



**GUAM WATERWORKS  
AUTHORITY**  
**Five-Year Financial Plan**  
FY2025-FY2029

March 4, 2024

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## Introduction

The Guam Waterworks Authority (GWA, Authority) has prepared its fourth consecutive five-year financial plan for consideration by the Consolidated Commission on Utilities (CCU) and the Public Utilities Commission (PUC). The plan supports the continued improvement of the operations and maintenance of the Authority, invests in critical infrastructure, and enhances GWA's financial stability while ensuring just and reasonable rates. The development of this 5-year Financial Plan has considered the effects of various operational and regulatory issues which determine the revenue requirements of the Authority. These issues include:

- challenges with staff recruitment and retention,
- requirements of the recently filed Complaint and Partial Consent Decree in U.S. District Court,
- new federal and local regulations on emerging contaminants such as PFAS and Dieldrin,
- protection of the Northern Guam Lens Aquifer (NGLA),
- continued implementation of the Authority's Water Loss, and
- execution of significant capital improvement program in light of the military buildup.

GWA's revenue requirements are also influenced by its financial position resulting from adjudication of the FY2024 True-Up. The PUC's FY2024 Order established rate levels that did not provide for replenishment of Rate Stabilization Fund (RSF) reserves that proved critical for avoiding technical default in FY2023 and continued to target debt service coverage below the prescribed minimum dictated by (temporarily suspended) CCU and PUC policy.

This narrative is meant to supplement the exhibits marked as **Attachments A, B, C, D, and E** provided to the CCU in Resolution 11-FY2024 *Relative to Approving the Five-Year Financial Plan and Capital Improvement Program* (Resolution 11-2024) and not replicate them. Where appropriate, references to the individual Attachments are made.

## Financial Plan Overview

GWA's 2018 Water Resource Master Plan laid out a strategic financial planning approach which provided a steady path of sustainable rate increases to cover operations and maintenance expenses in an attempt to achieve a balance between debt and revenue financing of the needed capital improvement program.

The economic impacts of the global pandemic, geopolitical conflicts on oil, energy and manufacturing costs, and localized labor availability on the costs of construction have all had appreciable effects on the operating expenses of the Authority and its ability to fund an expanding capital improvement program in line with that long-term balanced financial strategy. PUC rate relief granted with FY2023 rates, and with the FY2024 annual true-up has not remedied GWA's difficult financial position. It began FY2024 with less than \$1M in RSF funds and with debt service coverage (temporarily) below minimums prescribed by CCU and PUC policy.

Resolution 11-2024 Attachment B *Historical and Forecasted Operating Results, Proposed Rates* provides an overview of the Five-Year Financial Plan while Attachment C *Rate Application Schedules* provides related details.

## Rate Increase Drivers

As discussed further below, the principal drivers of GWA's requested rate relief are three-fold. First, GWA absorbed (high) inflationary trends across most of its Operational and Maintenance (O&M) expense categories and has been unable to address necessary O&M spending. Its forecasted O&M expenses account for inflationary impacts, staff recruitment and retention, and mandated expenses for insurance and retiree benefits. Second, GWA's rates will enable financing of capital spending mandated by regulatory requirements or required to sustain GWA's critical Water Loss Control program. Absent the (still pending) availability of short-term construction period financing, debt service expenses are projected to increase nearly 120% -- representing the largest single cost component increase forecasted. Third, GWA's plan is structured to improve debt service coverage and liquidity metrics to gradually move from the financial precipice where debt service coverage levels marginally exceed covenanted requirements and available reserves have been depleted. It has planned for gradual restoration of the RSF (to levels still below those available pre-pandemic) and improvement of debt service coverage (also to levels still below those pre-pandemic) while continuing to maintain prescribed operating liquidity (e.g., Days Cash on Hand) metrics and Debt Service Reserve Fund targets.

## Proposed Rate Increases

Rate increases over the next five years are necessary to meet revenue requirements that include the forecasted operations and maintenance expenses, debt service payments, and internally financed capital; maintain required cash reserves; and replenish GWA's Rate Stabilization Fund (RSF).

Fiscal Year	Non-Lifeline Rate Increase	Lifeline Rate Increase
<b>FY2025</b>	29.0%	
<b>FY2026</b>	12.5%	12.5%
<b>FY2027</b>	10.0%	
<b>FY2028</b>	10.0%	
<b>FY2029</b>	10.0%	
<b>Cumulative</b>	71.5%	12.5%
<b>Compounded</b>	93.2%	12.5%

Legislative surcharges will be applied to the non-lifeline charges and are used to cover post-retirement benefit costs such as supplemental annuities, medical and dental insurance, life insurance, and cost of living allowances.

Fiscal Year	Legislative Surcharge
<b>FY2025</b>	3.5%
<b>FY2026</b>	3.2%
<b>FY2027</b>	3.0%
<b>FY2028</b>	3.0%
<b>FY2029</b>	3.0%

See Resolution 11-2024 Attachment C *Rate Application Schedules* Schedule K *Proposed Rate Adjustments* and Attachment D *Sample Bill Summary* for details by customer class.

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Also provided in Attachment C is Schedule A-1, which shows projected results without a rate increase but with the same level of expenditure, cash reserves, and financing. In this situation, debt service coverage would go below the bond indenture required 1.25x and there would be large negative outflows of cash.

Attachment C, Schedule A-3 projects results if the Tax-Exempt Commercial Paper Program or a similar short term financing vehicle was authorized by the legislature and put in place. The short-term financing has the capacity to reduce debt service as only interest would be paid on funds borrowed through the short-term financing only as needed to pay capital project construction costs as invoiced in the earlier years. Eventually the short-term debt would be taken out with a Revenue Bond, at which time capital and interest payments would be made. Under this scenario, rate increases to support the capital program and GWA operations would be:

Fiscal Year	Non-Lifeline Rate Increase	Lifeline Rate Increase
<b>FY2025</b>	17.0%	
<b>FY2026</b>	6.0%	6.0%
<b>FY2027</b>	6.0%	
<b>FY2028</b>	6.0%	
<b>FY2029</b>	15.0%	
<b>Cumulative</b>	50.0%	6.0%
<b>Compounded</b>	60.3%	6.0%

Taking advantage of short-term financing would reduce the rate increases needed to fund short term debt-financing of the capital program and defer long-term debt service for take-out bonds until later in the 5-year period. Draft legislation has been submitted to give GWA authorization to so implement such a cost-saving program but as of the date of this writing, the legislation has not been introduced.

## Affordability

Affordability is always top of mind as GWA develops its financial plans. In the FY2020-FY2024 Five Year Financial Plan, GWA proposed a Customer Assistance Program (CAP) that would address certain affordability issues for low-income families. However, the PUC deferred implementation of the CAP until legislative authorization to implement the program is received.

Below is a table showing residential sample bills as a percentage of Median Household Income (MHI), a common measure of affordability used by US EPA in assessing the burden of regulatory enforcement actions. One conventional measure of affordability of a combined water and wastewater bill is whether it is at or below 4% of MHI.

Fiscal Year	Median Household Income	Monthly Residential $\frac{3}{4}$ inch; 7 Kgals	Annual Residential $\frac{3}{4}$ inch; 7 Kgals	Percent of Median Income
<b>FY2025</b>	\$63,736	\$129.51	\$1,554.12	2.44%
<b>FY2026</b>	\$64,692	\$145.47	\$1,745.64	2.70%
<b>FY2027</b>	\$65,662	\$154.24	\$1,850.88	2.82%
<b>FY2028</b>	\$66,647	\$164.08	\$1,968.96	2.95%
<b>FY2029</b>	\$67,647	\$174.92	\$2,099.04	3.10%

Per the Census Bureau, the 2019 MHI in Guam as determined by the 2020 Census was \$58,289. The table above assumes a 1.5% growth in MHI year over year.

## Revenue and Demand Assumptions

Forecasted revenues reflect application of GWA's proposed volumetric rates and base charges to forecasted numbers of meters by size and billable volumes across each of GWA's customer classes. These billing determinant forecasts reflect extensive analysis of historical billing data, price elasticity factors, and adjustments for general trends in water usage. Annual increases in rates and charges are assumed to be applied uniformly across base charges and volumetric rates, and across water and wastewater systems except the lifeline rates proposed to be increased only in FY2026 by the same percentage as that applicable to non-lifeline rates. Application of rate increases by base charge and rate components may be altered with the PUC's pending decision on GWA's Rate Design Petition.

See Schedules B *Rate Revenue and Billing Determinates by Class* of Resolution 11-FY2024 Attachment C *Rate Application Schedules* for more details.

## Operating and Maintenance Budget

As Guam Waterworks Authority business units prepared their requests to meet operational needs over the next 5 years, there was a laundry list of factors to consider: the economy, recruitment and retention challenges, ongoing recovery from the pandemic and Typhoon Mawar, new regulatory requirements, and unstable fuel costs, all of which GWA continues to balance in its day-to-day activities.

These considerations were built into the assumptions used when funding requirements for this 5-Year Rate Period were compiled. Schedules C-1 *Operating Expense by Cost Category* and C-2 *Budgeted Operating Expense by Object Class* of Resolution 11-FY2024 Attachment C *Rate Application Schedules* provides tables of the Operating and Maintenance Budget.

## Utilities

**Power Purchases.** For the next 5 years, GWA projects annual consumption at 61 million kilowatt-hours (kwh) for all facilities and an aggregate average cost (agency-wide) of \$.42/kwh for FY2025 and \$.39/kwh for FY2026 moving forward. Projected consumption is based on actual consumption over the past 3 years; that level of consumption is maintained over the five-year period. GWA has maintained these projected rates for planning purposes and will monitor for efficiencies upon operation of the new Ukudu power plant slated in FY2026.

**Water Purchases.** Expenses for water purchases from the Navy are forecast based on projected FY2025 water demands of 550,000 kilo-gallons (kGal) and a rate of \$11/kGal and projected billable sewer flows of 15,000 KGal at a rate of \$31/kGals. Forecasted Navy water purchase expenses throughout the five-year period are based on the same service rates with reductions in consumption levels and billable flows projected in FY2026 through FY2029 due to efforts to reduce water loss through line replacements, district-metered areas, and an aggressive leak prevention program. The opening of Camp Blas may introduce a water exchange agreement.

## Staffing and Salaries and Benefits

**FTE levels.** GWA proposes to keep its 400 FTE authorization level for FY2025 and FY2026, increasing to 410 FTEs for the remaining three years. While GWA has been working to improve its ability to quickly

fill vacancies, employees have been exiting as vacancies are filled. Departures are largely for opportunities with the federal government, federal contractors, or employment off-island, often featuring improved compensation.

As of January 2024, GWA had 360 active employees, 28 announced recruitments and 22 vacancies. Many of the vacancies are in the operations, engineering, and compliance areas where certifications or specialized education or training may be required and where there is competition for similar positions in the federal government or with federal contractors. Flexibility in recruitment within authorized budget levels is necessary for GWA management to prioritize staffing areas of critical need as changes occur in staff levels through normal attrition.

*Salary migration.* As noted above, GWA is finding it increasingly difficult to recruit and retain skilled employees due to better opportunities, pay, and benefits elsewhere. GWA plans to implement updates to its Compensation Plan based on an external 2022 market study of industry salaries. This plan involves migrating employee salaries up the 50<sup>th</sup> market percentile over the next 5 years:

- FY2025 funds migration to the 30th percentile;
- FY2026 funds migration to the 35th percentile;
- FY2027 funds migration to the 40th percentile;
- FY2028 t funds migration to the 45th percentile; and
- FY2029 funds migration to the 50<sup>th</sup> percentile.

The migration costs would be inclusive of annual pay for performance adjustments. The salary migration will cost about \$3.5 million in salaries over the next 5-years and will help to recruit and retain its most valuable asset, GWA employees. For certain positions, such as engineers, leak detection and sewer cleaning technicians, GWA anticipates that salary migration will enable the recruitment and retention of staff to do work that would otherwise be contracted out at higher costs.

*Premium Pay.* Premium pay provides a budget for overtime based on 6% of salaries; night differential at 1% of salaries and holiday work at 2% of salaries. Premium pay is required to address emergencies as well as cover for vacancies and regularly scheduled shift work.

*Benefits.* The recent announcement of the government's self-insurance program resulted in an increase in the government's share of costs for medical and dental benefits. For FY2025, GWA budgeted benefits at the current average per enrollee for all employees. It has been reported that the government share is not expected to increase and may even decrease over time. With that in mind, GWA maintained rates for life, medical, and dental coverage for all employees. Retirement is calculated at 29% of base salary.

### Administrative and General Expenses

In comparison to the FY2024 approved budget levels, Administrative and General expenses categories reflect a 38% increase in FY2025 and then provide for inflationary adjustments for individual line-item categories in the ensuing fiscal periods. Inflationary adjustments for individual line-item categories are, in general, based on recent experience, market dynamics, and forecasted operational considerations.

*Sludge Removal.* Sludge removal is the expense of taking the sludge from the Wastewater Treatment Plants to the landfill. This also includes the landfill charges. FY2024 budget in this category is underfunded; projected expenditures in this category have been returned to the appropriate levels and adjusted for inflation.

*Chemicals.* In combination with price increases for the cost of various chemicals, GWA must now purchase greater quantities of chemicals to address both water and wastewater services. Additional water wells will require the use of granular activated carbon (GAC) to address growing concerns over the levels of contaminants (PFAS and Dieldrin) found in certain areas. Additionally, GWA must replace the GAC vessels more frequently than initially planned. GAC costs in the first year are projected at \$1.4 million in comparison to FY2024's planned \$70,000 budget.

New polymer options are also being studied for application at the Northern and Agat-Santa Rita treatment plants to reduce the volume of chemical application required by the product currently in use at all plants. On the collection side of wastewater, GWA is scheduled to expand dosing applications of treatment additives aimed at reducing the level of fats, oil, and grease, which in turn help in reducing system blockages and overflows.

*Materials & Supplies.* This category of expense includes materials and supplies needed for critical operations, compliance, and safety activities, and for office work. Many of these items are parts needed to repair and maintain equipment located throughout GWA. A 6% percent escalation rate was applied to this category.

*Transportation.* Fuel and lubricants and vehicle parts are included in this cost category. Parts and materials to repair tires, heavy equipment, and vehicles are also part of this expense. Also included is vehicle tracking software which monitors vehicle location, vehicle speeds and idling time. A ten percent inflation rate was applied to this category.

*Communications.* Communications includes internet and phones. As GWA outfits its operations staff with mobile tools to improve Asset Management and expands connectivity to facilitate implementation of SCADA throughout its facilities and equipment sites, this expense will grow and then level off.

*Claims.* Claims include damage to cable lines and private or government property that may occur as part of repair work. Claims from sewage overflows are also covered in this category as is Workman's Compensation.

*Insurance.* GWA's existing contract for insurance coverage will run through FY2026 holding the same \$1.9 million annual premium. GWA assumes a nominal 3% inflationary increase moving forward for each of the remaining 3 years. As the insurance market tightens, and with the advent of the recent typhoon and related claims, it is uncertain if insurance costs can be maintained.

*Training & Travel.* Investing in our employees through training helps build a knowledgeable and skill-based staff. With the easing of pandemic related restrictions, GWA plans to take advantage of the opportunities to network with industry peers, become exposed to new developments in the industry, and become more familiar with best practices. Such interaction and professional development improve operational performance and contribute to employee retention.

*Advertising.* Print ads, social media and the GWA website are included in this cost category.

*Miscellaneous Expenses.* Miscellaneous expenses include bank charges and fees expenses related to the Consolidated Commissions on Utilities (CCU), postage, subscriptions, government fees, and certain employee related expenses.



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*Regulatory Expense.* The category includes payments to the Public Utilities Commission for their annual assessment and GWA related costs.

*Provisions for Bad Debt.* The Bad Debt expense provision is two percent (2%) of Operating Revenues. Bad Debt is netted from Revenues and, therefore, is not included in the Administrative and General Expenses totals.

### Contractual Expenses

Compared to FY2024. Contractual expenses are expected to grow almost 32% in FY2025, in part due to regulatory and compliance requirements and operational support as well as the continuing dependency on computer technology to realize operational efficiencies.

*Audit and Computer Maintenance.* Besides auditing, financial consulting, rating agencies fees, risk management, and well monitoring, a large part of this expense category supports software subscriptions and technical support.

*Building Rental.* This expense category includes lease costs for the Fadian offices as well as storage space.

*Equipment Rental.* Equipment leases are often needed to help support operations and augment the current fleet. This is especially critical for deep well maintenance and repair operations and will be needed to support cleaning and CCTV operations required by the 2024 Consent Decree.

*Legal.* A large part of the legal fees is related to a high-risk and complex land dispute which requires the assistance of contracted counsel and a team of attorneys to litigate. As of early February 2024, the matter remains in the pre-trial phase and no trial date has been set. At this stage of the litigation, continued discovery, additional pre-trial motions, trial, post-trial motions, and an appeal are all likely. No matter what the outcome is at the trial level; this matter is likely to be appealed to Guam's Supreme Court.

*Laboratory.* Much of the lab samples collected are sent to off-island labs for analysis. GWA anticipates that the costs will jump in the first year due to additional testing required for emerging contaminants such as PFAS, and for monitoring treatment system performance as these are installed over the first few years of the planning period. Additionally, GWA is required to monitor its underground tanks and ensure they are not contaminating surrounding areas.

*Other Contractual Expenses.* The majority of this expense category is for the repair and maintenance of equipment that requires specialized skills or equipment. Also included are road restoration, trash pickup, security, janitorial services, drug testing, leak detection, printing and copying, and various permitting requirements.

### Retiree Expenses

Retiree expenses consist of the supplemental annuities for 'old plan' members, medical and dental insurance, life insurance, and cost of living allowances. As mentioned above, the legislative surcharge is designed to fund this cost.

### Five-Year Capital Improvement Program

The FY2025-FY2029 Five-Year Capital Improvement Program (CIP) is a byproduct of the 2024 Interim Water Resources Master Plan Update. It encompasses priority capital improvement projects mandated by the new 2024 Partial Consent Decree, as well as water treatment initiatives aimed at addressing the

Environmental Protection Agency's revised limits on emerging contaminants of concern. Additionally, it includes supplementary projects for water storage tanks and sewer systems, as identified through the water and wastewater system model update. GWA is poised to embark on an ambitious CIP to address system renovation and upgrade requirements. Over the next five (5) years, the program is anticipated to incur substantial capital investments, primarily driven by the simultaneous completion of court-ordered projects, required Partial Consent Decree initiatives, and those projects essential for supporting the military buildup and reducing water loss.

GWA's Capital Improvement Program is organized in four key areas, totaling \$ 898,733,389 over the next five (5) years.

- 1) **Water Projects**—estimated at \$433,680,480 and consisting of the following improvements:
  - UGUM Surface Water Treatment Plant to increase water production, storage, and resiliency.
  - Rehabilitation and repair of existing wells and installation of new wells.
  - Expansion of Santa Rita Springs impoundment to reduce reliance on Navy water.
  - Treatment of water for PFAS and Emerging Contaminants per proposed federal regulations.
  - Replacement of 2-inch pipes water pipes, asbestos-containing water pipes, and other general water pipe sizes.
  - Rehabilitation of booster pumps and valves in the distribution system to improve pressure zone realignment and facilitate implementation of district metering.
  - Replacements of up to 100 fire hydrants.
  
- 2) **Wastewater Projects** – estimated at \$330,461,683 and focused on meeting the requirements of the 2024 Partial Consent Decree:
  - Repair of gravity mains and replacement of up to thirty unique miles of pipe.
  - Upsizing of pipe to accommodate peak weather flows for sewer capacity assurance.
  - Assessment and analysis of force mains and sewer capacity.
  - Rehabilitation and replacement of prioritized force mains.
  - Rehabilitation of prioritized lift stations including Ypao, Hagatna Main, and Mamajanao.
  - Repair, rehabilitation, or replacement of thirty-two (32) sewer pump stations.
  - Installation and maintenance of the Supervisory Control and Data Acquisition (SCADA) system for water and wastewater operations.
  - Improvements to wastewater treatment plants including gravity lines, force mains, and sewer lift/pump stations.
  
- 3) **Electrical, Monitoring and Control Projects**- estimated at \$36,437,196 and focused on continued SCADA implementation:
  - Repair or replacement of control instrumentation as needed at all sites and plants.
  - Specialized SCADA workforce development and training.
  - Standardization of programming language, equipment, and wiring.
  - Utilization of the GPA fiber network, data leased lines, and GPA wireless network.
  - Implementation of additional physical and cyber-security measures.
  
- 4) **General Plant & Miscellaneous Projects** –estimated at \$98,154,030 including but not limited to the following:

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- Replacement of GWA's vehicle maintenance facility.
- CIP repairs and upgrades to its main water and wastewater systems operations.
- Improvements to the Upper Tumon Customer Campus, including the Customer Service building warehouse complex, Meter Test Facility, and Laboratory mechanical systems upgrade.
- Enhancement of the Geographic Information System.
- Planning for engineering systems such as Hydraulic water and wastewater modeling, project control, and project management systems.
- Replacement of mobile equipment.
- General Plant improvements.
- Implementation of Master Meter systems.

Capital Improvement Program	Total Costs	Percentage
<b>Water Projects</b>	<b>\$433,680,480</b>	<b>48.26%</b>
<i>Water Production</i>	\$ 102,754,617	11.43%
<i>Water Treatment</i>	\$101,884,505	11.34%
<i>Water Distribution</i>	\$203,109,517	22.60%
<i>Water Storage</i>	\$ 25,931,842	2.89%
<b>Wastewater Projects</b>	<b>\$330,461,683</b>	<b>36.77%</b>
Wastewater Collection	\$268,380,943	29.86%
Wastewater Treatment	\$62,080,740	6.91%
<b>Electrical, Monitoring, Control</b>	<b>\$36,437,196</b>	<b>4.05%</b>
<b>General Plan</b>	<b>\$ 98,154,030</b>	<b>10.92%</b>
<b>Total CIP</b>	<b>\$ 898,733,389</b>	<b>100.0%</b>

The FY2025-FY2029 Capital Improvement Program is a key component and cost driver of the Five-Year Financial Plan. A list of the projects in the Five-Year CIP is included in Resolution 11-FY2024 Attachment E.

## Other Financial Assumptions and Considerations

### CIP Funding Sources

GWA has included projected grant funding, systems development charges, revenue funding as well as new revenue bonds to fund investment in infrastructure.

Funding Source	Total Funding	Percentage
<b>US EPA State Revolving Fund</b>	\$89,000,000	8.9%
<b>System Development Charge</b>	3,750,000	.4%
<b>New Revenue Bonds</b>	780,000,000	78.2%
<b>Revenues</b>	115,000,000	11.5%
<b>Funds from Prior Years</b>	9,905,703	1.0%
<b>Funds for Future Years</b>	(98,922,314)	
<b>Total Funding</b>	<b>898,733,389</b>	<b>100.0%</b>

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*US Environmental Protection Agency State Revolving Fund (SRF).* GWA anticipates funding from the SRF, augmented by the federal Infrastructure Investment and Jobs Act, to provide \$27M in CIP funding for FY2025 – FY2027. SRF funding for FY2028-FY2029 is expected to be reduced to \$4M annually as Congress has earmarked much of the funding previously distributed via formulaic allocations to all states and territories for special projects within specific congressional districts.

*System Development Charge.* System Development Charges are restricted to uses for expanding the water and wastewater system and are part of the fees charged for new construction.

*Revenue Bonds.* GWA expects to issue new revenue bonds in FY2025 of \$250M, FY2027 of \$310M, and FY2029 of \$220M and structure levelized debt payments to prevent jumps in debt service that will similarly require a similar increase in rates. GWA continues to work with its legislative oversight chair to introduce legislation that will authorize borrowing through USEPA WIFIA (Water Infrastructure Finance and Innovation Act) loans as well as Tax Exempt Commercial Paper which will reduce borrowing costs and rates needed to support debt service; see Schedule A-3 of Attachment C for projected rate increases assuming the implementation of a TECP or similar short term financing vehicle.

*Internally funded.* Service rates that support capital outlays reduce the amount of financing required by GWA, hence saving ratepayers the cost of interest and other associated expenses. These also allow GWA to fund smaller capital projects (less than \$1 million) that may not qualify for bond funds under the terms defined by GWA's bond indenture.

*Prior and Future Years Rollovers.* It is anticipated that funding received in prior years will help pay for CIPs in future years. Certification of funds must occur at the beginning of the procurement process. Many of the larger infrastructure projects will take two to three years to complete, from design to construction.

See Resolution 11-FY2024 Attachment C *Rate Application Schedules Schedule E Sources and Uses of Funds, Capital Improvement Program* for a summary of the various funding sources by year.

### Debt Service and Debt Service Coverage

Revenue Bonds are a key source of funding for water and wastewater infrastructure. Debt service for FY2025-FY2029 is projected below:

Fiscal Year	Existing Debt	New Debt	Totals
<b>FY2025</b>	\$38,282,565	\$8,242,997	\$46,525,561
<b>FY2026</b>	38,278,065	16,485,993	54,764,058
<b>FY2027</b>	38,276,815	26,707,309	64,984,124
<b>FY2028</b>	39,542,315	36,968,625	76,470,940
<b>FY2029</b>	40,453,165	44,635,627	84,635,627

The anticipated savings from the refunding scheduled in 2024 have been applied to the existing debt totals. Forecasted new debt service reflects a number of key assumptions regarding the structure and terms of GWA's revenue bond offerings. These issues are scheduled in FY2025, FY2027, and FY2029 in par amounts of \$250 million, \$310 million, and \$220 million, respectively. Each 30-year, fixed rate issue is structured with levelized debt service payments (except that the initial year is 50 percent of the annual payment amount - a half-year convention).

Mindful that GWA's credit rating (and thereby future cost of capital) will be significantly impacted by debt service coverage and liquidity metrics, GWA's financial plan contemplates a gradual return of coverage levels (that also enable IFCIP spending) from the 1.3x level permitted temporarily by the PUC's most recent Orders to 1.5x achieved prior to the pandemic and in compliance with CCU and PUC policy. Given the magnitude of GWA's capital program and prospective reliance on debt financing, debt service coverage is, and will continue to be, a principal driver of rate increase requirements (and credit ratings). GWA's financial plan provides for a steady return to coverage levels consistent with investment grade credits, and use of coverage dollars to fund capital projects with revenues. This provides for balancing, to the extent practicable, of GWA's capital structure (e.g., debt/equity ratio).

See Resolution 11-FY2024 Attachment F *Debt Service and Other Financing Charges* for a breakdown of debt service by year by bond.

## Summary and Conclusions

GWA is acutely aware of the potential impacts on customers of its Five-Year Financial Plan and does not seek the requested rate relief lightly. It is simply required to restore GWA's financial integrity, deliver life essential services and fund needed investment / reinvestment in our water and sewer systems. We hope to secure approval of several measures through separate petitions (e.g., TECP (Tax Exempt Commercial Paper) financing, Customer Assistance Program funding, self-insurance) that may mitigate these impacts without simply deferring rate increases and expenses to a later, more expensive, day.