



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, CA 94105

October 31, 2002

Gil A. Shinohara  
Acting General Manager  
Guam Waterworks Authority  
P.O. Box 3010  
Hagatna, Guam 96932

OPTIONAL FORM 98 (7-90)

**FAX TRANSMITTAL**

# of pages 3

To <u>Terrance Brooks</u>	From <u>Mike Lee</u>
Dept./Agency <u>Chairman, PUC</u>	Phone # <u>415-972-3269</u>
Fax # <u>671-472-1917</u>	Fax # <u>415-947-3560</u>
NSN 7540-01-317-7368	5099-101 GENERAL SERVICES ADMINISTRATION

Re: Order on Consent, October 1, 2002 Quarterly Compliance Report

Dear Mr. Shinohara:

We received your Quarterly Compliance Progress Report, Third Quarter 2002, dated October 1, 2002, as required under the Order on Consent, Docket CWA-402-9-01-19. Based on our review of your October 1<sup>st</sup> Quarterly Compliance Progress Report, the Guam Waterworks Authority (GWA) has not made any apparent progress toward compliance with the Order on Consent since the last quarterly report.

In a letter dated June 12, 2002, EPA described the compliance activities that GWA has failed to implement. Since that time GWA still has not implemented these required compliance activities. GWA has not been able to secure a short-term debt loan authorized by Bill 282 partially due to the passage of Bill 230, which prohibits rate increases for one year. GWA has not retained a program manager to facilitate and oversee implementation of the Financial Plan and Compliance Schedules.

Your Quarterly Compliance Progress Report referenced three bills recently enacted into law. These were the following:

- Bill 373 (P.L. 26-37), "An Act to Grant Emergency Procurement Authority to the Guam Waterworks Authority for the Purchase and Installation of Chlorinators in Guam's Water Well System and for Other Purposes."
- Bill 356 (P.L. 26-151), "An Act to Adopt a Partial Budget for the Guam Waterworks Authority for Fiscal Year 2003."
- Bill 364 (P.L. 26-144), "An Act to add Article 4 to Chapter 14 of Title 12 of the Guam Code Annotated, relative to requiring the Guam Waterworks Authority to out source the maintenance and operation of water wells, booster pump stations, and meters, and for other purposes."

However, it is unclear how enactment of these bills affect the Order on Consent's Financial Plan and Compliance Schedules as committed to by GWA and the Government of

Guam. Bill 356, which only provides GWA with a partial budget for fiscal year 2003, appears to further hinder GWA's ability to secure short-term debt loans in order to implement the Financial Plan and Compliance Schedules.

Bill 356 also requests the Public Utility Commission (PUC) to report to the Guam Legislature on GWA's proposed financial plan including recommendations, evaluation of rate impact of each funding alternative, and legislation necessary to implement PUC's recommendations under the proposed plan. However, it is our understanding that the approved Financial Plan already laid out recommended actions, rate increases and what legislation was necessary to implement the Financial Plan. Bill 356 seems to indicate that the Financial Plan is only proposed. This would be a regression from previous commitment to the approved Financial Plan by GWA, the Guam Legislature, and the Governor under the Order on Consent.

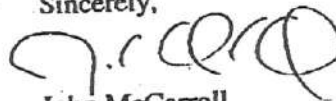
The Quarterly Compliance Progress Report does not explain how Bill 364 fits in with the Financial Plan and does not identify the revenue source to support this bill and make it viable. The first bill is not even relevant to GWA's compliance with the Order on Consent. Bill 373 addresses water system deficiencies, which are important given the recent water distribution system problems, however, the Order on Consent focuses on GWA's wastewater systems.

We remain seriously concerned with GWA's and the Government of Guam's ability and capacity to implement the Financial Plan and Compliance Schedules as agreed upon in the Order on Consent. Since the submittal of your Second Quarterly Compliance Progress Report, GWA has continued to move further out of compliance with the Financial Plan and Compliance Schedules. In addition, GWA has failed to correct the underlying deficiencies in GWA's wastewater system that gave rise to the Order on Consent. Under these circumstances, EPA has the authority to take enforcement action to address both GWA's failure to comply with the Order on Consent and to comply with its NPDES permits.

Please provide a written response to this letter by December 15, 2002. Given the current serious non-compliance, please describe GWA's and the Government of Guam's immediate and short-term plans to bring GWA into compliance with the Financial Plan and the Compliance Schedules.

If you have any questions regarding this matter, please contact me at 415-972-3774, or Mike Lee at 415-972-3769 ([lee.michael@cpa.gov](mailto:lee.michael@cpa.gov)) or Ben Machol at 415-972-3769 ([machol.ben@cpa.gov](mailto:machol.ben@cpa.gov)).

Sincerely,



John McCarroll  
Manager  
Pacific Islands Office

cc: C. Taitano, AGMA, GWA  
Senator A. Unpingco, Speaker, Guam Legislature  
Senator J. Brown, Chairperson, Committee on Natural Resources  
T. Brooks, Chairman, Guam PUC  
L. Gawlik, Georgetown Consulting Group  
J. Salas, Admin., GEPA  
C. Lund, Water Div. Dir., GEPA





# GUAM

## ECONOMIC DEVELOPMENT AUTHORITY

**ATURIDAD INADILANTON IKUNUMIHA GUAHAN**  
*An Autonomous Agency of the Government of Guam*



### FACSIMILE TRANSMISSION

Date:	August 8, 2002	
To:	Gil Shinohara General Manager, Acting Guam Waterworks Authority	From: Ed Untalan Administrator Guam Economic Development Authority
Fax No.	479-7879	Fax No. (671)649-4146
Telephone:	479-7676	Telephone (671)647-4303
RE:	GWA Financing Update	No. of Pages <u>21</u> (including cover page)

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Please see attached.

Regards,

/s/ Ed Untalan



*If you experience difficulty with transmission, please contact:*  
 (671) 647-4357

E-mail: [egarcia@geda.guam.net](mailto:egarcia@geda.guam.net)

Suite 511 ITC Building • 590 South Marine Drive • Tamuning, Guam 96911 • Internet: [www.investguam.net](http://www.investguam.net)



Aturidad Inadilanton



Ikunumihan Guahan

Governor  
Carl T.C. Gutierrez

Lieutenant Governor  
Madeleine Z. Bordallo

August 8, 2002

Mr. Gil Shinohara  
General Manager, Acting  
Guam Waterworks Authority  
126 Lower East Sunset Blvd. Tiyan  
P.O. Box 3010  
Hagatna, Guam 96932

Hafa Adai Gil:

I am writing to you with a status update on the \$21,200,000.00 Short Term financing for the Guam Waterworks Authority (GWA) authorized under P.L. 26-78. The following represents a summary of the events that the Guam Economic Development Authority (GEDA) has been involved in to date:

**February 25, 2002**

GEDA issues Solicitation of Interest letters to all local banks in an effort to gauge their interest in providing \$20 to \$25 Million Dollars of financing in order to begin efforts to comply with U.S. EPA's Consent Order Docket CWA-402-9-01-19. Of the six banks contacted, only four responded (see attachment) each declining interest in providing financial assistance to GWA. When asked about the reasons for declining, we had been informed that the lack of a secure revenue source was the reason.

**April 29, 2002**

GEDA issues RFP No. 02-005 referencing P.L. 26-78 which authorized GWA to incur short term debt in an amount not to exceed \$21,200,000.00. The RFP is both faxed and hand delivered to all local banks. Additionally, our Financial Advisors sought interest from off-island banks, primarily in the New York financial district.

**May 10, 2002 to present**

GEDA closes RFP No. 02-005 and only one bank, the Bank of Guam, responds. GEDA's Board of Directors then approves the formation of a negotiating team tasked with the negotiations of the GWA financing as well as \$40 Million Dollars loan request under RFP No. 02-007. The Bank of Guam suggests and the Government's negotiating team agree to discussing RFP No. 02-007 first, then moving on to GWA's financing under RFP No. 02-005. Interest rate and maturity dates are agreed to, however the Bank requires a legislative amendment specifically pledging Section 30 funds as the repayment source for the \$40 Million Dollar loan. GEDA informs the Bank that GEDA's Counsel, Legislative Counsel (Attorney Terlaje) and the AG's Office feel that the existing language is sufficient. Financing discussions cease due to the impasse. GEDA has no alternative other than to terminate negotiations with the Bank of Guam and work towards issuing a new RFP.

Similarly, the Bank of Guam is informed that their requirement for a pledge of Section 30 funds to secure GWA's financing is outside of the authorization contained in P.L. 26-78. Thus, the Bank is also informed that GEDA will cease negotiations and issue a new RFP.


Please be advised that to be able to pursue any financing for the GWA, the government will need to either: 1) pledge a revenue source other than what GWA has to offer; or 2) provide for a specific surcharge to repay the debt. As you are aware, a direct surcharge implemented by the Public Utility Commission designed specifically for the repayment of the loan was authorized in P.L. 26-78. However, the subsequent passage of P.L. 26-81, placing a one year moratorium on, "any rate increase, or new or increased surcharge billed by GWA for services it provides to its customers" eliminated this revenue stream.

Guam USA ~ The Ultimate Destination

110 Building • Suite 511 • 590 South Marine Drive • Tamuning, Guam 96911 • (671)647-4332 • Fax (671)639-4146 • E-mail: [help@guam.com](mailto:help@guam.com)  
[www.visitguam.com](http://www.visitguam.com)

In closing, in order for GEDA to obtain the most efficient and effective financing for the GWA, legislation will be required to either: 1) pledge a revenue source other than what GWA has to offer (i.e., Section 30); or 2) provide for a specific surcharge to repay the debt. Additionally, we would recommend that the legislation allow GEDA to pursue financing through all possible means, including but not limited to obtaining bond financing. This will ensure that we secure the most economic financing terms available to GWA. We are prepared to assist in the drafting the legislation.

I do hope this memorandum has provided you with an adequate brief. Should you have any questions, please do not hesitate to contact either myself, Mr. Joey Cepeda, or Mr. Lester Carlson at 647-4303.

Sincerely,  
  
Ed U. Alan  
Administrator

cc: Governor Carl Gutierrez  
GEDA Board Members  
GWA Board Members  
FSD Division

attachments

Aturidad Inadilanton



Ikunumihan Guahan

Governor  
Hon. T.C. Gutierrez

Lieutenant Governor  
Madeleine Z. Bordallo

March 21, 2002

Mr. Herbert Johnston  
General Manager  
Guam Waterworks Authority  
126 Lower East Sunset Blvd.  
Tiyan, Guam

Hafa Adai Bert:

The Guam Economic Development Authority (GEDA), in pursuit of furthering the development of the Financial Plan as mandated by U.S. EPA under Consent Order Docket CWA-402-9-01-19, issued Solicitation of Interest requests to local banks in order to gauge their interest in providing short term or bridge financing to the Government of Guam.

The following banks were contacted:

Bank of Guam  
Bank Pacific  
Hong Kong Shanghai Banking Corporation  
First Hawaiian Bank  
Citibank  
Bank of Hawaii

I regret to inform you that four banks contacted us either verbally or in writing declining interest in providing financial assistance at this time. The other two ( Bank Pacific and Citibank ) did not respond to either the solicitation letter or to follow up phone calls. Unfortunately, I am confident that this lack of interest would apply to off island institutions as well.

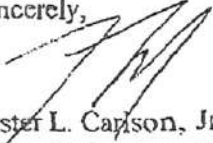
I would recommend that serious consideration to a rate increase to fund these much needed improvements to our waste water facilities be explored as soon as possible in order to maintain the time lines contained in the Financial Plan.

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I am available should you have any questions or concerns regarding this, or any other matter in which GEDA can be of assistance to you and GWA. Thank you.

Sincerely,



Lester L. Carlson, Jr.  
Financial Services Manager

cc: Ed Untalan, GEDA Administrator  
Terry Brooks, PUC Chairman  
Attorney Bill Blair



First Hawaiian Bank  
Maite Banking Center  
400 Route 8  
Mongmong, Guam 96910



Laura-Lynn Dacanay  
Vice President & Manager  
Maite Banking Center

March 4, 2002

Mr. Lester L. Carlson, Jr.  
GEDA Financial Services Division Manager  
ITC Building Suite 511  
590 South Marine Drive  
Tamuning, Guam 96911

**Re: Guam Waterworks Authority Request for Short and Long Term Financing  
Bridge Financing \$20 to \$25 million**

Dear Lester Carlson, Jr.;

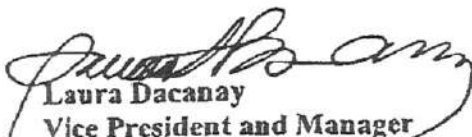
Your letter addressed to Mr. John K. Lee, Senior VP and Regional Supervisor for Guam and CNMI Branches dated February 25, 2002 has been referred to me for response.

First Hawaiian Bank is not interested at this time in pursuing financing for Guam Waterworks Authority.

Please be assured that we appreciate very much the opportunity to review various financing proposals.

If you have any questions, please call me at 475 7885.

Sincerely;

  
Laura Dacanay  
Vice President and Manager  
Maite Business Banking Center

# h Bank of Hawaii

March 18, 2002



Mr. Lester L. Carlson, Jr.  
GEDA Financial Services Division Manager  
ITC Building, Suite 511  
590 South Marine Drive  
Tamuning, GU 96911

**Subject: Request for Proposal**

Dear Mr. Carlson:

Thank you for presenting Bank of Hawaii with the opportunity to submit a proposal for the requested \$20 to \$25 Million credit facility, for the Guam Waterworks Authority. I regret to inform you, however, that we are not able to accommodate your financing requirement, based on the information submitted. While we are currently unable to provide the requested financing at this time, we would be happy to consider requests that you may have in the future. Please keep Bank of Hawaii informed on the progress made in securing long term capital financing so we may look further into providing GWA with bridge financing.

Mr. Carlson, should you require any additional assistance with respect to your banking needs, please do not hesitate to contact me at 479-3653. Once again, thank you for your consideration of Bank of Hawaii. I look forward to having the opportunity to work with you once again.

Sincerely yours,  
**BANK OF HAWAII**

Galen Nakamura  
Vice President  
West Pacific Corporate Banking Group

CC: Lester L. Carlson, GEDA





GUMBDU 020002

February 27, 2002

Mr Lester L. Carlson, Jr.  
GEDA Financial Services Division Manager  
ITC Building - Suite 511  
590 South Marine Drive  
Tamuning, Guam 96911

Dear Mr Carlson

Further to your request of February 25 2002, we have reviewed the information provided and advise that we will not be making a formal proposal to provide credit facilities to the Guam Waterworks Authority at this time.

Regards

A handwritten signature in black ink, appearing to read "Stephen Grantham".

Stephen Grantham  
Senior Vice President Business Development

The Hongkong and Shanghai Banking Corporation Limited  
Post Office Box 27-C, Hagåtña, Guam 96932 U.S.A.  
436 South Marine Drive, Tamuning, Guam 96911  
Tel: (671) 647-8588 Fax: (671) 646-3767

*Incorporated in Hong Kong with limited liability.*

## Request for Proposals

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**ISSUED BY:**

Guam Economic Development Authority

**PROPOSAL NO.:**

RFP-02-005

**ISSUE DATE:**

April 29, 2002

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**NAME AND LOCATION OF PROJECT:**

 ITC Building, Suite 511  
 590 South Marine Drive  
 Tamuning, Guam

**DIVISION OF AGENCY:**

Public Finance

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### INSTRUCTIONS TO PROPOSERS

The Guam Waterworks Authority (GWA), through the Guam Economic Development Authority (GEDA), is requesting proposals from banks or other financial institutions to provide Short-Term Financing to GWA for the purpose of bringing wastewater facilities into compliance with Federal law and permitting requirements. These improvements are specified under the U.S. Environmental Protection Agency's (Region 9) Administrative Order on Consent, Docket Number CWA-402-9-01-19, dated August 16, 2001.

Under Section 3 of P.L. 26-78, the GWA is authorized to incur short-term debt in an amount not to exceed Twenty-one Million Two Hundred Thousand Dollars (\$21,200,000.00) for the purposes set forth in Attachment "C" of the Financial Plan as attached and a part of P.L. 26-78. *More details regarding the anticipated transaction can be found in the "Scope of Services" section of this RFP.*

Per the Guam Code Annotated Title 12, Chapter 50, Section 50103(k), the Guam Economic Development Authority ("GEDA") acts as the central financial manager and consultant for the Government of Guam and those Agencies or Instrumentalities of the Government requiring financial guidance and assistance. Such technical assistance by GEDA shall include, but is not limited to obtaining of funds through bond or other obligations, structuring such bond issuance's, preparation and dissemination of financial and investment information, including bond prospectuses, development of interest among investment bankers and bond brokers, maintenance of relationships with bond rating agencies and brokerage houses and, generally, acting as the centralized and exclusive financial planner and investment banker for all the Agencies and Instrumentality's of the Government of Guam. The Government and agencies and Instrumentalities shall issue bonds and other obligations only by means of and through the agency of GEDA, and each such Agency or Instrumentality shall furnish GEDA with long-term estimated of financial needs so the GEDA can coordinate a long-term plan for obtaining necessary funds for all such Agencies and Instrumentalities on a rational, noncompetitive and efficient basis.

### ***RECEIPT OF PROPOSALS***

The deadline for receipt of proposals by Guam Economic Development Authority is no later than **4:00 p.m., Friday, May 10, 2002, Western Pacific Standard Time**. Office hours for receipt of proposal are Monday through Friday, 8:00 a.m. to 5:00 p.m.

Mailing & Delivery Address:

Lester L. Carlson, Jr.  
 Manager, Financial Services Division  
 Guam Economic Development Authority  
 ITC Building, Suite 511  
 590 South Marine Drive  
 Tamuning, Guam 96911

Envelopes containing proposals shall be sealed and marked on the face with the name and address of the proposer, the Proposal number and the time and date of submission. An electronic version of the proposal shall also be submitted on floppy or zip disk and included in the sealed envelope along with the hard copy of the proposal. Telegraphic or facsimile proposals will not be considered, nor modification by telegraph or facsimile of proposals already submitted. Proposals shall be hand-carried and received at GEDA on or before the deadline date and time. Proposals received through the mail will not be accepted if such mail is received at the address showing after the submission date and time. Under no circumstances will the Guam Economic Development Authority accept a late proposal.

### ***OPENING OF PROPOSALS***

Proposals shall be opened publicly in the presence of the Board of Directors of the Guam Economic Development Authority. Proposals and modifications shall be time-stamped upon receipt and held in a secure place until the established due date. After the date established for receipt of proposals, a Register of Proposals shall be prepared which shall include for all proposals the name of each offeror, the number of modifications received, if any, and a description sufficient to identify the supply, service, or construction item offered. The Register of Proposals shall be opened to public inspection only after award of the contract. Proposals and modifications shall be shown only to territory personnel having a legitimate interest in them.

### ***QUALIFICATIONS***

The Guam Economic Development Authority require respondents to present satisfactory evidence that he or she has sufficient experience and is fully qualified.



### ***NON-COLLUSION AFFIDAVIT***

Each person submitting a proposal for any portion of the work covered by the proposing documents shall execute an affidavit, in the form provided with the Proposal, to the effect that he has not colluded with any other person, firm or corporation in regard to any proposal submitted. Such affidavit shall be attached to the proposal.

### ***AMENDMENTS TO REQUEST FOR PROPOSAL***

The right is reserved as the interest of the Guam Economic Development Authority may require revising or amending the specifications prior to the date set for opening proposals. Such revisions and amendments, if any, will be announced by an amendment or amendments to this Request for Proposals and shall be identified as such and shall require that firms acknowledge receipt of all amendments issued. The amendment shall refer to the portions of the Request for Proposal it amends. Amendments shall be sent to all prospective known to have received a Request for Proposal. Amendments shall be distributed within a reasonable time to allow prospective firm to consider in preparing their Proposals. If the time and date set for receipt of proposals will not permit such preparation. Such time shall be increased to the extent possible in the amendment or, if necessary, by telegram or telephone and confirmed in the amendment.

### ***GENERAL TERMS AND CONDITIONS OF THE REQUEST FOR PROPOSAL***

#### ***AUTHORITY***

This Request for Proposal (RFP) solicitation is issued subject to all the provisions of the Guam Procurement Act (Public Law 16-124) and the Guam Procurement Regulations (copies are available for inspection at General Services agency). The RFP requires all parties involved in the preparation, negotiation, performance, or administration of contracts to act in good faith

#### ***EXPLANATION TO OFFERORS***

No oral explanation in regard to the meaning of the specification will be made and no oral instructions will be given before the award of the proposal. Discrepancies, omissions, or doubts as to the meaning of the specification should be communicated in writing to the named contact individual of the requesting agency/department for interpretation. Offerors should act promptly and allow sufficient time for a reply to reach them before the submission of their proposals. Interpretation, if required, shall be made in the form of an amendment to the specification that will be forwarded to all prospective offerors and its receipt by the offeror should be acknowledged on the proposal form.

### **QUESTIONS**

All questions regarding the proposal should be directed to the following:

Joey B. Cepeda	Lester L. Carlson Jr.
Deputy Administrator	Financial Services Manager
GEDA	GEDA
Tel: (671) 647-4303	(671) 647-4322
Fax: (671) 649-4146	(671) 649-4146
Email: <a href="mailto:jcepeda@guameda.net">jcepeda@guameda.net</a>	<a href="mailto:lcarlson@guameda.net">lcarlson@guameda.net</a>

Except to the above person named, direct or indirect contact with GEDA or the Government of Guam, GEDA Board Members, or any person participating in the selection process is prohibited.

### **METHOD OF AWARD**

The Guam Economic Development Authority intends to review the Request for Proposals upon receipt. The proposal submitted will be the primary document for evaluation.

The Guam Economic Development Authority reserves the right to select or reject any and all proposals submitted to waive any formal proposal requirements, to investigate the qualification and experience of any proposer, to reject any provisions in any proposal, to obtain new proposals, to negotiate the requested services and contract terms with any proposer, or to proceed to fulfill the proposal otherwise.

The Guam Economic Development Authority is not responsible for any costs incurred by the proposers. GEDA reserves the right to retain all proposals and information submitted regardless of whether a firm is selected. Submission of a proposal indicates acceptance of these terms and conditions by the proposer.

### **REJECTION**

The Guam Economic Development Authority shall have the prerogative to reject proposals in whole or in part for if a determination is made such in the public interest.

### **TAXES**

Offerors are cautioned that they *may* be subject to Guam Business Privilege Taxes, including 4% Gross Receipt Tax and Guam Income Taxes on Guam Transactions. Specific information of taxes may be obtained from the Director of Revenue and Taxation.

### **LICENSING**

Offerors are cautioned that they *may* be subject to Guam Licensing laws. Specific information on licenses may be obtained from the Director of Revenue and Taxation.

### **COVENANT AGAINST CONTINGENT FEES**

The offeror warrants that they have not employed any person to solicit or secure any resultant contract upon agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Guam Economic Development Authority the right to terminate the contractor, or in its discretion to deduct from the contract price or consideration the amount of such commission, percentage, brokerage, or contingent fees. This warranty shall not apply to commission payable by contractors upon contracts or sales secure or made through bona fide established commercial or selling agencies maintained by the contractors for the propose of securing business.

### **JUSTIFICATION OF DELAY**

The offeror who is awarded the proposal guarantees that the service will be completed within the agreed upon completion date. If, however, the vendor cannot comply with the completion requirement, it is the vendor's responsibility to advise the Guam Economic Development Authority in writing explaining the cause and reasons of the delay.

### **DISCLOSURE OF MAJOR SHAREHOLDERS**

As a condition of proposer, any partnership, sole proprietorship or corporation doing business with the Guam Economic Development Authority shall submit an affidavit executed under oath that list the name address of any person who has held more than ten percent (10%) of the outstanding interest or shares in said partnership, sole proprietorship or corporation at any time during the twelve (12) month period immediately preceding submission of a bid. The affidavit shall contain the number of shares or the percentage of all assets of such partnership, sole proprietorship or corporation, which have held by each such person during the twelve (12) month period. In addition, the affidavit shall contain the name and address of any person who has received or is entitle to receive a commission, gratuity or other compensation for procuring or assisting in obtaining business related to the proposal for the proposer and shall also contain the amounts of any such commission, gratuity or other compensation. The affidavit shall be open and available to the public inspection and copying



### ***EQUAL EMPLOYMENT OPPORTUNITY***

Section 3.01(1) of Presidential Executive Order No. 10935 dated March 7, 1965, requires the offeror not to discriminate against any employee or applicant for employment because of race, creed, color or national origin. The offeror will take affirmative action to insure that applicants are employed and that employees are treated equally during employment without regard to their race, creed, color or national origin.

### ***ASSIGNMENT***

Assignment will not be accepted without prior approval from the Guam Economic Development Authority. Request for approval of assignment must be made with submission of proposal. No assignment will be accepted if request is not made with the proposal.

### ***DETERMINATION OF RESPONSIBILITY OF OFFERORS***

GEDA reserves the right for securing from the Offeror information necessary to determine whether or not they are responsible and to determine the responsibility in accordance with "Standard for Determination of the Most Qualified Offeror" section of the General Terms and Conditions.

### ***STANDARD FOR DETERMINATION OF MOST QUALIFIED OFFEROR***

In determining the most qualified proposer, GEDA shall be guided by the following:

- A. The ability, capacity, and skill of the offeror to perform.
- B. Whether the offeror can perform promptly or within the specified time.
- C. The character, integrity, reputation, judgment experience, and efficiency of the offeror.
- D. The quality of performance of the offeror with regards to awards previously made to him.
- E. The previous and existing compliance by the offeror with laws and regulations relative to procurement.
- F. The sufficiency of the financial resources and ability of the offeror to perform.
- G. Can the offeror meet the specifications of the request for proposal (RFP).
- H. If requested, the offeror must meet all AJDA regulations and requirements.
- I. The number and scope of the conditions attached to the Proposal.

### ***PRE-PROPOSAL CONFERENCES***

Pre-proposal conferences will be permitted anytime prior to the date established herein for submission of proposals. The conferences will be conducted only to explain the procurement requirements for this Request for Proposal. The Authority will notify all offerors of any substantive clarification provided in response to any inquiry. The Authority will extend the due date if such information significantly amends the solicitation or makes compliance with the original proposed due date impractical.

### ***PROPOSALS***

The proposer is required to read each and every page of the Proposal and by the act of submitting a proposal shall be deemed to have accepted all conditions contained therein except as noted elsewhere. In no case will failure to inspect constitute grounds for a claim or for the withdrawal of a proposal after opening. Proposals shall be filled out in ink or typewritten and signed in ink. Erasures or other changes in a proposal must be explained or noted over the signature of the proposer. Proposals containing any conditions, omissions, unexplained erasures or alterations or items not called for in the Proposal, or irregularities of any kind may be rejected by GEDA as being non-complying.

### ***GENERAL INTENTION***

It is the declared and acknowledged intention and meaning that the proposer provides GEDA with materials, supplies, or equipment completely assembled, and ready for use.

### ***COMPETENCY OF PROPOSERS***

Proposal will be considered only from such proposers who, in the opinion of GEDA, can show evidence of their agility, experience, equipment, and facilities to render satisfactory service.

### ***REQUEST FOR PROPOSAL FORMS***

Each proposer shall be provided with one (1) set of the request for proposal (RFP). Additional copies may be provided upon request at a charge of \$25.00 per RFP. All payments shall be by cash, certified check or money order and shall be made payable to the Guam Economic Development Authority.

### ***PROPOSAL ENVELOPE***

Proposal envelope shall be sealed and marked with the proposer's name and Request for Proposal Number, time of Proposal opening, Date of Proposal opening and Place of Proposal opening.

## **FORM OF PROPOSAL**

All Proposals must be submitted in writing. It should include a listing of current and former business clients and a description of the type of work performed or being performed. At a minimum, if the proposer is an individual, the proposal should include a complete resume of the individual. If the proposer is a firm, the proposal should include a resume of the firm's principal(s). An electronic version of the proposal shall also be submitted on floppy or zip disk and included in the sealed envelope along with the hard copy of the proposal.

## **MODIFICATION / ALTERATION**

After the receipt and opening of proposals and at its option, GEDA may conduct discussions with responsible proposers who have submitted proposals reasonably susceptible of being selected for awards with the purpose of clarification to assure full understanding and responsiveness to the solicitation requirement. Proposers shall be accorded fair and equal treatment with respect to any opportunity for discussion and revision to proposals and such revisions shall be permitted after submission and prior to award for the purpose of obtaining best and final offers. However, please bear in mind that proposals should be submitted initially on your most favorable terms. In conducting discussions there shall be no disclosure of any information derived from proposals submitted by competing proposers.

## **MODIFICATION OR WITHDRAWAL OF PROPOSALS**

Proposals may be modified or withdrawn at any time prior to the conclusion of discussions.

## **SELECTION OF BEST QUALIFIED OFFERORS**

After conclusion of validation of qualifications, evaluation, and discussion as provided in the section "Modification/Alteration", GEDA will select in the order of their respective qualification and evaluation ranking, no fewer than three acceptable proposals (or such lesser number if less than three acceptable proposals were received) deemed to be the best qualified to provide the required services.

## **EVALUATION CRITERIA FOR SELECTION**

After receipt of all proposals, a selection team will be convened to select the most responsive and qualified proposers. It is common for the team to select two or more of the best proposals and conduct further review, which may include interviews, this is commonly known as "short listing". The evaluation factors and the maximum awarded points for each are as follows:

### **1) Completeness of Proposal**

**(10 point)**

- |   |                     |
|---|---------------------|
| 2) Experience in short term financing and/or government financing                   | (30 points)         |
| 3) Proposed financing terms (maturities, interest rates, and debt service schedule) | (35 points)         |
| 4) Proposed Fee Schedule  | (25 points)         |
| <b>Maximum Total</b>  | <b>(100 points)</b> |

GEDA shall have the right to reject all proposals or offers which have been submitted in response to this RFP, at any time, if GEDA determines such to be in the best interest of the Government of Guam for any reason allowed by law and/or regulation or for any reason whatsoever.

### ***CONTACT FOR CONTRACT NEGOTIATION***

If your firm is selected the best qualified to perform the services as described herein, please designate a person whom we may contact for prompt negotiation.

NAME: \_\_\_\_\_ TITLE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

### ***SUBMISSION OF FEE (\$)***

All proposers shall submit their fees at the time of submission of their proposal.

### ***NEGOTIATION AND AWARD OF CONTRACT***

GEDA shall negotiate a contract with the best-qualified offeror for the required services at compensation determined in writing to be fair and reasonable. Contract negotiations will be directed toward: (1) making certain that the offeror has a clear understanding of the scope of work, specifically, the essential requirements involved in providing the required services; (2) determining that the offeror will make available the necessary personnel and facilities to perform the services within the required time; and (3) agreeing upon compensation which is fair and reasonable, taking into account the estimated value of the required services, and the scope, complexity, and nature of such services.

### ***SUCCESSFUL NEGOTIATION OF CONTRACT WITH BEST-QUALIFIED OFFEROR***

If compensation, contract requirements, and contract documents can be agreed upon with the best-qualified offeror, the contract will be awarded to that offeror.

### ***FAILURE TO NEGOTIATE CONTRACT WITH BEST-QUALIFIED OFFEROR***

If compensation, contract requirements, or contract documents cannot be agreed upon with the best qualified offeror, a written record stating the reasons therefore shall be placed in the file and GEDA will advise such offeror of the termination of negotiations which shall be confirmed by written notice within three days. Upon failure to negotiate a contract with the best-qualified offeror, GEDA will enter into negotiations with the next most qualified offeror. If negotiations again fail, negotiations will be terminated as provided in this Section and commence with the next qualified offeror.

### ***NOTICE OF AWARD***

GEDA will notify all proposers within thirty (30) days after the deadline for receipt of proposals. Written notice of award will be public information and made a part of the contract file.

### ***FAILURE TO NEGOTIATE CONTRACT WITH OFFERORS INITIALLY SELECTED AS BEST QUALIFIED***

Should GEDA be unable to negotiate a contract with any of the offerors initially selected as the best qualified offerors, offers may be resolicited or additional offerors may be selected based on original, acceptable submissions in the order of their respective qualification ranking and negotiations may continue in accordance with the procedures and process herein specified.

---

EDWARD G. UNTALAN  
ADMINISTRATOR

# FORM OF NON-COLLUSION AFFIDAVIT

AFFIDAVIT

(Prime Proposer)

TERRITORY OF GUAM )

) SS.

AGANA, GUAM )

\_\_\_\_\_, being first duly sworn

That he is \_\_\_\_\_  
(a Partner or Officer of the Firm of, etc.)

the party making the foregoing proposal or bid, that such proposal or bid is genuine and not collusive or sham, that said bidder has not colluded, conspired, connived or agreed, directly or indirectly, with any bidder or person, to put in a sham or to refrain from bidding, and has not in any manner, directly or indirectly, sought by agreement or collusion, or communication or conference, with any person, to fix the bid price of affiant or any other bidder, or to fix any overhead, profit or cost element of said bid price, or of that of any other bidder, or to secure any advantage against the Guam Economic Development Authority or any person interested in the proposed contract; and that all statements in said proposal or bid are true.

\_\_\_\_\_  
Signature of

Proposer, if an individual;  
Partner, if a partnership;  
Officer, if a corporation.

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Notary Public

My Commission expires \_\_\_\_\_, 20\_\_\_\_.





**GENERAL INSTRUCTIONS:**

1. Non-responsive proposals will not be considered.
2. Submit Six (6) (One (1) original and Five (5) copies) sealed proposals along with a detail statement of any exception taken to any part of request. An electronic version of the proposal shall also be submitted on floppy or zip disk and included in the sealed envelope along with the hard copy of the proposal.
3. Proposal shall include three (3) current business references.
4. Proposal must be delivered on or before the due date.

### SCOPE OF SERVICES AND PROPOSAL CONTENT

The Guam Waterworks Authority (GWA), through the Guam Economic Development Authority (GEDA), is requesting proposals from banks or other financial institutions to provide Short-Term Financing to GWA for the purpose of bringing wastewater facilities into compliance with Federal law and permitting requirements. These improvements are specified under the U.S. Environmental Protection Agency's (Region 9) Administrative Order on Consent, Docket Number CWA-402-9-01-19, dated August 16, 2001.

**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Terrence M. Brooks, Chairman

Filomena M. Cantoria  
Edward C. Crisostomo  
Joseph M. McDonald  
Gerald M. Woo

Suite 207, GCIC Building  
Post Office Box 862  
Hagatna, Guam 96932

Telephone: (671) 472-1907  
FAX: (671) 472-1917  
Email: [guampuc@kuentos.guam.net](mailto:guampuc@kuentos.guam.net)

Harry M. Boertzel, Esq.  
Administrative Law Judge

Monessa C. Leon Guerrero  
Executive Director

July 11, 2002

**VIA FACSIMILE TRANSMISSION**

479-7879

Carlos Taitano

**GUAM WATERWORKS AUTHORITY**

126 Lower E. Sunset Blvd.  
Tiyan, Guam

Dear Mr. Taitano:

At our June 20 meeting you indicated that GWA may want to request:

- a] a postponement of the Commission's consideration of the Georgetown GWA staffing study, which is currently scheduled for September 17, 2002; and
- b] that Georgetown be authorized to prepared proposed RFP documentation for water meter replacement and administration and for sewer hookups.

I wanted to confirm my advice to you at our meeting that GWA should make these requests in writing to the Commission.

Cordially,



Harry M. Boertzel/*mlg*

# PUBLIC UTILITIES COMMISSION OF GUAM



414 West Soledad Avenue, Suite 207 GCIC Building, Hagatna, GU 96910 Phone: 671-472-1907 Fax: 671-472-1917

FAX

To: Carlos Taitano

AX No.: (671) 479-78~~9~~79

From:

Subject:

Number of pages including cover sheet: (2)

Multiple horizontal lines for additional information or notes.





UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, CA 94105

JUN 12 2002

Gil A. Shinohara  
Acting General Manager  
Guam Waterworks Authority  
P.O. Box 3010  
Hagatna, Guam 96932



Re: Order on Consent, May 30 Quarterly Compliance Report

Dear Mr. Shinohara,

We are in receipt of your Quarterly Compliance Report dated May 30, 2002, as required under the Order on Consent, Docket CWA-402-9-01-19. Given recent efforts and accomplishments to pull together this Financial Plan and recent commitments made by Guam, we fully anticipated GWA's implementation of the Financial Plan. However, based on our review of your May 30<sup>th</sup> Quarterly Compliance Report, GWA has not been able to satisfactorily implement or complete many of compliance activities within the specified time frames.

Since the submittal of the previous Quarterly Compliance report in January, 2002, one of the major accomplishments was the submittal of the Financial Plan and Compliance Schedules for our approval. In February, 2002, we approved GWA's Financial Plan and Compliance Schedules (the "Financial Plan") on the condition that we receive a commitment from the Guam Legislature to the Financial Plan. In March, 2002, the Guam Legislature and the Governor signed into law Bill 282 (Public Law 26-78) stating the Government of Guam's commitment to the Financial Plan. As a result of the signing into law of Bill 282, GWA met the condition of approval. In addition, Bill 282 included an authorization of a short-term debt of \$21,000,000 for GWA.

However, the submitted Quarterly Compliance Report does not fully comply with reporting information as required under the Order for Compliance Item No.3 of the Order on Consent. Quarterly reports need to report on compliance and/or non-compliance with specific compliance schedule activities, provide explanations of non-compliance and actions taken or to be taken to address non-compliance and briefly discuss the status toward meeting future compliance schedule activities. Therefore, Quarterly Compliance Reports need to be more detailed and specific in nature.

Based on our review of the submitted Quarterly Compliance Report, there were some key Financial Plan implementation action items that did not appear to have been acted or



reported upon and/or an explanation provided. They include, but are not limited to, the following:

- PUC action to authorize GWA implement revenue enhancement Build, Operate and Transfers (BOTs).
- Guam Legislative action to approve FY2002 budget amendments for Consent Order obligations.
- Finalize short-term requirements.
- Develop loan package.
- Accept proposals and award.
- Retention of a program manager to facilitate and oversee implementation of the Financial Plan and Compliance Schedules.

In addition, the Quarterly Compliance Report provided no discussion regarding any efforts by GWA with respect to the \$21,200,000 in short-term debt authorized in Bill 282.

Enclosed is a copy of the Financial Plan Implementation Milestones and Compliance Schedules (Project Numbers 1 through 16) highlighting the compliance activities which were not accomplished and/or adequately addressed in your May 30 Quarterly Compliance Report.

There has also been a recent development which concerns the implementation of the Financial Plan. This is the Guam Legislature's recent over-ride of Bill 230, enacted in May, 2002, prohibiting any rate increases for one year. The recent over-ride of Bill 230 appears inconsistent with the recent commitment by the Guam Legislature to the implementation of the GWA Financial Plan. We request clarification regarding the original commitment as presented in Bill 282, the over-ride of Bill 230 and the impact this has on fully implementing GWA's Financial Plan and Compliance Schedules as we recently approved.

While we are pleased with the development of the Financial Plan and Compliance Schedules and the commitment by the Guam Legislature, we are seriously concerned with recent events and GWA's ability and capacity to satisfactorily implement the Financial Plan. Compliance activities are not being completed as laid out in the Financial Plan and GWA has fallen out of compliance with the Financial Plan schedules. The schedules were agreed to in concert with GWA and committed to by the Government of Guam. It does not appear that GWA is taking all the necessary steps or actions to ensure implementation of the Financial Plan.

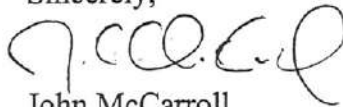
GWA's next Quarterly Compliance Report will be for the period of April through June. Please provide your next Quarterly Compliance Report by July 15, 2002, which clearly addresses our concerns regarding implementation of the Financial Plan. The Quarterly Compliance Report should specifically address and discuss each specific compliance activity/milestone regarding compliance or non-compliance and briefly discuss the status toward meeting the next compliance schedule activities. The April-June Quarterly Compliance Report should also include a discussion specific to each of the compliance activities/milestones highlighted in the enclosure. As required by the Order on Consent, for those activities determined in non-compliance with the Financial Plan, GWA shall discuss actions taken or to be taken to address non-compliance with

the respective Financial Plan activity.

We remain very concerned with GWA's ability to fully implement the Financial Plan. Failure to implement the Financial Plan could result in our elevating this matter to include a court ordered compliance schedule with specific tasks, requirements relating to the management of the utility, if necessary, until demonstration of compliance and GWA has established the necessary managerial, technical and financial capacities to properly operate and maintain the facility. Elevation of this matter would also include penalties. We would strongly prefer GWA take the necessary actions to bring its facilities into compliance without the matter being further elevated.

As we have and continue to do, we look forward to working with you to address these issues. If you have any questions regarding this matter, please contact me at 415-972-3774, Ben Machol at 415-972-3770 or Mike Lee at 415-972-3769.

Sincerely,



John McCarroll  
Manager  
Pacific Islands Office

Enclosure

cc: C. Taitano, AGMA, GWA  
M. Miller, WW Manager, GWA  
Senator A. Unpingco, Speaker, Guam Legislature  
Senator J. Brown, Chairperson, Committee on Natural Resources  
T. Brooks, Chairman, Guam PUC  
L. Gawlik, Georgetown Consulting Group  
J. Salas, Admin., GEPA  
C. Lund, Water Div. Dir., GEPA

USEPA Docket CWA-402-9-01-19

# **FINANCIAL PLAN & COMPLIANCE SCHEDULES**

**In Response to**

**USEPA Consent Order**

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**USEPA Docket CWA-402-9-01-19**

**Submitted By:**

**Guam Waterworks Authority**

**January 31, 2002**

Financial Plan Implementation—Milestones			
Program Name: Consent Order	Location: Guam-GWA	GWA Work Order:	
Program Overview:  The overall program includes the planning and implementation of activities necessary to allow GWA to access the capital funds necessary to meet its obligations to the USEPA under the Consent Order. Specifically, it identifies the implementation steps that will result in GWA obtaining the necessary capital funds to construct those improvements necessary to comply with its various NPDES permits and the Clean Water Act.			
Program Activities—Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
A. PUC Actions			
Order/Resolution Approving Path To Implement Consent Order	Completed	Dec. 11, 2001	Dec. 11, 2001
Recommendations to Legislature Authorizing GWA Debt Issuance	In Progress	Jan. 31, 2002	
Authorize GWA Implement Revenue Enhancement BOTs	To be Initiated	Mar. 30, 2002	
Authorize GWA Implement BOT or PMC for Management of STPs	To be Initiated	Sep. 30, 2002	
Authorize Rate Changes	To be Initiated	Mar. 31, 2003	
Monitor GWA Implementation of Consent Order Activities	To be Initiated	Sep. 30, 2006	
B. Guam Legislative Actions			
Authorize Increase in GWA Short-Term Debt Limit	To be Initiated	Apr 30, 2002	
Approve FY 2002 Budget Amendments for Consent Order Obligations	To be Initiated	Apr 30, 2002	
Authorize Long-Term Debt Issuance/Approve Bond Indenture	To be Initiated	Oct. 1, 2003	
C. Short-Term Debt Activities			
Finalize Short-Term Requirements	To be Initiated	Mar. 1, 2002	
Develop Loan Package	To be Initiated	Mar. 31, 2002	
Accept Proposals and Award	To be Initiated	May 31, 2002	
D. Long-Term Debt Activities			
Finalize Rate Request	To be Initiated	Dec. 31, 2002	
Identify Administrative and Statutory Changes to Support Financial Autonomy	To be Initiated	May 31, 2003	
Finalize Long-Term Capital Improvement Program	To be Initiated	Jun. 30, 2003	
Finalize Detailed Five-Year Operating Pro-forma	To be Initiated	Jun. 30, 2003	
Consulting/Engineering Report for Financing	To be Initiated	Jul. 31, 2003	
Bond Indenture/Official Statement	To be Initiated	Aug. 30, 2003	
Rating Agency/Bond Insurance Meetings	To be Initiated	Sep. 1, 2003	
Sale and Closing	To be Initiated	Oct. 15, 2003	
E. Post Closing GWA Financial Operations			
Implement Administrative Changes	To be Initiated	Jul. 1, 2003	
Implement Ongoing Capital Budgeting	To be Initiated	Oct. 1, 2003	

## **ATTACHMENT VI**

### **COMPLIANCE SCHEDULES**



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Consent Order Required Projects	
Project Number	Project Activity
1	Agat Sewer Treatment Plant Renovation
2	Agat Collector System Inflow/Infiltration
3	Agana Sewer Treatment Plant Renovation/Expansion
4	Agana Ocean Outfall
5	Agana Village Collector System Inflow/Infiltration
6	Baza Gardens Sewer Treatment Plant
7	Northern District Sewer Treatment Plant
8	Northern District Ocean Outfall
9	Umatac/Merizo Sewer Treatment Plant Renovations
10	Umatac/Merizo Collector System Inflow/Infiltration
11	Comprehensive Performance Evaluations (CPE) for the Agat, Baza Gardens, and Umatac-Merizo Sewer Treatment Plants
12	Comprehensive Assessment of GWA's Sewer Pump Stations/Collection System and Implementation of a Corrective Action Plan
13	Development and Implementation of a GWA Preventive Maintenance Program
14	Development of an Operator Training and Certification Program
15	Monitoring Requirements
16	Facilities Master Plan



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 1—Milestones			
<b>Project Name:</b> Agat Sewerage Treatment Plant	<b>Location:</b> Agat	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project involves bringing this relatively small (0.75 MGD) wastewater treatment plant serving the Agat and Santa Rita areas into compliance with NPDES operating permit guidelines. Principal activities to be undertaken include the renovation of the plant.			
Project Activities—Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting and Pre-Design</b>			
Comprehensive Performance Evaluations	To be Initiated	Oct. 31, 2003	
Environmental Assessments and Construction Approval	To be Initiated	Oct. 1, 2004	
Local Building and Other Permits	To be Initiated	Oct. 1, 2004	
Operating Permits—others	To be Initiated	Sep. 30, 2005	
Operating Permits—NPDES	To be Initiated	Sep. 30, 2005	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	Nov. 30, 2003	
Bid Solicitation	To be Initiated	Jan. 1, 2004	
Contract Award/PUC Approval	To be Initiated	Mar. 1, 2004	
Design Activities	To be Initiated	Jun. 30, 2004	
Construction Management Activities	To be Initiated	Sep. 30, 2005	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Jun. 30, 2004	
Procurement of Owner Furnished Equipment & Materials, if any	To be Initiated	Oct. 31, 2004	
Bid Solicitation for Construction	To be Initiated	Nov. 30, 2004	
Contract Award	To be Initiated	Jan. 1, 2005	
Notice to Proceed	To be Initiated	Feb. 1, 2005	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	Mar. 1, 2005	
Construction	To be Initiated	Aug. 30, 2005	
Demobilization	To be Initiated	Oct. 31, 2005	
<b>D. Startup and Testing</b>			
Development of Testing and Startup Procedures	To be Initiated	Jul. 31, 2005	
Test Major Equipment and Systems	To be Initiated	Aug. 30, 2005	
Startup Activities	To be Initiated	Sep. 30, 2005	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 2—Milestones			
<b>Project Name:</b> Agat Collector System Inflow/Infiltration	<b>Location:</b> Agat	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project consist of evaluating existing collection facilities, identifying cost-effective mitigation measures, developing engineering solutions, and the rehabilitation and construction of various sewer collector lines, which are subject to high levels of inflow and infiltration (I&I).			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Pre-Design and Pre-Construction Activities</b>			
Preparation of Bid Documents and Bid Solicitation	To be Initiated	May 31, 2003	
Conduct Comprehensive Sewer System Evaluation Survey (SSES)	To be Initiated	Aug. 31, 2003	
Identify Cost Effective Mitigation Measures	To be Initiated	Sep. 30, 2003	
Develop Final Mitigation Plan	To be Initiated	Oct. 31, 2003	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	Nov. 30, 2003	
Bid Solicitation	To be Initiated	Jan. 1, 2004	
Contract Award/PUC Approval	To be Initiated	Mar. 1, 2004	
Design Activities	To be Initiated	Jun. 30, 2004	
Construction Management Activities	To be Initiated	Sep. 30, 2006	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Jun. 30, 2004	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Sep. 30, 2004	
Bid Solicitation for Construction	To be Initiated	Oct. 31, 2004	
Contract Award	To be Initiated	Nov. 30, 2004	
Notice to Proceed	To be Initiated	Dec. 15, 2004	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2005	
Construction	To be Initiated	Aug. 30, 2006	
Demobilization	To be Initiated	Oct. 31, 2006	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 3—Milestones			
<b>Project Name:</b> Agana Sewerage Treatment Plant	<b>Location:</b> Agana	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project involves bringing this major (12.0 MGD) wastewater treatment plant serving large incorporated areas of Guam into compliance with NPDES operating permit guidelines. Principal activities to be undertaken include the renovation of the plant.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting and Pre-Design</b>			
Comprehensive Performance Evaluations	To be Initiated	Jan. 31, 2002	
Environmental Assessments and Construction Approval	To be Initiated	Oct. 1, 2003	
Local Building and Other Permits	To be Initiated	Oct. 1, 2003	
Operating Permits—others	To be Initiated	Sep. 30, 2004	
Operating Permits—NPDES	To be Initiated	Sep. 30, 2004	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	Nov. 30, 2002	
Bid Solicitation	To be Initiated	Jan. 1, 2003	
Contract Award/PUC Approval	To be Initiated	Mar. 1, 2003	
Design Activities	To be Initiated	Jun. 30, 2003	
Construction Management Activities	To be Initiated	Sep. 30, 2004	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Jun. 30, 2003	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Sep. 30, 2003	
Bid Solicitation for Construction	To be Initiated	Oct. 31, 2003	
Contract Award	To be Initiated	Nov. 30, 2003	
Notice to Proceed	To be Initiated	Dec. 15, 2003	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2004	
Construction	To be Initiated	Sep. 30, 2004	
Demobilization	To be Initiated	Oct. 31, 2004	
<b>D. Startup and Testing</b>			
Development of Testing and Startup Procedures	To be Initiated	Jul. 31, 2004	
Test Major Equipment and Systems	To be Initiated	Aug. 30, 2004	
Startup Activities	To be Initiated	Sep. 30, 2004	



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

<b>Project Number 4—Milestones</b>			
<b>Project Name:</b> Agana STP Outfall	<b>Location:</b> Agana	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project involves the extension of the existing effluent disposal outfall into significantly deeper water for more sufficient mixing and dilution of effluent.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting and Pre-Design</b>			
Environmental Assessments and Construction Approval	To be Initiated	Jul. 1, 2002	GWA
Local Building and Other Permits	To be Initiated	Jul. 1, 2002	GWA
Operating Permits—others	To be Initiated	Sep. 30, 2003	GWA
Operating Permits—NPDES	To be Initiated	Sep. 30, 2003	GWA
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	Completed	GWA	GWA
Bid Solicitation	Completed	GWA	GWA
Contract Award/PUC Approval	Completed	GWA	GWA
Design Activities	Completed	Oct. 31, 2001	Oct. 31, 2001
Construction Management Activities	Pending	Sep. 30, 2003	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Mar. 15, 2002	
Procurement of Owner Furnished Equipment & Materials	None	N/A	N/A
Bid Solicitation for Construction	To be Initiated	May 15, 2002	
Contract Award	To be Initiated	Jun. 15, 2002	
Notice to Proceed	To be Initiated	Jul. 1, 2002	
Delivery of Owner Furnished Equipment & Materials	None	N/A	N/A
Construction	To be Initiated	Sep. 30, 2003	
Demobilization	To be Initiated	Oct. 31, 2003	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 5—Milestones			
<b>Project Name:</b> Agana Village Collector System I/I	<b>Location:</b> Agana	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project consist of evaluating existing collection facilities, identifying cost-effective mitigation measures, developing engineering solutions, and the rehabilitation and construction of various sewer collector lines, which are subject to high levels of inflow and infiltration (I&I).			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Pre-Design and Pre-Construction Activities</b>			
Preparation of Bid Documents and Bid Solicitation	To be Initiated	May 31, 2003	
Conduct Comprehensive Sewer System Evaluation Survey (SSES)	To be Initiated	Aug. 31, 2003	
Identify Cost Effective Mitigation Measures	To be Initiated	Sep. 30, 2003	
Develop Final Mitigation Plan	To be Initiated	Oct. 31, 2003	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	Nov. 30, 2003	
Bid Solicitation	To be Initiated	Jan. 1, 2004	
Contract Award/PUC Approval	To be Initiated	Mar. 1, 2004	
Design Activities	To be Initiated	Jun. 30, 2004	
Construction Management Activities	To be Initiated	Sep. 30, 2006	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Jun. 30, 2004	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Sep. 30, 2004	
Bid Solicitation for Construction	To be Initiated	Oct. 31, 2004	
Contract Award	To be Initiated	Nov. 30, 2004	
Notice to Proceed	To be Initiated	Dec. 15, 2004	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2005	
Construction	To be Initiated	Aug. 30, 2006	
Demobilization	To be Initiated	Oct. 31, 2006	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 6—Milestones			
<b>Project Name:</b> Baza Gardens Sewerage Treatment Plant	<b>Location:</b> Baza Gardens Subdivision	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project involves bringing this relatively small (0.6 MGD) wastewater treatment plant serving the Baza Gardens area into compliance with NPDES operating permit guidelines. Principal activities to be undertaken include the renovation of the plant.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting and Pre-Design</b>			
Comprehensive Performance Evaluations	To be Initiated	Feb. 28, 2003	
Environmental Assessments and Construction Approval	To be Initiated	Apr. 15, 2004	
Local Building and Other Permits	To be Initiated	Apr. 15, 2004	
Operating Permits—others	To be Initiated	Sep. 30, 2004	
Operating Permits—NPDES	To be Initiated	Sep. 30, 2004	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	May 1, 2003	
Bid Solicitation	To be Initiated	Jul. 1, 2003	
Contract Award/PUC Approval	To be Initiated	Aug. 30, 2003	
Design Activities	To be Initiated	Nov. 30, 2003	
Construction Management Activities	To be Initiated	Sep. 30, 2004	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Nov. 30, 2003	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2004	
Bid Solicitation for Construction	To be Initiated	Feb. 28, 2004	
Contract Award	To be Initiated	Mar. 31, 2004	
Notice to Proceed	To be Initiated	Apr. 15, 2004	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	May 1, 2004	
Construction	To be Initiated	Sep. 30, 2004	
Demobilization	To be Initiated	Oct. 31, 2004	
<b>D. Startup and Testing</b>			
Development of Testing and Startup Procedures	To be Initiated	Jul. 31, 2004	
Test Major Equipment and Systems	To be Initiated	Aug. 30, 2004	
Startup Activities	To be Initiated	Sep. 30, 2004	



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 7—Milestones			
Project Name: Northern Sewerage Treatment Plant		Location: Dededo	GWA Work Order:
<b>Project Overview:</b>  This project involves bringing this major (12.0 MGD) wastewater treatment plant serving the northern areas of Guam into compliance with NPDES operating permit guidelines. Principal activities to be undertaken include the renovation of the plant.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting</b>			
Comprehensive Performance Evaluations	To be Initiated	Jan. 31, 2002	
Environmental Assessments and Construction Approval	To be Initiated	Oct. 1, 2003	
Local Building and Other Permits	To be Initiated	Oct. 1, 2003	
Operating Permits—others	To be Initiated	Sep. 30, 2004	
Operating Permits—NPDES	To be Initiated	Sep. 30, 2004	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	Nov. 30, 2002	
Bid Solicitation	To be Initiated	Jan. 1, 2003	
Contract Award/PUC Approval	To be Initiated	Mar. 1, 2003	
Design Activities	To be Initiated	Jun. 30, 2003	
Construction Management Activities	To be Initiated	Sep. 30, 2004	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Jun. 30, 2003	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Sep. 30, 2003	
Bid Solicitation for Construction	To be Initiated	Oct. 31, 2003	
Contract Award	To be Initiated	Nov. 30, 2003	
Notice to Proceed	To be Initiated	Dec. 15, 2003	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2004	
Construction	To be Initiated	Sep. 30, 2004	
Demobilization	To be Initiated	Oct. 31, 2004	
<b>D. Startup and Testing</b>			
Development of Testing and Startup Procedures	To be Initiated	Jul. 31, 2004	
Test Major Equipment and Systems	To be Initiated	Aug. 30, 2004	
Startup Activities	To be Initiated	Sep. 30, 2004	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 8—Milestones			
<b>Project Name:</b> Northern STP Outfall	<b>Location:</b> Dededo	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project involves the extension of the existing effluent disposal outfall into significantly deeper water for more sufficient mixing and dilution of effluent.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting and Pre-Design</b>			
Environmental Assessments and Construction Approval	To be Initiated	Jul. 1, 2002	
Local Building and Other Permits	To be Initiated	Jul. 1, 2002	
Operating Permits—others	To be Initiated	Sep. 30, 2003	
Operating Permits—NPDES	To be Initiated	Sep. 30, 2003	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	Completed	GWA	GWA
Bid Solicitation	Completed	GWA	GWA
Contract Award/PUC Approval	Completed	GWA	GWA
Design Activities	Completed	Oct. 31, 2001	Oct. 31, 2001
Construction Management Activities	Pending	Sep. 30, 2003	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Mar. 15, 2002	
Procurement of Owner Furnished Equipment & Materials	None	N/A	N/A
Bid Solicitation for Construction	To be Initiated	May 15, 2002	
Contract Award	To be Initiated	Jun. 15, 2002	
Notice to Proceed	To be Initiated	Jul. 1, 2002	
Delivery of Owner Furnished Equipment & Materials	None	N/A	N/A
Construction	To be Initiated	Sep. 30, 2003	
Demobilization	To be Initiated	Oct. 31, 2003	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 9—Milestones			
<b>Project Name:</b> Umatac/Merizo Sewerage Treatment Plant	<b>Location:</b> Umatac	<b>GWA Work Order:</b>	
<b>Project Overview:</b> <p>This project involves bringing this very small (0.25 MGD) wastewater treatment plant serving the Umatac and Merizo areas into compliance with NPDES operating permit guidelines. Principal activities to be undertaken include the renovation of the plant.</p>			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Permitting</b>			
Comprehensive Performance Evaluations	To be Initiated	Apr. 30, 2003	
Environmental Assessments and Construction Approval	To be Initiated	Apr. 15, 2004	
Local Building and Other Permits	To be Initiated	Apr. 15, 2004	
Operating Permits—others	To be Initiated	Sep. 30, 2004	
Operating Permits—NPDES	To be Initiated	Sep. 30, 2004	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	May 1, 2003	
Bid Solicitation	To be Initiated	Jul. 1, 2003	
Contract Award/PUC Approval	To be Initiated	Aug. 30, 2003	
Design Activities	To be Initiated	Nov. 30, 2003	
Construction Management Activities	To be Initiated	Sep. 30, 2004	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Nov. 30, 2003	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2004	
Bid Solicitation for Construction	To be Initiated	Feb. 28, 2004	
Contract Award	To be Initiated	Mar. 31, 2004	
Notice to Proceed	To be Initiated	Apr. 15, 2004	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	May 1, 2004	
Construction	To be Initiated	Sep. 30, 2004	
Demobilization	To be Initiated	Oct. 31, 2004	
<b>D. Startup and Testing</b>			
Development of Testing and Startup Procedures	To be Initiated	Jul. 31, 2004	
Test Major Equipment and Systems	To be Initiated	Aug. 30, 2004	
Startup Activities	To be Initiated	Sep. 30, 2004	



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 10—Milestones			
<b>Project Name:</b> Umatac/Merizo Collector System Inflow/Infiltration	<b>Location:</b> Umatac	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This project consist of evaluating existing collection facilities, identifying cost-effective mitigation measures, developing engineering solutions, and the rehabilitation and construction of various sewer collector lines, which are subject to high levels of inflow and infiltration (I&I).			
<b>Project Activities— Schedule and Status</b>	<b>Status</b>	<b>Estimated Completion Date</b>	<b>Actual Completion Date</b>
<b>A. Pre-Design and Pre-Construction Activities</b>			
Preparation of Bid Documents and Bid Solicitation	To be Initiated	May 31, 2003	
Conduct Comprehensive Sewer System Evaluation Survey (SSES)	To be Initiated	Aug. 31, 2003	
Identify Cost Effective Mitigation Measures	To be Initiated	Sep. 30, 2003	
Develop Final Mitigation Plan	To be Initiated	Oct. 31, 2003	
<b>B. Design, Engineering and Construction Management</b>			
Preparation of A/E Bid Documents	To be Initiated	Nov. 30, 2003	
Bid Solicitation	To be Initiated	Jan. 1, 2004	
Contract Award/PUC Approval	To be Initiated	Mar. 1, 2004	
Design Activities	To be Initiated	Jun. 30, 2004	
Construction Management Activities	To be Initiated	Sep. 30, 2006	
<b>C. Major Equipment Procurement and Construction</b>			
Preparation of Construction Documents	To be Initiated	Jun. 30, 2004	
Procurement of Owner Furnished Equipment & Materials	To be Initiated	Sep. 30, 2004	
Bid Solicitation for Construction	To be Initiated	Oct. 31, 2004	
Contract Award	To be Initiated	Nov. 30, 2004	
Notice to Proceed	To be Initiated	Dec. 15, 2004	
Delivery of Owner Furnished Equipment & Materials	To be Initiated	Jan. 31, 2005	
Construction	To be Initiated	Aug. 30, 2006	
Demobilization	To be Initiated	Oct. 31, 2006	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 11—Milestones			
<b>Project Name:</b> Comprehensive Performance Evaluations	<b>Location:</b> All GWA locations	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  These comprehensive performance evaluations on each of GWA wastewater treatment plants will be undertaken to validate the nature of improvements required to both the physical facilities as well as operating procedures.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. CPE Procurement—Agana &amp; Northern</b>			
Draft Scope of Work	Completed	Jul. 31, 2001	Jul. 31, 2001
Final Scope of Work	Completed	Aug. 31, 2001	Aug. 31, 2001
Advertise for Bid	Completed	Sep. 15, 2001	Sep. 15, 2001
Contract Award/PUC Approval	Completed	Oct. 31, 2001	Oct. 31, 2001
Notice to Proceed	Completed	Nov. 15, 2001	Nov. 15, 2001
Perform Evaluation	Underway	Dec. 31, 2001	Dec. 31, 2001
Preparation of Findings and Recommendations	Underway	Dec. 31, 2001	Dec. 31, 2001
Submit to EPA Corrective Action Plan	To be Initiated	Jan. 31, 2002	
<b>B. CPE Procurement— Agat, Baza Gardens, and Umatac/Merizo</b>			
Draft Scope of Work	To be Initiated	Aug. 1, 2002	
Final Scope of Work	To be Initiated	Sep. 1, 2002	
Advertise for Bid	To be Initiated	Oct. 1, 2002	
Contract Award/PUC Approval	To be Initiated	Nov. 15, 2002	
Notice to Proceed	To be Initiated	Dec. 1, 2002	
Perform Evaluation	To be Initiated	Jan. 31, 2003	
Preparation of Findings and Recommendations	To be Initiated	Jan. 31, 2003	
Submit to EPA Corrective Action Plan	To be Initiated	Feb. 28, 2003	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 12—Milestones			
<b>Project Name:</b> Comprehensive Assessment of Pump Stations/Collection System	<b>Location:</b> All GWA locations	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This activity will be included in the work activities to be undertaken by the performance management contractor (PMC) retained for the purposes of managing GWA's wastewater treatment and major pump stations. The work scope will involve undertaking a comprehensive assessment of all GWA pump stations and the collection system. Included will be an evaluation of GWA operations and maintenance practices.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. PMC Procurement</b>			
Develop PMC business and compensation model	To be Initiated	Apr. 30, 2002	
Develop staff training, development and certification requirements	To be Initiated	May 31, 2002	
Identify performance criteria, benchmarks or activity based objectives	To be Initiated	May 31, 2002	
Preparation of RFP Bid Documents	To be Initiated	Jun. 30, 2002	
Bid Solicitation	To be Initiated	Aug. 30, 2002	
Contract Award/PUC Approval	To be Initiated	Sep. 30, 2002	
Notice to Proceed	To be Initiated	Oct. 15, 2002	
<b>B. Program Design</b>			
PMC Mobilization—Program Design	To be Initiated	Oct. 15, 2002	
Identify Pump Stations and Major Wastewater Collection Systems	To be Initiated	Dec. 31, 2002	
Assess Existing Maintenance Tracking Database History	To be Initiated	Jan. 31, 2003	
Develop Physical Inspection Plan	To be Initiated	Feb. 28, 2003	
Approval of Inspection Plan	To be Initiated	Mar. 15, 2003	
<b>C. Program Implementation</b>			
Mobilization of Operations/Maintenance Specialists	To be Initiated	Apr. 1, 2003	
Conduct Inspection Program	To be Initiated	May 31, 2003	
Preparation of Initial Findings and Recommendations	To be Initiated	Jun. 30, 2003	
Submit Corrective Action Plan to GWA	To be Initiated	Jul. 15, 2003	
Input Findings into Preventive Maintenance Program Database	To be Initiated	Dec. 15, 2003	
Demobilization of Assessment Phase	To be Initiated	Jun. 30, 2003	



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 13—Milestones			
<b>Project Name:</b> Preventive Maintenance Program Implementation	<b>Location:</b> All GWA locations	<b>GWA Work Order:</b>	
<b>Project Overview:</b> <p>This activity will be included in the work activities to be undertaken by the performance management contractor (PMC) retained for the purposes of managing GWA's wastewater treatment and major pump stations. The work scope will involve providing proper operations and maintenance training to GWA personnel responsible for wastewater treatment. In addition, GWA plant personnel will be required to obtain requisite certification as plant operators.</p>			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. PMC Procurement</b>			
Develop PMC business and compensation model	To be Initiated	Apr. 30, 2002	
Develop staff training, development and certification requirements	To be Initiated	May 31, 2002	
Identify performance criteria, benchmarks or activity based objectives	To be Initiated	May 31, 2002	
Preparation of RFP Bid Documents	To be Initiated	Jun. 30, 2002	
Bid Solicitation	To be Initiated	Aug. 30, 2002	
Contract Award/PUC Approval	To be Initiated	Sep. 30, 2002	
Notice to Proceed	To be Initiated	Oct. 15, 2002	
<b>B. Program Design</b>			
Maintenance Planning Skills Gap/Best Practices	To be Initiated	Nov. 30, 2002	
Identify and Adapt Maintenance Tracking Tools	To be Initiated	Feb. 28, 2003	
Identify Major Wastewater Equip/Systems	To be Initiated	May 30, 2003	
Design Maintenance Work Order and Reporting Systems	To be Initiated	May 30, 2003	
Approval of Maintenance Planning Systems	To be Initiated	Jun. 30, 2003	
<b>C. Program Implementation</b>			
PMC Mobilization	To be Initiated	Oct. 15, 2002	
Mobilization of Operations/Maintenance Specialists	To be Initiated	Nov. 15, 2002	
Train Maintenance Planners	To be Initiated	Apr. 15, 2003	
Implement Ongoing Preventive Maintenance Activities	To be Initiated	Jul. 1, 2003	
Initiate On-Job Related Training	To be Initiated	Jul. 1, 2003	
Develop Equipment Histories	To be Initiated	Dec. 15, 2003	
Continuing Maintenance Activities	To be Initiated	Sep. 30, 2006	
<b>D. Program Evaluation</b>			
Semi-annual Reviews	To be Initiated	Jan. 30, 2004	
Program Redesign	To be Initiated	Mar. 30, 2004	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 14—Milestones			
<b>Project Name:</b> Operator Training & Certification	<b>Location:</b> All GWA locations	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This activity will be included in the work activities to be undertaken by the performance management contractor (PMC) retained for the purposes of managing GWA's wastewater treatment and major pump stations. The work scope will involve providing proper operations and maintenance training to GWA personnel responsible for wastewater treatment. In addition, GWA plant personnel will be required to obtain requisite certification as plant operators			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. PMC Procurement</b>			
Develop PMC business and compensation model	To be Initiated	Apr. 30, 2002	
Develop staff training, development and certification requirements	To be Initiated	May 31, 2002	
Identify performance criteria, benchmarks or activity based objectives	To be Initiated	May 31, 2002	
Preparation of RFP Bid Documents	To be Initiated	Jun. 30, 2002	
Bid Solicitation	To be Initiated	Aug. 30, 2002	
Contract Award/PUC Approval	To be Initiated	Sep. 30, 2002	
Notice to Proceed	To be Initiated	Oct. 15, 2002	
<b>B. Program Design</b>			
Conduct Skills Gap Analysis	To be Initiated	Dec. 31, 2002	
Review Existing Practices vs. Industry Best Practices	To be Initiated	Dec. 31, 2002	
Develop Training and Certification Programs	To be Initiated	Feb. 28, 2002	
Develop Train the Trainer Program	To be Initiated	Mar. 30, 2002	
Approval of Training and Certification Programs	To be Initiated	Mar. 30, 2002	
<b>C. Program Implementation</b>			
PMC Mobilization	To be Initiated	Oct. 15, 2002	
Mobilization of Training Specialists	To be Initiated	Mar. 15, 2003	
Initiate Train the Trainer Activities	To be Initiated	Apr. 15, 2003	
Initiate Formal Training Activities for Operations Personnel	To be Initiated	Mar. 15, 2003	
Evaluate Individual Employee Training Requirements	To be Initiated	Jun. 30, 2003	
Initiate On-Job Related Training	To be Initiated	Jul. 1, 2003	
Continuing Training Activities	To be Initiated	Sep. 30, 2006	
<b>D. Program Evaluation</b>			
Develop Employee Testing Programs	To be Initiated	Feb. 28, 2003	
Test and Evaluate Employees	To be Initiated	Jun. 30, 2003	
Modify Training and Certification Programs	To be Initiated	Aug. 1, 2003	
Retest and Reevaluate Employees	To be Initiated	Dec. 1, 2003	



# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 15—Milestones			
<b>Project Name:</b> Monitoring Requirements	<b>Location:</b> All GWA locations	<b>GWA Work Order:</b>	
<b>Project Overview:</b>  This activity will involve supplementing GWA's routine wastewater sampling and monitoring at its various STP. This service will be provided by a private contractor utilizing certified laboratory services until that time that GWA puts in place the necessary personnel and equipment resources to properly monitor its STP facilities.			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Procurement of Laboratory Services</b>			
Develop Work Scope and Schedule of Services	To be Initiated	Feb. 28, 2002	
Preparation of RFP Bid Documents	To be Initiated	Mar. 31, 2002	
Bid Solicitation	To be Initiated	May 15, 2002	
Contract Award/PUC Approval, if required	To be Initiated	Jun. 1, 2002	
Notice to Proceed	To be Initiated	Jun. 15, 2002	
<b>B. Design and Implementation of Monitoring and Certification Program</b>			
Perform supplemental monitoring	To be Initiated	Sep. 30, 2004	
Conduct Skills Gap Analysis	To be Initiated	Aug. 15, 2002	
Review Existing Practices vs. Industry Best Practices	To be Initiated	Sep. 15, 2002	
Develop Monitoring and Lab Certification Program	To be Initiated	Nov. 15, 2002	
Evaluate Individual Employee Training Requirements	To be Initiated	Nov. 15, 2002	
Acquire Necessary Equipment	To be Initiated	Dec. 31, 2002	
Train or Retain Personnel Qualified in Proper Laboratory Practices	To be Initiated	Sep. 30, 2003	
Test GWA Lab Against Independent Labs	To be Initiated	Dec. 31, 2003	
<b>C. Program Evaluation</b>			
Develop Laboratory Testing Programs	To be Initiated	Dec. 31, 2003	
Test and Evaluate Employees	To be Initiated	Feb. 28, 2004	
Modify Laboratory Procedures, as necessary	To be Initiated	Mar. 31, 2004	

# Guam Waterworks Authority

## Compliance Schedule Reporting

Period Ending: January 31, 2002

USEPA Docket CWA-402-9-01-19

Project Number 16—Milestones			
Project Name: Wastewater Facilities Plan	Location: GWA system-wide	GWA Work Order:	
Project Overview:  This activity will involve an update to the GWA Facilities Plan finalized in December 1994			
Project Activities— Schedule and Status	Status	Estimated Completion Date	Actual Completion Date
<b>A. Facilities Planning</b>			
Preparation of Bid Documents	To be Initiated	Jan. 15, 2005	
Bid Solicitation	To be Initiated	Apr. 1, 2005	
Contract Award/PUC Approval	To be Initiated	Jun. 1, 2005	
Research and Analysis	To be Initiated	Mar. 1, 2006	
Preparation of Initial Findings and Recommendations	To be Initiated	May 1, 2006	
<b>B. Approval and Finalization of Facilities Plan</b>			
Review Session w/GWA Board of Directors and Management	To be Initiated	May 15, 2006	
Review by the PUC	To be Initiated	Jun. 1, 2006	
Development of Implementation Plans	To be Initiated	Aug. 31, 2006	
Finalize Report	To be Initiated	Sep. 30, 2006	



**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Terrence M. Brooks, Chairman

Filomena M. Cantoria  
Edward C. Crisostomo  
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Harry M. Boertzel, Esq.  
Administrative Law Judge

Monessa C. Leon Guerrero  
Executive Director

June 11, 2002

**VIA FACSIMILE TRANSMISSION**

472-4290

William J. Blair, Esq.

**KLEMM, BLAIR, STERLING & JOHNSON**

Suite 1008, Pacific News Building  
238 Archbishop F. Flores Street  
Hagatna, Guam 96910

**RE: Docket 02-02 [EPA Financial Plan]**

Dear Bill:

I would appreciate your providing the Commission with an internal memo regarding Guam Waterworks Authority's capacity to contract without sufficient directors to satisfy the quorum requirement in 12 GCA 14105(b). Your memo should address the Governor's organic authority to act in lieu of the board in exercising GWA's corporate powers.

Your memo will be important guidance to the Commission in deciding whether it is useful to push GWA contractual activities, which are envisioned under the financial plan. The memo will also be useful in discussions with EPA.

It would be helpful if the memo could be submitted by June 18, 2002.

Thanks for your assistance.

Cordially,



**Harry M. Boertzel**

cc: Jim Madan

HP OfficeJet  
Personal Printer/Fax/Copier/Scanner

Fax History Report for

4721917

Jun 11 2002 12:17pm

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Last Fax

<u>Date</u>	<u>Time</u>	<u>Type</u>	<u>Identification</u>	<u>Duration</u>	<u>Pages</u>	<u>Result</u>
Jun 11	12:16pm	Sent	4724290	0:37	1	OK

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Result:

OK - black and white fax

OK color - color fax





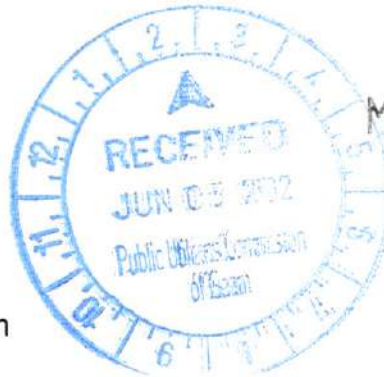
## GUAM WATERWORKS AUTHORITY

Aturidat Kinalamten Hanon Guahan

Government of Guam

P.O. Box 3010, Agana, Guam 96932

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Harry M. Boertzel, Esq.  
Administrative Law Judge  
Public Utilities Commission of Guam  
Suite 207, GCIC Building  
P.O. Box 862  
Hagatna, Guam 96932

**Subject:** Georgetown Consultant's Letter Dated May 30, 2002  
Re: GWA-EPA Financial Plan Docket 02-02

Dear Mr. Boertzel:

Please be advised that GWA personnel have been in contact with USEPA officials during their recent visit to Guam and through telephone conferences. USEPA officials are aware of the override of Bill 230.

USEPA has provided \$10,000.00 for GWA to send several of its employees to attend the USEPA conference in Palau in June 2002. In addition, USEPA is assisting GWA in securing technical assistance from off island at their expense. GWA has submitted the quarterly reports to USEPA.

Sincerely,

  
C-1 **GIL A. SHINOHARA**  
Acting General Manager

cc: Tom Lannen, GWA Legal Counsel  
Zeny Nace, GWA Controller  
Jamshed Madan, PUC Consultant  
William Blair, Esq.

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Edward R. Margerison  
Jean Dorrell

May 30, 2002

Harry Boertzel, Esq.  
ALJ  
The Guam Public Utilities Commission  
Suite 207, GCIC Building  
Hagatna, Guam 96932

**RE: GWA – EPA FINANCIAL PLAN (DOCKET 02-02)**

Dear Harry:

In your letter of May 3, 2002 you directed Georgetown to develop a working paper of suggestions on how GWA can best move forward with the Financial Plan filed with the USEPA given the lack of short term funds currently available to GWA.

**BACKGROUND**

In your letter you indicated that the Commission is unaware of any progress in implementing the GWA Financial Plan which the Governor and Legislature approved by Public Law 26-78. Indeed, even though the Governor and Legislature approved Public Law 26-78 and the PUC issued an Order on March 14, 2002 to meet the USEPA's requirement for a written commitment to GWA's Plan and Compliance schedules, we believe that GWA has not transmitted either Public Law 26-78 or the PUC's March 14, 2002 Order to USEPA. The significance of not transmitting these documents is that if they are not received by USEPA they have not yet been incorporated into and made part of the Order of Consent. GWA is delinquent in meeting the March 30, 2002 deadline for the transfer of these documents to USEPA and USEPA's approval of the Financial Plan and compliance Schedules is still conditional. We are unaware of what actions USEPA is planning to take in light of this deficiency. In addition, in discussions with USEPA officials we understand that GWA anticipates requesting significant changes in the Financial Plan that involve modification or elimination of the use of the performance management concept (PMC) that was included in the original Financial Plan to rehabilitate the sewer treatment plants. We are unaware of the status of GWA's request and USEPA's response, if any.

You also indicated that according to the Financial Plan approximately \$21 million in short term funds would be necessary to begin implementation of the plan and to make institutional

changes, which will be necessary for it to access the long term financial market in 2003. On March 21, 2002 GEDA advised GWA that Guam lending institutions have no interest in providing GWA with short term funding. GEDA recommended that a rate increase be implemented to provide this funding. The Legislature's recent override of the Governor's veto of Bill 230 prohibits GWA from seeking rate relief from the Commission for a period of 12 months after the bill's enactment into law, May 8, 2003 and therefore a rate increase option is not currently available. In addition a rate increase option to provide GWA funding to undertake the requirements of the Financial Plan has a very high current cost and will cause a significant rate shock to GWA's ratepayers.

The Commission is aware of USEPA's serious concern over the state of affairs described above. USEPA representatives will be on Guam in June to meet with both GWA and with the commission regarding its concerns. In preparation for this meeting you have requested GCG to prepare this paper with suggestions on how GWA can best move forward with the Financial Plan given the lack of short term funds. You requested GCG to, among other things, examine the feasibility of using BOT legislative authority (P.L. 26-34) to promptly initiate the financial plan projects and activities.

### **FRAMEWORK FOR ANALYSIS AND FUTURE OPTIONS.**

In order to address how GWA can best move forward the appropriate beginning point is the constraints that limit GWA's freedom to act. The override of the Governor's veto of Bill 230 has placed significant constraints on GWA. In your letter of March 5, 2002 to Senator Joanne Brown you cautioned that a legislative override of the Governor's veto of Bill 230 may be inconsistent to the commitments made by the Legislature in P.L. 26-78. GEDA has advised GWA that Guam lending institutions have no interest in providing GWA with short term funding. While this does not conclusively rule out the possibility of short term funding being available to GWA, it does point up the possibility that short term funds may not be available or not be available in a timely fashion. In this circumstance and further assuming that any alternative method of funding the projects required in the Financial Plan will not implement the required projects on a timely basis, the Commission would have been required under the Financial Plan to fund the required projects through rates. The Financial Plan makes clear that funding of these projects through rates is not the preferred route and would cause a rate shock to GWA's ratepayers. The override of the Governor's veto has ruled out any possibility of the Commission being able to provide any funds through a rate increase for a year. It also causes uncertainty on the part of a prospective lender as to how GWA will be in a position in the future to take care of business and meet future financial debt service obligations if there are similar restrictions in the future. If there are no viable funding routes, either short term or long term, for the projects required by the Financial Plan it will not be possible for GWA to meet the USEPA requirements. It is unknown what enforcement actions USEPA would take in those circumstances.

GWA is already in violation of the USEPA's requirement to have transmitted the PUC's Order and P.L. 26-78 to the USEPA by March 30, 2002 such that these documents would then be considered incorporated into and made part of the Order of Consent. We have been informed that GWA will not be in a position to file the quarterly progress report that was required by the Consent Order on April 30, 2002. In discussions with both GWA and USEPA personnel we have been given to understand that virtually no progress has been made to comply with any of the requirements in the Financial Plan. We therefore come to the

can be reasonably achieved if GWA's financial and operating condition is improved to the necessary level.

The possibility of RUS funding for these projects should also be investigated. In a letter received from RUS (that was attached as an attachment to the Financial Plan) it was indicated that GWA would be eligible for RUS financing under various programs. We are unaware of what steps, if any, either GWA or GEDA has taken to investigate the availability of RUS funding or the probability of GWA being successful in obtaining the funds from the programs outlined by RUS. We recommend that this effort begin immediately if not already in progress. The availability of RUS funds will clearly have an impact on the amount of additional long term borrowing necessary through bonds or other forms of financing.

The projects for which the BOT process should begin immediately as discussed above are the Meter Management and Sewer connection programs. There is complete agreement that these programs are beneficial to GWA in studies undertaken by both GWA and GCG. These projects have been approved for implementation by the PUC. These projects produce significant financial and operating benefits to GWA which will help to finance other projects required by the Financial Plan and will in the process moderate the rate increases required to acquire long term debt. Because of these features these programs should be implemented without delay. We would recommend that the next step would be for the PUC to order the development of a proposal for these projects and to make sure that all of the requirements of P.L. 26-34 for these projects have been met. These proposals should be developed collaboratively by both GCG and GWA.

Finally, the PUC oversight of the Revenue Audit recommendations implementation should continue. The Financial Plan is based, in part, on the benefit of improved revenues and reduced costs inherent with the implementation of these recommendations. This will additionally keep any required rate increase to obtain debt to a minimum. In order to make meaningful progress in implementing the agreed to recommendations of the Revenue audit, we believe that the establishment of a permanent General Manager and a Chief Financial Officer are essential. These two positions are required by the recent legislation that established the Consolidated Commission on Utilities (CCU) and if these positions are not filled in the interim they will be established after the initial CCU is established and functioning early in 2003.

There is one final consideration that should be given some consideration under the present circumstances of the override of the governor's veto of Bill 230 that prohibits the PUC from granting any rate increase for a period of a year. This situation will have a chilling effect on the ability of GWA to obtain short term debt and consequently on GWA's ability to meet the requirements of USEPA's Consent Order. In these circumstances consideration should be given to GWA requesting a short-term loan from GovGuam, which would later be repaid by the issuance of long-term debt, by GWA. GovGuam has committed to implement the requirements of USEPA's Consent Order but GWA cannot borrow short-term funds or implement a rate increase which are required to implement the requirements given that GWA cannot demonstrate reasonable credit risk given Bill 230. This approach would represent a reasonable cost to GWA ratepayers, and unless GovGuam extends GWA credit, GWA may have no other means to meet the mandate with USEPA that GovGuam has agreed to.



service. In our opinion this will require GWA to be run both operationally and financially in an efficient manner and for the PUC to independently provide the rates required to support the debt service. We believe that similar to the situation with GPA and its bondholders, GWA will be required to follow the requirements of a bond indenture that will be created that will require GWA to function efficiently and prudently and will require the ability of GWA to establish sufficient revenues from an independent PUC to support the required debt service.

If the requirements of acquiring long term debt are put in place, the sources of bridge financing should also be investigated, evaluated and implemented if available on reasonable terms as the appropriate short term financial vehicle. It makes logical sense that if the requirements to acquire long term debt are put in place then those same requirements will provide the security for the acquisition of bridge financing which will be taken out when the long term debt is acquired, as explained in the Financial Plan. We would point out that timing is a major issue here. The Financial Plan shows that GWA has a requirement to fund approximately \$21 million in short term debt in FY 2002 and 2003 (this will be subject to some modification as discussed above). These funds are clearly needed immediately and their absence will cause GWA to be in violation of the compliance schedules in the Financial Plan. To obtain these funds GWA and the PUC needs to make the commitments needed to secure long term financing in the immediate time frame in the form of irrevocable pledges for future action. These actions will have to be guided by GWA's Financial Advisors and the underwriters responsible for the issuance of long term bonds. These irrevocable pledges will be similar to the requirements of a bond indenture and will require that the PUC have the authority to provide rate relief to support the required debt service without any possibility that this authority would be overridden by any institution. Implementation of a rate increase to fund any projects has been forbidden by the override of the Governor's veto of Bill 230 for a period of a year.

You had also requested in your May 3, 2002 letter that we evaluate the feasibility of using the BOT legislation, P.L. 26-34 to promptly initiate the Financial Plan projects and activities. We have examined the projects that need to be initiated in FY 2002 and 2003 (see, for example, Attachment A to the March 5, 2002 letter to Senator Joanne Brown for a listing of these projects) and which were intended to be funded with short term debt in the Financial Plan and come to the conclusion that it would not be practical to fund any of these projects that are not revenue producing through the BOT mechanism. Only two projects are revenue producing – the Meter Management and Sewer Connection programs. We recommend that the BOT process for these two programs begin immediately. The reasons that it would not make sense for the other projects to be funded through the BOT mechanism is that GWA will not be able to provide to the BOT proponents the necessary assurances and governmental guarantees that they will want. GWA is currently too financially weak, unable to raise rates in the near-term, and will not otherwise be able to demonstrate an ability to repay a BOT proponent from operating revenues which are currently insufficient to cover existing obligations, much less provide coverage for future long-term debt and pay a BOT contractor. In addition, the financing cost that would be demanded by the BOT contractor would be greatly in excess of the cost of financing to GWA through the issuance of debt. If this method were to be extensively used we would recommend that a requirement that GWA be permitted to purchase out the "capital" portion of the BOT be made part of any contract. This method should be used comprehensively only if it is established that the debt financing route is not viable. It is our understanding from discussions with GEDA that debt financing

conclusion that the Financial Plan will need to be modified and that GWA will have to request a modification and re-approval from USEPA. It is uncertain what USEPA's response or conditions would be for any modification.

We are not totally informed on what changes to the Financial Plan GWA anticipates requesting from USEPA. Subject to this uncertainty we believe that there are two major activities that should immediately be undertaken by GWA and the PUC to meet the intent of implementing the Financial Plan. These activities are, first, to determine the best strategy to obtain funds to implement the Financial Plan, both long term and short term, which would also consider all options including the Buy Operate and Transfer (BOT) option discussed in the Financial Plan. The second major activity would be to re-examine the Financial Plan to re-order the timing of projects given the reality of GWA's situation at the current time.

#### A. Financing of Projects.

At the current time GEDA has only evaluated the availability of short term funds from Guam lending institutions. In a letter to the Chairman of the PUC dated January 22, 2002, GEDA indicated that the short term financing alternatives for GWA are the following:

1. Short term loan or note – From a local or off-island finance institution.
2. Line of Credit – From a local or off-island finance institution.
3. Commercial Paper – Issued in the capital markets
4. Bond Anticipation Notes – Issued in the capital markets in anticipation of a bond takeout (good to note that Guam has this power. Maybe a source of future bridge financing instead of the local short term market. Probably of little use until that time GWA is a financially viable entity).

It was GEDA's assessment that in the short term, a loan or line of credit from a local or off-island finance institution may be the best and quickest option, however, with the proper planning and rate implementation, GWA will at a later date be able to finance capital improvement projects so as to meet USEPA requirements.

We concur in GEDA's overall assessment of the situation and believe that the plan of action outlined should be initiated without delay. The current Financial Plan (which we indicate above will have to be modified) calls for a rate increase that will be required to provide the financial indicators to access the long term debt market sometime towards the end of fiscal year (FY) 2003. The financing will provide funding for the projects required by the Financial Plan. Even given the override of the Governor's veto of Bill 230, the PUC will be in a position to implement the rate increase required as long as no further restrictions are placed on the PUC. This rate increase sometime towards the end of calendar year 2003 is the lowest cost of all options to the ratepayers of GWA to comply with the Consent Order. This would provide the ability to issue bonds and undertake over \$71 million of projects to rehabilitate the waste water system and provide services for which ratepayers pay as well as to protect the environment. In this scenario long term debt would be issued sometime between September and December 2003. In order to accomplish this the required rate increase would need to be implemented before the bonds are sold. Given GWA's weak current financial condition we believe that it will be necessary for GEDA and the PUC to immediately begin a collaborative process to plan for the acquisition of long term debt by GWA. The acquisition of long term debt will require confidence of the bondholders in the ability of GWA to pay its required debt.

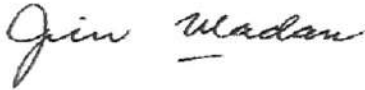


B. Modification of the Financial Plan.

It is clear that the Financial Plan will need modification. First GWA has indicated to USEPA that it wishes to modify the plan. In addition, for the reasons listed above, the schedules for the projects contained in the Financial Plan would need to be modified given the inaction of GWA. We are uncertain whether section 14 of P.L. 26-34 which directs the commission to oversee the development of the Financial Plan required by USEPA's consent Order will have continued applicability for the modification of such a plan. This modification will depend on the USEPA's posture with regard to modification given the events described above. Since USEPA has indicated that it wishes to meet with both GWA and the PUC during their visit to Guam in June, we recommend that any specific action on the modification be taken after those meetings.

If there are any questions please do not hesitate to call.

Cordially,

A handwritten signature in cursive script, appearing to read "Jamshed K. Madan".

Jamshed K. Madan

Cc: Gil A. Sinohara, AGM GWA  
Zeny Nace, GWA  
Carlos Q. Taitano, GWA  
William J. Blair, Esq.

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM

GUAM WATERWORKS AUTHORITY-)  
EPA FINANCIAL PLAN )

DOCKET 02-02



**ORDER**

This Order responds to the United States Environmental Protection Agency's [EPA] February 25, 2002 letter [the "EPA Letter"] regarding Guam Waterworks Authority's [GWA] financial plan and compliance schedule.

In August 2001 EPA, GWA and Governor Carl Gutierrez executed a consent order in which GWA agreed during the next five years to bring its wastewater treatment facilities into compliance with Federal law and permitting requirements. The Consent Order required GWA to submit for EPA approval a financial plan with compliance schedule [the "Financial Plan"] under which such work would occur. The Financial Plan, which calls for GWA to undertake \$90 million dollars in capital and operational expenditures, was submitted for EPA approval on January 31, 2002. The EPA Letter approves the plan, provided that the Commission and the Guam Legislature commit to provide the authorizations, approvals and rate relief, which are reasonably necessary to enable GWA to timely discharge its duties under the Financial Plan. The EPA Letter requires that these commitments be provided to EPA not later than March 30, 2002.

After discussion with its consultants and its administrative law judge [ALJ] and for good cause shown, the Commission at a duly noticed and convened meeting and upon motion, seconded and carried by vote of the undersigned, hereby **ORDERS THAT:**

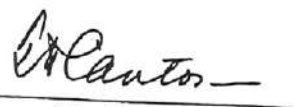
1. The Commission shall, in a timely manner, order such rate relief and grant such regulatory approval as may be required by GWA to enable it to comply with the Financial Plan in a prudent and reasonable manner. In making this commitment, the Commission finds that the Consent Order constitutes a lawful GWA obligation, which under 12 GCA 12004 the Commission is required to fund, if necessary, through rates.
2. Given the substantial impact, which the Financial Plan could have on GWA ratepayers, the Commission hereby asserts its audit powers under P.L. 25-05:12, as the jurisdictional basis for overseeing GWA's implementation of the Financial Plan and of the recommendations of the Commission's revenue cycle audit, as approved in December 2001. The Commission finds that implementation of the audit recommendations, which will be funded through the Financial Plan, is crucial to GWA's ability to execute its duties under the Financial Plan. ALJ is authorized and directed to establish the protocol under which this Commission oversight shall occur.

Order  
Guam Waterworks Authority - Docket 02-02  
Page 2 of 2

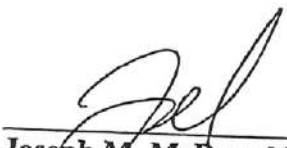
3. Subject to legislative approval, GWA is hereby authorized to borrow not to exceed \$21.2 million dollars in short-term debt for the purpose of funding the Financial Plan related projects identified in Attachment A to this Order. The terms and conditions as well as the uses and commitment of such funds shall require **prior** Commission review and approval. ALJ is authorized and directed to establish the regulatory process by which this review shall occur. The Commission shall provide such regulatory assurances as may be reasonably necessary to induce lenders to extend GWA this short term debt.
4. The Commission finds that an operational and "best practices" personnel audit of GWA would meaningfully enhance GWA's ability to execute the Financial Plan. The Commission further finds that the audit expense would be significantly exceeded by savings and revenue enhancements resulting from implementing audit recommendations. In the event the Legislature approves, as part of its short-term debt authorization, funding for the Commission to undertake this audit, ALJ is authorized and directed to recommend the procurement process by which the Commission will undertake this audit.
5. The Commission is a creature of statute and, therefore, cautions EPA that the Commission's ability to meet the commitments contained herein is expressly contingent upon a reciprocal commitment from the government of Guam that it will not take any action to limit or otherwise compromise the Commission's regulatory authority over GWA, as asserted herein.

Dated this 14<sup>th</sup> day of March 2002.

  
Terrence M. Brooks

  
Filomena M. Cantoria

  
Gerald M. Woo

  
Joseph M. McDonald

  
Edward C. Crisostomo

**GWA—DESCRIPTION OF PROJECTS AND ACTIVITIES TO BE FUNDED  
BY SHORT-TERM DEBT INCLUDED IN THE FINANCIAL  
PLAN SUBMITTED TO USEPA  
(\$1000s)**

<b>Uses of Funds:</b>	<b>FY 2002</b>	<b>FY 2003</b>
Agana Wastewater Treatment Plant (WTP) Ocean Outfall	\$ 1400	\$ 3000
Northern WTP) Ocean Outfall	\$ 1400	\$ 2900
Comprehensive Performance Evaluation for all WTPs	\$ 182	\$ 300
Assessment of Pump Stations and Collection System	\$ 100	\$ 500
Engineering Design	\$ 210	\$ 443
Construction Management	\$ 115	\$ 250
Consent Order-Additional Operational Expenses	\$ 150	\$ 1220
PMC for all of GWA WTPs		\$ 500
PMC for GWA Back Office Operations		\$ 500
Regulatory Management-Oversight of GWA compliance and selection of Performance Management Contractor (PMC) for treatment operations	\$ 135	\$ 158
Program administration-Oversight of Revenue Audit Implementation	\$ 105	\$ 119
Annual system renewals & replacements-Water and Wastewater	\$ 6000	\$ 6000
Meter Management Program-Capital Requirements		\$ 1500
Other EPA Funded Projects	\$ 2200	\$ 4200
Revenue Enhancement Program-Planning and Selection of BOT Contractor for Meter Management and Sewer Connection Programs	\$ 150	\$ 25
Operational Audit and Best Practices/Skills Assessment	\$ 275	\$ 1025
<b>Total Uses of Funds</b>	<b>\$ 12,422</b>	<b>\$ 22,640</b>
<b>Sources of Funds:</b>		
EPA Grants—Committed and Anticipated	\$ 2200	\$ 5649
Bond Refinancing	\$ 6000	
<b>Subtotal-Sources of Funds</b>	<b>\$ 8200</b>	<b>\$ 5649</b>
<b>Debt Financing Required-Short Term</b>	<b>\$ 4222</b>	<b>\$ 16,991</b>
<b>Cumulative Debt Financing Required-Short Term</b>	<b>\$ 4222</b>	<b>\$ 21,213</b>

**ATTACHMENT "A"**



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM**

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**GUAM WATERWORKS AUTHORITY**

**DOCKET 02-02**

**USEPA CONSENT ORDER —  
GWA FINANCIAL PLAN**

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As directed by ALJ Harry M. Boertzel in his letter of May 3, 2002, **GEORGETOWN CONSULTING GROUP, INC.** hereby submits its report regarding Guam Waterworks Authority's EPA Financial Plan.

**DATED** this 30<sup>th</sup> day of May, 2002.

**KLEMM, BLAIR, STERLING & JOHNSON**  
A PROFESSIONAL CORPORATION

BY: 

**WILLIAM J. BLAIR**  
ATTORNEYS FOR GEORGETOWN  
CONSULTING GROUP, INC.

**Attachment**



GEORGETOWN CONSULTING GROUP, INC.

716 DANBURY RD.  
RIDGEFIELD, CT. 06877

Jamshed K. Madan  
Michael D. Dirmeier



Telephone (203) 431-0231  
Facsimile (203) 438-8420  
jmadan@snet.net

Edward R. Margerison  
Jean Dorrell

May 30, 2002

Harry Boertzel, Esq.  
ALJ  
The Guam Public Utilities Commission  
Suite 207, GCIC Building  
Hagatna, Guam 96932

**RE: GWA – EPA FINANCIAL PLAN (DOCKET 02-02)**

Dear Harry:

In your letter of May 3, 2002 you directed Georgetown to develop a working paper of suggestions on how GWA can best move forward with the Financial Plan filed with the USEPA given the lack of short term funds currently available to GWA.

**BACKGROUND**

In your letter you indicated that the Commission is unaware of any progress in implementing the GWA Financial Plan which the Governor and Legislature approved by Public Law 26-78. Indeed, even though the Governor and Legislature approved Public Law 26-78 and the PUC issued an Order on March 14, 2002 to meet the USEPA's requirement for a written commitment to GWA's Plan and Compliance schedules, we believe that GWA has not transmitted either Public Law 26-78 or the PUC's March 14, 2002 Order to USEPA. The significance of not transmitting these documents is that if they are not received by USEPA they have not yet been incorporated into and made part of the Order of Consent. GWA is delinquent in meeting the March 30, 2002 deadline for the transfer of these documents to USEPA and USEPA's approval of the Financial Plan and compliance Schedules is still conditional. We are unaware of what actions USEPA is planning to take in light of this deficiency. In addition, in discussions with USEPA officials we understand that GWA anticipates requesting significant changes in the Financial Plan that involve modification or elimination of the use of the performance management concept (PMC) that was included in the original Financial Plan to rehabilitate the sewer treatment plants.. We are unaware of the status of GWA's request and USEPA's response, if any.

You also indicated that according to the Financial Plan approximately \$21 million in short term funds would be necessary to begin implementation of the plan and to make institutional

changes, which will be necessary for it to access the long term financial market in 2003. On March 21, 2002 GEDA advised GWA that Guam lending institutions have no interest in providing GWA with short term funding. GEDA recommended that a rate increase be implemented to provide this funding. The Legislature's recent override of the Governor's veto of Bill 230 prohibits GWA from seeking rate relief from the Commission for a period of 12 months after the bill's enactment into law, May 8, 2003 and therefore a rate increase option is not currently available. In addition a rate increase option to provide GWA funding to undertake the requirements of the Financial Plan has a very high current cost and will cause a significant rate shock to GWA's ratepayers.

The Commission is aware of USEPA's serious concern over the state of affairs described above. USEPA representatives will be on Guam in June to meet with both GWA and with the commission regarding its concerns. In preparation for this meeting you have requested GCG to prepare this paper with suggestions on how GWA can best move forward with the Financial Plan given the lack of short term funds. You requested GCG to, among other things, examine the feasibility of using BOT legislative authority (P.L. 26-34) to promptly initiate the financial plan projects and activities.

#### **FRAMEWORK FOR ANALYSIS AND FUTURE OPTIONS.**

In order to address how GWA can best move forward the appropriate beginning point is the constraints that limit GWA's freedom to act. The override of the Governor's veto of Bill 230 has placed significant constraints on GWA. In your letter of March 5, 2002 to Senator Joanne Brown you cautioned that a legislative override of the Governor's veto of Bill 230 may be inconsistent to the commitments made by the Legislature in P.L. 26-78. GEDA has advised GWA that Guam lending institutions have no interest in providing GWA with short term funding. While this does not conclusively rule out the possibility of short term funding being available to GWA, it does point up the possibility that short term funds may not be available or not be available in a timely fashion. In this circumstance and further assuming that any alternative method of funding the projects required in the Financial Plan will not implement the required projects on a timely basis, the Commission would have been required under the Financial Plan to fund the required projects through rates. The Financial Plan makes clear that funding of these projects through rates is not the preferred route and would cause a rate shock to GWA's ratepayers. The override of the Governor's veto has ruled out any possibility of the Commission being able to provide any funds through a rate increase for a year. It also causes uncertainty on the part of a prospective lender as to how GWA will be in a position in the future to take care of business and meet future financial debt service obligations if there are similar restrictions in the future. If there are no viable funding routes, either short term or long term, for the projects required by the Financial Plan it will not be possible for GWA to meet the USEPA requirements. It is unknown what enforcement actions USEPA would take in those circumstances.

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conclusion that the Financial Plan will need to be modified and that GWA will have to request a modification and re-approval from USEPA. It is uncertain what USEPA's response or conditions would be for any modification.

We are not totally informed on what changes to the Financial Plan GWA anticipates requesting from USEPA. Subject to this uncertainty we believe that there are two major activities that should immediately be undertaken by GWA and the PUC to meet the intent of implementing the Financial Plan. These activities are, first, to determine the best strategy to obtain funds to implement the Financial Plan, both long term and short term, which would also consider all options including the Buy Operate and Transfer (BOT) option discussed in the Financial Plan. The second major activity would be to re-examine the Financial Plan to re-order the timing of projects given the reality of GWA's situation at the current time.

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You had also requested in your May 3, 2002 letter that we evaluate the feasibility of using the BOT legislation, P.L. 26-34 to promptly initiate the Financial Plan projects and activities. We have examined the projects that need to be initiated in FY 2002 and 2003 (see, for example, Attachment A to the March 5, 2002 letter to Senator Joanne Brown for a listing of these projects) and which were intended to be funded with short term debt in the Financial Plan and come to the conclusion that it would not be practical to fund any of these projects that are not revenue producing through the BOT mechanism. Only two projects are revenue producing – the Meter Management and Sewer Connection programs. We recommend that the BOT process for these two programs begin immediately. The reasons that it would not make sense for the other projects to be funded through the BOT mechanism is that GWA will not be able to provide to the BOT proponents the necessary assurances and governmental guarantees that they will want. GWA is currently too financially weak, unable to raise rates in the near-term, and will not otherwise be able to demonstrate an ability to repay a BOT proponent from operating revenues which are currently insufficient to cover existing obligations, much less provide coverage for future long-term debt and pay a BOT contractor. In addition, the financing cost that would be demanded by the BOT contractor would be greatly in excess of the cost of financing to GWA through the issuance of debt. If this method were to be extensively used we would recommend that a requirement that GWA be permitted to purchase out the "capital" portion of the BOT be made part of any contract. This method should be used comprehensively only if it is established that the debt financing route is not viable. It is our understanding from discussions with GEDA that debt financing



can be reasonably achieved if GWA's financial and operating condition is improved to the necessary level.

The possibility of RUS funding for these projects should also be investigated. In a letter received from RUS (that was attached as an attachment to the Financial Plan) it was indicated that GWA would be eligible for RUS financing under various programs. We are unaware of what steps, if any, either GWA or GEDA has taken to investigate the availability of RUS funding or the probability of GWA being successful in obtaining the funds from the programs outlined by RUS. We recommend that this effort begin immediately if not already in progress. The availability of RUS funds will clearly have an impact on the amount of additional long term borrowing necessary through bonds or other forms of financing.

The projects for which the BOT process should begin immediately as discussed above are the Meter Management and Sewer connection programs. There is complete agreement that these programs are beneficial to GWA in studies undertaken by both GWA and GCG. These projects have been approved for implementation by the PUC. These projects produce significant financial and operating benefits to GWA which will help to finance other projects required by the Financial Plan and will in the process moderate the rate increases required to acquire long term debt. Because of these features these programs should be implemented without delay. We would recommend that the next step would be for the PUC to order the development of a proposal for these projects and to make sure that all of the requirements of P.L. 26-34 for these projects have been met. These proposals should be developed collaboratively by both GCG and GWA.

Finally, the PUC oversight of the Revenue Audit recommendations implementation should continue. The Financial Plan is based, in part, on the benefit of improved revenues and reduced costs inherent with the implementation of these recommendations. This will additionally keep any required rate increase to obtain debt to a minimum. In order to make meaningful progress in implementing the agreed to recommendations of the Revenue audit, we believe that the establishment of a permanent General Manager and a Chief Financial Officer are essential. These two positions are required by the recent legislation that established the Consolidated Commission on Utilities (CCU) and if these positions are not filled in the interim they will be established after the initial CCU is established and functioning early in 2003.

There is one final consideration that should be given some consideration under the present circumstances of the override of the governor's veto of Bill 230 that prohibits the PUC from granting any rate increase for a period of a year. This situation will have a chilling effect on the ability of GWA to obtain short term debt and consequently on GWA's ability to meet the requirements of USEPA's Consent Order. In these circumstances consideration should be given to GWA requesting a short-term loan from GovGuam, which would later be repaid by the issuance of long-term debt, by GWA. GovGuam has committed to implement the requirements of USEPA's Consent Order but GWA cannot borrow short-term funds or implement a rate increase which are required to implement the requirements given that GWA cannot demonstrate reasonable credit risk given Bill 230. This approach would represent a reasonable cost to GWA ratepayers, and unless GovGuam extends GWA credit, GWA may have no other means to meet the mandate with USEPA that GovGuam has agreed to.

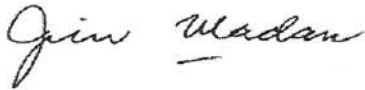


B. Modification of the Financial Plan.

It is clear that the Financial Plan will need modification. First GWA has indicated to USEPA that it wishes to modify the plan. In addition, for the reasons listed above, the schedules for the projects contained in the Financial Plan would need to be modified given the inaction of GWA. We are uncertain whether section 14 of P.L. 26-34 which directs the commission to oversee the development of the Financial Plan required by USEPA's consent Order will have continued applicability for the modification of such a plan. This modification will depend on the USEPA's posture with regard to modification given the events described above. Since USEPA has indicated that it wishes to meet with both GWA and the PUC during their visit to Guam in June, we recommend that any specific action on the modification be taken after those meetings.

If there are any questions please do not hesitate to call.

Cordially,

A handwritten signature in cursive script, reading "Jamshed K. Madan". The signature is written in dark ink and is positioned above the printed name.

Jamshed K. Madan

Cc: Gil A. Sinohara, AGM GWA  
Zeny Nace, GWA  
Carlos Q. Taitano, GWA  
William J. Blair, Esq.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION IX  
75 Hawthorne Street  
San Francisco, CA 94105

In Reply Refer to: CWA-402-9-01-19  
Mail Code: CMD-5

FEB 25 2002

Herbert J. Johnston, Jr.  
General Manager  
Guam Waterworks Authority  
P.O. Box 3010  
Hagatna, Guam 96932

Re: Financial Plan and Compliance Schedule  
USEPA Order on Consent



Dear Mr. Johnston:

We are in receipt of the Guam Waterworks Authority's (GWA) Financial Plan (Plan) and Compliance Schedules transmitted by your letter dated January 31, 2002. The GWA Plan and Compliance Schedules were submitted in accordance with the agreed to requirements of the Order on Consent, Docket CWA-402-9-01-19.

Under the Order on Consent, GWA was to submit a financial plan to secure funding for capital, operational and maintenance costs necessary to bring GWA's collection, treatment and disposal systems into compliance with National Pollutant Discharge Elimination System (NPDES) permit requirements and the Clean Water Act. The Order on Consent also required GWA to submit compliance schedules for facility improvements, perform treatment system evaluations, assess its collection and conveyance system, develop and implement preventive maintenance and operator training programs based on the financial plan.

Based on our review, GWA's Plan establishes a comprehensive plan for securing funds for projected capital, operational and maintenance costs necessary to bring GWA's facilities into compliance. The submitted compliance schedules for the respective projects provide for the completion of necessary corrective measures for GWA's collection, treatment and disposal systems in a timely manner.

However, GWA's submitted Plan and Compliance Schedules are dependent upon Guam Public Utilities Commission (PUC) and Guam Legislative actions, which are beyond the control of GWA's authority. These actions are critical to the success and implementation of the financial plan and compliance schedules. These actions, as identified in your Plan and Compliance Schedules, include, but are not limited to, authorizing the following: implementation of revenue enhancement Build-Operate-Transfers; a performance management contract for management of GWA's treatment systems; rate changes; an increase in GWA's short-term debt limit; FY2002 budget amendments for Order on Consent obligations; and long-term debt issuance bond indenture.

As a result, we are hereby conditionally approving GWA's Plan and Compliance Schedule. We are requesting that as part of our approval we be provided with a written commitment from the Guam PUC and the Legislature to GWA's Plan and Compliance Schedules. The written commitments from the Guam PUC and the Legislature are requested by March 30, 2002. In addition, for those projects listed as part of the Compliance Schedules which relate specifically to GWA's treatment plants (Project Numbers 1, 3, 6, 7 and 9), GWA shall provide a "demonstration of compliance" within three (3) months of the "complete construction" date for these respective projects.

Upon receipt of the written commitments from the Guam PUC and the Legislature, the GWA Plan and Compliance Schedules, dated January 31, 2002, shall be considered incorporated into and made a part of the Order on Consent, Docket CWA-402-9-01-19. Any changes to the Plan and Compliance Schedules shall require resubmittal to EPA for review and approval. Reporting of compliance or noncompliance with the compliance schedule activities and dates shall follow the requirements set forth in the Order on Consent.

If you have any questions regarding this matter, please contact Mike Lee, Pacific Islands Office, at (415) 972-3769 or [lee.michael@epa.gov](mailto:lee.michael@epa.gov).

Sincerely,

  
Alexis Strauss  
Director  
Water Division

cc: Gov. Carl T.C. Gutierrez, Gov. of Guam  
Senator A. Unpingco, Speaker, Guam Legislature  
Senator J. Brown, Chairperson, Committee on Natural Resources  
T. Brooks, Chairman, Guam PUC  
L. Gawlik, Georgetown Consulting Group  
J. Salas, Admin., GEPA  
C. Lund, Water Div. Dir., GEPA





GUAM CHAMBER OF COMMERCE  
PARTNERS IN PROGRESS

April 15, 2002

TERRENCE M. BROOKS  
Chairman  
Public Utilities Commission  
P.O. Box 862  
Hagåtña, Guam 96932

**RE: USEPA Docket CWA-402-9-01-19**

Dear Mr. Brooks:

On behalf of the Guam Chamber of Commerce, I am writing to seek the assistance of the Public Utilities Commission (PUC) in providing our office with copies of the most recent documents relative to USEPA Docket CWA-402-9-01-19.

Our Privatization Committee has copies of correspondence pertaining to USEPA Docket CWA-402-9-01-19 up through the PUC's March 5, 2002 letter to Senator Joanne Brown. We are hopeful we will be able to obtain copies of all correspondence after that date from the PUC's office.

We thank you for your assistance and attention in this matter and look forward to your reply.

Sincerely yours,

ELOISE R. BAZA  
President



**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Terrence M. Brooks, Chairman

Filomena M. Cantoria  
Edward C. Crisostomo  
Joseph M. McDonald  
Gerald M. Woo

Suite 207, GCIC Building  
Post Office Box 862  
Hagatna, Guam 96932

Telephone: (671) 472-1907  
FAX: (671) 472-1917  
Email: [guampuc@kuentos.guam.net](mailto:guampuc@kuentos.guam.net)

Harry M. Boertzel, Esq.  
Administrative Law Judge

Monessa C. Leon Guerrero  
Executive Director

April 10, 2002

**VIA FACSIMILE TRANSMISSION**  
479-7823

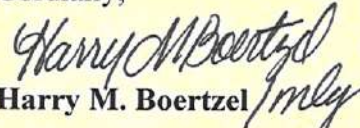
Bert Johnston  
General Manager  
**GUAM WATERWORKS AUTHORITY**  
126 Lower E. Sunset Blvd.  
Tiyan, Guam

**RE: Docket 02-02 [GWA – EPA Financial Plan]**

Dear Mr. Johnston:

The Commission will rely upon Guam Waterworks Authority to transmit Public Law 26-78 to USEPA to confirm the Legislature's compliance with the requirement contained in Ms. Strauss's February 25, 2002 letter.

Cordially,

  
Harry M. Boertzel

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Last Fax

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REVISED 10/1/87

1. The purpose of this document is to provide a summary of the findings of the study conducted by the research team. The study was designed to investigate the effects of the proposed changes on the system's performance. The results of the study indicate that the proposed changes have a significant impact on the system's performance, and that the changes are necessary to ensure the system's continued operation. The study also identified several areas for further research, and the research team is currently working on these areas. The findings of the study are presented in the following sections.

2. The study was conducted using a series of experiments. The first experiment was designed to measure the system's performance under normal conditions. The second experiment was designed to measure the system's performance under conditions of high load. The third experiment was designed to measure the system's performance under conditions of low load. The results of the experiments are presented in the following sections.

3. The results of the study indicate that the proposed changes have a significant impact on the system's performance. The changes are necessary to ensure the system's continued operation. The study also identified several areas for further research, and the research team is currently working on these areas. The findings of the study are presented in the following sections.

4. The study was conducted using a series of experiments. The first experiment was designed to measure the system's performance under normal conditions. The second experiment was designed to measure the system's performance under conditions of high load. The third experiment was designed to measure the system's performance under conditions of low load. The results of the experiments are presented in the following sections.

5. The results of the study indicate that the proposed changes have a significant impact on the system's performance. The changes are necessary to ensure the system's continued operation. The study also identified several areas for further research, and the research team is currently working on these areas. The findings of the study are presented in the following sections.





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1. The first part of the document is a list of the names of the persons who were present at the meeting.

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## GUAM WATERWORKS AUTHORITY

Aturidat Kinalamten Hanon Guahan

Government of Guam

Post Office Box 3010, Hagatna, Guam 96932

Phone: (671) 479-7823 Fax: (671) 479-7879

4/19/02

MAR 28 2002

Harry M. Boertzel  
Public Utilities Commission of Guam  
Suite 401, GCIC Building  
414 West Soledad Avenue  
Hagatna, Guam 96932

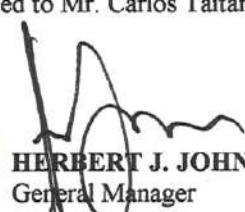
**Re: Quarterly Report Ending December 2001**

Dear Mr. Boertzel:

The Guam Waterworks Authority is providing the enclosed reports in compliance with the PUC Docket 00-01-A, Decision and Order dated February 25, 2000.

- A. Financial Statement
- B. Monthly Sales data (in gallons and in \$)
- C. Employee Count by Business Unit
- D. Aged AR by Class and Major Customer-active and inactive
- E. Active vs. Inactive Graph - historical Data
- F. Schedule of Accounts Receivable by Rate Class
- G. Billings and Collections
- H. Accounts Receivable-Line Agency
- I. Revenue and Collection Graph
- J. Meter Replacements & Sewer Connections for the month
- K. Inactive Payment Summary-By Rate Schedule

Any questions regarding financial reports should be directed to Ms. Zeny Nace, Controller at 647-7602. Questions regarding all other reports should be directed to Mr. Carlos Taitano, Assistant General Manager, telephone 479-7805 or pager 720-3749.

  
**HERBERT J. JOHNSTON, JR.**  
General Manager

Enclosure

Cc: Tom Lannen (Dooley, Lannen, Roberts & Fowler LLP)  
Bill Blair (Klemm, Blair, Sterling & H. Johnson PC)  
Ed Margerison (Georgetown Consulting Group)  
Stanley Wilson (GWA Board Chairman)

**GUAM WATERWORKS AUTHORITY**  
**PUC Monthly Reports**  
**Quarter Ending December 2001**

<b><i>Document Description</i></b>	<b><i>Index</i></b>
Income Statement (Balance Sheet and Statement of Cash Flows pending financial audit closure)	<b>A</b>
Sales data by customer class (in gals and in \$)	<b>B</b>
Employee count by department	<b>C</b>
Aged AR by class and major customer –active and inactive	<b>D</b>
Active vs. Inactive Graph-historical Data	<b>E</b>
Schedule of Accounts Receivable by Rate Class	<b>F</b>
Billings and Collections	<b>G</b>
Accounts Receivable-Line Agency	<b>H</b>
Revenue and Collection Graph	<b>I</b>
Meter Replacements & Sewer Connections for the month	<b>J</b>
Inactive Payment Summary-By Rate Schedule	<b>K</b>

Note: 1. Water production in gals, water purchases in gals, and water loss in gals and % - ***not available***

2. Accounts Payable-US Navy, GPA, GTA, other vendors-***pending***

GUAM WATERWORKS AUTHORITY  
Income Statement  
Board Report  
For the Three Months Ending December 31, 2001

A 03/25/02  
13:58:21

Description	Curr Mo Actual	YTD Actual	YTD Budget	Variance
OPERATING REVENUES				
Water Revenues	2,006,654.46	5,687,493.75	5,996,283.25	308,789.50-
Wastewater Revenues	1,157,613.60	3,276,193.29	3,124,963.25	151,230.04
Other Revenues	8,913.01	28,166.92	.00	28,166.92
Surcharge	257,880.67	731,172.88	.00	731,172.88
Fire Hydrant	65,525.00	196,575.00	.00	196,575.00
Total Revenues	3,496,586.74	9,919,601.84	9,121,246.50	798,355.34
OPERATING EXPENSES				
Salaries & Wages	879,428.06-	2,685,809.10-	2,946,328.90-	260,519.80
Pension & Benefits	223,872.23-	687,252.87-	823,161.25-	135,908.38
Power Purchases	663,688.51-	2,078,632.21-	1,872,295.50-	206,336.71-
Water Purchases	486,801.10-	1,445,834.60-	1,450,000.00-	4,165.40
Chemicals	37,438.50-	139,223.50-	125,000.00-	14,223.50-
Materials & Supplies	35,915.66-	114,455.40-	341,540.99-	227,085.59
Contractual Svc Accounting	11,899.60-	18,669.60-	309,235.25-	290,565.65
Contractual Svc Legal	10,661.96-	31,416.48-	50,000.00-	18,583.52
Contractual Svc Testing	12,743.17-	44,548.79-	128,750.00-	84,201.21
Contractual Svc Other	26,120.42	138,728.85-	432,384.52-	293,655.67
Rental of Equipment	38,812.11-	123,057.25-	240,878.99-	117,821.74
Transportation Exp	10,458.18-	23,731.57-	125,000.00-	101,268.43
Insurance	30,000.00-	33,690.00-	82,500.00-	48,810.00
Advertising	710.40-	710.40-	12,500.00-	11,789.60
Regulatory Expenses	.00	86,032.79-	93,750.00-	7,717.21
Bad Debt Expense	273,398.86-	853,645.28-	.00	853,645.28-
Depreciation Expense	800,000.00-	2,400,000.00-	.00	2,400,000.00-
Miscellaneous Expense	7,361.70-	16,881.12-	21,862.50-	4,981.38
Total Operating Expenses	3,497,069.62-	10,922,319.81-	9,055,187.90-	1,867,131.91-
Operating Net Income (Loss)	482.88-	1,002,717.97-	66,058.60	1,068,776.57-
Non-Operating Income (Expse)				
Interest Income	1,798.19	6,406.55	.00	6,406.55
Total Non-Operating Inc (Exp)	1,798.19	6,406.55	.00	6,406.55
Net Income (Loss)	1,315.31	996,311.42-	66,058.60	1,062,370.02-
Depr on Asset w/Contr Capital	651,905.48	1,955,716.44	.00	1,955,716.44
Net Surplus (Deficit)	653,220.79	959,405.02	66,058.60	893,346.42

2

**Guam Waterworks Authority**  
**Sales Data by Customer Class (In Gallons & Dollars)**  
**Dec-01**

Customer Type	In Gals	In Dollars
<b>Water</b>		
Residential	358,631,990	\$ 1,388,173
Commercial I	56,654,058	\$ 252,545
Commercial II	11,699,222	\$ 52,279
Commercial III	13,926,186	\$ 65,366
Agriculture	8,504,492	\$ 15,347
Irrigation	5,605,959	\$ 9,804
Government	43,315,690	\$ 164,861
Federal	264,342	\$ 1,237
Golf Course	735,905	\$ (2,288)
Hotel	72,727,239	\$ 317,211
Disconnct/Reloc		
Install Fee		
<b>Total Water</b>	<b>572,065,083</b>	<b>\$ 2,264,535</b>
<b>Wastewater</b>		
Residential	210,364,994	\$ 544,202
Commercial I	34,925,803	\$ 61,766
Commercial II	9,164,695	\$ 37,176
Commercial III	10,839,320	\$ 65,470
Agriculture		
Irrigation		
Government	28,249,955	\$ 67,042
Federal	208,376	\$ 157,256
Golf Course		
Hotel	51,537,068	\$ 224,702
Honey Bucket		
<b>Total Wastewater</b>	<b>345,290,211</b>	<b>\$ 1,157,614</b>
Fire Hydrant		\$ 65,525
Other Revenue		\$ 8,913
<b>Total Revenue</b>	<b>917,355,294</b>	<b>\$ 3,496,587</b>



B 2/3

**Guam Waterworks Authority**  
**Sales Data by Customer Class (In Gallons & Dollars)**  
**Nov-01**

<b>Customer Type</b>	<b>In Gals</b>	<b>In Dollars</b>
<b>Water</b>		
Residential	365,124,066	\$ 1,111,988
Commercial I	53,268,569	\$ 238,896
Commercial II	11,620,420	\$ 52,460
Commercial III	11,836,840	\$ 48,494
Agriculture	8,356,802	\$ 14,967
Irrigation	4,809,669	\$ 8,760
Government	44,085,358	\$ 181,782
Federal	361,418	\$ 1,679
Golf Course	1,162,595	\$ 4,876
Hotel	52,544,208	\$ 230,117
Disconnct/Reloc		
Install Fee		
<b>Total Water</b>	<b>553,169,945</b>	<b>\$ 1,894,018</b>
<b>Wastewater</b>		
Residential	211,945,319	\$ 445,633
Commercial I	32,140,637	\$ 56,324
Commercial II	9,137,136	\$ 34,425
Commercial III	9,173,389	\$ 43,180
Agriculture		
Irrigation		
Government	29,312,840	\$ 69,459
Federal	288,488	\$ 157,460
Golf Course		
Hotel	37,612,528	\$ 163,990
Honey Bucket		\$ 1,450
<b>Total Wastewater</b>	<b>329,610,337</b>	<b>\$ 971,921</b>
Fire Hydrant		\$ 65,525
Other Revenue		\$ 9,811
<b>Total Revenue</b>	<b>882,780,282</b>	<b>\$ 2,941,275</b>

**Guam Waterworks Authority**  
**Sales Data by Customer Class (In Gallons & Dollars)**  
**Oct-01**

<b>Customer Type</b>	<b>In Gals</b>	<b>In Dollars</b>
<b>Water</b>		
Residential	360,112,014	\$ 1,394,140
Commercial I	58,152,864	\$ 264,525
Commercial II	11,064,890	\$ 49,698
Commercial III	15,037,377	\$ 70,643
Agriculture	7,131,227	\$ 13,771
Irrigation	3,678,490	\$ 7,103
Government	42,462,884	\$ 171,083
Federal	281,190	\$ 1,309
Golf Course	2,621,630	\$ 10,667
Hotel	63,375,368	\$ 277,174
Disconnct/Reloc		
Install Fee		
<b>Total Water</b>	<b>563,917,934</b>	<b>\$ 2,260,113</b>
<b>Wastewater</b>		
Residential	210,048,372	\$ 543,235
Commercial I	35,079,444	\$ 62,594
Commercial II	8,711,912	\$ 30,321
Commercial III	11,744,022	\$ 70,934
Agriculture		
Irrigation		
Government	29,304,048	\$ 74,341
Federal	224,104	\$ 166,509
Golf Course		
Hotel	45,074,256	\$ 196,524
Honey Bucket		\$ 2,200
<b>Total Wastewater</b>	<b>340,186,158</b>	<b>\$ 1,146,658</b>
Fire Hydrant		\$ 65,525
Other Revenue		\$ 9,443
<b>Total Revenue</b>	<b>904,104,092</b>	<b>\$ 3,481,740</b>

03/27/02 08:05:35

Guam Waterworks Authority  
Total Employees by Business Unit  
As of 12/31/01

PAGE 1

Business Unit	Business Unit Name	Number of Employees
-----	-----	-----
520	Plant in Service Water	8
530	Plant in Service Wastewater	6
1500	Admin - Board	1
2105	Admin -GM	3
2210	Planning	6
2300	Quality Assurance	3
2405	Personnel	6
2540	Permits & Inspection	8
2605	Admin -Lab	8
3100	Admin - AGMA	4
3150	Customer Service	11
3310	Revenue Protection	8
3410	Procurement & Supply	10
3510	Data Processing	5
4200	Admin - Controller	21
5150	Admin - AGMO	2
5205	Admin - Water	3
5215	Deepwell	11
5225	Chlorine	6
5230	Ugum	7
5245	Transmission & Distribution	19
5255	Construction	16
5265	SCADA/Communications	3
5275	System Maintenance Repair	24
5285	Meter Service	24
5305	Admin - Wastewater	4
5321	Northern District Temporary	13
5331	Central District Temporary	24
5341	Southern District Temporary	18
5355	Maintenance of Trunklines	14
5505	Admin - FMES	2
5525	Auto Mechanic	3
5535	Electrical	7
5555	Heavy Equipment Operators	5
5575	Facility/Ground Maintenance	5
5580	Heavy Equipment Mechanic	4

FINAL  
TOTAL 322

\* \* \* E N D O F R E P O R T \* \* \*

GWAEMPBU04

u

Run Date: 1/01/02  
Run Time: 16:58:27

GUAM WATERWORKS AUTHORITY  
ACCOUNTS RECEIVABLE

TOTAL ACTIVE ACCOUNTS IN RECEIVABLES  
TOTAL INACTIVE ACCOUNTS IN RECEIVABLES  
TOTAL ACCOUNTS IN RECEIVABLES

NO OF ACCTS BALANCE  
25950 7,330,815.05  
14803 8,310,433.61  
40753 15,641,248.66

*Dec 21/01*

ACTIVE ACCOUNTS

RATE CLASS	NO. ACCTS	< 60-DAY	60-DAY	90-DAY	120-DAY	TOTAL
AGRICULTURE	333	15,619.73 333	2,794.74 65	2,739.42 53	16,482.69 40	37,636.58
GOLF COURSE	13	16,936.82 13	.00 0	.00 0	.00 0	16,936.82
COMMERCIAL I	1701	311,228.08 1,701	28,229.82 220	26,134.76 180	388,542.63 156	754,135.29
COMMERCIAL II	24	83,306.60 24	4,713.63 2	4,099.82 1	.00 0	92,120.05
COMMERCIAL III	154	157,411.12 154	17,623.89 33	12,866.65 29	117,583.16 25	305,484.82
GOVERNMENT	622	608,319.58 622	150,058.76 415	113,076.50 370	1,235,464.45 350	2,106,919.29
HOTEL	44	307,380.87 44	2,667.03 3	7,140.18 3	13,008.32 1	330,196.40
IRRIGATION	183	8,276.89 183	899.67 36	1,006.53 29	36,165.46 24	46,348.55
RESIDENTIAL	22876	1,651,288.53 22,876	241,857.87 3,867	213,221.47 3,106	1,334,669.38 2,557	3,641,037.25
FIRE HYDRANT		.00 0	.00 0	.00 0	.00 0	.00
TOTAL	25950	3,359,768.22	448,845.41	380,285.33	3,141,916.09	7,330,815.05

*01/03/02*

*U/12*

In Date: 1/01/02  
In Time: 16:58:27

GUAM WATERWORKS AUTHORITY  
ACCOUNTS RECEIVABLE

BALANCE

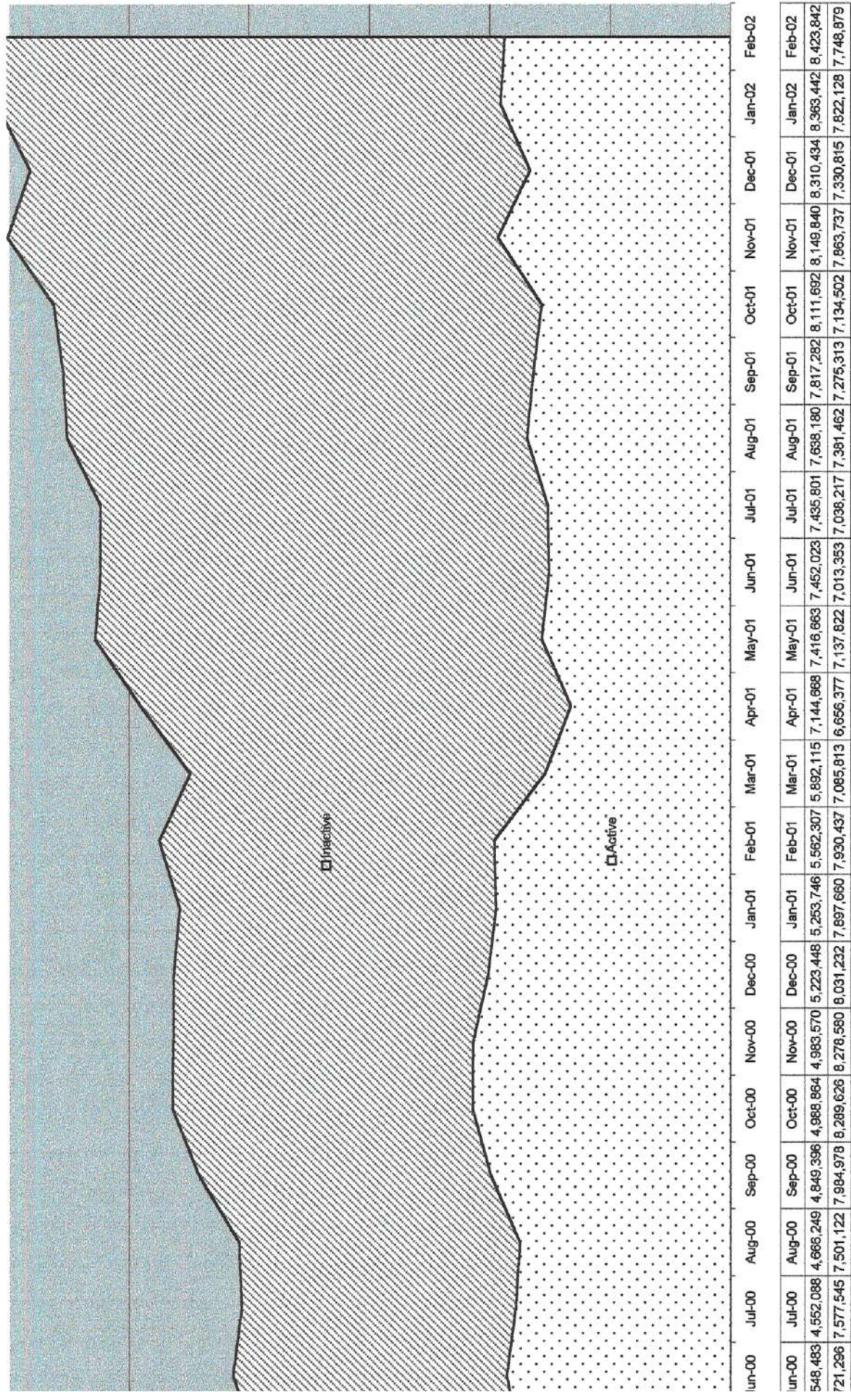
*Dec 31/01*

INACTIVE ACCOUNTS

ATE CLASS	NO.ACCTS	FY 1999		NO.ACCTS	FY 2000		NO.ACCTS	FY 2001		NO.ACCTS	FY 2002		TOTAL
		BALANCE			BALANCE			BALANCE			BALANCE		
GRICULTURE	13	10,515.75		8	8,346.88		11	6,078.80		2	175.56		25,116.99
OLF COURSE		.00		0	.00		0	.00		0	.00		.00
OMMERIAL I	284	294,470.91		159	147,668.47		114	150,328.16		12	9,581.25		602,048.79
OMMERIAL II	5	104,686.53		0	.00		0	.00		1	29.84		104,716.37
OMMERIAL III	33	83,321.45		19	38,008.89		13	13,675.37		1	56,646.63		191,652.34
GOVERNMENT	27	912,124.04		54	106,313.90		34	26,663.59		0	.00		1,045,101.53
HOUSATION	1	42,015.55		2	15,691.52		2	122,038.85		3	25,393.81		205,139.73
RESIDENTIAL	20	32,580.44		7	988.72		14	13,982.89		2	425.08		47,977.13
FIRE HYDRANT	6853	2,701,999.99		2,715	969,502.18		3,676	2,106,478.07		718	310,700.49		6,088,680.73
		.00		0	.00		0	.00		0	.00		.00
TOTAL	7236	4,181,714.66		2,964	1,286,520.56		3,864	2,439,245.73		739	402,952.66		8,310,433.61



11





GUAM WATERWORKS AUTHORITY  
Schedule of Accounts Receivable  
As of December 31, 2001

Rate Class	No. of Accounts	Agriculture	Golf Course	Comm I	Comm II	Comm III	Govt	Hotel	Irrigation	Residential	Fire Hydrant	TOTAL
Active accounts	25950	37,636.58	16,936.82	754,135.29	92,120.05	305,484.82	2,106,919.29	330,196.40	46,348.55	3,641,037.25	0.00	7,330,815.05
InActive accounts	14803	25,116.99	0.00	602,048.79	104,716.37	191,652.34	1,045,101.53	205,139.73	47,977.13	6,088,680.73	0.00	8,310,433.61
<b>Total Per A/R Report</b>	<b>40753</b>	<b>62,753.57</b>	<b>16,936.82</b>	<b>1,356,184.08</b>	<b>196,836.42</b>	<b>497,137.16</b>	<b>3,152,020.82</b>	<b>535,336.13</b>	<b>94,325.68</b>	<b>9,729,717.98</b>	<b>0.00</b>	<b>15,641,248.66</b>
<b>Add: Adjustments</b>												
<b>Negative Balances Included</b>												
<b>In A/R Report:</b>												
Active accounts	1064	1,272.67		49,250.55	28.45	2,483.95	41,297.86	11.60	426.40	50,090.47		144,861.95
Inactive accounts	5887	194.94	40.00	72,078.02	228.75	993.53	5,496.83		240.63	161,139.13		240,411.83
Write off FY96 accounts	4283	54.00		88,373.43	4,611.50	11,064.02		513.69	60.97	684,015.32		788,692.93
Write off FY97 accounts	2161	11,309.91		137,241.90	579.78	23,448.70	147.96		7,527.60	880,782.93		1,061,038.78
Accrual for December/01							389,157.81			908,034.88		1,297,192.69
Unbilled accounts												805,440.92
<b>Balance per report/detail</b>		<b>75,585.09</b>	<b>16,976.82</b>	<b>1,703,127.98</b>	<b>202,284.90</b>	<b>535,127.36</b>	<b>3,588,121.28</b>	<b>535,861.42</b>	<b>102,581.28</b>	<b>12,413,780.71</b>	<b>0.00</b>	<b>19,978,887.76</b>
<b>Other AR-Trade related</b>												<b>3,223,621.92</b>
<b>Balance per GL- December 31, 2001</b>												<b>\$23,202,509.68</b>

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**GUAM WATERWORKS AUTHORITY  
ACCOUNTS RECEIVABLE REPORT  
December 31, 2001**

Customer Classification	Customer Accounts	A/R Balance Beg	Monthly Billing	Monthly Receipts	A/R Balance End
Residential	34,370	10,304,219	1,743,137	(1,674,150)	10,373,206
Commercial I	2,209	1,420,561	317,609	(291,477)	1,446,692
Commercial II	34	197,235	88,423	(68,047)	217,612
Commercial III	209	448,730	137,015	(117,055)	468,690
Agricultural	526	66,888	15,911	(14,041)	68,757
Irrigation	290	95,625	9,855	(9,651)	95,829
Government	638	3,310,630	231,436	(233,642)	3,308,424
Federal	11	1,630	1,769	(2,862)	537
Golf Course	16	15,736	(2,388)	(1,274)	12,073
Hotel	62	420,287	541,913	(383,943)	578,256
	38,365	16,281,540	3,084,679	(2,796,142)	16,570,077



GUAM WATERWORKS AUTHORITY  
ACCOUNTS RECEIVABLE REPORT  
November 30, 2001

Customer Classification	Customer Accounts	A/R Balance Beg	Monthly Billing	Monthly Receipts	A/R Balance End
Residential	34,503	9,949,323	1,784,809	(1,429,912)	10,304,219
Commercial I	2,216	1,379,502	296,467	(255,407)	1,420,561
Commercial II	34	188,673	87,591	(79,029)	197,235
Commercial III	205	452,171	91,193	(94,634)	448,730
Agricultural	531	64,065	15,627	(12,804)	66,888
Irrigation	291	94,770	8,674	(7,819)	95,625
Government	673	3,180,301	251,985	(121,656)	3,310,630
Federal	11	938	2,414	(1,722)	1,630
Golf Course	16	12,230	4,876	(1,370)	15,736
Hotel	63	527,392	393,999	(501,104)	420,287
	38,543	15,849,364	2,937,633	(2,505,457)	16,281,540

GUAM WATERWORKS AUTHORITY  
ACCOUNTS RECEIVABLE REPORT  
October 31, 2001

Customer Classification	Customer Accounts	A/R Balance Beg	Monthly Billing	Monthly Receipts	A/R Balance End
Residential	34,318	9,746,122	1,780,799	(1,577,599)	9,949,323
Commercial I	2,223	1,335,524	328,357	(284,379)	1,379,502
Commercial II	33	208,919	80,018	(100,264)	188,673
Commercial III	203	417,452	144,114	(109,395)	452,171
Agricultural	530	63,265	14,488	(13,688)	64,065
Irrigation	293	94,198	7,069	(6,497)	94,770
Government	671	3,044,418	245,511	(109,628)	3,180,301
Federal	10	(273)	1,880	(670)	938
Golf Course	16	2,736	10,667	(1,173)	12,230
Hotel	64	583,386	472,570	(528,564)	527,392
	38,361	15,495,747	3,085,475	(2,731,858)	15,849,364



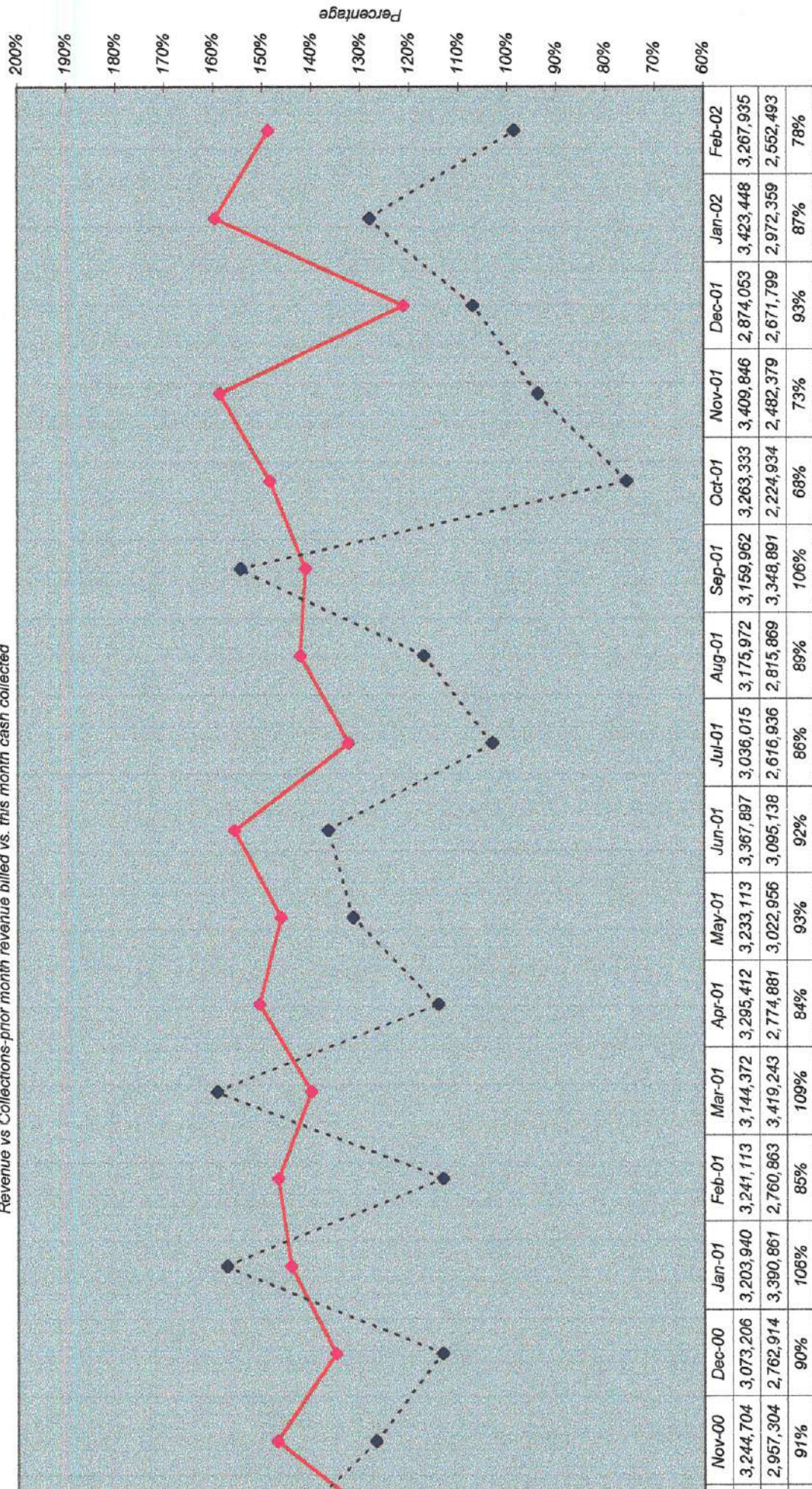
Guam Waterworks Authority  
A/R Report - Line Agency

Attachment B

	10/01 - 12/31/01	10/01 - 12/31/01	September-01	Balance Due
AHRD	0.00	0.00	0.00	0.00
Ancestral Lands Commission	333.44	249.93	6,724.93	315.69
Bureau of Budget & Managmt Research	0.00	0.00	0.00	6,724.93
Bureau of Planning	0.00	737.53	0.00	737.53
CAHA	73.28	245.16	0.00	318.44
Chamorro Land Trust Commission	1,252.80	698.43	0.00	1,951.23
Chamorro Registry Advisory Board	0.00	0.00	0.00	0.00
Chief Medical Examiner	0.00	0.00	0.00	0.00
Civil Service Commission	171.68	140.45	(110.48)	201.65
Commission on Self-Determination	0.00	0.00	0.00	0.00
Council on Vocational Education	268.00	179.28	0.00	447.28
Department of Administration	1,128.08	3,929.22	(194.20)	4,863.10
Department of Agriculture	22,656.69	11,650.34	(10,480.46)	23,826.57
Department of Chamorro Affairs	2,486.16	2,260.46	(2,946.20)	1,800.42
Department of Commerce	15,168.18	8,940.11	(10,487.85)	13,620.44
Department of Corrections	94,228.81	50,584.76	(12,652.60)	132,160.97
Department of Education	328,077.69	154,850.36	(224,820.11)	258,107.94
Department of Labor	15,161.20	3,728.01	(440.55)	18,448.66
Department of Land Management	12,142.48	816.10	0.00	12,958.58
Department of Law	264.00	80.28	0.00	344.28
Department of Mental Health & Subst. Abuse	1,318.80	4,288.09	0.00	5,606.89
Department of Military Affairs	25,378.82	8,728.62	(8,216.40)	25,891.04
Department of Public Works	221,330.25	32,354.57	0.00	253,684.82
Department of Revenue and Taxation	2,597.16	1,257.85	(861.39)	2,993.62
Department of Youth Affairs	198,531.83	80,879.94	(1,249.87)	278,161.90
DISID	9,208.01	3,709.47	(3,867.00)	9,050.48
Guam Educational Telecomm. Corp	0.00	0.00	0.00	0.00
Guam Election Commission	0.00	0.00	0.00	0.00
Guam EPA	1,742.80	3,196.94	0.00	4,939.74
Guam Fire Department	202,313.49	49,704.65	(10,981.26)	241,036.88
Guam Library	1,821.21	867.66	(730.28)	1,958.59
Guam Planning Council	95.28	642.25	0.00	737.53
Guam Police Department	50,233.09	27,879.85	0.00	78,112.94
Public Auditor	0.00	0.00	0.00	0.00
Public Health & Social Services	13,561.41	11,752.02	(3,943.27)	21,370.16
TOTALS	1,228,507.13	464,500.88	(292,407.19)	1,400,600.82



Revenue vs Collections-prior month revenue billed vs. this month cash collected





J. 1/2

2

01/28/02 13:46:29

Gum Waterworks Authority  
FYTD Customer Document Process Analysis  
FY2002 Ending: 12/31/01

PAGE 1

DOCUMENT SERVICE TYPE	DESCRIPTION	FY01 PENDING DOC BEG BALANCE	FYTD DOC ADDITIONS	FYTD DOC COMPLETIONS	FYTD DOC CANCELS	FYTD PENDING	FYTD-PENDING ENDING BALANCE
A	BURIED METER	25	11			11	36
B	DEBRIS						
BT	BENCH TEST	8	60	21	2	37	45
CA	CHANGE OF MAILING ADDRESS	11	534	523	1	10	21
CC	CUSTOMER COMPLAINT (M/S)	299	860	517	8	335	634
CD	CUSTOMER COMPLAINT (M/D)	11	6	2		4	15
CF	FOGGY METER	6	1			1	7
CI	CONNECT/NEW INSTALLATION	472	180	46	2	132	604
CL	CHANGE OF CLASS OF SERVICE	4	4	4			4
CN	CONNECT/NAME CHANGE	12	553	480	1	72	84
CO	WATER METER CHANGE OUT	30	166	159	1	6	36
CR	CORRECTION/CHANGE OF NAME	4	75	73		2	6
CS	CHANGE OF METER SIZE	1	1			1	2
DM	REVERSING METER	10	1			1	11
DN	DISCONNECT/NAME CHANGE	16	591	548	18	25	41
DR	DISCONNECT/REGULAR	22	1009	910	14	85	107
DS	DISCONNECT N/P SERVICE	46	625	305	296	24	70
E	VACANT						
EC	EMPLOYEE COMPLAINTS	1					1
F	CAN'T LOCATE METER	1					1
G	DIRECT SERVICE	1					1
H	DAMAGED METER	10	4			4	14
I	ERROR IN READING						
IC	INACTIVE STILL CONSUMING	10	5	3		2	12
J	SERVICE LINE LEAK/FLOODED	158	13	1		12	170
K	INLET LEAK						
L	OUTLET LEAK	1	1	1		1	1
LP	LOW WATER PRESSURE	24	5	1		4	28
LR	LEAK REPORT	47		1			47
M	METER LEAK	43	32	17		15	58
ML	WATER MAIN LINE BREAK	2	1			1	3
MR	METER REMOVED						
MS	METER SIZE INVESTIGATION	1					1
N	NON-REGISTERING METER	53	5			5	58
NP	NON-PAYMENT						
NW	NO WATER	35	34	12	1	21	56
OP	POSSIBLE NON-REGISTERING MTR						2
P	VALVE LEAK	19	1	1			19
PR	PICK UP READING	1					1
Q	DAMAGED VALVE	78	36	20		16	94
RA	RECONNECT ADMINISTRATIVE ERROR						
RC	RECONNECT/NON-PAYMENT						
RO	DIRTY DIAL						
RI	RECONNECT/ISC						
RM	RELOCATION OF METER	243	34	1		33	276

PUCDC00020

Aturidad Inadilanton



Ikunumihan Guahan

Governor  
Carl T.C. Gutierrez

Lieutenant Governor  
Madeleine Z. Bordallo

March 21, 2002

Mr. Herbert Johnston  
General Manager  
Guam Waterworks Authority  
126 Lower East Sunset Blvd.  
Tiyan, Guam

Hafa Adai Bert:

The Guam Economic Development Authority (GEDA), in pursuit of furthering the development of the Financial Plan as mandated by U.S. EPA under Consent Order Docket CWA-402-9-01-19, issued Solicitation of Interest requests to local banks in order to gauge their interest in providing short term or bridge financing to the Government of Guam.

The following banks were contacted:

Bank of Guam  
Bank Pacific  
Hong Kong Shanghai Banking Corporation  
First Hawaiian Bank  
Citibank  
Bank of Hawaii

I regret to inform you that four banks contacted us either verbally or in writing declining interest in providing financial assistance at this time. The other two ( Bank Pacific and Citibank ) did not respond to either the solicitation letter or to follow up phone calls. Unfortunately, I am confident that this lack of interest would apply to off island institutions as well.

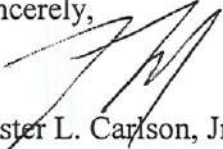
I would recommend that serious consideration to a rate increase to fund these much needed improvements to our waste water facilities be explored as soon as possible in order to maintain the time lines contained in the Financial Plan.



Guam USA ~ The Ultimate Destination

I am available should you have any questions or concerns regarding this, or any other matter in which GEDA can be of assistance to you and GWA. Thank you.

Sincerely,



Lester L. Carlson, Jr.  
Financial Services Manager

cc: Ed Untalan, GEDA Administrator  
Terry Brooks, PUC Chairman  
Attorney Bill Blair



**First  
Hawaiian  
Bank**

First Hawaiian Bank  
Maite Banking Center  
400 Route 8  
Mongmong, Guam 96910



**Laura-Lynn Dacanay**  
Vice President & Manager  
Maite Banking Center

**March 4, 2002**

**Mr. Lester L. Carlson, Jr.**  
**GEDA Financial Services Division Manager**  
**ITC Building Suite 511**  
**590 South Marine Drive**  
**Tamuning, Guam 96911**

**Re: Guam Waterworks Authority Request for Short and Long Term Financing**  
**Bridge Financing \$20 to \$25 million**

**Dear Lester Carlson, Jr.;**


**Your letter addressed to Mr. John K. Lee, Senior VP and Regional Supervisor for Guam and CNMI Branches dated February 25, 2002 has been referred to me for response.**

**First Hawaiian Bank is not interested at this time in pursuing financing for Guam Waterworks Authority.**

**Please be assured that we appreciate very much the opportunity to review various financing proposals.**

**If you have any questions, please call me at 475 7885.**

**Sincerely;**

  
**Laura Dacanay**  
**Vice President and Manager**  
**Maite Business Banking Center**



March 18, 2002

Mr. Lester L. Carlson, Jr.  
GEDA Financial Services Division Manager  
ITC Building, Suite 511  
590 South Marine Drive  
Tamuning, GU 96911

**Subject: Request for Proposal**

Dear Mr. Carlson:

Thank you for presenting Bank of Hawaii with the opportunity to submit a proposal for the requested \$20 to \$25 Million credit facility, for the Guam Waterworks Authority. I regret to inform you, however, that we are not able to accommodate your financing requirement, based on the information submitted. While we are currently unable to provide the requested financing at this time, we would be happy to consider requests that you may have in the future. Please keep Bank of Hawaii informed on the progress made in securing long term capital financing so we may look further into providing GWA with bridge financing.

Mr. Carlson, should you require any additional assistance with respect to your banking needs, please do not hesitate to contact me at 479-3653. Once again, thank you for your consideration of Bank of Hawaii. I look forward to having the opportunity to work with you once again.

Sincerely yours,  
**BANK OF HAWAII**

A handwritten signature in cursive script, likely belonging to Galen Nakamura.

Galen Nakamura  
Vice President  
West Pacific Corporate Banking Group

CC: Lester L. Carlson, GEDA



GUM BDU 020002

February 27, 2002

Mr Lester L. Carlson, Jr.  
GEDA Financial Services Division Manager  
ITC Building - Suite 511  
590 South Marine Drive  
Tamuning, Guam 96911

Dear Mr Carlson

Further to your request of February 25 2002, we have reviewed the information provided and advise that we will not be making a formal proposal to provide credit facilities to the Guam Waterworks Authority at this time.

Regards

A handwritten signature in dark ink, appearing to read "Stephen Grantham".

Stephen Grantham  
Senior Vice President Business Development

**The Hongkong and Shanghai Banking Corporation Limited**  
Post Office Box 27-C, Hagåtña, Guam 96932 U.S.A.  
436 South Marine Drive, Tamuning, Guam 96911  
Tel: (671) 647-8588 Fax: (671) 646-3767

*Incorporated in Hong Kong with limited liability.*



Office of Senator  
**Joanne M. Salas Brown**  
MINA' BENTE SAIS NA LIHESLATURAN GUÅHAN

March 14, 2002



Mr. Terrence Brooks  
Chairman  
Public Utilities Commission of Guam  
Suite 207, GCIC Building  
Post Office Box 862  
Hagatna, Guam 96932

Dear Mr. Brooks:

The Committee on Natural Resources has scheduled a public hearing on **Friday, March 22, 2002 at 9:30 a.m., I Liheslaturan Guahan Public Hearing Room, Hagatna**, on Bill 282 (COR):

“An Act to Authorize and Approve the U.S. Environmental Protection Agency Consent Order Docket GWA-402-9-01-19, Submitted by the Guam Waterworks Authority.”

I look forward to your presence at the public hearing to provide testimony on this matter.

Sincerely,

JOANNE M.S. BROWN  
Senator and Chairperson  
Committee on Natural Resources

Cc: Mr. Stanley Wilson, Chairman, GWA  
Senator Kaleo S. Moylan, Chairman Committee on Ways & Means  
Members, Natural Resources Committee





Office of Senator

**Joanne M. Salas Brown**

MINA' BENTE SAIS NA LIHESLATURAN GUÅHAN

March 14, 2002

Mr. Stanley Wilson  
Chairman  
Guam Waterworks Authority  
Post Office Box 3010  
Hagatna, Guam 96910

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The Committee on Natural Resources has scheduled a public hearing on **Friday, March 22, 2002 at 9:30 a.m., I Liheslaturan Guahan Public Hearing Room, Hagatna**, on Bill 282 (COR):

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I look forward to your presence at the public hearing to provide testimony on this matter.

Sincerely,



JOANNE M.S. BROWN  
Senator and Chairperson  
Committee on Natural Resources

Cc: Members, Board of Directors, GWA  
Mr. Terrence Brooks, Chairman, PUC  
Senator Kaleo S. Moylan, Chairman, Committee on Ways & Means  
Members, Committee on Natural Resources



**MINA' BENTE SAIS NA LIHESLATURAN GUAHAN 2002 (SECOND) Regular Session**

**Bill No. 282 (COR)**

Time: 4:20 P  
Date: 3/13/06

**Introduced by:**

J.M.S. Brown  
T.C. Ada  
V.C. Pangelinan  
Mark Forbes  
L.A. Leon Guerrero  
J.T. Won Pat  
K.S. Moylan

**AN ACT TO AUTHORIZE AND APPROVE THE US ENVIRONMENTAL PROTECTION AGENCY CONSENT ORDER, DOCKET CWA-402-9-01-19, SUBMITTED BY THE GUAM WATERWORKS AUTHORITY**

**BE IT ENACTED BY THE PEOPLE OF GUAM:**

1        **Section 1. Legislative Finding and Intent.** *I Liheslaturan Guahan* finds  
2 that on August, 2001 the Federal Environmental Protection Agency (EPA), Guam  
3 Waterworks Authority (GWA) and Governor Carl Gutierrez entered into a consent  
4 order ("Consent Order") in which GWA agreed during the next five years to bring  
5 its wastewater treatment facilities into compliance with Federal law and permitting  
6 requirements. The Consent Order required GWA to submit for EPA approval a  
7 financial and compliance plan (the "Financial Plan") under which such work would  
8 occur. The Financial Plan, which calls for GWA to undertake \$90 million dollars  
9 in capital and operational expenditures, was submitted for EPA approval on  
10 January 31, 2002. EPA, by letter dated February 25, 2002, approved the Financial  
11 Plan, provided that the Guam Public Utilities Commission (Commission) and the  
12 Guam Legislature commit to provide the authorizations, approvals and rate relief,  
13 which are reasonably necessary to enable GWA to timely discharge its duties  
14 under the Financial Plan. The EPA letter requires that these commitments be  
15 provided by EPA not later than March 30, 2002. On March 12, 2002, the  
16 Commission provided its commitment to EPA by order of that date. *I*

1 *Likeslaturan Guahan* finds that it is in the best interests of the people of Guam  
2 that the government of Guam provide its full commitment and support to the  
3 timely implementation of the Financial Plan so that GWA customers are provided  
4 safe, reliable wastewater services and so that Guam's beaches and coastal waters  
5 are protected from the chronic pollution described in the Consent Order.  
6

7 **Section 2. Commitment.** The government of Guam hereby commits to  
8 provide, in a timely manner, the approvals and authorizations as may be reasonably  
9 necessary to enable GWA to comply with the Financial Plan. The government of  
10 Guam further commits that it will not take any action to limit or otherwise  
11 compromise the Commission's regulatory authority over GWA, as asserted in the  
12 Commission's March 12, 2002 Order to Docket 02-02. In this regard, the  
13 Commission's regulatory authority under P.L. 25-05:12 to undertake and  
14 implement by appropriate regulatory order such management audits and studies of  
15 GWA and the other regulated utilities as it deems necessary and appropriate is  
16 hereby confirmed.  
17

18 **Section 3. Short-Term Debt Authorization.** GWA is hereby authorized to  
19 incur short-term debt in an amount not to exceed \$21.2 million dollars for the  
20 purposes set forth in **Attachment A** to this legislation. The terms and conditions  
21 of this borrowing shall be subject to the Commission's prior review and approval.  
22 GWA shall strictly comply with the regulatory requirements imposed upon the use  
23 of these funds by the Commission pursuant to its March 12 Order.



Office of Senator

Joanne M. Salas Brown

MINA' BENTE SAIS NA LIHESLATURAN GUÅHAN

March 7, 2002

## MEMORANDUM

To: Members, Committee on Natural Resources

From: Senator Joanne M.S. Brown, Chairperson

Subject: Meeting with the Public Utilities Commission of Guam  
Regarding the Guam Waterworks Authority



This is to inform you that the Committee on Natural Resources is scheduling a meeting on **Wednesday, March 13, 2002 at 9:30 a.m., Public Hearing Room**, with the Public Utilities Commission of Guam and the Chairman of the Guam Waterworks Authority to discuss the Financial Plan and Compliance Schedules submitted to the US Environmental Protection Agency by Guam Waterworks Authority.

The Guam Waterworks Authority has been in the process of securing its Financial Plan and Compliance Order with the US Environmental Protection Agency to address violations of the water and wastewater facilities and to bring these facilities into compliance with federal guidelines. These plans are in accordance with the Order of Consent issued by the US Environmental Protection Agency. However, a funding source must be secured to allow for the implementation of these plans and that the Public Utilities Commission of Guam and the Legislature must submit written commitments by March 30, 2002.

Please find attached a letter from Terrence M. Brooks, Chairman of the Public Utilities Commission of Guam, addressing the intent of these plans and the timelines involved to comply. It is imperative that we meet to discuss these critical issues.

Should you have any questions, please call my office at 472-3450.

  
JOANNE M.S. BROWN

Cc: Mr. Terrence M. Brooks, Chairman, PUC  
Mr. Stanley Wilson, Chairman, GWA

Legislative Secretary      Chairperson, Committee on Natural Resources  
Suite 200 • 130 Aspinall Avenue • Hagåtña, Guam 96910 Phone: 472-3450 • Fax: 472-4090

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PUBLIC UTILITIES COMMISSION  
OF GUAM

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Harry M. Boertzel, Esq.  
Administrative Law Judge

Monessa C. Leon Guerrero  
Executive Director

March 5, 2002

Senator Joanne Brown  
Chairperson  
**COMMITTEE ON NATURAL RESOURCES**  
130 Aspinall Street, Suite 200  
Hagatna, Guam 96910

**RE: Guam Waterworks Authority – Regulatory Matters**

Dear Senator Brown:

**1. Financial Plan – Compliance with EPA Order.**

At legislative direction, the Commission has assisted Guam Waterworks Authority [GWA] in drafting the financial plan, which was filed for EPA approval on January 31, 2002. A copy of the plan has been provided to the Legislature. Under the financial plan, GWA commits to undertake \$90 million dollars in capital and operational expenditures during the next five years to bring its wastewater treatment facilities into compliance with Federal law and permitting requirements. By letter dated February 25, 2002, EPA approved the plan, contingent upon the Commission's and the Legislature's commitment that each will faithfully and timely perform the duties required of each by the plan.

The plan and its contents are mandated by EPA Order. The plan contains detailed timelines and benchmarks, which if not met will subject GWA, its management and the government of Guam to substantial Federal enforcement action. Important public safety, health and economic issues are also at stake.

The EPA Order creates a new paradigm under which GWA must do business. Implementation of the financial plan must, under its terms, begin immediately. GWA needs to immediately obtain \$21.2 million in short-term debt to fund financial plan activities during the balance of FY02 and FY03. The Commission strongly recommends that these activities include the implementation of the recommendations contained in the Commission's revenue cycle audit of GWA and the undertaking of an operational and "best practices" personnel audit of GWA. A breakdown of the uses of this \$21.2 million is made **Attachment A**. (The \$21.2 million dollar number assumes that the Legislature will dedicate the \$6 million bond refinancing proceeds to fund the projects listed in **Attachment A**).



Enclosed as **Attachment B** is a proposed order, which the Commission will consider at its March 12 meeting. This order would commit the Commission to discharge the duties expected of it under the financial plan. For your consideration, the Commission encloses as **Attachment C** draft legislation by which the Legislature could issue its commitment, as required by EPA's February 25, 2002 letter. EPA requires that this commitment be made not later than March 30, 2002. The Commission cautions that a legislative override of the Governor's veto of Bill 230 may be inconsistent with this commitment. The reason for this concern is that in the event GWA is unable to obtain short-term credit, then the Commission may be required under the financial plan to provide this revenue stream through rates. However, Bill 230 would prohibit the Commission from providing GWA with any rate relief for the 12-month period following the bill's enactment into law.

## 2. GWA Operational Audit.

At the Commission's December 6, 2001 workshop, you and Senator Forbes requested an estimate of the cost of conducting an operational audit of GWA. Enclosed as **Attachment D** is a letter from the Commission's consultant, which presents this estimate with scope of work. The Commission recommends that this audit be undertaken and funded with short-term debt.

## 3. Staffing Studies [P.L. 26-23:2].

As a result of discussions with GWA management, the Commission is concerned that there may be a disconnect regarding the scope of the Commission's staffing study of GWA under P.L. 26-23 and the scope desired by the Legislature. As a result of a publicly noticed rulemaking proceeding in September, 2001, the Commission issued an Order Instituting Staffing Study Proceedings. A copy of this Order is enclosed as **Attachment E**. Commission staffing studies of GWA, GPA and GTA shall be conducted consistent with the Order. **Attachment F** is a March 5, 2002 letter from the Commission's consultant, which compares the staffing study process mandated by P.L. 26-23 with a more comprehensive "best practices" personnel audit. The Commission recommends that a "best practices" personnel audit be conducted in concert with a GWA operational audit and funded with short-term debt.

The Commission's staff looks forward to meeting with you on March 7 to discuss these important matters.

Cordially,



Terrence M. Brooks

cc: Stan Wilson, Chairman GWA Board  
Senator Mark Forbes  
PUC Commissioners



**GWA—DESCRIPTION OF PROJECTS AND ACTIVITIES TO BE FUNDED  
BY SHORT-TERM DEBT INCLUDED IN THE FINANCIAL  
PLAN SUBMITTED TO USEPA  
(\$1000s)**

<b>Uses of Funds:</b>	<b>FY 2002</b>	<b>FY 2003</b>
Agana Wastewater Treatment Plant (WTP) Ocean Outfall	\$ 1400	\$ 3000
Northern WTP) Ocean Outfall	\$ 1400	\$ 2900
Comprehensive Performance Evaluation for all WTPs	\$ 182	\$ 300
Assessment of Pump Stations and Collection System	\$ 100	\$ 500
Engineering Design	\$ 210	\$ 443
Construction Management	\$ 115	\$ 250
Consent Order-Additional Operational Expenses	\$ 150	\$ 1220
PMC for all of GWA WTPs		\$ 500
PMC for GWA Back Office Operations		\$ 500
Regulatory Management-Oversight of GWA compliance and selection of Performance Management Contractor (PMC) for treatment operations	\$ 135	\$ 158
Program administration-Oversight of Revenue Audit Implementation	\$ 105	\$ 119
Annual system renewals & replacements-Water and Wastewater	\$ 6000	\$ 6000
Meter Management Program-Capital Requirements		\$ 1500
Other EPA Funded Projects	\$ 2200	\$ 4200
Revenue Enhancement Program-Planning and Selection of BOT Contractor for Meter Management and Sewer Connection Programs	\$ 150	\$ 25
Operational Audit and Best Practices/Skills Assessment	\$ 275	\$ 1025
<b>Total Uses of Funds</b>	<b>\$ 12,422</b>	<b>\$ 22,640</b>
<b>Sources of Funds:</b>		
EPA Grants—Committed and Anticipated	\$ 2200	\$ 5649
Bond Refinancing	\$ 6000	
<b>Subtotal-Sources of Funds</b>	<b>\$ 8200</b>	<b>\$ 5649</b>
Debt Financing Required-Short Term	\$ 4222	\$ 16,991
Cumulative Debt Financing Required-Short Term	\$ 4222	\$ 21,213

**ATTACHMENT "A"**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM**

**GUAM WATERWORKS AUTHORITY-)  
EPA FINANCIAL PLAN )**

**DOCKET 02-02**

**ORDER**

This Order responds to the United States Environmental Protection Agency's [EPA] February 25, 2002 letter [the "EPA Letter"] regarding Guam Waterworks Authority's [GWA] financial plan and compliance schedule.

In August 2001 EPA, GWA and Governor Carl Gutierrez executed a consent order in which GWA agreed during the next five years to bring its wastewater treatment facilities into compliance with Federal law and permitting requirements. The Consent Order required GWA to submit for EPA approval a financial plan with compliance schedule [the "Financial Plan"] under which such work would occur. The Financial Plan, which calls for GWA to undertake \$90 million dollars in capital and operational expenditures, was submitted for EPA approval on January 31, 2002. The EPA Letter approves the plan, provided that the Commission and the Guam Legislature commit to provide the authorizations, approvals and rate relief, which are reasonably necessary to enable GWA to timely discharge its duties under the Financial Plan. The EPA Letter requires that these commitments be provided to EPA not later than March 30, 2002.

After discussion with its consultants and its administrative law judge [ALJ] and for good cause shown, the Commission at a duly noticed and convened meeting and upon motion, seconded and carried by vote of the undersigned, hereby **ORDERS THAT:**

1. The Commission shall, in a timely manner, order such rate relief and grant such regulatory approval as may be required by GWA to enable it to comply with the Financial Plan in a prudent and reasonable manner. In making this commitment, the Commission finds that the Consent Order constitutes a lawful GWA obligation, which under 12 GCA 12004 the Commission is required to fund, if necessary, through rates.
2. Given the substantial impact, which the Financial Plan could have on GWA ratepayers, the Commission hereby asserts its audit powers under P.L. 25-05:12, as the jurisdictional basis for overseeing GWA's implementation of the Financial Plan and of the recommendations of the Commission's revenue cycle audit, as approved in December 2001. The Commission finds that implementation of the audit recommendations, which will be funded through the Financial Plan, is crucial to GWA's ability to execute its duties under the Financial Plan. ALJ is authorized and directed to establish the protocol under which this Commission oversight shall occur.

**ATTACHMENT "B"**

3. Subject to legislative approval, GWA is hereby authorized to borrow not to exceed \$21.2 million dollars in short-term debt for the purpose of funding the Financial Plan related projects identified in Attachment A to this Order. The terms and conditions as well as the uses and commitment of such funds shall require **prior** Commission review and approval. ALJ is authorized and directed to establish the regulatory process by which this review shall occur. The Commission shall provide such regulatory assurances as may be reasonably necessary to induce lenders to extend GWA this short term debt.
4. The Commission finds that an operational and “best practices” personnel audit of GWA would meaningfully enhance GWA’s ability to execute the Financial Plan. The Commission further finds that the audit expense would be significantly exceeded by savings and revenue enhancements resulting from implementing audit recommendations. In the event the Legislature approves, as part of its short-term debt authorization, funding for the Commission to undertake this audit, ALJ is authorized and directed to recommend the procurement process by which the Commission will undertake this audit.
5. The Commission is a creature of statute and, therefore, cautions EPA that the Commission’s ability to meet the commitments contained herein is expressly contingent upon a reciprocal commitment from the government of Guam that it will not take any action to limit or otherwise compromise the Commission’s regulatory authority over GWA, as asserted herein.

Dated this \_\_\_\_ day of March 2002.

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**Terrence M. Brooks**

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**Joseph M. McDonald**

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**Filomena M. Cantoria**

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**Edward C. Crisostomo**

---

**Gerald M. Woo**

## DRAFT LEGISLATION

### AN ACT TO COMMIT THE GOVERNMENT TO PROVIDE THE TIMELY AUTHORIZATIONS AND APPROVALS TO ENABLE THE GUAM WATERWORKS AUTHORITY TO COMPLY WITH THE REQUIREMENTS OF THE FEDERAL EPA'S CONSENT ORDER.

#### BE IT ENACTED BY THE PEOPLE OF GUAM:

1. **Legislative Findings and Intent.** *I Liheslaturan Guahan* finds that in August 2001 the Federal Environmental Protection Agency [EPA], Guam Waterworks Authority [GWA] and Governor Carl Gutierrez entered into a consent order ["Consent Order"] in which GWA agreed during the next five years to bring its wastewater treatment facilities into compliance with Federal law and permitting requirements. The Consent Order required GWA to submit for EPA approval a financial and compliance plan [the "Financial Plan"] under which such work would occur. The Financial Plan, which calls for GWA to undertake \$90 million dollars in capital and operational expenditures, was submitted for EPA approval on January 31, 2002. EPA, by letter dated February 25, 2002 approved the Financial Plan, provided that the Guam Public Utilities Commission [Commission] and the Guam Legislature commit to provide the authorizations, approvals and rate relief, which are reasonably necessary to enable GWA to timely discharge its duties under the Financial Plan. The EPA letter requires that these commitments be provided to EPA not later than March 30, 2002. On March 12, 2002 the Commission provided its commitment to EPA by order of that date. *I Liheslaturan Guahan* finds that it is in the best interests of the people of Guam that the government of Guam provide its full commitment and support to the timely implementation of the Financial Plan so that GWA customers are provided safe, reliable wastewater services and so that Guam's beaches and coastal waters are protected from the chronic pollution described in the Consent Order.

2. **Commitment.** The government of Guam hereby commits to provide, in a timely manner, the approvals and authorizations as may be reasonably necessary to enable GWA to comply with the Financial Plan. The government of Guam further commits that it will not take any action to limit or otherwise compromise the Commission's regulatory authority over GWA, as asserted in the Commission's March 12, 2002 Order in Docket 02-02. In this regard, the Commission's regulatory authority under P.L. 25-05:12 to undertake and implement by appropriate regulatory order such management audits and studies of GWA and the other regulated utilities as it deems necessary and appropriate is hereby confirmed.

3. **Short-term Debt Authorization.** GWA is hereby authorized to incur short-term debt in an amount not to exceed \$21.2 million dollars for the purposes set forth in **Attachment A** to this legislation. The terms and conditions of this borrowing shall be subject to the Commission's prior review and approval. GWA shall strictly comply with the regulatory requirements imposed upon the use of these funds by the Commission pursuant to its March 12 Order.

## ATTACHMENT "C"

# GEORGETOWN CONSULTING GROUP, INC.

716 DANBURY RD.  
RIDGEFIELD, CT. 06877

Jamshed K. Madan  
Michael D. Dirmeier



Telephone (203) 431-0231  
Facsimile (203) 438-8420  
jmadan@snet.net

Edward R. Margerison  
Jean Dorrell

February 28, 2002

Harry M. Boertzel  
Administrative Law Judge  
Public Utilities Commission of Guam  
Suite 401, GCIC Building  
Post Office Box 862  
Hagatna, Guam 96932



Subject: GWA—Operational Audit Considerations

Dear Mr. Boertzel:

In your January 22, 2002 letter to Georgetown Consulting Group, Inc. (GCG) you requested a typical work scope and budget for undertaking an operational audit of the Guam Waterworks Authority (GWA). This request was based upon Senators Brown and Forbes inquiry about such an undertaking during the December 2001 Public Utilities Commission (Commission) workshop wherein the GWA Revenue Cycle Audit was presented.

## **Operational Audits**

Operational audits are conducted for the purpose of providing a comprehensive review of all aspects of a utility with the objective to identify areas of weakness that can be improved based upon implementation of selective corrective measures. For a combined water and wastewater utility, the principal areas of an investigation include the following:

- Executive Management and External Relations
- Workforce Management and Planning
- Human Resources
- Customer Service Operations
- Financial Management and Information Services
- Water Resource Planning
- Water and Wastewater Operations
- Support Services

For each of the principal areas of the investigation supporting financial, operating and statistical information is presented to demonstrate the areas of necessary improvement.

The final scope of work associated with an operational audit of GWA would be the subject of considerable discussion among the various stakeholders (Guam Legislature, Commission, GWA, others). For purposes of review by the Senators, we have prepared an outline of the

## **ATTACHMENT "D"**



types of issues and questions most commonly addressed in an operational audit. These can be found in the Attachment.

### Operational Audit Work Scope Considerations

The Commission has recently completed a limited audit of GWA's revenue cycle and at this time is overseeing the implementation of the audit recommendations pursuant to a stipulation with GWA. As a result of this undertaking, several of the areas generally included in a comprehensive operational audit have been recently reviewed either in great detail or to a limited extent. In addition, the Commission has underway a staffing study that will examine GWA staffing patterns. In the case of those areas the Commission has already reviewed in detail it would not be cost-effective to review these areas again, nor would it be reasonable to allocate GWA's and the Commission's limited resources to any further investigation of those areas.

To provide a snapshot review of the operational audit areas that would required a partial review or a total review presented below is a table which summaries these areas. The table below also shows the audit activities recently completed by the Commission. It is in the areas where no recent audit activities have been undertaken or where limited audit activities were partially undertaken that a comprehensive operational audit should be focused. A more detailed discussion of the activities associated with an operational audit can be found in the attachment.

Operational Audit Activities			
Typical Audit Activities	Audit Activities Recently Completed	Audit Activities Partially Undertaken	No Recent Audit Activities Undertaken
<b>Executive Management and External Relations</b>			
• Board of Directors			✓
• Organizational Structure			✓
• Business Planning			✓
• Communications			✓
• Administration			✓
• External Relations			✓
<b>Workforce Management and Planning</b>			
• Management Compensation			✓
• Performance Standards			✓
• Incentives			✓
• Compensation Administration			✓
• Staffing Patterns		✓	
• Benefit Cost			✓
<b>Human Resources</b>			
• HR Management			✓
• Recruiting			✓
• Training			✓
• Labor Relations			✓
• Safety			✓
• Performance Standards			✓

Typical Audit Activities	Audit Activities Recently Completed	Audit Activities Partially Undertaken	No Recent Audit Activities Undertaken
<b>Customer Service Operations</b>			
• Staffing and Facilities		✓	
• Responsiveness		✓	
• Credit	✓		
• Collections	✓		
• Delinquent Accounts	✓		
• Uncollectibles	✓		
• Customer Complaints			✓
• Compliant Analysis			✓
• Performance Standards			✓
• Customer Outreach			✓
• Customer Appeals			✓
<b>Financial Management and Information Systems</b>			
• Financial Performance		✓	
• Viability as an Entity		✓	
• Treasury		✓	
• Accounting			✓
• Planning and Budget			✓
• Performance Indicators			✓
• Management Reporting		✓	
• Internal Auditing			✓
• Rates and Charges			✓
• Information Systems			✓
<b>Water Resource Planning</b>			
• Sales and Forecasting			✓
• Planning Process			✓
• Water Resource Plans			✓
• Contract Risk Management			✓
<b>Water and Wastewater Operations</b>			
• Facilities Planning			✓
• Renewals & Replacements			✓
• Engineering			✓
• Construction Standards			✓
• Distribution/Collection Operations			✓
• Water Conservation			✓
• Treatment Operations			✓
• Maintenance Management			✓
<b>Support Services</b>			
• Facilities Management			✓
• Transportation			✓
• Purchasing & Stores			✓
• Record Management			✓
• Risk Management			✓

In addition to utilizing information developed based upon the Commission's earlier studies, time spent in undertaking an operational audit would best be focused on those areas within GWA which offer the potential for improvement. The operational audit would be conducted in phases. The initial phase should be a reconnaissance phase and would be used to identify areas of improvement that provide the greatest benefit to GWA customers when measured on the basis of net present value or highest benefit/cost ratios and customer service satisfaction. Based upon round-table meetings with GWA and the Commission agreement would be sought and the operational audit would then proceed in those areas offering immediate improvement.

#### **Audit Schedule and Resource Requirements**

It is estimated that an operational audit of GWA would require approximately six to nine-months to complete. This means that if an operational audit were to be authorized in March it could be completed by the end of the calendar year. Most of the work would be performed on site, approximately 75 percent of the effort.

The effort required to perform an operational audit of GWA during the six-month period would be intense and require the full cooperation of GWA. The audit activities would most likely require six to seven subject matter experts to appropriately cover all of the functions associated with GWA's operations. The distribution of effort necessary to complete an operational audit of GWA is estimated to require the following professional staffing:

<b>GWA Operational Audit Staffing Requirements</b>	
<b>Areas of Investigation</b>	<b>Approximate Person-hours</b>
Executive Management and External Relations	170
Workforce Management and Planning	380
Human Resources	220
Customer Service Operations	170
Financial Management and Information Services	280
Water Resource Planning	220
Water and Wastewater Operations	640
Support Services	220
Implementation Plan Development	400
<b>Total</b>	<b>2700</b>

The operational audit deliverables would consist of a detailed work plan which specifically identifies the issues and questions to be addressed during the audit, working papers which enable the tracing of fact in a finding or conclusion, monthly status reports, a draft report, and a final report. The final report would include:

- Issue background
- Evaluation criteria
- Findings and conclusions
- Recommendations for immediate change
- Cost, benefits and timeframe associated with the recommended changes

Harry M. Boertzel  
Administrative Law Judge  
Public Utilities Commission of Guam  
Page 5

- Prioritized schedule for recommended changes
- Supporting financial and operating data and statistics
- Implementation schedules for each recommended change.

### **Operational Audit Budget**

While it is not possible to provide a definitive budget absent having in place a final scope of work, we can provide guidance as to a budget range. If the operational audit were to proceed generally in accordance with the issues and questions outlined in this memo, we would estimate the budget to be in the range of \$650,000 to \$750,000, inclusive of expenses.

### **Implementation Considerations**

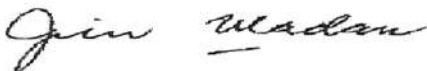
An operational audit of GWA would identify significant cost savings and customer service improvements. We would recommend that if an operational audit is undertaken that early consideration be given to the approach and resources necessary for implementation of audit recommendations. This is necessary for the purpose of verifying that the recommendations identified are agreed upon and can then proceed to implementation. To accomplish this approach we recommend the following, which is somewhat different to implementation approaches used in the past in that we would anticipate greater involvement by a 3<sup>rd</sup> party implementation contractor(s).

- Verify and prioritize the implementation plans to be undertaken.
- Approve an appropriate budget for each implementation plan.
- Assign a dedicated program manager to oversee the implementation of the recommended and agreed upon improvement plans and schedules
- Dedicate human resources to several small implementation teams lead by subject matter experts.
- Conduct weekly meetings to review progress, successes and shortcomings.
- Reassign resources as necessary to correct shortcomings
- Complete the implementation process over a period of 18-months.

This approach will maximize the benefits contemplated by the audit recommendations and insure their timely implementation. The costs for overseeing the implementation steps are not included in the audit budget estimate above.

If you have any questions or would like to further discuss this matter, we would be happy to meet with you at your convenience.

Sincerely,



Jim Madan



## **Attachment**

### **Typical Operational Audit Work Scope**

#### **Executive Management and External Relations**

We would envision that an operational audit would begin by assessing the top management and policy level within the GWA organization. In addressing the higher levels of management typically issues and questions that would be reviewed include:

1. Board of Directors—Is the Board of Directors meaningfully involved in the future direction and possible improvements in GWA, as well as in the independent evaluation of GWA's successes and failures?
2. Organizational Structure—Is the GWA organization functionally efficient, with clearly defined roles and responsibilities and effective consolidation of activities?
3. Organizational Structure—Are the roles and responsibilities of executive management and departmental managers clearly defined throughout the organization?
4. Organizational Structure—Does GWA have in place an adequate management succession planning process and is it reasonably effective in addressing future leadership needs of the organization?
5. Business Planning—Does a well thought out business planning process exist and is a well-developed strategic plan in place and appropriately communicated to employees?
6. Business Planning—Are strategies underway which demonstrate the implementation of the GWA strategic business planning process?
7. Communications—Does the organizational structure and management processes support effective communication up, down, and across the organization?
8. Administration—Do appropriate documented operating and administrative procedures exist which clearly define departmental operating objectives and performance measures?
9. External Relations—Does a well-developed external relations strategy exist which insures coordination among public information, government affairs, Commission relations and financial relations?

#### **Workforce Management and Planning**

We would envision that an operational audit would address a number of workforce management and planning issues. Typical issues and questions that would be addressed include:

1. Management Compensation—Are senior management and department managers compensated comparably with similar positions in the industry and /or the region?
2. Performance Standards—Do quantitative and qualitative performance standards and benchmarks exist and are they routinely measured and evaluated?
3. Incentives—Are incentive plans for senior management and department managers at GWA routinely measure against the performance standards for senior management and department managers? Are they consistent with those found in the industry and /or the region?
4. Compensation Administration—Are compensation programs for all employees below the executive level cost-effective and administered equitably?



5. Compensation Administration—Are the mechanisms used at GWA to tie performance and compensation administered equitably?
6. Staffing Patterns—Are measures in place to determine whether staffing patterns, including quantity and quality of the work force, are appropriate to GWA's needs?
7. Benefit Costs—Are GWA post retirement benefits appropriately addressed in its cost of service and its near-and long-term budget planning processes?

## **Human Resources**

We would envision that an operational audit would review the human resources function at GWA and examine the policies and practices employed in meeting its human resource needs. In addressing the human resource function the typical issues and questions that would be addressed include:

1. Human Resource Management—Does the human resource function serve as a proactive and integrated element of the GWA operations and is it designed to support GWA's goals and objectives?
2. Recruiting—Are defined processes in place to identify human resource needs, establishing priorities for filling these needs, and monitoring progress toward acquiring or developing the needed human resources?
3. Training—Do training and development programs exist that are designed and implemented to facilitate the service goals of GWA and insuring that GWA's physical assets are appropriately maintained?
4. Labor Relations—Does GWA have in place a meaningful labor relations program that is beneficial to both employees and GWA?
5. Safety—Does GWA have in place a comprehensive safety program with effective monitoring procedures in place?
6. Performance Standards—Do quantitative and qualitative performance standards and benchmarks exist for the Human Resource function and are they routinely measured and evaluated?

## **Customer Service Operations**

We would envision that an operational audit would review the customer service function at GWA and examine the policies and practices employed in meeting its customer needs. In addressing the customer service function an operational audit would examine the promptness, accuracy, and responsiveness of the customer service function. Elements of the investigation that would be reviewed include planning, organization, procedures, and the business philosophy. Typical issues and questions that would be addressed include:

1. Staffing and Facilities—Is the customer service office(s) appropriately configured and appropriately staffed for the level of customer visits and telephone inquiries?
2. Responsiveness—Are customer inquiries, complaints, and request handled promptly, courteously, consistently, timely, and accurately?
3. Credit & Collections—Do formal credit and collections procedures exist and are they administered uniformly?
4. Collections—Are adequate measures available for receiving and posting customer payments?
5. Delinquent Accounts—Do programs exist for payments-troubled customers and are they managed effectively?

6. Uncollectibles—Is the level of revenue write-offs for uncollectibles comparable with similar utilities and business on Guam?
7. Customer Complaints—Are customer complaints handled in a proficient manner and are customers proactively advised of the disposition of their complaint?
8. Compliant Analysis—Is the information from customer complaints collected and used to identify the underlying root causes of customer questions and problems?
9. Performance Standards—Do quantitative and qualitative performance standards and benchmarks exist and are they routinely measured and evaluated?
10. Customer Outreach—Does GWA reasonably advise customers of various service options and how to conduct business with GWA?
11. Customer Appeals—Does an visible and formal appeal channel exist for customers to pursue who remain dissatisfied after a initial or front-line contact with GWA personnel?

### **Financial Management and Information Systems**

We would envision that an operational audit would review the financial management function at GWA and examine the policies and practices employed in establishing and maintaining a stable long-term financial position. Critical are issues associated with the development of long-term financial plans (inclusive of capital requirements), cost accounting and control, treasury functions, cash management, financial accounting, transaction processing, data integrity, management reporting, regulatory reporting, and audit programs to safeguard GWA assets. In addressing the financial management and information systems functions the typical issues and questions that would be addressed include:

1. Financial Performance—Is GWA's financial condition and financial performance similar to the industry and does it compare favorably with other autonomous utilities on Guam?
2. Financial viability—Is GWA able to obtain funds in the capital markets at favorable rates?
3. Treasury—Is the GWA cash position quantified on a daily basis, with deposits and disbursements timed to maximize earnings, and is the function supported by comprehensive forecasting techniques?
4. Accounting—Do GWA accounting systems provide for financial information integrity, timeliness, and GAAP conformity for the purposes of its financial statements, management information systems, and rate analysis, and are the processes sufficiently automated?
5. Planning and Budgeting—Is the quality and timeliness of GWA's near-and long-term financial planning, analyses and reporting appropriate for effective management decision-making and are the processes supporting these activities sufficiently automated?
6. Performance Standards—Do quantitative and qualitative performance standards and benchmarks exist and are they routinely measured and evaluated?
7. Management Reporting—Are reporting systems comparing actual performance to budget estimates in place, and are reports provided to management that are timely, accurate, and inclusive of exception reporting?
8. Internal Auditing—Does the internal auditing function at GWA employ adequate planning, possess the appropriate organizational independence and autonomy, and use appropriate risk assessments techniques and follow-up procedures?
9. Rates and Charges—Is the ratemaking function properly administered to ensure timely and accurate action, and does the function represent the interest of the ratepayers?
10. Information Systems—Does the IT function appropriately support GWA's overall goals and objectives, and is its structure conducive to accomplishment of this role?
11. Information Systems—Are GWA's computing resources reliable and readily available for users throughout the organization?

## Water Resource Planning

We would envision that an operational audit would review the water supply planning issues confronting GWA. Effective water supply planning strategies should consider joint activities between the military and GWA since effective planning strategies could favorably impact the need for additional supply and the cost of supply. In addressing the water supply function the typical issues and question that would be addressed include:

1. Sales and forecasting—Does GWA possess explicit knowledge of the future demand for water, including customer class consumption rates, seasonal demand, price sensitivity, and forecasted prices of water?
2. Planning Process—Does GWA have in place a systematic process to forecast water demand under a range of alternative demand contingencies?
3. Long Term Plans—Has GWA identified future water supplies taking into account future costs and economic and deliverability risks?
4. Contract Risk Management—Do GWA water purchase contracts with others provide purchasing flexibility and allow GWA to implement a least-cost strategy?

## Water and Wastewater Operations

We would envision that an operational audit would review all aspects of GWA's water distribution and wastewater collection systems and its water and wastewater treatment plant operations. Examined would be the processes used by GWA to identify, justify, and budget for construction projects. The audit would review GWA's methodology for determining appropriate distribution and collection line sizes, along with factors with influence growth within its service area. In addressing GWA's water and wastewater operations function the typical issues and questions that would be addressed include:

1. Facilities Planning—Do well-defined processes exist for the identification, prioritization, and capital budgeting for growth related and replacement construction projects?
2. Renewals & Replacements—Does GWA's replacement program incorporate an approach that includes both economic and non-economic criteria for justifying replacement versus continued operations of non-cost effective facilities?
3. Engineering—Is the engineering and construction functions structured and coordinated through systematic processes?
4. Standards—Does GWA follow water and wastewater design standards consistent with those found in the industry and applicable to Guam?
5. Distribution/Collection Operations—Are the GWA water and wastewater distribution and collection operating functions efficiently organized with systems in-place to support effectively work management processes?
6. Water Conservation—Are water loss management and end-use conservation programs effective and result in cost benefits to ratepayers?
7. Treatment Operations—Are GWA water and wastewater treatment plants properly maintained and adequately staffed?
8. Maintenance Management—Does GWA have in place a comprehensive maintenance management program for the purpose of performing preventative maintenance and ensuring that ratepayers obtain the benefit of their investment in capital facilities?

## Support Services

We would envision that an operational audit would address the support services at GWA, including facilities management, transportation management, purchasing, materials management, records management, legal, and risk management. In addressing GWA support services the typical issues and questions that would be addressed include:

1. Facilities Management—Does GWA make reasonable leasing versus acquisition decisions concerning its facilities that are consistent with the long-range requirements and which ensure maximum utilization of such facilities?
2. Facilities Management—Are the GWA facilities convenient to customers, operationally efficient and cost-effective considering GWA's long-range requirements?
3. Transportation—Are the procurement, operations, and maintenance activities pertaining to fleet resources based on sound economic analysis?
4. Purchasing & Stores—Do the organizational structure, policies, and procedures provide effective central control and coordination of materials procurement and inventory management, while efficiently supporting GWA activities with minimum duplication of resources?
5. Records Management—Does GWA have a records management program in effect that ensures that all important business and legal information is effectively retained for cost-effective and timely retrieval?
6. Risk Management—Does GWA have a clearly identified risk management strategy and does it routinely review its insurance alternatives and actively pursue loss prevention programs?



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM**



CONSOLIDATED PROCEEDING )	DOCKET 01-05 [GPA STUDY]
FOR DECLARATORY RULING )	
UNDER COMMISSION RULE 42 )	DOCKET 01-06 [GTA STUDY]
REGARDING STAFFING STUDIES)	
<u>REQUIRED BY P.L. 26-23</u> )	DOCKET 01-07 [GWA STUDY]

**Order Instituting Staffing Study Proceedings**

***Regulatory Background***

Public Law 26-23:<sup>1</sup> directs the Commission to:

1. Conduct annual comparative studies of Guam Power Authority's [GPA], Guam Telephone Authority's [GTA] and Guam Waterworks Authority's [GWA] staffing patterns and manpower levels;
2. Consider the studies in rate proceedings initiated by GPA, GTA and GWA;
3. Order reductions or other adjustments prior to or as part of utility initiated rate proceedings, which the Commission determines are reasonable and appropriate to eliminate unreasonable personnel expenses; and
4. Publish the study results.

In response to the mandate in P.L. 26-23, that the Commission initiate the study process within 60 days of its enactment, the Commission's administrative law judge [ALJ] on July 30, 2001 issued an Order Instituting a Rule 42 Proceeding<sup>2</sup> under the Commission's Rules of Procedure. The purpose of this Order was to obtain comments from GTA, GPA and GWA on issues regarding the interpretation and implementation of the law. Only the Commission's regulatory consultant [Georgetown] and GPA responded to this Order.<sup>3</sup>

After carefully considering the comments and documents filed by GPA and Georgetown, the arguments of GPA at the Commission's September 4, 2001 public hearing, ALJ's September 10, 2001 report, for good cause shown and on motion duly

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<sup>1</sup> Public Law 26-23, entitled "Ratepayers' Bill of Rights" was enacted into law by legislative override on July 5, 2001. A copy of the law's section which is relevant to this Order is enclosed as **Attachment A**.

<sup>2</sup> A copy of the Order Instituting Rule 42 Proceeding is made **Attachment B** to this Order.

<sup>3</sup> These comments include: a) Georgetown's August 10, 2001 response to ALJ Order; b) GPA's August 24, 2001 memorandum; c) Blair's letter dated August 29, 2001; and d) GPA's September 10, 2001 memorandum;



made, seconded and carried by the vote of five Commissioners, the Commission hereby makes the following findings and issues the following orders:

### *Findings*

The Commission deems it necessary and appropriate to enter the following findings to establish the regulatory protocol by which the staffing studies will be conducted and to address legal concerns raised by GPA regarding P.L. 26-23.

1. The Commission is authorized under Rule 42 of its Rules of Procedure to interpret the scope and meaning of any duty imposed upon it by public law, in a reasonable manner, consistent with generally acceptable regulatory principles and with other requirements of law.
2. The Commission gives great weight to the Legislature's assurance in P.L. 26-23 that it is not intended to interfere with the Commission's independent authority to regulate the rates of GPA, GTA and GWA. Legislative deference to the Commission's independent authority is further recognized in P.L. 26-18, which expressly recognizes that the Commission is independent of the Executive and Legislative Branches.
3. The Commission's duties under 12 GCA 12001.2(d) can and by this Order have been interpreted in a manner, which causes no "substantial impairment" to its independent regulatory authority over GPA.<sup>4</sup>
4. 12 GCA 12001.2(d) has no relevance to rate proceedings which the Commission commences on its own initiative.
5. 12 GCA 12001.2(d) does not require the Commission to examine whether a utility has unreasonable expenditure levels in areas other than manpower and staffing. However, this regulatory authority does exist under its audit powers [P.L. 25-05:12].
6. The Commission's authority in 12 GCA 12001.2(d) regarding GWA is independent of the Legislature's budget authority over GWA under P.L. 26-15.
7. The Commission's authority under 12 GCA 12001.2(d) should not extend to GTA's deregulated business activities.

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<sup>4</sup> In making this finding, the Commission, in reliance upon the legislative intent expressed in P.L. 26-23, interprets section 12001.2(d) by this Order in a manner to avoid any meaningful impairment of its powers, duties or effectiveness in relation to GPA and its rates. Accordingly, the Commission concludes that the enactment of the section, as interpreted by the Commission, does not violate the Government's pledge in section 6.20 of the Bond Indentures, dated December 1, 1992 [1992 Series A Bonds].

8. Part 7 of the Commission's Rules should be used in conducting the Commission's review of each completed staffing study, including any recommendations for expense reductions or other action under P.L. 26-23.
9. Commission staff is qualified, able and should be directed to conduct the staffing studies under ALJ oversight. The regulatory budget for these studies should be established in accordance with Commission Resolution dated February 1, 1996.
10. 12 GCA 12001.2(d) mandates that the Commission

must, in determining approval of any proposed rate increase, take into account the results of such studies and order reductions or other adjustments in the operations of the Public Utility requesting a rate adjustment, as recommended or suggested by such studies.

This language is interpreted by the Commission to mean that it must consider the staffing studies, within the broader context of a utility initiated rate proceeding, in determining whether its rates are just and reasonable. In the event a staffing study evidences that personnel expenses are unreasonable and imprudent, then the Commission should issue appropriate orders to require the utility to implement study recommendations to normalize these expenses.


11. Unless otherwise determined by ALJ for good cause shown, the terms "staffing patterns" and "manpower levels" in section 12001.2(d) should mean: 1. levels of full-time equivalent (FTE) personnel; 2. distribution of staff by functionality (i.e. production, distribution, customer service); 3. overtime levels; and 4. use of outside contractors.
12. The Commission's ALJ should be authorized, consistent with this Order, to oversee the studies mandated by P.L. 26-23, including the authority, in consultation with Georgetown and the relevant utility, to establish study timelines, the composition and size of the comparative utility panels, the process by which the studies will be conducted and the scope and objectives of the studies. The Commission further recognizes that the scope and nature of the studies might vary according to the particular circumstances of GTA, GPA and GWA.
13. The comparative analysis required by 12 GCA 12001.2(d) should use at least four "mainland" utilities, but may, for reasonable cause and in the ALJ's judgment, include additional utilities from any location. ALJ may also rule on the manner in which the panel utilities are weighted in conducting the comparative analysis.

**Order**

In furtherance of the above findings and regulatory background in this Combined Docket proceeding, **IT IS HEREBY ORDERED THAT:**

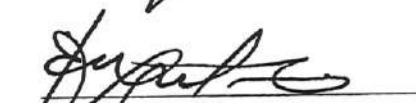
1. The Commission's ALJ is authorized and directed, consistent with this Order, to oversee the studies mandated by P.L. 26-23, including the authority, in consultation with the Commission's regulatory consultant, Georgetown, and with the relevant utility, to establish study timelines, the composition and size of the comparative utility panels, the process by which the studies will be conducted and the scope and objectives of the studies. When completed and approved by ALJ, the studies shall be brought before the Commission for consideration in accordance with Part 7 of the Commission's Rules.
2. The utilities which are the subject of the staffing studies shall pay the Commission's expenses for the studies, including, without limitation, consulting and counsel fees and the expense of conducting subsequent hearing proceedings.

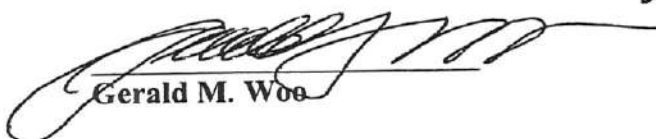
Dated this 13<sup>th</sup> day of September, 2001.

  
Terrence M. Brooks

  
Filomena M. Cantoria

  
Joseph M. McDonald

  
Edward C. Crisostomo

  
Gerald M. Woo

1           "Section 12001.1.       Ratepayers' Bill of Rights. *I Liheslaturan*  
2 *Guåhan* finds that the services provided by Public Utilities are basic  
3 necessities that the residents of Guam must receive in order to function  
4 in modern life. *I Liheslaturan Guåhan* also finds that because residents  
5 have very little choice in purchasing these basic necessities, they are  
6 held captive to the rates and rate increases of the Public Utilities. Any  
7 rate increase therefore diminishes the amount of hard-earned wages  
8 residents have to spend on other basic necessities, such as food, shelter  
9 and clothing, as well as the amount of hard-earned wages they have to  
10 set aside for retirement, college, emergencies or a family business.

11           While *I Liheslaturan Guåhan* recognizes that over a long period of  
12 time, an increase in utility rates is inevitable, such rate increases must be  
13 made out of absolute necessity, and *only* after every cost-cutting effort  
14 has been made and every other available option has been exhausted. *I*  
15 *Liheslaturan Guåhan* intends to make it clear that it does *not* want to  
16 interfere with the ability of the Public Utilities Commission to regulate  
17 and set rates for the Public Utilities, but *I Liheslaturan Guåhan* also  
18 intends to make it abundantly clear that no Public Utility shall submit a  
19 proposal for a rate increase without first giving the people of Guam  
20 more than ample opportunity to exercise their fundamental rights as  
21 ratepayers. Those fundamental rights of the ratepayers include:

22           (1) the right to receive clear and adequate notice of any  
23 proposed rate increase;

1 (2) the right to be fully informed about and to fully  
2 evaluate any proposed rate increase, as well as the finances of a  
3 Public Utility; and

4 (3) the right to give input and participate in any proposed  
5 rate increase.

6 It is these basic rights which the Ratepayers' Bill of Rights  
7 seeks to uphold."

8 Section 2. Section 12001.2 is hereby added to Chapter 12 of Title 12 of  
9 the Guam Code Annotated to read as follows:

10 **"Section 12001.2. Proposed Public Utility Rate Increases.**

11 (a) Sections 12001.1 through 12001.2, which shall be  
12 known as the Ratepayers' Bill of Rights, shall in no way restrict  
13 the powers of the Public Utilities Commission ('Commission')  
14 granted in this Chapter to regulate or set rates for a Public Utility.  
15 The Ratepayers' Bill of Rights sets conditions *only* on the manner  
16 in which a Public Utility shall submit ~~a proposed rate increase~~ to  
17 the Commission. No Public Utility, as defined in §12000 of this  
18 Chapter, ~~with the exception of the Guam Memorial Hospital~~, may  
19 submit a proposed rate increase to the Commission before  
20 complying with the mandates of this Section. ~~This Section shall~~  
21 ~~not apply to the Guam Memorial Hospital.~~

22 (b) A Public Utility shall publish notice of any proposed  
23 rate increase in a newspaper of general circulation, as defined in  
24 §8104 of Chapter 8 of Title 5 of the Guam Code Annotated, Open



1 Government Law, at least three (3) months *before* submitting it to the  
2 Commission. The published notice shall include the Public  
3 Utility's intention to submit a proposed change in its rates in three  
4 (3) month's time, its current utility rate, the proposed rate, the  
5 amount of increase *and* a justification for the increase.

6 (c) A Public Utility shall mail a notice to every ratepayer  
7 *at least one* (1) month *before* submitting a rate change proposal to  
8 the Commission. The notice shall state the Public Utility's  
9 intention to submit a proposal to increase its rates in one (1)  
10 month's time, its current utility rate, the proposed rate, the  
11 amount of increase and a justification for the increase.

12 (d) The Public Utilities Commission ('PUC') shall  
13 annually conduct a study comparing the staffing pattern and  
14 manpower levels of the Public Utilities under their purview to the  
15 staffing patterns and manpower levels of at least four (4) other  
16 utilities in the United States Mainland which provides similar  
17 services to a comparable number of customers.

18 The first such study mandated herein shall begin *no less than*  
19 sixty (60) days after the effective date of this Act. The PUC shall  
20 publish the results of such studies in a newspaper of general  
21 circulation, as defined in §8104 of Chapter 8 of Title 5 of the Guam  
22 Code Annotated, *Open Government Law*. The studies shall be  
23 made available to residents attending the public hearings on the  
24 proposed rate increase. The PUC must, in determining approval

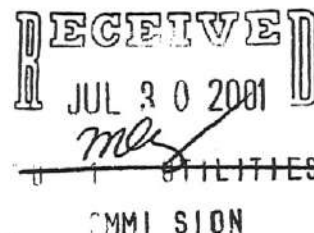
1 of any proposed rate increase, take into account the results of such  
2 studies and order reductions or other adjustments in the  
3 operations of the Public Utility requesting a rate adjustment, as  
4 recommended or suggested by such studies, prior to granting  
5 approval for a rate increase.

6 It is the intention of *I Liheslaturan Guåhan* that the PUC  
7 mandate reductions in unnecessary levels or areas of expenditure  
8 in Public Utilities *prior to*, or in conjunction with, approval of any  
9 rate increase. Any Public Utility that has received an order from  
10 the PUC to reduce expenditures in any area of operations shall  
11 comply with such order, and failure to do so is a grounds for  
12 disapproval of a rate increase proposal.

13 (e) A Public Utility, *at least one (1) month before*  
14 *submitting a rate increase proposal to the Commission, shall*  
15 *publish on a World Wide Web ('Web') page, available through the*  
16 *Internet, all the information provided in its public notices required*  
17 *by this Section. The Web page shall also include a message board,*  
18 *or an electronic mail address, by which the public can submit its*  
19 *opinions, testimony and any reactions to the proposed rate*  
20 *increase or to the information provided on the Web page."*

21 Section 3. Section 12016 of Chapter 6 of Title 12 of the Guam Code  
22 Annotated is hereby *amended* to read as follows:

23 "Section 12016. Public Hearings. The Commission shall  
24 hold *at least three (3) public hearings on any change in proposed rates or*

**BEFORE THE PUBLIC UTILITIES COMMISSION OF GUAM**

**CONSOLIDATED PROCEEDING )  
FOR DECLARATORY RULING )  
UNDER COMMISSION RULE 42 )  
REGARDING STAFFING STUDIES )  
REQUIRED BY P.L. 26-23 )**

**DOCKET 01-05 [GPA STUDY]**

**DOCKET 01-06 [GTA STUDY]**

**DOCKET 01-07 [GWA STUDY]**

**ORDER INSTITUTING RULE 42 PROCEEDING**

Under the authority of Commission Rule 42 and on the Commission's initiative, a consolidated proceeding is commenced to establish the process and to define the standards by which the Commission shall conduct an annual study of the staffing patterns and manpower levels of Guam Power Authority (GPA), Guam Telephone Authority (GTA) and Guam Waterworks Authority (GWA), as mandated by Public Law 26-23:2 [12 GCA 12001.2(d)]. The beneficial use of Rule 42 will empower the regulated utilities to participate in the Commission's development of a uniform process and uniform standards by which annual staffing studies will be conducted pursuant to 12 GCA 12001.2(d). This Order supercedes the undersigned's July 10, 2001 letter [RE: Bill 28 - Ratepayers' Bill of Rights].

GPA, GTA, GWA and Georgetown Consulting Group [GCG] are made parties to this consolidated proceeding. GCG is directed, on or before August 10, 2001 to file comments regarding the issues stated below. GWA, GTA and GPA are invited to file responsive comments with the Commission and with each party on or before August 24, 2001. Any party may in its comments raise and address additional issues, which it asserts are relevant to this proceeding. A consolidated pre-hearing conference in this proceeding shall be held at Suite 207 GCIC Building at 2:00 p.m. on August 27, 2001. A public hearing will be conducted in this consolidated proceeding to receive the argument of parties on the issues stated below or a consolidated stipulation, if one is reached, at 6:00 p.m. on September 4, 2001 at Suite 201 GCIC Building. After carefully considering the arguments and positions of the parties, the Commission will issue a declaratory ruling under Rule 42, which will establish the process and standards under which the staffing studies will be conducted. Concurrent with this ruling, the Commission will also enter orders in the dockets identified above, which will direct that the first staffing studies be commenced in accordance with the ruling.

The Commission requires comments on the following issues, which must be addressed in establishing a declaratory rule under which the Commission will discharge its responsibilities under 12 GCA 12001.2(d). It is worthy of note that there may be special considerations, which must be considered for individual utilities. These should be noted, where appropriate:

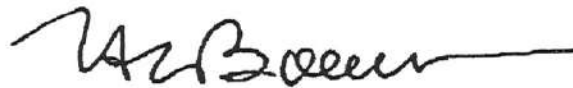
1. Section 12001.2(d) requires that in conducting its staffing study, the Commission shall use at least four other utilities in the United States Mainland which provide similar services to a comparable number of customers. With regard to this standard:
  - a. Should the term "Mainland" be construed to exclude island utilities, such as those in Hawaii, the Virgin Islands or Puerto Rico and those in Alaska?
  - b. In the event the Commission decides to establish a comparable panel of greater than four utilities, should the standard be construed as requiring that they also be "Mainland" utilities?
  - c. How many utilities should be used as a comparable panel?
  - d. By what process should the panel of utilities for GWA, GPA and GTA be selected?
2. What definition should the Commission give to the terms "staffing pattern" and "manpower levels", as used in section 12001.2(d)?
3. Section 12001.2(d) provides that the Commission shall "order reductions or other adjustments in the operations of the Public Utility requesting a rate adjustment, as recommended or suggested by such studies" and also provides that the PUC shall "mandate reductions in unnecessary levels or areas of expenditure in Public Utilities prior to, or in conjunction with approval of any rate increase".
  - a. Does this provision prohibit the Commission, even on its own initiative, from granting a public utility with rate relief prior to the completion and implementation of the staffing study required by the section?
  - b. Do the above provisions call for the Commission to examine expenditure areas other than staffing to determine whether unnecessary levels or areas of expenditure exist?
  - c. With regard to GWA, would Commission ordered reductions in expenditures or adjustments in operations have any force and effect prior to Legislative approval of consequent budget amendments pursuant to P.L. 26-15?

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- d. With regard to GTA, should this study include an examination of GTA's deregulated business activities?
4. The section requires that the study be conducted annually. During which Commission regulatory session should the study be prepared and ready for Commission consideration [February, May, September or November]?
5. Propose an outline of the process [action steps and timeline] for how the first staffing study should be conducted. What deliverables should be expected from this study?
6. Propose an outline of the process [action steps and timeline] for how the annual study review [after the first study] should be conducted. What deliverables should be expected from these studies?
7. What level of detail should the staffing study undertake in its examination of staffing levels and manpower levels [department level]?
8. What should the utilities budget for the initial staffing study and for the first annual staffing study review?
9. Should Part Seven of the Commission's Rules be used in conducting the Commission's review of each staffing study, including its recommendations for Commission action pursuant to section 12001.2(d)?

Questions regarding this Order should be transmitted in writing to the Commission to my attention with copy to each party.

Dated this 30<sup>th</sup> day of July 2001.



**Harry M. Boertzel**  
**Administrative Law Judge**



# **GEORGETOWN CONSULTING GROUP, INC.**

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Edward R. Margerison  
Jean Dorrell

March 5, 2002

Harry M. Boertzel  
Administrative Law Judge  
Public Utilities Commission of Guam  
Suite 401, GCIC Building  
Hagatna, Guam 96932



Subject: GWA—Staffing Study Considerations

Dear Mr. Boertzel:

At the Guam Waterworks Authority (GWA) regulatory conference on February 27, 2002 you requested Georgetown Consulting Group, Inc. (GCG) to develop a memo, which would summarize the various alternative approaches that could be taken to develop a recommended staffing pattern for GWA at the departmental level. You also requested that we comment on the limitations of the current staffing study required by Public Law 26-23 to assist GWA management and the Commission to make staffing related decisions at the department level. This memo will present background information, which impacts GWA staffing level, and will outline various alternative-staffing investigations that could be conducted in the future and their associated schedules for completion and budget.

## **GWA Staffing Study Activities**

The term "staffing study" does not by itself define an exact set of objectives or deliverables for such an undertaking. Staffing studies can take many forms and can have totally different overall objectives. For instance, in 1997 GWA undertook an organizational study. While this 1997 GWA organizational study primarily focused on the structure of the GWA organization, the necessary departments for efficient operations and customer service, it did not focus on or recommend overall personnel levels for GWA's various departments.

The organizational structure study completed by GWA in 1997 serves as an example of an important, yet fundamental type of staffing study. While this study was beneficial for the purpose of developing a management structure necessary for the delivery of water and wastewater service, it provided little guidance in the area of staffing patterns. GWA has not undertaken any other staffing investigations since its creation by the Legislature in 1996.

Currently GWA has ongoing another study which has been referred to as a staffing study. This study is legislatively driven. The purpose of this study is to review staffing patterns and manpower levels and to consider these during rate proceedings. Public Law 26-23 states that the study be taken into consideration by the Commission in reaching a decision in a rate proceeding. The ongoing legislatively mandated study requires the Commission to make a

**ATTACHMENT "F"**

general comparison of GWA to four or more comparable Mainland U.S. water and wastewater utilities.<sup>11</sup> The analysis technique being used in this study is benchmarking, which uses comparable data to reach conclusions about GWA's overall level of staffing. This study will provide the Commission and others with overall staffing data functionalized in a manner to allow meaningful comparisons between GWA and similar utilities. The current study will provide a least eight sets of benchmarks covering the key functional areas of GWA operations (treatment, distribution/collection, customer service and administrative) for both water and wastewater operations.

The ongoing study will meet the requirements of Public Law 26-23 in that it will provide an indication of those areas where GWA staffing levels are consistent or inconsistent with patterns found at comparable companies. While, the study will possess certain inherent shortcomings in that key benchmarking data will be inadequate or non-existent for the purpose of making direct comparisons to GWA, the level of detail will be sufficient for the Commission to appropriately consider the results when reviewing rate applications. For instance, the study will provide an indication of how the staffing levels of various functions at GWA compare with similar utilities. This will enable the Commission to determine if GWA personnel levels in some functional area requires a more focused investigation. While the ongoing study will provide guidance to the Commission, it is important to recognize that the ongoing study will not provide an evaluation of the skill levels of current GWA personnel, the employment of "best practices" by GWA for water and wastewater operations, both of which are essential ingredients to determine appropriate staffing levels by departments. This information will require additional study as discussed below.

#### **Alternative Approach to a Staffing Study**

A more comprehensive staffing study could be conducted in the future to include as an objective the identification of departmental personnel levels and recommended skill levels. Given the inherent shortcomings of the staffing study prescribed by P.L. 26-23 and given the critical need for GWA to have adequately trained personnel to implement the financial plan, GCG would recommend consideration of a staffing study, which would determine the potential staffing levels that could be achieved at GWA based upon the incorporation of "best practices" into GWA's daily operations. GCG further recommends that this study be integrated into an operational audit of GWA. Such a study would be undertaken in two phases. It would first be necessary to assess the quality of GWA's existing practices and compare those practices to the best practices in the industry and determine if changing GWA's practices is beneficial to GWA and its consumers. In the second phase, it would be necessary for the staffing study to identify the "skill gaps" within the existing organization for the purpose of developing an overall recommendation on department-by-department staffing levels and training requirements.

#### **Potential Next Steps**

If the GWA Board or Commission were to determine it desirable to further investigate GWA staffing for the purpose of setting optimal personnel levels, we would recommend a study, which incorporates "best practices." We do not believe that a study failing to incorporate best

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<sup>11</sup> Pursuant to Rule 42, the Commission in a separate rulemaking proceeding regarding staffing studies which consolidated Dockets 01-05 (GPA); 01-06 (GTA); and 01-07 (GWA), determined the scope of the studies requested by PL 26-23 as contained in its Order dated September 13, 2001.



practices would be useful or worth the expense since it would potentially determine staffing levels based upon sub-optimal practices. Accordingly, we would recommend that any future study include the use of "best practices" found in the industry. As mentioned above, this would have to be accomplished in a two-step process with the first step being the review of existing processes and identification of those best practices GWA could reasonably implement and the supporting requirements for implementation. This first step could be accomplished during the completion of an operational audit of GWA operations. During this step every process within GWA would be subject to review.

In the second step the overall staffing levels on a department-by-department level could be determined. Overall staffing levels in part would be determined by benchmarking review of comparable water and wastewater utilities, which utilize the best practices under consideration for GWA, or the determination of appropriate metrics to be applied to GWA to obtain optimal staffing patterns. During this step it would be necessary to also determine the skill gaps associated within GWA's existing operations and the training necessary to extinguish these deficiencies. Reaching the optimal levels of staffing would have to be phased in over a reasonable period of time to allow for the implementation of the necessary process improvements identified.

Following an approach similar to that outlined above would allow GWA to proceed over a two to three year period with development and implementation of best practices processes and the training activities necessary to support the deployment of new processes.

#### **Budget Considerations**

To determine optimal personnel levels necessary to support revenue enhancement programs at GWA and for the implementation of best practices processes would require the completion of the operational audit outlined in our letter of February 28, 2002. The costs for the operational audit were estimated at approximately \$875,000, inclusive of expenses. In order to integrate that undertaking with a "skills gap" analysis, which would identify the optimal staffing level for GWA and the training necessary to support best practices, we would estimate that a budget of approximately \$425,000 would be required in addition to the cost of the operational audit. Combined with the operational audit these activities would extend over a period of 18 months. The projected economic savings associated with these activities would offset the costs to undertake several fold and contribute to improving GWA's financial health.

If you have any questions concerning the matters above, we would be pleased to discuss them with you.

Sincerely,



Larry Gawlik

**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Terrence M. Brooks, Chairman

Filomena M. Cantoria  
Edward C. Crisostomo  
Joseph M. McDonald  
Gerald M. Woo

Suite 207, GCIC Building  
Post Office Box 862  
Hagatna, Guam 96932

Telephone: (671) 472-1907  
FAX: (671) 472-1917  
Email: [guampuc@kuentos.guam.net](mailto:guampuc@kuentos.guam.net)

Harry M. Boertzel, Esq.  
Administrative Law Judge

Monessa C. Leon Guerrero  
Executive Director

March 15, 2002

Alexis Strauss, Director  
Water Division  
**US EPA REGION IX**  
75 Hawthorne Street  
San Francisco, CA 94105

**RE: CWA-402-9-01-19**

Dear Ms. Strauss:

In response to your February 25, 2002 letter on the above subject, the Guam Public Utilities Commission is pleased to enclose its March 14, 2002 order, which commits the Commission to the effective and timely implementation of Guam Waterworks Authority's financial plan.

The Commission looks forward to working with your staff during the next five years in transforming GWA's wastewater system into a safe, efficient public service.

Cordially,

*Terrence M. Brooks*  
Terrence M. Brooks/meg

Enclosure:  
Commission March 14, 2002 Order

cc: Senator Joanne Brown, Chairperson, Committee on Natural Resources  
Stan Wilson, Chairman, GWA Board of Directors  
Commissioners



**PUBLIC UTILITIES COMMISSION  
OF GUAM**

Terrence M. Brooks, Chairman

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Harry M. Boertzel, Esq.  
Administrative Law Judge

Monessa C. Leon Guerrero  
Executive Director

March 15, 2002

**VIA FACSIMILE TRANSMISSION**

472-4290

Senator Joanne Brown, Chairperson

**COMMITTEE ON NATURAL RESOURCES**

130 Aspinall Street, Suite 200  
Hagatna, Guam 96910

**RE: Bill 282 (COR) – Approval of GWA Financial Plan**

Dear Senator Brown:

The Guam Public Utilities Commission would like to respectfully commend you and your committee for your leadership in facilitating the development of the financial plan, which is required by EPA's Consent Order. The Commission firmly believes that the financial plan is the road map by which Guam Waterworks Authority can be transformed into an efficient utility. The Commission understands, however, that the financial plan does not focus on the immediate need to refurbish and adequately maintain GWA's water delivery system.

The Commission supports Bill 282 as a reasonable and adequate response to EPA's February 25, 2002 request for legislative commitment to the financial plan. I would note that the bill should contain an Attachment A, as per section 3 of the bill.

The Commission looks forward to working collaboratively with your committee and the GWA board toward the goal of enabling GWA to better serve the people of Guam.

Cordially,



**Terrence M. Brooks** /mlg

cc: Stan Wilson  
Commissioners



HP OfficeJet  
Personal Printer/Fax/Copier/Scanner

Fax History Report for

4721917  
Mar 18 2002 9:55am

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Last Fax

<u>Date</u>	<u>Time</u>	<u>Type</u>	<u>Identification</u>	<u>Duration</u>	<u>Pages</u>	<u>Result</u>
Mar 18	9:54am	Sent	4724090	1:00	1	OK

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Result:

~~OK~~ - black and white fax  
~~OK~~ color - color fax

# FAX

## PUBLIC UTILITIES COMMISSION

414 WEST SOLEDAD AVENUE, SUITE 207 GCIC BUILDING, HAGATNA GU 96910

(671)472-1907 FAX: (671)472-1917 EMAIL: GUAMPUC@KUEMOTOS.GUAM.NET

**DATE:** MARCH 15, 2002

**TO:** BERT JOHNSTON

**FAX#:** 479-7879

**FROM:** MONESSA LEON GUERRERO

**RE:** ORDER IN DOCKET 02-02

**TOTAL PAGES (INCLUDING COVER SHEET): 4**

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HP OfficeJet  
Personal Printer/Fax/Copier/Scanner

Fax History Report for

4721917

Mar 15 2002 9:07am

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Last Fax

<u>Date</u>	<u>Time</u>	<u>Type</u>	<u>Identification</u>	<u>Duration</u>	<u>Pages</u>	<u>Result</u>
Mar 15	9:05am	Sent	4797879	1:48	4	OK

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Result:

OK - black and white fax

OK color - color fax

# PUBLIC UTILITIES COMMISSION OF GUAM



414 West Soledad Avenue, Suite 207 GCIC Building, Hagatna, GU 96910 Phone: 671-472-1907 Fax: 671-472-1917

# FAX

To: Ed Margerison  
FAX No.: 203-438-8420  
From: Jim Madan  
Subject: GWA / USEPA  
Number of pages including cover sheet: 4

Blank lined area for additional information or notes.





# PUBLIC UTILITIES COMMISSION OF GUAM

414 West Soledad Avenue, Suite 207 GCIC Building, Hagatna, GU 96910 Phone: 671-472-1907 Fax: 671-472-1917

# FAX

To: Bill Blair  
FAX No.: 472-4290  
From: Jim Madan  
Subject: GWA / USEPA  
Number of pages including cover sheet: 3

HP OfficeJet  
Personal Printer/Fax/Copier/Scanner

Fax History Report for

4721917  
Feb 28 2002 1:08pm

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Last Fax

<u>Date</u>	<u>Time</u>	<u>Type</u>	<u>Identification</u>	<u>Duration</u>	<u>Pages</u>	<u>Result</u>
Feb 28	1:07pm	Sent	12034388420	1:44	4	OK

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Result:

OK - black and white fax  
OK color - color fax



## GUAM WATERWORKS AUTHORITY

Government of Guam

Post Office Box 3010, Agana, Guam 96932

Phone: (671)479-7823 Fax: (671)479-7879

FEB 01 2002

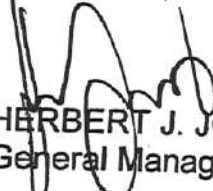
Mr. John McCarroll  
Regional Administrator  
U.S. Environmental Protection Agency, Region IX  
Pacific Insular Area Program (CMD-5)  
75 Hawthorne St.  
San Francisco, CA 94105

Subject: GWA Board Resolution 02-01  
Financial Plan & Compliance Schedules  
In Response to USEPA Docket CWA-402-9-01-19

In compliance with the Order on Consent, USEPA Docket CWA-402-9-01-19, dated August 19, 2001, the Guam Waterworks Authority transmitted the Financial Plan & Compliance Schedules, however, a GWA Board Resolution approving the plan did not occur before the transmittal due to a lack of quorum at the January 30<sup>th</sup> meeting. During a special board meeting of the GWA Board of Directors on February 1<sup>st</sup>, the Board passed Resolution 02-01 adopting the plan, attached.

Should you have any questions or desire additional information, please contact Mr. Danny Santos, the designated GWA Compliance Coordinator, at (671) 479-7828 or via facsimile at (671) 479-7879.

Sincerely,

  
HERBERT J. JOHNSTON, JR.  
General Manager

Attachment

cc: Domingo Cabusao, Program Director, GEPA Wastewater Division  
Mike Lee, USEPA Region 9

*Attachment of USEPA*

**GUAM WATERWORKS AUTHORITY  
GOVERNMENT OF GUAM  
AGANA, GUAM**

**THE BOARD OF DIRECTORS**

**RESOLUTION NO. 02-01**

**RELATIVE TO APPROVING THE FINANCIAL PLAN  
& COMPLIANCE SCHEDULES IN RESPONSE TO  
USEPA CONSENT ORDER,  
USEPA DOCKET CWA-402-9-01-19**

WHEREAS, the United States Environmental Protection Agency "USEPA" and the Guam Waterworks Authority "GWA" entered into an Administrative Order on Consent, USEPA Docket No. CWA-402-9-01-19, on August 16, 2001; and


WHEREAS, the Order on Consent requires the submission of a financial plan and schedule by the GWA to the USEPA on January 31, 2002; and


WHEREAS, Section 14 of Public Law 26-34 requires that the Public Utility Commission "PUC" to prepare and approve a financial plan; and

WHEREAS, Georgetown Consulting Group, under the direction of the PUC and in conjunction with GWA, has prepared and transmitted the Financial Plan and Compliance Schedule to GWA;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Guam Waterworks Authority hereby approves the Financial Plan and Compliance Schedule, dated January 31, 2002; and

BE IT FURTHER RESOLVED, that this Resolution shall be added to the transmittal of the Financial Plan and Compliance Schedule by the Guam Waterworks Authority and copies of the Financial Plan and Compliance Schedule presented to the Governor of Guam and the Speaker of the 26<sup>th</sup> Guam Legislature.

  
FREDDY VAN DOX SANTOS  
Board Member

  
JESUS P. CRUZ  
Board Member

Dated: 02.01.02

Dated: 02.01.02

Guam Waterworks Authority  
RESOLUTION NO. 02-01  
Page 2

\_\_\_\_\_  
PAUL M. SHINTAKU  
Board Member

Dated: \_\_\_\_\_

\_\_\_\_\_  
STANLEY C. WILSON  
Chairman

Dated: 02.01.02

Attest:

\_\_\_\_\_  
FREDDY VAN DOX SANTOS  
Secretary

Dated: 02.01.02

\_\_\_\_\_  
WILLIE C. HARDEE  
Board Member

Dated: 02.01.02





# GUAM ENVIRONMENTAL PROTECTION AGENCY



## AHENSIAN PRUTEKSION LINA'LA GUAHAN

P.O. BOX 22499 GMF • BARRIGADA, GUAM 96921 • TEL: 475-1658/9 • FAX: 477-9402

Mr. Joey B. Cepeda, Acting Administrator  
(Aturidad Inadilanton Ikunumihan Guahan)  
Guam Economic Development Authority  
590 South Marine Drive  
ITC Building, Suite 511  
Tamuning, Guam 96911

Atten: Mike Cruz

Dear Mr. Cepeda:

RE: Water/Sewer Services

*Buenas yan Saluda!* Guam EPA is in receipt of GEDA's letter dated December 19, 2001 regarding water and sewer hookup. Guam EPA has recently applied with GWA for these services (please see attached GWA service order) on December 26, 2001 and has recently received the cost estimate for hookup from GWA. Guam EPA is now preparing a purchase order for GWA to pay for this hookup. The anticipated hook-up date is January 26, 2002.

Guam EPA hopes you will find our actions and GWA's schedule responsive to your letter request. Should you have any questions, please contact our Water Division at 475-1621.

Dangkolo na Si Yu'os Ma'ase.

Senseramente,

JESUS T. SALAS  
Administrator

Attachment: GWA Service Order WSO056476

Copy to: Governor Carl T. C. Gutierrez  
**Chairman, Public Utilities Commission**





# GUAM ENVIRONMENTAL PROTECTION AGENCY



## AHENSIAH PRUTEKSION LINA'LA GUAHAN

P.O. BOX 22439 GMF • BARRIGADA, GUAM 96921 • TEL: 475-1658/9 • FAX: 477-9402

JAN 22 2002

Mr. Gerald P. Yingling  
Executive Manager  
(Aturidat Puetton Batkon Airen Guahan Entanasionat)  
Guam International Airport Authority  
P.O. Box 8770  
Tamuning, Guam 96931

Attn: Ron Del la Rosa, Property Management Office

Dear Mr. Yingling:

RE: Water/Sewer Services

*Buenas yan Saluda!* Guam EPA is in receipt of GIAA's letter dated December 31, 2001 regarding water and sewer hookup. Guam EPA has recently applied with GWA for these services (please see attached GWA service order) on December 26, 2001 and has recently received the cost estimate for hookup from GWA. Guam EPA is now preparing a purchase order for GWA to pay for this hookup. The anticipated hook-up date is January 26, 2002.

Guam EPA hopes you will find our actions and GWA's schedule responsive to your letter request. Should you have any questions, please contact our Water Division at 475-1621.

Dangkolo na Si Yu'os Ma'ase

Senseramente,

JESUS T. SALAS  
Administrator

Attachment: GWA Service Order WSO056476

Copy to: Governor Carl T. C. Gutierrez  
Chairman, Public Utilities Commission

Date: 12/26/01  
Time: 11:07:03

M WATERWORKS AUTHORITY

Doc No: WSO05647  
SERVICE ORDER

Document date, time, by : 12/26/2001 11:01 JOVY Effective:  
Service type : CONNECT/NEW INSTALLATION  
Service location : 15-6101 MARINER AVE  
TYAN

Customer landlord account:

Customer account : W0108578 Scheduled date: 1/26/2002  
Rate schedule : G4 GOVERNMENT - 2 INCH  
Meter number :  
Meter location :  
Book number : 103

Customer information

How received : VISIT

ID prefix, number : 6 N/A OTHER  
Name : GUAM ENVIROMENTAL PROTECTION AGENCY

Mailing address

Line 1 : P O BOX 22439  
Line 2 : BARRIGADA, GU  
Line 3 :  
Zip code : 96921-0000

Home phone : Area code Number

Employer name : OFFICE

Work phone : Area code 671 Number 475-1658 Ext

Other phone description: OTHER

Other phone : Area code 671 Number 4751659

Reference termination no :

Reference acct:

Comments:

PLS INSPECT TO DETERMINE COST FOR FIELD INSPECTION

DUPLICATE

Attachment

Customer signature: \_\_\_\_\_

FIELD CREW USE

Map reference : \_\_\_\_\_ Completed:

----- Current ----- | ----- Change Out -----

Meter number : \_\_\_\_\_

Meter size : \_\_\_\_\_

Water reading 1 : \_\_\_\_\_

Water reading 2 : \_\_\_\_\_

Water reading 3 : \_\_\_\_\_

Reading date / time : \_\_\_\_\_ / \_\_\_\_\_

Compound meter? : \_\_\_ Yes \_\_\_ X No

Date: 12/26/01  
Time: 11:01:46

AM WATERWORKS AUTHORITY

Doc No: WSO05647  
SERVICE ORDER

Document date, time, by : 12/26/2001 10:54 JOVY Effective:  
Service type : CONNECT/NEW INSTALLATION  
Service location : 17-3304 MARINE DR  
TYAN

Customer landlord account:

Customer account : W0108577 Scheduled date: 1/26/2001  
Rate schedule : G4 GOVERNMENT - 2 INCH

Meter number :

Meter location :

Book number : ~~447~~ 103

Customer information

How received : VISIT

ID prefix, number : 6 N/A OTHER

Name : GUAM ENVIROMANTAL PROTECTION AGENCY

Mailing address

Line 1 : P O BOX 22439

Line 2 : BARRIGADA, GU

Line 3 :

Zip code : 96921-0000

Home phone : Area code Number

Employer name : OFFICE

Work phone : Area code 671 Number 475-1658 Ext

Other phone description: OTHER

Other phone : Area code 671 Number 4751659

Reference termination no :

Reference acct:

Comments:

PLS INSPECT TO DETERMINE COST FOR FIELD INSPECTION

Customer signature: \_\_\_\_\_

FIELD CREW USE

Map reference : \_\_\_\_\_ Completed:

----- Current -----

----- Change Out -----

Meter number : \_\_\_\_\_

Meter size : \_\_\_\_\_

Water reading 1 : \_\_\_\_\_

Water reading 2 : \_\_\_\_\_

Water reading 3 : \_\_\_\_\_

Reading date / time : \_\_\_\_\_ / \_\_\_\_\_

Compound meter? : Yes X No

GEORGETOWN CONSULTING GROUP, INC.

716 DANBURY RD.  
RIDGEFIELD, CT. 06877

Jamshed K. Madan  
Michael D. Dirmeier



Telephone (203) 431-0231  
Facsimile (203) 438-8420  
jmadan@snet.net

Edward R. Margerison  
Jean Dorrell

January 16, 2002

Harry Boertzel, Esq.  
ALJ  
The Guam Public Utilities Commission  
Suite 207, GCIC Building  
Hagatna, Guam 96932

**~~RE: EPA Consent Decree - Docket No. 02-02~~**

Dear Harry:

I am writing this letter to confirm the protocol you established by telephone this morning concerning the remaining tasks to be undertaken to enable GWA to file its Financial Plan with EPA by January 31, 2002.

First, Georgetown wishes to emphasize that the preparation of the document has been undertaken at the direction of the Legislature and the PUC. The ultimate sponsorship of the document lies with GWA as was discussed at the December regulatory session. In addition, since the document will lay out a specific financial plan, it is necessary for GEDA to be comfortable with the parameters of the plan as proposed. Therefore, the critical steps remaining are:

1. Completion of a final draft by Georgetown.
2. Review of the final draft by GWA management and approval and transmittal to EPA by the GWA Board.
3. Review and transmittal of a comfort letter by GEDA.

Our comments and proposed timetable for each of the steps above is as follows:

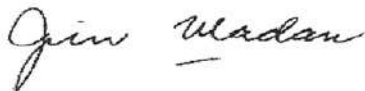
1. Georgetown will have a final draft for distribution by the close of business January 18, 2002. We will transmit the document electronically to GWA and GEDA and to you. There is still information that we seek from GWA to complete our effort. This information has been slow in coming from GWA. Outstanding information that we need and have requested from GWA is appended to this report as Attachment A. Given the very stringent time constraints that remain, we request that you emphasize the importance of Georgetown receiving this information ASAP.



2. We recommend that GWA management use the week of January 21 to 25, 2002 to review the final draft as well as to present the document to the GWA Board for review and approval. Georgetown will be available to GWA management to discuss comments and to assist in making any proposed changes. We understand that any material change made by GWA to the final draft shall require your approval. GWA should make necessary arrangements for EPA to receive the document by January 31, 2002.
3. We have previously transmitted the report prepared by Georgetown for the December regulatory session to GEDA for their review and comments. We have requested Bill Blair to follow up with GEDA to obtain any relevant comments and concerns with the substance of the report. We would request GEDA to provide a written memorandum indicating that they have reviewed the final draft and do not have any major concerns as drafted by January 25, 2002. In addition to the memorandum just discussed, GEDA and its Financial Advisor, Wachovia Securities, have also provided draft letters that will be an attachment to the report. We have proposed minor modifications to their draft and again we have requested Bill Blair to follow up with GEDA to determine whether the modifications are acceptable. The final letter should be provided to GWA by January 25, 2002.

Because of the short time frame remaining, we are sending a copy of this letter electronically to GWA, GEDA, RUS and Bill Blair. During the December regulatory session we had discussed the possibility of sharing a draft with EPA before the January 31, 2002 deadline. We do not believe that it would be appropriate to share a draft with EPA before the GWA Board has approved the document. It seems unlikely to us that the GWA Board approval would come much before January 31, 2002 making such an approach not feasible.

Cordially,



Jamshed K. Madan

Cc: Bert Johnston, Gen. Mgr. GWA  
Lester Carlson, GEDA  
Aulii Taitano, Wachovia Securities  
Joseph Diego, RUS  
Bill Blair  
Larry Gawlik  
Ed Margerison

## ATTACHMENT A

The following information is required from GWA:

1. Copies of the completed CPEs for the Agana and Northern STPs. Key information required is the nature of the recommendations and the estimate of costs for the two projects.
2. Information concerning the Agana Collector System Inflow/Infiltration project and the Umatac/Merizo STP renovation project. Specifically a description of the nature of the projects and cost estimates is outstanding.
3. Comments on the 16 compliance schedules that have been transmitted to GWA. Comments should cover descriptions of activities, milestones, budgets and any other item (once accepted by EPA these Compliance Schedules will become requirements of the Consent Order).
4. Comments on the December 2001 report to the Legislature.

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF GUAM**

**GUAM WATERWORKS AUTHORITY- )  
EPA FINANCIAL PLAN )**

**DOCKET 02-02**



**ORDER**

This Order responds to the United States Environmental Protection Agency's [EPA] February 25, 2002 letter [the "EPA Letter"] regarding Guam Waterworks Authority's [GWA] financial plan and compliance schedule.

In August 2001 EPA, GWA and Governor Carl Gutierrez executed a consent order in which GWA agreed during the next five years to bring its wastewater treatment facilities into compliance with Federal law and permitting requirements. The Consent Order required GWA to submit for EPA approval a financial plan with compliance schedule [the "Financial Plan"] under which such work would occur. The Financial Plan, which calls for GWA to undertake \$90 million dollars in capital and operational expenditures, was submitted for EPA approval on January 31, 2002. The EPA Letter approves the plan, provided that the Commission and the Guam Legislature commit to provide the authorizations, approvals and rate relief, which are reasonably necessary to enable GWA to timely discharge its duties under the Financial Plan. The EPA Letter requires that these commitments be provided to EPA not later than March 30, 2002.

After discussion with its consultants and its administrative law judge [ALJ] and for good cause shown, the Commission at a duly noticed and convened meeting and upon motion, seconded and carried by vote of the undersigned, hereby **ORDERS THAT:**

1. The Commission shall, in a timely manner, order such rate relief and grant such regulatory approval as may be required by GWA to enable it to comply with the Financial Plan in a prudent and reasonable manner. In making this commitment, the Commission finds that the Consent Order constitutes a lawful GWA obligation, which under 12 GCA 12004 the Commission is required to fund, if necessary, through rates.
2. Given the substantial impact, which the Financial Plan could have on GWA ratepayers, the Commission hereby asserts its audit powers under P.L. 25-05:12, as the jurisdictional basis for overseeing GWA's implementation of the Financial Plan and of the recommendations of the Commission's revenue cycle audit, as approved in December 2001. The Commission finds that implementation of the audit recommendations, which will be funded through the Financial Plan, is crucial to GWA's ability to execute its duties under the Financial Plan. ALJ is authorized and directed to establish the protocol under which this Commission oversight shall occur.

3. Subject to legislative approval, GWA is hereby authorized to borrow not to exceed \$21.2 million dollars in short-term debt for the purpose of funding the Financial Plan related projects identified in Attachment A to this Order. The terms and conditions as well as the uses and commitment of such funds shall require **prior** Commission review and approval. ALJ is authorized and directed to establish the regulatory process by which this review shall occur. The Commission shall provide such regulatory assurances as may be reasonably necessary to induce lenders to extend GWA this short term debt.
4. The Commission finds that an operational and “best practices” personnel audit of GWA would meaningfully enhance GWA’s ability to execute the Financial Plan. The Commission further finds that the audit expense would be significantly exceeded by savings and revenue enhancements resulting from implementing audit recommendations. In the event the Legislature approves, as part of its short-term debt authorization, funding for the Commission to undertake this audit, ALJ is authorized and directed to recommend the procurement process by which the Commission will undertake this audit.
5. The Commission is a creature of statute and, therefore, cautions EPA that the Commission’s ability to meet the commitments contained herein is expressly contingent upon a reciprocal commitment from the government of Guam that it will not take any action to limit or otherwise compromise the Commission’s regulatory authority over GWA, as asserted herein.

Dated this 14<sup>th</sup> day of March 2002.



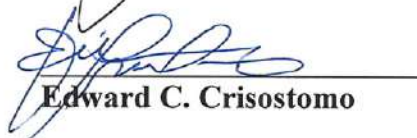
Terrence M. Brooks



Filomena M. Cantoria



Joseph M. McDonald



Edward C. Crisostomo



Gerald M. Woo



**GWA—DESCRIPTION OF PROJECTS AND ACTIVITIES TO BE FUNDED  
BY SHORT-TERM DEBT INCLUDED IN THE FINANCIAL  
PLAN SUBMITTED TO USEPA  
(\$1000s)**

<b>Uses of Funds:</b>	<b>FY 2002</b>	<b>FY 2003</b>
Agana Wastewater Treatment Plant (WTP) Ocean Outfall	\$ 1400	\$ 3000
Northern WTP) Ocean Outfall	\$ 1400	\$ 2900
Comprehensive Performance Evaluation for all WTPs	\$ 182	\$ 300
Assessment of Pump Stations and Collection System	\$ 100	\$ 500
Engineering Design	\$ 210	\$ 443
Construction Management	\$ 115	\$ 250
Consent Order-Additional Operational Expenses	\$ 150	\$ 1220
PMC for all of GWA WTPs		\$ 500
PMC for GWA Back Office Operations		\$ 500
Regulatory Management-Oversight of GWA compliance and selection of Performance Management Contractor (PMC) for treatment operations	\$ 135	\$ 158
Program administration-Oversight of Revenue Audit Implementation	\$ 105	\$ 119
Annual system renewals & replacements-Water and Wastewater	\$ 6000	\$ 6000
Meter Management Program-Capital Requirements		\$ 1500
Other EPA Funded Projects	\$ 2200	\$ 4200
Revenue Enhancement Program-Planning and Selection of BOT Contractor for Meter Management and Sewer Connection Programs	\$ 150	\$ 25
Operational Audit and Best Practices/Skills Assessment	\$ 275	\$ 1025
<b>Total Uses of Funds</b>	<b>\$ 12,422</b>	<b>\$ 22,640</b>
<b>Sources of Funds:</b>		
EPA Grants—Committed and Anticipated	\$ 2200	\$ 5649
Bond Refinancing	\$ 6000	
<b>Subtotal-Sources of Funds</b>	<b>\$ 8200</b>	<b>\$ 5649</b>
<b>Debt Financing Required-Short Term</b>	<b>\$ 4222</b>	<b>\$ 16,991</b>
<b>Cumulative Debt Financing Required-Short Term</b>	<b>\$ 4222</b>	<b>\$ 21,213</b>

**ATTACHMENT "A"**



**GEORGETOWN CONSULTING GROUP, INC.**

716 DANBURY RD.  
RIDGEFIELD, CT. 06877

Jamshed K. Madan  
Michael D. Dirmeier



Telephone (203) 431-0231  
Facsimile (203) 438-8420  
jmadan@snet.net

Edward R. Margerison  
Jean Dorrell

February 28, 2002

Harry M. Boertzel  
Administrative Law Judge  
Public Utilities Commission of Guam  
Suite 401, GCIC Building  
Post Office Box 862  
Hagatna, Guam 96932



Subject: GWA—Operational Audit Considerations

Dear Mr. Boertzel:

In your January 22, 2002 letter to Georgetown Consulting Group, Inc. (GCG) you requested a typical work scope and budget for undertaking an operational audit of the Guam Waterworks Authority (GWA). This request was based upon Senators Brown and Forbes inquiry about such an undertaking during the December 2001 Public Utilities Commission (Commission) workshop wherein the GWA Revenue Cycle Audit was presented.

**Operational Audits**

Operational audits are conducted for the purpose of providing a comprehensive review of all aspects of a utility with the objective to identify areas of weakness that can be improved based upon implementation of selective corrective measures. For a combined water and wastewater utility, the principal areas of an investigation include the following:

- Executive Management and External Relations
- Workforce Management and Planning
- Human Resources
- Customer Service Operations
- Financial Management and Information Services
- Water Resource Planning
- Water and Wastewater Operations
- Support Services

For each of the principal areas of the investigation supporting financial, operating and statistical information is presented to demonstrate the areas of necessary improvement.

The final scope of work associated with an operational audit of GWA would be the subject of considerable discussion among the various stakeholders (Guam Legislature, Commission, GWA, others). For purposes of review by the Senators, we have prepared an outline of the

types of issues and questions most commonly addressed in an operational audit. These can be found in the Attachment.

### Operational Audit Work Scope Considerations

The Commission has recently completed a limited audit of GWA's revenue cycle and at this time is overseeing the implementation of the audit recommendations pursuant to a stipulation with GWA. As a result of this undertaking, several of the areas generally included in a comprehensive operational audit have been recently reviewed either in great detail or to a limited extent. In addition, the Commission has underway a staffing study that will examine GWA staffing patterns. In the case of those areas the Commission has already reviewed in detail it would not be cost-effective to review these areas again, nor would it be reasonable to allocate GWA's and the Commission's limited resources to any further investigation of those areas.

To provide a snapshot review of the operational audit areas that would required a partial review or a total review presented below is a table which summaries these areas. The table below also shows the audit activities recently completed by the Commission. It is in the areas where no recent audit activities have been undertaken or where limited audit activities were partially undertaken that a comprehensive operational audit should be focused. A more detailed discussion of the activities associated with an operational audit can be found in the attachment.

Operational Audit Activities			
Typical Audit Activities	Audit Activities Recently Completed	Audit Activities Partially Undertaken	No Recent Audit Activities Undertaken
<b>Executive Management and External Relations</b>			
• Board of Directors			✓
• Organizational Structure			✓
• Business Planning			✓
• Communications			✓
• Administration			✓
• External Relations			✓
<b>Workforce Management and Planning</b>			
• Management Compensation			✓
• Performance Standards			✓
• Incentives			✓
• Compensation Administration			✓
• Staffing Patterns		✓	
• Benefit Cost			✓
<b>Human Resources</b>			
• HR Management			✓
• Recruiting			✓
• Training			✓
• Labor Relations			✓
• Safety			✓
• Performance Standards			✓

Typical Audit Activities	Audit Activities Recently Completed	Audit Activities Partially Undertaken	No Recent Audit Activities Undertaken
<b>Customer Service Operations</b>			
• Staffing and Facilities		✓	
• Responsiveness		✓	
• Credit	✓		
• Collections	✓		
• Delinquent Accounts	✓		
• Uncollectibles	✓		
• Customer Complaints			✓
• Compliant Analysis			✓
• Performance Standards			✓
• Customer Outreach			✓
• Customer Appeals			✓
<b>Financial Management and Information Systems</b>			
• Financial Performance		✓	
• Viability as an Entity		✓	
• Treasury		✓	
• Accounting			✓
• Planning and Budget			✓
• Performance Indicators			✓
• Management Reporting		✓	
• Internal Auditing			✓
• Rates and Charges			✓
• Information Systems			✓
<b>Water Resource Planning</b>			
• Sales and Forecasting			✓
• Planning Process			✓
• Water Resource Plans			✓
• Contract Risk Management			✓
<b>Water and Wastewater Operations</b>			
• Facilities Planning			✓
• Renewals & Replacements			✓
• Engineering			✓
• Construction Standards			✓
• Distribution/Collection Operations			✓
• Water Conservation			✓
• Treatment Operations			✓
• Maintenance Management			✓
<b>Support Services</b>			
• Facilities Management			✓
• Transportation			✓
• Purchasing & Stores			✓
• Record Management			✓
• Risk Management			✓

In addition to utilizing information developed based upon the Commission's earlier studies, time spent in undertaking an operational audit would best be focused on those areas within GWA which offer the potential for improvement. The operational audit would be conducted in phases. The initial phase should be a reconnaissance phase and would be used to identify areas of improvement that provide the greatest benefit to GWA customers when measured on the basis of net present value or highest benefit/cost ratios and customer service satisfaction. Based upon round-table meetings with GWA and the Commission agreement would be sought and the operational audit would then proceed in those areas offering immediate improvement.

#### **Audit Schedule and Resource Requirements**

It is estimated that an operational audit of GWA would require approximately six to nine-months to complete. This means that if an operational audit were to be authorized in March it could be completed by the end of the calendar year. Most of the work would be performed on site, approximately 75 percent of the effort.

The effort required to perform an operational audit of GWA during the six-month period would be intense and require the full cooperation of GWA. The audit activities would most likely require six to seven subject matter experts to appropriately cover all of the functions associated with GWA's operations. The distribution of effort necessary to complete an operational audit of GWA is estimated to require the following professional staffing:

<b>GWA Operational Audit Staffing Requirements</b>	
<b>Areas of Investigation</b>	<b>Approximate Person-hours</b>
Executive Management and External Relations	170
Workforce Management and Planning	380
Human Resources	220
Customer Service Operations	170
Financial Management and Information Services	280
Water Resource Planning	220
Water and Wastewater Operations	640
Support Services	220
Implementation Plan Development	400
<b>Total</b>	<b>2700</b>

The operational audit deliverables would consist of a detailed work plan, which specifically identifies the issues and questions to be addressed during the audit, working papers which enable the tracing of fact in a finding or conclusion, monthly status reports, a draft report, and a final report. The final report would include:

- Issue background
- Evaluation criteria
- Findings and conclusions
- Recommendations for immediate change
- Cost, benefits and timeframe associated with the recommended changes



- Prioritized schedule for recommended changes
- Supporting financial and operating data and statistics
- Implementation schedules for each recommended change.

### **Operational Audit Budget**

While it is not possible to provide a definitive budget absent having in place a final scope of work, we can provide guidance as to a budget range. If the operational audit were to proceed generally in accordance with the issues and questions outlined in this memo, we would estimate the budget to be approximately \$875,000, inclusive of expenses, which is in the range of other operational and management audits undertaken for Guam utilities.

### **Implementation Considerations**

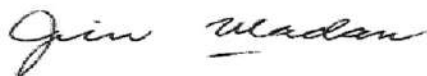
An operational audit of GWA would identify significant cost savings and customer service improvements. In our experience, the cost of the audit is recovered several fold by implementation of cost reduction recommendations and revenue enhancement programs. We would recommend that if an operational audit is undertaken that early consideration be given to the approach and resources necessary for implementation of audit recommendations. This is necessary for the purpose of verifying that the recommendations identified are agreed upon and can then proceed to implementation. To accomplish this approach we recommend the following, which is somewhat different to implementation approaches used in the past in that we would anticipate greater involvement by a 3<sup>rd</sup> party implementation contractor(s).

- Verify and prioritize the implementation plans to be undertaken.
- Approve an appropriate budget for each implementation plan.
- Assign a dedicated program manager to oversee the implementation of the recommended and agreed upon improvement plans and schedules
- Dedicate human resources to several small implementation teams lead by subject matter experts.
- Conduct weekly meetings to review progress, successes and shortcomings.
- Reassign resources as necessary to correct shortcomings
- Complete the implementation process over a period of 18-months.

This approach will maximize the benefits contemplated by the audit recommendations and insure their timely implementation. The costs for overseeing the implementation steps are not included in the audit budget estimate above.

If you have any questions or would like to further discuss this matter, we would be happy to meet with you at your convenience.

Sincerely,



Jim Madan



## **Attachment Typical Operational Audit Work Scope**

### **Executive Management and External Relations**

We would envision that an operational audit would begin by assessing the top management and policy level within the GWA organization. In addressing the higher levels of management typically issues and questions that would be reviewed include:

1. Board of Directors—Is the Board of Directors meaningfully involved in the future direction and possible improvements in GWA, as well as in the independent evaluation of GWA's successes and failures?
2. Organizational Structure—Is the GWA organization functionally efficient, with clearly defined roles and responsibilities and effective consolidation of activities?
3. Organizational Structure—Are the roles and responsibilities of executive management and departmental managers clearly defined throughout the organization?
4. Organizational Structure—Does GWA have in place an adequate management succession planning process and is it reasonably effective in addressing future leadership needs of the organization?
5. Business Planning—Does a well thought out business planning process exist and is a well-developed strategic plan in place and appropriately communicated to employees
6. Business Planning—Are strategies underway which demonstrate the implementation of the GWA strategic business planning process?
7. Communications—Does the organizational structure and management processes support effective communication up, down, and across the organization?
8. Administration—Do appropriate documented operating and administrative procedures exist which clearly define departmental operating objectives and performance measures?
9. External Relations—Does a well-developed external relations strategy exist which insures coordination among public information, government affairs, Commission relations and financial relations?

### **Workforce Management and Planning**

We would envision that an operational audit would address a number of workforce management and planning issues. Typical issues and questions that would be addressed include:

1. Management Compensation—Are senior management and department managers compensated comparably with similar positions in the industry and /or the region?
2. Performance Standards—Do quantitative and qualitative performance standards and benchmarks exist and are they routinely measured and evaluated?
3. Incentives—Are incentive plans for senior management and department managers at GWA routinely measure against the performance standards for senior management and department managers? Are they consistent with those found in the industry and /or the region?
4. Compensation Administration—Are compensation programs for all employees below the executive level cost-effective and administered equitably?

6. **Uncollectibles**—Is the level of revenue write-offs for uncollectibles comparable with similar utilities and business on Guam?
7. **Customer Complaints**—Are customer complaints handled in a proficient manner and are customers proactively advised of the disposition of their complaint?
8. **Compliant Analysis**—Is the information from customer complaints collected and used to identify the underlying root causes of customer questions and problems?
9. **Performance Standards**—Do quantitative and qualitative performance standards and benchmarks exist and are they routinely measured and evaluated?
10. **Customer Outreach**—Does GWA reasonably advise customers of various service options and how to conduct business with GWA?
11. **Customer Appeals**—Does a visible and formal appeal channel exist for customers to pursue who remain dissatisfied after an initial or front-line contact with GWA personnel?

### **Financial Management and Information Systems**

We would envision that an operational audit would review the financial management function at GWA and examine the policies and practices employed in establishing and maintaining a stable long-term financial position. Critical are issues associated with the development of long-term financial plans (inclusive of capital requirements), cost accounting and control, treasury functions, cash management, financial accounting, transaction processing, data integrity, management reporting, regulatory reporting, and audit programs to safeguard GWA assets. In addressing the financial management and information systems functions the typical issues and questions that would be addressed include:

1. **Financial Performance**—Is GWA's financial condition and financial performance similar to the industry and does it compare favorably with other autonomous utilities on Guam?
2. **Financial viability**—Is GWA able to obtain funds in the capital markets at favorable rates?
3. **Treasury**—Is the GWA cash position quantified on a daily basis, with deposits and disbursements timed to maximize earnings, and is the function supported by comprehensive forecasting techniques?
4. **Accounting**—Do GWA accounting systems provide for financial information integrity, timeliness, and GAAP conformity for the purposes of its financial statements, management information systems, and rate analysis, and are the processes sufficiently automated?
5. **Planning and Budgeting**—Is the quality and timeliness of GWA's near-and long-term financial planning, analyses and reporting appropriate for effective management decision-making and are the processes supporting these activities sufficiently automated?
6. **Performance Standards**—Do quantitative and qualitative performance standards and benchmarks exist and are they routinely measured and evaluated?
7. **Management Reporting**—Are reporting systems comparing actual performance to budget estimates in place, and are reports provided to management that are timely, accurate, and inclusive of exception reporting?
8. **Internal Auditing**—Does the internal auditing function at GWA employ adequate planning, possess the appropriate organizational independence and autonomy, and use appropriate risk assessments techniques and follow-up procedures?
9. **Rates and Charges**—Is the ratemaking function properly administered to ensure timely and accurate action, and does the function represent the interest of the ratepayers?
10. **Information Systems**—Does the IT function appropriately support GWA's overall goals and objectives, and is its structure conducive to accomplishment of this role?
11. **Information Systems**—Are GWA's computing resources reliable and readily available for users throughout the organization?

5. **Compensation Administration**—Are the mechanisms used at GWA to tie performance and compensation administered equitably?
6. **Staffing Patterns**—Are measures in place to determine whether staffing patterns, including quantity and quality of the work force, are appropriate to GWA's needs?
7. **Benefit Costs**—Are GWA post retirement benefits appropriately addressed in its cost of service and its near-and long-term budget planning processes?

## **Human Resources**

We would envision that an operational audit would review the human resources function at GWA and examine the policies and practices employed in meeting its human resource needs. In addressing the human resource function the typical issues and questions that would be addressed include:

1. **Human Resource Management**—Does the human resource function serve as a proactive and integrated element of the GWA operations and is it designed to support GWA's goals and objectives?
2. **Recruiting**—Are defined processes in place to identify human resource needs, establishing priorities for filling these needs, and monitoring progress toward acquiring or developing the needed human resources?
3. **Training**—Do training and development programs exist that are designed and implemented to facilitate the service goals of GWA and insuring that GWA's physical assets are appropriately maintained?
4. **Labor Relations**—Does GWA have in place a meaningful labor relations program that is beneficial to both employees and GWA?
5. **Safety**—Does GWA have in place a comprehensive safety program with effective monitoring procedures in place?
6. **Performance Standards**—Do quantitative and qualitative performance standards and benchmarks exist for the Human Resource function and are they routinely measured and evaluated?

## **Customer Service Operations**

We would envision that an operational audit would review the customer service function at GWA and examine the policies and practices employed in meeting its customer needs. In addressing the customer service function an operational audit would examine the promptness, accuracy, and responsiveness of the customer service function. Elements of the investigation that would be reviewed include planning, organization, procedures, and the business philosophy. Typical issues and questions that would be addressed include:

1. **Staffing and Facilities**—Is the customer service office(s) appropriately configured and appropriately staffed for the level of customer visits and telephone inquiries?
2. **Responsiveness**—Are customer inquiries, complaints, and request handled promptly, courteously, consistently, timely, and accurately?
3. **Credit & Collections**—Do formal credit and collections procedures exist and are they administered uniformly?
4. **Collections**—Are adequate measures available for receiving and posting customer payments?
5. **Delinquent Accounts**—Do programs exists for payments-troubled customers and are they managed effectively?

## **Water Resource Planning**

We would envision that an operational audit would review the water supply planning issues confronting GWA. Effective water supply planning strategies should consider joint activities between the military and GWA since effective planning strategies could favorably impact the need for additional supply and the cost of supply. In addressing the water supply function the typical issues and question that would be addressed include:

1. Sales and forecasting—Does GWA possess explicit knowledge of the future demand for water, including customer class consumption rates, seasonal demand, price sensitivity, and forecasted prices of water?
2. Planning Process—Does GWA have in place a systematic process to forecast water demand under a range of alternative demand contingencies?
3. Long Term Plans—Has GWA identified future water supplies taking into account future costs and economic and deliverability risks?
4. Contract Risk Management—Do GWA water purchase contracts with others provide purchasing flexibility and allow GWA to implement a least-cost strategy?

## **Water and Wastewater Operations**

We would envision that an operational audit would review all aspects of GWA's water distribution and wastewater collection systems and its water and wastewater treatment plant operations. Examined would be the processes used by GWA to identify, justify, and budget for construction projects. The audit would review GWA's methodology for determining appropriate distribution and collection line sizes, along with factors with influence growth within its service area. In addressing GWA's water and wastewater operations function the typical issues and questions that would be addressed include:

1. Facilities Planning—Do well-defined processes exist for the identification, prioritization, and capital budgeting for growth related and replacement construction projects?
2. Renewals & Replacements—Does GWA's replacement program incorporate an approach that includes both economic and non-economic criteria for justifying replacement versus continued operations of non-cost effective facilities?
3. Engineering—Is the engineering and construction functions structured and coordinated through systematic processes?
4. Standards—Does GWA follow water and wastewater design standards consistent with those found in the industry and applicable to Guam?
5. Distribution/Collection Operations—Are the GWA water and wastewater distribution and collection operating functions efficiently organized with systems in-place to support effectively work management processes?
6. Water Conservation—Are water loss management and end-use conservation programs effective and result in cost benefits to ratepayers?
7. Treatment Operations—Are GWA water and wastewater treatment plants properly maintained and adequately staffed?
8. Maintenance Management—Does GWA have in place a comprehensive maintenance management program for the purpose of performing preventative maintenance and ensuring that ratepayers obtain the benefit of their investment in capital facilities?



## **Support Services**

We would envision that an operational audit would address the support services at GWA, including facilities management, transportation management, purchasing, materials management, records management, legal, and risk management. In addressing GWA support services the typical issues and questions that would be addressed include:

1. Facilities Management—Does GWA make reasonable leasing versus acquisition decisions concerning its facilities that are consistent with the long-range requirements and which ensure maximum utilization of such facilities?
2. Facilities Management—Are the GWA facilities convenient to customers, operationally efficient and cost-effective considering GWA's long-range requirements?
3. Transportation—Are the procurement, operations, and maintenance activities pertaining to fleet resources based on sound economic analysis?
4. Purchasing & Stores—Do the organizational structure, policies, and procedures provide effective central control and coordination of materials procurement and inventory management, while efficiently supporting GWA activities with minimum duplication of resources?
5. Records Management—Does GWA have a records management program in effect that ensures that all important business and legal information is effectively retained for cost-effective and timely retrieval?
6. Risk Management—Does GWA have a clearly identified risk management strategy and does it routinely review its insurance alternatives and actively pursue loss prevention programs?



***Review of  
Guam Water Authority's  
Revenue Initiatives***

**by**

**Georgetown Consulting Group**

*February 28, 2001*

# *Analysis of GWA's Current Situation*

- Rates are not sufficient to cover cost of service
- Rates insufficient to pay accumulated debt (A/P's \$8.6M to Navy, \$15M to GPA, \$4.6M for trade debt)
- Cannot access traditional capital markets
- High priority projects lack funding (Revenue potential of \$1M form meter replacement and \$0.7M from sewer connection projects)
- Outdated master plan
- No consulting engineer on board

# ***GWA Options***

- Secure a strategic partner
- Independently implement necessary improvements

# *Strategic Partner*

- One current option--existing BOT legislation
- Proposed options
  - Amend BOT legislation
  - SIP legislation
- Strategic partner advantages
  - availability of engineering, management, and operations experience
  - availability of capital for projects and operations
  - gaining operating efficiencies
  - minimize future rate impacts
  - aggressive implementation

# ***GWA Implementation Option***

- Immediate rate increase required to cover cost of service
- Immediate rate increase to initiate revenue producing projects
- Potential rate increase to access capital markets
- No minimization of “rate shock”
- Acquisition of human resources required to implement option
- By any standard the situation at GWA is “*critical*.”



# ***Recommendations***

- Strategic partner is the preferred option
- GWA should move forward without delay
- GWA to advertise project requirements

# ***Preliminary Observations***

- One-year wait reduced to 60-days (Bill No. 22 COR)
- Projects should be independent of the current, outdated master plan
- Permit increase in GWA working capital through line-of-credit or other financial instrument
- Permit access to administrative revenue initiatives, such as leasing unused real estate (Bill No. 10 COR)
- PUC approval of BOT or SIP agreements

# ***Preliminary Observations of STP Legislation***

- The role of the PUC is limited. Due consideration should be give to strengthening PUC role
- Turning that plan into action requires resolution of a number of matters, many of which have not yet been considered:
  - Selection of a definitive strategic partnership model
  - Depending upon the model, development of compensation arrangements and risks to be shifted to the private party
  - Development of an RFP and selection criteria
- The reservations in GWA's plan need to be more fully developed prior to the RFP process, especially the reservations dealing with:
  - Ownership of facilities
  - GWA employees

# ***Preliminary Observations of SIP Legislation (cont'd)***

- The structure of the RFQ process needs greater definition. This will be of concern to many well qualified bidder. As a result they may simply pass on the opportunity. For instance:
  - It's unclear as to what GWA actually wants from a partner.
  - The short-listed process is not well defined. There is no assurance that one short-listed will actually submit a bid during the RFP process.
  - The lack of a definitive scope of supply will put GWA into a difficult position in comparing the terms and conditions of various bidders.
  - The requirement for legislative review and concurrence will be viewed as an unnecessary barrier (i.e. requirements could be defined up-front)
- GWA should evaluate developing a more definitive RFQ process and consider retaining someone familiar with public/private partnerships.