

GUAM WATERWORKS AUTHORITY

Citizen-Centric Report for Fiscal Year 2012



About the Guam Waterworks Authority (GWA)

GWA is committed to providing excellent water and wastewater products, programs and services in a safe, reliable, cost effective and responsible manner, developing and maintaining systems, infrastructure, and community outreach to enhance Guam's drinking water and wastewater systems.

GWA is a public corporation regulated by the Guam Public Utilities Commission and governed by an elected five-member Consolidated Commission on Utilities (CCU). Instituted in 1997, GWA today delivers potable water and wastewater services to 160,000 Territory of Guam residents, U.S. Defense Installations and up to 136,000 international visitors in peak month. Guam's quality of life and economy depends on clean, efficient, and safe drinking water and wastewater infrastructure.

GWA produces, treats, transmits, stores, distributes and sells Guam's water. Guam's principal source of potable water is pumped by over 120 wells from groundwater contained in the aquifer beneath northern Guam. Surface water sources include the Ugum River, small springs, and Fena water purchased from the U.S. Navy.

GWA also collects, treats, and disposes Guam's wastewater. The wastewater system is managed by Veolia Water Guam, LLC, through a performance management contract. Guam's wastewater system consists of 420 miles of gravity sewer network, 74 sewer pump stations, and seven wastewater treatment plants and associated outfalls.

Quick GWA Facts	FY 2012	FY 2011
Number of Employees	312	324
Number of Customers	41,567	41,250
Total Salaries, Wages, and Benefits	\$ 18,891,270	\$ 18,499,114
Total Assets	\$ 458,922,759	\$ 456,966,198
Total Operating Revenues	\$ 69,512,525	\$ 67,315,203
Total Operating and Maintenance Expenses	\$ 64,243,965	\$ 63,618,502



Address

578 N. Marine Corps Drive
Tamuning, Guam 96913-4111
We are next to the Dept. of
Public Works and behind GTA

Telephone

647-7800/3

Business Hours

Monday—Friday
7:30 a.m. to 6:00 p.m.
Closed on GovGuam holidays



Our Mission

We will provide outstanding customer service in delivering excellent water and wastewater services in a safe, reliable, responsible, and cost-effective manner.

Our Vision

To be a world class provider of water and wastewater services.

Management's Commitment

Management recognizes that its employees are its most valuable resource.

Core Values

Responsibility
Reliability
Integrity
Service
Safety
Sustainability
Excellence

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Issued December 2013

1 | www.guamwaterworks.org

**DON'T
CLOG
WITH
FOG**
[FATS OIL GREASE]



Our Performance—FY 2012 Highlights

During the past two years, GWA has successfully guided through the most challenging time in its 15-year history, restoring consumer trust, stabilizing revenues and earning the confidence of the Environmental Protection Agency due to stellar compliance of court order deadlines. GWA is successfully implementing the Water Resources Master Plan to propel the utility on a long-term progressive path to “best in class” performance by:

- Since September 2012, 17,000 outdated meters were replaced improving the meter read rate by almost 25%.
- GWA’s Water Loss Reduction Plan, strategic methodology, improvements in reporting via international standards and systems management has resulted in 35% unaccounted water reports down from 50%.
- GWA is now able to repair leaks in 6 days instead of 90 days.
- Completed two plans over the last year, The Water Audit Program and Water Loss Control Plan—August 23, 2011 and the Comprehensive Management Plan for the Implementation of the Court Order — March 27, 2012 (CMP) that will set GWA on a course for success.
- Approximately \$50 million worth of projects developed were encumbered in 2012 related to the delivery of sustainable, reliable and secure water and wastewater services.
- Secured a \$6.7 million grant from EPA for system-wide asset inventories, sewer system evaluations and assessments, hydraulic model development and master planning activities to identify and prioritize projects.

Leadership at GWA CCU Commissioners

Simon A. Sanchez II, Chairman
Eloy P. Hara, Commissioner
Benigno, M. Palomo, Commissioner
Pedro S.N. Guerrero, Commissioner
Joseph “Joey” T. Duenas, Commissioner

Management

Martin L. Roush, MPA, P.E. —General Manager
Thomas F. Cruz, P.E. — Chief Engineer
Greg P. Cruz — Chief Financial Officer
Sam Taylor — Legal Counsel
John M. Benavente — General Manager, Consolidated Utility Services



Questions about your water bill

Other water disputes



**CUSTOMER
SERVICE**

call **647-7800**

call **647-7803**

Water leaks • No water



**WATER
HOTLINE**

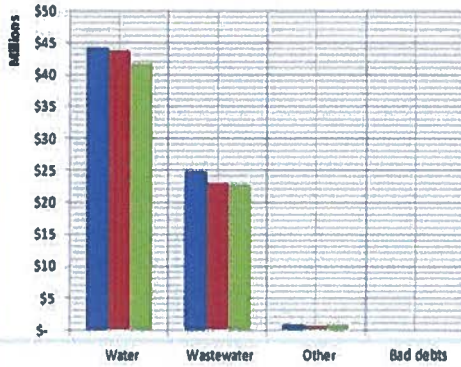
call **646-4211**

OR email us at customers@guamwaterworks.org
with your billing problems or address change
TO PAY your bill over the phone CALL: 647-4729

Our Finances — FY 2012 Highlights

An independent audit was conducted by Deloitte & Touche LLP, resulting in a clean audit opinion. The Office of Public Accountability released GWA's fiscal year 2012 audited financial statements on June 10, 2013. More information can be found on our website at www.guamwaterworks.org.

FY 2012 Revenue Sources



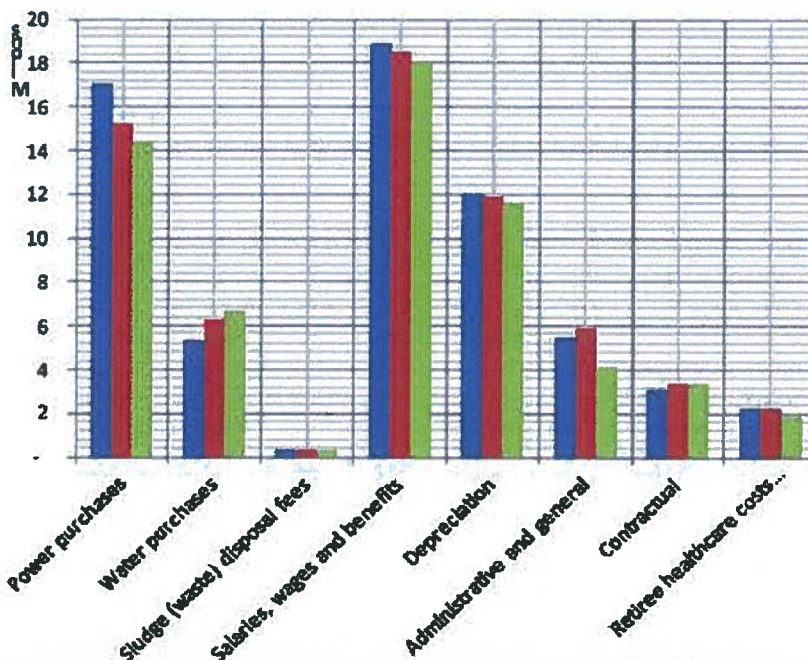
Revenues:

Water
Wastewater
Other
Bad debts
Total operating revenue

	September 30, 2012	September 30, 2011	September 30, 2010
Water	\$ 44,071,415	\$ 43,747,618	\$ 41,678,275
Wastewater	24,740,131	22,980,591	22,898,368
Other	700,979	606,994	817,683
Bad debts	-	-	4,138
Total operating revenue	69,512,525	67,315,203	65,198,464

FY 2012 Expenses

Expenses:	September 30, 2012	September 30, 2011	September 30, 2010
Power purchases	17,015,686	15,191,769	14,344,013
Water purchases	5,263,128	6,283,246	6,669,120
Sludge (waste) disposal fees	275,936	305,469	294,175
Salaries, wages and benefits	18,891,270	18,499,114	18,085,703
Depreciation	12,050,430	11,854,307	11,568,858
Administrative and general	5,416,166	5,885,100	4,076,237
Contractual	3,068,764	3,355,465	3,381,182
Retiree healthcare costs and other benefits	2,282,583	2,244,032	1,897,530
Total operating expenses	64,243,955	63,618,502	60,318,818



■ September 30, 2012
■ September 30, 2011
■ September 30, 2010



Future Outlook

of the Guam Waterworks Authority



Rehabilitations, upgrades, replacements, and construction of new system infrastructure will continue to be the story for GWA over the next decade. Despite improved financial performance, GWA faces significant capital needs from a Federal Court order handed down in 2011 requiring an estimated \$350 million of infrastructure investments to bring GWA into compliance with the Safe Drinking Water Act (SDWA) and Clean Water Act (CWA) standards. 2020 construction deadlines set by the Order placed unprecedented financial challenges over the next five to ten years together with the everyday challenges of managing a utility and balancing competing demands for limited resources under inflationary pressures.

Five Year Financial Rate Plan

In June 2013, GWA will be filing its second Five Year Financial Rate Plan with the Public Utilities Commission. Similar to the first plan in 2009, compliance with regulatory mandates and the 2011 Court Order constitutes the principal drivers of the plan. Annual rate increases will be requested aggregating to 67% during the rate plan period. The increases are primarily associated with debt service for three separate capital related financing slated to take place in calendar years 2013, 2015, and 2017 in order to address project costs and meet construction deadlines associated with the Order.

Meter Replacement Program

The meter replacement program will continue to be one of the major focuses and commitment in the near term. Since August 2012, close to 27,000 of GWA's 41,000 meters have been replaced. GWA has also seen demand trending upward, which is attributable to improved metering accuracy of consumption of the new meters. Another 9,000 meters are expected to be replaced with new meters by the end of the year and thereafter the program is expected to decelerate and replacement based on normal wear and tear due to age.



Leak Detection and Line Repair Program

GWA's leak detection and line repair program continues to make advances. Since inception in 2011, an aggregate of 489 leaks have been detected and repaired, which is equivalent to six (6) million gallons per day of losses prevented. The contractors are engaged in working closely with the Engineering and Water Operations departments to identify crucial areas with chronic leak problems. The program also includes service lateral upgrades and replacement of existing old and leaking GWA waterlines island wide that are beyond repair with new pipe ranging in size from 4-inch to 8-inch diameter to improve water services island wide.

Proposed Military Buildup's Impact on GWA

While there has been much discussion over the past years on the Department of Defense (DOD) relocation of troops from Japan, there is very little documentation available and uncertainties from DOD that outline the potential capital expenditures and timing and extent of the buildup. The DOD buildup is expected to ultimately increase the island's permanent population and will necessitate significant additional capital investment that currently is not included in GWA's CIP plan. GWA and the DOD have been working together to identify system needs and funding resources to service this population influx, the latter could prove rather difficult in light of the nation's current budget sequestration.



We would like to hear from you!

Do you like this report? Do you believe it should include different or additional information? Please let us know by contacting Heidi Ballendorf, Public Affairs Director Consolidated Utility Services at (671) 647-2603 or heidi@guamwaterworks.org. More information is available on GWA's website,

www.guamwaterworks.org

