



**GWA RESOLUTION NO. 33-FY2023**

**RELATIVE TO APPROVING THE GUAM WATERWORKS AUTHORITY ANNUAL  
FISCAL YEAR 2023 TRUE-UP AND FISCAL YEAR 2024 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**, FY2024 is the fifth (5<sup>th</sup>) and final year of GWA’s Five (5) Year FY2020-FY2024 Rate Plan approved by the CCU on June 5, 2019, in GWA Resolution 36-FY2019; and

**WHEREAS**, GWA petitioned the PUC for approval of the FY2020-FY2024 Rate Plan on July 6, 2019, and, in response, the Guam Public Utilities Commission (PUC) on February 27, 2020, issued the FY20 Rate Decision in GWA Docket 19-08 approving rate increases for non-lifeline rates in the amount of 5.0% for FY2020 effective March 2020 and 5.0% for FY2021; and

**WHEREAS**, the PUC, in the February 27, 2020, order, required GWA to conduct six analytical studies to be submitted on March 31, 2021, as well as a Comprehensive Review and Update (CRU) of GWA’s Financial Plan, informed by the analytical studies, for FY2022 through FY2024 by May 1, 2021; and

**WHEREAS**, GWA submitted the analytical studies by the March 31, 2021, deadline to the PUC; and

**WHEREAS**, the CCU on April 27, 2021, in GWA Resolution 18-FY2021 approved the CRU which GWA subsequently filed with the PUC on May 1, 2021; and

1           **WHEREAS**, the PUC did not act upon GWA’s May 2021 CRU filing prior to the  
2 beginning of FY 2022 and no rate increase was adopted for FY 2022; and

3  
4           **WHEREAS**, the PUC on September 22, 2022, in GWA PUC Docket 19-08 Rate  
5 Decision approved basic and non-lifeline 5.5% rate increases for FY2023 and for FY2024; and

6  
7           **WHEREAS**, the PUC Rate Decision required a True Up projection to address the  
8 FY2024 rate increase to be provided by June 1, 2023; and

9  
10           **WHEREAS**, on April 3, 2023, as amended on April 4, 2023, GWA submitted a petition  
11 to the PUC to *Approve a New Rate Design Structure* as proposed in GWA PUC Docket 19-08  
12 which adds an additional tier to residential water rates, adds a base rate to non-residential sewer  
13 charges, reduces the residential sewer base rate and establishes volumetric sewer rates for  
14 residential customers, applies the legislative surcharge to all rate components; and

15  
16           **WHEREAS**, based on the tentative schedule for action on the rate design, the petition  
17 was amended to request the approval of the new rate design for use in the FY2025-FY2029  
18 Financial Rate Plan, with the FY2024 revenue projections and corresponding true-up rate  
19 adjustment request based on the current rate design; and

20  
21           **WHEREAS**, GWA anticipates exhausting all rate stabilization reserves and the ARPA  
22 allotment in the current fiscal year (FY 2023); and

23  
24           **WHEREAS**, GWA’s debt service on existing debt increased by \$5.6 million in FY 2023  
25 and is scheduled to remain at \$39.0 million in FY2024; and

26  
27           **WHEREAS**, GWA Management has formulated and thoroughly reviewed the Fiscal  
28 Year 2023 (FY2023) projected year end results in conjunction with the development of  
29 Management’s proposed FY2024 budget and does hereby submit said budget to the CCU for  
30 their approval; and

31 //

1           **WHEREAS**, rate increases are necessary to maintain financial stability, partially  
2 replenish reserves, and meet GWA’s obligatory requirements such as bond debt covenants; and

3  
4           **WHEREAS**, the proposed rate increase is anticipated to generate an additional \$28.8  
5 million in rate revenues which is necessary to meet increased O&M expense and debt service  
6 (increasing by \$5.6 million in FY2023); and

7  
8           **WHEREAS**, the impact of the proposed rate increases (including surcharge adjustments)  
9 on a typical residential customer is in the range of \$18.98 - \$26.07 or 27.3% for an average  
10 residential customer consuming between 5k - 7k gallons of water per month; non-residential  
11 customers such as hotel and retail customers will also see a 27.4% increase as reflected in True-  
12 Up Schedule L attached herein; and

13  
14           **WHEREAS**, the foremost and principal cost driver for this year’s true-up filing is  
15 GWA’s obligatory requirement for protecting public health and environment impacted by  
16 inflationary and supply chain pressures; and

17  
18           **WHEREAS**, GWA’s financial resources and stability have been affected by the delay  
19 and reduction of requested rate increases over this five-year period, FY2020-FY2024; and

20  
21           **WHEREAS**, GWA will return to the bond market to raise funds to pay for the capital  
22 investments to meet regulatory requirements and manage aging infrastructure assets, thus  
23 requiring increases to existing debt service levels; and

24  
25           **WHEREAS**, after careful analysis of recent and new developments since the  
26 preceding CRU, including known and measurable changes in costs and conditions since the CRU  
27 approval, the FY2024 budget projection recommended by Management for approval by the CCU  
28 proposes a rate increase of 27% for basic, lifeline and non-lifeline rates across all rate structures  
29 and customer classes, and an increase of the legislative surcharge from 3.5% to 3.8%; and

30  
31 //

1           **WHEREAS**, operating revenues are projected to reach \$137.6 million in FY2024 derived  
2 from approximately \$86.6 million in water sales, \$39.3 million in wastewater and \$8.0 million in  
3 Navy wastewater service charges, \$4.2 million from water and wastewater legislative surcharges;  
4 \$474 thousand in Other revenues and \$1.2 million in water and wastewater System Development  
5 Charges – net of \$2.3 million in bad debt adjustments; and  
6

7           **WHEREAS**, operating costs representing cash uses are earmarked at \$29.7 million in  
8 salaries and benefits (exclusive of a \$3.7 million capitalized labor adjustment); \$24.2 million in  
9 power costs; \$5.9 million in water purchases; \$9.7 million in administrative and general  
10 expenses; \$7.5 million in contractual expenses; and \$3.8 million in retiree supplemental annuities  
11 and health care for a combined Fiscal Year 2024 total of \$80.7 million; and  
12

13           **WHEREAS**, FY2024 non-cash adjustments to GWA’s budget include depreciation  
14 expense of \$28.8 million, capitalized labor of \$3.7 million, and bad debt expense of \$2.3 million  
15 bringing the FY 2024 Operations and Maintenance Budget to \$108.1 million; and  
16

17           **WHEREAS**, the budget as recommended, excluding interns and federally funded  
18 positions, allows GWA a staff level of 392 full time equivalents (FTE) to meet operations and  
19 maintenance and customer service mandates; and  
20

21           **WHEREAS**, the FY2024 Budget represents management’s best estimates of resources  
22 necessary to conduct its strategic objectives consistent with the Authority’s mission; and  
23

24           **WHEREAS**, the FY2023 True Up and the FY2024 Budget have not been adjusted to  
25 reflect the recent impact of Typhoon Mawar which devastated Guam on May 24, 2023 and while  
26 not clear, the economic impact is likely to have a negative effect on the financial projections and  
27 will need to be managed; and  
28

29           **WHEREAS**, the FY2024 revenues support the debt service target of 1.35x coverage and  
30 replenishment of \$7.5 million in cash reserves used during the pandemic related years; and  
31

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1           **WHEREAS**, critical internally funded capital improvement projects (CIPs) are  
2 forecasted to cost \$8.8 million in FY2024; and

3  
4           **WHEREAS**, budget transfer authority will allow the General Manager to address any  
5 unanticipated changes in future conditions;

6  
7           **NOW BE IT THEREFORE RESOLVED**; the Consolidated Commission on Utilities  
8 does hereby approve the following:

- 9           1. The recitals set forth above hereby constitute the findings of the CCU.
- 10           2. The CCU affirms management’s recommended rate increase of 27% across all  
11 rate structures and customer classes and a 3.8% for the legislative surcharge  
12 (Exhibit A).
- 13           3. The CCU finds that the Fiscal Year 2024 Proposed Budget of \$137.6 million  
14 and \$108.1 million in operating revenues and expenses, respectively, in  
15 addition to other cash flow requirements such as debt service, bond reserves,  
16 working capital, internally funded CIPs, and bond covenants for the bond  
17 indenture (1.25x DSC) and PUC (1.4x DSC temporarily reduced to 1.3x) are  
18 just and reasonable.
- 19           4. The CCU authorizes a staff level of 392 full time equivalents, excluding  
20 interns and federally funded positions.
- 21           5. The CCU hereby further authorizes the General Manager up to 10% transfer  
22 authority between and among Operations & Maintenance budget expenses as  
23 necessary to meet the mission of GWA; any transfers above 10% require CCU  
24 approval.
- 25           6. The CCU authorizes management to submit the FY2023 True-Up and FY2024  
26 Budget with the recommended rate increases to the PUC by the June 1, 2023,  
27 deadline.

28  
29           **RESOLVED**, that the Chairman certified, and the Board Secretary attests to the adoption  
30 of this Resolution.

31 //

1 **DULY AND REGULARLY ADOPTED**, this 30<sup>th</sup> day of May 2023.

2 Certified by:

Attested by:

3  
4 

5 **JOSEPH T. DUENAS**

6 Chairperson



**PEDRO ROY MARTINEZ**

Secretary

7  
8  
9 **SECRETARY'S CERTIFICATE**

10 I, Pedro Roy Martinez, Board Secretary of the Consolidated Commission on  
11 Utilities as evidenced by my signature above do hereby certify as follows:

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

16  
17 AYES: 4  
18 NAYS: 0  
19 ABSTAIN: 0  
20 ABSENT: 1

21  
22 ///

23  
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25 ///

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## True-Up Schedule A-1

Historical and Forecasted Operating Results with FY 2024 Rate Adjustment Request

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
<b>Non-Lifeline Rate Increase</b>	0.0%	5.5%	27.0%
<b>Lifeline Rate Increase</b>	0.0%	0.0%	27.0%
<b>Surcharge</b>	3.6%	3.5%	3.8%
<b>CASH SOURCES</b>			
Water Service Revenues	64,607,199	68,999,129	86,611,560
Legislative Surcharge	2,007,183	2,335,332	3,185,435
Water SDC Revenues	498,145	660,000	489,600
<b>Water Rate Revenues</b>	<b>\$ 67,112,526</b>	<b>\$ 71,994,461</b>	<b>\$ 90,286,595</b>
Wastewater Service Revenues	27,939,855	30,991,533	39,299,585
Legislative Surcharge	1,003,591	763,370	1,047,659
Navy Service Revenues (inc. surcharge)	5,902,821	6,244,199	7,995,558
Wastewater SDC Revenues	747,217	990,000	734,400
<b>Wastewater Rate Revenues</b>	<b>\$ 35,593,485</b>	<b>\$ 38,989,103</b>	<b>\$ 49,077,202</b>
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,262,236)
<b>Total Operating Revenues<sup>1</sup></b>	<b>\$ 101,141,989</b>	<b>\$ 109,329,749</b>	<b>\$ 137,575,861</b>
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	5,750,000	18,050,000	(7,500,000)
<b>TOTAL SOURCES</b>	<b>\$ 107,167,868</b>	<b>\$ 127,654,749</b>	<b>\$ 130,350,861</b>
<b>CASH USES</b>			
Power Purchases <sup>2</sup>	18,577,440	27,871,109	24,169,088
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits <sup>3</sup>	24,985,288	25,874,595	29,732,853
Admin & General <sup>4</sup>	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
<b>O&amp;M Subtotal</b>	<b>\$ 69,108,209</b>	<b>\$ 78,960,855</b>	<b>\$ 80,709,910</b>
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	2,193,267	3,642,885	8,784,879
<b>TOTAL USES</b>	<b>\$ 102,566,278</b>	<b>\$ 121,640,418</b>	<b>\$ 128,536,854</b>
<b>Net Annual Cash Flow</b>	<b>\$ 4,601,590</b>	<b>\$ 6,014,331</b>	<b>\$ 1,814,007</b>
<b>DEBT SERVICE COVERAGE</b>			
Net Revenues	\$ 38,059,659	\$ 48,693,894	\$ 49,640,951
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other <sup>5</sup>	3,303,593	673,200	729,706
<b>Net Revenues Available for Debt Service</b>	<b>\$ 43,817,657</b>	<b>\$ 49,990,525</b>	<b>\$ 52,846,657</b>
<b>Total Debt Service</b>	<b>33,458,069</b>	<b>39,036,678</b>	<b>39,042,065</b>
<b>Debt Service Coverage</b>	<b>1.310</b>	<b>1.281</b>	<b>1.354</b>

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (see above)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments



## True-Up Schedule A-2

Historical and Forecasted Operating Results without Use of Reserves or FY 2024 Rate Adjustment

	Unaudited Historical Year	Annualized Current Year	Forecast Next Year
	FY 2022	FY 2023	FY 2024
<b>Non-Lifeline Rate Increase</b>	0.0%	5.5%	0.0%
<b>Lifeline Rate Increase</b>	0.0%	0.0%	0.0%
<b>CASH SOURCES</b>			
Water Service Revenues	64,607,199	68,999,129	69,948,785
Legislative Surcharge	2,007,183	2,335,332	2,570,258
Water SDC Revenues	498,145	660,000	489,600
<b>Water Rate Revenues</b>	<b>\$ 67,112,526</b>	<b>\$ 71,994,461</b>	<b>\$ 73,008,643</b>
Wastewater Service Revenues	27,939,855	30,991,533	31,684,209
Legislative Surcharge	1,003,591	763,370	853,078
Navy Service Revenues (inc. surcharge)	5,902,821	6,244,199	6,293,610
Wastewater SDC Revenues	747,217	990,000	734,400
<b>Wastewater Rate Revenues</b>	<b>\$ 35,593,485</b>	<b>\$ 38,989,103</b>	<b>\$ 39,565,297</b>
Other Revenues	464,488	465,000	474,300
Bad Debt Adjustment	(2,028,510)	(2,118,815)	(2,569,000)
<b>Total Operating Revenues<sup>1</sup></b>	<b>\$ 101,141,989</b>	<b>\$ 109,329,749</b>	<b>\$ 110,479,240</b>
Interest / Investment Income	275,879	275,000	275,000
Rate Stabilization Fund Transfers In (Out)	-	-	-
<b>TOTAL SOURCES</b>	<b>\$ 101,417,868</b>	<b>\$ 109,604,749</b>	<b>\$ 110,754,240</b>
<b>CASH USES</b>			
Power Purchases <sup>2</sup>	18,577,440	27,871,109	24,329,492
Water Purchases	5,656,471	6,379,054	5,900,000
Salaries & Benefits <sup>3</sup>	24,985,288	25,874,595	29,732,853
Admin & General <sup>4</sup>	7,956,423	9,179,209	9,687,858
Contractual Expense	4,492,845	5,901,271	7,464,494
Retiree Expense	7,439,742	3,755,617	3,755,617
<b>O&amp;M Subtotal</b>	<b>\$ 69,108,209</b>	<b>\$ 78,960,855</b>	<b>\$ 80,870,315</b>
Debt Service	33,458,069	39,036,678	39,042,065
Internally Funded Capital (IFCIP)	2,193,267	3,642,885	8,784,879
<b>TOTAL USES</b>	<b>\$ 104,759,545</b>	<b>\$ 121,640,418</b>	<b>\$ 128,697,259</b>
<b>Net Annual Cash Flow</b>	<b>\$ (3,341,677)</b>	<b>\$ (12,035,669)</b>	<b>\$ (17,943,019)</b>
<b>DEBT SERVICE COVERAGE</b>			
Net Revenues	\$ 32,309,659	\$ 30,643,894	\$ 29,883,925
Adjustment, System Development Charges	(1,245,362)	(1,650,000)	(1,224,000)
Adjustment, Capitalized Labor	3,699,767	2,273,431	3,700,000
Adjustment, Other <sup>5</sup>	3,303,593	673,200	729,706
<b>Net Revenues Available for Debt Service</b>	<b>\$ 38,067,657</b>	<b>\$ 31,940,525</b>	<b>\$ 33,089,631</b>
<b>Total Debt Service</b>	<b>33,458,069</b>	<b>39,036,678</b>	<b>39,042,065</b>
<b>Debt Service Coverage</b>	<b>1.138</b>	<b>0.818</b>	<b>0.848</b>

1 - Reflects non-revenue water and non-revenue wastewater billing adjustments; includes leachate revenues

2 - FY 2024 estimate reflects Guam Power Authority's reduced LEAC; FY 2023 is CCU-approved budget amount

3 - Capitalized labor, which does not represent a cash impact, is not included in this calculation of annual net cash flow

4 - Excludes bad debt expense since this line item is included as an offset to rate revenues (see above)

5 - Includes retiree COLA and end-of-year pension and OPEB adjustments



## True-Up Schedule K

Rates and Proposed Rate Adjustments for the Forecast Year

	FY 2022	increase	FY 2023	increase	FY 2024
<b>Proposed Rate Increase</b>		<b>5.5%</b>		<b>27.0%</b>	
<b>Water Rates</b>					
<b>Monthly Base Charge<sup>1</sup></b>					
3/4 inch	\$24.87	\$1.37	\$26.24	\$7.09	\$33.33
1 inch	\$29.02	\$1.60	\$30.62	\$8.27	\$38.89
1.5 inch	\$45.54	\$2.50	\$48.04	\$12.98	\$61.02
2 inch	\$58.00	\$3.19	\$61.19	\$16.53	\$77.72
3 inch	\$103.60	\$5.70	\$109.30	\$29.52	\$138.82
4 inch	\$145.02	\$7.98	\$153.00	\$41.31	\$194.31
6 inch	\$269.31	\$14.81	\$284.12	\$76.72	\$360.84
8 inch	\$393.59	\$21.65	\$415.24	\$112.12	\$527.36
10 inch	\$538.63	\$29.62	\$568.25	\$153.43	\$721.68
12 inch	\$642.17	\$35.32	\$677.49	\$182.93	\$860.42
<b>Volumetric Rates</b>					
<b>Residential</b>					
Tier 1 Threshold	5 kgals		5 kgals		5 kgals
Tier 2 Threshold	above		above		above
Tier 1 Rate	\$3.01	\$0.00	\$3.01	\$0.82	\$3.83
Tier 2 Rate	\$11.83	\$0.66	\$12.49	\$3.38	\$15.87
Tier 3 Rate					
<b>Non-Residential<sup>2</sup></b>					
Commercial-1	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Commercial-2	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Commercial-3	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Hotels	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Government	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Airport	\$14.72	\$0.81	\$15.53	\$4.20	\$19.73
Agriculture	\$4.73	\$0.26	\$4.99	\$1.35	\$6.34
Irrigation	\$4.89	\$0.27	\$5.16	\$1.40	\$6.56
<b>Wastewater Rates</b>					
<b>Monthly Base Charge<sup>3</sup></b>					
3/4 inch	\$27.54	\$0.00	\$27.54	\$7.44	\$34.98
1 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1.5 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
4 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
12 inch	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Volumetric Rates</b>					
Residential	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Commercial-1	\$8.11	\$0.45	\$8.56	\$2.32	\$10.88
Commercial-2	\$19.77	\$1.09	\$20.86	\$5.64	\$26.50
Commercial-3	\$27.42	\$1.50	\$28.92	\$7.81	\$36.73
Hotels	\$19.77	\$1.09	\$20.86	\$5.64	\$26.50
Government	\$11.60	\$0.64	\$12.24	\$3.31	\$15.55
Navy	\$11.60	\$0.64	\$12.24	\$3.31	\$15.55
<b>Legislative Surcharge</b>					
Surcharge <sup>4</sup>	3.60%		3.50%		3.80%

1 - Monthly base charges for the Agriculture customer class are roughly 96.6% of stated base charge

2 - Non-residential volumetric water rates are applied to all levels of demand

3 - Currently, only residential customers - regardless of meter size - receive a monthly wastewater charge

4 - Not applied to lifeline rate components

## True-Up Schedule L

Bill Impacts by Customer Class based on Proposed Rate Adjustment<sup>1</sup>

			Forecast Year			
Meter Size	Kgals	FY 2023	Increase	FY 2024	% Change	
<b>Customer Class</b>						
Residential	3/4 inch	3	\$63.73	\$17.34	\$81.07	27.2%
Residential	3/4 inch	6	\$82.68	\$22.52	\$105.20	27.2%
Residential	3/4 inch	9	\$121.46	\$33.16	\$154.62	27.3%
Residential	3/4 inch	12	\$160.24	\$43.80	\$204.04	27.3%
Commercial-1	3/4 inch	30	\$722.00	\$198.04	\$920.03	27.4%
Commercial-1	2 inch	100	\$2,379.45	\$652.67	\$3,032.12	27.4%
Commercial-2	2 inch	500	\$16,736.15	\$4,587.20	\$21,323.34	27.4%
Commercial-3	3/4 inch	50	\$2,028.12	\$555.49	\$2,583.61	27.4%
Hotel	2 inch	300	\$10,067.02	\$2,759.25	\$12,826.28	27.4%
Hotel	4 inch	800	\$26,834.86	\$7,355.11	\$34,189.97	27.4%
Government	3/4 inch	50	\$1,337.57	\$366.65	\$1,704.22	27.4%
Government	1.5 inch	150	\$3,980.96	\$1,091.25	\$5,072.21	27.4%
Agriculture	3/4 inch	20	\$129.53	\$35.51	\$165.04	27.4%
Irrigation	3/4 inch	20	\$133.97	\$36.81	\$170.78	27.5%

1 - Assumes billable wastewater flows are 80% of water demand for non-residential customers (except Ag and Irrigation)