology and Cost-Efficiency Pilot (ACP Relining) As in GCG report

Ties to True-Up & Ratepayer Impacts As in GCG report.



GUAM WATERWORKS AUTHORITY

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December 23, 2025

Georgetown Consulting Group
Via email

We are in receipt of your comments and suggested edits to GWA's draft order regarding the clarification of the scope of future true-up proceedings dated December 19, 2025. We disagree with your suggestion that additional discussions will result in progress, as the two parties are presenting fundamentally different positions:

1. GCG is recommending that future true-up proceedings *require filings for all remaining years of the original five-year rate plan* and, furthermore, implies that GWA has filed multi-year rate plans in past annual true-ups because data for out years are included within the RAM framework.

GWA disagrees with GCG's position in the strongest possible terms. While it is true that the RAM framework includes a five-year forecast period, GWA absolutely has NOT made any filing for such out years or requested any such changes to rate adjustments in out years as part of recent annual true-up filings. To emphasize this fact and to eliminate any potential confusion regarding future filings, GWA believes there is a simple solution (which was suggested during our most recent discussion):

Any information beyond the true-up year will be eliminated in its entirety from the RAM for a true-up filing, ensuring focus remains on the rate adjustment and contributing factors for the true-up year in question.

The supporting arguments for GWA's position and recommendation include the following:

- a) Existing PUC procedures do not require that GWA file information beyond the test year because rate adjustments for the out years have already been adopted by the PUC as part of the original five-year rate plan.
- b) Adjustments to rates beyond the true-up year will occur during the relevant true-up proceeding *for that year* when more recent and more accurate information is available.
- c) The PUC does not act on previously approved rate adjustments in the out years during an annual true-up proceeding.
- d) Developing multi-year rate plans during each annual true-up proceeding represents additional and duplicate costs to ratepayers, additional work for the ALJ and PUC (assuming that, for some reason, they have a desire to act upon GCG's review of information in the out years), and an incredibly inefficient use of ratepayer dollars considering that the out years will be subject to annual true-up proceedings in the near future.

- e) Maintaining the focus of annual true-ups on the true-up year in question is consistent with the procedures of prior true-ups as well as the ALJ's June 5, 2025 Order during the FY 2026 annual true-up proceedings, which stated that "the current proceeding is a true-up of a single fiscal year (FY 2026)" and that historical true-up dockets reviewed by the ALJ were all focused on the PUC's examination and approval of rates for a specific fiscal year.
2. The second fundamental difference in position relates to the scope of the order under which we now deliberate. In their proposed language for the draft order, GCG has attempted to define proceedings for the five-year rate plan submittal, discuss water loss reporting requirements, revisit a proposed staffing study, and introduce cost efficiency pilot studies—*none of which fall under the scope of the current order*:

The ALJ is ordered to conduct a proceeding subsequent to the Commission's issuance of its Order in this proceeding to obtain input from all Parties as to the process and boundaries of what is permissible as adjustments in a true-up proceeding.

Ironically, GCG is attempting to define procedures for some activities (like the five-year rate plan or annual true-up narratives) that are already in place and with which GWA agrees. Other such items, such as water loss reporting requirements, have been agreed to in prior proceedings. As a result, time and resources are being diverted to re-litigating established processes instead of addressing the scope of the current order.

This document outlines GWA's rationale and supporting arguments for maintaining focus on the true-up year during annual proceedings. Given the fundamental disagreements outlined above, GWA respectfully suggests that GCG prepare arguments in support of their recommendation that the annual true-up filings be expanded to include all remaining years of the five-year plan and provide justification for the significant cost increase that will result.

Regards,



MIGUEL C. BORDALLO, P.E.
General Manager
Guam Waterworks Authority

cc: Public Utilities Commission Administrative Law Judge Fred Horecky