

A young child with dark hair, wearing a white t-shirt, is shown in profile, reaching up to touch a silver faucet. Water is flowing from the faucet, splashing onto the child's hands and arms. The background is a bright blue sky with scattered white clouds and a green landscape with trees and a path. The image is framed by stylized blue and white wavy lines at the top and bottom.

2010
ANNUAL REPORT



GUAM WATERWORKS AUTHORITY





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EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam



Excellent Customer Service



Congratulations to the men and women of Guam Waterworks Authority on another year of excellent service to the people of Guam.

GWA is constantly in pursuit of improved service. Monthly meetings are held with GWA representatives and management. The dialogue centers on customer and GWA interaction. Together, the team reviews frequently asked questions and concerns of the month. The exchange of ideas bounces between all the members of the meeting resulting in improved answers for the benefit of customers.

GWA is working to keep up with the challenges our island is going to be dealing with in the future. They created the Water Resources Master Plan that examines where they are now and where they'll be in 20 years. This master plan will improve water and wastewater service and make sure GWA is prepared for the future.

We're proud of the work GWA is doing to keep up with our changing island. Our most precious environmental resource is in good hands with GWA. We support the men and women there. We will do whatever we can to support GWA's plans for the future.

Sincerely,


EDDIE BAZA CALVO


RAY TENORIO

Hafa Adai,

As the Guam Waterworks Authority continues to provide safe and reliable water and wastewater services into 2011 and the future, the Annual Report affords us an opportunity to reflect upon the many achievements of the past year.

2010 was a year of significant accomplishments for GWA. We proudly witnessed strong leadership in negotiating the terms of the military buildup, the timely coordination and response by GWA's water meter task force in addressing ongoing faulty meter issues, informed negotiations with USEPA on waterworks upgrades, and well-executed public education campaigns on F.O.G. abatement and water conservation initiatives. Perhaps most significant, 2010 was also the year of a successful \$118 million bond issuance that will provide the needed capital for additional improvements to GWA's waterworks infrastructure.

I commend the leadership at GWA and the CCU, whose shared vision and dedication continues to guide the Authority to new heights. Most importantly, I applaud the tireless work of all the employees of GWA; day-in and day-out, your commitment and expertise drives the Authority to provide our community with the best possible water and wastewater services.

I am proud of the work being done by the Guam Waterworks Authority, and I look forward to a promising future. On behalf of all of us who make this island our home, Si Yu'os Ma'ase.

Thomas C. Ada
Senator
Chairman, Committee on Utilities
31st Guam Legislature



Thomas C. Ada
Chairman
Committee on Utilities

CONSOLIDATED COMMISSION ON UTILITIES



(Left to right) Commissioners: Joey Duneas, Simon A. Sanchez, Gloria B. Nelson, Eloy Hara and Benigno Palomo



Sam Taylor
Attorney



Greg P. Cruz
Chief Financial Officer

Buenas yan Hafa Adai Todo Hamyu,

Your Guam Waterworks Authority (GWA) continued to make progress in 2010.

Here are some noteworthy highlights from the past year:

1. GWA achieved its most successful financial performance ever in FY 2010. Your utility generated \$6.1 million more in revenue than expenses. This is an increase from \$1.7 million in FY 09. This is the first time GWA has had two consecutive years of positive earnings since it was created in 1998. Having more revenues than expenses provides GWA the resources necessary to modernize our water and wastewater systems.
2. As a result of this improved financial performance, GWA successfully borrowed \$148 million for infrastructure upgrades. This is the beginning of the implementation of the next phase of our Master Plan, which will see GWA invest over \$300 million over the next five years to upgrade our water and waste water systems island-wide. Every village from Yigo to Malesso will see improvements that will improve service and better protect our environment. GWA is "Investing in Better Water, Better Lives".
3. We remain very engaged in negotiations with DoD and the federal government with regards to the proposed military buildup. We have secured a commitment from the Government of Japan to invest \$420 million into upgrading our wastewater system, at no cost to us local ratepayers. We continue to insist that the federal government pays for the impacts of the buildup, both direct and indirect, without causing any undue burden on GWA's ratepayers.
4. We made progress in addressing and correcting issues associated with our new automated reading water meters. Revenues are rising and customers are more accurately being billed for their water use. Our progress is due in large part to the tireless efforts of GWA's meter task force, a multi-disciplinary team of GWA professionals.
5. We are beginning to implement the recommendations of GWA's first comprehensive management audit to improve GWA service, performance, planning and efficiencies.
6. The number of certified technical professionals at GWA continues to increase dramatically, providing improved service from better trained professionals. We also have increase the number of professional engineers at GWA, attracting good local talent to serve our island.

7. We continue to successfully find grants, securing \$5.4m in additional grants for improvements.

The five of us that are honored to serve you on your elected CCU---Joey Duenas, Eloy Hara, Gloria Nelson, Benigno Palomo and myself---continue to push GWA towards serving you better.

Of course, GWA would be nothing without our hard working employees (and their families), who toil tirelessly to help provide clean water every day and keep our environment safe from harmful contaminants.

Protecting our water resources is first priority. We all agree that we always want clean safe drinking water while we protect all our natural resources for future generations.

On behalf of the over 300 families, relatives, neighbors and friends that serve you at your GWA, we thank you for your continued support. May God continue to bless you and your families and our island home of Guam

Simon A. Sanchez II

Chairman

Consolidated Commission on Utilities

GENERAL MANAGER, CONSOLIDATED UTILITIES SERVICES



John M. Benavente
General Manager
Consolidated Utilities Services

Buenas yan Hafa Adai,

On behalf of the 300 plus employees of Guam Waterworks Authority (GWA) and their families, we are pleased to submit to you our 2010 Annual Report. Our accomplishments from this past year would simply not be possible if it were not for the *mamn metgot I employoi* (strong employees) who make it happen every day. **Thank you GWA employees!**

2010 was an exciting and fruitful year for GWA as we managed to close a \$118 million bond financing which will put over **\$87 million** of projects in the ground throughout Guam. These capital improvement projects will impact every village as we improve water pressure, fix leaks, replace old lines and continue to make water safe to drink.

Additionally, we have been working diligently with our military counterparts to establish a win-win collaboration for the pending military buildup sure to come to Guam in this decade. To that end we are pleased to note that Guam's infrastructure will be receiving over a **half a billion dollars** in much needed overdue upgrades and overhauls to our many sites across Guam. This includes the Northern Wastewater Treatment Plant (NWWTP)

collection systems in the north, the integration of the military and GWA distribution systems, improvements to the Hågatña Wastewater Treatment Plant (HWWTP), and the development of water wells also in the northern part of Guam. All of these will go a long way to improving the quality of life for all here on our island.

All of these huge steps forwards could not be possible without the daily efforts of our employees combined with the leadership of our elected Board have made for a powerful and improved combination for GWA.

Finally, a special heartfelt appreciation to members of the Consolidated Commission on Utilities (CCU), who have provided unwavering commitment, support, guidance and vision which has helped GWA chart a steady, and progressive course of action toward our goal of "Better Water, Better Lives," for and on behalf of our island and our people.

Si Yu'os Ma'ase,

John M. Benavente
Acting General Manager
GWA 2010

ENGINEERING DIVISION



Martin Roush
Chief Engineer
Engineering

2010 ENGINEERING DIVISION

2010 saw the changing of the organizational structure of Engineering with the promotion of Thomas Cruz to Assistant Chief Engineer. Thomas is a licensed professional civil engineer with experience in public works projects, water utilities projects, and wastewater utility projects. He holds a B.S in Engineering and MBA. 2010 also saw the arrival of 3 new young apprentice engineers that graduated from Guam high schools.

ACCOMPLISHMENTS 2010

1. The \$9 million Ugum Treatment plant improvement project is substantially completed.
2. The \$6 million Replacement of Old Agat Wastewater Collection System Phase I Project was completed.
3. Engineering supported the effort in negotiations over the military build-up which GWA will be receiving approximately \$570,000,000 in funding for island water and waste water projects.
4. Engineering lead the GWA's efforts in comments to both the Draft Environmental Impact Statement (DEIS) and the Final (EIS) for the Department of Defense.
5. Completed the Capital Improvement Plan (CIP) 2011-2015. This CIP included funding source details and included the military build-up. The CIP is an important document to bring transparency to GWA.
6. Created a Wastewater Basin Map. This system planning tool is essential to documentation and communication of the wastewater hydraulic model.
7. GWA vastly improved GWA Wastewater hydraulic modeling efforts.
8. Completed the Potable Water Production Enhancement Plan, June 10, 2010
9. DRAFT Water Audit Program & Water Loss Control Plan, January 21, 2011
10. Focused on leadership training to develop in house staff.
11. Actively contribute to the negotiations court case between GWA and USEPA.

GOALS FOR 2011:

1. Continuing to develop and enhance outstanding customer service.
2. Increase transparency.
3. Increase GWA's planning capacity.
4. Continue to prepare for the military build-up specifically work with the Japan's Ministry of Defense to secure Department of Defense funding.
5. Strengthen new area development and development review capacity.
6. Actively contribute to USEPA negotiations on the upcoming Consent Degree (CD).
7. Implement CIP Projects.
8. Implement Production Plan
9. Implement the Water Loss Control Plan

COMMUNICATIONS & COMMUNITY



Heidi M. Ballendorf
*Director
Communications & Community Relations*

2010 COMMUNICATIONS REPORT

These two pages are dedicated to the hard working men and women of the Guam Waterworks Authority who after years of not having a formal employee recognition program now have one firmly in the culture and environment of GWA.

With the support and direction of General Manager John Benavente who is dedicated to promoting and sustaining the workforce of GWA. JB, as he is affectionately known, made sure that the employee recognition program got off the ground in 2010. This was a monumental task. A committee was appointed and began the arduous work of reviewing the countless nominations. Categories include the following: Outstanding Employee in Administration and Operations, Outstanding Supervisor in Administration and Operations, Manager, Good Housekeeping Unit, Unit of the Quarter, and Community Service Special Award. Nominees are graded on what their current job description is and how they serve above and beyond their job description.

Leading the committee through all the ups and downs and explanations was Chair Mark Miller. He navigated successfully the personalities of the committee and our desires to do it right the first time. The 2010 committee members spent many hours above and beyond the regular meetings maintaining integrity in all their decisions. Special thanks to Heidi Ballendorf, Danny Esguerra, Vince Pangelinan, Lisa San Agustin and, Claire Young. A heartfelt thanks too to all the nominators who took the time out of their hectic and full schedules to nominate employees. Winners last year included Lou Sanchez, Melissa Uy, Dean Chargualaf, Isabel Balajadia and Frankie Meno Sites that won included NWWTP, Laboratory Services, Central Maintenance, Utility Services Division. Outstanding Community Service of the Year: Utility Services Division, Apprentice James Mantanona and Trades Helper Matthew Munoz rounded out this awards category.





HUMAN RESOURCES DIVISION



Lola-Elaine W. Cruz
Manager
Human Resources

HUMAN RESOURCES DIVISION FY 2010 – 2011

The Human Resources Division is a comprehensive human resources operation. The Guam Waterworks Authority's (GWA) Human Resources Division (HRD) consists of the following:

- Recruitment
- Records (Database) and Benefits
- Employee Management Relations
- Position Classification and Compensation
- Training

The GWA Human Resources Division is under the leadership of Ms. Lola-Elaine W. Cruz, Personnel Services Administrator and consists of 3 Personnel Specialists (Julie C. Adams, Josephfa C. Evangelista, and Julius G. Bermudez); and 1 Administrative Assistant (Jennifer S. Crisostomo)

ACCOMPLISHMENTS:

• RECRUITMENT:

The GWA HRD is in adequate condition. The workload continues to increase with the increasing number of employees. In FY 201-2011 the division processed:

New Employee	14	Promotion	9
Detail Appt	16	Prob to Perm	16
Reclassification	5	Termination	2
Resignation	5	Separation	1
Retirement	3	Transfer	3

Several position classification and compensation actions have been processed as a result of the implementation of the Alan Searle Compensation and Benefits Wage Study.

Employees that hold certified, technical, and professional (CTP) positions, were given pay raises based on employees' performance evaluations.

Several salary increment actions have been processed as a result of the Government of Guam HAY Pay Implementation. Employees were given pay raises for non CTP positions.

• BENEFITS:

In FY2010-2011 HRD:

Provided benefits orientation to 300+ employees. The orientation is for the benefits of the employees for better understanding of the programs. Orientation sessions cover basic life insurance, supplemental life insurance, health and dental insurance, flexible spending accounts, and retirement options.

GWA HRD also coordinated the FY 2010-2011 statistics of benefits with the Department of Administration (DOA).

• EMPLOYEE MANAGEMENT RELATIONS

Employee Management Relations has processed over 13 employee disciplines for various infractions.

Workers compensation, employees health and safety severity rate is within the national average (42), GWA six year average (13) for a 9.7 regression trend.

Obtained CCU's approval for the merit bonus pay of \$1,000.00.

Eighteen (18) apprentices are currently in the program and are continuously progressing with four (4) graduating in May 2011.

Thirty (30) GWA employees have either obtained their new certifications or obtained higher level of Guam Environmental Protection Agency (GEPA) certifications (levels 1, 2, 3 and 4). The GEPA examination is only administered twice a year.

• **POSITION CLASSIFICATION AND COMPENSATION:**

HRD has processed several position classification in the form of desk audits and has processed several detail appointments of employees temporary assignment to another position

• **TRAINING:**

Technical training targeted at helping GWA employees to gain new and better skills and higher certification levels is offered to GWA personnel. General Educational Development (GED) classes are also offered for GWA personnel in support of enhanced competence and internal mobility within GWA. In addition, training programs are being planned and implemented by the GWA Performance Management Contractor, Veolia Water whose' focus is on Wastewater Treatment and Collection System personnel.

Training programs at GWA have been developing and continue to evolve as GWA progresses and needs are identified.

FY 2012 HRD Goals:

To continue to improve the level of customer service to the employees and the community through increased communications and making information easily accessible.

Provide benefit information to all employees and changes in pay structures, rules and regulations.

Actively recruit for a new General Manager.

Establish Engineering Scholarship Program.

HRD is continuously working to keep all of the staff members informed in order to be able to have consistent answers to our customers. Consistency is very important, we will continue

to strive to make the HRD staff aware of current situations and issues in order to better serve the GWA community.

GWA HRD continues to develop modifications to the Organizational Structure of the utility based on adoption and implementation of CTP (certified, technical, and professional). HRD is currently in the stages of a classification and compensation study with Alan Searle. The goal is to redesign the compensation and classification system for our CTP (certified, technical and professional) positions. Implement the Performance Management System, new performance evaluation report form in documenting the pay-for performance. Through this important initiative, GWA HRD will develop a competitive compensation program that will support our efforts to attract and retain high quality employees and serve as a foundation for related HRD programs, such as recruitment and selection, performance management and other reward and recognition programs.

The GWA Human Resources Division provides services and support to our employees in ways that embrace the GWA's mission of innovation and tradition of excellence.

HRD will take a leadership role and provide service in support of GWA's vision by promoting the concept that our employees are our most valuable resource and will be treated as such. HRD will act as catalyst enabling all GWA employees to contribute at optimum levels towards the success of the GWA.

HRD will promote and recruit the best qualified people. Providing a competitive salary and benefit package and developing the full potential of our work force by providing training and development for career enhancement. Providing a work atmosphere that is safe, healthy and secure, and also conscious of long term family and community goals. Establishing, administering and effectively communicating sound policies, rules and practices that treat employees with dignity and equality while maintaining company compliance with employment rules and regulations.

Through employee orientation and professional development, we foster the value of inclusiveness, camaraderie, long term employee engagement, and life-long learning. In all areas of work, the HRD firmly uphold the tenets of confidentiality, accountability and trust.

INTERNAL AUDIT DIVISION



Yuka Hechanova
Internal Audit Auditor

2010 INTERNAL AUDIT DIVISION

After its first year, the GWA Internal Audit division continues to strive to provide high quality audits and consulting services in accordance with the Institute of Internal Auditors International Professional Practices Framework. Internal Audit strives to provide the GWA Audit Committee with meaningful reports to make better and informed decisions and provide guidance and tools for improving controls.

ACCOMPLISHMENTS 2010

- Issued Report No. GWA 01-2010 Credit Adjustments Review and recommended written policies and procedures for credit adjustments to include approval thresholds, appropriate reporting mechanisms, conditions for credit adjustments, and required documentation.
- Issued Report No. GWA 02-2010 Credit Adjustments Detail Review which provided details of selected credit adjustments.

- Issued Report No. GWA 03-2010 Procurement Findings Analysis and recommended the institution of clearly documented procedures, a procurement compliance checklist, and the adoption of a code of ethics for procurement professionals.
- Issued Report No. GWA 04-2010 Hotel Billing Analysis that compared consumption trends among Tumon's hotels to assist the Utility Services Administrator in resolving a billing dispute.
- Issued Report No. GWA 05-2010 Capital Labor Inquiry recommended the development of standard operating procedures to ensure costs are properly capitalized including labor.
- Issued Report No. GWA 06-2010 Cashier Analysis that was reported to the Guam Police Department in September 2010.
- Member of the GWA Meter Task Force.
- Prepared GWA Citizen Centric Report as required by Public Law 30-127.
- Completed Internal Audit Manual including procedures and reviews for follow-ups on outstanding recommendations.
- The Internal Auditor completed 61 hours of continuing professional education sponsored by the Association of Government Accountants to comply with certification and licensing requirements.

GOALS 2011

- Review vehicle usage to provide insight on necessary controls to reduce costs and preserve GWA assets.
- Initiate periodic audits on payroll, procurement, inventory, and credit adjustments.
- Provide other requested assistance to GWA management.
- Begin follow up procedures on outstanding audit recommendations.

SAFETY & COMPLIANCE



Paul Kemp
Assistant General Manager
Safety and Compliance

2010 SAFETY REPORT

ACCOMPLISHMENTS IN 2010:

- GWA participated in the FEMA/Guam Homeland Security Office of Civil Defense (GHS/OCD) "All Hazard Response Plan" and the final GHS/OCD Guam Emergency Response Plan.
- Implemented the GWA Sewer Hook-Up Revolving Loan Fund program. (See <http://www.guamwaterworks.org/documents/SewerFactSheet05192010.pdf> on the GWA Web site for details.)
- Completed GWA wide Safety program and began site inspections and training.
- Recruited a second GWA Safety Inspector.
- Continued data collection of all Ground Water Under Direct Influence of Surface water (GWUDISW) study sites and begun evaluation of data.
- Ugum membrane process installation completed.
- Implemented GWA's System Development Charges.
- Completed enhanced "Leak Detection and Water Line Repair" program.

- Continued the Agat wastewater collection system upgrade (to manage stormwater intrusion control).
- Completed inspection of 6 GWA water reservoirs. (Piti, Agaña Heights, Chaot, Mangilao No. 2, Yigo No. 1 and Astumbo/Ysengsong No. 1).
- Completed the final Ponsoña Disaster Mitigation project (Chaligan lift station flood control) thereby qualifying all Guam agencies for FEMA Pre-Disaster Mitigation grants.

GOALS FOR 2011:

- Print and distribute the GWA Employee Safety Manual and SOP book.
- Extend data collection for the Ground Water Under Direct Influence of Surface water (GWUDISW) study to satisfy QA/QC data verification for evaluation.
- Continue the groundwater disinfection upgrade program (Anticipated completion 12/31/2013).
- Continue water meter upgrade project (Anticipated completion 05/31/2014).
- Create GWA equitable water and waste water rate structure.
- Complete Phase III engineering for the Sinajana Water Transmission Line project (Anticipated completion 06/30/2011).
- Continue the detailed water storage tank inspection project (first 4 "2011 Season" tanks: Malojloj Elevated, Nissan, Agat #2 (Upper), and Yigo Elevated) (Anticipated inspection of all tanks will take until 12/31/2013).
- Continue the Ugum Surface Water Treatment Plant site upgrades (Anticipated completion 05/31/2012).
- Complete the design for the replacement of the GWA Dededo Compliance Laboratory.
- Complete Supervisory Control and Data Acquisition Design.

UTILITY SERVICES DIVISION



Doris Young
Utility Services Administrator

2010 UTILITY SERVICES DIVISION REPORT

Overall, the division's total count of work processes and completions is 934,165 for the entire year. This is an average of 15,314 completions per employee per year or 64 completions per employee per day. This is up by 19% from the previous year, which equals a staggering 180,000 processes. It is evident from these huge numbers that customer service completes massive amounts of work daily on behalf of the utility.

The Utility Services Division is comprised of the 7 sections and 63 fulltime employees servicing over 40 thousand customers.

- Revenue Collections Section
- Meter Reading Section
- Revenue Protection Unit/Meter Task Force
- Customer Service Section
- Disconnect/Reconnect Section
- Call Center/Dispatch
- Utility Services Office

HIGHLIGHTS OF 2010:

Customer Service Business Office – This Unit has processed a total of 168,868 customer requests. In August of 2010 we opened our customer service branch at the Julale Shopping Center. Approximately 14,699 customers were assisted at our main office while 3,109 were serviced at the satellite office.

Collections Unit - We continue to be as customer friendly in our approach as possible. We do this in many ways one of which is utilizing our administrative staff by making courtesy calls prior to disconnections. Through these efforts we have been able to reduce our accounts receivable in the commercial I (Bars, offices and retail stores) accounts by 59%, our commercial III (Bakeries, wholesalers, restaurants, laundries) accounts have been reduced by 89%, and government accounts by 67%. The collections staff addresses its delinquent accounts through automated telephone calls (ATC), field disconnections, shut off notices, courtesy calls and media releases.

Meter Reading Unit - GWA as an organization relies heavily on the continued diligent work of this team. This team works closely with the revenue producing unit of the entire Meter Task Force since April of 2009. They have maintained the monthly electronic readings of meters around 87%. Our goal is to reach over 90% of readings of our meters. Additionally, they maintain the Automated Meter Reading (AMR) transponders and assess each aging Sensus Meter. Our crew has completed 9,686 of Sensus meters assessments with another 3,453 remaining to be assessed.

Revenue Producing Unit (RPU) Meter Task Force Unit

– We all know that GWA continues to be plagued by underperforming meters. A total of 4,536 non-registering meters have been changed out in 2010. The team diligently maintains GWA's revenue stream by their continued investigations and maintenance of the AMR meters.

Disconnect Reconnect Unit - This unit has worked hard to reduce the turnaround time of meter installation from a high of several weeks and even months to receiving a new meter installed within days of requesting for one as long as parts are available.

Dispatch/Call Center:

In October of 2010 the USD absorbed the 24/7 a week dispatch line and personnel. We merged them with the USD call center which will help centralize all customer call ins and complaints.

We recently have upgraded our phone system to meet the increasing demand of our customers and help us address operational and administrative complaints.

GWA continues on an upward trend on its customer base. Since 2006 we have increased our customer base by 3,250 accounts. This division continues to stand proud of its ability to work as a team in accomplishing the agency's mission in providing excellent customer service. Although the agency continues to be plagued by many challenges the USD staff manages to stay focused with a can-do positive attitude towards its many customer problems.

2010 ACCOMPLISHMENTS

- Completion of Employee Handbook
- Satellite Joint Venture
- Online Convenience
- Uniforms
- Customer Service Surveys
- Customer Lobby Face Lift
- Rotation of Employees
- Dispatch/Call Center Merge
- Establishment of new SOP's
- Community Involvement
- Improved Meter Readings
- Theft Deterrence with Copper Disc installation
- Automation of document processes
- 2010 Employee Recognition:
 - Unit of the Quarter (1st Qtr)
 - Manager of the Quarter (3rd Qtr)
 - Employee of the Quarter (4th Qtr)
 - Outstanding Community Services (4th Qtr)
 - Employee of the Year 2010
 - Unit of the Year 2010
 - Outstanding Community Services of the Year 2010
 - Supervisor of the Year 2010

2011 GOALS –

- Resume Sensus Meter Replacements Program.
- Improve Customer Information System (CIS).
- Implement use of imaging system to minimize use of paper and maximize limited floor space.
- Improve productivity of department staff through improved technology and training for our employees.
- Continue to examine current processes to identify areas

where efficiencies can be improved.

- Increase training opportunities and safety awareness.
- Implement employee development programs based on personal competencies and skills assessment.
- Improve collections by 20%.
- Create and implement a Meter maintenance programs.
- Implement Pay by Phone for billing.
- Re-establish the outreach program with village Mayors.

2011 Objective – Establish a customer focus on all departmental services. Conduct quarterly customer service survey to determine needs and progress towards goals.



WATER MAINTENANCE & OPERATIONS



Jesse C. Lujan
*Assistant General Manager
Maintenance and Operations*

WATER MAINTENANCE AND OPERATIONS

WATER DIVISION

The management of Guam Water Authority had consolidated the various departments to the Water Maintenance & Operations Division. The Water Maintenance and Operation (M & O) Division consists of seven (7) Business Units which are the Production and Distribution Operation Pump Facility, Ugum Treatment and Chlorination Facility, Chlorination and Disinfection Unit, Pipe Line Maintenance Repair Unit, Central Electrical Unit, FMES-Transportation Maintenance Group), and the M & O Administration Support Unit. The consolidation efforts brought together these units to serve our customers and to provide them with safe, efficient, and reliable services, at a cost that is within reason for the services provided in or water system today and for the future.

Water M&O Division assets consist of 1 water treatment plant, 120 deep wells 33 storage reservoirs and 25 booster pump stations with a total of 114 employees responsible for operating and maintaining these assets at the most efficient and cost saving measures.

2010 ACCOMPLISHMENTS

- Increased Deep Well Operability to 87 percent of wells operating, with 3 percent of wells placed on Reserve.
- Increased booster pump operability from an average of 96 percent to 98 percent for the year.
- Completed second year leak detection process, finding 5,031,086 million gallons of leaks at 600 miles of pipe and 3,494 leak points in 2009. In 2010, Leak Detection Group had completed 147 repairs, which were estimated at an additional 1,204 gpm or 1,733,760 MGD. This brings the water loss down by 96 percent of the total leaks found and increased savings in production by approximately 11 percent.
- Perform System Upgrades from a Conventional Water Treatment Process to a Membrane Filtered Treatment Process at the Ugum Treatment Plant to improve water production during wet and dry season at an average of 2.5 Million gallons a day which averages 97 percent operability in a year.
- Developed a Hydrant Maintenance & Operations Group to perform a Hydrant Survey of all hydrants within the Island-Wide Distribution System.
- Developed hydrant program to estimate the approximate cost for 100 percent operability with maintenance of the system island-wide, assessed 100 percent of the total hydrants, 3474 hydrants recorded.
- Continued to support the Meter Task Force in maintaining and sustaining new installations and change out of defective meters by supplementing the team with help from the Pipe Line Maintenance Repair Unit on both the commercial and residential accounts to improve revenues.
- Increased number of certified employees up 20 percent in the water division.
- Performed Booster Pump Station Upgrades to increase reliability and efficiency of all pumps and motor assemblies. Standardize Booster Pumps and Motors.
- Performed Deep Well Production surveys to determine the most efficient and reliable pumps and motor assemblies.
- Refined operations and engineering system pressure zones and mapping tools for improved water pressure services to customers.

2011 GOALS

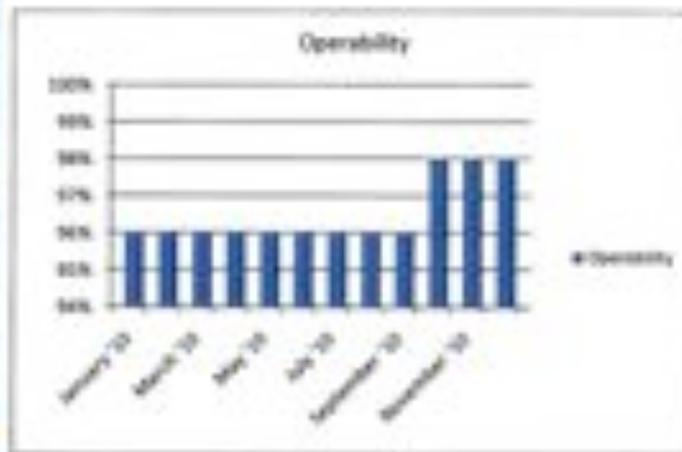
- Develop priority strategies and action plans for implementation of efficient savings in the operations programs and asset management performance improvement.
- Improve computer maintenance management system (CMMS).

- Develop an outsourcing contract for shaving peaks of water leaks and construction of line replacement projects.
- Continue the Completion of two navy reduction projects saving the authority approximately 300 gallons per minute, \$35,000 monthly in water purchases.
- Develop and implement Management Leadership and On the Job Skill Training Programs.
- Continue to increase Employee Certification.

YEAR TWO LEAK DETECTION

PRESSURE ZONES	Water Loss (gpm)		
	Reported	Resolved	Pending
10000	1,000	5,000	342
By MGD	1,012,340	4,828,120	200,040
Percentage	100%	56%	20%
Water Sources	Production in MGD		
Deep Wells	18,081,200		
Spurs	2,104,818		
Raw Purchased	6,372,000		
Total Production	26,558,018		
Water Loss			
Knowledge Score			
Overall Production		11.64%	

	Operability
January '10	98%
February '10	98%
March '10	98%
April '10	98%
May '10	98%
June '10	98%
July '10	98%
August '10	98%
September '10	98%
October '10	98%
November '10	98%
December '10	98%



WASTEWATER DIVISION



Gerald Fitzgibbon
General Manager
Veolia Water

2010 WASTEWATER DIVISION, VEOLIA WATER

The Wastewater System is operated by the Wastewater Division, which is managed by Veolia Water Guam LLC, GWA's partner for the Performance Management Contract (PMC). The division is responsible for operating and maintaining the island wide wastewater system which consists of 315 miles of gravity sewer network, 74 sewer pump stations, and 7 wastewater treatment plants (WWTPs) and associated outfalls.

The Wastewater Division's organization works in teams that include Operations (collection, treatment, laboratory, and network maintenance), and Maintenance (mechanical and electrical maintenance), as well as procurement, capital delivery, finance and administration.

PROGRAM ACCOMPLISHMENTS

This year continued a strong focus on Health and Safety systems implementation, training and the continued writing and implementation of operating procedures. Risk management

procedures were also introduced to better manage system outages, and Process Management Plans contributed to the ongoing improvement in EPA permit compliance. Specific accomplishments included:

- Health & Safety 'Safety Fiesta' held to promote safety. 'I see-I act' initiative introduced to promote reporting and solving safety issues. Annual retraining and routine audits of the safety permit-to-work system implemented;
- Ongoing 3-year training program for operations staff: operator certification increased to 75% from 70% in 2009;
- Treatment plant EPA NPDES discharge permit compliance increased to 93% from 83% in 2009;
- Total US EPA reportable Sanitary Sewer Overflows (SSOs) from collection system reduced by 45% from 89 in 2009 to 49;
- Total US EPA reportable SSOs per 100 miles reduced to 18 from 33 in 2009;
- Asset Replacement Plan prepared for mechanical/electrical assets;
- Emergency generator availability increased to 98% from 93% in 2009;
- Pump station reliability increased as US EPA reportable SSOs due to pump station failure dropped by 52% from 31 in 2009 to 15;
- Southern Link Pump Station repair success and management of major outage;
- New SOPs, operational change control, and process management plans prepared;
- Management Information System implemented using database and GIS software;
- Total power consumption reduced by 7%; and
- Design process study for interim upgrade of Northern District WWTP conducted for US Department of Navy (NAVFAC);

PROGRAM GOALS AND OBJECTIVES FOR 2011

- Continue to implement initiatives in the Health and Safety System;
- Drive improvement in SSO performance and NPDES permit compliance;
- Implement a Sanitary System Evaluation Survey (SSES) and Inflow/Infiltration study program for Central and Southern basins;

- Implement a Source Control/Pretreatment Program;
- Develop a Biosolids Management Plan for all WWTPs;
- Develop the interim upgrade of Northern District WWTP;
- Complete the development of an Asset Management Plan;
- Establish regional process laboratories for all operators to use;
- Upgrade vehicle and heavy equipment fleet; and
- Continue to improve operator skills/certification levels;





EMPLOYEES

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Aguon, Edward A

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Cruz, Branden A.
Cruz, Frank T.
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Cruz, Grace R
Cruz, Greg
Cruz, Jesse Joseph Wusstig
Cruz, Joaquin L.
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Cruz, Lola-Elaine W.
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Cruz, Lucas C.
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Cruz, Patrick M.
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Cruz, Rose B.
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Lotoc, Bernardo P.
Lujan, David F.
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Lujan, Jesse C.
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Lunod, Curtis Jerome I.
Macan, Craig A.
Mafnas, Donnie A.
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Mantanona, James C.
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Matanane, Anita M.
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Mendiola Jr., Victor Cab
Mendiola, Bryan R.
Mendiola, Melvin P.
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Meno, Michael J.
Meno, Troy R.
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Mercado, Sylvia Y.
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Mikel, Kathleen S.
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Miller, Mark G.
Mondina, Stephen P.
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Naputi, Raymond F.
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Nauta, Peter J.D.
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Paulino, Manuel T Jr
Paulino, Patrick L.
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Perez, Tina L.
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Pinaula, Jeffrey John
Portin, Christopher T.
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Quenga, Louvina M.
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Quinata, Jake Terrance
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Quintanilla, George S
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Quintanilla, Raymond C
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Quintanilla, Sandra L.
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Railey, Brett Eric
Ramos, Charles M.
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Roldan, Martin T.
Roush, Martin Louis
Sablan, Annie Therese H.
Sablan, Bernadette M.
Sablan, Felix D
Sablan, Francisco T.
Sablan, Frank J.
Sablan, Michael M.
Sablan, Patrick R.
Salas, Peter G.
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San Nicolas, Joseph SA
San Nicolas, Kin M.
San Nicolas, Melvin D.
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Sanchez, Francisco C.
Sanchez, Frank A.
Sanchez, Fred J.
Sanchez, John A.
Sanchez, Lance T.
Sanchez, Lourdes S.
Sanchez, Patricia C.
Sanchez, Zachery T.
Santos JR, Joseph M.
Santos, Glenn G.
Santos, Jose M.
Santos, Mancini Liam G.
Santos, Manz Lio G.
Saturnio, Brian JL
Schaible, Melissa B.
Scroggs, Richard Daniel
Seballos, Rudy B.
Selleck, Lauris Eldon
Sharma, Winnie S.
Sian-Denton, Carmen M.
Siguenza, Patrick A.F.
Sourgoose, Peter L.
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Tadeo, Joseph A.
Taijeron, Rita R.A.
Taimanglo, Eddie T.
Taimanglo, Kyle M.

Taisacan, Jacalyn M.
Taitague, Anthony Earl L
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Taitague, Shane D
Taitano, Bruce S.
Taitano, Diana S.
Taitano, Joey A.
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Tareg, Virginia P.
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Taylor, Samuel J
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Vicente, Marietta P.
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Wilson Jr., Carl
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Financial Statements

**GUAM WATERWORKS AUTHORITY
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)**

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

* The following nine (9) pages are taken directly from GWA's audited financial statements for FY 2009. These nine pages provide the key financial highlights of GWA's operating performance in FY 2009

For a complete publication of the entire "Financial Statements and Additional Information and Independent Auditors' Report", please visit our website at www.guamwaterworks.org or the Office of The Public Auditor's website at www.guamopa.com.

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

Management's Discussion and Analysis
September 30, 2010 and 2009

As management of the Guam Waterworks Authority (GWA), we offer readers of GWA's financial statements this narrative overview and analysis for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here and in our basic financial statements, which begin on page 15.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to GWA's basic financial statements. GWA's basic financial statements are for a single proprietary fund and include the financial statements, notes to those financial statements and other supplementary and statistical information.

Proprietary Fund Financial Statements

GWA's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, GWA operations are accounted for in a manner similar to a private enterprise. Within this one proprietary fund, GWA segregates revenues and expenses for various purposes such as operations, debt service and capital improvements, but that segregation does not create separate proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 20 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary and statistical information. Supplementary information can be found beginning on page 40 of this report.

Financial Highlights

- Total assets of GWA exceeded total liabilities at the close of the fiscal year by \$204.3 million (net assets).
- Net assets increased by \$6.1 million (3%) as compared to an increase of \$1.7 million (0.9%) for fiscal year 2009.
- Operating revenues increased by \$9.9 million as compared to fiscal year 2009.
- Capital assets, net of accumulated depreciation at September 30, 2010 increased by \$2.3 million as compared to September 30, 2009.
- The cash collection ratio for the year ended September 30, 2010 was 101.9%.
- Operating and maintenance expenses increased by \$2.7 million as compared to fiscal year 2009.
- GWA experienced operating income of \$4.9 million for the fiscal year ended September 30, 2010 as compared to prior year's operating loss of \$2.4 million, a 268% change increase.

Financial Condition

The Authority's total net assets increased by \$6.1 million during the fiscal year (see Table 1 below) due to increases in current assets and other non-current assets.

GUAM WATERWORKS AUTHORITY
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Management's Discussion and Analysis
September 30, 2010 and 2009

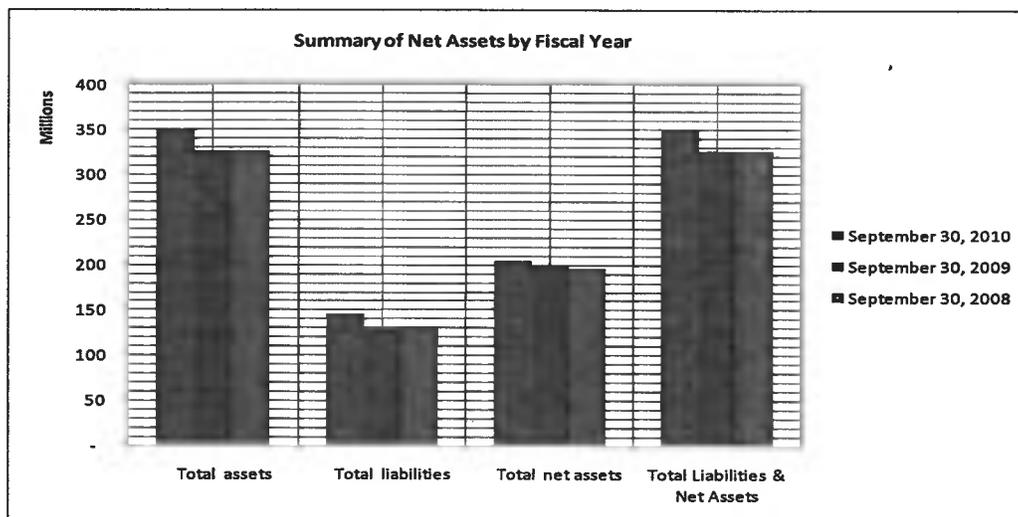
The decrease in current liabilities of \$4.0 million is due primarily to payments made to trade vendors and contractors. There was an increase in current maturities of long-term debt of \$1.9 million due primarily to a new loan with a local bank.

The increase in long-term liabilities of \$21.2 million is due to the new loan with a local bank.

The Authority's investment in capital assets, net of related debt, represents 93% of total net assets. The amount invested in capital assets, net of related debt, decreased by \$0.1 million. The decrease was the result of capital acquisitions, net of depreciation and disposals, in fiscal year 2010.

Table 1
Summary Statement of Net Assets

	September 30, 2010	September 30, 2009	September 30, 2008	2010 to 2009 Comparison	
				Increase/ (Decrease)	% Change
Current Assets	\$ 35,166,168	\$ 19,415,679	\$ 15,892,616	\$ 15,750,489	81.12%
Property, plant and equipment, net	281,605,229	279,320,424	267,744,474	2,284,805	0.82%
Other non-current assets	<u>32,954,273</u>	<u>27,660,979</u>	<u>43,331,071</u>	<u>5,293,294</u>	19.14%
Total assets	<u>349,725,670</u>	<u>326,397,082</u>	<u>326,968,161</u>	<u>23,328,588</u>	7.15%
Current liabilities	19,023,902	23,002,040	20,314,496	(3,978,138)	-17.29%
Long-term liabilities	<u>126,424,281</u>	<u>105,207,238</u>	<u>110,137,437</u>	<u>21,217,043</u>	20.17%
Total liabilities	<u>145,448,183</u>	<u>128,209,278</u>	<u>130,451,933</u>	<u>17,238,905</u>	13.45%
Net Assets:					
Invested in capital assets, net of related debt	190,678,898	190,793,854	191,576,865	(114,956)	-0.06%
Restricted	5,866,142	5,377,124	4,517,269	489,018	9.09%
Unrestricted	<u>7,732,447</u>	<u>2,016,826</u>	<u>422,094</u>	<u>5,715,621</u>	283.40%
Total net assets	<u>204,277,487</u>	<u>198,187,804</u>	<u>196,516,228</u>	<u>6,089,683</u>	3.07%
Total Liabilities and Net Assets	\$ <u>349,725,670</u>	\$ <u>326,397,082</u>	\$ <u>326,968,161</u>	\$ <u>23,328,588</u>	



GUAM WATERWORKS AUTHORITY
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The total operating revenue of \$65.2 million increased by \$9.9 million for the current year compared with prior year and operating expenses of \$60.3 million increased by \$2.7 million compared with prior year, resulting in an increase in net operating income of \$7.3 million or 305% when compared to the prior year (see Table 2).

The major changes in net income from the prior year were from the following:

- Water revenues increased by \$8.5 million over the prior fiscal year due to an increase in consumption of 7% or 414.8 million gallons and a 2% increase or 951 in the number of customers. In addition, the first of five annual rate increases pursuant to our financial plan of 14% took effect on August 1, 2009, and there were notable revenue dollar increases in residential, government, and commercial I customer classes. The basic (fixed) water charge is assessed monthly to all customer classes without regard to consumption. Of the total water revenue, \$0.4 million represented system development charges. Please see Table 3.
- Wastewater revenues increased by \$2.6 million over the prior fiscal year due to a 3% increase or 707 in the number of customers. Similar to water revenue, the first of five annual rate increases pursuant to our financial plan of 14% took effect on August 1, 2010, and there were notable revenue dollar increases in residential, hotel, government, and commercial I customer classes. The basic (fixed) sewer charges are assessed monthly to residential customers without regard to consumption; however, all other customer classes are charged 80% of volumetric water consumption. Please see Table 4.
- Operating expenses increased by \$2.7 million or 4.67% over the prior fiscal year. The major contributing factors were increases in salaries, wages, and benefits (\$2.2 million), water purchases (\$1.5 million), retiree healthcare costs and other benefits (\$0.5 million), depreciation (\$0.6 million) and sludge disposal (\$0.3 million). The increases in operating expenses were offset by decreases in administrative and general (\$1.2 million), electricity (\$0.6 million), and contractual (\$0.6 million).
- Non-operating expenses increased by \$1.9 million (net) or 69.7% over the prior fiscal year. The increase was due to contribution to the Government of Guam (\$0.9 million) pursuant to Public Law 30-101, and interest expense on long-term debt (\$0.5 million). There were also revenue decreases in allowance for funds used during construction (\$0.3 million) and interest income from restricted accounts (\$0.2 million) that attributed to the \$1.9 million net increase in non-operating expenses.
- Of the total water and wastewater revenue of \$42.1 million and \$22.3 million, system development charges represented \$0.41 million and \$0.39 million, respectively. The implementation of the system development charges was on March 1, 2010. The total number of approved equivalent residential units (ERU) is 271. The residential equivalent meter-size per ERU is 5/8" x 3/4". Please see Schedule 6 on page 45.

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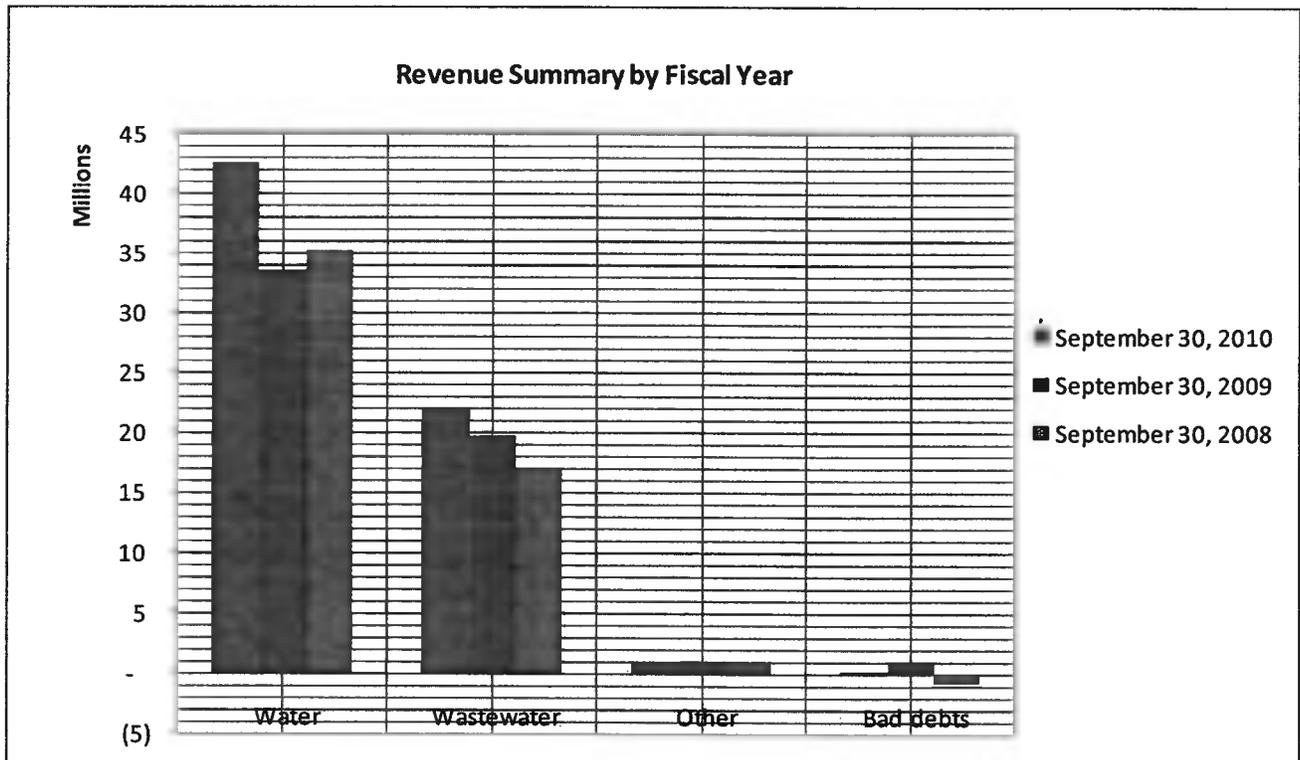
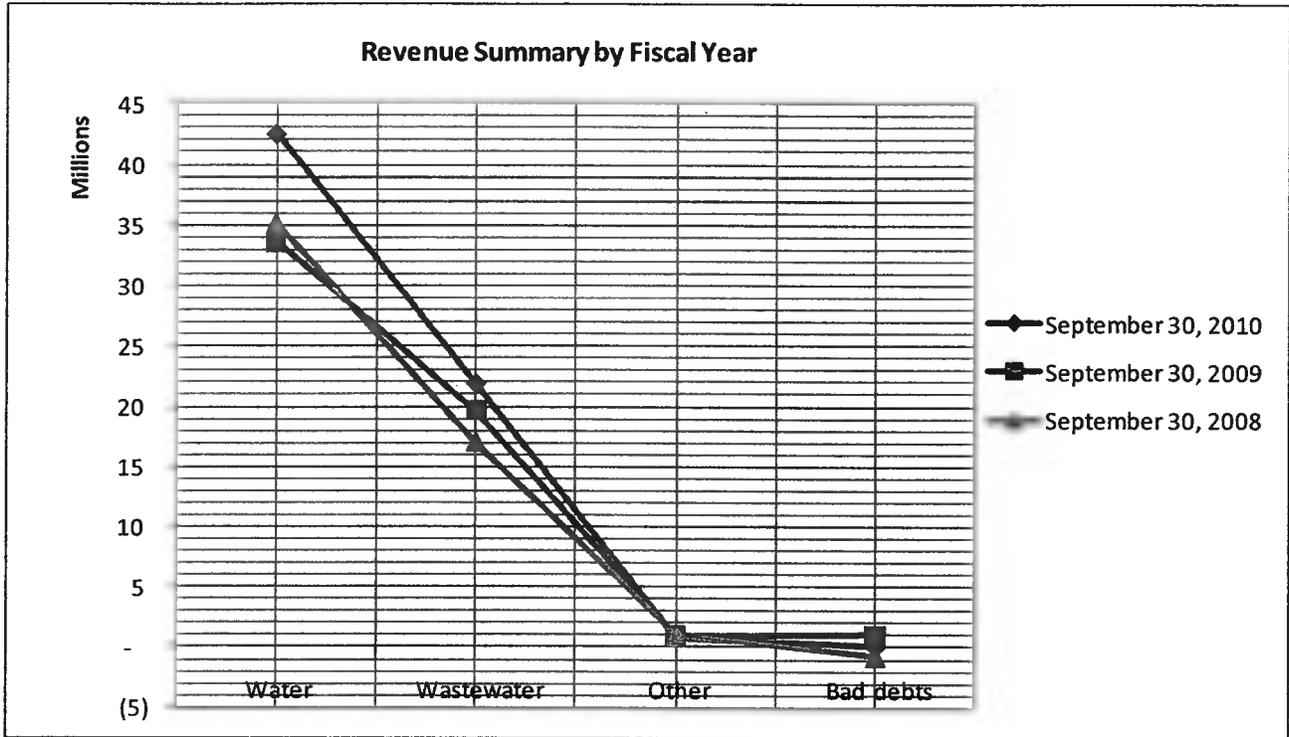
Management's Discussion and Analysis
September 30, 2010 and 2009

Table 2
Results of Operations/Statement of Revenues, Expenses and Changes in Net Assets

	September 30, 2010	September 30, 2009	September 30, 2008	2010 to 2009 Comparison	
				Increase/ (Decrease)	% Change
Revenues:					
Water	\$ 42,089,058	\$ 33,580,185	\$ 35,139,785	\$ 8,508,873	25.34%
Wastewater	22,287,585	19,665,976	17,015,790	2,621,609	13.33%
Other	817,683	971,502	990,752	(153,819)	-15.83%
Bad debts	4,138	1,034,609	(803,609)	(1,030,471)	-99.60%
Total operating revenue	<u>65,198,464</u>	<u>55,252,272</u>	<u>52,342,718</u>	<u>9,946,192</u>	18.00%
Expenses:					
Power purchases	14,344,013	14,971,119	14,631,816	(627,106)	-4.19%
Water purchases	6,669,120	5,167,856	4,413,377	1,501,264	29.05%
Sludge (waste) disposal fees	294,175	-	-	294,175	100.00%
Salaries, wages and benefits	18,085,703	15,870,652	15,286,063	2,215,051	13.96%
Depreciation	11,568,858	10,952,902	10,677,756	615,956	5.62%
Administrative and general	4,078,237	5,267,571	4,184,736	(1,189,334)	-22.58%
Contractual	3,381,182	3,969,699	3,874,734	(588,517)	-14.83%
Retiree healthcare costs and other benefits	<u>1,897,530</u>	<u>1,428,843</u>	<u>1,617,355</u>	<u>468,687</u>	32.80%
Total operating expenses	<u>60,318,818</u>	<u>57,628,642</u>	<u>54,685,837</u>	<u>2,690,176</u>	4.67%
Net operating income (loss)	<u>4,879,646</u>	<u>(2,376,370)</u>	<u>(2,343,119)</u>	<u>7,256,016</u>	305.34%
Non-operating revenue (expenses), net	1,838,483	3,260,545	4,775,151	(1,422,062)	-43.61%
Less: Interest Expense	<u>(6,516,956)</u>	<u>(6,018,059)</u>	<u>(6,213,246)</u>	<u>(498,897)</u>	8.29%
Total non-operating revenues (expenses), net	<u>(4,678,473)</u>	<u>(2,757,514)</u>	<u>(1,438,095)</u>	<u>(1,920,959)</u>	-69.66%
Income (loss) before capital contributions	<u>201,173</u>	<u>(5,133,884)</u>	<u>(3,781,214)</u>	<u>5,335,057</u>	103.92%
Capital contributions	<u>5,888,510</u>	<u>6,805,460</u>	<u>3,358,462</u>	<u>(916,950)</u>	-13.47%
Change in net assets	6,089,683	1,671,576	(422,752)	4,418,107	264.31%
Net assets - beginning year	<u>198,187,804</u>	<u>196,516,228</u>	<u>196,938,980</u>	<u>1,671,576</u>	0.85%
Net assets - end of year	\$ <u>204,277,487</u>	\$ <u>198,187,804</u>	\$ <u>196,516,228</u>	\$ <u>6,089,683</u>	3.07%

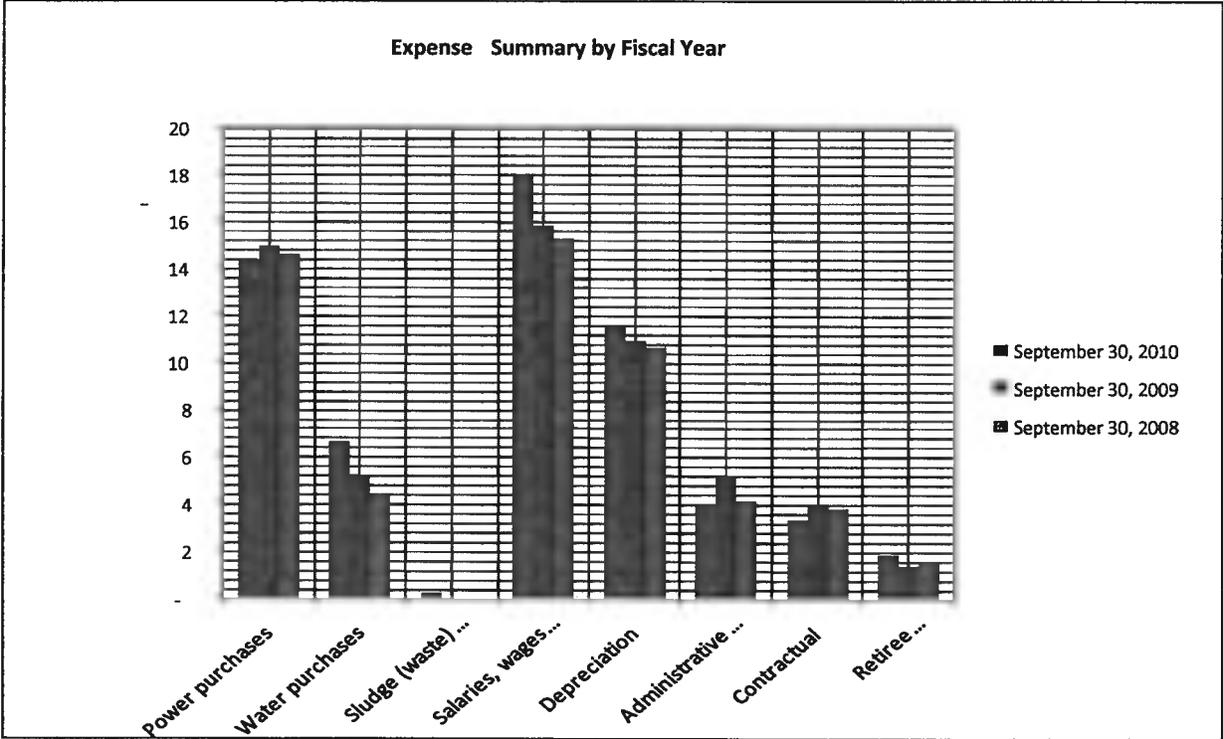
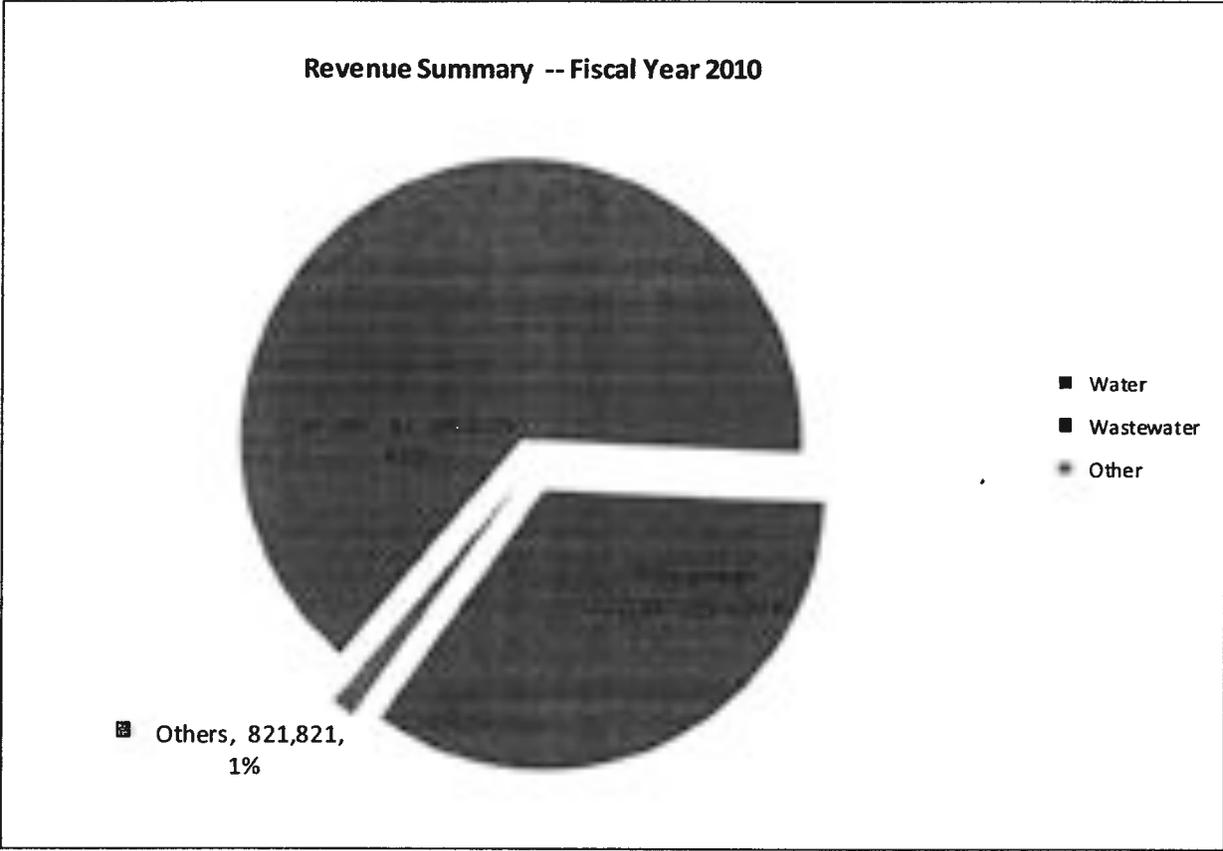
**GUAM WATERWORKS AUTHORITY
(A Component Unit of the Government of Guam)**

Management's Discussion and Analysis
September 30, 2010 and 2009



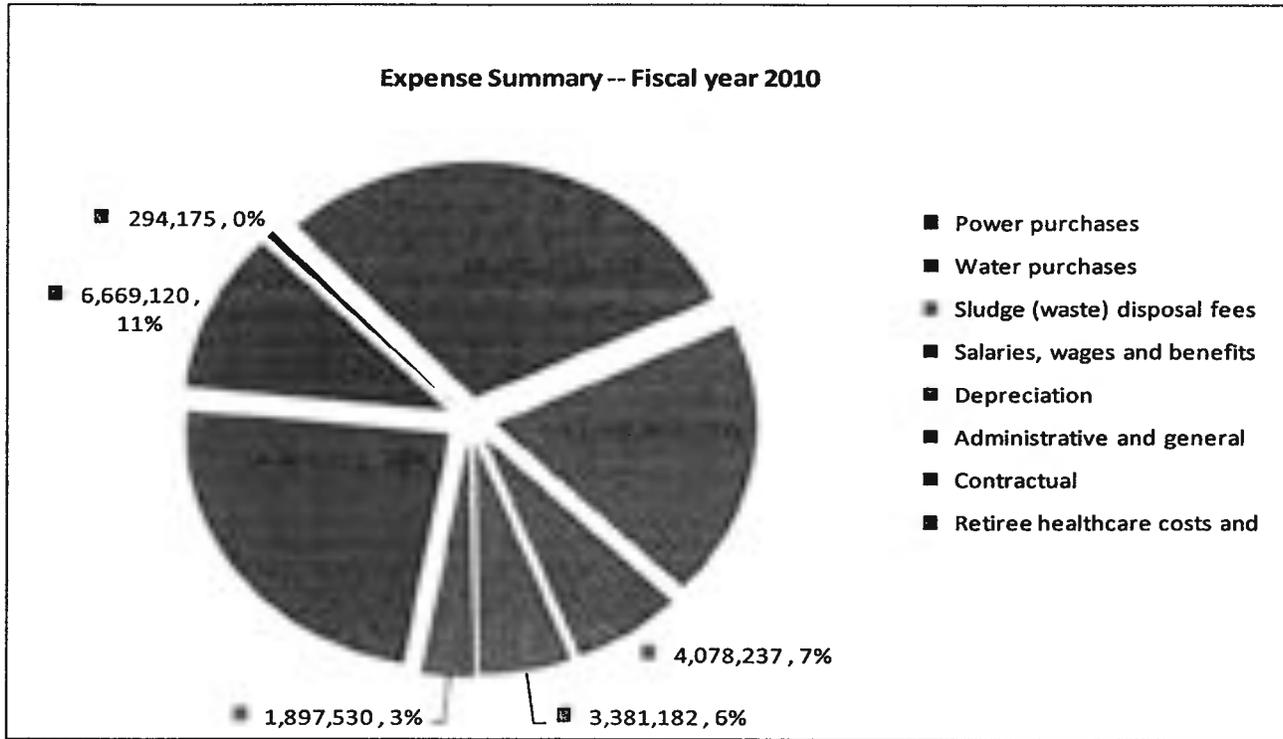
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**GUAM WATERWORKS AUTHORITY
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Management's Discussion and Analysis
September 30, 2010 and 2009



**Table 3
Annual Water Revenues (Excluding System Development Charges)
(In Dollars)**

Class Type	September 30, 2010	September 30, 2009	September 30, 2008	2010 to 2009 Comparison	
				Increase/ (Decrease)	% Change
Agricultural	\$ 227,349	\$ 158,289	\$ 145,238	\$ 69,060	44%
Golf Course	194,241	72,395	276,619	121,846	168%
Comm 1 ^A	5,857,765	4,600,410	5,376,400	1,257,355	27%
Comm 2 ^B	1,006,082	875,558	901,321	130,524	15%
Comm 3 ^C	1,133,857	995,560	867,053	138,297	14%
Federal	13,320	14,404	12,035	(1,084)	-8%
Government	4,266,392	2,865,976	3,026,164	1,400,416	49%
Hotel	7,394,200	6,324,234	6,022,626	1,069,966	17%
Irrigation	50,843	48,390	58,933	2,453	5%
Residential	<u>21,539,986</u>	<u>17,624,969</u>	<u>18,453,396</u>	<u>3,915,017</u>	22%
TOTAL	\$ <u>41,684,035</u>	\$ <u>33,580,185</u>	\$ <u>35,139,785</u>	\$ <u>8,103,850</u>	24%

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

Management's Discussion and Analysis
September 30, 2010 and 2009

Table 5
Capital Assets, Net of Accumulated Depreciation

Class Type	September 30, 2010	September 30, 2009	September 30, 2008	2010 to 2009 Comparison	
				Increase/ (Decrease)	% Change
Plant, buildings and equipment, net	\$ 246,575,122	\$ 225,225,754	\$ 228,257,361	\$ 21,349,368	9.48%
Construction in progress	<u>35,030,107</u>	<u>54,094,670</u>	<u>39,487,113</u>	<u>(19,064,563)</u>	-35.24%
Total	\$ <u>281,605,229</u>	\$ <u>279,320,424</u>	\$ <u>267,744,474</u>	\$ <u>2,284,805</u>	0.82%

As of September 30, 2010, the Authority had total long-term debt outstanding of \$124.7 million, inclusive of unamortized bond premium, which is an increase of \$21 million or 20.3% over the prior year (see Table 6 below). On June 15, 2010, the Authority entered into a \$30 million loan agreement with a bank for the purpose of (a) funding a portion of the cost of a moratorium project, (b) funding the Operation, Maintenance, Renewal and Replacement Reserve Fund and Operations and Maintenance Fund as defined in the bond indenture agreements for the 2005 series revenue bonds and (c) payments of accounts payable. The loan with Guam Power Authority will be fully satisfied this coming fiscal year 2011.

The Authority is required by bond covenants to maintain principal, interest, and reserve funds for the bond issue outstanding. In addition, the Authority is required to set rates and charges to yield revenues equal to at least 125% of the current annual debt service requirements of the outstanding 2005 revenue bonds. The payments applied to the Guam Power Authority and United States Navy are derived from assessed surcharges from current customers. For additional information concerning debt, please refer to note 5 to the financial statements.

Table 6
Long Term Debt, Less Current Maturities

Class Type	September 30, 2010	September 30, 2009	September 30, 2008	2010 to 2009 Comparison	
				Increase/ (Decrease)	% Change
2005 Bond Series	\$ 96,158,794	\$ 98,412,694	\$ 100,100,345	\$ (2,253,900)	-2.29%
Bank Notes	26,759,633	-	-	26,759,633	100.00%
Guam Power Authority	-	1,143,949	2,834,193	(1,143,949)	-100.00%
United States Navy	<u>1,817,057</u>	<u>4,162,028</u>	<u>5,649,098</u>	<u>(2,344,971)</u>	-56.34%
Total	\$ <u>124,735,484</u>	\$ <u>103,718,671</u>	\$ <u>108,583,636</u>	\$ <u>21,016,813</u>	20.26%

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

Management's Discussion and Analysis
September 30, 2010 and 2009

Looking Forward

Outlook, Challenges, and Opportunities

Following a performance last year which ended a period of consecutive years plagued with weak financial performance, GWA concluded FY2010 with an even stronger financial performance. Water and Wastewater revenues improved 21%, surpassing the 14% rate increase that took effect at the beginning of the year, and, far outpacing Operation and Maintenance expenses which increased only 6% above the previous year's level. Metered sales and customer growth outperformed projections by 3% and 2% respectively. Change in Net Assets increased almost fourfold, from \$1,671,576 to \$6,089,683 in FY2010. Senior lien debt service coverage was much improved, from .69 to 1.44 in FY2010, exceeding the bond covenant rate of 1.25 times for the first time since 2005.

Energy costs and Navy water purchases continue to be major drivers of GWA's operational costs. Energy alone represents 1/3 and Navy rates have increased approximately 83% over the last three years. The prospect of further increases appears imminent, however, GWA is taking steps to mitigate and offset the threat of increasing costs through electrical efficiency upgrades at its major facilities. The only surface water treatment plant upgrade is nearly completed and is expected to increase production capacity by approximately 2 MGD and help toward reducing Navy water purchase costs and alleviating GWA's dependency on Navy water to meet its production requirements.

In July 2009, the Public Utilities Commission (PUC) approved the Authority's 5 year Financial Plan which comprised a series of annual rate increases subject to the PUC's review prior to implementation. Increases are effective October 1 and annually thereafter. An 8% increase went into effect October 1, 2010 and will be followed by another 4.9% and 8% in FY2012 and FY2013, respectively.

GWA launched its online bill paying service in October 2010 offering customers the ability to pay water and wastewater bills and view billing and payment history over the internet via a web portal. Customer response has been positive toward the new service. Approximately 3,000 customers use the service monthly and that number continues to increase.

A System Development Charge (SDC) was implemented in FY2010. The fee is a one-time charge for water and wastewater services which creates a new demand or future capacity requirement of the system. The SDC is a welcomed addition to GWA's capital improvement program as it results to avoid charging existing users for a portion of the system's capacity to serve future customers. The fee for a single family residential for water and wastewater is approximately \$5,600. As of February 2011, about \$1.5 million has been collected since the program's inception in March 2010.

The finance and investment community have communicated their confidence in GWA's improvements and future outlook. In July 2010, GWA was successful in obtaining a \$30 million loan paving the way for fulfilling bond reserve requirements and supplementing working capital. In November 2010, Fitch Rating Agency upgraded GWA's credit rating from stable to positive outlook and GWA successfully sold \$118 million of bonds in the municipal market. Investor appetite was so strong for GWA credit that approximately forty minutes into the sale, over \$360 million of orders were placed for the \$118 million available bonds.

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In October 2010, GWA achieved another milestone by successfully obtaining commercial insurance for its assets worth over half a billion dollars. Prior to this, GWA was self insured subject to major risk from potential property losses from two of the most probable cause of catastrophic losses for the utility, typhoons and earthquakes. Currently, its risk management program includes an "all risk" property insurance coverage, General Liability, Fleet Auto and Director and Officers Liability coverage.

The meter program to replace existing meters with AMR meters continues and is projected to be completed by August 2012. Currently there are approximately 13,000 customers whose meters remain to be changed out to the newer AMR technology. GWA is upbeat about the program as it saw metered sales improve 7% while customer growth was only at 2%. GWA believes better and more accurate meter readings are partly attributable to the improved sales and is optimistic revenues will continue to grow as more meters are replaced.

A Stipulated Order (SO) continues to bind GWA since its adjudication in 2003 although approximately 90% of the items under the Order have been completed. Seven (7) items remain uncompleted as a result of funding issues and construction delays or a combination of both. The uncompleted items prescribe operating and capital requirements on GWA in order to satisfy SDWA and CWA requirements. Funding for these items were addressed under the recently completed bond financing and the completion of the remaining items are currently under negotiation with U.S. EPA. Status hearings on the negotiation are conducted quarterly by the U.S. District Court, most recently in November 2010. The next scheduled hearing is March 2011.

The recent bond financing paved the way for much needed capital improvements to address an aging infrastructure and meet federal regulatory compliance. In November 2010, GWA's 5 year CIP Plan was approved by the CCU. Over the next five years, GWA will be laying the groundwork for Capital projects worth over \$201 million. The projects include system planning, distribution system upgrades, efficiency improvements, rehabilitation and replacements. Some but not all the projects will be paid for by existing GWA ratepayers. Sixty-five percent (65%) will be made available from the recent 2010 Revenue Bond financing while the remainder will be funded system development charges, grants and internally funded sources. There is potential that some capital projects could be paid by Department of Defense.

While GWA financial performance and operating results have improved significantly in FY2010 and while GWA is very optimistic about its future, the proposed military buildup will place immense pressure on GWA's infrastructure. GWA and the Department of the Navy signed an MOU in July 2010 detailing a broad agreement to update water and wastewater infrastructure while protecting the island's environment. Approximately \$1.4 billion dollars of projects associated with the buildup have been identified. Funding for approximately \$600 million of this amount is being pursued from the Government of Japan over the next three years and is for water and wastewater infrastructure. The Record of Decision signed in September 2010 contained the Department of Defense commitment to provide this funding from Japan and Federal sources. Financing for these improvements has yet to be finalized but is expected that the funding will be obtained at no cost to GWA's and will be made available by the Government of Japan. It is not evident what the impact will have on operations, but DOD has committed to management and the CCU that any associated buildup capital costs will not be borne by the rate payers.

**GUAM WATERWORKS AUTHORITY
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Management's Discussion and Analysis
September 30, 2010 and 2009

Request for Information

This financial report is to provide interested parties with a general overview of GWA's finances. If you have any questions about this report or need additional information, you may submit a request in writing to: Chief Financial Officer, Guam Waterworks Authority, 578 N. Marine Corp Drive, Tamuning, GU 96913, or telephone (671) 647-2583.

GUAM WATERWORKS AUTHORITY
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Statements of Net Assets
September 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 7,865,765	\$ 918,246
Restricted	15,363,277	5,555,634
Receivables, net	9,388,513	10,856,353
Materials and supplies inventory, net of an allowance for obsolescence of \$339,745 at September 30, 2010 and 2009	2,548,613	2,085,446
Total current assets	35,166,168	19,415,679
Property, plant and equipment:		
Utility plant in service:		
Water system	239,378,142	232,612,569
Wastewater system	215,559,217	191,154,024
Non-utility property	15,342,720	17,536,695
	470,280,079	441,303,288
Less accumulated depreciation	(223,769,245)	(216,141,822)
	246,510,834	225,161,466
Land	64,288	64,288
Construction work in progress	35,030,107	54,094,670
Property, plant and equipment, net	281,605,229	279,320,424
Other noncurrent assets:		
Restricted cash and cash equivalents	20,455,035	15,303,553
Investments	9,634,332	9,628,279
Unamortized debt issuance costs	2,864,906	2,729,147
Total other noncurrent assets	32,954,273	27,660,979
	\$ 349,725,670	\$ 326,397,082

See accompanying notes to financial statements.

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

Statements of Net Assets, Continued
September 30, 2010 and 2009

<u>LIABILITIES AND NET ASSETS</u>	<u>2010</u>	<u>2009</u>
Current liabilities:		
Current maturities of long-term debt	\$ 8,365,834	\$ 6,463,363
Accounts payable:		
United States Navy	690,021	969,500
Guam Power Authority	1,033,794	2,784,039
Trade	1,723,140	3,799,370
Accrued interest	1,412,136	1,459,948
Accrued payroll and employee benefits	315,572	347,676
Current portion of employee annual leave	459,289	407,945
Accrued supplemental/COLA annuities	-	799,281
Deferred revenue	624,389	624,389
Payable to contractors	1,746,833	2,769,127
Customer deposits	1,940,464	2,093,059
Other liabilities	712,430	484,343
Total current liabilities	<u>19,023,902</u>	<u>23,002,040</u>
Long-term debt, less current maturities:		
Revenue bonds payable	96,158,794	98,412,694
Notes payable	26,759,633	-
Guam Power Authority	-	1,143,949
United States Navy	1,817,057	4,162,028
Employee annual leave, less current portion	758,074	699,251
DCRS sick leave liability	762,047	621,013
Advances for construction	168,676	168,303
Total liabilities	<u>145,448,183</u>	<u>128,209,278</u>
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	190,678,898	190,793,854
Restricted	5,866,142	5,377,124
Unrestricted	7,732,447	2,016,826
Total net assets	<u>204,277,487</u>	<u>198,187,804</u>
	<u>\$ 349,725,670</u>	<u>\$ 326,397,082</u>

See accompanying notes to financial statements.

GUAM WATERWORKS AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Water:		
Private	\$ 36,594,380	\$ 29,188,371
Government	3,452,893	2,901,576
Legislative surcharge	1,636,762	1,490,238
System development charge	405,023	-
	42,089,058	33,580,185
Wastewater:		
Private	16,248,457	14,042,258
Government	5,650,023	5,623,718
System development charge	389,105	-
	22,287,585	19,665,976
Other	817,683	971,502
Bad debt recoveries	4,138	1,034,609
Total operating revenues	65,198,464	55,252,272
Operating and maintenance expenses:		
Power purchases	14,344,013	14,971,119
Water purchases	6,669,120	5,167,856
Waste disposal fees	294,175	-
	21,307,308	20,138,975
Salaries, wages and benefits	18,085,703	15,870,652
Depreciation	11,568,858	10,952,902
Administrative and general	4,078,237	5,267,571
Contractual	3,381,182	3,969,699
Retiree health care costs and other benefits	1,897,530	1,428,843
	60,318,818	57,628,642
Total operating and maintenance expenses	60,318,818	57,628,642
Operating income (loss)	4,879,646	(2,376,370)
Nonoperating revenues (expenses):		
Allowance for funds used during construction	2,716,698	3,030,153
Interest income	11,689	238,699
Contribution to the Government of Guam	(898,700)	-
Interest expense	(6,516,956)	(6,018,059)
Other income	8,884	8,744
Loss on asset disposal	(88)	(17,051)
	(4,678,473)	(2,757,514)
Total nonoperating revenues (expenses), net	(4,678,473)	(2,757,514)
Income (loss) before capital contributions	201,173	(5,133,884)
Capital contributions:		
Grants from U.S. Government	5,472,020	6,805,460
Other contributions	416,490	-
	5,888,510	6,805,460
Total capital contributions	5,888,510	6,805,460
Change in net assets	6,089,683	1,671,576
Net assets at beginning of year	198,187,804	196,516,228
Net assets at end of year	\$ 204,277,487	\$ 198,187,804

See accompanying notes to financial statements.



Investing

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Guam's exciting future awaits all of us.

In the next 5 years we plan to spend \$300M improving our water system. This will benefit our children, their children, and for generations to come.

There is no resource more important than water.

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GUAM WATERWORKS AUTHORITY

For more information:

www.guamwaterworks.org

117 North Marine Corps Drive, San Juan, GUAM 96911-0117
Customer Service: 671-461-1616 or 671-461-1615

