

# GUAM PUBLIC UTILITIES COMMISSION

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March 19, 2025

Senator Jesse A. Lujan  
Chairman, Committee on Transportation, Tourism, Customs,  
Utilities and Federal & Foreign Affairs  
38<sup>th</sup> Guam Legislature  
259 Martyr St.  
Hagatna, Guam 96910

**SUBJECT: Testimony of Chairman Jeffrey C. Johnson, Guam Public Utilities  
Commission, on Bill No. 30-38(COR)**

Dear Chairman Lujan:

## **INTRODUCTION.**

The Guam Public Utilities Commission ["PUC"] appreciates the opportunity to comment on proposed Bill No. 30-38 (COR).

The establishment of the Guam Solid Waste Authority ["GSWA"] Island wide Collection Plan Bill is critical for the future financial health of GSWA. It will assist in ensuring that GSWA has the necessary financial resources to carry out its operations. As the Bill points out, there are presently nearly 20,000 out of 40,000 households in Guam that are not subscribers to GSWA collection services.

However, the PUC objects to proposed sec. 51A1106, wherein the Legislature would mandate that GSWA adopt a Low-Income Customer Assistance rate for low-income subscribers. Proposed sec. **51A1106 (b) would actually set rates:** "Low Income Assistance Rates shall be

50% of the residential customer rate but shall not be less than Fifteen Dollars (\$15.00) per month in the event that the residential customer rate drops below Thirty Dollars (\$30.00) per month.” The rate setting function for GSWA is the Organic Act duty and Guam Law prerogative of the Guam Public Utilities Commission, and not the Guam Legislature. The PUC must set any rates for GSWA, including the LICA rates.

**PASSAGE OF THIS BILL MAY REDUCE THE AMOUNT OF THE  
RATE INCREASE THAT GSWA WILL SEEK IN ITS PENDING RATE CASE  
BEFORE THE GUAM PUBLIC UTILITIES COMMISSION.**

On August 12, 2024, GSWA filed its PETITION FOR APPROVAL OF GSWA’S THREE-YEAR FINANCIAL RATE PLAN with the PUC. The proposed Plan seeks to increase Residential monthly Rates from \$30.000 to \$33.00 in FY2025 and \$35.00 in FY2026. Increases are also requested for Residential Transfer Station fees, Commercial and Governmental Rates, and other Special Waste Rates.

If Universal/Island-wide collection is enacted, GSWA could reduce the current Residential Monthly Rate from \$30.00 to \$27.00. Any final rates will depend upon what action the PUC takes upon the rate petition. Enactment of Island-wide collection will be a positive impetus in reducing the amount of rate increases sought.

The implementation of a requirement that all residences and residential buildings of four or less units have Universal Garbage Collection Services will reduce the immediate need of GSWA to seek rate increases with the PUC. In its 2020 Final Report on the Management Audit of GSWA, the PUC determined that GSWA would likely need significant increases in residential and commercial tipping fees. PUC recommended that GSWA file a petition for rate increases with the PUC.

The Universal Garbage Collection Services requirement will substantially increase the revenues of GSWA. If a rate increase is required in the future, at the very least, the implementation of Universal Garbage Collection could significantly reduce the amount of any necessary future rate increases.

**THE REQUIREMENT FOR UNIVERSAL SERVICE IS AN ACCEPTED INDUSTRY  
WIDE STANDARD FOR GARBAGE COLLECTION.**

The requirement that all customers and residential building owners have garbage collection service, as well as new applicants and existing customers of the Guam Waterworks Authority, is consistent with, and in agreement with, the 2020 PUC Final Report on the Management Audit of GSWA.

In the PUC Management Audit, Table E-1 surveyed 15 randomly selected U.S. Cities that had about 40,000 total households served. These included jurisdictions across the United States. Of the jurisdictions listed, only Guam does not have mandatory garbage selection service. Of roughly 40,000 households on Guam, roughly 20,000 are not currently GSWA customers. The Report stated: “Collection productivity is therefore lower than expected, as most US residential

curbside collection programs service every household.” The Report pointed out that “Communities with mandatory, exclusively provided curbside collection services gain three advantages over Guam’s current non-mandatory system:

- The size of the customer base remains stable over time, because customers cannot opt to drop or add service (which could be disruptive for unexpected additions or subtractions).
- They can charge a fair, revenue-sufficient rate to all customers who benefit from having a solid waste utility; and
- They can operate their residential collection services with the optimal efficiency that is gained by servicing every household in a residential neighborhood.”

The PUC agrees with the “Purpose” statement of a new Article 11 which the Bill would add to Chapter 51A, Title 10 Guam Code Annotated. Island-wide Garbage Collection for Guam would mitigate the financial and logistical challenges posed by “piggy backing” (dumping by unsubscribed residents of their garbage into residential or commercial trash bins) and illegal dumping.

**THIS BILL PRESENTS A WELL THOUGHT OUT PLAN TO ADDRESS THE FINANCIAL NEEDS OF GSWA**

Significant drivers of GSWA’s need for additional rates are Ordot Landfill closure costs and Leyon Landfill construction costs for new cells.

All Senators should support universal collection services by GSWA, rather than compelling GSWA to seek larger rate increases from the ratepayers.

**REQUIRING ALL RESIDENTIAL BUILDING OWNERS AND HOUSEHOLDS TO SUPPORT THE COSTS OF THE SOLID WASTE SYSTEM IS FAIR, JUST, AND EQUITABLE.**

A requirement that all residential building owners and GWA customers utilize garbage collection services is fair, just, and equitable. At present, half of the households (approximately 20,000) are supporting and furnishing the costs for garbage removal services provided by GSWA through rate payments. Those paying for garbage collection services are subsidizing those who do not pay. Garbage collection is a service that benefits all citizens of Guam. Everyone benefits from a clean and safe environment. All residents have a responsibility to ensure that garbage removal services are fully funded and efficient. The burden of rates to support the garbage collection system should be borne by all residential building owners and residents.

A basic principle of Rate Design is that “rates should be designed so that costs are fairly apportioned among customers, and “undue discrimination” in rate relationships is avoided”. (Synapse Energy Economics, Inc., The Ratemaking Process, July 2017; <https://www.synapseenergy.com/sites/default/files/Ratemaking-Fundamentals-FactSheet.pdf>).

**WHILE THE PUC SUPPORTS THE CONCEPT OF A LOW INCOME CUSTOMER ASSISTANCE RATE, IT IS THE PUC, NOT THE GUAM LEGISLATURE, THAT MUST APPROVE LOW INCOME ASSISTANCE RATES FOR GSWA.**

Under proposed sec. 51A1106(a), the Legislature would **require** GSWA to establish a Low-Income Customer Assistance Rate for low-income subscribers. It requires GSWA to adopt six specific eligibility standards for the residential class ratepayer to receive financial assistance

The PUC has always been supportive of low-income utility programs and was instrumental in supporting legislation that established a lifeline program for GTA and the telecommunications companies. However, whether GSWA should be required to adopt a specific rate for low income customers is within the jurisdiction of the PUC and can only be implemented if approved by the PUC.

GSWA must present any proposal for a Low-Income Customer Assistance Rate to the PUC in the GSWA rate case. It is the PUC, not the Legislature, that must set any rates for the Low-Income Customer Assistance Program. The scope of such a program, and the specific rates, is subject to the approval of the Guam Public Utilities Commission as the authority which must approve all commercial, government, and residential tipping and user fees for the Guam Solid Waste Authority. 10 GCA §51A301(b) -(e). Those provisions provide:

(b) Commercial and Residential Tipping Fees. **All commercial and residential tipping fees charged by the Authority shall be subject to the review and approval of the Public Utilities Commission.** (c) Business and Governmental Tipping Fees. **A tipping fee per cubic yard, uncompacted, shall be established for business and government generators, subject to approval by the Public Utilities Commission (PUC), and shall be published in a rate order developed by the PUC.** (d) Residential Tipping Fees. **A residential tipping fee, which may include collection charges and a Self-Drop Fee, may be established subject to the approval of the PUC.** (e) PUC Rate-making. **The Public Utilities Commission of Guam (PUC) is hereby authorized to establish, amend and approve, in accordance with Chapter 12 of Title 12, Guam Code Annotated, all commercial, government and residential tipping and user fees (including without limitation a self-drop fee, a variable residential tipping fee and, collectively referred to as 'tipping fees'), which when established shall replace those previously created by law. (1) Tipping fees authorized and established by PUC shall be based on volume and on an analysis of operations costs, including those cost components specifically listed under Title 10 GCA § 51A114. (2) PUC is empowered to undertake a focused management audit of the existing operations of the Guam Solid Waste Authority. (3) In performing its duties under this Section, PUC shall have the full authority and powers conferred upon it by its enabling legislation, Title 12 GCA 12000 et. sec., including the audit power conferred upon it by Public Laws 25-05:12 and 26-78:2.**

**RATE SETTING BY THE LEGISLATURE WOULD VIOLATE THE INDEPENDENCE OF THE PUC.**

The purpose for the establishment of the PUC is clearly stated in the Organic Act of Guam. That purpose was "the establishment of an independent rate-making authority by the Government of Guam..." 48 USC § 1423a, as amended by P.L. 98-454, Title II, § 203, 98 Stat. 1733 (1984). **The Guam Legislature has traditionally recognized the need to preserve a strong, independent Public Utilities Commission. As stated in Public Law No. 26-18:**

**"Section 1. Legislative Findings and Intent. I Liheslaturan Guåhan finds that** a strong public interest is served by maintaining a strong, independent Public Utilities Commission of Guam ("Commission"), which is independent of the Executive and Legislative Branches.

**THE PUC RECOMMENDS THAT THE LEGISLATURE AMEND PROPOSED SEC. 51A1106, GSWA SUBSIDY-LOW-INCOME CUSTOMER ASSISTANCE (LICA) RATE.**

Sec. 51A1106 usurps provisions under Guam Law and the Organic Act of Guam that entrust the PUC with establishing GSWA LICA rates and eligibility requirements. The PUC requests that said section be revised as follows:

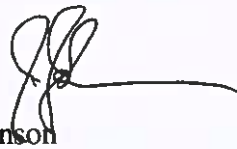
"§ 51A1106. GSWA Subsidy-Low-Income Customer Assistance (LICA) 13 Rate. ~~14~~ (a) I Liheslaturan Guahan recommends that GSWA ~~shall~~ establish a Low-Income Customer Assistance (LICA) Rates for low-income subscribers. ~~Individuals who are eligible and receiving assistance through any one (1) of the following may be are~~ eligible for customer assistance rates: (1) Supplemental Nutrition Assistance Program (SNAP) or food stamps; (2) Medicaid; (3) Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits; (4) Participate in the National School Lunch Program or the School Breakfast Program; (5) Is enrolled in a school that offers free breakfast or lunch through the USDA Community Eligibility Provision (CEP); or (6) Received a Federal Pell Grant during the current award year. (b) The I Liheslaturan Guahan recommends that LICA rates ~~shall~~ be 50% of the residential customer rate but ~~+~~ shall not be less than Fifteen Dollars (\$15.00) per month in the event that the ~~2~~-residential customer rate drops below Thirty Dollars (\$30.00) per month. The Low-Income Customer Assistance (LICA) Rates shall be subject to final approval of the Guam Public Utilities Commission.

**CONCLUSION**

In conclusion, adoption of Bill No. 30-38(COR) will greatly improve the financial condition of GSWA and avoid the necessity for implementation of substantial rate increases. However, the Guam Legislature should adopt the amendments set forth herein to ensure that the LICA rates are subject to the review and approval of the Guam Public Utility Commission.

Thank you for your consideration of this Testimony.

Sincerely,

  
Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission