

I MINA 'TRENTAI KUATTRO NA LIHESLATURAN GUÅHAN
Roundtable Hearings, Oversight Hearings, Informational Briefings

REPORT	STANDING COMMITTEE / SENATOR	DATE	DATE FILED	NOTES
Informational Briefing	Committee on Housing, Utilities, Public Safety, and Homeland Security	1/26/17 5:30 p.m.	4/25/17 11:45 A.M.	Committee Report on Informational Briefings on the Guam Waterworks Authority: Increase of water and wastewater rates.
		2/6/17 5:30 p.m.		
		2/16/17 5:30 p.m.		
		3/22/17 5:30 p.m.		



OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÁTTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

April 21, 2017

The Honorable Benjamin J.F. Cruz
Speaker
I Mina'trentai Kuáttro na Liheslaturan Guáhan
155 Hesler Place
Hagátña, Guam 96910

VIA: **The Honorable Michael F.Q. San Nicolas**
Chairperson, Committee on Rules

2017 APR 25 AM 11:45

**RE: Committee Report on Informational Briefings on the Guam Waterworks Authority:
Increase of water and wastewater rates**

Dear Chairman San Nicolas:

Transmitted herewith is the Committee Report on the Informational Briefings on the Guam Waterworks Authority: Increase of water and wastewater rates held on **January 26, 2017, February 6, 2017, February 16, 2017 and March 22, 2017**, 5:30 p.m. in the Public Hearing Room of the former Guam Legislature Building and Guam Congress Building.

Sensengamente,

Telena Cruz Nelson
Senator

COR
received GCR
4/21/17 5:00pm



OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÁTTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

Committee Report

Informational Briefings on the Guam Waterworks Authority: Increase of water and wastewater rates



First Notice of Confirmation Hearing and Informational Briefing: Wednesday, March 22, 2017

Office of Senator Telena C. Nelson <senatortcnelson@gmail.com> Tue, Mar 14, 2017 at 4:21 PM
To: phnotice@guamlegislature.org, chris.duenas@ghc.guam.gov, cassandra.santos@ghc.guam.gov, Joseph Duenas <jtduenas@hotmail.com>, Miguel C Bordallo <mcbordallo@guamwaterworks.org>, Thomas Cruz <thomas@guamwaterworks.org>, Bernadette Lou Sablan <l.sablan@gpagwa.com>, koclark@guamwaterworks.org, heidi@guamwaterworks.org, annborja@guamwaterworks.org, kathyb@guamwaterworks.org, gpcruz@guamwaterworks.org
Cc: sgtarms@guamlegislature.org, Joe San Agustin <protocol@guamlegislature.org>, mis@guamlegislature.org

March 14, 2017

MEMORANDUM

To: All Senators, Stakeholders and Media

From: Senator Telena Cruz Nelson, *Chairperson*

Subject: **First Notice of Confirmation Hearing and Informational Briefing: Wednesday, March 22, 2017**

Please be advised that the Committee on Housing, Utilities, Public Safety & Homeland Security will be conducting a Confirmation Hearing and Informational Briefing on **Wednesday, March 22, 2017**. This meeting will take place in the Public Hearing Room of *I Libeslaturan Guahan*. The agenda is as follows:

10:00 A.M. Confirmation Hearing

- Cecilia G. Mantanona, Member, Guam Housing Corporation Board of Directors

Term Length: Six (6) years

Term Served: July 01, 2011 to June 30, 2017

5:30 P.M. Informational Briefing

- **Guam Waterworks Authority: Increase of water and wastewater rates**

Individuals who wish to submit written testimony may address Senator Telena Cruz Nelson, and send it to: via email: senatortcnelson@guamlegislature.org, mail or hand deliver to: the Guam Congress Building, 163 Chalan Santo Papa *Hagåtña*, Guam 96910.

Individuals who may require assistance are asked to contact the office of Senator Telena Cruz Nelson at 989-4678/7689 no later than 48 hours prior to the hearing.

Si Yu'os Ma'ase'!

Cc: Sgt-at-Arms
Protocol/AV
MIS

--

The Office of Senator Telena Cruz Nelson

Committee on Housing, Utilities, Public Safety & Homeland Security

I Mina'trentai Kuåtto na Liheslaturan Guåhan

34th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910

T: (671) 989-4678/7689/7696


F: (671) 969-7679

senatortcnelson@gmail.com

senatortcnelson@guamlegislature.org

2 attachments

 **2017.03.14_TCN First Notice of Confirmation Hearing and Informational Briefing 2017.03.22.pdf**
77K

 **TCN Appointment for Cecilia G. Mantanona_Doc. No. 34GL-17-0286.pdf**
436K



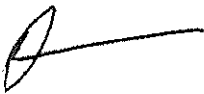
OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUATTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

March 14, 2017

MEMORANDUM

To: All Senators, Stakeholders and Media

From: Senator Telena Cruz Nelson, *Chairperson* 

Subject: **First Notice of Confirmation Hearing and Informational Briefing: Wednesday, March 22, 2017**

Please be advised that the Committee on Housing, Utilities, Public Safety & Homeland Security will be conducting a Confirmation Hearing and Informational Briefing on **Wednesday, March 22, 2017**. This meeting will take place in the Public Hearing Room of *I Liheslaturan Guahan*. The agenda is as follows:

10:00 A.M. Confirmation Hearing

- **Cecilia G. Mantanona, Member, Guam Housing Corporation Board of Directors**
Term Length: Six (6) years
Term Served: July 01, 2011 to June 30, 2017

5:30 P.M. Informational Briefing

- **Guam Waterworks Authority: Increase of water and wastewater rates**

Individuals who wish to submit written testimony may address Senator Telena Cruz Nelson, and send it to: via email: senatortcnelson@guamlegislature.org, mail or hand deliver to: the Guam Congress Building, 163 Chalan Santo Papa *Hagåtña*, Guam 96910.

Individuals who may require assistance are asked to contact the office of Senator Telena Cruz Nelson at 989-4678/7689 no later than 48 hours prior to the hearing.

Si Yu'os Ma'ase'!

Cc Sgr at Arms
Protocol/AV
MIS

GUAM CONGRESS BLDG. 163 CHALAN SANTO PAPA HAGÁTÑA, GUAM 96910
Tel: (671) 989-7696 | Email: senatortcnelson@guamlegislature.org



Second Notice of Confirmation Hearing and Informational Briefing: Wednesday, March 22, 2017

Office of Senator Telena C. Nelson <senatortcnelson@gmail.com> Fri, Mar 17, 2017 at 9:56 AM
To: phnotice@guamlegislature.org, chris.duenas@ghc.guam.gov, cassandra.santos@ghc.guam.gov, Joseph Duenas <jtduenas@hotmail.com>, Miguel C Bordallo <mcbordallo@guamwaterworks.org>, Thomas Cruz <thomas@guamwaterworks.org>, Bernadette Lou Sablan <l.sablan@gpagwa.com>, koclark@guamwaterworks.org, heidi@guamwaterworks.org, annborja@guamwaterworks.org, kathyb@guamwaterworks.org, gpcruz@guamwaterworks.org
Cc: sgtarms@guamlegislature.org, Joe San Agustin <protocol@guamlegislature.org>, mis@guamlegislature.org

March 17, 2017

MEMORANDUM

To: All Senators, Stakeholders and Media

From: Senator Telena Cruz Nelson, *Chairperson*

Subject: **Second Notice of Confirmation Hearing and Informational Briefing: Wednesday, March 22, 2017**

Please be advised that the Committee on Housing, Utilities, Public Safety & Homeland Security will be conducting a Confirmation Hearing and Informational Briefing on **Wednesday, March 22, 2017**. This meeting will take place in the Public Hearing Room of *I Libeslaturan Guahan*. The agenda is as follows:

10:00 A.M. Confirmation Hearing

- Cecilia G. Mantanona, Member, Guam Housing Corporation Board of Directors

Term Length: Six (6) years

Term Served: July 01, 2011 to June 30, 2017

5:30 P.M. Informational Briefing

- **Guam Waterworks Authority: Increase of water and wastewater rates**

Individuals who wish to submit written testimony may address Senator Telena Cruz Nelson, and send it to: via email: senatortcnelson@guamlegislature.org, mail or hand deliver to: the Guam Congress Building, 163 Chalan Santo Papa *Hagåtña*, Guam 96910.

Individuals who may require assistance are asked to contact the office of Senator Telena Cruz Nelson at 989-4678/7689 no later than 48 hours prior to the hearing.

Si Yu'os Mu'ase'!

Cc: Sgt-at-Arms
Protocol/AV
MIS

--

The Office of Senator Telena Cruz Nelson

Committee on Housing, Utilities, Public Safety & Homeland Security

I Mina'trentai Kuàttro na Liheslaturan Guåhan

34th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910

T: (671) 989-4678/7689/7696


F: (671) 969-7679

senatortcnelson@gmail.com

senatortcnelson@guamlegislature.org

2 attachments

 **2017.03.17_TCN Second Hearing Notice_Confirmation Hearing and Informational Briefing 2017.03.22.pdf**
616K

 **TCN Appointment for Cecilia G. Mantanona_Doc. No. 34GL-17-0286.pdf**
436K




OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÁTTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

March 17, 2017

MEMORANDUM

To: All Senators, Stakeholders and Media

From: Senator Telena Cruz Nelson, *Chairperson* 

Subject: **Second Notice of Confirmation Hearing and Informational Briefing: Wednesday, March 22, 2017**

Please be advised that the Committee on Housing, Utilities, Public Safety & Homeland Security will be conducting a Confirmation Hearing and Informational Briefing on **Wednesday, March 22, 2017**. This meeting will take place in the Public Hearing Room of *Lihselaturan Guahan*. The agenda is as follows:

10:00 A.M. Confirmation Hearing

- Cecilia G. Mantanona, Member, Guam Housing Corporation Board of Directors

Term Length: Six (6) years

Term Served: July 01, 2011 to June 30, 2017

5:30 P.M. Informational Briefing

- Guam Waterworks Authority: Increase of water and wastewater rates

Individuals who wish to submit written testimony may address Senator Telena Cruz Nelson, and send it to: via email: senatortcnelson@guamlegislature.org, mail or hand deliver to: the Guam Congress Building, 163 Chalan Santo Papa *Hagåtña*, Guam 96910.

Individuals who may require assistance are asked to contact the office of Senator Telena Cruz Nelson at 989-4678/7689 no later than 48 hours prior to the hearing.

Si Yu'os Ma'ase'!

Cc: Sgr-at-Arms
Protocol/AV
MIS



Invitation to Informational Briefing- Wednesday, March 22, 2017, 5:30 P.M.

Office of Senator Telena C. Nelson <senatortcnelson@gmail.com> Thu, Mar 16, 2017 at 4:50 PM
To: Joseph Duenas <jtduenas@hotmail.com>, Miguel C Bordallo <mcbordallo@guamwaterworks.org>
Cc: Thomas Cruz <thomas@guamwaterworks.org>, gpcruz@guamwaterworks.org, koclark@guamwaterworks.org,
heidi@guamwaterworks.org, Bernadette Lou Sablan <l.sablan@gpagwa.com>, annborja@guamwaterworks.org,
kathyb@guamwaterworks.org
Bcc: pmesa@guamlegislature.org, Darryl Taggerty <darryl@guamtech.com>, Jennifer Louise Dulla
<jennifer.lj.dulla@gmail.com>

March 16, 2017

Mr. Joseph T. Duenas, Chairman, Consolidated Commission on Utilities

Mr. Miguel C. Bordallo, P.E., General Manager, Guam Waterworks Authority

578 North Marine Corps Drive

Tamuning, Guam 96913

VIA E-MAIL:

jtduenas@hotmail.com

mcbordallo@guamwaterworks.org

Subject: Invitation to Informational Briefing- Wednesday, March 22, 2017, 5:30 P.M.

-

Dear Chairman Duenas and Mr. Bordallo:

Håfa Adai! I invite you to appear before the Committee on Housing, Utilities, Public Safety, and Homeland Security to participate in the Informational Briefing continuation of the Guam Waterworks Authority on **Wednesday, March 22, 2017 at 5:30 p.m. in the Guam Congress Building's Public Hearing Room.**

This Informational Briefing will follow up on some lines of questioning that started in previous briefings and we will be looking into the System Development Charge.

Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation. *Si Yu'os Ma'ase!*

Senseramente,

Telena Cruz Nelson

Senator

I Mina'Trentai Kuattro Na Libeslaturan Guahan

cc: All CCU Board Members

Mr. Thomas F. Cruz, P.E. Chief Engineer, GWA

Mr. Greg P. Cruz, Chief Financial Officer, GWA

Mr. Kelly Clark, Legal Division, GWA

Ms. Heidi Ballendorf, Public Information Officer, GWA

--

The Office of Senator Telena Cruz Nelson

Committee on Housing, Utilities, Public Safety & Homeland Security

I Mina'trentai Kuattro na Liheslaturan Guahan

34th Guam Legislature

Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910

T: (671) 989-4678/7689/7696

F: (671) 969-7679

senatortcnelson@gmail.com

senatortcnelson@guamlegislature.org

 **2017.03.16_TCN Letter of Invitation for GWA Informational Briefing 2017.03.22_Duenas and Bordallo.pdf**
474K



OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÄTTO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

March 16, 2017

Mr. Joseph T. Duenas, Chairman, Consolidated Commission on Utilities
Mr. Miguel C. Bordallo, P.E., General Manager, Guam Waterworks Authority
578 North Marine Corps Drive
Tamuning, Guam 96913

VIA E-MAIL:

jtduenas@hotmail.com

mcbordallo@guamwaterworks.org

Subject: Invitation to Informational Briefing- Wednesday, March 22, 2017, 5:30 P.M.

Dear Chairman Duenas and Mr. Bordallo:

Häfa Adai! I invite you to appear before the Committee on Housing, Utilities, Public Safety, and Homeland Security to participate in the Informational Briefing continuation of the Guam Waterworks Authority on **Wednesday, March 22, 2017 at 5:30 p.m. in the Guam Congress Building's Public Hearing Room.**

This Informational Briefing will follow up on some lines of questioning that started in previous briefings and we will be looking into the System Development Charge.

Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation. *Si Yn'os Ma'ase!*

Senseramente,

Telena Cruz Nelson

Senator

I Mina'Trentai Kuätro Na Libeslaturan Guåhan

cc: *All CCU Board Members*
Mr. Thomas F. Cruz, P.E. Chief Engineer, GWA
Mr. Greg P. Cruz, Chief Financial Officer, GWA
Mr. Kelly Clark, Legal Division, GWA
Ms. Heidi Ballendorf, Public Information Officer, GWA

GUAM CONGRESS BLDG. 163 CHALAN SANTO PAPA HAGÁTÑA, GUAM 96910

Tel: (671) 989-7696 | Email: senatortcnelson@guamlegislature.org



OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÁTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

Committee on Housing, Utilities, Public Safety and Homeland Security
Informational Briefing
5:30 p.m., Wednesday, March 22, 2017

AGENDA

- Informational Briefing from Guam Waterworks Authority: Increase of water and wastewater rates

I Mina'trentai Kuåttro Na Liheslaturan Guåhan
 Committee on Housing, Utilities, Public Safety, and Homeland Security
 Office of Senator Telena Cruz Nelson
 Informational Briefing Sign-in Sheet

Wednesday, March 22, 2017 • 5:30 p.m. • Public Hearing Room

Informational Briefing, **Guam Waterworks Authority: Increase of water and wastewater rates**

NAME	AGENCY OR ORGANIZATION (IF ANY)	CONTACT NUMBER	EMAIL ADDRESS
Joey Duenas	CCU	682-1512	Jtduenas@hotmail.com
Miguel Bardallo	GWA	300-6845	mbardallo@guamwaterworks.org
GREG CUIZ	GWA	300-6861	gpcuiz@GUAMWATERWORKS.ORG
John I. Borge	PPN	483-1417	jborge@guampdn.com
JOE SAN NODOS	GWA	483-1926	rtapusan@gwa.org
Ron. Irgason	GWA		
Kelly Clark	GWA	300 -6853	—
Fred Horecky	POC	646-8275	horeckylaw@teleguam.net
Simon Saclay	CCU		



OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÀTTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

COMMITTEE REPORT DIGEST

I. OVEVIEW

The Committee on Housing, Utilities, Public Safety & Homeland Security resumed an Informational Briefing with the Guam Waterworks Authority (GWA) on Wednesday, March 22, 2017, 5:30 PM in *I Liheslatura's* Public Hearing Room on the increase of water and wastewater rates.

Public Notice Requirements

Public Hearing notices were disseminated via e-mail to all senators and all main media broadcasting outlets on March 14, 2017 (5-Day Notice), and again on March 17, 2017 (48-Hour Notice).

Senators present

Senator Telena Cruz Nelson, Chairperson
Vice Speaker Therese M. Terlaje, Vice-Chairperson
Senator Regine Biscoe Lee, Member

Panel:

Mr. Joey Duenas, Chairman, Consolidated Commission on Utilities (CCU)
Mr. Miguel Bordallo, General Manager, Guam Waterworks Authority (GWA)
Mr. Greg Cruz, Chief Financial Officer, Guam Waterworks Authority (GWA)
Mr. Joey Duenas, Chairman, Consolidated Commission on Utilities (CCU)
Mr. Simon Sanchez, Board Member, Consolidated Commission on Utilities (CCU)

Signed-in:

John I. Borja, Pacific Daily News (PDN)
Mr. Joe San Nicolas, Guam Waterworks Authority (GWA)
Mr. Ron Toposna, Guam Waterworks Authority (GWA)
Mr. Kelly Clark, Guam Waterworks Authority (GWA)
Mr. Fred Horecky, Public Utilities Commission (PUC)
Mr. Dave Fletcher, Guam Waterworks Authority (GWA)
Mr. Anthony Chargualaf, Guam Waterworks Authority (GWA)
Mr. Vincent E.C. Pangelinan, Guam Waterworks Authority (GWA)
Ms. Vangie Lujan, Guam Waterworks Authority (GWA)
Ms. Heidi Ballendorf, Guam Waterworks Authority (GWA)

II. SUMMARY OF TESTIMONY & DISCUSSION

The Informational Bearing was Called-to-Order at 5:34 PM.

Senator Telena Cruz Nelson

The purpose of this Informational Briefing is to help the Committee and the general public to understand issues of concern regarding water rates and quality of service. This is the fourth of a series of meetings. Today's Informational Briefing will follow up on some lines of questioning that started in previous briefings, including the System Development Charge. Please come to the witness table and make yourselves comfortable. May I ask you to please introduce yourselves for the record and state your position or the capacity in which you appear. We will hear from the witnesses and the order of questions will be: I will ask my questions, invite the Vice Chair to ask her questions and then we will call upon members of the Committee to ask questions in order of their arrival.

GUAM CONGRESS BLDG. 163 CHALAN SANTO PAPA HAGÁTÑA, GUAM 96910

Tel: (671) 989-4678/7689 | Email: senatortcnelson@guamlegislature.org

Senator Nelson invited the panel to testify.

Senator Nelson

How was GWA charging for the off-site costs of new service connections prior to the System Development Charge? When did GWA begin to charge for installation costs shown in its Rules and Regulations?

Mr. Simon Sanchez

I'm not sure senator. I know that the SDC was the first time a fee was imposed. I don't think a fee was imposed prior to that. I know that some of the genesis and you may want to ask Senator Tom Ada, because he was the actual author of the law. Some of the genesis of the law was that we realized that the whole system had been undercapitalized. Part of it is this whole issue in that is as the system grows, who should pay for the growth that is caused by that growth. The Miguel can give you more details.

Theory of growth vs. growth. Pays for the system that already exists. Over the years, you have 500 houses, 1000 houses, commercial growth to put money in to provide for that growth so that you are not taxing the existing rate payer because are not causing the growth. All of us are already paying for the system that already exists. Ten (10) years from now, when there is another thousand (1,000) structures, we are going to have to make that system grow. When you pay for that, you ask the people who are causing that growth to pay a system expansion/SDC. It is a common policy. Prior to this, I am not sure there was a SDC at all. But one reason it came into play was the recognition that rate increases alone aren't enough and its not fair to penalize existing ratepayers to pay for growth they didn't cause. They paid for the system that the growth is adding on to so growth can contribute.

Miguel can give you more details. We have about nine (9) or ten (10) million dollars of SDC to put into the CIPs for system expansion for the law requires we get the PUC to review it and sign off, operations and things that are not related to growth and we spend that money and as part of our current CIP plan that we've shown to you previously its about nine (9) or ten (10) million to be spent in the next few years.

Mr. Miguel Bordallo

A little over nine (9) million.

Mr. Sanchez

And that is money we didn't borrow. We didn't need a rate increase. It's paid for by the people that have been added to the system when the law came into place. And the PUC did a study. They said: How do you charge for the water side, how do you charge for the waste water side? There was a cost of service study done by the PUC consultant and GWA participated from that came a recommendation for the rates that were being charged and I don't think the rates have since changed since the inception. But those rates came from a system study that said the cost of incremental growth for so much capacity is about 6,000 for water and 3,000 for waste water or I think it's the other way around for residential. They came out with a service study those set amounts. The PUC reviewed it. They approved it and its that rate that we charge to customers who are hooking up to the system. Now that's the SDC. Large developments in particular can also be asked to invest additional dollars like in Jonestown when those three (3) towers were built. In addition to the SDC, they had to put in about three (3) or four (4) million dollars of sewer and water lines because there was no way Jonestown's pressure can handle three (3) more towers because of the sewer. That was on top of the SDC. It was assessed and they put it in. That whole concept of growth can't make it worst or existing rate payers and we need to put away some money from the growth as we add customers and structures to the system to pay for making more wells drip, making transmission lines and sewer capacity bigger. That is the concept of it, that's how we have been using.

Senator Nelson

When did GWA begin to charge for installation costs? What year roughly?

Mr. Bordallo

Are you referring to when they started to charge the SDC?

Senator Nelson

No, this is separate, your installation costs because you have two separate fees and installation.

Mr. Sanchez

Do you mean the meters and the cost of hooking up the account?

Senator Nelson

I'm talking about installation costs. Doesn't GWA have two different charges like if I build a home, I will have the installation cost and..

Mr. Bordallo

There are several charges including a meter cost and application fee.

Senator Nelson

Do you call it an installation cost?

Mr. Bordallo

I don't believe we do.

Senator Nelson

Mr. Cruz? Sorry Mr. Bordallo, I saw him shaking his head.

Mr. Greg Cruz

There is an installation cost separate from the meter cost that the customers pay.

Senator Nelson

When did GWA start charging for installation costs?

Mr. Joseph Duenas

It's been in our tariff for a long time, quite a few years. It's always been there. The rates may changed over time, but its always been there and it addresses certain things. When you come in and you are a brand new customer, you are setting a customer relationship, so its to deal with the administrative costs of establishing an account. Much the same way other customers do it. And if you built a new house, and there needs to be a meter put in, there's a charge for that.

Senator Nelson

Is the SDC charged on top of the installation cost?

Mr. Duenas

Yes, because they are two separate things. The installation costs deals with the normal cost of business. When somebody comes in, applies for an account, you establish a account so there are some administrative costs involved and if it's a brand new house that is being built, there is a charge for the meter. So you are installing a brand new meter. In addition to that, the SDC is on top of that because Commissioner Sanchez alluded when the next thousand of houses get built, those thousand of houses won't necessitate the drilling of another well maybe or won't necessitate a new tank or necessitate other upgrades to accommodate the next thousand houses so there are two separate issues.

Senator Nelson

Just to be clear, System Development Charge was mandated by the Legislature (12 GCA §12116.5, implemented in January 2010 by PUC Decision and Order). That is a separate schedule of charges. Is the SDC charged on top of installation charges?

Mr. Duenas

Yes.

Senator Nelson

Okay.

Mr. Duenas

For example, it is not charged. For example, I sold my house and bought a new house, there's no SDC when I move, okay?

Senator Nelson

Okay.

Mr. Duenas

But if I build a brand new house, there would be a SDC. SDC is based on the meter size. So therefore, bigger systems..

Senator Nelson

So if there are all the houses they are all the same, similar capacities?

Mr. Duenas

The residences are three quarter inch meters would all be the same SDC. I don't know off the top of my head of what that charge is, to be honest with you. It would change.

Senator Nelson

Thank you Mr. Duenas. Expenditures from the Island Water and Sewer Development Fund 12 GCA Chapter 12 are to be reported annually to the PUC. In the previous informational briefings, did we hear you correctly in the last hearing that you are only now compiling a list of Capital Improvement Projects (CIP) to be funded by the SDC?

Mr. Sanchez

No our CIP plan in 2014. Remember it just started in 2010/2011. There wasn't a lot in there. But in 2014, The five (5) year CIP plan started to spend it and as its updated every year, its in the 2017 CIP plan with which we shared with you earlier. We got about nine (9) million that's ready to spend. Some of it too, Miguel can talk about it more, you need enough money to do something. You can't just throw nine (9) million at everything. Depending on the project, its better to do a five (5) and a four (4) rather than an \$18,000 things, it doesn't work like that.

Mr. Bordallo

There are projects identified in the CIP which I think you've already been provided a copy of. It identified CIP line items that identify as a funding source an estimated amount of the SDCs to provide funding for that particular project. That's in the CIP.

Senator Nelson

Some of it was pretty general so I just kind of wanted to understand it because in Paragraph 9 of the PUC Decision and Order to support it, do those projects conform with "for users who are for the first time..." to build? Are those projects specifically for that?

Mr. Bordallo

They are not specific to individual projects. It's specific to the system to add capacity.

Senator Nelson

Essentially it says here "The Island Water and Sewer Development Fund shall only be expended for costs associating with construction, expansion, upgrade and repair or waste water and water facilities for users who are the first time connecting property in to Guam's waste water system or for builders density development on existing connection is increased. I'm asking does it go back to these first time users or are you using it for building water tanks?"

Mr. Duenas

It could be variety of things what you have to understand is that the people who are causing first time growth, they don't only grow in one area. They grow islandwide. Therefore, it would nice if Guam were parceled out, and we would say okay, this is one part and the there is the next part that we are going to allow development on and therefore what would we do? Build pipes there, build water tanks there, build water pumps there. But that's not the way it works. The island is one community and a house may be built in Dededo, down in Yona, over in Umatac, so what you try to do, is take your best efforts to match the growth and to say, okay, this area in Yigo and Mangilao is growing faster, we may need to put in another storage tank in that area. That's what you take the money to use. Its not identified in these particular 500 homes that paid a system development charge they paid especially for that tank. You can't ration like that.

Mr. Sanchez

Some of it happens organically too as the Chair just said. If 500 structures are built in Dededo, then you are going to get 500 system development charges from Dededo and the chances are, we are going to add a well in Dededo, right? As oppose to do something in Malessa where they only added 50 houses. The money that is paid while we look at it system-wide, sometimes very organically, if most of the money is coming from the north, that is where we are going to spend the money to serve the demand so its going to get most of the SDC. But it is great and we can report to you and we have to report to the PUC when we start spending it, and they actually have to agree that it's a valid spend. There is a good process just as you are doing, looking at it, how does it work and how is it being applied.

Senator Nelson

It appears that the SDC was intended BY LAW to be expended for the direct benefit of those paying into the Fund, to globally replace individual installation charges, and not to be an additional charge. I am just trying to understand the approach here. I understand that you are also using it as a CIP funding resource.

Mr. Sanchez

That is another thing you can use it for.

Mr. Duenas

When you have new customers that come that add to the growth of your community, then you have to grow the capital, you have to put in more infrastructure so that is exactly where it goes. I don't think you can match and say, this SDC was charged with this house in Yona and its going to pay with that one piece of equipment right there next to them in Yona. Its not the way it works. As the money comes in, if the bulk of the houses are being built in Dededo, that's where the bulk of the money is being spent because you may need another well. You may need additional storage capacity, you may need to put in more pipes. I'm not the expert, I'm not the engineer but that's the whole concept.

Senator Nelson

Just to reiterate, in our last informational briefing, we talked about how much money is in the SDC right? How many millions of dollars are currently available now?

Mr. Cruz

It's about nine (9) million dollars available now.

Senator Nelson

Nine (9) million dollars?

Mr. Cruz

Yes

Senator Nelson

So you expended the two (2) million from the previous hearing? Before it was about eleven (11) million dollars. So in the past month you managed to obligate and execute that two (2) million dollar difference?

Mr. Cruz

We have not spent any of the SDC revenues that we collected since the establishment and inception of the SDC.

Senator Nelson

So you have not spent any money since the inception of SDC?

Mr. Cruz

Correct.

Mr. Duenas

We are getting ready to.

Senator Nelson

I see.

Mr. Duenas

Senator, we will double check the numbers but I think Greg is right its nine (9) million. I don't know, maybe somebody else mentioned a different number, but we will double check and get back to you in writing.

Mr. Bordallo

If I'm not mistaken, I believe the CIP pegs the amount that we have programmed that is around 9.5.

Mr. Sanchez

How is it spent? What years?

Mr. Bordallo

There are programs spent 2016, 2017, 2018 and a little bit more in 2020, I believe. The details are in the CIP.

Senator Nelson

Is this fund also receiving payments through the amortized provisions of the SDC law?

Mr. Duenas

Pardon, one more time.

Senator Nelson

Yes, is this fund also receiving payments through the amortized provisions of the SDC law?

Mr. Sanchez

Senator Barnes I think was the one asked if we can set up an amortization to make it easier, its eight grand (8,000) is what we look at for a typical house. So is it five (5), ten (10) years Greg?

Mr. Cruz

I believe its ten (10) years.

Mr. Sanchez

We can really spread it out for people too. Think of it this way, for now, we are spending money we gained from 10 to 14, 17, 18 and 19. On a going forward basis we are going to get that money over ten (10) years and we may not spend it for ten (10) years, right?

Senator Nelson

Is it a reasonable time for those who are looking to be apart of this program, a month, two (2) months? How long do they have to wait?

Mr. Sanchez

I assume when I sign up with customer service, they just work out a payment agreement. We have a process.

Senator Nelson

Okay, thank you. How much in receivables is GWA due from these amortized payments?

Mr. Cruz

I will get back to you on that, I don't recall off hand on the balances right now.

Senator Nelson

Can I also get the value of income stream over time?

Mr. Cruz

Sure.

Senator Nelson

Thank you. In the PUC's Decision and Order approving the SDC, the Administrative Law Judge (ALJ) noted the listed assumptions Item 4A4, one of the assumptions for setting would reduce the SDC at the level in the schedule is that the ongoing leak detection and pipe replacement program was that non-revenue water losses to 15% by FY 2018. Also, they refer to System Development Charges being "greatly impacted" by high water losses and leak detection activities. Can you please expand or explain that?

Mr. Sanchez

I'm sorry Senator are you reading from the order that established the SDC?

Senator Nelson

Yes.

Mr. Duenas

Do you know the number in the order you are referring to Senator?

Senator Nelson

Item 4A4

Mr. Duenas
Under Ordering Provisions or where? What would be the heading?

Senator Nelson
Page 3.

Mr. Sanchez

The administrative law judge is briefing the PUC on why he is going to make his recommendation for the reason he is going to make them and he provides the background. Often times, in these rate cases, the parties can come together and say, we beat up the numbers, we agree on this, we don't agree on that, but they come up with a compromise which is called a stipulation. So the rate consultant for the PUC which I think was Georgetown at this time, and the GWA team, I'm sure Greg was involved with it, we did the cost of service study. The PUC consultant beat it up and came up with the rates that we are charging now. This language is kind of saying the stipulation, everyone is going to try to agree to do all these things. As a result, I guess he recommended...all of these are sort of the assumption that lead to the agreement. Also, he is documenting public comment and he does some analysis and he recommended, what did he do, review, he recommended the PUC's approval will allow GWA to establish and implement an SDC as required by statute. That was done on November 9th. That was his report to the PUC and then the PUC would adopt an order, I don't know if they adopted the exact language, I don't know if they changed it. You can see there was a stipulation by Georgetown's attorney, GWA's attorney, so that's part of the record that the ALJ said the parties went at it, beat up the numbers, and this is what they agreed to, this is the stipulation, this is the basis for the number that are for you being asked to be approved. The ALJ lays out the whole story, history and then he makes his recommendation and I'm just going to assume the SDC has been imposed, they adopted the recommendation of the ALJ. So hindsight's 2020, when you're there, you are thinking: Okay, What can we do, how fast, how well can we get these numbers down and you make your best call. That call, got a price. For the sake of discussion, a typical SDC for a single house is three thousand (3,000) for water five thousand (5,000) for waste water. Some of that came from the assumption that we would get water losses down faster than we actually have. That was the assumption made in 2009, seven (7) years ago. Seven years later, we know our water losses and where we would like it to be. We are still using the SDC for all the other reasons that you do use it for. If the PUC or GWA wanted to change it, I don't think the PUC can do it unilaterally. If GWA wanted to change it, we can petition, the PUC can say hey can you review the prices again. All of those are tools that the PUC and GWA has, but for now, we have just been implementing it since it was adopted since late 2009, we started it in 10. Seven (7) years later, we have nine (9) million dollars that we will spend in the next three (3) years and that's how it's worked from there.

Senator Nelson

Can we move forward to rates? Just to cover operations and maintenance, you stated in the past that there is a 1.0 debt service ratio plus industry standard to cover capital needs for system expansion is 0.25, totaling 1.25; but the PUC allowed a target of 1.75 to cover the bonds needed for the Stipulated Orders. The current ratio is 2.35, according to testimony on February 16. I am trying to understand if GWA and the CCU requested these rates that would meet the PUC target of 1.75 debt service ratio. How did we get that far ahead to 2.35?

Mr. Duenas

First of, correct me if I'm wrong, lets start with this: the bond covenants, require a debt service coverage of 1.25. That's where that number comes from by the bond covenants. In addition to that, the PUC, when we came in, while we were there, sets the ratio at 1.75. It does this for a number of reasons. For one thing, you don't ever want to fall below the 1.25, so you set it high at 1.75. As you go forward in life, sometimes your rates generate more money. Your expenses don't quite line-up to where you want them to be or else you're able to do things and you realize some cost savings. Those things come in and so being that the rate can go up 2.2 or 2 and a quarter (2.25), it can also drop back to 1.75 so it depends and that's why you don't set it at just this and say that's the rate and you will hit it all the time. The rates are geared towards 1.75. The actual results depend on how the revenues come in, how the expenditures go out.

Mr. Sanchez

The good news is this: We are having great coverage; our revenues are greater than our expenses but our current debt service right now is how much right now Greg? Twenty-two (22) million. When all the borrowing is done, remember there is one more borrowing this year, the debt service in two (2) years will be what?

Mr. Cruz

Thirty-two (32) million.

Mr. Sanchez

Thirty-two (32) million and then you got to add twenty-five percent (25%) on top of that. That is eight (8) million. So we are about to go from twenty-four (24) million dollars to forty (40) million in three (3) years. Guess where that 2.3 is going to go? It is going to start going down towards the 1.75 so the rate design that we use for how we got the rates, were now implementing this five (5) year rate plan. The rate increases have been going on since 2004, and we figured out how to generate rates and enough cash flow to borrow this four hundred eighty (480) million to build all this stuff right? And so what you are seeing is, and the Chair is right, when we projected this is 2013, we thought the power bill would be a lot higher, because back then, it was, well its not. So, one of the things last year was we were suppose to ask for a seven percent (7%) rate increase, but we only asked for a three and a half (3.5%) rate increase. We are asking this team can we avoid the four percent (4%) rate increase. We are more robust than projected. We are guessing in 2013 what we thought the world would be like in 2017. Frankly, I'm glad we exceeded expectation because we can temper some of that rate adjustment but when we borrow money, we have capitalized interest for two (2) years and then the whole principal and interest kicks in. The way we designed the rates is as if the rates go a little up this year, next year, by the third year, you have the cash flow for the additional debt service versus you can wait nothing, nothing, and then year three, you punch people in the nose and we haven't done it that way. The PUC has approved that spread it out. How do you borrow six hundred (600) million and pay the debt service? Spread it out so that's the rate design. This moment in time, GWA's cash flow is strong. It is in position to borrow that money that last ninety (90) million. We just went to the rating agencies where investment and we are going to say give us that last ninety (90) million at four percent (4%), three percent (3%), as low as we can do it and two (2) years from now, the principal will need to be paid and that's where we go from twenty-two (22) million to thirty-two (32) million and that's just the principal. We need that twenty-five percent (25%) on top of that so that you are going to forty (40) million. When you are in your third term and we are back with you, I think you will see that debt service coverage below 1.75 and I think we are going to try and get it there because we don't want to take anymore money from rate payers unless it is absolutely necessary but you need a cushion of 1.25 and we are in this big growth and borrowing phase, but after this year, we hope we can catch our breath, build all this stuff, finish it and then think about what is next.

Senator Lee

So you were mentioning the debt service at twenty-four (24) million a year and then we are anticipating that it is going to increase to thirty-two (32) million a year then you were talking about a twenty percent (20%). Can you just for the record, what is the twenty percent (20%)?

Mr. Sanchez

The bond covenants, we must have cash flow that is at least 1.25 more than debt service. So then if our debt service is thirty-two (32) million, the bond covenants require us to have rates that generate 1.25, twenty-five percent (25%) of thirty-two (32) million is eight (8). Thirty-two (32) plus eight (8) is forty (40) million. Basically our debt service is at twenty-two (22), will double in two (2) to three (3) years. We don't want to wait until three (3) years and hit everybody, we phase it in but at the last rate increase, we cut in half. We might be able to say, this late rate increase, nothing. We are going to try.

Senator Lee

And information for that decision will come in July, correct?

Mr. Duenas

In May is when the CCU, working with management comes up with their best number. It's a true-up process for our rate increase for October 1st so what we do is in May, we start the true-up process. These are our best numbers, we give it to the PUC in June, they start to work on it, as we go forward, that will become clearer and clearer.

Mr. Sanchez

But you will see our proposed number in May to send to them then we work together on it. They get June, July, August more result, that helps them.

Mr. Duenas

Our current debt service of 2.25 or 2.3, what you don't see is the bond borrowing we did in 2016. The impact of that debt service has not been kicked in yet. That doesn't kick-in until 2018. Then when we borrow at the end of this year, that debt service will kick in two (2) years later so that the debt service coverage climbs. You start to pay the bonds, it starts to drop, it climb again and it drops. Now that's where the last four percent (4%) comes in, we need to look at that. How is that going to affect us? We were very successful in 2016 when we went out to the bond market. I don't know if we will do that again. To me, I looked at that and in hindsight I thought boy we were very lucky, very fortunate. We borrowed a hundred and forty three (143) million dollars, we actually got out a hundred and forty (140) million dollars for projects. That's unique. What that tells you is the bond buyers, pay the premium for their bonds. They made more. That was a unique circumstance. Right now the world economy and the way bonds are working, we are not sure so that will depend as we go forward at the end

of this year for the bond issuance that is going to tell us, you are not going to get us good a deal. In fact what we did is in 2016, we borrowed more money, which we were suppose to take out in 2016.

Mr. Bordallo
An extra twelve (12) million.

Mr. Duenas
We got an extra twelve (12) million dollars than we thought we were going to get, so that actually helps us but we don't know how that will play out. There are a lot of moving parts. We are working on updating our master plan that helps us to crystalize what we need to do the remaining items, make sure the court ordered projects are covered, make sure that everything else we need to do is covered, go out and borrow the money and at that point, we will see the interest rate is and we will get a better picture in two more years on what we are going to need.

Senator Lee
Thank you.

Senator Nelson
Let us now transition into operations and maintenance. You are looking to hire fifty-nine (59) additional full time employee (FTEs). Is that going to impact the rates that we will pay with these fifty-nine (59) additional FTEs?

Mr. Bordallo
The fifty-nine (59) additional employees was a target we had spread that out for the current fiscal year; its already built into the rates that have for this fiscal year. Its not going to cause an increase.

Senator Nelson
It looks like the operational costs increase with several millions of dollars.

Mr. Bordallo
The expenses have already been budgeted for part of our budget for this fiscal year. They are not going to increase significantly, in fact, they may be a little less. We've targeted fifty-nine (59) total, we have a certain number slated for first quarter, a certain number slated for second quarter. We've tried to fill those positions. We are still trying to fill those positions but they haven't come in the time we've indicated so when its all said and done, we will be under what we projected will be expending for those positions.

Vice Speaker Terlaje
I don't have a binder in front of me, but I thought that those increase in positions were suppose to off set a contract or like a management contract that you are currently paying for?

Mr. Bordallo
No. I think you may be referring to the program management office contract and the knowledge transfer improvement for our core employees is intended to allow us to undertake more of what that PMO is currently doing but related to that, they are also assisting us with the project. We could not have a PMO and try and staff up to handle the extent of CIPs that we are trying to undertake right now, but then once those projects get built, then we are overstaffed so we have our core staff and then we are using the PMO to help us to handle the extra work load that necessitated by those CIPs that we have to undertake and when they go away, the PMO goes away so the intent is to maximize the knowledge transfer and the skill sets from the PMO to our own employees which we are doing through a training program and interaction with them on projects working together side by side and then as we get better at it, we reduce the amount of work that we need them to do for us as we move forward. We already have transition plan that is in place to phase out PMO services over the next several years. We've submitted that to the PUC for their review and comment.

Vice Speaker Terlaje
That transition plan, when did you submit that?

Mr. Bordallo
I believe it was on December 31st.

Senator Nelson

Thank you. This is more towards development. I know we are jumping from category to category, but this is essentially going to be our last briefing so I want to make sure we wrap this up. There were four (4) towers built called the Oka Towers built by Younex and from my understanding, there was some kind of permit that was given to Younex to improve the impacts of what the development would have had, right? Can you please explain a little bit about that and was there a reimbursement of the lines they laid down?

Mr. Bordallo

I believe you are referring to the Emerald Oceanview Towers, not the Oka Towers which are similarly located but on separate property.

Senator Nelson

Okay, thank you.

Mr. Bordallo

The Emerald Oceanview Towers initially was developed by Younex. They submitted for a zone variance, I believe to the Land Use Commission and as part of that process, a couple of the conditions for their application for them to receive the variance was to put in off site infrastructure to benefit the Jonestown area so there was a waterline that was put in, and to note, there was a perennial low pressure in the Jonestown area so this was intended to alleviate that prior to their connection to the system. It was water and wastewater, both of those projects, pieces of infrastructure were put into place by Younex prior to their application for the buildup permit for their tower project and that was agreed by them. They put it in ahead of time.

Senator Nelson

There was no reimbursement given back?

Mr. Bordallo

There was never intended to be a reimbursement for that.

Senator Nelson

Thank you. Can we move on to lifeline rates. Residential versus Commercial as it applies to ratemaking – please explain the definition of Residential versus Commercial categories of the ratepayer. For example, you mentioned meter size and so forth.

Mr. Cruz

For the residential class, commercial, government, irrigation and agriculture for the classes in our current tariff.

Senator Nelson

So are condominiums and apartment buildings considered commercial or residential?

Mr. Cruz

Commercial.

Senator Nelson

Will you be able to prepare an analysis for revenue-neutral options, where lifeline rates could apply only to means-tested qualified ratepayers, and residential units whether single-family homes, duplexes, apartment buildings or condominiums are all charged residential rate?

Mr. Duenas

Senator, to help you better understand what it is we do, if you build one house, that requires a certain pressure, certain things. If you look at Jonestown, that is a good example. You have all those houses. Now that cliff line project where Emerald City is proposed to go, and they scaled it back, if it had just stayed for houses, they would of probably built another twenty (20) houses there and that would have been very easy to accommodate with what we have. But when you now take it instead of twenty (20) houses, you put in four hundred (400) or three hundred (300) units, that's a whole different dynamic. That's why you don't have the same impact between a condominium building and bunch of houses. The condominium houses does not get a three quarter inch meter because it cannot survive with a three quarter inch meter. Not enough water will go through. So it gets a two (2) inch meter. If you have nothing but three quarter inch meters all over Jonestown, that's different from the Alupang Cove Condominium Tower that has to have a two (2) inch or larger, I don't know what they have, but probably a two (2) inch water pipe that comes in. That is a different dynamic in terms of pressure and everything else. You can't equate them. So we want that one condominium at Alupang Cove to pay that same house in Jonestown. It doesn't work like that.

Senator Nelson
Thank you.

Vice Speaker Terlaje
These SDCs were set by the PUC in 2010, three thousand (3,000) for water, six thousand (6,000) for wastewater.

Mr. Sanchez
That is an example of the typical charge for typical single-family house. There is actually ten (10) to twelve (12) rates depending on the size of the meter.

Vice Speaker Terlaje
Are there exceptions? Do you foresee any changes to these rates?

Mr. Sanchez
We haven't thought about revisiting the rates. We are just trying to get the money spent now.

Senator Nelson
Just to share with you, I've been receiving a lot of concerns since we started these informational briefings from a lot of rate payers and people who are trying to build their homes. Their concern is in the installation charge and additional charge, the connection fee, is that it?

Mr. Cruz
The meter charge.

Senator Nelson
When they want to build their homes, I understand you guys have a requirement of a six (6) inch pipe which is maybe a hundred (100) to two hundred (200) feet away from their home, and there's a specific property in the middle of this, and the house they would like to build is on the other end. Essentially, they would have to pay in the forty thousand (40,000) dollars for this installation charge to meet the requirement of the six (6) inch pipe that you have as a requirement. You probably know which constituent I'm talking about because they have come to your Board, at the far end, the six (6) inch pipe is not required to run along to the end where their property is. The reason I bring this up is GPA, when you are running power to your house and essentially you are paying for it, other people want to hook up, there is a reimbursement back to that individual.

Mr. Sanchez
Even GWA.

Senator Nelson
With GWA, they have a similar system.

Mr. Sanchez
One of the questions is why do we have to charge them? One, there is a cost of the meter. This stuff is not free. And then you have the SDCs. They tell me its expensive and I ask them, well, who should pay for your meter if you don't pay for your meter? The other rate payers? They paid for their own meters. From an equity point of view, we just say, unfortunately, life has costs, one of the costs when you look a structure up to GWA, there is a cost for the meter, there's a cost to set it up, and there's a SDC. Which we even advertise, we will loan you the money to put out over ten years. But if you don't pay that cost, then everyone else has to pick up that cost. What we inherited in 2002, was all these bad practices that presume that, well let us just make everyone else pay for it, there will be enough money. And what we have painfully learned is we are twenty (20) years behind spending six hundred (600) million bucks, we are way behind. We could have had this system twenty (20) years ago. But we don't so we are getting it now. As I use to say and I've been doing this for a long time now, I've gone through a lot of rate cases, we gone into the villages, when we go to Payless to buy the chicken, we got to pay for the chicken. Payless can't give it to you for free. This is the people's water system. We all own it. But that means if we are going to add or join the system, and you need a meter, can you pay for your meter. Otherwise we have to ask the 43,000 people to pay for your meter. So should the next 10,000 people get a free meter, and we charge it to the 43,000, why? That's not fair to them. That's why we have to charge them. We try to help it out by amortizing the SDC, it's a big thing but if you are building a house, 50, 80, 100, more than 100,000, sometimes you have to put that money aside, you can't afford 8,000 spread over ten (10) years to help pay for the system that will be there to ensure that as Guam grows, everyone has enough pressure and can dispose of wastewater safely. That's the whole logic. We aren't perfect, we have challenges, but overall, that's how it works. If you look at other utilities, credit worth, strong cash flow, they charge for the meter, they charge for the SDC. So do we want to be best practices? Or do we want to have the water system that most of us grew up with where in

2002, we almost lost the system. We had to adopt best and successful practices that we learned from other utilities, they seemed to be working. We are stronger, the people's water is financially strong, its not Puerto Rico, the Virgin Islands. We are credit worthy and we are rebuilding a system that when 2021 is done, this first phase is done, I think we will be very proud. Will there be more work to do? Absolutely. This master plan that we are going to do this year will tell us what our next headaches are going to be but that's the nature of the beast. That's what you do in government and we do in utilities. When you leave office, there will be plenty of work for someone else to keep going. That's how we approach it.

Senator Nelson

The island water and sewer development fund was to help those with the installation charges, directly. That's why I bring it up.

Mr. Sanchez

Why do you say that Senator? I don't think that's accurate.

Senator Nelson

Because of the wording and the law so I was jus thinking that perhaps there was a way that GWA helps first time users, first time builders with the installation charges.

Mr. Sanchez

The amortized it out, but if we reduce the cost, we are just transferring that cost to existing ratepayers. How is that fair to them? A thousand houses from now, we are going to regret not putting aside some money for that growth. That's what led to the collapse of the system that we almost lost. We were trying to do it with no money. Rates were super low, we didn't attract good management. We weren't running it right. Now we have something that is running better. Is water more expensive now? Yes it is unfortunately but its safer, its cleaner, we are not Puerto Rico. You can rely on it and we are building stuff. We are putting the ratepayer money to work. We are trying our best.

Senator Nelson

Is there anybody that would like to provide any insight here today? If none, thank you gentlemen for enduring this long informational briefing.

Mr. Sanchez

Si Yu'os Ma'ase Senator.

Senator Nelson

I am very grateful for your continued support and cooperation. I would like to thank the GWA Officials and members of the CCU for taking the time to participate in the series of Informational Briefings this Committee has organized. A committee report will be drafted and filed as a public document with the Committee on Rules. Thank you and have a good evening.

The Informational Briefing was adjourned at 6:27 p.m.

III. FINDINGS & RECOMMENDATIONS

- GWA officials stated that they currently have nine (9) million dollars in revenue from the System Development Charge (SDC) and they have not spent any of the SDC revenues they have collected since the establishment of the charge.
- CCU officials have stated that a typical SDC for a single house is three thousand (3,000) for water five thousand (5,000) for wastewater. Seven (7) years later from its implementation, GWA has nine (9) million dollars they plan on spending in the next three (3) years.
- The General Manager of GWA stated that the additional 59 full time employees will not impact the rates and have already been built in into the fiscal year's budget.

GWA revenues continue to fall short

JAM DAILY POST • THURSDAY, MARCH 23, 2017

By John O'Connor
john@postguam.com

The Guam Waterworks Authority remains behind in revenue collections halfway through fiscal year 2017 and members of the Consolidated Commission on Utilities are now asking the utility to resolve the issue as quickly as possible.

According to GWA's March financial report, the utility was behind about \$3.6 million in total operating revenues by the end of February compared to budgeted revenues. The shortfalls have resulted in some spending cuts, according to GWA Chief Financial Officer Greg Cruz.

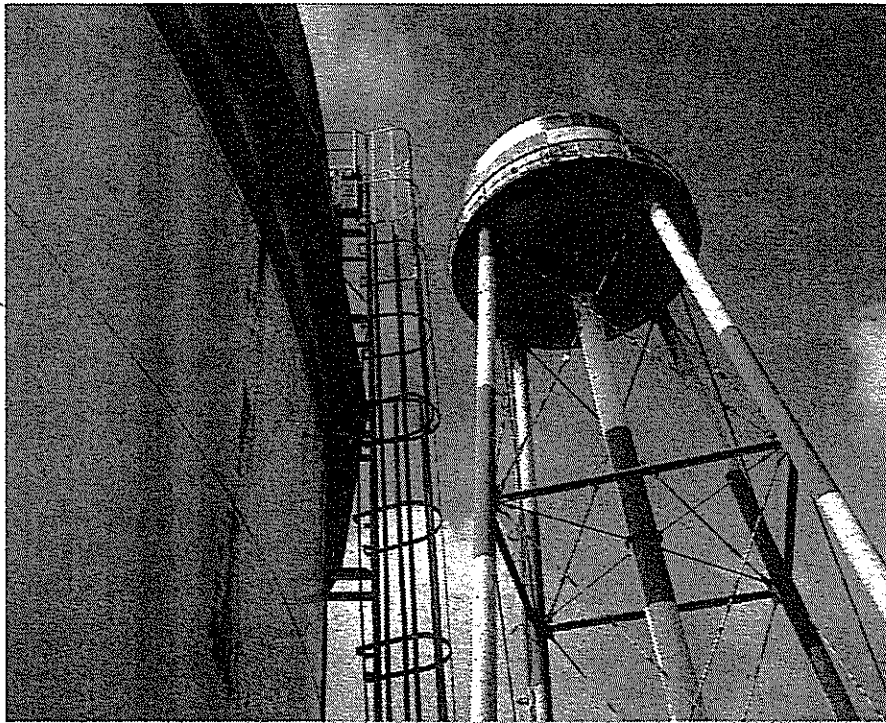
"I have been reporting in the past few months that we have been missing our targets," Cruz told commissioners during a meeting on March 21.

"I believe it's the meters. We have been seeing some issues out there with our meters slowly failing on us."

Degrading water meters

Less than 5,000 meters have been presenting issues for the utility in the last three or four months. Some of these meters have been found to work properly, but a portion is thought to be degrading in performance. These accounts register usage below what they have normally registered in prior years. Cruz said he and GWA General Manager Miguel Bordallo have been talking about the issue since October.

However, some commissioners expressed concern with the speed by which GWA was addressing these accounts. The utility is able to back bill under-read accounts going back a few months. Commissioner George



SHORTFALL: According to an audit report released in January, the Guam Waterworks Authority collected much more money from customers than the amount GWA needed to provide power and wastewater services. However, GWA is behind in revenue collections as of the middle of fiscal year 2017, resulting in some spending cuts. Post file photo

perception of meter reliability and satisfaction with service.

"What has happened in the past is there have been complaints. When people get back billed, they get huge back bills. You ought to be able to catch that right at the reads," Bamba said.

Moreover, Commissioner Simon Sanchez said there were still costs to GWA associated with back billing and the utility would not get back all of its lost revenue.

Action plan

But an action plan is in place, according to Bordallo, who told commissioners that customer service and finance teams were now meeting regularly to

them on a timely basis and have meters replaced. The utility has also modified its meter-reading software to more easily compare and flag accounts with abnormal reductions in usage. Data from prior reads were previously not being retained in the system because of how the software had been set up, Bordallo added.

"In past practice, (speed) was probably a hole in our business process that needed to be corrected," Bordallo later told The Guam Daily Post.

"The plan involves more coordination between billing and customer service and meter-reading units, improving our ability to detect issues on the spot

waiting until the bill is issued and then we go back and look at it."

Shortfalls since January

Shortfalls in GWA revenues have been reported since January, according to Post files. The utility posted record revenues in fiscal 2016, according to an audit from the Office of Public Accountability. Higher revenues had allowed the utility to proceed with half of its projected rate increase for that year, dropping from 7 percent to 3.5 percent. The rate increases are part of a five-year rate plan which will culminate in a 4 percent projected increase this year. Sanchez had asked the utility in October to again see if a reduction was possible for the next projected increase.

The recent shortfalls and cuts in spending, however, created a "cascading effect," according to Sanchez, and may not bode well for GWA as it approaches the Public Utilities Commission later this year for the final rate increase.

"You've got one more rate request. There's no way we can justify this \$3 million as part of our rate request. We have to eat that, that's not fair to rate-payers. We've raised their rate. We've billed them but then we have our own internal problems that's causing us to lose this revenue."

Commissioner Francis Santos said GWA was almost six months into the fiscal year and warned management heads that the CCU needed to see different financial results by the third quarter.

"You have an action plan in place, that's great. Let's see the proof in the pudding. Otherwise, there's a bigger problem we don't know about," Santos



OFFICE OF SENATOR TELENA CRUZ NELSON

CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY
I MINA'TRENTAI KUÅTTRO NA LIHESLATURAN GUÅHAN | 34th GUAM LEGISLATURE

For Immediate Release
February 17, 2017

SENATOR NELSON LOOKS FURTHER INTO THE FUTURE OF GWA

(*Hagåtña*, Guam) On Thursday evening, February 16, Senator Telena Cruz Nelson conducted her third informational briefing on Guam Waterworks Authority (GWA) rates and leaks.

Last night's questioning focused on the prospect of future rate increases, "lifeline rates", the capture of revenue from the meter replacement program, fire hydrant replacement and system development charges.

"We learned that GWA is planning to borrow another 90 million dollars to finish the court-ordered repairs and upgrades," Senator Nelson said, "We need to delve further into system development charges. As for leak repairs, GWA can field six crews a day but they only have three working backhoes. Knowing that the 53% of water loss costs the ratepayers \$5.3 million dollars more, we must be more proactive in conserving our most valuable resource (water)."

In the upcoming months, we look forward to a thorough presentation of their mitigation plan in unaccounted for water and proposed possible rate increases from the agency.

This briefing is ongoing and is scheduled to resume in March.

###

For more information, please contact the Office of Senator Telena Cruz Nelson at 989-7696.

Attachment: Photo from Informational Briefing 2/16/2017



GWA discusses ongoing water distribution mitigation

Shawn Raymundo , sraymundo@guampdn.com Published 4:43 p.m. ChT Jan. 27, 2017 | Updated 8:26 p.m. ChT Jan. 27, 2017



(Photo: PDN file photo)

Lawmakers met with Guam Waterworks officials Thursday evening to go over the agency's unaccounted water issues, recently reported in an Office of Public Accountability audit.

The [report](http://www.opaguam.org/sites/default/files/gwa_hl16.pdf) (http://www.opaguam.org/sites/default/files/gwa_hl16.pdf), on GWA, released earlier this month, found that 58 percent of the water available for distribution in Fiscal 2016 went unaccounted for as a result of leakage and other problems. According to the audit, of the 14,375 million gallons of water available for distribution last fiscal year, Guam Waterworks sold roughly 6,034 million gallons.

"The difference between supply and sales is due to leakage, malfunctioning meters and water used for line flushing, fighting fires and similar activities," the audit states.

During Thursday's hearing, acting GWA General Manager Thomas Cruz told to the Legislature's Committee on Utilities that the utility found its unaccounted-for water to be 53 percent of what was produced.

Thomas, GWA's chief engineer, filled in for the department's heads, who are in San Francisco for a bond rating meeting. He said the unaccounted-for water supply was at 60 percent in 2011.

GWA's report "shows that when we started off it was 60 percent (in 2011)," Thomas said, adding: "But over the past five years we brought that down to the standard that we follow, to 53 percent."

Sen. Tom Ada, D-Tamuning, had asked what the industry standard is for unaccounted-for water. Thomas said it's about 10 percent.

Gilda Mafnas, Waterworks' assistant chief financial officer, said her research showed 110 municipalities in the U.S. had an average of 12.1 percent unaccounted-for water, while the median was 9.9 percent.

Consent decrees

Guam Waterworks has had a history of consent decrees with the federal court since 2003, after the U.S. Environmental Protection Agency sued the local agency for failing to meet all the standards under the Safe Drinking Water Act and the Clean Water Act.

The two parties entered into a Stipulated Order in the Summer of 2003, which required Guam Waterworks to make several improvements, Thomas said, based on a written statement from the agency. In late 2011, the District Court of Guam granted an order for preliminary relief, which created new deadlines for Guam Waterworks to complete certain unfinished projects.

Prior to meeting with officials, freshman Sen. Telena Nelson, who chairs the utilities committee, sent questions for Waterworks officials to answer at the hearing. Nelson, D-Dededo, asked which of GWA's projects address the percentage of water captured for revenue purposes.

"There are a few of the projects in the court order that will have an effect on the reliability of the distribution system, namely, the requirement for working meters and a meter repair and replacement plan/program," according to GWA's prepared statement.

"The extensive reservoir replacement program is also a court order item that has an effect on capturing more water for revenue purposes, as replacement of older steel reservoirs, which may be leaking at bottom plates will decrease losses, and improve system reliability," GWA added. "This project is still ongoing."

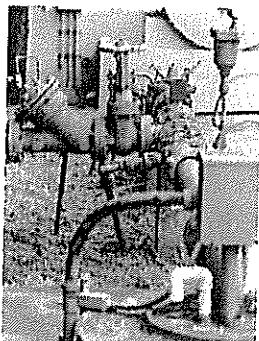
In February 2016, Guam Waterworks issued a \$143.5 million bond to comply with the court order's mandated capital improvement projects, the audit stated. The list of capital improvement projects is estimated to cost \$450 million.

Nelson said during the hearing that Thursday's meeting was the first in a series she plans to have with Waterworks. She said she plans to meet with the heads of the agency after they've returned from San Francisco.

That hearing has been scheduled for 5:30 p.m. Feb. 6 in the Legislature's public hearing room.

OUR VIEW: Guam Waterworks Authority needs to be privatized

Pacific Daily News Published 5:36 p.m. ChT Jan. 19, 2017 | Updated 8:52 p.m. ChT Jan. 19, 2017



(Photo: PDN file photo)

The persistent failure of the Guam Waterworks Authority to properly manage the island's water supply highlights the need to privatize the agency.

The utility's customers spent about \$12.3 million more for water [\(story/news/2017/01/16/audit-water-customers-paid-123-million-more-last-year-lost-more-water-than-sold/96648758/\)](http://story/news/2017/01/16/audit-water-customers-paid-123-million-more-last-year-lost-more-water-than-sold/96648758/) and wastewater services in Fiscal 2016 than they did the previous fiscal year, the audit stated, thanks in part to a 16.5 percent increase in water and wastewater rates.

That additional money is and will be used to repay bonds borrowed to improve the system, under a federal court order. The bonds will be used to build additional reservoirs, replace water meters and pipelines and develop new water wells.

While the improvements will help Waterworks comply with the court order, there's no guarantee it will improve the agency's management of its water resources.

In 1998, Bert Johnston — then deputy director of the water utility — said the agency lost between 12 million to 16 million gallons of water per day, or 33 percent and 44 percent due to leaks, broken meters, illegal line taps and fire hydrant use. He said that was almost double the industry standard.

Water loss has only worsened in the last two decades.

According to an [audit report released on Tuesday \(story/news/2017/01/16/audit-water-customers-paid-123-million-more-last-year-lost-more-water-than-sold/96648758/\)](http://story/news/2017/01/16/audit-water-customers-paid-123-million-more-last-year-lost-more-water-than-sold/96648758/) by the Office of Public Accountability, the utility produced 14.37 billion gallons of water during fiscal 2015, but only sold about 6 billion gallons of waters to customers. That means that 8.37 billion gallons of water — about 58 percent — is lost to leaks, faulty meters and other problems, the audit stated.

This is a clear indication of the government's inability to properly manage the island's water system. If our community is going to see any real and significant improvement in water operations, we need to turn to the private sector, and fully privatize the Guam Waterworks Authority.

Recent editorials:

[OUR VIEW: Research before legalizing recreational marijuana \(http://www.guampdn.com/story/opinion/editorials/2017/01/13/do-homework-before-legalizing-recreational-marijuana/96572174/\)](http://www.guampdn.com/story/opinion/editorials/2017/01/13/do-homework-before-legalizing-recreational-marijuana/96572174/)

[OUR VIEW: Governor should veto minimum wage bill \(http://www.guampdn.com/story/opinion/2017/01/16/our-view-governor-should-veto-minimum-wage-bill/96610820/\)](http://www.guampdn.com/story/opinion/2017/01/16/our-view-governor-should-veto-minimum-wage-bill/96610820/)

[OUR VIEW: The Legislature must properly fund education \(http://www.guampdn.com/story/opinion/2017/01/17/our-view-legislature-must-properly-fund-education/96657594/\)](http://www.guampdn.com/story/opinion/2017/01/17/our-view-legislature-must-properly-fund-education/96657594/)

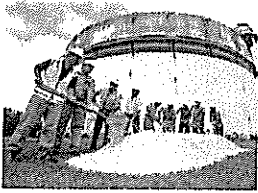
Read or Share this story: <http://www.guampdn.com/story/opinion/editorials/2017/01/19/guam-waterworks-authority-needs-privatized/96760330/>

 **PACIFIC UNLIMITED INC**
SYNERGY • COLLABORATION • SOLUTIONS
CLICK HERE FOR MORE INFORMATION

Accepting applications for:
Shop Service Writer
Heavy Equipment Mechanic

Audit: Water customers paid \$12.3 million more last year; lost more water than it sold

Steve Limtiaco, slimtiaco@guampdn.com Published 10:20 a.m. ChT Jan. 17, 2017 | Updated 3:04 p.m. ChT Jan. 17, 2017



(Photo: Rick Cruz/PDN)

Guam customers spent about \$12.3 million more for water and wastewater services last fiscal year because of rate increases, according to a financial audit released Tuesday by the Office of Public Accountability (<http://www.opaguam.org/>).

The Guam Waterworks Authority (<http://guamwaterworks.org/>) is under federal court order to improve the water and wastewater systems and has been increasing rates so it can afford to repay bond money borrowed for those improvements, including \$143.3 million borrowed (</story/news/local/2016/02/11/gwa-sold-143m-bonds-capital-improvements/80219060/>) last year.

Water and wastewater rates increased by 16.5 percent during fiscal 2016, and customers paid the water agency \$105.4 million, compared to \$93.1 million the year before, the audit states.

The water agency is using the borrowed money to build additional reservoirs, replace water meters and pipelines and develop new water wells.

More than half of water produced is lost

The Guam Waterworks Authority continues to lose more water to leaks, faulty meters and other reasons than it sells to customers, the audit states.

The water agency produced 14.37 billion gallons of water during fiscal 2015, but sold only 6 billion gallons of water to its customers, which means 8.37 billion gallons of water, or 58 percent, is unaccounted for.

More stories you may be interested in:

San Nicolas, AG collaborate on gas price fixing inquiry
(<http://www.guampdn.com/story/news/2016/12/25/san-nicolas-ag-collaborate-gas-price-fixing-inquiry/95599400/>)

OPA: Land Trust wrongly renewed golfing property lease
(<http://www.guampdn.com/story/news/2016/12/01/opa-land-trust-wrongly-renewed-golfing-property-lease/94716730/>)

OPA: Rev and Tax's handling of bad checks worsens
(<http://www.guampdn.com/story/news/2017/01/03/opa-rev-and-taxs-handling-bad-checks-worsens/96098928/>)

Read or Share this story: <http://www.guampdn.com/story/news/2017/01/16/audit-water-customers-paid-123-million-more-last-year-lost-more-water-than-sold/96648758/>

 <p>PACIFIC UNLIMITED INC SYNERGY • COLLABORATION • SOLUTIONS CLICK HERE FOR MORE INFORMATION</p>	<p>Accepting applications for: Shop Service Writer Heavy Equipment Mechanic</p>
---	---

Fitch downgrades Guam bonds

Kyla P Mora , kmora@guampdn.com Published 5:04 p.m. ChT Dec. 25, 2016 | Updated 6:01 p.m. ChT Dec. 25, 2016



(Photo: PDN file photo)

The government of Guam's outstanding Business Privilege Tax bonds have been downgraded by Fitch Ratings from A- to BB, the governor's office announced Friday.

The Calvo administration attributed the change to the federal Puerto Rico Oversight, Management and Economic Stability Act, or PROMESA, which was signed into law June 30, 2016. The act was introduced to allow Puerto Rico to restructure its debt and halt litigation in the event of default through the establishment of a federally appointed oversight board. The board also is responsible for oversight and monitoring implementation of sustainable budgets.

According to a press release, Gov. Eddie Calvo, his fiscal team and the Guam Economic Development Authority met with Fitch on two separate occasions to make the case that Guam didn't fall under PROMESA.

Fitch Ratings acknowledged that "PROMESA does not apply to the government of Guam." It said the downgrade was based on the organization's "assessment that the BPT bond security can no longer be rated distinct from the general operations of the government of Guam."

As a result, Fitch Ratings "believes an avenue has been created for the federal government to adopt future legislation allowing for a restructuring of Guam-backed debt even though Guam is not eligible to file for bankruptcy under current federal law." Therefore, Fitch Ratings "analyzed the general credit quality of Guam" and assigned the rating on that basis.

Calvo's office has asked the ratings be withdrawn, leading Fitch Ratings to state that "as the government of Guam has chosen to stop participating in the rating process," the company will "no longer have sufficient information to maintain the ratings" and will therefore no longer provide analytical coverage of Gov. Calvo's Business Privilege Tax bonds and Issuer Default Rating.

The governor's office said the rating change doesn't impact the cost of Guam's outstanding debt, and that because Guam won't seek Fitch ratings in the future, the effect on future financing will be minimal.

In its analysis of Guam's financial strength, Fitch stated the current BB Issuer Default Rating "reflects the very long trend of weak financial operations and high debt levels," which has led to Guam's inability "to reach and sustain a structurally balanced budget."

The analysis noted solid growth in overall revenue growth, mainly due to U.S. military investment and tourism, and predicts that Guam could absorb a decline in revenues in a moderate recession scenario.

However, due to Guam's "sizable outstanding debt obligations and the unfunded pension liability for the closed defined benefit plan," Fitch Ratings assessed Guam as having "limited gap closing capacity and would likely experience fiscal distress in a moderate downturn." The analysis further noted Guam's "difficulty reaching budgetary balance even during this extended period of economic expansion."

Fitch's analysis noted the current administration's attempts to reverse a 20-year history of operating at a deficit through a plan to shrink the operating deficit by controlling expenditures, improving revenue estimation and collection and using debt issuance to pay overdue tax refunds and other General Fund expenses that totaled \$340 million.

The analysis concluded progress was made between fiscal 2011 and fiscal 2014, but that "ultimate budget balance has not been reached," while the negative fund balance has grown again to \$120 million at the end of fiscal 2015.

In a statement, the governor's office noted Guam ratings have been upgraded by ratings agencies 10 times since January 2011, and the recent Fitch downgrade is the only downgrade during that time period. The statement said Guam was only re-evaluated because Congress had demonstrated through PROMESA willingness to alter laws allowing a U.S. territory to restructure debt, and that "the rating had nothing to do with a change in Guam's credit strength or any factor within Guam's control."

https://www.postguam.com/news/local/pfos-contamination-under-review/article_164c119e-98c2-11e6-acca-9bff79a229fd.html

PFOS contamination under review

John O'Connor | Post News Staff Oct 24, 2016



CONTAMINATION: Guam Waterworks Authority General Manager Miguel Bordallo, center, says the Guam Environmental Protection Agency and the Department of Defense are in discussions over contamination at GWA wells in Tiyan. Post file photo

RELATED LINKS

[🔗](#) since last year

The Guam Environmental Protection Agency is in discussion with the U.S. Department of Defense concerning potential "responsibility for perfluorooctane sulfonate (PFOS) contamination on the airport property," according to Guam Waterworks Authority General Manager Miguel Bordallo, who relayed the information to members of the Consolidated Commission on Utilities during a meeting Oct. 19.

Bordallo said GWA is mostly not involved in the discussions but he clarified that talks may include determining whether PFOS contamination at water wells in Tiyan was the result of former DoD activities and if the military had any responsibility in the matter.

"We're stepping back from that and letting (GEPA) handle it and if there is some relief for us in terms of compensation or material procurement, we'll address that when it comes up. But at this point, we're moving on with protecting public health and safety," Bordallo said.

Despite multiple attempts, the Post was not able to contact Walter Leon Guerrero, GEPA administrator, for comment.

Effects and history

In early August, the water utility stated that three wells tested for contaminants above the U.S. Environmental Protection Agency threshold for public notification: two in central village areas and one in Tiyan – referred to as NAS-1, near the A.B. Won Pat International Airport. Further testing showed that two more wells near the airport were also contaminated.

The contaminant, PFOS, is a synthetic chemical part of a large group of perfluoroalkyl substances used in various products, including food items, according to a May USEPA health advisory. Exposure to PFOS remains possible because of its persistence in both the environment and the human body.

"PFOS was detected in blood serum in up to 99 percent of the U.S. general population between 1999 and 2012; however, the levels of PFOS in blood have been decreasing since U.S. companies began to phase out production," the advisory stated.

Long-term exposure to PFOS over a certain threshold may lead to adverse effects to the liver and immune system, low birth weight and even cancer.

Contamination of water resources has been associated with releases from industrial sites, fire or crash training sites and industrial or municipal waste dumping.

Prior to becoming Guam's commercial airport, the property on which the Tiyan facility sits was under U.S. Navy operation as Naval Air Station Agana until its closure in 1995. At that point, the airport authority took over operations. The initial facility was first built by the Japanese Navy during World War II.

While longtime military activity may be the source of contamination at the Tiyan wells, regulatory agencies have not yet reported the source for the central wells, although Bordallo held a personal theory that contaminants may have leaked from a Korean Airlines plane crash in 1997.

Since last year

Regardless of the source of the contaminants, GWA was aware of PFOS presence in Guam's drinking water since last year, according to the USEPA. Moreover, detection of PFOS contamination was not reflected in the 2015 water quality report from GWA.

However, the threshold for public notification of PFOS at the time of detection was around 200 parts per trillion. The new threshold, issued this year, is about 70 parts per trillion. GWA's initial detection in three water wells – two in central villages and NAS-1 – found PFOS contamination at or above 110 parts per trillion.

But PFOS is also an unregulated chemical under federal standards and GWA was only required to conduct monitoring of PFOS under the third cycle of the Unregulated Contaminant Monitoring Rule, according to USEPA. The federal agency collects information from water utilities participating in the monitoring program to determine if further regulation is needed.

"There was no requirement to do anything other than, if you participate in the program, you do the sampling, you get the results and you give it to USEPA," Bordallo said. "If they require us to include it (in the next water quality report) we will, but it isn't a requirement at this time."

Disservice

The new PFOS threshold was set in May but letters to affected customers were not issued until Aug. 11. CCU commissioners discussed the notices during a GWA work session that month.

Utility officials stated there were certain USEPA requirements for the wording in the letters, which covered where PFOS can come from and the possible effects for long-term consumption of contaminated water.

About 1,000 of about 50,000 GWA customers were affected. News of the contaminants came days before the issuance of the letters from media reports citing USEPA sources.

"That's where USEPA really did us a disservice, because instead of waiting for us to get the announcement out to the affected people, they issued the information before we were able to notify those 1,000 and then 40,000 customers who didn't have an issue were (freaking out)," Bordallo said during the August meeting.

During the October meeting, CCU chairman Joey Duenas asked Bordallo to keep the CCU apprised of GWA water testing so they can relay the information to constituents.

Actions done and pending

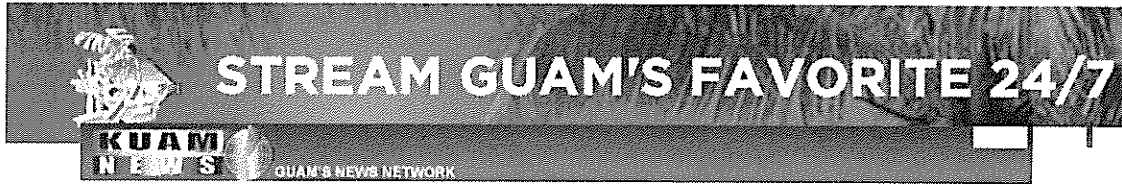
The central contaminated wells were taken offline on Aug. 5. The NAS-1 well was offline by Aug. 12. Bordallo has stated that GWA planned to have all wells back online in the future. While there is a treatment system for NAS-1, it has not been maintained by the airport authority, according to GWA. Replacement work for that system is ongoing, according to CCU documents.

The central wells do not have a treatment system. GWA had been looking into a portable system for these wells. The technical specifications for these systems are under review and an invitation for bid is pending, according to CCU documents.

A treatment system for the contaminated wells near NAS-1 has remained online, and filters water to within USEPA guidelines, according to past statements from Bordallo.

John O'Connor

Reporting on utilities, healthcare, education and other topics.



[NEWS](#) [COMMUNITY](#) [SPORTS](#) [TV](#) [RADIO](#) [VIDEO](#) [WEATHER](#) [ABOUT](#) [LIFESTYLE](#)



Water bills being reduced

Posted: Jul 29, 2012 9:33 PM

Updated: Jul 29, 2012 9:33 PM

by [Sabrina Salas Matanane](#)

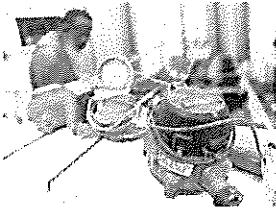
Guam - The next time you receive your water bill expect a 2% reduction. According to a media release from the Guam Waterworks Authority the reduction is a result of the agency paying off its debts to the U.S. Navy and the Guam Power Authority. "This is due to the fact that we recently paid off the remainder of the Navy water surcharge which we had been collecting and paying off since 2003. ", said Martin Roush General Manager of GWA. "We are happy we can pass on this reduction to our customers". He went on to say. "In March of 2011 GWA was also able to pay off the amount owed to GPA for power bills dating back several years. This was approximately \$15Million dollars which we also have been collecting and paying down since 2001" Roush added.

It was in eleven years ago the Public Utilities Commission ordered a 11.5% regulatory surcharge for all water meters read after October 2001. This allowed GWA to begin to pay down its obligation to GPA. In March of 2011 GWA completed its final payment to GPA.

Meanwhile, it was in 2003 GWA was ordered to begin paying back the \$9 million it owed to the Navy. According to a GWA media release this was for water purchases to supply the villages of Santa Rita, Agat and at the time Piti with water (GWA no longer purchases navy water for Piti). GWA was authorized to assess a surcharge for repayment of this obligation. The agency finished paying the remainder of this obligation in June of 2012.

GWA: Only 22 subject to back billing

Jasmine Stole, jstole@guampdn.com 7:36 a.m. CT July 20, 2016



(Photo: Rick Cruz/PDN)

Of the 7,036 Guam Waterworks Authority water meters that were replaced and reviewed for malfunctions, only 22 meters were found not to be working correctly and subject to back billing, according to a report from GWA.

Miguel Bordallo, GWA general manager, presented the report to the Consolidated Commission on Utilities at a work session Wednesday.

Commissioner Simon Sanchez said about 100 accounts may have not been registering water consumption correctly in a review of the first 1,000 accounts.

Bordallo echoed GWA's report and told commissioners that after reviewing all 7,036 meters, the impact of the 22 malfunctioning meters was less than \$3,000.

"The whole idea of back billing is ... 'if your meter fails, when we finally catch it, can we just ask you to pay for the average water use that you would normally consume for those months that your meter was under billing?'" Sanchez said. "And we're only allowed to go back four months. So if we don't do it for nine, 10 months, we eat the loss."

Sanchez said back billing is an attempt to be fair.

[Study looks at raising power rates at peak hours](http://www.guampdn.com/story/news/2016/07/19/study-looks-raising-power-rates-peak-hours/87279780/)

(<http://www.guampdn.com/story/news/2016/07/19/study-looks-raising-power-rates-peak-hours/87279780/>)

The 7,036 meters were replaced between April 2015 and December 2015. GWA notified the public about possible back billing in June.

A press release from June 17 said that as of that date 113 accounts were back billed and they reviewed 937 of the 7,000 meters that were determined malfunctioning in 2015.

Sanchez encouraged Bordallo to release the report about the 22 affected accounts to the public, send out a press release about the report and write an opinion piece for the newspaper to clarify GWA's findings.

Bordallo said the report was on the GWA website.

GWA replaced more than 40,000 water meters between 2005 and 2015, news files state. CCU Chairman Joey Duenas said the meters were changed out because they noticed a high failure rate so they replaced the old meters with another meter.

GWA officials previously said customers who received back bill may request a payment plan. Customers would be allowed to pay 25 percent of the back bill and payment for four months in addition to the current bill owed.

Read or Share this story: <http://www.guampdn.com/story/news/2016/07/20/gwa-only-22-subject-back-billing/87329922/>



GWA increasing rates

Water ratepayers are in for another rate increase this year.

Guam Waterworks Authority made a recent presentation to credit ratings agencies, including Fitch and Standard & Poor's, in preparation to borrow \$160 million, said Consolidated Commission on Utilities Chairman Joey Duenas.

CCU functions as GWA's board.

Proceeds of the proposed debt would allow GWA to make further improvements to water and wastewater systems under a federal court-ordered consent decree.

Under the consent decree, Guam must comply with federal standards for safe drinking water and proper wastewater disposal.

Guam had problems with water quality, which led to having to boil water from the tap, and wastewater overflows, which led to the consent decree.

To repay these debts, GWA has been implementing yearly rate increases.

[GMH utility bills partially paid, overall debt grows](http://www.guampdn.com/story/news/2016/01/25/gmh-utility-bills-partially-paid-overall-debt-grows/79287908/)

(<http://www.guampdn.com/story/news/2016/01/25/gmh-utility-bills-partially-paid-overall-debt-grows/79287908/>)

Decades of neglect

The CCU has been open about GWA's need to take on debt to pay for infrastructure that had been in disrepair for decades, Duenas said.

"We're making up for five, six decades of neglect," he said.

GWA implemented a 15 percent rate increase in fiscal 2014, 14.5 percent in fiscal 2015 and 16.5 percent this fiscal year.

In addition, GWA has PUC approval to implement a 7 percent increase on Oct. 1 this year for the 2017 fiscal year, and a 4 percent rate hike in 2018.

Two years from now, Guam's ratepayers would be paying water rates that are 57 percent higher compared to five years earlier.

For customers with wastewater service, that means water and wastewater service would cost about \$100 a month for an average household user. For water customers that don't have sewer connection, they could see their monthly bill go up to \$80 a month, according to GWA projections.

Water woes in south

GWA borrowed \$190 million in 2013, also toward projects to improve the island's wastewater and water infrastructure.

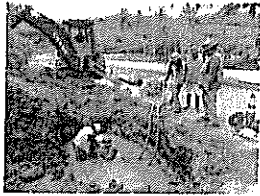
With the 2013 bond, the \$160 million in proposed borrowing this year and an estimated \$100 million bond two years from now adds up to \$450 million for upgrades, Duenas said.

Editor's Note: An earlier version of this article misstated the percentage of a fuel surcharge reduction the Guam Public Utilities Commission approved Monday. The article has been updated with the correct percentage as well as how this will impact a customer's bill.

Read or Share this story: <http://www.guampdn.com/story/news/2016/01/26/power-cost-decrease-but-water-bills-would-rise/79332180/>

GWA sold \$143M in bonds for capital improvements

Maria Hernandez , mohernande@guampdn.com 1:44 a.m. ChT Feb. 12, 2016



(Photo: PDN file)

Guam Waterworks Authority sold about \$143 million in revenue bonds that will go toward a number of infrastructure improvements to Guam's water and wastewater systems.

The Series 2016 Guam Waterworks Authority Water and Wastewater System Revenue Bonds sold at an interest rate of 4.26 percent.

"We were able to get such a favorable rate, even lower than we projected," said Simon Sanchez, chairman of the Consolidated Commission on Utilities.

The low rate yields about \$12 million in savings to be used for even more agency capital improvement projects, Sanchez said.

The agency's total debt in bond repayments amounts to about \$500 million, according to agency officials.

The governor, his fiscal team and Guam Economic Development Authority joined GWA and CCU in about 20 investor meetings and calls held prior to the bond pricing to address questions about GWA and Guam's economic outlook, according to a release from the governor's office.

Households would save \$18 a month on average

Investors act quickly


"The sale was a huge success for Guam and is a true testament to the financial strength and stability we have built over the last five years," Gov. Eddie Calvo said in the release. "We have been able to share the Guam story with Wall Street and with today's numbers, they are pleased with our progress."

In the release, GEDA Acting Administrator Jay Rojas said there were more than 75 investors participating in the bond sale.

Our relationship with municipal bond investors came into play today as over \$1.4 billion orders came through in less than an hour," Rojas said.

The bonds will pay for ongoing and future capital improvements to Guam's water and wastewater system, including about \$100 million infrastructure upgrades to waterlines, water tanks and wastewater plants, said GWA spokeswoman Heidi Ballendorf.

Read or Share this story: <http://www.guampdn.com/story/news/local/2016/02/11/gwa-sold-143m-bonds-capital-improvements/80219060/>

 <p>PACIFIC UNLIMITED INC SYNERGY • COLLABORATION • SOLUTIONS</p> <p>CLICK HERE FOR MORE INFORMATION</p>	<p>Accepting applications for: Shop Service Writer Heavy Equipment Mechanic</p>
---	---

Households would save \$18 a month on average

Gaynor Dumat-ol Daleno , gdumat-ol@guampdn.com Published 11:28 p.m. ChT Jan. 26, 2016 | Updated 12:02 p.m. ChT Jan. 27, 2016



(Photo: PDN file)

Plummeting oil prices have resulted in a lower cost of electricity for Guam ratepayers beginning this month.

The cost of water service, however, is expected to go up this year to allow Guam Waterworks Authority to repay its mounting debts.

Guam Power Authority has received Guam Public Utilities Commission approval to reduce the fuel surcharge portion of customers' power bills beginning with meters that will be read Feb. 1.

On Monday night, PUC approved a fuel surcharge that translates to a 9.2 percent reduction in the overall power bill for residential customers, PUC documents show. The fuel surcharge component of the bill would

shrink by 17 percent.

This means a household that uses 1,000 kilowatt hours per month would see an \$18 savings on their monthly power bill, according to the PUC.

GPA had asked PUC to leave the fuel surcharge unchanged beginning this month through August.

[Island gas prices drop another 10 cents](http://www.guampdn.com/story/news/2016/01/22/island-gas-prices-drop-another-10-cents/79155474/)

(<http://www.guampdn.com/story/news/2016/01/22/island-gas-prices-drop-another-10-cents/79155474/>)

Despite the decrease in fuel prices, the power agency has been paying more for diesel fuel as a result of the fire and subsequent explosion at Cabras 3 and 4 power plants last month.

With both plants out of commission, GPA has incurred more costs associated with its use of expensive diesel fuel for power plants that the agency wouldn't normally use as frequently had Cabras 3 and 4 been up and running, according to PUC documents.

In GPA's petition to leave the fuel surcharge unchanged, GPA had used a November fuel price forecast, which stated the price of oil at \$46 per barrel. However, that "does not appear to be appropriate," stated PUC legal counsel Fred Horecky, considering the oil price drops last December.

An updated fuel oil price forecast dated Dec. 24 to 31 priced oil at \$38 a barrel, which was the basis for PUC's approval of a 12.6 percent reduction in the fuel surcharge.

Oil prices in the international markets fell below \$28 last week, according to Nasdaq. That's a reduction by nearly half since mid-November last year, which was when GPA quoted future oil prices to petition for a no reduction in the fuel surcharge.

Following the explosion and fire at Cabras 3 and 4, GPA's cost for No. 2 diesel fuel has risen from approximately \$2 million per month to between \$4 million and \$5 million per month, according to GPA's petition with the PUC.

[GPA's first wind turbine begins test run](http://www.guampdn.com/story/news/2016/01/12/gpas-first-wind-turbine-begins-test-run/78670908/)

(<http://www.guampdn.com/story/news/2016/01/12/gpas-first-wind-turbine-begins-test-run/78670908/>)

Since the Cabras explosion resulted in increased fuel costs for GPA, insurance proceeds should be used to cover such costs, including more costs associated with diesel fuel, according to PUC's legal counsel.

"However, as of yet, the insurance company has not agreed to pay any specific amounts nor are such funds presently available to GPA to offset fuel costs," according to Horecky.

The cause of the explosion has yet to be fully investigated because of concerns over the structural integrity of the plants.

Water rates rise today

Gaynor Dumat-ol Daleno , gdumat-ol@guampdn.com 12:49 a.m. ChT Oct. 1, 2015



(Photo: Mark Scott/PDN)

Guam Waterworks Authority customers will begin paying a higher cost for water and wastewater service starting Thursday, GWA announced Wednesday.

GWA will increase the rate by 4 percent for residential customers who use less than 5,000 gallons of water in a month, and by 7 percent for households whose water use exceeds 5,000 gallons of water a month. Commercial and other major customers will see a 13-percent rate spike.

The Public Utilities Commission approved the rate increase Sept. 24.

This will be the third straight year GWA has raised rates to pay for debts that it owes to bond investors who financed water and wastewater improvement projects.

GWA plans to continue raising rates for the next two years, to continue to repay money that will pay, or has paid for projects that that will allow the agency to meet the U.S. Environmental Protection Agency's water and wastewater standards.

New base rates

Here are the customer categories and how the base rate increase would affect the overall bill for each category:

- Residential customers who use less than 5,000 gallons a month: 4 percent increase, from \$60.29 to 62.80;
- Residential customers who use more than 5,000 gallons a month: 7 percent increase, from \$83.05 to \$88.55;
- Commercial customers: up 13 percent, from \$605 to \$ 684;
- Hotel customers: up 13 percent, from \$244,095 to \$ 276,143.60;
- Government customers: up 13 percent, from \$1,459 to \$ 1,650; and
- Agriculture customers: up 13 percent, from \$208 to \$235.

Affordability threshold

Fitch Ratings, a rating agency that assesses the creditworthiness of institutional borrowers, stated in July that GWA's increasing debt burden has led to rising costs of water and wastewater to levels that customers are finding tougher to afford.

A residential customer who used 7,500 gallons of water paid \$84 a month for water and wastewater before this most recent rate increase.

That amount, Fitch stated, is equal to 2.3 percent of the median household income, which exceeds Fitch's affordability threshold.

GWA has borrowed \$373 million for projects to improve water and wastewater systems over the past several years.

In addition, GWA also could borrow \$161 million in Fiscal 2016 and \$90 million in Fiscal 2018 for additional capital projects funding, Fitch stated.

Read or Share this story: <http://www.guampdn.com/story/news/2015/09/30/water-rates-rise-today/73072888/>






COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*
I Mina'Trentai Kuåttro na Liheslaturan Guåhan • 34th Guam Legislature



COMMITTEE REPORT CHECKLIST

Part 1 / 1

INFORMATIONAL BRIEFING on the Guam Waterworks Authority <i>Increase of water and wastewater rates</i>		
(A) PUBLIC HEARING	(1) HEARING NOTICES SR §§ 6.04(a)(1) and 6.04(a)(2), Open Government Law (5 GCA, Ch. 8)	
	<input checked="" type="checkbox"/> (a) Five (5) working days prior (ALL Senators & ALL Media)	Date and Time of Notice: January 19, 2017; 10:45 a.m. January 27, 2017; 3:03 p.m. February 8, 2017; 4:21 p.m. March 14, 2017; 4:21 p.m.
	<input checked="" type="checkbox"/> (b) Forty-eight (48) hours prior (ALL Senators & ALL Media)	Date and Time of Notice: January 23, 2017; 5:25 p.m. February 1, 2017; 2:47 p.m. February 13, 2017; 5:19 p.m. March 17, 2017; 9:56 a.m.
	(2) Date and Time of Hearing: January 26, 2017 at 5:30 p.m. February 6, 2017 at 5:30 p.m. February 16, 2017 at 5:30 p.m. March 22, 2017 at 5:30 p.m.	3) Location: Public Hearing Room, <i>I Liheslaturan Guåhan</i>
(B) COMMITTEE REPORT	(1) Committee Report filed with COR? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Date & Time: 4/21/17 5:00 p.m.
	(2) COMMITTEE REPORT COMPONENTS	
	(a) Front Page Transmittal to Speaker	<input checked="" type="checkbox"/>
	(a)(1) COR Chair Signature Line	<input checked="" type="checkbox"/>
	(b) Title Page	<input checked="" type="checkbox"/>
	(c) Notice of Public Hearing & Other Correspondence	<input checked="" type="checkbox"/>
	(d) Public Hearing Agenda	<input checked="" type="checkbox"/>
	(e) Public Hearing Sign-in Sheet	<input checked="" type="checkbox"/>
	(f) Written Testimonies & Additional Documents	<input checked="" type="checkbox"/>
	(g) Committee Report Digest(s)	<input checked="" type="checkbox"/>
(h) Related News Reports (optional)	<input checked="" type="checkbox"/>	
(i) Miscellaneous (optional)	<input checked="" type="checkbox"/>	
(j) Committee Report Checklist(s)	<input checked="" type="checkbox"/>	
(C) COR Action	<input checked="" type="checkbox"/> CMTE Report duly filed <input type="checkbox"/> CMTE Report non-conforming for acceptance; Return to Committee	COR CHAIR (Signature, Date & Time)  4/25/17 11:08

