



# CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority • Guam Waterworks Authority  
P.O. BOX 2977 • Agana, Guam 96932

July 31, 2007

The Honorable Donna M. Christensen  
Chairwoman  
Subcommittee on Insular Affairs  
Committee on Natural Resources  
The United States House of Representatives  
Washington, D.C. 20515

Chairwoman Cristensen and Committee Members  
Honorable members of Congress

Hafa Adai and welcome to Guam.

I am Simon Sanchez, and I have had the honor to serve as Chairman of the Consolidated Commission on Utilities (CCU) since 2003. The CCU is the elected governing board that oversees the operations of the Guam Power Authority (GPA) and the Guam Waterworks Authority (GWA). GPA is the sole supplier of power on Guam for all civilian and military needs. GWA provides all the water and wastewater services to the civilian community and wastewater services to the Andersen Air Force Base.

We are very happy to be discussing the impact of our country's planned military buildup right here on Guam where the impact will be felt in our homes, our villages and in the daily lives of everyone who lives on Guam, both resident and military.

The many challenges facing our community will test all of our abilities to plan, collaborate and deliver the results and the vision we all share for an even better Guam and a safer country.

We all share a historic opportunity to position Guam to play a larger role in the defense of our national interests while also improving the quality of life of all the loyal American citizens of Guam.

It is yet another opportunity for Guam to proudly assume its new obligations to defend our national interests, a duty our people have performed with legendary honor and sacrifice. Even at this moment, a Guamanian American is risking his or her life in a battle zone with our other fellow Americans so that we can build a better Guam and a safer country for generations to come.

It is yet another opportunity for Guam to move forward as a greater showcase of free enterprise and economic progress, located at America's doorstep to Asia. Guam's hard



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working and industrious people have withstood war, natural disasters, and economic uncertainties. Guam's economy, since it was destroyed in World War II, has always been tied to the changing interests of our country's defense policy. A strong and prosperous Guam has always resulted from a strong national defense policy.

Guam is a special place. And this is a special time. We have a chance to do this right for the common good.

There are those who do not support this military expansion and there are many unanswered questions.

Our ultimate success will depend on how well we realize the opportunities we know are possible by not letting the many challenges divide nor conquer us.

Our country recently forged a change in national policy that asks the good people of Guam to play an even larger role in the defense of our nation. An estimated \$15 billion in military expansion, the largest move of military assets since World War II according to military officials, is slated to turn Guam into the "spear" for our country's defense in Asia.

The concern of the people of Guam is that we don't get the "shaft" while also becoming the spear.

The relocation of Marines from Okinawa to Guam as well as the expansion of the existing Navy and Air Force presence will change Guam dramatically. It will add twenty five percent more people to Guam in the next six years, about 40,000 folks.

Normally, this amount of population growth would take twenty years. Now we must accelerate all the projects and efforts that will be required to absorb this growth in a compressed six year timeline. Remember, of the 40,000 new residents, half are projected to live "outside the gate" in the civilian community. The military expansion will not only affect Guam's military community. It will affect all the people of Guam for the foreseeable future.

Guam today does not have the resources necessary to accommodate this level of military expansion nor should it be expected to. Initial estimates are between \$1 billion to \$2 billion will be needed for Guam to successfully absorb this military buildup in such a short time frame.

Japan has committed funding to the base relocation to Guam. The Congress already has committed funding to upgrading and expanding existing military facilities on Guam. It is



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our understanding that the Department of Defense (DOD) will ask Congress to commit another \$4 billion to be spent on Guam as part of the new bilateral defense agreement.

So far, it seems there is money to be spent for military plans ON Guam but there has yet to be any money intended to be spent FOR the civilian community of Guam to be able to address the impacts and the requirements of the buildup.

We have been told that none of the Japan or DOD funds may be available to Guam, or if it's available, it may only be used to improve infrastructure and services on base but not "outside the gate".

We are working with DOD and other federal agencies to plan for this move and determine the best way to insure that everyone benefits. DOD officials have talked of supporting our requests for federal assistance while seeking their own funding.

Today the people of Guam are speaking for themselves, asking you, the representatives of our country to stand with Guam and for Guam in order to serve and protect the interests of all Americans.

All these collaborative efforts to support the military buildup will not work if benefits only accrue "inside the gate". For our country to win, all of Guam must win---and that means BOTH the resident people of Guam and our longstanding military partners.

We are asking you to determine ways to fund the resulting impacts from the buildup on Guam's public services and infrastructure. And we will need that help sooner rather than later.

I recall the words from another seminal change in our country's public policy, regarding racial segregation, that "Separate is not Equal". It is our duty as people of good will to insure that we have one community of Guam, which allows the benefits of being an American to flow equally to all Guam's residents, civilian and military, while still securing our national interests.

## **Power, Water and Wastewater Impacts and Challenges**

I've provided the committee with the summary reports from our power and water utilities that identify almost \$800 million in projects which are impacted by the military expansion. This information is also being shared in even greater detail amongst the many interest groups working on the planning of this expansion, including frequent visitors from Japan who are performing their own due diligence.



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Our general position on these proposals is simple because they make the most sense for the people of Guam and the American taxpayers

The Guam Power Authority should continue to be the sole provider of power services on Guam. We should continue federal policy established by U.S. Public Law 100-202 that the military should become a full customer of GPA and not a co-operator or competitor.

The Guam Waterworks Authority should provide water and wastewater services to the new Marine base and eventually operate the Navy systems which are currently outsourced. Most importantly, the protection of the northern aquifer which supplies 70% of the water on Guam (including military populations) will require a united and well coordinated effort between GWA and the federal government to insure its permanent security and sustainability.

We don't take these positions lightly. But we are convinced that the wisest, most economic and secure foundation for Guam's growth and the planned military expansion results from some of the following reasons:

- A single power grid as currently exists, with the appropriate upgrades at the correct time will insure the power system will grow with Guam in terms of capacity and reliability. For the military to build a whole new power system to serve its 20% of total island demand does not make economic sense. That same money would be better spent on upgrading the entire transmission and distribution system, benefiting all. GPA has identified about \$150 million in projects that will upgrade and rebuild the island-wide transmission and distribution system to improve reliability.
- The need for significant additional power generating capacity is not needed until after the Marine base is opened and will require only incremental additions of capacity instead of the large amount of primary and redundant capacity that would be needed for an entirely separate DOD system.
- GPA has the demonstrated ability to manage the entire system, relying on its own resources as well as using private partnerships to provide management and financing. Today, all of GPA's generation utilizes some form of public-private partnership. GPA will use appropriate management and financing tools to improve service reliability cost effectively.
- As Guam grows, more customers paying for a single system will help keep rates more stable and affordable for civilian and military customers



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alike. Even today, Guam's power rates at \$.18 per KWH, are lower than all of Hawaii..

- Like the Guam Waterworks Authority, the DOD is investing hundreds of millions of dollars appropriated by Congress to rebuild and upgrade its aging water and wastewater facilities for the Navy and Air Force. GWA has successfully turned around its operating and financial performance and now offer its customers, quoting from US EPA's 2005 report, "the cleanest and safest water in decades".
- Furthermore, investor confidence allowed GWA to raise its first \$100 of an initial \$250 million to rebuild its aging systems. GWA also utilizes a public private partnership to operate its wastewater system, just as the Navy outsources the operations of its water and wastewater operations. GWA also produces water at lower costs than the Navy, providing an opportunity to lower the cost of water for both DOD and Guam residents.
- The Marine base will be located a few miles from GWA's largest waste water plant in the north, which already serves the Air Force. Obviously, it would make more economic sense to have the military expansion provide the incremental cost to increase the existing plant's capacity to serve the Marines than to build a whole new plant. GWA is currently spending \$9 million on a new outfall as well, a significant cost that can be avoided by DOD. These savings instead can be used to upgrade GWA's systems that will serve the increased demand from the population surge supporting the base relocation .
- The Northern Aquifer will require special attention since it is the shared supply for Guam residents and the Air Force, and probably the Marine base. Its long-term sustainability is therefore equally critical to the people of Guam and our defense interests. Pending US EPA decisions will require a collaborative approach to insure Guam's primary water supply is always clean, safe and secure.
- Over the years, GWA and Navy water systems have crisscrossed Guam from north to south. There are opportunities to better share water resources to lower distribution costs by allowing GWA to serve Navy customers in some areas in exchange for Navy serving GWA customers in other areas.
- Both power and water utilities are committing ratepayer financial resources to funding future growth, albeit at a much slower pace than is



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envisioned by the Marine re-location. Both utilities plan to provide some of the financing to upgrade existing systems. The idea is to leverage both local and federal monies when shared investments serve mutual interests instead of separate ones.

These are the most prominent of many good reasons to develop a single plan for Guam's power, water and wastewater systems to serve the military buildup and share benefits and costs.

### **Timing Requires Action Now**

Each passing day, the planning and funding for Guam's requirements from the buildup is becoming more and more critical as to whether we ultimately succeed or fail to get this right from the start.

The military expansion will impact Guam long before a Marine base is opened. At least 15,000 workers are projected to be needed to build the base beginning in 2010. All these workers will live "outside the gate" in the civilian community. This means they will impact our roads, hospital, public safety and other public services, power, water and wastewater resources.

These impacts are a direct result of the military buildup and require the federal government to contribute to pay for the impacts instead of forcing the cost of these impacts on the current residents of Guam. More importantly, monies can be used to mitigate short-term impacts and provide longer term support for Guam's growth.

For example, it is estimated GWA will need to add up to sixteen wells to support this immediate growth with an additional 20 MGD. The cost of these wells should be borne by the expansion.

Furthermore, the wells will remain after the construction surge and then can be used to support the permanent residential population that comes with the actual relocation. Remember, 20,000 new Guam residents are expected to live "outside the gate". Investing once in these upgrades serves both military and civilian growth needs caused by the expansion. These are the kinds of "win-win" plans that wisely fund and merge the dual goals of improving Guam and improving our national security.

But if we don't build those wells now, we won't have enough water to support the surge in worker population needed to build the base.



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As we continue to develop the Guam master plan to handle the military expansion, hundreds of examples like this emerge. Many of our challenges have a corresponding opportunity that can better serve both Guam residents and DOD future interests.

Guam will need professional and financial assistance NOW to make these opportunities realities, during construction and after the actual relocation of military expansion. . .

### **Investing the Federal Government's "Fair Share" in Guam is investing in America's future**

As these projects get fleshed out, we will be able to better determine the direct impact of the military expansion. It is this direct impact that the people of Guam will look to the federal government to pay for its "fair share" for the impact that this change in national policy creates on Guam.

When Japan originally agreed to accept the Marine base on Okinawa, it invested hundreds of millions in infrastructure in Okinawa to make sure its civilian community would also benefit. We should expect no less from our own country.

Our country must invest in Guam for the good of the country.

Had this magnitude of military buildup occurred in any of the fifty states, you know your good offices would be inundated with the same types of concerns and requests we echo today.

Guam should not be treated any different than any other American community.

But we will need leaders like you to provide the voice for the good and loyal people of Guam in the halls of the federal government where we do not have a direct voice.

Our country, as represented by a President and Congress for whom we cannot vote, yet for which we sacrifice daily defending her freedoms and cherished institutions, must step up and represent the interests of the people of Guam by insuring Guam receives its fair share of the impact of the military buildup.

We must unite as good Americans to get this right for Guam. You will find a no more patriotic, loyal and deserving group of citizens than here on Guam. Last month we celebrated our 63<sup>rd</sup> year of liberation from occupied forces in World War II. And who joined us to celebrate our freedom? The Marines and their marching band.



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The people of Guam have always welcomed our military neighbors. We appreciate all the hard work and sacrifice that occurs in the defense of our country because our families also pay the same steep price for freedom. When freedom rings on Guam, it rings throughout the island and its sound is as sweet or sorrowful inside and outside the gate.

We have an opportunity of a lifetime to move Guam forward and protect our country. But we will need your help now more than ever to get it right for Guam.

Thank you for your time and for your help.

Senseramente'

Simon A. Sanchez II  
Chairman