



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

GWA RESOLUTION NO. 18-FY2021

**RELATIVE TO APPROVING THE GUAM WATERWORKS AUTHORITY
FIVE-YEAR FINANCIAL PLAN UPDATE**

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, GWA is a Guam Public Corporation established and existing under the laws of Guam; and

WHEREAS, the Guam Public Utilities Commission (“PUC”) FY20 Rate Decision and Order issued on February 27, 2020, delineated proforma rates for FY2022, FY2023 and FY2024 and required an FY2022 Comprehensive Review and Update to GWA’s Five-Year Financial Plan (“Financial Plan”); and

WHEREAS, the PUC FY20 Rate Decision and Order required GWA to undertake various analytical studies, namely (1) Demand Forecasting, (2) Water Loss Reduction, (3) Cost of Service / Rate Design, (4) Affordability, (5) Capital Financing Alternatives, (6) Capitalized Labor, and (7) Cesspool and Septic Tank Elimination, and to submit the studies by March 31, 2021, and incorporate the same into the Financial Plan Update; and

WHEREAS, the PUC FY20 Rate Decision and Order required a projected fund balance of not less than \$3 million and a debt service coverage ratio of 1.40x-1.5x; and

WHEREAS, the PUC will determine final rates for FY2022, FY2023, and FY2024 based on the results of the studies and the Financial Plan Update; and

1 **WHEREAS**, on March 2020, the Governor of Guam issued Executive Order 2020-03
2 declaring a Guam State of Emergency in response to the Novel Coronavirus (COVID-19)
3 outbreak, placing restrictions on government agencies, businesses and citizens beginning in
4 March 2020 and continuing to date; and

5
6 **WHEREAS**, this worldwide pandemic has had a profound effect on Guam’s economy,
7 negatively impacting GWA’s revenues in FY2020 and FY2021 and those impacts have been
8 reflected in the Financial Plan Update; and

9
10 **WHEREAS**, the changes in debt service due to the issuance of the Series 2020A Water
11 and Wastewater System Revenue Bonds (additional debt service) in May 2020 and the Series
12 2020B Water and Wastewater System Revenue Refunding Bonds (debt service savings) in
13 August 2020 were included in the Financial Plan Update; and

14
15 **WHEREAS**, GWA performed the studies, submitted five final reports and two draft
16 reports (the Cost-of-Service Analysis and Affordability and Rate Design studies will be finalized
17 following the Financial Plan Update), and incorporated the results of those studies into the
18 Financial Plan Update; and

19
20 **WHEREAS**, management has provided copies of the analytical studies and presented the
21 results to the CCU; and

22
23 **WHEREAS**, the updated Financial Plan based solely on the analytical studies and the
24 profound effects of the pandemic would require untenable rate adjustments in the FY2022 -
25 FY2024 period; and

26
27 **WHEREAS**, GWA has attempted to mitigate impacts to rates through proposed
28 adjustments to the financial plan (as listed below) including, Rate Stabilization and federal
29 American Rescue Plan Act (ARPA) funds, while protecting the financial integrity of the GWA
30 system; and
31
32

1 **WHEREAS;** management has presented to the CCU for its approval the Financial Plan
2 Update, a summary attached hereto as Schedule A; and

3
4 **WHEREAS,** highlights of the plan include:

- 5 1) Annual rate revenue increases of 10% in FY2022 and FY2023 and 7% in
6 FY2024 without adjustment for potential receipt of Rescue Act Funds.
- 7 2) Legislative surcharges of 3.7% in FY2022, 3.5% in FY2023, and 3.4% in
8 FY2024 applied against all rate components.
- 9 3) Internally funded capital improvement projects (CIPs) of Twenty-Four and a
10 Half Million dollars (\$24,500,000) to reduce GWA's need to finance all
11 capital and thereby reduce costs to the consumers by eliminating the interest
12 and costs associated with financing.
- 13 4) Compliance with prescribed minimum debt service coverage ratios required
14 under the 2005, 2010, 2013, 2016 and 2020 Series Bond Indentures and future
15 bond financing.
- 16 5) For FY 2022-2024, temporary reduction of the Debt Service Coverage targets
17 to 1.3x and reduction of the working capital reserve target to 90 days in
18 response to unprecedented reductions in demand due to the pandemic as
19 described in the Demand Forecast Study.
- 20 6) Continuation of on-going efforts to achieve economic water loss reductions
21 through the implementation of island wide District Metered Areas (DMA),
22 DMA monitoring and control system implementation, proactive and expanded
23 leak detection, and water loss control technical assistance along with
24 prioritizing line replacement projects.
- 25 7) Implementation, in conjunction with GEDA, of a Letter of Credit supported
26 Commercial Paper program, after obtaining the necessary legislative and
27 executive approvals.
- 28 8) Implementation of proposed water and sewer rate design changes that provide
29 for limited increase in the share of revenue recovery derived from sewer
30 service as presented in Schedule B including:

- a) Adoption of meter-size scaled base charge increases for water services, and new meter-size scaled base charges for wastewater service – applicable across all customer classes.
 - b) Adoption of inverted 3-tiered residential rates with usage tier thresholds at 3 kGals, 10 kGals, and above.
 - c) Establishment of an affordability program operating expense to enable provision of monthly bill assistance in amounts up to 20% of usage-related charges for income-qualified families.
 - d) Adoption of a new residential sewer volumetric rate and revised non-residential sewer rates.
- 9) Adoption of recommendations of the capitalized labor study to improve the accuracy of allocation of labor costs to capital project expense.
 - 10) Investment in extending sewer lines and development of programs to encourage rate payers to connect to the sewer system and eliminate cesspools and septic tanks.
 - 11) Use of \$5.3 million Rate Stabilization and requested use of federal ARPA Funds to mitigate needed rate increases.

NOW BE IT THEREFORE RESOLVED, the Consolidated Commission on Utilities does hereby approve the following:

1. The recitals set forth above hereby constitute the findings of the CCU.
2. The CCU finds that the Financial Plan Update, attached as Schedule A, required by the PUC FY20 Rate Decision and Order has been updated to reflect actions and events occurring since the stipulation and rate order were issued by the PUC. The CCU finds that GWA has complied with all requirements of the PUC FY20 Rate Decision and Order including completion of the prescribed Analytical Studies by March 31, 2021. The CCU further finds that adjustments to the Financial Plan as described above are appropriate and prudent responses to pandemic-induced financial impacts on GWA and its customers, and approves the Financial Plan Update, including but not limited to the highlights set forth below:

- 1 a) Average annual service revenue increases of 10% in FY2022 and FY2023,
2 and 7% in FY2024 to fund system revenue requirements including:
- 3 a. \$251.8 million in Operations & Maintenance Costs including
4 power, Navy water purchases, salaries and benefits, contracts, and
5 other normal and recurring operating expenses.
 - 6 b. Debt service on prior bond issues and future debt service to be
7 incurred to finance approximately \$143.6 million in capital
8 projects.
 - 9 c. \$24.5M set aside for internally funded capital improvement
10 projects to offset amounts GWA is required to borrow.
- 11 b) Economic reduction in water losses through implementation of a District
12 Metering Area based Water Loss Reduction Program.
- 13 c) Use of \$5.3 million of Rate Stabilization funds and requests for federal
14 ARPA funds to lessen the required rate increase.
- 15 3. The CCU finds that the proposed rates as presented in Schedule B move the
16 rates for the various customer classes closer to cost of service and mitigates
17 impacts on low-income families.
- 18 4. The CCU authorizes the management of GWA to submit the Financial Plan
19 Update and the proposed rate design to the Guam Public Utility Commission.
- 20 5. The CCU hereby further authorizes management of GWA to seek the
21 necessary legislative and other authorizations to develop a Letter of Credit
22 supported Commercial Paper program and issue up to \$200 million in
23 additional debt to fund projects to enable (future) Consent Decree, water loss
24 reduction, and other projects to improve management of the Authority.
- 25 6. The CCU also further authorizes management of GWA to seek the necessary
26 legislative and other authorizations to revise limiting legislative prescriptions
27 related to the application legislative surcharges and lifeline rate adjustments
28 given proposed rate design changes.

29
30 //

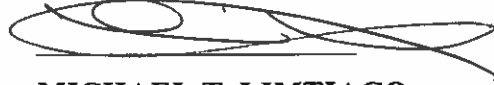
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1 **DULY AND REGULARLY ADOPTED**, this 27th day of April 2021.

2
3 Certified by:

Attested by:

4
5 



6 **JOSEPH T. DUENAS**

MICHAEL T. LIMTIACO

7 Chairperson

Secretary

8
9
10 **SECRETARY'S CERTIFICATE**

11 I, Michael T. Limtiaco, Board Secretary of the Consolidated Commission on
12 Utilities as evidenced by my signature above do hereby certify as follows:

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

17
18 AYES: 5
19 NAYS: 0
20 ABSENT: 0
21 ABSTAIN: 0
22



Schedule A

Pro Forma Cash Flow, Requested Rates with Modified Assumptions*

	Historical Years		Current Year	Forecasted Years		
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue Adjustment Percentages						
Service Revenues**				10.00%	10.00%	7.00%
Legislative Surcharges				3.70%	3.50%	3.40%
Cash Sources						
Water Rate Revenues	\$ 70,354,372	\$ 70,217,467	\$ 70,091,756	\$ 75,376,449	\$ 82,796,657	\$ 88,834,951
Wastewater Rate Revenues	39,672,132	35,441,249	34,864,424	40,383,403	45,641,251	50,262,771
Other Revenues	679,465	593,781	455,400	464,508	473,798	483,274
Interest / Investment Revenues	829,754	288,113	8,000	8,000	8,000	8,000
Revenue Adjustments	1,165,076	(1,713,792)	(428,259)	(538,648)	(668,106)	(777,243)
Rate Stabilization Fund Transfers			3,500,000	3,200,000	2,100,000	-
TOTAL SOURCES	\$ 112,700,799	\$ 104,826,818	\$ 108,491,321	\$ 118,893,713	\$ 130,351,600	\$ 138,811,753
Cash Uses						
Power Purchases	16,150,781	14,118,145	12,985,577	15,545,238	15,719,768	15,850,992
Water Purchases	6,277,864	5,551,065	8,623,306	8,632,851	8,891,837	9,158,592
Salaries & Benefits	25,480,423	27,160,992	28,514,549	29,639,507	31,863,157	32,450,457
Admin & General	12,062,299	10,671,052	12,217,275	12,646,364	13,936,899	15,437,133
Contractual Expense	5,944,769	4,431,836	6,305,994	6,304,122	7,141,301	7,519,569
Retiree Expense	2,857,156	3,161,351	3,383,180	4,112,018	4,300,483	4,499,094
Incremental O&M, Programs & Initiatives			-	3,336,509	2,594,677	2,217,128
O&M Subtotal	\$ 68,773,292	\$ 65,094,441	\$ 72,029,881	\$ 80,216,609	\$ 84,448,120	\$ 87,132,964
Fees, Construction Financing Program	-	-	-	2,407,058	2,439,297	2,497,454
Interest, Construction Financing Program	-	-	-	11,502	57,904	137,189
Existing Senior Debt Service	31,368,000	34,175,188	31,437,017	33,458,069	39,036,678	39,042,065
New Senior Debt Service	-	-	-	-	-	-
Revenue Funded CAPEX	2,819,600	3,217,637	6,700,000	8,000,000	8,500,000	8,000,000
TOTAL USES	\$ 102,960,892	\$ 102,487,266	\$ 110,166,897	\$ 124,093,238	\$ 134,481,999	\$ 136,809,672
Net Cash Flow, Operating Fund	\$ 9,739,907	\$ 2,339,552	\$ (1,675,576)	\$ (5,199,525)	\$ (4,130,399)	\$ 2,002,081
Debt Service Coverage Calculation						
Net Operating Revenues	\$ 43,097,753	\$ 39,444,263	\$ 32,953,441	\$ 35,469,104	\$ 43,795,479	\$ 51,670,788
Adjustment, Other Investment Income	829,754	288,113	8,000	8,000	8,000	8,000
Adjustment, Capitalized Labor	3,342,006	3,993,300	4,498,969	4,857,128	5,002,841	5,152,927
Adjustment, Rate Stabilization Transfer	-	-	3,500,000	3,200,000	2,100,000	-
Available for Debt Service	\$ 47,269,513	\$ 43,725,677	\$ 40,960,409	\$ 43,534,232	\$ 50,906,321	\$ 56,831,715
Forecasted Debt Service	31,368,000	34,175,188	31,437,017	33,469,571	39,094,582	39,179,254
Debt Service Coverage (1.25x required)	1.507	1.279	1.303	1.301	1.302	1.451
Additional Revenue Requirement						
Additional Revenues Needed, 1.30x DSC***			\$ -	\$ -	\$ -	\$ -
Forecasted EOY Operating Reserves	\$ 43,112,603	\$ 42,979,996	\$ 41,304,419	\$ 36,104,894	\$ 31,974,495	\$ 33,976,576
Minimum Reserve Requirement (120 days)	\$ 22,610,397	\$ 21,400,912	\$ 23,681,057	\$ 26,372,584	\$ 27,763,766	\$ 28,646,454
Additional Revenues Needed, Reserves			\$ -	\$ -	\$ -	\$ -
Total Additional Revenues Needed			\$ -	\$ -	\$ -	\$ -
Days O&M, EOY Operating Reserves	228	240	209	164	138	142
Other Information						
System Development Charge Revenue	\$ 885,513	\$ 756,338	\$ 750,000	\$ 783,750	\$ 819,019	\$ 855,875
Depreciation	21,174,220	25,048,700	22,271,032	22,300,621	22,969,640	23,658,729
Operating Income	\$ 22,809,046	\$ 15,151,901	\$ 14,932,409	\$ 17,152,233	\$ 23,744,858	\$ 28,867,934
Interest Income	829,754	288,113	8,000	8,000	8,000	8,000
Interest Expense	(25,192,512)	(26,812,893)	(28,867,017)	(29,307,905)	(28,859,582)	(28,419,254)
Grants & Other Contributions	21,801,439	72,249,371	3,000,000	8,000,000	8,000,000	8,000,000
Other Income (Loss)	83,560	(722,188)	-	-	-	-
Net Income	\$ 20,331,287	\$ 60,154,304	\$ (10,926,608)	\$ (4,147,672)	\$ 2,893,276	\$ 8,456,680

* Modified assumptions include a more optimistic demand scenario, reduced elasticity of demand impacts, and O&M cost containment

** In FY 2022, revenue adjustments by rate component may vary due to proposed rate design changes

*** Debt service coverage targets are reduced to 1.30x; FY 2024 target established to smooth impacts of FY 2025 Commercial Paper take-out bonds

Schedule B

Proposed Rates FY2022

	Customer Class										
	RES	COM-1	COM-2	COM-3	HOTEL	GOV	Airport*	AG	IRR		
WATER RATES											
Volumetric Rates											
Tier 1 (up to 3 kgals)	\$ 3.00	\$ 16.15	\$ 16.15	\$ 16.15	\$ 16.15	\$ 16.15	\$ 16.15	\$ 16.15	\$ 4.75	\$ 5.35	
Tier 2 (up to 10 kgals)	\$ 7.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Tier 3 (above)	\$ 14.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Monthly Base Charges by Meter Size											
3/4 inch	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35	\$ 27.35
1 inch	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91	\$ 31.91
1.5 inch	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08	\$ 50.08
2 inch	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78	\$ 63.78
3 inch	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93	\$ 113.93
4 inch	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48	\$ 159.48
6 inch	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17	\$ 296.17
8 inch	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84	\$ 432.84
10 inch	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34	\$ 592.34
12 inch	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21	\$ 706.21

	Customer Class							
	RES	COM-1	COM-2	COM-3	HOTEL	GOV	Airport*	NAVY
WASTEWATER RATES								
Volumetric Rates								
Rate per Kgal	\$ 4.40	\$ 8.15	\$ 20.55	\$ 28.50	\$ 20.55	\$ 12.65	\$ 12.65	\$ 12.65
Monthly Base Charges by Meter Size								
3/4 inch	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00
1 inch	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50	\$ 10.50
1.5 inch	\$ 16.48	\$ 16.48	\$ 16.48	\$ 16.48	\$ 16.48	\$ 16.48	\$ 16.48	\$ 16.48
2 inch	\$ 20.99	\$ 20.99	\$ 20.99	\$ 20.99	\$ 20.99	\$ 20.99	\$ 20.99	\$ 20.99
3 inch	\$ 37.49	\$ 37.49	\$ 37.49	\$ 37.49	\$ 37.49	\$ 37.49	\$ 37.49	\$ 37.49
4 inch	\$ 52.48	\$ 52.48	\$ 52.48	\$ 52.48	\$ 52.48	\$ 52.48	\$ 52.48	\$ 52.48
6 inch	\$ 97.46	\$ 97.46	\$ 97.46	\$ 97.46	\$ 97.46	\$ 97.46	\$ 97.46	\$ 97.46
8 inch	\$ 142.43	\$ 142.43	\$ 142.43	\$ 142.43	\$ 142.43	\$ 142.43	\$ 142.43	\$ 142.43
10 inch	\$ 194.92	\$ 194.92	\$ 194.92	\$ 194.92	\$ 194.92	\$ 194.92	\$ 194.92	\$ 194.92
12 inch	\$ 232.39	\$ 232.39	\$ 232.39	\$ 232.39	\$ 232.39	\$ 232.39	\$ 232.39	\$ 232.39

* Subject to modification based on cost of service analysis calculations