

**Guam Public School System  
Utilities Analysis**

**Legislative Mandate**

**OPA Report No. 06-17  
December 2006**



OFFICE OF THE PUBLIC AUDITOR

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**Distribution:**

Governor of Guam  
Speaker, 28<sup>th</sup> Guam Legislature  
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U.S. Department of Interior  
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Guam Media via e-mail



OFFICE OF THE PUBLIC AUDITOR

December 26, 2006

Honorable Mark Forbes  
Speaker  
28<sup>th</sup> Guam Legislature  
324 W. Soledad Ave.  
Hagatna, Guam 96910

Luis S.N. Reyes  
Superintendent of Education  
Guam Public School System  
PO Box DE  
Hagatna, Guam 96932

RE: Submission of an analysis of historical Guam Public School System utilities data and estimated FY 2007 utilities expenditures as outlined by Public Law 28-149.

Dear Speaker Forbes and Superintendent Reyes:

This is the second analysis conducted pursuant to Public Law (P.L.) 28-149 Chapter II Part I Section 1. As reported in OPA Report 06-13<sup>1</sup> issued in October 2006, the Public Auditor provides this data to the Legislature and the Director of the Department of Administration (DOA) as a tool to determine the appropriate monthly cash disbursements to GPSS for FY 2007. We did not audit or review the data set forth in Section 1 and have only applied certain analytical procedures as detailed below. Therefore, we express no opinion or assurance on the following information and suggest that this limitation be considered by the users of this letter.

*Government Auditing Standards* issued by the Comptroller General of the United States precludes the Office of the Public Auditor from performing management functions or making management decisions, such as approving or authorizing an entity's transactions.<sup>2</sup>

### Challenges

In conducting our analysis, we noted several inconsistencies that may require further monitoring to ensure all utility billings are accurate and consistent. For example:

- Of the 195 power meters, 55 were not consistently read, with some read only at year end; and
- Of the 195 power meters, three appear to have no readings for the entire fiscal year.

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<sup>1</sup> Guam Public School System Payroll Analysis. Report can be viewed at [www.guamopa.org](http://www.guamopa.org).

<sup>2</sup> Section 3.03

Of greater concern are the discrepancies and inconsistencies that we noted during our review of water usage and payments in FY 2006 for the 55 GPSS water meters. These include:

- **Large fluctuations.** Large variations of total monthly water usage varied from a low of 10,284,426 gallons in October 2005 to a high of 27,702,951 gallons in February 2006;
- **Fixed usage rates.** Six meters in the Tiyan area (meter #s 389, 390, 478, 481, 468, 482) are billed at fixed usage rates, regardless of gallons consumed;
- **Estimated meter readings.** Meter readings for Talofof Elementary School (meter # 26307935) were estimated every month of FY 2006;
- **Once-a-year readings.** Meters at Agana Heights Kindergarten, Price Elementary School, and Manuel Ulloa (M.U.) Lujan Elementary (meter #'s 236149, 15001169, & 22561679, respectively) were estimated for 11 months and actually read only once during FY 2006;
- **“0” readings.** One of three meters at Upi Elementary School (meter # 75000393) had a “0” reading all year; and
- **Negative reading.** The water meter at Untalan Middle School (meter # 75000482) had a “-2” total reading for the year.

Due to these significant discrepancies and inconsistencies, we recommend that GPSS designate a specific person to monitor and ensure the accuracy of water and power billings. Any inaccuracies should be disputed with the appropriate agency immediately. This monitoring should ensure accurate records and payments, yield significant savings to the department, and aid in the budgetary process.

## **Methodology**

In conducting the analysis of utilities, we obtained FY 2006 power, water, and telephone data from GPSS and the respective utility agencies: the Guam Power Authority (GPA), the Guam Waterworks Authority (GWA), and the Guam Telephone Authority (GTA). The data reviewed showed that in FY 2006, GPSS was billed \$11,807,142 (\$10,313,908 for power, \$1,245,951 for water, and \$247,283 for telephone) for total utilities. As of the issuance of this letter, GPSS has, with the exception of \$130,344 in disputed amounts for prior power bills, paid its FY 2006 power, water, and telephone obligations. Discussion on each type of utility follows.

### **Power**

GPSS power usage in FY 2006 was 50,837,981 kilowatts per hour (kWh) and was billed a total of \$10,313,908. As of the issuance of this letter, GPSS owes \$130,344 in disputed amounts from prior years.

Using FY 2006 power data, we compiled a historical trend for the 195 GPSS power meters. The analysis shows that power usage levels, with the exception of lower power usage occurring during July and August, were fairly consistent. The decline in the two months is consistent with lower activity in the summer months of the school year.

GPA employs various schedules for rate calculations. However, we did not utilize these schedules, because the applicable rate schedule could vary from month to month for the same

meter depending on usage. We employed an alternate method to estimate FY 2007 power cost. A simplified cost per kWh was derived by dividing the monthly power cost by the month's consumption.

In April 2006, the Levelized Energy Adjustment Clause (LEAC)<sup>3</sup> was set to its current rate of 0.098589.<sup>4</sup> An average cost per kWh of \$0.2086 was derived using the cost per kWh of the six-months, April through September 2006, affected by the current LEAC. This average was then applied to the monthly power usage levels for FY 2006. The calculation shows that the estimated power cost for FY 2007 could be \$10,604,803. See pages 3 and 4 of Exhibit 1 for mathematical illustrations.

The anticipated FY 2007 total power cost of \$10,604,803 does not consider any anomalies including changes to the various rates, changes to power usage, power meter additions, or disconnections that may occur in FY 2007. The FY 2007 GPSS cash drawdown schedule requested \$9,819,397 for power costs. This amount does not include the additional \$1,775,000 necessary for the monthly payments of \$150,000 towards the GPA note.

In July 2004, GPSS entered into a monthly installment payment agreement with GPA for its prior years' unpaid power bills at an interest rate of 4.47%. As of September 30, 2005, GPA has an unpaid balance of \$13,964,139.<sup>5</sup> In October 2006, GPSS remitted \$125,000 to GPA. Beginning in November 2006, GPSS is to remit \$150,000 monthly. The FY 2007 monthly installment payments will total \$1,775,000 [(\$125,000 x 1 month) + (\$150,000 x 11 months)] bringing the total estimated FY 2007 power obligation to \$12,379,803 (\$10,604,803 + \$1,775,000 for past due payments).

## **Water**

Based on water cost data obtained from GWA, GPSS was billed for 212,719,637 gallons of water totaling \$1,245,951 in FY 2006. As of December 15, 2006, GPSS paid in full its fiscal year 2006 obligations.

In conducting the analysis to determine what the FY 2007 water costs may be, the actual FY 2006 monthly water usage were multiplied by the most current rates.<sup>6</sup> Based on the historical total usage of 212,719,637 gallons in FY 2006, the calculations indicate FY 2007 anticipated water costs may be \$1,732,165. However, as mentioned previously, there is a wide fluctuation in water consumption. OPA did not independently verify or audit the data provided. See pages 2 and 3 of Exhibit 2 for mathematical illustrations.

The anticipated \$1,732,165 in water costs does not consider any anomalies including changes to water rates or water meter additions or disconnections that may occur in FY 2007. The FY 2007 GPSS cash drawdown schedule requested \$525,425 for water costs in FY 2007.

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<sup>3</sup> Fuel recovery charge.

<sup>4</sup> The previous LEAC was \$0.088918. The average cost per kilowatt-hour was \$0.1977 from October 2005 to March 2006.

<sup>5</sup> GPSS FY 2005 audited financial statements available at [www.guamopa.org](http://www.guamopa.org).

<sup>6</sup> As of February 1, 2006.

## Telephone

Based on telephone cost data obtained from GPSS and GTA, in FY 2006, GPSS was billed for 1,274 telephone lines totaling \$247,283. The billings exclude December 2005 because GPSS and GTA were not able to provide this data. As of the date of this letter, GPSS has paid in full its FY 2006 telephone obligations.

In conducting the analysis of telephone costs, we determined the number of actual telephone lines billed and applied the applicable rates as of October 2006. We did not conduct a historical usage trend because of the static nature of telephone usage.

With 1,274 telephone lines, the calculations indicate estimated FY 2007 telephone costs to be \$95,060<sup>7</sup> per month or \$1,140,720 over a 12-month period without the E-Rate<sup>8</sup> discount that schools and libraries can avail for telecommunication services. The E-rate allows eligible schools and libraries to receive discounts of 20 to 90 percent on telecommunication services, Internet access, and internal connections necessary for deploying technology into the classroom based on economic disadvantage and geographic location.

The funding year, which encompasses July through June of the subsequent year, does not coincide with the government of Guam's October through September fiscal year. The average E-Rate discount GPSS was entitled to from July 2005 through June 2006 was \$49,414 per month or 76.22% of total telephone charges. Monthly discounts were applied to GPSS' telephone bills from January through June 2006, or six months of the award period. Additionally, a retroactive credit of \$303,732 was applied for the remaining months. The telephone lines that qualify for the E-Rate discount received an 88% discount. We were not able to obtain the number of lines that qualify for the E-Rate discount as of the date of this letter.

If the average monthly E-Rate discount of 76.22% is factored, the estimated monthly amount of \$95,060 will be reduced to \$22,605. The calculation shows estimated FY 2006 telephone costs to be \$271,262<sup>9</sup> with the discount. See Exhibit 3 for mathematical illustrations.

The anticipated \$271,262 in telephone costs does not consider changes to the available E-Rate discount, one time charges or any anomalies including changes to telephone rates, telephone line additions, or disconnections that may occur in FY 2007. The FY 2007 GPSS cash drawdown schedule is requesting \$1,690,480 for telephone costs in FY 2007, or \$1,419,218 more than anticipated costs.

As of the date of this letter, GPSS is awaiting approval of the E-Rate discount application submitted on February 4, 2006 for the funding period July 2006 through June 2007.<sup>10</sup> Should the GPSS application for E-rate discount be denied, GPSS will incur, based on the analysis, approximately \$95,060 per month or \$1,140,720 for FY 2007. GPSS should designate an

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<sup>7</sup> One time charges/discounts are non-recurring and were deducted/added to October 2006 charges to derive the basic telephone charge. ( $\$100,726.28 - \$5,666.60 = \$95,059.68$ )

<sup>8</sup> The Telecommunications Act of 1996 mandated that the Federal Communications Commission (FCC) use the federal Universal Service Fund to provide support to companies that give discounts to eligible schools and libraries.

<sup>9</sup> \$2 variance due to rounding of figure to the nearest dollar.

<sup>10</sup> E-Rate award year is July through June.

individual to follow up to ensure that GPSS is able to avail the discount. Failure to do so will burden the General Fund with unnecessary costs.

### Summary

As stated earlier in the letter, we noted several inconsistencies with billings, particularly with water. We recommend that GPSS work with the respective agencies to ensure accurate billings and continue to pursue the E-Rate discount for telephone costs.

The GPSS FY 2007 cash drawdown schedule shows anticipated total utilities expenses at \$12,035,302 (\$9,819,397 for power, \$525,425 for water, and \$1,690,480 for telephone). Based on historical data, GPSS may need a total of \$14,384,012 (\$12,379,803 for power, \$1,732,165 for water, and \$271,262 for telephone if E-Rate discounts are diligently pursued). These amounts do not consider any anomalies or other related obligations (i.e., installment payments not factored in that may occur in FY 2007). See table below for a summary.

### Comparative Summary: GPSS Proposal and OPA Estimates

| Category     | GPSS Proposal        | OPA Estimate         | Over / (Under)        |
|--------------|----------------------|----------------------|-----------------------|
| Power        | \$ 9,819,397         | \$ 12,379,803        | \$ (2,560,406)        |
| Water        | \$ 525,425           | \$ 1,732,165         | \$ (1,206,740)        |
| Telephone    | \$ 1,690,480         | \$ 271,262           | \$ 1,419,218          |
| <b>Total</b> | <b>\$ 12,035,302</b> | <b>\$ 14,383,230</b> | <b>\$ (2,347,928)</b> |

In prior fiscal years, GPSS received a separate appropriation for utilities, which historically has always been under funded. The underfunding of utilities is not specific to GPSS, but is seen government-wide. For example, GPA, to date is owed over \$30 million in past due bills by various government of Guam entities.

In theory, if GPSS were to receive in equal monthly installment its FY 2007 operations budget of \$172,957,804, the department would have already received at least \$28,826,300 (\$14,413,150 x 2 months [October and November]) to date. As of December 15, 2006, GPSS has received \$25,358,474 (\$6,200,000 in October, \$12,158,474 in November, and \$7,000,000 in December).

The analyses estimate \$152,379,574 for payroll (salaries and benefits) and \$14,383,230 for utilities, leaving \$6,195,000 for its other operational expenditures and obligations (i.e., contractals and miscellaneous).

### Deficit

Given the government of Guam's current financial condition, with a deficit of \$344 million as of September 30, 2005 and historically lower receipts compared to projected revenues, DOA will continue to be forced to manage available cash to ensure that all government of Guam entities receive monies and be operational. As the government of Guam's financial manager, DOA is urged to release GPSS funds as intended by the Budget Act without jeopardizing the operations of other government of Guam entities. As such, DOA will continue to release GPSS funds based on cash availability regardless of our estimates. Although the Legislature has attempted through

the Budget Act to make GPSS its priority in receiving cash, the reality of the deficit prevents this prioritization from occurring.

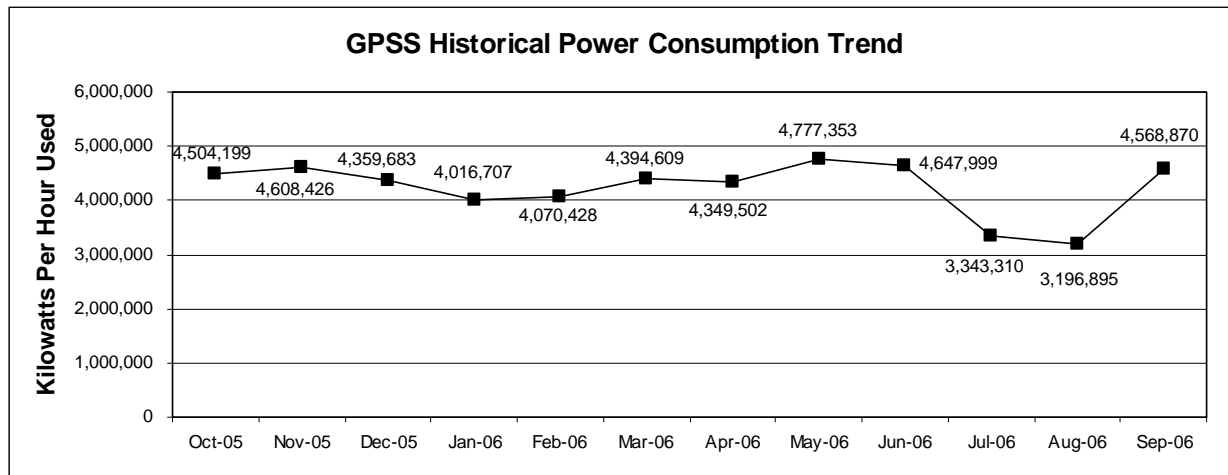
Senseramente,

A handwritten signature in black ink, appearing to read "Doris Brooks". The signature is written in a cursive, somewhat stylized font.

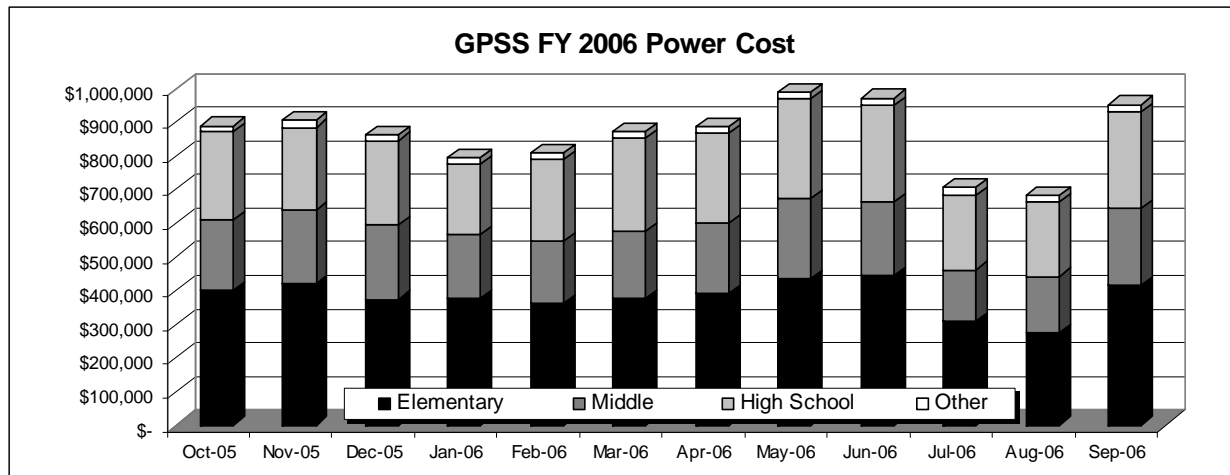
Doris Flores Brooks, CPA, CGFM  
Public Auditor

cc: Governor of Guam  
Director, Department of Administration  
Chairman, Guam Education Policy Board





| HISTORICAL POWER CONSUMPTION (KWH) |                   |                   |                   |                  |                   |
|------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Month                              | Elementary School | Middle School     | High School       | Other            | Total             |
| Oct-05                             | 2,010,893         | 1,067,010         | 1,337,628         | 88,668           | 4,504,199         |
| Nov-05                             | 2,141,179         | 1,095,236         | 1,261,224         | 110,787          | 4,608,426         |
| Dec-05                             | 1,876,418         | 1,111,921         | 1,280,953         | 90,391           | 4,359,683         |
| Jan-06                             | 1,898,340         | 938,387           | 1,064,305         | 115,675          | 4,016,707         |
| Feb-06                             | 1,811,634         | 924,772           | 1,235,917         | 98,105           | 4,070,428         |
| Mar-06                             | 1,886,761         | 987,691           | 1,427,958         | 92,199           | 4,394,609         |
| Apr-06                             | 1,919,367         | 1,007,636         | 1,315,581         | 106,918          | 4,349,502         |
| May-06                             | 2,080,881         | 1,148,843         | 1,439,461         | 108,168          | 4,777,353         |
| Jun-06                             | 2,130,741         | 1,023,655         | 1,376,424         | 117,179          | 4,647,999         |
| Jul-06                             | 1,460,458         | 704,148           | 1,067,332         | 111,372          | 3,343,310         |
| Aug-06                             | 1,280,179         | 782,378           | 1,048,221         | 86,117           | 3,196,895         |
| Sep-06                             | 1,987,834         | 1,078,223         | 1,408,473         | 94,340           | 4,568,870         |
| <b>Total</b>                       | <b>22,484,685</b> | <b>11,869,900</b> | <b>15,263,477</b> | <b>1,219,919</b> | <b>50,837,981</b> |



| <b>GPSS FY 2006 POWER COST</b> |                          |                      |                     |                   |                      |
|--------------------------------|--------------------------|----------------------|---------------------|-------------------|----------------------|
| <b>Month</b>                   | <b>Elementary School</b> | <b>Middle School</b> | <b>High School</b>  | <b>Other</b>      | <b>Grand Total</b>   |
| Oct-05                         | \$ 399,144               | \$ 211,346           | \$ 260,788          | \$ 17,376         | \$ 888,654           |
| Nov-05                         | \$ 419,910               | \$ 216,768           | \$ 247,308          | \$ 21,093         | \$ 905,079           |
| Dec-05                         | \$ 373,675               | \$ 219,175           | \$ 251,903          | \$ 17,697         | \$ 862,451           |
| Jan-06                         | \$ 375,895               | \$ 188,178           | \$ 209,478          | \$ 22,009         | \$ 795,560           |
| Feb-06                         | \$ 360,687               | \$ 186,966           | \$ 242,033          | \$ 18,865         | \$ 808,552           |
| Mar-06                         | \$ 377,986               | \$ 198,271           | \$ 275,869          | \$ 17,908         | \$ 870,034           |
| Apr-06                         | \$ 390,129               | \$ 208,780           | \$ 267,483          | \$ 20,747         | \$ 887,139           |
| May-06                         | \$ 433,204               | \$ 237,939           | \$ 295,914          | \$ 22,130         | \$ 989,187           |
| Jun-06                         | \$ 445,276               | \$ 217,360           | \$ 285,168          | \$ 23,493         | \$ 971,298           |
| Jul-06                         | \$ 308,685               | \$ 152,564           | \$ 220,494          | \$ 22,764         | \$ 704,505           |
| Aug-06                         | \$ 275,346               | \$ 166,576           | \$ 220,528          | \$ 17,837         | \$ 680,287           |
| Sep-06                         | \$ 416,896               | \$ 226,126           | \$ 288,508          | \$ 19,632         | \$ 951,162           |
| <b>Total</b>                   | <b>\$ 4,576,834</b>      | <b>\$ 2,430,050</b>  | <b>\$ 3,065,473</b> | <b>\$ 241,551</b> | <b>\$ 10,313,908</b> |

**ANTICIPATED FY 2007 POWER COST**

**Step 1: FY 2006 Monthly Cost/KWH - Simplified Calculation**

|              | A                             | B                       | C = ( A / B )   |
|--------------|-------------------------------|-------------------------|-----------------|
| <b>Month</b> | <b>FY 2006<br/>Power Cost</b> | <b>KWH<br/>Consumed</b> | <b>Cost/KWH</b> |
| Oct-06       | \$ 888,654.17                 | 4,504,199               | \$ 0.1973       |
| Nov-05       | \$ 905,079.39                 | 4,608,426               | \$ 0.1964       |
| Dec-05       | \$ 862,450.75                 | 4,359,683               | \$ 0.1978       |
| Jan-06       | \$ 795,560.09                 | 4,016,707               | \$ 0.1981       |
| Feb-06       | \$ 808,551.76                 | 4,070,428               | \$ 0.1986       |
| Mar-06       | \$ 870,034.09                 | 4,394,609               | \$ 0.1980       |
| Apr-06       | \$ 887,139.39                 | 4,349,502               | \$ 0.2040       |
| May-06       | \$ 989,187.01                 | 4,777,353               | \$ 0.2071       |
| Jun-06       | \$ 971,297.77                 | 4,647,999               | \$ 0.2090       |
| Jul-06       | \$ 704,505.28                 | 3,343,310               | \$ 0.2107       |
| Aug-06       | \$ 680,286.89                 | 3,196,895               | \$ 0.2128       |
| Sep-06       | \$ 951,161.59                 | 4,568,870               | \$ 0.2082       |
| <b>Total</b> | <b>\$ 10,313,908.18</b>       | <b>50,837,981</b>       |                 |

**0.098589 LEAC effective  
April 2006.**

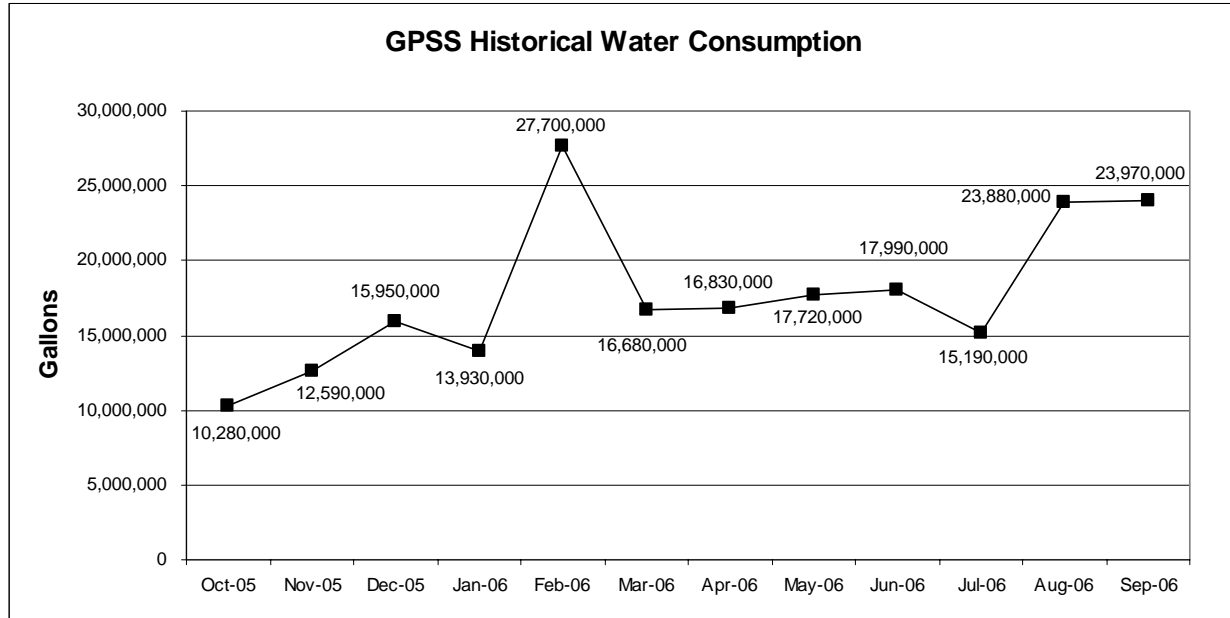
**Step 2: Average Cost/KWH w/ recent LEAC**

| <b>Month</b>   | <b>Cost/KWH</b>  |
|----------------|------------------|
| Apr-06         | \$ 0.2040        |
| May-06         | \$ 0.2071        |
| Jun-06         | \$ 0.2090        |
| Jul-06         | \$ 0.2107        |
| Aug-06         | \$ 0.2128        |
| Sep-06         | \$ 0.2082        |
| <b>Average</b> | <b>\$ 0.2086</b> |

**D**

**Step 3: Estimated FY 2007 Power Cost**

|              | <b>B</b>            | <b>E = ( B x D )</b>          | <b>F</b>               | <b>G = ( E + F )</b>           |
|--------------|---------------------|-------------------------------|------------------------|--------------------------------|
| <b>Month</b> | <b>KWH Consumed</b> | <b>Estimated FY 2007 Cost</b> | <b>Note Payments</b>   | <b>Total Power Obligations</b> |
| Oct-06       | 4,504,199           | \$ 939,575.91                 | \$ 125,000.00          | \$ 1,064,575.91                |
| Nov-06       | 4,608,426           | \$ 961,317.66                 | \$ 150,000.00          | \$ 1,111,317.66                |
| Dec-06       | 4,359,683           | \$ 909,429.87                 | \$ 150,000.00          | \$ 1,059,429.87                |
| Jan-07       | 4,016,707           | \$ 837,885.08                 | \$ 150,000.00          | \$ 987,885.08                  |
| Feb-07       | 4,070,428           | \$ 849,091.28                 | \$ 150,000.00          | \$ 999,091.28                  |
| Mar-07       | 4,394,609           | \$ 916,715.44                 | \$ 150,000.00          | \$ 1,066,715.44                |
| Apr-07       | 4,349,502           | \$ 907,306.12                 | \$ 150,000.00          | \$ 1,057,306.12                |
| May-07       | 4,777,353           | \$ 996,555.84                 | \$ 150,000.00          | \$ 1,146,555.84                |
| Jun-07       | 4,647,999           | \$ 969,572.59                 | \$ 150,000.00          | \$ 1,119,572.59                |
| Jul-07       | 3,343,310           | \$ 697,414.47                 | \$ 150,000.00          | \$ 847,414.47                  |
| Aug-07       | 3,196,895           | \$ 666,872.30                 | \$ 150,000.00          | \$ 816,872.30                  |
| Sep-07       | 4,568,870           | \$ 953,066.28                 | \$ 150,000.00          | \$ 1,103,066.28                |
| <b>Total</b> | <b>50,837,981</b>   | <b>\$ 10,604,802.84</b>       | <b>\$ 1,775,000.00</b> | <b>\$ 12,379,802.84</b>        |



| <b>GPSS HISTORICAL WATER CONSUMPTION</b> |                          |                      |                    |                  |                    |
|--|--------------------------|----------------------|--------------------|------------------|--------------------|
| <b>Month</b>                             | <b>Elementary School</b> | <b>Middle School</b> | <b>High School</b> | <b>Other</b>     | <b>Total</b>       |
| Oct-05                                   | 6,584,923                | 1,380,057            | 1,845,646          | 473,800          | 10,284,426         |
| Nov-05                                   | 4,395,045                | 1,777,700            | 5,876,224          | 540,391          | 12,589,360         |
| Dec-05                                   | 5,985,299                | 1,658,000            | 7,816,656          | 492,890          | 15,952,845         |
| Jan-06                                   | 4,655,009                | 1,184,000            | 5,141,524          | 2,948,700        | 13,929,233         |
| Feb-06                                   | 17,481,426               | 2,432,532            | 7,178,506          | 610,487          | 27,702,951         |
| Mar-06                                   | 7,770,314                | 3,016,000            | 5,308,412          | 589,500          | 16,684,226         |
| Apr-06                                   | 7,064,325                | 2,959,000            | 6,326,809          | 482,500          | 16,832,634         |
| May-06                                   | 6,344,163                | 2,154,000            | 8,675,245          | 551,500          | 17,724,908         |
| Jun-06                                   | 8,510,118                | 1,164,394            | 7,727,000          | 585,288          | 17,986,800         |
| Jul-06                                   | 7,344,384                | 1,200,394            | 5,869,180          | 772,500          | 15,186,458         |
| Aug-06                                   | 16,575,719               | 619,594              | 6,193,391          | 487,500          | 23,876,204         |
| Sep-06                                   | 10,877,264               | 1,265,394            | 11,334,700         | 492,234          | 23,969,592         |
| <b>Total</b>                             | <b>103,587,989</b>       | <b>20,811,065</b>    | <b>79,293,293</b>  | <b>9,027,290</b> | <b>212,719,637</b> |

**CURRENT GWA RATES**

| Charge / Surcharge Type        | Rate                  |
|--------------------------------|-----------------------|
| Basic Water Charge             | See Step 2 below      |
| Water Charge                   | 4.42 per 1000 gallons |
| Sewer Charge                   | 3.29 per 1000 gallons |
| PUC 2001 Surcharge             | 9.51%                 |
| Supplemental Annuity Surcharge | 4.13%                 |

**ANTICIPATED FY 2007 WATER COST**

**Step 1: FY 2006 Monthly Water Usage in Gallons**

**A**

| Month        | Water Consumption  |
|--------------|--------------------|
| Oct-05       | 10,284,426         |
| Nov-05       | 12,589,360         |
| Dec-05       | 15,952,845         |
| Jan-06       | 13,929,233         |
| Feb-06       | 27,702,951         |
| Mar-06       | 16,684,226         |
| May-06       | 16,832,634         |
| Jun-06       | 17,724,908         |
| Jul-06       | 17,986,800         |
| Aug-06       | 15,186,458         |
| Sep-06       | 23,876,204         |
| Nov-06       | 23,969,592         |
| <b>Total</b> | <b>212,719,637</b> |

**Step 2: Calculate Monthly Basic Water Charge for 55 Meters**

| <b>B</b>   | <b>C</b>          | <b>D</b>    | <b>E = ( C x D )</b> |
|------------|-------------------|-------------|----------------------|
| Meter Size | Charge Per Gallon | # of Meters | Total Charge         |
| 3/4"       | 7.46              | 3           | \$ 22.38             |
| 1"         | 8.71              | 1           | \$ 8.71              |
| 1 1/2"     | 13.67             | 6           | \$ 82.02             |
| 2"         | 17.41             | 7           | \$ 121.87            |
| 3"         | 31.09             | 14          | \$ 435.26            |
| 4"         | 43.52             | 19          | \$ 826.88            |
| 6"         | 80.82             | 4           | \$ 323.28            |
| 8"         | 118.13            | 0           | \$ -                 |
| 10"        | 161.65            | 0           | \$ -                 |
| 12"        | 192.73            | 1           | \$ 192.73            |
|            |                   | <b>55</b>   | <b>\$ 2,013.13</b>   |

**Step 3: Estimated FY 2007 Water Cost**

|              | A                  | F                  | G = ( A x 0.00442) |                   | H = [( A x 0.80)(0.00329)] | I = ( F + G + H )  | J = ( I x 0.0951 )     | K = ( I x 0.0413 )  | L = ( I + J + K ) |
|--------------|--------------------|--------------------|--------------------|-------------------|----------------------------|--------------------|------------------------|---------------------|-------------------|
| Month        | Gallons Consumed   | Basic Water Charge | Water Charge       | Sewer Charge      | Subtotal Charges           | PUC 2001 Surcharge | Supp Annuity Surcharge | Total               |                   |
| Oct-06       | 10,284,426         | \$ 2,013           | \$ 45,457          | \$ 27,069         | \$ 74,539                  | \$ 7,089           | \$ 3,078               | \$ 84,706           |                   |
| Nov-06       | 12,589,360         | \$ 2,013           | \$ 55,645          | \$ 33,135         | \$ 90,793                  | \$ 8,634           | \$ 3,750               | \$ 103,178          |                   |
| Dec-06       | 15,952,845         | \$ 2,013           | \$ 70,512          | \$ 41,988         | \$ 114,513                 | \$ 10,890          | \$ 4,729               | \$ 130,132          |                   |
| Jan-07       | 13,929,233         | \$ 2,013           | \$ 61,567          | \$ 36,662         | \$ 100,242                 | \$ 9,533           | \$ 4,140               | \$ 113,915          |                   |
| Feb-07       | 27,702,951         | \$ 2,013           | \$ 122,447         | \$ 72,914         | \$ 197,374                 | \$ 18,770          | \$ 8,152               | \$ 224,296          |                   |
| Mar-07       | 16,684,226         | \$ 2,013           | \$ 73,744          | \$ 43,913         | \$ 119,670                 | \$ 11,381          | \$ 4,942               | \$ 135,993          |                   |
| May-07       | 16,832,634         | \$ 2,013           | \$ 74,400          | \$ 44,303         | \$ 120,717                 | \$ 11,480          | \$ 4,986               | \$ 137,183          |                   |
| Jun-07       | 17,724,908         | \$ 2,013           | \$ 78,344          | \$ 46,652         | \$ 127,009                 | \$ 12,079          | \$ 5,245               | \$ 144,333          |                   |
| Jul-07       | 17,986,800         | \$ 2,013           | \$ 79,502          | \$ 47,341         | \$ 128,856                 | \$ 12,254          | \$ 5,322               | \$ 146,432          |                   |
| Aug-07       | 15,186,458         | \$ 2,013           | \$ 67,124          | \$ 39,971         | \$ 109,108                 | \$ 10,376          | \$ 4,506               | \$ 123,990          |                   |
| Sep-07       | 23,876,204         | \$ 2,013           | \$ 105,533         | \$ 62,842         | \$ 170,388                 | \$ 16,204          | \$ 7,037               | \$ 193,629          |                   |
| Nov-07       | 23,969,592         | \$ 2,013           | \$ 105,946         | \$ 63,088         | \$ 171,047                 | \$ 16,267          | \$ 7,064               | \$ 194,377          |                   |
| <b>Total</b> | <b>212,719,637</b> | <b>\$ 24,158</b>   | <b>\$ 940,221</b>  | <b>\$ 559,878</b> | <b>\$ 1,524,256</b>        | <b>\$ 144,957</b>  | <b>\$ 62,952</b>       | <b>\$ 1,732,165</b> |                   |

**ANTICIPATED FY 2007 TELEPHONE COST**

**Step 1: GPSS October 2006 Telephone Costs**

| Divisions         | # of Phone Lines | Charges               |
|-------------------|------------------|-----------------------|
| Elementary School | 386              | \$ 35,426.18          |
| Middles School    | 185              | \$ 12,645.17          |
| High Schools      | 278              | \$ 17,746.53          |
| Other             | 425              | \$ 29,241.80          |
| <b>Total</b>      | <b>1274</b>      | <b>\$ 95,059.68</b> A |

**Step 2: Total GPSS FY 2006 Telephone Costs and E-Rate Discounts**

|  | B                    | C                               | D                    | E = (B - C - D)       |
|--|----------------------|---------------------------------|----------------------|-----------------------|
| MONTH                                  | Local Phone Charges  | Credit Adjustments <sup>1</sup> | Retroactive Discount | Total billing         |
| Jul-05                                 | \$ 61,218.88         | \$ 46,276.41                    |                      | \$ 14,942.47          |
| Aug-05                                 | \$ 61,498.55         | \$ 46,462.47                    |                      | \$ 15,036.08          |
| Sep-05                                 | \$ 61,252.60         | \$ 91,137.21                    |                      | \$ (29,884.61)        |
| Oct-05                                 | \$ 61,284.11         | \$ -                            |                      | \$ 61,284.11          |
| Nov-05                                 | \$ 61,288.97         | \$ -                            |                      | \$ 61,288.97          |
| Dec-05                                 | not available        | not available                   | not available        | not available         |
| Jan-06                                 | \$ 64,481.80         | \$ 50,842.64                    |                      | \$ 13,639.16          |
| Feb-06                                 | \$ 62,270.88         | \$ 50,618.39                    |                      | \$ 11,652.49          |
| Mar-06                                 | \$ 63,930.65         | \$ 51,469.05                    | \$ 303,731.73        | \$ (291,270.13)       |
| Apr-06                                 | \$ 71,007.88         | \$ 55,320.07                    |                      | \$ 15,687.81          |
| May-06                                 | \$ 70,065.63         | \$ 56,067.96                    |                      | \$ 13,997.67          |
| Jun-06                                 | \$ 80,178.03         | \$ 63,857.15                    |                      | \$ 16,320.88          |
| Jul-06                                 | \$ 117,975.35        | \$ 93,726.62                    |                      | \$ 24,248.73          |
| Aug-06                                 | \$ 129,587.41        | \$ -                            |                      | \$ 129,587.41         |
| Sep-06                                 | \$ 98,865.00         | \$ (91,980.45)                  |                      | \$ 190,845.45         |
| <b>Fiscal Year Total</b> <sup>2</sup>  | <b>\$ 880,935.71</b> | <b>\$ 329,921.43</b>            | <b>\$ 303,731.73</b> | <b>\$ 247,282.55</b>  |
| <b>Funding Year Total</b> <sup>3</sup> | <b>\$ 718,477.98</b> | <b>\$ 512,051.35</b>            | <b>\$ 303,731.73</b> | <b>\$ (97,305.10)</b> |

<sup>1</sup> Credit adjustments based on GPSS records (invoices).

<sup>2</sup> October 2005 through September 2006.

<sup>3</sup> July 2005 through June 2006.



**Step 3: Monthly Discount Percentage**

|                           | <b>B</b>                   | <b>F</b>                                     | <b>G = ( F / B )</b>       |
|---------------------------|----------------------------|--|----------------------------|
| <b>MONTH</b>              | <b>Local Phone Charges</b> | <b>Confirmed E-rate Discount<sup>3</sup></b> | <b>Discount Percentage</b> |
| Jul-05                    | \$ 61,218.88               | \$ 49,736.30                                 | 81.24%                     |
| Aug-05                    | \$ 61,498.55               | \$ 49,729.11                                 | 80.86%                     |
| Sep-05                    | \$ 61,252.60               | \$ 49,770.62                                 | 81.25%                     |
| Oct-05                    | \$ 61,284.11               | \$ 49,770.62                                 | 81.21%                     |
| Nov-05                    | \$ 61,288.97               | \$ 49,770.62                                 | 81.21%                     |
| Dec-05                    | not available              | not available                                | n/a                        |
| Jan-06                    | \$ 64,481.80               | \$ 49,501.25                                 | 76.77%                     |
| Feb-06                    | \$ 62,270.88               | \$ 49,413.28                                 | 79.35%                     |
| Mar-06                    | \$ 63,930.65               | \$ 49,495.02                                 | 77.42%                     |
| Apr-06                    | \$ 71,007.88               | \$ 46,315.11                                 | 65.23%                     |
| May-06                    | \$ 70,065.63               | \$ 50,345.10                                 | 71.85%                     |
| Jun-06                    | \$ 80,178.03               | \$ 49,704.11                                 | 61.99%                     |
| Jul-06                    | \$ 117,975.35              | \$ -   | 0.00%                      |
| Aug-06                    | \$ 129,587.41              | \$ -   | 0.00%                      |
| Sep-06                    | \$ 98,865.00               | \$ -   | 0.00%                      |
| <b>Fiscal Year Total</b>  | <b>\$ 880,935.71</b>       | <b>\$ 394,315.11</b>                         |                            |
| <b>Funding Year Total</b> | <b>\$ 718,477.98</b>       | <b>\$ 543,551.14</b>                         |                            |

<sup>3</sup> E-rate discount amounts provided by Guam Telephone Authority.

**Step 4: Funding Year Average Discount (July to June)**

| <b>MONTH</b>            | <b>Discount Percentage</b> |
|-------------------------|----------------------------|
| Jul-05                  | 81.24%                     |
| Aug-05                  | 80.86%                     |
| Sep-05                  | 81.25%                     |
| Oct-05                  | 81.21%                     |
| Nov-05                  | 81.21%                     |
| Dec-05                  | n/a                        |
| Jan-06                  | 76.77%                     |
| Feb-06                  | 79.35%                     |
| Mar-06                  | 77.42%                     |
| Apr-06                  | 65.23%                     |
| May-06                  | 71.85%                     |
| Jun-06                  | 61.99%                     |
| <b>Funding Year Avg</b> | <b>76.22%</b>              |

**H**

**Step 5: Estimated FY 2007 Telephone Cost**

|                              |                      |                                |
|------------------------------|----------------------|--------------------------------|
| <b>A</b>                     | \$ 95,059.68         | October 2006 Charges           |
| <b>I = ( A x H )</b>         | <u>72,454.49</u>     | 76.22% Average E-rate Discount |
| <b>J = ( A - I )</b>         | <u>\$ 22,605.19</u>  | Adjusted Monthly Cost          |
| <b>K = ( J x 12 months )</b> | <u>\$ 271,262.30</u> | FY 2007 Projected Cost         |

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