



**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GWA Docket 24-05  
)  
GUAM WATERWORKS AUTHORITY'S ) ALJ REPORT ON THE PROCESS AND  
FY2025-2029 RATE APPLICATION AND ) BOUNDARIES FOR DETERMINATION  
REQUEST FOR RATE INCREASES ) OF ADJUSTMENTS FOR ANNUAL  
) TRUE UP OF GWA'S FIVE-YEAR  
) FINANCIAL PLANS (ORDERING  
) PROVISION NO. 8 PROCEEDINGS)  
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**BACKGROUND**

In Ordering Provision No. 8 of the Guam Public Utilities Commission (PUC) Order Re: Annual True-Up for FY2026 Rates, dated September 25, 2025, the Commission ordered as follows: "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. (emphasis added). 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."

On November 17, 2025, the ALJ commenced this proceeding. The ALJ and the parties, the Guam Waterworks Authority (GWA) and Georgetown Consulting Group (GCG), have met in three conferences to discuss the true-up process and permissible adjustments. The parties stated their positions on the issues, and the ALJ had a full opportunity to question the parties concerning their respective positions. The parties have also recommended adjustments to the initial five-year plan filing which will facilitate the conduct of the true-up proceedings. Submitted with this Report is:

POSITION STATEMENTS OF GWA AND GCG IN GWA DOCKET 24-05 (ORDERING PROVISION NO. 8 PROCEEDINGS). These documents further explain the positions of the parties in this proceeding.

### **JOINT STIPULATION**

On February 9, 2026, GWA and GCG entered into a JOINT STIPULATION. A true and correct copy of the Stipulation is attached hereto as Exhibit "1". This Stipulation resolves certain issues related to the rate setting process and true-up proceedings. In the Joint Stipulation, the parties have agreed to the following:

1. With the INITIAL FILING of each Five-Year Plan, GWA will provide its petition, together with the testimony and exhibits, as well as the required Minimum Filing Requirements and the rate model that has been developed by GWA and used by the parties in the current Five-Year Plan.
2. GWA's petition shall propose a rate path for the full five years of the plan with a full narrative, support, and work papers for all five years. All the parties agree that the initial decision of the PUC shall set rates for the full five years. Each annual true-up petition subsequent to a PUC-approved five-year rate plan shall include a True-Up Schedule M which compares requested true-up year projections for revenue and expenses against the prior projections for the same fiscal year.
3. GWA and PUC Staff agree to adhere to certain True-Up process timelines for resolution of the true-up proceeding. The proposed schedule would result in a 120-day completion of the process. The main change in the proposed schedule is that final PUC action on true-up petitions would occur in August rather than in September. The True-Up proceeding timelines are attached to the Stipulation as Exhibit "B."
4. GWA and PUC staff agree that with the ongoing implementation of GWA's Water Loss Control Program and the documented issues affecting GWA's ability to meet

water loss goals, GWA will modify current reporting on the status of the Water Loss Control Program as outlined in the Stipulation. Reporting will include a 2025 Baseline Report, Informal Mid-Year Review, and a Year-End Reconciliation and Report (see Joint Stipulation for specific reporting requirements).

The parties have stipulated to a hearing by the PUC on True-Up proceedings in August instead of September. The parties can stipulate to expedite proceedings so that the PUC could hear the matter in August. However, the ALJ has advised the parties that the PUC cannot guarantee that the true-up proceedings will be addressed in August. Scheduling depends upon the availability of a quorum and other factors such as the required case load for docket matters in a month. The PUC can attempt to schedule true-up proceedings in August.

### **ANALYSIS OF REMAINING ISSUES**

#### **1. Permitted True-Up Adjustments**

The PUC ordered this proceeding for a discussion as to “what is permitted as adjustments in a true-up proceeding.” After the conclusion of these proceedings, there appears to be little, if any, disagreement as to what adjustments may be considered in a true-up proceeding. GCG had proposed a “materiality” threshold of  $\pm 5\%$  to O & M, revenue variances, CIP cost variances, and other financial metrics to be considered as a threshold for adjustment in a true-up proceeding. GWA did not concur with such a threshold and GCG agreed to drop its request. GCG also agreed to drop its requested requirement that adjustments be limited to matters “beyond the control” of GWA.

The parties both agree that an extremely broad range of adjustments may be considered in a true-up proceeding, including capital improvement program (CIP) variances, Debt Service Schedule Adjustments, Revenue Variances, Operating Reserve Adjustments, Grant Funding Variances, DSC Maintenance Adjustments, O & M Variance Adjustments, and many others. GWA may seek adjustments in the true-up year rates for any item regarding revenues, expenses or other matters in the test year. GCG is fully authorized to explore the validity of, or the impact, of any adjustments which GWA seeks for the true-up year, such as differences in revenues, expenses, or other costs previously anticipated, including administrative and general expenses.

The ALJ does not believe that there is a need for any changes concerning the types of adjustments that may be considered in a true-up proceeding.

2. GCG seeks to have authority, in each annual True-Up proceeding, to issue Requests for Information and to conduct Discovery for all remaining years of the five-year rate plan.

The main point of contention between the parties in this proceeding is not what adjustments are permissible, but whether GCG can conduct discovery for the years beyond the year for which rates are being set up in the true-up proceeding. GCG's position is that, in each true-up proceeding, GCG should be permitted to issue requests for information or discovery to GWA concerning each of the remaining years of the five-year rate plan. The purpose would apparently be to continuously adjust the rates set by the PUC for subsequent years in the five-year plan. In other words, GCG could raise questions and issues not only for the year in which rates are being set, but also for the remaining years in the five-year plan for which rates will set in subsequent annual true-up proceedings. Not only would the test year for which rates are being set would be subject to discovery, but the "outlying years" beyond the test year would also be subject to discovery.

GCG believes that such discovery in the outlying years is necessary to verify the accuracy and continued validity in the initial projections for those future years, and to examine and evaluate any changes proposed by GWA to the previously approved five-year plan values, assumptions, and methodologies. GCG would have the PUC require that GWA include, in its annual true-up filing, “the review and analysis it conducted for each of the remaining years to determine whether the values should remain in place or be modified.”

GWA contends that the annual true-up is intended to address differences between projected and actual results for a single year. Proposed adjustments for the following fiscal years are based on actual operating results. Allowing discovery for all years in the true-up proceeding would be an inefficient use of resources, as the future year forecasts already approved in the five-year plan will be “trued-up” in subsequent years when more recent information is available. Allowing discovery for all outlying years other than the test year would create an excessive staff workload and prolong and delay the true-up process.

Thus, the main issue of contention in this proceeding does not concern what adjustments are permissible in a true-up proceeding, but the extent to which the parties, the ALJ, and the PUC should focus on rate changes in the remaining years of the five-year plan, other than the true-up year for which rates are being set. GCG’s position is contrary to existing precedent and is inconsistent with the procedure which the PUC has used in determining rates in all previous utility annual true-up proceedings.

The ALJ previously issued an “ORDER REGARDING DISCOVERY” in the rate proceedings for this Docket.<sup>1</sup> The ALJ concluded that in each true-up proceeding, the PUC examines and approves rates for a specific fiscal year. The projections provided and information considered are always for a specific fiscal year: “ordinarily a true-up is based upon an update to the schedules approved in the last rate case. A true-up is an “update” to revenues, expenses and other items referenced in the prior schedules.” True-Up proceedings have never involved a review of the remaining years in a five-year plan other than the test year.

The Order held that GCG is fully authorized to explore the impact of all items raised for the specific test year being addressed in the true-up proceeding. GCG is fully authorized to explore any item or matter concerning the test year rates, such as differences in revenue figures, lower power and water purchase expenses, or any other matter concerning the adjustments claimed by GWA.

GCG is entitled to full discovery of all five years when the five-year rate plan is initially filed. However, the ALJ believes that expanding discovery to all remaining years other than the test year in the true-up proceeding is inefficient and unnecessary. In a true-up proceeding, the PUC only determines the rates for the current fiscal year in the plan; it does not address the rates for the remaining years in the rate plan. If the discovery GCG requests were allowed, the PUC would not use any information obtained from such discovery because the PUC is only determining the rates for one fiscal year.

In each true-up proceeding involving a five-year plan, GCG will have a full opportunity to explore issues concerning any changes in the proposed rates for the test year. Examining and reviewing rates for outlying years in a true-up proceeding will merely

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<sup>1</sup> ALJ Order Regarding Discovery Dispute between GWA and GCG in the Annual True-Up Proceeding regarding the Propriety of Certain Requests for Information, dated June 4, 2025.

delay resolution of the true-up. Allowing discovery of the outlying years in a true-up proceeding will turn each true-up proceeding into a mini-rate case involving filings for not only the true-up year, but for all remaining years of the five-year plan: i.e. 4-year, 3-year, and 2-year rate cases. It makes no sense to spend time evaluating changes in subsequent years when each of those years will have its own annual true-up proceeding. The ALJ recommends that the PUC affirm that the purpose of the annual true-up proceeding is to examine and determine the rates for the specific fiscal year for which rates are being set.

Both GWA and GCG believe that their interpretations of permissible discovery in a true-up proceeding constitutes “standard regulatory practice.” However, neither party has offered proof of practice in other jurisdictions. It appears that different jurisdictions have adopted different procedures. Clearly, the PUC has always taken the position that only test year calculations are considered in true-up proceedings. A Texas Court of Appeals held that a utilities commission could take into consideration known changes occurring after the test year. However, “... the Commission’s authority to allow post-test year adjustments for “known and measurable changes to historical test-year data” is discretionary and its own substantive rules permit such changes only where “the attendant impacts on all aspects of a utility’s operations can be with reasonable certainty identified, qualified and matched.” 16 Tex, Admin. Code sec. 23.21(b) (1999). Central Power and Light Company/Cities of Alice, et al. v Public Utility Commission of Texas, 36 S.W. 3d 547, 563 (Court of Appeals of Texas, Austin July 27, 2000). “Reasonable certainty” in a true-up proceeding cannot be ascertained until an annual true-up proceeding is conducted for the setting of rates for a specific year.

### 3. Outstanding Reporting Requirements

The parties have agreed in their stipulation to certain new reporting requirements. In addition, GCG pointed out that GWA is out of compliance with January 2025 quarterly report requirements. No filings were submitted for the second or third quarters of 2025 for reporting requirements including program management, progress reports, CIP Rule-Up Reports, and the Annual Effectiveness Report. GWA General Manager Miguel Bordallo has agreed that GWA will bring all outstanding reporting requirements up to date by the end of February, 2026. These reports contain information that GCG should have in the upcoming annual true-up proceeding. The PUC should order that GWA should bring all reporting requirements current.

#### 4. Filing of the RAM Model with the Annual True-Up Filing

GWA had proposed to alter the RAM Model in the true-up filing to include only the test year. GCG takes the position that GWA should include all remaining years of the five-year plan in its true-up application; it should indicate the review and analysis it conducted for each year of the remaining years to determine whether the values indicated in the RAM should remain in place or be modified.

The ALJ recommends that GWA continue to file its five-year RAM in the true-up proceeding. The PUC should approve the following requirement: for each annual True-Up filing: GWA shall utilize the same core RAM model structure, worksheet architecture, level of detail, line-item granularity, and calculation logic as the RAM model approved and relied upon in the most recent PUC-approved Five-Year Financial Plan, except as otherwise expressly agreed by the Parties or directed by the Commission. It is understood that no additional projections or updating are required to be made in such RAM for the outlying years. 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.

5. Adjustments which will not be included

GCG also recommended that certain new filing requirements be included for the initial five-year plans. These included: (1) requirements for construction amounts and reconciliation with the master plan, and changes to the master plan; (2) a schedule on water losses which includes the most recent five years total water production, water consumption, and water losses, and the projected value for the next five years in a certain format. The schedule would contain reporting requirements for energy uses, treatment of chemicals, purchased water, and incremental operations costs. The ALJ believes that these filing requirements, while they could be beneficial, are beyond the scope of this proceeding, which is primarily focused on the true-up. However, these requirements could be considered and inquired into by GCG in the next five-year rate filing.

**CONCLUSION**

The Administrative Law Judge recommends that the PUC approve the Joint Stipulation of the parties and the other changes that he has recommended in this Report. A Proposed Order is submitted herewith for the Commissioners' consideration.

Respectfully submitted this 10th day of February, 2026.

  
Frederick J. Horecky  
Chief Administrative Law Judge



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GWA DOCKET NO. 24-05

**GUAM WATERWORKS AUTHORITY'S  
FY2025 -2029 RATE APPLICATION  
AND REQUEST FOR RATE  
INCREASES**

**JOINT STIPULATION RE:**

**PROCESS AND BOUNDARIES FOR  
DETERMINATION OF ADJUSTMENTS  
FOR ANNUAL TRUE UP OF GWA'S  
FIVE-YEAR FINANCIAL PLANS**

This **JOINT STIPULATION** is between **GUAM WATERWORKS AUTHORITY** ("GWA") and the **GUAM PUBLIC UTILITY COMMISSION'S** ("GPUC") consultants, **GEORGETOWN CONSULTING GROUP, Inc.** ("GCG") hereinafter referred to as the Parties. The stipulation outlines a proposed settlement concerning the process and boundaries of what is permissible as adjustments for the current and prospective annual true-up proceedings of GWA's Five-Year Financial Plans.

**I. BACKGROUND**

**WHEREAS**, the GPUC Ordering Provision no. 8 of the GPUC Order Re: Annual True-Up for FY2026 Rates issued on September 25, 2025, states:

"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;" and

**COPY**



1 **WHEREAS** the ALJ convened the proceeding, and the Parties conducted multiple  
2 conferences and exchanges on their respective positions with respect to the process and  
3 permissible adjustments in a true-up proceeding; and

4 **WHEREAS**, the Parties fundamentally disagree on the scope of future annual true-ups;  
5 and

6 **WHEREAS**, the Parties conducted stipulation negotiations in good faith between  
7 November 2025 and January 2026 and have agreed to the following limited stipulation for  
8 purposes of clarifying procedural requirements for annual true-ups of GWA's approved five-  
9 year financial plans.

10 **NOW THEREFORE**, the Parties Agree to the following Stipulated Provisions which it  
11 recommends for approval by the GPUC:

12 **II. PROPOSED STIPULATIONS**

- 13
- 14 1. With the INITIAL FILING of each 5-Year Plan, GWA shall:
  - 15 a. Provide its petition together with the testimony and exhibits as well as the required
  - 16 Minimum Filing Requirements.
  - 17 b. Provide the rate model that has been developed by GWA and used by the parties in the
  - 18 current 5-Year plan.
  - 19 c. GWA's petition shall propose a rate path for the full five (5) years of the plan with a full
  - 20 narrative, support, and work papers for all five (5) years.
  - 21 d. All the parties agree that the initial decision of the GPUC shall set rates for the full 5
  - 22 years. The rate for the first year shall be implemented at the conclusion of the initial filing
  - 23 and the rates for each subsequent year shall be subject to annual true-Ups conducted in
  - 24 accordance with the GPUC's existing policy and practice, as may be clarified based on
  - 25 the protocols ordered in this "process and boundaries" proceeding.
- 26 2. Each annual true-up petition subsequent to a GPUC-approved 5-year rate plan shall include
- 27 a True-Up Schedule M which compares requested true-up year projections for revenue and
- 28 expenses against the prior projections for the same fiscal year. However, the Parties disagree

1 as to the basis for the prior projections within the new schedule. GWA believes the basis of  
2 comparison should be the GPUC-approved 5-year rate plan (which is consistent with  
3 historical annual true-up procedures and the ALJ's June 5, 2025, ruling). GCG believes the  
4 basis of comparison should be the most recent forecasts from expanded true-up filings that  
5 they have recommended (and with which GWA disagrees). Regardless of the comparison  
6 year chosen, the Parties have agreed to the Schedule M format presented as Exhibit A.

7 3. GWA and GPUC Staff shall adhere to the True-Up process timeline presented as Exhibit B  
8 (which anticipates future GPUC action to occur earlier, with targeted resolution and approval  
9 on true-up petitions in August rather than September).

10 4. GWA and GPUC staff agree that with the ongoing implementation of GWA's Water Loss  
11 Control Program and the documented issues affecting GWA's ability to meet water loss  
12 goals, GWA will modify current reporting on the status of the Water Loss Control Program  
13 as follows:

14 a. 2025 Baseline Report: GWA will coordinate with designated GPUC Staff (engineer) and  
15 submit by the end of February 2026 a status report focused on:

- 16 i. Status of capital projects implementing water losses
- 17 ii. Status of projects intended to reduce reliance on Navy water
- 18 iii. Summary of expenditures, milestones achieved and near-term risks.

19 b. Informal Mid-Year Review: GWA and designated GPUC staff (engineer) will conduct  
20 an informal mid-year working session (no formal filing requirement) to:

- 21 i. Review progress since annual baseline
- 22 ii. Identify completed or newly initiated projects
- 23 iii. Capture measurable achievements
- 24 iv. Confer on recommended adjustments to schedule or priorities as needed

25 c. Year-End Reconciliation and Report: GWA and designated GPUC Staff (engineer) will

- 26 i. Reconvene in early December to finalize content for year-end update, confirm  
27 project status and information (expenditures, outcomes, etc.), and resolve any  
28 open issues prior to formal annual reporting
- ii. For each year remaining in the current 5-year CIP, GWA will complete and  
submit a formal annual report in January incorporating:

- 1. Full year accomplishments





## Exhibit A

### True-Up Schedule M

Comparison of True-Up Year to the PUC's Approved Five-Year Rate Plan for the Same Year

	True-Up Filing for FY 2027	Prior Projections		
	FY 2027	FY 2027	Difference	% Diff.
<b>Non-Lifeline Rate Increase</b>	8.50%	7.75%	0.75%	
<b>Lifeline Rate Increase</b>	0.00%	0.00%	0.00%	
<b>Legislative Surcharge</b>	3.25%	3.00%	0.25%	
<b>CASH SOURCES</b>				
Water Service Revenues	107,330,291	105,820,745	1,509,546	1.4%
Legislative Surcharge	3,145,776	2,975,382	170,394	5.7%
<b>Water Rate Revenues</b>	<b>\$ 110,476,067</b>	<b>\$ 108,796,127</b>	<b>\$ 1,679,940</b>	<b>1.5%</b>
Wastewater Service Revenues	47,109,098	44,921,999	2,187,099	4.9%
Legislative Surcharge	1,134,788	976,396	158,392	16.2%
Navy Revenues (w/surcharge)	11,980,781	11,434,336	546,445	4.8%
<b>Wastewater Rate Revenues</b>	<b>60,224,667</b>	<b>57,332,731</b>	<b>2,891,936</b>	<b>5.0%</b>
Other Revenues	525,000	515,000	10,000	1.9%
Rate Revenue Adjustment	(850,000)	(2,259,091)	1,409,091	-62.4%
Bad Debt Adjustment	(1,213,129)	(1,144,738)	(68,390)	6.0%
<b>Total Operating Revenues<sup>1</sup></b>	<b>\$ 169,182,605</b>	<b>\$ 163,240,028</b>	<b>\$ 5,922,577</b>	<b>3.6%</b>
Interest / Investment Income	1,000,000	946,746	53,254	5.6%
Rate Stabilization Transfers Out (In)	(2,500,000)	(1,250,000)	(1,250,000)	100.0%
<b>TOTAL SOURCES</b>	<b>\$ 167,682,605</b>	<b>\$ 162,936,774</b>	<b>\$ 4,725,831</b>	<b>2.9%</b>
<b>CASH USES</b>				
Power Purchases	18,118,107	19,473,468	(1,355,361)	-7.0%
Water Purchases	6,977,709	12,916,590	(5,938,881)	-46.0%
Salaries & Benefits <sup>2</sup>	38,652,719	38,435,950	216,769	0.6%
Admin & General <sup>3</sup>	13,865,924	15,517,545	(1,651,621)	-10.8%
Contractual Expense	9,851,500	9,667,501	(18,000)	-0.2%
Retiree Expense	4,819,489	4,759,489	60,000	1.3%
<b>O&amp;M Subtotal</b>	<b>\$ 92,085,448</b>	<b>\$ 100,770,543</b>	<b>\$ (8,685,095)</b>	<b>-8.6%</b>
Interest, Short-Term Financing Program	1,341,233	5,233,806	(3,892,573)	-74.4%
Debt Service	52,003,946	38,276,815	13,727,131	35.9%
Internally Funded Capital (IFCIP)	14,000,000	12,000,000	2,000,000	16.7%
<b>TOTAL USES</b>	<b>\$ 159,430,627</b>	<b>\$ 156,281,164</b>	<b>\$ 3,149,463</b>	<b>2.0%</b>
<b>Net Annual Cash Flow</b>	<b>\$ 8,231,978</b>	<b>\$ 6,655,610</b>	<b>\$ 1,576,368</b>	<b>23.7%</b>
<b>DEBT SERVICE COVERAGE</b>				
Net Revenues	\$ 75,577,157	\$ 62,166,231	\$ 13,410,926	21.6%
Adjustment, Regulatory Asset	(818,000)	(1,277,200)	459,200	-51.6%
Adjustment, Capitalized Labor	5,024,853	4,996,674	28,180	0.6%
Adjustment, Other <sup>4</sup>	725,980	715,600	10,380	1.5%
<b>Revenues Available for Debt Service</b>	<b>\$ 80,709,990</b>	<b>\$ 66,601,304</b>	<b>\$ 14,108,686</b>	<b>21.2%</b>
<b>Total Debt Service</b>	<b>53,345,179</b>	<b>43,510,821</b>	<b>9,834,358</b>	<b>22.6%</b>
<b>Debt Service Coverage</b>	<b>1.513</b>	<b>1.531</b>	<b>(0.018)</b>	

1 - Includes leachate and Navy revenues; excludes system development charge revenues

2 - Capitalized labor, which does not represent a cash impact, is not included in the calculation of annual net cash flow but is recognized as an adjustment in the debt service coverage calculation

3 - Excludes bad debt expense since this line item is included as an offset to rate revenues (per audited financials)

4 - Includes retiree COLA and end-of-year pension and OPEB adjustments

**Exhibit B**

<b>Proposed Annual True-Up Schedule</b>			<i>(1 month)</i>	<i>(3 months)</i>	<i>(2 weeks)</i>
			<b>Preparation of Filing</b>	<b>Review / Discovery</b>	<b>Stipulation Negotiations</b>
<b>March</b>	<b>1</b>	<b>Audit of prior FY complete</b>			
	<b>15</b>	<b>Budget development for TU year complete</b>			
<b>April</b>	<b>1</b>				
	<b>15</b>	<b>GWA Filing / Review Period Begins with Opening Workshop to Explain Filing</b>			
<b>May</b>	<b>1</b>	<b>Initial RFIs</b>			
	<b>15</b>	<b>RFI #1 Response (10 calendar days)</b> <b>Follow-Up RFIs</b>			
<b>June</b>	<b>1</b>	<b>RFI #2 Response (10 calendar days)</b>			
	<b>15</b>	<b>Additional RFIs if necessary</b> <b>Additional Workshops (if necessary)</b>			
<b>July</b>	<b>1</b>				
	<b>15</b>	<b>PUC Consultant's Report / Negotiations Begin</b>			
<b>August</b>	<b>1</b>	<b>Signed Stipulation to ALJ</b>			
	<b>15</b>	<b>ALJ Report</b> <b>PUC Action</b>			
<b>September</b>	<b>1</b>				
	<b>15</b>	<b>Budget submitted to CCU / Trustee</b>			