

MEMORANDUM

To: Fred Horecky

From: Jim Madan & Robert Young

Date: June 14, 2025

Subject: Review of GWA Petition to Approve Series 2025A Revenue Bond Issuance – Dk 25-08

Overview

As requested by you, this memo summarizes Georgetown Consulting Group's (GCG), acting as Guam Public Utilities Commission (GPUC) Staff, review of the Guam Waterworks Authority (GWA) petition (Docket 25-08) submitted to the GPUC seeking approval to issue and sell up to \$350 million in Series 2025A Water and Wastewater Revenue Bonds. This issuance is part of the broader authorization under Public Law 37-103, which allows up to \$560 million in total revenue bonds for GWA.

Key Points

1. Legal Basis and Authorization

- P.L. 37-103 authorizes up to \$560 million in revenue bonds with maturities up to 40 years and yields not exceeding 7.00%.
- The bonds are intended to fund:
 - Compliance with the USEPA Consent Decree
 - Capital improvements under GWA's master plan and 5-year financial plan
 - Capitalized interest, reserve funds, and issuance costs

2. Proposed Issuance

- GWA seeks approval for \$350 million in bonds, aligned with its FY 2024–2029 rate plan approved by the PUC.
- The estimated initial par value is \$267.825 million, targeting \$250 million in net proceeds. Final amounts may adjust based on market interest rate movements.
- Under the proposed structure, GWA will make interest only payments during the first five years of the bond term, with no principal due until the sixth year.

3. Project Scope

- Proceeds will fund upgrades across water production, treatment, storage, and distribution, and wastewater collection and treatment.

- Funds will also address compliance with emerging contaminant regulations (e.g., PFAS, Dieldrin) and water loss mitigation.
- The issuance will support mandates from the 2024 Partial Consent Decree with USEPA.

4. Regulatory Process

- GPUC approval is required under Guam law for any bond issuance affecting customer rates.
- The CCU approved the issuance via Resolution 27-FY2025 on June 3, 2025.
- GEDA Board consideration is scheduled for June 19, 2025.

5. Supporting Documentation (Exhibits)

The petition includes the following attachments (summarized):

- CCU Resolution 27-FY2025
- Drafts of the 11th and 12th Supplemental Indentures
- Bond Purchase Agreement and Continuing Disclosure Agreement
- Preliminary Official Statement
- Consultant's Feasibility Study (June 1, 2025)
- Proposed Orders for GPUC execution

Conclusion

GCG recommends approval of the GWA petition. The GWA petition is compliant with enabling legislation, and aligned with previously approved financial planning. The proposed bond issuance serves critical infrastructure and regulatory compliance needs. Final approval from GEDA is pending and will complete the required steps before GPUC action. The Commission can rely on the review and approval by both the CCU and GEDA as having cleared an important threshold.

However, it should be stated that the particular application in the current 5 Year Rate Plan rate case will depend on the outcome of the FY 2026 rate proceeding and beyond when reviewed and approved by the Commission. As filed by GWA the application of the proposed bond in the FY 2026 rate proceeding is substantially different from the projection made in the prior FY 2025 rate proceeding as approved by the Commission.

We have reviewed the Proposed Orders for regulatory and financial matters and do not have any concerns with those. As these are legal documents we recommend that you review them for the statements of facts and other matters.