б

GUAM CONSOLIDATED COMMISSION ON UTILITIES RESOLUTION NO. 39-FY2016

RELATIVE TO APPROVING THE GUAM WATERWORKS AUTHORITY FISCAL YEAR 2017 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 proposed Fiscal Year 2017 (FY 2017) Budget and does hereby submit said budget to the CCU for their approval; and

WHEREAS, FY 2017 is the fourth (4th) year of GWA's Five (5) Year FY 2014-FY 2018 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 7% increase for basic, lifeline and non-lifeline rates in Fiscal 2017; and

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

WHEREAS, GWA's Fiscal 2016 true-up highlighted key components driving cost savings thus allowing GWA management to recommend reducing the rate increase approved in the Rate Plan; and

WHEREAS, these cost-saving components are comprised of \$6 million savings in debt service as a result of an upgraded credit following approval of the Rate Plan; and \$5 million reduction in power costs due to improved operating efficiencies; and finally to maximize the use of bond funds and lower cost of capital, GWA will defer \$3 million in capital expense reserves; and

WHEREAS, in consideration of the aforementioned savings, the FY 2017 Budget projection recommended by Management for approval by the CCU reduces the increase to 3.50 % for basic, lifeline, and non-lifeline rates across all customer classes and a 3.70 % increase for the legislative surcharge; and

WHEREAS, the projections were developed from an evaluation of historical and current data including assumptions of future performance benchmarks. This budget assumes no customer growth and demand sales this fiscal year; and

WHEREAS, these proposed rates will generate a total of \$113 million in operating revenues derived from approximately \$68 million in water sales, \$39 million in wastewater; \$3 million from the legislative surcharge; \$1 million in System Development Charges and \$.5 million in other revenues; and

WHEREAS, operating costs are earmarked at \$22 million in salaries and benefits; \$21 million in utilities; \$11 million in administrative and general expenses; \$3 million in contractual expenses; \$.3 million in regulatory costs; \$.8 million in bad debts; \$18 million in depreciation and \$3 million in retiree supplemental annuities and health care for a combined Fiscal 2017 total of \$81 million, which is 10% lower than the current budget approved at \$90 million; and

WHEREAS the proposed Fiscal Year 2017 revenues and expenses altogether will result in an operational gain of approximately \$15 million; and

WHEREAS, the budget, as recommended, allows GWA to meet O&M, debt service and capital expenditure requirements; and

WHEREAS, the FY 2017 Budget is a representation of Management 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 FY 2017 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 Fiscal Year 2017 Proposed Budget of \$113 million and \$81 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 3. The General Manager is authorized to transfer funds up to 10% between and among O&M Budget expenses necessary to meet the mission of GWA. Any transfer(s) greater than said percentage requires CCU approval.

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

DULY AND REGULARLY ADOPTED, this 24th day of May 2016.

Certified by:

JOSEPH T. DUENAS

Chairperson

Attested by:

ARRA

. 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:

