CONSOLIDATED COMMISSION ON UTILITIES
Guam Power Authority | Guam Waterworks Authority
P.O. Box 2977 Hagatna, Guam 96932 | (671)649-3002 | guamccu.org

RESOLUTION NO 30-FY2017

RELATIVE TO APPROVING THE GUAM WATERWORKS AUTHORITY ANNUAL FY 2017 TRUE-UP AND FISCAL YEAR 2018 BUDGET

WHEREAS, under 12 G.C.A. § 14105, the Consolidated Commission on Utilities ("CCU") has plenary authority over financial, contractual and policy matters relative to the Guam Waterworks Authority ("GWA"); and

WHEREAS, the Guam Waterworks Authority ("GWA") is a Guam Public Corporation established and existing under the laws of Guam; and

WHEREAS, GWA Management has formulated and thoroughly reviewed the Fiscal Year 2017 projected year end results in conjunction with the development of Management's proposed Fiscal Year 2018 (FY2018) Budget and does hereby submit said budget to the CCU for their approval; and

WHEREAS, FY2018 is the fifth (5th) and final year of GWA's Five (5) Year FY2014-FY2018 Rate Plan approved by the CCU and the Guam Public Utilities Commission (PUC) in 2013; and

WHEREAS, the Five (5) Year Rate Plan (Rate Plan) consists of annual rate increases in the aggregate of 57% during the Rate Plan period with a 4% increase for basic, and non-lifeline rates in Fiscal Year 2018 ; and

WHEREAS, rate increases (during the Rate Plan period) are subject to an annual true-up to determine the sufficiency and reasonableness of the increase for the year under consideration; and

WHEREAS, rate increases are necessary to maintain financial stability and meet obligatory requirements such as bond debt covenants; and

WHEREAS, the rate increase is anticipated to generate an additional $6 million in FY2018 which is necessary as a result of debt service increasing by $5 million in FY2018; and

WHEREAS, the impact of the proposed rate increase on a typical residential customer is in the range of $1-$2 a month or 2% for an average residential customer consuming between 5k-7k gallons of water per month; meanwhile non-residential customers such as hotel and retail consumers will likely see the full 4% increase as reflected on Exhibit A attached herein; and

WHEREAS, the foremost and principal cost driver for this year's true-up filing is GWA's obligatory requirement for protecting public health and environment; and improving service levels; and

WHEREAS, complying with these mandates significantly impacts the burden on ratepayers such as multiple years of rate increases and GWA's financial resources and stability such as the need to issue System Revenue Bonds to pay for significant capital investments required by the 2011 Federal Court Order (CO) and to pay for a stepped-up operation, maintenance and repair program for GWA's infrastructure; and

WHEREAS, after careful analysis of recent and new developments since the preceding annual true-up filing, including financial policies adopted and approved by the CCU and taken into account in the development of the Rate Plan, rate covenants and known and measurable changes in costs and conditions since the approval of the Rate Plan, the FY 2018 budget projection recommended by Management for approval by the CCU proposes a rate increase of 4% for basic, and non-lifeline rates across all rate structures and customer classes, and a 3.75% increase for the legislative surcharge; and

WHEREAS, operating revenues are projected to reach $112 million in FY2018 derived from approximately $69 million in water sales, $39 million in wastewater; $3 million from the legislative surcharge; $700 thousand in Other revenues and $553 thousand in System Development Charges; and

WHEREAS, operating costs are earmarked at $24 million in salaries and benefits; $12 million in electrical costs; $8 million in water purchases; $12 million in administrative and general expenses; $4 million in contractual expenses; $265 thousand for regulatory costs; $685 thousand in bad debts; $18 million in depreciation and $3 million in retiree supplemental annuities and health care for a combined Fiscal Year 2018 total of $84 million; and

WHEREAS, the budget, as recommended, allows GWA a staff level of 395 full time employees (FTE) to meet O&M activities ; and

WHEREAS, the True-up and FY2018 Budget represents Management's best estimates of resources necessary to carry out its strategic objectives consonant with the Authority's mission; and

WHEREAS, it is the General Manager's desire to be granted budget transfer authority to modify or adjust budget amounts among and between budget expense categories in the event of changed conditions unanticipated in the FY2018 Budget request; and

NOW BE IT THEREFORE RESOLVED, the Consolidated Commission on Utilities does hereby approve and authorize the items listed herein:

Section 1. The foregoing recitals hereby constitute the findings of the CCU.

Section 2. The CCU affirms management's recommended rate increase of 4% for basic, and non-lifeline rates across all rate structures and customer classes, and a 3.75% increase for the legislative surcharge (Exhibit A).

Section 3. The Fiscal Year 2018 Proposed Budget of $112 million and $84 million of operating revenues and expenses, respectively, in addition to other cash flow requirements such as debt service, bond reserves, working capital and conforming to the rate covenants for the bond indenture (1.25) and PUC (1.75) are just and reasonable.

Section 4. The General Manager is authorized a staff level not to exceed 395 Full- time employees for FY2018.

Section 5. The General Manager is authorized to transfer funds up to 10% between and among O&M Budget expenses as necessary to meet the mission of GWA. Any transfer(s) greater than 10% requires CCU approval.

RESOLVED that the Chairman certifies and the Board Secretary attests to the adoption of this Resolution.

DULY AND REGULARLY ADOPTED, this 23rd day of May 2016.

Certified by:

JOSEPH T. DUENAS
Chairperson

Attested by:

J. GEORGE BAMBA
Secretary

I, J. George Bamba, Board Secretary of the Consolidated Commission on Utilities, as evidenced by my signature above do hereby certify as follows:

The foregoing is a full, true and accurate copy of the resolution duly adopted at a regular meeting by the members of the Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

AYES:	4
NAYS:	0
ABSTENTIONS:	0
ABSENT:	1

GUAM WATERWORKS AUTHORITY
"Better Water. Better Lives."
Gloria B. Nelson Public Service Building | 688 Route 15, Mangilao, Guam 96913
P.O. Box 3010, Hagatna, Guam 96932
Tel. No. (671) 300-6846/48 Fax No. (671) 648-3290

EXHIBIT A

COMPARATIVE MONTHLY BILL – COMBINED

RESIDENTIAL
Assumptions:
Residential - R1 Customer
5000 gals

		Current FY 2017		Proposed FY2018
Water				
Basic Charge	$	21.69	$	22.56
Water Consumption:				
Lifeline		15.05		15.05
Non-Lifeline				
Surcharge:				
PUC		-		-
Legislative Surcharge (retirement)		0.80		0.85
Sub-Total Water	$	37.54	$	38.45
Sewer Charge (Fixed)	$	27.54	$	27.54
Surcharge:				
PUC				
Legislative Surcharge (retirement)				
Sub-Total Wastewater	$	27.54	$	27.54
TOTAL BILL	$	65.08	$	65.99
Increase Bill ($)			$	0.91

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EXHIBIT A

COMPARATIVE MONTHLY BILL – COMBINED

RESIDENTIAL
Assumptions:
Residential - R1 Customer
7500 gals

	Current FY 2017	Proposed FY2018
Water		
Basic Charge	$ 21.69	$ 22.56
Water Consumption:		
Lifeline	15.05	15.05
Non-Lifeline	25.80	26.83
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	1.76	1.85
Sub-Total Water	$ 64.30	$ 66.29
Sewer Charge (Fixed)	$ 27.54	$ 27.54
Surcharge:		
PUC		
Legislative Surcharge (retirement)		
Sub-Total Wastewater	$ 27.54	$ 27.54
TOTAL BILL	$ 91.84	$ 93.83
Increase Bill ($)		$ 1.99

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EXHIBIT A

COMPARATIVE MONTHLY BILL – COMBINED

COMMERCIAL I _ACCOUNT
Assumptions:
Commercial I -C1 Customer - Grocery Store
35,910 gal per month -current

	Current FY 2017	Proposed FY2018
Water		
Basic Charge	$ 21.69	$ 22.56
Water Consumption:		
Lifeline		
Non-Lifeline	461.08	479.53
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	17.86	18.83
Sub-Total Water	$ 500.64	$ 520.91
Sewer Charge	$ 203.39	$ 211.53
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	7.53	7.93
Sub-Total Wastewater	$ 210.92	$ 219.46
TOTAL BILL	$ 711.56	$ 740.38
Increase Bill ($)		$ 28.82

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EXHIBIT A

COMPARATIVE MONTHLY BILL – COMBINED

HOTEL ACCOUNT
Assumptions:
Hotel - HA Customer
6,500,000 gal per month - current

	Current FY 2017	Proposed FY2018
Water		
Basic Charge	$ 343.27	$ 357.00
Water Consumption:		
Lifeline		
Non-Lifeline	83,460.00	86,798.40
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	3,100.72	3,268.33
Sub-Total Water	$ 86,903.99	$ 90,423.73
Sewer Charge	$ 89,648.00	$ 93,233.92
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	3,316.98	3,496.27
Sub-Total Wastewater	$ 92,964.98	$ 96,730.19
TOTAL BILL	$ 179,868.97	$ 187,153.92
Increase Bill ($)		$ 7,284.95

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EXHIBIT A

COMPARATIVE MONTHLY BILL – COMBINED

GOVERNMENT - G6 ACCOUNT
Assumptions:
Government - G6 Customer-High School
73,000 gal per month - current

	Current FY 2017	Proposed FY2018
Water		
Basic Charge	$ 126.47	$ 131.53
Water Consumption:		
Lifeline		
Non-Lifeline	937.32	974.81
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	39.36	41.49
Sub-Total Water	$ 1,103.15	$ 1,147.83
Sewer Charge	$ 591.01	$ 614.65
Surcharge:		
PUC	-	-
Legislative Surcharge (retirement)	21.87	23.05
Sub-Total Wastewater	$ 612.88	$ 637.70
TOTAL BILL	$ 1,716.03	$ 1,785.53
Increase Bill ($)		$ 69.50