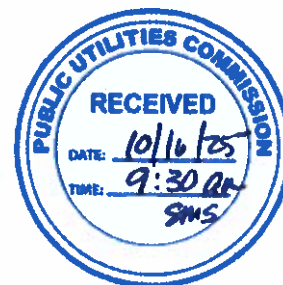


BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GWA Docket 25-07
	)	
GUAM WATERWORKS AUTHORITY'S	)	
SHORT-TERM FINANCING CREDIT	)	ALJ REPORT
AGREEMENTS	)	
	)	
	)	
	)	



INTRODUCTION

This matter comes before the Guam Public Utilities Commission ["PUC"] pursuant to the Petition of the Guam Waterworks Authority ["GWA"] for approval of a short-term credit agreement to be entered into with the Royal Bank of Canada ["RBC"], acting through its New York Branch. GWA submits that it is authorized to enter into this transaction pursuant to authority granted by the Guam Legislature under Public Law 37-103, and the Commission's prior approval in GWA Docket 24-05.¹

BACKGROUND

In Public Law No. 37-103, the Guam Legislature authorized GWA to establish a program of Commercial Paper and short term financing alternatives, such as bank loans and lines of credit, up to an amount not exceeding \$360,000,000.² The Legislature affirmed that GWA had broad authority to utilize a combination of short term and traditional financial tools.³ Public Law 37-103, pursuant to 12 G.C.A. §50103, further approved the issuance of a GWA borrower financing program provided that the

¹ GWA Petition to Approve GWA's Short-Term Financing Credit and Fee Agreement pursuant to Public Law No. 37-103, GWA Docket 25-07, filed May 9, 2025, at p. 1.

² Public Law No. 37-103, enacted June 5, 2024, Section 2, at pg. 6.

³ Id. at Section 1, p. 5.

issuance, terms, and conditions of the program were approved by the PUC and the Guam Consolidated Commission on Utilities ("CCU").

Agreements were authorized to be issued in the principal amount from time to time as necessary to provide interim financing for projects identified in GWA's Capital Improvement Program. The purpose of the financing was "to provide interim financing for projects identified in GWA's Capital Improvement Program, to fund GWA's required operating account and operating reserve account balances, to pay operating expenses incurred by GWA..."⁴

The ALJ adopts the statement of "BACKGROUND" in GWA's Petition from pg. 1, Line 23, through pg. 3, Line 8.

SINCE 2020, THE PUC HAS REQUESTED THAT GWA ESTABLISH A PROGRAM OF COMMERCIAL PAPER AND SHORT TERM FINANCING ALTERNATIVES, AND HAS APPROVED SUCH A PROGRAM

A review of the last three GWA 5-year rate decisions in GWA Dockets 19-08 and 24-05 indicate that it was the PUC which initially requested that GWA establish a commercial paper and short term alternatives financing program, and that the PUC has approved the establishment of such a program. In the FY2020 Rate Decision, the PUC and GWA agreed that GWA would explore alternatives to bond financing, such as tax-exempt commercial paper and lines of credit, for future capital borrowing needs.⁵ GWA was ordered to conduct a study relative to Financing and Alternatives to bond issuance.⁶ In the study, GWA agreed to investigate the availability and relative costs of the use of

⁴ Id. at Section 2, pg. 6.

⁵ PUC Order, GWA Docket 19-08, FY20 Rate Decision, dated February 27, 2020, at p. 6.

⁶ Id. at p. 8.

commercial paper or lines of credit to finance its ongoing capital construction program following issuance of its Series 2020 revenue bonds.⁷

The September 22, 2022, Rate Decision in GWA Docket 19-08 indicated that GWA had completed its Capital Financing Alternatives Study which included Commercial Paper. At that time GWA submitted that there was a need for legislation to authorize the Commercial Paper and short term financing alternatives. PUC Consultant GCG noted that GWA's report illustrated that "the commercial paper program does have the potential to produce reduced interest expenses during the period it is in use." GCG stated that "currently GWA is authorized to "initiate the planning process" regarding the implementation of "a commercial paper program for the next bond financing", which would certainly require legislative approval.⁸

In the September 24, 2024, Five-Year Rate Decision, the PUC ordered as follows: "Financing available through the TECP plan and financing alternatives shall be utilized in this proceeding, except for a bond issuance that is presently authorized by the Five-Year plan. For purposes of determining rates in this proceeding, GWA will employ short-term construction financing instruments as now allowed by Public Law No. 37-103."⁹ (emphasis added).

**GWA HAS RECEIVED ALL NECESSARY APPROVALS FOR PROCEEDING WITH
THE RBC CREDIT AGREEMENT EXCEPT THAT OF THE PUC**

In Resolution No. 23-FY2025, the Guam Consolidated Commission on Utilities approved GWA's request for the execution and delivery of one or more credit

⁷ STIPULATIONS attached to the FY20 Rate Decision at par. 5, p. 5.

⁸ PUC Order, GWA Docket 19-08, Rate Decision, dated September 22, 2022, at p. 29.

⁹ PUC Order, GWA Docket 24-05, Rate Decision, dated September 24, 2024, and Ordering Provision No. 10, p. 24.

agreements pursuant to a financing framework concerning GWA's authority to enter short-term credit facilities:

"On March 25, 2025, by CCU GWA Resolution No. 23-FY2025, the CCU approved GWA's request for the execution and delivery of one or more credit agreements pursuant to a financing framework confirming GWA's authority to enter short-term credit facilities subject to the CCU's review and approval of individual agreements. CCU GWA Resolution 23-FY2025 and its supporting exhibits are attached hereto as **Exhibit A** and are incorporated by reference as if fully set forth herein. Therein the CCU specifically authorized that such loans and agreements shall be issued in such series and amounts and at such times as the Chair or Vice-Chair of the CCU, or the Chief Financial Officer or the General Manager of GWA (the "Designated Officers") deem appropriate, provided that such loans have final maturities no later than 30 years from their dates of issuance, bear interest at such rate or rates and are sold for such price or prices not exceeding any limitation established by the P.L. 37-103 and 12 G.C.A. Chapter 14, and are issued and sold pursuant to the Credit Agreements attached herein and otherwise in compliance with the provisions of both P.L. 37-103 and 12 G.C.A. Chapter 14."¹⁰

In an email dated August 9, 2025, GWA further explained why GWA Resolution No. 23-FY2025 authorizes GWA management to enter into the Credit Agreement with RBC:

"The CCU's fourth resolve (at Section 4) of Resolution No. 23 explicitly authorizes the approval of the "Credit Agreement presented" specific to any "additions, changes, and modifications as the Designated Officers (or GWA management) shall approve," subject to PUC approval. Please see the fourth through eighth resolves – and particularly Section 4, Section 6, and Section 8 of CCU Resolution No. 23 at Exhibit A-003 of our filings.

The second resolve, at Section 2, also granted broad approvals so Management could enter into "one or more series of loans" pursuant "to the Act and the Credit Agreements". (Exhibit A-002). And Section 4, further permitted and authorized "The Designated Officers" to enter "**one or more credit agreements in the form of the Credit Agreement presented to this meeting with one or more banks.**" (Exhibit A-003; line 11-13)."¹¹(emphasis added).

¹⁰ GWA Petition at pgs. 2-3; see also Exhibit A-001-002 to the GWA Petition.

¹¹ Email from GWA Legal Counsel Theresa Rojas to PUC ALJ Frederick J. Horecky dated August 9, 2025.

On September 23, 2025, the CCU approved and adopted GWA Resolution No. 61-FY2025, which authorizes the execution and delivery of a Thirteenth Supplemental Indenture and forms of related documents, agreements and actions in connection of the execution of the Revolving Credit Agreement between GWA and Royal Bank of Canada (RBC).¹² Copies of this Resolution and its attached exhibits have been provided to the PUC Commissioners in the packets for the October 30, 2025, PUC meeting. The exhibits include the updated Revolving Credit Agreement dated August 24, 2025, the Thirteenth Supplemental Indenture, and the GWA Preliminary Revolving Credit Facility Term Sheet.

In GWA Resolution No. 61-FY2025, the CCU requests that the PUC approve a final form of the credit agreement between GWA and RBC, and further approve the Thirteenth Supplemental Indenture.¹³

In Resolution 25-011, the Guam Economic Development Authority (GEDA) also approved the execution and delivery of GWA's Revolving Credit Agreement with RBC on September 25, 2025.¹⁴ In accordance with P.L. 37-103, the only remaining approval needed by GWA to enter into the Credit Agreement with RBC is that of the PUC.

**THE PUC SHOULD APPROVE THE UPDATED VERSION [AUGUST 24, 2025]
OF THE REVOLVING CREDIT AGREEMENT SUBMITTED
BY GWA AND THE THIRTEENTH SUPPLEMENTAL INDENTURE**

¹² Guam Consolidated Commission on Utilities GWA Resolution No. 61-FY2025, approved and adopted on September 23, 2025.

¹³ Id.

¹⁴ The Guam Economic Development Authority, Resolution 25-011, approved and adopted on September 25, 2025.

A. The Revolving Credit Agreement

At the ALJ's request, GWA provided a Summary of the credit agreement provisions¹⁵:

"Under the credit agreement, GWA will have up to a \$75 million loan commitment available (until the Core Tech litigation is settled, GWA may have less than \$75 million of credit available). GWA may draw as needed for short-term financing of capital projects. GWA will pay an annual Commitment Fee of 75 bps on the undrawn portion of the revolver and loan draws will accrue interest, at GWA's option, of either, (i) Base Rate Loans (the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 3.00%, and (c) 9.00%) or (ii) Daily Simple SOFR Loans bearing interest at Daily Simple SOFR plus the Applicable Margin of 1.25%. Draw Fees will be \$500 per draw. Any loan amounts outstanding at the credit agreement expiry at the end of two years, unless extended, will be due and payable."

There are various interest rates, as outlined above, applicable to funds drawn under the Credit Agreement: Base Rate Loans and SOFR Loans (federal reserve rate). Under the Term Sheet there is also a total "Default Interest Rate", which is the Base rate plus 4.0%. Interest Payments and various Fees are due under the Agreement, including commitment fees, amendment fees, and draw fees.¹⁶ The ALJ met with GWA Counsel Theresa Rojas and GWA CFO Taling Taitano on August 20, 2025, concerning the Credit Agreement. At that time CFO Taitano estimated that the SOFR loans would accrue interest at "something like" 5.8%.

The draft agreement appears to be a standard Credit Agreement. It provides for default upon failure of GWA to make required payments and other remedies.¹⁷

¹⁵ Email from GWA Legal Counsel Theresa Rojas to PUC ALJ Fred Horecky dated October 11, 2025.

¹⁶ Revolving Credit Agreement dated as of September 2025, at p. 26.

¹⁷ Id. at Section 7, Events at Default and Remedies, at pgs. 43-45.

On October 13, 2025, GWA submitted email documentation to the ALJ indicating that RBC has approved "all of the terms of the most recent credit agreement, which was the August 24, 2025 Chapman draft."¹⁸

GWA worked closely with GEDA, GEDA's consultants, GWA's underwriters, bond counsel, GWA's financial consultants, and responding banks regarding the Short-Term Financing RFP.¹⁹ RBC was one of a number of banks that responded to the RFP. It has been a lengthy process for GWA to reach agreement with RBC.

GWA has submitted an adequate justification for approval of the Revolving Credit Agreement with RBC. GWA submits that the recent FY2025-FY2029 Five-Year Financial Plan update (trueup proceeding) by the PUC in GWA Docket 24-05 reinforces the need for financing to fund GWA's Capital Improvement Program. GWA indicated that the loan funds would be expended upon the FY2025-FY2026 Capital Projects. Nominal Dollars, attached hereto as Exhibit "1".

B. The Thirteenth Supplemental Indenture

A main purpose of the Thirteenth Supplemental Indenture is to address Revolving Credit Agreements such as the one that GWA proposes to enter into with the Royal Bank of Canada and possibly with other banks. The goal is that "the Credit Agreements be secured by a pledge of Revenues on a **parity basis to the Bonds...**" GWA desires to

¹⁸ On October 13, 2025, GWA provided an email from RBC to the ALJ confirming that it approved the terms of the most recent draft of the Revolving Credit Agreement.

¹⁹ Email from GWA Legal Counsel Theresa Rojas to PUC ALJ Frederick J. Horecky, dated June 13, 2025, in response to PUC Requests for Information at p. 7.

designate the Credit Agreement as a Parity Payment Agreement under the Bond Indenture.²⁰

GWA Bond Counsel determined that GWA could only borrow under the RBC credit agreement if such agreements were secured by a pledge of Revenues on a parity basis to the Bonds.²¹ The Indenture authorizes the issuance of not to exceed \$75,000,000 aggregate principal amount of the Series 2025 Bonds pursuant to the Indenture and the Credit Agreement to raise funds for the purpose of financing the Series 2025 Projects.²² The Royal Bank of Canada is a signatory to the Thirteenth Supplemental Indenture.²³

GWA CFO Taling Taitano has provided an explanation of the manner in which funds will be released by RBC and the role of the bonds in the process:

“To access funds under the Revolving Credit Agreement with the Royal Bank of Canada (RBC), the Guam Waterworks Authority (GWA) must submit a formal Notice of Borrowing specifying the amount requested, the borrowing date, and the chosen interest rate option. Each draw must be for at least \$500,000, with any additional amounts in multiples of \$100,000. Once RBC confirms that all legal and financial conditions are met – including that GWA remains in compliance and no defaults exist – the bank transfers the approved funds to GWA’s designated account. The agreement functions as a revolving line of credit available for approximately two years, during which GWA may borrow, repay, and reborrow funds as needed, up to the total limit of \$75 million. This access to funding enables GWA to procure Invitations for Bids (IFBs)

²⁰ Thirteenth Supplemental Indenture, Attachment B to GWA Resolution No. 61-FY2025, p. 1.

²¹ Phone Conference between GWA Taling Taitano and ALJ Fred Horecky on October 13, 2025.

²² Thirteenth Supplemental Indenture, Attachment B to GWA Resolution No. 61-FY2025, p. 1.

²³ *Id.* at p. S-6.

and Requests for Proposals (RFPs) in a timely manner, ensuring that projects can proceed without delay while long-term financing is pending.

Although the debt instruments under this agreement are referred to as "Bonds," the facility operates like a bank loan rather than a traditional bond issue. The term "Bonds" is used to maintain consistency with GWA's 2005 Bond Indenture, which requires that all borrowings secured by system revenues be issued as bonds. In this case, the "Bonds" are not sold to public investors but are held solely by RBC as evidence of amounts borrowed under the revolving facility. This approach ensures that the loan shares the same security pledge and legal standing as GWA's other revenue bonds while providing the flexibility of a short-term credit line."²⁴

RECOMMENDATION

Based upon the record before the Commission, the Administrative Law Judge recommends that the PUC approve the Revolving Credit Agreement dated August 24, 2025, between GWA and Royal Bank of Canada (RBC), any necessary further technical revisions, and all documents or actions necessary to implement the Revolving Credit Agreement. Pursuant to Public Law 37-103, GWA is authorized to enter into the Revolving Credit Agreement with RBC and any necessary documents to implement the Agreement. Over the past five years, the Commission has consistently approved GWA's utilization of short term financing agreements to fund its capital improvement projects.

²⁴ Email from GWA CFO Taling Taitano to ALJ Fred Horecky dated October 13, 2025.

Furthermore, the ALJ recommends that the Commission approve the Thirteenth Supplemental Indenture and the forms, terms, and conditions contained therein. The Supplemental Indenture is necessary to authorize the Revolving Credit Agreement with RBC. The Revolving Credit Agreement is designated as a Parity Payment Agreement under the Bond Indenture.

Respectfully submitted this 15th day of October, 2025.


Frederick J. Horecky
Chief Administrative Law Judge

FY 2025 - FY 2026 Capital Projects, Nominal Dollars

	FY 2025	FY 2026
Water Production		
Well Rehabilitation	500,000	-
Well Equipment Overhaul	500,000	5,099,020
Capacity Enhancement – Well Development	14,890,248	14,277,255
Wellhead Protection	500,000	3,747,908
Well Repair	3,500,000	-
Ugum SWTP River Intake Cleaning Project	1,500,000	-
Ugum SWTP Intake Modifications	-	3,569,314
Santa Rita Spring Impoundment Expansion	1,000,000	15,297,059
Subtotal	\$ 22,390,248	\$ 41,990,554
Water Treatment		
Emerging Contaminants, Water Treatment	9,363,857	35,693,137
Ugum SWTP 7-Year Improvement Project	-	5,099,020
Subtotal	\$ 9,363,857	\$ 40,792,156
Water Distribution- System		
Piping Rehabilitation and Replacement	19,794,165	15,780,121
2 Inch Pipe Replacement	12,608,498	-
Asbestos Cement Pipe Replacement	22,435,000	-
PRV Rehab and Replacement	4,214,086	-
Valve Exercise, Repair, and Replacement	1,250,000	-
Subtotal	\$ 60,301,749	\$ 15,780,121
Water Distribution- Booster Stations		
Rehabilitate and Replace BPSs	4,180,649	15,297,059
Brigade Booster Pump Improvement	8,900,000	-
Nimitz Hill Upper BPS	252,000	-
Subtotal	\$ 13,332,649	\$ 15,297,059
Water Storage		
Recurring Tank Inspections	12,000,000	-
Water System Reservoirs	-	11,778,735
Subtotal	\$ 12,000,000	\$ 11,778,735
Wastewater Collection		
Gravity Pipe Rehabilitation/Replacement	17,019,532	-
Force Main Rehabilitation/Replacement	-	3,960,952
Hagåtña WWTP Force Main Rehabi	1,000,000	6,118,823
Lift Station Rehabilitation/Replacement	4,921,839	9,688,137
Tumon Basin - Fujita Lift Station	-	6,832,686
Tier 1 Pump Station Improvements	7,000,000	5,608,921
Subtotal	\$ 29,941,371	\$ 32,209,520

Wastewater Treatment

Hagåtña WWTP Primary Treatment Repair/Rehab	-	30,594,117
Hagåtña WWTP Secondary Treatment Evaluation	2,000,000	-
Subtotal	\$ 2,000,000	\$ 30,594,117

Electrical, Monitoring & Control

Electrical: SCADA Implementation Phase B	-	5,099,020
Electrical: SCADA Control Center Improvements	826,711	-
Control: Surveying and Property Delineation	1,000,000	-
Subtotal	\$ 1,826,711	\$ 5,099,020

General Plant Improvements

GWA Customer Service, Warehouse, Test Bench	3,167,500	5,181,522
Mobile Equipment Replacement	3,000,000	-
Wastewater Light Mobile Replacement Program	1,600,000	-
GWA Engineering Systems Planning	-	4,997,039
WRMP Update (Interim Update)	220,000	-
South Guam Water Supply Study	550,000	-
Master Meter Implementation and Ongoing Meter Rep	2,000,000	-
District Meter Area Implementation	-	6,689,883
Hydrant Condition Assessment and Maintenance	2,500,000	-
OneGuam	500,000	-
Leak Detection Assistance	950,000	-
Miscellaneous Wastewater Improvements	-	12,237,647
Subtotal	\$ 14,487,500	\$ 29,106,091

Frederick J Horecky

From: jsdesoto@guamwaterworks.org
Sent: Monday, October 13, 2025 9:48 AM
To: Theresa G. Rojas
Subject: Email from Greg Dawley re Guam PUC

From: Dawley, Greg <greg.dawley@rbccm.com>
Sent: Friday, October 10, 2025 2:47 PM
To: Jim Bemis <bemis@montaguederose.com>
Cc: Mastey, Laurent <Laurent.Mastey@rbccm.com>; Frank Perdue-Rossi <perdue@montaguederose.com>
Subject: RE: Guam PUC

Hi Jim – RBC approves all the terms in the most recent credit agreement, which was the August 24, 2025 Chapman draft. We have still not received the information on the mortgage that Core Tech purchased that was requested a while back, but understand that this it is hard to track down. We reserve the right to request changes to the credit agreement if we deem it necessary based on this information, but hopefully that is not required. As background, we are trying to figure out different likely settlement scenarios if the Guam Supreme Court case does not go as GWA expects/hopes and what could be the possible financial burden on GWA (aside from the \$220mm that Core Tech has sued for.) The \$75 million mortgage that Core Tech purchased was for more land than just the Northern Treatment Plant and it will be helpful to understand the portion/value not related to the GWA parcel. We would ask that the blank\$ amounts in the credit agreement stay so for now if possible until we are able to finalize our analysis. Let us know if you have any questions or comments.

Greg and Laurent

Kind Regards,

Jeramine 'Bianca' DeSoto
LEGAL ANALYST



GUAM WATERWORKS AUTHORITY

Gloria B. Nelson Public Service Building | 688 Route 15, Mangilao, Guam 96913
P.O. Box 3010, Hagatna, Guam 96932
Telephone No.: (671) 300-6848
E-mail address: jsdesoto@guamwaterworks.org