



## GUAM PUBLIC UTILITIES COMMISSION

### SPECIAL MEETING

September 24, 2024

GCIC CONFERENCE ROOM, GCIC BUILDING, HAGATNA

### MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:30 p.m. on September 24, 2024, pursuant to due and lawful notice. The meeting was called to order at 6:45 p.m. **Commissioners Jeffrey C. Johnson, Peter Montinola, Joseph McDonald, Rowena Perez-Camacho, Doris Flores-Brooks were in attendance, Mike Pangelinan** was recused from this meeting. The following matters were considered at the meeting under the agenda included as Attachment "A" hereto.

During the special meeting of the Guam Public Utilities Commission (PUC) held on September 24, 2024, the Commissioners addressed the Guam Waterworks Authority (GWA) Docket 24-05, which included GWA's petition for the approval of its fiscal year 2025-2029 Five-Year Financial Plan Rate Increase. Two main issues were debated: the Rate Stabilization Fund (RSF) and the Credit Card Convenience Charge. Here is a detailed summary of what was discussed, approved, and disapproved:

#### 1. Credit Card Convenience Charge

- **Issue:** GWA currently pays credit card transaction fees when customers use their credit cards to pay water and sewer bills. This results in an annual cost of \$1.5 Million for GWA, amounting to \$7.5 Million over five years.
- **Proposals:**

Jim Madan Georgetown Consulting Group recommended implementing a convenience fee on customers who use credit cards to pay their bills, so that those using the service bear the cost.

Miguel Bordallo (GWA) opposed this, arguing that the credit card fees should be considered part of the cost of doing business. They expressed concerns about creating an inconsistent customer experience, as Guam Power Authority (GPA) does not charge such fees.

- **Discussion:** Jim Madan (GCG) emphasized that imposing a convenience fee would lower costs for all customers by \$7.5 Million over five years. GWA argued that absorbing the fee maintains consistency between GWA and GPA, ensuring no confusion or customer dissatisfaction.
- **Decision:** Commissioners discussed the merits of maintaining a consistent customer experience across utilities, the benefits of absorbing the credit card fees, and the potential impact on customer service.

- **Motion:** Commissioner McDonald moved to keep the current policy, where GWA absorbs the credit card transaction fees, rejecting the imposition of a customer-paid convenience fee. Commissioner Montinola seconded the motion.
- **Vote:** All Commissioners voted in favor. The motion carried unanimously. The PUC voted to disapprove the implementation of a convenience fee. They agreed with GWA's position that absorbing the credit card transaction fees is the best course, keeping the policy consistent with GPA. Therefore, GWA will continue to cover the costs of these fees.

## 2. **Rate Stabilization Fund (RSF)**

- **Issue:** GWA proposed replenishing the RSF, which had been depleted, to handle unexpected expenses and avoid unplanned rate increases. The proposal was to allocate \$2.5 Million per year from FY 2026 to FY 2029, totaling \$10 Million. This would result in a 1.5% rate increase in FY 2026.
- **Proposals:**

GWA supported replenishing the RSF, emphasizing that it would help them meet debt service coverage requirements and improve their bond rating. They argued that without the RSF, GWA would face a higher risk of technical default, which could raise borrowing costs.

Jim Madan (GCG) opposed the replenishment, citing the current rate environment and suggesting that adding \$10 Million in rate increases would burden customers unnecessarily. They recommended against funding the RSF at this time.

- **Discussion**

The Commissioners acknowledged the importance of the Rate Stabilization Fund (RSF) in supporting GWA's bond ratings and overall financial stability. Some pointed out the benefits a similar reserve had provided for GPA and noted that GWA's rating outlook had recently been downgraded to "negative" due to insufficient reserves. The Commission reviewed GWA's initial request to fund the RSF at \$2.5 million per year from FY 2026 to FY 2029, totaling \$10 million. The fund's purpose is to stabilize customer rates by addressing unforeseen expenses and ensuring compliance with debt service coverage requirements. During discussions, Commissioners carefully considered both the impact of the proposed funding level on GWA's financial resilience and the need to minimize rate increases for customers.

- **Decision:**

The Commission agreed that funding the Rate Stabilization Fund (RSF) was necessary to reduce future financial risks, though the proposed \$10 million total was debated, with a possibility that a reduced amount might be reconsidered in future sessions.

After deliberation, the Commission decided to allocate \$1.25 million annually to the RSF, instead of the proposed \$2.5 million, to balance financial stability with ratepayer relief.

GWA had proposed replenishing the RSF with \$2.5 million annually from FY 2026 to FY 2029, totaling \$10 million, to address unanticipated expenses and meet debt service coverage

requirements, resulting in a 1.5% rate increase in FY 2026. Jim Madan of Georgetown Consulting Group (GCG) opposed this replenishment, arguing that adding \$10 million in rate increases would place an undue burden on customers, particularly given the current economic environment, and recommended against replenishing the RSF at this time.

Commissioner Montinola and Chairman Johnson supported funding the RSF but suggested starting with a lower amount than the proposed \$10 million. Chairman Johnson noted that a similar approach had been successfully used with GPA in the past, emphasizing the importance of maintaining favorable bond ratings.

- **Motion:**

Commissioner Flores- Brooks moved to approve the funding of the Rate Stabilization Fund at \$1.25 million per year. Commissioner Perez- Camacho seconded the motion.

- **Vote:**

All commissioners vote all in favor. The motion was unanimously approved by the Commissioners. The Rate Stabilization Fund will be allocated \$1.25 million per year from FY 2026 to FY 2029.

**Overall Approvals and Disapprovals:**

- **Approved:** Continuation of GWA absorbing the credit card transaction fees, maintaining the current system without passing fees onto customers. The Rate Stabilization Fund will be allocated \$1.25 million per year from FY 2026 to FY 2029.
- **Disapproved:** Imposing a credit card convenience fee.

There being no further business, Commissioner McDonald made a motion to adjourn the meeting. The motion was seconded by Commissioner Montinola. The motion passed unanimously and the meeting was adjourned at 9:30 p.m.



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**Jeffrey C. Johnson, Chairman**

**ATTACHMENT A**  
**THE GUAM PUBLIC UTILITIES COMMISSION**  
**NOTICE OF PUBLIC MEETING**

**NOTICE IS HEREBY GIVEN** that the Guam Public Utilities Commission [PUC] will conduct a special business meeting, commencing at **6:30 p.m. on Tuesday, September 24, 2024** at the seventh floor of the GCIC Building, 414 Soledad Avenue, Suite 703, Hagåtña, Guam.

The following business will be transacted:

**AGENDA**

- 1. Call to Order**
- 2. Guam Waterworks Authority**
  - **GWA Docket 24-05, In Re: Petition for Approve GWA's FY2025-2029 Five - Year Financial Plan and Rate Increases**
- 3. Adjournment.**

Further information about the meeting may be obtained from the PUC's Administrator Lou Palomo at 472-1907. Those persons who require special accommodations, auxiliary aids, or services to attend the meeting should also contact Mrs. Palomo.

**This Notice is paid for by the Guam Public Utilities Commission**



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**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF:**

**GUAM WATERWORKS  
AUTHORITY'S FY2025-FY2029  
RATE APPLICATION AND  
REQUEST FOR RATE  
INCREASES**

) **DOCKET NUMBER NO. 24-05**  
)  
) **ACCOUNTING ORDER TO PERMIT  
GWA TO RECORD SELECTED  
EXPENSES AS REGULATORY ASSETS  
FOR RECOVERY IN FY 2026-FY2029 TO  
STABLIZE RATE INCREASES FOR  
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.

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

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

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

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14 **III. ORDER**

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

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

30  
31 <sup>1</sup> The amount Depends on decisions by the GPUC for two outstanding issues on which the Parties could not reach  
32 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.

<sup>2</sup> Related to Docket 19-08 adjudication expenses.

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

7 **SIGNATURES TO FOLLOW ON NEXT PAGE**

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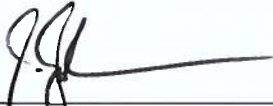
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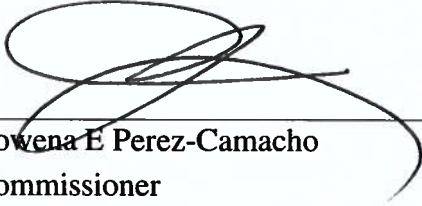
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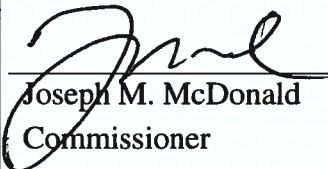
Dated this 24th day of September, 2024.



Jeffrey C. Johnson  
Chairman

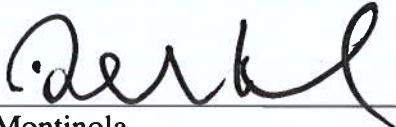


Rowena E. Perez-Camacho  
Commissioner

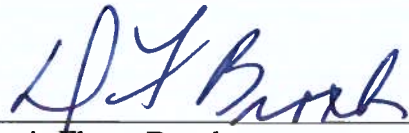


Joseph M. McDonald  
Commissioner

Michael A. Pangelinan  
Commissioner



Peter Montinola  
Commissioner



Doris Flores Brooks  
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GWA Docket 24-05  
)  
GUAM WATERWORKS AUTHORITY'S )  
FY2025-2029 RATE APPLICATION AND ) RATE DECISION  
REQUEST FOR RATE INCREASES )  
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I.  
INTRODUCTION

This matter comes before the Guam Public Utilities Commission [“PUC”] pursuant to GWA’s Petition to Approve GWA’s FY2025-2029 Five-Year Financial Plan and Rate Increase Request.<sup>1</sup> GWA’s Petition indicates that GWA has complied with 12 GCA §12102.1 & §12102.2 of the Ratepayers’ Bill of Rights, which require that GWA’s ratepayers receive clear and adequate notice of the proposed rate increases.<sup>2</sup>

In the Petition, GWA requested that “the PUC...approve a rate increase for all non-lifeline residential and commercial water and sewer rates by 29% in FY 2025, 12.5% in FY2026, and 10% each year thereafter from FY 2027-2029 and for a nominal increase in the lifeline rates by 12.5% in FY 2026.” GWA also presented an illustrative alternate plan of rate increases, based upon an assumption that CIP projects could be financed with Tax Exempt Commercial Paper and other short term financing methods, rather than primarily through bond issuance: “to increase all non-lifeline residential and commercial water and sewer rates by a lesser 17% in FY 2025, 6% in FY2026-FY2028, and 15% in FY2029 considering the passage of Public Law 37-103.”<sup>3</sup>

<sup>1</sup> GWA Petition to Approve GWA’s FY2025-2029 Five-Year Financial Plan and Rate Increase Request, GWA Docket 24-05, dated June 6, 2024.

<sup>2</sup> Id. at p. 2.

<sup>3</sup> Id. at pgs. 3-4.

Public Law 37-103, enacted June 5, 2024, authorized the Guam Waterworks Authority to finance its capital needs for GWA’s CIP program through the issuance of tax-exempt commercial paper (TECP) or similar short-term instruments. Such financing alternatives provided a less costly approach than traditional bond financing.<sup>4</sup>

GWA supported its Petition with the following Attachments:

1. ATTACHMENT A General Manager’s Transmittal & Cover Letter
2. ATTACHMENT A-1 Five-Year Financial Plan Narrative
3. ATTACHMENT A-2 Management and Expert Testimonies
4. ATTACHMENT B PUC Minimum Filing Requirement (“MFR”) Schedules
5. ATTACHMENT C \*Work Papers
6. ATTACHMENT D Five-Year CIP Individual Capital Projects
7. ATTACHMENT E \*Rate Application Model
8. ATTACHMENT F Sample Bill
9. ATTACHMENT G CCU Resolution
10. ATTACHMENT H Ratepayers’ Bill of Rights Advertisement
11. ATTACHMENT I Ratepayers’ Mailing

\* Microsoft Excel files

The Commissioners can review the Petition and Attachments on the PUC website under GWA Docket 24-05. There is a complete filing of the Petition and Attachments in two binders located at the PUC Office.

## II.

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<sup>4</sup> Public Law No. 37-103, An Act to Add New §§14242 & 14243 to Article 2 of Chapter 14, Title 12, Guam Code Annotated, Relative to creating a Commercial Paper Program for the Guam Waterworks Authority, etc., enacted on June 5, 2024.

### THE COURSE OF THE RATE PROCEEDINGS

Planning for this proceeding by GWA and PUC began in December 2023 when the PUC held that GWA would file an advance draft petition on or before March 4, 2024, for this rate case and its final petition on or before June 3, 2024. This scheduling gave the PUC and its consultant, Georgetown Consulting Group, Inc. ["GCG"], additional time to review the case. The filing deadline for the final petition was also extended from April 1, 2024, to June 3, 2024, to allow GWA to comply with the notice requirements to ratepayers in the ratepayer Bill of Rights.<sup>5</sup>

The Parties have been actively involved in the consideration of this case for a period of over 7 months, from March 2024 through September 2024. GWA management, the PUC consultant GCG, and the ALJ participated in a series of zoom conferences, as many as two per week, which commenced on May 1, 2024, and continued through the end of July 2024. In the zoom conferences, the Parties explored every aspect of the rate case, including all revenue and expense requirements, CIP funding, Water Loss Control, the assumptions upon which the rate case was based, and many other matters. The preparation for these proceedings and the proceedings themselves took hundreds of hours.

In addition, the PUC consultant, Georgetown Consulting Group Inc. ["GCG"], travelled to Guam for the period of August 1, 2024, through August 13, 2024, and engaged in settlement negotiations with GWA that resulted in the signing of the Joint Stipulation. The Parties negotiated the final wording of the Stipulation for an additional two weeks.

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<sup>5</sup> PUC Order, GWA Docket 19-08, dated December 29, 2023.

GWA and GCG participated in lengthy requests for information/ discovery process through May, June and July 2024 involving the conduct of multiple video conference workshops and exchanges of information in response to eighty-six individual Requests for Information by GCG.

The Parties considered the cost of a TECP program, and further considered updated information in responses from potential providers to the Guam Economic Development Authority. On June 28, 2024, GWA provided GCG and the ALJ with an updated RAM that reflected use of Tax-Exempt Commercial Paper (“TECP”) and committed to funding GWA’s five-year CIP program through TECP or other short term financing alternatives. The updated RAM indicated that there was a substantial increase in Navy water rates and other operations and maintenance expenses. The TECP RAM provided on June 28<sup>th</sup> indicated non-lifeline rate increases of 23.0% in FY2025, 9.5% in FY2026, and 8.5% in FY2027-FY2029. The June 28<sup>th</sup> RAM became the basis for stipulation discussions and updated rate relief request for GWA.

On August 3, 2024, GCG presented its “Staff Positions for Stipulation Discussions”, a true and correct copy of which is attached to the ALJ Report as Exhibit “1”.<sup>6</sup>  
The Administrative Law Judge filed his Report herein dated September 14, 2024.

### **III. PUBLIC HEARINGS**

The PUC incorporates herein Section III, PUBLIC HEARINGS, of the ALJ Report. No member of the public appeared at any of the hearings to present testimony on the rate increases requested by GWA. In a case where GWA had sought to increase rates by

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<sup>6</sup> GPUC Staff Report Supporting Positions in Stipulation Discussions with GWA, Georgetown Consulting Group, Inc. (GCG) in its Role as Staff to the GPUC, GWA Docket 24-05, dated August 2, 2024.

more than 50% over a period of 5 years, not a single individual on island voiced opposition to the proposed rate increase.

At the public hearing at the Dededo Senior Citizens Center, the ALJ raised a question concerning the potential rate impact of the litigation between GWA and Core Tech International concerning ownership of the Northern District Water and Wastewater plant. The ALJ stated that it is uncertain when the case might be resolved or the impact of the case on GWA rates. The fact that the issue of the potential liability of GWA to Core Tech remains unsettled creates great uncertainty on the part of the PUC in its rate setting functions and renders it incapable of fully setting accurate rates for the entire period of the five-year year plan, FY2025-2029.

In his testimony, GWA General Manager indicated that the Core Tech claim, if granted, could result in a \$200 million award against GWA which would more than double GWA's need for revenues within the five-year period.

Mr. Bordallo testified that GWA would have no sources of funds or grant funds available to pay that type of settlement expense, and that payment of funds to Core Tech "would have to come out of revenues." An adverse judgement against GWA would impact its bond indenture requirements, its credit rating, and increase the cost of its financing. There would also be regulatory compliance issues arising under the Federal Consent Decree regarding GWA's obligations to make improvements to the wastewater system and operate the Northern District Wastewater Treatment plant.

In addition to a claim of \$200M, there could also be claims by Core Tech for rents from GWA moving forward. The absence of clarity on this litigation issue affects GWA's "ability to plan and ... disrupts the rate making process and PUC's ability to adjudicate

that rate-making process for the ratepayers of Guam.” Liability of GWA to Core Tech could result in the tripling of GWA customer rates.<sup>7</sup>

In response to the ALJ’s question, GM Bordallo clarified that there would be no source of revenue other than rates from which GWA could pay a damages judgment owed to Core Tech. GWA has sought to have an expeditious resolution of this case through an appeal to the Guam Supreme Court.

In its Supreme Court Amicus Brief<sup>8</sup>, the PUC has requested that the Supreme Court expeditiously address the issue of ownership of the Northern District Water and Wastewater plant and resolve the issue of whether ratepayers of GWA will have to pay hundreds of millions of dollars to settle the GWA-Core Tech litigation.

**IV.**  
**THE NECESSITY FOR RATE INCREASES OVER THE NEXT FIVE YEARS IS**  
**LARGELY DUE TO LEGAL REQUIREMENTS AND FACTORS WHICH ARE**  
**BEYOND THE CONTROL OF GWA**

GWA has proposed a five-year capital improvement program at a cost of \$899M. Many of the priority projects are those mandated by the new 2024 Partial Consent Decree with the USEPA, as well as water treatment initiatives aimed at addressing the USEPA’s proposed (and anticipated final) limits on emerging contaminants such as PFAS and Dieldrin. An additional driver for some of the projects are the military buildup and the

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<sup>7</sup> *Amicus Curiae Brief of the Guam Public Utilities Commission, Supreme Court Case No. CVA24-007 (Government of Guam, Joseph M. Borja, in his capacity as Director of Land Management and Guam Waterworks Authority, a Guam Public Corporation, Plaintiffs-Counterclaim Defendants, vs. Core Tech International Corporation, Younex Enterprises Corporation, Defendants-Counterclaimants, at p. 11.*

<sup>8</sup> *Amicus Curiae Brief of the Guam Public Utilities Commission, Supreme Court Case No. CVA24-007*

water loss reduction program.<sup>9</sup> Water projects, estimated at \$433,680,480, consist of improvements to the UGUM Surface Water Treatment Plant, rehabilitation and repair of existing wells and installation of new wells, expansion of the Santa Rita Springs impoundment to reduce reliance on Navy's water, and treatment of water for PFAS and Emerging Contaminants per proposed federal/local regulations, and replacement of undersized water pipes, asbestos-containing water pipes, and other general water pipe replacement.<sup>10</sup>

Wastewater Projects estimated at \$330,461,683 will focus on the meeting of the requirements of the 2024 Partial Consent Decree. Many of these required projects relate to the wastewater system, including repair of gravity mains, upsizing of pipes, assessment and rehabilitation or replacement of force mains, rehabilitation of prioritized lift stations and sewer pump stations and other tasks.<sup>11</sup>

Electrical, monitoring, and control projects estimated at \$36,437,196 are based on continued SCADA implementation. General Plant & miscellaneous projects are estimated at \$98,154,030: "Without achieving these important projects, GWA will violate the terms of the Partial Consent Decree, face additional regulatory enforcement action, and fail to sustain Guam's community water supply, storage and distribution system, and Guam's community sewer collection, transmission, treatment and disposal systems."<sup>12</sup>

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<sup>9</sup> Testimony of Jeanet Babauta Owens, P.E., Assistant General Manager Engineering, in support of GWA's FY2025-2029 Five-Year Financial Plan and Rate Increase Request, GWA Docket No. 24-05, dated June 6, 2024, at pgs. 4-5.

<sup>10</sup> Id. at pgs. 5-6.

<sup>11</sup> Id. at p. 6.

<sup>12</sup> Id. at p 7.

GWA's capital project encumbrances for FY2025-2029 have not changed since GWA's original filing of its Petition. In light of extraordinary increases in Navy Water Rates in FY2024 and uncertainties regarding future Navy water rates, GWA will prioritize water loss reductions that help minimize future Navy purchase requirements. 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 five-year period.

V.

**THE JOINT STIPULATION OF THE PARTIES DATED AUGUST 28, 2024**

GWA and the PUC, through its Consultant GCG, entered a "JOINT STIPULATION RE: GWA'S FIVE-YEAR FINANCIAL PLAN & FY2025-FY2029 RATE INCREASES" on August 28, 2024. A true and correct copy of the JOINT STIPULATION is attached to the ALJ Report as Exhibit "2". Nearly all the rate case issues have been resolved to the satisfaction of the Parties in the Joint Stipulation.

A. Projected Annual Rate Increases

GWA and GCG, at this point, have differing positions on what the percentage rate increases should be over the next five-year period. The following chart indicates the present respective positions of the Parties<sup>13</sup>:

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<sup>13</sup> Joint Stipulation Re: GWA's Five-Year Financial Plan & FY2025-FY2029 Rate Increases, GWA Docket 24-05, dated August 28, 2024, at p. 22.



|   | FY<br>2025 | FY<br>2026 | FY<br>2027 | FY<br>2028 | FY<br>2029 |
|---|------------|------------|------------|------------|------------|
| <b>GWA Position*:</b> Stipulations without credit card convenience fee and with RSF replenishment (Base Case)                     | 14.00%     | 8.75%      | 7.75%      | 7.75%      | 7.75%      |
| <b>GWA Position:</b> Stipulations without credit card convenience fee and with RSF replenishment + Added \$3M in Reg Asset        | 11.5%      | 11.5%      | 7.75%      | 7.75%      | 7.75%      |
| <b>GCG Position:</b> Proposed Stipulations with credit card convenience fee and without RSF replenishment                         | 14.00%     | 6.00%      | 7.75%      | 7.75%      | 7.75%      |
| <b>GCG Position*:</b> Proposed Stipulations with credit card convenience fee and without RSF replenishment + Added \$4M Reg Asset | 10.0%      | 10.0%      | 7.75%      | 7.75%      | 7.75%      |

Depending on whose positions the PUC accepts, rates could increase from the period of FY2025 through FY2029 from between 43.25% (GCG’s Position) up to 46.25% (GWA’s Position) on a cumulative—not compounded—basis.

**B. A Summary of Negotiated Issues between the Parties**

The Parties have set forth agreed upon adjustments to revenues and operating expenses, requirements for the water loss control program, and procedures for the creation of regulatory assets in the Joint Stipulation, and various other matters. The ALJ will briefly summarize the nature of adjustments and agreements made.

**1. Staffing Study**

12 GCA §12102.2(d) requires that the PUC, in determining approval of any proposed rate increase, conduct and take into account the results of staffing studies conducted. In this rate case, and at the request of the PUC, GWA did issue a Request for Proposal to conduct a new Staffing Study to meet 12 GCA §12102.2(d) but no responses were received. However, the PUC consultant, GCG, has previously conducted several staffing studies of GWA. In this case, GWA and GCG have reviewed staffing and salary information as well as AWWA bench marking data through the Discovery Process. As a result of such a staffing review, the Parties have agreed to an appropriate budgeted level for employee salaries and benefits. The five-year approved budget for salaries and benefit expenses as adjusted is \$192,110,138.<sup>14</sup>

The PUC requests, GWA assist the PUC and issue a new Request for Proposals for a staffing study consultant which study is considered in future true-up proceedings.

## 2. Projected Revenues

In Schedule A-2, GWA has set forth its expected “total revenues from all sources” for FY2025-2029<sup>15</sup>:

|               | Historical Year | Current Year  | Forecast Year | Forecast Year | Forecast Year | Forecast Year | Forecast Year |
|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
|               | FY 2023         | FY 2024       | FY 2025       | FY 2026       | FY 2027       | FY 2028       | FY 2029       |
| TOTAL SOURCES | \$126,422,283   | \$123,616,900 | \$139,990,413 | \$151,153,074 | \$162,557,959 | \$175,411,485 | \$189,471,971 |

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<sup>14</sup> Id. at p.

<sup>15</sup> Id. at Schedule A-2.

GWA's calculation is that yearly revenues from total sources between FY2025 and FY2029 will be between \$139,990,413 and \$189,471,971. GCG's estimate does not include \$2.5M of annual transfers into the rate stabilization fund beginning in FY 2026.

### 3. Revenue Adjustments

GWA indicates that anticipated revenues must be adjusted by an overall revenue adjustment due to initial billing errors caused by metering and billing issues in the field (e.g. meter failures and misreads). GWA's filed projection was to lower net billed revenues by 1.43%. GWA has subsequently revised its estimate of revenue adjustments from 1.43% to 1.36%, with the concurrence of GCG. This stipulated adjustment results in additional revenue to GWA over the five years in the amount of \$2,707,344.<sup>16</sup>

### 4. Interest

#### Interest Income-Operating funds

The Parties have agreed to the following assumed interest rate schedule that generates an increase of stipulated interest income on the Operating Fund through the five-year period by the amount of \$597,313.<sup>17</sup> The stipulated interest income forecast is based on liquid accounts fund balances that may change in the future. To the extent that the PUC later establishes a policy which addresses the minimum fund balance target, adjustments to the stipulated interest income on the Operating Fund will be required.

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<sup>16</sup> Id. at p. 7.

<sup>17</sup> Id. at pgs. 7-8.

|   | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|---|---------|---------|---------|---------|---------|
| Estimated Interest Earnings Rate, Liquid Accounts | 4.15%   | 3.15%   | 2.68%   | 2.60%   | 2.60%   |

### Interest Income-Construction Fund

Interest income on debt service reserves, unused bond proceeds, and other construction fund reserves has been stipulated to provide GWA with additional funds over the five-year period in the amount of \$18,852,106. These interest earnings, which are not considered revenues in the coverage calculation, will be used to fund capital projects over the five-year period.

## 5. Projected Operating Expenses

### Power Expenses

The Parties agreed to a reduction in estimated power expenses for FY2026-FY2029 “to more fully reflect anticipated reductions in GPA’s rates due to the commissioning of the Ukudu Power Plant that is scheduled to begin operation in September 2025.”<sup>18</sup> Based upon such calculations, the Parties reduced the projected expense for power over five years by the amount of \$21,944,018.<sup>19</sup> The Parties also agreed that power expenses will be adjusted in future true-ups once GPA’s updated rates have been published.

### Water Purchases

In March 2024, the Navy imposed extraordinary increases in the GWA cost for purchased water, from \$9.87/kgal to \$14.27/kgal to \$27.04/kgal.<sup>20</sup> There is a projected increase in the cost of water purchases from Navy from \$30,485,000 to \$63,379,450 over the five-year period, an increase of \$32,894,450. This increase in operating expenses for

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<sup>18</sup> Id. at p. 9

<sup>19</sup> Id.

<sup>20</sup> Id.

Navy water has a substantial impact in increasing water rates for GWA customers. GWA has stipulated to prioritize the reduction of Navy water purchase requirements.<sup>21</sup>

#### Salaries and Benefits

GCG has agreed to an increase in salaries and benefit expenses in the amount of \$5,468,151, with the Parties' stipulating to a total of \$192,110,138 over the five-year period.<sup>22</sup> This includes the costs of increasing GWA salaries to the 50th percentile to align salary levels with industry labor market standards, mandated salary increases, and full-year funding for newly added positions.<sup>23</sup> The Parties stipulated that the level of personnel and salaries and benefits are appropriate based upon GCG's review of GWA salaries and benefits and 2023 AWWA benchmarking data.

#### Capitalized Labor

The Parties have stipulated to increase capitalized labor over the five-year period by \$710,860.<sup>24</sup>

#### Legal Expense

GWA had estimated legal expense of \$1.5M annually for the years FY2025-FY2029. The Parties have stipulated that, for the later 3 years of these projections the amounts can be reduced from \$1.5M to \$1M, in recognition of the anticipated completion of the Core Tech litigation (by the end of FY 2026).<sup>25</sup> There has therefore been a total reduction to legal expenses in the amount of \$1.5M.<sup>26</sup> Core Tech litigation expense, anticipated in FY 2025 and FY 2026, will be classified as a regulatory asset.

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<sup>21</sup> Id. at p. 10.

<sup>22</sup> Id.

<sup>23</sup> Id.

<sup>24</sup> Id. at p. 11.

<sup>25</sup> Id.

<sup>26</sup> Id. at p. 12.

### Other Expense

These expenses result from contracted services and expenses related to the Partial Consent Decree and new regulatory compliance requirements. The Parties have agreed to an adjustment reducing such expenses by \$645,301.<sup>27</sup>

### Materials and Supplies

The Parties have agreed to an adjustment reducing such expenses by \$918,716.<sup>28</sup>

### Bad Debt Expenses

GWA agreed to reduce its estimated “bad debt expense” from an average rate of approximately 2.1% of rate revenues to 0.74% of projected rate revenues. The adjustment results in a reduction of operating expenses in the amount of \$13,177,247 over the 5-year rate application period.<sup>29</sup>

## 6. Capital Program and Financing

### Capital Improvement Program

The CIP Program is covered in Section III. of this Report above.

### Short-Term Construction Financing

Due to the passage by the Guam Legislature of Public Law 37-103, GWA is now authorized to undertake capital program debt financing through Tax Exempt Commercial Paper and other financing instruments such as Bond Anticipation Notes

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<sup>27</sup> Id.

<sup>28</sup> Id. at pgs. 12-13.

<sup>29</sup> Id. at p. 13.

and Floating Rate Notes. For purposes of determining rates in this proceeding, the Parties have agreed that GWA will model prospective CIP construction financing based upon the assumption of use of a TECP program.<sup>30</sup> At present, the terms for such a program are preliminary; GWA/GEDA will issue a Request for Proposals for short-term construction financing services. Adjustments, once the services are procured, will be addressed in future true-ups. The change to financing through TECP has reduced debt service expenses for the five-year period from \$327,380,312, as filed, to a stipulated amount of \$231,348,470. The adjustment of this reduced expense results in savings of \$96,031,842.<sup>31</sup>

### Debt Service Coverage Targets

The projected debt service coverage in Schedule A-2 is 1.32x and 1.38x for FY2025 and 2026, respectively, increasing to over 1.5x for years FY2027-2029.<sup>32</sup>

## 7. Other Issues

### Water Loss Management Program Implementation

GWA's "non-revenue" water loss is still at over 50% of water produced. GWA has recently indicated that its district metering area program helps to identify sources of water loss but will not result in a reduction of water loss without pipe replacements. The Parties have entered into various agreements concerning priority projects for water loss in the Agat-Santa Rita DMAs and Southern Water System DMAs.<sup>33</sup> The Parties have agreed on several specific projects, including leak detection and repairs in the

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<sup>30</sup> Id. at p. 14.

<sup>31</sup> Id. at p. 25.

<sup>32</sup> Id. at p. 25.

<sup>33</sup> Id. at pgs. 15-18.

DMAs, construction of the Brigade Pump Station Improvement project, and Construction of the Santa Rita Springs Improvement and Expansion Project.<sup>34</sup> It is hoped that these projects will reduce GWA use of Navy Water.

#### Regular Updating of Water Loss Control Program Goals

GWA agrees to conduct an annual review of the Water Loss Control Program and DMA implementation progress and analyze prospective pipe replacement and other related capital Projects for water loss control.<sup>35</sup>

#### Reporting on Water Loss Control Program

GWA will also include annually updated goals and progress in the existing semi-annual Water Loss Control Program reporting provided to the PUC. By January 3, 2025, GWA will submit a report outlining the plan of action to achieve the priority projects outlined in the Stipulation.<sup>36</sup>

#### Regulatory Assets

The Parties have agreed that it is appropriate to establish a regulatory asset related to various expense items that are subject to significant uncertainty or are appropriate to be capitalized for other policy reasons.<sup>37</sup> There are several expenses which the Parties have agreed to be “classified as regulatory assets” and then amortized over an appropriate

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<sup>34</sup> Id. at pgs. 16-18.

<sup>35</sup> Id. at p. 18.

<sup>36</sup> Id.

<sup>37</sup> Id.



future period as approved by the Commission, with rates approved by the Commission to recover the amortized expenses.<sup>38</sup> The parties have requested that PUC ALJ document the regulatory asset in an Order in conformance with established accounting standards.<sup>39</sup> For purposes of calculating debt service coverage, regulatory asset classification of expenses results in lower expenses for the period in which the expenses are paid.

The February 27, 2020, GWA Accounting Order required GWA to establish a regulatory asset for the GWA Docket 19-08 Adjudication Expenses. The parties agreed to include expenses for completion of Analytical Studies, RAM development, and other rate case expenses. These expenses, estimated to be \$3.2M, would be recovered, if approved by the PUC, annually over the five-year amortization period from FY2025-FY2029 at an amortization rate of 3%.<sup>40</sup>

The Parties have also agreed to classify as a regulatory asset the estimated annual \$1.5M in FY2025 and FY2026 legal expenses for the GWA litigation with Core Tech International (see prior discussion on Stipulated Legal Expenses on page 13). The regulatory asset would be created in the amount of \$3M total for FY2025 and FY2026, amortizing the \$3M at the 3% over the 5 years beginning in FY2027, subject to PUC approval and the actual legal expense incurred.

Additional expenses of between \$3-4 million in FY2025 could also be classified as a Regulatory Asset, subject to PUC review and approval of authoritative accounting guidance, and amortized in a single year, FY2026.<sup>41</sup> This would reduce expenses in

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<sup>38</sup> Id.

<sup>39</sup> Id.

<sup>40</sup> Id. at p. 19.

<sup>41</sup> Id. at pgs. 19-20.

FY2025 that are included in the debt service coverage calculation, and may allow level rate increases in FY2025 and FY2026.

**VI.**  
**TWO ISSUES RESOLVED BY THE PUC AT ITS SEPTEMBER 24, 2024, MEETING**

There are two issues upon which GWA and GCG were unable to reach agreement prior to the PUC Meeting on September 24, 2024: (1) whether the “Rate Stabilization Fund [“RSF”] should be funded by a single 1.5 percent rate increase in FY 2026 for four years (FY2026-FY2029) through GWA revenues, and the amount of such funding per year between FY2026 and FY2029. GWA proposes rate funding for the RSF at \$2.5M per year from FY2026 through FY2029, at a total of \$10M; and (2) Whether the estimated \$1.5 million in estimated merchant banking services fees to accept and process credit card payments should be paid by GWA or by GWA customers that pay by credit card.

At the September 24, 2024, Meeting, GWA and GCG were afforded an opportunity to present arguments on these two issues. The Commissioners asked questions and considered the arguments of the Parties. After discussion and voting by the Commissioners, the following decisions were made:

RSF:

Credit Card Convenience Fee Charges:

**VII.**  
**DETERMINATIONS**

A. The Joint Stipulation is the result of a careful, deliberative process.

The Parties have been engaged in an extensive review process over a period of 7 months. Every element of the rate case has been addressed in detail by the Parties. There has been an ongoing process of work sessions and the exchange of requests for information and responses. GWA submitted a rate application designed to responsibly restore the financial integrity of its System. GCG has conducted a thorough analysis of the rate case to moderate the rate increases sought by GWA and to adjust revenues and operating expenses where necessary.

Many of the expenses faced by GWA are mandated by forces beyond its control, such as expenditures required by the Consent Decree, the CIP program, PFAS and Dieldrin remediation expenses, water loss control/pipe repair and replacement, and increased Navy water charges. GWA worked collaboratively with GCG in compromising its position on numerous issues during the negotiations. GWA throughout the process has been cooperative in attempting to reduce expenses and to fairly negotiate the reductions in expenses sought by GCG.

The JOINT STIPULATION was bargained for at arms-length by the Parties and represents a full and final resolution of presently pending issues in the rate case (except for the two issues previously referenced). The stipulations entered into by the parties all appear to have a reasonable basis and plausible justification. The agreements reached by the Parties are appropriate and supportable. The PUC will support and approve such agreements in accordance with the provisions of the JOINT STIPULATION.

B. Due to the efforts of GWA and GCG in approving the Joint Stipulation, the original rate increases sought in this docket have been substantially reduced.

In its Petition filed on June 6, 2024, GWA requested the following rate increases:

|                            |        |        |        |        |        |
|----------------------------|--------|--------|--------|--------|--------|
| Schedule A-2               | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Non-Lifeline Rate Increase | 29.0%  | 12.5%  | 10.0%  | 10.0%  | 10.0%  |
| Lifeline Rate Increase     | 0.0%   | 12.5%  | 0.0%   | 0.0%   | 0.0%   |

The cumulative increase was 71.5%, and a compounded increase of 93.2%.

In the JOINT STIPULATION, Schedule A-2, signed by the Parties on August 28, 2024, GWA requests the following increases<sup>42</sup>:

|                            |  |  | Forecast Year | Forecast Year | Forecast Year | Forecast Year | Forecast Year |
|----------------------------|--|--|---------------|---------------|---------------|---------------|---------------|
|                            |  |  | FY 2025       | FY 2026       | FY 2027       | FY 2028       | FY 2029       |
| Non-Lifeline Rate Increase |  |  | 11.50%        | 11.50%        | 7.75%         | 7.75%         | 7.75%         |
| Lifeline Rate Increase     |  |  | 11.50%        | 0.0%          | 0.0%          | 0.0%          | 0.0%          |

The PUC approves Schedules A-2 in its entirety, which indicates rate increases for FY2025-2029, revenues, operating expenses, and other matters. The PUC also approves the proposed rate adjustments in Schedule L, which indicate the rate impact of the rates adopted by the PUC for the different classes of GWA customers. The Schedules have been revised to include the changes ordered by the PUC at its meeting.

C. The Rate Impact on Residential Ratepayers will be lower than on other classes of Ratepayers.

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<sup>42</sup> Id. at Schedule A-2, p. 25.

The “Monthly Bill Impacts by Customer Class” proposed by GWA are set forth in Schedule L of the Joint Stipulation.<sup>43</sup> The Schedule indicates that, for residential ratepayers, the cumulative rate increase over the period from FY2025 through FY2029 will be between 28.3% and 43.1% depending upon the customer's level of kgal usage.<sup>44</sup> The majority of residential water and wastewater customers fall into the ¾ inch meter size. Approximately 50% of residential customers use up to 4.9 kgals.<sup>45</sup> For those residential customers, combined water and wastewater monthly rates from FY2025 - FY2029 will increase from \$81.47 to \$104.53.<sup>46</sup> According to Schedule L, Residential Customers using 5kgals or less will incur a total cumulative rate increase over the 5-year period of 28.3%. Those customers using 7 kgals will incur a 35.4% cumulative increase; and residential Customers using 12 kgals will experience a 43.1% cumulative increase between FY2025 and 2029.<sup>47</sup> Bill impacts vary by usage level because GWA has proposed to increase lifeline rates in FY 2025 only. Rate adjustments beyond FY 2025 are applied to non-lifeline rate components only.

However, the cumulative water and wastewater rate increases for all Commercial, Hotel, Government, Agriculture and Irrigation Customers will be a cumulative increase of over 54% in the 5-year period between FY2025 and FY2029.<sup>48</sup>

The ratepayers of Guam will face substantial water and wastewater rate increases over the next five years; however, the Parties have attempted to mitigate those rates to the extent possible. It is uncontested that GWA requires substantial increases over the next five-year period.

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<sup>43</sup> Id. at Schedule L, p. 27.

<sup>44</sup> Id.

<sup>45</sup> Concentric Energy Advisors, Evaluation of Guam Waterworks Authority’s Rate Design Proposals, GWA Docket 19-08, dated February 20, 2024, at pgs. 11-12.

<sup>46</sup> Joint Stipulation Re: GWA’s Five-Year Financial Plan & FY2025-FY2029 Rate Increases, GWA Docket 24-05, dated August 28, 2024, Schedule L at p. 27.

<sup>47</sup> Id.

<sup>48</sup> Id.

### **ORDERING PROVISIONS**

After careful review and consideration of the above determinations, the Report and Recommendations of the ALJ, the JOINT STIPULATION, 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 THAT:**

1. All rulings and orders of the ALJ in this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters currently require discussion.
2. The PUC agrees that the Rate Stabilization Fund (RSF) should be replenished. For purposes of establishing rates for this Five-Year Financial Plan, annually from FY2026-FY2029, a \$1,250,000 contribution will be made from Revenues to the Rate Stabilization Fund beginning in FY2026 and is reflected in the final rate increase for that fiscal year.
3. Credit card company charges for GWA customers paying by credit card shall be recovered as a component of rate revenue requirements.
4. The JOINT STIPULATION of the Guam Waterworks Authority and Georgetown Consulting Group, on behalf of the Public Utilities Commission of Guam, entered into by the Parties on August 28, 2024, is hereby approved and adopted by the PUC.

5. The Parties are hereby ordered and directed to perform and carry out all obligations and duties set forth in the JOINT STIPULATION.
  
6. Effective October 1, 2024, for FY2025, GWA is authorized to implement an across-the-board 11.5% increase in water and wastewater rates, including an increase lifeline rates of 11.5%. Effective October 1, 2025, for FY 2026, GWA is authorized to implement an across-the-board 10.75% in water and wastewater rates. Effective October 1, 2026, for FY2027, GWA is authorized to implement an across-the-board 7.75% in water and wastewater rates. Effective October 1, 2027, for FY2028, GWA is authorized to implement an across-the-board 7.75% in water and wastewater rates. Effective October 1, 2028, for FY 2029, GWA is authorized to implement an across-the-board 7.75% in water and wastewater rates. Lifeline rates for FY2026 – FY2029 will not be increased. See Exhibit 1 attached hereto for *Schedule A-2 Historical and Forecasted Operating Results, Proposed Rates*, *Schedule K Proposed Rate Adjustments*, and *Schedule L Monthly Bill Impacts by Customer Class* from the Final RAM.
  
7. However, the above authorized rate increases for FY2026, FY2027, FY2028, and FY2029, are subject to change in the annual true-up proceedings. Such rates may be subsequently altered or changed and are not final until approved by the PUC in the annual true-up proceedings. True-ups of the projected FY2026-FY2029 rate increases will be conducted annually to update prospective rate increases to account for appropriate modifications of expense and revenue changes.
  
8. The Rates proposed by the Parties in the Joint Stipulation, and the PUC determinations on the RSF and Credit Card issues, are “Just” and “Reasonable”

pursuant to 12 GCA §§ 12116 and 12118, but subject to modification as set forth herein.

9. GWA's Five-Year Financial Plan and Rate Increase Request Petition for years FY2025-FY2029, including updated rate filing schedules, meet all filing requirements in 12 GCA Chapter 12 and the PUC Rules. The schedule submitted by GWA in its updated Rate Application Model (RAM) fulfills requirements of a prior letter agreement signed by the Parties on February 4, 2020.
10. Financing available through the TECP plan and financing alternatives shall be utilized in this proceeding, except for a bond issuance that is presently authorized by the five-year plan. For purposes of determining rates in this proceeding, GWA will employ short-term construction financing instruments as now allowed by Public Law 37-103.
11. In the FY2026 true up proceedings, GWA and GCG will develop their positions on the PUC policy regarding minimum Operating Fund balances that should be applicable to rate proceedings. The Parties shall also address the applicability of CCU and PUC financial performance policies.
12. GWA shall assist the PUC and issue a new Request for Proposals for a staffing study, which study shall be completed for consideration in future True-up proceedings.
13. GWA has stipulated to prioritize the reduction of Navy water purchase requirements as discussed in Section 1.(4)(a) of the Joint Stipulation. GWA shall investigate and report to the PUC by January 1, 2025, on options for segregation



of Navy Water Purchase expense recovery through a designated surcharge on GWA bills.

14. In accordance with the JOINT STIPULATION, GWA shall strive to achieve at least a 1.50x debt service coverage standard for FY2027, 2028, and 2029.
15. GWA shall continue to implement and execute its Water Loss Control Program under the guidance of its water loss consultant in accordance with the terms of the existing and PUC-approved contract through this 5-year rate plan period.
16. In order to improve the water-loss control program, and to aid reduction of the use of Navy water, PUC shall not require GWA to obtain prior PUC approval under the Contract Review Protocol to procure and issue design or construction contracts for work identified in the following projects: (1) Leak detection and repairs in the Agat-Santa Rita District Metered Areas (DMAs); (2) Identification and Replacement of asbestos cement pipe (ACP) and undersized (2-inch galvanized steel) waterlines in the Agat-Santa Rita DMAs and Southern Water System (Talofofo through Umatac) DMAs; (3) Construction of the Brigade Pump Station Improvement Project; and (4) Construction of the Santa Rita Springs Improvement and Expansion Project.
17. GWA will conduct an annual review of the Water Loss Control Program and DMA implementation progress and analyze prospective pipe replacement and other related capital projects for water loss control. Such efforts shall be conducted in coordination with GWA's water loss management consultants and will be used to update Water Loss Control Program goals using appropriate

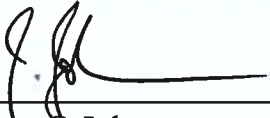
metrics as outlined in the WLCP and prior water loss analytical study conducted as part as the Comprehensive Review and Update in Docket 19-08.

18. GWA will include annually updated goals and progress in the existing semi-annual Water Loss Control Program reporting provided to the PUC.
19. On or before January 3, 2025, GWA shall submit a brief report outlining the plan of action to achieve the priority projects outlined in paragraphs 4(a)(1) through 4(a)(4) of the Joint Stipulation.
20. GWA shall recover its GWA Docket 19-08 Adjudication Expenses as a regulatory asset, recovered annually over the 5-year amortization period, FY2025-FY2029.
21. GWA is incurring significant legal expenses regarding litigation involving the Northern District Wastewater Treatment Plant. A regulatory asset shall be created for Debt Service calculation purposes for FY2025 and FY2026, estimated at a total of \$3 million. Said \$3 million shall be amortized at 3% over the 5 years beginning in FY2027. Additional legal expenses in FY2025 may be classified as Regulatory Asset and amortized in a single year, FY2026, subject to review and affirmation of compliance with applicable accounting standards as documented in an order issued by the PUC Administrative Law Judge, with the objective of having – to the extent possible and allowed in conformance with established accounting standards -- approximate equal rate increases in FY2025 and FY2026. The additional amount of expenses (beyond that associated with GWA Docket 19-08 expenses and legal expenses) to be reduced for debt service calculation purposes in FY2025 and then amortized in FY2026 is estimated between the \$3 and \$4 million.

22. GWA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§ 12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.
23. PUC will keep this docket open in order to conduct all proceedings referenced in the Stipulation. The ALJ authorized and directed to oversee such administrative tasks and to issue such additional orders as may be reasonable and necessary to implement this Decision.

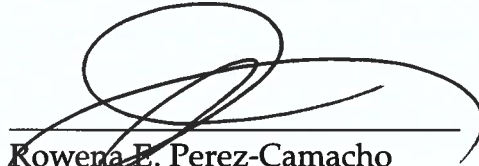
**[SIGNATURES FOLLOW ON THE NEXT PAGE]**

Dated this 24th day of September, 2024.



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Jeffrey C. Johnson  
Chairman



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Rowena E. Perez-Camacho  
Commissioner



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Joseph M. McDonald  
Commissioner

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Michael A. Pangelinan  
Commissioner



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Peter Montinola  
Commissioner



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Doris Flores Brooks  
Commissioner

## Schedule A-2

### Historical and Forecasted Operating Results, Proposed Rates

|  | Historical<br>Year    | Current<br>Year       | Forecast<br>Year      | Forecast<br>Year      | Forecast<br>Year      | Forecast<br>Year      | Forecast<br>Year      |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | FY 2023               | FY 2024               | FY 2025               | FY 2026               | FY 2027               | FY 2028               | FY 2029               |
| <b>Non-Lifeline Rate Increase</b>                            | 5.50%                 | 16.70%                | 11.50%                | 10.75%                | 7.75%                 | 7.75%                 | 7.75%                 |
| <b>Lifeline Rate Increase</b>                                | 0.00%                 | 16.70%                | 11.50%                | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                 |
| <b>CASH SOURCES</b>  |                       |                       |                       |                       |                       |                       |                       |
| Water Service Revenues                                       | 69,672,862            | 79,688,942            | 88,925,862            | 99,080,384            | 105,820,745           | 114,222,824           | 123,385,583           |
| Legislative Surcharge  | 2,147,271             | 2,798,810             | 2,878,626             | 2,925,548             | 2,975,382             | 3,227,918             | 3,502,873             |
| Water SDC Revenues   |                       |                       |                       |                       |                       |                       |                       |
| Water Rate Revenues  | \$ 71,920,133         | \$ 82,487,752         | \$ 91,804,388         | \$ 101,005,932        | \$ 108,798,127        | \$ 117,450,742        | \$ 126,869,256        |
| Wastewater Rate Revenues                                     | 37,478,560            | 43,590,855            | 48,990,258            | 53,411,839            | 57,332,731            | 61,725,305            | 66,552,397            |
| Other Revenues   | 567,167               | 515,000               | 515,000               | 515,000               | 515,000               | 515,000               | 515,000               |
| Rate Revenue Adjustment                                      | (3,044,250)           | (1,714,471)           | (1,914,585)           | (2,089,839)           | (2,259,091)           | (2,436,512)           | (2,630,216)           |
| Credit Card Convenience Fees                                 |                       |                       |                       |                       |                       |                       |                       |
| Bad Debt Adjustment  | (421,467)             | (2,262,236)           | (973,434)             | (1,065,562)           | (1,144,739)           | (1,232,881)           | (1,329,071)           |
| <b>Total Operating Revenues<sup>1</sup></b>                  | <b>\$ 106,400,142</b> | <b>\$ 122,816,900</b> | <b>\$ 138,421,625</b> | <b>\$ 151,767,370</b> | <b>\$ 163,240,028</b> | <b>\$ 176,021,854</b> | <b>\$ 189,876,385</b> |
| Interest / Investment Income                                 | 1,972,141             | 1,000,000             | 1,568,788             | 1,072,678             | 946,746               | 958,235               | 1,000,861             |
| Rate Stabilization Transfers Out (In) <sup>2</sup>           | 18,050,000            | -                     | -                     | (1,250,000)           | (1,250,000)           | (1,250,000)           | (1,250,000)           |
| <b>TOTAL SOURCES</b>   | <b>\$ 126,422,283</b> | <b>\$ 123,816,900</b> | <b>\$ 139,990,413</b> | <b>\$ 151,590,048</b> | <b>\$ 162,936,774</b> | <b>\$ 175,729,889</b> | <b>\$ 189,727,228</b> |
| <b>CASH USES</b>   |                       |                       |                       |                       |                       |                       |                       |
| Power Purchases <sup>3</sup>                                 | 24,397,961            | 21,843,028            | 21,300,054            | 19,473,468            | 19,473,468            | 19,473,468            | 19,473,468            |
| Water Purchases  | 7,038,954             | 5,900,000             | 13,590,550            | 13,012,870            | 12,916,590            | 11,929,720            | 11,929,720            |
| Salaries & Benefits <sup>4</sup>                             | 27,272,268            | 29,705,247            | 35,246,589            | 36,978,885            | 38,435,950            | 40,016,216            | 41,434,518            |
| Admin & General <sup>5</sup>                                 | 9,023,292             | 9,687,858             | 13,745,782            | 14,773,203            | 15,517,545            | 16,240,293            | 16,947,087            |
| Contractual Expense  | 5,575,264             | 7,464,494             | 9,320,454             | 9,865,533             | 9,667,501             | 9,487,820             | 9,797,782             |
| Retiree Expense  | 3,560,495             | 3,755,817             | 4,485,403             | 4,623,703             | 4,759,489             | 4,902,860             | 5,053,931             |
| O&M Subtotal   | \$ 78,868,234         | \$ 78,358,244         | \$ 97,698,832         | \$ 98,725,641         | \$ 100,770,543        | \$ 102,050,376        | \$ 104,638,486        |
| Debt Service   | 39,036,678            | 38,782,231            | 38,904,329            | 40,729,958            | 43,510,621            | 48,428,926            | 59,776,636            |
| Internally Funded Capital (IFCIP)                            | 2,836,370             | 8,784,879             | 12,500,000            | 8,000,000             | 12,000,000            | 19,000,000            | 17,000,000            |
| <b>TOTAL USES</b>  | <b>\$ 118,741,281</b> | <b>\$ 125,933,354</b> | <b>\$ 149,103,161</b> | <b>\$ 147,455,599</b> | <b>\$ 166,281,164</b> | <b>\$ 169,477,304</b> | <b>\$ 181,413,121</b> |
| <b>Net Annual Cash Flow</b>                                  | <b>\$ 7,681,002</b>   | <b>\$ (2,286,453)</b> | <b>\$ (9,112,748)</b> | <b>\$ 4,134,449</b>   | <b>\$ 6,655,610</b>   | <b>\$ 6,252,585</b>   | <b>\$ 8,314,105</b>   |
| <b>DEBT SERVICE COVERAGE</b>                                 |                       |                       |                       |                       |                       |                       |                       |
| Net Revenues   | \$ 49,554,049         | \$ 45,260,657         | \$ 42,291,581         | \$ 52,864,407         | \$ 62,166,231         | \$ 73,679,511         | \$ 85,090,740         |
| Adjustment, Regulatory Asset                                 | -                     | -                     | 3,840,800             | (2,159,200)           | (1,277,200)           | (1,277,200)           | (1,277,200)           |
| Adjustment, Capitalized Labor                                | 3,075,928             | 4,159,140             | 4,582,057             | 4,808,992             | 4,996,674             | 5,202,108             | 5,388,487             |
| Adjustment, Other <sup>6</sup>                               | 673,200               | 715,849               | 701,500               | 708,515               | 715,600               | 722,756               | 729,984               |
| Revenues Available for Debt Service                          | \$ 53,303,177         | \$ 50,135,445         | \$ 51,415,937         | \$ 58,220,714         | \$ 68,601,304         | \$ 78,327,175         | \$ 89,930,011         |
| Total Debt Service   | 39,036,678            | 38,782,231            | 38,904,329            | 40,729,958            | 43,510,621            | 48,428,926            | 59,776,636            |
| <b>Debt Service Coverage</b>                                 | <b>1.385</b>          | <b>1.293</b>          | <b>1.322</b>          | <b>1.399</b>          | <b>1.631</b>          | <b>1.617</b>          | <b>1.604</b>          |
| <b>Additional Revenue Requirement</b>                        |                       |                       |                       |                       |                       |                       |                       |
| Additional annual revenues needed to meet DSC target of 1.5x |                       |                       | \$ 6,940,557          | \$ 4,874,224          | \$ -                  | \$ -                  | \$ -                  |
| <b>Total Additional Revenues Needed</b>                      |                       |                       | <b>\$ 6,940,557</b>   | <b>\$ 4,874,224</b>   | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>           |
| Days O&M, EOY Operating Reserves                             |                       |                       | 121                   | 123                   | 125                   | 129                   | 132                   |
| <b>OTHER INFORMATION</b>                                     |                       |                       |                       |                       |                       |                       |                       |
| SDC Revenues   | 1,359,167             | 1,165,000             | 1,165,000             | 1,165,000             | 1,165,000             | 1,165,000             | 1,165,000             |
| Depreciation   | 30,768,912            | 28,817,076            | 29,424,588            | 29,996,235            | 30,751,472            | 31,506,554            | 32,356,124            |
| <b>Net Operating Income</b>                                  | <b>\$ 3,198,092</b>   | <b>\$ 20,767,721</b>  | <b>\$ 17,045,281</b>  | <b>\$ 29,017,486</b>  | <b>\$ 37,879,687</b>  | <b>\$ 48,831,830</b>  | <b>\$ 59,533,243</b>  |
| Non-Operating Revenues (Expenses)                            | 23,907,738            | 6,195,000             | 6,195,000             | 6,195,000             | 6,195,000             | 6,195,000             | 6,195,000             |
| Interest Expense   | (28,671,774)          | (28,282,065)          | (27,735,778)          | (27,161,815)          | (26,568,065)          | (25,944,565)          | (25,255,185)          |
| Capital Contributions  | 13,120,737            | 33,674,000            | 33,674,000            | 30,000,000            | 30,000,000            | 4,000,000             | 4,000,000             |
| <b>Change in Net Position</b>                                | <b>\$ 11,554,793</b>  | <b>\$ 32,354,656</b>  | <b>\$ 29,178,484</b>  | <b>\$ 38,050,671</b>  | <b>\$ 47,505,622</b>  | <b>\$ 33,082,265</b>  | <b>\$ 44,473,078</b>  |

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

2 - FY 2023 value includes \$12.4 million of ARPA funds which was used to offset debt service coverage requirements

3 - Operational efficiencies related to Ukudu treatment plant are reflected in FY 2026 and beyond

4 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

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

**Schedule K**  
**Proposed Rate Adjustments**

|  |          | Proposed Rates |          |            |            |            |
|--|----------|----------------|----------|------------|------------|------------|
|  | Existing | FY 2025        | FY 2026  | FY 2027    | FY 2028    | FY 2029    |
| <b>Water Rates</b>                     |          |                |          |            |            |            |
| <b>Monthly Base Charge<sup>1</sup></b> |          |                |          |            |            |            |
| 3/4 inch                               | \$30.82  | \$34.15        | \$37.83  | \$40.77    | \$43.93    | \$47.34    |
| 1 inch                                 | \$35.73  | \$39.84        | \$44.13  | \$47.56    | \$51.25    | \$55.23    |
| 1.5 inch                               | \$56.06  | \$62.51        | \$69.23  | \$74.60    | \$80.39    | \$86.63    |
| 2 inch                                 | \$71.41  | \$79.63        | \$88.20  | \$95.04    | \$102.41   | \$110.35   |
| 3 inch                                 | \$127.55 | \$142.22       | \$157.51 | \$169.72   | \$182.88   | \$197.06   |
| 4 inch                                 | \$178.55 | \$199.09       | \$220.50 | \$237.59   | \$256.01   | \$275.86   |
| 6 inch                                 | \$331.57 | \$369.71       | \$409.46 | \$441.20   | \$475.40   | \$512.25   |
| 8 inch                                 | \$484.59 | \$540.32       | \$598.41 | \$644.79   | \$694.77   | \$748.62   |
| 10 inch                                | \$663.15 | \$739.42       | \$818.91 | \$882.38   | \$950.77   | \$1,024.46 |
| 12 inch                                | \$790.63 | \$881.56       | \$976.33 | \$1,052.00 | \$1,133.53 | \$1,221.38 |
| <b>Volumetric Rates</b>                |          |                |          |            |            |            |
| <i>Residential</i>                     |          |                |          |            |            |            |
| Tier 1 Threshold                       | 5 kgals  | 5 kgals        | 5 kgals  | 5 kgals    | 5 kgals    | 5 kgals    |
| Tier 1 Rate                            | \$ 3.51  | \$ 3.92        | \$ 3.92  | \$ 3.92    | \$ 3.92    | \$ 3.92    |
| Tier 2 Rate                            | \$14.58  | \$16.26        | \$18.01  | \$19.41    | \$20.92    | \$22.55    |
| <i>Non-Residential<sup>2</sup></i>     |          |                |          |            |            |            |
| Commercial-1                           | \$18.12  | \$20.21        | \$22.39  | \$24.13    | \$26.01    | \$28.03    |
| Commercial-2                           | \$18.12  | \$20.21        | \$22.39  | \$24.13    | \$26.01    | \$28.03    |
| Commercial-3                           | \$18.12  | \$20.21        | \$22.39  | \$24.13    | \$26.01    | \$28.03    |
| Hotels                                 | \$18.12  | \$20.21        | \$22.39  | \$24.13    | \$26.01    | \$28.03    |
| Government                             | \$18.12  | \$20.21        | \$22.39  | \$24.13    | \$26.01    | \$28.03    |
| Agriculture                            | \$5.82   | \$6.49         | \$7.19   | \$7.75     | \$8.36     | \$9.01     |
| Irrigation                             | \$6.02   | \$6.72         | \$7.45   | \$8.03     | \$8.66     | \$9.34     |
| <b>Wastewater Rates</b>                |          |                |          |            |            |            |
| <b>Monthly Base Charge<sup>3</sup></b> |          |                |          |            |            |            |
| 3/4 inch                               | \$32.14  | \$35.84        | \$35.84  | \$35.84    | \$35.84    | \$35.84    |
| 1 inch                                 | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 1.5 inch                               | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 2 inch                                 | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 3 inch                                 | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 4 inch                                 | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 6 inch                                 | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 8 inch                                 | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 10 inch                                | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| 12 inch                                | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| <b>Volumetric Rates</b>                |          |                |          |            |            |            |
| Residential                            | \$0.00   | \$0.00         | \$0.00   | \$0.00     | \$0.00     | \$0.00     |
| Commercial-1                           | \$9.99   | \$11.14        | \$12.34  | \$13.30    | \$14.34    | \$15.46    |
| Commercial-2                           | \$24.34  | \$27.14        | \$30.06  | \$32.39    | \$34.91    | \$37.62    |
| Commercial-3                           | \$33.75  | \$37.64        | \$41.69  | \$44.93    | \$48.42    | \$52.18    |
| Hotels                                 | \$24.34  | \$27.14        | \$30.06  | \$32.39    | \$34.91    | \$37.62    |
| Government                             | \$14.28  | \$15.93        | \$17.65  | \$19.02    | \$20.50    | \$22.09    |
| Leachate                               | \$14.72  | \$16.42        | \$18.19  | \$19.60    | \$21.12    | \$22.76    |
| Navy                                   | \$14.28  | \$15.93        | \$17.65  | \$19.02    | \$20.50    | \$22.09    |
| <b>Legislative Surcharge</b>           |          |                |          |            |            |            |
| Surcharge                              | 3.80%    | 3.50%          | 3.20%    | 3.00%      | 3.00%      | 3.00%      |

1 - The Agriculture customer class receives an approximate 3.4% discount to the water base charge for all meter sizes

2 - Non-residential volumetric water rates are applied to all levels of demand

3 - Currently, only residential customers - regardless of meter size - receive a \$32.14 monthly wastewater charge

**Schedule L**  
**Monthly Bill Impacts by Customer Class**

| Customer Class      | Meter    | Kgals | Forecast Years |             |             |             |             | Total       |             |            |       |
|---------------------|----------|-------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-------|
|                     |          |       | FY 2024        | FY 2025     | FY 2026     | FY 2027     | FY 2028     |             | FY 2029     |            |       |
| <b>Residential</b>  | 3/4 inch | 5     | \$81.47        | \$90.79     | \$94.48     | \$97.43     | \$100.69    | \$104.20    | \$22.73     | 27.9%      |       |
| Nominal change      |          |       |                | \$9.32      | \$3.69      | \$2.95      | \$3.26      | \$3.51      | \$3.51      | \$3.51     | 3.5%  |
| Percentage change   |          |       |                | 11.4%       | 4.1%        | 3.1%        | 3.3%        | 3.3%        | 3.5%        | 3.5%       | 27.9% |
| <b>Residential</b>  | 3/4 inch | 7     | \$111.74       | \$124.44    | \$131.65    | \$137.42    | \$143.78    | \$150.65    | \$150.65    | \$6.87     | 4.8%  |
| Change              |          |       |                | \$12.70     | \$7.21      | \$5.77      | \$6.36      | \$6.87      | \$6.87      | \$6.87     | 4.8%  |
| Percentage change   |          |       |                | 11.4%       | 5.8%        | 4.4%        | 4.6%        | 4.8%        | 4.8%        | 4.8%       | 34.8% |
| <b>Residential</b>  | 3/4 inch | 12    | \$187.41       | \$208.59    | \$224.58    | \$237.38    | \$251.52    | \$266.79    | \$266.79    | \$79.38    | 42.4% |
| Change              |          |       |                | \$21.18     | \$15.99     | \$12.80     | \$14.14     | \$15.27     | \$15.27     | \$15.27    | 7.8%  |
| Percentage change   |          |       |                | 11.3%       | 7.7%        | 5.7%        | 6.0%        | 6.1%        | 6.1%        | 6.1%       | 42.4% |
| <b>Commercial-1</b> | 3/4 inch | 30    | \$844.91       | \$939.58    | \$1,037.87  | \$1,116.39  | \$1,203.44  | \$1,297.06  | \$1,297.06  | \$93.62    | 7.8%  |
| Change              |          |       |                | \$94.67     | \$98.29     | \$78.52     | \$87.05     | \$87.05     | \$87.05     | \$87.05    | 7.8%  |
| Percentage change   |          |       |                | 11.2%       | 10.5%       | 7.6%        | 7.8%        | 7.8%        | 7.8%        | 7.8%       | 53.5% |
| <b>Commercial-2</b> | 2 inch   | 500   | \$19,584.37    | \$21,777.05 | \$24,053.03 | \$25,869.52 | \$27,883.55 | \$30,048.55 | \$30,048.55 | \$2,165.00 | 53.4% |
| Change              |          |       |                | \$2,192.68  | \$2,275.98  | \$1,816.49  | \$2,014.03  | \$2,014.03  | \$2,014.03  | \$2,014.03 | 7.8%  |
| Percentage change   |          |       |                | 11.2%       | 10.5%       | 7.6%        | 7.8%        | 7.8%        | 7.8%        | 7.8%       | 53.4% |
| <b>Commercial-3</b> | 3/4 inch | 50    | \$2,373.51     | \$2,639.51  | \$2,915.33  | \$3,135.80  | \$3,379.67  | \$3,642.12  | \$3,642.12  | \$262.45   | 53.4% |
| Change              |          |       |                | \$266.00    | \$275.82    | \$220.47    | \$243.87    | \$243.87    | \$243.87    | \$243.87   | 7.8%  |
| Percentage change   |          |       |                | 11.2%       | 10.4%       | 7.6%        | 7.8%        | 7.8%        | 7.8%        | 7.8%       | 53.4% |
| <b>Hotel</b>        | 4 inch   | 500   | \$19,695.58    | \$21,900.69 | \$24,189.56 | \$26,016.35 | \$28,041.76 | \$30,219.03 | \$30,219.03 | \$2,177.27 | 53.4% |
| Change              |          |       |                | \$2,205.11  | \$2,288.87  | \$1,826.79  | \$2,025.41  | \$2,025.41  | \$2,025.41  | \$2,025.41 | 7.8%  |
| Percentage change   |          |       |                | 11.2%       | 10.5%       | 7.6%        | 7.8%        | 7.8%        | 7.8%        | 7.8%       | 53.4% |
| <b>Government</b>   | 1.5 inch | 200   | \$6,191.52     | \$6,886.18  | \$7,607.11  | \$8,182.11  | \$8,819.26  | \$9,503.84  | \$9,503.84  | \$684.58   | 53.5% |
| Change              |          |       |                | \$694.66    | \$720.93    | \$575.00    | \$637.15    | \$637.15    | \$637.15    | \$637.15   | 7.8%  |
| Percentage change   |          |       |                | 11.2%       | 10.5%       | 7.6%        | 7.8%        | 7.8%        | 7.8%        | 7.8%       | 53.5% |
| <b>Agriculture</b>  | 3/4 inch | 20    | \$151.53       | \$168.49    | \$186.11    | \$200.21    | \$215.93    | \$232.71    | \$232.71    | \$81.18    | 53.6% |
| Change              |          |       |                | \$16.96     | \$17.62     | \$14.10     | \$14.10     | \$15.72     | \$16.78     | \$16.78    | 7.8%  |
| Percentage change   |          |       |                | 11.2%       | 10.5%       | 7.6%        | 7.6%        | 7.9%        | 7.8%        | 7.8%       | 53.6% |
| <b>Irrigation</b>   | 3/4 inch | 20    | \$156.76       | \$174.45    | \$192.81    | \$207.41    | \$223.64    | \$241.16    | \$241.16    | \$84.40    | 53.8% |
| Change              |          |       |                | \$17.69     | \$18.36     | \$14.60     | \$14.60     | \$16.23     | \$17.52     | \$17.52    | 7.8%  |
| Percentage change   |          |       |                | 11.3%       | 10.5%       | 7.6%        | 7.6%        | 7.8%        | 7.8%        | 7.8%       | 53.8% |