



CONSOLIDATED COMMISSION ON UTILITIES

Para Hagu...



Message from the Consolidated Commission on Utilities!

Buenas Yan Saludas Todus Hamyol

During the past four years, seven of your fellow ratepayers and citizens have had the honor to be elected to serve you on the Consolidated Commission on Utilities (CCU): Tom Ada (*), Vincent Camacho, Judith Guthertz, Gloria Nelson (*), Benigno Palomo (*), Simon Sanchez II (*), and Frank Shimizu. (*currently serving)

We humbly thank you for allowing us to serve.

Committed to keeping you informed, we are pleased to share with you some of the accomplishments of both the Guam Power and Guam Waterworks Authorities since January 2003. We are proud of the progress made at both GWA and GPA. We hope that rather than just reading of our achievements through this newsletter – you are favorably impacted each day by some of the improvements your utility agencies have made *para hagu*.

As we work to provide you with reliable utility services that are affordable, efficient and safe, it is important that you also know of some of the challenges we faced and what we must continue to deal with as we make ongoing improvements at GPA and GWA. **While much has been accomplished, much more needs to be done.**

Since 2003, we have obtained over \$150 million for an array of Capital Improvement Projects for GPA and GWA. Over \$1.5 billion in projects over the next twenty years are being planned as you read this. We are certain that as we complete these projects, the infrastructure capacity of your water and power utilities will perform as well as any other utilities in the world.

In addition to investing in the plant and facilities at GWA and GPA, we are also investing in our over 775 employees so that they have the professional and technical training and compensation needed to better serve you. We are reinvesting in your utilities and your hard working dedicated employees so you will continue to experience the improved efficiency and effectiveness that comes with well managed and well run utilities.

Un Dangkalo na Si Yu'os Ma'ase for providing us with the opportunity to serve you.

Senseramente,



TOM ADA,
BENIGNO PALOMO,
GLORIA NELSON,
SIMON A. SANCHEZ, II

*Members,
Consolidated
Commission on
Utilities,
October 2006*

Your Water is the Cleanest and Safest in Decades

Before 2003, your water system was frequently plagued with boil water notices and hundreds of millions of gallons of uncontrolled sewage spills that polluted our aquifer and ocean. As a result, in December 2002, the United States Environmental Protection Agency (USEPA) filed a law suit against GWA for failing to meet federal clean water and safe drinking water standards.

Upon taking office in January 2003, the CCU and GWA had to respond quickly to the demands of USEPA and Guam ratepayers to fix and modernize Guam's water and wastewater systems.

The CCU immediately hired new experienced management to turn GWA around. In the four years since the USEPA lawsuit, GWA's management and employees have greatly improved drinking water quality and reduced sewage spills.

From 1999 to 2002, GWA issued **322 Boil Water Notices** for polluted drinking water. Since 2003, **only 22 Boil Water Notices** were issued. **In three of the last four years, there were NO boil water notices.**

USEPA noted these improvements in their 2005 annual report, "... improvements to the island's drinking water systems... resulted in the safest drinking water Guam has experienced in decades."

EPA also noted "Sewage spills were reduced by 90%."

GWA's hard working employees and improved management now provide the quality drinking water you demand and expect.

GWA Finances Improve – \$100 Million Obtained to Begin System Rebuilding

From 1998 to 2002, GWA reported financial losses of more than \$60 million in ratepayer monies. When the CCU took office in 2003, GWA was broken and bankrupt. GWA couldn't pay its bills, had no money to rebuild and had no ability to borrow the money needed to rebuild. Improving GWA finances was critical.

In 1998, GWA had over **400 employees** working at the water agency. Today, GWA provides better service with only 250 employees, saving \$3.2 million a year in payroll. GWA also reduced

excessive overtime, equipment rentals, outside contracts and other operating costs by over 20%, **saving over \$8 million annually.**

In FY2005, GWA reported for the first time an increase in net assets. GWA was now generating more revenues than expenses. **As a result of this dramatic financial recovery, last November bond investors loaned GWA for the first time ever \$104 Million to fix our systems.**

Today, GWA invests ratepayer money in operating, maintaining and rebuilding a new and more reliable GWA.

GPA Restores Reliability and Accountability



In January 2003, the CCU and GPA faced enormous problems as well, teetering on the verge of bankruptcy and bond receivership.

GPA had failed to recover \$13 million in fuel costs. GPA also failed to collect over \$40 million in unpaid government power bills, while all other ratepayers had to keep paying their power bills current. Ratepayers were being forced to subsidize government power bills.

Without collecting badly needed revenues, **two of GPA's most efficient Cabras generators sat inoperable for nearly two years because there was no money to fix them.** In addition,

GPA was forced to use more costly diesel generators to meet daily power demands. GPA also had no money to fix the distribution system after years of neglect and Super Typhoons Paka, Chata'an and Pongsona.

GPA's new management and employees immediately focused on revitalizing GPA. **In less than a year, GPA brought the two Cabras units back on-line.**

GPA also used **effective public-private partnerships** to improve the reliability of all the Cabras units. **Today, all four Cabras units combine private management with skilled GPA**

employees to insure almost 100% of the power comes from our most efficient baseload generators. Prior to these partnerships, only 80% of the power came from our most efficient generators, wasting valuable fuel and ratepayer monies.

GPA also stopped providing preferential treatment to government accounts. Government accounts now must maintain their current billings or risk being cut-off like any other delinquent ratepayer. Delinquent government accounts have been cut-off. As a result, GovGuam now pays its current bills just like any ratepayer.

The Rising Cost of Fuel is the Only Reason your Power Bill has Increased

In the past four years, the rising cost of fuel has greatly affected all of us. **Four years ago, GPA spent \$100 million annually on fuel. For the**

coming fiscal year, over \$200 million is projected to be spent.

Below is a typical residential power bill in 2002 and the same bill in 2006. Non-fuel charges such

as labor, maintenance and debt service have not changed in over ten years. **Only the fuel portion of your bill has changed since 2002.**

Average Residential Usage	RATE SCHEDULE R					
	2002			2006		
	1,000	1,500	2,000	1,000	1,500	2,000
KWH per Month	1,000	1,500	2,000	1,000	1,500	2,000
Total Non-fuel Charges	64.39	104.87	145.34	64.39	104.87	145.34
Fuel Recovery Charge	48.83	73.25	97.66	98.59	147.88	197.18
Total Electric Charge	\$113.22	178.11	243.00	\$162.98	252.75	342.52
Increase in Total Bill caused by Fuel Increases				\$49.76	\$74.64	\$99.52
% Increase				43.95%	41.90%	40.95%

That's Why GPA is Looking at Alternative Sources of Fuel for Power

With the continuous cost of fuel rising, **GPA is seeking other alternative sources of energy for you.** GPA will soon complete its Integrated Resource Plan. The plan will look at the most cost-effective ways to serve Guam's growth. A number of alternative sources of power are being evaluated, including:

- Coal-fired power plants
- Liquid natural gas plants
- Wind farm generation
- Re-tooling existing plants to work in combined-cycle with other plants, using the steam from one to provide energy for the other

- Slow Speed/Medium Speed Diesels
- Using the ocean as a source for power (Ocean Thermal Energy) as well as for air conditioning (Deep Sea Cooling)

GPA also will revive its "Demand-side Management" program to help reward consumers for conserving energy by purchasing energy efficient products.

Determining the best mix of alternative energy sources and demand side management will help GPA find the best ways to provide efficient power at a lower cost for you.

FEMA Monies Saved and Invested

Prior to the CCU, over \$25 million in FEMA reimbursements for typhoon damage was being withheld from GPA due to prior management's failure to document expenses. **GPA worked diligently to meet FEMA requirements and now has received over \$25 million in FEMA reimbursements.** These monies are being used to repair and strengthen GPA's transmission and distribution system.

In addition, **GPA convinced FEMA to provide an additional \$20 million to put key parts of the system underground.** Underground projects are completed for the **Guam Memorial Hospital** and other projects are underway for critical Harmon/Tumon/Tamuning power lines. The hospital, will now have reliable GPA generated power even during bad weather. **GPA also worked with the Air Force to use military funding to underground a direct line to Andersen Air Force Base.**

UTILITY PERSONNEL AT WORK



Investing in Employee Training Leads to Better Service

When the CCU took office in January 2003, both utilities struggled with attracting and retaining skilled technical and professional workers. Low pay, an aging work force and the lack of good training programs resulted in fewer skilled professionals working for you.

GPA worked with the Guam Community College (GCC) to revive a nationally certified Apprenticeship Training Program. **77 apprentices now receive hands-on training at GPA while also mastering their academic requirements at GCC.** GPA also requires its private partners to provide continuous training to GPA employees.

GWA requires EPA certified technicians to operate and maintain our water and wastewater systems. Through in-house training, **GWA has increased the number of US EPA certified operators from 16 to 37 employees.** New employees are not hired unless they are EPA certified. GWA also has successfully recruited its first professional engineers to

work at the authority. **Today there are five registered professional engineers at GWA. In 2002, there were no licensed professional engineers at GWA.** GWA also secured a \$115,000 federal grant to expand its \$158,000 in-house training program over the next three years.

Working with the Legislature and Governor, both utilities helped craft new laws to retain and recruit "certified, professional and technical" employees. **The laws now allows your utilities to establish competitive market wages for skilled professionals so we can retain and attract the best people to work for your utilities right here at home, instead of losing them off-island.**

The CCU recognizes that your utilities cannot function and perform effectively without skilled personnel to assist in these efforts. **Both GWA and GPA will continue to invest in our most important asset— our employees—so that they are able to better serve you in providing the reliable services you need.**

Utilities Stop Using Ratepayer Money to Benefit Developers

Both utilities have stopped a long-time practice of using ratepayer money to put in systems for property developers. Ratepayer money should be used to operate, maintain and improve the existing utility systems. When developers want to improve their own property, they must use their own money to connect to the GPA and GWA systems. These rules and laws have been in place for decades but were often ignored or politicized. As a result, millions of dollars that should have been spent to fix the system for all ratepayers were being diverted to benefit a few developers. **GWA and GPA now follow the law and the "best practices" of good utilities to use ratepayer money to operate and upgrade the existing systems, while requiring developers to pay their own costs to connect to the systems.**

To Better Serve Our Customers

GPA now accepts debit/credit card and on-line payments for bills. Currently, there are over 1,000 residential accounts paying on-line. **GWA will soon model the GPA program.**

In addition, GPA has opened a Hagatna Satellite Office at the Agaña Shopping Center and has renovated its Agat Satellite Office to better serve its customers. Office hours are from **8am to 5pm, Monday through Friday.** To reach either of these offices, call the Hagatna Satellite Office at 472-4472/3/4 or the Agat Satellite Office at 565-2925. GWA bills can be paid at the satellite offices as well.

Capital Improvement Projects

The CCU, GPA and GWA recognize that Guam will not continue to grow if our utilities are not prepared. After addressing the more immediate problems challenging our ailing water and power systems, a long term program of Capital Improvement Projects has been planned. **Since 2003, over \$150 million in power and water project funding has been secured through bonds, grants and working capital to begin to rebuild and modernize our power, water and wastewater systems throughout the island.**

GWA plans over \$231 million in projects over the next five years, the beginning of an \$841 million twenty year master plan to modernize and grow GWA's system. The first five years of projects are listed below (left):

GWA CAPITAL IMPROVEMENT PROGRAM Fiscal Years 2005–2009		GPA PROJECTS	
Capital Improvement Program:		Miscellaneous Transmission	\$68,000,000
		General Plant	\$40,000,000
		Transmission & Distribution	
Wastewater Treatment Facility	\$29,173	Underground	\$200,000,000
Water Treatment Facilities	12,437	Deep Sea Water	
Water Production/Disinfection	12,046	Air Conditioning	\$110,000,000
Wastewater Collection System	7,744	GPA/GWA Centralized Facility	\$40,000,000
Water Distribution System	121,889	New Base Load Unit	\$60,000,000
Efficiency Upgrades	27,839	Revenue Generated CIP	\$150,000,000
Miscellaneous	19,350	TOTAL	\$668,000,000
TOTAL	\$230,478	Military Related Projects	
		Included above	\$101,792,487

GPA plans to spend over \$650 million during the next ten years. A summary of projects is shown above (right).

During the next twenty years, over \$1.5 billion will be needed to continue to meet Guam's exciting future. The planning for this growth has already begun.

All of this is being done because you demand and expect reliable service to serve Guam's exciting future.

CLARIFYING THE RECORD ON FENA LAKE

There continue to be **misrepresentations** in the community that the CCU ended Guam's legal claim to Fena Lake. These claims are **untrue**.

In 2003, the CCU settled a Navy lawsuit against GWA for \$11 million in unpaid water bills for \$9 million, saving ratepayers \$2 million.

The CCU payment settlement was combined by the federal court with a separate lawsuit where the Government of Guam sued to claim its ownership of Fena resources. GovGuam's claim was vigorously opposed by the Federal government. The federal court made it clear it would rule against GovGuam in both cases and required both lawsuits to be settled at one time.

The CCU did not negotiate the Fena settlement for GovGuam. The CCU has no power to bind GovGuam to any legal settlement. GovGuam's settlement was negotiated by the Attorney General.

The CCU only settled GWA's obligation to the Navy.

Many of us believe Guam continues to have an inalienable right to Fena resources and that this issue can still be litigated. However, under federal law, as currently interpreted by the federal courts, Fena title remains with the U.S. Government.

GWA's goal is to become a world class utility so that it eventually operates all water and wastewater systems on Guam, in the same way our Airport authority and GPA took control of air and power services by proving it could operate them better than the federal government.



Santa Rita Spring \$1.5M Upgrade Project groundbreaking



UTILITY PERSONNEL AT WORK



Hagatna \$10M Sewer Treatment Plant Project groundbreaking