



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) **GWA Docket 24-05**
)
)
IN RE: PUC PETITION FOR) **ORDER REGARDING DISCOVERY**
APPROVAL OF GWA'S SECOND FIVE-) **DISPUTE BETWEEN GWA AND GCG**
YEAR FINANCIAL PLAN (BASE RATE) **IN THE ANNUAL TRUE-UP**
INCREASES)) **PROCEEDING REGARDING THE**
) **PROPRIETY OF CERTAIN REQUESTS**
) **FOR INFORMATION**

This matter comes before me upon a discovery dispute between Guam Waterworks Authority [GWA] and the Georgetown Consulting Group [GCG], the Guam Public Utilities Commission staff in this proceeding, upon the propriety of certain Requests for Information that GCG forwarded to GWA on May 31, 2025, pursuant to the Amended Scheduling Order.

GCG forwarded sixty-one (61) Requests for Information to GWA. GWA requests that it not be required to answer Requests for Information Nos. 1, 15, and 16. Both GCG and GWA have presented their positions on this issue.¹

I concur with GWA's interpretation that "the current proceeding is a true-up of a single fiscal year (FY2026)." I have reviewed past rate true-up proceedings for GWA. Attached collectively, as Exhibit "1", are excerpts from several prior PUC dockets. 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.

¹ Email from Jamshed Madan, GCG, to ALJ Fred Horecky dated June 3, 2025; email from Theresa Rojas, GWA Counsel, dated June 3, 2025.

In each True-Up docket attached in Exhibit 1, the PUC examined and approved rates for a specific fiscal year. Projections provided and information considered are always for a specific fiscal year. The PUC Order in the FY2024 True-Up states as follows:

“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.”² A true-up proceeding does not involve as detailed a review as in a five-year rate case.

In this docket, GWA Docket 24-05, the PUC previously set rates for a five-year period, FY 2025-FY 2029.³

GCG contends that the statement in the prior Rate Decision in GWA Docket 24-05, that GWA was “authorized for a rate increase of 10.75% in water and wastewater rates for FY2026” was only a “place holder.” The ALJ does not concur. There is nothing in the Rate Decision to indicate that the authorization for a 10.75% rate increase for FY 2025 was merely a “place holder.” Initially GWA had sought a 29% rate increase in FY2025 and a 12.5% rate increase for FY2026. The final rates authorized were in part an effort to smooth the rates over the initial two-year period.

The Order itself stated: “effective October 1, 2025, for FY2026, GWA is authorized to implement an across-the-board 10.75% in water and wastewater rates.” (Ordering Provisions, par. 6). A main reason stated in the Rate Order for the increases in the 5-year rates was that “GWA has proposed a 5-year Improvement program at a cost of \$899M.”⁴ Some of these projects were mandated by the 2024 Partial Consent Decree.

² PUC Order Re: Annual True-Up for FY 2024 Rates, GWA Docket 19-08, dated September 28, 2023, at p. 3.

³ PUC Order, Rate Decision, GWA Docket 24-05, dated September 24, 2024.

⁴ Id. at pgs. 6-8.

The elements of the CIP program were specified in detail; the PUC found: "The need for the CIP projects has not been contested and constitutes a large part of the funds that GWA must spend over the next 5-year period."⁵ The PUC also found that the necessity for rate increases over the next five years was "largely due to legal requirements and factors which are beyond the control of GWA."⁶ This was an issue that PUC considered beyond the FY2025 rates in setting rates for the entire five-year period.

In this true-up proceeding, GCG is fully authorized to explore the impact of all of the items which it raised on FY2026 rates, such as differences in revenue figures, lower power and water purchase expenses than previously anticipated, lowered administrative and general expenses, and others. However, the focus of this annual true-up proceeding is upon updates to the revenues, expenses and other items referenced in the prior schedules for FY2025. GCG is also authorized to explore whether the FY2026 A-2 rate schedule deviates in any respect from the FY2025 model.

GWA has requested that it not be required to respond to the following three requests for information:

1. For the current filing, please provide the full forecast for the FY 2027 through FY 2029 equivalent to A-2 in the prior proceeding. Why was this truncated in the current RAM? For FY 2027/2028/2029 provide the same analysis requested in (16) below. Does GWA believe that all values and formulas for these 4 years need to be evaluated and litigated in this brief proceeding? GWA has indicated that it will attempt to also shorten the initial time agenda provided by the ALJ.

⁵ Id. at p. 8.

⁶ Id. at p. 6.

15. Please indicate GWA's understanding as to how items get identified to qualify for a "True Up" in the Spreadsheet consistent with the GPUC's Decision & Order in the Phase I proceeding. Provide all GPUC Orders on the issue in GWA's possession.


16. In this proceeding did GWA make any True-Up adjustments for any items in FY 2026/2027/2028/2029? For each fiscal year list and describe each adjustment together with backup documentation.

As to RFI No. 1, GWA has already indicated why it did not include years other than FY2026 in its filing. However, if GWA has a full forecast for FY2027 through FY2029, equivalent to A-2 in the prior proceeding, it should provide such forecast to GCG. The scope of discovery is broad and includes matters that are relevant or could lead to the discovery of relevant material. GU ST SUPER CT RCP Rule 26. The Years FY 2027-2029 could include costs or matters that were changed or revised from the original FY 2026 projections. Other than providing the material requested in the first sentence of RFI No. 1, GWA need not respond to the other questions raised in RFI No. 1.

GWA should respond to the first sentence of RFI No. 15. GWA need not respond to any other request in RFI No. 15.

With regard to RFI No. 16, GWA must respond to the question as to whether it made any True-Up adjustments for any items in FY2026. However, it need not respond concerning adjustments for FY2027, 2028, or 2029. For FY2026, it should list and describe each adjustment together with backup documentation, but not for years FY2027-2029.

So Ordered this 5th day of June, 2025.


Frederick J. Horecky
Chief Administrative Law Judge

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10 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

11 **IN RE: PUC PETITION FOR APPROVAL OF**
12 **GWA'S THIRD FIVE-YEAR FINANCIAL PLAN**
13 **(BASE RATE INCREASES)**

14 **) GWA DOCKET NO. 19-08**
15 **)**
16 **) ANNUAL TRUE-UP SUBMISSION,**
17 **) PROJECTION, AND REQUEST**
18 **) FOR FISCAL YEAR 2024 RATES**

19 **COMES NOW**, the GUAM WATERWORKS AUTHORITY ("GWA"), by and through
20 its counsel of record, THERESA G. ROJAS, ESQ., and hereby files GWA's Annual True-up
21 Submission, Projection, and Request for approval of Fiscal Year 2024 rates. The following
22 Attachments, in compliance with the September 22, 2022, Rate Decision, ordering provision
23 seven (7), are enclosed:

- | | |
|--------------------|--|
| 24 1. Attachment A | GWA General Manager Transmittal Letter |
| 25 2. Attachment B | True-Up Projection for FY2024 Report |
| 26 3. Attachment C | True-Up Schedules |
| 27 4. Attachment D | CCU GWA Resolution No. 33-FY2023 |

28 In support of this submission, the Guam Consolidated Commission on Utilities has duly
passed and adopted GWA Resolution 33-FY2023 attached herein and incorporated by reference
as if fully set forth.

29 **RESPECTFULLY SUBMITTED** this 1st day of June, 2023.

30 By:

31 
32 **THERESA G. ROJAS, ESQ.**
33 **GWA Legal Counsel**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GWA Docket 19-08
)
PUC PETITION FOR APPROVAL OF)
GWA'S THIRD FIVE-YEAR FINANCIAL) **ORDER RE: ANNUAL**
PLAN (BASE RATE INCREASES)) **TRUE-UP FOR FY2024 RATES**
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_____)

INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the PUC's Rate Decision dated September 22, 2022 ["Rate Decision"].¹ Pursuant to the Rate Decision GWA was required to provide the PUC with an updated True-Up projection for FY2024.

BACKGROUND

Pursuant to the September 22, 2022 Rate Decision, the PUC approved a rate increase of 5.5% for FY2024. On June 1, 2023 GWA submitted its Annual True-Up Submission, Projection, and Request for Fiscal Year 2024 Rates ["2024 True-Up"].² Thereafter the Administrative Law Judge of the PUC ["ALJ"] transmitted GWA's True-Up submission to PUC Consultant Georgetown Consulting Group ["GCG"] for its review. The ALJ and GCG conducted an extensive review of GWA's filing. The PUC undertook investigatory discovery, and the ALJ engaged in discussions with GWA with respect to the issues related to GWA's submission. On September 13, 2023 GCG

¹ Rate Decision, GWA Docket 19-08, dated September 22, 2023.

² Annual True-Up Submission, Projection and Request for Fiscal Year 2024 Rates, GWA Docket 19-08, filed June 1, 2023.

provided the ALJ with a report regarding its review of the FY2024 True-Up.³ On September 15, 2023, the ALJ filed his report concerning the True-Up, which included his findings and recommendations based on the administrative record before the PUC. The PUC adopts the recommendations and conclusions in the GCG and ALJ Reports, with one modification as to Salaries and Benefits.

DETERMINATIONS

A. FY2023 Annual True-Up (for FY2024 Rates)

Base Lifeline and Non-Lifeline Rates

In FY2024, GWA will be completing the fifth year of its third 5-year financial plan (FY2020 through FY2024) and rate relief application with the PUC. In its True-Up GWA submits that it has thoroughly reviewed its revenue requirements and other requisites such as rate covenants and financial policies and considered known and measurable changes in costs and conditions. Based on these analyses, GWA has determined and recommends a 27.0% rate increase for basic lifeline and non-lifeline rates for FY2024 for all rate classes, effective October 1, 2023. GWA submits that the recommended rate increase is needed to meet increased power costs and existing debt service coverage. GWA states that the proposed rate increases are projected to increase system rate revenues by \$28.8 million and will allow GWA to fund necessary O & M expenses, and internally financed capital improvements, rebuild a modest level of rate stabilization reserves, and enable incremental improvement in debt service coverage levels.

B. Annual True-Up Review

1. Overview

³ Georgetown Consulting Group, Staff Report Responding to GWA's Petition for a 27% Across the Board True-Up Increase in Rates for FY 2024.

As indicated, GWA has requested a rate increase of 27% for FY2024; GCG has proposed an increase of 16.1%. The PUC has only made one modification to the rate increase proposed by GCG: an additional \$600,000 for Salaries and Benefits. The GCG Report presents detailed reasoning for its conclusions on the specific revenue and expense items for which rate increases should be allowed. A total rate increase of 16.7% is now approved. The PUC adopts the GCG Report, and the schedules presented, with the modification noted. The 16.7% rate increase for FY 2024 is the largest true-up increase granted in the history of the PUC.⁴

2. GWA True-Up Submission exceeds the Scope of an ordinary true-up review.

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. GWA's submission goes far beyond an ordinary true up filing. It is more in the nature of a "mini rate case". GWA's filing includes an FY 2024 revenue forecast which employs a "enhanced methodology", with new assumptions about residential account growth, water demand and wastewater flows, and price elasticity.⁵ The enhanced methodology" considers key trends and price responses. A change in how revenues are determined, and new forecast models, would normally be appropriate in a rate case, but not a true-up proceeding.

The ALJ and GCG have not had sufficient time to fully explore GWA's new assumptions and methodology, and do not necessarily accept them. However, for purposes of this true-up, the ALJ and GCG have not challenged such assumptions and methodology and have used them in arriving at an appropriate rate increase. The ALJ and GCG have focused on specific changes in revenues or expenses that would justify a rate increase.

⁴ See PUC Order, GWA Docket 15-04, dated September 29, 2016; there the PUC granted a 14.5% true up rate increase.

⁵ Annual True-Up Submission, at pgs. 5-6

3. Revenues

GWA has estimated a total revenue requirement of approximately \$137.57M; GCG has estimated a total revenue requirement of \$128.33M. Exhibits "1" and "2", attached to the ALJ Report, are GCG's proposed True-Up Schedule A-1 and True-Up Schedule A-1 GWA-As Filed. The GCG schedule indicates the changes that it has made to GWA's rate request. The PUC approves the revenue requirement and schedules recommended by GCG except as to Salaries and Benefits.

4. Operating Expenses for FY2024

GWA has proposed operating expenses of \$80.7M. GCG has approved operating expenses of \$79.734M. The PUC approves the Operating Expenses recommended by GCG for FY2024.

5. Adjustments proposed by GCG

(a) Revenues from the Badger Meter Case Settlement.

GWA secured an additional \$1.9M of revenues because of the settlement in the Badger Meter Case. Although GWA has not clarified the details of the award or indicated fees and expenses, it has proposed to place \$950,000 in the Rate Stabilization Fund for FY2024. GCG could have proposed that GWA deposit the full award of \$1.9M into the Rate Stabilization Fund for FY2024, which would have further reduced the potential rate increase sought by GWA. The PUC approves the placement of \$950,000 in the Rate Stabilization Fund for FY2024.

**(b) Deposit into the Rate Stabilization Fund
["RSF"] for FY2024**

GWA has proposed that it deposit \$7.5M into the RSF by charging its customers in FY2024 an additional \$7.5M in rates. If approved, such funding of the RSF through ratepayer rate increases would represent an almost 8% increase in GWA rates. As GCG points out, a double-digit rate increase is generally classified as a "rate shock" and a 27% proposed increase would fall into that category. The PUC does not approve the proposed increase of \$7.5M into the RSF for the following reasons:

(1) The timing of this requested increase is not beneficial, as the Guam economy is still recovering from the COVID Pandemic and Typhoon Mawar. A 27% rate increase is too great a burden for the ratepayers.

(2) GWA has not identified any specific expenses for which RSF Funding of \$7.5M is needed at the present time.

(3) There is no legal requirement that PUC “fill up” the RSF. The funds for the RSF have previously come from GWA reserve fund balances. The RSF was designed to deal with the effect of Covid pandemic on GWA revenues and debt service coverage.⁶

(4) The RSF is also designed to mitigate rate spikes and allow the smoothing of annual rate increases, not to cause such spikes.⁷ Furthermore, transfers will only be made by GWA out of the RSF “if it appears the DSC may fall below the required 1.25 coverage.”⁸

(5) GWA’s primary reason for increasing the RSF is to provide it with “flexibility” in advance of the FY2025-FY2029 rate case and anticipated further increases in debt service coverage. GWA can request such debt service coverage in its five-year FY2025-FY2029 rate case.

(6) GWA can request funding for the RSF at such time as funding is needed.

(c) Power Purchase Expense

GCG has recommended that GWA’s computation of power cost for FY2023 and FY2024 should be revised: “for FY2023, GWA did not reflect the approved

⁶ Issues for Decision, Guam Consolidated Commission on Utilities, GWA Resolution No. 11-FY2021 Work Session, at p. 62 of the CCU Commissioner Board Packet dated February 16, 2021.

⁷ Guam Consolidated Commission on Utilities, GWA Resolution No. 11-FY2021 at p. 65 of the CCU Commissioner Board Packet dated February 16, 2021.

⁸ Issues for Decision, Guam Consolidated Commission on Utilities, GWA Resolution No. 06-FY2022, at p. 322 of the CCU Commissioner Board Packet dated January 25, 2022.

and implemented GPUC reduction of the electric LEAC for June 2023 and beyond.”⁹ For FY2024, GWA requested \$24,169,088; GCG has approved \$22,764,673 for FY2024.¹⁰ GCG also proposes to grant GWA a 20% increase for power expenses for the period of February 2024 through September 2024, although there has of yet been no PUC action on the LEAC for that period. To date diesel fuel prices have increased approximately 20% since the PUC reduced the LEAC rate in June of 2023.¹¹ The PUC approves the power purchase expenses recommended by GCG.

6. Salaries and Benefits

GWA proposed a total salaries and benefits budget of \$29,732,853 for FY2024; GCG has adjusted that amount by \$627,606, to a total Salary and Benefits cost of \$29,705,247 for FY2024. GWA recommended that the staffing level in FY2024 be increased from 365 to 379 employees, an increase of 14 employees. The PUC determines that additional employees may be necessary to operate the Northern District Wastewater Plant. Therefore, there shall be an additional \$600,000 in rate revenues provided for GWA for the additional \$600,000 employee salaries for FY2024.

7. Contractual Expenses

GCG concurs with GWA’s request for \$7.465 million for FY2024 contractual expenses. However, GCG and the ALJ recognize the importance of the Northern District Wastewater and wastewater litigation and would authorize over \$1 million for such expenses in FY2024. GCG proposes that a “regulatory asset” be established for the litigation expenses for the NDWW Litigation. The PUC approves GCG’s recommendation and will authorize the creation of a regulatory asset for litigation expenses if necessary.

8. Debt Service.

⁹ Georgetown Consulting Group, Staff Report Responding to GWA’s Petition for a 27% across the Board True-Up Increase in Rates for FY2024, dated August 31, 2023, at p. 3.

¹⁰ See Exhibit “3” attached hereto, which sets forth GCG calculations on the power purchase expenses.

¹¹ Morgan Stanley, Asia Morning Call, September 14, 2023.

GCG has agreed to the debt service coverage amount requested for FY2024 of \$39.042M. The PUC approves such coverage.

9. **Legislative Surcharge**

GCG has approved an increase of the legislative surcharge, which includes retiree COLA an end-of-year pension and other adjustments, to 3.8%. The PUC approves the Legislative Surcharge

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the GWA Annual True-Up Submission dated June 1, 2023, the September 13, 2023, GCG Report, the ALJ Report, the additional GWA and GCG submittals, 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 conclusions and recommendations in the GCG and ALJ Reports, and the Staff FINAL RAM FY2024 True-Up and the adjustments and schedules set forth therein, are APPROVED, with an increase in rate revenues of \$600,000 for the additional \$600,000 Salaries and Benefits. GCG filed its final schedule A-1 and the Staff FINAL RAM FY2024 True-Up herein on September 28, 2023.

2. An across-the-board increase of 16.7% for GWA FY2024 rates is approved for implementation on October 1, 2023. The system-wide rate increase will apply to basic, lifeline, and non-lifeline rates and charges. The approved increase is "just" and "reasonable". Schedule A, *Forecasted Operating Results with FY2024 Approved Rate Adjustment*, as prepared by GWA and reviewed and approved by the ALJ/Staff, is made an official part of this Order.

3. GWA is authorized to increase its Legislative Surcharge to 3.8%.
4. GWA shall file its next multi-year rate plan on or before April 1, 2024.
5. In accordance with 12 GCA §12102.2, a staffing study will be required for GWA's next multi-year rate case. This should be an independent study conducted by a third-party consultant.
6. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b)), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

Dated this 28th day of September, 2023.


Rowena E. Perez-Camacho
Commissioner

Michael A. Pangelinan
Commissioner


Doris Flores Brooks
Commissioner

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True-Up Schedule A-1

Historical and Forecasted Operating Results with PUC Ordered FY 2024 Rate Adjustment

| | Unaudited Historical Year | Annualized Current Year | Forecast Next Year |
|---|------------------------------|----------------------------|-----------------------|
| | FY 2022 | FY 2023 | FY 2024 |
| Non-Lifeline Rate Increase | 0.0% | 5.5% | 16.7% |
| Lifeline Rate Increase | 0.0% | 0.0% | 16.7% |
| Surcharge | 3.6% | 3.5% | 3.8% |
| CASH SOURCES | | | |
| Water Service Revenues | 84,807,199 | 88,999,129 | 80,479,614 |
| Legislative Surcharge | 2,007,183 | 2,335,332 | 2,958,520 |
| Water SDC Revenues | 498,145 | 660,000 | 489,600 |
| Water Rate Revenues | \$ 87,112,526 | \$ 71,994,461 | \$ 83,927,734 |
| Wastewater Service Revenues | 27,939,855 | 30,991,533 | 36,483,092 |
| Legislative Surcharge | 1,003,591 | 763,370 | 978,821 |
| Navy Service Revenues (inc. surcharge) | 5,902,821 | 6,244,199 | 7,347,687 |
| Wastewater SDC Revenues | 747,217 | 990,000 | 734,400 |
| Wastewater Rate Revenues | \$ 35,593,485 | \$ 38,989,103 | \$ 45,542,000 |
| Other Revenues | 464,488 | 1,415,000 | 474,300 |
| Bad Debt Adjustment | (2,028,510) | (2,118,815) | (2,262,236) |
| Total Operating Revenues¹ | \$ 101,141,989 | \$ 110,279,749 | \$ 127,681,798 |
| Interest / Investment Income | 275,879 | 275,000 | 275,000 |
| Rate Stabilization Transfers / ARPA Funds in (Out)² | 5,750,000 | 18,050,000 | 950,000 |
| TOTAL SOURCES | \$ 107,167,868 | \$ 128,604,749 | \$ 128,906,798 |
| CASH USES | | | |
| Power Purchases ³ | 18,577,440 | 25,388,438 | 23,221,568 |
| Water Purchases | 5,656,471 | 6,379,055 | 5,900,000 |
| Salaries & Benefits ⁴ | 24,985,288 | 25,874,596 | 29,705,247 |
| Admin & General ⁵ | 7,956,423 | 9,179,209 | 9,687,858 |
| Contractual Expense | 4,492,845 | 5,901,272 | 7,464,494 |
| Retiree Expense | 7,439,742 | 3,755,617 | 3,755,617 |
| O&M Subtotal | \$ 69,108,209 | \$ 76,478,185 | \$ 79,734,784 |
| Debt Service | 33,458,069 | 39,036,678 | 39,042,065 |
| Internally Funded Capital (IFCIP) | 1,598,655 | 4,804,084 | 8,784,879 |
| TOTAL USES | \$ 104,164,933 | \$ 120,318,946 | \$ 127,561,728 |
| Net Annual Cash Flow | \$ 3,002,935 | \$ 8,285,803 | \$ 1,345,070 |
| DEBT SERVICE COVERAGE | | | |
| Net Revenues | \$ 38,059,659 | \$ 52,126,564 | \$ 49,172,014 |
| Adjustment, System Development Charges | (1,245,362) | (1,650,000) | (1,224,000) |
| Adjustment, Capitalized Labor | 3,699,767 | 2,273,431 | 4,159,140 |
| Adjustment, Other ⁶ | 3,303,593 | 673,200 | 729,706 |
| Net Revenues Available for Debt Service | \$ 43,817,657 | \$ 53,423,195 | \$ 52,836,860 |
| Total Debt Service | 33,458,069 | 39,036,678 | 39,042,065 |
| Debt Service Coverage | 1.310 | 1.369 | 1.353 |

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments, includes leachate revenues

2 - Per auditor opinion, ARPA funds will be considered as revenues when calculating debt service coverage

3 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

4 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow
- \$600,000 added for FY 2024 per final PUC Order to reflect benefit increases approved for FY 2024

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

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

BEFORE THE PUBLIC UTILITIES COMMISSION



**PETITION OF
GUAM WATERWORKS AUTHORITY
FOR RATE RELIEF**

GWA DOCKET 17-06

**ORDER RE: ANNUAL
TRUE UP FOR FY2018 RATES**

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the PUC's Rate Decision dated October 29, 2013 (the "Rate Decision"). Pursuant to the Rate Decision, GWA is required to provide the PUC with certain updated information annually, specifically its annual "true up" report.

BACKGROUND

On June 1, 2017, GWA submitted its annual "true up" report (hereinafter referred to as the "Annual True Up" or "FY2017 True Up"). Pursuant to the Rate Decision, the PUC has approved a rate increase of four percent (4%) for fiscal year 2018 ("FY2018").

On September 27, 2017, the Administrative Law Judge of the PUC Joephet R. Alcantara (the "ALJ") filed a report regarding the Annual True Up, which included his findings and recommendations based on the administrative record before the PUC. The ALJ made the following findings.

DETERMINATIONS

A. Annual True Up Request

1. Base Rate and Lifeline

In the Annual True Up, GWA submitted that it has examined the following:

(1) its latest available financial data; (2) developments since the last annual true up filing;

(3) financial policies; (4) a forecast of FY2017's year-end results; (5) FY2018 revenue requirements; (6) known and measureable changes in costs and conditions; and (7) its rate covenants.¹

Based on its examination of the items above, GWA requested implementation of the four percent (4%) proposed rate increase across all rates and customer classes, excluding lifeline rates.²

2. Legislative Surcharge

With respect to its Legislative Surcharge, which must be adjusted annually and is restricted to paying for health care benefits and annuities of GWA's retirees, GWA requested an increase of this surcharge from 3.7% to 3.75%.³

B. Annual True Up Review

1. Operating Expenses for FY2018

As indicated in the Annual True Up, GWA's projected operating expenses for FY2018 necessitate a revenue requirement of about \$84.5 million. This requirement involves the following: about \$24 million in salaries and benefits; about \$21 million in utilities; about \$12 million in general and administrative expenses; about \$4.5 million in contractual expenses; and about \$3.4 million in retiree annuities and benefits, along with other expenses.⁴ Its revenue requirement for FY2017 was approximately \$75 million, though \$81 million was approved.⁵

¹ Annual True Up, p. 2.

² Annual True Up, p. 2.

³ Annual True Up, p. 2.

⁴ Annual True Up, p. 12; Schedule C.

⁵ Annual True Up, p. 12.

2. Revenues

GWA forecasts that its revenues will grow from \$106 million to \$112 million, or 6%, in FY2018.⁶ GWA assumes that there will be no organic growth in customer base, but that the increase will be attributable to the proposed rate increase.⁷ GWA submits that the four percent (4%) rate increase will add approximately \$6 million in water and wastewater revenues.⁸

3. Debt Service

GWA's debt service for FY2018 is estimated at about \$29,960,827.⁹ GWA's debt service for FY2017 is annualized at \$24,562,301.¹⁰ GWA submits that its debt service will increase by \$5 million in FY2018.¹¹ However, since the PUC's recent authorization for the refund of GWA's 2010 bonds, GWA estimates an annual savings of about \$455,600, which lessens its debt service.

4. Summary of Staff

In its filing, GWA further indicated that it currently has three hundred thirty-two employees, totaling \$21,756,707 in gross salaries.¹² It has sixty-three vacant positions.¹³ GWA projects that it will need \$24 million for salaries and benefits for FY2018.¹⁴

⁶ Annual True Up, p. 7.

⁷ Annual True Up, p. 7.

⁸ Annual True Up, p. 7.

⁹ Annual True Up, p. 13.

¹⁰ Annual True Up, p. 13.

¹¹ Annual True Up, p. 13.

¹² Annual True Up, p. 14.

¹³ Annual True Up, p. 14.

¹⁴ Annual True Up, p. 12.

5. Faulty Meters, Water Loss, and School Shutdowns

As part of this review, the ALJ issued a Request for Information (“RFI”) which identified certain areas of concern, namely: (1) faulty meters; (2) water loss; (3) and water loss affecting schools.

In response to the RFI, GWA provided some insight on the issue of its low-reading meters. GWA indicated that a particular disc in the meter’s measuring chamber has been cracking. GWA submitted that the manufacturer has admitted that there have been issues with the quality of these meters. In response, GWA is working with the manufacturer to replace the failing meters “with a more robust model” under warranty.

With respect to its water losses in general, GWA submitted that water loss, or non-revenue water, is comprised of: unbilled, unauthorized consumption; apparent losses, such as metering inaccuracies; and real losses, such as leaks in its transmission system. GWA maintains that real losses of about 46% are attributable to leaks in GWA’s system. To address this water loss, GWA has initiated the following: its line replacement program; its reservoir replacement program; staffing its leak detection and leak repair programs; pressure zone realignment and system meter project (to improve water pressure and water delivery); hydrant repair and replacement; and the completion of its System Control and Data Acquisition program.

GWA maintained that it is able to repair its water leaks and further maintains that it does not need a contractor to address this issue. With respect to its efforts to solving its water loss problem, GWA is “stymied” by factors, which include: a shortage of manpower in its leak repair crews; and, it experiences shortages in its parts and supplies.

Lastly, GWA currently has a standard procedure when there are water outages at schools. During such outages, GWA provides a water tanker if the school does

not already have a storage tank and pump system. In cases where the school has storage tanks, GWA assists with refilling the tanks with water. In cases where the schools have no tanks, then GWA stages a tanker at the school for its use.

GWA also indicated that GWA has a fleet of mobile water tanks and water buffaloes. GWA is able to set up water tanks at school sites to prevent schools from shutting down during times of water loss.

CONCLUSION

Accordingly, based on the documentation provided by GWA in this docket,
and for the other reasons set forth in the ALJ Report, the ALJ recommended that the PUC
authorize GWA to implement the four percent (4%) rate increase for FY2018. With
respect to the Legislative Surcharge, the ALJ recommended that the PUC approve the increase of this surcharge to 3.75% as requested by GWA. The ALJ further recommended that GWA be required to submit a report to the PUC, within thirty (30) days, detailing the status of all Federal Stipulated Order projects, including a timeline of events and deadlines for any outstanding projects, as well as a report, also within thirty (30) days, detailing the status of all Capital Improvement projects, including a timeline of events and deadlines for any outstanding projects.

ORDERING PROVISIONS

Upon careful consideration of the record herein, the September 27, 2017 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That GWA has satisfied the requirements concerning its Annual True Up and, therefore, the PUC hereby authorizes GWA to implement the four percent (4%) rate increase for FY2018, excluding its Lifeline rates, effective October 1, 2017.

2. That GWA is further authorized to increase its Legislative Surcharge to 3.75%.

3. GWA shall submit to the PUC a report detailing the status of all Federal Stipulated Order projects, including a timeline of events and deadlines for any outstanding projects, within thirty (30) days.

4. GWA shall also submit to the PUC a report detailing the status of all Capital Improvement projects, including a timeline of events and deadlines for any outstanding projects, within thirty (30) days.


5. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with the instant proceeding. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

SO ORDERED this 28th day of September, 2017.


JEFFREY C. JOHNSON
Chairman


ROWENA E. PEREZ
Commissioner

NO - VOTE 
JOSEPH M. McDONALD
Commissioner


FILOMENA M. CANTORIA
Commissioner


MICHAEL A. PANGELINAN
Commissioner


PETER MONTINOLA
Commissioner


ANDREW L. NIVEN
Commissioner

P173028 JRA

BEFORE THE PUBLIC UTILITIES COMMISSION

PETITION OF)
GUAM WATERWORKS AUTHORITY)
FOR RATE RELIEF)
_____)

GWA DOCKET 09-03

ORDER RE: ANNUAL
TRUE UP FOR FY2013
RATES

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the "PUC") pursuant to the PUC's July 27, 2009 Rate Decision, the July 14, 2009, August 31, 2011, the September 28, 2012, and the January 24, 2013 Stipulations between the Guam Waterworks Authority ("GWA") and the PUC's water and wastewater consultants, Georgetown Consulting Group ("Georgetown"), filed in this docket. Pursuant to the July 14, 2009 Stipulation, GWA is required to provide the PUC with certain updated information annually.

DETERMINATIONS

On July 13, 2012, GWA submitted its annual "true up" report (hereinafter referred to as the "Annual True Up" or "FY2013 True Up"). On August 31, 2012, the Administrative Law Judge of the PUC (the "ALJ") transmitted GWA's report to Georgetown for its review. Thereafter, Georgetown undertook preliminary discovery with respect to the issues related to GWA's submission. On October 1, 2012, GWA and Georgetown filed a Stipulation wherein the parties agreed to certain findings and recommendations for the PUC. On October 30, 2012, the PUC approved the September 28, 2012 Stipulation.

Thereafter, Georgetown and GWA engaged in further discussions, as well as the exchange of financial information, related to the Annual True Up. On January 17, 2013, GWA and Georgetown transmitted a Stipulation to the ALJ, which made further findings and joint recommendations related to the PUC's review of the True Up. The Stipulation also contained a revised Revenue Implementation Program, as well as financial schedules used to support GWA's True Up. On January 24, 2013, the parties filed an executed version of the Stipulation, which is attached and incorporated hereto as "Exhibit A," and referred to herein as the "Stipulation." On January 25, 2013, the ALJ issued an ALJ Report detailing his findings and recommendations regarding the Stipulation.

A. July 13, 2012 True Up

In the Annual True Up, GWA maintained that "[t]he planned rate increases for FY2013 include the following: 1) 8% rate increase in Basic and Non-lifeline rates across all water and wastewater customer classes; and 2) 8% increase in Lifeline rates across all water and wastewater customer classes."¹ GWA further maintained that "[t]he increases set out in the 2009 Rate Plan form part of the basis of GWA's proposed FY2013 budget requests, however, due to financial and operational challenges, the assumptions and targets proposed in the 2009 Rate Plan were not achieved."² Accordingly, GWA proposed the following: an increase in Basic and Non-lifeline rates of "an additional 2.85% across all water and wastewater customer classes in order to meet FY2013 revenue requirements."³

¹ GWA's Annual True Up in GWA Docket 09-03 ("Annual True Up"), p. 1 (July 13, 2012).

² Annual True Up, p. 1.

³ Annual True Up, p. 1.

In addition, GWA submitted that the Legislative surcharge should be reduced from its current rate of 5.6% to 4.40%.⁴ GWA maintained that this surcharge, which is restricted to paying for health care benefits and annuities of GWA's retirees, must be adjusted annually to "replicate the obligation mandated by public law."⁵

GWA also proposed the addition of a new Tipping Fee surcharge at 1.70% "across all water and wastewater customer classes except lifeline customers" in order to pay "the Landfill Receiver (GBB) for bio-solids disposals at the Landfill."⁶ GWA maintained that "[t]his amount was calculated to amortize the pre-FY2013 unpaid tipping fee obligation over the course of 1 year and at which time the surcharge is scheduled to expire."⁷

GWA further proposed the addition of a new 1.36% Regulatory surcharge, which will fund GWA's regulatory expenses.⁸ GWA submitted that this surcharge would replace the expired GPA/Navy/PUC surcharge.⁹

B. January 24, 2013 Stipulation

1. Basic, Lifeline, and Non-Lifeline Rates

In the January 25, 2013 ALJ Report, the ALJ found that, pursuant to the January 24, 2013 Stipulation, Georgetown recommended the PUC's adoption of

⁴ Annual True Up, p. 1.

⁵ Annual True Up, p. 3.

⁶ Annual True Up, p. 2.

⁷ Annual True Up, p. 3.

⁸ Annual True Up, p. 2.

⁹ Annual True Up, p. 3.

“Attachment I” of the Stipulation, or the newly revised Revenue Implementation Program, as well as the PUC’s adoption of an “additional revenue award of an overall increase in Lifeline and non-lifeline rate elements of 6% for FY2013.”¹⁰ The ALJ found that a review of the financial schedules attached to the Stipulation, however, indicated a rate increase of 6.10% assessed on all Basic, Lifeline, and Non-Lifeline rate elements.

The ALJ further found that pursuant to Georgetown’s recommendation, in order to assess a compressed rate, which would account for the earlier months of FY2013, “the increase in Lifeline and non-Lifeline rates if implemented on February 1, 2013 shall be 9%.”¹¹ The ALJ again found that a review of the financial schedules attached to the Stipulation, however, indicated a rate increase of 9.15% assessed on all Basic, Lifeline, and Non-Lifeline rate elements, as opposed to 9%. The ALJ concluded that the parties intended to propose a 9.15% increase on these rate elements.

With respect to GWA’s Lifeline rates, the ALJ found that pursuant to 12 G.C.A. §12004 of the Public Utilities Commission and the Guam Telecommunications Act of 2004, the “General Lifeline Rates may only be increased when the total actual overall cost of providing service to all classes of customers, increases by no less than twenty percent (20%).” 12 G.C.A. §12004. The ALJ determined that since there has been a 20% increase in the cost of service, and since the PUC had already approved a rate increase of 8% with respect to GWA’s Lifeline rate pursuant to the PUC’s 2009 Rate Order, GWA’s Lifeline rate may be increased under these circumstances.

¹⁰ Stipulation FY2012 Annual True Up for FY 2013 Rates (“Stipulation”), p. 5 (Jan. 24, 2013).

¹¹ Stipulation, p. 5.

Based on the administrative record established in this docket, along with the representations made by the parties in the Stipulation, the ALJ recommended that the PUC approve the proposed increase of 9.15% with respect to GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, to be assessed through FY2013, beginning February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases were not assessed.

2. Tipping Fee, Regulatory Surcharge, and Legislative Surcharge

With respect to the proposed Tipping Fee and Regulatory Surcharge, the ALJ found that GWA and Georgetown agreed that these fees would not be established, but will instead be recovered "in rate components of all other customer tariffs."¹² With respect to the Legislative surcharge, the ALJ found that Georgetown and GWA recommended that the surcharge should be reduced to 2.63%.¹³ Based on the recommendation of the parties, the ALJ recommended that the PUC approve the reduction of the Legislative surcharge from 5.6% to 2.63%.

3. Tiyan Interim Rates

With respect to GWA's Tiyan interim rates, the ALJ found that GWA and Georgetown recommended that these rates be extended through FY2013 and that these rates also should be subject to the same rate increase discussed above.¹⁴ The ALJ therefore recommended that these rates continue to be assessed through FY2013, beginning

¹² Stipulation, p. 2.

¹³ Stipulation, p. 3.

¹⁴ Stipulation, p. 5.

February 1, 2013, with such rates subject to the same rate increase set forth in the January 24, 2013 Stipulation.

4. Revised Revenue Implementation Program

In the January 25, 2013 ALJ Report, the ALJ found that the provisions concerning the revised Revenue Implementation Program submitted by Georgetown and GWA were reasonable. As a result, the ALJ recommended that the PUC approve the provisions contained in "Attachment 1" of the Stipulation.

Specifically, the ALJ recommended that the PUC require GWA to prepare a monthly "billing consumption analysis" that "tracks the consumption patterns of the Badger meters installed subsequent to July 2012,"¹⁵ as set forth in the Revenue Implementation Program; that the PUC require GWA to test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year; that the PUC require GWA to file a report identifying "potential ways" it can minimize U.S. Navy water purchases by June 30, 2013 as set forth in the Revenue Implementation Program¹⁶; and that the PUC require GWA to file a report on the "actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment" as set forth in the Revenue Implementation Program.¹⁷

¹⁵ Stipulation, "Attachment 1."

¹⁶ Stipulation, "Attachment 1."

¹⁷ Stipulation, "Attachment 1."

5. Backbilling

With respect to the issue of backbilling, the ALJ found that GWA and Georgetown agreed to split the backbilling revenue evenly between FY2012 and FY2013. Since there was some disagreement on when the backbilling revenue should be recorded, the ALJ recommended that the PUC require GWA to submit its recommendation pertaining to this issue by May 1, 2013.

6. Multi-Year Rate Filing

With respect to GWA's next multi-year rate filing, the ALJ found that the Stipulation indicated that GWA would initiate the filing of its next multi-year rate plan no later than April 1, 2013, and that this filing would include the "latest requirements of the U.S. E.P.A. Amended District Court Order."¹⁸ The ALJ, however, recommended that the PUC require GWA to submit its next multi-year rate plan by March 1, 2013, as contemplated in GWA's January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

7. Other Findings Contained in the Stipulation

With respect to the other findings contained in the Stipulation, the ALJ determined that, based on the record, the joint findings were reasonable. The ALJ therefore recommended that the PUC adopt the findings set forth in the January 24, 2013 Stipulation.

The Commission hereby adopts the findings made in the January 24, 2013 Stipulation, as well as the January 25, 2013 ALJ Report; and, therefore, issues the following:

¹⁸ Stipulation, p. 5.

ORDERING PROVISIONS

Upon consideration of the record herein, the January 24, 2013 Stipulation between Georgetown and GWA, and the January 25, 2013 ALJ Report, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** the following:

1. The proposed increase of 9.15% on GWA's Basic, Non-lifeline, and Lifeline water and sewage rates, is **APPROVED** and shall be assessed through FY2013, commencing February 1, 2013, and which already includes a compression of rates to account for the months in FY2013 during which these rate increases have not assessed.
2. The proposed reduction of the Legislative Surcharge from 5.6% to 2.63% is **APPROVED**, commencing February 1, 2013.
3. GWA's Tiyan interim rates shall continue to be assessed through FY2013. However, commencing February 1, 2013, such rates shall be subject to the same rate increase set forth in Paragraph 1 above.
4. The revised Revenue Implementation Program, contained in "Attachment 1" of the January 24, 2013 Stipulation is **APPROVED**.
5. GWA shall prepare a monthly billing consumption analysis pursuant to the Revenue Implementation Program, commencing February 1, 2013.
6. GWA shall test its meters annually, which shall include the random testing of no less than 160 residential, government, and small commercial meters, as well as require GWA to submit a report summarizing the results of such testing by October 1 of each year.

7. GWA shall file a report identifying ways it can minimize U.S. Navy water purchases, pursuant to the Revenue Implementation Program, by June 30, 2013.

8. GWA shall file a report on the actual cost of performance for chemicals and sludge removal associated with the conversion of the Northern District Wastewater Treatment Plan to advanced primary treatment, pursuant to the Revenue Implementation Program, by June 15, 2013.

9. GWA shall submit its recommendation pertaining to when backbilling revenues should be recorded, as discussed in the January 24, 2013 Stipulation, by May 1, 2013.

10. GWA shall submit its next multi-year rate plan by March 1, 2013, as contemplated in its January 10, 2013 request to the ALJ for an extension on the originally proposed deadline.

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11. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with the instant docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 29th day of January, 2013.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

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