



GUAM WATERWORKS AUTHORITY

Citizen-Centric Report for Fiscal Year 2011

A Report to Our Ratepayers

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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*

About the Guam Waterworks Authority (GWA)

GWA is a public corporation regulated by the Guam Public Utilities Commission and governed by an elected five-member Consolidated Commission on Utilities (CCU).

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 315 miles of gravity sewer network, 74 sewer pump stations, and seven wastewater treatment plants and associated outfalls.



FY 2011 Highlights

In FY2011, GWA successfully negotiated a new Court Order with the US Environmental Protection Agency to bring GWA in compliance with decades long water and wastewater issues. Brown and Caldwell was hired as GWA's program management office to assist with project delivery and provide oversight, quality control, and assurance. Other highlights:



- Martin Roush, P.E., was named GWA's new General Manager in June 2011 bringing years of engineering and management experience.
- Training programs including the Arizona State University's Certified Public Manager designation for 25 GWA employees and EPA Operator's Certification exam preparation courses.
- Adopting the American Water Works Association Water Audit Program and Water Loss Control Plan to help GWA measure, evaluate, and report water loss in a more consistent manner.
- Completing the Comprehensive Management Plan for the Implementation of the Court Order.
- A contractor was engaged to pursue leak detection, pipeline location, mapping and leak control analysis.

Our Performance

Armed with a Comprehensive Management Plan, the new General Manager ensured a smooth transition for GWA this year initiating the planning required to roll-out bids for some \$87 million in projects funded by the 2010 Bonds. These serve as a “down payment” to the revised court order projects scheduled over the next decade.

With multi-million dollar projects in the pipeline, GWA expanded its Engineering capacity with 4 new engineers and a Chief Engineer, all locally educated and returned home to share their skills with the local utility. Coupled with the newly hired Program Management Office of Brown & Caldwell, GWA has the engineering and operations management depth that started the development of the new Asset Management Program. These efforts are ongoing as GWA further captures property details and inputs data onto the geographical information system.

Another significant accomplishment was the purchase of property insurance. This is the first in the history of GWA that our equipment and vehicles are protected with private insurance coverage. All these combined efforts postures GWA in a better position to secure more grants and sell more bonds to fund the major repairs needed to minimize rate increases on our customers.

Capital Improvements

Our capital assets increased this fiscal year by \$2.6 million (net) or 1% over last year. The increase is consistent with the five-year Capital Improvement Plan implemented by GWA.

The major additions to GWA assets is for completed projects in water and wastewater are noted:

| Water | Amount |
|---|-----------|
| Distribution Line Replacement | 5,776,945 |
| Automated Meter Reading/Replacement Program | 4,718,134 |
| Electrical Protection | 469,333 |
| Wastewater | |
| Replaced Old Agat Sewer Lines | 6,968,215 |
| Umatac-Merizo Repairs & Upgrades | 531,975 |

| | 2011 | 2010 | 2009 |
|------------------------------------|--------------------|--------------------|--------------------|
| Plant, building and equipment, net | 254,427,988 | 246,575,122 | 225,225,754 |
| Construction in progress | 29,784,889 | 35,030,107 | 54,094,670 |
| Total | 284,212,877 | 281,605,229 | 279,320,424 |

Quick GWA Facts

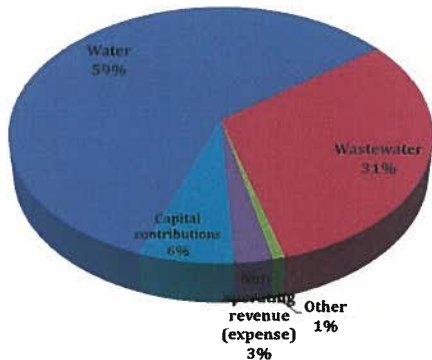
- 300+ Employees
- 40,800 Customers
- \$459 million in total assets
- \$70 million Operations & Maintenance Budget
- \$73 million Water & Wastewater Revenue



Financial Report

An independent audit was conducted by Deloitte & Touche LLP, resulting in a clean audit opinion. The Office of Public Accountability released GWA's audited financial statements on April 23, 2012. More information can be found on our website at www.guamwaterworks.org.

FY 2011 Revenue Sources (in thousands)

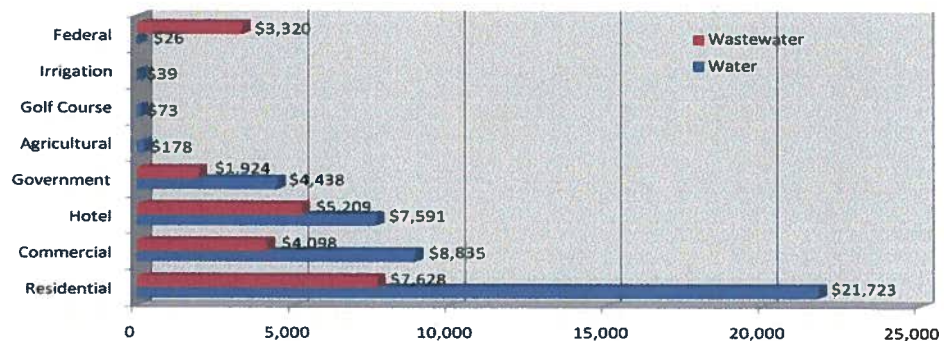


Operating revenues improved due to increases in consumption and rates, and new system development charges for new demand for water and wastewater services.

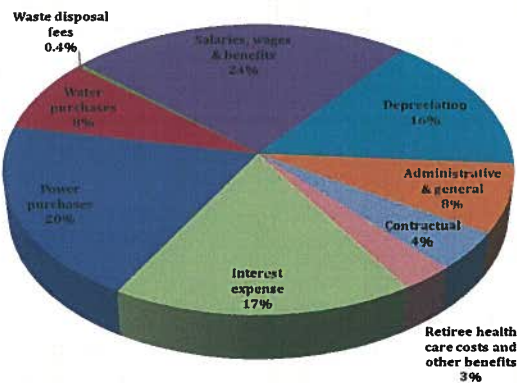
| | FY 2011 | FY 2010 | % change |
|-------------------------------|------------------|---------------|-------------|
| Operating revenues: | | | |
| Water | \$ 43,748 | 42,089 | 4% |
| Wastewater | 22,961 | 22,288 | 3% |
| Other | 607 | 822 | -26% |
| Non-operating revenues | | | |
| | 1,951 | 1,838 | 6% |
| Capital contributions | 4,788 | 5,889 | -19% |
| Total | \$ 74,054 | 72,925 | 2% |

Sources of Water and Wastewater Revenues by Customer Type (in thousands)

Residential wastewater charges are fixed without regard to consumption, while other customer classes are charged 80% of water consumed.



FY 2011 Major Expense Categories (in thousands)



| | FY 2011 | FY 2010 | % change |
|--|------------------|---------------|------------|
| Operating expenses: | | | |
| Power purchases | \$ 15,192 | 14,344 | 6% |
| Water purchases | 6,283 | 6,669 | -6% |
| Waste disposal fees | 305 | 294 | 4% |
| Salaries, wages & benefits | 18,499 | 18,086 | 2% |
| Depreciation | 11,854 | 11,569 | 2% |
| Administrative & general | 5,885 | 4,078 | 44% |
| Contractual | 3,355 | 3,381 | -1% |
| Retiree health care costs and other benefits | 2,244 | 1,898 | 18% |
| Nonoperating expenses: | | | |
| Interest expense | 13,366 | 6,517 | 105% |
| Total | \$ 76,985 | 66,836 | 15% |

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Looking Forward

PAY BY PHONE—CALL US
647-4729

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



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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

Using the tools associated with the Comprehensive Management Plan, GWA will continue to focus on accelerating improvements as affordable as possible. Specifically, in the coming year GWA will aggressively push projects that have direct impact on our water customers:

- ⇒ Install new AMR Badger meters to increase meter reading accuracy and decrease meter failure rates;
- ⇒ Purchase and install a new Meter Test Bench, and build the housing for it to develop our meter calibration program;
- ⇒ Secure a contract and start line repairs and replacements in coordination with leak detection and metering programs. These will reduce water losses, reduce operating costs, maximize water resources and improve overall water service to customers.
- ⇒ Continue to reduce dependency on water purchased from the Navy.

Wastewater customer will likewise be a major focus of upcoming projects:

- ⇒ Refurbish the Northern District Sewer Treatment Plant for primary treatment to ensure consistent compliance with EPA's standards for discharge of waste.
- ⇒ Install new automated alarm systems at critical wastewater pump stations.
- ⇒ Purchase an additional Close Circuit television camera to speed up required inspections and assessments of our gravity sewer lines.

What the 2011 Court Order Means to You

- All of Guam's 7 wastewater plants will be brought into full USEPA compliance.
- GWA will modernize and upgrade 29 water tanks to ensure clean water is always available and to improve water pressure to our customers
- Increase water production with the development of new wells over the next several years.

