



**GWA RESOLUTION NO. 28-FY2022**

**RELATIVE TO APPROVING FY22 BUDGET AMENDMENTS AND RATE  
STABILIZATION TRANSFERS**

**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”, “Authority”); and

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

**WHEREAS**, the CCU adopted GWA Resolution 18-FY2021 Relative to Approving the GWA Five-Year Financial Plan Update on April 27, 2021; and

**WHEREAS**, as required by the Public Utility Commission (PUC) FY20 Rate Decision and Order, on May 1, 2021, GWA submitted the Comprehensive Review and Update to GWA’s Five Year Financial Plan (Updated Financial Plan) to the PUC; and

**WHEREAS**, although the PUC FY20 Rate Decision and Order, and associated Stipulation, required the PUC to act on the Comprehensive Review and Update (CR&U) and set rates for FY2022 through FY2024 by September 30, 2021, the PUC’s consultants have significantly delayed action in the proceeding; and

**WHEREAS**, because of these delays, GWA presented and the CCU approved GWA Resolution No. 26-FY2020 Relative to the Adoption of Guam Waterworks Authority Interim Fiscal Year 2022 Operating Expense Budget totaling \$89.6 million based on \$112.4 million in Operating Revenues on August 24, 2021, pending PUC action on the CR&U; and

1           **WHEREAS**, on November 22, 2021, upon conclusion of evidentiary hearings in the rate  
2 case, the PUC Administrative Law Judge (ALJ) vacated the deadlines in the previous scheduling  
3 order related to the ALJ’s report and proposed rate order; and  
4

5           **WHEREAS**, on May 13, 2022, the ALJ issued his Findings of Fact and Conclusions of  
6 Law in Docket 19-08, as well as a proposed Rate Decision for the PUC’s consideration and  
7 action, however, no schedule was issued for PUC action on the matter; and  
8

9           **WHEREAS**, while GWA continues to manage its costs, GWA’s financial performance  
10 has been impacted by revenue loss and economic disruption associated with the COVID-19  
11 Public Health Emergency, increases in costs related to global supply chain issues, inflation, and  
12 oil/energy costs; and  
13

14           **WHEREAS**, GWA’s approved FY22 Interim Cost Containment Budget of \$89.6 million  
15 is not sufficient to cover the projected year-end expenses despite continued cost containment,  
16 and FY22 total Operating Revenues are projected at \$100.7 million, approximately \$12 million  
17 below approved budget levels; and  
18

19           **WHEREAS** management seeks to increase spending authorization of GWA’s FY22  
20 Interim Budget by not more than \$6 million for a projected total of \$95.6 million as reflected in  
21 Attachment A herein; and  
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23           **WHEREAS**, the CCU approved Resolution 11-FY2021 Establishment of the GWA Rate  
24 Stabilization Fund (RSF) to provide a tool to forestall the need for immediate rate relief and  
25 manage financial risks, such as the uncertainties of COVID-19 related impacts on the economy  
26 and its effects on GWA revenues and debt service coverage; and  
27

28           **WHEREAS**, GWA transferred \$11.4 million from GWA’s Working Capital Reserves  
29 into the RSF in September 2021 as authorized by Resolution 11-FY2021; and  
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1           **WHEREAS**, the planned use of RSF transfers to augment revenues for FY2022 are  
2 required to maintain DSC in light of the increase in actual expenses, increase in projected total  
3 year-end operating expenses and reduced revenue resulting from delayed action on GWA's  
4 CR&U; and

5  
6           **WHEREAS**, *Section 5.02 Allocation of Revenues* of the Bond Indenture states that funds  
7 flow into the Rate Stabilization Fund in *the amount specified for such month in a Certificate of*  
8 *the Authority which also certifies that such amount is consistent with the annual budget*  
9 *established by the Authority*, and *Section 6.08 Authority Budgets* of the Bond Indenture states  
10 that *the Authority, as part of the annual budget, may transfer funds to or from the Rate*  
11 *Stabilization Fund each month*; and

12  
13           **WHEREAS**, Resolution 11-FY2021 requires that the CCU formally approve any  
14 planned utilization (transfers out) of the RSF; and

15  
16           **WHEREAS**, the CR&U proposed RSF transfers of \$5.3 million for FY2022 assuming  
17 the PUC would act on the request to adjust rates; and

18  
19           **WHEREAS**, Resolution 06-FY2022 authorized the transfer of up to \$2 million and 19-  
20 FY2022 authorized \$3.3 million from the GWA Rate Stabilization Fund into the GWA General  
21 Fund for a total of \$5.3 million in authorized transfers; and

22  
23           **WHEREAS**, additional Rate Stabilization Fund transfers of up to \$6.1 million may  
24 needed to cover the increases in expenditures and maintain required debt service coverage.

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

- 28           1. The recitals set forth above hereby constitute the findings of the CCU.
- 29           2. The CCU authorizes an increase in GWA's FY22 Interim Operating Expense  
30           Budget by not more than \$6 million up to \$95.6 million as reflected in

1 Attachment A, to maintain operations and maintenance activities with  
2 continued cost containment efforts.

- 3 3. The CCU finds that it would be prudent to approve additional transfers as  
4 needed of up to \$6.1 million from the GWA Rate Stabilization Fund into the  
5 GWA General Fund bringing the total authorized transfers to \$11.4 million to  
6 ensure that GWA continues to meet the debt service coverage of 1.25x  
7 required by the bond indenture and Working Capital Reserves equal to at least  
8 120 days of annual Operations and Maintenance expenses.
- 9 4. The CCU authorizes, as circumstances allow, the transfers from revenues to  
10 the Rate Stabilization Fund to rebuild the reserve up to the original \$11.4  
11 million.
- 12 5. The CCU directs that GWA Management shall notify the CCU of any  
13 utilization (transfers out) or replenishment (transfers in) of the Rate  
14 Stabilization Fund.
- 15 6. The CCU directs GWA Management to include updates to the RSF in the  
16 FY22 and FY23 budget resolutions to be provided upon action by the PUC on  
17 GWA's CR&U in Docket 19-08.

18  
19 **RESOLVED**, that the Chairman certified, and the Board Secretary attests to the adoption  
20 of this Resolution.

21  
22 **DULY AND REGULARLY ADOPTED**, this 23<sup>rd</sup> day of August 2022.

23  
24 Certified by:

Attested by:

25  
26 

25  
26 

27 **JOSEPH T. DUENAS**

27 **MICHAEL T. LIMTIACO**

28 Chairperson

28 Secretary

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31 //

**SECRETARY'S CERTIFICATE**

I, Michael T. Limtiaco, 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:	<u>4</u>
NAYS:	<u>0</u>
ABSENT:	<u>0</u>
ABSTAIN:	<u>0</u>



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**ATTACHMENT A**  
**Resolution 28-FY2022**

	FY2021 ANNUAL BUDGET		FY2022 ANNUAL BUDGET	
	CCU COST		FY22 Interim Budget	FY22 Budget Amendments
	PUC Adopted	CONTAINMENT	APPROVED	Projections- July 2022
<b>OPERATING REVENUES</b>	<b>125,418,435</b>	<b>112,368,157</b>	<b>112,368,157</b>	<b>100,756,467</b>
Water Revenues	77,436,674	70,360,478	70,360,478	64,219,483
Wastewater Revenues	44,115,188	38,717,108	38,717,108	33,111,008
Legislative Surcharge	3,866,573	3,290,570	3,290,570	2,968,777
Other Revenues	430,737	430,737	430,737	457,199
System Development Charge	929,304	929,304	929,304	699,059
<b>Total Operating Revenues</b>	<b>126,778,476</b>	<b>113,728,198</b>	<b>113,728,198</b>	<b>101,455,526</b>
<b>OPERATING AND MAINTENANCE EXPENSES</b>				
Water Purchases	10,123,306	8,623,306	8,623,306	6,606,117
<b>Power Purchases</b>	<b>12,985,577</b>	<b>12,985,577</b>	<b>12,985,577</b>	<b>17,987,175</b>
Total Utility Costs	23,108,883	21,608,883	21,608,883	24,593,292
Salaries and Wages	23,230,648	21,230,648	21,230,648	19,600,158
Pension and Benefits	7,283,895	7,283,896	7,283,896	7,354,195
Total Salaries and Benefits	30,514,544	28,514,544	28,514,544	26,954,353
Capitalized Labor and Benefits	-3,700,000	-3,700,000	3,700,000	3,274,789
Net Salaries and Benefits	26,814,544	24,814,544	24,814,544	23,679,564
<b>Administrative and General Expenses</b>				
Sludge removal	1,723,427	1,582,885	1,582,885	901,006
Chemicals	2,569,917	2,360,346	2,360,346	1,964,393
Materials & Supplies	2,390,134	2,195,224	2,195,224	2,321,533
Transportation	487,311	447,572	447,572	781,100
Communications	189,819	174,340	174,340	154,927
Claims	67,688	62,168	62,168	52,929
<b>Insurance</b>	<b>1,001,929</b>	<b>920,224</b>	<b>920,224</b>	<b>1,319,596</b>
Training & Travel	383,090	351,850	351,850	151,785
Advertising	148,241	136,152	136,152	45,450
Miscellaneous	1,168,002	1,072,754	1,072,754	1,282,238
Regulatory Expense	315,593	289,857	289,857	436,575
Bad Debts Provision	1,817,578	1,669,358	1,669,358	2,005,985
Total Administrative and General Expense	12,262,728	11,262,731	11,262,731	11,417,518
<b>Depreciation Expense</b>	<b>22,271,032</b>	<b>22,271,032</b>	<b>22,271,032</b>	<b>27,708,727</b>
<b>Contractual Expense</b>				
<b>Audit &amp; Computer Maintenance</b>	<b>1,291,638</b>	<b>1,114,848</b>	<b>1,114,848</b>	<b>1,722,365</b>
Building rental	574,913	496,223	496,223	508,767
Equipment rental	1,216,844	1,050,291	1,050,291	459,908
<b>Legal</b>	<b>7,823</b>	<b>6,752</b>	<b>6,752</b>	<b>202,467</b>
Laboratory	491,917	424,587	424,587	506,037
Other	3,722,851	3,213,293	3,213,293	1,556,751
Total Contractual Expense	7,305,986	6,305,994	6,305,994	4,956,295
Retiree Supp. Annuities and health care costs	3,255,923	2,800,628	2,800,628	2,629,701
Contribution to Government of Guam	677,256	582,552	582,552	624,000
Total Retiree Benefits	3,933,180	3,383,180	3,383,180	3,253,701
<b>Total Operating Expenses</b>	<b>95,696,352</b>	<b>89,646,364</b>	<b>89,646,364</b>	<b>95,609,096</b>
<b>Earnings (Loss) from Operations</b>	<b>31,082,124</b>	<b>24,081,834</b>	<b>24,081,834</b>	<b>5,846,429</b>
Interest Income - 2010/13/14/16/17/20 Series Bond	1,539,593	1,539,593	1,539,593	34,482
Interest Income - Other Funds	248,637	248,637	248,637	9,851
Interest Income - SDC	29,850	29,850	29,850	5,336
Interest Expense - 2010/13/14/16/17/20 Series Bond	(31,659,950)	(31,659,950)	(31,659,950)	(29,489,403)
Contributions from Federal Government	-	-	-	0
Federal Expenditures	-	-	-	0
Loss on Asset Disposal	-	-	-	(35,186)
AFUDC	-	-	-	0
Amortization of Discount, Premium and Issuance Costs	(276,930)	(276,930)	(276,930)	1,876,188
Defeasance due to bond refunding	(269,263)	(269,263)	(269,263)	(2,056,782)
Deferred outflows from pension	-	-	-	0
Prior Year Adjustment	-	-	-	163,090
Total non-operating revenues (expenses)	(30,388,063)	(30,388,063)	(30,388,063)	(29,492,424)
<b>Net Income (Loss) before capital contributions</b>	<b>694,061</b>	<b>(6,306,229)</b>	<b>(6,306,229)</b>	
<b>Capital Contributions</b>				
Grants from US Government	39,732,857	39,732,857	39,732,857	34,565,647
Grants from GovGuam & Others	-	-	0	0
Total Capital Contributions	39,732,857	39,732,857	39,732,857	34,565,647
<b>Change in Net Assets</b>	<b>40,426,918</b>	<b>33,426,628</b>	<b>33,426,628</b>	<b>34,565,647</b>
<b>Debt Service Calculation</b>				
Earnings From Operations	31,082,124	24,081,834	24,081,834	5,846,429
System Development Charge	-929,304	-929,304	-929,304	(457,199)
Retiree COLA	582,552	582,552	582,552	624,000
Interest/Investment Income	354,605	354,605	248,637	9,851
<b>Plus withdrawals (deposits) to Rate Stabilization Fund</b>				<b>11,400,000</b>
Depreciation	22,271,032	22,271,032	22,271,032	27,708,727
<b>Balance Available for Debt Service per Section 6.12</b>	<b>53,361,008</b>	<b>46,360,718</b>	<b>46,254,750</b>	<b>45,131,808</b>
Working Capital Reserve Available for Debt Service				
Transfer to Working Capital - Debt Service Reserve				
Transfer to Working Capital - O&M Reserve				
<b>Balance Available for Debt Service inclusive of reserves</b>	<b>53,361,008</b>	<b>46,360,718</b>	<b>46,254,750</b>	<b>45,131,808</b>
<b>Debt Service</b>				
Principal	9,270,000	9,270,000	9,270,000	9,745,000
Interest	24,959,950	23,959,950	22,547,962	23,713,069
<b>Total</b>	<b>34,229,950</b>	<b>33,229,950</b>	<b>31,817,962</b>	<b>33,458,069</b>
<b>Debt Service Coverage (1.25X) - per Section 6.12 (Indenture)</b>	<b>1.56</b>	<b>1.40</b>	<b>1.45</b>	<b>1.35</b>
<b>Debt Service Coverage (1.40X) inclusive of reserves (PUC)</b>				