

I Mina'Trentai Dos Na Liheslaturan Guahan
Bill Log Sheet

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES
181-32 (COR)	T.C. Ada R.J. Respicio	AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145 RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.	09/06/13 4:44 p.m.	09/09/13	Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land	10/09/13 1:00 p.m.	10/29/13 3:38 p.m.	Fiscal Note Requested 09/12/13 Fiscal Note Received 11/22/13
	DATE PASSED	TITLE	TRANSMITTED		DUE DATE	<small>DATE SIGNED BY I MAGA'LAHEN GUAHAN</small>	PUBLIC LAW NO.	NOTES
	11/05/13	AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145, WHICH AMENDED SECTION 4 OF PUBLIC LAW 28-71, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.	11/05/13	7:20 p.m.		11/07/13	32-069	As amended in the Committee of the Whole.



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
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Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
Vicente (Ben) C. Pangelinan
Member

Speaker
Judith T.P. Won Pat, Ed.D.
Member

Senator
Dennis G. Rodriguez, Jr.
Member

Vice-Speaker
Benjamin J.F. Cruz
Member

Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

November 22, 2013

MEMORANDUM

To: **Rennae Meno**
Clerk of the Legislature

From: **Senator Rory J. Respicio**

Subject: **Fiscal Notes & Waivers**

Hafa Adai!

Transmitted herewith are fiscal notes received from BBMR on the following Bill Nos. 91-32(COR), 98-32(LS), 116-32(COR), 153-32(COR), 176-32(COR), 181-32(COR), 194-32(COR), 195-32(COR), 202-32(COR), 209-32(COR), 211-32(COR) and Fiscal Note Waivers on the following Bill Nos. 94-32(COR), 165-32(COR), 170-32(COR), 189-32(COR), 193-32(COR), 210-32(COR).

Please include fiscal notes and waivers with their respective Committee Reports.

Please make the appropriate indication in your records; and forward to MIS for posting on our website. I also request that the same be forwarded to all Senators of *I Mina'trentai Dos na Liheslaturan Guåhan*.

Si Yu'os Ma'ase'!

2013 NOV 22 PM 4:46

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**

OFFICE OF THE GOVERNOR

Post Office Box 2950, Hagåtña Guam 96932

EDDIE BAZA CALVO
GOVERNORJOHN A. RIOS
DIRECTORRAY TENORIO
LIEUTENANT GOVERNOR


NOV 15 2013

Senator Rory J. Respicio
Chairperson, Committee on Rules
I Mina'trentai Unu na Liheslaturan Guåhan
The 31st Guam Legislature
155 Hesler Place
Hagåtña, Guam 96932

Hafa Adai Senator Respicio:

Transmitted herewith is Fiscal Note on the following Bill Nos.: 91-32(COR), [REDACTED], 181-32(COR), 202-32(COR), [REDACTED], 209-32(COR), 211-32(COR) and Fiscal Note Waiver on the following Bill Nos.: 170-32(COR).

If you have any question(s), please do not hesitate to call the office at 475-9412/9106.



JOHN A. RIOS
Director

Enclosures
cc: Senator Vicente (ben) Pangelinan

Comments on Bill No. 181-32

This proposed legislation is proposing to amend Section 2 of Public Law 30-145, authorizing Guam WaterWorks Authority (GWA) to issue revenue bonds, not to exceed \$715 Million of the principal amount. This proposed legislation is also striking out the provision that requires GWA to payback \$20 Million to the General Fund (GF) as a reimbursement for the initial payoff of the Limited Obligation Bond (Section 30) Series 2001A. Furthermore, this bill is also authorizing GWA to refinance its existing debt services, GWA Revenue Bonds Series 2005 and 2010. These amendments are being proposed so that additional \$495 Million can be raised to support much capital improve projects such as three southern wastewater treatment plants in Agat, Umatac and Baza Gardens (\$111 Million) and the repair and rebuild of GWA water storage tanks island-wide (\$153.4 Million).

Presently, the Guam Economic Development Authority (GEDA) and the Consolidated Commission on Utilities (CCU) each passed a resolution in support and for the authorization for GWA to issue new bond indenture not to exceed the principal amount of \$195 Million to meet the District Court Stipulated Order for project requirements.

Because of existing call provisions for GWA's bond debt, refinancing for the GWA Revenue Bond, Series 2005 could only take place in 2015 and for Series 2010 Revenue Bonds, the refinancing option would be 2020. Therefore, refinancing of existing GWA debt is not an option in 2014.

GWA's yearend Statement of Revenues, Expenses, and Change in Net Assets as of September 30, 2012 reflects a total operating revenues of \$69,512,525. The total operating expenditures for this period is \$64,243,965. The net operating income is \$5,268,560. However, this operating income is impacted with the addition and reduction of non-operating revenues and expenses, resulting in an operational loss before capital contributions of \$6,167,995. The contribution for capital which is federal grant contributions totaled \$6,679,738, resulting in a positive change in net assets of only \$511,743; but this positive change is the result of a non-operating and highly restricted revenue source that cannot be applied to offset the cost of the proposed debt service.

In order for GWA to fund \$195 Million in new debt and in the absence of financing detail for the \$195 Million the following assumptions are made to illustrate the financing requirement for this proposed debt services:

1. GWA's yearend Statement of Revenues, Expenses, and Change in Net Assets for September 30, 2013 is at the same level as reported in the audited statement of September 30, 2012 but adjusted as follows:
 - a. Depreciation of \$12,050,430, as a source of funding, is added back as an adjustment to year end surplus.
 - b. Federal Expenditures of \$2,233,586 are added back since such expenditures are mutually exclusive from locally funded operations.
 - c. Federal Contributions of \$6,679,738 are deleted to reflect only locally generated funding
 - d. Based on the above noted assumptions, a net adjusted surplus of \$8,116,021 is reflected for FY 2012 and for FY 2013

2. The GWA is to issue new bond indenture of \$195 Million.
3. A 3-year period for capitalized interest is planned at \$14,625,000 per year.
4. Annual debt service interest is 7.5%.
5. Debt Service Period is for 40 years.
6. Annual Debt Service requirement is for \$22,790,625
7. Proposed rate increase to general revenues to cover annual debt service requirement is 21.11%
($\$22,790,625 - \$8,116,021 = \$14,674,604 / \$69,512,525$)

Based on the above assumptions, GWA would need to increase its water rates to its consumers, on the average, of approximately 21.116%. This percentage is based on additional revenue requirement of \$14,674,604 divided by the annual FY 2013 assumed revenues of \$69,512,525. The numbers noted in this illustration will change as the financing numbers are finalized.

The pledge of revenues will be the operating revenues generated by GWA; therefore the General Fund is not fiscal impacted by this proposed bond indenture. There is no crossover of the Government of Guam' debt ceiling.

The consumers of water would be fiscally impacted by this proposal based on a potential rate increase of 21.11%, which may be lower or higher, depending on the actual financing completed for the debt indenture. To further illustrate this fiscal impact to the consumer, the following example is used: If a rate payer of water is paying on the average \$100 a month for island water now, the proposed new rate increase would increase the monthly average payment to \$121.11, an increase of \$21.11 each month.

Guam Waterworks Authority
Statements of Revenues and Expenses

	FY 2012	FY 2011
Revenues	\$69,512,525.00	\$67,315,203.00
Expenditures	<u>\$64,243,965.00</u>	<u>\$63,618,502.00</u>
Surplus (Deficit)	\$5,268,560.00	\$3,696,701.00
Non Operating Revenues	\$4,980,594.00	\$1,467,133.00
Non Operating Expenses		
Revenue Bonds 2010	-\$6,516,400.00	-\$5,575,142.00
Revenue Bonds 2005	-\$5,382,419.00	-\$5,520,106.00
Others	-\$1,986,989.00	-\$2,270,863.00
Federal Expenditures	-\$2,233,586.00	\$0.00
Others	<u>-\$297,755.00</u>	<u>\$483,791.00</u>
Total Non Operating Revenues (Expenses)	<u>-\$11,436,555.00</u>	<u>-\$11,415,187.00</u>
Loss before Capital Contribution	<u>-\$6,167,995.00</u>	<u>-\$7,718,486.00</u>
Capital Contribution		
Federal Grants	\$6,679,738.00	\$3,826,958.00
Other Contribution	<u>\$0.00</u>	<u>\$961,310.00</u>
Total Capital Contribution	<u>\$6,679,738.00</u>	<u>\$4,788,268.00</u>
Change in Net Assets	<u>\$511,743.00</u>	<u>-\$2,930,218.00</u>
Adjustments for Rate Calculations		
Add Depreciation	\$ 12,050,430.00	\$ 11,854,307.00
Add Federal Expenditures	\$ 2,233,586.00	\$ -
Less Federal Grants	\$ (6,679,738.00)	\$ (3,826,958.00)
Adjusted Surplus (Deficit)	<u>\$ 8,116,021.00</u>	<u>\$ 5,097,131.00</u>
Debt Service		
New GWA Revenue Bond	\$ 195,000,000.00	
Capitalization Interest for first three years	\$ 43,875,000.00	
Annual Interest	7.5%	
Debt Period	40 years	
	\$ 716,625,000.00	\$ 14,625,000.00
	\$ 911,625,000.00	
	\$ 22,790,625.00	
Annual Debt Service Requirement	\$ 22,790,625.00	
Less Adjusted Surplus	\$ (8,116,021.00)	
Additional funding required	\$ 14,674,604.00	
	\$ 14,674,604.00	
	21.11%	

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011
Operating revenues:		
Water:		
Private	\$ 35,309,082	\$ 33,404,838
Government	4,497,672	3,621,629
Legislative surcharge	2,901,946	1,566,698
PUC surcharge	755,720	4,309,264
System development charge	606,995	845,189
	44,071,415	43,747,618
Wastewater:		
Private	18,273,640	16,935,638
Government	5,661,535	4,860,318
Legislative surcharge	213,131	102,099
PUC surcharge	56,795	280,846
System development charge	535,030	781,690
	24,740,131	22,960,591
Other	700,979	606,994
Total operating revenues	69,512,525	67,315,203
Operating and maintenance expenses:		
Power purchases	17,015,686	15,191,769
Water purchases	5,263,128	6,283,246
Waste disposal fees	275,938	305,469
	22,554,752	21,780,484
Salaries, wages and benefits	18,891,270	18,499,114
Depreciation	12,050,430	11,854,307
Administrative and general	5,416,166	5,885,100
Contractual	3,068,764	3,355,465
Retiree health care costs and other benefits	2,262,583	2,244,032
	64,243,965	63,618,502
Total operating and maintenance expenses	64,243,965	63,618,502
Operating income	5,268,560	3,696,701
Nonoperating revenues (expenses):		
Allowance for funds used during construction	4,946,472	1,434,692
Interest income	34,122	32,441
Interest expense:		
Revenue bonds 2010	(6,516,400)	(5,575,142)
Revenue bonds 2005	(5,382,419)	(5,520,106)
Others	(1,986,989)	(2,270,863)
Federal expenditures	(2,233,586)	-
Others, net	(297,755)	483,791
	(11,436,555)	(11,415,187)
Total nonoperating revenues (expenses), net	(11,436,555)	(11,415,187)
Loss before capital contributions	(6,167,995)	(7,718,486)
Capital contributions:		
Grants from U.S. Government	6,679,738	3,826,958
Other contributions	-	961,310
	6,679,738	4,788,268
Total capital contributions	6,679,738	4,788,268
Change in net assets	511,743	(2,930,218)
Net assets at beginning of year	201,347,269	204,277,487
Net assets at end of year	\$ 201,859,012	\$ 201,347,269

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)

Statements of Net Assets, Continued
September 30, 2012 and 2011

<u>LIABILITIES AND NET ASSETS</u>	<u>2012</u>	<u>2011</u>
Current liabilities:		
Current maturities of long-term debt	\$ 5,454,328	\$ 6,192,198
Accounts payable:		
United States Navy	404,726	549,977
Guam Power Authority	1,444,824	1,701,278
Trade	2,498,193	3,239,305
Accrued interest	2,960,173	3,015,548
Accrued payroll and employee benefits	439,086	385,664
Current portion of employee annual leave	469,631	446,877
Payable to contractors	9,698,587	1,420,395
Customer deposits	2,063,758	1,949,158
Other liabilities	882,038	505,099
Total current liabilities	<u>26,315,344</u>	<u>19,405,499</u>
Long-term debt, less current maturities:		
Revenue bonds payable	207,822,566	210,242,036
Notes payable	20,851,436	23,915,460
United States Navy	-	75,676
Employee annual leave, less current portion	855,513	879,905
DCRS sick leave liability	1,049,726	931,407
Advances for construction	169,162	168,946
Total liabilities	<u>257,063,747</u>	<u>255,618,929</u>
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	189,567,949	189,524,913
Restricted	9,472,664	8,049,966
Unrestricted	2,818,399	3,772,390
Total net assets	<u>201,859,012</u>	<u>201,347,269</u>
	<u>\$ 458,922,759</u>	<u>\$ 456,966,198</u>

See accompanying notes to financial statements.

EDDIE BAZA CALVO
Governor



Office of the Governor of Guam

RAY TENORIO
Lieutenant Governor

82-13-965
Office of the speaker
Judith T. Won Pat, Ed. D.

Date: 11/8/13
Time: 2:14 pm
Received by: [Signature]

NOV 08 2013

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'trentai Dos Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

Dear Madame Speaker:

Transmitted herewith is Bill No. 181-32 (COR) "AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145, WHICH AMENDED SECTION 4 OF PUBLIC LAW 28-71, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS" which I signed into law on November 7, 2013 as Public Law 32-069.

Senseramente,


EDDIE BAZA CALVO

2013 NOV - 8 PM 2: 41

[Signature]

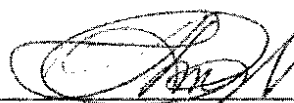
965



I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO *I MAGA'LAHEN GUÅHAN*

This is to certify that **Bill No. 181-32 (COR)**, "AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145, WHICH AMENDED SECTION 4 OF PUBLIC LAW 28-71, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS", was on the 5th day of November 2013, duly and regularly passed.



Judith T. Won Pat, Ed.D.
Speaker

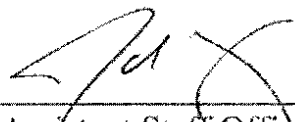
Attested:



Tina Rose Muña Barnes
Legislative Secretary

.....

This Act was received by *I Maga'lahaen Guåhan* this 5 day of NOV, 2013,
at 7:20 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



EDWARD J.B. CALVO
I Maga'lahaen Guåhan

Date: NOV 07 2013

Public Law No. 32-069

I MINA'TRENTAI DOS LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

Bill No. 181-32 (COR)

As amended in the Committee of the Whole.

Introduced by:

T. C. Ada
R. J. Respicio
V. Anthony Ada
FRANK B. AGUON, JR.
B. J.F. Cruz
Chris M. Dueñas
Michael T. Lintiaco
Brant T. McCreadie
Tommy Morrison
T. R. Muña Barnes
Vicente (ben) C. Pangelinan
Dennis G. Rodriguez, Jr.
Michael F. Q. San Nicolas
Aline A. Yamashita, Ph.D.
Jndith T. Won Pat, Ed.D.

AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145, WHICH AMENDED SECTION 4 OF PUBLIC LAW 28-71, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds
3 that the United States District Court of Guam Civil Case No. 02-00035, November

1 10, 2011 Order outlines the corrective actions and other necessary capital projects
2 that the Guam Waterworks Authority (Authority) *shall* continue to undertake.
3 Since the original 2003 Court Order, the Authority has borrowed \$220,000,000 to
4 begin to bring the GWA system into compliance with federal Clean Water and
5 Safe Drinking Water laws.

6 *I Liheslatura* further finds that in order for the Authority to be able to
7 finance the projects required in the timelines prescribed in the United States
8 District Court of Guam Civil Case No. 02-00035, November 10, 2011 Order, the
9 Authority must be authorized to issue an additional Four Hundred Fifty Million
10 Dollars (\$450,000,000) in bonds. The loans would be used to fund the following:

- 11 • bring all three southern wastewater treatment plants in Agat, Umatac and
12 Baza Gardens into compliance with their secondary treatment permits at an
13 estimated cost of 111 Million Dollars by 2018;
- 14 • repair or rebuild all GWA water storage tanks island-wide at an estimated
15 cost of 153.4 Million Dollars by 2021;
- 16 • invest 48.5 Million Dollars for water distribution projects island-wide to
17 begin replacing badly leaking water lines, improve pressure with booster
18 pump upgrades and refurbishing or drilling new wells;
- 19 • fund 39.4 Million Dollars for systems analysis and monitoring and
20 technology upgrades for better system management and energy savings; and
21 • to minimize ratepayer impact and allow for gradual rate increases spread out
22 over five to seven years, an additional amount of 108 Million Dollars is
23 required to fund two years of capitalized interest plus a debt service reserve
24 for each bond borrowing.

25 These bond issuances, in one or more series, *shall* be issued subject to the
26 approval of the Guam Consolidated Commission on Utilities (CCU), the Guam

1 Public Utilities Commission (PUC), and the Board of Directors of the Guam
2 Economic Development Authority (GEDA).

3 *I Liheslatura* further finds that the Authority anticipates that opportunities
4 may arise to refinance all or a portion of its outstanding Series 2005 and Series
5 2010 revenue bonds for debt service savings, which is expected to result in savings
6 to ratepayers. In order to benefit ratepayers and comply with the Federal Court
7 Order, *I Liheslaturan Guåhan* has determined that the issuance of revenue bonds
8 by the Authority for such purpose, subject to approval by the CCU, the PUC, and
9 the Board of Directors of GEDA, would be prudent.

10 *I Liheslatura* finally finds that a 2010 rider, inserted during legislative
11 session, required GWA ratepayers to pay back 20 Million Dollars to the General
12 Fund for a loan that was fully paid off in December 2010, causing an unnecessary
13 burden on ratepayers. Consequently, the rider was interpreted by the PUC in 2012
14 to require an 18% rate increase that ratepayers would re-pay over an 18-month
15 period. GWA filed, in Superior Court, its objection to the PUC order and
16 successfully obtained a stay from transferring 18 Million Dollars to the General
17 Fund. Notwithstanding, the provision still remains in Guam law and needs to be
18 repealed to make it clear that this is no longer a requirement to be placed upon
19 GWA's ratepayers. *I Liheslatura* finds that adding another 20 Million Dollars rate
20 increase onto GWA ratepayers is *not* in the public interest.

21 **Section 2. Amendment to Section 2 of Public Law 30-145.** Section 2 of
22 Public Law 30-145 is hereby *amended* to read as follows:

23 "Section 2. Section 4 of Public Law 28-71 is hereby *amended* to
24 read:

25 "Section 4. **Approval of Guam Waterworks Authority Revenue**
26 **Bonds.**

1 (a) The Guam Legislature, *I Liheslaturan Guåhan*, pursuant
2 to §50103 of Title 12 of the Guam Code Annotated, hereby approves
3 the issuance and sale by the Authority of revenue bonds pursuant to
4 Article 2, Chapter 14, Title 12, Guam Code Annotated (the “Act”) in
5 one or more series or issues; provided that the issuance, terms and
6 conditions of the bonds *shall* have been approved by the Guam Public
7 Utilities Commission, and further provided that such bonds shall have
8 a principal amount *not to exceed* Six Hundred Seventy Million Dollars
9 (\$670,000,000), *shall* have a final maturity not later than 2055, *shall*
10 bear interest at such rate or rates and *shall* be sold for such price or
11 prices as *shall* result in a net yield to the bondholders *not exceeding*
12 seven and one-half percent (7.5%) per annum, *shall* be issued and sold
13 in the manner, for the purposes and subject to the requirements and
14 limitations provided in Article 2, Chapter 14, Title 12, Guam Code
15 Annotated, and *shall* be issued pursuant to an Indenture in
16 substantially the form as attached to this Act as Exhibit A. In order to
17 be able to take advantage of a federally subsidized bond program, net
18 yield to the bondholders *shall* be calculated by subtracting any interest
19 subsidy amounts to be received from the United States in connection
20 with such bonds from the amount of interest to be paid to
21 bondholders.”

22 **Section 3. Approval of Guam Waterworks Authority Refinancing**
23 **Bonds.**

24 *I Liheslaturan Guåhan*, pursuant to §50103 of Title 12 of the Guam Code
25 Annotated, hereby approves the issuance and sale by Guam Waterworks Authority
26 of fixed rate revenue bonds in one or more series or issues to refinance the
27 outstanding revenue bonds of the Authority pursuant to §14226 of Article 2,

1 Chapter 14, Title 12, Guam Code Annotated; provided, that the issuance, terms and
2 conditions of the refinancing bonds *shall* have been approved by the Guam Public
3 Utilities Commission and the Guam Consolidated Commission on Utilities, and
4 that the sale of the bonds *shall* be approved by the Board of Directors of GEDA;
5 and further provided, that such refinancing bonds *shall* have a principal amount
6 sufficient to provide funds for the payment of all bonds to be refinanced thereby
7 (the “prior bonds”), and in addition for the payment of all expenses incident to the
8 calling, retiring or paying of such prior bonds and the issuance of such refinancing
9 bonds, including:

10 (a) the difference in amount between the par value of the
11 refinancing bonds and any amount less than par for which the refinancing
12 bonds are sold;

13 (b) any amount necessary to be made available for the payment of
14 interest upon such refinancing bonds from the date of sale thereof to the date
15 of payment of the prior bonds or to the date upon which the prior bonds will
16 be paid pursuant to the call thereof or agreement with the holders thereof;

17 (c) the premium, if any, necessary to be paid in order to call or
18 retire the prior bonds and the interest accruing thereon to the date of the call
19 or retirement; and

20 (d) any additional amount needed to provide for a deposit to the
21 debt service reserve in connection with the issuance of the refinancing
22 bonds.

23 And further provided that such refinancing bonds *shall* have a final maturity
24 *not later than* the final maturity of the prior bonds; that such refinancing bonds
25 *shall* be issued and sold pursuant to the Authority’s existing bond indenture and in
26 compliance with the provisions of Chapter 14 of Title 12 of the Guam Code
27 Annotated; and that the present value of debt service on the refinancing bonds *shall*

1 be *at least* two percent (2%) less than the present value of debt service on the
2 bonds being refinanced, using the yield on the refinancing bonds as the discount
3 rate; and further provided that all obligation of the Authority to pay debt service
4 on, and the redemption price of, the prior bonds *shall* be discharged concurrently
5 with the issuance of the refinancing bonds; and thereafter, the prior bonds *shall* be
6 payable solely from and secured solely by an escrow established for such purpose
7 in accordance with the Authority's existing bond indenture

8 **Section 4. Severability.** If any of the provisions of this law or its
9 application to any person or circumstance is found to be invalid or contrary to law,
10 such invalidity shall not affect other provisions or applications of this law which
11 can be given effect without the invalid provisions or application, and to this end the
12 provisions of this law are severable.



FILE COPY

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
THIRTY-SECOND GUAM LEGISLATURE
155 Hesler Place, Hagåtña, Guam 96910

November 5, 2013

The Honorable Edward J.B. Calvo
I Maga'lahaen Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910

Dear *Maga'lahi* Calvo:

Transmitted herewith is Bill No. 181-32 (COR) which was passed by *I Mina'Trentai Dos Na Liheslaturan Guåhan* on November 5, 2013.

Sincerely,

TINA ROSE MUÑA BARNES
Legislative Secretary

Enclosure (1)

11/5/13 7:20 PM JBC

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

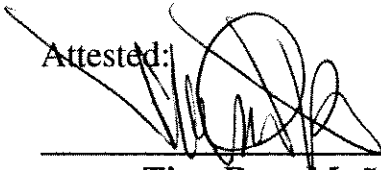
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that **Bill No. 181-32 (COR)**, "AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145, WHICH AMENDED SECTION 4 OF PUBLIC LAW 28-71, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS", was on the 5th day of November 2013, duly and regularly passed.



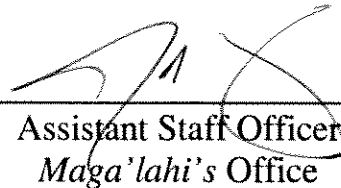
Judith T. Won Pat, Ed.D.
Speaker

Attested:



Tina Rose Muña Barnes
Legislative Secretary

This Act was received by *I Maga'lahen Guåhan* this 5 day of Nov, 2013,
at 7:20 o'clock P.M.


Assistant Staff Officer
Maga'lahi's Office

APPROVED:

EDWARD J.B. CALVO
I Maga'lahen Guåhan

Date: _____

Public Law No. _____

I MINA'TRENTAI DOS LIHESLATURAN GUÅHAN
2013 (FIRST) Regular Session

Bill No. 181-32 (COR)

As amended in the Committee of the Whole.

Introduced by:

T. C. Ada
R. J. Respicio
V. Anthony Ada
FRANK B. AGUON, JR.
B. J.F. Cruz
Chris M. Dueñas
Michael T. Lintiacó
Brant T. McCreddie
Tommy Morrison
T. R. Muña Barnes
Vicente (ben) C. Pangelinan
Dennis G. Rodriguez, Jr.
Michael F. Q. San Nicolas
Aline A. Yamashita, Ph.D.
Judith T. Won Pat, Ed.D.

AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145, WHICH AMENDED SECTION 4 OF PUBLIC LAW 28-71, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds
3 that the United States District Court of Guam Civil Case No. 02-00035, November

1 10, 2011 Order outlines the corrective actions and other necessary capital projects
2 that the Guam Waterworks Authority (Authority) *shall* continue to undertake.
3 Since the original 2003 Court Order, the Authority has borrowed \$220,000,000 to
4 begin to bring the GWA system into compliance with federal Clean Water and
5 Safe Drinking Water laws.

6 *I Liheslatura* further finds that in order for the Authority to be able to
7 finance the projects required in the timelines prescribed in the United States
8 District Court of Guam Civil Case No. 02-00035, November 10, 2011 Order, the
9 Authority must be authorized to issue an additional Four Hundred Fifty Million
10 Dollars (\$450,000,000) in bonds. The loans would be used to fund the following:

- 11 • bring all three southern wastewater treatment plants in Agat, Umatac and
12 Baza Gardens into compliance with their secondary treatment permits at an
13 estimated cost of 111 Million Dollars by 2018;
- 14 • repair or rebuild all GWA water storage tanks island-wide at an estimated
15 cost of 153.4 Million Dollars by 2021;
- 16 • invest 48.5 Million Dollars for water distribution projects island-wide to
17 begin replacing badly leaking water lines, improve pressure with booster
18 pump upgrades and refurbishing or drilling new wells;
- 19 • fund 39.4 Million Dollars for systems analysis and monitoring and
20 technology upgrades for better system management and energy savings; and
21 • to minimize ratepayer impact and allow for gradual rate increases spread out
22 over five to seven years, an additional amount of 108 Million Dollars is
23 required to fund two years of capitalized interest plus a debt service reserve
24 for each bond borrowing.

25 These bond issuances, in one or more series, *shall* be issued subject to the
26 approval of the Guam Consolidated Commission on Utilities (CCU), the Guam

1 Public Utilities Commission (PUC), and the Board of Directors of the Guam
2 Economic Development Authority (GEDA).

3 *I Liheslatura* further finds that the Authority anticipates that opportunities
4 may arise to refinance all or a portion of its outstanding Series 2005 and Series
5 2010 revenue bonds for debt service savings, which is expected to result in savings
6 to ratepayers. In order to benefit ratepayers and comply with the Federal Court
7 Order, *I Liheslaturan Guåhan* has determined that the issuance of revenue bonds
8 by the Authority for such purpose, subject to approval by the CCU, the PUC, and
9 the Board of Directors of GEDA, would be prudent.

10 *I Liheslatura* finally finds that a 2010 rider, inserted during legislative
11 session, required GWA ratepayers to pay back 20 Million Dollars to the General
12 Fund for a loan that was fully paid off in December 2010, causing an unnecessary
13 burden on ratepayers. Consequently, the rider was interpreted by the PUC in 2012
14 to require an 18% rate increase that ratepayers would re-pay over an 18-month
15 period. GWA filed, in Superior Court, its objection to the PUC order and
16 successfully obtained a stay from transferring 18 Million Dollars to the General
17 Fund. Notwithstanding, the provision still remains in Guam law and needs to be
18 repealed to make it clear that this is no longer a requirement to be placed upon
19 GWA's ratepayers. *I Liheslatura* finds that adding another 20 Million Dollars rate
20 increase onto GWA ratepayers is *not* in the public interest.

21 **Section 2. Amendment to Section 2 of Public Law 30-145.** Section 2 of
22 Public Law 30-145 is hereby *amended* to read as follows:

23 “**Section 2.** Section 4 of Public Law 28-71 is hereby *amended* to
24 read:

25 “**Section 4. Approval of Guam Waterworks Authority Revenue**
26 **Bonds.**

1 (a) The Guam Legislature, *I Liheslaturan Guåhan*, pursuant
2 to §50103 of Title 12 of the Guam Code Annotated, hereby approves
3 the issuance and sale by the Authority of revenue bonds pursuant to
4 Article 2, Chapter 14, Title 12, Guam Code Annotated (the “Act”) in
5 one or more series or issues; provided that the issuance, terms and
6 conditions of the bonds *shall* have been approved by the Guam Public
7 Utilities Commission, and further provided that such bonds shall have
8 a principal amount *not to exceed* Six Hundred Seventy Million Dollars
9 (\$670,000,000), *shall* have a final maturity not later than 2055, *shall*
10 bear interest at such rate or rates and *shall* be sold for such price or
11 prices as *shall* result in a net yield to the bondholders *not exceeding*
12 seven and one-half percent (7.5%) per annum, *shall* be issued and sold
13 in the manner, for the purposes and subject to the requirements and
14 limitations provided in Article 2, Chapter 14, Title 12, Guam Code
15 Annotated, and *shall* be issued pursuant to an Indenture in
16 substantially the form as attached to this Act as Exhibit A. In order to
17 be able to take advantage of a federally subsidized bond program, net
18 yield to the bondholders *shall* be calculated by subtracting any interest
19 subsidy amounts to be received from the United States in connection
20 with such bonds from the amount of interest to be paid to
21 bondholders.”

22 **Section 3. Approval of Guam Waterworks Authority Refinancing**
23 **Bonds.**

24 *I Liheslaturan Guåhan*, pursuant to §50103 of Title 12 of the Guam Code
25 Annotated, hereby approves the issuance and sale by Guam Waterworks Authority
26 of fixed rate revenue bonds in one or more series or issues to refinance the
27 outstanding revenue bonds of the Authority pursuant to §14226 of Article 2,

1 Chapter 14, Title 12, Guam Code Annotated; provided, that the issuance, terms and
2 conditions of the refinancing bonds *shall* have been approved by the Guam Public
3 Utilities Commission and the Guam Consolidated Commission on Utilities, and
4 that the sale of the bonds *shall* be approved by the Board of Directors of GEDA;
5 and further provided, that such refinancing bonds *shall* have a principal amount
6 sufficient to provide funds for the payment of all bonds to be refinanced thereby
7 (the “prior bonds”), and in addition for the payment of all expenses incident to the
8 calling, retiring or paying of such prior bonds and the issuance of such refinancing
9 bonds, including:

10 (a) the difference in amount between the par value of the
11 refinancing bonds and any amount less than par for which the refinancing
12 bonds are sold;

13 (b) any amount necessary to be made available for the payment of
14 interest upon such refinancing bonds from the date of sale thereof to the date
15 of payment of the prior bonds or to the date upon which the prior bonds will
16 be paid pursuant to the call thereof or agreement with the holders thereof;

17 (c) the premium, if any, necessary to be paid in order to call or
18 retire the prior bonds and the interest accruing thereon to the date of the call
19 or retirement; and

20 (d) any additional amount needed to provide for a deposit to the
21 debt service reserve in connection with the issuance of the refinancing
22 bonds.

23 And further provided that such refinancing bonds *shall* have a final maturity
24 *not later than* the final maturity of the prior bonds; that such refinancing bonds
25 *shall* be issued and sold pursuant to the Authority’s existing bond indenture and in
26 compliance with the provisions of Chapter 14 of Title 12 of the Guam Code
27 Annotated; and that the present value of debt service on the refinancing bonds *shall*

1 be *at least* two percent (2%) less than the present value of debt service on the
2 bonds being refinanced, using the yield on the refinancing bonds as the discount
3 rate; and further provided that all obligation of the Authority to pay debt service
4 on, and the redemption price of, the prior bonds *shall* be discharged concurrently
5 with the issuance of the refinancing bonds; and thereafter, the prior bonds *shall* be
6 payable solely from and secured solely by an escrow established for such purpose
7 in accordance with the Authority's existing bond indenture

8 **Section 4. Severability.** If any of the provisions of this law or its
9 application to any person or circumstance is found to be invalid or contrary to law,
10 such invalidity shall not affect other provisions or applications of this law which
11 can be given effect without the invalid provisions or application, and to this end the
12 provisions of this law are severable.

LEGISLATIVE SESSION

I MINA'TRENTAI DOS NA LIHESLATURAN

2013 (FIRST) Regular Session

Voting Sheet

Bill No. 181-32 (COR)
As amended on the Floor.

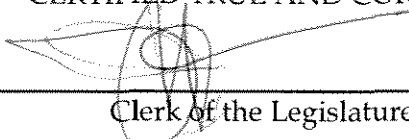
Speaker Antonio R. Unipingco Legislative Session Hall
November 5, 2013

NAME	Yea	Nay	Not Voting/ Abstained	Out During Roll Call	Absent
Senator Thomas "Tom" C. ADA	✓				
Senator V. Anthony "Tony" ADA					Ex.
Senator Frank Blas AGUON Jr.	✓				
Vice-Speaker Benjamin J.F. CRUZ		1✓			
Senator Christopher M. DUENAS	✓				
Senator Michael LIMTIACO	✓				
Senator Brant McCREADIE	✓				
Senator Thomas "Tommy" MORRISON	✓				
Senator Tina Rose MUÑA BARNES	✓				
Senator Vicente (ben) Cabrera PANGELINAN		✓			
Senator Rory J. RESPICIO	✓				
Senator Dennis G. RODRIGUEZ, Jr.	✓				
Senator Michael F. Q.SAN NICOLAS	✓				
Speaker Judith T. WON PAT, Ed.D.		1✓			
Senator Aline A. YAMASHITA, Ph.D.					Ex.

TOTAL

<u>10</u>	<u>3</u>			<u>2 Ex.</u>
Yea	Nay	Not Voting/ Abstained	Out During Roll Call	Absent

CERTIFIED TRUE AND CORRECT:



 Clerk of the Legislature

I = Pass



I Mina'trentai Dos na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

OCT 25 2013

The Honorable Vice Speaker BJ Cruz
Acting Speaker
I Mina'trentai Dos Na Liheslaturan Guåhan
155 Hesler Place
Hagåtña, Guam 96910

VIA: The Honorable Rory J. Respicio
Chairperson, Committee on Rules

RE: Committee Report on Bill No. 181-32 (COR)

Dear Speaker Won Pat:

Transmitted herewith is the Committee Report on Bill No. 181-32 (COR), An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds" sponsored by Senator Tom Ada, which was referred to the Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation and Land.

Committee votes are as follows:

- TO PASS
- NOT TO PASS
- TO REPORT OUT ONLY
- TO ABSTAIN
- TO PLACE IN INACTIVE FILE

Si Yu'os Ma'åse',

Vicente (ben) Cabrera Pangelinan
Chairman

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

2013 OCT 29 PM 3:38
JMB

324 W. Soledad Ave. Suite 100, Hagåtña, Guam 96910

Tel: (671) 473-(4BEN) 4236 - Fax: (671) 473-4238 - Email: senbenp@guam.net

Website: http://senbenp.com

COMMITTEE REPORT

ON

Bill No. 181-32(COR), As Introduced

Sponsored by

Senator Tom Ada

**AN ACT TO AMEND SECTION 2 OF PUBLIC LAW
30-145 RELATIVE TO APPROVING THE TERMS
AND CONDITIONS OF THE ISSUANCE OF
GUAM WATERWORKS AUTHORITY REVENUE
BONDS, TO INCREASE THE AMOUNT OF THE
BONDS THAT THE GUAM WATERWORKS
AUTHORITY IS AUTHORIZED TO ISSUE, AND TO
APPROVE THE TERMS AND CONDITIONS OF
GUAM WATERWORKS AUTHORITY REVENUE
BONDS TO REFINANCE CERTAIN GUAM
WATERWORKS AUTHORITY REVENUE BONDS.**



I Mina'trentai Dos na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

OCT 25 2013

MEMORANDUM

To: All Members
Committee on Appropriations, Public Debt, Legal Affairs, Retirement,
Public Parks, Recreation, Historic Preservation and Land.

From: Senator Vicente (ben) Cabrera Pangelinan
Committee Chairperson

Subject: Committee Report on Bill No 181-32 (COR), as introduced

Transmitted herewith for your consideration is the Committee Report on Bill No. 181-32 (COR) as introduced, An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds”, sponsored by Senator Tom Ada.

This report includes the following:

1. Committee Voting Sheet
2. Committee Report Narrative
3. Copy of Bill No. 181-32 (COR) As Introduced
4. Public Hearing Sign-in Sheet
5. Copies of Written Testimonies
6. Copy of Request for Fiscal Note
7. Copy of COR referral Bill No.181-32 (COR)
8. Notices of Public Hearing
9. Copy of the Public Hearing Agenda

Please take the appropriate action on the attached voting sheet. Your attention to this matter is greatly appreciated. Should you have any questions or concerns, please do not hesitate to contact my office.

Si Yu'os Ma'åse',

Vicente (ben) Cabrera Pangelinan
Chairman

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens



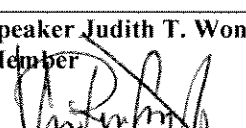
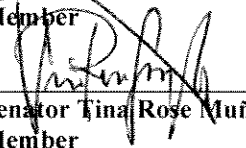

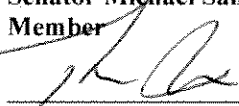
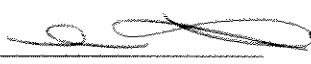
Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

I MINA' TRENTAI DOS NA LIHESLATURAN GUÁHAN

Committee Voting Sheet

Committee on Appropriations, Public Debt, Legal Affairs, Retirement,
Public Parks, Recreation, Historic Preservation and Land

Bill No. 181-32 (COR): An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds.

Committee Members	To Pass	Not To Pass	Report Out Only	Abstain	Inactive File
 Senator Vicente (ben) Cabrera Pangelinan Chairman	_____	_____	✓	_____	_____
 Vice Speaker BJ Cruz Vice Chairperson	_____	_____	✓	_____	_____
 Speaker Judith T. Won Pat Member	_____	_____	✓	_____	_____
 Senator Tina Rose Muña-Barnes Member	_____	_____	_____	_____	_____
Senator Dennis Rodriguez, Jr. Member	_____	_____	_____	_____	_____
 Senator Michael San Nicolas Member	_____	_____	✓	_____	_____
 Senator Tommy Morrison Member	_____	_____	10/25	_____	_____
 Senator Michael Limtiaco Member	_____	_____	✓ 10/24/13	_____	_____



Committee Report

Bill No. 181-32 (COR). An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds.

I. OVERVIEW

The Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation and Land convened a public hearing on October 9, 2013 at 1:00 pm in *Liheslatura's* public hearing room.

Public Notice Requirements

Notices were disseminated via hand-delivery and e-mail to all senators and all main media broadcasting outlets on Wednesday October 2, 2013 (5-Day Notice), and again on Monday, October 7, 2013 (48 Hour Notice).

(a) Committee Members and Senators Present

Speaker BJ Cruz, Vice Chairman
Senator Tom Ada
Senator Frank Aguon
Senator Tony Ada
Senator Chris Duenas
Senator Michael Limtiaco
Senator Tommy Morrison

(b) Appearing before the Committee

Mr. Martin Roush, Guam Waterworks Authority General Manager
Mr. Simon Sanchez, Chairman of the Consolidated Commission on Utilities
Mr. Greg Cruz, Guam Waterworks Authority Controller

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

(c) Written Testimonies Submitted

Guam Waterworks Authority

Mr. Henry Taitano, Administrator for the Guam Economic Development Authority

II. COMMITTEE PROCEEDINGS

Vice Chairman BJ Cruz. I hereby call to order the public hearing by the Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land. I am Benjamin Cruz and I have been asked to preside over this hearing and we one item on today's agenda and that is Bill No. 181, introduced by Senator Tom Ada. Senator Cruz introduced his colleagues who joined him today for this hearing.

At this time, I will allow the sponsor of Bill 181 to make an opening statement and then we will proceed.

(a) Bill Sponsor Summary

Senator Tom Ada. Thank you very much Mr. Vice Chair. Bill 181 was introduced to authorize the Guam Waterworks to borrow \$495M in order to be able to fund capital improvement projects that have been outlined by the US District Court Order and also to fund projects that were listed in the USEPA significant findings for the water and wastewater. These are projects, which basically are deficiencies, which need to be addressed now and it will get worse before they get better. It also seeks to remove a \$20M repayment requirement from Guam Waterworks otherwise it would surface as a rate increase requirement for the customers of GWA.

With that, Mr. Chairman I think GWA has prepared a very informative presentation and we should proceed with that now.

Vice Chairman BJ Cruz. Thank you. Mr. Sanchez.

(b) Testimony

Mr. Simon Sanchez. Buenas Senators. Thank you for the opportunity for me to testify this afternoon on Bill 181. I am Simon Sanchez, Chairman of the CCU. With me today in the audience today are two colleagues also elected from the CCU, Mr. Joey Duenas and Mr. Pete Guerrero.

We also have senior management staff here to participate and support the hearing today; we have our General Manager, Mr. Martin Roush will participate in the presentation today talking to you specifically on how the monies would be borrowed would be used to improve the service, we also have our CFO, Greg Cruz who will be talking about the financial structure, some description of the rates that are necessary to support the borrowing so you will get the full picture; it's not just borrowing money and it is not repaid. We want to walk you through that to provide full disclosure.

Our legal counsel is here, Sam Taylor. We also have our Chief Engineer, Tom Cruz and Heidi Ballendorf, our Chief Communications Officer.

With that, we will try and answer all your questions and present to you the basis for our support.

The CCU and GWA support the passage of Bill 181. I would do basic things: It would authorize GWA to borrow up to \$495M to fund capital improvement projects that are required by a federal Court order that has been in place since 2003 and amended in 2011. It would also fund other projects that USEPA is requiring GWA to perform. These are not in a Court order and we would like to keep them out of a Court order. USEPA has said that if we are not able to fund these projects and we agree on timelines, and actually execute these projects that they would approach the District Court to put these projects in a Court order – we are trying to be proactive. We find it much easier to work with USEPA outside of a Court order in a more collaborative process. They have expressed a willingness to allow that to happen. We have some projects that are not in the Court order but they want us to perform. They will lead to system improvements and we can do it with a little more flexibility.

When you take the projects required in the Court order and you take the projects required of what we call the significant findings of the USEPA, put them together and you add the financing costs for all of these projects, this is where the \$495M totals and we will walk you through how we built this number. The other reason we support the passage of Bill 181 is it removes a rider that was put onto the 2010 borrowing bill, which GWA ratepayers were required to repay to the general fund - \$20M for a water and wastewater infrastructure loan that was made in 1988 before GWA existed. It was PUAG as a line agency so the general fund had to borrow the money back in 1988. It was for infrastructure but that loan was actually paid off in 2010. Nonetheless, this requirement still sits on the books and it has led to a disagreement with GWA and PUC that ended up in Court. We would like to talk about that disagreement because it has a significant impact on ratepayers. It would result in even higher rate increases than already being contemplated to fund the \$495M and the problems that arise from this rider could be addressed, we think if it was removed. We are supporting that part of the bill.

GWA begins the slide presentation.

With that overview, we thought it would be useful if we go to the third slide to talk to you – a brief history on how did we get to today. In December 2022, USEPA sued the government of Guam and GWA – so both parties to this litigation. They sued both of us for failure to comply with federal clean water and safe drinking water laws. The original Federal Court order was in signed in June 2003.

From 2003 to 2010, GWA was authorized to borrow and did borrow and invest \$220M to begin modernizing, repairing and replacing GWA infrastructure in order to improve service to ratepayers and bring GWA into full compliance with applicable federal laws.

The 2003 Court order was amended in 2011 requiring GWA to complete CIP projects estimated to cost \$313M and these projects have to be completed between 2013 and 2021. Mr. Roush will walk you through some of the timelines with that.

In the past year, USEPA identified additional projects known as “Significant Findings for Water and Wastewater”. They sent a team out here to further review the system and said that besides the Court order, GWA has other upgrades that have to be done and the estimated cost for these projects is \$130M. Consequently, GWA seeks to borrow up to \$495M, inclusive of financing costs over the next five years in three separate financings – 2013, 2015, 2017 – to complete these projects.

We are hoping with the legislative concurrence and the Governor’s support, this will allow us to advise the Federal Court that we have the support of our leadership to borrow the money to comply with the Court order. We also want to inform USEPA that we have the support of our leadership to comply with this order and the support of the community as you are representatives to modernize and bring GWA into the 21st Century and ensure that we are providing better service at the lowest price possible while protecting the environment and complying with federal and local environmental laws.

To support this borrowing, GWA has been raising rates over the last 11 years. We have had to five-year rate plans that have carried us from 2004 to 2013. We have submitted now our third five-year rate plan to carry us from 2013 to 2018. It’s this five-year rate plan that we will share with you and is now before the PUC that is going to pay for the \$495M in borrowing.

Projected rate increases may be as high as 32%-44% for residential customers and 82% for commercial and government ratepayers. These are rates increases would be phased in 2013-2018. From 2004-2013, there has been 90% aggregate rate increases approved. This now would be another set of rate increases on top of that as we try to spread out the rate increases – we are now spreading out rates increases over 14-15 years to, should we get your approval we will have borrowed by 2020 almost three quarters of a billion dollars to rebuild this system. To pay for it, we spread out rate increases over 14 years to try to keep them manageable as possible. Greg Cruz will talk to you in more detail about the rate hikes.

We hope to obtain the approval of the Legislature and the Governor by the end of the month, or as closely as possible. As Martin Roush will show from the timelines that are in the Court order - as you know, we cannot procure anything without knowing we have money. In order to have the money, you have to borrow the money. In order to borrow the money, you have to get permission from the Legislature and the Governor. As we said earlier, we expect to borrow \$495M in 2013, 2015 and 2017, roughly around November of that calendar year to allow Mr. Roush to have money to issue the procurements for the projects so they are started and completed in time to comply with the Court order.

As the Vice Speaker mentioned on the radio this morning, there are some time dependent issues, which has brought us to today requesting this approval and to have us break it out the way we did.

In 2005, the Legislature authorized GWA to borrow \$220M to begin to comply with the Court order, which started in 2003. Of the \$220M we have borrowed so far, \$167M was for projects, of which \$130M has been spent and another \$19M has already been obligated to projects. \$18M

has been restricted by the PUC until ongoing litigation between GWA and PUC is resolved. This is \$20M clause that is in the current law. Bill 181 proposes to remove this \$20M reimbursement and it is removed, I think it will end all the litigation. The financing cost for the \$220M was \$53M, so therein a snapshot of the \$220M, \$167M is committed to projects and \$53M was financing cost. As you know with bond borrowing, you are always putting a debt service reserve, capitalized interest cost of issuance – those are in addition to CIP monies that you net from a bond issuance.

We want to give the members a snapshot what kinds of things that the \$220M was spent on.

What GWA has done for water:

- Meter Replacement Program. On the water side, as you know we have be going through a major water meter replacement program. We are on the final leg of that program. That program is the second thing we must accomplish by the end of this year based on that Court order, but as you all know we have been replacing meters and should be finished with that.
- Ugum Water Treatment Plant. We have put \$11M into Ugum. Unfortunately, when you have 18 inches of rain within two days, even \$11M can't always save that water treatment plant. But the water quality as been greatly enhanced. Until that record rain, we have not had the kind of failures that occurred then. That is because we have put \$11M into it.
- Mangilao Reservoir 1 Mgal.
- Barrigada Reservior 2 Mgal
- Groundwater Disinfection Project
- Ground Water Chlorination Upgrades (medium and high risk)
- A-Series Transmission Line Upgrade
- Santa Rita Springs & Booster Pump Station Rehab
- Fena Bypass Transmission Line Upgrade
- Water Resources Master Plan. The master plan was done in 2008 and what is said is that between 2008 and 2028, GWA needs to spend a billion dollars to modernize the system. With the approval of this loan authorization, by 2020, 2021 we will be three-quarters of the way to 2028 and we would have borrowed three-quarters of a billion dollars. Again, we have tried to stretch this out as long as we can. But, even our own master plan said the system was badly in need of investment, which we agreed. Our ratepayers tell us there are problems that need to be fixed. We have been sending untreated sewage into the ocean for 30 years – all those things need to get fixed and we have started that process.
- Water Reservoir Condition Assessment & Minor Repairs
- Leak Detection

What GWA has done for wastewater:

One of our most proud accomplishments, so far is that in January of this year, the northern wastewater treatment plant near Two Lover's Point, which handles the highest volume of wastewater on Guam; Dededo, Yigo and Anderson Air Force Base. That wastewater treatment

plant, with the monies we have put into it already finally began to meet USEPA primary treatment standards for the first time in 30 years and has continued to meet those standards. The upgrades have worked well and we are very proud that our largest wastewater treatment plant is now in compliance with our permit.

The Hagatna plant, we will have done by this year, early next year. At the heart of the original Court order was getting these two plants into compliance. So, those two plants with the money we already borrowed; one has already been brought into compliance, the other one will be in full compliance by the end of this year, early next year. They handle 70% of the wastewater on Guam. By January, 70% of the wastewater on Guam be treated according to USEPA primary treatment standards.

We have also started to plan for upgrades in Baza Gardens. We are beginning to look at what is happening in Agat with the wastewater system there.

We have put in two new outfalls; one in Hagatna, one in northern that was \$25M to take the wastewater further away from our shores and deeper. Those have been in place for 5-6 years.

You have let us borrow \$220M. We have spent the money on water and wastewater project as summarized in the last two slides.

- Baza Gardens Structural Improvements
- Northern District WWTP Outfall
- Northern District WWTP Enhanced Primary
- Northern District WWTP Chlorine Tank Removal
- Hagatna WWTP Primary Improvements.
- Hagatna WWTP Outfall
- Moratorium Pump Stations/Treatment Plant
- Old Agat Collection Project Continuation (I)
- Chaot Wastewater Pump Station Upgrades
- Water Resources Master Plan
- I&I/SSES Southern System

So that is what has gotten to today. We borrowed money through a bond in 2005, 2010. In 2001 we negotiated a revised Court order with USEPA and the District Court, which led to new timelines. Bill 181 is going to allow us to borrow enough money to meet those timelines. To give more details on exactly how the money will be spent, I want to turn it over to our GM, Martin Roush.

Mr. Martin Roush. I am Martin Roush, General Manager of GWA. It is an honor to be here, honorable Senators.

How do we spend close to half a billion dollars? What's important is that we talk about compliance. GWA's projects are driven by USEPA. We have three major areas:

November 2011 Court Order

November 2012 EPA's Significant Findings Water
May 2013 EPA's Significant Findings Wastewater

All the projects we are doing fall in those three categories.

If we look at the Court order, I think the important part is the price tag. It's an expensive Court order. We are about 23 months into the Court order and although we have had a lot of success, we have a long way to go. It's a ten-year Court order, over a quarter of a billion dollars. As Simon mentioned, we completed the northern district treatment plant. Several of these projects are complete:

Sinajana. The majority of that is done except for two tanks that are out right now. For chlorine, we finished three out of the four Court ordered projects.

SSES and Ugam Treatment Plant. We are done with the check list on that.

What's left is still the majority of funds. The first phase of the quarter is more the planning phase, some project delivery. We look at the \$153M for tanks, we have completed construction of Barrigada 2-million tank. So there is still a lot of money that needs to be acquired and construction needs to go for the next 8 years.

When we look at the overview of the capital improvement project plans, we talked about northern, Hagatna – we finished three out of the Court order projects. In Hagatna, we have one final one that will get us into environmental compliance. We are looking at that being done in January. Baza Gardens, Agat, Santa Rita, Umatac, Merizo – will require all new treatment plants at an estimated price of \$110M. The first phase of that is assessing the collection system so we build the right size treatment plant. We are very frugal with our funding.

On the wastewater collection side, we are on target with our sewer cleaning and our CCT educational campaign. On the water side, the storage tanks are almost 40% of the Court order and when you look at in the year 2016, we need to get ten tanks repaired and replaced. We really have to front end load those tanks and start them now or start them when we get the funds in December.

By 2021, all the tanks on #1 (Yigo) will be repaired or replaced. The problem with just repair and replace, we are finding the vast majority of tanks that are having to be replaced, very few of them we can repair. We have one tank that did not need repairs, there are a couple that need major repairs, but most of them are complete replacements and we kind of expected that.

On the groundwater chlorination, we finished three of the four projects and we just last night got approval from the CCU to begin the design in Phase III, the low risk wells. We are ahead of schedule on all those projects.

So that is a brief review of the Court order. The second piece that we got was, in November 2012 we got the significant findings for water. It was about 40 items and they covered everything, from asset management to training. But, the projects that we could complete, we finished about

27 out of 40. So, we were able to complete it's the projects that require capital funds that can't get until we get the funding for those projects.

Water system planning is a big deal for USEPA. They want to make sure we do the proper planning by doing the right projects and we understand our system so we can minimize the overall cost.

Waterline replacement. This is one of those projects that have a great benefit cost ratio and the public gives you great feedback when you fix the leaks promptly. Right now, we are fixing leaks promptly, but we really have to go in and replace a lot of lines. There are just too many seven clamps in one line; you can't put eighth clamp on that. That is about \$28M in the next five years. Again, that's a great project for reducing water loss and saving the customer's rate increase.

Booster pump stations are at \$10M. At the Ugum treatment plant, there is still some work we need to do there for more reliability. New production wells we have not done – well replacement in the history of GWA, so we have to begin a well replacement program, re-drill the down hard wells.

Switching gears to the wastewater side. This one we just got in May so we don't really have a progress report. We are still negotiating USEPA on how that is going to look and how the timelines are going to look. Most of the monies are going to the collection systems under the pipelines, same with the water. Sewer lift stations; same on the water side. That is a total of \$50M.

The next two slides (*entitled 2011 Court Order Project & Significant Findings*) are the schedule and what we did was we put all the projects in the significant findings in a schedule. I think the important part here is that we need the funds now because you have a procurement phase, a design phase, another procurement construction phase and a construction phase. In order to start meeting the 2016 deadlines for Agat, Santa Rita wastewater treatment plant and 7 additional storage tanks we need the money by November or December in that range. Again, this is just a review of the projects. You can see the projects equal out to about \$340M of the future bonds. It doesn't match because, again we have grant funds and we have 2010 bond funds that we already completed the projects such as Northern and Hagatna.

The project we hope to put off 25 years is --- in June of 2013, very recently we got the secondary treatment requirements for both Northern and Hagatna that would require us to go to secondary treatment. The question is when. It has at least a quarter billion dollar price tag for ratepayers. We are hoping that that negotiation with USEPA is going to go well and we can put that off 20-25 years, such as other utilities have - like in Honolulu. We can put it off so we can pay back the 2005 bonds, pay back the 2010 bonds before we have to start the next wave of borrowing. So, we really need to extend the timelines to mitigate secondary treatment. Watch out for the ratepayers.

That is what we plan to do with the money and just in summary, it is being driven by USEPA to come into compliance. But, a lot of these compliance issues really build system reliability, help us do the asset management to keep down prices, like the line replacement and well projects. The

asset management in the long term will help the fiscal position of the Utility. But, the price tag is shocking and with that I would like to turn it over to Greg to go over the financial part of the presentation.

Mr. Greg Cruz. My name is Greg Cruz and I am the CFO for GWA. You just heard Martin, the GM and the Chairman speak to the magnitude of investments that we would have to put into our infrastructure to comply with the Court order, to comply with federal mandates and to continue to improve delivery of water and wastewater services to the community. Both have also alluded to the need to borrow to meet these requirements.

We are providing this slide (titled Sources for GWA's Capital Improvement Program) to illustrate that while GWA recognizes that raising capital through financing is probably the most expensive way of raising capital. GWA also looks into other sources of funding to meet its capital requirement other than just bond funds alone. We are still going to need the support of Bill 181 because you can see from this slide, most of the project are predominately funded with bond funds.

However we also look at opportunities and we are looking at having some grants available to pay for some of our CIP needs. We are looking at the State Revolving Fund of approximately \$25M-\$26M over the five-year period. We have our system development charges, which is approximately \$6M that we are projecting that we should be able to generate over this five-year period. We will also be setting aside internally generated cash to help us to pay for these capital needs as opposed to going out to the market and borrowing for these monies.

Because most of all the financing for these capital projects will require us to borrow, the inevitable is that rates will have to be raised in order to pay for this new debt service. We recently submitted a five-year rate plan to the PUC for their approval. We are requesting for a 60% rate increase in the aggregate over 5 years. This 67% rate plan also includes (*see slide entitled Details of Proposed 5-year Rate Plan*) the borrowing authorization that we are seeing in Bill 181. We are currently in discussion with the PUC's rate consultants and all indications are that the discussions are moving toward a lower overall increase in rates. Certainly, not more than in the magnitude of 67% - it's going to be roughly between 57% to 67% - 67% is what we are looking at in terms of overall rate increases.

This slide (*entitled Details of Proposed 5-year Rate Plan*) helps to illustrate the rate structure of GWA. GWA's rate tariff consist of a basic charge, which is a fixed charge assessed to all rate payers on a monthly basis. We also have lifeline tariff or rate, which only benefits residential accounts. We also have a non-lifeline rate, which is for consumption – by the way, the lifeline is for residential consumption of 5,000 gallons or less per month. The non-lifeline rate would be for consumption above the 5,000 thresholds. The legislative surcharges are revenues generated to help defray some of our retiree healthcare cost.

(Next slide entitled No. of Customers)

The message I want to impart on this slide is because it will help me make a point on the next slide is that out of the approximately 42,000 customers that GWA has, over half of them

represent residential accounts – actually more than half, about 38,000 of the 42,000 accounts represent residential accounts. Half of those residential accounts use less than 5,000 gallons of water monthly. The other half use more than 5,000 gallons a month. We are making this point to help illustrate on the next slide (*entitled Rate Impact*) why – Simon eluded this earlier – the overall 67% rate increase will not impact the ratepayers. They won't feel the full brunt of the 67% rate increase because – some will, some won't, but most of them won't – of the lifeline rate.

You will see on the slide (*entitled Details of Proposed 5-year Plan*) showing rate increases every year annually for the basic and non-lifeline rates – and that is every year for five consecutive years. The lifeline rates does not adjust annually, it only adjusts once and I believe that is in FY2017 and that adjustment only occurs when there is a cost of service threshold that is met. Unless that cost of service threshold is met, then the lifeline rate does not move. There is a non-lifeline rate that also adjusts every year annually for the next five years based on our proposed five-year rate plan.

(*Refer to slide entitled Rate Impact*) So, because residential customers are the only ones that benefit from this lifeline rate and it doesn't go up every year, the net effect would be to lower that 67% down to 32% for those customers that use less than 5,000 gallons and if you use more than 5,000 gallons a month, that equates to about 44% and that is only because of the lifeline component of the residential bill. It does not go up every year. So, if you blend that into the overall rate increases, the 16% annually and the 14% and so forth every year, it adds up to only an effective rate increase of 32% for customers using less than 5,000 gallons per month and 44% for those customers using more than 5,000 per month.

(*Refer to slide entitled Bond Financing Summary*)

Because all the projects cannot be completed at one time, which means all the financing would not be necessary, where all the construction funds would not be necessary to be available all at one time, so we are planning and projecting in our five-year rate plan that we can break up these financings into three series of financing. The first one in 2013 to help us for a par amount of \$203M and our objective – really the bottom line is what is driving the financing. We need \$140M for the 2013 financing so that really drives the par amount because there are financing costs available. In 2015, we are looking at another financing of approximately \$188M to draw us approximately \$129M in construction monies. In 2017, we are looking at another \$106M to generate approximately \$73M in construction proceeds.

In the aggregate, when you add all that up, that essentially adds up to the \$490M plus thousand dollars that we are requesting in Bill 181.

(*Refer to slide entitled Financing Schedule*)

This is just a real quick review of our financing plan for this 2013 series. We have rating agency meetings all lined up this month. By the end of this month, we are hoping the PUC will act on our five-year rate plan. Again, the enactment of Bill 181 is critical for us to be able to do our pricing by November and closing by December.

Mr. Simon Sanchez. Thank you, Greg. So, Martin has given you an idea on how we would spend the CIP side of the equation. Greg has given you an idea of how the bonds would be structured. We have filed a aggregate rate increase of 67%, but you see that affects classes differently. So, the residential class is going to see a much lower rate increase. But, government accounts, private sector commercial accounts – laundries, hotels – they carry a more significant burden. This rate structure has been in place for over 20 years. It was a rate structure that was developed that said, let's let commercial and government pay more than it really cost to service them in order to keep residential rates lower. There is a subsidy going on, it's been a long established policy. We could change that policy, you could change it, the CCU and the PUC could change that policy and in fact that is exactly what the PUC and GPA agree to do; is to start to end these subsidies. But, that is going to go over 8-9 years.

In this case of GWA, there has not been a conversation about ending those subsidies. That one slide that Greg showed you, we know your constituents out there – the residential folks are going to complain even if it's just 32% - 44%. But, as you budget next year for the government and even this year, if this rate increase or something like this rate increase is approved, there will be impacts on the government's budget for water and wastewater services in FY2014 and the commercial sector would have to pick up a higher tab. Now, we benefit from 1.4M visitors, so having the commercial sector pick up this tab is sort of like exporting some of your burden to 1.4M visitors because they stay in hotels, they are paying this higher water bill on behalf of us as residents. But, we want to share it with you because it's something we have thought about for many years; something you may want to think about.

Right now, the rate structure that is in place has government and commercial customers subsidizing residential customers. The result is residential customers feel much lower burden from rate increases and those classes of customers feel much higher burdens. We want to make sure that gets out to you as policy makers so that you are aware of that and as people approach you.

I just wanted to take a few minutes to talk about the other aspect of Bill 181 and why we believe and asked the Senators to consider supporting the version of the bill as introduced - to remove this \$20M requirement, which end up being just another rate increase for rate payers. In 1988, the general fund borrowed \$50M for water and wastewater infrastructure on behalf of PUAG, which was then a line agency at the time and the predecessor of what became GWA. The general fund was the only one that could borrow money back in those days. PUAG was not an autonomous agency. In September 2010, GWA came before the Legislature seeking the approval for the 2010 bond. What we needed at the time was just the change in interest rates. However, during the deliberation, a \$20M obligation was passed as a rider with no public hearing. We met in the morning, the rider was introduced in the afternoon. The rider added \$20M more to the GWA ratepayer obligations. The intent, I think at that time was to pay off the 2010 bond. But, we pointed out at the time that there was only \$6M left to pay off the bond.

But, the sponsor felt that the \$20M – since the government had borrowed \$50M on behalf of PUAG, give us back \$20M. So, that's where that number came from. But, the bond was paid off in December, 2010. This obligation has remained still on the books. Our position is that in 1988, the taxpayers of Guam began paying back this \$50M. There is not a lot of difference between

Guam taxpayers and Guam ratepayers. They are pretty much the same people. This infrastructure has already been paid for by the people of Guam as taxpayers and this is old infrastructure. This infrastructure has been in the ground since 1988. If we are going to borrow money like we are seeking to do today, let's use that money to pay for new infrastructure, not just to refinance 30 year old infrastructure, which probably is being replaced now anyway.

What complicated this even worst was when the PUC saw this law, they interpreted the law to mean that they could assess and they passed an \$18M surcharge that was to be paid over 18 months and it was an 18% rate increase for 18 months. They said GWA would have to pay \$18M of this \$20M. That's what they ordered. We went to Court and stopped that order. We said we don't agree with your interpretation, we don't think it's right. The Court agreed that the PUC should not pursue this Court order and the litigation has been left in suspense at this time. It is still before the Court. It is still between GWA and PUC. The PUC as a result then froze \$18M of 2010 bond funds; money we could be using to fix things, money we could be using to borrow a little less than \$497M if we could touch this \$18M, but right now we can't touch it.

The \$20M clause has led to freezing of borrowed funds that could be used to fix things will lead to a higher rate increase than we've already shown you and has been interpreted by the PUC to be a significant short term rate increase of 18%.

So, we are saying that if the body agrees by removing this requirement, all these bad things go away; ratepayers won't be face with an \$18M surcharge, the PUC won't be forced to interpret the law, we won't be forced into litigation with the PUC and we think there is a public good that emerges. It's already difficult enough what we are asking to do without adding another \$20M obligation to ratepayers for a loan that was paid off 4 years ago for infrastructure that was built 35 years ago. We are hoping the body would agree and remove this requirement.

The most important question today is what is it going to do for ratepayers? Yes, it's going to raise their bill. That's for sure. We have not been able to figure out how to build all these projects and find money to pay for it. We'd love the Legislature to appropriate half a billion dollars, but you have your challenges. We'd love the United States government to pay us half a billion dollars for this, but they can't even keep the government open this past week. There is no magic bullet out there. This is Guam's waster and wastewater system. We built it. We failed to maintain it . We got sued over it. You have seen what happened with the landfills; both GWA and DPW were sued at the same time. One ended up in receivership, one ended up forcing you to allow them to borrow money – tipping fees have gone up. GWA is not in receivership. We have had to make these very difficult decisions and you have as well, because we had asked you to help us from time to time.

But, we are in control of water system. We don't pay \$2M-\$3M a year to a receiver to run the solid waste authority or to run GWA. You pay 5 citizens elected by the community – you pay them \$500 a month. We pay a General Manager \$140,000-\$150,000 range. The receiver is getting \$2M-\$3M a year. He's (referring to Mr. Roush) running an \$80M company. Solid waste is \$18M. So, we think that making the difficult decisions, keeping the governance directly connected to the community as elected representatives and running it for far less than what a receiver would charge, who only pass it on as additional rate increases, has put us in this position

where it's difficult, but we are in control of it and you are in control of it. And you have a lot more in influence. It doesn't mean we don't have to fix things. These federal laws apply to everybody. There are over 4,000 Court orders within USEPA to bring communities into compliance – Atlanta, Anchorage, Cleveland, San Diego, Guam and Honolulu. We are not alone in this. But, unfortunately the solutions don't come from the federal government, only the demands for compliance. You have been with us on this journey and the journey is about to take a new more expensive step.

So, what does that do for the ratepayers? The first thing it's going to is it's always going to ensure they have clean safe drinking water. We are very proud of the fact that in 2006, USEPA finally came out and said that the drinking water on Guam is the cleanest and safest it has been decades. Of course all of us that grew up here wonder what were drinking for the last 40-50 years. But, the water that the people of Guam drink today is safe and clean. In order to maintain that, we need to spend some money on that water system. That is where the chlorination comes from, that is why we are replacing leaking lines – to make sure they don't get contaminated. The storage tanks are to make sure we always have water that gets chlorinated, sits in a storage tank and if GPA loses power to a tank, we've got 1, 2 days. Remember what happened in the south – if we have more tanks then we can hold more water. We can go a day or two losing a well that produces water because we store more water in tanks. For most of our tanks right now, you can't fill them up because they are so degraded.

In this spending is insurance that the people of Guam will always have clean, safe drinking water. They will have better flow and pressure through their water system because we are fixing leaks, because we have better storage, because we have modernized the pumps, because we chlorinate better. They will have more system reliability. We are still going to work on the problems in Ugum. You can see, there is another \$7M-\$8M we are going to spend in Ugum to strengthen its ability work through storms. Prior to that last storm, Ugum had worked very, very well for a number of years with that \$10M or \$11M that we put in and the water quality was much better and that's something we want to continue.

We love our island, we have all grown up here and we've all been in the water. But, the untold secret has been that we have been sending untreated sewage into the ocean for 30 years. That is the main reason we got sued in 2002. We promised EPA we would fix it. We borrowed \$50M in 1988 but by 2002 – 14 years – we still were not in compliance. Nothing worked. Our wastewater systems were a complete failure. They are demanding; I think our people expect that we handle their wastewater properly and protect the ocean. That gives us all the bounty that makes Guam special. It's a big price tag on wastewater upgrades, but if we don't do it, two bad things happen: the pollution continues and the US Court will simply order it done. They may not give 5 years or 8 years. They might just say they don't care. We are proposing an alternative with your help to spread it out; do it in bite size pieces that can be done and eventually stop the pollution in our oceans.

The most important and hidden benefit of all this spending is the protection of the northern aquifer. We are familiar with our island neighbors around us, many of whom do not have a aquifer anymore. They lost the ability to use their aquifer. They are dealing with salty water and having to deal with reverse osmosis - any way they can to create clean drinking water.

We are blessed with an abundant aquifer. We got the Feds to pay for a wonderful study from Build Up 1, working with UOG WERI, Corps of Engineers, ourselves, a bunch of folks and we have determined that that aquifer has a very large, useful life remaining. It could support as many as three-quarters of a million people on Guam. I am not sure we would want to see three-quarters of a million people, but if the people that follow you in these seats and the economy grows thereafter, if Guam continues to grow, if we protect that aquifer, we can handle more growth.

But, you have to protect that aquifer. That's why you have to fix leaks because those leaks are draining that aquifers faster than we need to. That's why we are spending \$30M-\$40M on line replacement. That is why we want to drill new wells or replace the wells that we have already drilled because they are suffering from maintenance problems. If we don't get those wells to work right, if we don't put them in the right places, now that we have done this study, we know where to put wells, we put this aquifer at risk. The one thing we don't want to do, I know you don't want to do is make decisions that would lead to the degradation of the aquifer. Senator ben (Pangelinan) always says it right; our children loan us this environment so that they can have it when we leave. The most important thing we can do with this money is to make sure we spend it in a way that it protects the aquifer and protects the ocean.

Finally, the improvements into the system that come from these monies will allow us to hold down, and perhaps even reduce rates over time; getting more efficient pumps, getting better storage, fixing leaks so we are not pumping up more water than we need, sending money to EPA unnecessarily – all those things lead to a more efficient system that can hold down or reduce future rate hikes. That's a benefit to the ratepayers.

So, in closing we just want to repeat that we hope the body will consider supporting Bill 181, as written to allow GWA to borrow the monies needed to comply with the Court order and other requirements of USEPA. More importantly to make sure that we have a water and wastewater that survives all of us in this room that supports our kids and our grandkids and whatever the ambitions of our people over the next 50-100 years. I think that's our job.

It may be a little expensive now. It's going to be a challenge for all of our ratepayers, but if you are paying \$80 a month for water five years from now, think of all the things you already paid \$80 on: cellphones, television and I am sure if I ask each one of you – if things were really bad, would you rather have water? Be able to use the restroom? Or would you rather have cellphones, iPads, phone lines I think we would all say water is the most important resource we have. It's why the people of Guam have succeeded for 4,000 years because of the respect of the environment and water. We hope that you can reduce the bill slightly by removing the \$20M obligation that is currently in the law to pay for something that was paid off a while ago and would otherwise result in what could be another 18% rate increase on top of the ones we have already shown you.

With that, we conclude our testimony. We thank you for the opportunity to testify. We will answer questions you may have.

Vice Chairman BJ Cruz. Thank you very much, Simon. I am glad you ended the way that you did because that is the perfect segue way into the question that I was going to ask.

Indifference to the Chairman of the Committee who is not here who was the author of that - I am trying to figure out how a \$20M obligation translates into an 18% increase when a \$495M obligation has a 44% or even an 82% - proportionately it just doesn't add up.

Mr. Simon Sanchez. I can help you with that.

Vice Chairman BJ Cruz. Please. Just so we can get it on the record so it is understood that although he (Chairman) is not here, that question has been asked and you guys need to tell me whether or not that's a boogie man scenario or whether that's real.

Mr. Simon Sanchez. Here was the problem. First off, the Legislature has allowed GWA and GPA to borrow monies two different ways. There is a section of law that allows us to borrow for capital improvements only, giving primary lien position to bond holders and that is the section of the law that would amend – or \$240M now and you would add \$495M to that. That body of law is what authorizes the traditional long term bond borrowing.

There is another body of law, which you have passed that allows GWA to borrow \$30M in short term loans. We borrowed short term from Bank of Guam; we are paying that off. That body of law was created because it recognizes that sometimes a utility will want to borrow money but it is not for CIPs and it can't threaten the primary position of bond holders. As you know, bond holders have a first lien on all the revenues of GWA. In order for the GWA to borrow money that doesn't violate the first lien position, but still allows them to borrow – not for 30 years, but for short term loans.

When this rider was added, unfortunately there was not a chance at that time to discuss that fact. Subsequent to that, we shared a bill with Senator Pangelinan and with Senator Ada that was recommended by bond counsel and our own research that said that if you want us to do the \$20M, let's move it to this body of law that allows for short term loans, then you could spread it out over 10 years, it's not going to be an 18% rate increase, it would be like 3%-4%, then you could pay it off over 10 years. That idea was not passed. It was rejected. I believe and I don't want speak for him (Senator Pangelinan), but based on his testimony in front of the PUC at the time, he disagreed that we couldn't borrow the money in the section of law that he had placed the rider.

Stan Dirks testified and this is what he said – and this is where it's a bit of a grey area – he said technically you could try to borrow the money as prescribed in this section of law but you would have to get the permission of all the bond holders of the 2005 bond and then the 2010 bond. They would all have to sign out and you would have to get something like 90 – I forget the bond covenant, but it's a significant amount - way over 50%. Three-fourths of all the bondholders would have to agree to give up their primary lien position to allow this \$20M to be added. Dirks said legally, it is doable. From a practical point of view, he has never seen it done and we would have to go through this very expensive effort to pull all the bondholders and say, will you allow GWA to borrow \$20M on top of \$220M and sacrifice your primary lien position. We felt that

that was a process that was not going to lead to success. We had not found any records of any bondholders giving up their lien position. You understand that if you have a first lien position, why would you give it up.

So, we said maybe you could do it, but from a practical point of view, we've never seen it done. We suggested an alternative that would have got it down, that would have spread it out. The PUC had to make a decision. They interpreted the law and they said if you are not going to borrow the money, then we believe that you have to pay the general fund \$20M, we are going to require you to pay \$18M of it now and we are going to require you to have an 18% rate over 18 months to fund the \$18M. That is when CCU and GWA went to Court and said, we don't agree. The Court agreed with us. They said the PUC erred in making that order. There are some remedies the PUC could have where they could perfect that order. But, at this point no action has occurred.

That's why there is this debate. There is the debate that says arguably you could put the \$20M requirement in the section of law that is reserved for CIPs and primary lien bondholders. You could put it there, but to borrow the money wasn't practical because you would have to get the permission of all the prior bondholders – more than 50% would have to agree to give up their lien position. So, the chances of it being successful in our view are minimal. We did offer an alternative. We said there is a way to borrow this money, spread it out over more than 18 months. But that proposal didn't go forward. So, we were sort of at an impasse.

We are raising the bigger policy question. We are saying there are two issues at stake. First there was a rider. Did the body have a public hearing to ask the ratepayers of Guam if they want to pay back \$20M on a loan that was borrowed 3 years ago, was being paid for by the general fund and now we are going to make GWA ratepayers pay back the general fund. At the time, there was only one payment left. It was down to \$6M. That was the other thing, the \$20M would have paid not just the payoff of the \$6M, it was going to give another \$14M to the general fund for infrastructure that had been in the ground for 30 years. To me, that's a policy - as a former policymaker, that's the one I share with you. At least if you are going to do it, then let's face the community. If a Senator wants to tax GWA's ratepayers \$20M, then introduce the bill, make it a stand alone bill and have a public hearing. If the public wants to do it, then so be it. But at least have a public hearing.

The second is technical. We don't agree that policy call – if that's the call - is placed in the right body of law. There is another body of law. We have used it. You created it for us. It does allow for short term loans. If that's an alternative and if you want to take it out of there and put it in the other thing, we can resurrect that bill and show it to the Committee and that's an alternative. But, I think it still begs the first question. Did you ever ask the public? If a \$20M is a rider, shouldn't the public be consulted? At least be made aware? So, that's the background on that.

Vice Chairman BJ Cruz. I just wanted to make sure that that was on the record because I couldn't understand how it resulted in the 18%. I will allow the main sponsor to ask the main questions, I just wanted to get that one clarification.

Senator Tom Ada. A couple of years ago when talk about the military buildup starting up in 2014, there seemed to be an excellent opportunity for the build up to actually fund – for example the secondary wastewater treatment plant and additional other infrastructural upgrades. The fact that that has been pushed out, do you foresee that there is still some opportunity or would we have finished all the upgrades that we needed to do?

Mr. Simon Sanchez. Good question, Senator. As you know in the process sometimes people you disagree with in one room, sometimes you agree with them in a different room. Exactly what you described - when the Buildup I was coming they were going to put the base up at NCTAMS and everything north of Tumon, all the wastewater comes to the northern wastewater treatment plant. We handle Anderson Air Force Base wastewater. So, the new marine base being up there between NCTAMS and Anderson – right next to our plant, the logic worked, Japan agreed, we all agreed and said, Ok you're making this big impact, you need to give \$500M-\$600M to the utilities. We agreed the best way to give it to GWA was to pay for secondary treatment upgrades in northern and Hagatna because the bases are in northern. We also said during the construction phase, people living in Tamuning, Tumon – there's a lot more people that will be sending wastewater to this plant, you need to pay to upgrade both those plants. That's the \$400M that was appropriated by the Daet, ready to come to Guam from Japan until Buildup I was pulled.

We were happy to hear that the preferred location of the revised buildup is still going to be NCTAMS. We are going to go down and sit with them and say, we need you to pay for your impact. Of course, it's a much smaller impact – it's only 5,000 not 19,000, but the logic will be the same. We are going to approach them and say, Ok once we get more details – how big are you, where are you going to be, if you are going to be up there, we can calculate the impact and we would take the same approach. You need to pay for your impact during the construction phase and you need to pay for your impact post construction. We will add it up and see if we can get them to make a significant contribution. I'm not sure if they can pay for all of it because they might argue it was \$400M when there was 20,000 coming, it isn't going to be \$400M if there is only 5,000 coming. That I am sure we can all work on. I don't want to over expect – we know the logic, we know they are not against the idea of compensating us, they may argue with the amount now because their impact is less. But we would take the same approach.

The problem with the southern wastewater system - with Baza, Agat and Malesso – they were originally designed to be secondary treatment. They just have never worked. In the negotiation in 2011, USEPA insisted that you (GWA) need to fix those back to where they should have worked. And when you do that, you automatically take them to secondary treatment because that's how they were originally designed. Of course at the time, there was no discussion of the military helping us with the south, because their impact was going to be central and northern.

The money you are allowing us to borrow - should you allow us - is to move the southern wastewater system to secondary, so that the only ones we have to worry about that were are trying to push off for 20-25 years is northern and Hagatna and they are going to be the most expensive. You can see we can do the southern wastewater systems for a \$100M – those two are going to take a quarter of a billion, if not more. That's why by 2020, with your authorization, the southern wastewater system will be compliant with secondary treatment. Northern and Hagatna will be compliant with primary treatment and we are going to try to negotiate a 25-year plan to

move them to secondary, unless there is this opportunity made available through the second buildup to pay for it. If the Feds are going to pay for it, it's hard for us to argue that we won't move to compliance sooner. If we are going to have to pay for it, then we want the same deal Honolulu got – 25 years because it's expensive and our people can't afford unlimited....

Senator Tom Ada. I just have one other question. On slide 23, the proposed rate increase, there was a line there 'legislative surcharge'. What is that?

Mr. Simon Sanchez. A few years ago, a law was created in which the utilities have to pick up the retirement obligation for its retirees. We petitioned and received from the PUC a surcharge to pay for the retirees of GPA and GWA. It is not cumulative; it's just calculated every year. DOA tells us how much the retirement and health benefits are for our GWA retirees or our GPA retirees and then we charge it to ratepayers as required by law to pay for it. If you want to give some rate relief to ratepayers, you could take back the retirement payment requirement from the utilities. It would eliminate that surcharge. But, as long as it is the law, the only way we can pay for it is through the surcharge.

Senator Tom Ada. Ok. Thank you. That's all I have, Mr. Chairman.

Vice Chairman BJ Cruz. Thank you very much. In planning for today's hearing, I was able to pull up a Fitch trading report for last week and it really looked good for you guys. It had a couple of things in there that I was a little concerned about. It had almost all the facts that I thought were correct. But, it talks about the buildup and says, "due to the lack of action by the DOD, the loan that was suppose to be given to us by Japan, the \$420M was forfeited". But then it ends with "However GWA expects any funding related to the buildup to be provided by DOD and Japan".....are we still getting that Mizumi or whatever that.....

Mr. Simon Sanchez. No, that's what I was sharing with you – we actually sent a note to FIT and said we don't think you are characterizing it exactly the way we understood. Buildup I, when it was as big as it was proposed had \$400M coming to GWA to move northern and Hagatna to secondary treatment. USEPA was ecstatic. We were happy because it was free money. Japan agreed. I even went to Japan and their Daet passed the appropriation. But, then Levin and McCain said, everybody stop. That was 4 years ago. Now, I can't guarantee that Japan is going to say, yes – again. The latest news I am hearing is that they are only giving \$3B – it was \$10B before.... \$6B - much better than they are giving now. But, our logic is the same; there is \$3B coming, we are going to insist – it's like a systems development charge – you are creating an impact. The one thing I will give credit to DOD, they didn't disagree. They recognized two impacts: one during construction and one during occupancy, when they actually move in.

It turned out the numbers are roughly the same, if you recall. Thirty-thousand construction workers building this huge base out there for 3-5 years. Then, 19,000 marines and their dependents – 30,000 people living up in a new Marine base. That was the logic. As you know, appropriations die if you don't spend them. We had no permission. DOD had no permission to tell Japan to give us the \$400M for Build Up 1 because Build Up 1 got stopped. I think that's why Fitch characterizes it as DOD. That's what happened and we are hopeful we can repeat the

negotiation again – USEPA will be our friend at that point and will be saying, hey you're creating an impact, why don't you help them go to secondary.

Vice Chairman BJ Cruz. The Fitch report also makes mention of the fact that you are going before the PUC for some rate increases. Will the approval by the PUC dictate whether or not you can or should go to the market?

Mr. Simon Sanchez. Yes, it would. If we are not able to show the market that we have a funding source for the borrowings supported by valid authority - like the PUC – I don't see how we are going to borrow. PUC has granted 90% rate increases over 9 years and we have borrowed \$220M. Now, we need another 70% to borrow the \$450M because that's on top of the 90, right – it's compounding.

Vice Chairman BJ Cruz. So, you expect this to be done by the 29th?

Mr. Simon Sanchez. The public hearings for the PUC will be the week of – third week – they meet on the 29th. Greg has alluded to something that we are hopeful – there's been some very good discussion with the consultants for the PUC and we have agreed and found ways to reduce our costs. The 67% that you saw that was filed – we have to show you what we filed and cannot predict what the PUC will do because they are not bound by the consultants and any stipulation we might reach, but the practice has been they have taken stipulations seriously at the PUC and with the new consultants, we have been able to whittle that 67% down to high 50's. So, maybe that 32% - 44% you see will be more like 25% - 35%. Maybe that 80% you see will be more like 70% - cumulative over that 5 year period.

But, it's up to the PUC. They make the call. We are told they will take up our rate case in the October session and make a decision. Our last rate plan has expired. We have no rates for FY14, other than the existing rates. If they say, no - the bond market is not going to loan us any money because they are going to say, how are we going to get paid. But, as you recall from the beginning the government of Guam and GWA were sued. You are part of the government of Guam, the governor is part of the government of Guam and the PUC is part of the government of Guam. If the Court believes that the government of Guam is not cooperating in allowing her Court order to be complied with, we only have to look at the landfill to see how she might act. She put it in a receivership, ordered the Governor and the Speaker to attend lots of things and ordered the government of Guam to appropriate allowed to be borrowed monies to comply with her Court order. All indications are she would take a similar approach. Either we do what we think we have to do or someone is going to force us to do it.

Vice Speaker BJ Cruz. This morning in the NY Times, a fairly big article about the problems in Puerto Rico. Not sure if you heard.....

Mr. Simon Sanchez. I heard it, but I didn't see the story. Was it on the water, wastewater side?

Vice Speaker BJ Cruz. No, it was their bonds.

Mr. Simon Sanchez. Oh yea, their bonds got downgraded. GPA got investment grade last year. GWA is two notches below. So, part of what you are doing also is sending a signal to the global lending community saying, what do you think? Are you going to support GWA borrowing authority? PUC – are you going to raise rates to let them repay this borrowing and what are going to tell the District Court because at some point if we are not authorized to borrow the money and we are not given enough rates, we inform the Court and

Vice Chairman BJ Cruz. I wish I knew what the Court was going to do. I've gotten slapped down a couple of times and nearly held in contempt for my objections. My concern with this is I am trying to figure out - do you believe that the Puerto Rico situation will impact us as a territory? I think in the NY Times story they were talking about how as late as June, Puerto Rico was the bell of the ball of the bond market because of its ability to be able to have these tax exempt bonds but they borrowed so much that they sent themselves ... I am worried. This is just yours, the we just did one last month for the airport for \$250M and we're going to do one pretty soon for GPA for another half million?

Mr. Simon Sanchez. The revenue streams used to repay the airport's authorization are airport money. It doesn't come from the general fund. We get no subsidies from the general fund. We use only ratepayer money. So, the government of Guam in its totality has far more than the budget you appropriate every October 1st. We are easily a billion five company when you add up the hospital, the Port, the utilities – we are a thriving community with lots of things to do and we generate that much revenue.

We believe that every deal is still looked at independently. I have not read the story, but in following Puerto Rico both in the water and the power side, the other reason for the downgrade is they are not getting the rate increases. They've chosen to keep trying to subsidize where government subsidize the utilities. But, then when you look at the government balance sheets you are saying, the government is broke, how are you going to be able to subsidize the utilities? That's not the situation you have on Guam. You've wisely said, utilities, you live on your own revenues and general fund will live on its own revenues. We try not to cross subsidize except through some rate structure. But, it's not like you write a check to the airport or you write a check to GPA. We think we can go to market and we are trying to get in before Thanksgiving.

This is the same timeline that was successful in 2010. We didn't bring the legislation to the body until September. It was passed by October. We sold it in November and closed in December. The body doesn't usually take 8-9 months with the process. That's why we didn't bring it to you any sooner plus we had to work with the PUC, figure out what the rate structure would be, file it as a ratepayer bill of rights – that didn't start until March. We submitted it in September. We hoped they would decide by September 30 – looks like they will decide by October 30. If our permission to borrow is subject to PUC approval, CCU approval – yours is a conditional allowance. It doesn't allow us to go to the market if the PUC doesn't sign off. It's standard bond borrowing language. It's in the airport borrowing, commercial port borrowing, GPA and GWA. The process is identical to what you've done.

Vice Chairman BJ Cruz. One last question on behalf of the author of the \$20M: what would be the residential rate difference between leaving the \$20M in or out?

Mr. Simon Sanchez. I really depends on if the PUC stands by its interpretation of that clause. It's going to insist on an 18% rate increase over 18 months. Maybe they will change their mind, but that's what they've passed. Now, whether they will spread it out, that's their call. Their decision last year was 18% for 18 months and that's how they saw it. We think by removing it will end any debate.

Senator Frank Aguon. Thank you very much Mr. Vice Chairman. Thank you for the presentation this afternoon.

Just a couple of questions looking at the overall financial figures in terms of phasing in the anticipated financial requirement from our ratepayers. I appreciate that because we don't want a tremendous rate shock that directly impacts the system. I am looking right now at very rough numbers of \$313M required to comply with the 2011 Court order remaining balance, \$79M for the 2012 USEPA findings and the 2013 findings of \$50M. So, that all adds up to about \$442M. Now, looking at your projected bond financing as well as cost, I noticed in your timeline between 2013 and 2018, the ratepayers will contribute approximately \$48M.

Mr. Simon Sanchez. You're talking about ...

Senator Frank Aguon. Based on your fees ...

Mr. Simon Sanchez. There is a slide 20 that references \$48M. I am not sure if that's what's you are referring to.

Senator Frank Aguon. It's on page 11. It says Sources for GWA's Capital Improvement Program. So, you're showing internally generated funds – obviously that is going to originate from the ratepayers.

Mr. Simon Sanchez. Yes, sir.

Senator Frank Aguon. Ok. By 2018, GWA would have generated about \$48M to contribute to the overall project.

Mr. Simon Sanchez. It's \$48M that comes from ratepayers directly as opposed to us running to the bond market every time pay interest. GPA and the Airport Authority also have in their bond covenants in the way the rates are structured, have a little reserve above debt service. That reserve is usually to create internally generated funds.

Senator Frank Aguon. Which is fine because I am looking at the hard line numbers you are presenting - \$48M that could turn around and be used by GWA for capital improvement projects.

Mr. Simon Sanchez. If we didn't use this \$48M we would ask you to let us borrow \$48M more. This is \$48M we don't have to borrow. We are going to pay for it ourselves.

Senator Frank Aguon. So, based on the numbers that I provided you a little earlier - \$442M are projected requirements: 2011 Court order compliance as well as the USEPA 2012, 2013. I am

looking at a number of \$442M. So, by the close of 2018, ratepayers would have contributed above and beyond an additional \$48M based on proposed rate structure. You know where I leading with this question. Is the \$499M the actual borrowing amount that is necessary taking into consideration that the ratepayers would be contributing \$48M? That's my first question.

My second question – Mr. Vice Chairman, I know you alluded to it earlier. Should this clause remain in effect in the proposed legislation that it would free up \$20M for GWA to apply to other projects. Would that \$20M be allocated towards the overall \$313M balance of the 2011 Court order and could that be interpreted as possibly reducing the overall financing requirement that you are requesting?

Mr. Simon Sanchez. Let me answer the second question first. Right now the \$497M we need to borrow is enough to meet the Court ordered project timelines, the significant findings, water, wastewater. You borrow \$497M, but as we showed you on Greg's financing slide, we are only going to borrow \$497M, you only net \$342M because of financing costs, the reserve fund, cost of issuance, capitalized interest takes up the rest. The way we look at it, we need to hand Martin \$342M over the next 5 years from bond borrowings so he can comply with the Court Order. Now, he's also got about \$30M left from the 2010 bonds. He is also going to get \$48M from internally funded projects. We're also going to get \$5M from system development charge. We've negotiated with EPA for \$26M in grants. All those buckets of monies will be used to pay for upgrades, but when you add that up we still need to borrow at least the \$497M to give him that

You see that [points to slide entitled Sources for GWA's Capital Improvement Program] \$374M, the \$34M in 2013 is actually coming from the 2010 bond. That's why this bond is only going to fund \$340M because we already have that \$34M except \$18M is tied up in this controversy.

Senator Frank Aguon. If that proposed bond provides \$340M in cash for projects plus the \$48M ...

Mr. Simon Sanchez. The rate plan gives us \$48M in internally financed money, not borrowing, no interest and then grants and other things we're doing also gives us money. This really answers your first question: the total CIPs we're going to be spending is \$457M. Ninety percent of that is court order; SIG FI, water SIG FI, wastewater. But there are some things we are doing for the system because you got to do it, like system development charges. That's just going to pay to build more wells, more capacity because system development charges come from more development. So, you build more capacity. The \$457M is really the total CIP, but the bond portion of it will be \$340M from the bonds we would sell over the next 5 years, \$34M from the bonds we sold in 2010 and then another \$34M coming from EPA grants, system development charges. So, total CIP is \$457M, but not all of that will come from the borrowed funds.

Senator Frank Aguon. I can read through the notes in terms of the \$357M. Based on the numbers presented on the slide, it says \$442M, which is all inclusive 2011 Court order, 2012 USEPA findings and 2013 USEPA findings.

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Mr. Simon Sanchez. We're going to some of these buckets of money to pay, so we don't have to borrow it.

Senator Frank Aguon. I will look into where exactly the additional \$15M projected capital improvement projects are going to – what are they going to address?

The follow up question is: looking at your annualized debt service and your bond financing, I understand you are looking at going to the bond market by the close of this year to acquire \$203M of which \$63M is for bond financing cost alone. Then, you are looking at going to the bond market in 2015 of which you want to borrow \$188M, which financing cost of \$59M. Once again two years later, you are looking at going to the bond market to borrow \$160M, which the financing cost is \$33M. This all adds up to \$155M in bond financing/set aside requirements.

If in fact – I understand the rate adjustments is a factor that plays into this – why would you propose to go to the bond market on 3 separate occasions rather than hypothetically 2, rather than hypothetically 1 and save the ratepayers and the people of Guam anywhere from \$50M to about \$80M-\$90M in financing cost alone.

Mr. Simon Sanchez. You ask a question that we wrestle with. We could try to borrow half a billion now, net \$340M in 60 days but he (Martin) can't build them that fast. Think about all your major CIP projects, think of the road projects, how long it takes you to spend \$10M, \$20M. There's no way that if we handed Martin Roush \$340M in December that he could build them quickly. Then, you would have money sitting there – before you need it, you have to do some studies, then you have to put out the bids and some of the things we do in 2013-2015 affect what we do in 2016 and 2017. You need to do these interim studies, some of these interim upgrades, then you say, Ok now that we have upgraded it this much, what remains. So, we have had to make some intelligent guesses in 2013 about what would happen – how do you build \$340M or \$450M worth of projects.

The other side of the coin is if you have to do the \$458M in one move, you have to have the 67% rate increase in one move. We're saying, no. It's bad enough it's 14% or 16%, much less 67%. The rate increases are mirror images of the borrowing plan. If you borrow it slower, you raise rates slower. If you borrow it faster, you raise rates faster. You do sacrifice financing cost. But, that's already your trade. Do you want a 67% increase now and we borrow it all knowing there is no way Martin can build it.

Mr. Martin Roush. The capacity to build projects would take us 5 years to build, even if we go the money earlier.

Senator Frank Aguon. Let's just look at the financing options because paying your first principal payment can be delayed 2-3 years because that was done with the recently floated bond for....

Based on some of your proposed rate adjustments, is that still a possibility? Because I would hate to see the ratepayers pay an extra \$59M when that funding could have otherwise been acquired up front and the cost of that financing maybe at 4.5% of what is due principally for the first 2

years versus paying \$59M for actually going out and borrowing another set of bond financing or going to the bond market and acquiring some additional financing. That's where I am looking at. What is the opportunity cost or loss that could be realized by the ratepayers or can we offset the \$59M if the funding can be acquired immediately. Yes, money will be sitting in the back for maybe 2-3 years, but paying 4.5% interest for the first 2 years on the principal that is due versus paying \$59M in borrowing financing costs and again \$33M three years later. Where is the cost comparison? What would be most beneficial to address some of these CIP projects that are required by the Court, but to try to save the ratepayers in the long term some of these financial costs.

Mr. Simon Sanchez. Good question, Senator. As you are familiar, with most borrowings that you have authorized there is this issue of capitalized interest. This came out of stuff that Commissioner Duenas and I did 20 years ago when we were on the PUC. You borrow the money in December but Tan Maria does not benefit from the upgrade until it's finished. It takes 2 years to build. We wrestle with, should Tan Maria start paying debt service – 30 days full debt service, 30 days after we borrowed the money when she doesn't benefit from the pipe being repaired or the better wastewater system or new meter because it takes time to build. Think of it when you build your house. You have a construction loan for a year; one month later you're not paying the debt service, yet. You get an interest-only construction loan for the construction period, then you take it out with a long term note. As you are familiar, this body has seen and authorized capitalized interest.

Our 2005 bond was 2 years, then the 2010 was 3 years. The first bond we did was 2 years; the traditional model. But what about rate relief and spreading it out capitalized interest to go into a third year. The thing we are always reminded – that third year, that's additional interest. Let's hope we get 5%. So, \$200M, 5% for the first year is \$10M, 5% for the second year \$20M, 5% for the third year, up to \$30M of just interest. That \$30M has to get repaid by the ratepayer. On the one hand you are trying to save interest cost. The longer you have capitalized interest, you are actually driving up the gross cost of borrowing. You trade off – if you spread it out to 3, the rate relief will be a little bit better than 2. But, it's not going to take the 67% or the 32% to 44% down to 10% or 5%. It will eventually cost the ratepayer more money later. That's why when you build your house, you don't ask for a 3 year construction loan, if though you could and your house would be done in less time because you are trying to save your interest cost.

We've modeled the 2 year and the 3 year and we'll see what the market suggests. These already have 3 year capitalized interest. That results in already lowering the rate increase to 67% you are seeing.

Senator Frank Aguon. In this case, if you go out and borrow \$203M, \$63M is automatic financing. You go out and borrow again in 2 years, \$59M – that's not even the annualized debt service.

Mr. Simon Sanchez. That's your capitalized interest for 3 years. As you know, you have to have 1 year debt service reserve, that's just your bond reserve. That just sits in the bank and will pay that off in over 30 years. Otherwise ratepayers would have to come up with \$10M right when you do the bond. So, we spread out all the cost.

Senator Frank Aguon. Has this analysis been done in terms of what the cost could be if the financing was acquired up front. I understand about the delay in principle payments to try to carry that out in maybe 2 -3 years – as far out as you possibly can to provide as much rate relief to our ratepayers. But the reality is these systemic capital improvement projects have to proceed. So, in endorsing that concept, rather than setting aside \$59M and then 2 years later \$33M, that's financing costs that the people of Guam and the ratepayers may not have to pay. The overall cumulative cost for deferred interest may be \$30M.

Mr. Simon Sanchez. Are you saying that if we borrow \$203M in December – if you don't have capitalized interest, which at 5% would be \$10M, \$10M and \$10M – \$30M of that \$63M is 3 years of capitalized interest. If you only have 2 years of capitalized interest, that's only \$20M. The people of Guam are either going to pay back \$20M or \$30M.

Senator Frank Aguon. But the people of Guam would already be paying the financing cost of \$59M and \$33M based on the proposed borrowing plan. We can discuss this outside the public hearing because this is a stickler that I have

Mr. Simon Sanchez. Let's make sure we have the same numbers.

Senator Frank Aguon. \$59M in just borrowing financing; whether you call that a set aside requirement or whether you call it capitalized interest, but that's \$155M that the ratepayers will pay during the course of that bond.

Mr. Simon Sanchez. But, it allows you to spread out a 67% rate increase over 5 years. If you get rid of capitalized interest – think about it, if you were building your house, the first day you get the construction loan, 30 days later you have to pay principle and interest and you haven't even finished the house. The first logic of the borrowing was it's unfair to charge ratepayers before they can benefit from the asset. That's when capitalized interest came into the picture

Senator Frank Aguon. Exactly. I understand.....

Mr. Simon Sanchez. So, \$30M of this \$63M in the first bond borrowing is capitalized interest. If you reduce it, the rate increases have to be higher and sooner. If you extend it, like we've done, the rate increases can be lower and delayed. The debt service on the \$203M is also going to be about \$20M. So, you have 3 years of capitalized interest – that's \$30M, then you have \$20M of debt service reserve. Fifty of the \$63M is already spoken for.

Senator Frank Aguon. Even if you break it up into two separate financing borrowing schemes, the reality is you could save the ratepayers \$33M. Conceivably.

Mr. Simon Sanchez. But you would have to have higher rate increase sooner.

Senator Frank Aguon. Adjustments may apply as proposed by the PUC and CCU. I am not taping into the rate adjustments in your proposed rate increase. I am looking at how much the ratepayers would have to pay above and beyond – when in fact if you go out with 2 borrowing

schemes rather than 3. In this particular case, you spread it from between 2013 to 2014. You and I understand the financing aspect of this. Realistically \$33M could be saved on the backs of the ratepayers that may result in the rates - being modest or slight rate relief rather than what is being proposed.

Mr. Simon Sanchez. I am not agreeing with you that it's going to be necessarily cheaper because if you do it the way you're suggesting, you're going to have to raise the 67% not over 5 years – if you did it in one borrowing you would have to do it in one year so we could eliminate some interest. Ok, so maybe it's only a 60% rate increase. But, in one year? The community can't handle it.

Senator Frank Aguon. Mr. Sanchez, you know I am not proposing that. If you remain in your proposed rate adjustments, then what about these other options to reduce financing costs? Please don't try to throw words into my mouth about 67% increases because we recognize that these are projects that need to be completed. We are trying to find a way, within reason to realize some slight savings for the ratepayers because in the long term, the ratepayers are going to be the ones paying this bond. We are on the same page to acquire the necessary financing. It's just how that financing scheme is set up so ratepayers can realize some cost reduction. Even if you look at your rate structure, - the \$48M by FY2018 - I understand there is always that requirement for rate relief to borrow for operations. But if you are going to generate \$48M, perhaps that could be a component as a slight rate adjustment that could be reconsidered by the CCU.

Mr. Simon Sanchez. Remember that \$48M, since it comes from rates there is no interest on it. The \$48M is put in place because you don't always want to have all your CIPs funded by borrowings. You want to take some of them and fund them out of cash because it's the cheapest way. There is no interest on the \$48M. It just comes from ratepayer payments. We could have added \$488M to the borrowing but everything you pointed out would be increased.

Senator Frank Aguon. Mr. Sanchez, thank you for our discussion. Can I request that the scenario I discussed - that some figures be presented to the Committee?

Mr. Simon Sanchez. Which scenario would you like us to do, Senator. This is a 3 year capitalized interest ...

Senator Frank Aguon. We can discuss the scenario outside the public hearing if GWA goes out for 2 borrowing financing schemes.

Vice Chairman BJ Cruz. Why don't you [directing to Senator Aguon] prepare a letter and send it to him [referring to Mr. Sanchez] and it will be sent to the Committee.

Senator Mike Limtiaco. Thank you Mr. Vice Chair. Thanks to the panel for your testimony. This question is directed to Greg – if you go back to slide 20 regarding the Projected Capital Funding Sources [slide entitled Sources for GWA's Capital Improvement Program].

Regarding the internally generated funds, is this representative of the proposed rate increase?

Mr. Greg Cruz. Yes.

Senator Mike Limtiaco. Ok. The internally generated fund from 2013 to 2018 don't seem to mimic the proposed rate increases – is that by design? For example, the increase in internally generated funds from \$500,000 to \$2M does not correspond with rate increase schedule. That's like a 400% jump but the rate proposal rate is roughly 30%. Are some of those internally generated funds not necessarily due to the rate increase or just current cash flow that's being earmarked for the CIP? Not specifically increase rate generated?

Mr. Greg Cruz. The rate increase does play a role in eventually the cash flow. We won't have anything allocated to internally generated funds if the cash flow is not there. So, depending on our position in terms of debt bond service coverage and the magnitude of the rate increase and of course all the other components – it's really driven by cash flow. At the end of the day, if I have a million dollars that I can set aside for – after taking care of all the reserve requirements to meet bond obligations – that's when the discussion gets into how much would we want to put into internally generated funds or whether or not we want to put into, for example this 5 year rate plan. We have what we refer to as a debt service reserve fund and what that will do is help us mitigate rate increases in the future because we would be putting aside this pot of money and in the 5 year rate plan, we have close to \$12M that we are proposing based on these rate increases that would help mitigate future rate increases, especially the PUC rate covenant of 1.75. I'm not sure if I answered your questions.

Senator Mike Limtiaco. Let me try and explain it more. The increase in the internally generated funds, the difference from 2013 and each progressive year aren't necessarily all generated by the additional rate increase, correct? Normally, incurring funds your earmarking for the CIP projects.

Mr. Simon Sanchez. All that money comes from rates. [referring to slide entitled Sources for GWA's Capital Improvement Program] When the PUC was created in 1980's and the utilities were first borrowing - first off the bond market says that, if I am going to loan to you, I want you to have not 100% of debt service, I want you to have 125% of debt service. You're risky, what if you're not collecting, what if you're late. So, if I am going to loan you money, you have to show me cash flow that says you can afford – let's say for the sake of discussion – let's say \$10M is the debt service. Well, I want you to have 125% of that \$10M available in cash flow to you. So, I don't want rates that only cover your \$10M loan, I want rates that covers your 125%, \$12.5M in loans because I need some reserve. I don't want to just loan you money because you only promise me to have enough money for debt service. I need a reserve.

So, all bond covenants require at least 125% coverage and you've seen that. PUC took that and after back and forth with lots of folks, policy makers and utilities, they set a new standard. They said we will give utilities not 125% of coverage, because that's the minimum coverage that lenders want, we will give you 175% coverage. So, for a \$10M annual debt service, they say, we will give you rates to give you \$17.5M to cover a \$10M note. That's been the rate plan for 25 years. You want more than 125%, which is the absolute minimal the lender wants, you want to give them a cushion. The PUC has given this cushion; it's been the standard since the '80's.

So, take our example. You write a check for \$10M to the bank that year, when you're finally paying principle, after you've gone through the capitalized interest period, when you finally pay your first principle, you write the check for \$10M, but you've been given rates to give you \$17.5M. What does the utility do with that extra \$7.5M. It becomes internally generated funds from the over coverage of the debt service requirements of the bonds and we use that money to do more CIP so we don't have to run to the bank and borrow \$48M and pay the interest on \$48M. It's just the way it's been set up for many years that the PUC will give the utilities rates sufficient to cover not a 100% of their debt service, not a 125% of their debt service, they will give rates up to 175% of the debt service.

So, when we get into this rate discussion, we start there. How much are you going to borrow? What's the debt service after you do 2 or 3 years of capitalized interest? When the debt service finally kicks in, how much money must you have in rates to pay not a 100%, not 125% but 175% of rate increase. The reason it goes up is we're raising rates each year gradually – we don't pay principle and interest on the 2013 bond until 2016. That's why you see the bump [referring to slide entitled Sources for GWA's Capital Improvement Plan] in the internally generated funds because by that year, we have to have 175% of the debt service on the 2013 bond and has to be available by 2016 to honor the bond covenants to reassure the lenders that they're going to get paid.

We say, we can spend that on anything. We're going to spend it on CIPs. It's the best use of that money. If you're going to give me more debt service coverage for debt that is used for CIPs the least we can do with that extra money is put it into CIPs; not into Ops. The reason it goes up in 2016 is in 2013 – to answer your question Senator Aguon – we're using 3 years capitalized interest. The first principle and interest of the 2013 bond is due in 2016. By that point, we need to have 175% of debt service available in rates.

That's why you see these little bumps that track all our bonds over time. You'd see two years slight, then a bump in the third year or the fourth year if you use 3 year capitalized interest. Then it goes down a little bit. We do the second bond, another bump 2 or 3 years later. Then you do the third borrowing – if we took this out to 2019 and 2020, we'd go down a little bit and then another bump. The whole idea of rate design is to try to spread out your cost to keep rates as low as you can and only have the money when you need it.

We could do this. We could have no internally generated funds – we could have lower rate increases in 2013, 2014 and 2015 but when it comes time to pay principle and interest in 2016, you'd collapse 3 years of rate increases into one year. Now, instead of having 15, 12 13 – it's nice for 3 years, but year 4, you have a 40% rate increase. It's much better to give the community a little at a time. That is the way rate design has occurred in most communities, that's how borrowing is structured. You have a construction loan period – 1 year, 2 years, 3 years – it's been the practice of GovGuam of either 2 or 3 years. But, you better have rate design in place so that you finally have to pay principle and interest you have a rate structure that gives you enough cash because now you're paying P&I; you're not just paying interest. That's why you see these bubbles. If you were to take that out further you would see that \$48M will continue to grow, particularly with these three borrowings. Maybe by 2020-2021, we'll have \$50M-\$60M-\$70M in

internally generated funds. What does that do? You're borrowing less money. You're not paying interest on it.

That's the best way to finance CIPs. But you can't ask the people of Guam to say, let's not borrow any money. But can you give me \$457M just in absolute rate increases now? It's a challenge. It's not going to work.

Senator Mike Limtiaco. Thank you.

Senator Tina Muna Barnes. Si Yu'os Ma'ase, Mr. Vice Chair. As I was looking over those slides, on page 8, the water booster pump station and water line replacement program. Will any of these funds be included in the installation or the connection of the upgrade that was already put in – the millions of dollars that we still haven't hooked up to?

Mr. Simon Sanchez. Are you talking about the Tumon borrowing?

Senator Tina Muna Barnes. Yes, the Tumon borrowing.

Mr. Simon Sanchez. The Tumon borrowing in 1998 - \$50M Tourist Attraction Fund financing – this is what led to the re-doing of San Vitores, the cobblestones. In there were new water lines and new sewer lines. It was driven by DPW and using GVB funds. But at time the head of DPW and the head of GWA was the same people, under Governor Gutierrez. DPW took the lead on this, borrowed the money and built the projects. There had to have been discussions that said, let's throw in some water and sewer lines. For reasons unknown to us, not discovered by us until we took office in 2003, the first thing we found out was the new water lines were put in but were never connected to the hotels. So, we did connect those. Why they weren't connected in 1998, I cannot say. But, we connected those. Now, we have new sewer lines that are there. The new sewer lines were an anticipation of growth in Tumon. Remember, it was Vision 2000 and were going to go from 1.3M to 2M visitors. As we know, we didn't hit 1.3M for 15 years. We just hit it this year. The explosion in Tumon never happened.

There has only been one new hotel built and only the Dusit is the first new hotel built on Guam in the last 20 years. Sherwood closed, Tropicana closed, Okura closed. All of a sudden the need for more sewer lines went.... All the existing properties were serviced with the existing lines. The new lines also would require us to upgrade the Fujita pump station because we would be pumping theoretically more wastewater out of Tumon because there are more projects in Tumon and getting it out to northern.

The projects didn't come. We've upgraded Fujita to handle the existing load and we are testing the lines now to see if they still have integrity. But to incur costs to attach the existing hotels to a new sewer line when they are already being served well by the existing sewer line, we don't want to spend that money. There's no need to right now. They're already sending their wastewater. If we're going to spend money, we would rather upgrade Fujita pump station. But, we did do it on the water lines, because we had leaky water lines. But we don't have leaky sewer lines. That's why the sewer lines have remained disconnected, but GWA will be doing the smoke test and some other test to determine – we'll run the camera through it to see if they are still

usable. There are some plans should Tumon expands to tie those lines eventually into the system. At this point, it would be premature to spend the money on ...

Mr. Martin Roush. Again, there's 3 components; there's the water lines that are in use, there's the force main, which would pump sewage under pressure and then there's the gravity lines. As Simon suggested, the water lines are in use. The force main – I was told about this project within my 6 weeks here, it was over 4 years ago by a hotel owner so I researched the project, I looked at all the studies on Tumon Bay and that's when we decided that the most important thing was to get reliability on the Fujita pump station so we got a grant and we upgraded the Fujita pump station. That was the most important component.

When we talk about the force main, if you have a force main or a water line and has not been in use for over 5 years, it's considered abandoned and the price of rehabilitation of that is just almost the same price to put a new line in. So, that was kind of a wash. We then focused on the sewer side and what me and Tom Cruz, our Chief Engineer thought was we need to get ready in case there is growth and get ready before the hotels come in for their permits, if that happens and really understand the system and then that would reduce the cost the hotels would have to hook up and then they would actually pay for integration of that system. Those were our thoughts - same thoughts about 4 years ago as today. They just make sense to go in that direction.

Senator Chris Duenas. Thank you Mr. Vice Chairman. Great presentation. I think for everybody, the interest jumps out in terms of the financing. My question would be, in the recent Guasa conference, pretty high-level folks, contractors and military folks that were there were saying the military buildup was not if, but when. I don't know if this would be required to include in this legislation, perhaps it will. If that record of decision comes out in 2015 and you are looking at some of your further out financing schemes and having that requirement, there's a possibility if that renegotiation comes, as you talked about to realize that savings, if we didn't have to go to the market for a certain amount of that bond financing. I just want to put that on the record and say there is a possible savings here and maybe as the Committee moves forward that might be something for consideration. I just wanted to make sure because that was a representation that was made.

Mr. Simon Sanchez. We would love to borrow less money. If we can get DOD to contribute to a project that meets the Court order – that's why under Build Up 1, everyone was so happy with make them pay for secondary. USEPA wants to move us to secondary. We knew it was a train coming down the train tracks and we found someone to pay for it. Sure, if money emerges and our track record is we will negotiate aggressively with DOD. We got \$600M the last time, we're not shy about asking for money. We intend to be very aggressive with them this time and we'd love to not use the borrowing authority if we don't have to. But at least this is our estimate in 2013 of the borrowing authority we would need to meet the Court order.

Senator Chris Duenas. I think there may be language if that looks attractive, but maybe not. Maybe that's something we come back to if the authorization is there for the larger amount and we reduce it later. We'll see what the Chairman and the Committee thinks.

The second thing is – this has been brought to my attention by several other business people in terms of models and I am just going to put it on the record because I never had the chance to ask you this question. How long does this type of infrastructure improvement in terms of its projected lifetime with regard to this type of infrastructure improvement.

Mr. Martin Roush. It depends on the type. What we did, if you take tanks right now, we changed from steel tanks to concrete reinforced tanks so we believe we've doubled the lifespan of that so the total cost of the tanks is cheaper, but the concrete tanks are little bit more expensive moving up. So, we're looking at something like that as having a longer life of over 50 years. Sewer lines and water lines are expected to have about a 50 year life where wastewater treatment plants and water treatment plants could have lesser – 30 – 40 year life.

Senator Chris Duenas. My follow up question to that would be and it might not make sense because of the type of repayment, but it might in terms of no prepayment penalties if you look at how you finance - how the average Joe finances. Is there such financing on infrastructure projects, is this beyond the 30 years because you are investing in something that's a much longer life expectancy?

Mr. Martin Roush. I think that's an economic equation on when you look at the – when you get a certain annuity, even if you drop to infinity is the same amount. It doesn't depend so, the reason people pick 30 year loans is there is an end to it. I think the question is really a financing question on why is 30 years the high end on loans and not necessarily a function of infrastructure life. It has to do with the infinite amortization ...

Mr. Simon Sanchez. As you know, like your Dad's house, it's lasted 50 years. But the tradition of the lending community is, I don't want to lend to you until the last absolute last piece of concrete falls off that house. I want to get paid sooner. We haven't found 40 year bond money, 50 year bond money. The best money we've found was the Japan money – that was 1% 40 year money. But, that's Japan loaning the money. But, we've not found anyone loaning for infrastructure because infrastructure is 24-7 high use, high risk. They want their money back sooner.

Senator Chris Duenas. The only reason I put that scheme in was not necessarily because this was another discussion, it was a comprehensive discussion on this and that is because finally Greg, what do we have maturing and what's on the books in terms of the current aging that we have on our outstanding financing currently.

Mr. Greg Cruz. The two series that we have outstanding right now, they all have 30 year maturity so the 2005 bond we expect to mature it in 2035 and the 2010 of course would be 2040.

Senator Chris Duenas. So, that's the current borrowing that we have – that's the extent of it with regards to

Mr. Simon Sanchez. As you can see the reason we're pushing off secondary treatment for 25 years is because then we would have the borrowing capacity, having paid off the 2005 and pay down the 2010 that if we are forced to pay for it ourselves we could borrow it and we wouldn't

have to raise rates because the rates are already paying the debt service on the existing loan. That's how utilities perpetuate themselves is when you borrow money and you pay it down, then when it's 30 years older you reinvest and you keep recycling.

Senator Chris Duenas. Just to be clear on this. So, it wouldn't make, at this point because there's future plans for maturing bonds and you're trying to push some of that other stuff out, a longer term financing wouldn't mean you would turn over that money that matured to buy down your current bond structure because you probably have plans for that.

Mr. Simon Sanchez. If we don't have plans and we don't need to reinvest 30 years from now, which would be a scary thought that you think you would have to reinvest in utilities 30 years from now because we built with the 2005 bonds will be 30 years old. But, if you didn't have to borrow the money in 2040, you could lower rates. Say I don't need to borrow money, the system is working good. Lower the rate.

Senator Chris Duenas. That's why I had to ask the question in terms of what was outstanding. In other instances, there are bonds that are maturing a lot faster and we see this every day. Just to know what we're working with and make sure we tie this down in this bill. I needed that information. Thank you Mr. Vice Chairman and thank you to all the gentlemen on the panel. .

Senator Tommy Morrison. Thank you Mr. Vice Chair. I have just a quick question - when you speak about the improvements, when you are talking specifically about secondary treatment but does it also factor in capacity upgrades as far as ...

Mr. Simon Sanchez. Are you talking about the southern system or all systems?

Senator Tommy Morrison. You got a few areas here, of course include the northern district but of course Bali Gardens, Umatac, Malessso.

Mr. Simon Sanchez. You are asking a good question. What is the capacity of the current plants, even if you jus restore them to what they should be doing. I do recall that the secondary treatment upgrade for northern when Build Up 1, was not only going to improve the treatment, it was going to increase the capacity.

We can start with the southern wastewater system with these upgrades. Would we increase the capacity and return them to compliance and how would that affect the south, northern and Hagatna?

Mr. Martin Roush. A decision hasn't been brought to the CCU. I think that would be a policy decision when it's made. In the planning process, we'll design for some growth and there will be a cost to growth. It depends on our budget and where we're at and we'll bring that to the CCU for approval. But, really the amount you build for future growth is more of a policy decision. There will be some design and the important thing to that is as we start to spend the money on the collection system, whenever we design a treatment plant for growth, the I&I, when we fix a manhole, when we raise a manhole, or seal a manhole, that creates more room for growth at the treatment plant.

As we reduce water usage through conservation programs, that gives us some more room to grow. Space for growth for treatment plants can be driven by a few different things. It really depends on where we are with budget and where we are with the Court order and what we will recommend to the CCU.

Senator Tommy Morrison. Thank you. I certainly hope that could be something factored in. We've been exploring potential opportunities with GHURA and a lot of it has been a capacity issue to looking at affordable homes, development in the southern end of the island. But that's always been the issue so I hope that could be looked at closely.

The other issue I have is, there's been a lot of progress in Ugum and I see here some future projects for the area. I just want to clear up some issues for the general public, especially the southern residents. Certainly it has been a challenge for them. It's been a notion now that we don't want it rain down south. But at the same time, there's been a lot of progress. I can certainly see that. There have been many upgrades with the pressure. We would just like to know, at least for the southern residents that certainly don't understand what's been transpiring to address these issues with Ugum. If you could clear that up.

Mr. Martin Roush. Ugum is a very complex issue. When there's a typhoon or tropical depression and that river is flowing, you don't want to be down there. In a typhoon, you don't want the employees out. So Ugum cannot really be designed to handle a typhoon or a major tropical event because down at the river, it's just too dangerous and actually the pumps run water; that would be pretty expensive. For the last couple of years, we've put a strategy that during a tropical depression, during storm events, we need to be able to fill Ugum and it serves the whole south; turn off Ugum and serve the south with well water. We learned a few things from this event. We learned that we did have an earthquake that prevented water from what direction so now we have an alternative – Pago Bay. We want to figure out how to move water two routes to the south and then secondly I met with GPA – once wells start going down, how do we keep the back up power on earlier because we had a great typhoon plan, but we didn't have these other plans or power outages.

We believe if we plan even better than we did before, we can solve the southern problem by feeding the south with well water during these events. You'd have to spend an awful lot of money and if you were to build another 8M gallon tank up there, what would that give you? Two mgd. The south uses 2 mgd in one day; that would only buy you one day of storage. If you had a 3 day tropical depression, you're out of storage. We need to keep fortifying Ugum. We probably should build more storage at Ugum and more storage in the south. We'll take projects that will give us that extra storage.

I think it's really a combination of things. But having the plan and when we get [inaudible] pump station rebuilt, it'll automate moving water from the north to the south so employees won't have to do it. They have to get out there and turn valves. If we can control how we move water, you can control that. So that's our long-term plan and how we're addressing it today.

Senator Tommy Morrison. I appreciate that. I see the progress. I just want the people down south to see what's going on. Prior to Ugum, there were also wells, specifically in the Ganai area in Umatac- they had their wells off the natural springs. I am not sure if PUC or Waterworks explored any opportunity - I know they were costly to run. Are there any plans to explore how they could be run more efficiently and be an alternative option if Ugum needs to be assisted?

Mr. Martin Roush. I had a different thought process because I thought outside the box. I looked at every spring. That's why we have Santa Rita springs on. That's why we're doing the construction of Asan springs. We looked to the south and there was one spring that we could bring on and we found out the road up to it was demolished by storms. So, the cost of that spring and the amount of water it would produce were pretty low. The cost benefit wasn't there for that third spring and that would actually serve the south rather than Agat-Santa Rita. When we looked the wells, they were shallow and they weren't in a good aquifer and they wouldn't have very good production and they probably would've been ground water under the direct influence of surface water and would require a lot of treatment. So you don't have the capacity and the cost benefit for those wells and those springs just really isn't there and even if we brought them up line, how many days or how many hours would that buy us? Would it buy us 6 hours?

The tanks are going to buy us 24 but the real solution is moving water to the south and getting our well filled and revitalized, which I think this funding will do.

Senator Tommy Morrison. Thank you. I appreciate it.

Vice Chairman BJ Cruz. Thank you very much. We will consider this bill heard by the Committee. Thank you to GWA for the presentation.

This concludes the testimony on Bill No. 181-32. There being no additional individuals to present any additional testimony, this Committee will continue to remain open for the acceptance of any additional information or public testimony on the bill discussed. You can submit those testimonies to my office directly on Soledad Avenue, as well as the Guam Legislature or through any of the electronic processes either email at senbenp@guam.net or through our website at senbenp.com

This hearing is adjourned.

III. FINDINGS & RECOMMENDATIONS

The Committee on Appropriation, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation and Land, hereby reports Bill No. 181-32 (COR), as introduced with the recommendation to report out.

I MINA'TRENTAI DOS LIHESLATURAN GUÁHAN
2013 (First) Regular Session

Bill No. 181-32 (COR)

Introduced by:

T.C. Ada 
R.J. Respicio

**AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145
RELATIVE TO APPROVING THE TERMS AND CONDITIONS
OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY
REVENUE BONDS, TO INCREASE THE AMOUNT OF THE
BONDS THAT THE GUAM WATERWORKS AUTHORITY IS
AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS
AND CONDITIONS OF GUAM WATERWORKS AUTHORITY
REVENUE BONDS TO REFINANCE CERTAIN GUAM
WATERWORKS AUTHORITY REVENUE BONDS.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guáhan* finds that
3 the United States District Court of Guam Civil Case No. 02-00035, November 10, 2011
4 Order outlines the corrective actions and other necessary capital projects that the Guam
5 Waterworks Authority (the "Authority") shall continue to undertake. Since the original
6 2003 Court Order, the Authority has borrowed \$220,000,000 to begin to bring the GWA
7 system into compliance with federal Clean Water and Safe Drinking Water laws.

8 *I Liheslatura* further finds that in order for the Authority to be able to finance the
9 projects required in the timelines prescribed in the United States District Court of Guam
10 Civil Case No. 02-00035, November 10, 2011 Order, the Authority must be authorized to
11 issue an additional Four Hundred Ninety-Five Million Dollars (\$495,000,000) in bonds.
12 The loans would be used to fund the following:

- 13 • Bring all three southern wastewater treatment plants in Agat, Umatac and Baza
14 Gardens into compliance with their secondary treatment permits at an estimated
15 cost of \$111 million by 2018;
- 16 • Repair or rebuild all GWA water storage tanks island-wide at an estimated cost of
17 \$153.4 million by 2021;

2013 SEP - 6 PM 4: 44 PM

- 1 • Invest \$48.5 million for water distribution projects island-wide to begin replacing
2 badly leaking water lines, improve pressure with booster pump upgrades and
3 refurbishing or drilling new wells;
- 4 • Fund \$39.4 million for systems analysis and monitoring and technology upgrades
5 for better system management and energy savings; and,
- 6 • To minimize ratepayer impact and allow for gradual rate increases spread out over
7 five to seven years, an additional amount of \$142 million is required to fund two
8 years of capitalized interest plus a debt service reserve for each bond borrowing.

9 These bond issuances, in one or more series, shall be issued subject to the approval of the
10 Guam Consolidated Commission on Utilities (the “CCU”), the Guam Public Utilities
11 Commission (the “PUC”), and the Board of Directors of the Guam Economic
12 Development Authority (“GEDA”).

13 *I Liheslatura* further finds the Authority anticipates that opportunities may arise to
14 refinance all or a portion of its outstanding Series 2005 and Series 2010 revenue bonds
15 for debt service savings, which is expected to result in savings to ratepayers. In order to
16 benefit ratepayers and comply with the Federal Court Order, *I Liheslaturan Guahan* has
17 determined that the issuance of revenue bonds by the Authority for such purpose, subject
18 to approval by the CCU, the PUC, and the Board of Directors of GEDA, would be
19 prudent.

20 *I Liheslatura* finally finds that a 2010 rider, inserted during legislative session,
21 required GWA ratepayers to pay back \$20 million to the General Fund for a loan that was
22 fully paid off in December 2010, causing an unnecessary burden on ratepayers.
23 Consequently, the rider was interpreted by the PUC in 2012 to require an 18% rate
24 increase that ratepayers would re-pay over an 18-month period. GWA filed, in Superior
25 Court, its objection to the PUC order and successfully obtained a stay from transferring
26 \$18 million to the General Fund. Notwithstanding, the provision still remains in Guam
27 law and needs to be repealed to make clear that this is no longer a requirement to be
28 placed upon GWA’s ratepayers. *I Liheslatura* finds that adding another \$20 million rate
29 increase onto GWA ratepayers is not in the public interest.

30

1 **Section 2. Amendment to Section 2 of Public Law 30-145.** Section 2 of Public
2 Law 30-145 is hereby *amended* to read as follows:

3 **“Section 2. Approval of Guam Waterworks Authority Revenue Bonds.**

4 (a) The Guam Legislature, *I Liheslaturan Guåhan*, pursuant to Section
5 50103 of Title 12 of the Guam Code Annotated, hereby approves the issuance and
6 sale by the Authority of revenue bonds pursuant to Article 2, Chapter 14, Title 12,
7 Guam Code Annotated (the “Act”) in one or more series or issues; provided that
8 the issuance, terms and conditions of the bonds *shall* have been approved by the
9 Guam Public Utilities Commission, and further provided that such bonds shall
10 have a principal amount *not to exceed* ~~Two Hundred Twenty Million Dollars~~
11 ~~(\$240,000,000)~~ Seven Hundred Fifteen Million Dollars (\$715,000,000), *shall*
12 have a final maturity not later than 2055, *shall* bear interest at such rate or rates
13 and *shall* be sold for such price or prices as shall result in a net yield to the
14 bondholders *not exceeding* seven and one-half percent (7.5%) per annum, *shall* be
15 issued and sold in the manner, for the purposes and subject to the requirements
16 and limitations provided in Article 2, Chapter 14, Title 12, Guam Code
17 Annotated, and *shall* be issued pursuant to an Indenture in substantially the form
18 as attached to this Act as Exhibit A. ~~Twenty Million Dollars (\$20,000,000)~~
19 ~~principal amount shall be used to pay the balance of the government of Guam~~
20 ~~Limited Obligation (Section 30) Series 2001A bond and any other portions of~~
21 ~~Bonds or Loans paid for by General Fund revenues for which the Guam~~
22 ~~Waterworks Authority has received proceeds.~~ In order to be able to take
23 advantage of ~~Build America Bonds, or other a~~ federally subsidized bond program,
24 net yield to the bondholders *shall* be calculated by subtracting any interest subsidy
25 amounts to be received from the United States in connection with such bonds
26 from the amount of interest to be paid to bondholders.

27
28 **Section 3. Approval of Guam Waterworks Authority Refinancing Bonds.**

29 *I Liheslaturan Guåhan*, pursuant to Section 50103 of Title 12 of the Guam Code
30 Annotated, hereby approves the issuance and sale by Guam Waterworks Authority of
31 fixed rate revenue bonds in one or more series or issues to refinance the outstanding

1 revenue bonds of the Authority pursuant to Section 14226 of Article 2, Chapter 14, Title
2 12, Guam Code Annotated; provided that the issuance, terms and conditions of the
3 refinancing bonds shall have been approved by the Guam Public Utilities Commission
4 and the Guam Consolidated Commission on Utilities, and that the sale of the bonds shall
5 be approved by the Board of Directors of GEDA; and further provided that such
6 refinancing bonds shall have a principal amount sufficient to provide funds for the
7 payment of all bonds to be refinanced thereby (the "prior bonds") and in addition for the
8 payment of all expenses incident to the calling, retiring or paying of such prior bonds and
9 the issuance of such refinancing bonds, including:

- 10 i. The difference in amount between the par value of the refinancing bonds and any
11 amount less than par for which the refinancing bonds are sold;
- 12 ii. Any amount necessary to be made available for the payment of interest upon such
13 refinancing bonds from the date of sale thereof to the date of payment of the prior
14 bonds or to the date upon which the prior bonds will be paid pursuant to the call
15 thereof or agreement with the holders thereof;
- 16 iii. The premium, if any, necessary to be paid in order to call or retire the prior bonds
17 and the interest accruing thereon to the date of the call or retirement; and,
- 18 iv. Any additional amount needed to provide for a deposit to the debt service reserve
19 in connection with the issuance of the refinancing bonds;

20 And further provided that such refinancing bonds shall have a final maturity not later than
21 the final maturity of the prior bonds, that such refinancing bonds shall be issued and sold
22 pursuant to the Authority's existing bond indenture and in compliance with the provisions
23 of Chapter 14 of Title 12 of the Guam Code Annotated, and that the present value of debt
24 service on the refinancing bonds shall be at least two percent (2%) less than the present
25 value of debt service on the bonds being refinanced, using the yield on the refinancing
26 bonds as the discount rate; and further provided that all obligation of the Authority to pay
27 debt service on, and the redemption price of, the prior bonds shall be discharged
28 concurrently with the issuance of the refinancing bonds, and thereafter, the prior bonds
29 shall be payable solely from and secured solely by an escrow established for such
30 purpose in accordance with the Authority's existing bond indenture

31

1 **Section 4. Severability.** If any of the provisions of this law or its application to
2 any person or circumstance is found to be invalid or contrary to law, such invalidity shall
3 not affect other provisions or applications of this law which can be given effect without
4 the invalid provisions or application, and to this end the provisions of this law are
5 severable.



Mina'trentai Dos na Liheslaturan Guahan
32ND GUAM LEGISLATURE

Senator Vicente "ben" Cabrera Pangelinan

COMMITTEE ON APPROPRIATIONS, PUBLIC DEBT, LEGAL AFFAIRS, RETIREMENT,
PUBLIC PARKS, RECREATION, HISTORIC PRESERVATION AND LAND

Wednesday, October 9, 2013

Bill No. 181

SIGN UP SHEET

NAME	ADDRESS	PHONE	EMAIL	WRITTEN	ORAL	SUPPORT	
						Yes	No
Martin Roush GWA G.M.	999 Meind Dr TAMUNING BV	488 0343	roushm@guaminter works.net	✓ pass print	✓	YES	
SIMON SANCHEZ				✓	✓	YES	
GREG CRUZ		686-8314			✓	YES	
Lester Carlson				✓		yes	



EDWARD J.B. CALVO
I MAGAT LAHEN GUAHAN
RAYMOND S. TENDRIO
I SEGUNDO NA MAGAT LAHEN GUAHAN
HENRY J. TAITANO
ADMINISTRADOR

Aturidád Inadilánton Ikunumihan Guahan

October 9, 2013

TESTIMONY OF MR. HENRY J. TAITANO

ADMINISTRATOR

GUAM ECONOMIC DEVELOPMENT AUTHORITY


BILL 181-32 (COR)

Hafa Adai Chairman Pangelinan and members of the Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land. Thank you for the opportunity to appear before you today in support of Bill No. 181-32, "AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145 RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKSAUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS".

Mr. Chairman, GEDA would like to provide testimony in support of Bill 181-32. GEDA has been working with the Guam Waterworks Authority in their efforts to meet the requirements and timeframes set in the United States District Court of Guam Civil Case No.02-00035 as well as their original Stipulated Order for Preliminary Relief in 2003. GWA continues to make advancements towards full compliance with the federal Clean Water and Safe Drinking Water Acts with evidence of this work having already been realized. For the first time, since the Acts were passed, the Northern District Wastewater Treatment Plant is in compliance and the Hagatna Wastewater Treatment Plant is poised for the same status by early 2014.

GEDA would like to attest that Bill 181-32 will only strengthen GWA's progress in improving of our islands water and waste water systems. GEDA understands the importance of GWA efforts and will continue to offer its support and assistance so that the most precious natural resource our island has, water, can best be improved for generations to come. Si Yu'os Ma'ase!

Senseramente,


Henry J. Taitano
HT



Testimony on Bill 181



GUAM WATERWORKS AUTHORITY

October 9, 2013

GWA Supports the Passage of Bill 181:


- Bill would authorize GWA to borrow ~\$495M required to:
 - Fund CIPs required by U.S. District Court Order.
 - Fund projects to correct USEPA Significant Findings for Water and Wastewater.

- Bill removes requirement for GWA ratepayers to repay \$20M to the General Fund for a 1988 loan for water and wastewater infrastructure, which was off in 2010.



GUAM WATERWORKS AUTHORITY

Introduction



GUAM WATERWORKS AUTHORITY

Introduction

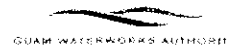
- In December 2002, USEPA sued GovGuam and GWA for failure to comply with federal clean water and safe drinking water laws. The original federal Court Order (CO) was signed in June 2003.
- From 2003 to 2010, GWA borrowed and invested \$220M to begin modernizing, repairing and replacing GWA infrastructure in order to improve service to ratepayers and bring GWA into full compliance with applicable federal laws.



GUAM WATERWORKS AUTHORITY

Introduction

- Court Order was amended in 2011 requiring GWA to complete CIP projects estimated to cost **\$313M** between 2013 and 2021.
- In the past year, USEPA identified more projects in its “Significant Findings for Water & Wastewater” to be completed, outside of the 2011 Court Order. Estimated Cost **\$130M**.
- Consequently, GWA seeks to borrow up to **\$499M** (inclusive of financing costs) over the next five years in three separate financings (2013, 2015, 2017) to complete these projects.



GUAM WATERWORKS AUTHORITY

Introduction

- GWA 5-year rate plan submitted to PUC for consideration. PUC expected to make decision at its October 2013 meeting for the first annual rate increase
- Rates may increase between 32% - 44% for Residential customers and 82% for Commercial and Govt ratepayers between 2013-2018.
- GWA hopes to obtain approval from the Guam Legislature and Governor of Bill 181-32 by the end of October.




GUAM WATERWORKS AUTHORITY

**Legislature authorized GWA
to spend \$220M from 2005 and 2010**

- GWA borrowed \$220 million thru a 2005 and 2010 bond issuance.
 - ✓ \$167 million was for projects, of which \$130M has been spent and another \$19M has already been obligated to projects.
 - ✓ \$18 million has been restricted by the PUC until ongoing litigation between GWA and PUC is resolved;
 - ✓ Bill 181 proposes to remove \$20M reimbursement required from GWA ratepayers;

- Financing Costs: \$53 million for capitalized interest, bond reserves and cost of issuance.


GUAM WATERWORKS AUTHORITY

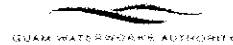
How the \$220M is being spent: Water

- Meter Replacement Program
- Ugum Water Treatment Plant
- Mangilao Reservoir 1 Mgal
- Barrigada Reservoir 2 Mgal
- Groundwater Disinfection Project
- Ground Water Chlorination Upgrades (medium and high risk)
- A-Series Transmission Line Upgrade
- Santa Rita Springs & Booster Pump Station Rehab
- Fena Bypass Transmission Line Upgrade
- Water Resources Master Plan
- Water Reservoir Condition Assessment & Minor Repairs
- Leak Detection


GUAM WATERWORKS AUTHORITY

How the \$220M is being spent: Wastewater

- Baza Gardens Structural Improvements
- Northern District WWTP Outfall
- Northern District WWTP Enhanced Primary
- Northern District WWTP Chlorine Tank Removal
- Hagatna WWTP Primary Improvements
- Hagatna WWTP Outfall
- Moratorium Pump Stations/Treatment Plant
- Old Agat Collection Project Continuation (I)
- Chaot Wastewater Pump Station Upgrades
- Water Resources Master Plan
- I&I/SSES Southern System



How \$495M will be spent



GWA's Compliance Overview

GWA has 3 major areas related to USEPA Compliance

Requirements

- November 2011 Court Order
- November 2012 EPA's Significant Findings Water
- May 2013 EPA's Significant Findings Wastewater

GUAM WATERWORKS AUTHORITY

The 2011 Federal Court Order

Estimated Cost of the 2011 Federal Court Order is over \$300 Million

Project	Cost(\$M)
Tank Rehabilitation & Replacement	\$153.4
Agat-Santa Rita WWTP Improvements	60.6
Baza Gardens WWTP Improvements	33.0
Umatac-Merizo WWTP Improvements	18.1
Northern District WWTP Upgrades	11.5
Agana WWTP Interim Measures	11.5
Sinajana Water System	9.0
Groundwater Chlorination	6.3
Water Metering	5.9
SSES and I&I/SSES Work Plan	2.1
Ugum Surface Water Treatment Plant	1.9
Total Cost	\$315.3

The 2011 Federal Court Order

Overview of Capital Improvement Plan

Wastewater Treatment Plant

- Northern Wastewater Treatment Plant (“NWWTP”)
 - \$11 million to upgrade plant and increase its capacity
- Agana Wastewater Treatment Plant
 - \$13 million to meet environmental compliance standards
- Baza Gardens/Agat-Santa Rita/Umatac-Merizo Treatment Plants
 - \$110 million for compliance of secondary treatment standards

Wastewater Collections

- Cleaning of sewer lines
- Conduct CCTV survey of existing lines
- Educational campaign to educate residents on dumping fats, oils and grease into sewer system


GUAM WATERWORKS AUTHORITY

The 2011 Federal Court Order

Overview of Capital Improvement Plan

Storage Tanks serving all 19 Villages

- 2-million gallon new Barrigada Tank (concrete)
- Major repairs of Yigo #1 & Mangilao #2 scheduled to be completed by October 2014
- 10 tanks will be repaired or replaced by 2016
- 29 tanks will be repaired or replaced by 2021
- Estimated \$153.4 million total cost

Groundwater Chlorination

- Groundwater Chlorination (Project completed)
- Implement the Ground Water Rule (Residual Chlorine Monitors)
 - “high-risk wells” these Residual Chlorine Monitors are installed
- Phase 2, “medium-risk wells” is complete
- Phase 3, Design services for “low-risk wells” is ongoing

2012 Significant Findings Water

Capital Improvements related to 2012 Significant Findings Water

2012 Significant Findings Water Planned Capital Investments

Project	Cost (\$ millions)
Water System Planning	8.6
Waterline Replacement Program	28.6
Water Booster Pump Stations	9.4
Electrical/Mechanical Improvements	0.75
Ugum Treatment Plant	6.0
New Production Well Development	22.5
Lab (50%)	0.75
SCADA Implementation (Water)	3.0
Total Estimated Cost	109.6

2013 Significant Findings Wastewater

Capital Improvements related to 2013 Significant Findings Wastewater

2013 Significant Findings Wastewater Planned Capital Investments

Project	Cost (\$ millions)
Planning	7.7
I&I/SSES (Northern, Central and Southern Basins)	6.8
Wastewater Collection System Rehabilitation	18.1
Lift Station	14.4
Lab (50%)	0.75
SCADA Implementation (Wastewater)	3.0
Total Estimated Cost	63.75

2011 Court Order Project & Significant Findings	Cost (\$M)	Procurement/Design	Constr. Starts	Completion Date
Groundwater Chlorination	1.00	N/A	04/2014	11/2014
Agat-Santa Rita WWTP	57.00	12/2013	12/2014	12/2016
Storage Tanks, 7 additional tanks	44.90	12/2013	11/2014	11/2016
Land Survey/General Improvements	4.00	N/A	N/A	12/2015
Meters	8.00	12/2013	04/2014	06/2015
New Production Well Development	14.00	N/A	06/2014	09/2018
Waterline Replacement Program	22.00	N/A	N/A	09/2018
SCADA Implementation	5.85	N/A	06/2014	08/2017
Electrical/Mechanical Improvements	4.975	N/A	N/A	03/2018
Water Booster Pump Stations	7.10	N/A	N/A	09/2018
Subtotal	168.825			

GUAM WATERWORKS AUTHORITY


2011 Court Order Project & Significant Findings	Cost (\$M)	Procurement/Design	Constr. Starts	Completion Date
Planning	5.00	N/A	N/A	09/2018
Wastewater Collection System	6.50	N/A	06/2014	09/2018
Lift Station	7.00	N/A	06/2014	09/2018
Ugum Treatment Plant	8.00	09/2014	07/2015	05/2016
Storage Tank, 10 additional tanks	44.25	12/2014	11/2015	11/2018
Lab Renovations	1.50	09/2014	09/2015	11/2016
Baza Gardens WWTP Improvements	24.70	12/2015	12/2016	12/2018
Umatac-Merizo WWTP Improvements	17.00	12/2015	12/2016	12/2018
Storage Tank remaining 1 tanks	57.25	12/2017	12/2018	12/2020
Subtotal	171.200			
Subtotal previous page	168.825			
Total	340.025			

Future Secondary Treatment Plant Requirements


New NPDES Permits Requirements, June 2013

GWA has begun discussions with USEPA on the Secondary Treatment Plant Requirements of Agana WWTP Plant and NDWTP

- GWA will be seeking extended timelines to migrate to Secondary Treatment in order to keep rates affordable.
- GWA does not plan to seek monies or rates to fund Secondary Treatment until all Court-Ordered and "Significant Findings" projects are completed by 2021.


GUAM WATERWORKS AUTHORITY

Financial Requirements


GUAM WATERWORKS AUTHORITY

Sources for GWA's Capital Improvement Program

CIP is being funded with multiple sources

Projected Capital Funding Sources							
Fiscal Year	2013	2014	2015	2016	2017	2018	Total
Bond Funds	\$34,545	\$66,000	\$73,325	\$65,250	\$63,200	\$72,250	\$374,570
State Revolving Fund (USEPA) System Development Charge*	15,376	10,536	-	-	-	-	25,912
Grants (Other)	3,243	-	-	-	-	-	3,243
Internally Generated Funds	500	2,000	5,000	14,500	15,000	11,000	48,000
Total	\$53,664	\$82,536	\$78,325	\$80,750	\$78,200	\$83,250	\$376,725

GUAM WATERWORKS AUTHORITY

Details of Proposed 5-Year Rate Plan

GWA recently submitted a new 5-year rate plan to the PUC which will help to fund necessary capital investments

GWA Proposed Rate Increases	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Basic & Non-Lifeline Increase	16.00%	14.50%	17.50%	10.00%	9.00%	67.00%
Lifeline Increase	0.00%	0.00%	17.50%	0.00%	0.00%	17.50%
Legislative Surcharge	3.85%	3.50%	2.98%	2.72%	2.48%	N/A

GUAM WATERWORKS AUTHORITY

No. of Customers

Customer Class	No. of Accounts
Residential	38,286
Commercial	2,558
Hotel	51
Government	409
Agriculture	327
Irrigation	33
Total	41,664

Per Capita Water Consumption – Residential Accounts

Customer Class	Consumption	No. of Accounts
Residential	Less than 5,000 gallons per month (lifeline customers)	18,840
Residential	Greater than 5,000 gallons per month	19,446

Rate Impact

Customer Class	Current Bill	FY2014	FY2015	FY2016	FY2017	FY2018	Aggregate %
Residential < 5kgal	\$56.75	\$57.60	\$59.92	\$70.29	\$72.43	\$74.53	32%
Residential > 5kgal	75.48	78.97	84.31	98.81	103.72	108.56	44%
Commercial	1,112	1,269	1,448	1,693	1,858	2,020	82%
Hotel	184,086	210,040	239,685	280,215	307,459	334,347	82%
Government	4,288	4,892	5,583	6,527	7,161	7,788	82%
Agriculture	73.60	83.98	95.83	112.03	122.93	133.68	82%
Irrigation	\$94.09	\$107.35	\$122.50	\$143.22	\$157.14	\$170.88	82%

Bond Financing Summary

	2013 Revenue Bond	2015 Revenue Bond	2017 Revenue Bond	Total
Par Amount	\$203,000,000	\$188,000,000	\$106,000,000	\$497,000,000
Financing Costs	\$63,000,000	\$59,000,000	\$33,000,000	\$155,000,000
Deposit to Construction Fund	\$140,000,000	\$129,000,000	\$73,000,000	\$342,000,000
	\$-0-	\$-0-	\$-0-	

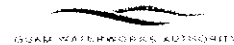
Financing Schedule

GWA is targeting a November pricing for the Series 2013 bonds

TIME FRAME	ACTIVITY
October 16	Rating Meetings
October 29	PUC approval of 5-yr. rate plan, subject to annual review & true-up.
October 31	Enactment of Bill 181-32.
November	Post POS Bond Pricing
December	Bond Closing

Why the Legislature should repeal the \$20M requirement?

- In 1988, General Fund borrowed \$50M for water and wastewater infrastructure on behalf of PUAG, a line agency at the time.
- September 2010, GWA sought Legislative approval for the 2010 bond, requesting only an interest rate change.
- **\$20M obligation was passed as a rider, with no public input.**




Why the Legislature should repeal the \$20M requirement?

- **Final payment of the \$50M borrowing was made in December 2010.** This obligation was fully paid for by Guam taxpayers who also are GWA ratepayers.
- PUC interpreted rider as requiring an \$18M surcharge and ordered 18% rate hike to be assessed over 18 months.
- GWA successfully sued in Superior Court to stop the PUC order.
- **PUC has frozen \$18M of 2010 bond funds until this matter is resolved.**




Why the Legislature should repeal the \$20M requirement?

- This rider will only increase rates on GWA ratepayers even more. An 18% surcharge on top of the proposed rate increases now before the PUC would make it much more difficult on ratepayers.
- The loan has already been paid off. If the Legislature wants to tax GWA ratepayers \$20M, this should be publicly heard as a stand alone issue.
- Removing this requirement eliminates all these problems.



GUAM WATERWORKS AUTHORITY

Summary



GUAM WATERWORKS AUTHORITY

What will this borrowing do for ratepayers?

- Clean safe drinking water.
- Better flow and pressure through improved water distribution and storage systems.
- Increased system reliability.
- Protection of our surrounding waters which will no longer be polluted by untreated wastewater.

GUAM WATERWORKS AUTHORITY

What will this borrowing do for ratepayers?

- Our primary water resource, the Northern Aquifer, will be protected from over-pumping due to the reduction of unaccounted for water by improved metering, line replacement, leak repair and improved planning for the protection of the aquifer.
- Improvements in system and equipment efficiencies at production wells, water booster pump station, sewer lift station, water treatment plants and wastewater treatment plants will result in operational savings that reduces GWA costs and resulting rate increases.

GUAM WATERWORKS AUTHORITY

**GWA Supports the Passage of Bill 181
for the following reasons:**

- Would authorize GWA to borrow ~\$495M required to:
 - Fund CIPs required by U.S. District Court Order.
 - Fund projects to correct USEPA Significant Findings for Water and Wastewater.

- Removes requirement for GWA ratepayers to repay \$20M to the General Fund for a loan originally borrowed by the General Fund for water and wastewater infrastructure in 1988, and paid off in 2010.



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
Vicente (Ben) C. Pangelinan
Member

Speaker
Judith T.P. Won Pat, Ed.D.
Member

Senator
Dennis G. Rodriguez, Jr.
Member

Vice-Speaker
Benjamin J.F. Cruz
Member

Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

Certification of Waiver of Fiscal Note Requirement

This is to certify that the Committee on Rules submitted to the Bureau of Budget and Management Research (BBMR) a request for a fiscal note, or applicable waiver, on **BILL NO. 181-32 (COR) – “AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145 RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.”** – on October 29, 2013. COR hereby certifies that BBMR confirmed receipt of this request on September 12, 2013 at 4:27 P.M.

COR further certifies that a response to this request was not received. Therefore, pursuant to 2 GCA §9105, the requirement for a fiscal note, or waiver thereof, on Bill No. 181-32 (COR) to be included in the committee report on said bill, is hereby waived.

Certified by:

Senator Rory J. Respicio
Chairperson, Committee on Rules

10-29-13

Date

12-24-13 AB



I Mina'trentai Dos na Liheslaturan Guahan

Senator Vicente (ben) Cabrera Pangelinan (D)

October 24, 2013

Mr. John Rios
Director
Bureau of Budget and Management Resource
Ricardo J. Bordallo Complex
Hagatna, Guam

Re: Fiscal Note

Hafa Adai Mr. Rios,

This letter is to request the fiscal note for the following bill:

Bill No 181-32 (COR): An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds.

Your assistance in this matter is appreciated.

Si Yu'os Ma'ase,

Vicente (ben) Cabrera Pangelinan
Senator

lgd

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagatna Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
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Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
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VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

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Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

September 9, 2013

MEMORANDUM

To: Rennae Meno
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Subject: Referral of Bill No. 181-32(COR)

As the Chairperson of the Committee on Rules, I am forwarding my referral of **Bill No. 181-32(COR)**.

Please ensure that the subject bill is referred, in my name, to the respective committee, as shown on the attachment. I also request that the same be forwarded to all members of *I Mina'trentai Dos na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os Ma'åse!

Attachment

I Mina'Trentai Dos Na Liheslaturan Guahan

Bill Log Sheet

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES
181-32 (COR)	T.C. Ada R.J. Respicio	AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145 RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.	9/6/2013 4:44 p.m.	9/9/13	Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land			



Lisa Dames <cipo@guamlegislature.org>

Public Hearing - First Notice

Lisa Dames <cipo@guamlegislature.org>

Wed, Oct 2, 2013 at 2:00 PM

To: PHrg Notice <phnotice@guamlegislature.org>

October 2, 2013

Hafa Adai Senators,

The Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land will conduct a public hearing beginning at **1:00pm** on **Wednesday, October 9, 2013** at the Guam Legislature's Public Hearing Room.

The following is the agenda:

Bill No. 181-32 (COR) – Introduced by Senator Tom Ada: An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds.

Yanggen un nisisita espesiât na setbision put fabot âgang i Ifisinin Senadot ben pangelinan gi 473-4236/7. Yanggen un nisisita espesiât na setbision, put fabot âgang i Ifisinin Sinadot Vicente (ben) Cabrera Pangelinan gi 473-4236/7. Yanggen un nisisita kopian i priniponi siha ginen este na tareha, hâlom gi i uepsait i Liheslaturan Guåhan gi www.guamlegislature.com Yanggen para un na'hâlom testigu-mu, chule' para i ifisinin-mâmi gi 324 West Soledad Avenue gi iya Hagåtña, pat guatto gi i Kwatton Katta gi i Liheslatura, pat faks gi 473-4238, patsino imel gi office@senbenp.com Este na nutisiu inapâsi nu i fendon gubetnamento.

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I Mina'trentai Dos na Liheslaturan Guåhan

Senator Vicente (ben) Cabrera Pangelinan (D)

October 2, 2013

Memorandum

To: All Senators

From: Senator Vicente (ben) Cabrera Pangelinan 

Re: Public Hearing – FIRST NOTICE

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

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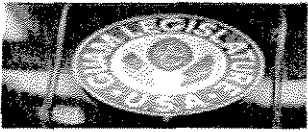
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324 W. Soledad Ave. Suite 100, Hagåtña, Guam 96910

Tel: (671) 473-(4BEN) 4236 - Fax: (671) 473-4238 - Email: senbenp@guam.net

Website: <http://senbenp.com>



Lisa Dames <cipo@guamlegislature.org>

Public Hearing - FIRST NOTICE

Lisa Dames <cipo@guamlegislature.org>

Wed, Oct 2, 2013 at 1:49 PM

To: news@k57.com, news@guampdn.com, Sabrina Salas <sabrina@kuam.com>, Jason Salas <jason@kuam.com>, Mindy Aguon <mindy@kuam.com>, nick@kuam.com, Krystal Paco <krystal@kuam.com>, Josh Tyquiengco <jtyquiengco@k57.com>, clynt@k57.com, Betsy Brown <betsy@k57.com>, Kevin Kerrigan <kevin@k57.com>, Jon Anderson <editor@mvguam.com>, Jon Anderson <jontalk@gmail.com>, gerry@mvguam.com, marvic@mvguam.com, louella@mvguam.com, Frank Whitman <frank@mvguam.com>, ALICIA PEREZ <aliciaperez69@hotmail.com>, Alicia Perez <perezksto@gmail.com>, Gaynor Daleno <gdumat-ol@guampdn.com>, slimtiaco@guampdn.com, Oyaól Ngirairiki <odngirairiki@guampdn.com>, Jerick Sablan <jpsablan@guampdn.com>, life@guampdn.com

October 2013

INEKUNGOK PUPBLEKO

(PUBLIC HEARING)

gi Metkoles, gi diha 9 gi Octubre, 2013

Wednesday, October 9, 2013

Kuátton Inekungok Pupbleko gi I Liheslaturan Guáhan

(Guam Legislature Public Hearing Room)

ala una gi despues di talo'áni

(1:00 PM)

TAREHA

(AGENDA)

Priniponi Siha:

(Bills)

Bill No. 181-32 (COR) – Introduced by Senator Tom Ada: An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds.

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Lisa Dames
Chief of Staff
I MINA'TRENTAI DOS NA LIHESLATURAN GUAHAN
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public
Parks, Recreation, Historic Preservation, and Land.
(671) 473-4236 (office)
(671) 473-4238 (fax)
senbenp.com
www.guamlegislature.org

 **Agenda_October 9.doc**
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I Mina'trentai Dos na Liheslaturan Guahan

Senator Vicente (ben) Cabrera Pangelinan (D)

October 7, 2013

Memorandum

To: All Senators

From: Senator Vicente (ben) Cabrera Pangelinan 

Re: Public Hearing – SECOND NOTICE

Chairman
Committee on Appropriations,
Public Debt, Legal Affairs,
Retirement, Public Parks,
Recreation, Historic Preservation
and Land

Member
Committee on Education,
Public Libraries
and Women's Affairs

Member
Committee on General
Government Operations and
Cultural Affairs

Member
Committee on Municipal
Affairs, Tourism, Housing and
Hagåtña Restoration and
Development Authority

Member
Committee on Health &
Human Services, Health
Insurance Reform, Economic
Development and Senior
Citizens

Member
Committee on Aviation, Ground
Transportation, Regulatory
Concerns and Future
Generations

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Tel: (671) 473-(4BEN) 4236 - Fax: (671) 473-4238 - Email: senbenp@guam.net

Website: <http://senbenp.com>



Lisa Dames <cipo@guamlegislature.org>

Public Hearing - SECOND NOTICE

Lisa Dames <cipo@guamlegislature.org>
To: PHrg Notice <phnotice@guamlegislature.org>

Mon, Oct 7, 2013 at 9:24 AM

October 7, 2013

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Lisa Dames
Chief of Staff
I MINA'TRENTAI DOS NA LIHESLATURAN GUAHAN
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public
Parks, Recreation, Historic Preservation, and Land.
(671) 473-4236 (office)
(671) 473-4238 (fax)



Lisa Dames <cipo@guamlegislature.org>

Public Hearing - SECOND Notice

Lisa Dames <cipo@guamlegislature.org>

Mon, Oct 7, 2013 at 9:29 AM

To: news@k57.com, news@guampdn.com, Sabrina Salas <sabrina@kuam.com>, Jason Salas <jason@kuam.com>, Mindy Aguon <mindy@kuam.com>, Krystal Paco <krystal@kuam.com>, Ken Quintanilla <kenq@kuam.com>, Josh Tyquiengco <jtyquiengco@k57.com>, clynt@k57.com, Betsy Brown <betsy@k57.com>, Kevin Kerrigan <kevin@k57.com>, Jon Anderson <jontalk@gmail.com>, Jon Anderson <editor@mvguam.com>, gerry@mvguam.com, marvic@mvguam.com, louella@mvguam.com, Frank Whitman <frank@mvguam.com>, rgibson@k57.com, ALICIA PEREZ <aliciaperez69@hotmail.com>, Alicia Perez <perezksto@gmail.com>, Gaynor Daleno <gdumat-ol@guampdn.com>, slimtiaco@guampdn.com, Oyaol Ngirairikl <odngirairikl@guampdn.com>, Jerick Sablan <jpsablan@guampdn.com>, life@guampdn.com

October 7, 2013

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Lisa Dames
Chief of Staff

**Listserv: phnotice@guamlegislature.org
As of July 30, 2013**

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As of July 30, 2013**

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I Mina'trentai Dos na Liheslaturan Guåhan

32nd GUAM LEGISLATURE

Senator Vicente (ben) Cabrera Pangelinan

Committee on Appropriations, Public Debt, Legal Affairs, Retirement, Public Parks, Recreation, Historic Preservation, and Land

**INEKUNGOK PUPBLEKO
(PUBLIC HEARING)**

**gi Metkoles, gi diha 9 gi Octubre, 2013
Wednesday, October 9, 2013**

**Kuåtton Inekungok Pupbleko gi I Liheslaturan Guåhan
(Guam Legislature Public Hearing Room)**

**ala una gi despues di talo'åni
(1:00 PM)**

**TAREHA
(AGENDA)**

**Priniponi Siha:
(Bills)**

Bill No. 181-32 (COR) – Introduced by Senator Tom Ada: An Act to Amend Section 2 of Public Law 30-145 Relative to approving the terms and conditions of the issuance of Guam Waterworks Authority Revenue Bonds, to increase the amount of the bonds that the Guam Waterworks Authority is authorized to issue, and to approve the terms and conditions of Guam Waterworks Authority Revenue Bonds to refinance certain Guam Waterworks Authority Revenue Bonds.

Yanggen un nisisita espesiåt na setbisio put fabot ågang i Ifisinan Senadot ben pangelinan gi 473- Yanggen un nisisita espesiåt na setbision, put fabot ågang i Ifisinan Sinadot Vicente (ben) Cabrera Pangelinan gi 473-4236/7. Yanggen un nisisita kopian i priniponi siha ginen este na tareha, hålom gi i uepsait i Liheslaturan Guåhan gi www.guamlegislature.com Yanggen para un na hålom testigumu, chule' para i ifisinan-måmi gi 324 West Soledad Avenue gi iya Hagåtña, pat guatto gi i Kuatton Katta gi i Liheslatura, pat faks gi 473-4238, patsino imel gi office@senbenp.com Este na nutisiu inapåsi nu i fendon gubetnamento.

If you require any special accommodations, auxiliary aids or other special services or for further information, please call the Office of Senator Vicente (ben) Cabrera Pangelinan at 473-4236/7. For copies of any of the Bills listed on this agenda, you may log on to the Guam Legislature's website at www.guamlegislature.com Testimonies may be submitted directly to our office at 324 West Soledad Avenue in Hagåtña or at the Mail Room of the Guam Legislature, via fax at 473-4238, or via email at office@senbenp.com

324 West Soledad Avenue
Suite 101, Hagåtña, GU 96910
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www.senbenp.com



I Mina' trenta Dos na Liheslaturan Guåhan
32nd GUAM LEGISLATURE
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt, Legal Affairs,
Retirement, Public Parks, Recreation, Historic Preservation, and
Land

**INEKUNGOK PUPBLEKO
(PUBLIC HEARING)**

**gi Metkoles, gi diha 9 gi Oktubre, 2013
Wednesday, October 9, 2013**

**Kuáttion Inekungok Pupbleko gi I Liheslaturan Guåhan
(Guam Legislature Public Hearing Room)**

**alas dos gi despues di talo'ani
(1:00 PM)**

**TAREHA
(AGENDA)**

**Priniponi Siha:
(Bills)**

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I Mina'trenta Dos na Liheslaturan Guahan
32nd GUAM LEGISLATURE
Senator Vicente (ben) Cabrera Pangelinan
Committee on Appropriations, Public Debt,
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COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature

155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com

E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
Vicente (Ben) C. Pangelinan
Member

Speaker
Judith T.P. Won Pat, Ed.D.
Member

Senator
Dennis G. Rodriguez, Jr.
Member

Vice-Speaker
Benjamin J.F. Cruz
Member

Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

September 12, 2013

VIA E-MAIL

john.rios@bbmr.guam.gov

John A. Rios
Director
Bureau of Budget & Management Research
P.O. Box 2950
Hagåtña, Guam 96910

RE: Request for Fiscal Notes– Bill Nos. 181-32(COR), 182-32(LS)
and 183-32(COR)

Hafa Adai Mr. Rios:

Transmitted herewith is a listing of *I Mina'trentai Dos na Liheslaturan Guåhan's* most recently introduced bills. Pursuant to 2 GCA §9103, I respectfully request the preparation of fiscal notes for the referenced bills.

Si Yu'os ma'åse' for your attention to this matter.

Very Truly Yours,

Senator Rory J. Respicio
Chairperson, Committee on Rules

Attachments (1)

Cc: Clerk of the Legislature

Clerk of the Legislature

ACKNOWLEDGEMENT RECEIPT

Received by: M. Mathis

Time: _____

Date: 9/12/13

Bill Nos.	Sponsor	Title
181-32 (COR)	T.C. Ada R.J. Respicio	AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145 RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY REVENUE BONDS, TO INCREASE THE AMOUNT OF THE BONDS THAT THE GUAM WATERWORKS AUTHORITY IS AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM WATERWORKS AUTHORITY REVENUE BONDS TO REFINANCE CERTAIN GUAM WATERWORKS AUTHORITY REVENUE BONDS.
182-32 (COR)	Brant T. McCreadie V. Anthony Ada Chris M.Dueñas Aline A. Yamashita, Ph.D Tommy Morrison Michael T. Limtiaco	AN ACT TO RESERVE THE TOTAL OF \$4,800,000 UPON THE MATURITY OF THE GOVERNMENT OF GUAM LIMITED OBLIGATION: BUSINESS PRIVELEGE TAX BONDS SERIES 2013C BOND TO FUND THE CONSTRUCTION OF A NEW MIDDLE SCHOOL, TO PROVIDE ADDITIONAL FUNDING FOR THE CONSTRUCTION OF A NEW SIMON SANCHEZ HIGHSCHOOL ANDFOROTHER PURPOSES.
183-32 (COR)	V. Anthony Ada R.J. Respicio	AN ACT TO ADD A NEW ARTICLE 5 TO CHAPTER 3 OF 22GCA RELATIVE TO PRIVACY OF EMPLOYEES' PERSONAL INFORMATION.



COMMITTEE ON RULES

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MINORITY LEADER

Senator
Aline Yamashita
Member

September 9, 2013

MEMORANDUM

To: **Rennae Meno**
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: **Senator Rory J. Respicio** 
Majority Leader & Rules Chair

Subject: **Referral of Bill No. 181-32(COR)**

As the Chairperson of the Committee on Rules, I am forwarding my referral of **Bill No. 181-32(COR)**.

Please ensure that the subject bill is referred, in my name, to the respective committee, as shown on the attachment. I also request that the same be forwarded to all members of *I Mina'trentai Dos na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os Ma'åse!

Attachment

I MINA'TRENTAI DOS LIHESLATURAN GUÅHAN
2013 (First) Regular Session

Bill No. 181-32 (COR)

Introduced by:

T.C. Ada 
R.J. Respicio

**AN ACT TO AMEND SECTION 2 OF PUBLIC LAW 30-145
RELATIVE TO APPROVING THE TERMS AND CONDITIONS
OF THE ISSUANCE OF GUAM WATERWORKS AUTHORITY
REVENUE BONDS, TO INCREASE THE AMOUNT OF THE
BONDS THAT THE GUAM WATERWORKS AUTHORITY IS
AUTHORIZED TO ISSUE, AND TO APPROVE THE TERMS
AND CONDITIONS OF GUAM WATERWORKS AUTHORITY
REVENUE BONDS TO REFINANCE CERTAIN GUAM
WATERWORKS AUTHORITY REVENUE BONDS.**

2013 SEP - 6 PM 4: 44/09

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings and Intent.** *I Liheslaturan Guåhan* finds that
3 the United States District Court of Guam Civil Case No. 02-00035, November 10, 2011
4 Order outlines the corrective actions and other necessary capital projects that the Guam
5 Waterworks Authority (the "Authority") shall continue to undertake. Since the original
6 2003 Court Order, the Authority has borrowed \$220,000,000 to begin to bring the GWA
7 system into compliance with federal Clean Water and Safe Drinking Water laws.

8 *I Liheslatura* further finds that in order for the Authority to be able to finance the
9 projects required in the timelines prescribed in the United States District Court of Guam
10 Civil Case No. 02-00035, November 10, 2011 Order, the Authority must be authorized to
11 issue an additional Four Hundred Ninety-Five Million Dollars (\$495,000,000) in bonds.
12 The loans would be used to fund the following:

- 13 • Bring all three southern wastewater treatment plants in Agat, Umatac and Baza
14 Gardens into compliance with their secondary treatment permits at an estimated
15 cost of \$111 million by 2018;
- 16 • Repair or rebuild all GWA water storage tanks island-wide at an estimated cost of
17 \$153.4 million by 2021;

- 1 • Invest \$48.5 million for water distribution projects island-wide to begin replacing
- 2 badly leaking water lines, improve pressure with booster pump upgrades and
- 3 refurbishing or drilling new wells;
- 4 • Fund \$39.4 million for systems analysis and monitoring and technology upgrades
- 5 for better system management and energy savings; and,
- 6 • To minimize ratepayer impact and allow for gradual rate increases spread out over
- 7 five to seven years, an additional amount of \$142 million is required to fund two
- 8 years of capitalized interest plus a debt service reserve for each bond borrowing.

9 These bond issuances, in one or more series, shall be issued subject to the approval of the
10 Guam Consolidated Commission on Utilities (the “CCU”), the Guam Public Utilities
11 Commission (the “PUC”), and the Board of Directors of the Guam Economic
12 Development Authority (“GEDA”).

13 *I Liheslatura* further finds the Authority anticipates that opportunities may arise to
14 refinance all or a portion of its outstanding Series 2005 and Series 2010 revenue bonds
15 for debt service savings, which is expected to result in savings to ratepayers. In order to
16 benefit ratepayers and comply with the Federal Court Order, I Liheslaturan Guahan has
17 determined that the issuance of revenue bonds by the Authority for such purpose, subject
18 to approval by the CCU, the PUC, and the Board of Directors of GEDA, would be
19 prudent.

20 *I Liheslatura* finally finds that a 2010 rider, inserted during legislative session,
21 required GWA ratepayers to pay back \$20 million to the General Fund for a loan that was
22 fully paid off in December 2010, causing an unnecessary burden on ratepayers.
23 Consequently, the rider was interpreted by the PUC in 2012 to require an 18% rate
24 increase that ratepayers would re-pay over an 18-month period. GWA filed, in Superior
25 Court, its objection to the PUC order and successfully obtained a stay from transferring
26 \$18 million to the General Fund. Notwithstanding, the provision still remains in Guam
27 law and needs to be repealed to make clear that this is no longer a requirement to be
28 placed upon GWA’s ratepayers. *I Liheslatura* finds that adding another \$20 million rate
29 increase onto GWA ratepayers is not in the public interest.

30

1 **Section 2. Amendment to Section 2 of Public Law 30-145.** Section 2 of Public
2 Law 30-145 is hereby *amended* to read as follows:

3 **“Section 2. Approval of Guam Waterworks Authority Revenue Bonds.**

4 (a) The Guam Legislature, *I Liheslaturan Guåhan*, pursuant to Section
5 50103 of Title 12 of the Guam Code Annotated, hereby approves the issuance and
6 sale by the Authority of revenue bonds pursuant to Article 2, Chapter 14, Title 12,
7 Guam Code Annotated (the “Act”) in one or more series or issues; provided that
8 the issuance, terms and conditions of the bonds *shall* have been approved by the
9 Guam Public Utilities Commission, and further provided that such bonds shall
10 have a principal amount ~~not to exceed Two Hundred Twenty Million Dollars~~
11 ~~(\$240,000,000)~~ Seven Hundred Fifteen Million Dollars (\$715,000,000), *shall*
12 have a final maturity not later than 2055, *shall* bear interest at such rate or rates
13 and *shall* be sold for such price or prices as shall result in a net yield to the
14 bondholders *not exceeding* seven and one-half percent (7.5%) per annum, *shall* be
15 issued and sold in the manner, for the purposes and subject to the requirements
16 and limitations provided in Article 2, Chapter 14, Title 12, Guam Code
17 Annotated, and *shall* be issued pursuant to an Indenture in substantially the form
18 as attached to this Act as Exhibit A. ~~Twenty Million Dollars (\$20,000,000)~~
19 ~~principal amount shall be used to pay the balance of the government of Guam~~
20 ~~Limited Obligation (Section 30) Series 2001A bond and any other portions of~~
21 ~~Bonds or Loans paid for by General Fund revenues for which the Guam~~
22 ~~Waterworks Authority has received proceeds.~~ In order to be able to take
23 advantage of ~~Build America Bonds, or other~~ a federally subsidized bond program,
24 net yield to the bondholders *shall* be calculated by subtracting any interest subsidy
25 amounts to be received from the United States in connection with such bonds
26 from the amount of interest to be paid to bondholders.

27
28 **Section 3. Approval of Guam Waterworks Authority Refinancing Bonds.**

29 *I Liheslaturan Guåhan*, pursuant to Section 50103 of Title 12 of the Guam Code
30 Annotated, hereby approves the issuance and sale by Guam Waterworks Authority of
31 fixed rate revenue bonds in one or more series or issues to refinance the outstanding

1 revenue bonds of the Authority pursuant to Section 14226 of Article 2, Chapter 14, Title
2 12, Guam Code Annotated; provided that the issuance, terms and conditions of the
3 refinancing bonds shall have been approved by the Guam Public Utilities Commission
4 and the Guam Consolidated Commission on Utilities, and that the sale of the bonds shall
5 be approved by the Board of Directors of GEDA; and further provided that such
6 refinancing bonds shall have a principal amount sufficient to provide funds for the
7 payment of all bonds to be refinanced thereby (the "prior bonds") and in addition for the
8 payment of all expenses incident to the calling, retiring or paying of such prior bonds and
9 the issuance of such refinancing bonds, including:

- 10 i. The difference in amount between the par value of the refinancing bonds and any
11 amount less than par for which the refinancing bonds are sold;
- 12 ii. Any amount necessary to be made available for the payment of interest upon such
13 refinancing bonds from the date of sale thereof to the date of payment of the prior
14 bonds or to the date upon which the prior bonds will be paid pursuant to the call
15 thereof or agreement with the holders thereof;
- 16 iii. The premium, if any, necessary to be paid in order to call or retire the prior bonds
17 and the interest accruing thereon to the date of the call or retirement; and,
- 18 iv. Any additional amount needed to provide for a deposit to the debt service reserve
19 in connection with the issuance of the refinancing bonds;

20 And further provided that such refinancing bonds shall have a final maturity not later than
21 the final maturity of the prior bonds, that such refinancing bonds shall be issued and sold
22 pursuant to the Authority's existing bond indenture and in compliance with the provisions
23 of Chapter 14 of Title 12 of the Guam Code Annotated, and that the present value of debt
24 service on the refinancing bonds shall be at least two percent (2%) less than the present
25 value of debt service on the bonds being refinanced, using the yield on the refinancing
26 bonds as the discount rate; and further provided that all obligation of the Authority to pay
27 debt service on, and the redemption price of, the prior bonds shall be discharged
28 concurrently with the issuance of the refinancing bonds, and thereafter, the prior bonds
29 shall be payable solely from and secured solely by an escrow established for such
30 purpose in accordance with the Authority's existing bond indenture

1 **Section 4. Severability.** If any of the provisions of this law or its application to
2 any person or circumstance is found to be invalid or contrary to law, such invalidity shall
3 not affect other provisions or applications of this law which can be given effect without
4 the invalid provisions or application, and to this end the provisions of this law are
5 severable.