



**SOLID WASTE  
MANAGEMENT  
CONSULTANTS  
RECEIVER**

June 18, 2012

Members of the Public Utilities Commission  
Suite 207 GCIC Building  
414 West Soledad Avenue  
Hagatna, Guam 96910

Dear Members of the Public Utilities Commission:

In September 2010 we presented an initial request for the Commission to establish rates for the Guam Solid Waste Authority (formerly the Solid Waste Management Division). At that time, it was mutually agreed that the Commission would not act on the request pending additional information that was not available at that time. While perfect information is never available in such matters, we now believe that sufficient information is available for the Commission to properly establish rates.

The rate request we are submitting includes three options for 2013 and thereafter. These options are outlined in the following table:

<b>Guam Solid Waste Authority 2013 Rate Options</b>			
<b>Customer Type</b>	<b>Current Rate*</b>	<b>Full Gov't Reimbursement Rate</b>	<b>Two Landfill Rate**</b>
Commercial (per ton)	\$172.00	\$225.00	\$110.00
Residential (per month)	\$30.00	\$35.00	\$20.00
Residential Transfer Station	\$7.50 / \$15	\$7.50 / \$15	\$7.50 / \$15
Cost to GovGuam	\$7,483,397	\$0	\$11,737,208
*The effective commercial rate per ton is \$156 per ton when haulers pay on time, electronically using ACH, and do not use Public Law 25-93.			
**Assumes approval of GRRP Permit			

The solid waste system administered by GSWA can be adequately funded under each of the Options; however, the decision on which of these options is adopted will have significant implications for the finances of the Government of Guam. The time-frame for a decision in this matter is governed by the time-frames included in the 2009(A) Bond Issue that funded the Layon Landfill and other improvements recently completed and those still in the pipeline. This time-frame requires a decision by December 1, 2012 if GSWA is to continue to fully reimburse the Government of Guam for the debt service it pays on these bonds from its Section 30 Revenue. Given the importance of this decision for the finances of the Government, we are submitting this rate request now to ensure that there is adequate time for careful consideration of this important matter.

The options outlined in the table above are briefly described as follows:

**Current Rate Option:** The current rates adopted by the Receiver with the approval of the District Court, are adequate to provide for the operation of the GSWA through 2015. Should the PUC adopt these rates, GSWA would be able to continue to meet all of its financial obligations. However, when the Government of Guam issued the Series 2009(A) Bonds, it anticipated that debt service on the bonds would also be covered by the rates paid by solid waste customers; but only after those fees have covered all of the cost of actually operating the system. Because Guam had no history of actually paying operating costs and debt service out of solid waste fees, the Section 30 Revenue of the Government is used to pay the debt service, thus assuring that the debt service is paid regardless of the adequacy of solid waste fees to cover the debt service. Debt service payments were partially phased in during 2010. Accordingly, GSWA began reimbursing the Government in December 2010 \$374,758.08 each month. Under this rate option the Government of Guam will continue to be reimbursed this monthly amount (\$4,497,097.00 annually) but forgo an additional \$7,483,397.00 in annual reimbursement for the use of its Section 30 Revenue to pay debt service.

**Full Government Reimbursement Rate Option:** This rate option is required if the Government is to be fully reimbursed for use of the Section 30 Revenue to pay debt service on the bonds. As noted above, debt service payments partially phased in on the Series 2009(A) Bonds in 2010. In 2013 full debt service payments begin and in December 2012, GSWA would have to increase the payment reimbursing the Government for Debt Service from \$374,758.08 each month to \$998,374.50 each month, an increase of approximately \$7.5 million annually. It should be noted that under this option, commercial rates will rise more than 30 percent and residential rates would rise to \$35.00 per month in 2013; \$40 per month in 2014 and \$45 in 2015, at which time we would recommend that the rates be reevaluated; and

**Two Landfill Rate Option:** This rate option is required if the Government of Guam allows a second landfill on Guam. Guam does not need another landfill and we have publicly stated on several occasions the reasons we believe permitting a second landfill is a mistake. We have also presented comments and concerns to the Administrator of the Guam Environmental Protection Agency (GEPA) and the Office of the Attorney General regarding the landfill permit application now pending before GEPA. We understand, however, that this is ultimately a decision for the elected leaders of Guam. If Guam allows only the Layon Landfill, it is possible to sustain either of the two rate structures described above. However, should Guam actually approve a permit for a second landfill, rates that will allow the Government of Guam to be reimbursed for the use of its Section 30 Revenue to pay debt service cannot be sustained, since the private applicant has already announced rates that will significantly undercut GSWA's current rates. Under this scenario, the Government of Guam will forgo \$11,737,208 in annual reimbursement for the use of its Section 30 Revenue to pay debt service.

The testimony provided to support this rate request also includes our recommendations to continue GSWA's current delinquency policies for residential, government and commercial customers, continuation of a discount policy to create an economic incentive for commercial and government customers to pay in a timely manner using ACH electronic payments while refraining from using Public Law 25-93 and our recommendations with

respect to the Commission's implementation of the Host Community Premium required by Guam Law. We have also used the written testimony to address several other issues we believe relevant to the Commission's consideration of this matter.

The information we are providing the Commission the following documents:

- The financial schedules required by the Commission's Standard Filing Requirements as follows:
  - Schedule A – Revenue Requirement;
  - Schedule B – Revenues
  - Schedule C – Operating Expenses
  - Schedule D – Debt Service
  - Schedule E – Working Capital
- Written Testimony supporting the rate request;
- The rate model used to calculate the rates; and
- The relevant schedules for the Solid Waste Management Division from the Government of Guam Audit.

The schedules listed in the Commission's Standard Requirement's that are not included are not applicable to this request. It should also be noted that the projected data in the financial schedules and the data in the rate model vary since the rate model uses estimates based on data from prior years and current contracts instead of actual accounting data.

We are available to assist the Commission in any way that will be helpful. I will be on Guam between July 16 and 24 for the Court's Quarterly Status Hearing, currently scheduled for July 18, 2012. Other than at the time set aside for the hearing before the Court, I will make myself available to the Commission members individually or to the entire Commission to discuss this important matter.

Thank you.

Sincerely,



David L. Manning  
Receiver Representative

#### Attachments

- c.c. The Honorable Eddie Baza Calvo, Governor of Guam  
The Honorable Ray Tenorio, Lt. Governor of Guam  
All Senators  
The Honorable Leonardo M. Rapadas, Attorney General of Guam  
Director John Rios, Bureau of Budget and Management Research  
Director Benita Manglona, Director of Administration