BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

) DOCKET NUMBER NO. 24-05
N THE MATTER OF:	
) ACCOUNTING ORDER TO PERMIT
GUAM WATERWORKS) GWA TO RECORD SELECTED
AUTHORITY'S FY2025-FY2029) EXPENSES AS REGULATORY ASSETS
RATE APPLICATION AND) FOR RECOVERY IN FY 2026-FY2029 TO
REQUEST FOR RATE) STABLIZE RATE INCREASES FOR
INCREASES) GWA CUSTOMERS

GWA ACCOUNTING ORDER

I. BACKGROUND

On August 28, 2024, Guam Waterworks Authority (GWA) and Georgetown Consulting Group (GCG) stipulated that the amortization of the Regulatory Asset set up as part of the FY2020 – FY2024 financial plan be evenly amortized over FY2025 – FY2029.

Additionally, in order to smooth out prospective rate increases, a new Regulatory Asset related to certain FY2025 and FY2026 expenses is to be created and amortized as discussed below.

The GPUC takes notice that the creation of Regulatory Assets in circumstances involving extraordinary expenses is a well-established regulatory practice both within this jurisdiction and in other regulatory environments. This practice is a recognized tool for balancing the utility's need for cost recovery with the customers' need for rate stability. By deferring the recognition of extraordinary expenses in FY 2025 and amortizing the amount in FY 2026 – FY 2029, GWA will be able to smooth necessary rate adjustments.

II. DISCUSSION

GWA, as ordered by the PUC on February 27, 2020, created a Regulatory Asset containing Docket 19-08 adjudication expenses including the cost of PUC mandated analytical studies, development of the Rate Adjudication Model (RAM), and associated regulatory expenses totaling approximately \$3.2 million. GWA auditors have indicated these expenses must be amortized as a Regulatory Asset or be written off. Write-off of the Regulatory Asset in one year would have a significant impact on GWA's debt service coverage calculation. As part of the August 28, 2024, stipulation, the parties agreed to request that this Regulatory Asset be amortized over the five year rate plan period, FY2025 – FY2029.

Additionally, the Parties have stipulated to the creation of a new Regulatory Asset for the FY2025 – FY2029 rate application. The creation of this asset will allow rate increases to be spread out over the five-year period of the financial plan and prevent spikes in any given year.

GWA projected \$1.5 million in legal expenses in FY2025 and FY2026 for litigation over the ownership of the land on which the Northern District Wastewater Treatment Plant is located. GWA and GCG agree that the actual legal costs related to this litigation incurred in FY2025 and FY2026 should be classified as a new Regulatory Asset. These expenses will be amortized over the remainder of the five-year financial plan, i.e., FY2027 – FY2029.

In order that rate increases for FY2025 and FY2026 be smoothed, the Parties also agree, subject to compliance with Government Accounting Standard Board (GASB) standards, regulations, and guidelines, that up to \$4 million in power expenses may be placed into a new Regulatory Asset in FY2025 and amortized in FY2026.¹

III. ORDER

After careful review and consideration of the record on this matter, and the recommendation of the ALJ, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS THAT**:

- 1. GWA amortize the cost of the existing Regulatory Asset² totaling \$3.2 million over FY2025- FY2029 on a straight-line basis.
- 2. GWA establish in Account 186.3, a Regulatory Asset related to the following expenses to be paid out of the Working Capital Fund:
 - a. legal fees incurred in FY2025 and FY2026 related to the land ownership litigation.
 - b. FY2025 power expenses in an amount up to \$4 million.
- 3. A CPA firm be consulted to provide documentation that the Regulatory Assets and related amortization schedules comply with existing GASB standards, regulations and guidelines.

¹ The amount Depends on decisions by the GPUC for two outstanding issues on which the Parties could not reach agreement, whether GWA should charge a convenience fee to recover the fees charged by credit card companies for customers who use credit cards to pay their bills, and whether GWA should begin charging customers to replenish the Rate Stabilization Fund in FY 2026.

² Related to Docket 19-08 adjudication expenses.

- 4. GWA amortize actual legal expenses related to the land ownership litigation evenly in FY2027, FY2028, and FY2029 and amortize FY2025 power expenses in FY2026 subject to the CPA firm GASB review.
- 5. GWA provide the PUC with an annual report on balances of the Regulatory Assets and provide the PUC with accounting journal entries for this Regulatory Asset in its filing for the FY 2026 annual true-up of its FY2025–FY2029 Financial Plan.

SIGNATURES TO FOLLOW ON NEXT PAGE

Dated this 24th day of September, 2024.

Jeffrey C. Johnson

Chairman

Joseph M. McDonald

Commissioner

Peter Montinola Commissioner Rowena E Perez-Camacho Commissioner

Michael A. Pangelinan

Commissioner

Doris Flores Brooks

Commissioner