This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the 2026 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2026

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: (See "RATINGS" herein)**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the 2026 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2026 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that, under 48 U.S.C. Section 1423a, interest on the 2026 Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2026 Bonds. See "TAX MATTERS."



$110,000,000*
GUAM WATERWORKS AUTHORITY
Water and Wastewater System Revenue Bonds, Series 2026A

$50,000,000*
GUAM WATERWORKS AUTHORITY
Water and Wastewater System Revenue Refunding Bonds, Series 2026B

$40,000,000*
GUAM WATERWORKS AUTHORITY
Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery)

2026A Bonds and 2026B Bonds Dated: Date of Delivery
2026C Bonds Dated: Delayed Delivery Date

Due: As shown on inside front cover

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to making an informed investment decision. Capitalized terms not defined on this cover page are defined inside.

The Guam Waterworks Authority (the "**Authority**") is issuing its Water and Wastewater System Revenue Bonds, Series 2026A (the "**2026A Bonds**"), its Water and Wastewater System Revenue Refunding Bonds, Series 2026B (the "**2026B Bonds**"), and its Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery) (the "**2026C Bonds**" and, together with the 2026B Bonds, the "Refunding Bonds," and the Refunding Bonds together with the 2026A Bonds, the "**2026 Bonds**"), which will mature on the dates and in the amounts and will bear interest at the rates per annum listed on the inside front cover. Interest on the 2026 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2027 for the 2026A Bonds and the 2026B Bonds, and July 1, 2027 for the 2026C Bonds.

The 2026 Bonds are subject to mandatory, optional and extraordinary optional redemption prior to maturity.

The 2026 Bonds are authorized to be issued pursuant to Chapter 14 of Title 12 of the Guam Code Annotated, as amended (the "**Act**"). The 2026 Bonds will be issued pursuant to a Thirteenth Supplemental Indenture, to be dated as of November 1, 2026 (the "**Thirteenth Supplemental Indenture**"), by and among the Authority, Bank of Guam as Trustee and as Depositary (the "**Trustee**"), and U.S. Bank Trust Company, National Association, as Co-Trustee and Paying Agent (the "**Co-Trustee**"). The Thirteenth Supplemental Indenture supplements the Indenture, dated as of December 1, 2005, as amended and supplemented (the "**2005 Indenture**"), by and among the Authority, the Trustee and the Co-Trustee, as successor to U.S. Bank National Association. The issuance, sale and delivery of the 2026 Bonds have been approved by the Board of Directors of the Guam Economic Development Authority ("**GEDA**") and by the Consolidated Commission on Utilities, the governing board of the Authority. The issuance, terms and conditions of the 2026 Bonds are authorized pursuant to Public Law No. PL 37-103, which was passed by the Legislature of Guam on May 31, 2024, and signed into law by the Governor of Guam on June 5, 2024. The terms of the 2005 Indenture and the amounts and terms of the 2026 Bonds have been approved by the Guam Public Utilities Commission.

The Authority is issuing the 2026A Bonds to (i) fund capital improvements to the Authority's water and wastewater systems, (ii) fund a deposit to the Bond Reserve Fund, and (iii) pay costs incurred in connection with the issuance of the 2026A Bonds. The Authority is issuing the 2026B Bonds to (i) defease and refund all or a portion of the Authority's Outstanding Water and Wastewater System Revenue Bonds Series 2016 and Water and Wastewater System Revenue Bonds Series 2020B (Federally Taxable), for debt service savings, and (ii) pay costs incurred in connection with the issuance of the 2026B Bonds and of such refunding. The Authority is issuing the 2026C Bonds to (i) defease and refund all or a portion of the Authority's Outstanding Water and Wastewater System Revenue Refunding Bonds Series 2017 for debt service savings and (ii) pay costs incurred in connection with the issuance of the 2026C Bonds and of such refunding.

The Bonds (as herein defined, including but not limited to the 2026 Bonds) are limited obligations of the Authority payable solely from and secured by a pledge of Revenues (as defined in the 2005 Indenture and more particularly described herein) consisting primarily of all gross income and revenue received by the Authority from the ownership or operation of the Authority's System, all as more particularly described herein, subject to the provisions of the 2005 Indenture permitting the application of Revenues for or to the purposes (including payment of Operation and Maintenance Expenses), and exclusive of certain surcharges, all as more particularly described herein.

Upon purchasing the 2026 Bonds, the initial owners of the 2026 Bonds will be deemed to have consented to the amendments to the 2005 Indenture contained in the Twelfth Supplemental Indenture (2025 Prospective General Indenture), dated as of August 1, 2025, by and among the Authority, the Trustee and the Co-Trustee. See "PROPOSED 2005 INDENTURE AMENDMENTS."

The Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues pledged to the payment thereof as provided in the 2005 Indenture. Neither the Government of Guam (the "Government") nor any political subdivision thereof is obligated to pay the principal of, redemption price, if applicable, or interest on the Bonds, except from such Revenues, and none of the Authority, the Government or any political subdivision thereof has pledged its faith or credit to the payment of the principal of, redemption price, if applicable, or interest on the 2026 Bonds.

The 2026 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), Brooklyn, New York. DTC will act as securities depository of the 2026 Bonds. Individual purchases of the 2026 Bonds will be made in book-entry form only. The 2026 Bonds will be issued only in denominations of $5,000 or any integral multiple thereof. Payments of principal of, redemption price, if applicable, and interest on the 2026 Bonds are to be made to purchasers by DTC through DTC participants. See APPENDIX G – "DTC AND ITS BOOK-ENTRY ONLY SYSTEM." Purchasers will not receive physical delivery of 2026 Bonds.

Investment in the 2026 Bonds involves risks which may not be appropriate for certain investors. See "CERTAIN INVESTMENT CONSIDERATIONS" for a discussion of certain factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2026 Bonds.

The 2026 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Theresa G. Rojas, counsel for the Authority, and by Orrick, Herrington & Sutcliffe LLP as disclosure counsel to the Authority. Montague DeRose and Associates, LLC, is serving as Municipal Advisor to the Authority for this financing. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is expected that the 2026 Bonds in book-entry form will be available for delivery through the DTC book-entry system on or about November 5, 2026* for the 2026A Bonds and the 2026B Bonds, and April 13, 2027* for the 2026C Bonds. ***See "DELAYED DELIVERY OF THE 2026C BONDS" for a discussion regarding the delayed delivery of the 2026C Bonds, certain conditions to the obligation of the Underwriters to purchase the 2026C Bonds and certain risks to Registered Owners of the 2026C Bonds resulting from the delayed delivery thereof.***

Raymond James **RBC Capital Markets**

Dated: _____, 2026

* Preliminary, subject to change.

MATURITY SCHEDULE*

$110,000,000*
Guam Waterworks Authority
Water and Wastewater System Revenue Bonds
Series 2026A

Maturity Date (July 1)	Principal Amount	Interest Rate	Price/Yield	CUSIP† No. (_____)

$_____ ____% Term Bonds due July 1, 20__, Price/Yield _____%, CUSIP† No. _____

$_____ ____% Term Bonds due July 1, 20__, Price/Yield _____%, CUSIP† No. _____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS data base. CUSIP numbers have been assigned by an independent company not affiliated with either the Authority or GEDA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity or maturities are subject to change after the issuance of the 2026 Bonds. None of the Authority, GEDA or the Underwriters takes responsibility for the accuracy of the CUSIP numbers, and no representation is made as to their correctness on the applicable 2026 Bond certificates or in this Official Statement.

**$50,000,000*
Guam Waterworks Authority
Water and Wastewater System Revenue Refunding Bonds
Series 2026B**

Maturity Date (July 1)	Principal Amount	Interest Rate	Price/Yield	CUSIP† No. (_____)

$_____ ____% Term Bonds due July 1, 20__, Price/Yield _____%, CUSIP† No. _____

$_____ ____% Term Bonds due July 1, 20__, Price/Yield _____%, CUSIP† No. _____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS data base. CUSIP numbers have been assigned by an independent company not affiliated with either the Authority or GEDA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity or maturities are subject to change after the issuance of the 2026 Bonds. None of the Authority, GEDA or the Underwriters takes responsibility for the accuracy of the CUSIP numbers, and no representation is made as to their correctness on the applicable 2026 Bond certificates or in this Official Statement.

$40,000,000[*]
Guam Waterworks Authority
Water and Wastewater System Revenue Refunding Bonds
Series 2026C
(Forward Delivery)

Maturity Date (July 1)	Principal Amount	Interest Rate	Price/Yield	CUSIP[†] No. (_____)

$_____ ____% Term Bonds due July 1, 20__, Price/Yield _____%, CUSIP[†] No. _____

$_____ ____% Term Bonds due July 1, 20__, Price/Yield _____%, CUSIP[†] No. _____

[*] Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS data base. CUSIP numbers have been assigned by an independent company not affiliated with either the Authority or GEDA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity or maturities are subject to change after the issuance of the 2026 Bonds. None of the Authority, GEDA or the Underwriters takes responsibility for the accuracy of the CUSIP numbers, and no representation is made as to their correctness on the applicable 2026 Bond certificates or in this Official Statement.

CONSOLIDATED COMMISSION ON UTILITIES

Francis E. Santos
Chairman

Pedro Roy Martinez
Vice Chairman and
Chairman of Finance and Budget Committee

Melvin F. Duenas
Secretary

Michael Limtiaco
Commissioner

Simon A. Sanchez II
Commissioner

GUAM WATERWORKS AUTHORITY

Miguel C. Bordallo, P.E.*
General Manager

Taling M. Taitano, CPA, CGFM, CGMA
Chief Financial Officer

Thomas F. Cruz, P.E.
Assistant General Manager, Operations

Brett E. Railey, P.E.
Assistant General Manager, Engineering

Paul J. Kemp
Assistant General Manager, Compliance and Safety

Christopher M. Budasi
Assistant General Manager, Administration & Support

Theresa G. Rojas, Esq.
General Counsel

GOVERNMENT OF GUAM

Lourdes A. Leon Guerrero
Governor

Joshua F. Tenorio
Lieutenant Governor

GUAM ECONOMIC DEVELOPMENT AUTHORITY

Christina D. Garcia
Chief Executive Officer / Administrator

Carlos Bordallo
Deputy Administrator

BUREAU OF BUDGET AND MANAGEMENT RESEARCH

Lester L. Carlson, Jr.
Director

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Trustee and Depositary
Bank of Guam
Hagåtña, Guam

Co-Trustee and Paying Agent
U.S. Bank Trust Company, National Association
Los Angeles, California

Independent Auditors
Ernst & Young LLP

Dissemination Agent
Digital Assurance Certification, L.L.C.
Winter Park, Florida

Verification Agent
Causey Demgen & Moore P.C.

* In early 2026, the General Manager advised the Consolidated Commission on Utilities (the "CCU") of his intention to retire from the Authority by the end of the calendar year. An interim management plan has been prepared by the General Manager and is currently under review by the CCU and transition preparation has been on-going since early 2026. The interim management plan calls for a six to 12-month long recruitment period, and the CCU anticipates opening the recruitment before the end of the calendar year. See "THE AUTHORITY – Key Management Personnel" herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2026 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2026 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

Certain statements contained or incorporated by reference in this Official Statement are not intended to reflect historical facts but are estimates and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the expectations or forecasts described herein. In this respect, the words "estimate," "project," "forecast," "anticipate," "expect," "assume," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinion, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Authority does not plan to issue any updates or revisions to such forward-looking statements whether or not its expectations are realized, or any events, conditions or circumstances on which such statements are based, do or do not occur.

The information set forth in this Official Statement has been furnished by the Authority and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion stated herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions stated herein or in the affairs of the Authority since the date hereof.

The 2026 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2026 Bonds have not been registered or qualified under the securities laws of any state.

In connection with this offering the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2026 Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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$110,000,000* GUAM WATERWORKS AUTHORITY Water and Wastewater System Revenue Bonds, Series 2026A	$50,000,000* GUAM WATERWORKS AUTHORITY Water and Wastewater System Revenue Refunding Bonds, Series 2026B	$40,000,000* GUAM WATERWORKS AUTHORITY Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (collectively, the "**Official Statement**"), is to provide information in connection with the offering by the Guam Waterworks Authority (the "**Authority**") of its $110,000,000* Water and Wastewater System Revenue Bonds, Series 2026A (the "**2026A Bonds**"), $50,000,000* Water and Wastewater System Revenue Refunding Bonds, Series 2026B (the "**2026B Bonds**") and $40,000,000* Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery) (the "**2026C Bonds**" and, together with the 2026B Bonds, the "**Refunding Bonds**," and the Refunding Bonds together with the 2026A Bonds, the "**2026 Bonds**").

The 2026C Bonds will not be delivered until on or about April 13, 2027,* or such later date as may be mutually agreed by the Authority and the Underwriters (the "**Delayed Delivery Date**"). The delay in the issuance and delivery of the 2026C Bonds may have consequences to the purchasers of the 2026C Bonds. The market value of the 2026C Bonds on the Delayed Delivery Date is likely to be greater or less than the respective initial offering prices thereof, and the difference may be substantial. Several factors may adversely affect the market price of the 2026C Bonds, including, but not limited to, a general increase in interest rates for all obligations and other indebtedness, proposed or adopted changes in federal tax laws affecting the relative benefits of owning tax-exempt securities instead of other types of investments, such as fully taxable obligations, or adverse developments with respect to the Authority or with respect to the security for the 2026C Bonds. See "DELAYED DELIVERY OF THE 2026C BONDS."

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2026C BONDS, EACH INVESTOR ACKNOWLEDGES AND AGREES THAT THE 2026C BONDS ARE BEING SOLD ON A "DELAYED DELIVERY" BASIS AND THAT THE INVESTOR IS OBLIGATED TO ACCEPT DELIVERY AND PAY FOR THE 2026C BONDS ON THE DELAYED DELIVERY DATE SUBJECT ONLY TO THE CONDITIONS IN THE FORWARD DELIVERY AGREEMENT. SEE "DELAYED DELIVERY OF THE 2026C BONDS."

This Introduction is not a summary of this Official Statement, but is only a brief description of, and is qualified by, more complete and detailed information contained in this Official Statement. This Introduction should not be relied upon to provide all of the information necessary to make an informed decision about purchasing the 2026 Bonds. A full review should be made of this entire Official Statement. The offering of 2026 Bonds to potential investors is made only by means of this entire Official Statement.

Capitalized terms used herein that are not otherwise defined shall have the meanings set forth in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE."

The 2026 Bonds

The Authority is issuing the 2026A Bonds to (i) fund capital improvements to the Authority's water and wastewater systems, (ii) fund a deposit to the Bond Reserve Fund, and (iii) pay costs incurred in connection with the issuance of the 2026A Bonds. The Authority is issuing the 2026B Bonds to (i) defease and refund all or a portion of

* Preliminary, subject to change.

the Authority's Outstanding Water and Wastewater System Revenue Bonds, Series 2016 (the "**2016 Bonds**") and Water and Wastewater System Revenue Bonds Series 2020B (Federally Taxable) (the "**2020B Bonds**"), for debt service savings, and (ii) pay costs incurred in connection with the issuance of the 2026B Bonds and of such refunding. The Authority is issuing the 2026C Bonds to (i) defease and refund all or a portion of the Authority's Outstanding Water and Wastewater System Revenue Refunding Bonds Series 2017 (the "**2017 Bonds**") for debt service savings and (ii) pay costs incurred in connection with the issuance of the 2026C Bonds and of such refunding. See "PLAN OF FINANCE."

The 2026 Bonds are authorized to be issued pursuant to the Act (as defined herein). The 2026 Bonds will be issued pursuant to a Thirteenth Supplemental Indenture, to be dated as of November 1, 2026 (the "**Thirteenth Supplemental Indenture**"), by and among the Authority, Bank of Guam as Trustee and as Depositary (the "**Trustee**"), and U.S. Bank Trust Company, National Association, as Co-Trustee and Paying Agent (the "**Co-Trustee**"). The Thirteenth Supplemental Indenture supplements the Indenture, dated as of December 1, 2005, as amended and supplemented (the "**2005 Indenture**"), by and among the Authority, the Trustee and the Co-Trustee, as successor to U.S. Bank National Association.

The Bonds previously issued by the Authority pursuant to the 2005 Indenture are referred to collectively herein as the "**Outstanding Bonds**," which are outstanding in the aggregate principal amount of $829,360,000. The Outstanding Bonds and the 2026 Bonds, together with any additional bonds that may be issued pursuant to, and outstanding at any given time under, the 2005 Indenture, are herein referred to as "**Bonds**." After giving effect to the issuance of the 2026A Bonds and the 2026B Bonds, and the refunding of the 2026B Refunded Bonds (as defined herein), the Bonds will be outstanding in the aggregate principal amount of $_____. After giving effect to the issuance of the 2026C Bonds and the refunding of the 2026C Refunded Bonds (as defined herein), the Bonds will be outstanding in the aggregate principal amount of $_____. See "PLAN OF FINANCE."

The issuance, terms and conditions of the 2026 Bonds are authorized pursuant to Public Law No. PL 37-103 ("**PL 37-103**"), which was passed by the Legislature of Guam (the "**Guam Legislature**") on May 31, 2024, and signed into law by the Governor of Guam on June 5, 2024. The Consolidated Commission on Utilities (the "**CCU**") has approved the issuance, sale and delivery of the 2026 Bonds pursuant to Resolution No. 37-FY2026, adopted on July 28, 2026. The Board of Directors of the Guam Economic Development Authority ("**GEDA**") has approved the issuance and sale of the 2026 Bonds pursuant to Resolution No. 26-007, adopted on July 30, 2026. The terms of the 2005 Indenture and the aggregate principal amount and terms of the 2026 Bonds have been approved by the Guam Public Utilities Commission (the "**PUC**") pursuant to Docket No. 26-10 adopted on September 17, 2026.

Security and Sources of Payment for the 2026 Bonds

The Bonds, including the 2026 Bonds, are limited obligations of the Authority payable solely from and secured solely by a pledge of Revenues (as defined in the 2005 Indenture and described herein) consisting primarily of all gross income and revenue received by the Authority from the ownership or operation of the Authority's water and wastewater systems (collectively, the "**System**"), subject to the provisions of the 2005 Indenture permitting the application of Revenues for or to the purposes (including payment of Operation and Maintenance Expenses) and on the terms and conditions set forth in the 2005 Indenture. The Bonds are not a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues pledged to the payment thereof as set forth in the 2005 Indenture.

The 2005 Indenture prohibits the issuance of any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues superior to the Bonds, and permits issuance of obligations on a parity with the Bonds only in accordance with the 2005 Indenture. The 2005 Indenture does not prohibit the incurrence of indebtedness secured by subordinate liens on Revenues.

Neither the Government of Guam (the "**Government**") nor any political subdivision thereof is obligated to pay the principal of, redemption price, if applicable, or interest on the Bonds, except from such Revenues, and neither the Authority nor the Government or any political subdivision thereof has pledged its faith or credit to the payment of the principal of, redemption price, if applicable, or interest on the Bonds.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Pledge of Revenues" and "– Allocation of Revenues."

2005 Indenture Amendments Effected by 2025 Prospective General Indenture

The Twelfth Supplemental Indenture (2025 Prospective General Indenture), dated as of August 1, 2025 (the "**2025 Prospective General Indenture**"), by and among the Authority, the Trustee and the Co-Trustee, contains amendments to the 2005 Indenture. Certain 2005 Indenture Amendments (as defined herein) will become effective when the owners of at least 60% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture have provided their consents to such amendments. In addition, certain 2005 Indenture Amendments relating to the Bond Reserve Fund Amendments (as defined herein) will become effective when all of the Bonds issued under the 2005 Indenture Outstanding as of August 6, 2025, the date of issuance of the Authority's Water and Wastewater System Revenue Bonds Series 2025A (the "**2025A Bonds**") (including the 2025A Bonds) are no longer Outstanding within the meaning of the 2005 Indenture.

Prior to issuing the 2026 Bonds, the owners of approximately 32.1% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture had consented to the 2005 Indenture Amendments. Upon purchasing the 2026 Bonds, the initial owners of the 2026 Bonds will be deemed to have consented to the 2005 Indenture Amendments. Upon the issuance of the 2026A Bonds and the 2026B Bonds, the owners of approximately __% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture will have consented to the 2005 Indenture Amendments and upon the issuance of the 2026C Bonds, the owners of approximately __% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture will have consented to the 2005 Indenture Amendments. On and after the Interim Transition Date (as defined herein), which will occur when the owners of at least 60% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture have provided their consents to such amendments, all of the 2005 Indenture Amendments, except for the Bond Reserve Fund Amendments, will be binding upon the initial owners and any subsequent owners of the 2026 Bonds. On and after the Final Transition Date (as defined herein), which will not occur until all of the Bonds issued under the 2005 Indenture as of the date of issuance of the 2025A Bonds (including the 2025A Bonds) are no longer Outstanding within the meaning of the 2005 Indenture, all of the 2005 Indenture Amendments, including the Bond Reserve Fund Amendments, will be binding upon the initial owners and any subsequent owners of the 2026 Bonds. It is possible that the Interim Transition Date could occur substantially concurrently with the delivery of a Series of the 2026 Bonds.

See "PROPOSED 2005 INDENTURE AMENDMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

The Authority and the System

In 2002, pursuant to Public Law 26-76, the Authority was converted from a government agency to a Guam public corporation organized and existing under Chapter 14 of Title 12 of the Guam Code Annotated, as amended (the "**Act**"). The Authority is authorized to operate and maintain the System for the island of Guam.

The Authority is governed by the CCU, which acts as the governing board of the Authority and the Guam Power Authority ("**GPA**"). The CCU was created in 2002 and consists of five elected members. The CCU makes decisions regarding policies, management, budgeting and financing of the Authority's operations. Certain actions, however, such as issuing bonds for financing utility capital projects, also require the approval of the Guam Legislature and the PUC. In addition, ratemaking by the CCU is subject to the approval of the PUC, as the regulatory ratemaking body. The Authority may not enter into any contractual agreements or obligations which could increase rates and charges without the prior written approval of the PUC. See "REGULATORY ENVIRONMENT – Regulation of Ratemaking."

The Authority works to provide efficient and reliable service to its customers, operating as a self-supporting utility while meeting regulatory requirements. The Authority is subject to federal and Guam regulations governing water supply and wastewater treatment. Wastewater treatment and disposal must comply with the water quality standards in the federal Clean Water Act, as amended (the "**Clean Water Act**" or the "**CWA**"). The drinking water

standards promulgated in the federal Safe Drinking Water Act, as amended (the "**Safe Drinking Water Act**" or the "**SDWA**"), are the primary requirements for water supply.

Prior to 2010, the Authority was not in compliance with the CWA and SDWA regulations, which led the U.S. Environmental Protection Agency (the "**US EPA**") to file suit in the U.S. District Court of Guam (the "**Guam District Court**") in 2002. In 2003, the Authority and US EPA entered into a Stipulated Order for Preliminary Relief (as amended, the "**2003 Stipulated Order**"), requiring specific system improvements and planning measures. In 2011, the Guam District Court issued an Order for Preliminary Relief (the "**2011 Court Order**") establishing new deadlines and additional improvement requirements, superseding all prior orders.

The sole remaining project under the 2011 Court Order is the replacement, rehabilitation, or reconstruction of certain storage tanks pursuant to the hydraulic assessment approved by the US EPA and Guam District Court in 2023. On July 2, 2025, the Authority identified unforeseen subsurface soil conditions affecting the foundation of one storage tank, requiring additional construction time. On December 17, 2025, GWA filed a request for extension with the US District Court due to unforeseen construction issues affecting two reservoirs located at Ugum and Malojloj. At Ugum, subsurface conditions and test pile failure required re-evaluation and additional analysis, causing significant delays. At Malojloj, the primary contractor withdrew and the procurement process had to be restarted, resulting in substantial delays to the steel tank construction. On January 5, 2026, Chief Judge Frances M. Tydingco-Gatewood approved the extension, setting a new completion deadline of December 31, 2026.

For more information about the storage tanks and hydraulic analysis, see "THE SYSTEM – The Water System – Water Distribution System – Reservoirs." For more information about the 2003 Stipulated Order and the 2011 Court Order, see "REGULATORY ENVIRONMENT – Environmental Regulations – 2003 Stipulated Order and 2011 Court Order."

On January 31, 2024, the US EPA filed a complaint in the Guam District Court alleging that the Authority violated certain conditions and limitations of the National Pollutant Discharge Elimination System ("**NPDES**") permits that the US EPA issued to the Authority pursuant to the CWA. The Authority and the US EPA have entered into a consent decree to address certain claims alleged in the complaint (the "**2024 Partial Consent Decree**"), which was signed into order by the Guam District Court on August 9, 2024. The 2024 Partial Consent Decree requires the Authority to make certain improvements to the System (with the goal of reducing sanitary sewer overflows) and to undertake certain planning measures by specific dates in the next 10 years. Such improvements primarily relate to the wastewater collection system, including pipelines, pump stations, maintenance and other operational program improvements, as well as planning studies for secondary wastewater treatment at the Hagåtña WWTP.

The Authority has made significant progress to complete the compliance requirements required under the 2024 Partial Consent Decree. As of August 31, 2026, the Authority has completed eight (8) major projects to include the approval of the Fats, Oil and Grease ("**FOG**") Program, Asset Management Program, Force Main Inventory, Force Main Contingency Plan, Gravity Main Condition Assessment, Tier 1 Pump Station Preliminary Work Plan, Capacity Evaluation Report, and the first of in-house acute pipe repair. The Authority continues to inform the public of progress monthly on the projects via social media pages. The Authority is in communication with US EPA through monthly meetings and a required annual meeting to discuss the progress, issues, and concerns regarding the completion of any of the projects.

For more information about the 2024 Partial Consent Decree, see "REGULATORY ENVIRONMENT – Environmental Regulations – *2024 Partial Consent Decree*."

Consultant's Feasibility Study

The Authority has retained Galardi Rothstein Group (the "**Consultant**") to prepare a Consultant's Feasibility Study (the "**Feasibility Study**") to evaluate the financial feasibility of the 2026 Bonds, a portion of the proceeds of which will be used to finance a portion of the Authority's capital program. The Feasibility Study includes the following: a description of the Authority's organization, its water and wastewater System, and an independent review of the conditions of System facilities prepared by the engineering firm, Duenas Camacho & Associates conducted in 2025; a review of regulatory and legal issues that present risks that could have a material impact on the Authority's financial performance; a summary of the Authority's capital project planning and major project categories, a forecast of capital

program encumbrance requirements by project category and forecast year, and a listing of expected sources of capital project encumbrance funding by forecast year; and a review of recent System financial performance and a detailed projection of financial operating results that demonstrate the financial feasibility of the 2026 Bonds.

The Feasibility Study is included in this Official Statement as APPENDIX A. It is an integral part of this Official Statement and should be read in its entirety prior to making an investment decision. The Feasibility Study has not been and will not be revised subsequent to its date of publication (September 8, 2026) to reflect any changes in the affairs of the Authority or the System since the date thereof or the final terms of the 2026 Bonds. See "CONSULTANT'S FEASIBILITY STUDY" and APPENDIX A – "CONSULTANT'S FEASIBILITY STUDY."

No assurance can be given that the projections and expectations discussed in the Feasibility Study will be achieved or that the assumptions upon which the projections and conclusions are based will be realized. Differences between the projections and actual results may be material. The financial projections in the Feasibility Study are based upon certain information and assumptions that were reviewed with and agreed to by the Authority.

The Feasibility Study relies on information provided by the Authority and a review of the System and the capital program provided by the engineering firm, Duenas Camacho & Associates in 2025. For a description of the qualifications of the Consultant and Duenas Camacho & Associates, see APPENDIX A – "CONSULTANT'S FEASIBILITY STUDY – Introduction – Firm Qualifications."

Investment Considerations

There are important investment considerations and risks associated with the purchase of the 2026 Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS" for a discussion of some of these considerations and risks. Any one or more of the considerations and risks discussed, and others, could lead to a decrease in the market value of and/or the ability to sell the 2026 Bonds in the secondary market. Potential purchasers of the 2026 Bonds are advised to review this entire Official Statement carefully.

Continuing Disclosure

As a condition to the issuance and sale of the 2026 Bonds, the Authority will covenant for the benefit of the holders and beneficial owners of the 2026 Bonds to provide annually certain financial information and operating data and to provide notice of the occurrence of certain enumerated events to assist the Underwriters in complying with the Securities and Exchange Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("**Rule 15c2-12**"). See "CONTINUING DISCLOSURE," APPENDIX F-1 – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT – 2026AB BONDS" and APPENDIX F-2 – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT – 2026C BONDS"

Forward-Looking Statements

Certain statements contained or incorporated by reference in this Official Statement are not intended to reflect historical facts but are estimates and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the expectations or forecasts described herein. In this respect, the words "estimate," "project," "forecast," "anticipate," "expect," "assume," "intend," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, expressions of opinion, estimates and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Authority does not plan to issue any updates or revisions to such forward-looking statements whether or not its expectations are realized, or any events, conditions or circumstances on which such statements are based, do or do not occur.

Miscellaneous

Brief descriptions of the 2026 Bonds, the Authority and the System are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references to the 2026 Bonds and the 2005 Indenture are qualified in their entirety by reference to the forms thereof.

The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made with respect hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the System since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2026 Bonds.

PLAN OF FINANCE*

General

2026A Bonds. The Authority is issuing the 2026A Bonds to (i) fund capital improvements to the Authority's water and wastewater systems, (ii) fund a deposit to the Bond Reserve Fund, and (iii) pay costs incurred in connection with the issuance of the 2026A Bonds.

2026B Bonds. Proceeds of the 2026B Bonds will be applied to (i) defease and refund all or a portion of the Authority's Outstanding 2016 Bonds and 2020B Bonds, for debt service savings, and (ii) pay costs incurred in connection with the issuance of the 2026B Bonds and of such refunding.

2026C Bonds. Proceeds of the 2026C Bonds will be applied to (i) defease and refund all or a portion of the Authority's Outstanding 2017 Bonds for debt service savings and (ii) pay costs incurred in connection with the issuance of the 2026C Bonds and of such refunding.

See "ESTIMATED SOURCES AND USES OF FUNDS."

Refunding Candidates*

The following tables detail the Authority's Outstanding 2016 Bonds, 2020B Bonds, and 2017 Bonds anticipated to be refunded by the 2026 Bonds. The Outstanding 2016 Bonds and 2020B Bonds, if any, to be refunded with proceeds of the 2026B Bonds (the "**2026B Refunded Bonds**"), and the Outstanding 2017 Bonds, if any, to be refunded with proceeds of the 2026C Bonds (the "**2026C Refunded Bonds**") are collectively referred to herein as the "**Refunded Bonds**." The refunding of the Refunded Bonds, if any, is subject to market conditions and will be determined by the Authority at the time that the Authority and the Underwriter execute bond purchase contracts for the 2026 Bonds. Until such time, the series, maturity dates and principal amounts of the Refunded Bonds, if any, remain subject to change by the Authority in its sole discretion.

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* Preliminary, subject to change.

2016 Bonds

Series	Maturity Date	Outstanding Principal Amount	Coupon	Redemption Date	Redemption Price	CUSIP* (40065F)
2016	7/1/2027	$1,015,000	5.000%		100%	CB8
2016	7/1/2028	1,065,000	5.000		100	CC6
2016	7/1/2029	1,120,000	5.000		100	CD4
2016	7/1/2030	1,180,000	5.000		100	CE2
2016	7/1/2031	920,000	5.000		100	CF9
2016	7/1/2036[T]	3,430,000	5.000		100	CG7
2016	7/1/2046[T]	71,270,000	5.000		100	CH5

[T] Term Bonds.

2020B Bonds

Series	Maturity Date	Outstanding Principal Amount	Coupon	Redemption Date	Redemption Price	CUSIP* (40065F)
2020B	7/1/2030[T]	$6,000,000	2.750%		100%	DG6
2020B	7/1/2034[T]	24,345,000	3.250		100	DH4
2020B	7/1/2043[T]	95,490,000	3.700		100	DJ0

[T] Term Bonds.

2017 Bonds

Series	Maturity Date	Outstanding Principal Amount	Coupon	Redemption Date	Redemption Price	CUSIP* (40065F)
2017	7/1/2027	$2,740,000	5.000%		N/A	CT9
2017	7/1/2028	2,875,000	5.000		100%	CU6
2017	7/1/2029	3,015,000	5.000		100	CV4
2017	7/1/2030	150,000	5.000		100	CW2
2017	7/1/2031	125,000	5.000		100	CX0
2017	7/1/2032	125,000	5.000		100	CY8
2017	7/1/2033	1,250,000	5.000		100	CZ5
2017	7/1/2034	1,000,000	5.000		100	DA9
2017	7/1/2035	1,000,000	5.000		100	DB7
2017	7/1/2036	2,870,000	5.000		100	DC5
2017	7/1/2037	5,110,000	5.000		100	DD3
2017	7/1/2040[T]	32,305,000	5.000		100	DE1

[T] Term Bonds.

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("**CGS**"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS data base. CUSIP numbers have been assigned by an independent company not affiliated with either the Authority or GEDA and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity or maturities are subject to change after the issuance of the 2026 Bonds. None of the Authority, GEDA or the Underwriter takes responsibility for the accuracy of the CUSIP numbers.

Escrow Funds

A portion of the proceeds of the 2026B Bonds, together with other available funds of the Authority, if necessary, are expected to be deposited in an escrow fund on the Date of Delivery of the 2026B Bonds (the "**2026B Escrow Fund**") to be created and established by the Co-Trustee, in its capacity as Paying Agent for the 2026B Refunded Bonds and as escrow agent (the "**2026B Escrow Agent**"), pursuant to an escrow agreement (the "**2026B Escrow Agreement**"). Such deposit is expected to occur only if and to the extent the Authority proceeds with the refunding of the 2026B Refunded Bonds, which is subject to prevailing market conditions at the time of pricing. The amounts so deposited in the 2026B Escrow Fund will either be held as cash, uninvested, in an amount sufficient, or be used to purchase certain securities (the "**2026B Escrow Securities**") or a combination thereof, in accordance with the requirements of the Indenture, the principal of and interest on which escrow securities (together with any initial cash deposit), will be sufficient, to pay when due the scheduled principal and redemption price of the 2026B Refunded Bonds and interest thereon to become due on or prior to the date fixed for redemption, including retirement in part by mandatory sinking fund installment, if applicable. Upon such deposit in the 2026B Escrow Fund in accordance with the provisions of the 2026B Escrow Agreement and satisfaction of certain other conditions, all liability of the Authority in respect of the 2026B Refunded Bonds will cease, terminate and be completely discharged and the owners thereof shall thereafter be entitled only to payment out of the 2026B Escrow Fund.

The mathematical accuracy of certain computations relating to the adequacy of the cash and/or 2026B Escrow Securities and the interest thereon together with other available moneys to pay the scheduled principal, redemption price and interest on the 2026B Refunded Bonds on and prior to the applicable redemption date thereof will be verified on the Date of Delivery of the 2026B Bonds, by Causey Demgen & Moore P.C. (the "**Verification Agent**"). See "VERIFICATION OF ESCROWS." The Verification Agent's services are contingent upon the consummation of the refunding of the 2026B Refunded Bonds.

A portion of the proceeds of the 2026C Bonds, together with other available funds of the Authority, if necessary, are expected to be deposited in an escrow fund on the Delayed Delivery Date for the 2026C Bonds (the "**2026C Escrow Fund**") to be created and established by the Co-Trustee, in its capacity as Paying Agent for the 2026C Refunded Bonds and as escrow agent (the "**2026C Escrow Agent**"), pursuant to an escrow agreement (the "**2026C Escrow Agreement**"). Such deposit is expected to occur only if and to the extent the Authority proceeds with the refunding of the 2026C Refunded Bonds, which is subject to prevailing market conditions at the time of execution of the Forward Delivery Agreement (defined herein). The amounts so deposited in the 2026C Escrow Fund will either be held as cash, uninvested, in an amount sufficient, or be used to purchase certain securities (the "**2026C Escrow Securities**") or a combination thereof, in accordance with the requirements of the Indenture, the principal of and interest on which escrow securities (together with any initial cash deposit), will be sufficient, to pay when due the scheduled principal and redemption price of the 2026C Refunded Bonds and interest thereon to become due on or prior to the date fixed for redemption, including retirement in part by mandatory sinking fund installment, if applicable. Upon such deposit in the 2026C Escrow Fund in accordance with the provisions of the 2026C Escrow Agreement and satisfaction of certain other conditions, all liability of the Authority in respect of the 2026C Refunded Bonds will cease, terminate and be completely discharged and the owners thereof shall thereafter be entitled only to payment out of the 2026C Escrow Fund.

The mathematical accuracy of certain computations relating to the adequacy of the cash and/or 2026C Escrow Securities and the interest thereon together with other available moneys to pay the scheduled principal, redemption price and interest on the 2026C Refunded Bonds on and prior to the applicable redemption date thereof will be verified on the Delayed Delivery Date of the 2026C Bonds, by the Verification Agent. See "VERIFICATION OF ESCROWS." The Verification Agent's services are contingent upon the consummation of the refunding of the 2026C Refunded Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2026 Bonds are expected to be applied as shown below:

	2026A Bonds	2026B Bonds	2026C Bonds	Total
Sources:				
Principal Amount	$	$	$	$
[Plus/Less] [Net] Original Issue [Premium/Discount]				
[Funds Released from Debt Service Fund]				
Total Sources	$	$	$	$
Uses:				
Deposit to Series 2026A Construction Account (Project Costs)	$	$	$	$
Refunding of Refunded Bonds				
Deposit to Bond Reserve Fund				
Costs of Issuance[(1)]				
Total Uses	$	$	$	$

(1) Includes Underwriters' discount, Trustee and Co-Trustee fees, Escrow Agent fees, Verification Agent fees, legal fees and expenses, municipal advisor fees, rating agency fees, printing costs, and other miscellaneous costs of issuance.

THE 2026 BONDS

General

When issued, the 2026 Bonds will be dated their respective dates of delivery and will bear interest at the rates per annum and mature, subject to prior redemption, on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the 2026 Bonds will be payable on January 1 and July 1 of each year (each an "**Interest Payment Date**"), commencing January 1, 2027 for the 2026A Bonds and the 2026B Bonds, and commencing July 1, 2027 for the 2026C Bonds.

Interest will accrue on the 2026 Bonds on the basis of a 360-day year consisting of twelve 30-day months. Each 2026 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, except that: (1) 2026 Bonds authenticated during the period from the 15th day of the calendar month next preceding the date each such payment is due, whether or not such 15th day is a Business Day (the "**Record Date**") immediately preceding an Interest Payment Date to such Interest Payment Date, inclusive, will bear interest from such Interest Payment Date; and (2) 2026 Bonds authenticated on or prior to the Record Date for the applicable first Interest Payment Date for the 2026 Bonds will bear interest from their date of delivery; provided, however, that if interest on the 2026 Bonds then Outstanding shall be in default at the time of authentication of any 2026 Bond, such 2026 Bond will bear interest from the applicable Interest Payment Date to which interest has previously been paid or made available for payment on the 2026 Bonds then Outstanding. The 2026 Bonds will be issued in denominations of $5,000 and integral multiples thereof.

The 2026 Bonds when issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("**DTC**"), Brooklyn, New York. DTC will act as securities depository for the 2026 Bonds. Individual purchases may be made only in book-entry form, and purchasers will not receive certificates representing their interest in the 2026 Bonds purchased. Except as described under "TAX MATTERS," so long as Cede & Co. is the registered owner of the 2026 Bonds, as nominee of DTC, references herein to "Bondholders" or to "registered owners" of the 2026 Bonds mean Cede & Co. and not the Beneficial Owners of the 2026 Bonds. In this Official Statement, the term "**Beneficial Owner**" means the person for whom a DTC participant acquires an interest in the 2026 Bonds.

So long as DTC, or its nominee Cede & Co. (or such other nominee as an authorized officer of DTC may request), is the registered owner of all 2026 Bonds, all payments of principal of, redemption price, if applicable, and interest on the 2026 Bonds are to be made directly to DTC, which, in turn, is to remit such amounts to the Direct and Indirect Participants for subsequent distribution to the Beneficial Owners of the 2026 Bonds. See APPENDIX G – "DTC AND ITS BOOK-ENTRY ONLY SYSTEM."

Redemption of the 2026 Bonds[*]

2026A Bonds

Extraordinary Optional Redemption of the 2026A Bonds. The 2026A Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the 2026A Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest to the date fixed for redemption, without premium. "**Amortized Value**" means on any Interest Payment Date, the then current value of the 2026A Bonds, amortizing the original issue premium over the period ending on the first call date using the constant yield method.

Optional Redemption of 2026A Bonds. The 2026A Bonds maturing on or after July 1, 20__[*], are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after July 1, 20__[*], as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each 2026A Bond called for redemption, plus interest accrued to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption of 2026A Bonds. The 2026A Bonds maturing on July 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year from Mandatory Sinking Account Payments, commencing July 1, 20__, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, in the years and in the amounts as set forth below:

20__ Term Bond

Date (July 1)	Amount

[†] Maturity

2026B Bonds

Extraordinary Optional Redemption of the 2026B Bonds. The 2026B Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the 2026B Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest to the date fixed for redemption, without premium. "**Amortized Value**" means on any Interest Payment Date, the then current value of the 2026B Bonds, amortizing the original issue premium over the period ending on the first call date using the constant yield method.

[*] Preliminary, subject to change.

Optional Redemption of 2026B Bonds. The 2026B Bonds maturing on or after July 1, 20__[*], are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after July 1, 20__[*], as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each 2026B Bond called for redemption, plus interest accrued to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption of 2026B Bonds. The 2026B Bonds maturing on July 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year from Mandatory Sinking Account Payments, commencing July 1, 20__, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, in the years and in the amounts as set forth below:

20__ Term Bond

Date (July 1)	Amount

_____
[†] Maturity

2026C Bonds

Extraordinary Optional Redemption of the 2026C Bonds. The 2026C Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole, or in part so that the reduction in Annual Debt Service for the 2026C Bonds for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the Indenture, at the greater of par or Amortized Value, plus accrued interest to the date fixed for redemption, without premium. "**Amortized Value**" means on any Interest Payment Date, the then current value of the 2026C Bonds, amortizing the original issue premium over the period ending on the first call date using the constant yield method.

Optional Redemption of 2026C Bonds. The 2026C Bonds maturing on or after July 1, 20__[*], are subject to redemption prior to their respective stated maturities, at the option of the Authority, from any source of available moneys, on any date on or after July 1, 20__[*], as a whole, or in part by such maturities or portions of maturities as shall be determined by the Authority (or by lot within a maturity in the absence of such a determination), at a redemption price equal to the principal amount of each 2026C Bond called for redemption, plus interest accrued to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption of 2026C Bonds. The 2026C Bonds maturing on July 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, on July 1 of each year from Mandatory Sinking Account Payments, commencing July 1, 20__, at a redemption price equal to their principal amount, plus accrued interest thereon to the date fixed for redemption, without premium, in the years and in the amounts as set forth below:

20__ Term Bond

Date (July 1)	Amount

_____
[†] Maturity

[*] Preliminary, subject to change.

Selection of 2026 Bonds for Redemption. In the event that less than all of the 2026 Bonds of any maturity are to be redeemed, the 2026 Bonds (or portions thereof) to be redeemed shall be selected by the Authority or, in the absence of such a selection by the Authority, by the applicable Registrar by lot within such maturity in such manner as the Registrar may determine.

***Notice of Redemption*.** Notice of redemption (except as otherwise provided in the 2005 Indenture) is required to be given, not less than 30 nor more than 60 days before the date fixed for redemption, by first class mail to each of the registered owners of 2026 Bonds designated for redemption at their addresses appearing on the Bond registration books of the Registrar on the date the 2026 Bonds to be redeemed are selected. Each notice of redemption is required to state the redemption date, the place or places of redemption, the Series and maturities to be redeemed, and, if less than all of any such maturity, the numbers of the 2026 Bonds of such maturity to be redeemed and, in the case of 2026 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and is required also to state that on said date there will become due and payable on each of said 2026 Bonds the redemption price thereof or of said specified portion of the principal thereof in the case of a 2026 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and is also to require that such 2026 Bonds be then surrendered, with a written instrument of transfer duly executed by the registered owner thereof or by such registered owner's attorney duly authorized in writing. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of such 2026 Bonds. Each notice of redemption shall also state the CUSIP number, date of issue and interest rate on each 2026 Bond, or portion thereof, to be redeemed, and shall include the redemption agent name and address; provided, however, that failure to include any of such information in any redemption notice, or any inaccuracy in any such information, shall not affect the sufficiency of the proceedings for redemption of any 2026 Bonds.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption, rescind and cancel such notice of redemption.

Trustee, Co-Trustee, Registrar and Paying Agent

Bank of Guam has been appointed to act as the Trustee for the Bonds, including the 2026 Bonds, and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, has been appointed to act as Co-Trustee, registrar (the "**Registrar**") and paying agent (the "**Paying Agent**") for the 2026 Bonds.

Book-Entry System

The 2026 Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of DTC. DTC acts as securities depository for the 2026 Bonds. Ownership interests in the 2026 Bonds may be purchased in book-entry only form, in the denominations set forth above. The 2005 Indenture provides that, so long as DTC acts as securities depository for the 2026 Bonds, the Authority, the Trustee, the Co-Trustee, the Registrar and the Paying Agent may treat DTC as the absolute owner of such 2026 Bonds for all purposes and that none of the Authority, the Trustee, the Co-Trustee, the Registrar and the Paying Agent shall have any liability with respect to (i) the accuracy of the records of DTC or any Participant with respect to any beneficial ownership interest in the 2026 Bonds, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the 2026 Bonds, (iii) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to principal or redemption price of or interest on the 2026 Bonds, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the 2026 Bonds or (v) any consent given or other action taken by DTC as Holder of the 2026 Bonds. See APPENDIX G – "DTC AND ITS BOOK-ENTRY ONLY SYSTEM."

DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the Outstanding Bonds and the 2026 Bonds.

Table 1
Debt Service Schedule

Fiscal Year Ending September 30,	Outstanding Bonds[1]	2026A Bonds Principal	2026A Bonds Interest	2026B Bonds Principal	2026B Bonds Interest	2026C Bonds Principal	2026C Bonds Interest	Total Debt Service
2026	50,634,625							
2027	52,007,955							
2028	53,222,455							
2029	53,944,830							
2030	53,761,605							
2031	56,650,455							
2032	59,534,455							
2033	59,605,693							
2034	59,580,843							
2035	59,402,243							
2036	59,763,638							
2037	59,934,448							
2038	60,235,553							
2039	60,232,148							
2040	60,235,120							
2041	60,839,138							
2042	60,832,305							
2043	60,836,268							
2044	60,632,288							
2045	60,628,563							
2046	59,817,063							
2047	57,393,600							
2048	57,385,963							
2049	57,387,463							
2050	57,385,500							
2051	19,813,000							
2052	19,809,200							
2053	19,809,750							
2054	19,811,900							
2055	19,812,900							
2056	-							
Total[2]	$1,550,940,960							

(1) Comprised of the Authority's 2016 Bonds, 2017 Bonds, 2020A Bonds, 2020B Bonds, 2024A Bonds, 2024B Bonds and the 2025A Bonds. Does not reflect the refunding of the Refunded Bonds. See "PLAN OF FINANCE."

(2) Totals reflect rounding.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Revenues

The Bonds are limited obligations of the Authority and are payable solely from, and secured solely by a lien on and pledge of, the Revenues. Pursuant to the 2005 Indenture, the Authority has pledged all of the Revenues, subject only to the provisions of the 2005 Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the 2005 Indenture, to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the 2005 Indenture and the payment of Credit Agreement Payments and Parity Payment Agreement Payments in accordance with their terms. The 2005 Indenture provides that such pledge constitutes a lien on and security interest in the Revenues and will attach, be perfected and be valid and binding from and after delivery of the first Series of Bonds issued under the 2005 Indenture, without any physical delivery of such Revenues or further act.

As defined in the 2005 Indenture, "**Revenues**" include all gross income and other amounts received or receivable by the Authority as revenues of any kind from the ownership or operation of any part of the System, including all rates, fees and charges (including ground water, surface water and treated water charges and all wastewater service charges) received by the Authority for providing water and wastewater services (but excluding development charges and assessments and hook-up fees and other special charges such as penalties and fines), all Payment Agreement Receipts, and all proceeds of insurance or grants covering business interruption loss (and related losses and expenses) relating to the System, and all other income and revenue howsoever derived by the Authority from the ownership or operation of, or arising from, the System, together with all interest, profits or other income derived from the investment of amounts in the Revenue Fund, but not including: (1) amounts received as insurance proceeds (except as described above) or from the sale, transfer or other disposition of, or upon the taking by or under the threat of eminent domain of, all or any part of the System (which moneys shall be received and disposed of pursuant to the provisions of the 2005 Indenture); (2) proceeds from any securities issued by the Authority or proceeds from loans obtained by the Authority; (3) the proceeds of any court or arbitration award or settlement in lieu thereof received by the Authority; (4) amounts received by the Authority as gifts or as grants (except as described above), whether restricted or unrestricted; and (5) other amounts (except as described above), the use of which is restricted by the donor or grantor.

The Authority has covenanted in the 2005 Indenture that, so long as any Bonds are Outstanding, the Authority will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues prior to or on a parity with the Bonds, any Parity Agreement Payments and any Credit Agreement Payments (other than Additional Bonds, Parity Agreement Payments and Credit Agreement Payments).

The ability of the Authority to pay principal of and interest on the Bonds will depend upon the receipt by the Authority of sufficient Revenues. If Revenues and amounts available in the funds and accounts under the 2005 Indenture are insufficient to pay the principal of and interest on the Bonds, no other source of repayment exists. The Authority has no taxing power. See "CERTAIN INVESTMENT CONSIDERATIONS – Limitations on Remedies."

Allocation of Revenues

The 2005 Indenture requires the Authority to deposit all Revenues upon receipt in the Revenue Fund held by the Depositary. The 2005 Indenture provides that on or before the fifth day of each calendar month, the Depositary is required to transfer from the Revenue Fund (to the Trustee as necessary) for deposit into one or more of the following respective separate funds, the following amounts in the following order of priority, the requirements of each such fund or account (including the making up of any deficiencies in any such fund or account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied, and the results of such satisfaction being taken into account, before any transfer is made to any fund subordinate in priority:

(A) into the Operation and Maintenance Fund, an amount equal to the amount of Operation and Maintenance Expenses budgeted by the Authority, pursuant to the budget, as revised, filed in accordance with the 2005 Indenture, to be paid from Revenues during the next succeeding calendar month (including any amount to be held as a reserve for transfer to the Rebate Fund) plus the amount of any Other Credit

Agreement Payments then due and payable or to become due and payable during such month not otherwise included in such amount;

(B) into the Debt Service Fund held by the Co-Trustee, an amount equal to the amount necessary to increase the amount in the Debt Service Fund to the aggregate amount for all Outstanding Bonds of all unpaid interest, principal and Mandatory Sinking Account Payments and for all Outstanding Parity Payment Agreements of all Parity Payment Agreement Payments with respect thereto and for all Outstanding Credit Agreements of all Credit Agreement Reimbursement Payments due and payable to the extent not otherwise included in such amount which shall be required to have been transferred to the Debt Service Fund on the basis of the following transfer requirement rules (after taking into account amounts transferred and to be transferred from any Construction Account to pay Capitalized Interest):

(1) an amount equal to the amount of interest payable on each Bond on a current uncompounded basis on any Interest Payment Date shall be transferred in equal monthly amounts over the Interest Accrual Period for such Bond ending on such Interest Payment Date (or in the case of Variable Rate Bonds 110% of the amount of interest accrued during the next preceding calendar month less any excess deposited for the next preceding calendar month); provided that to the extent that a Qualified Counterparty is obligated to make payments to the Authority on or prior to such Interest Payment Date pursuant to an Outstanding Payment Agreement Related to any Bonds, an amount equal to the amount of any such payment obligation shall be transferred from the Revenue Fund to the Debt Service Fund on the date such payment is due and the amount of each monthly transfer with respect to such Bonds as described in this subparagraph (1) during the Interest Accrual Period (or portion thereof) over which such payment obligation accrues shall be reduced by an amount equal to the amount of such Qualified Counterparty's payment obligation accruing during the next preceding calendar month;

(2) the amount of interest payable on each Bond on a deferred compounded basis on any Interest Payment Date shall be transferred in substantially equal monthly amounts over the period during which such interest accrues on such basis;

(3) the amount of the principal of each Bond shall be transferred in equal monthly amounts over the Principal Payment Period for such Bond ending on the maturity date for such Bond;

(4) the amount of each Mandatory Sinking Account Payment for Bonds shall be transferred in equal monthly amounts over the Principal Payment Period for such Bonds ending on the date such Mandatory Sinking Account Payment is due;

(5) the amount of any Parity Payment Agreement Payment payable on any Payment Agreement Payment Date shall be transferred (a) in the case of such payments calculated based on a fixed rate, in equal monthly installments over the Payment Agreement Payment Accrual Period for such Payment Agreement Payment ending on such Payment Agreement Payment Date and (b) in the case of such payments calculated based on a variable rate, in monthly installments equal to 110% of the amount of such obligation accrued during the next preceding calendar month less any excess deposited for the next preceding calendar month; and

(6) to the extent not otherwise included in amounts described in subparagraphs (1) through (5) above, the amount of any Credit Agreement Reimbursement Payment due and payable is to be transferred;

(C) into the Bond Reserve Fund held by the Co-Trustee, the amount, if any, needed to increase the amount in the Bond Reserve Fund to the Bond Reserve Fund Requirement (equal to the Maximum Annual Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds) as of the date of such transfer;

(D) into the Subordinate Securities Fund (and any accounts therein), the amount, if any, needed to increase the amount in such Fund and each such account to its requirement (including any requirements for reasonable debt service reserves and requirements related to Payment Agreements that constitute Subordinate Securities (including Termination Payments)) established by each resolution, indenture or other instrument pursuant to which Subordinate Securities are issued and outstanding;

(E) into the Operation, Maintenance, Renewal and Replacement Reserve Fund, the amount, if any, needed to increase the amount in the Operation, Maintenance, Renewal and Replacement Reserve Fund to an amount equal to one-fourth (1/4) of the sum of the amounts of Operation and Maintenance Expenses and Renewal and Replacement Costs budgeted by the Authority, pursuant to the budget, as revised, filed in accordance with the 2005 Indenture, for the then current Fiscal Year;

(F) into the Rate Stabilization Fund, the amount specified for such month in a Certificate of the Authority which also certifies that such amount is consistent with the annual budget established by the Authority pursuant to the 2005 Indenture; and

(G) into the Capital Improvement Fund, the balance remaining in the Revenue Fund after the deposits described above.

The 2005 Indenture provides that, in the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee, the Co-Trustee or the Depositary upon the direction of the Trustee, is required to transfer to such Fund or Account the amount of such deficiency by withdrawing said amount from subordinate Funds and Accounts in reverse order of the priority described above and prior to any other claims upon such Funds and Accounts, subject only to the limitation that amounts in the Bond Reserve Fund shall only be used as provided in the 2005 Indenture.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – DEFINITIONS" for definitions of the capitalized terms used above and descriptions of certain of the Funds and Accounts referenced above.

Rate Covenant

The Authority has covenanted in the 2005 Indenture to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the System which will be sufficient to yield the sum of Net Revenues during each Fiscal Year equal to at least 1.25 times the Aggregate Annual Debt Service for such Fiscal Year and to yield Revenues during each Fiscal Year equal to at least the aggregate amount of all transfers required to be made pursuant to the provisions of the 2005 Indenture described above in (A) through (E) under "– Allocation of Revenues" (collectively, the "**Rate Covenant**").

"**Net Revenues**" is defined in the 2005 Indenture to mean, for any particular period, (a) the sum of (i) all of the Revenues (other than Payment Agreement Receipts) received during such period plus (ii) the aggregate amount of all transfers from the Rate Stabilization Fund to the Revenue Fund during such period, less (b) the sum of (x) all Operation and Maintenance Expenses incurred during such period plus (y) the amount of all transfers from the Revenue Fund to the Rate Stabilization Fund during such period.

"**Operation and Maintenance Expenses**" is defined in the 2005 Indenture to mean such reasonable and necessary current expenses of the Authority, paid or accrued, for operation, maintenance and repair of the System as may be determined by the Board, and the term may include at the Board's option, except as limited by contract or otherwise limited by law, without limiting the generality of the foregoing: (a) legal and overhead expenses of the Authority directly related and reasonably allocable to the administration of the System; (b) fidelity bond and insurance premiums appertaining to the System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the System; (c) contractual services, professional services, salaries, administrative expenses, and costs of labor appertaining to System, including fees and expenses of the Trustee; (d) the costs incurred in the collection of all or any part of the Revenues; and (e) any costs of utility services furnished to the System by the Authority or otherwise. However, the term "Operation and Maintenance Expenses" as used in the 2005 Indenture does not include:

(i) any allowance for depreciation; (ii) any costs of System capital renewals, replacements, major repairs, reconstruction, improvements, extensions or betterments; (iii) any accumulation of reserves for System capital renewals, replacements, major repairs or reconstruction; (iv) any reserves for operation, maintenance or repair of the System; (v) any liabilities incurred in the acquisition or improvement of any properties comprising the System or any combination thereof; (vi) any other legal liability not based on contract; and (vii) payments made by the Authority to the Guam Power Authority for power delivered prior to the Fiscal Year commencing October 1, 2003.

The 2005 Indenture provides that if, at the end of a Fiscal Year, (i) the sum of Net Revenues for such Fiscal Year were less than 1.25 times Aggregate Annual Debt Service for such Fiscal Year, or (ii) Revenues were less than the aggregate amount of all required transfers described above in (A) through (E) under "– Allocation of Revenues" for such Fiscal Year, the Authority is required to promptly employ a Consulting Engineer to make recommendations as to a revision of rates, fees and charges or the methods of operation of the System, and promptly upon its receipt of such recommendations, to revise such rates, fees and charges or methods of operation and to take such other actions as will be in conformity with such recommendations, subject to applicable requirements or restrictions imposed by law, including approval of any rate increases by the PUC, and subject to a good faith determination of the CCU that such recommendations, in whole or in part, are in the best interests of the Authority, the Owners and each Credit Provider, if any. The 2005 Indenture provides that if the Authority complies in all material respects with the reasonable recommendations of the Consulting Engineer with respect to said rates, fees, charges and methods of operation or collection, or makes a good faith determination that such recommendations are not in the best interests of the Authority, the Authority will be deemed to have complied with the Rate Covenant for such Fiscal Year; provided, that Net Revenues are in no event less than Aggregate Annual Debt Service for such Fiscal Year.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – DEFINITIONS" for definitions of the capitalized terms used above and "– CERTAIN COVENANTS – Rate Covenant."

For discussions of additional requirements relating to rate-setting, see "REGULATORY ENVIRONMENT – Regulation of Ratemaking."

Proposed 2005 Indenture Amendments. The 2025 Prospective General Indenture includes amendments to the 2005 Indenture adding the concept of "Balloon Bonds" and "Short-Term Bonds" and accounting for the treatment of debt service on such Balloon Bonds and Short-Term Bonds in the calculation of Annual Debt Service. These amendments will become effective upon the Interim Transition Date. See "PROPOSED 2005 INDENTURE AMENDMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

Bond Reserve Fund

The 2005 Indenture establishes the Bond Reserve Fund to be used and withdrawn by the Co-Trustee solely for the purpose of paying debt service on the Bonds (including Payment Agreement Payments to the extent provided in any Supplemental Indenture) in the event of a deficiency in the Debt Service Fund, in the manner and to the extent set forth in the 2005 Indenture. So long as the Authority is not in default under the 2005 Indenture, any amount in the Bond Reserve Fund in excess of its Bond Reserve Fund Requirement is to be transferred to the Revenue Fund.

"**Bond Reserve Fund Requirement**" is defined in the 2005 Indenture to mean, as of any particular date of calculation, an amount equal to the Maximum Annual Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds; provided, however, that if upon issuance of a Series of Bonds, such amount would require moneys to be credited to the Bond Reserve Fund from such Bond proceeds in an amount in excess of the maximum amount permitted from tax-exempt bond proceeds under the Code, the Bond Reserve Fund Requirement shall mean an amount equal to the sum of the Bond Reserve Fund Requirement immediately preceding issuance of such Bonds plus the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as specified by Certificate of the Authority.

Upon the issuance of the 2026A Bonds and the 2026B Bonds and the refunding of the 2026B Refunded Bonds, the Bond Reserve Fund Requirement is $_____. Upon the issuance of the 2026C Bonds and the

refunding of the 2026C Refunded Bonds, the Bond Reserve Fund Requirement is expected to be $_____. See "ESTIMATED SOURCES AND USES OF FUNDS."

If and to the extent provided by a Supplemental Indenture, the Bond Reserve Fund Requirement may be wholly or partially satisfied by a Credit Facility. Notwithstanding anything to the contrary contained in the 2005 Indenture, such Supplemental Indenture may provide that a draw on such Credit Facility is to be made only after all cash in the Bond Reserve Fund been withdrawn and that if a drawing or other claim on such Credit Facility is honored, amounts available for deposit pursuant to the provisions of the 2005 Indenture relating to allocation of Revenues to the Bond Reserve Fund will be applied by the Co-Trustee to reimburse, as soon as practicable, the amount of each payment honoring such drawing or other claim.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – REVENUES AND FUNDS – Application of Bond Reserve Fund."

Proposed 2005 Indenture Amendments. The 2025 Prospective General Indenture includes amendments to the 2005 Indenture providing for the option for an additional Series of Bonds to be secured by the Bond Reserve Fund, a separate series specific reserve account or neither the Bond Reserve Fund nor a separate series specific reserve account, and changing the Bond Reserve Fund Requirement to 50% of the Maximum Annual Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds. These Bond Reserve Fund Amendments (as defined herein) will not become effective until the Final Transition Date. See "PROPOSED 2005 INDENTURE AMENDMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

Outstanding Bonds

As of the date of this Official Statement, the Authority has Outstanding Bonds in the aggregate principal amount of $829,360,000, comprised of the Authority's 2016 Bonds, outstanding in the principal amount of $80,000,000; the Authority's 2017 Bonds, outstanding in the principal amount of $52,565,000; the Authority's Water and Wastewater System Revenue Refunding Bonds, Series 2020A, outstanding in the principal amount of $134,000,000 (the "**2020A Bonds**"); the Authority's 2020B Bonds, outstanding in the principal amount of $125,835,000; the Authority's Water and Wastewater System Revenue Refunding Bonds, Series 2024A, outstanding in the principal amount of $127,505,000 (the "**2024A Bonds**"), Series 2024B, outstanding in the principal amount of $42,920,000 (the "**2024B Bonds**" and, together with the 2024A Bonds, the "**2024AB Bonds**"); and the Authority's Water and Wastewater System Revenue Bonds, Series 2025A, outstanding in the principal amount of $266,535,000 (the "**2025A Bonds**"). Such amounts do not reflect the refunding of the Refunded Bonds.

Additional Bonds

The 2005 Indenture permits the Authority to issue Additional Bonds secured on a parity with the Outstanding Bonds, including the 2026 Bonds, upon the satisfaction of the requirements set forth in the 2005 Indenture, including, among other things, the filing of the documents described below, as applicable, with the Trustee.

If and to the extent that a Series of Additional Bonds is being issued to provide moneys for deposit in a Construction Account, the following certificates and reports are to be filed:

(A) a certificate of a Consulting Engineer setting forth (I) the projected Date of Completion for the Project or Projects for which such Series of Additional Bonds is being issued and for any other uncompleted Projects, and (II) an estimate of the cost of construction of such Projects;

(B) a written report of a Consulting Engineer setting forth for each Fiscal Year from the then current Fiscal Year through the later of (I) the first Fiscal Year commencing at least five years after the date of original issuance of such additional Series, or (II) the first Fiscal Year commencing at least three years after the Date of Completion projected by the Consulting Engineer in the certificate described in (A) above, estimates of Revenues, Operation and Maintenance Expenses and Net Revenues; and

(C) a certificate of the Authority (I) setting forth (a) the estimates of Revenues, Operation and Maintenance Expenses, and Net Revenues, as set forth in the written report of a Consulting Engineer described in subparagraph (B) above, for each of the Fiscal Years covered by such report, and (b) the Aggregate Annual Debt Service and Capitalized Interest for each of such Fiscal Years, including Annual Debt Service and Capitalized Interest on all future Series of Bonds, if any, which such Certificate of the Authority shall estimate (based on the estimate of the Consulting Engineer of the cost of construction of such Projects) are required to complete payment of the cost of construction of such Projects, and (II) demonstrating that for each of such Fiscal Years (a) Revenues are projected to be at least equal to the aggregate amount of all transfers required to be made pursuant to the provisions of the 2005 Indenture described above in (A) through (E) under "– Allocation of Revenues," and, to the extent applicable, otherwise required to provide for the payment of all obligations of the Authority to be paid from Revenues, and (b) Net Revenues are projected to be at least equal to 1.25 times Aggregate Annual Debt Service.

(D) In lieu of the certificates and reports required by the provisions of the 2005 Indenture summarized in subparagraphs (A), (B) and (C) above, the Authority may deliver to the Trustee a Certificate of the Authority to the effect that for the last complete Fiscal Year or any period of 12 consecutive calendar months out of the 18 calendar months next preceding the original issuance of such Additional Bonds, Net Revenues for such Fiscal Year or 12-month period equaled at least 1.25 times the Maximum Annual Debt Service on all Bonds then Outstanding plus the Series of Additional Bonds being issued.

In addition, a Series of Bonds may be issued for the sole purpose of depositing in a Construction Account the amounts necessary to complete any one or more Projects without filing with the Trustee the certificates and reports required by the provisions of the 2005 Indenture summarized in subparagraphs (B) and (C), if such certificates and reports demonstrating compliance with such provisions of the 2005 Indenture were filed in connection with the issuance of the prior Series of Bonds for each of such Projects and if the principal amount of such Additional Bonds to be issued for completion purposes does not exceed 10% of the principal amount of Bonds previously issued for and allocable to such Projects.

The 2005 Indenture also provides that if and to the extent that a Series of Additional Bonds is being issued for the purpose of refunding Bonds, the Authority is required to file with the Trustee either (i) a certificate of an Independent Certified Public Accountant that Aggregate Annual Debt Service for each Fiscal Year thereafter will be less than or equal to Aggregate Annual Debt Service for each such Fiscal Year in the absence of such refunding, or (ii) the certificates and reports described in subparagraphs (A) (if any one or more of the Projects for which the Bonds being refunded is not then completed), (B) and (C) above; provided that in lieu of the certificates and reports described in subparagraphs (A), (B) and (C), the Authority may deliver to the Trustee the certificate described in subparagraph (D) above.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – ISSUANCE OF BONDS; ISSUANCE OF A SERIES OF BONDS; PARITY PAYMENT AGREEMENTS – Issuance of Additional Series of Bonds" and "– Proceedings for the Issuance of a Series of Bonds; Parity Payment Agreements."

Proposed 2005 Indenture Amendments. The 2025 Prospective General Indenture includes an amendment to the 2005 Indenture adding Project-related costs and working capital to the purposes for which an additional Series of Bonds may be issued. This amendment will become effective upon the Interim Transition Date. See "PROPOSED 2005 INDENTURE AMENDMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

Parity Payment Agreements

The Authority is permitted under the 2005 Indenture to enter into one or more Parity Payment Agreements, the Authority payments of which are secured by a lien upon and pledge of Revenues equal to and on a parity with the lien and pledge securing the Bonds, provided the Authority complies with certain provisions of the 2005 Indenture.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – ISSUANCE OF BONDS; ISSUANCE OF A SERIES OF BONDS; PARITY PAYMENT AGREEMENTS – Additional Parity Payment Agreements" and "– Proceedings for the Issuance of a Series of Bonds; Parity Payment Agreements."

The Authority is not currently a party to any Parity Payment Agreements; however, the Authority is currently working to secure a $150 million encumbrance line with a commercial bank in the form of a forward bond purchase agreement to help facilitate the procurement of high-priority capital projects. The Authority anticipates that such forward bond purchase agreement would constitute a "Parity Payment Agreement" under the 2005 Indenture. There are currently no bonds outstanding pursuant to such forward bond purchase agreement and the Authority currently does not intend to exercise the forward option to issue any bonds; however, if bonds were ever issued under the forward bond purchase agreement, such bonds would constitute "Bonds" under the 2005 Indenture, the payment of which would constitute a charge and lien on Revenues equal to and on a parity with the charge and lien upon the Revenues for the payment of the Bonds. Accordingly, the Authority also anticipates that the bank will provide their consent to the 2005 Indenture Amendments set forth in the 2025 Prospective General Indenture. See "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program – *Short-Term Construction Financing*" and "PROPOSED 2005 INDENTURE AMENDMENTS."

Subordinate Obligations

The 2005 Indenture does not prevent the Authority from issuing or incurring any indebtedness secured by a lien or charge on Revenues that is junior and subordinate to the lien and charge of the Bonds.

The Authority does not currently have any subordinate obligations outstanding; however, the Authority is currently working to secure a $50 million loan from a commercial bank in the form of a revolving credit agreement to finance eligible capital improvement projects. The Authority anticipates that such loan would constitute a "Subordinate Security" under the 2005 Indenture, the payment of which would be payable from the Subordinate Securities Fund and would have a lien, if any, on Revenues subordinate to the pledge and lien of the 2005 Indenture securing the payment of the Bonds. See "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program – *Short-Term Construction Financing*" and "PROPOSED 2005 INDENTURE AMENDMENTS."

Events of Default and Remedies; No Acceleration

The 2005 Indenture specifies Events of Default and related remedies. The remedies granted to the Trustee and the Bondowners under the 2005 Indenture do not include any right to accelerate the payment of the Bonds, including the 2026 Bonds. The Trustee is authorized to take certain actions upon the occurrence of an Event of Default, including proceedings to enforce the rights of the Bondowners. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS" for descriptions of the Events of Default and remedies under the 2005 Indenture.

Depositaries for Funds and Accounts

The Co-Trustee has been appointed to act as Depositary for the Debt Service Fund and the Bond Reserve Fund. The Trustee has been appointed as Depositary for the Revenue Fund, the Operation and Maintenance Fund, the Subordinate Securities Fund, the Operation, Maintenance, Renewal and Replacement Reserve Fund, the Capital Improvement Fund, the Rate Stabilization Fund and the Rebate Fund. The Authority may enter into a Supplemental Indenture from time to time to provide for a different or additional Depositary for any fund or account established under the 2005 Indenture.

DELAYED DELIVERY OF THE 2026C BONDS

The Authority expects to enter into a Forward Delivery Bond Purchase Contract, on or about October 20, 2026* (the "**Forward Delivery Agreement**") for the 2026C Bonds with the Underwriters. Subject to the terms of the Forward Delivery Agreement, the Authority expects to issue and deliver the 2026C Bonds on the Delayed Delivery Date.

The obligation of the Underwriters to purchase the 2026C Bonds from the Authority is subject to the satisfaction of certain conditions, as outlined in the Forward Delivery Agreement, on the preliminary closing date (November 5, 2026*) (the "**Preliminary Closing Date**") and on the Delayed Delivery Date. The conditions to be satisfied during the period from and including the date of the Forward Delivery Agreement to the Preliminary Closing Date (expected to be the date of delivery for the 2026A Bonds and the 2026B Bonds) are, in general, comparable to those required in connection with bond closings that use a customary period of up to six weeks between sale dates and settlement dates. Because of the longer period between the sale and settlement of the 2026C Bonds, there are certain additional termination rights and settlement conditions that are not generally present in bond sales that do not involve a delayed delivery, and certain of those additional rights and conditions are summarized below. All the conditions and termination rights with respect to the sale and settlement of the 2026C Bonds are set forth in the Forward Delivery Agreement. The following is a description of certain provisions of the Forward Delivery Agreement. The following description is not to be considered a full statement of the terms of the Forward Delivery Agreement and accordingly is qualified by reference thereto and is subject to the full text thereof, a copy of which is available from the Authority and the Underwriters.

BY PLACING AN ORDER WITH THE UNDERWRITERS FOR THE PURCHASE OF THE 2026C BONDS, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT THE 2026C BONDS ARE BEING SOLD ON A "DELAYED DELIVERY" BASIS, THAT THE PURCHASER IS OBLIGATED TO ACCEPT DELIVERY OF AND PAY FOR THE 2026C BONDS ON THE DELAYED DELIVERY DATE SUBJECT TO THE CONDITIONS IN THE FORWARD DELIVERY AGREEMENT, AND THAT EACH PURCHASER WILL SIGN, AND DELIVER TO THE UNDERWRITERS, A DELAYED DELIVERY CONTRACT OF PURCHASER IN THE FORM ATTACHED AS APPENDIX H (A "**DELAYED DELIVERY CONTRACT**"). AS A CONDITION TO ANY 2026C BONDS BEING ALLOCATED TO SUCH PURCHASER, EACH PURCHASER ACKNOWLEDGES AND AGREES THAT IT WILL REMAIN OBLIGATED TO PURCHASE SUCH 2026C BONDS IN ACCORDANCE WITH THE TERMS OF THE DELAYED DELIVERY CONTRACT, EVEN IF THE PURCHASER DECIDES TO SELL SUCH 2026C BONDS FOLLOWING THE DATE OF PURCHASE, UNLESS THE PURCHASER SELLS SUCH 2026C BONDS TO ANOTHER INSTITUTION WITH THE PRIOR WRITTEN CONSENT OF RAYMOND JAMES & ASSOCIATES, INC. (THE "**REPRESENTATIVE**"), AS THE REPRESENTATIVE OF THE UNDERWRITERS AND SUCH INSTITUTION PROVIDES A WRITTEN ACKNOWLEDGEMENT OF CONFIRMATION OF PURCHASE ORDER AND A DELAYED DELIVERY CONTRACT IN THE SAME RESPECTIVE FORM AS THAT EXECUTED BY THE PURCHASER.

Delayed Delivery Date

The issuance of the 2026C Bonds and the Underwriters' obligations under the Forward Delivery Agreement to purchase, accept delivery of and pay for the 2026C Bonds on the Delayed Delivery Date are conditioned upon the performance by the Authority of its obligations thereunder, the delivery of certain certificates and legal opinions, including, without limitation, the delivery of an opinion of Bond Counsel with respect to the 2026C Bonds dated the Delayed Delivery Date, substantially in the form and to the effect as set forth in APPENDIX E-2 to this Official Statement (the "**Bond Counsel Opinion**"), and the satisfaction of other conditions as of the Delayed Delivery Date. At any time subsequent to the Preliminary Closing Date and on or prior to the Delayed Delivery Date (the "**Delayed Delivery Period**"), the Underwriters have the right, without liability, to terminate their obligations under the Forward Delivery Agreement, by notifying the Authority of their election to do so, if:

(a) an event shall occur which makes untrue or incorrect in any material respect, as of its date, any statement or information contained in the Official Statement or in the updated or supplemented Official Statement required by the Forward Delivery Agreement (the "**Updated Official Statement**") or which is not reflected in the

* Preliminary, subject to change.

Official Statement or Updated Official Statement but should be reflected therein in order to make the statements contained therein in light of the circumstances under which they were made, not misleading in any material respect and, in either such event, (a) the Authority refuses to permit the Official Statement or Updated Official Statement, as the case may be, to be supplemented to supply such statement or information in a manner satisfactory to the Underwriters or (b) the effect of the Official Statement or Updated Official Statement, as so supplemented is, in the judgment of the Representative, to materially adversely affect the market price or marketability of the 2026C Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the 2026C Bonds;

(b) Bond Counsel notifies the Authority that as a result of any Change in Law or otherwise, it does not expect to be able to issue an opinion on the Settlement Date substantially in the form and to the effect set forth in Appendix E-2 to the Official Statement

(c) for any reason, including a Change in Law, the issuance, offering, or sale of the 2026C Bonds as contemplated by the Forward Delivery Agreement or by the Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended or supplemented (the "**1933 Act**"), the Securities Exchange Act of 1934, as amended or supplemented (the "**1934 Act**"), or the Trust Indenture Act of 1939, as amended or supplemented (the "**1939 Act**");

(d) an Event of Default has occurred and is continuing, under the 2005 Indenture; or

(e) as of the Delayed Delivery Date, the 2026C Bonds are not rated (or any rating is suspended or withdrawn which results in the 2026C Bonds having no rating) by Moody's or S&P.

During the Delayed Delivery Period, certain information contained in this Official Statement could change in a material respect. The Authority has agreed in the Forward Delivery Agreement to deliver the Updated Official Statement not more than 25 days nor less than 10 days prior to the Delayed Delivery Date.

If, on the Delayed Delivery Date, the Authority is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2026C Bonds as set forth in the Forward Delivery Agreement or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the 2026C Bonds are terminated for any reason permitted by items (a) through (e) above, the Forward Delivery Agreement will terminate and neither the Underwriters nor the Authority will be under any further obligation under the Forward Delivery Agreement.

"Change in Law" shall mean any of the following, which occur at any time after the Preliminary Closing Date and on or prior to the Delayed Delivery Date: (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (ii) any legislation enacted by the Congress of the United States (if such enacted legislation has a proposed effective date which is on or before the Delayed Delivery Date), (iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such enacted law, rule or regulation has a proposed effective date which is on or before the Delayed Delivery Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which with respect to the foregoing clauses (i) through (iv) would, (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from (1) accepting delivery of and paying for the 2026C Bonds in accordance with the provisions of the Forward Delivery Agreement or (2) selling the 2026C Bonds or beneficial ownership interests therein to the bona fide purchasers or, (B) as to the Authority, make illegal the issuance, sale or delivery of the 2026C Bonds (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized); (C) eliminate the exclusion from gross income of interest on the 2026C Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized); or (D) require the 2026C Bonds to be registered under the 1933 Act or under the 1934 Act, or require the Indenture to be qualified under the 1939 Act (or have the retroactive effect of requiring such registration or qualification if enacted, adopted, passed or finalized); or (v) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the 2026C Bonds, is, or would be, in violation of any applicable provision of the 1933 Act, the 1934 Act or the 1939 Act. A Change in Law shall not include any enactment, proposal

or recommendation having the effect of diminishing (rather than eliminating) the exclusion from gross income for federal income tax purposes of interest payable on state or local bonds.

If the Change in Law involves the enactment of legislation which only diminishes the value of, as opposed to eliminating the exclusion from gross income for federal income tax purposes of, interest payable on "state or local bonds," the Authority may, nonetheless, be able to satisfy the requirements of the delivery of the 2026C Bonds. In such event, the Underwriters would be obligated to purchase the 2026C Bonds from the Authority at the offering price and based on the terms established in the Forward Delivery Agreement, and the purchasers would be required to accept delivery of the 2026C Bonds from the Underwriters.

The Underwriters have advised the Authority that the 2026C Bonds will be sold only to purchasers who execute a Delayed Delivery Contract. The Authority will not be a party to the Delayed Delivery Contracts, and the Authority is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Delivery Agreement are not conditioned or dependent upon the performance of any Delayed Delivery Contract. See APPENDIX H—FORM OF DELAYED DELIVERY CONTRACT OF PURCHASER.

THE UNDERWRITERS (AND, IN TURN, THE PURCHASERS OF THE 2026C BONDS FROM THE UNDERWRITERS) MAY NOT REFUSE TO PURCHASE THE 2026C BONDS BY REASON OF "GENERAL MARKET OR CREDIT CHANGES" INCLUDING, BUT NOT LIMITED TO CHANGES IN THE RATINGS ANTICIPATED TO BE ASSIGNED TO THE 2026C BONDS, CHANGES IN THE FINANCIAL CONDITION, OPERATIONS, PERFORMANCE, PROPERTIES OR PROSPECTS OF THE AUTHORITY PRIOR TO THE DELAYED DELIVERY DATE, CHANGES IN THE GENERAL LEVEL OF INTEREST RATES OR CHANGES IN VALUE OF THE 2026C BONDS FOR ANY REASON OTHER THAN A FULL ELIMINATION OF TAX EXEMPTION OR FOR ANY REASON OTHER THAN DESCRIBED BY ITEMS (A) THROUGH (E) ABOVE.

Additional Risks Related to the Delayed Delivery Period

During the Delayed Delivery Period, certain information contained in this Official Statement could change in a material respect. Changes in such information will not permit the Underwriters to terminate the Forward Delivery Agreement unless the change reflects an event described above in items (a) through (e) under "Delayed Delivery Date," or release the purchasers of their obligation to purchase the 2026C Bonds except as expressly described in the Delayed Delivery Contract.

In addition to the risks set forth above, purchasers of the 2026C Bonds are subject to certain additional risks, some of which are described below and which will not constitute grounds for purchasers to refuse to accept delivery of and pay for the 2026C Bonds.

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the 2026C Bonds. The following discussion, while not setting forth all of the factors that should be considered, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the 2026C Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors which will become material in the future.

Opinion of Bond Counsel: Tax Law Risk. Subject to the additional conditions of settlement described under "Delayed Delivery Date" above, the Forward Delivery Agreement obligates the Authority to deliver and the Underwriters to acquire the 2026C Bonds if the Authority delivers the Bond Counsel Opinion. During the Delayed Delivery Period, new legislation, new court decisions, new regulations, or new rulings may be enacted, promulgated or interpreted that might prevent Bond Counsel from rendering its opinion or otherwise affect the substance of such opinion. Notwithstanding that the enactment of new legislation, new court decisions or the promulgation of new regulations or rulings might diminish the value of, or otherwise affect, the exclusion of interest on the 2026C Bonds for purposes of federal income taxation payable on "state or local bonds," the Authority might be able to satisfy the requirements for the delivery of the 2026C Bonds. In such event, the Underwriters would be required to accept delivery of the 2026C Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood of any changes in tax law and the consequences of such changes to such purchasers.

Ratings Risk. A Rating has been assigned to the 2026C Bonds as described under "RATINGS." No assurances can be given that the rating assigned to the 2026C Bonds on the Delayed Delivery Date will not be different from the rating currently assigned to the 2026C Bonds. Issuance of the 2026C Bonds and the Underwriters' obligations under the Forward Delivery Agreement are not conditioned upon the assignment of any particular rating for the 2026C Bonds or the maintenance of the initial rating of the 2026C Bonds.

Market Value Risk. The market value of the 2026C Bonds as of the Delayed Delivery Date may be affected by a variety of factors including, without limitation, general market conditions, the rating then assigned to the 2026C Bonds, the financial condition and operations of the Authority, and federal and State income tax and other laws. The market value of the 2026C Bonds as of the Delayed Delivery Date could therefore be higher or lower than the price to be paid by the initial purchasers of the 2026C Bonds and that difference could be substantial. The Underwriters will nevertheless be obligated to take delivery of and pay for the 2026C Bonds if the conditions in the Forward Delivery Agreement are satisfied on the Delayed Delivery Date. NEITHER THE AUTHORITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION AS TO THE EXPECTED MARKET PRICE OF 2026C BONDS AS OF THE DELAYED DELIVERY DATE. Further, no assurance can be given that the introduction or enactment of any future legislation will not affect the market price for the 2026C Bonds as of the Delayed Delivery Date or thereafter or not have a materially adverse impact on any secondary market for the 2026C Bonds.

Termination of Purchase Agreement. The Underwriters may terminate the Forward Delivery Agreement by notification to the Authority prior to the Delayed Delivery Date if any of the events described above in items (a) through (e) under "Delayed Delivery Date" occurs. Although the Authority is not aware, as of the date of this Official Statement, of any information that would lead it to believe that it will be unable to satisfy its obligations under the Forward Delivery Agreement on the Delayed Delivery Date, no assurances can be made that, as of the Delayed Delivery Date: (i) there will have been no Change in Law; (ii) the facts and circumstances that are material to one or more of the required legal opinions will not differ from the facts and circumstances as of the Preliminary Closing Date, or (iii) that all necessary certifications and representations can or will be delivered and made in connection with the proposed issuance and delivery of the 2026C Bonds. As a consequence of any of the foregoing, one or more of the foregoing legal opinions may not be rendered or one or more of the Delayed Delivery Date conditions in the Forward Delivery Agreement may not be met, with the possible result that the delivery of the 2026C Bonds will not occur.

Secondary Market Risk. The Underwriters are not obligated to make a secondary market in the 2026C Bonds, and no assurances can be given that a secondary market will exist for the 2026C Bonds during the Delayed Delivery Period. Purchasers of the 2026C Bonds should assume that the 2026C Bonds will be illiquid throughout the Delayed Delivery Period.

PROPOSED 2005 INDENTURE AMENDMENTS

The 2025 Prospective General Indenture contains amendments to the 2005 Indenture (collectively, the "**2005 Indenture Amendments**"). Upon purchasing the 2026 Bonds, the initial owners of the 2026 Bonds will be deemed to have consented to the 2005 Indenture Amendments.

Certain 2005 Indenture Amendments will become effective when the owners of at least 60% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture have provided their consents to such amendments (such date, the "**Interim Transition Date**"). Such amendments include, but are not limited to: (i) adding the concept of "Balloon Bonds" and "Short-Term Bonds" and accounting for the treatment of debt service on such Balloon Bonds and Short-Term Bonds in the calculation of Annual Debt Service; (ii) changing the definition of "Bonds" to include other evidences of indebtedness for borrowed money including, but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation; (iii) adding Project-related costs and working capital to the purposes for which an additional Series of Bonds may be issued; and (iv) adding purposes for which the 2025 Prospective General Indenture may be modified or amended without the consent of any Bondowners. On and after the Interim Transition Date, except for the Bond Reserve Fund Amendments (as further discussed below), all of the 2005 Indenture Amendments will be binding upon the initial owners and any subsequent owners of the 2026 Bonds. To understand the changes that will take effect should the Interim Transition Date occur, investors should carefully read the information set forth in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE." Upon the

issuance of the 2026A Bonds and the 2026B Bonds, the owners of approximately __% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture will have consented to the 2005 Indenture Amendments, and upon the issuance of the 2026C Bonds, the owners of approximately __% in Accreted Value of the Bonds then Outstanding under the 2005 Indenture will have consented to the 2005 Indenture Amendments. It is possible that the Interim Transition Date could occur substantially concurrently with the delivery of a Series of the 2026 Bonds.

In addition, certain 2005 Indenture Amendments will become effective when all of the Bonds issued under the 2005 Indenture as of August 6, 2025, the date of issuance of the 2025A Bonds (including the 2025A Bonds) are no longer Outstanding within the meaning of the 2005 Indenture (such date, the "**Final Transition Date**"). Such amendments include, but are not limited to: (i) providing for the option for an additional Series of Bonds to be secured by the Bond Reserve Fund, a separate series specific reserve account or neither the Bond Reserve Fund nor a separate series specific reserve account; and (ii) changing the Bond Reserve Fund Requirement to 50% of the Maximum Annual Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds (collectively, the "**Bond Reserve Fund Amendments**"). On and after the Final Transition Date, all of the 2005 Indenture Amendments, including the Bond Reserve Fund Amendments, will be binding upon the initial owners and any subsequent owners of the 2026 Bonds. To understand the changes that will take effect should the Final Transition Date occur, investors should carefully read the information set forth in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE – SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

THE AUTHORITY

General

In 1950, the Guam Legislature enacted Public Law 1-12 assigning responsibility for the public water supply to the Guam Department of Public Works. Shortly thereafter, in 1952, the Guam Legislature enacted Public Law 1-88 creating the Public Utility Agency of Guam (the "**PUAG**"), which consisted of telephone, power, water and wastewater utilities. The PUAG remained responsible for Guam's water and wastewater systems for the ensuing 44 years. In 1996, the Authority was established as a new semiautonomous, self-supporting agency responsible for Guam's water and wastewater utilities, and began operations on February 1, 1997. In 2002, by virtue of the passage of Public Law 26-76, the Authority converted to its current status as a public corporation, organized and existing as a Guam public corporation under Chapter 14 of Title 12 of the Guam Code Annotated, and authorized to operate and maintain the System for Guam.

The Authority's System provides water service to the entire civilian population of Guam and provides sewer service to a large percentage of Guam's civilian population, plus Andersen Air Force Base and several smaller United States ("**U.S.**") Navy ("**Navy**") facilities. There is, however, a significant civilian population that does not have sewer service, particularly in the northern area of the island where many homes rely on individual septic tanks or other on-site disposal systems. In addition, there are currently two major military installations, Andersen Air Force Base and Naval Base Guam, which occupy large areas on the island. Andersen Air Force Base has its own water and wastewater collection system; however, it does not have a separate wastewater treatment plant and, therefore, the wastewater collected from Andersen Air Force Base is discharged into the Authority's System and treated at the Northern District wastewater treatment plant (the "**Northern District WWTP**"). Naval Base Guam has its own water and wastewater collection system, as well as its own separate wastewater treatment plant. A third military installation, Marine Corps Base Camp Blaz, is currently being constructed. The Marine Corps Base will have its own wastewater collection system and water system, which will serve facilities on the base as they are completed. Marines have begun moving into Marine Corps Base Camp Blaz but full buildout is on-going with completion expected in 2028. The Authority has constructed both a water and wastewater service connection and began treating wastewater collected from Marine Corps Base Camp Blaz at the Northern District WWTP in June 2025. The water service connection is being actively used during the construction of the base and may serve to augment the water source once the base is operational. Intermittent wastewater discharges during construction and individual facility commissioning have occurred, but continuous regular discharge is not expected until the base is in full operation. The Authority also purchases some of

its water supply from the Navy. See "THE SYSTEM." During Fiscal Year 2025, the Authority served an average of 43,693 water customers and an average of 31,188 wastewater customers.* See Table 2 – "Selected Statistics."

The Authority works to provide efficient and reliable service to its customers, operating as a self-sufficient utility while meeting all US EPA and Guam Environmental Protection Agency ("**Guam EPA**") requirements.

Consolidated Commission on Utilities

The Authority is governed by the CCU, a five-member board elected in a general election to staggered four-year terms that is also charged with oversight of GPA. The CCU makes decisions regarding policies, management, budgeting and financing of the Authority's operations. Certain actions, however, such as issuing bonds for financing utility capital projects, also require the approval of the Guam Legislature, the PUC, GEDA, and the CCU. In addition, ratemaking by the CCU is subject to the approval of the PUC, as the regulatory ratemaking body. The Authority may not enter into any contractual agreements or obligations which could increase rates and charges without the prior written approval of the PUC. See "REGULATORY ENVIRONMENT – Regulation of Ratemaking."

The current members of the CCU are:

Francis E. Santos, Chairman. Mr. Santos is serving his third term as an elected CCU Commissioner. He has over 25 years of experience in the private and public sectors, specializing in healthcare and business management. Mr. Santos currently serves as the Corporate Business Development Director for Tan Holdings and TakeCare Insurance. His extensive healthcare experience includes positions as Senior Vice President for Strategic Planning and Business Development for Guam Regional Medical City, Guam's only private accredited hospital, Plan Administrator for StayWell Health Plan, President/Chief Executive Officer of Island Home Insurance Company, and member/director of Global Health Systems, which specializes in wound care and hyperbaric medicine. His public sector service has included an acting appointment as Superintendent of Guam's Department of Education and chairman of the Guam Education Policy Board. Mr. Santos also served as chairman of the board of iLearn Academy Charter School, Guam's second public charter school. Mr. Santos served three terms as a Senator in the Guam Legislature. Mr. Santos' educational background includes an M.B.A. in Health Care Administration from Loma Linda University and a Bachelor's Degree in Business Management from Seattle University. He is a graduate of Father Duenas Memorial School, Guam.

Pedro Roy Martinez, Vice Chairman. Mr. Martinez was sworn into the CCU in March 2021. Mr. Martinez has over 27 years of experience in the government of Guam including roles as the Deputy Executive Manager of the A. B. Won Pat International Airport Authority and the Director of Development and Alumni Affairs at the University of Guam. Prior to his government service, Mr. Martinez gained entrepreneurship experience through his family-owned business, Pedro's, which encompassed an ice plant, cold storage, building rentals, and a retail and wholesale business. Mr. Martinez has also served as Chairman and Treasurer of the Guam Telephone Authority Board of Directors. Beyond his professional endeavors, he currently holds the position of Chairman on the Board of Directors at Coast360 Federal Credit Union. He is also a member of the Father Duenas Memorial School Alumni Association and President of the Parish Council and member of the Finance Council and Knights of Columbus at St. Jude Thaddeus Catholic Church. Mr. Martinez served in the U.S. Air Force and is a retired Master Sergeant with the U.S. Army Reserve. Mr. Martinez has a Master of Public Administration and a B.B.A. in Management from the University of Guam. Mr. Martinez graduated in 1965 from Father Duenas Memorial School, Guam.

Melvin F. Duenas, Secretary. Melvin F. Duenas has served on the CCU since January 2024. He brings over 18 years of experience with the Guam Power Authority and the Guam Army National Guard, holding roles from instrumentation technician to lineman, and earning multiple technical and military awards. He obtained dual Bachelor's degrees in Theology and in the History and Philosophy of World Religions, followed by a Master's degree in Pastoral Ministry and Family Crisis Counseling. He worked as a missionary across Asia, Africa, and the Middle East, and later returned to Guam to serve as a pastor, teacher, and community advocate. A certified educator, Mr.

* Figures differ from those presented in Table 2-1 of APPENDIX A — "CONSULTANT'S FEASIBILITY STUDY" due to certain adjustments made by the Consultant in calculating and presenting the data. See APPENDIX A – "CONSULTANT'S FEASIBILITY STUDY – Guam Waterworks Authority – Table 2-1. FY 2025 Operational Overview."

Duenas has taught science, agriculture, military leadership, and Chamoru language and culture in both high school and elementary levels.

Michael Limtiaco, Commissioner. Mr. Limtiaco was elected to the CCU in 2019. He is currently the Executive Vice President of Pacific Unlimited Inc., and has 25 years of experience in strategic planning, business development, contract administration and operations. Mr. Limtiaco was elected as a Senator and served in the 32nd Guam Legislature. He served as a director on the Guam Memorial Hospital Board and as a transition team member for incoming Executive branch leadership. Mr. Limtiaco holds a B.A. in Business Administration and Business Economics from the University of San Diego.

Simon A. Sanchez II, Commissioner. Mr. Sanchez has served on the CCU since its inception in January 2003 and was its first Chairman for twelve years. He is a former Senator and former Vice Chairman of Guam's Public Utilities Commission. Currently, he also serves as a Director on the Commonwealth Utility Corporation Board for the Northern Marianas. Mr. Sanchez is Vice President/General Manager of Guam Dry Cleaners. He has served on numerous government and civic organization boards including the Guam Chamber of Commerce, the Guam Visitors Bureau, the Guam Hotel and Restaurant Association and the Guam Memorial Hospital. Mr. Sanchez has an M.A. in City and Regional Planning from Harvard University and a B.A. in History from Stanford University.

Key Management Personnel

Following are brief résumés of key management personnel of the Authority. The General Manager, the Chief Financial Officer, and the General Counsel each report directly to the CCU. In early 2026, the General Manager advised the CCU of his intention to retire from the Authority by the end of the calendar year. An interim management plan has been prepared by the General Manager, outlining procedures for continuity of operations, sustained progress on critical initiatives and recommendations for interim management and recruitment. The interim management plan was submitted to and is currently under review by the CCU and transition preparation has been on-going since early 2026. The interim management plan calls for a six to 12-month long recruitment period, and the CCU anticipates opening the recruitment before the end of the calendar year.

Miguel C. Bordallo, P.E., General Manager. Mr. Bordallo joined the Authority as General Manager in January 2016. Mr. Bordallo has over 30 years of experience in environmental/mechanical engineering, and construction in California, Guam and Micronesia. Prior to joining the Authority, Mr. Bordallo was a consulting engineer providing design and design-build services for water and wastewater infrastructure projects and was also vice president of a large construction company on Guam, where he oversaw the construction of John F. Kennedy High School. Mr. Bordallo was previously a partner at the local engineering firm Duenas, Bordallo and Associates, before moving on as Principal and founder of Bordallo Consulting Engineers. Since joining the Authority, Mr. Bordallo has continued the Authority's intensive capital improvement program, built capacity in the management team and reduced reliance on contracted program management, and is focused on improving the Authority's performance in regulatory compliance, comprehensive water loss reduction, asset management, and resource protection. Mr. Bordallo holds a B.S. in Mechanical Engineering with honors from Marquette University in Milwaukee, Wisconsin, and is a licensed professional engineer in Guam.

Taling M. Taitano, CPA, CGFM, CGMA, Chief Financial Officer. Ms. Taitano became Chief Financial Officer of the Authority in September 2019. During the ten years prior to joining the Authority, Ms. Taitano served as Deputy Superintendent of Finance and Administrative Services for the Guam Department of Education and was appointed by the Guam Education Board as the Interim Superintendent of Education from July 2011 through June 2012. She was also a Partner at Deloitte & Touche LLP and the Chief Financial Officer for a major local health insurance company and a banking institution. Ms. Taitano has held leadership positions in various boards and professional organizations including the Guam Board of Accountancy, Guam Society of Certified Public Accountants and the Association of Government Accountants. She holds a Bachelor of Business Administration degree from the University of Hawaii, Manoa, and is a Certified Public Accountant, Certified Government Financial Manager, and Chartered Global Management Accountant.

Theresa G. Rojas, Esq., General Counsel. Ms. Rojas became the General Counsel for the Authority in September 2021. Prior to joining the Authority, she was employed with both government and private sector firms. In private practice Ms. Rojas was a member of the legal team who successfully defended Guam's port agency against an

invalid and unlawful multi-million-dollar arbitration award. Ms. Rojas has successfully argued and won both civil and criminal appeals in the Supreme Court of Guam and previously served as in-house counsel to Guam's largest finance company. Ms. Rojas received her B.A. in Political Science and Economics from Gonzaga University in 2003 and her J.D., *cum laude,* from Cooley Law School, Western Michigan University in 2012. Prior to law school Ms. Rojas was a government auditor holding a Certified Government Financial Manager designation; now inactive.

Thomas F. Cruz, P.E., Assistant General Manager, Operations. Mr. Cruz first joined the Authority in 2006 as a senior engineer supervisor and has subsequently held various other positions before becoming the Chief Engineer in August 2011. In January 2021, Mr. Cruz became the Assistant General Manager for Operations where his current objectives are to ensure all water and wastewater system operations are conducted efficiently, meeting regulatory compliance requirements and in line with the Authority's plan for improved levels of service for its ratepayers. Mr. Cruz is a licensed Civil Engineer on Guam and has over 20 years of engineering experience in projects ranging from roadway design and construction, water distribution and wastewater collection design as well as construction management. Mr. Cruz holds a Bachelor of Science (Civil Engineering) from Kansas State University and an M.B.A. from the University of Phoenix. Mr. Cruz served as Interim General Manager from August 2014 until March 2015.

Brett E. Railey, P.E., Assistant General Manager, Engineering. Mr. Railey joined the Authority in 2008 as a senior engineer supervisor. He is a licensed Mechanical Engineer on Guam. Prior to joining the Authority, he held engineering and management positions at DZSP21 and Raytheon Technical Services Guam. His background includes water treatment and distribution system design, construction and operation, and operation of wastewater treatment and collection systems, steam and demineralized water systems, and baseload power generation systems. Mr. Railey holds a Bachelor of Science (Mechanical Engineering) from the University of Florida. As Assistant General Manager, Mr. Railey's current task objectives are to deliver necessary capital improvement projects for the Authority.

Paul J. Kemp, Assistant General Manager, Compliance and Safety. Mr. Kemp has over 66 years of experience managing and teaching water quality chemistry for natural and industrial waters, drinking water, ultra-high purity water, wastewater treatment, water recovery, and environmental and safety compliance. He has served as Assistant General Manager of Compliance and Safety at the Authority since 2003, and previously held engineering, management, and teaching positions in private industry and higher education. Mr. Kemp serves on the Joint Editorial Board of "Standard Methods for the Examination of Water and Wastewater" and is a member of the American Water Works Association ("AWWA"), the American Chemical Society, Sigma Xi (The Scientific Research Honor Society), and the International Union of Pure and Applied Chemistry. He has received the Lifetime Member Award and the Fuller Award from AWWA and has published technical articles in various journals. Trained as an analytical chemist specializing in spectroscopic methods and water analysis, Mr. Kemp received a B.S. in Chemistry from Iowa State University, an M.S. in Analytical Chemistry from Oregon State University, and conducted postgraduate studies and teaching at the University of Hawaii.

Christopher M. Budasi, Assistant General Manager, Administration and Support. Mr. Budasi has served as Assistant General Manager of Administration and Support since joining the Authority in October 2018, providing leadership across its administrative, financial, and technology functions. He has led several key operational modernization initiatives, including the migration to a cloud-based Enterprise Resource Planning (ERP) system, deployment of a mobile workforce management system, launch of an online customer service portal, and is currently leading the transition from Automated Meter Reading (AMR) to Advanced Metering Infrastructure (AMI). Mr. Budasi brings more than 15 years of executive-level leadership experience in finance, human resources, procurement, and information technology, including senior roles with the Judiciary of Guam and the Guam Legislature, and 17 years in the health insurance industry. Mr. Budasi holds a Bachelor of Arts in Government and a Bachelor of Arts in Economics and Management from Beloit College in Beloit, Wisconsin.

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THE SYSTEM

The System is comprised of the Authority's water and wastewater systems, each of which is further described herein. The following table presents selected statistics regarding Authority operations for Fiscal Year 2025. See also "HISTORICAL AND PROJECTED OPERATING RESULTS." The Authority's Fiscal Year is currently October 1 – September 30.

Table 2
Selected Statistics
Fiscal Year 2025

Average Number of Water Customers[(1)]	43,693
Average Number of Wastewater Customers[(1)]	31,188
Annual Water Sales (million gallons)[(1)]	5,100
Annual Wastewater Collection (million gallons)[(1)]	3,953
Operating Revenues[(2)]	$143,689,797
Gross Investment in Utility Plant	$1,332,869,187
Net Utility Plant Investment	$852,213,105
Total Equity	$358,158,959
Net Current Assets	$150,609,614

(1) Figures differ from those presented in Table 2-1 of APPENDIX A — "CONSULTANT'S FEASIBILITY STUDY" due to certain adjustments made by the Consultant in calculating and presenting the data. See APPENDIX A – "CONSULTANT'S FEASIBILITY STUDY – Guam Waterworks Authority – Table 2-1. FY 2025 Operational Overview."

(2) Includes bad debt expense but excludes revenues from System Development Charges. See "– System Development Charges."

Source: Guam Waterworks Authority.

The Water System

The Authority's water supply system consists of: (i) 120 wells (98 of which were operating and four of which were on standby as of August 31, 2026); (ii) one active production spring (the "**Santa Rita Spring**"), as further described below; (iii) one surface water treatment plant, the Ugum Water Treatment Plant (the "**Ugum WTP**"); (iv) one "Maui" well (the "**Tumon Maui Well**"), as further described below; (v) 30 booster pump stations, all of which are currently in service; (vi) 32 active reservoirs/tanks in service having a total active volume of 36.7 million gallons ("**mg**"); (vii) five additional reservoirs currently under or scheduled for repair/rehabilitation with expected total active volume of 6.5 mg; (viii) approximately 586 miles, including some 2-inch distribution lines, of water distribution pipelines; and (ix) approximately 3,800 fire hydrants. In addition, the Authority is in the process of constructing three additional reservoirs with expected total active volume of 7.0 mg.

Water Supply. Water sources on Guam include groundwater, surface water and springs, all of which are replenished by rainfall on Guam. Trade winds blow over Guam throughout the year and are responsible for significant rainfall and a relatively constant temperature between 76 and 88 degrees Fahrenheit throughout all seasons. Annual rainfall averages 80 inches in the western coastal area to 110 inches in the highest mountain locations in the south. Three-quarters of the total annual rainfall occurs between the months of June and December. The source of all fresh water on Guam is rainfall, whether as runoff and stored in reservoirs in southern Guam, or as recharge in the groundwater aquifer of northern Guam. According to the National Weather Service, total annual rainfall on Guam averaged approximately 99 inches in the last 20 years (2006-2025), with total annual rainfall at a high of approximately 140 inches in 2023. Because the source of all freshwater resources on Guam is rainfall, Guam's water resources are vulnerable to changes in precipitation. In addition to water produced at its own facilities from these three water sources, the Authority purchases water from the Navy.

Topographic features divide Guam into northern and southern areas. Because of the island's topography, potable water comes from groundwater in the northern portion of the island and primarily from surface water in the southern portion of the island.

Groundwater. The Authority's groundwater wells provide approximately 90% of the Authority's water supply. In the north, a limestone plateau, bordered by steep cliffs, slopes southwesterly from an elevation of 600 feet to less than 100 feet at the midsection of the island. The plateau surface is generally flat and is interrupted by three hills: Barrigada Hill (elevation 665 feet), composed of a limestone dome, and Mount Santa Rosa (elevation 858 feet) and Mataguac Hill (elevation 630 feet), both composed of volcanic rock. There are no perennial streams within the northern area due to the permeability of the limestone. The main groundwater source is located under the plateau. The rainfall percolates through the limestone and forms a freshwater "lens" that floats at approximately sea level above deeper, higher density brackish and saltwater. Previous studies of the Guam aquifers have concluded that the freshwater lens under the northern part of the island can provide a maximum sustainable water supply of up to 80 million gallons per day ("**mgd**"). As of August 31, 2026, the Authority pumped approximately 36 mgd of groundwater, or about 45% of the sustainable yield, and the Navy and the U.S. Air Force (the "**Air Force**") collectively pumped approximately 4.6 mgd of groundwater, with an additional 0.2 mgd by other users, indicating total groundwater extraction of approximately 40.8 mgd, or about 51% of the sustainable yield.

The Water Resources Master Plan Update (2018-2037), completed in 2018, estimated that the Authority's groundwater requirements would increase to approximately 39.1 mgd by 2025. The Authority's actual groundwater requirements for Fiscal Year 2025 were 36.6 mgd average day demand. In addition, the U.S. Department of Defense ("**DOD**") projected an additional need for 1.7 mgd to support the U.S. military realignment above the 3.0 mgd of groundwater pumped at that time. Using the Authority's actuals and projected DOD demand, this would bring the total projected groundwater demand to 41.3 mgd, or 52% of the 80 mgd sustainable yield in 2025, assuming there were no improvements in water loss from current non-revenue water loss rates.

The Interim WRMP Update (as defined herein), completed in 2025, identifies a delay in the planned U.S. military realignment, citing actual active Marine Corps personnel on Guam as of 2023 at 117 personnel, contrasted to the 2018 WRMP Update projection of 4,282 active-duty Marines by the same year. The Interim WRMP Update, which does not take into account the DOD's population increase estimates relating to the military buildup that were most recently updated in 2025, assumes that the full contingent of Marines and dependents (6,500) will arrive between 2024 and 2028.

In December 2013, the United States Geological Survey (the "**USGS**") completed a study of Guam's groundwater resources to determine the impacts of climate scenarios and recharge on the sustainable yield, and also to assess the impacts of increased pumping to accommodate the proposed military realignment. The results indicated that the groundwater resources can be used to meet the anticipated future needs; however, the groundwater resources will need to be managed during an extended drought to maintain acceptable salinity levels. As a result of the Supplementary Environmental Impact Statement and Record of Decision for the U.S. military realignment (as further described herein), released by the DOD in 2015, the DOD and the Authority partnered in the rehabilitation of 13 existing and installation of seven new observation wells for the Northern Guam Lens Aquifer (the "**NGLA**") for the purpose of improving data collection from the aquifer and management of the groundwater resources. This rehabilitation and installation work was completed in 2022. See also "FUTURE SYSTEM CAPITAL REQUIREMENTS – U.S. Military Realignment."

Upon completion of the NGLA observation well project, the DOD and the Authority signed a *Memorandum of Agreement to Address the Co-Management and Protection of the Northern Guam Lens Aquifer* on October 21, 2022, with the stated objective of sustaining and improving the NGLA observation well system to protect Guam's sole source aquifer, which serves both the DOD's and the Authority's water systems.

Wells are used to extract the groundwater for use. The Authority owns 120 wells, and well capacity varies from less than 100 gallons per minute ("**gpm**") to over 500 gpm. The number of wells in service varies from day to day to meet system needs. For the month of August 2026, of the 120 wells, 98 wells were operating to meet system demands, four wells were in standby mode, eight wells were secured and two were secured pending the addition of treatment for perfluorooctanesulfonic acid ("**PFOS**") and perfluorooctanoic acid ("**PFOA**") contamination, as further discussed herein, eight wells were out of commission. Out-of-commission wells are out of service due to various reasons, including screen failure, casing failure, air production, etc. The out-of-commission wells are not considered necessary to meet the Authority's daily water needs, and constitute 4.5% of the Authority's 40.1 mgd of permitted well capacity. Most of the Authority's wells are drilled to below sea level to "tap" the basal aquifer, a freshwater lens that extends below sea level. The capacity of individual basal aquifer wells averages approximately 230 gpm which

is designed to avoid localized over-pumping of the aquifer. The 2018 WRMP Update identifies several recommended capital improvement projects, including an on-going well rehabilitation program, well equipment overhaul program, capacity enhancement program for new well development and a well repair program to address pump upgrades, safety equipment upgrades, pump pedestal upgrades, replacement discharge piping, new chlorination equipment, electrical improvements and site work. Some of this work has been completed and capital projects for the continuing well rehabilitation program are included in the 2026-2030 Capital Program Projections (as defined and further described herein) and the Interim WRMP Update. The Authority also determined that many of the production flow meters measuring output at the wells were not functioning properly. The Authority completed the replacement of flow meters for 65 production wells in 2023. The Authority has re-constructed five of the existing wells, has completed the design to rehabilitate four additional wells and has plans to drill three new wells over the next two to three years. Pilot holes and capacity testing have been completed for these three new wells. The Authority anticipates construction of these wells will begin in 2027. The increased availability of these wells is expected to supplement the current production capacity and allow for maintenance on other wells and provide operational flexibility and redundancy, in an effort to strengthen the water system.

As part of the One-Guam Initiative (as further described herein), the Authority operates the Navy-owned Tumon Maui well. A "Maui" well is a horizontal tunnel excavated at the groundwater surface for the collection of fresh potable water. The Tumon Maui well has a design flow rate of 1.3 mgd and typically supplies on average 1.0 mgd, approximately 2.6% of the Authority's total annual water supply. See also "THE SYSTEM – One-Guam Initiative."

The Authority also operates the water system for A. B. Won Pat International Airport Authority, Guam ("**GIAA**"). GIAA has three wells with two currently operational and a 1.5 mg storage tank. The wells are turned on and off as needed to keep the storage tank within the required levels since the well pumping capacity exceeds the airport demand. GIAA wells all have some level of contamination and include carbon filter treatment before water is pumped into the storage tanks. As of August 31, 2026, the average demand of the GIAA system is approximately 0.44 mgd.

Springs. The Authority owns five springs located in the southern and central areas of the island, two of which have been developed for useful water production. Only one spring, the Santa Rita Spring, has been consistently used, producing less than 1.0 mgd, or approximately 0.8% of the Authority's total water supply. In addition, the Authority has a project planned to rehabilitate the currently inactive Asan Springs, which was built in 1929. Based on historical data, Asan Springs should produce approximately 0.4 mgd. The design phase has been completed; however, this project has been delayed due to property issues with U.S. Department of the Interior, National Park Service, who owns land on which part of the reservoir is located.

Surface Water. Surface water sources comprise approximately 9.1% of the Authority's total water supply. Generally, surface water resources are available in the southern portion of Guam, which is of volcanic origin and mountainous. A nearly continuous mountain ridge parallels the coastline from Piti (mid-island on the west side) to Guam's southern tip. Several peaks in the ridge exceed 1,000 feet, with Mount Lamlam being the highest at 1,332 feet. The southern portion has more than 40 streams draining into the sea. The only large surface impoundment on the island for potable water, the Fena Valley Lake Reservoir, is located approximately 2.5 miles southeast of Santa Rita.

The Authority currently operates the Ugum WTP, which treats surface water collected from the Ugum River in southern Guam and supplies approximately 4.0% of the Authority's total water supply. The design flow rate of the Ugum WTP is 4.0 mgd; however, the Ugum WTP cannot always operate at full capacity when flows in the Ugum River are low or there is high turbidity in the Ugum River due to heavy rainfall. The current production rate is approximately 2.2 mgd, which is sufficient to meet the demand for the service area. Improvements to the Ugum WTP were completed in 2024, including the complete replacement of the 15-year-old membrane system, new raw water pumps, thickener assembly, valves and process pumping systems. A new 2.0 mg concrete tank is under construction. After resolving delays associated with the foundation piles and unknown subsurface soil conditions, the tank is expected to be completed by the last quarter of 2026.

Navy Water. To help supply its customers on the southern part of Guam, the Authority also purchases water from the Navy pursuant to the terms of a 1982 Memorandum of Agreement under which the Authority is permitted to

purchase up to 4.39 mgd (approximately 1,602 mg annually). After 2009, however, the Navy requested that the Authority work to reduce the total water purchases to a maximum of 3.5 mgd (approximately 1,277 mg annually). Although the 1982 Memorandum of Agreement has expired, the Authority and the Navy continue to operate in accordance with its provisions, while both parties undertake the development of a new utility service agreement, which is expected to be finalized later in 2026. See "—One-Guam Initiative" below.

The Navy collects surface water in the Fena Valley Lake Reservoir and also obtains spring water from the Almagosa and Bona Springs. The combined spring production ranges from 0.17 mgd up to 2.0 mgd; however, these springs have fluctuating water quality and are not used when the water quality is low and, therefore, are not a continuous water source. The surface water and spring water are treated at the Fena Water Treatment Plant (the "**Fena WTP**"), which is owned by the Navy and operated by a private contractor.

Annual water purchase costs have averaged approximately $7.1 million over the past five Fiscal Years. The Navy initially sets water rates for a full fiscal year and such rates are subject to periodic adjustments. Customers, including the Authority, are required to prepay based on rates initially set by the Navy that may be adjusted on a quarterly basis. Over the past five years, the Navy's water rates have fluctuated significantly. For example, the Navy increased its water rates from $10.36 to $24.07 per kgal in Fiscal Year 2024, then subsequently reduced the water cost from $24.07 to $10.89 per kgal in Fiscal Year 2025, and from $10.89 to $8.30 per kgal in Fiscal Year 2026. For Fiscal Year 2027, the DOD has established the water cost to be $12.00 per kgal. If the Navy were to continue to significantly increase rates, the Authority would expect to reflect those increased rates in its annual rate review by the PUC; however, no assurance can be given that the PUC would increase rates sufficient to address all increased purchased water costs. See "REGULATORY ENVIRONMENT – Regulation of Ratemaking."

The Authority's purchase volumes have also fluctuated significantly over the past five years. In Fiscal Year 2025, the Authority purchased approximately 75 mg of water from the Navy, or approximately 5.0% of the Authority's total demand, a decrease of approximately 6.5% from the amount purchased in Fiscal Year 2024. The decrease reflects the Authority's ongoing efforts to reduce reliance on Navy-supplied water to the central area by redirecting supply from wells in Agana Heights and Mongmong, a capability further enhanced by the completion of a valve station replacement in July 2025.

The Authority intends to continue reducing the amount of water purchased from the Navy by repairing leaks and addressing flow and pressure issues within the System. The Authority's projections for water to be purchased from the Navy in Fiscal Years 2026-2030 are set forth in Table 3 – "Historical Water Requirements."

Water Requirements. The actual average supply requirement for the Authority's System during Fiscal Years 2021 through 2025 was approximately 14,678 mg; however, average actual water billed in the System during the same period, based on the Authority's water sales, was approximately 5,180 mg, meaning average annual unaccounted for (or non-revenue) water in the System during this time period was approximately 64.7% of the water delivered to the System. The difference between supply and billed consumption is due to, among other things, leakage, malfunctioning production and/or customer meters, and water used for the Authority's own use at its facilities, water for line flushing, hydrant tests and maintenance, fighting fires, and similar activities. See "– Water Loss Control Program – *Non-Revenue Water*."

The following table shows by sources and uses the Authority's historical water requirements for Fiscal Years 2021 through 2025 based on audited billing information for Fiscal Years 2021 through 2025 and projected water requirements for Fiscal Years 2026 through 2030. Projected data reflect, among other things, the following: (i) with respect to Authority production, assumptions of annual reductions in production rates in certain wells to align with regulatory requirements, ongoing non-revenue water management efforts and prospective military realignment requirements; (ii) with respect to and Navy water purchases, assumptions of reduction of Navy water purchases where the Authority's sources can be used, and implementation of pipe replacement/loss reduction projects in areas served by Navy sources; and (iii) with respect to billed water usage, conservative assumptions include 0.75% decrease for Fiscal Year 2026 relative to Fiscal Year 2025, and 0.15% average increase, on a compounded basis, for Fiscal Year 2026 through Fiscal Year 2030.

Table 3
Historical Water Requirements
Fiscal Years 2021 through 2025
(gallons in millions)

	2021	2022	2023	2024	2025
Sources					
Authority Production[(1)]	14,030	14,175	13,762	14,164	14,058
Purchases from Navy[(2)]	565	476	591	810	757
Total Sources*	14,595	14,651	14,353	14,974	14,815
Uses					
Billed Water[(3)]	5,340	5,280	5,062	5,119	5,100
Non-Revenue Water	9,255	9,371	9,291	9,855	9,715
Total Uses*	14,595	14,651	14,353	14,974	14,815

(1) Historical values for Fiscal Years 2021 through 2025 are based on the Authority's water system production reports. Projections for Fiscal Years 2026 through 2030 are based on five-year actual annual average (2021-2025) with adjustments year over year to align production rates to permit values and general reductions from continued implementation of the water loss control program.

(2) Historical values for Fiscal Years 2021 through 2025 are based on actual purchases. Fiscal Year 2023 and 2024 values reflect increased purchases during post-Typhoon Mawar response and recovery and to augment the Authority's supply in isolated areas resulting from a failed valve station.

(3) Historical values for Fiscal Years 2021 through 2025 are based on billing data and includes post-billing adjustments.

* Totals may reflect rounding.

Source: Guam Waterworks Authority.

Water Distribution System. The Authority's water distribution system includes an extensive network of transmission and distribution pipelines, booster pump stations, reservoirs/tanks and approximately 3,800 fire hydrants.

Pipelines. The existing piping network comprises approximately 586 miles of ductile iron, polyvinyl chloride ("**PVC**"), cast iron, asbestos cement, and galvanized steel pipe. Approximately 80 miles of piping is documented to have been installed prior to 1980, approximately 246 miles of piping was installed between 1980 and 2011, and approximately 260 miles of piping has no documented installation date but a significant portion is expected to be older piping installed during the Navy period of control. Up to 15 miles of piping is constructed of 2-inch diameter or smaller pipe, up to 7.5 miles of which may be constructed of galvanized steel, which is believed to be a significant source of System leaks due to the poor corrosion resistance of buried steel pipe and poor construction practices. The Authority's water system does not include any documented or known lead pipes. The Authority completed the US EPA required lead service line inventory in accordance with federal timelines.

Booster Pump Stations. The Authority has 30 booster pump stations, all of which are currently in service. Eighteen of the 30 active booster pump stations are equipped with working emergency generators, one station is pending generator replacement and eleven are served by portable generators to ensure continued operation during power failures. Upgrades to six of the pump stations have been completed over the past 10 years. The upgraded southern pump stations allow the Authority to bypass water tanks for routine inspection and maintenance. The booster pump stations include 71 pumps, 94% of which were operational as of August 31, 2026.

The Authority assessed all water booster pump stations as part of the 2018 WRMP Update and developed recommendations for prioritized upgrades to all systems. The Authority has completed 12 booster pump station upgrades since 2013. Some of the upgrades and several new pump stations have been completed as part of the Authority's on-going capital improvement of water reservoirs. Rehabilitation of other pump stations is still required. The scope of the recommended improvements includes pump and mechanical upgrades, site improvements and structural and electrical upgrades. The 2026-2030 Capital Program Projections includes projects for continued upgrades to the existing booster pump stations.

Reservoirs. The Authority currently has 33 reservoirs, 32 of which are currently in active use having a total capacity of 36.7 mg and five of which are pending repair, rehabilitation or replacement, having a total capacity of 6.5 mg. The Authority's reservoirs are predominantly ground-level tanks. New tanks are made from concrete while older

tanks are made from steel. There are no steel-elevated tanks still in service. In addition, the Authority is in the process of constructing three additional concrete reservoirs with expected total capacity of 7 mg. Once the three additional reservoirs are completed and repairs are made to the off-line reservoirs, the Authority expects to have a total of 36 reservoirs having a total capacity of 45.1 mg.

The 2011 Court Order originally required a hydraulic analysis to assess the adequacy and guide the repair, rehabilitation, or replacement of 36 of the Authority's then-existing water storage reservoirs. The hydraulic analysis determined that some of the reservoirs should be demolished and replaced with new reservoirs while other reservoirs should be repaired or rehabilitated, which requires reservoirs to be taken offline and the use of pumped bypasses or temporary reservoirs to facilitate repairs. In 2023, the Guam District Court approved a revised hydraulic analysis submitted by the Authority, after review and concurrence by US EPA, determining that the repair/rehabilitation/replacement of four of the original 36 reservoirs were no longer hydraulically required due to improvements in the distribution network, thereby reducing the total number of reservoirs requiring capital improvements under the 2011 Court Order to 32. As of August 31, 2026, 28 of those reservoirs have been repaired or replaced with new reservoirs and eight reservoirs remain to be completed (five are in the process of rehabilitation; three are currently under construction). The current completion deadline for this final project is December 31, 2026. On July 2, 2025, the Authority determined that issues with subsurface soil conditions for the foundation of one of the storage tanks will require additional time for construction completion. The Authority notified the US EPA and other relevant parties of this unforeseen delay. In December 2025, the Authority filed, and the Guam District Court approved an extension from December 31, 2025 to December 31, 2026. For more information regarding the 2011 Court Order, see "REGULATORY ENVIRONMENT – Environmental Regulations – *2003 Stipulated Order and 2011 Court Order*." Furthermore, three of the four reservoirs that are no longer hydraulically required are under contract for optional repair and/or rehabilitation.

The Wastewater System

General. The Authority provides wastewater service to a portion of Guam's general population, Andersen Air Force Base, Marine Corps Base Camp Blaz, and some U.S. Naval facilities in the northern end of the island. The main U.S. Naval base located in southern Guam is served by its own wastewater collection and treatment system. For planning purposes, Guam is divided into seven wastewater districts based on population distribution and the topography of the island: Northern District, Hagåtña, Agat-Santa Rita, Umatac-Merizo, Inarajan, Baza Gardens and Pago Socio. The Authority's wastewater system includes six wastewater treatment plants and an extensive collection system.

Unlike the Authority's water system, which serves essentially the entire civilian population of Guam, there is a significant percentage of the population that is not served by the Authority's wastewater system. This is particularly true in the northern area of Guam, where many homes rely on individual septic tanks or other on-site disposal systems. Based on a comparison of the average number of water customers and wastewater customers for Fiscal Year 2025, approximately 12,450 customers, or approximately 28.5% of water system customers (primarily residential), do not have sewer service.

Wastewater Collection Systems

General. The Authority's wastewater collection systems consist of approximately 330 miles of gravity sewer pipes and force main pipes that collect sewage and transport it to the six wastewater treatment plants. There are 84 wastewater pump stations (all of which were active as of August 31, 2026) with 186 individual pumps (88% of which were operational as of August 31, 2026) and 7,310 manholes. The older portions of the wastewater collection system date back to the 1940s. Although the majority of the piping material is PVC and asbestos cement, the System also includes concrete, iron, clay, polyethylene plastic and other materials.

System Condition. The overall condition of the wastewater collection system is poor to fair. Approximately 34% of the piping is constructed of asbestos cement, which has experienced accelerated rates of corrosion in certain sections of the collection system. Because of the poor condition of such piping, repair or replacement will be necessary for most of the asbestos cement piping in the future. The Authority has completed five projects over the past six years to address the asbestos cement piping issues by repairing or replacing approximately 11 miles of the asbestos cement pipe in the system, and more projects are planned.

The Authority completed infiltration and inflow analyses and sewer system evaluation surveys ("**SSES**") for northern, central, and southern wastewater collection service areas, and subsequently initiated repairs of identified acute defects and correction of areas of infiltration and inflow. The Authority completed cleaning and closed circuit television ("**CCTV**") inspections of the system in accordance with the requirements of the 2011 Court Order and maintains an on-going cleaning and CCTV program for maintenance of the wastewater collection system. A "hot spots" program was established to address areas identified with the SSES and CCTV work as requiring frequent cleaning, such as sags in the line. Intensive maintenance of these "hot spots" will continue until permanent repairs to the lines can be completed. The Authority utilized the information from these surveys, CCTV, and maintenance programs to inform capital improvements needed as part of the 2018 WRMP Update. The Authority's capital improvement program places significant emphasis on wastewater collection system repair and rehabilitation. As an example, the Authority completed a construction contract for the first phase of "hot spot" repairs and has also completed a $30 million cured-in-place-pipe ("**CIPP**") rehabilitation of nine miles of the Northern District WWTP sewer interceptor. Additionally, the Authority completed all construction for the two-phases of CIPP rehabilitation of gravity sewer mains from Asan to Hagatna in June 2022. Over the last 11 years, the Authority has completed approximately 20 miles of rehabilitated sewer infrastructure.

The Authority's capital improvement program includes projects to rehabilitate or replace collection system elements to reduce the inflow into the sewer system and lower the flow rates in the collection system and into the wastewater treatment plants. The 2026-2030 Capital Program Projections includes projects to rehabilitate wastewater pump stations and an ongoing supervisory control and data acquisition (SCADA) master plan project to provide centralized monitoring and reporting of the pump stations. See "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program."

Wastewater Treatment Plants. The Authority owns and operates six wastewater treatment plants. The following section describes the existing wastewater treatment plants.

Northern District WWTP. The Northern District WWTP, one of the Authority's two largest wastewater treatment plants, serves approximately 76,000 people in the northern area of Guam. The facility has an ocean outfall, constructed in 2009, consisting of a large diameter pipe extending over 1,850 feet away from shore to discharge treated effluent into the Philippine Sea at a depth of approximately 150 feet. The Northern District WWTP has a design capacity of 12.0 mgd; however, the 2011 Court Order currently limits the average daily flow to 9.0 mgd. The Northern District WWTP is currently treating approximately 4.8 mgd (approximately 49.9% of the Authority's average daily treatment). Although treatment volumes are expected to increase when Camp Blaz is at full capacity, upgrades at the Northern District WWTP were designed for, and can accommodate such increased flows.

The Northern District WWTP is operating in compliance with its current NPDES permit, issued by the US EPA in 2020, which requires secondary treatment. The Authority completed a project to upgrade the Northern District WWTP to secondary treatment in August 2022. The Authority has completed its NPDES permit renewal application for the four wastewater treatment plants requiring an NPDES permit, including the Northern District WWTP; existing permits have been administratively extended until permits are approved.

In connection with the U.S. military realignment on Guam, a new DOD wastewater collection system will be constructed on property owned by the DOD and tied into the Authority's wastewater collection system. The main connection from the DOD's collection system to the Authority's wastewater collection system is complete, however, additional facilities and collection system infrastructure on Camp Blaz are needed and under construction. The wastewater will then be conveyed to the Northern District WWTP for treatment and disposal. Starting in 2023, a portion of the recently constructed sewer collection system for Marine Corps Base Camp Blaz was tested and initial test flows were discharged to the Authority's collection system. Marines have begun moving into Marine Corps Base Camp Blaz but full buildout is on-going with expected completion by approximately 2028. The Authority began treating wastewater collected from Marine Corps Base Camp Blaz at the Northern District WWTP in June 2025. In accordance with the population increase estimates set forth in the 2015 SEIS and Record of Decision, the U.S. military realignment was expected to increase wastewater flows by 1.2 mgd. This would have a significant indirect but manageable impact on the Northern District WWTP. The Authority has not yet evaluated the detailed impact of the DOD's population increase estimates relating to the military buildup most recently updated in 2025. However, the recent upgrades at the Northern District WWTP included sufficient capacity, in its current configuration, to accommodate growth beyond original Marine Corps Base projections. The upgrades also include provisions for further

expansion to accommodate significant additional future growth. See also "FUTURE SYSTEM CAPITAL REQUIREMENTS – U.S. Military Realignment."

Hagåtña WWTP. The Hagåtña wastewater treatment plant (the "**Hagåtña WWTP**"), one of the Authority's two largest wastewater treatment plants, serves approximately 82,645 people in the central area of Guam. The facility has an ocean outfall, constructed in 2008, consisting of a large diameter pipe extending approximately 2,120 feet away from shore to discharge the treated effluent into the Philippine Sea at a depth of approximately 275 feet. The Hagåtña WWTP has a design capacity of 12.0 mgd and is currently treating approximately 3.39 mgd (approximately 35.6% of the Authority's average daily treatment).

The 2011 Court Order mandated that the Hagåtña WWTP comply with its then-existing NPDES permit. Accordingly, the Authority completed interim treatment improvements in 2013 and an upgrade of the plant to provide chemically enhanced primary treatment in 2014. The Authority is currently in compliance with the 2011 Court Order with respect to the Hagåtña WWTP. However, the US EPA subsequently issued an NPDES permit for the plant that became effective in 2013, which includes secondary treatment standards that the existing facility is unable to meet until secondary treatment upgrades are implemented. The US EPA issued a renewed NPDES permit in 2020, which also includes secondary treatment standards. The Authority originally estimated that the design and construction necessary to satisfy the secondary treatment requirements would take approximately five years, and the cost of upgrading the Hagåtña WWTP would be approximately $268 million (in 2023 dollars) based on planning conducted as part of the Authority's 2018 WRMP Update. The US EPA has issued interim effluent limits with which the Authority is in compliance, however, pursuant to the 2024 Partial Consent Decree, the Authority is required to submit a feasibility study for secondary treatment upgrades to the Hagåtña WWTP to the US EPA by August 2031 for review and approval. The feasibility study is required to include analyses of design options, alternative locations, climate change and sea level rise, and planning level construction cost estimates and construction timelines. The Authority contracted with an engineering firm to perform the study; the CCU approved the contract (Resolution No. 25-FY2026) at their May 26th meeting. See "REGULATORY ENVIRONMENT – Environmental Regulations – *2024 Partial Consent Decree*."

The Authority has completed its NPDES permit renewal application for the four wastewater treatment plants requiring an NPDES permit, including the Hagåtña WWTP; existing permits have been administratively extended until permits are approved.

Agat-Santa Rita WWTP. The Agat-Santa Rita wastewater treatment plant (the "**Agat-Santa Rita WWTP**") was completed in 2018. It serves approximately 2,300 people in the Agat-Santa Rita and the Baza Gardens wastewater districts. The Agat-Santa Rita WWTP has a design flow rate of 1.6 mgd during dry weather and 9.3 mgd during wet weather. The current average daily flow is 1.0 mgd (approximately 10.6% of the Authority's average daily treatment). The effluent from the plant is sent through a combined outfall shared with the Navy's Apra Harbor wastewater treatment plant and discharged to the ocean through the Tipalao Bay outfall. The outfall terminates at a diffuser located approximately 1,750 feet from shore at a depth of 130 feet. The Agat-Santa Rita WWTP is operating in compliance with its current NPDES permit, issued by the EPA in 2020, which requires secondary treatment. The Authority has conducted infiltration and inflow analyses and SSES at the Agat-Santa Rita WWTP, which have shown reported instances of excessive infiltration and inflow enter into the sewer collection system. Some collection system repairs have been completed and other repair and rehabilitation projects are under way in Agat and Santa Rita to reduce such inflows. In addition, the upgraded Agat-Santa Rita WWTP includes sufficient equalization storage to meter wet-weather inflows so the plant operates within its current NPDES permit conditions.

The Authority has completed its NPDES permit renewal application for the four wastewater treatment plants requiring an NPDES permit, including the Agat-Santa Rita WWTP; existing permits have been administratively extended until permits are approved.

Umatac-Merizo WWTP. The Umatac-Merizo wastewater treatment plant (the "**Umatac-Merizo WWTP**") is located between the villages of Umatac and Merizo and serves approximately 4,000 people. An upgrade to the Umatac-Merizo WWTP was completed in 2019 and included improvements to the aeration basin and overland percolation fields, as well as new pump station, upgrades to the existing pump station, a new effluent storage tank and disinfection facility. The plant has a permitted capacity of 0.39 mgd and a current average daily flow of 0.32 mgd (approximately 3.4% of the Authority's average daily treatment). Although the Umatac-Merizo WWTP is a non-discharging facility most of the year, the current NPDES permit, issued by the EPA in 2020, allows it to discharge treated effluent during the wet season (generally June through September) to the Toguan River. During dry weather, treated effluent is disposed in wetland treatment system terraces, where evapotranspiration and percolation of treated effluent occurs. The Umatac-Merizo WWTP is operating in compliance with its current NPDES permit, issued by the US EPA in 2020. The Authority has completed its NPDES permit renewal application for the four wastewater treatment plants requiring an NPDES permit, including the Umatac-Merizo WWTP; existing permits have been administratively extended until permits are approved.

Inarajan WWTP. The Inarajan wastewater treatment plant (the "**Inarajan WWTP**") is located north of the village of Inarajan. The Inarajan WWTP has a design capacity of 0.19 mgd, and the current daily flow is 0.05 mgd (approximately 0.6% of the Authority's average daily treatment). Treated effluent is discharged to percolation basins. Because the facility does not discharge to surface waters, it is not subject to an NPDES permit. The Inarajan WWTP is currently in compliance with applicable discharge requirements.

Pago Socio WWTP. The Pago Socio wastewater treatment plant (the "**Pago Socio WWTP**") is the smallest wastewater treatment plant owned and operated by the Authority, providing less than 1% of the Authority's wastewater treatment capacity. The Pago Socio WWTP does not discharge to surface water; influent is treated in a centralized septic tank and effluent is disposed via leach fields. Because the facility does not discharge to surface waters, it is not subject to an NPDES permit. The Pago Socio WWTP is currently in compliance with applicable discharge requirements. The Authority plans to convert the Pago Socio WWTP to a pump station, abandon the plant and transfer the influent wastewater to the Hagåtña WWTP in the future.

See also "REGULATORY ENVIRONMENT – Environmental Regulations – *Compliance with the CWA – Wastewater System*" and "FUTURE SYSTEM CAPITAL REQUIREMENTS."

One-Guam Initiative

The framework for the cooperation on water utilities between the Authority and the Navy (the "**One-Guam Initiative**") began in 2010 with a memorandum of understanding intended to provide the mechanism by which utility services could be improved to address impacts from the planned U.S. military realignment. Significantly, it called for cooperation between the Authority, the Navy and their respective leadership in ensuring the long term, sustainable management of the Northern Guam Lens Aquifer. This led to another memorandum of understanding in 2016 (the "**2016 MOU**") which expanded the cooperation between the Authority and the Navy and called for the expansion and rehabilitation of the aquifer observation well system.

The 2016 MOU also called for a "proof-of-concept" project to demonstrate the Authority's ability to operate the Navy-owned Tumon Maui Well water production facility to the Navy's reliability, safety and security requirements. The Authority successfully completed that proof-of-concept project and has been operating the facility and another production well under license from the Navy for nearly 10 years. The Authority has completed or is in the process of conducting additional inter-operability projects with the Navy, including system inter-ties at jointly sited water reservoirs, and supply exchange points to facilitate major maintenance operations. More recently, the Authority and the Navy are pursuing joint evaluation of per- and polyfluoroalkyl substances ("**PFAS**") treatment technologies for implementation in advance of new federal safe drinking water regulations. Additionally, agreements have been put in place for data sharing and cybersecurity coordination, and joint hydraulic modeling and master planning coordination are under consideration.

The One-Guam Initiative continues to be a vehicle through which the Navy and the Authority achieve coordinated cooperation for utility operations, training, and capital improvements. There have also been several shared training sessions amongst the respective staff of each entity, and a commitment to further pursue such activity going forward. The Authority and the Navy executed a *Memorandum of Agreement to Address the Co-Management*

and Protection of the Northern Guam Lens Aquifer in October 2022 with the stated objective of sustaining and improving the NGLA observation well system to protect Guam's sole source aquifer, which serves both the DOD's and the Authority's water systems. Following the aftermath of Typhoon Mawar in 2023, the Authority and the Navy executed the *Intergovernmental Support Agreement for Water and Wastewater Goods and Support Services* in July 2023, which establishes the terms and conditions under which the parties may provide each other mutual assistance of water and/or wastewater goods and support services for a period of 10 years. Finally, the Navy and the Authority continue to work on the development of an updated utility services agreement governing the mutual provision of potable water and wastewater services between the two parties' infrastructure. It will be a 10-year agreement covering rates, billing, metering, water quality, outages, and dispute resolution — essentially formalizing the ongoing service relationship between the Authority and Navy installations on Guam. The agreement is expected to be finalized later in 2026.

Customers

Water Customers. The following table shows water demand and water sales revenues by customer class for Fiscal Year 2025.

Table 4
Water Demand and Water Revenues by Customer Type
Fiscal Year 2025

Customer Type	Water Demand (million gallons)	Percent of Total Water Demand	Water Revenues (in '000s)	Percent of Total Water Revenues
Residential	3,065	60%	$46,833	51%
Commercial[(1)]	902	18	20,081	22
Hotel	686	13	14,588	16
Government & Federal	447	9	9,920	11
Total[(2)]	5,100	100%	$91,423	100%

(1) Includes agricultural, golf course, commercial, and irrigation uses.
(2) Totals may not add due to rounding.
Source: Guam Waterworks Authority

Wastewater Customers. The following table shows wastewater flows and wastewater sales revenues by customer class for Fiscal Year 2025.

Table 5
Wastewater Flows and Wastewater Revenues by Customer Type
Fiscal Year 2025

Customer Type	Wastewater Flows (million gallons)	Percent of Total Wastewater Flows	Wastewater Revenues (in '000s)	Percent of Total Wastewater Revenues
Residential	1,847	47%	$12,394	23%
Commercial	551	14	10,314	19
Hotel	455	12	12,814	24
Government & Federal	1,099	28	18,040	34
Total[(1)]	3,953	100%	$53,562	100%

(1) Totals may not add due to rounding.
Source: Guam Waterworks Authority.

Largest Customers. The following two tables show the Authority's 10 largest water customers and wastewater customers, respectively, by revenue for Fiscal Year 2025.

Table 6
Ten Largest Water Customers
for Fiscal Year 2025

Customer Name	Annual Revenue	Percent of Annual Gross Revenue
1. Guam Department of Education[(1)]	$2,632,771	2.88%
2. Guam Power Authority	2,320,192	2.54
3. Pacific Islands Club	1,943,511	2.13
4. Tanota Development LLC (Dusit Thani)	1,444,695	1.58
5. MDI Guam Corporation (LeoPalace)	1,268,073	1.39
6. Department of Corrections	1,265,688	1.38
7. Dusit Beach Resort Guam (formerly Outrigger)	1,240,035	1.36
8. Hotels of the Marianas Inc. (Hilton)	1,216,290	1.33
9. Hotel Nikko Guam	916,828	1.00
10. Hyatt Regency Guam	848,223	0.93
Total[(2)]:	$15,096,306	16.51%

(1) Includes all public schools and administrative support facilities.
(2) Total may not add due to rounding.
Source: Guam Waterworks Authority.

Table 7
Ten Largest Wastewater Customers
for Fiscal Year 2025

Customer Name	Annual Revenue	Percent of Annual Gross Revenue
1. U.S. Air Force (U.S. Department of Defense)	$6,796,129	12.69%
2. U.S. Navy (U.S. Department of Defense)	5,751,794	10.74
3. Guam Department of Education[(1)]	1,568,493	2.93
4. Tanota Development LLC (Dusit Thani)	1,549,242	2.89
5. Dusit Beach Resort Guam (formerly Outrigger)	1,328,298	2.48
6. Guam Power Authority	1,307,741	2.44
7. Hotels of the Marianas Inc (Hilton)	1,297,461	2.42
8. Hotel Nikko Guam	975,127	1.82
9. Hyatt Regency Guam	906,322	1.69
10. Pacific Islands Club	865,225	1.62
Total[(2)]:	$22,345,833	41.72%

(1) Includes all public schools and administrative and support facilities.
(2) Total may not add due to rounding.
Source: Guam Waterworks Authority.

New Water and Sewer Installations

The following two tables summarize the new water installations and new sewer installations, respectively, for the Fiscal Years 2021 through 2025.

Table 8
New Water Installations
Fiscal Years 2021-2025

Customer Type[(1)]	2021	2022	2023	2024	2025
Residential	310	330	304	298	285
Government	0	1	1	0	0
Commercial	7	9	8	7	8
Agricultural	3	6	3	0	1
Total	320	346	316	305	294

(1) Does not include irrigation, hotel, federal or golf course customer types, for which there were no new water installations in Fiscal Years 2021-2025.

Source: Guam Waterworks Authority.

Table 9
New Sewer Installations
Fiscal Years 2021-2025

Customer Type[(1)]	2021	2022	2023	2024	2025
Residential	65	60	72	69	79
Government	0	2	0	0	2
Commercial	4	3	6	4	5
Total	69	65	78	73	86

(1) Does not include hotel or federal customer types, for which there were no new sewer installations in Fiscal Years 2021-2025.

Source: Guam Waterworks Authority.

System Development Charges

Public Law 26-164, enacted in 2003, required the Authority to develop and implement Water and Sewer System Development Charges ("**System Development Charges**" or the "**SDCs**"). After approval by the CCU and the PUC, the SDCs were implemented in March 2010. SDCs are one-time fees assessed either to a property owner connecting property to the Authority's water or wastewater systems for the first time or on a builder who increases the density of development on an existing connection. SDCs are payable at the time of construction permitting; however, certain qualified residential customers are allowed to amortize SDCs over a specified time period. Although SDCs may vary depending on water meter size, a typical combined water and wastewater SDC for a new residential connection is $5,600, and a typical combined water and wastewater SDC for a new commercial connection is $14,002 for a 1-inch meter size.

Revenues generated by SDCs are not included in the Revenues pledged under the 2005 Indenture but are to be applied to the costs associated with the construction, expansion, upgrading and repair of water and wastewater facilities resulting from such connections or to pay the principal of, interest on and other financing costs related to, debt obligations incurred by or on behalf of the Authority.

The following table sets forth SDC revenues billed by the Authority for the Fiscal Years 2021 through 2025.

Table 10
Water and Sewer System Development Charges
Fiscal Years 2021-2025

2021	2022	2023	2024	2025
$1,596,459	$1,245,361	$1,359,167	$1,698,842	$1,563,818

Source: Guam Waterworks Authority.

The Authority expects to pay for a portion of its capital improvement program with revenues generated from SDCs. See "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program" and APPENDIX C – "FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2025 AND 2024," Note 13.

Water Loss Control Program

Non-Revenue Water. One of the Authority's continuing priorities is reducing the level of the System's non-revenue water. Non-revenue water is defined by the American Water Works Association as "unbilled authorized consumption (*e.g.*, water for firefighting and flushing), plus apparent losses (*e.g.*, customer meter inaccuracies, unauthorized consumption and systematic data handling errors), plus real losses (*e.g.*, system leakage and storage tank overflows)." In other words, non-revenue water is the difference between the amount of water put into the distribution system and the amount of water billed to customers. The quantity of water put into the system is recorded by the production meters and the amount of water billed to customers is recorded by the customer meters. Non-revenue water is not only caused by water leaks but also metering inaccuracies, water theft, water tank overflows and other undocumented uses. While water leaks are a large contributor, the other listed factors can be significant. The Authority's level of non-revenue water for Fiscal Year 2025 was approximately 68.0%, with 61.8% attributable to real losses.

The Authority completed the Water Loss Control Analytical Study in 2021 (the "**2021 Water Loss Control Analytical Study**"). The study determined that national water industry organizations have recently moved away from using percentage non-revenue water as a suitable performance indicator for water loss control; instead, the American Water Works Association supports the use of the key performance indicator of real losses in gallons per connection per day. The Authority has adopted this recommendation and is using this metric for annual reporting to the PUC in addition to the percentage non-revenue water metric. In Fiscal Year 2025, real losses were 624 gallons/connection/day. The Authority's long-term target for real losses as stated in its 2018 WRMP Update (as defined herein), is 20% of water produced, which aligns to the Economic Level of Leakage as identified in the Authority's 2021 Water Loss Control Analytical Study.

Components of Water Loss Control Program. With the original goal of reducing the level of the System's non-revenue water, the Authority initially focused on a project-based approach, completing leak detection projects and training personnel to sustain an ongoing leak detection program. Although significant improvements were made, the age and condition of the System continued to impact the level of non-revenue water. The Authority then shifted its focus from a project-based approach to the current process-based approach through its water loss control program (the "**Water Loss Control Program**"). The Water Loss Control Program includes efforts to reduce leak repair times, enhance and sustain a leak detection program, install master meters and create district metered areas, realign pressure zones, and enhance the ongoing line replacement program, each of which are further described below.

Leak Repair. The Authority has added personnel to deploy more leak repair crews, and increased available equipment resources, including contracted equipment services, to improve response and repair times. Since 2018, the Authority has reduced its daily leak repair work order backlog by more than 90%, from over 330 open work orders per day in 2018 to fewer than 30 open work orders per day on average in 2026 through August 31, 2026.

Leak Detection Program. In 2019, the Authority added staff, equipment, and training to the program. In addition, the Authority expanded its tools through the use of remote (satellite) leak detection, in a year-long pilot test,

to evaluate the efficacy of this technology to detect leaks in portions of the distribution system for which the Authority may not have documentation for existing water lines (*e.g.*, former military installations). Continued development of the leak detection capabilities, used in conjunction with other components of the Water Loss Control Program, such as district metered areas (see " – Master Meters and District Metered Areas" below), have enhanced the Authority's ability to conduct water loss reduction campaigns. The Authority currently has three full-time leak detection teams.

Master Meters and District Metered Areas. In 2019, the Authority initiated a pilot test of industry best practice methods to reduce water losses using master meters at discrete areas to track supply, customer meters to track consumption and to identify significant differences between them. The Authority used master meters at three distinct and easily isolated areas (each, a "**District Metered Area**"). The results of the pilot test indicated that in these three District Metered Areas, reduction in water loss ranged from 30% to 61% with an average of 45% across all three District Metered Areas. The Authority subsequently completed a water loss control analytical study in 2021, which recommended full implementation of 36 District Metered Areas throughout the Authority's distribution system with a comprehensive permanent leak detection program. In July 2021, the Authority engaged a contractor for the island-wide implementation of District Metered Areas and technical assistance with standing up the recommended leak detection campaigns and loss control program. The Authority has established monitoring in 21 of 36 District Metered Areas, however, three are not currently active and are pending repairs/replacement of metering equipment. The Authority plans to complete monitoring in the remaining 15 District Metered Areas (six of which are currently under construction) by 2028. The Authority is monitoring flows and conducting leak detection surveys in all established District Metered Areas. The remaining additional District Metered Areas will be established as work on the installation of metering equipment proceeds through capital improvement projects under either a specific District Metered Areas design contract or the Pressure Zone Realignment program (see "– Pressure Zone Realignment" below). While existing customer meters provide the necessary consumption data, the Authority is also moving to Advance Metering Infrastructure ("AMI") for improved billing efficiency and real-time consumption visibility. The Authority expects to complete the procurement of new water meters and AMI endpoints in Fiscal Year 2027 and to begin installation of such meters and endpoints in Fiscal Year 2028. Data gathered from the District Metered Area program indicates that the majority of leaks detected and repaired are in smaller diameter service laterals that are beyond their useful service life; the Authority has accordingly focused capital replacement for water lines in its 2026-2030 Capital Program Projections to align with the findings of the Water Loss Control Program.

Pressure Zone Realignment. In 2015, the Authority developed a Pressure Zone Realignment Plan (the "**Pressure Zone Realignment Plan**") focused on enhancing the distribution system and improving service delivery by aligning service areas to the appropriate service pressures through the creation and/or adjustment of pressure zones within the distribution system. Pressure zone realignment is expected to improve service pressures throughout the island, which would contribute to reduced water loss by minimizing background leaks caused by overpressure in certain water service areas. The Authority began to implement the Pressure Zone Realignment Plan, including the integration of master meter installations where appropriate, in 2019. A construction bid was issued in 2019 and the construction contract for the first phase of the improvements was awarded in March 2020. As of August 31, 2026, construction of the first phase is complete. Construction of the Phase 2 work is currently on-going. The design work scope for Phase 3 was modified in 2026 to adjust for land acquisition delays and therefore remains at 75% complete.

Line Replacement Program. The Authority initiated a line replacement program in 2012. To date, the Authority has replaced approximately 21 miles of line in four phases. In addition to this line replacement program, the 2026-2030 Capital Program Projections includes approximately $150 million for asbestos cement pipes, 2-inch galvanized pipes, and general pipe replacement projects. The Authority has three multi-year, task-order-based design contracts for these water line replacement programs currently awarded with initial task orders for project prioritization and design on-going. Additional design task orders under each contract will be executed once the initial task order for project assessment and prioritization is completed.

Production Meters. Production meters record the volume of groundwater pumped into the System. However, faulty production meters have resulted in under- and over-reporting of water production, which impacts non-revenue water calculations. In 2017, the Authority initiated a project to verify production meter performance and to develop plans to replace failed and underperforming meters at the Authority's groundwater well sites. The Authority issued a contract in April 2020 to replace production meters and above-ground piping at 30 of 60 wells identified as needing meter replacements. The project was completed in 2023. Procurement is on-going for additional production meters for the remaining wells.

Rates and Charges

General. The Authority and the CCU establish proposed water and wastewater rates and charges as part of a five-year financial plan and present them to the PUC for regulatory review and approval. Thereafter, PUC approval of the proposed rate plan occurs annually with a review of revenue requirements and a true-up analysis to evaluate the necessary level of rate adjustment based on actual financial performance; therefore, while the PUC may approve a proposed five-year rate plan, annual rate adjustments are typically subject to the results of a true-up analysis and additional PUC approval.

Current Water Rates. Currently, the Authority's water rates for residential customers consist of a base monthly charge (the "base rate") that varies according to meter size and volumetric charges based on water consumption. Residential customer volumetric rates consist of two tiers – the first tier is a "lifeline rate" per 1,000 gallons for monthly usage up to 5,000 gallons, and the second tier is a "non-lifeline rate" per 1,000 gallons for monthly usage above 5,000 gallons. Adjustments to the lifeline rate are only allowed if the Authority's cost of service has increased more than 20% since the most recent adjustment to the lifeline rate. In Fiscal Year 2025, approximately 57% of total residential water demand fell within the first tier.

The Authority's water rates for non-residential customers (*i.e.*, commercial/government, agriculture and irrigation customers) consist of a base monthly charge that varies according to meter size and a uniform volumetric charge based on customer class. Uniform volumetric rates do not change at different levels of water consumption. Commercial and government customers currently pay the same uniform volumetric rate while agriculture and irrigation customers currently pay a lower uniform volumetric rate that is roughly a third of the commercial/government rate. Monthly meter size charges for agriculture customers are roughly 3.5 percent lower than other customer classes.

In March 2024, the PUC approved – in principle only – a new rate design structure. Thereafter, additional refinements were made based on feedback from the PUC and discussions with the PUC's consultant. The current proposal for water rate structure changes under consideration by the PUC includes maintaining the first tier lifeline rate threshold at 5,000 gallons while decreasing the second tier non-lifeline rate for residential customers to address existing inter-class subsidies. The new rate structure shifts a portion of cost recovery from water system customers to wastewater system customers and increases the burden on residential customers—objectives that are consistent with results of the May 2021 cost-of-service study.

Current Wastewater Rates. Currently, the Authority's wastewater rates consist of a flat monthly rate for residential customers (considered a "lifeline rate") and a volume-based rate – 80% of water consumption – for commercial, Government and federal customers. Water consumption that does not return to the wastewater system, such as outdoor irrigation meters, is not subject to the 80% charge.

As discussed above, pursuant to the March 2024 PUC approved rate design structure, the current proposal for wastewater rate structure changes under consideration by the PUC includes: (i) implementing wastewater base charges by meter size for residential and non-residential customers; (ii) eliminating the flat monthly wastewater rate for residential customers; (iii) establishing a uniform volumetric wastewater rate for residential customers; and (iv) applying the legislative surcharge to all rate components (including lifeline water and wastewater rates).

Current Legislative Surcharge. Currently, a "legislative surcharge" or "retirement benefits surcharge" is assessed on the portion of water and wastewater bills subject to the non-lifeline rate. Revenues from the legislative surcharge are used to pay all retiree benefits. The legislative surcharge is subject to an annual true-up analysis that adjusts the charge to match the actual retiree benefit cost. Revenues from the legislative surcharge were approximately $3.08 million in Fiscal Year 2023, $4.05 million in Fiscal Year 2024, and $4.19 million in Fiscal Year 2025. The current legislative surcharge for Fiscal Year 2026, effective October 1, 2025, is 3.55%.

As discussed above, pursuant to the March 2024 PUC approved rate design structure, the current proposal for water and wastewater rate structure changes under consideration by the PUC includes applying the legislative surcharge to all rate components (including lifeline rates).

Historical Rate Adjustments. In connection with the 2020-2024 rate plan, the PUC ordered completion of a Comprehensive Review and Update of the Authority's five-year financial plan for Fiscal Years 2020-2024, along with certain analytical studies, prior to approving rate adjustments for Fiscal Years 2022, 2023 and 2024. The Authority submitted the required studies by the applicable due date; however, the PUC's consultant took approximately one year to complete its review, resulting in no rate adjustment for Fiscal Year 2022. The Authority subsequently stipulated to a rate adjustment of 5.5% for Fiscal Year 2023. For Fiscal Year 2024, the PUC approved a rate adjustment of 16.7%, as compared to the Authority's proposed rate adjustment of 27.0%.

In March 2024, the CCU approved the Authority's five-year financial plan and rate application that proposed base, lifeline and non-lifeline water and wastewater rate increases for Fiscal Years 2025-2029. The five-year financial plan ensures sufficient revenue to fund the Authority's capital improvement plan and prioritizes rebuilding the Rate Stabilization Fund. The Authority subsequently petitioned the PUC for consideration of such financial plan and rate application, and the PUC engaged Georgetown Consulting Group, Inc., as financial consultant (the "**Financial Consultant**") to review the petition. Following such review, the Authority and the Financial Consultant executed a joint stipulation that set forth a revised financial plan and rate plan, which the PUC approved (as approved by the PUC, the "**2025-2029 Financial Plan**") and incorporated into its order on September 24, 2024 (the "**2024 PUC Order**").

Under the 2024 PUC Order, among other things, the PUC authorized the Authority to implement the following: (i) an 11.5% increase in base, lifeline and non-lifeline water and wastewater rates for Fiscal Year 2025; (ii) a 10.75% increase in base and non-lifeline water and wastewater rates for Fiscal Year 2026; and (iii) a 7.75% increase in base and non-lifeline water and wastewater rates for each of Fiscal Years 2027, 2028 and 2029. No lifeline rates were authorized to be increased for Fiscal Years 2026-2029. The proposed rate increases resulted in the following forecasted rate revenues (inclusive of bad debt and post-billing adjustments) throughout the forecast period, beginning with Fiscal Year 2025 and ending with Fiscal Year 2029: $137.9 million, $153.44 million, $166.87 million, $176.30 million, and $189.48 million. Such authorized rate increases were driven by, among other things, the 2024 Partial Consent Decree (see "REGULATORY ENVIRONMENT – Environmental Regulations – *2024 Partial Consent Decree*"), rising Navy water purchase costs (see "THE SYSTEM – The Water System – *Water Supply*"), regulatory compliance for PFAS and emerging contaminants (see "REGULATORY ENVIRONMENT – Environmental Regulations – *Compliance with the SDWA – Water System*"), and the Authority's high level of non-revenue water (see "THE SYSTEM – Water Loss Control Program"). As a result of the Fiscal Year 2026 True-Up (defined below), the base and non-lifeline rate adjustment was reduced from 10.75% to 8.20%. In July 2026, the Authority stipulated to a reduction of the Fiscal Year 2027 base and non-lifeline rate adjustment from 7.75% to 6.25%. The PUC approved the recommended Fiscal Year 2027 rate adjustment in August 2026. Authorized rate increases for Fiscal Years 2028-2029 are subject to change and are not final until approved by the PUC in the annual true-up proceedings. See Fiscal Year 2026 True-Up and Fiscal Year 2027 True-Up discussions below.

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The following table sets forth the Authority's rate adjustments and their effective dates with respect to the 2014-2018 rate plan, the 2020-2024 rate plan, and the first three Fiscal Years of the 2025-2029 rate plan.

Table 11
Summary of Certain Rate Adjustments

Rate Plan	Fiscal Year	Effective Date	Base and Non-Lifeline Rate Adjustment	Lifeline Rate Adjustment[1]
2014-2018	Fiscal Year 2014	November 1, 2013	15.0%	--
	Fiscal Year 2015	December 1, 2014	14.5	--
	Fiscal Year 2016	October 1, 2015	16.5	--
	Fiscal Year 2017	October 1, 2016	3.5[2]	3.5%
	Fiscal Year 2018	October 1, 2017	4.0	--
2020-2024	Fiscal Year 2020	March 1, 2020[3]	5.0	--
	Fiscal Year 2021	October 1, 2020	5.0	--
	Fiscal Year 2022	--	--[4]	--
	Fiscal Year 2023	October 1, 2022	5.5	--
	Fiscal Year 2024	October 1, 2023	16.7[5]	16.7
2025-2029	Fiscal Year 2025	October 1, 2024	11.5	11.5
	Fiscal Year 2026	October 1, 2025	8.2[6]	--
	Fiscal Year 2027	October 1, 2026	6.25[7]	--

(1) Adjustments to the lifeline rate are only allowed when the Authority's cost of service increases by at least 20% following the year of the most recent adjustment to the lifeline rate. See "*– Current Water Rates*."
(2) The PUC originally approved a 7.0% rate adjustment. During the true-up proceeding for Fiscal Year 2017, the Authority proposed a reduced rate adjustment of 3.5%, which the PUC approved.
(3) Represents partial year implementation of rate increase for Fiscal Year 2020.
(4) Given the timing of the PUC's decision in September 2022, no rate adjustment was ordered for Fiscal Year 2022.
(5) The PUC originally approved a 5.5% rate adjustment. During the true-up proceeding for Fiscal Year 2024, the Authority proposed a rate adjustment of 27.0%; however, the PUC approved a reduced rate adjustment of 16.7%.
(6) The PUC originally approved a 10.75% rate adjustment. During the true-up proceeding for Fiscal Year 2026, the Authority and the PUC's Financial Consultant entered into a joint stipulation, authorizing an 8.2% rate increase to all non-lifeline rate components. See "*—Fiscal Year 2026 True-Up*" below.
(7) The PUC originally approved a 7.75% rate adjustment. During the true-up proceeding for Fiscal Year 2027, the Authority and the PUC's Financial Consultant entered into a joint stipulation, authorizing a 6.25% rate increase to all non-lifeline rate components. See "*—Fiscal Year 2027 True-Up*" below.

Source: Guam Waterworks Authority.

Fiscal Year 2026 True-Up. As described above, although the PUC authorized the Authority to implement certain increases in water and wastewater rates for Fiscal Years 2026-2029 under the 2024 PUC Order, such authorized rate increases are subject to change and are not final until approved by the PUC in the annual true-up proceeding. The Authority's Fiscal Year 2026 True-Up (the "**Fiscal Year 2026 True-Up**") was approved by the CCU on April 22, 2025, and submitted to the PUC on April 25, 2025.

The Authority and the PUC's Financial Consultant entered into a Joint Stipulation dated August 30, 2025 (the "**2026 Joint Stipulation**"), reducing the targeted Fiscal Year 2026 revenue recovery level by $4.40 million from $154.88 million to $150.48 million. By Order dated September 25, 2025, the PUC approved the 2026 Joint Stipulation, authorizing an 8.2% rate increase to all non-lifeline rate components and a legislative surcharge of 3.55%, effective October 1, 2025. Because there was insufficient time to complete the rate design process with the PUC's Rate Design Consultant, the Fiscal Year 2026 rates were implemented under the existing rate structure rather than the Modified Rate Design.

In a related proceeding, by Order dated February 26, 2026, the PUC established a framework for future true-up filings, including standardized filing requirements, a 120-day process timeline, and a target of completing true-up proceedings in August rather than September of each year.

Fiscal Year 2027 True-Up. In April 2026, the Authority filed its Fiscal Year 2027 Annual True-Up (the "**Fiscal Year 2027 True-Up**") with the PUC under Docket No. 24-05, requesting approval of a 7.75% increase on non-lifeline rate components and a 3.55% legislative surcharge on non-lifeline rate components. The filing, which was approved by the CCU on March 30, 2026 pursuant to CCU Resolution No. 15-FY2026, projects Fiscal Year 2027 operating revenues of $159.9 million, cash operations and maintenance expenses of $97.1 million, and total debt service of $57.6 million, yielding a targeted debt service coverage ratio of 1.30x, supported in part by a $2.5 million draw from the Rate Stabilization Fund. The proposed rate adjustment is consistent with the rates approved in the Authority's five-year financial plan. On July 17, 2026, the Authority and the PUC's Financial Consultant entered into a Joint Stipulation (the "**2027 Joint Stipulation**") to reduce the base and non-lifeline rate adjustment from 7.75% to 6.25%. The PUC approved this recommendation in August 2026, with implementation on October 1, 2026 (the beginning of Fiscal Year 2027). Separately, the Authority is engaged in ongoing discussions with the PUC's Rate Design Consultant regarding the current rate structure proposal. Revenue projections in the Fiscal Year 2027 True-Up are based on the existing PUC-approved rate structure, and the Authority has reserved its right to address rate design changes in separate proceedings before the PUC.

The Fiscal Year 2028 True-Up process will begin with the Authority's anticipated filing in April 2027. In the event that the PUC approves rates for Fiscal Year 2027 (or subsequent annual true-up years) that are projected to achieve revenue recovery levels lower than that delineated in the 2025-2029 Financial Plan, the Authority may need to adjust operation and maintenance expenses or planned capital financing to achieve the same level of debt service coverage and liquidity metrics presented in the 2025-2029 Financial Plan.

Modified Rate Design. As part of the 2020-2024 rate plan, the Authority proposed a new rate design structure but the Financial Consultant did not offer an opinion nor did the PUC act upon the recommendation, deferring the decision to a later date. In April 2023, the Authority submitted a petition to the PUC to review the proposed rate design structure which (i) adds a third tier to the residential customer water volumetric rates for all water consumption beyond 10,000 gallons, (ii) reduces the first tier (lifeline rate) volume threshold from 5,000 gallons to 3,000 gallons thus creating a second tier from 3,000 to 10,000 gallons, (iii) adds meter-size scaled sewer base charges for residential and non-residential customers; (iv) eliminates the flat monthly sewer rate for residential customers, (v) establishes volumetric sewer rates for residential customers based on 80% of water consumption, and (vi) applies the legislative surcharge to all rate components (*i.e.*, including the lifeline rate). These rate design changes are intended to provide more consistent pricing of services and facilitate future movement to cost-of-service pricing, especially between the water and sewer systems. The new rate design structure is expected to have no net impact to Net Revenues of the Authority. The PUC has engaged Concentric Energy Advisors (the "**Rate Design Consultant**") to evaluate the proposed rate design structure.

In March 2024, under GWA Docket No. 19-08, the PUC approved the new rate design structure in principle (as approved by the PUC, the "**Modified Rate Design**"). In March 2026, the PUC's Rate Design Consultant submitted its evaluation of the Authority's proposed rate design. The Rate Design Consultant generally supported the structural direction of the Modified Rate Design but made several recommendations, including: (i) delaying the transition to a three-tier residential water volumetric rate structure due to bill impact and gradualism considerations, recommending instead that the existing two-tier structure be maintained at this time; (ii) supporting the introduction of a volumetric wastewater charge for residential customers and the conversion of the flat monthly residential wastewater charge to a meter-size-based fixed charge; (iii) supporting the introduction of meter-size-based fixed monthly wastewater charges for non-residential customers, while recommending a potential phase-in to mitigate impacts on lower-usage customers; and (iv) supporting the Authority's proposed shift of approximately $2.7 million in cost responsibility from the water system to the wastewater system to reduce the inter-system subsidy identified in the Authority's 2021 Cost of Service Study.

The Authority is currently engaged with the PUC's Rate Design Consultant to review and clarify the analysis underlying these recommendations. The agreed-upon rate design will ultimately be brought before the PUC for approval, with rates calibrated to the revenue requirement established in the Fiscal Year 2027 True-Up proceedings. The PUC approved the Fiscal Year 2027 True-Up recommendations in August 2026. The proposed rate structure changes are anticipated to be considered by the PUC sometime in Fiscal Year 2027. No assurance can be given that the PUC will approve the Modified Rate Design in the form ultimately proposed by the PUC's Rate Design Consultant.

Billing, Collections and Enforcements

The following table shows a comparison of the Authority's combined water and wastewater bill for select residential and commercial usage levels to combined water and wastewater bills charged by other water and wastewater utilities based on available data as of May 2026. As shown in the following table, while the Authority's residential rates are in line with similar utilities, its non-residential rates are relatively high compared to other services providers.

Table 12
Typical Monthly Water and Wastewater Bills[1]

Utility	Residential 5,000 gal/mo. ¾ inch Meter	Residential 7,500 gal/mo. ¾ inch Meter	Commercial 35,000 gal/mo. 1 inch Meter	Large Commercial 1,200,000 gal/mo. 4 inch Meter
Guam Waterworks Authority[2]	$93.64	$139.20	$1,186.57	$56,582.42
City and County of Honolulu [3]	141.66	176.71	549.55	16,169.97
Northern Mariana Islands[4]	59.39	83.54	409.27	15,921.55
County of Hawaii [5]	106.77	122.15	565.31	19,340.16
County of Kauai [6]	128.90	141.03	496.40	24,333.15
County of Maui [7]	131.20	155.15	652.50	28,564.43

(1) Based on available data through May 1, 2026.
(2) Includes a 3.55% legislative surcharge on all non-lifeline rate components; billable flows equal to 80% of metered water use; Commercial-1 rate used for 1-inch bill calculation; Hotels rate used for 4-inch bill calculation.
(3) Wastewater bill reflects irrigation credit provided to residential and commercial customers equal to 20% of metered water use.
(4) Islands are served by the Commonwealth Utilities Corporation; water bill includes $3.72 electric surcharge per kgal and the wastewater bill includes a $1.92 electric surcharge per kgal.
(5) Residential customers of the County are served by 5/8 inch meters; water bill includes a power cost charge of $2.84 per kgal and an energy capital improvement program charge of $0.05 per kgal.
(6) Group 1B Commercial rate used for 1-inch bill calculation; Hotel with Restaurant rate used for 4-inch bill calculation.
(7) General or Commercial rates used for 1-inch bill calculations; Hotel rates used for 4-inch bill calculation.

Source: Guam Waterworks Authority; see also APPENDIX A – "CONSULTANT'S FEASIBILITY STUDY – Guam Waterworks Authority – Table 7-4. Combined Water and Wastewater Bill Comparison with Other Communities."

Customers have several options for paying their bills, including but not limited to in-person at the Authority's physical customer service centers, by mail and via a payment dropbox, and through the Authority's telephone payment system or online payment system, including via a mobile application. These different payment methods have contributed to the Authority maintaining a high collection ratio since 2010. The Authority has also implemented a late payment collection program. Under the program, all bills are due 15 days after the billing date and the Authority may discontinue service for non-payment upon providing advance written notice at least 10 days prior to the termination date. Furthermore, the program requires the Authority to make all reasonable efforts to collect all past due bills, including employing a collection agency. As set forth in the following table, the Authority's collection ratio ranged from 93% to 97% for Fiscal Years 2021-2025.

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Table 13
Collection Data[(1)]
Fiscal Years 2021 through 2025

	2021	2022	2023	2024[(2)]	2025
Cash Received from Customers (Amount Collected)	$98,274,136	$99,541,497	$103,874,586	$121,133,259	$140,845,708
Total Revenues (Amount Billed)	$101,663,817	$103,170,498	$108,180,776	$130,085,979	$147,918,106
Collection Ratio	97%	96%	96%	93%	95%

(1) Includes System Development Charges. See Table 10 – "Water and Sewer System Development Charges" and "– System Development Charges."

(2) Lower collection ratio in Fiscal Year 2024 due in part to increases in water and wastewater rates (see "– Rates and Charges – *Historical Rate Adjustments*") and the end of certain COVID-19 relief programs established to assist customers with utility and other payments.

Source: Guam Waterworks Authority.

As of August 31, 2026, accounts receivable, including inactive accounts, were approximately $32.8 million, of which approximately $9.7 million, or about 30%, are over 120 days. Approximately 44% of accounts receivable are from the residential customer class.

Uniform Disconnection Policy

In 2003, the CCU mandated that a disconnection practice be established on a regular and ongoing basis and that all customers, including Government accounts, be subject to the same disconnection policy. The Authority's disconnection target is to schedule disconnection when a customer becomes 30 days delinquent and to ensure all such customers are disconnected before they become 45 days delinquent. Customers with verifiable health- and/or age-related issues may qualify for an exception to this disconnection mandate. Customers with ongoing bill disputes or payment plans are excluded from the automated disconnection process.

Debt Service Coverage

Rate Covenant. The Authority has covenanted in the 2005 Indenture to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the System which will be sufficient to yield the sum of Net Revenues during each Fiscal Year equal to at least 1.25x the Aggregate Annual Debt Service for such Fiscal Year (the "**Debt Service Coverage Ratio**"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant" and "HISTORICAL AND PROJECTED OPERATING RESULTS."

CCU and PUC Debt Service Coverage Ratio Targets. In March 2024, the CCU established its current target debt service coverage ratio ("**DSCR**"), providing for a gradual increase in the target DSCR from 1.3x in Fiscal Year 2024 to 1.5x by Fiscal Year 2029, with the DSCR calculated in a manner consistent with the 2005 Indenture. However, in April 2025 and March 2026, CCU approved, as part of the Fiscal Year 2026 True-Up and Fiscal Year 2027 True-Up, a modified financial plan that delays achievement of the target DSCR of 1.5x. See Table 21 – "Projected Operating Results and Debt Service Coverage" for the Authority's projected DSCR for Fiscal Years 2026-2030.

In September 2024, relative to the 2025–2029 Financial Plan, the PUC approved DSCR targets of 1.32x for FY 2025, 1.38x for FY 2026, and 1.5x and above for Fiscal Years 2027, 2028, and 2029. In September 2025, after reviewing the Authority's Fiscal Year 2026 True-Up submission, the PUC approved an adjustment to the Fiscal Year 2026 DSCR target to 1.37x. The rate stipulation for Fiscal Year 2027 is expected to result in a DSCR target of 1.31x.

These targets may be further modified from time to time by the CCU and the PUC, as applicable. The modification or termination of such targets, or any failure of the Authority to achieve such targets, do not affect the requirements of the 2005 Indenture in respect of the issuance of additional Bonds such as the 2026 Bonds or otherwise, nor does any such failure constitute an Event of Default under the 2005 Indenture.

Rate Stabilization Fund

The 2005 Indenture establishes the Rate Stabilization Fund. The Rate Stabilization Fund is funded by transfers from the Revenue Fund as directed by the Authority. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Revenues." All amounts in the Rate Stabilization Fund shall be transferred by the Authority from time to time to the Revenue Fund in the amounts specified by a Certificate of the Authority which also certifies that such amount is consistent with the annual budget established by the Authority pursuant to the 2005 Indenture.

In 2024, the CCU established a target to rebuild the Rate Stabilization Fund with planned transfers into the fund of $10 million over a five-year period by Fiscal Year 2029. Additionally, the CCU authorized the transfer of any excess funds from revenues from Fiscal Year 2025 into the Rate Stabilization Fund after achieving the debt service coverage target of 1.32x. The Authority must notify the CCU of the final amount of any planned transfers into or out of the Rate Stabilization Fund. This target may be further modified from time to time by the CCU.

As of August 31, 2026, the balance in the Rate Stabilization Fund was approximately $10.5 million. As part of the 2027 Joint Stipulation, the Authority agreed to transfer excess net revenues to the Rate Stabilization Fund if, at the end of the year, debt service coverage is anticipated to be higher than the following levels: 1.40x in Fiscal Year 2026, 1.45x in Fiscal Year 2027, and 1.50x in Fiscal Year 2028.

Favorable operating results enabled the Authority to transfer $9.5 million to the Rate Stabilization Fund in September 2026. After giving effect to this transfer, the DSCR is expected to be near the target level for Fiscal Year 2026.

2005 Indenture Required Reserves

The Authority covenants under the 2005 Indenture to maintain two funds: (i) the Operation and Maintenance Fund, available for working capital purposes, and (ii) the Operation, Maintenance, Renewal and Replacement Reserve Fund, available for emergency renewals, replacements and other contingency items. The 2005 Indenture requires monthly deposits into the Operation and Maintenance Fund if necessary to increase the amount in such fund to the amount of Operation and Maintenance Expenses budgeted by the Authority, pursuant to such budget, to be paid from Revenues during the next succeeding calendar month (including any amount to be held as a reserve for transfer to the Rebate Fund) plus the amount of any Other Credit Agreement Payments Expenses then due and payable or to become due and payable during such month and not otherwise included in such amount. Approximately $14.6 million was on deposit in such fund as of August 31, 2026, in excess of the required balance of $12.9 million. The 2005 Indenture requires monthly deposits into the Operation, Maintenance, Renewal and Replacement Reserve Fund if necessary to increase the amount in such fund to one-fourth of the sum of amounts of Operation and Maintenance Expenses and Renewal and Replacement Costs budgeted by the Authority for the then-current Fiscal Year. The Authority assumes such requirement to equal 90 days of Operation and Maintenance Expenses. Approximately $23.3 million was on deposit in such fund as of August 31, 2026, in excess of the required balance of $21.4 million. For the last five years, the Authority has maintained these funds at the required levels.

Working Capital Reserve for Operations and Maintenance

The 2005 Indenture establishes the Capital Improvement Fund and provides that the Authority may direct the creation of accounts within the Capital Improvement Fund for appropriate purposes, and may restrict the purposes for which amounts in any such account may be used or withdrawn. Pursuant to the CCU's current working capital reserve policy (most recently revised in 2020) (the "**Working Capital Reserve Policy**"), the Authority established a Working Capital Reserve for Operations and Maintenance account within the Capital Improvement Fund to provide additional liquidity to assist the Authority in addressing unforeseen obligations and unexpected, short-term cash flow demands. Amounts on deposit in the Working Capital Reserve for Operations and Maintenance account are available to pay Operation and Maintenance Expenses if the Authority's then-current cash flow is insufficient to pay such expenses. The Chief Financial Officer is authorized to withdraw up to $500,000, subject to the prior approval of the General Manager; prior CCU approval is required for any withdrawal greater than $500,000. Pursuant to the policy, the amount required to be on deposit in the Working Capital Reserve for Operations and Maintenance account is equal to 120 days of the Operation and Maintenance Expenses for the then-current Fiscal Year, less depreciation expense.

The Working Capital Reserve for Operations and Maintenance account requirement is subject to annual review and adjustment during the regular budgeting and rate-setting process. The balance of $16.4 million was on deposit in such fund as of August 31, 2026.

The Working Capital Reserve Policy may be further modified from time to time by the CCU. The modification or termination of such policy, or any failure of the Authority to achieve the target set forth under such policy, does not affect the requirements of the 2005 Indenture in respect of the issuance of additional Bonds such as the 2026 Bonds or otherwise, nor does any such failure constitute an Event of Default under the 2005 Indenture.

Security Measures

In 2004, the Authority completed a vulnerability assessment on all of its public water systems and developed its own emergency response plan (the "**Authority Emergency Response Plan**"), which has since been incorporated into the Government's emergency response plan (the "**Guam Emergency Response Plan**"). The Authority works closely with the Guam Homeland Security/Office of Civil Defense ("**GHS/OCD**") on emergency response planning coordination efforts and updates to the Guam Emergency Response Plan.

In accordance with the America's Water Infrastructure Act of 2018, the Authority completed an updated risk and resiliency assessment in 2025, which included risks to the Authority's system from malevolent acts and natural disasters, resilience of the Authority's water and wastewater infrastructure, monitoring and operation of the systems and the Authority's financial infrastructure. Subsequent to the 2025 assessment, the Authority certified to the US EPA that an updated risk and resiliency assessment was completed by March 31, 2025. The findings from this assessment were being incorporated into the Authority's Updated Emergency Response Plan that was certified complete by the US EPA deadline of September 30, 2025. A full and finalized update to the Authority Emergency Response Plan is being incorporated in the GHS/OCD Guam Emergency Response Plan that is currently being updated.

Labor and Employee Relations

As of August 31, 2026, the Authority had approximately 388 full-time equivalent employees. Most of the Authority's employees are classified as employees of the Government and within the Guam Civil Service System. Certain management positions and key skilled supervisory personnel hold unclassified positions.

Approximately 13% of the Authority's employees are members of the Guam Federation of Teachers ("**GFT**"), a collective bargaining organization that regularly recruits non-management employees of the Authority. GFT has negotiated a collective bargaining agreement with the Authority. In 2026, management and the GFT successfully completed negotiations on new contract terms followed by ratification of final documents by the CCU. The GFT does not have the ability under Guam law to negotiate for wage and benefit adjustments and may engage in a strike only under very limited circumstances. The Authority's management believes that relations with its employees are positive.

The Authority has experienced a significant increase in employee turnover in recent years, reaching 15.4% in Fiscal Year 2024, the highest rate in over a decade, driven in part by COVID-19 pandemic-era hiring freezes, competitive pressure from federal and local government opportunities, and relocations off-island for other opportunities. In response, the Authority commissioned a comprehensive market compensation study in March 2023, comparing 2022 U.S. water utility salaries with the Authority's 2017 pay scale. The study found that the Authority's salary structure had deteriorated from approximately the 20th percentile in 2017 to the 5th percentile by 2022. The study recommended periodic salary adjustments until the Authority reaches the 50th percentile of prevailing industry pay levels. Based on these findings, and recognizing the urgent need to improve recruitment and retention, the Authority proposed a Strategic Pay Plan. In May 2024, the CCU ratified the 2022 market study update and authorized structural adjustments to the salary scale for all Certified, Technical, and Professional positions. The approved Strategic Pay Plan provides for a multi-year, phased salary migration, starting with the 25th percentile in Fiscal Year 2024 to the 50th percentile in Fiscal Year 2028. The Authority's 2025-2029 Financial Plan includes dedicated funding to support this progressive salary migration. This investment in human capital is anticipated to significantly reduce attrition, improve service delivery, and support long-term operational continuity. The projected employee turnover rate for Fiscal Year 2026 thus far has dropped to 4.0%, suggesting that the programs are beginning to reduce employee turnover. The Authority anticipates a corresponding gradual increase in full-time equivalent staffing levels through

Fiscal Year 2029, as improved compensation, expanded career development opportunities, and an emphasis on employee recognition begin to restore organizational capacity and morale.

Retirement Fund and Other Post-Employment Benefits

General. The Government of Guam Retirement Fund (the "**GGRF**") provides retirement annuities and other payments to retired Government employees and their dependents, including Authority employees and their dependents. Employees hired on or before September 30, 1995, are members of the Government of Guam Employees Retirement System (the "**DB Plan**"). Employees hired after September 30, 1995, became members of the Defined Contribution Retirement System (the "**DC Plan**"). From April 1, 2017, to December 31, 2017, and from June 1, 2023, to December 31, 2023, eligible, active DC Plan members could elect to become members of the Defined Benefit 1.75 Retirement System (the "**DB 1.75 Plan**"). In addition, new employees hired on or after January 1, 2024, are and will become members of the DC Plan and eligible, active DC Plan members may elect to become a member of the DB 1.75 Plan. The DB Plan, DC Plan, and DB 1.75 Plan are further described below.

DB Plan. The DB Plan is a single-employer defined benefit pension plan administered by the GGRF to which the Authority contributes based upon a fixed percentage of the payroll for those employees of the DB Plan. A single actuarial valuation is performed annually covering all DB Plan members, and the same contribution rate applies to each employer, including the Authority. Members of the DB Plan are required to contribute a certain percentage of their annual covered salary, which is currently 9.5%. The DB Plan member and employer contribution requirements are established by statute. According to the Government of Guam Retirement Fund Actuarial Valuation as of September 30, 2025 (the "**2025 GGRF Valuation Report**"), the most recent valuation report as of the date of this Official Statement, there were a total of 684 active members (including 8 Authority employees), 7,057 retired members and 3,020 inactive members under the DB Plan as of September 30, 2025.

DC Plan. The DC Plan is a single-employer defined contribution pension plan administered by the GGRF. Contributions to the DC Plan by members are based on an automatic deduction of 6.2% of the member's regular base pay starting on January 1, 2018. Contributions are deposited into each individual employees' 401(a) account with the DC Plan. The default plan for all new Government employees, including Authority employees, is the DC Plan. According to the 2025 GGRF Valuation Report, there were a total of 6,185 active members (including 251 Authority employees) under the DC Plan as of September 30, 2025.

DB 1.75 Plan. The DB 1.75 Plan is a governmental defined benefit pension plan administered by the GGRF with an effective date of January 1, 2018. The DB 1.75 Plan members are required to contribute 9.5% of their base salary to the DB 1.75 Plan and 1% of their base salary to a Government deferred compensation plan. As described above under "– *General*," certain existing employees and members of the DC Plan were provided an opportunity to participate in the DB 1.75 Plan in 2017 and 2023. According to the 2025 GGRF Valuation Report, there were a total of 4,468 active members (including 119 Authority employees), 467 retired members and 14 inactive members under the DB 1.75 Plan as of September 30, 2025.

As further described above under "– *General*," certain existing employees and members of the DC Plan currently have, and certain new employees and members of the DC Plan will have, an opportunity to participate in the DB 1.75 Plan.

DB Plan and DB 1.75 Plan Annual Valuation Results. The DB Plan's unfunded actuarial accrued liability ("**UAAL**") and funded ratio for Fiscal Years 2021-2025 are shown in the following table. The UAAL and funded ratio includes the DB 1.75 Plan.

Table 14
Unfunded Actuarial Accrued Liability and Funded Ratio of Defined Benefit Plans[(1)]
Fiscal Years 2021 through 2025
(in millions)

Fiscal Year	Accrued Liability	Actuarial Assets	Unfunded Actuarial Accrued Liability	Funded Ratio
2021	$3,267.5	$2,125.3	$1,142.2	65.04%
2022	3,236.6	2,063.6	1,173.0	63.76
2023	3,232.6	2,019.3	1,213.3	62.47
2024	3,541.4	2,179.7	1,361.7	61.55
2025	3,601.0	2,463.8	1,137.2	68.42

(1) Does not include Cost-of-Living Allowance and Supplemental Annuity Liability.
Source: Government of Guam Retirement Fund Actuarial Valuation as of September 30, 2025.

Significant actuarial assumptions and methods used in the 2025 GGRF Valuation included: (a) the interest rate used to discount future benefit payments to the present and long term expected rate of return on plan assets of 7.0%; (b) the Entry Age Normal method; (c) total payroll growth of 2.50% per year; (d) 3-year phase-in of gains/losses relative to interest rate assumption; (e) amortization of UAAL to an end date of May 1, 2033. According to the 2025 GGRF Valuation Report, and based on the GGRF Audited Financial Statements, the GGRF actuary calculated an investment return on the total market value of assets of 11.1% for the fiscal year ending September 30, 2025. The average annual return on the market value of assets has been 8.5% for the last five fiscal years. The investment return on the actuarial value of assets (recognizing investment gains and losses over a 3-year period) was 15.5% for the Fiscal Year ended September 30, 2025.

The GGRF is subject to GASB Statement No. 67; each participating employer, including the Authority, is subject to GASB Statement No. 68 ("**GASB 68**"). GASB 68 was incorporated into the Authority's financial statements beginning in Fiscal Year 2015. For the Authority's proportionate share of the GGRF's net pension liability and pension expense for the Fiscal Year 2025, see APPENDIX C – "FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2025 AND 2024," Note 8.

Contribution Rates. Under Title 4, Chapter 8, Section 8137 of the Guam Code Annotated, as amended, the Government is required to completely fund the unfunded actuarial accrued liability by May 1, 2033. The actuarial employer contributions rates set forth in the annual valuations apply to the Fiscal Year beginning one year after the valuation date. Components of the actuarial employer contribution rates include percentages towards (1) the UAAL of the DB Plan and DB 1.75 Plan, (2) normal cost of the DB Plan and DB 1.75 Plan, and (3) contributions and expenses for the DC Plan.

Although the actuarial contributions rates are provided to the Guam Legislature by the GGRF in advance of each Fiscal Year and used for budget preparation, the Guam Legislature is not required to adopt such rates but has done so in recent years. The Government applies the same employer statutory contribution rate to all employees (*i.e.*, DB Plan members, DC Plan members, etc.). Of the amounts contributed by the employers under the DC Plan, an amount equal to 6.2% of the DC Plan member's regular base pay starting on January 1, 2018, is deposited into the member's individual annuity account; the remaining amount in excess of 6.2% starting on January 1, 2018, of the DC Plan member's regular base pay is contributed towards the UAAL of the DB Plan. The following table sets forth the actuarial employer contribution rates and the statutory employer contribution rates for Fiscal Years 2021-2025:

Table 15
Employer Contribution Rates – Actuarial and Statutory[1]
Fiscal Years 2021 through 2025

Fiscal Year	Actuarial Rate	Statutory Rate
2021	28.43%	26.97%
2022	29.43	28.32
2023	30.77	28.43
2024	33.85	29.43
2025	28.14	30.77

(1) The actuarial employer contributions rates set forth in the annual valuations apply to the Fiscal Year beginning one year after the valuation date. For example, the actuarial contribution rate determined in the valuation report as of September 30, 2021 (Fiscal Year 2021) is applied for the Fiscal Year beginning October 1, 2022 (Fiscal Year 2023).

Source: Government of Guam Retirement Fund Actuarial Valuation as of September 30, 2025 and General Appropriation Acts of Fiscal Years 2021 - 2025.

In addition, the statutory rate for Fiscal Year 2026 is 33.85%. The actuarial contribution rate for Fiscal Year 2027 as determined by the 2025 GGRF Valuation Report is 28.14%.

The following table sets forth the actual contributions made by the Authority to the DB Plan during Fiscal Years 2021 through 2025. Such amounts were equal to the required contributions for those years.

Table 16
Authority's Contributions to DB Plan
Fiscal Years 2021 through 2025

Fiscal Year	Amount
2021	$2,001,837
2022	1,935,310
2023	1,913,025
2024	2,487,685
2025	2,777,352

Source: Guam Waterworks Authority.

The following table sets forth the actual contributions made by the Authority to the DC Plan, as well as the portion of such contributions that are applied to the unfunded liability of the DB Plan during Fiscal Years 2021 through 2025. Such amounts were equal to the required contributions for those years.

Table 17
Authority's Contributions to DC Plan and DB Plan toward Unfunded Liability
Fiscal Years 2021 through 2025

Fiscal Year	DC Plan Amount	Portion of DC Plan Amount to DB Plan
2021	$2,950,859	$2,265,282
2022	3,245,167	2,531,314
2023	3,282,537	2,560,133
2024	3,167,721	2,491,199
2025	3,814,090	3,034,455

Source: Guam Waterworks Authority.

COLA and Supplemental Annuity Payments. Public Law 25-72, passed in 1999, requires the payment of supplemental annuity and cost-of-living-allowance ("**COLA**") benefits to retirees and specifies that these payments are to be vested, limited-duration benefits to be provided by the GGRF. Public Law 36-107 increased ad hoc COLA

payments of $2,000 per year to $2,200 per year to retired DB Plan and DC Plan members and spouse survivors. Public Law 37-42 authorized an additional $100 per retiree resulting in COLA payments of $2,300 starting October 1, 2023. In addition, supplemental annuity payments of $4,238 (subject to an aggregate limitation of $40,000 per year when combined with the member's regular retirement annuity) have been provided to retired DB Plan members and survivors whose benefits commenced prior to October 1, 1995. These payments have been made outside of the GGRF trusts through annual allocations, and are anticipated to continue in future years. Effective Fiscal Year 2017 and pursuant to GASB Statement No. 73, the resultant actuarial liability relating to these payments have been included in the government-wide financial statements.

Other Post-Employment Benefits. The Government makes annual expenditures for certain postretirement healthcare benefits ("**OPEB**") to retirees who are members of the GGRF. The Government provides medical, dental, and life insurance coverage. Prior to Fiscal Year 2020, the retiree medical and dental plans were fully-insured products provided through insurance companies. Starting in Fiscal Year 2020, the Government began to phase in policy self-insurance: dental in Fiscal Year 2020, pharmaceuticals in Fiscal Year 2022 and medical in Fiscal Year 2024. Benefits under the dental plan are capped at $1,000 per subscriber. The Government shares in the cost of these plans, with its contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, the Government contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, the Government provides retirees with $10,000 of life insurance coverage through an insurance company. Retirees do not contribute to the cost of this coverage. The OPEB unfunded actuarial accrued liability for the Government, including fiduciary funds and component units such as the Authority, was approximately $2.19 billion for Fiscal Year 2025, $2.73 billion for Fiscal Year 2024, $2.30 billion for Fiscal Year 2023, $2.77 billion for Fiscal Year 2022, and $2.52 billion for Fiscal Year 2021. The OPEB unfunded actuarial accrued liability allocated to the Authority was approximately $80.2 million for Fiscal Year 2025, $103.2 million for Fiscal Year 2024, $87.2 million for Fiscal Year 2023, $116.3 million for Fiscal Year 2022, and $106.4 million for Fiscal Year 2021.

The OPEB plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due. The Authority is then required to reimburse the General Fund for the OPEB costs of the Authority's retirees. The Authority applies revenues generated by the Legislative Surcharge to pay these costs. See "REGULATORY ENVIRONMENT – Regulation of Ratemaking."

The following table sets forth the Government's contributions from the General Fund for OPEB for Fiscal Years 2020-2025, as well as the Authority's contributions to reimburse the Government for the OPEB costs of the Authority's retirees (*i.e.*, medical, dental and life insurance).

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Table 18
Government Contributions from General Fund for OPEB and
Authority's Contribution to Reimburse OPEB
Fiscal Years 2020 through 2025

Fiscal Year	Government Contributions	Authority's Contribution to Reimburse OPEB[2]
2020	$27,920,521	$1,745,004
2021	32,565,557	1,598,791
2022	39,685,005	1,966,259
2023	N/A[1]	2,397,392
2024	N/A[1]	2,869,062
2025	N/A[1]	3,550,297

(1) Government contributions in relation to the actuarially determined contribution for Fiscal Year 2023 was not reported in the Fiscal Year 2024 Government of Guam audit report. The Government of Guam financial audit for Fiscal Years 2025 and 2026 are currently not available.

(2) Authority contribution amounts are based on the actual costs of the Authority's retirees and does not reflect the actuarially determined contribution.

Sources: Government of Guam Financial Statements for Fiscal Year 2024 and Guam Waterworks Authority Financial Statements for Fiscal Year 2025.

Liquidity

As of August 31, 2026, the Authority had approximately 627 days of cash on hand, or $137 million, which includes funds in the Operation, Maintenance, Renewal and Replacement Reserve Fund, Operation and Maintenance Fund, Working Capital Reserve for Operations and Maintenance account, and Rate Stabilization Fund, all as described under "– 2005 Indenture Required Reserves," "– Working Capital Reserve for Operations and Maintenance," and "Rate Stabilization Fund" as well as unrestricted funds on hand in the amount of $72.3 million. In September 2026, favorable operating results enabled the Authority to transfer $9.5 million to the Rate Stabilization Fund. See "– Rate Stabilization Fund."

REGULATORY ENVIRONMENT

Environmental Regulations

General. The Authority is subject to federal and Guam regulations governing water supply and wastewater treatment. The drinking water standards promulgated in the SDWA are the primary requirements for water supply. Wastewater treatment and disposal must comply with the water quality standards in the CWA. Guam EPA is the local agency responsible for monitoring Authority operations for compliance. Generally, Guam EPA regulations are the same as the federal standards, although the agency can implement more stringent requirements if Guam EPA determines it is necessary. Guam EPA and the US EPA jointly enforce environmental regulations on Guam, except that Guam EPA has primacy for establishing and enforcing water quality standards under the SDWA, while the US EPA has retained NPDES permit authority under the CWA.

The Authority had difficulty complying with SDWA and CWA regulations prior to 2010. In 2002, the US EPA filed a complaint against the Authority in the Guam District Court seeking to appoint a receiver to address the Authority's inability to comply with the CWA and the SDWA. In part in response to concerns over continued non-compliance by the Authority, the Guam Legislature created the CCU as the governing body of both the Authority and GPA, thereby removing the Authority, as well as GPA, from the direct control of the Government of Guam.

2003 Stipulated Order and 2011 Court Order. In 2002, members of the CCU met with the U.S. Attorney General and representatives from the US EPA to discuss the CCU's role in the rehabilitation of the Authority. The US EPA and the Authority agreed to enter into the 2003 Stipulated Order, pursuant to which the Authority was given the opportunity to comply with federal water and wastewater regulations under the governance of the CCU. The 2003 Stipulated Order required the Authority to make certain improvements to the System and to undertake certain planning measures by specific dates. The Authority began implementing the specified projects, including, among other things, the completion of the 2006 WRMP to serve as the basis for the Authority's long-term planning. The 2006 WRMP set

forth an assessment of the Authority's System and outlined improvements over a 20-year period necessary for regulatory compliance and System growth. The CCU and the US EPA approved the 2006 WRMP. However, the Authority did not meet all of the deadlines in the 2003 Stipulated Order, and the US EPA required it to pay fines in the aggregate amount of $413,750 from 2004 through 2010.

In 2010, the US EPA requested that the Guam District Court order the Authority to address the then-remaining items in the 2003 Stipulated Order, as well as certain additional actions or improvements, some of which were identified by the Authority in the 2006 WRMP. In 2011, the Guam District Court issued the 2011 Court Order, which established deadlines for such projects and superseded the 2003 Stipulated Order and all prior orders. The 2011 Court Order contains 86 projects, two notice requirements and five ongoing reporting requirements relating to management, operations, financial administration, facilities construction and rehabilitation and training requirements to be implemented in accordance with strict schedules. The Authority has prioritized and complied with the timelines set forth in the 2011 Court Order, and the US EPA has not fined the Authority for any missed compliance dates since the issuance of the 2011 Court Order. The Authority is in compliance with the notice requirements and ongoing reporting requirements under the 2011 Court Order. The last remaining project under the 2011 Court Order is completion of the replacement, rehabilitation or reconstruction of certain storage tanks in accordance with the hydraulic assessment approved by the US EPA and the Guam District Court in 2023. The Guam District Court deadline was extended from June 30, 2023 to December 31, 2025. On July 2, 2025, the Authority determined that issues with subsurface soil conditions for the foundation of one of the storage tanks will require additional time for construction completion. The Authority notified the US EPA and other relevant parties of this unforeseen delay. In December 2025, the Authority filed, and the Guam District Court approved an extension from December 31, 2025 to December 31, 2026. Funding for the completion of all remaining work in the 2011 Court Order is in place.

2024 Partial Consent Decree. On January 31, 2024, the US EPA filed a complaint in the Guam District Court alleging that the Authority violated certain conditions and limitations of the NPDES permits that the US EPA issued to the Authority pursuant to the Clean Water Act. The Authority and the US EPA have entered into the 2024 Partial Consent Decree, which was signed into order by the Guam District Court on August 9, 2024. The 2024 Partial Consent Decree requires the Authority to make certain improvements to the System (with the goal of reducing sanitary sewer overflows) and to undertake certain planning measures by specific dates in the next 10 years. As further described below, such improvements primarily relate to the wastewater collection system, including pipelines, pump stations, maintenance and other operational program improvements, as well as planning studies for secondary wastewater treatment at the Hagåtña WWTP.

The compliance requirements contained in the 2024 Partial Consent Decree are centered on the Authority's wastewater collection system and include assessment and capacity analyses to determine acceptable future upgrades to gravity collection lines in specific areas, as well as setting specific annual rehabilitation/replacement requirements for the entire sewer collection network. Similarly, inventory, assessment and analyses are required for sewer pump station force main (discharge) piping in order to begin rehabilitation/replacement of a certain percentage of the Authority's total force main piping inventory. The 2024 Partial Consent Decree also specifies criteria for upgrading the Authority's sewer pump stations, based on a tiered schedule of pump station priorities based on the Authority's 2018 WRMP Update, and design and construction of a certain number of such pump station upgrades over the compliance period. In addition to the improvement projects, the 2024 Partial Consent Decree includes maintenance and operational program requirements, such as formalization of sewer spill response plans, sewer line cleaning and inspection (existing), and asset management plan (existing), as well as formal adoption of certain wastewater pre-treatment programs, such as the existing FOG (fats, oils and grease) Program, and industrial discharge pre-treatment. There is also a requirement for completion for a feasibility and planning study by August 2031 for the rehabilitation or replacement of the Hagåtña WWTP to an upgraded secondary treatment facility to comply with current NPDES permit requirements. Regular reporting requirements on the status of compliance requirements are also defined in the 2024 Partial Consent Decree.

Under the 2024 Partial Consent Decree, the Authority and the US EPA will also reengage in negotiations by 2031 to address other unresolved claims outside of the 10-year compliance period of the 2024 Partial Consent Decree, including but not limited to continued wastewater collection system improvements and upgrading the Hagåtña WWTP to secondary treatment. See also "*– Compliance with the CWA – Wastewater System*."

Approximately $356.4 million or 39.7% of the 2025-2029 CIP is allocated to projects to comply with the 2011 Court Order and the 2024 Partial Consent Decree. For Fiscal Year 2030, the Authority anticipates an additional $71.84 million in wastewater collection system improvements to support the Partial Consent Decree. See "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program."

Compliance with the SDWA – Water System. Treatment of groundwater obtained by the Authority from wells and the Santa Rita Spring and drinking water from the Ugum WTP and the Fena WTP complies with Safe Water Drinking Act requirements.

In April 2024, the US EPA adopted a final rule for the regulation of PFAS compounds under the SDWA. The rule requires that public water systems treat source water with concentrations of these substances above a maximum contaminant level ("**MCL**") to remove the contaminants prior to entry into the distribution system. On May 14, 2025, the US EPA announced that it will keep the current MCLs for PFOA and PFOS but plans to extend compliance deadlines for PFOA and PFOS from 2029 to 2031. On May 18, 2026, the US EPA announced a proposed rule that would maintain the existing MCLs for PFOA and PFOS and provide an option for public water systems to obtain up to two additional years, until 2031, to comply with such enforceable limits. The proposed rule was published in the Federal Register on May 20, 2026, with comments due July 20, 2026. The US EPA has not yet finalized the proposed extension, and the ultimate requirements and compliance deadlines remain subject to change.

In 2016, two of the Authority's wells were found to have exceeded the US EPA's long-term health advisory limit. The Authority shut down these wells in 2016 and is currently constructing granular activated carbon ("**GAC**") treatment systems at these two wells, which are expected to be back on line by 2026.

The promulgation of the regulations on PFAS compounds will require the Authority to design and construct new treatment systems that have not before been needed to comply with the SDWA.

The Guam EPA established, effective August 2025, local drinking water regulations for Dieldrin, a pesticide compound currently unregulated at the federal level. While the US EPA considers Dieldrin a probable human carcinogen, it has not established a maximum contaminant level. The Guam EPA has established a local interim action level of 0.2 micrograms per liter resulting in a limited number of wells within the Authority's system being deemed unusable without treatment. In anticipation of these regulations, the Authority in December of 2024 initiated the design and installation of GAC treatment systems (the US EPA's preferred treatment technology for this insecticide) at three wells affected by the new action level. Selection of a construction contractor was completed in 2025 and the treatment system at one well has been completed, with the remaining two systems anticipated to be completed by the end of 2026. In the future, additional wells may be impacted by Guam EPA's determination. The system will be used to transmit impacted well water to a centralized treatment system.

Approximately $204.7 million or 22.8% of the 2025-2029 CIP is allocated to projects relating to PFAS and other emerging contaminants. For Fiscal Year 2030, the Authority anticipates an additional $30.2 million in water production and treatment improvements for PFAS/emerging contaminants. See "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program."

Compliance with the CWA – Wastewater System. Four of the Authority's six wastewater treatment plants require an NPDES permit to discharge treated wastewater under the Clean Water Act – the Hagåtña WWTP, the Northern District WWTP, the Agat-Santa Rita WWTP and the Umatac-Merizo WWTP. Prior to 2020, an individual NPDES permit was issued for each of the four wastewater treatment plants; the Authority's current NPDES permit, effective January 1, 2020, applies to all four plants and supersedes any previously-issued NPDES permit. The Authority's NPDES permit expired on December 31, 2024. The Authority timely prepared and submitted the permit renewal application to the US EPA by June 1, 2024. The US EPA has issued an administrative extension of the current permit until it can complete the renewal processing.

The Northern District WWTP and the Agat-Santa Rita WWTP are in full compliance with the current NPDES permit.

The Umatac-Merizo WWTP is in compliance with current NPDES permit requirements except for seasonal variances for a single permit limit. The current NPDES permit includes effluent limitations for total phosphorus for discharge. The Authority does not expect the Umatac-Merizo WWTP to meet the permit limits for phosphorus at certain times of the year. The Authority is making operational adjustments to improve performance and expects to conduct studies of plant effluent constituents, phosphorous levels in the effluent at different times of the year and phosphorous removal rates if such adjustments do not improve results. Construction of phosphorus control improvements at the Umatac-Merizo WWTP is pending completion of such studies. "THE SYSTEM – The Wastewater System – *Wastewater Treatment Plants* – Umatac-Merizo WWTP."

The Hagåtña WWTP is not in compliance with the current NPDES permit. Until June 2013, the Hagåtña WWTP operated under a secondary treatment variance issued by the US EPA under the CWA, which allowed the Authority to discharge effluent from the Hagåtña WWTP's chemically-enhanced primary treatment process into the Philippine Sea. A prior NPDES permit, effective June 1, 2013, added secondary treatment requirements, which are also required under the current NPDES permit. However, the Hagåtña WWTP is unable to meet those secondary treatment requirements until certain upgrades are implemented at the plant. The US EPA provided modified effluent discharge limitations, with which the Hagåtña WWTP is complying. Further, under the 2024 Partial Consent Decree the Authority is required to submit a feasibility study for secondary treatments at the Hagåtña WWTP to the US EPA by August 2031 for review and approval. The feasibility study is required to include analyses of design options, alternative locations, climate change and sea level rise, and planning level construction cost estimates and construction timelines. See "*– 2024 Partial Consent Decree*" and "THE SYSTEM – The Wastewater System – *Wastewater Treatment Plants* – Hagåtña WWTP."

The Authority's remaining two wastewater treatment plants, the Inarajan WWTP and Pago Socio WWTP, are not subject to an NPDES permit because they do not discharge to surface waters. These wastewater treatment plants are otherwise in compliance with applicable discharge requirements.

Other Environmental Regulations. In addition to the water and wastewater regulations discussed above, the Authority must also comply with other applicable environmental requirements, including, but not limited to, air emission standards for standby diesel generators, regulations related to above-ground and underground petroleum storage tanks, regulations under the Clean Air Act and various health and safety regulations regarding work performed by the Authority's employees (including voluntary compliance with the Occupational Health and Safety Act).

Regulation of Ratemaking

The Authority's ratemaking is regulated by the PUC. The Authority and the CCU establish water and wastewater rates and charges and present them to the PUC for regulatory review and approval. Guam law requires that the PUC set rates that are just and fair and are adequate to provide revenues sufficient to pay for all prudent acts of owning, properly maintaining and operating the System. Generally, PUC approval of a proposed rate plan includes an annual true-up analysis to evaluate the necessary level of rate adjustment based on actual financial performance; therefore, while the PUC may approve a rate plan, annual rate adjustments are typically subject to the results of the true-up analysis. The PUC recently issued guidance on procedures related to the true up as well as adopted a calendar to approve of any rate changes by August for the following Fiscal Year. The Authority submitted the Fiscal Year 2027 rate adjustment as part of the annual true-up procedures in April 2026. On July 17, 2026, the Authority and the PUC's Financial Consultant entered into the 2027 Joint Stipulation to reduce the proposed rate adjustment from 7.75% to 6.25% for all base and non-lifeline components. The PUC approved the recommended 6.25% rate adjustment on August 20, 2026. See "THE SYSTEM – Rates and Charges – *Historical Rate Adjustments*," " *– Fiscal Year 2026 True-Up*," and " *– Fiscal Year 2027 True-Up*."

Pursuant to the Act and the 2005 Indenture, the Authority has pledged to the holders of all Bonds while any Bonds remain outstanding and not fully performed or discharged, to, among other things, maintain the rights, powers and duties of the CCU and the PUC to fulfill the terms of the Bonds and the 2005 Indenture, and maintain the rights and remedies of bondholders provided in the Act and the 2005 Indenture.

FUTURE SYSTEM CAPITAL REQUIREMENTS

Water Resources Master Plan Updates

In 2006, the Authority completed the original Water Resources Master Plan (2004-2007) (the "**2006 WRMP**"), a planning document that set forth an assessment of the Authority's System and outlined capital improvements over a 20-year period. In 2018, the Authority completed an update to the 2006 WRMP (the "**2018 WRMP Update**"), which provided a comprehensive assessment of the Authority's progress toward achieving the recommendations set forth in the 2006 WRMP and further developed a capital improvement program and financial plan to achieve the Authority's goals and objectives to meet acceptable levels of service and system improvement for the next 20 years, through 2037. The long-term planning effort also addressed programmatic elements of the Authority's operations to sustain the utility and maintain compliance with drinking water standards and clean water regulations. In 2025, the Authority completed an update to the 2018 WRMP Update (the "**Interim WRMP Update**"), which the CCU adopted on May 27, 2025. The Interim WRMP Update provides a revised capital program for Fiscal Years 2024-2037 that consists of, among other things, remaining projects from the 2018 WRMP Update and new projects that are the result of updated analyses of the water and wastewater systems, mandates required by the 2024 Partial Consent Decree (see "REGULATORY ENVIRONMENT – Environmental Regulations – 2024 Partial Consent Decree"), new contaminant levels for PFAS compounds, and new general utility improvements identified by the Authority. The Interim WRMP Update calls for approximately $1.892 billion of capital spending over the 2018-2037 forecast period. The Interim WRMP Update provides the basis for most of the capital improvements included in the current capital improvement program, which is further described herein. See "– Capital Improvement Program."

Capital Improvement Program

2026-2030 Capital Program Projections: On March 4, 2024, the CCU approved the Authority's 2025-2029 Financial Plan, which incorporated the Authority's capital improvement program for Fiscal Years 2025-2029 (the "**2025-2029 CIP**"). The Authority subsequently provided additional encumbrance projections to reflect the Authority's capital improvement program adjustments for Fiscal Years 2026-2030 (the "**2026-2030 Capital Program Projections**") to incorporate updates to cost estimates based on recent construction bids, requirements of the recently entered Partial Consent Decree with the EPA, proactive measures to address water quality issues, continued water loss control efforts and corresponding reduction of Navy Water purchase requirements, and continued renewal and reinvestment in infrastructure assets. The capital cost of implementing the 2026-2030 Capital Program Projections, as shown in the following table, is approximately $1.22 billion (in nominal dollars), and is anticipated to be financed through a combination of existing reserves, bonds previously issued, the 2026 Bonds and Additional Bonds, short-term financing instruments (including revolving credit facilities and an encumbrance line), various prior and future grants, including US EPA State Revolving Fund ("**State Revolving Fund**") grants and the Authority's allocation of the federal Infrastructure Investment and Jobs Act ("**IIJA**") grant program revenues, operating revenues, revenues from System Development Charges and interest earnings on restricted accounts. The Authority can provide no assurance that the total cost of the 2026-2030 Capital Program Projections will not be higher than currently estimated. See "CERTAIN INVESTMENT CONSIDERATIONS – Implementation of Capital Improvement Program."

The following table sets forth the allocation of 2026-2030 Capital Program Projections project costs among four categories: (i) water production, treatment, distribution and storage, (ii) wastewater collection and treatment, (iii) electrical, including monitoring and control, and (iv) general plant and miscellaneous, as well as the projected sources of funding for such projects by Fiscal Year. Most notably, the 2026-2030 Capital Program Projections includes certain capital program requirements mandated under the 2024 Partial Consent Decree, including wastewater collection system gravity line assessment, capacity analyses and certain rehabilitation/replacement for the portions of the sewer collection network; inventory, assessment and analyses are required for sewer pump station force main (discharge) piping and rehabilitation/replacement of a certain percentage of the Authority's total force main piping inventory; assessment, design and construction of Tier 1 and a certain number of Tier 2 pump station upgrades as such tiers have been identified in the Authority's 2018 WRMP Update. Furthermore, the 2026-2030 Capital Program Projections includes planning and engineering to address new federal regulations for emerging contaminants such as PFAS and selected water tank projects.

Approximately $352.3 million or 28.9% of the 2026-2030 Capital Program Projections is allocated to wastewater projects to comply with the 2024 Partial Consent Decree (see "REGULATORY ENVIRONMENT –

Environmental Regulations – 2003 Stipulated Order and 2011 Court Order" and "– 2024 Partial Consent Decree"); and approximately $675.8 million or 55.4% of the 2026-2030 Capital Program Projections is allocated to water projects including water loss control program efforts (see "THE SYSTEM – Water Loss Control Program"). Within the water project total, approximately $133.9 million of the 2026-2030 Capital Program Projections is allocated to water treatment projects relating to PFAS and other emerging contaminants (See "REGULATORY ENVIRONMENT – Environmental Regulations – Compliance with the SDWA – Water System").

Table 19
CIP Encumbrance Requirements and Sources of Funds
Fiscal Years 2026 through 2030[(1)]
($000)

	2026	2027	2028	2029	2030	Total
Capital Improvement Program						
Water Production, Treatment, Distribution and Storage	$121,380	$248,770	$170,440	$62,760	$72,480	$675,830
Wastewater Collection and Treatment	70,230	163,410	27,580	4,410	86,680	352,310
Electrical, including Monitoring and Control	1,830	6,120	14,850	--	1,570	24,360
General Plant and Miscellaneous	17,850	58,790	57,330	8,270	25,950	168,200
Total*:	**$211,290**	**$477,090**	**$270,190**	**$75,450**	**$186,680**	**$1,220,700**
Sources of Funds						
Existing Reserves[(2)]	$276,140	--	--	--	--	$276,140
Series 2026 Bonds (new money)	100,000	--	--	--	--	100,000
Short-Term Financing[(3)]	50,000	150,000	225,000	50,000	150,000	625,000
EPA Grants[(4)]	$42,650	30,000	4,000	4,000	4,000	84,650
Internally Funded CIP (IFCIP)[(5)]	15,000	12,000	25,000	15,000	15,000	82,000
SDC Revenues	750	750	750	750	750	3,750
Interest Earnings[(6)]	11,040	10,460	10,020	11,340	10,900	53,770
Used (Unused) Balance[(6)]	(284,300)	273,880	5,410	(5,640)	6,030	(4,610)
Total*:	**$211,290**	**$477,090**	**$270,190**	**$75,450**	**$186,680**	**$1,220,700**

(1) Amounts in nominal dollars with slight calculation discrepancies due to rounding.
(2) Existing reserves consist primarily of Series 2025 Bond proceeds ($237.7 million) as well as prior year grant funds and construction fund reserves.
(3) The Authority will use short-term financing instruments, including revolving credit facilities and an encumbrance line, to encumber projects and issue loans for contractor payments. These short-term instruments will be refunded with the issuance of revenue bonds that will provide permanent funding and pay off outstanding short-term debt balances when the revolving credit facilities expire, or as project commitments against the encumbrance line require payment.
(4) Grants are awarded annually to the Authority and consist of US EPA Drinking Water and Clean Water State Revolving Fund ("SRF") infrastructure grants and the Authority's allocation from the Infrastructure Investment and Jobs Act ("IIJA").
(5) Net operating revenues from the System.
(6) Interest earnings on restricted accounts such as revenue bond proceeds.
* Totals may not add due to rounding.
Source: Guam Waterworks Authority.

As shown above, capital requirements are planned to be funded through existing reserves, which includes Series 2025 Bond proceeds as well as prior year grant funds and construction fund reserves (22.5%), new money revenue bonds (8.2%), short-term financing instruments including revolving credit facilities and an encumbrance line (51.0%), grants from the US EPA (6.9%), internally funded CIP (i.e., net operating revenues transferred from the operating fund) (6.7%), revenues from System Development Charges (0.3%), and interest earnings on restricted accounts that may be used to fund projects (i.e., debt service reserves or bond proceeds) (4.4%).

Short-Term Construction Financing. Pursuant to PL 37-103, the Authority is authorized to use certain short-term construction financing instruments to finance projects in its capital improvement program subject to certain requirements. The Authority may issue up to $360 million in tax-exempt or taxable commercial paper notes, as well as up to $400 million in aggregate principal amount of notes, bonds or other similar instruments (including but not limited to revolving notes) secured by bank credit facilities ("**Credit Facility Obligations**"). Under PL 37-103, the

Authority is also authorized to issue long-term refunding bonds to refinance such commercial paper notes or Credit Facility Obligations, as well as long-term revenue bonds to finance and refinance certain projects in its capital improvement program. However, the total amount of indebtedness incurred pursuant to PL 37-103 may not exceed $560 million.

The Authority is currently working to secure a $50 million revolving credit agreement and an additional $150 million encumbrance line in the form of a forward bond purchase agreement. These short-term financing instruments will provide funding capacity during the procurement process and defer principal and interest payments until projects are under contract and active. The Authority plans to issue take-out revenue bonds to provide permanent funding or repay outstanding obligations for projects initially encumbered or paid for with these instruments. The $50 million revolver is assumed to have a two-year term. A second two-year revolver is expected to be put in place in 2028, when the first one expires. The financing plan assumes the second revolver will provide a credit limit of $75 million. Altogether, revolving credit facilities are anticipated to provide a total of $125 million for the Authority's capital program over the forecast period. Revenue bonds are planned to be issued in 2028 ($200 million) to repay the first $50 million revolver when it expires and provide permanent funding for $150 million of Fiscal Year 2027 projects initially funded with the encumbrance line. The Authority plans to additionally issue revenue bonds in 2029 ($150 million) to provide permanent funding for Fiscal Year 2028 projects initially funded with the encumbrance line. Finally, revenue bonds with proceeds of $125 million are planned to be issued in 2030 to repay the $75 million second revolver and provide permanent funding for Fiscal Year 2029 projects initially funded with the encumbrance line. See APPENDIX A — "CONSULTANT'S FEASIBILITY STUDY – Financial Performance – Capital Financing."

Commercial paper notes may be payable from revenues and secured only on a subordinate basis to the payment of debt service on Bonds. Credit Facility Obligations may be payable from revenues and secured on a parity basis with or on a subordinate basis to the payment of debt service on Bonds.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parity Payment Agreements" and "– Subordinate Obligations."

Grants. The Authority anticipates US EPA grants are projected to total $84.7 million over the forecast period, including capitalization grants from the Drinking Water and Clean Water State Revolving Fund ("**SRF**") program and the Authority's allocation from the Infrastructure and Investment and Jobs Act ("**IIJA**")—also known as the Bipartisan Infrastructure Law. SRF grants total $10.5 million in Fiscal Year 2026 and are expected to total $4.0 million per year thereafter. IIJA grants are expected to provide $32.1 and $26.0 million per year in Fiscal Year 2026 and Fiscal Year 2027, respectively, before the funding authorization expires. The Authority has not experienced any delays in reimbursements requested from the respective grants.

Future US EPA grant funding is subject to federal review and approval and the Authority cannot guarantee that such funding will be available in the amounts or on the schedule set forth in the table above.

The Authority is working with the Office of the Governor to ensure that ARPA funds identified for water and wastewater improvements will meet the December 2026 expenditure deadline. Approximately $20 million in additional and unanticipated ARPA funding was transferred from hospital related allocations for water and wastewater infrastructure to other planned Authority improvements. Eligible water and wastewater projects have been identified that meet the conditions of the grant to reduce return of unused funds.

U.S. Military Realignment

Guam is currently the home of three military bases: Naval Base Guam on the mid-western coast of Guam, Andersen Air Force Base on the northeastern coast of Guam from Yigo to Ritidian Point, and Marine Corps Base Camp Blaz (which is currently being constructed) located along Route 3 in Yigo. Construction on Marine Corps Base Camp Blaz is expected to peak between 2025 and 2030. The relocation of Marines from Okinawa to Guam began in the summer of 2025.

In 2010, the U.S. military initially planned to move approximately 8,600 military personnel and 9,000 dependents to Guam by 2013. The DOD subsequently altered its plans and completed a Supplementary Environmental

Impact Statement ("**2015 SEIS**") and released a Record of Decision ("**Record of Decision**") for the military realignment in 2015. Based on the 2015 SEIS and Record of Decision, the DOD planned to relocate approximately 5,000 military personnel and 1,300 dependents to Guam over a 12-year period, which was expected to increase the military population on Guam by approximately 50% over levels at that time. The population increase was expected to peak at 9,721 people in calendar year 2023, including military personnel, dependents, construction and civilian personnel associated with the military realignment, and gradually reach a steady state of 7,411 people by calendar year 2028 as construction declines and construction personnel leave Guam.

Since the publication of the 2015 SEIS and Record of Decision, the DOD updated its population estimates in 2025 to reflect changes in the timing, scale, and composition of the military buildup. According to these revised projections, the projected military-related population on Guam has grown substantially beyond original expectations. In fiscal year 2015, there were approximately 12,196 individuals associated with military activity on Guam, consisting of 4,317 active duty personnel, 3,632 DOD civilian workers, and 4,247 dependents. The population is now projected to increase from 35,631 persons in 2025 to a peak of 45,321 persons in 2034, before stabilizing at approximately 42,645 persons by 2037. This trajectory reflects a longer-term and more substantial realignment than originally forecasted.

The relocation of the Marines from Okinawa to Guam began in the summer of 2025. See APPENDIX B – "GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GUAM ECONOMY AND ECONOMIC ACTIVITY – Military Activity – Military Personnel."

The expected population growth set forth in the 2015 SEIS poses significant implications for Guam's infrastructure, including the Authority's System. Pursuant to the 2015 SEIS, the DOD estimates that the military realignment will result in increased potable water demand of approximately 1.7 mgd and increased wastewater generation of approximately 1.2 mgd. Such increases would result in a significant indirect impact on the aquifer lens and in a significant indirect impact on the Northern District wastewater system, respectively. To address the increased demands on the System, the DOD and the Authority have (i) completed upgrades to the Northern District WWTP to secondary treatment and installed the related outfall diffuser (completed in 2022) (see "THE SYSTEM – The Wastewater System – *Wastewater Treatment Plants* – Northern District WWTP"); (ii) refurbished the interceptor sewer that runs from the Andersen Air Force Base to the Northern District WWTP (completed in 2020); and (iii) expanded and rehabilitated the Northern Guam Lens Aquifer Monitoring System including in the northwest field area of the Andersen Air Force Base (completed in 2023).

In addition, the Missile Defense Agency ("**MDA**"), a research, development and acquisition agency within the DOD, together with the U.S. Department of the Army, the Navy, the Air Force and the Federal Aviation Administration as cooperating agencies, announced on July 25, 2025 the availability of the Final Environmental Impact Statement ("**Final EIS**") evaluating the environmental impacts and potential mitigation of deploying and operating an Enhanced Integrated Air and Missile Defense System ("**EIAMD**") across 16 sites on Guam to defend the island against advanced missile threats. The Final EIS indicated no impact to wastewater utilities and less than significant impact to water utilities, with no proposed mitigation actions. The MDA issued its Record of Decision on September 9, 2025.

Subsequent to the issuance of the above Final EIS documents, the Government of Guam conducted a comprehensive review and provided public comments citing cumulative impacts to civilian infrastructure and public services. Upon the release of the Record of Decision for the EIAMD, the Governor of Guam expressed dissatisfaction that the Missile Defense Agency did not address the cumulative impacts (which included impacts to water and wastewater utilities) resulting from the EIAMD and other proposed actions by the Department of Defense. The impact of these potential projects on the Authority's System are currently unknown. The Governor has called upon the Secretary of Defense to convene the Economic Adjustment Committee, a committee of 22 federal agencies, to coordinate a whole-of-government response to economic and infrastructure impacts resulting from the proposed actions of the Department of Defense. A regional convening of federal agencies and delegates from the Governments of Guam and the Commonwealth of the Northern Mariana Islands took place in San Francisco from September 22-24, 2026 as a first step toward a convening of the broader Economic Adjustment Committee.

Except for potential cumulative impacts for which the Government of Guam may seek federal economic adjustment as described above, the Authority does not currently expect the U.S. military build-up to materially affect

the Authority's future capital requirements and has not included any capital improvements relating to specific actions already identified for the U.S. military build-up in its capital planning. Based on the memorandum of understanding entered into in 2010 and updated in 2016 by the Authority and the DOD (see "THE SYSTEM – One-Guam Initiative"), the Authority expects that the DOD will provide appropriate and adequate funding sources for all direct and indirect impacts to the Authority's infrastructure resulting from any build-up in order to avoid rate pressure on the Authority's civilian customers. Although the 2016 MOU does not bind either party to any financial commitments, the 2016 MOU does reflect that, among other things, the parties will evaluate and fairly distribute agreed-upon costs associated with meeting DOD requirements.

For additional information about the military realignment, see APPENDIX B – "GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GUAM ECONOMY AND ECONOMIC ACTIVITY – Military Activity."

HISTORICAL AND PROJECTED OPERATING RESULTS

Historical Operating Results

The following table sets forth the Authority's historical operating results and debt service coverage as calculated pursuant to the 2005 Indenture for Fiscal Years 2021 through 2025.

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Table 20
Historical Operating Results and Debt Service Coverage
Fiscal Years 2021 through 2025
($000)

	2021	2022	2023	2024	2025
Operating Revenues:					
Water Sales Revenues[1]	$67,056	$66,735	$68,776	$81,926	$91,423
Wastewater Revenues[1]	32,509	34,726	37,479	45,870	53,562
Other Revenues[2]	502	464	567	591	709
Total Operating Revenues[3]	$100,067	$101,925	$106,822	$128,387	$145,694
Operating Expenses:					
Water Purchases	$6,616	$5,656	$7,039	$8,662	$7,421
Power Purchases	12,508	18,577	24,398	21,892	19,917
Salaries, Wages and Benefits[4]	22,800	22,827	24,196	25,968	31,777
Contractual[5]	4,247	4,493	5,422	5,238	5,542
Retiree Expenses[6]	2,527	2,595	2,887	3,208	3,808
Administrative and General[7]	11,761	10,677	9,689	9,543	14,095
Total Operating Expenses	$60,459	$64,825	$73,631	$74,511	$82,560
Amounts Available for Debt Service					
Net Operating Revenues	$39,609	$37,100	$33,190	$53,876	$63,134
Transfer from Rate Stabilization[8]	--	5,750	5,650	--	(9,500)
ARPA Grant[9]	--	--	12,400	--	--
Investment Income – Other Funds[10]	71	276	1,972	5,166	5,554
Current Revenues Available for Debt Service	$39,679	$43,126	$53,212	$59,042	$59,188
Indenture Debt Service Coverage Covenant:					
Current Revenues Available for Debt Service	$39,679	$43,126	$53,212	$59,042	$59,188
Debt Service on Outstanding Bonds[11]	31,437	33,458	39,037	38,516	39,280
Debt Service Coverage[12]	1.26x	1.29x	1.36x	1.53x	1.51x

(1) "Water Sales Revenue" and "Wastewater Revenues" include revenues from the Legislative Surcharge, which ranged from $2.94 million in Fiscal Year 2021 to $4.25 million in Fiscal Year 2025. See "THE SYSTEM – Rates and Charges – *Legislative Surcharge*."

(2) "Other Revenue" items include revenues from illegal connections, installation fees, reconnection fees, insufficient fund check fees, meter tampering fees, direct service charges, miscellaneous fees, trouble report water fees, GTA leases, miscellaneous administration fees, account analysis fees, reproduction charges, special reading fees, inspection fees, verification time test fees, bench test fees, meter relocation fees, plan and specification fees, cash shorts/overs, inspection fees, miscellaneous sewer revenues, special damages, liquidated damages, and honey bucket fees.

(3) System Development Charge revenues are not included in Operating Revenues. These revenues ranged from $1.60 million in Fiscal Year 2021 to $1.56 million in Fiscal Year 2025. See "THE SYSTEM – System Development Charges."

(4) "Salaries, Wages and Benefits" expenses include salaries and wages, medical, dental, and life insurance, Medicare contributions, capitalized labor, and pension contributions.

(5) "Contractual" expenses include audit and computer maintenance, engineering, legal, testing and other expenses, as well as building and equipment rental.

(6) "Retiree" expenses include medical, dental and life insurance costs and supplemental annuities, and excludes COLA expense and OPEB adjustments.

(7) "Administrative and General" expenses include sludge removal, chemicals, materials and supplies, transportation, communication, claims, insurance, training and travel, advertising, miscellaneous, regulatory and bad debt expense. Reflects restatement of expenses to include certain costs incurred and paid in Fiscal Years 2020, 2021, 2022 and 2023 relating to the Authority's 2020-2024 rate plan. See "THE SYSTEM – Rates and Charges – *Historical Rate Adjustments*."

(8) In Fiscal Years 2022 and 2023, with CCU approval, the Authority transferred approximately $5.75 million and $5.65 million from the Rate Stabilization Fund to the Revenue Fund. In Fiscal Year 2025, $9.5 million was transferred to the Rate Stabilization Fund. See "THE SYSTEM – Rate Stabilization Fund."

(9) In Fiscal Year 2023, the Governor of Guam provided the Authority with $12.4 million of ARPA funds to mitigate rate increases.

(10) "Investment Income – Other Funds" includes interest on all accounts except for bond reserve funds.

(11) Amounts shown are net of capitalized interest.

(12) Represents the Authority's covenant to provide rates sufficient to ensure that its debt service coverage ratio equals at least 1.25x the aggregate annual debt service. See "THE SYSTEM – Debt Service Coverage." Calculated based on Current Revenues Available for Debt Service divided by Debt Service on Outstanding Bonds (net of capitalized interest).

Source: Guam Waterworks Authority.

Projected Operating Results

General. The Authority does not as a matter of course make public projections as to future sales, earnings or other results. However, the Authority has prepared, based on capital planning as of September 2026, the prospective financial information as set forth in the following table to provide projected water sales and wastewater revenues, cost of services, operating results and debt service coverage.

The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Authority's management, was prepared on a reasonable basis, reflects the currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Authority based on capital planning as of September 2026. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Authority's independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information. The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of the Authority as of the date of its preparation, are subject to a wide variety of significant business, economic, and risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurance that the prospective results are indicative of the future performance of the Authority or that actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

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Table 21
Projected Operating Results and Debt Service Coverage
Fiscal Years 2026 through 2030
($000)

	2026	2027	2028	2029	2030
Operating Revenues:					
Water Sales Revenues[1]	$92,717	$98,627	$106,260	$114,582	$123,632
Wastewater Revenues[1]	50,901	54,144	58,237	62,751	67,724
Legislative Surcharge	4,433	4,758	4,811	4,998	5,096
Other Revenues[2]	600	600	600	600	600
System Development Charges	1,165	1,165	1,165	1,165	1,165
Total Operating Revenues	$149,816	$159,294	$171,073	$184,096	$198,217
Operating Expenses:					
Water Purchases	$7,140	$7,819	$7,819	$7,819	$7,819
Power Purchases	17,016	19,990	19,990	19,990	19,990
Salaries, Wages and Benefits	36,783	38,436	39,178	40,567	41,784
Contractual[3]	8,286	8,983	9,096	9,345	9,625
Retiree and Healthcare[4]	4,775	4,840	4,909	5,075	5,228
Administrative and General[5]	12,846	15,622	16,700	17,201	17,717
Total Operating Expenses	$86,846	$95,689	$97,692	$99,996	$102,163
Net Operating Revenues	$62,970	$63,605	$73,381	$84,099	$96,054
Investment Income – Other Funds	4,786	5,808	5,808	5,808	5,808
Cost-of-Living Allowance	706	729	729	751	774
System Development Charges	(1,165)	(1,165)	(1,165)	(1,165)	(1,165)
Rate Stabilization, Transfers From (To)	0	0	0	0	0
Capitalized Labor[6]	4,083	4,266	4,349	4,503	4,638
Current Revenues Available for Debt Service	$71,381	$73,243	$83,101	$93,996	$106,109
Indenture Debt Service Coverage Covenant[7]:					
Current Revenues Available for Debt Service	$71,381	$73,243	$83,101	$93,996	$106,109
Senior Lien Debt Service[8]	50,681	56,782	60,339	73,190	84,174
Indenture Debt Service Coverage	1.41x	1.29x	1.38x	1.28x	1.26x

(1) Projected revenues for Fiscal Years 2026-2030 are based on forecasted rate revenues set forth in 2024 PUC Order. Authorized rate increases for Fiscal Years 2026-2030 are subject to change and are not final until approved by the PUC in the annual true-up proceedings. See "THE SYSTEM – Rates and Charges."

(2) "Other Revenue" items include revenues from illegal connection, installation fee, reconnection fee, insufficient fund check, meter tampering, direct service, miscellaneous, trouble report water, rent – GTA lease, miscellaneous admin, account analysis, reproduction copies bills, special reading, inspection fee, verification time test, bench test, meter relocation, plan and specs, cash shorts/overs, inspection fee, miscellaneous sewer revenues and honey buckets.

(3) "Contractual" expenses include audit, meter reading and computer maintenance, engineering, legal, testing, program management fees, claims, insurance, training, advertising, building rental, equipment rental, regulatory and miscellaneous expenses, and other expenses.

(4) Retiree and Healthcare expenses include medical, dental and life insurance costs, supplemental annuities, and cost of living allowance.

(5) "Administrative and General" expenses include sludge removal, chemicals, materials and supplies, transportation expense, telephone, and communication and bad debt expense.

(6) For purposes of calculating coverage, certain personnel costs related to the delivery of capital improvement projects are capitalized (deducted from O&M, which increases Current Revenues Available for Debt Service).

(7) Represents the Authority's covenant to provide rates sufficient to ensure that its debt service coverage ratio equals at least 1.25x the aggregate annual debt service. See "THE SYSTEM – Debt Service Coverage." Calculated based on Current Revenues Available for Debt Service divided by Senior Lien Debt Service (net of capitalized interest).

(8) Does not reflect the refunding of the Refunded Bonds. Includes debt service on the new money component ($100 million) of the 2026 Bonds, with three year principal deferral, debt service on Bonds to be issued in 2028 with project proceeds of $200 million, with three year principal deferral, debt service on Bonds to be issued in 2029 with project proceeds of $150 million, with three year principal deferral, and interest expense on the revolving credit facilities based on the timing of projected capital project expenditures.

Source: Guam Waterworks Authority.

Assumptions for Projections. The projections in the table above are based in part on the following assumptions:

Projected Revenue Assumptions. Projected water and wastewater revenues for Fiscal Year 2026 reflect PUC-approved rate increase of 8.2% to non-lifeline rate components and the stipulated 6.25% non-lifeline adjustment for Fiscal Year 2027. Projected water and wastewater rate adjustments for Fiscal Years 2028 through 2029 are consistent with the projected revenue levels set forth in the PUC-approved 2025-2029 Financial Plan, reflecting annual increases of 7.75% to non-lifeline rate components for each of the Fiscal Years. Projected Legislative Surcharge revenues are based on a 3.55% surcharge on non-lifeline components for Fiscal Year 2026 and is expected to remain at that level for Fiscal Year 2027 based on the 2027 Joint Stipulation.

Projected Operating Expense Assumptions. Water purchases from the Navy are projected to be approximately $7.1 million in Fiscal Year 2026 and approximately $7.8 million for the remainder of the forecast period reflecting the implementation of Navy water rate revisions and anticipated reductions in purchase volumes. Power purchases are projected to increase to approximately $20.0 million in Fiscal Year 2027 due in large part to higher GPA rates. Despite cost savings associated with the new Ukudu Power Plant, power expenses are expected to rise as a result of surging fuel prices. Power purchase expenses are expected to remain at elevated levels ($20.0 million) throughout the forecast period. Salaries, wages and benefits are projected to increase by $1.7 million in Fiscal Year 2027 with the completion of the Authority's salary migration program, pay for performance adjustments, and planned staffing additions (particularly those in the Engineering Division which are needed to maintain or accelerate delivery of critical capital projects), and to increase thereafter at 2.8% per year from $38.4 million in Fiscal Year 2027 to $41.8 million in Fiscal Year 2030. Contractual expenses are projected to increase $0.7 million in Fiscal Year 2027 to $9.0 million, then increase to $9.6 million by Fiscal Year 2030 (an average annual growth rate of 2.3%). Administrative and General expenses are projected to increase by $2.8 million (21.6%) from Fiscal Year 2026 to Fiscal Year 2027 due to planned installation of GAC to an additional four water production facilities, increased sludge production and disposal, and replenishment of inventory for materials and supplies in conjunction with the Authority's asset management plan. These expenses are projected to increase thereafter by 4.3% annually from $15.6 million in Fiscal Year 2027 to $17.7 million in Fiscal Year 2030.

Projected Debt Service Assumptions. Projected debt service includes (i) debt service on the 2016 Bonds, 2017 Bonds, 2020A Bonds, 2020B Bonds, 2024A Bonds, 2024B Bonds, and 2025A Bonds; (ii) 5.05% interest expense on loans issued against short-term construction financing instruments, and (iii) debt service on the 2026 Bonds and Additional Bonds, including take-out bonds issued to repay and restore encumbrance capacity of the short-term construction financing instruments. The 2026 Bonds and Additional Bonds are assumed to have an average interest rate of 5.73% and 5.50%, respectively, with 30-year amortization periods, three years of principal deferral, 1.0% costs of issuance, and a debt service reserve requirement equal to aggregate maximum annual debt service. The actual issuance dates and borrowing rates may vary from these assumptions.

Relative to the forecast included in the Feasibility Study, which estimated debt service based on municipal market data as of July 7, 2026, the assumed rate on the 2026 Bonds increased 101 basis points and the assumed rates of the Bonds anticipated to be issued in 2028 and 2029 have both increased 78 basis points. All other revenue and expense assumptions are unchanged. As a result of the interest rate changes, total debt service for Fiscal Years 2027 through 2030 is higher than the original forecast included in the Feasibility Study. See APPENDIX A – "CONSULTANT'S FEASIBILITY STUDY – Financial Performance – Table 7-11. Projected Debt Service Coverage," and "– Feasibility Study Addendum."

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CERTAIN INVESTMENT CONSIDERATIONS

The following discussion of considerations is not meant to be an exhaustive list of the risks associated with the purchase of the 2026 Bonds and does not necessarily reflect the relative importance of the various risks. Potential purchasers of the 2026 Bonds are advised to consider the following factors, among others, and to review all other information in this Official Statement in evaluating whether to purchase the 2026 Bonds. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of and/or in the ability to sell the 2026 Bonds in the secondary market. No assurance can be given that other risk factors will not become material in the future. The 2026 Bonds may not be suitable investments for all persons. Prospective purchasers should be able to evaluate the risks and merits of an investment in the 2026 Bonds and should confer with their own legal and financial advisors before considering a purchase of the 2026 Bonds.

General

The principal of and interest on the Bonds, including the 2026 Bonds, is payable pursuant to the 2005 Indenture solely from the Revenues. The ability to pay debt service on the Bonds, including the 2026 Bonds, will depend on the receipt of sufficient Revenues, pledged as payment for the Bonds. The Authority's ability to generate Revenues is dependent on several factors. To the extent the Authority is unable to make up for Revenue shortfalls, the Authority's ability to pay debt service on the Bonds, including the 2026 Bonds, may be adversely affected.

Limitations on Remedies

The 2026 Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation on the occurrence or continuance of an Event of Default. Upon the occurrence or continuation of an Event of Default, a Bondowner would only be entitled to principal and interest payments on the 2026 Bonds as they come due. Under certain circumstances, Holders of the 2026 Bonds may not be able to pursue certain remedies or enforce covenants contained in the 2005 Indenture. The remedies available to the Holders of the 2026 Bonds upon an Event of Default under the 2005 Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing law, the remedies specified by the 2005 Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2026 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by insolvency or other laws affecting the rights of creditors generally.

The federal Bankruptcy Code dictates which entities are eligible to seek relief as debtors under each chapter of that federal law. Neither the Government nor the Authority are legally able to seek bankruptcy relief under current federal law. No proposed debt restructuring legislation has been introduced in the Guam Legislature, nor to the Authority's knowledge is any such legislation being contemplated or discussed. The Authority can neither predict nor provide any assurances regarding any future changes in law or legislative proposals.

Uncertainties of Projections and Assumptions

This Official Statement contains certain assumptions, estimates, projections and other forward-looking statements. Demonstration of compliance by the Authority with certain of the covenants contained in the 2005 Indenture also may be based upon assumptions, estimates and projections. Actual results, however, may differ, perhaps materially, from those projected. In addition, certain assumptions with respect to future business and financing decisions, including the decision to undertake, or to postpone or cancel, future capital improvements of the System may not occur and are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the existence of any future set of facts or circumstances, and prospective purchasers of the 2026 Bonds are cautioned not to place undue reliance upon any forecasts, estimates, plans or projections or requirements for forecasts or projections. If actual results are less favorable than the results projected or if the assumptions used in preparing projections prove to be incorrect, the ability of the Authority to make timely payment of the principal of and interest on the Bonds, including the 2026 Bonds, may be materially and adversely affected.

Guam Economy; Impact of Tourism and Military Presence

General. The Authority's ability to generate Revenues depends in large measure on the local economy, which is heavily dependent on tourism and the U.S. military presence, both of which are dependent on world economic, social and political events.

Tourism. Tourism represents a significant share of the economic activity on Guam. Historically, the tourism industry, both worldwide and on Guam, has correlated closely with the state of the world's economies and levels of real disposable income. A weak economy, war, epidemic outbreaks, natural disasters or the threat of terrorist activity, among other influences that are beyond the Authority's control, can adversely affect the tourism industry. For example, the outbreak of COVID-19 in calendar year 2020 had a material impact on the tourism industry. See APPENDIX B – "GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GUAM ECONOMY AND ECONOMIC ACTIVITY – Guam Tourism Industry." Currency exchange rates, trade balances, political relationships, and conflicts within and between countries are also increasingly important influences on tourism. The decline in the value of the Japanese yen and South Korean won against the U.S. dollar in recent years (particularly from 2022-2024) has impacted travel habits of tourists from these key markets to Guam and other U.S. destinations.

Economic, social and political conditions in South Korea, Japan and throughout the Pacific Rim, and the resulting effect on overseas travel from these countries, are a major determinant of tourism on Guam. For example, in response to the COVID-19 pandemic, many countries, including South Korea and Japan, issued shelter-in-place orders and travel warnings and restrictions. Total visitor arrivals decreased from a high of approximately 1.6 million in Fiscal Year 2019 to a low of approximately 61 thousand in Fiscal Year 2021. Total visitor arrivals in Fiscal Year 2024 were approximately 752,572, representing approximately 46% of Fiscal Year 2019 pre-pandemic levels. Total visitor arrivals in Fiscal Year 2025 were approximately 729,124, representing a decrease of approximately 3.12% from Fiscal Year 2024, reflecting challenges in certain source markets, particularly South Korea, as well as airline capacity and currency-related factors. Through July 2026, Fiscal Year 2026 arrivals from Japan increased 8.2% compared with the same period in Fiscal Year 2025, while arrivals from South Korea decreased 8.2%. Taiwan, which remains a smaller visitor market, increased 21.0% over the same period. Any continued or future significant downturn in tourism, including a downturn related to South Korean or Japanese economic conditions or social policies, may result in reduced collection of Revenues. While the Guam Visitors Bureau expects visitor arrivals to continue to recover, no assurance can be given that Guam will not experience continued fluctuations in visitor arrivals from South Korea, Japan and other visitor markets because of ongoing impacts from the COVID-19 pandemic or other economic, social or political conditions. See "– Worldwide Health Concerns" below and APPENDIX B – "GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GUAM ECONOMY AND ECONOMIC ACTIVITY – Guam Tourism Industry." In addition, lower levels of employment tend to reduce the revenue available to the Authority. To the extent the Authority is unable to make up for revenue shortfalls, the ability to pay debt service on the Bonds may be adversely affected.

U.S. Military Presence. Guam's economy and the Authority's level of Revenues are also affected by the U.S. military presence on Guam. The U.S. military presence affects economic activity on Guam in various ways, such as through individuals' demand for commercial, construction and other services. Expansions in the U.S. military presence, such as the expansions expected to occur over the next several years, can also have a direct, positive impact on the Guam economy and the Authority's level of Revenues by spurring new economic activity and attracting visitors to Guam. However, economic, geopolitical, and other influences that are beyond the Government and the Authority's control might result in a decision by the U.S. government to reduce the existing presence of the U.S. military on Guam or forego some or all of the planned enhancements to its presence on Guam.

Based on the 2015 SEIS and Record of Decision (see "FUTURE SYSTEM CAPITAL REQUIREMENTS – U.S. Military Realignment"), the DOD planned to relocate approximately 5,000 military personnel and 1,300 dependents to Guam over a 12-year period, which was expected to increase the military population on Guam by approximately 50% over levels at that time. The population increase was expected to peak at 9,721 people in calendar year 2023, including military personnel, dependents, construction and civilian personnel associated with the military realignment, and gradually reach a steady state of 7,411 people by calendar year 2028 as construction declines and construction personnel leave Guam.

Since the publication of the 2015 SEIS and Record of Decision, the DOD updated its population estimates in 2025 to reflect changes in the timing, scale, and composition of the military buildup. In fiscal year 2015, there were approximately 12,196 individuals associated with military activity on Guam. According to these revised projections, a maximum planning population of approximately 29,400 personnel is anticipated in Fiscal Year 2037. The Government of Guam's Military Population Impacts Report estimates the cumulative Department of Defense-related population will stabilize at approximately 42,645 persons by 2037 after reaching a peak of 45,321 persons in 2034. For more details, see "FUTURE SYSTEM CAPITAL REQUIREMENTS – U.S. Military Realignment."

If the U.S. military changes its current plans with respect to staffing and other strategic improvements on Guam or if the planned population increase continues not to materialize, expected benefits may not be realized and the economy and the Authority's level of Revenues could be adversely affected. If the U.S. military elects to reduce or eliminate its presence on Guam, the economy and the Authority's level of Revenues could decline.

H-2B Visas. The anticipated relocation of U.S. Marines from Okinawa, Japan and other economic projects has generated a significant amount of additional construction activity on Guam. The construction industry is heavily dependent on skilled foreign workers that require H-2B visas to work on Guam. As of September 21, 2026, there were approximately 6,603 individuals with H-2B visas in Guam, representing the highest number of H-2B workers recorded in Guam since tracking of admissions began in 1995. From time to time, the U.S. Citizenship and Immigration Service has changed, amended or modified its policies with respect to approval of H-2B visas. Future approval of new H-2B visas or extensions of existing H-2B visas is uncertain and could impact future military construction, public infrastructure and private sector projects on Guam. The National Defense Authorization Act for federal fiscal year 2021 included a new provision that specifically allows Guam to bring in H-2B workers for civilian projects, which had not been allowed in previous years. For more information regarding the status of H-2B visas, see "APPENDIX B – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – GUAM ECONOMIC AND STATISTICAL INFORMATION – H-2B Visas."

In the past, the Authority has had success in working with the DOD to secure H-2B visas for contractors working on U.S. military realignment projects under the National Defense Authorization Act. However, the denial of H-2B visas or the decline of available skilled construction workers in the future could negatively impact the Authority's ability to construct its other capital projects by increasing construction timeframes and driving up costs.

Federal Policy Risks

Federal policies involving taxation, appropriations, borrowing (including the debt ceiling), trade (including tariffs), immigration, climate change, clean energy and other topics can shift, sometimes dramatically, from one presidential administration or Congress to another. From time to time, such shifts can result in reductions to the level of federal funding for a variety of policy priorities, including transportation, housing, healthcare, social services and other federally funded programs. Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders and other official and unofficial actions at the federal level. The Authority cannot predict the outcome of such proposals and other actions, nor the potential impacts of any future such changes in federal policy. However, such changes could in the future have adverse effects on revenues, operation and maintenance costs or capital funding requirements.

The Authority depends on the work of various federal agencies to conduct its operations. For example, the Authority relies, in part, on the National Oceanic and Atmospheric Administration ("**NOAA**"), which includes the National Weather Service, for information regarding daily weather forecasts, severe storm warnings, climate monitoring, and long-term climate projections. The Authority also relies on the USGS and the U.S. Department of the Interior ("**DOI**") for water resource monitoring data, particularly for the hydrologic conditions of the NGLA, to inform the Authority's water resource management. Furthermore, the Authority also relies on the US EPA for regulatory compliance guidance, water quality standards and testing protocols, infrastructure funding through various federal funding programs, and support during environmental emergencies. In 2025, the federal government ordered hiring freezes and conducted large-scale layoffs across federal agencies, including but not limited to hiring freezes and layoffs at NOAA, USGS, DOI and the US EPA. The hiring freeze remains in plan indefinitely. The Authority cannot predict the potential impacts of such layoffs; however, such actions could have adverse effects on the Authority's operations.

Federal Legislation

Legislation is periodically introduced in the U.S. Congress that could affect the finances or operations of the Authority. Examples of federal legislative proposals that could have an adverse effect on the Authority if they were to be introduced and become law include, but are not limited to, limitations on the amount or availability of tax-exempt financing under Section 103 of the Code or elimination of the exclusion of interest on tax-exempt bonds from gross income for all or some taxpayers. Legislative proposals to eliminate or limit the benefit of tax-exempt interest on bonds such as the 2026 Bonds have been made in the past, may currently be under consideration, and may be made again in the future. If adopted, any such proposal could alter the federal tax treatment described under the heading "TAX MATTERS" or could adversely affect the market value or marketability of the 2026 Bonds. The Authority cannot predict whether any such legislation will be introduced or enacted in the current or future sessions of the U.S. Congress.

Worldwide Health Concerns

A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies, including Guam. For example, the COVID-19 pandemic significantly impacted Guam and resulted in prolonged stay-at-home orders that impacted the System. In addition to certain direct impacts on the operations and finances of the Authority, a health emergencies of this nature could have significant and varied impacts on general economic activity at the local, national and global levels, including supply chain and labor market disruptions. Such disruptions, among other effects, may result in increases in materials, labor and other costs across a wide number of sectors, as well as delays in delivery of projects and equipment. The Authority has experienced, and may in the future experience increases in certain costs, such as for bulk chemical supplies, and delays in the delivery of equipment as a result of supply chain disruptions from a pandemic, epidemic or other widespread health emergencies. Additionally, such disruptions may result in schedule delays for the Authority's capital projects or increased costs for such projects. See "– Implementation of Capital Improvement Program."

Uncertainties Relating to Political and Military Actions

Guam is approximately 3,800 miles west-southwest of Honolulu, Hawaii, the nearest major city of the U.S. The significant U.S. military presence on Guam, its distance from locations in the U.S. and its location in relation to potential sites of political and military conflict in Asia make Guam both a location of great value to the U.S. militarily and a potential site of military conflict. Political events in Asia may create the risk of conflict for the region in general and, in some cases, for Guam. For example, in response to threats in 2013 by North Korea to launch ballistic missile attacks against U.S. military targets, including targets on Guam, the U.S. military deployed a missile defense system to Guam. Additionally, threats by North Korea in 2017 contributed, in part, to the declining number of tourists visiting Guam in Fiscal Year 2018, which was approximately 2.0% below the total number of tourists in Fiscal Year 2017. No assurance can be given that these threats and any future military actions will not have an adverse effect on Guam tourist activity and, as a result, the availability of Revenues sufficient to pay debt service on the Bonds, including the 2026 Bonds.

2011 Court Order with US EPA

The 2011 Court Order, which is being administered directly by US EPA through its regional office in San Francisco, California, contains a comprehensive list of requirements, including management, operations, financial administration, facilities construction and rehabilitation and training requirements to be completed in accordance with a strict schedule. The last remaining project under the 2011 Court Order is completion of the replacement, rehabilitation or reconstruction of certain storage tanks. The Guam District Court deadline was extended from June 30, 2023, to December 31, 2025. On July 2, 2025, the Authority determined that issues with subsurface soil conditions for the foundation of one of the storage tanks will require additional time for construction completion. The Authority notified the US EPA and other relevant parties of this unforeseen delay. In December 2025, the Authority filed, and the Guam District Court approved an extension from December 31, 2025 to December 31, 2026. See "REGULATORY ENVIRONMENT – Environmental Regulations – *2003 Stipulated Order and 2011 Court Order*." Failure of the Authority to meet the scheduled requirements in connection with the final projects may result in fines being assessed against the Authority. Since the issuance of the 2011 Court Order, the Authority has not been assessed any fines for missed deadlines or received any formal notification regarding any such fines.

2024 Partial Consent Decree with US EPA

The 2024 Partial Consent Decree contains a comprehensive list of requirements, including management, operations, financial administration, facilities construction and rehabilitation and training requirements to be completed in accordance with a strict schedule. Failure of the Authority to meet the scheduled requirements of the 2024 Partial Consent Decree may result in fines being assessed against the Authority. See "REGULATORY ENVIRONMENT – Environmental Regulations – *2024 Partial Consent Decree*."

Typhoons and Earthquakes

Because of its location on the southern end of the Marianas Islands chain, Guam is exposed to periodic typhoons, earthquakes and floods. Typhoons and floods have caused significant damage to the Authority's facilities in the past. Damage to the Authority's System from typhoons and flooding has included sewage spills at pump stations and collection piping, collapse of collection piping, and failure of treatment plant equipment. Damage from floods and typhoons have also damaged facilities of GPA, which provide electric power to the Authority's System. To mitigate weather related service outages due to power interruption, back-up generators have been installed at a majority of the Authority's water and wastewater pump stations. Typhoons and other significant storm events and other natural disasters occur periodically and can cause extensive damage to facilities and infrastructure, including to the Authority's System. The Authority has previously reported property losses resulting from storms damage.

Typhoon Mawar, struck Guam on May 24, 2023, with winds over 140 miles per hour. The Authority maintained operations throughout the storm and full water service was restored less than a month later by June 23, 2023. The Authority sustained approximately $4.1 million in facility damages, has incurred approximately $2.5 million in recovery costs, and is working with insurers and Federal Emergency Management Agency ("**FEMA**") for reimbursements. To date, the Authority has received approximately $1.6 million in insurance reimbursements and has been awarded $1 million from the Guam Homeland Security Office for reimbursements relating to Typhoon Mawar. The Authority continues to work with FEMA and its insurance company for resolution of outstanding reimbursement claims.

During the 2026 Pacific typhoon season, Guam experienced two significant storm systems. Typhoon Sinlaku made landfall in the Northern Mariana Islands on April 14, 2026. Guam experienced outer-band effects, including power outages and localized flash flooding, but did not sustain a direct landfall. The Authority's water production initially dropped to 69% but increased back to 92% within five days, with full recovery and service restoration achieved eleven days after the storm and minimal impact to overall operations. Super Typhoon Bavi made direct landfall over Rota, Northern Mariana Islands, on July 6, 2026, bringing sustained winds, gusts of up to 180 mph and record rainfall to Guam. Despite a system-wide drawdown, the Authority achieved 100% customer restoration by July 23, 2026. Island water storage drew down to a low point of 5.8 million gallons on July 9 -10 but rebuilt to 18.9 million gallons by July 27, 2026. All deep wells were back on island power by July 22, and the precautionary boil water notice was fully rescinded on July 23, 2026.

Both storms caused island-wide power outages that temporarily affected the Authority's production wells, resulting in short-term disruptions to water availability in certain service areas. The Authority coordinated with the Guam Power Authority and utilized backup generation to restore well operations; water service returned to normal levels as power was progressively restored.

The Authority activated emergency response protocols ahead of both storms and has since conducted system-wide inspections of its water and wastewater infrastructure. The Authority is currently finalizing its assessment of damages; based on inspections as of August 31, 2026, total estimated damage from each storm is anticipated to be below $1 million, below the Authority's insurance deductible. As of the date of this Official Statement, the Authority does not anticipate a material impact to System operations, revenues, or its capital program as a result of these events.

Guam has established building codes that are specifically designed to ensure that structures are able to sustain strong typhoon winds and earthquakes. Existing Authority structures were designed to satisfy the building codes as then in effect; new structures, and existing structures undergoing structural rehabilitation, are designed or upgraded to comply with Guam's current building codes. The Authority's above-ground facilities are generally housed in concrete buildings designed to withstand typhoon conditions and its underground facilities are rarely affected by high winds or

intense rain. Earthquakes have caused minimal damage to Authority facilities in the past, but damage to the underground pipe network may go unnoticed.

Although FEMA has historically provided disaster relief assistance after typhoon damage, there can be no assurance that future typhoons and/or earthquakes will not cause significant damage to the System, or that FEMA will provide disaster relief assistance if significant damage is experienced. There can also be no assurance that, even with FEMA assistance, damage that results from future typhoons or earthquakes will not adversely affect the operation of the System for an extended period of time and, as a result, Revenues sufficient to pay debt service on the Bonds, including the 2026 Bonds.

Climate Change, Risk of Sea-Level Rise and Flooding Damage

Potential impacts of climate change, including rising sea levels, excessive rainfall, stronger tropical storms, drought, ocean acidification, coral bleaching, saltwater intrusion, storm surges, rising temperatures and increased migration, may threaten Guam's security and resources and have detrimental socioeconomic impacts to Guam. The Government has started system-wide coordination and long-range planning efforts to mitigate the potential adverse environmental and socioeconomic impacts. For more information regarding such efforts, see "APPENDIX B – GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM – NATURAL DISASTERS."

The Authority has taken proactive steps to facilitate responsible management of Guam's water resources through the development of the NGLA monitoring wells with the DOD and shared maintenance with the Navy pursuant to the One-Guam Initiative. See "THE SYSTEM – One-Guam Initiative." The Authority's Water Loss Control Program is also being undertaken to reduce withdrawal rates from the NGLA and to reduce the likelihood of saltwater intrusion from climate change.

As a small island without greatly diversified water resources, Guam is vulnerable to changes in climate, climate variability, and extreme events described above. The potential for flooding and drought can impact the Authority's freshwater supply management and associated infrastructure. While Guam does see occasional grassland fires in isolated areas during the dry season, such events are not widespread, typically occur in inaccessible areas of the southern mountain range, and do not pose a significant risk to the Authority's facilities.

Based on "*Water Resources on Guam – Potential Impacts of and Adaptive Response to Climate Change*," a report published by the USGS in 2019, climate change could negatively impact Guam's water supply by 2080 and the Authority will need to begin considering mitigation strategies for the potential reduction in water supply and projected increase in drought conditions.

The Authority is unable to predict the level of damage, if any, to the System that may result from sea-level rise or other impacts of climate change. There can be no assurance that any such damage will not adversely affect the operation of the System for an extended period of time and, as a result, Revenues sufficient to pay debt service on the Bonds, including the 2026 Bonds.

Rates

The Authority has covenanted in the 2005 Indenture to at all times, fix, prescribe and collect rents, fees and charges in connection with the services and facilities funded by the System which will be sufficient to comply with the Rate Covenant. The 2005 Indenture provides that if Revenues and Net Revenues in a Fiscal Year are insufficient to satisfy the Rate Covenant for such Fiscal Year, the Authority is required to promptly employ a consulting engineer to make recommendations as to a revision of rates, fees and charges or the methods of operation of the System, and to revise such rates, fees and charges or methods of operation and to take such other actions as will be in conformity with such recommendations, subject to applicable requirements or restrictions imposed by law and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the Authority, the Owners and each Credit Provider, if any. The ability of the Authority to increase rates is subject to limitation, including review and approval by the PUC. The Authority typically submits a five-year rate plan and related capital improvement plan for PUC approval. Following evaluation by PUC staff, PUC consultants and the presiding Administrative Law Judge, the PUC adopts a five-year rate path, subject to annual true-ups.

Prior to Fiscal Year 2020, the PUC historically approved rate adjustments requested by the Authority with occasional modifications. However, the 2020-2024 rate plan approval process included additional analysis, reports and more extensive review and adjustments by the PUC, resulting in a lower rate adjustment for the 5-year period than originally proposed by the Authority. The current rate plan did not include these additional requirements, and the related reviews have accordingly been more timely. (see "THE SYSTEM – Rates and Charges – *Historical Rate Adjustments*"). No assurance can be given that the PUC will approve any future rate adjustments requested by the Authority. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Rate Covenant," "THE SYSTEM – Debt Service Coverage" and "– Rates and Charges," "REGULATORY ENVIRONMENT – Regulation of Ratemaking."

Cybersecurity

The Authority relies on a complex technology environment to conduct its operations and is subject to multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware, and other attacks on its computing, operational, and communications networks (collectively, "**Systems Technology**"). As a custodian of personal, private, and sensitive information, the Authority may be the target of cybersecurity incidents that could adversely affect its Systems Technology and require significant response actions to mitigate their consequences.

Cybersecurity incidents may arise from unintentional events or from deliberate attacks by unauthorized individuals or entities seeking to misappropriate assets or information, or to disrupt Authority operations. Such breaches could damage the Authority's Systems Technology, materially disrupt its finances and operations, expose the Authority to litigation or regulatory action, and result in substantial financial costs related to mitigation, remediation, and legal proceedings.

To address these risks, the Authority, in collaboration with GPA, has adopted cybersecurity policies and protocols based on the National Institute of Standards and Technology Special Publication 800 series guidelines. The Authority's cybersecurity program includes a cybersecurity plan approved by the U.S. Department of Energy, comprehensive system testing, vulnerability assessments, adoption of business continuity and disaster recovery plans, and refreshed incident response plans for all departments and divisions.

The Authority completed annual external network security and vulnerability assessments for three consecutive years, most recently in May 2026. These assessments covered information technology general controls, operational technology networks, site physical security, and penetration testing. The Authority is now fortifying its corporate and operational technology systems based on the findings. Its ongoing work includes implementing critical redundancy solutions, performing regular updates, managing end-of-support devices, and enhancing its cybersecurity standard operating procedures.

The Authority carries out this work with technical assistance and assets from federal partners. Under a Cooperative Research and Development Agreement with U.S. Cyber Command, it receives ongoing technical assistance to mitigate cyber vulnerabilities and provide tradecraft transfer to share skills, defensive tactics, and operational knowledge with GWA IT professionals. Under an Intergovernmental Support Agreement with Joint Region Marianas, the Authority receives cybersecurity goods and services that strengthen its cyber posture. The Authority also works with the Federal Bureau of Investigation, the U.S. Department of Homeland Security, the Naval Criminal Investigative Service, Lawrence Livermore National Laboratory, and the U.S. Coast Guard on regular cybersecurity assessments and other cyber-related projects.

In addition, the Authority participates in interagency cyber-readiness tabletop exercises up to four times a year to validate its incident response capabilities. It also maintains a rigorous employee cybersecurity awareness and anti-phishing program, and its phish-prone rate of 1.85% is below industry benchmarks. Through these measures, the Authority aims to reduce its cybersecurity risk exposure.

The Government coordinates cybersecurity readiness and response efforts across agencies, with support from the Guam Homeland Security Advisor and the Mariana Regional Fusion Center. These entities help facilitate territory-wide cybersecurity programs in collaboration with agency IT teams, the National Governors Association, and various federal partners. The Government continues to strengthen its cyber capabilities through interagency coordination,

information sharing, and exercises with local and national stakeholders. These partnerships further strengthen the Authority's cybersecurity preparedness.

Despite these proactive efforts, the Authority cannot guarantee that it will not experience a cybersecurity event that could materially impact its operations or financial position.

Insurance

The Authority maintains property insurance with a blanket coverage of up to $30 million, including coverage of earthquakes, windstorms, floods, typhoons and tidal waves, business interruption and boiler and explosion and machinery breakdown. The Authority also maintains commercial automobile insurance with liability coverage up to $2 million, crime insurance with coverage of up to $1 million, and directors and officer's liability insurance with coverage up to $2 million. In addition, the Authority maintains general liability insurance with coverage of $25 million.

Government Regulation

The federal and local governments significantly regulate the operations of the Authority. Regulations and conditions affecting the acquisition, development, ownership and operation of the System could increase the operating expenses of the System or could otherwise have a material adverse effect on the operations and financial condition of the Authority.

Implementation of Capital Improvement Program

Successful and timely implementation of the Authority's capital improvement program will require careful planning and coordination as well as hiring additional experienced construction management and workers, and other staff and consultants, including off-island personnel and vendors. The Authority intends to enter into contracts with qualified construction management firms to manage a portion of its capital improvement projects.

The ability of the Authority to complete the capital improvement projects on time and on budget may be adversely affected by various factors including but not limited to: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, earthquakes or other casualty events, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation or significant increases in the costs of materials, (xi) environmental issues, and (xii) procurement challenges, including the inability to receive responsive bids for specialized projects. The Authority has experienced procurement challenges requiring project rebidding for certain well construction projects. Information regarding the Authority's 2026-2030 Capital Program Projections is set forth under "FUTURE SYSTEM CAPITAL REQUIREMENTS – Capital Improvement Program – *2026-2030 Capital Program Projections.*" No assurance can be made that the capital improvement projects will not cost more than budgeted.

The 2026-2030 Capital Program Projections totals approximately $1.22 billion (in nominal dollars), with significant portions allocated to regulatory compliance projects under the 2024 Partial Consent Decree ($352.3 million or 28.9%), and water system projects including water loss control ($675.8 million or 55.4%). The water project total includes PFAS and emerging containment treatment ($133.9 million). The size and complexity of the capital program creates execution risk, and the Authority may need to adjust project priorities, scope, or timing based on available resources and contractor capacity.

Funding for the Authority's 2026-2030 Capital Program Projections is expected from various sources, including proceeds of previously issued bonds, the 2026 Bonds and Additional Bonds, multiple short-term funding instruments, various prior and future grants, including US EPA State Revolving Fund grants, operating revenues, revenues from System Development Charges, and certain reserves. In the event one or more of these funding sources is not available to the Authority in the amount or on the schedule described above under "FUTURE SYSTEM CAPITAL REQUIREMENTS," the implementation of some of the 2026-2030 Capital Program Projections projects may be delayed.

Secondary Treatment Requirements Under NPDES Permit

The current NPDES permit issued by the US EPA in 2020 includes secondary treatment requirements for four of the Authority's wastewater treatment plants; however, the Hagåtña WWTP is not currently equipped to provide secondary treatment. The Authority originally estimated that the design and construction necessary to satisfy the secondary treatment requirements would take approximately five years, and the cost of upgrading the Hagåtña WWTP would be approximately $268 million (in 2023 dollars) based on planning conducted as part of the Authority's 2018 WRMP Update. Under the 2024 Partial Consent Decree, the US EPA provided modified effluent discharge limitations, with which the Hagåtña WWTP is complying. Further, the Authority is required to submit a feasibility study for secondary treatment upgrades to the Hagåtña WWTP to the US EPA by August 2031 for review and approval. The feasibility study is required to include analyses of design options, alternative locations, climate change and sea level rise, and planning level construction cost estimates and construction timelines. See "THE SYSTEM – The Wastewater System – *Wastewater Treatment Plants* – Hagåtña WWTP" and "REGULATORY ENVIRONMENT – Environmental Regulations – *2024 Partial Consent Decree*."

LITIGATION

No Litigation Relating to the 2026 Bonds

There is no litigation or proceeding pending or, to the knowledge of the Authority, threatened and having merit (either in Guam, state or federal courts) seeking to restrain or enjoin the execution, issuance, sale or delivery of the 2026 Bonds or the collection, pledge or payment of Revenues by the Authority under the 2005 Indenture, or in any way contesting or affecting the legal existence of the Authority or the titles of certain relevant officials of the Authority to their offices or the validity or enforceability of the 2026 Bonds or the 2005 Indenture.

Core Tech International Corporation Litigation

In 2018, the Government's Director of Land Management filed suit against Core Tech International Corporation ("**CTI**") in the Superior Court of Guam (the "**Guam Superior Court**") to rescind several certificates of title, which the Government has claimed were erroneously issued by the Deputy Civil Registrar to CTI's predecessor-in-interest in 2014. The Authority intervened and asserted a quiet title action. The quiet title action addressed certificates of title for property upon which the Northern District WWTP is located (known as Lots 10193 and 10194), which have been continuously owned, used and occupied by the federal government, the Government and the PUAG (the Authority's predecessor agency) through the construction and operation of the Northern District WWTP since 1979, and by the Authority since 1997. A 1997 grant deed recorded by the Department of Land Management shows ownership in the Authority. In 1980, while the Plant Property was owned by the United States, the United States granted the Government an easement for the construction, operation and maintenance of sewer and utility facilities and executed a General Purpose Lease for the wastewater treatment plant and sewer lines; as part of that agreement, a survey identified PUAG's real estate requirements for the Plant. The 1997 grant deed conveyed the Government's and PUAG's property interests in the 1980 easement and lease and reflected the parties' intent that the Authority hold all present and future interests in the Plant Property. In 2002, the United States conveyed the Plant Property to the Government for public benefit use, and the Guam Supreme Court concluded that the after-acquired title doctrine applied to the 1997 grant deed, vesting title in the Authority by operation of law in 2002. In a 2021 statement of interest, the United States asserted that the Plant Property would revert to the United States if it ceased to be used by Guam for public benefit; the Plant Property continues to be operated as the Northern District WWTP. CTI has subsequently filed a crossclaim against the Authority, a counterclaim against the Government and another counterclaim against the Authority, seeking just compensation for inverse condemnation in the amount of $220 million, as well as damages for trespass and encroachment by the Authority.

In August 2023 and April 2024, two Guam Superior Court orders granted and upheld title in the Northern District WWTP to CTI, finding an automatic reversion of the property favoring CTI. The Guam Superior Court had concluded that the 1997 grant deed's real estate requirement survey and map condition applied to the Plant Property and that the property automatically reverted because the survey and mapping requirements were not completed. In January 2025, the Supreme Court of Guam (the "**Guam Supreme Court**") granted the Authority's request to file an interlocutory appeal challenging the orders. Appellate briefing commenced in April 2025 and concluded in July 2025. Oral arguments were heard in August 2025.

On October 2, 2026, the Guam Supreme Court issued its Opinion (2026 Guam 11) which concluded that "GWA is entitled to judgment as a matter of law on its claim to quiet its title to the Plant Property." The Court further concluded that the 1997 Grant Deed's operative language conveyed a fee simple interest in the Plant Property to the Authority using the words "in fee simple absolute," and that, as a matter of law, title to the Plant Property was never conveyed to CTI's predecessors in interest. The Guam Supreme Court in its Opinion **reversed** the Guam Superior Court's denial of the Authority's motion for summary judgment with instructions to quiet title to the Plant Property in the Authority's favor, and also **reversed** the grant of Core Tech's motion for summary judgment on the Authority's quiet title claim – effectively clarifying and affirming the Authority's ownership of the property upon which the Northern District WWTP is located, with the boundaries of the Plant Property established by the 1980 lease survey for Parcels 3 and 4 (the 1980 real estate requirements survey and map). The Guam Supreme Court further held that the 1997 Grant Deed's real estate requirement survey and map condition did not apply to the Plant Property. The Guam Supreme Court also **vacated** the Guam Superior Court's ruling on one of Core Tech's six counterclaims; Count VI, which specifically sought for declaratory relief. In that claim, Core Tech requested a declaration of its rights "to use, enjoyment, and occupancy" of the Plant Property. The Guam Supreme Court, however, confirmed that Core Tech is not entitled to such relief with respect to the Plant Property. The Guam Supreme Court also **affirmed** the denial of summary judgment on Core Tech's counterclaims on alternate grounds. With respect to those claims, the Court concluded that material issues of fact and law remain. Further, and given the limited scope of its interlocutory review on the narrow issue before it, the Court stated "resolving ownership of the Plant Property [could] not necessarily resolve [all] the remaining counterclaims against GWA." Nevertheless, the Guam Supreme Court expressly recognized that its determination of title to the Plant directly affects Counts I, II, III, and V to the extent those claims involve the Plant Property. Counts I and II, in particular, seek "just compensation" for the Authority's alleged taking and partial taking of the Plant Property. The Supreme Court confirmed that the trial court may reconsider its rulings on Counts I, II, III, and V in light of its holding. Accordingly, these claims were remanded to the trial court for further proceedings to be consistent with Guam Supreme Court's Opinion.

Although the Authority and the Government believe the remaining counterclaims now remanded to the trial court for reconsideration will be resolved in their favor, the Authority and the Government cannot predict the outcome of the case before the Guam Superior Court. In the event that the Guam Superior Court enters judgment against the Authority and the Government, the resulting liability is not likely to have a material and adverse impact on the Authority's financial position. The Authority and the Government intend to vigorously defend themselves against CTI's claims in the Guam Superior Court, and the Authority is pleased with the Guam Supreme Court's Opinion on the interlocutory appeal and the favorable outcome of the quiet title action.

Ordot Landfill Litigation

On November 5, 2024, Gershman Brickner and Bratton, Inc. ("**GBB**"), the federal receiver for the Ordot Landfill, filed a $4.4 million lawsuit against the Authority. The suit claims that the Authority caused increased leachate flows at the landfill, resulting in extraordinary treatment and investigation costs for both GBB and the Guam Solid Waste Authority ("**GSWA**"). On January 6, 2025, the Authority filed a Motion to Dismiss, arguing that GBB failed to properly file a government claim and lacks authority to sue on GSWA's behalf without GSWA's consent. The Guam Superior Court heard arguments on the Motion to Dismiss on April 18, 2025 and issued a Decision and Order denying the Authority's Motion to Dismiss on July 18, 2025, followed by the Authority filing a reconsideration motion shortly thereafter. While confidential settlement negotiations began in January 2025, these talks were later converted to non-confidential discussions. Settlement negotiations subsequently stalled, with no further engagement between the parties, until an October 28, 2025 U.S. District Court Order was issued requiring the parties participate in global mediation involving the GBB-GSWA lawsuit and three related federal cases. The Guam Superior Court cases were stayed pending mediation. Global mediation was conducted in March 2026 with no successful conclusion reported to the US District Court. As of the date of this Official Statement, the stay remains in effect pending further order from the Courts. The Authority intends to vigorously defend itself against GBB's claims.

Dieldrin-related Claims

In 2025, the Guam EPA promulgated local drinking water regulations for Dieldrin, a pesticide compound for which the U.S. Environmental Protection Agency has not established a federal drinking water standard or Maximum Contaminant Level. Prior to the local regulations taking effect, the Authority had begun implementing treatment systems to address Dieldrin at certain of its wells, and such treatment systems were under construction when the

regulations became effective. After the regulation took effect, the Authority complied with the regulation and issued required Do Not Drink without Treatment Notices to approximately 1,200 ratepayers receiving water from the Authority's affected wells until treatment systems were put in place reducing and eliminating traces of the pesticide compound. These actions were in line and compliant with the local Guam EPA water regulations. Notwithstanding the Authority's compliance with the applicable Guam EPA requirements, from January 2026, through August 2026, 469 government claims totaling $222 million have been filed against the Authority resulting from the local drinking water regulations with claimants threatening to file a class-action lawsuit. As of August 31, 2026, no litigation has been filed and management believes the likelihood of a material loss resulting from these claims is remote.

Other Litigation Relating to the Authority and the System

Other than as disclosed elsewhere in this Official Statement, there are no pending claims or actions against the Authority arising from the operation and maintenance of the System that, if determinations or settlements were made adverse to the Authority, would have, in the opinion of the Authority's counsel, a material adverse effect on the Authority's financial position.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("**Bond Counsel**"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**"). Bond Counsel is of the further opinion that interest on the 2026 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the 2026 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel is also of the opinion that, under 48 U.S.C. Section 1423a, interest on the 2026 Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the 2026 Bonds. A complete copy of the proposed forms of opinion of Bond Counsel are set forth in APPENDIX E-1 and APPENDIX E-2 hereto.

To the extent the issue price of any maturity of the 2026 Bonds is less than the amount to be paid at maturity of such 2026 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2026 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2026 Bonds which is excluded from gross income for federal income tax purposes and is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. For this purpose, the issue price of a particular maturity of the 2026 Bonds is the first price at which a substantial amount of such maturity of the 2026 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2026 Bonds accrues daily over the term to maturity of such 2026 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2026 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2026 Bonds. Beneficial Owners of the 2026 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2026 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2026 Bonds in the original offering to the public at the first price at which a substantial amount of such 2026 Bonds is sold to the public.

2026 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Bonds**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium

Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2026 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2026 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2026 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2026 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2026 Bonds may adversely affect the value of, or the tax status of interest on, the 2026 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2026 Bonds is excluded from gross income for federal income tax purposes and, under 48 U.S.C. 1423a, is exempt from taxation by the Government of Guam or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2026 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future federal or state legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2026 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2026 Bonds. Prospective purchasers of the 2026 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2026 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("**IRS**") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2026 Bonds ends with the issuance of the 2026 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the 2026 Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2026 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2026 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Payments on the 2026 Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of 2026 Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the 2026 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2026 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("**TIN**") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified

payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

UNDERWRITING

The 2026A Bonds and the 2026B Bonds are to be purchased from the Authority by Raymond James & Associates, Inc. and RBC Capital Markets, LLC (collectively, the "**Underwriters**") pursuant to the terms of a bond purchase agreement (the "**Bond Purchase Agreement**") between the Underwriters and the Authority. The purchase price of the 2026A Bonds and the 2026B Bonds is $_____, representing the aggregate principal amount of the 2026A Bonds and the 2026B Bonds ($_____), [plus/less] [net] original issue [premium/discount] of $_____, and less an underwriters' discount of $_____. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2026A Bonds and the 2026B Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval by counsel of certain legal matters.

The Underwriters, have agreed, pursuant to the Forward Delivery Agreement between the Authority and the Underwriters, to purchase all of the 2026C Bonds for a purchase price of $_____, representing the aggregate principal amount of the 2026C Bonds ($_____), [plus/less] [net] original issue [premium/discount] of $_____, and less an underwriters' discount of $_____. The Underwriters will be obligated to purchase all such 2026C Bonds if any such 2026C Bonds are purchased. The obligation of the Underwriters to accept and pay for the 2026C Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters. See "DELAYED DELIVERY OF THE 2026C BONDS."

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2026 Bonds to the public. The Underwriters intend to offer the 2026 Bonds for sale at the prices or yields set forth on the inside cover page hereof. Such initial public offering prices or yields may be changed from time to time by the Underwriters without prior notice. The Underwriters may offer and sell the 2026 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than or at yields higher than the public offering prices or yields stated on the inside cover page.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

RBC Capital Markets, LLC ("**RBCCM**"), an underwriter of the 2026 Bonds, has entered into a distribution arrangement with its affiliate RBC Securities, Inc. ("**RBC Securities**") (formerly known as City National Securities, Inc.). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the 2026 Bonds.

CONSULTANT'S FEASIBILITY STUDY

The Feasibility Study included herein as APPENDIX A has been prepared by Galardi Rothstein Group. The Feasibility Study is included in reliance upon the professional opinion of the Consultant with respect to the matters

stated in such Report. The Feasibility Study should be read in its entirety for a complete understanding of the assumptions and rationale for the projections.

FINANCIAL STATEMENTS

The financial statements of the Authority for Fiscal Years 2025 and 2024 have been audited by Ernst & Young LLP, independent auditors, as stated in their report, appearing in APPENDIX C hereto. Reference should be made to the audited financial statements included in APPENDIX C for the independent auditors' report and a complete understanding of the information provided therein.

VERIFICATION OF ESCROWS

Causey Demgen & Moore P.C. has been engaged to verify from the information provided to them (i) the mathematical accuracy as of the Date of Delivery of the 2026B Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and/or cash deposits listed in the Underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal or redemption price of and interest on the 2026B Refunded Bonds to be refunded with proceeds of the 2026B Bonds and (ii) the mathematical accuracy as of the Delayed Delivery Date of the 2026C Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities and/or cash deposits listed in the Underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal or redemption price of and interest on the 2026C Refunded Bonds to be refunded with proceeds of the 2026C Bonds. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the redemption price and principal of and interest on such Refunded Bonds will be paid as described in the accompanying schedules, nor as to the exemption from taxation of the interest on the 2026 Bonds. The Verification Agent's engagement is conditioned upon the actual consummation of the applicable refunding.

CERTAIN LEGAL MATTERS

The issuance of the 2026 Bonds is subject to receipt of the approving opinion of Bond Counsel. The proposed form of opinion of Bond Counsel with respect to the 2026 Bonds is included in this Official Statement as APPENDIX E-1 AND APPENDIX E-2 hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. From time to time Orrick, Herrington & Sutcliffe LLP serves as counsel to the Underwriters on matters that do not relate to the Authority or to the 2026 Bonds.

For a discussion of the delayed delivery of the 2026C Bonds, as it pertains to the approving legal opinion to be delivered by Bond Counsel, see "DELAYED DELIVERY OF THE 2026C BONDS" herein. There can be no assurance that the facts and circumstances on the Delayed Delivery Date will not differ from those currently expected, or that the provisions of federal income tax law and applicable regulations, State law and other relevant law will not change prior to the Delayed Delivery Date and as a consequence, such opinion may not be rendered, preventing the issuance and delivery of the 2026C Bonds.

Certain legal matters will be passed upon for the Authority by Theresa Rojas, general counsel for the Authority. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

AVAILABLE INFORMATION

Copies of the Authority's audited financial statements are available at https://guamwaterworks.org/financial-reports/. *The website is provided for convenience only and information and reports available on such website is not incorporated by reference into this Official Statement and should not be relied upon in making an investment in the 2026 Bonds.* Copies of the 2005 Indenture and the 2025 Prospective General Indenture may be obtained, upon written request, from the Underwriters.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**") and S&P Global Ratings ("**S&P**") have assigned their ratings of "Baa2" and "A-," respectively, to the 2026 Bonds. The ratings reflect only the view of the rating agencies assigning such ratings at the time such ratings are given, and the Authority makes no representations as to the appropriateness of such ratings. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. Certain information and materials not included in this Official Statement were furnished to the rating agencies concerning the 2026 Bonds. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. There is no assurance that the ratings mentioned above will remain for any given period of time or that any or all of them might not be lowered or withdrawn entirely by any rating agency if in the judgment of any or all rating agencies, circumstances so warrant. Any such downward change in or withdrawal of such ratings might have an adverse effect on the market price for and marketability of the 2026 Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

No assurance can be given that the rating for the 2026C Bonds on the Delayed Delivery Date will not be different than such rating. See "DELAYED DELIVERY OF THE 2026C BONDS" for a discussion regarding the termination of the Forward Delivery Agreement and ratings risk resulting from the delayed delivery thereof.

CONTINUING DISCLOSURE

The Authority will covenant for the benefit of the holders and beneficial owners of the 2026 Bonds to provide certain financial information and operating data relating to the Authority by not later than 270 days after the end of the Fiscal Year (presently September 30) to which such information pertains, commencing with the report for the Fiscal Year ending September 30, 2026 (each, an "**Annual Report**") and to provide notices of the occurrence of certain enumerated events. Each Annual Report and any notices of enumerated events will be filed with the Municipal Securities Rulemaking Board, through its EMMA system. The specific nature of the information to be contained in each Annual Report or the notices of certain enumerated events is described in APPENDIX F-1 – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT – 2026AB BONDS" and APPENDIX F-2 – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT – 2026C BONDS" attached hereto. These covenants will be made in order to assist the Underwriters in complying with Rule 15c2-12.

In order to provide certain continuing disclosure with respect to the 2026 Bonds in accordance with Rule 15c2-12, the Authority has entered into a Continuing Disclosure Agreement relating to the 2026 Bonds (the "**Continuing Disclosure Agreement**") with Digital Assurance Certification, L.L.C. ("**DAC**") for the benefit of the Holders of the 2026 Bonds under which the Authority has designated DAC as Dissemination Agent.

The Dissemination Agent has only the duties specifically set forth in the Continuing Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the Authority has provided such information to the Dissemination Agent as required by the Continuing Disclosure Agreement.

MUNICIPAL ADVISOR

Montague DeRose and Associates, LLC, Walnut Creek, California (the "**Municipal Advisor**"), is acting as municipal advisor to the Authority with respect to the 2026 Bonds. The Municipal Advisor has assisted the Authority in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the 2026 Bonds. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Authority to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor will not purchase or make a market in any of the 2026 Bonds. The compensation to be received by the Municipal Advisor from the Authority for services provided in connection with the planning, structuring, execution and delivery of the 2026 Bonds is contingent upon the sale and delivery of the 2026 Bonds.

MISCELLANEOUS

The attached Appendices are integral parts of this Official Statement and should be read in their entirety. The Authority has reviewed the information contained herein and has approved all such information for use in this Official Statement.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

GUAM WATERWORKS AUTHORITY

By: _____
Miguel Bordallo, P.E.
General Manager

CONSOLIDATED COMMISSION ON UTILITIES

By: _____
Francis E. Santos
Chairman

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APPENDIX A

CONSULTANT'S FEASIBILITY STUDY

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September 8, 2026

Consultant's Feasibility Study

Water and Wastewater System Revenue Bonds, Series 2026

Prepared for:

GUAM WATERWORKS AUTHORITY

Prepared by:

Galardi Rothstein Group

September 8, 2026

Miguel Bordallo, P.E., General Manager
Taling Taitano, Chief Financial Officer
Theresa G. Rojas, Esq., General Counsel

Guam Waterworks Authority
Gloria B. Nelson Public Service Building
688 Route 15, Suite 304
Mangilao, Guam 96913

Subject: Consultant's Feasibility Study for Series 2026 Bonds

Miguel, Taling, and Theresa,

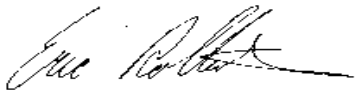
The Guam Waterworks Authority (GWA or the Authority) engaged Galardi Rothstein Group to prepare this report on the financial feasibility of the Authority's Water and Wastewater System Revenue Bonds, Series 2026A, and Water and Wastewater System Revenue Refunding Bonds, Series 2026B, and Series 2026C (Forward Delivery) (collectively, the Series 2026 Bonds). This report has been developed in collaboration with the Authority's staff which is responsible for operating, controlling, and administering GWA's water and wastewater systems (the System).

The report provides descriptions of the Authority's water and wastewater systems, and assessments of asset conditions and regulatory compliance performance, discusses recent developments that have had material financial implications, and reviews GWA's audited financial performance over the period FY 2021 through FY 2025. The report provides projections of System revenues, operating expenses, capital improvement project encumbrances and debt service coverage for the period FY 2026 through FY 2030. This report incorporates:

- Service revenue projections over the forecast period reflecting assumptions of limited account growth, declining per account billable volumes, approved FY 2027 rate adjustments, and Guam Public Utility Commission (PUC)-approved annual rate adjustments as outlined in the Decision Order for PUC Docket No. 24-05.
- Revisions to Operation & Maintenance expense projections that account for the impacts of rising fuel costs in power purchase expenses, increased sludge disposal costs, market-based migration of staff compensation, and other inflationary factors.
- Capital improvement program (CIP) encumbrance projections totaling approximately $1.22 billion from FY 2026 through FY 2030 that incorporate updates to cost estimates based on recent construction bids, requirements of the recently entered Partial Consent Decree with the U.S. Environmental Protection Agency (EPA), proactive measures to address water quality issues, continued water loss control efforts and corresponding reduction of Navy Water purchase requirements, and continued renewal and reinvestment in infrastructure assets.

- Implementation of a capital financing strategy that includes utilization of existing reserves, the Series 2026 Bond proceeds, implementation of various short-term financing instruments (along with corresponding take-out bond issuance), and grants and other funding sources.

The financial projections reported herein demonstrate that GWA can support the Series 2026 Bonds throughout the forecast period from System revenues derived primarily from PUC-approved water and wastewater rates and charges. We affirm the financial feasibility of GWA's capital financing plan for the forecast period. We appreciate the opportunity to conduct this review and are prepared to answer any questions regarding its contents.



Eric Rothstein, CPA, Principal

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List of Acronyms and Abbreviations

2011 Court Order	Order for Preliminary Relief re: Deadlines for Outstanding Projects under the Amended Stipulated Order
AAFB	Andersen Air Force Base
AC	asbestos cement
ACH	aluminum chlorohydrate
AFB	air force base
A&G	administrative & general
AMP	asset management plan
AMR	automated meter reading
API	American Petroleum Institute
ARPA	American Rescue Plan Act
ATAD	autothermal thermophilic aerobic digestion
Authority	Guam Waterworks Authority (also GWA)
AWWA	American Water Works Association
BC	Brown and Caldwell
BoG	Bank of Guam
BPS	booster pump station
CAA	Clean Air Act
CCTV	closed-circuit television
CCU	Consolidated Commission on Utilities
CD	Consent Decree
CEPT	chemically enhanced primary treatment
CIP	capital improvement plan/program
CM	corrective maintenance
CMMS	computerized maintenance management system
COLA	cost of living adjustment
Core Tech	Core Tech International Corporation
CPM	certified public manager

CWA	Clean Water Act
CY	calendar year
DBP	disinfection by-product
DCA	Dueñas, Camacho & Associates
DLM	Department of Land Management
DMA	district metering area
DOC	dissolved organic carbon
DoD	Department of Defense or Department of War
DoJ	Department of Justice
DSC	debt service coverage
EIAMD	Enhanced Integrated Air and Missile Defense
EIS	environmental impact statement
EPA	U.S. Environmental Protection Agency
FAA	Federal Aviation Administration
FEMA	Federal Emergency Management Agency
FOG	fats, oils and grease
FTE	full-time equivalent
FY	fiscal year
GAC	granular activated carbon
GASB	Governmental Accounting Standards Board
GBB	Gershman Brickner and Bratton, Inc.
GCA	Guam Code Annotated
GEDA	Guam Economic Development Authority
GEPA	Guam Environmental Protection Agency
GFT	Guam Federation of Teachers
GIAA	Guam International Airport Authority
GIS	geographical information systems
GPA	Guam Power Authority
GPDWR	Guam Primary Drinking Water Regulations
gpm	gallon(s) per minute
GRG	Galardi Rothstein Group

GSWA	Guam Solid Waste Authority
GWA	Guam Waterworks Authority (also Authority)
GWA System	existing water and wastewater system
GWQS	Guam Water Quality Standards
GWUDI	groundwater under the direct influence of surface water
HAA5	haloacetic acids (5)
hp	horsepower
I/I	infiltration and inflow
ICID	illegal connection/illicit discharge
ID/IQ	indefinite delivery/indefinite quantity
IFCIP	internally funded capital improvement projects
IIJA	Infrastructure Investment and Jobs Act
IRMA	independent registered municipal advisor
LEAC	levelized energy adjustment clause
MCAG	Marine Corps Activity Guam
MCL	maximum contaminant level
MDA	missile defense agency
MG	million gallons
mgd	million gallons per day
mg/L	milligrams per liter
MHI	median household income
MOU	memorandum of understanding
MSRB	Municipal Securities Rulemaking Board
NACWA	National Association of Clean Water Agencies
NAVFAC	Naval Facilities Engineering Systems Command
Navy	United States Navy
NBG	Naval Base Guam
NEIC	National Enforcement Investigations Center
NGLA	Northern Guam Lens Aquifer
NPDES	National Pollutant Discharge Elimination System
NRW	non-revenue water

O&M	operation and maintenance
OEA	Office of Economic Adjustment
OPEB	other post-employment benefits
PACL	polyaluminum chloride
PFAS	per- and polyfluoroalkyl substances
PFOA	perfluorooctanoic acid
PFOS	perfluorooctanesulfonic acid
PLC	programmable logic controller
PM	preventive maintenance
PMC	performance management contract
PMO	program management office
PRV	pressure-reducing valve
PST	primary settling tank
PUC	Guam Public Utilities Commission
PVC	polyvinyl chloride
RAM	Rate Application Model
Report	consulting engineer's report
RoD	Record of Decision
ROW	right of way
RSF	Rate Stabilization Fund
SCADA	supervisory control and data acquisition
SCC	system control center
SDC	system development charge
SDWA	Safe Drinking Water Act
SEIS	supplemental environmental impact statement
Series 2025 Bonds	Water and Wastewater System Revenue Bonds, Series 2025
Series 2026 Bonds	Water and Wastewater System Revenue Bonds, Series 2026
SHPO	State Historic Preservation Officer
SRF	State Revolving Fund
SS	suspended solids
SSES	sewer system evaluation study

SSO	sanitary sewer overflows
Stipulated Order	stipulated order for preliminary relief
T&DM	training and development manager
TSS	total suspended solids
TTHM	total trihalomethanes
UOG	University of Guam
USGS	United States Geological Survey
UV	ultraviolet
WAS	waste activated sludge
WEF	Water Environment Federation
WERI	Water and Environmental Research Institute
WRF	Water Research Foundation
WRMP	Water Resources Master Plan
WRMPU	Water Resources Master Plan Update
WSA	water service area
WTP	water treatment plant
WTS	wetland treatment system
WWTP	wastewater treatment plant

Credit Summary

Guam Waterworks Authority (GWA or the Authority)[1] provides water service to the entire civilian population of Guam and provides sewer service to a large percentage of Guam's civilian population. There is, however, a significant civilian population that does not have sewer service, particularly in the northern area of the island where many homes rely on individual septic tanks or other on-site disposal systems. In addition, there are currently two major military installations, Andersen Air Force Base and Naval Base Guam, which occupy large areas on the island. Andersen Air Force Base wastewater is discharged into the Authority's System and treated at the Northern District wastewater treatment plant (the Northern District WWTP). Naval Base Guam has its own water and wastewater collection system, as well as its own separate wastewater treatment plant. A third military installation, Marine Corps Base Camp Blaz, is currently being constructed. Marines have begun moving into Marine Corps Base Camp Blaz but full buildout is on-going and expected completion is approximately 2028. The Authority has constructed the service connection and began treating wastewater collected from Marine Corps Base Camp Blaz at the Northern District WWTP in June 2025. The Authority works to provide efficient and reliable service to its customers operating as a self-sufficient utility while meeting all U.S. EPA and Guam Environmental Protection Agency requirements.

The Authority is governed by the Consolidated Commission on Utilities (CCU), a five-member board elected to staggered four-year terms, that makes decisions regarding policies, management, budgeting and financing of the Authority's operations. Certain actions including issuing bonds for financing utility capital projects also require the approval of the Guam Legislature, the Guam Public Utilities Commission (PUC), the Guam Economic Development Authority (GEDA), and the CCU. In addition, ratemaking by the CCU is subject to the approval of the PUC as Guam's regulatory ratemaking body.

The Authority is subject to federal and Guam regulations governing water supply and wastewater treatment. The drinking water standards promulgated in the federal Safe Drinking Water Act (SDWA), as amended, are the primary requirements for water supply. Wastewater treatment and disposal must comply with the water quality standards in the federal Clean Water Act, as amended (CWA).

GWA is subject to rate regulation by the PUC. Most recently, the Authority used revenues generated by PUC-approved rate adjustments pursuant to the approved FY 2025 - 2029 rate plan, as amended through the FY 2026 Annual True-Up, to finance capital improvement program projects while ensuring compliance with the Rate Covenant[2] and recent policy relaxation of a minimum debt service coverage ratio target of 1.30x authorized by the CCU and PUC.[3]

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1 A Guam public corporation under Chapter 14 of Title 12 of the Guam Code Annotated.

2 GWA's Indenture, dated December 1, 2005, includes the following requirement: "The Authority shall at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the System which will be sufficient to yield the sum of Net Revenues during each Fiscal Year equal to at least 1.25 times the Aggregate Annual Debt Service" (see Section 6.12).

3 See PUC Rate Decision, Docket 19-08 dated September 22, 2022, Ordering Provision No. 5: "5. For its Five-Year Financial Plan, GWA is temporarily authorized to utilize a debt service coverage ratio of no less than 1.3x.". The PUC's policy does not alter covenanted minimum debt service coverage of 1.25x.

The PUC issued its Rate Decision related to GWA's FY 2025 – 2029 Rate Application and Request for Rate Increases on September 24, 2024. That Rate Decision provided for base charge, lifeline rate and non-lifeline rate increases of 11.50% for FY 2025, base charge and non-lifeline rate increases of 10.75% in FY 2026, and annual base charge and non-lifeline increases of 7.75% in FY 2027 through FY 2029. The FY 2025 rate increase was put into effect in October 2024. Adjudication of the FY 2026 Annual True-Up resulted in the approval of an 8.2% rate adjustment to all non-lifeline rate components and a legislative surcharge of 3.55%, effective October 1, 2025. GWA submitted its FY 2027 Annual True-Up filing on April 13, 2026 and the PUC ultimately approved a 6.25% increase to non-lifeline rate components on August 20, 2026.

Updates to GWA's capital improvement program contemplate encumbrance requirements totaling approximately $1.22 billion (nominal dollars) from FY 2026 through FY 2030. Adjustments to the master plan capital program include new capital requirements not previously known, such as the PFAS (per- and polyfluoroalkyl substances) and Emerging Contaminant treatment system initiative. GWA has also reviewed recent construction bids and updated relevant project costs accordingly. Planned encumbrances will provide for compliance with regulatory requirements (including its 2024 Partial Consent Decree with the U.S. EPA), advance GWA's Water Loss Control Program, and address other critical System reinvestment needs as identified through GWA's robust Asset Management Program.

GWA has been authorized to use short-term construction financing to award contracts and fund construction costs relating to its capital projects.[4] Short-term construction financing tools may include the issuance of tax-exempt and taxable commercial paper notes secured by separate bank credit facilities, separate bank revolving credit agreements, and similar products.

In response to credit market conditions, GWA has initially funded the capital program with fixed-rate, 30-year revenue bonds—including the Series 2025 Bonds ($250 million in project proceeds) and the planned Series 2026 Bonds (which includes a $100 million new money component). GWA is currently working to secure a $50 million revolving credit agreement and an additional $150 million encumbrance line in the form of a forward bond purchase agreement. These short-term financing instruments will provide funding capacity during the procurement process and defer principal and interest payments until projects are under contract and active. GWA plans to issue take-out revenue bonds to provide permanent funding or repay outstanding obligations for projects initially encumbered or paid for with these instruments. The remaining encumbrance requirements are to be funded through EPA grants, current revenues, System Development Charge revenues and interest earnings.

GWA's FY 2026 through FY 2030 capital improvement program (CIP) includes requirements for compliance with the 2024 Partial Consent Decree. Culminating an extended negotiation, this decree between GWA and the U.S. EPA was entered on August 9, 2024 in Guam District Court.[5] The Partial Consent Decree requires GWA to make certain improvements primarily related to its wastewater collection system, including pipelines, pump stations, maintenance and other operational program improvements, as well as planning studies for secondary wastewater treatment at the Hagåtña Wastewater Treatment Plant. Compliance with this enforcement action, current and pending

[4] Pursuant to Public Law No. 37-103, the Authority is authorized to use short-term financing tools to provide funding for projects in its capital improvement program. The law authorizes GWA to issue $560 million of aggregate debt, including short-term financing instruments, loans, and revenue bonds. GWA will seek authorization for additional debt issuance as the capital improvement program progresses.

[5] District Court of Guam, United States of America vs. Guam Waterworks Authority, Civil Case No. 24-00004, Order, Frances M. Tydingco-Gatewood, Chief Judge, dated: Aug 09, 2024.

regulatory requirements, and other System improvement needs[6] has and will continue to drive GWA's investment in its water and wastewater systems. Financing this investment has been the centerpiece of GWA's Five-Year Financial Plan and recent rate filings before the PUC.

GWA's issuance of the Series 2026 Bonds is its next critical step in solidifying the financial foundation and resiliency of the System. As discussed in subsequent sections, the Authority has:

- Developed conservative revenue projections for the forecast period based on historical account growth, per account usage trends, and price elasticity of demand factors that account for reduced consumption as a result of rate increases (as discussed in Section 7).
- Projected operating expenses through detailed line-item analyses to reflect changes in, for example, power purchases (due to both rising fuel costs and operating efficiencies from Guam Power Authority's (GPA) new Ukudu plant), Navy water purchases (due to reduced purchase volumes and rates), chemical expenses (due to analyses of chemical dosage and increased treatment requirements), and personnel expenses (due to completion of GWA's salary migration program).
- Developed a CIP that includes updated cost estimates, reflects sound engineering and asset management principles, and addresses regulatory milestones and strategic initiatives (Partial Consent Decree, Water Loss Control Program, proactive water quality protection measures in response to PFAS and Dieldrin issues, etc). Capital program funding requirements include assumptions of 4 percent per annum project cost escalation.
- Developed a flexible capital financing strategy that enables GWA to respond to credit market conditions, manage market risks and opportunities, and ensure continuity of capital encumbrance and spending capacity necessary for effective capital program implementation.

The System will continue to face challenges over the FY 2026 to FY 2030 forecast period and beyond. Uncertainties prevail with respect to the pace and implications of the ongoing military build-up, revenue performance, future regulatory requirements, asset renewal and replacement needs, O&M expense and capital cost inflation, project delivery constraints, rising fuel costs, and other factors.[7] However, many of these uncertainties are typical of U.S. water and sewer systems, and GWA staff is well-prepared and capable of managing the System.

Notably, potential positive developments that would enhance the System's financial position also characterize the outlook for the System, especially in light of the conservative nature of projection protocols. In particular:

- Service revenue projections are based on assumptions of limited account growth and factors relating to prospective declines in per account consumption. Revenue generation performance will be higher than forecast if continuing post-pandemic recovery is more robust than conservatively forecast, new account growth is higher than projected, or if exhibited water

[6] For example, GWA's Water Loss Reduction Program.

[7] GWA remains concerned about regulatory and permitting delays for construction projects, the availability of companies bidding on construction contracts, and the persistent impact of inflationary pressures on construction costs and operational expenses. Actions taken by the Trump Administration (e.g., actions on tariffs, immigration/visas, and federal program austerity) have caused cost increases across GWA projects as well as periodic disruptions to federal funding programs. These ongoing and anticipated effects, along with the uncertainty in financial markets, may pose additional challenges to GWA's capital financing efforts.

conservation is less pronounced than forecast. Revenue projections also do not account for potential growth due to the military build-up and related economic development, which will only improve forecasted financial performance.

- Projections of O&M expenses incorporate conservative assumptions related to inflationary pressures and the availability of critical personnel, services and supplies. They also anticipate support for GWA's ambitious capital program. Accordingly, forecasted O&M expenses could ultimately be lower than forecast if inflation rates are lower than anticipated and/or capital program implementation is less robust than planned.
- To the extent that prospective capital project delivery does not keep pace with forecasted encumbrance requirements, related revenue requirements and financing pressures may be delayed or mitigated.

The projections of revenues, operating expenses, and capital encumbrances presented herein demonstrate the feasibility of the Series 2026 Bonds. With implementation of the approved FY 2027 rate adjustment and proposed rate adjustments delineated in the PUC-approved FY 2025 – 2029 Financial Plan,[8] the Authority is projected to meet forecasted revenue requirements—including O&M and financing obligations of the capital program, maintain adequate liquidity and targeted reserve balances, and exceed Indenture-covenanted 1.25x debt service coverage.

Based on the assumptions, projections, and conclusions of this Consultant's Feasibility Study (the Feasibility Study), the Authority will be able to meet its debt obligations and further reinforce a resilient and sustainable foundation for efficient water and wastewater service delivery throughout the forecast period.

[8] Subject to PUC adjustment through annual true-up proceedings.

1.0 Introduction

1.1 Purpose

This report has been developed in collaboration with the Guam Waterworks Authority (GWA or the Authority) that is responsible for operating, maintaining, and upgrading the System. GWA has requested that Galardi Rothstein Group (GRG) prepare this report to evaluate the financial feasibility of its planned Water and Wastewater System Revenue Bonds, Series 2026A, Water and Wastewater System Revenue Refunding Bonds, Series 2026B, and Series 2026C (Forward Delivery) (collectively, the Series 2026 Bonds).[9] The proceeds of these bonds will be used to (i) finance certain capital improvement projects; (ii) defease, refund, or redeem a portion of GWA's outstanding bonds; and (iii) pay for costs of issuance and make indenture-required incremental deposits to debt service reserves.

This Report presents a summary description of GWA's organization, water and wastewater systems (the System), its Capital Improvement Program, our independent projections of financial performance, and evaluation of the financial feasibility of the Series 2026 Bonds. As such, the Report includes:

- Descriptions of the Authority's organization and reporting on the condition of System facilities conducted in support of GWA's prior debt issuance, the Series 2025 Bonds,[10]
- A review of regulatory and legal issues that present risks that could have a material impact on GWA's financial performance,
- A summary of GWA capital project planning and major project categories, a forecast of capital program encumbrance requirements by project category and forecast year, and a listing of expected sources of capital project encumbrance funding by forecast year, and
- A review of recent System financial performance and a detailed projection of financial operating results that demonstrate the financial feasibility of the Series 2026 Bonds.

1.2 Scope

This report summarizes the results of reviews of revenue performance, operating expenses, and capital project plans conducted by GRG and Authority staff. GWA has developed its plans with the objective of meeting the requirements of the federal Safe Drinking Water and Clean Water Acts and related regulations and laws specific to Guam.

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[9] The services were performed in accordance with an Engagement Letter between GWA and GRG dated April 13, 2026. We have relied on selected information provided by GWA and other parties and, unless otherwise expressly indicated, have made no independent investigation as to the validity, completeness, or accuracy of such information. This Report summarizes the results of our studies and analyses up to the date of this Report. Prospective purchasers of the Series 2026 Bonds should not rely upon the information contained in this Report for a current description of any matters set forth herein as of any date subsequent to the date of this Report. Changing conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes.

[10] Insofar as there are no changes—or very limited changes—in the conditions of System facilities from those reported for the Series 2025 Bonds, an updated review of facility conditions was not conducted for the Series 2026 Bonds. Rather, the facility condition assessments rendered for the Series 2025 Bonds by Duenas, Camacho and Associates, Inc. are provided as well as any material updates of that reporting identified by GWA.

GRG has worked with the Authority since 2015 to update and modify the Authority's strategic financial plans based on detailed analyses of customer billing data, budgeted and actual O&M expenses, and projections of future capital encumbrance requirements. For this report, GRG and Authority staff developed projections based on relevant revenue and O&M expense data available as of March 31, 2026. These projections consider:

- Residential and non-residential customer account trends and billable volume (metered water use, adjusted wastewater flow) patterns,
- Exhibited O&M expense patterns and inflation rates by cost category, and
- Detailed review and updating of planned capital encumbrance schedules based on updated cost estimates, regulatory compliance requirements, operational levels of service, and recent construction bids for various projects.

GRG has updated the Authority's strategic financial planning model to project all System cash flows. The update incorporates scheduled debt service for the Authority's Series 2026 Bonds based on credit market conditions available as of July 7, 2026. The resulting financial plan, which is reported on herein, was developed to ensure compliance with covenants of the Authority's bond indenture.

1.3 Firm Qualifications

GRG[11] produced this report for GWA, which relies both on detailed information provided by the Authority and the 2025 review of GWA's systems and capital program provided by the engineering firm Duenas Camacho & Associates (DCA).[12] GRG provides strategic financial and management consulting services to government agencies, public-private partnerships, and special districts. GRG has prepared strategic financial plans, prepared Municipal Advisor Feasibility Study reports, conducted cost-of-service rate studies, and participated in Consent Decree negotiations related to financial capabilities for numerous utilities throughout North America including Akron, OH; Metropolitan Sewerage District of Greater Cincinnati, OH; Guam Waterworks Authority, GU; Halifax Regional Water Commission, NS, Honolulu, HI; Northeast Ohio Regional Sewer District (Cleveland, OH); Salem, OR; St. Louis Metropolitan Sewerage District, MO; Tucson, AZ; and Winnipeg, MB. GRG Principals have been involved in the development of water and wastewater industry manuals of practice for financial planning and rate setting and authored numerous articles and presentations for industry professional societies and research organizations including the American Water Works Association, National Association of Clean Water Agencies (NACWA), Water Environment Federation (WEF), and Water Research Foundation (WRF).

For GWA, GRG developed financial capability assessments to support negotiation of a Partial Consent Decree with EPA related to wastewater system improvements (entered in 2024). GRG developed

[11] GRG is the partnering of Galardi Consulting, LLC, established in 1996 and a certified Woman-Owned and Emerging Small Business Enterprise in the State of Oregon; the Rothstein Group, LLC established in 2007 and located in the State of North Carolina; and Stanger Consulting, LLC established in 2012 and located in the State of Utah. Eric Rothstein and Cody Stanger are Municipal Advisors registered with the Municipal Securities Rulemaking Board (MSRB). However, GWA has not designated Galardi Rothstein Group as its independent registered municipal advisor (IRMA) for purposes of Securities and Exchange Commission (SEC) Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption").

[12] Duenas, Camacho and Associates, Inc (DCA), a locally based civil/structural engineering firm that has served Guam for more than 40 years, provided a review of GWA's systems and capital program for the Series 2025 bond issue. This review included an assessment of both water and wastewater infrastructure, interviews with GWA engineering and compliance personnel, a desktop review of available technical documentation and site visits to a limited number of locations.

financial projections for GWA's Series 2016 and Series 2020AB revenue bond issues. GRG supported development of GWA's FY 2020 – 2024 Financial Plan and Rate Application (and related Stipulation). GRG served as Program Manager for conduct of seven analytical studies required for the stipulated Comprehensive Review and Update process for determination of rate adjustments from FY 2022 through FY 2024. GRG provided financial projections for GWA's 2018 Interim Water Resources Master Plan and the plan update later approved in May 2025. GRG supported development of GWA's FY 2025 – 2029 Financial Plan and Rate Increase Application, and its FY 2026 Annual True-Up filing. And, most recently, GRG supported development of GWA's FY 2027 Annual True-Up filing (submitted on April 13, 2026) and is continuing to support the PUC's review of GWA's proposed rate structure changes, approved in principle with the PUC's *March 28, 2024 Order Re: Amended Petition to Approve a New Rate Design Structure, GWA Docket 19-08*.

1.4 Purpose of the Series 2026 Bonds

A portion of the proceeds of the Series 2026 Bonds will be used to defease, refund, or redeem a portion of GWA's outstanding bonds. As discussed in Section 7, the Series 2026 Bonds will also include a $100 million new money component to fund capital improvements to meet certain ongoing regulatory requirements (discussed further in this report) and other capital improvements necessary to safely and efficiently operate and maintain the System.

1.5 Overview of Developments Since 2021

Over the last five years, GWA has continued its focus on System improvements to ensure regulatory compliance, address water loss, and enhance service levels. GWA has successfully managed a number of significant challenges and built infrastructure and financial strength and resiliency.[13] Particularly noteworthy developments, described throughout the report, that have significant financial implications for GWA include:

1.5.1 FY 2020 – 24 Rate Adjudication: Comprehensive Review and Update Process

For the Five-Year Financial Plan and Rate Increase Application for Fiscal Years 2020-2024, GWA entered into a stipulation requiring GWA to complete seven analytical studies, develop a Rate Application Model, and participate in a Comprehensive Review and Update process for adjudication of rates for FY 2022 – 2024. The Authority submitted the required analytical studies on March 31, 2021, and the Comprehensive Review and Update and updated financial plan on May 1, 2021.

Though the FY 2020 - 2024 Financial Plan assumed that the proposed rate increase for Fiscal Year 2020 would be in place for the full Fiscal Year, the PUC approved a partial-year implementation of the proposed rate increase. Pursuant to the 2020 Order, the Authority increased the base rate and non-lifeline rate for water and wastewater by 5.0% in Fiscal Year 2020 (effective March 1, 2020, for the remaining seven months of FY 2020) and by 5.0% in Fiscal Year 2021 (effective October 1, 2020). The lifeline rate did not change for Fiscal Year 2020 and Fiscal Year 2021.

On December 3, 2021, the Authority submitted a modified financial plan requesting an effective rate increase of 8.1% based on a new rate design structure for Fiscal Year 2022 and 6.5% per year for Fiscal Years 2023 and 2024. The PUC considered the Comprehensive Review and Update and the

[13] GWA has also vastly improved its collection and analyses of system performance data to make informed decisions on how to direct and manage resources.

Authority's requested annual rate increases for Fiscal Years 2022-2024 in September 2022. Given the timing of such action, no rate increase was ordered for Fiscal Year 2022 and consideration of the proposed rate design structure changes was deferred.

Pursuant to its 2022 Order, the PUC ordered, among other things, base and non-lifeline rate increases for water and wastewater by 5.5% in Fiscal Year 2023 (effective October 1, 2022) and by 5.5% in Fiscal Year 2024 (effective October 1, 2023), subject to a true-up analysis for Fiscal Year 2024. There were no changes to the lifeline rates. In September 2023, the PUC ordered an increase to the base, lifeline and non-lifeline rates of 16.7% in Fiscal Year 2024 (effective October 1, 2023).

1.5.2 2023 Typhoon Mawar and 2026 Typhoon Sinlaku

On May 24, 2023, Typhoon Mawar struck Guam with winds over 140 mph. Guam Waterworks Authority began preparations on May 19, 2023, and maintained operations throughout the storm, with 20% of customers retaining water service and production never falling below 50%. By June 23, 2023, full water service was restored to all 19 municipalities.[14] The Authority sustained approximately $4.1 million in facility damages and incurred $2.5 million in recovery costs, and is working with insurers and the Federal Emergency Management Agency (FEMA) for reimbursements, receiving a $1 million advance insurance payment in February 2024, $660,000 towards its business interruption claim in April 2025, and a notice of award from Guam Homeland Security Office for a $1 million reimbursement of expenses incurred toward Category B Emergency Protective Measures. GWA continues to work with FEMA and its insurance company for resolution of outstanding claims for reimbursement.

On April 14, 2026, Typhoon Sinlaku made its closest point of approach to Guam with damaging winds, heavy rains and dangerous marine conditions causing flooding and widespread disruptions to power infrastructure with cascading effects on GWA's water system. As a result, GWA water production had dropped from 100% of normal production at 98 wells to 69% of normal production at 72 wells. By April 19, 2026, GWA had increased production to 92% of normal production at 90 wells. Full recovery and service restoration was achieved on April 25, 2026, eleven days after the storm.

1.5.3 2024 Partial Consent Decree

GWA successfully completed negotiations with the U.S. EPA regarding alleged violations of the federal Clean Water Act. GWA's wastewater systems are addressed in a Partial Consent Decree between GWA and the U.S. EPA entered in Guam District Court on August 9, 2024.[15] The Partial Consent Decree requires GWA to make certain improvements primarily related to its wastewater collection system, including pipelines, pump stations, maintenance and other operational program improvements, as well as planning studies for secondary wastewater treatment at the Hagåtña Wastewater Treatment Plant.

[14] The Authority's water production rate was never below 50% of normal. By June 4, 2023 (day 11) production was at 75% of normal with service restored to 62% of customers by June 6, 2023 (day 13). By June 17, 2023 (day 24) production rates were at 100% of normal with service restored to over 92% of customers. On June 23, 2023 (day 29), the Authority announced full water service restoration to all 19 municipalities.

[15] District Court of Guam, United States of America vs. Guam Waterworks Authority, Civil Case No. 24-00004, Order, Frances M. Tydingco-Gatewood, Chief Judge, dated: Aug 09, 2024.

1.5.4 Water Loss Control - DMA Implementation

The Water Loss Control Analytical Study[16] recommended full implementation of 36 District Metered Areas (DMAs) throughout the Authority's distribution system with a comprehensive permanent leak detection program. The Authority has established monitoring in 21 of 36 DMAs[17] and anticipates completion of all DMAs within the next few years with execution of needed capital projects to install new metering infrastructure. Data gathered indicates that the majority of leaks detected and repaired are in smaller diameter service laterals that are beyond their useful service life. The Authority has accordingly focused capital replacement for water lines to align with the findings of the Water Loss Control Program. These initiatives aim to reduce reliance on Navy water purchases and improve system efficiency.

1.5.5 Completion of 2011 Court Order Requirements

GWA has been subject to a 2011 Court Order related to water system improvements, funding for which was a principal consideration in the approval of prior five-year financial plans. GWA has completed or is continuously complying with 91 of 93 items (97.8%) of the 2011 Court Order requirements. Repair, rehabilitation or replacement of certain water reservoirs are the only remaining items and are anticipated to be completed by December 31, 2026, which will result in full compliance with the 2011 Court Order.[18]

1.5.6 Emerging Contaminants

Perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) contamination[19] have been detected in Guam's aquifer at isolated locations. GWA has proactively addressed regulatory guidelines by shutting down impacted wells and providing additional treatment for the emerging PFOS and PFOA issues in cooperation with Guam Environmental Protection Agency (GEPA) and EPA.[20] New regulations on PFAS compounds will require the Authority to design and construct new treatment systems that have not been previously needed for SDWA compliance. GWA has finalized the procurement of design services, is currently designing for these systems and will move quickly to initiate construction of the treatment systems as part of its capital program.

Additionally, GEPA has promulgated local drinking water regulations which became effective in August 2025 for a pesticide compound known as dieldrin which is currently unregulated at the federal level. GWA has implemented an interim treatment solution and is in the process of constructing permanent treatment systems to remove the contaminants at affected well sites.

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16 One of the required analytical studies completed in 2021 to support the Comprehensive Review and Update.

17 One DMA is not currently monitoring demands. Monitoring will resume with forthcoming replacement of required metering equipment.

18 In response to property acquisition and unforeseen subsurface construction challenges, GWA petitioned for, and the Court granted, an extension of the completion milestone date for the remaining projects from December 31, 2025 to December 31, 2026.

19 PFAS (per- and polyfluoroalkyl substances) are a group of thousands of human-made chemicals used in various products like firefighting foams, food packaging, and clothing. Some common PFAS compounds include PFOA and PFOS.

20 GWA is a class member and claimant in the National Water Provider Settlement class action suit for PFAS. In 2025, the final settlements for the 3M and Dupont claims were finalized and awarded in the amounts of $19.5 million and $2.1 million, respectively. In 2026, GWA also received 95% of the finalized award for a third settlement with the BASF Corporation in the amount of $0.8 million. As of May 2026, the final stages of review and award allocation only remain for the Tyco Fire Products LP (Tyco) settlement.

1.5.7 FY 2025 – 2029 Rate Adjudication

On March 8, 2024, GWA submitted a draft petition to the PUC for approval of the Five-Year Financial Plan and rate relief for FY 2025 through FY 2029. The FY 2025-2029 Five-Year Financial Plan, GWA Docket 24-05, was officially filed on June 6, 2024. The PUC issued a rate decision on September 24, 2024, approving an 11.5% increase in water and wastewater rates effective October 1, 2024. The PUC also approved rate increases of 10.75% for FY2026, and increases of 7.75% in FY 2027, FY 2028, and FY 2029. Lifeline rate increases were approved only for FY 2025. The FY 2026 Annual True-Up process resulted in a reduction of the FY 2026 rate increase to 8.2% for all non-lifeline rate components and a legislative surcharge of 3.55%. Rate increases for FY 2027 – FY 2029 are subject to annual true-up proceedings. No public opposition to the increases was voiced during hearings.

In April 2026, GWA submitted its FY 2027 annual true-up rate filing to the PUC which requested a 7.75% increase to all non-lifeline components, consistent with the approved five-year rate plan. In July 2027, GWA reached a stipulated agreement with the PUC's financial consultant to reduce the rate adjustment to 6.25% for all non-lifeline components. The PUC approved the recommended rate adjustment in August 2026, with implementation on October 1, 2026 (the beginning of FY 2027).

1.5.8 Short-Term Financing

Pursuant to Public Law No. 37-103, the Authority is authorized to use short-term financing instruments to provide funding for projects in its capital improvement program, including the issuance of tax-exempt and taxable commercial paper notes secured by separate bank credit facilities, separate bank revolving credit agreements, and similar products. The law authorizes GWA to issue up to $360 million in tax-exempt or taxable commercial paper notes, as well as up to $400 million in commercial bank loans (including but not limited to revolving notes secured by bank credit facilities) as long as the aggregate principal amount of the short-term financing instruments and all other revenue bonds and loans does not exceed $560 million.

Commercial paper notes may be payable from revenues and secured only on a subordinate basis to the payment of debt service on GWA's senior lien bonds. Credit facility obligations may be payable from revenues and secured on a parity basis with or on a subordinate basis to the payment of debt service on GWA's senior lien bonds.

In addition to these notable developments over the last five years, it is important to recognize that the context of GWA's system reinvestment program is significantly impacted by the ongoing Military Realignment and the related One Guam Initiative as outlined below.

1.6 Military Realignment

Guam is currently the home of three major military bases: Naval Base Guam (NBG) on the mid-western coast of Guam and Andersen Air Force Base (AAFB) on the northeastern coast of Guam from Yigo to Ritidian Point and a new Marine Corp base located along Route 3 in Yigo. Construction on the new Marine Corp Base is expected to peak between 2025 and 2030. The relocation of the Marines from Okinawa to Guam began in the summer of 2025.

The Department of Defense (DoD) completed a Supplementary Environmental Impact Statement (2015 SEIS) and released a Record of Decision for the military realignment in 2015. Based on the

2015 SEIS and Record of Decision, the DoD planned to relocate approximately 5,000 military personnel and 1,300 dependents to Guam over a 12-year period, which was expected to increase the military population on Guam by approximately 50% over levels at that time. The population increase was expected to peak at 9,721 people in calendar year 2023 and gradually reach a steady state of 7,411 people by calendar year 2028. The 2015 SEIS and Record of Decision has not been updated since their initial publication.

The expected population growth set forth in the 2015 SEIS poses significant implications for Guam's infrastructure, including the Authority's System. Pursuant to the 2015 SEIS, the DoD estimates that the military realignment will result in increased wastewater generation of approximately 1.2 mgd and increased potable water demand of approximately 1.7 mgd. To address the increased demands on the System, the DoD and the Authority have (i) completed (in 2022) upgrades to the Northern District WWTP to secondary treatment and installed the related outfall diffuser; (ii) refurbished the interceptor sewer that runs from the Andersen Air Force Base to the Northern District WWTP (completed in 2020), and (iii) expanded and rehabilitated the Northern Guam Lens Aquifer Monitoring System including in the northwest field area of the Andersen Air Force Base (completed in 2023).[21]

In addition, the Missile Defense Agency (MDA), a research, development and acquisition agency within the DoD, together with the U.S. Department of the Army, the Navy, the Air Force and the Federal Aviation Administration (FAA) as cooperating agencies, announced on July 25, 2025 the availability of the Final Environmental Impact Statement (Final EIS) evaluating the environmental impacts and potential mitigation of deploying and operating an Enhanced Integrated Air and Missile Defense System (EIAMD) across 16 sites on Guam to defend the island against advanced missile threats. The Final EIS indicated no impact to wastewater utilities and less than significant impact to water utilities, with no proposed mitigation actions. The MDA issued its Record of Decision (ROD) on September 9, 2025.

Similarly, the Air Force, together with the Navy as a cooperating agency, issued a notice of intent to prepare an EIS to assess the potential environmental impacts associated with a proposed project to bed down and support the mission of 12 Republic of Singapore Air Force F-15 fighter aircraft and construct new infrastructure upgrades adjacent to the northwest corner of the airfield and within the munition's storage area at Andersen Air Force Base. In the Air Force's April 29, 2025 Final EIS, the Air Force determined that they did not expect the proposed action would result in significant impacts. On July 16, 2025, the Air Force signed the Record of Decision on the proposed action and indicated it would not carry forward the bed down of the Singapore Air Force F-15 aircraft.

Subsequent to the issuance of the above Final EIS documents, the Government of Guam conducted a comprehensive review and provided public comments citing cumulative impacts to civilian infrastructure and public services. Upon the release of the ROD for the EIAMD, the Governor of Guam expressed dissatisfaction that the Missile Defense Agency did not address the cumulative impacts (which included impacts to water and wastewater utilities) resulting from the EIAMD and other proposed actions by the Department of Defense. The impact of these potential projects on the Authority's System are currently unknown. The Governor has called upon the Secretary of Defense to convene the Economic Adjustment Committee, a committee of 22 federal agencies, to coordinate a

[21] Also, in 2016, the Navy's Tumon Maui well (1.3-mgd capacity) was licensed to GWA who has operated the well to Navy standards successfully since taking over operation.

whole-of-government response to economic and infrastructure impacts resulting from the proposed actions of the Department of Defense. This committee is expected to convene in September 2026.

Except for potential cumulative impacts for which the Government of Guam may seek federal economic adjustment as described above, the Authority does not currently expect the U.S. military build-up to materially affect the Authority's future capital requirements and has not included any capital improvements relating to specific actions already identified for the U.S. military build-up in its capital planning. Based on the memorandum of understanding (MOU) entered into in 2010 and updated in 2016 by the Authority and the DoD, the Authority expects that the DoD will provide appropriate and adequate funding sources for all direct and indirect impacts to the Authority's infrastructure resulting from any build-up in order to avoid rate pressure on the Authority's civilian customers. Although the 2016 MOU does not bind either party to any financial commitments, the 2016 MOU does reflect that, among other things, the parties will evaluate and fairly distribute agreed-upon costs associated with meeting DoD requirements.

1.7 One Guam Initiative

The framework for the cooperation on water utilities between the Navy and GWA began with the 2010 Memorandum of Understanding (MOU), which intended to provide the mechanism by which utility services could be improved to address impacts from the planned military buildup. Significantly, it specifically called for cooperation between the Navy, GWA and their respective leadership in ensuring the "long term, sustainable management of the Northern Guam Lens Aquifer (NGLA)." This led to the 2016 One-Guam Water MOU which expanded the cooperation between Navy and GWA and specifically called for improving the aquifer observation well system by expanding and rehabilitating it. This MOU features a cost-sharing agreement for data collection, data evaluation, and maintaining monitoring wells. Seven new monitoring wells were developed on both Navy and AAFB property, and 12 existing wells have been rehabilitated. The One-Guam Water MOU also called for sharing access and responsibilities for maintenance of the system

The 2016 agreement also called for a "proof-of-concept" project to demonstrate GWA's ability to operate the Navy-owned Tumon-Maui Well water production facility to the Navy's reliability, safety and security requirements. GWA successfully completed that proof-of-concept and has been operating the facility under license from the Navy for nearly 10 years. GWA has completed or is in the process of conducting additional inter-operability projects with the Navy, including system inter-ties at jointly sited water reservoirs, and supply exchange points to facilitate major maintenance operations.

Most recently, GWA and the Navy are pursuing joint evaluation of PFAS treatment technologies for implementation in advance of new federal safe drinking water regulations. Additionally, agreements have been put in place for data sharing and cybersecurity coordination, and joint hydraulic modelling and master planning coordination are under consideration.

Overall, the One Guam initiative has strengthened communication and collaboration between GWA and DoD, particularly Joint Region Marianas and Naval Facilities Engineering Systems Command (NAVFAC). Communication between GWA's General Manager and NAVFAC's One Guam Coordinator is frequent and collaborative.

1.8 Report Organization

This Report contains the following sections:

- **Credit Summary:** Provides an overview of initiatives that the Authority has implemented to establish a financially stable structure for future system development and service delivery. Prevailing risks are also highlighted as well as potential positive developments that could enhance projected financial performance.
- **Section 1 – Introduction:** Outlines the purpose and scope of the report, sources and uses of Series 2026 Bond proceeds, provides Consultant firm qualifications, offers a high-level review of developments since 2021, discusses the ongoing military build-up and One-Guam initiatives, and outlines the report organization.
- **Section 2 – Guam Waterworks Authority:** Provides an overview of the governance of the Authority, FY 2025 operational summary, organizational structure, staffing and key operating programs.
- **Section 3 – Water System**: Describes GWA's water system including its water supply sources, water treatment plants, storage and pumping facilities, transmission and distribution networks, and water metering systems. This section also notes the permitting status of the water system and offers high-level assessments of asset condition as of 2025.
- **Section 4 – Wastewater System**: Describes the current wastewater system service area, collection and transmission system, pump stations, and individual wastewater treatment plants. This section also notes the permitting status of the wastewater system and offers high-level assessments of asset condition as of 2025.
- **Section 5 – Regulatory and Legal Issues:** Provides a review of regulatory and legal issues including the recently entered Partial Consent Decree, source water quality issues related to PFAS and Dieldrin, and atypical legal issues facing the Authority.
- **Section 6 – Capital Improvement Program:** Provides an overview of CIP planning process and key considerations, describes GWA's water and wastewater system capital project categories, and offers a summary of projected capital program encumbrances and sources of funding for the five-year forecast period.
- **Section 7 – Financial Performance:** This section summarizes historical financial performance, service rate adjustments and customer bill comparisons, and projected System cash flows and financial performance for the period FY 2026 through FY 2030.
- **Section 8 – Conclusions:** Summarizes findings and conclusions of the report, particularly with respect to the financial feasibility of the Series 2026 Bonds.

- Appendices:
  - **Approved FY 2027 Rates –** schedule of FY 2027 rates approved by the PUC in August 2026, which reflects a 6.25% increase to all non-lifeline components under the existing rate structure.[22]
  - **Bill Impact Schedule** – schedule of estimated residential and non-residential bill impacts from the approved FY 2027 rates.

22 Changes to the Authority's *rate structure* (i.e., the composition of base charges and volumetric rates) were proposed during development of GWA's FY 2020- FY 2024 Rate Plan but a decision was ultimately deferred. After further study, the PUC approved the proposed rate design in principle in March 2024. Thereafter, additional refinements were made based on feedback from the PUC and discussions with the PUC's rate design consultant. GWA anticipates that the PUC will act upon the current *rate structure* proposal during FY 2027, but there is no guarantee that the rate design changes will be approved. For this reason, the financial forecasts summarized in this report assume continuation of the existing water and wastewater rate structure. If and when the PUC ultimately takes action regarding rate structure changes, rates will be established within the approved rate design framework to achieve forecasted rate revenue recovery levels necessary to meet forecasted operating costs and capital financing obligations.

2.0 Guam Waterworks Authority

2.1 Introduction

The Guam Waterworks Authority (GWA) provides water and wastewater services to the majority of Guam's civilian population, as well as some military facilities. This section reviews GWA's governance and organizational structure and provides descriptions of GWA Operating Divisions, staffing levels and key operating programs.

Operational details from the most recently completed fiscal year are summarized in Table 2-1. During FY 2025, GWA billed an average of 43,810 water customers monthly, 31,351 wastewater customers (including multi-family units), and had operating revenues of $143.7 million.

Table 2-1. FY 2025 Operational Overview

Description	Value[a]
Average number of water customers [a]	43,810
Average number of wastewater customers [a]	31,351
Annual water sales (million gallons) [a]	5,099
Annual wastewater billable flows (million gallons) [a,b]	1,922
Operating revenues (millions)[c,d]	$143.7
Gross investment in utility plant (millions)[c]	$1,332.2
Net utility plant investment (millions)[c]	$852.2
Total equity (millions)[c]	$358.2
Net current assets (millions)[c]	$150.6

a. *Based on GRG's analysis of GWA's monthly billing files; the wastewater customer count includes an estimate of multi-family units*

b. *Monthly billing data does not include billable wastewater flows from the residential customer class, since these customers are currently charged a flat rate for service.*

c. *Information provided by GWA per audited financials*

d. *Operating revenues include bad debt expense but exclude system development charge (SDC) revenues*

2.2 GWA Governance

GWA is a public corporation, governed by the Consolidated Commission on Utilities (CCU). The CCU also provides oversight of the GPA. In 2002, the CCU was formed as an elected body with decision-making authority over GWA operations, including the development of operating budgets, capital plans and overall management strategy and direction. Four-year staggered positions enable the CCU to have continuity across elections for new incoming board members. The CCU is committed to advancing GWA to be a well-run utility focused on organizational improvement that best serves the interests of its customers and ratepayers. Since its inception, the CCU has supported steady improvements to the utility's infrastructure, management, fiscal responsibility, and operations. The CCU has consistently

approved GWA's submission of five-year financial plan and rate increase applications to the PUC that provide for effective System operations and financing of planned capital improvements. The CCU has demonstrated a commitment to GWA's financial strength and integrity, in part through adoption of policies that prescribe financial planning to ensure minimum debt service coverage above bond indenture requirements and sufficient operating reserves.

In addition to CCU approval, the issuance of bonds for capital improvement projects or for refinancing purposes requires legislative approval and the approval of the PUC and GEDA. The PUC must also approve all GWA rate adjustments.

2.3 Operating Divisions

The GWA organization is led by the General Manager, Legal Counsel and Chief Financial Officer who each report directly to the CCU. Figure 2-1 provides the GWA's current organizational chart.

2.3.1 General Manager

The Office of the General Manager oversees all aspects of the Authority's administrative, business, operational, engineering and compliance activities. The Office of the General Manager is staffed by senior administrative assistants, management analysts and communications personnel. The executive management team, comprised of the Chief Financial Officer, Legal Counsel, Public Outreach Coordinator and four Assistant General Managers for: (1) Operations, (2) Compliance & Safety, (3) Engineering, and (4) Administration/Support, report to the General Manager. The Internal Audit function reports administratively to the General Manager as well.

2.3.2 Communications

Communications is responsible for sharing accurate, timely information about GWA's services, infrastructure, and initiatives with ratepayers, stakeholders, and the public. The unit leads GWA's public relations efforts through media outreach, public education, and community engagement. It also monitors political, social, and economic trends to help shape communication strategies and support informed decision-making.

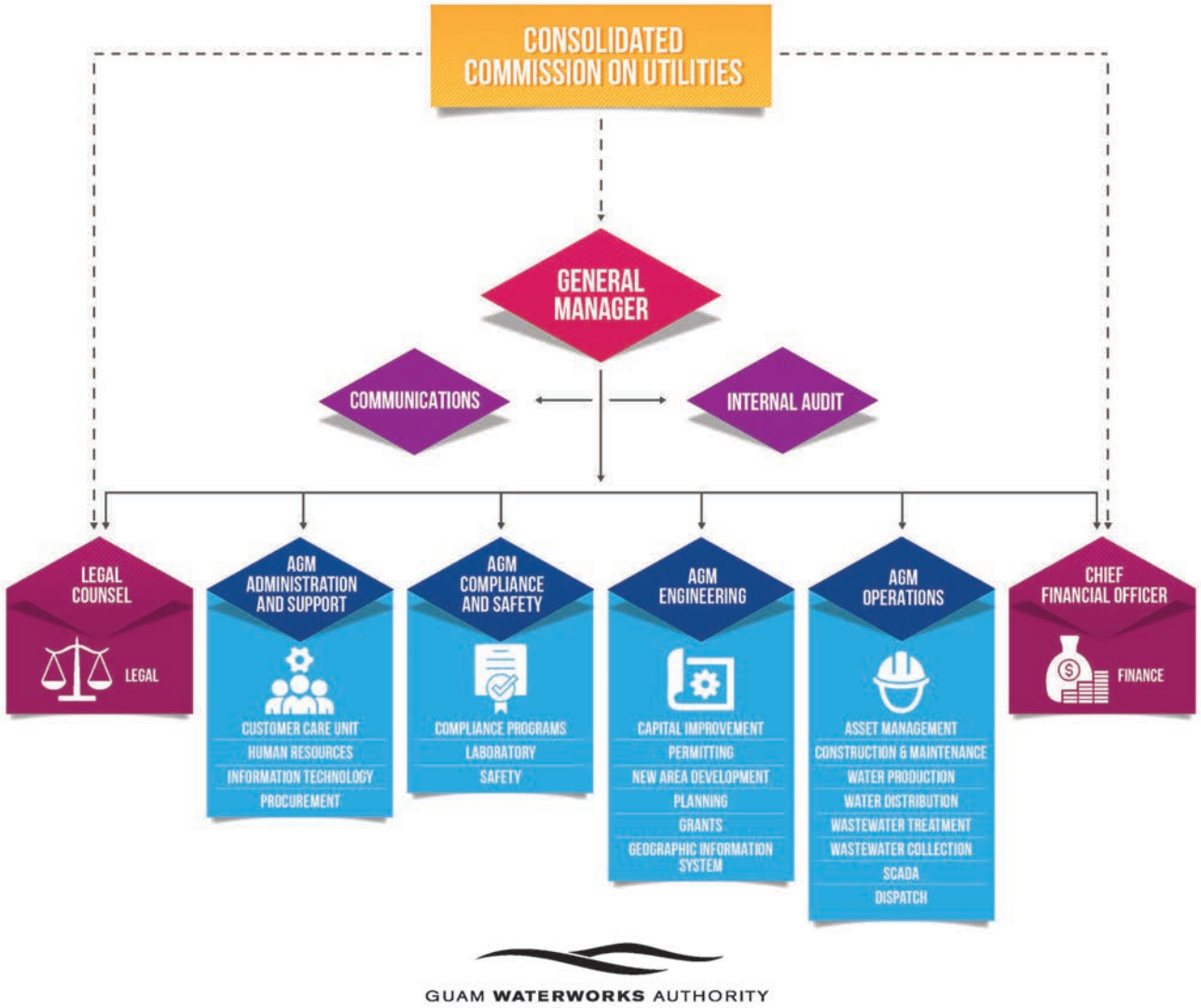
2.3.3 Internal Audit

The Internal Audit Division reports administratively to the General Manager, and functionally to both the General Manager and the Audit Committee of the CCU. The Internal Audit Division is responsible for resolving Office of Public Accountability audit findings in conjunction with the Chief Financial Officer. The Division also has the responsibility for planning and executing all internal audit activities, including fraud/waste/abuse investigations as assigned by the Audit Committee or resulting from "hot-line" reports.

2.3.4 Legal

GWA's internal Legal Counsel has the responsibility over all legal matters of the Authority as prescribed in statute. This includes providing guidance to management and the CCU, representing the Authority in all matters of administrative law (rate regulation, personnel matters) and regulatory enforcement. Procurement review and litigation remain statutory functions of the Office of the Attorney General of Guam, but have typically been delegated by the Attorney General to GWA's Legal Counsel.

Figure 2-1. GWA Organizational Chart



2.3.5 Finance

The Finance Division ensures financial stability by managing budgeting, accounting, and debt financing to maintain sufficient cash flow and funding for operations and capital projects. It ensures compliance by adhering to financial regulations, supporting external audits, and preparing accurate financial reports. The division also oversees payroll, ratepayer billing and payment processing, and rate applications to the Guam PUC.

2.3.6 Administrative Services Division

The Administrative Services Division provides essential internal and external services that support the day-to-day functioning of the organization. The following Sections play key roles in maintaining effective operations and delivering reliable services to the public.

2.3.6.1. Customer Service

The Customer Service Section is the primary point of contact for GWA ratepayers. Customer service representatives operate at three locations—Fadian, Upper Tumon, and Julale—and also assist customers through online service channels. The Customer Service Section handles service requests including connections, disconnections, payment arrangements, and account troubleshooting. It includes the Collections Unit that works with customers to resolve outstanding balances, and the Meter Reader Unit that ensures timely and accurate meter reading for billing. The Customer Service Section plays a vital role in maintaining customer satisfaction and ensuring accurate and responsive service delivery.

2.3.6.2. Human Resources (HR)

The Human Resources Section oversees personnel-related functions including recruitment, employee relations, training and development, benefits administration, and performance management. HR ensures compliance with applicable labor laws and personnel policies and works to support a productive and professional workforce. The Human Resources Section also manages classification, compensation, and personnel transactions, and serves as a resource for both employees and supervisors.

2.3.6.3. Information Technology (IT)

The Information Technology Section is responsible for maintaining and supporting GWA's technology infrastructure. This includes managing the network, cybersecurity, enterprise applications, system integrations, and user support. The Information Technology Section ensures that business systems, including billing, service tracking, and internal communications operate securely and efficiently. IT also supports automation and digital services that improve employee productivity and enhance customer interactions.

2.3.6.4. Procurement

The Procurement Section manages the sourcing and acquisition of goods, services, and equipment in full compliance with Guam procurement laws and GWA's internal policies. Its core responsibilities include preparing and issuing solicitations, coordinating with vendors, conducting bid evaluations, and overseeing contract execution. The Procurement Section ensures that all purchasing activities are fair, transparent, and well-documented, while maintaining efficiency and fiscal responsibility. By supporting all Divisions in securing the resources they need, Procurement plays a key role in keeping GWA's operations running smoothly and effectively.

2.3.7 Compliance and Safety

The Compliance & Safety Division is comprised of three distinct functional Sections:

2.3.7.1. Compliance Programs

Compliance Programs primary focus is on monitoring the Authority's systems and customer connections to ensure the quality and safety of drinking water provided to the people of Guam as well as to protect the wastewater collection and treatments from harmful customer discharges that affect GWA's ability to meet permit requirements. This includes the Cross Connection Control Program and backflow prevention for water system protection in coordination with U.S. EPA regulations, the Safe Drinking Water Act (SDWA), GEPA, and Guam Primary Drinking Water Regulations (GPDWR). It also includes Source Control Programs for wastewater system protection from Fats, Oils and Grease (FOG) and industrial discharges requiring pretreatment.

2.3.7.2. Laboratory

GWA maintains a certified analytical laboratory which is responsible for sampling and analysis to ensure compliance with the SDWA, as well as the Clean Water Act (CWA), and Clean Air Act (CAA), which also involves monitoring of FOG (Fats, Oils, and Grease), bacteria and industrial pretreatment into wastewater discharges.

2.3.7.3. Safety

Safety conducts operational safety inspections and provides training to promote a safe and compliant working environment across all operations.

2.3.8 Engineering

The Engineering Division[23] provides planning and engineering services and support to the operational sections of the Authority, oversees the development and implementation of GWA's program of capital improvements for water and wastewater systems, and processes permits and utility verification requests for new development and construction for all customers of the Authority. The Division's Right of Way (ROW) unit oversees property acquisition, easements, and access rights needed for infrastructure projects such as water and sewer lines and related infrastructure. It maintains accurate records of agreements, negotiations, and property information; manages on-island water line and sewer line easements including quarterly reporting of ground maintenance; and negotiates with landowners, government or federal agencies for easements or property acquisition. Responsibilities include coordinating with project managers, engineers, legal teams, and property owners; and preparing response memos for upper management.

The Engineering Division is divided into the following sections:

[23] GWA has managed to maintain staffing levels in the Engineering Division although there has been a loss of senior engineering staff in the post-pandemic period due primarily to retirements and departures to the private sector and federal government. In anticipation of the great number of projects and significant funding levels anticipated for CIP projects, the Engineering Division has stepped up recruitment and expanded its use of Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts to consulting engineering firms for critical CIP initiatives, such as Partial Consent Decree-related projects and water line replacements to support the Authority's Water Loss Control Program.

2.3.8.1. Capital Improvement – Water

The CIP Water Section is responsible for planning, program management, design, construction management and construction of capital projects needed to maintain, improve, and rehabilitate the potable water system serving the island community of Guam. These projects include water storage reservoirs, wells, treatment plants, pump stations, and distribution and transmission piping systems. The CIP Water Section is also responsible to provide assistance to Operations to collect and analyze system data and investigate and resolve system issues.

2.3.8.2. Capital Improvement – Wastewater

The CIP Wastewater Section is responsible for planning, program management, design, construction management and construction of capital projects needed to maintain, improve, and rehabilitate the wastewater system serving the island of Guam. These projects include gravity sewer collection systems, sewer pumps stations and force mains, and wastewater treatment facilities. The CIP Wastewater Section is also responsible for assisting Operations in collecting and analyzing system data and investigating and resolving system issues.

2.3.8.3. Capital Improvement – Support

The CIP Support Section is responsible for planning, program management, design, construction management and construction of capital projects needed to maintain, improve, and rehabilitate the supervisory control and data acquisition (SCADA) system, controls, electrical systems, and other systems and facilities supporting the water and wastewater systems serving Guam. These projects include repairs and improvements to warehouse, laboratory and administration buildings, electrical control and instrumentation and SCADA systems. The CIP Support Section is also responsible for assisting Operations in collecting and analyzing system data and investigating and resolving system issues.

2.3.8.4. Permitting and New Area Development

The Permits Section is responsible for ensuring necessary upgrades to the existing water and wastewater systems are made to accommodate proposals for new development, new service connections, or service demand increases. The unit works closely with customers and other GWA representatives to also ensure the related planning, design, and construction work meets GWA standards, rules, and regulations. Various tasks of the Permits Section include (but are not limited to): review of new development applications; processing building permit and occupancy applications; processing acceptance of private utilities, performing water and wastewater modeling; providing utility verifications and clearances; performing coordination and inspection of hydrant flow tests, new service connections, meter relocations, line extensions and other system modifications; and confirming proper completion of all GWA road repairs.

2.3.8.5. Planning and Grants

The Planning/Grants Section is mainly responsible for securing, managing, and reporting on grant funding for GWA. Other duties include supporting water and wastewater operations through infrastructure assessments, supporting Operations and Compliance and Safety Divisions with FOG program management and community outreach programs, land use planning and zoning applications reviews as required for land entitlement processes, and coordinating the procurement of Capital Improvement Projects with the Engineering Division.

2.3.8.6. Geographical Information Systems (GIS)

The GIS Section handles spatial data collection, analysis, mapping, and field verification. The team typically supports planning, infrastructure, environmental, utility, or emergency management operations by providing accurate and actionable geospatial information.

2.3.9 Operations and Maintenance

The Operations Division provides essential water and wastewater system operation, maintenance and emergency services 24-hours each day, every day. The following Sections play key roles in the operations of the systems to provide reliable utility services to the public.

2.3.9.1. Asset Management

The Asset Management Section is responsible for all preventive maintenance (PM) and corrective maintenance (CM) for the Authority's over 200 facilities island-wide. The Section maintains the asset registry and inventory, generates PM and CM schedules and work orders, operates and maintains the Computerized Maintenance Management System (CMMS) and mobile workforce solution for Operations staff. The Asset Management Section is also responsible for generating and updating specific asset management plans, tracking maintenance costs and material/equipment inventories, and developing analyses and business cases for operational capital repairs and replacements.

2.3.9.2. Construction and Maintenance

The Construction and Maintenance Section is responsible for two primary sets of duties. The first involves support services to all operation Sections which includes 1) vehicle/heavy equipment needs, 2) instrumentation and electrical equipment repair and maintenance and 3) pump and motor maintenance and repair for all operation facilities. The second set of primary duties involve limited construction or rehabilitation work which would not rise to a level requiring a contracted capital improvement project executed by the Engineering Division. Examples of construction activities include but are not limited to: pavement/subbase restoration work after a water or wastewater pipe repair occurs, general construction improvement at an operations facility, and water distribution or wastewater collection infrastructure expansion.

2.3.9.3. Water Production

The Water Production Section is responsible for the operation, maintenance and repair of all of the Authority's water sources, which is comprised of 120 deep production wells, two spring sources, one surface (river) water treatment plant, and one "Maui" (horizontal) well operated under license from the Navy. This Section includes separate units for deep well O&M, chlorination systems, and surface and springs water treatment.

2.3.9.4. Water Distribution

The Water Distribution Section manages all operational aspects of transmission and delivery of treated potable water to the Authority's customers. This includes separate units for storage reservoir and water booster pump station monitoring, pressure line maintenance and repair (leak/main break response), leak detection and water loss control, and large meter maintenance.

2.3.9.5. Wastewater Collection

The Wastewater Collection Section is responsible for the operation and maintenance of all sewer gravity mains and interceptors, sewer manholes, lift (pump) stations and ejectors, and force main

piping. The Wastewater Collection Section maintains separate units for collection system and lift station operation/monitoring, central wastewater facility maintenance and repair, sewer line cleaning/CCTV/emergency spill response.

2.3.9.6. Wastewater Treatment

The Wastewater Treatment Section manages the operation of the Authority's six (6) wastewater treatment plants (WWTPs). The Wastewater Treatment Section is organized regionally and by WWTP, with a Southern Superintendent overseeing three smaller plants (Agat-Santa Rita, Umatac-Merizo, and Inarajan WWTPs), a Central Superintendent overseeing two plants (Hagåtña and Pago-Socio WWTPs), and a Northern Superintendent overseeing GWA's largest plant serving multiple military installations and most of the island's population (Northern District WWTP).

2.3.9.7. System Control Center/Dispatch

Core to the operation of the water and wastewater systems is the System Control Center (SCC) located at the Authority's headquarters. This 24/7 operation is responsible for coordination and control of the water and wastewater systems, and serves as the command center for SCADA. The Authority is in the process of expanding its SCADA capabilities to all operations facilities. This Section also includes the public facing Emergency Dispatch office which handles operational service issues from customers of the Authority and dispatches crews to assess and resolve them.

2.4 Staffing Levels, Hiring and Unionization

GWA currently has a staff of 382 full time equivalent (FTE) employees (as of March 2026). The FTE budget is proposed to increase by $1.9 million in FY 2027 relative to the approved (stipulated) budget for FY 2026. For further comparison, in 2015 the number of filled positions was 318 FTEs with authorization for 344. Staffing levels have increased by approximately 20 percent over 2015 levels.

With the Partial Consent Decree now in place and new regulations for emerging contaminants like PFAS coming into effect, there are increased program demands on the Source Control Program and Compliance Laboratory, as well as permit activity from new development related to the military buildup. GWA anticipates recruiting additional staff to address these needs. The challenge will be to find qualified staff and licensed engineers, particularly with the competition from the military realignment in progress.

The Authority continues to expand on its previously implemented coordination and interaction between engineering and operations. In addition to collaboration on design review, integration of operational preferences and operability improvements in facility design and construction, the Authority is moving forward with integrating engineering and operations staff into operational modelling, enhanced GIS technology deployment and SCADA implementation. Management has also directed that Engineering staff be permanently assigned to Operations Sections (water and wastewater, with SCADA soon to follow) to provide embedded engineering support and expertise for operational issues.

Approximately 13% of GWA staff are members of the Guam Federation of Teachers (GFT), a collective bargaining organization that offers advisory benefits such as legal services at a reduced cost. In 2019, GFT negotiated a collective bargaining agreement with GWA. In 2026, management and GFT successfully completed negotiations on new contract terms followed by ratification of final documents by the CCU.

2.5 Training and Certifications

GWA is transitioning to a web-based training solution to broaden access to learning and professional development across the organization. This shift builds on the foundation laid by the Master Training Plan and aligns with GWA's commitment to equipping employees with the knowledge, skills, and abilities needed to support the Authority's mission.

Recent training efforts demonstrate both the scale and diversity of training underway. In FY 2025, GWA continued to deliver training across a wide range of technical, safety, compliance, emergency response, and professional development topics, including online courses through the KnowBe4 platform, in-person safety awareness training, cybersecurity, financial compliance, and water/wastewater-specific modules. Hundreds of employees participated, contributing to thousands of training hours across water, wastewater, and support personnel.

Future offerings will continue to expand based on needs assessments and will emphasize career advancement, certification preparation, succession planning, and knowledge transfer—ensuring GWA retains institutional knowledge while building the capacity of its workforce.

As of May 2026, GWA employees hold 118 EPA certifications for water and wastewater operations. From a historical perspective, GWA reported 89 certifications at the end of 2015, 127 at the end of 2012, and 52 or less prior to 2010. Despite recent losses in certified operators to the federal government, GWA's level of GEPA certifications has greatly improved since 2015 and more than doubled since 2010. The improvements have been a result of the increased emphasis on employee development and the increase in staff training. In 2014, and for the last several years, GWA has worked with the Rural Community Assistance Corporation, GEPA and the American Water Works Association (AWWA) Western Pacific Subsection to encourage and motivate GWA staff to obtain advanced certifications, to provide operator training and more frequent, computer-based certification testing, and streamline Operator Certificate issuance processes.

2.6 Major Operating Programs

2.6.1 Asset Management

GWA adopted a formal Asset Management Policy by CCU Resolution 47-FY 2018 in August 2018. Important components of the asset management system are the over-arching Strategic Asset Management Plan and facility specific Asset Management Plans (AMP) that are in progress. GWA is following ISO Standard 55001 when developing the asset management system.

Using the CMMS, GWA has been issuing and tracking preventive maintenance (PM), corrective maintenance (CM) and line repair work orders since 2016. With upgrades of GWA's enterprise management system in 2021, a more robust maintenance management system was implemented along with expansion of mobile workforce capabilities for enhanced deployment of asset management tools across the Operations Division. GWA is focusing its efforts on preventive maintenance planning to ensure that new assets will remain in good condition for their expected lifespan. This approach has been proven over the past 10+ years through implementation at three newly upgraded wastewater treatment plants and newly built and/or refurbished water storage tanks.

2.6.2 Water Loss Control Program

Like many other water systems, GWA has historically experienced and continues to experience significant water system losses because of system leaks, unauthorized water use, improper data handling, and inaccurate metering. The Water Loss Control Analytical Study, one of the required analytical studies completed in 2021 to support the Comprehensive Review and Update recommended full implementation of 36 District Metered Areas throughout the Authority's distribution system with a comprehensive permanent leak detection program. In July 2021, the Authority engaged a contractor for the island-wide implementation of District Metered Areas and technical assistance for standing up the recommended leak detection campaigns and loss control program. The Authority anticipates completion of all 36 District Metered Areas by 2029. Data gathered from this program indicates that the majority of leaks detected and repaired are in smaller diameter service laterals that are beyond their useful service life. The Authority has accordingly focused capital replacement for water lines to align with the findings of the Water Loss Control Program. In conjunction with the PUC's Order in the FY 2025 – 2029 Rate Decision, a plan of action for priority projects was submitted on January 3, 2025, and GWA is authorized to proceed with related contracts without additional PUC contract review. These initiatives aim to reduce reliance on costly Navy water purchases and improve system efficiency.

2.6.3 Compliance Programs

2.6.3.1. Cross Connection Control Program

GWA's Cross Connection Control Program provides standards for the installation, maintenance and annual reporting/inspection of backflow prevention assemblies at customer connections in accordance with GWA's service rules and regulations. GWA maintains nationally qualified and certified staff to manage the program and oversee registration and certification of private backflow prevention assembly inspectors/testers who provide annual inspection/reporting on customer equipment. The program is also applied to all of GWA-owned facilities. Ultimately the program is intended to ensure that the public water distribution system is protected from any risks associated with potential sources of cross contamination, such as irrigation systems, swimming pools, fire protection systems and industrial users.

2.6.3.2. Source Control Program

GWA maintains an EPA approved Source Control Program for wastewater discharges. This unit also coordinates closely with the EPA and the U.S. Department of Justice (DoJ) to report incidents and provide updates related to the 2011 Court Order, 2024 Partial Consent Decree, and other regulatory compliance matters. The Source Control Program among other things:

- Enables GWA to reduce the amount of inflow into the sewer system that takes away capacity from the collection system and treatment plants
- Reduces sewer clogging and pumping and treatment equipment fouling caused by fats, oils, and grease by preventing its discharge into the sewer system
- Eliminates sanitary system overflows due to flow restrictions caused by excessive grease build-up in the collection system
- Prevents the introduction of harmful products into the sewer system that create hazards or interfere or harm the biological processes at the treatment plants

- Empowers GWA to fine or disconnect violators of the restrictions and controls provided by the source control programs as authorized by Title 28 of the Guam Administrative Rules and Regulations, which establishes the operating and service rules for GWA and other utility providers across the territory.

2.6.3.3. Fats, Oils and Grease (FOG)

GWA has implemented a FOG program designed and written to minimize the amount of fats, oils, and grease that enters the sewer collection system, primarily from food service establishments (such as restaurants, commercial kitchens, and food-processing customers). The new FOG program includes a permit requirement, permit processing, and inspections to ensure that food service establishments all have grease removal devices that are properly sized and maintained. Violations will result in fines, and repeat offenders or negligent customers may be disconnected as provided for by current law and augmented in proposed amendments to GWA's administrative rules. GWA has entered into a cooperative agreement with the Guam Environmental Protection Agency to provide joint-enforcement of FOG program provisions until the proposed amendments are codified.

A large part of this FOG program is the ability to process and treat FOG. Until 2023 there was no system or process on Guam that was capable of handling FOG disposal. Through proactive action, GWA constructed a new autothermal thermophilic aerobic digestion (ATAD) system as part of its solids handling processes at the Northern District WWTP. This digestion process is capable of treating FOG. In order to treat FOG from commercial haulers servicing food service establishments, this new system requires a receiving station. GWA has completed the design and construction documents for this new receiving station and, as of May 2026, the project is awaiting bid solicitation.

2.6.3.4. Pre-treatment

As part of the 2024 Partial Consent Decree with EPA, GWA will implement and enforce an Industrial Pretreatment Program that complies with 40 C.F.R. Part 403. This pre-treatment program will prevent the introduction into the waste stream of hazardous materials, and chemicals harmful to the aquatic environment or to the biological environment in the sewage treatment plants. The pre-treatment program will follow EPA regulations and requirements established by the Clean Water Act and National Pollutant Discharge Elimination System (NPDES) permit requirements. The program was submitted to EPA for review and approval in 2025. EPA has requested additional analysis to confirm whether local pretreatment limits are needed. GWA is currently conducting this confirmation analysis and anticipates submitting to EPA in 2026.

2.6.4 Cybersecurity

The Authority relies on a complex technology environment to conduct its operations and is subject to multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware, and other attacks on its computing, operational, and communications networks (collectively, Systems Technology). As a custodian of personal, private, and sensitive information, the Authority may be the target of cybersecurity incidents that could adversely affect its Systems Technology and require significant response actions to mitigate their consequences.

Cybersecurity incidents may arise from unintentional events or from deliberate attacks by unauthorized individuals or entities seeking to misappropriate assets or information, or to disrupt Authority operations. Such breaches could damage the Authority's Systems Technology, materially

disrupt its finances and operations, expose the Authority to litigation or regulatory action, and result in substantial financial costs related to mitigation, remediation, and legal proceedings.

To address these risks, the Authority, in collaboration with GPA, has adopted cybersecurity policies and protocols based on the National Institute of Standards and Technology Special Publication 800 series guidelines. The Authority's cybersecurity program includes a cybersecurity plan approved by the U.S. Department of Energy, comprehensive system testing, vulnerability assessments, adoption of business continuity and disaster recovery plans, and refreshed incident response plans for all departments and divisions.

The Authority conducts annual external network security and vulnerability assessments covering information technology general controls, operational technology networks, site physical security, and penetration testing. Assessments were most recently conducted in May 2026 and will be conducted annually moving forward. The Authority continues to implement critical redundancy solutions across its IT and OT networks, perform regular updates, manage end-of-support devices, and enhance its cybersecurity standard operating procedures.

Further, the Authority has a mature cybersecurity awareness training program for employees and participates in multiple tabletop exercises to validate its incident response capabilities. Through these measures, the Authority aims to reduce its cybersecurity risk exposure; however, no assurance can be given that such measures will prevent all cybersecurity incidents or materially mitigate their effects. A significant cybersecurity event could materially and adversely affect the Authority's financial condition, operations, or reputation.

The Government coordinates cybersecurity readiness and response efforts across agencies, with support from the Guam Homeland Security Advisor and the Mariana Regional Fusion Center. These entities help facilitate territory-wide cybersecurity programs in collaboration with agency IT teams, the National Governors Association, and various federal partners. The Government continues to strengthen its cyber capabilities through interagency coordination, information sharing, and exercises with local and national stakeholders. These partnerships further strengthen the Authority's cybersecurity preparedness.

Despite these proactive efforts, the Authority cannot guarantee that it will not experience a cybersecurity event that could materially impact its operations or financial position.

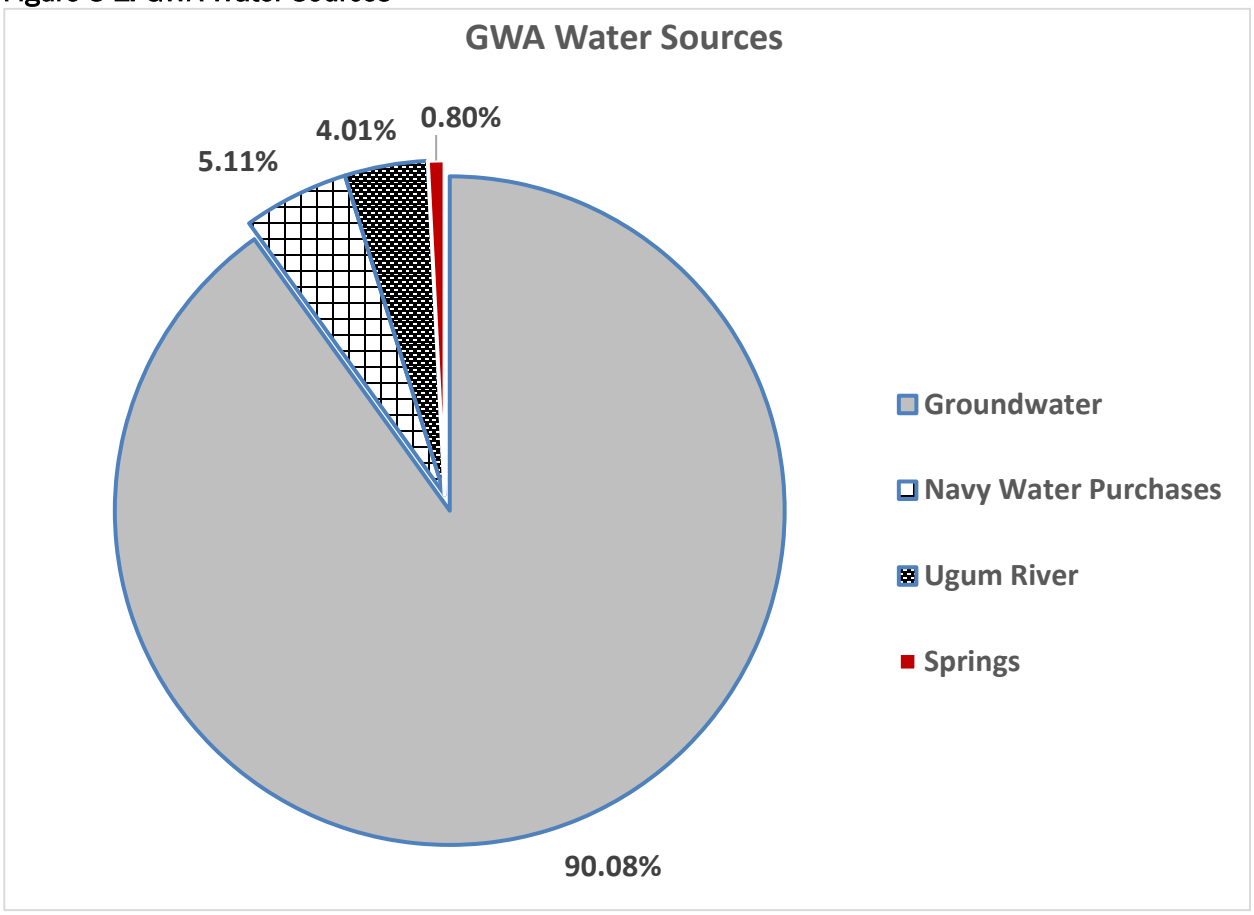
3.0 Water System

3.1 Water Sources and Treatment

Water sources on the island of Guam include groundwater, surface water, and spring water. All three resources are replenished by the island's significant rainfall that ranges between 80 and 110 inches per year. The source of all fresh water on Guam is rainfall, whether as runoff and stored in reservoirs in southern Guam, or as recharge in the groundwater aquifer of northern Guam. Since the source of all freshwater resources on Guam is direct rainfall, Guam's water resources are vulnerable to changes in precipitation. In addition to water produced at its own facilities from these three water sources, GWA purchases water from the Navy.

Figure 3-1 shows the relative size of the GWA water sources based on FY 2025 water audit numbers. Groundwater supplies about 90 percent of the drinking water for Guam's residents and visitors. Each source is discussed further below.

Figure 3-1. GWA Water Sources



3.1.1 Groundwater

The main groundwater resource is located under the northern part of the island. The permeable limestone geology in the northern part of the island, composed primarily of uplifted fractured limestone that has been substantially altered through dissolution, allows relatively rapid recharge of the groundwater aquifer from precipitation. The rainfall percolates through the strata and forms a freshwater "lens" that floats at approximately sea level above deeper, higher-density brackish and salt water. Because of the heavy rainfall and rapid percolation, the Barrett Consulting Group and J.F. Mink estimated in 1991 that the freshwater lens under the northern part of the island can provide a sustainable water supply of up to 80 million gallons per day (mgd). This sustainable capacity has been supported by other researchers as well. The Water and Environmental Research Institute (WERI) of the University of Guam (UOG) released the 2019 Technical Report No. 170 defining and evaluating production capacity for the Northern Guam Lens Aquifer. This report states that the aquifer provided a sustainable water supply of up to 89 million gallons per day (mgd). As of March 31, 2026, GWA pumps approximately 36 mgd of groundwater, or about 45 percent, of the sustainable yield. On average, the Navy and Air Force pumped 3.0 mgd of groundwater, and the Guam International Airport another 0.2 mgd, which indicates that total current groundwater extraction is approximately 39.2 mgd, or about 49 percent of the sustainable yield.

For 2025 it was estimated in the GWA Water Resources Master Plan Update (WRMPU)[24] that GWA groundwater requirements would increase to approximately 39.1 mgd average day demand, conservatively assuming the same rate of Non-Revenue Water (NRW) as experienced in 2017. GWA's actual groundwater requirements for FY 2025 were 36.6 mgd average day demand. The DoD projected an additional need for 1.7 mgd to support the military realignment above the 3.0 mgd used currently. Using GWA actuals and projected DoD demand, this would bring the total groundwater demand to 41.3 mgd or 52 percent of sustainable yield in 2025. This is still well below the 80 mgd sustainable yield and assumes there is no improvement in water loss from the current NRW rates. NRW is discussed in more detail in Section 3.4.

The U.S. Geological Survey (USGS) completed a study in December 2013 of Guam groundwater resources to determine the impacts of climate scenarios and recharge on the sustainable yield, and also to assess the impacts of increased pumping to accommodate the proposed military realignment (discussed in Section 1.6). The results indicate that the groundwater resources can be used to meet the anticipated future needs; however, the groundwater resources will need to be managed during an extended drought to maintain acceptable salinity levels.

Groundwater wells supply approximately 90 percent of GWA's water supply. GWA owns 120 wells, of which 110 are currently operable. The well capacity varies and ranges from less than 100 gallons per minute (gpm) to over 500 gpm. The number actually in service varies from day to day to meet system needs. For the month of March 2026, of the 120 wells, 96 were operating to meet system demands, four were in standby mode, 10 were secured and two were secured pending the addition of treatment for PFOS/PFOA contamination and eight were out of commission.

The total permitted well capacity is 40.1 mgd. GWA has re-constructed five of the existing wells, has completed the design to rehabilitate four additional wells and has plans to drill three new wells over

[24] In general, the master planning process involves a comprehensive assessment of GWA's progress toward delivering acceptable levels of service and complying with drinking water standards and clean water regulations. The WRMPU provides the basis for most of the capital improvements included in the current five-year CIP (see Section 6.1.1).

the next two to three years. Pilot holes and capacity testing have been completed for the three new wells.

GWA has prepared contract documents for these three wells. Although a procurement bid was issued for this work, no bids were received. GWA will re-bid the work and anticipates that construction of these wells will begin in 2027. The increased availability of these wells will supplement the current production capacity and allow for maintenance on other wells and provide operational flexibility and redundancy, which will strengthen the water system.

Well water is chlorinated prior to distribution. Several wells are also equipped with a granular activated carbon (GAC) system to provide additional treatment for localized contamination issues. Ninety-four percent of wells (excluding out of commission wells) are equipped with emergency generators to ensure continued supply should a power failure occur.

GWA manages wellhead protection through its wellhead protection plan established in 2015 and works to ensure that no adverse development occurs within the protection zones to the extent possible through the building permit approval process.

3.1.1.1. Miscellaneous Groundwater Wells

GWA currently operates the Navy owned Tumon Maui well under a lease agreement with the Navy. The water supplied is pumped into the GWA distribution system. The Tumon Maui well has a design flow rate of 1.3 mgd and typically supplies on average 1.0 mgd into the GWA water system in Upper Tumon. The Tumon Maui well also includes a GAC treatment system.

GWA also operates the water system for the Guam International Airport Authority (GIAA). GIAA has three wells with two currently operational, and a 1.5-MG storage tank. The wells are turned on and off as needed to keep the storage tank within the required levels since the well pumping capacity exceeds the airport demand. The GIAA wells all have some level of contamination and include carbon filter treatment before the water is pumped into the storage tanks. The average demand of the GIAA system is approximately 0.2 mgd.

3.1.2 Springs

GWA also owns five springs located in the southern and central areas of the island, two of which have been developed for useful water production.

Only one spring (Santa Rita) has been consistently used, producing less than 1.0 mgd or approximately 0.8 percent of the total GWA water supply. The spring water is chlorinated prior to distribution. Upgrades to increase capacity at this spring site are underway. The construction documents will be prepared to construct a new cutoff wall that will be used to intercept more spring water. This upgrade will reduce GWA's use of Navy water.

GWA has a project planned (design phase has been substantially completed) to rehabilitate the currently inactive Asan Springs, built in 1929. This project has been delayed due to property issues with the U.S. Department of the Interior National Park Service, who owns land on which part of the reservoir is located. Based on historical data, Asan Springs should produce approximately 0.4 mgd. This upgrade may also reduce GWA's use of the Navy water in the Asan-Piti area.

3.1.3 Surface Water

Surface water resources are available in the southern portion of the island. GWA treats surface water collected from the Ugum River at the Ugum Surface Water Treatment Plant (the Ugum WTP). In addition, GWA purchases surface water from the Navy that has been treated at its Fena WTP. These surface water sources compose 9.1 percent of the total GWA supply.

3.1.3.1. Ugum Water Treatment Plant

The Ugum WTP is a major source of water supply for the southern portion of the island and operates 24 hours per day, seven days per week with a regular staff of seven employees. The Ugum WTP supplies approximately 4 percent of the total GWA supply. The Ugum WTP was upgraded from a traditional rapid-media plant (conventional filtration) and retrofitted with a microfiltration system in 2010. The Ugum WTP has operated solely on the Memcor CS Submerged Membrane System since March 2011.

The treatment processes include:

- Raw water screening and pumping
- Pre-disinfection with chlorine
- Coagulation, flocculation, settling, and clarifying
- Microfiltration using membranes
- Sludge management, including a thickening system and centrifuge
- Final treatment with chlorine
- Storage in a 2.0-MG reservoir
- SCADA to bring information to the operations staff and to collect and retain plant operating data

The plant is also equipped with:

- A backup generator to provide power if the electric utility system fails
- Wash water recycling processes
- A neutralization basin to adjust the pH of the membrane filter wash water before it is released into the Ugum River as an NPDES permitted discharge

Improvements to the Ugum WTP were completed in 2024. This included complete replacement of the 15-year-old membrane system, new raw water pumps, thickener assembly, valves and process pumping systems. A new 2.0 MG concrete tank is under construction. After resolving delays associated with the foundation piles and unknown subsurface soil conditions, the tank is expected to be completed by the last quarter of 2026.

The Ugum WTP design flow rate is 4 mgd and current production is approximately 2.2 mgd, so there is additional capacity at the plant to serve future demands in the Southern Water System. There are some bottlenecks in the process that need to be addressed to consistently achieve 4 mgd capacity as discussed in the WRMPU. The Ugum River supply analysis included in the WRMPU also indicates that the Ugum River could have difficulty supplying 2 mgd or more during the dry season, particularly during periods of drought; however, alternate sources such as the Talofofo River may be

considered to supplement the Ugum River flow. The WRMPU recommends additional study of the Southern Water System to supply the water necessary to serve customer demands in the south. Increase in the Ugum WTP capacity will reduce GWA's use of Navy water.

3.1.3.2. Navy Water

The Navy collects surface water in the Fena Valley Lake Reservoir. The reservoir has a 6-square-mile watershed and a capacity to hold up to 7,050 acre-feet (2.3 billion gallons) of water. The Navy also obtains spring water from Almagosa and Bona Springs. The combined spring production ranges from 0.17 mgd up to 2 mgd; however, these springs have fluctuating water quality and are not used when the water quality is low and so are not a continuous source. The surface and spring water are treated at the Fena WTP, which is owned by the Navy and operated by a private contractor.

The Fena WTP treatment processes include:

- Coagulation using alum, lime, and polymer
- Flocculation using conventional clarifier and/or ballasted flocculation chambers
- Sedimentation
- Dual-media filtration
- Ultraviolet (UV) disinfection
- Post-chlorination using sodium hypochlorite system with calcium hypochlorite back-up system
- Fluoridation
- Aeration that occurs within the clear well (to drive off disinfection by-products (DBPs))
- Scale and corrosion control using sodium hydroxide or sodium polyphosphate

The Fena WTP is capable of producing a daily maximum flow of up to 13.5 mgd and an average flow of 10.5 mgd under poor water quality conditions, as shown in Table 3-2. Additional flow rate data for Fena WTP is also provided in Table 3-2. The current treated water production rate at Fena WTP is approximately 5.1 mgd, which is less than 50 percent of the wet weather design flow rate, so there is spare capacity at the plant if needed.

Table 3-1. Fena WTP Flow Rates

Flow Rate Parameter	Flow Rate (mgd)
Maximum daily	13.5
Minimum daily	5.0
Nominal daily average (wet season)	10.5
Nominal daily average (dry season)	12.5

A 1982 Memorandum of Agreement allows GWA to purchase up to 4.39 mgd (1,602 MG annually) of water from the Navy. The Memorandum of Agreement has expired although both parties continue to operate cooperatively under its provisions and continue to work on an updated utility services agreement.

GWA's dependence on Navy water has decreased significantly since 2011 and in recent years has been about 50 percent of the 2011 usage. Usage has been relatively stable since 2015, however,

GWA intends to continue to reduce the purchase of Navy water by repairing leaks, changing sources and addressing localized pressure problems within the GWA System. In the last two years the PUC has established criteria to reduce Navy water purchases given recent variations in Navy water rates resulting from their movement towards quarterly rate adjustments to achieve annual cost recovery. GWA's capital improvements program has accounted for these criteria.

3.1.4 Water Sources and Treatment - Facility Conditions

3.1.4.1. Wells

GWA groundwater production system includes 120 deep wells for water extraction from the aquifer. Approximately 35 of these wells were constructed prior to 1970 and have been in service for 50 years or more. There has been rehabilitation to five wells and reconstruction of 5 other wells over the past 6 years. Further rehabilitation is needed and planned for. The current state of the GWA well field (120 wells) is considered to be fair.

3.1.4.2. Ugum WTP

The Ugum WTP was constructed in 1994, upgraded to membrane filtration in 2005 and recently rehabilitated in 2025. The Ugum WTP is now capable of treating water when the river supply water is at or below 300 Nephelometric Turbidity Units (NTU), a measure of water cloudiness caused by suspended particles like dirt, silt, or algae. River turbidly of 300 NTU happens after large rainfall events and usually last for 3-6 hours after the rain event has passed. The high sediment load in the water also causes sediment buildup at the intake that requires extra maintenance to keep the intake clear. Improvements to control sediment buildup around the intake are underway. This improvement includes maintenance dredging of the river catchment area. Future upgrades to the Ugum WTP river intake structure are included in the five-year CIP. The current state of the Ugum WTP is considered to be good; the Ugum WTP is in full compliance with the Safe Drinking Water Act (SDWA).

3.1.4.3. Springs

The Asan and Santa Rita Spring sources are still in GWA's spring source inventory. The Asan Spring has been offline, and the Santa Rita Spring remains in operation. The Santa Rita Spring is considered to be in good condition.

3.2 Water Distribution Systems

GWA's water system includes an extensive network of transmission and distribution pipelines, Booster Pump Stations (BPS), and reservoirs.[25] Figures 3-2 and 3-3 show key elements of the GWA water system in the northern and southern portions of the island, respectively.

[25] The Authority's water system does not include any documented/known lead pipes. The Authority completed the EPA-required Lead Service Line Inventory in accordance with federal timelines.

Figure 3-2. GWA Water System: North

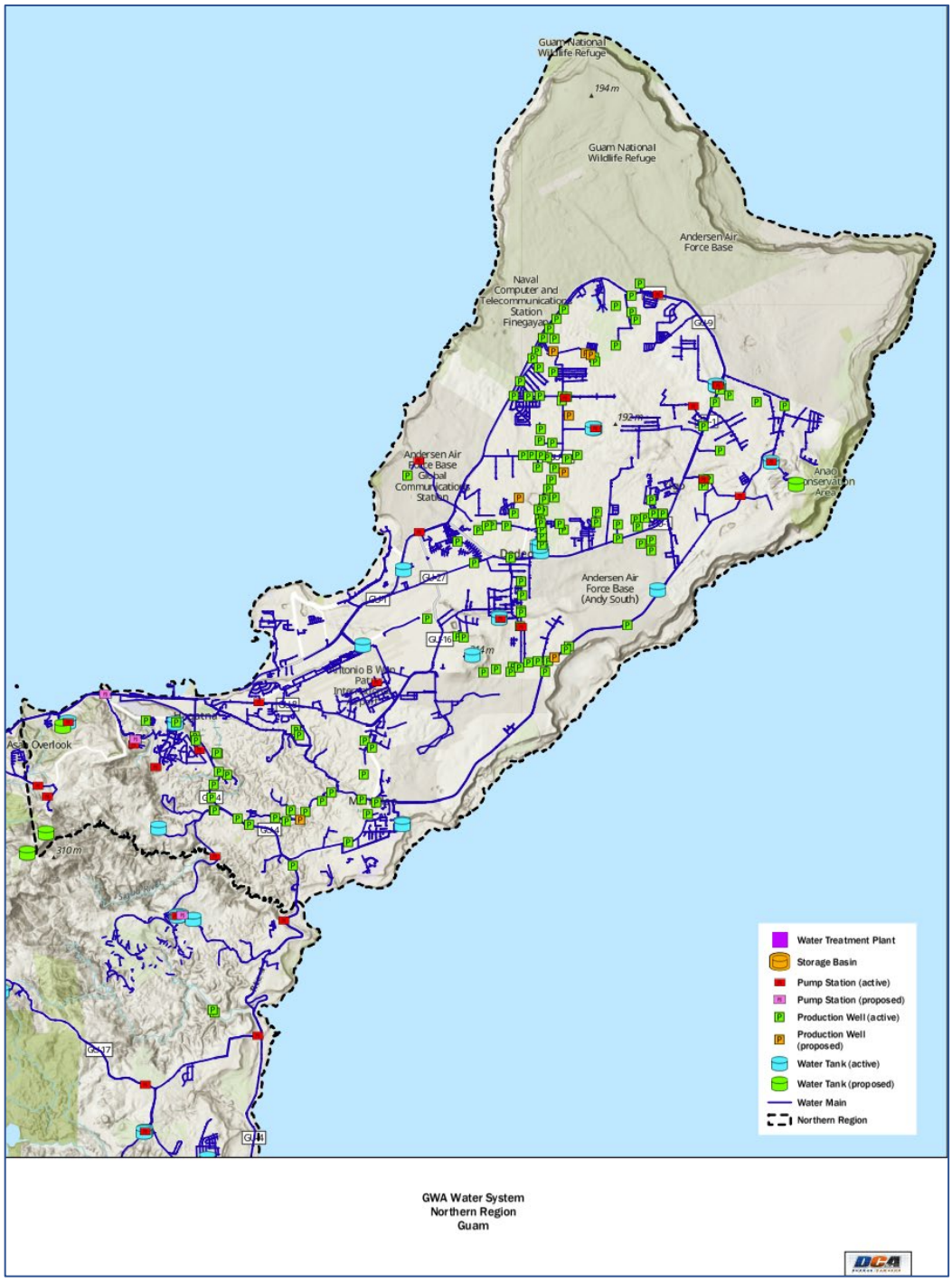
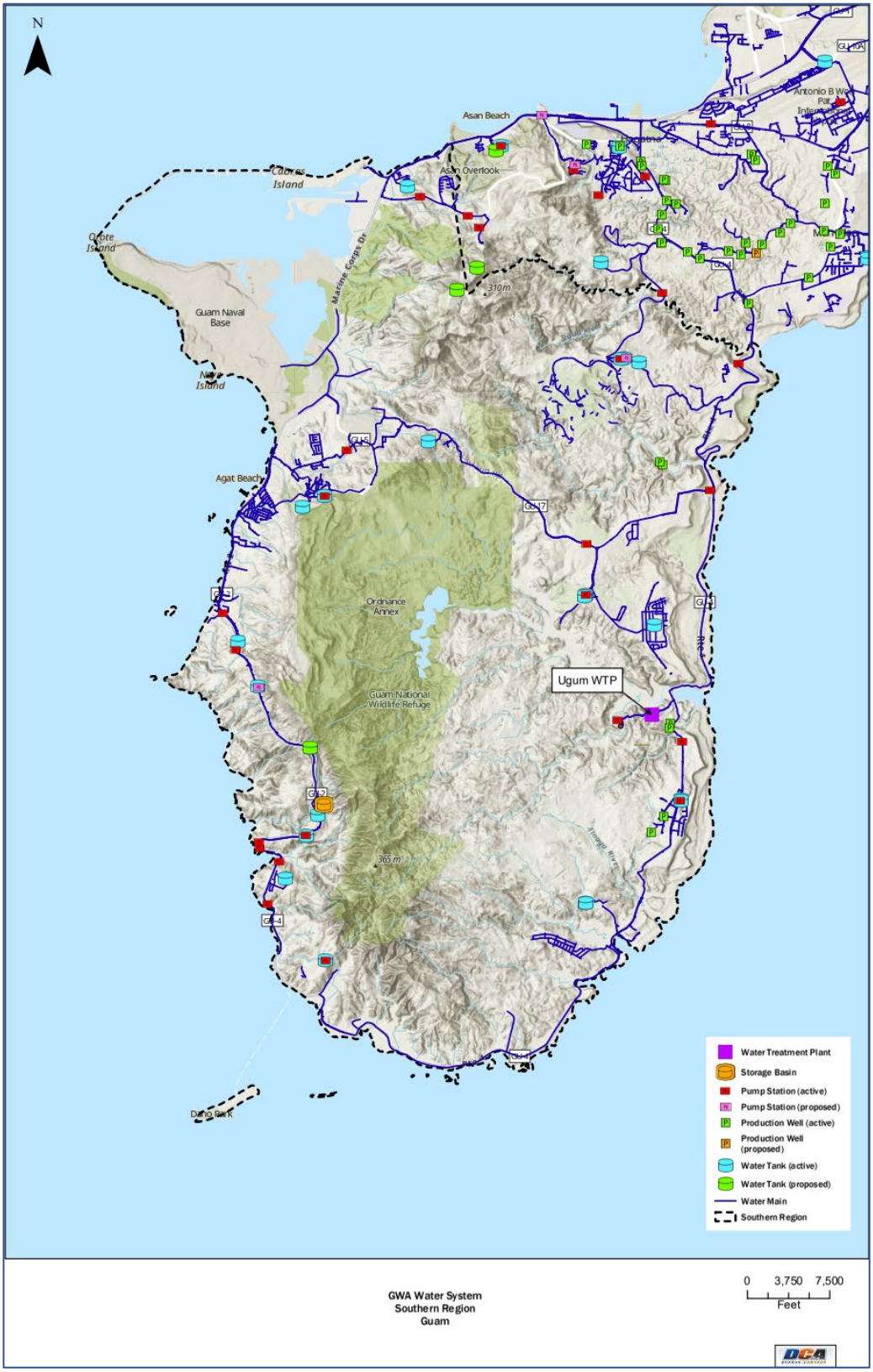


Figure 3-3. GWA Water System: South



3.2.1 Transmission and Distribution System

3.2.1.1. Waterlines

The Government of Guam, and subsequently GWA, inherited circa 1950's Navy infrastructure and the existing piping network comprises approximately 586 miles of ductile iron, polyvinyl chloride (PVC), cast iron, asbestos cement (AC), and galvanized steel pipe. As noted in the WRMPU, approximately eighty miles of piping is documented to have been installed prior to 1980, approximately 246 miles of piping was installed between 1980 and 2011, and approximately 260 miles of the piping have no documented installation date but a significant portion is expected to be older piping installed during the Navy period of control.

The WRMPU also notes that up to 15 miles of the total is constructed of 2-inch-diameter or smaller pipe (up to 7.5 miles of which may be constructed with galvanized steel) that is believed to be a significant, but not the only, source of system leaks. This is because of the poor corrosion resistance of buried steel pipe, in many cases shallow installation depth, and generally poor construction practices.

In general, the water systems on Guam are not separated into transmission and distribution pipelines. In most cases, production wells feed directly into distribution after disinfection. These water systems are combined transmission and distribution networks with Booster Pump Stations (BPS) and reservoirs interspersed throughout. GWA's long-term plan, wherever practical, is to eventually convey unchlorinated raw water directly to storage reservoirs, disinfect at the storage reservoirs, and then distribute the finished water to customers.

The GWA system is currently divided into 47 Water Service Areas (WSA) with pressure-reducing valves (PRV), choked valves or BPS regulating and separating the WSAs. The WSAs have been established over time and resulted in some areas being supplied with service pressures outside the target range, some too high and some too low. GWA is currently implementing a Pressure Zone Realignment program that will transition from the historic WSAs to a true pressure zone layout that will improve service pressures throughout the island and should also contribute to reduced water loss by minimizing background leaks caused by overpressure in certain WSAs.

Leaks, theft and misreadings from service connections and distribution pipelines continue to be a significant source of Non-Revenue Water (NRW), as discussed in Section 3.4. Over the past several years GWA has made leak repair a priority, reducing the length of time it takes for leaks to be repaired and reducing daily leak repair work order backlog by more than 90 percent. Recently, some significant sources of loss from leaks have been discovered and repaired, which have had a notable and measurable effect on system pressure.

The current state of the water distribution should be evaluated in two parts: lines larger than 2 inches and lines 2 inches and smaller. Observation and repair records has verified that the 2 inch and smaller lines are prone to failure. GWA operations frequently respond to repairs and replacement of these lines. The large lines also experience leaks and breaks, but not nearly at the frequency of the smaller lines.

The state of these 2 inches and smaller lines is considered poor. The large waterlines may be considered fair.

3.2.1.2. Booster Pump Stations (BPS)

GWA has 30 BPS in service in the water distribution system. Nineteen of the 30 active BPS are equipped with working emergency generators to ensure continued operation during power failures. Recent upgrades to six of the pump stations have been done over the past 10 years. The upgraded southern pump stations allow GWA to bypass water tanks for routine inspection and maintenance.

The current state of the booster pump stations is considered to be good.

3.2.1.3. Reservoirs

GWA reservoirs are predominantly ground-level tanks. New tanks are concrete, older tanks are of steel construction. There are no steel-elevated tanks still in service. GWA's policy is to use concrete ground storage tanks or booster pumping stations in the future to reduce the O&M costs associated with the elevated steel tanks. GWA has 33 reservoirs in current inventory, and three new concrete reservoirs under construction. Reservoirs have historically been constructed of steel. All these steel tanks have been assessed and many have been rehabilitated. This rehabilitation has extended the useful life of these steel tanks in service. GWA will keep these tanks in service. Otherwise, new facilities will be concrete. Twenty-eight reservoirs have been repaired or replaced since 2013, and seven are currently under construction or planned for future rehabilitation as of March 31, 2026, with one tank pending plans for rehabilitation:

- Total Storage Tanks: 36 (45.1 MG)
- Total number of Concrete Tanks: 12 (15.5 MG)
- Total number of Concrete Tanks under construction: 3 (7 MG)
- Total number of refurbished Steel Tanks: 16 (16.1 MG)
- Total number of remaining Steel Tanks under rehab: 5 (6.5 MG)

Under the 2011 consent decree GWA was required to inspect and repair (where needed) all the steel water tanks within the System. All these tanks were inspected except for three. These three will be inspected/refurbished once respective new concrete tanks are online. The inspections were guided by the American Petroleum Institute (API) standard for steel tanks. These API standards provide recommendations for repairs that, when implemented, restore the life span of the tank. By December of 2026, GWA's three (3) new concrete tanks will have been completed, and all but three (3) steel tanks of the total thirty-six (36) tanks will have been inspected and rehabilitated. GWA has implemented the CMMS program to continue to maintain these tanks.

The current state of the water tanks is considered to be good to excellent.

Over the past 15 years GWA has made a significant investment into the water tanks. This is reflected in the good to excellent state of these tanks. It was almost 20 years ago when GWA experienced a steel tank failure, and the state of the tanks was considered poor. This turnaround is a testament to GWA's commitment to improving and maintaining its reservoir assets.

3.3 System Monitoring

GWA established a centralized system control center (SCC) and trouble dispatch system in 2015. SCC monitors both water and wastewater operations, collects and tracks system data, and helps with information dissemination to all GWA Sections regarding customer service, water outages, performance measures, and problem anticipation. The SCC is staffed 24 hours per day, seven days per week, with a combination of staff from different field operations. The SCC monitors and coordinates leak repair, reservoir water level measurements, and other field operations activities. The SCC has significantly improved the coordination of activities between the different operating branches of GWA as there is one group responsible for monitoring the system operation and for providing accurate, up-to-date and consistent information to all parties.

System monitoring in the field continues to improve. Efforts related to tank replacement and DMAs have included data gathering equipment such as water flow meters and pressure loggers. The data collected and transmitted from these upgrades will improve the efficacy of the SCC system.

3.4 Non-Revenue Water

Non-revenue water (NRW) is defined by the American Water Works Association (AWWA) in Manual M36 – Water Audits and Loss Control Programs as "unbilled authorized consumption (water for firefighting, flushing, etc.) plus apparent losses (customer meter inaccuracies, unauthorized consumption and systematic data handling errors) plus real losses (system leakage and storage tank overflows)". In other words, NRW is the difference between the amount of water put into the distribution system and the amount of water billed to consumers. The quantity of water put into the system is recorded by the production meters and the amount of water billed to customers is recorded by the customer meters.

Non-revenue water is not only caused by water leaks but also metering inaccuracies, water theft, water tank overflows and other undocumented uses. While water leaks are a large contributor, the other listed factors can be significant.

In 2021, GWA engaged the services of a water loss consultant who has been actively working with GWA to identify water losses and delineate DMAs. District Metered Areas serve as a management tool to better understand water use and loss. GWA has established 21 DMAs.[26]

Over the past five years, through the assistance of GWA's water loss consultant, GWA has identified over 1,300 defects, including about 1,100 leaks using established DMAs and proactive acoustic leak detection technologies and conducting 85 separate leak detection campaigns. This is comprised of over 80 distribution main leaks, over 700 service lateral leaks, and over 150-meter connection leaks with over 70 confirmed illegal connections. It is estimated that over 1.23 million gallons per day have been restored to the water system. One key challenge with water loss and leak repair is the tendency for the leak to move from a repaired area to another located along the aged waterline. To address this GWA will use the selected consultants to assess and design waterline replacements. This assessment is ongoing.

[26] One DMA is not currently monitoring demands. Monitoring will resume with forthcoming replacement of required metering equipment.

Notwithstanding the complexities and uncertainties in NRW estimation noted, NRW is currently reported as 68 percent for FY 2025, with real losses reported as 61.8 percent.[27] Because NRW is a continuing and persistent challenge, GWA is further increasing its emphasis on NRW reduction. GWA's capital program (discussed in Section 6) includes an acceleration of the water line replacement spending contemplated in the WRMPU and continued analysis of data gleaned from District Metering Areas (that have proved useful in identifying real losses). Reduction of NRW is recognized as critical for GWA operations to become as efficient and effective as practicable as it directly impacts customer rates and customer perception, as well as projections for the capacity of the Northern Guam Lens Aquifer (NGLA).

27 The difference between real losses and the total NRW is that NRW includes additional losses due to unauthorized consumption, metering inaccuracies and data handling errors.

4.0 Wastewater System

4.1 Wastewater System Overview

GWA provides wastewater services for a portion of Guam's general population[28] and for military installations to include Naval Hospital, Marine Corps Base Camp Blaz, other Navy facilities in Barrigada and Finegayan, and Andersen Air Force Base (AAFB). The system is separated into seven wastewater basins: Northern District, Hagåtña, Agat-Santa Rita, Umatac-Merizo, Inarajan, Baza Gardens, and Pago Socio.[29] The GWA wastewater system includes six WWTPs and an extensive collection system. Figures 4-1 and 4-2 show the locations of the wastewater system pump stations and treatment plants in the northern and southern portions of the island, respectively.

4.1.1 2024 GWA Wastewater Partial Consent Decree

On August 9, 2024 GWA entered into a Partial Consent Decree with the EPA to address matters related to wastewater collection and treatment. According to this consent decree the goal of the Parties is to eliminate Sanitary Sewer Overflows (SSO) and for GWA to achieve compliance with its NPDES Permits. In entering into this Partial Consent Decree, the Parties intend to further the objectives set forth in the Clean Water Act, to set out measures that GWA will implement to reduce the frequency and impact of SSOs, especially through the reduction of inflow and infiltration, and to take preliminary measures for the construction of secondary treatment upgrades to the Hagåtña WWTP to comply with GWA's NPDES Permit's effluent limitations regulating discharges from that WWTP.

Key items called for in this Partial Consent Decree include:

1. FOG/Pretreatment
2. Gravity Main Condition Assessment
3. Gravity Main Repair, Rehabilitation, and Replacement Program
4. Force Main Condition Assessment
    a. Repair and rehabilitation of 25% of GWA's force main inventory
5. Sewage Pump Stations Condition Assessments
    a. Repair and rehabilitation of Tier 1 Sewer Pump Stations and a portion of Tier 2 Sewer Pump Stations
6. Hagåtña WWTP Secondary Treatment Feasibility Study

[28] Unlike the Authority's water system, which serves essentially the entire civilian population of Guam, there is a significant percentage of the population that is not served by the Authority's wastewater system. This is particularly true in the northern area of Guam, where many homes rely on individual septic tanks or other on-site disposal systems.

[29] As part of recent infrastructure changes, collections from the Baza Gardens basin are now pumped to the Agat-Santa Rita basin for treatment.

Figure 4-1. GWA Wastewater System: North

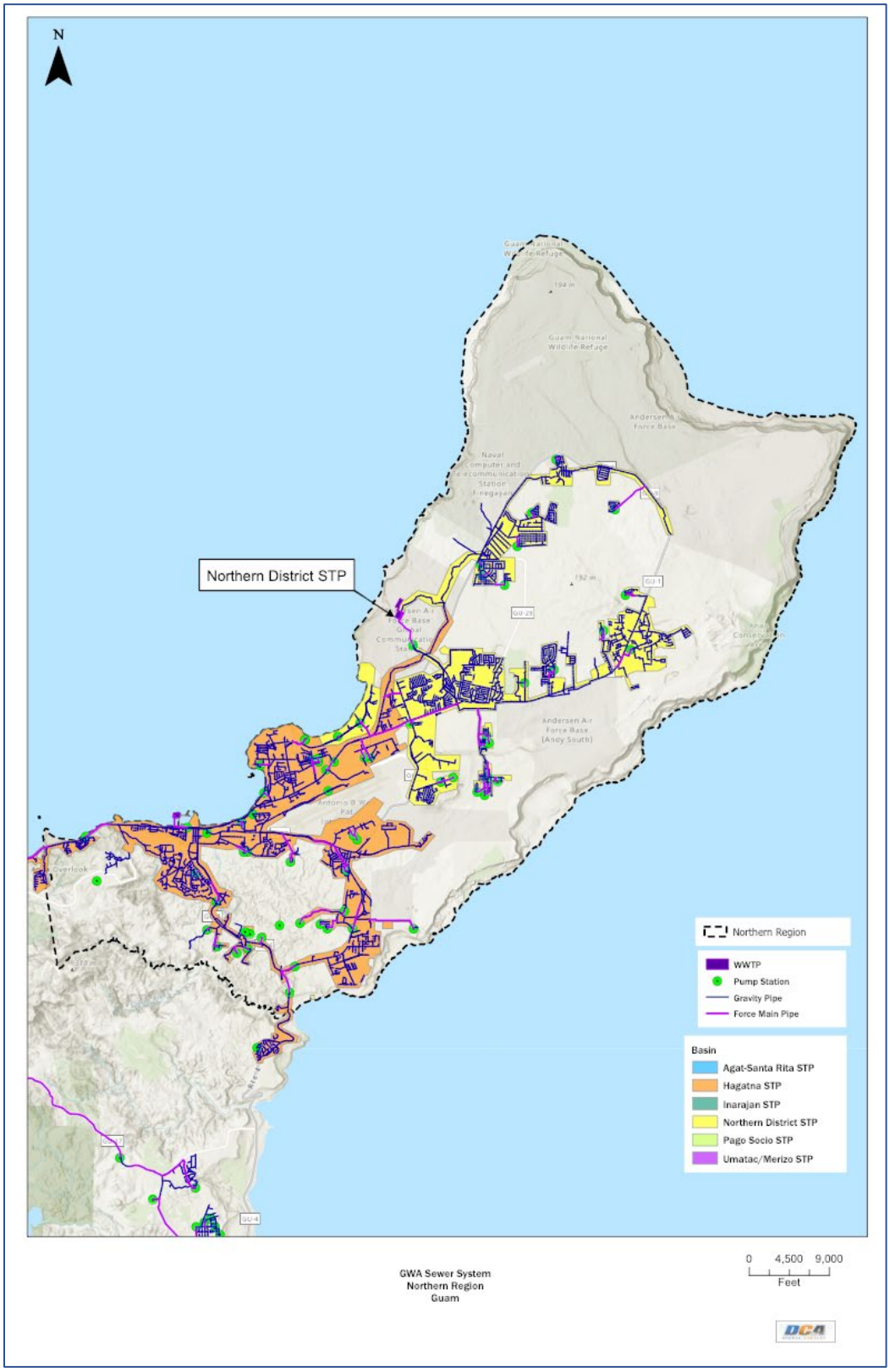
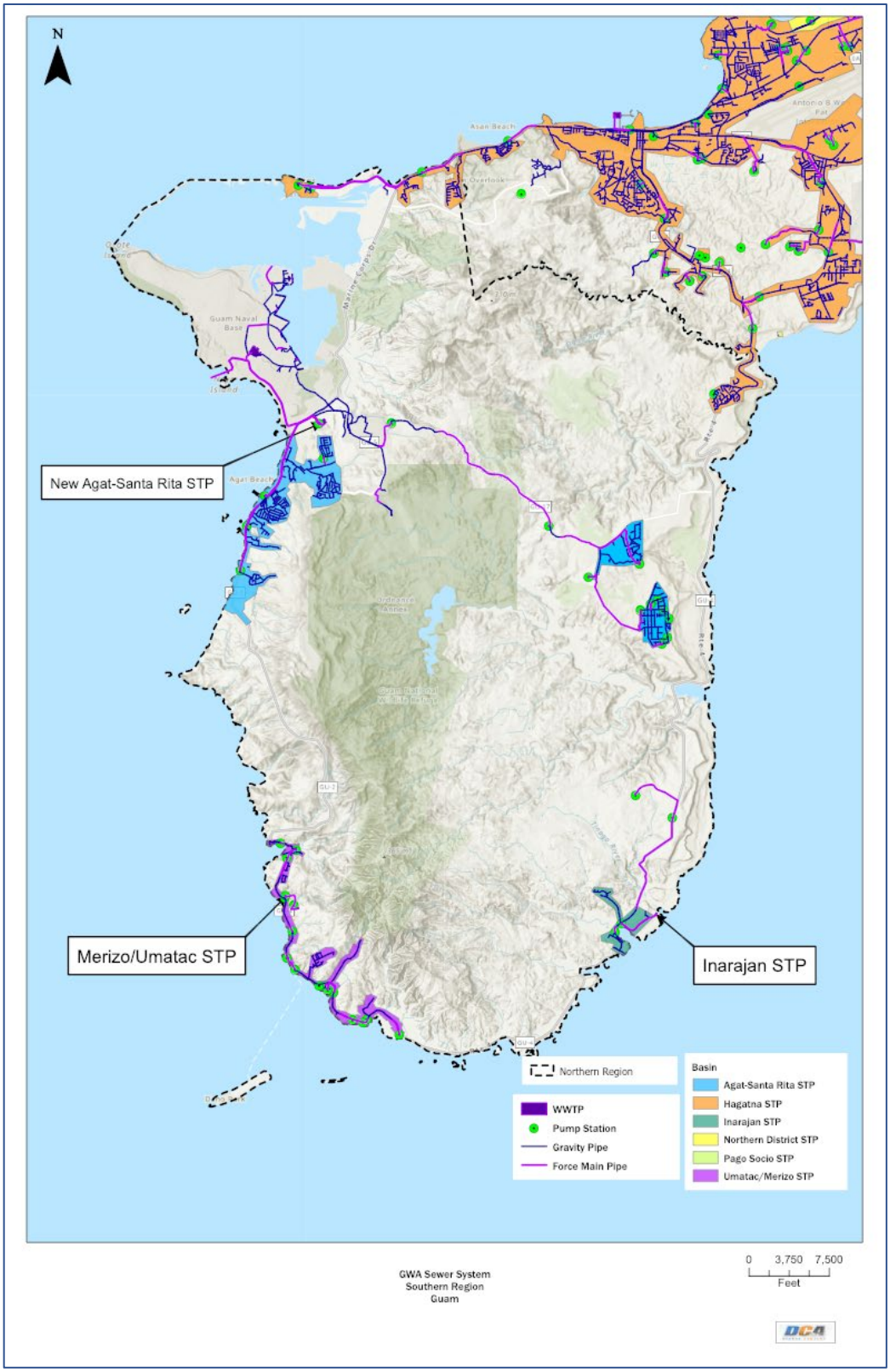


Figure 4-2. GWA Wastewater System: South



4.2 Wastewater Collection Systems

The GWA wastewater collection systems are comprised of gravity sewer pipes, force mains, manholes, pump stations, and ejector stations. Table 4-1 summarizes the collection system components.

Table 4-1: Wastewater Collection Systems

Item	Approximate Quantity
Gravity sewer pipes	1,540,322 feet
Force main pipes	212,262 feet
Pump and ejector stations*	84
Manholes	7,310

*All 84 wastewater pump stations are active.

The older portions of the collection system date back to the 1940s. While the majority of the piping material is PVC and AC, the system also includes iron, clay, and other materials as summarized in Table 4-2.

Table 4-2: Gravity Collection System Materials Summary

Pipe Material	Approximate Quantity (feet)	Percentage of Total
PVC plastic	574,642	37.3
Asbestos cement (AC)	522,817	33.9
Other concrete (including cast-in-place, polymer, and reinforced)	17,645	1.2
Iron (including cast and ductile)	20,532	1.3
Other (including terracotta and vitrified)	26,735	1.7
Polyethylene plastic	32,281	2.1
Unknown	345,671	22.5
Total	1,540,323	100.0

4.2.1 Wastewater Collection System Condition

The GWA collection system includes approximately 290 miles of piping constructed using a variety of materials and ranging from 4-inch to 48-inch diameters.

Currently, the overall condition of the collection system is poor to fair.

Approximately 34 percent of the piping is constructed of AC pipe. The AC pipe has experienced accelerated rates of corrosion in certain sections of the collection system, and their condition is poor. Repair or replacement will be necessary for most of the AC piping in the future.

Sewer System Evaluation Studies (SSES) have been completed island wide. GWA has an ongoing program for CCTV inspections and to investigate areas of concern using smoke testing as appropriate. Results of the SSES studies were used to identify sewer mains in need of repair. This includes projects to rehabilitate or replace collection system elements so that GWA can reduce the inflow into the sewer system and lower the flow rates in the collection system and into the WWTPs. Over the last 11 years GWA has completed over 20 miles of new or rehabilitated sewer infrastructure.

- 2022 Rehabilitation of 16,000 ft of sewer main in the Hagåtña and Asan Basin
- 2022 Installation of 2,500 ft of new sewer main in Agat
- 2020 Rehabilitation of 44,000 ft of sewer main along Route 3
- 2018 Installation 4,500 ft of new sewer main along Macheche Avenue
- 2017 installation 39,000 ft of new Cross Island Road collector (sewer /pump stations / forcemain)
- Total length of new or rehabilitated infrastructure: 106,000 ft (20 miles)

GWA also developed a new collection system pipeline prioritization and replacement model in 2017 as part of the WRMPU that shows that GWA should spend a minimum of $5 million per year to address leaks and rehabilitate or replace pipelines to reduce high flows impacting WWTPs and the risk of collection system overflows.

4.2.2 Wastewater Pump Stations Condition

GWA completed a systemwide condition assessment of all the sanitary sewer pump stations in 2017 as part of the WRMPU project. The pump stations are in various conditions, with some needing renewal or replacement and some being recently upgraded or constructed. GWA is continuing to improve the condition of pump stations by replacing pumps, controls, and other mechanical improvements. Engineering assessments for three priority pump stations have been completed, and additional assessments are on-going as part of the requirements of the 2024 Partial Consent Decree.

Currently, the overall condition of the pump stations is poor to fair.

4.3 Wastewater Treatment and Disposal Systems

GWA owns and operates six WWTPs. Table 4-3 summarizes the design capacity, treatment systems, and effluent disposal system of each WWTP. A discussion of each WWTP follows this section.

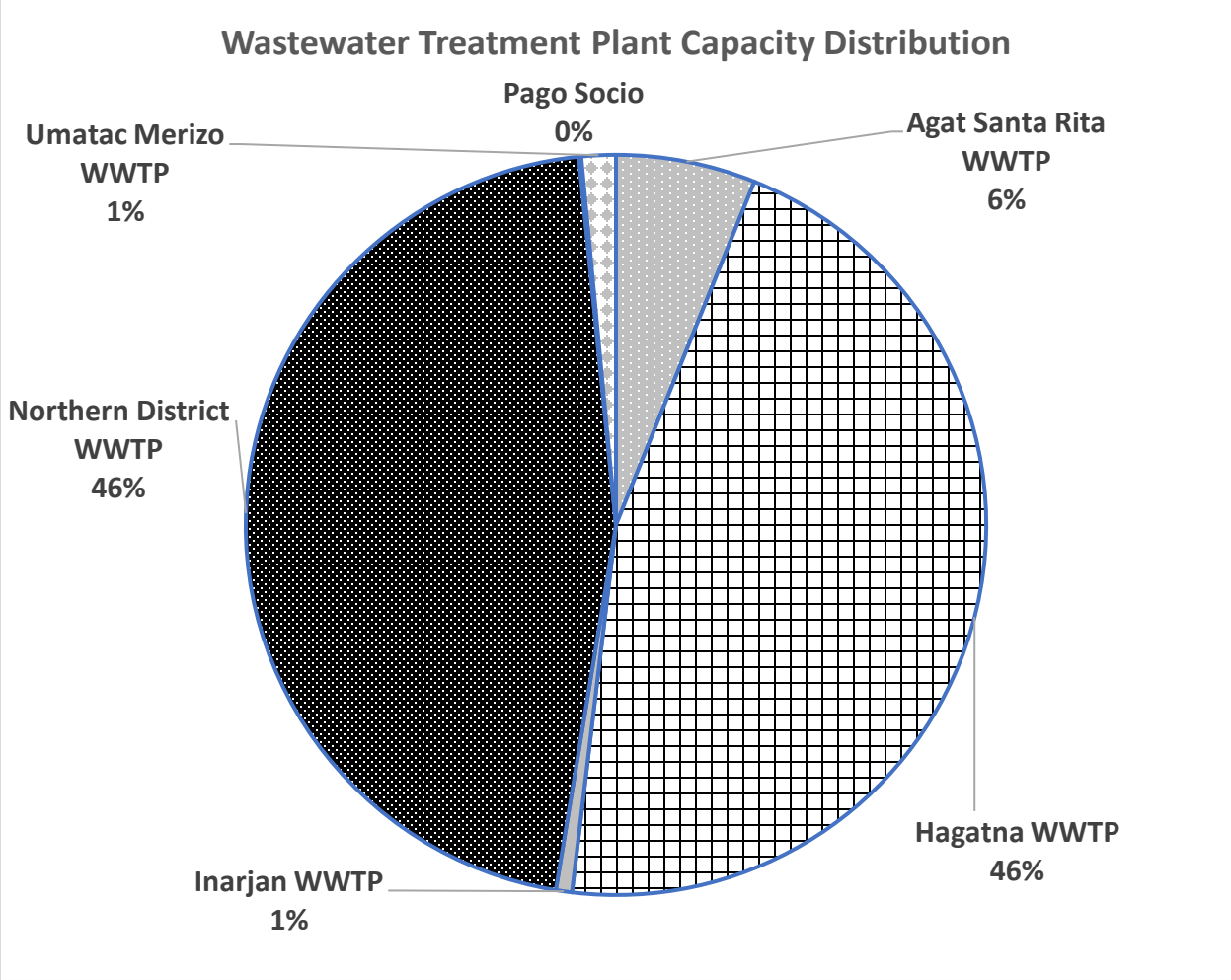
Table 4-3. Wastewater Treatment Facilities

WWTP	Design Capacity Average Daily Flow (mgd)	Treatment Systems	Effluent Disposal System
Northern District[a]	12.0	Secondary: Oxidation Ditch	Ocean outfall
Hagåtña (Agana)	12.0	Chemically enhanced primary[b]	Ocean outfall
Agat–Santa Rita	1.6	Secondary: Oxidation Ditch	Ocean outfall
Umatac–Merizo	0.39	Secondary: aerated lagoon/overland flow	Dry weather: evapotranspiration and percolation Wet weather: Toguan River
Inarajan	0.19	Secondary: aerated lagoon	Percolation
Pago Socio	0.025	Centralized septic system	Percolation
Total	**26.205**		

a. *Northern District Wastewater Treatment Plant*
b. *The effluent permits have been updated based on the 2024 Partial Consent Decree.*

Figure 4-3 shows the relative size of the design capacities of the WWTPs with respect to the total capacity on the island.

Figure 4-3. Relative Size of Guam WWTPs' Design Capacities



4.3.1 Northern District WWTP

The Northern District WWTP currently serves a population of approximately 76,000 people. It is located in Dededo on the northwest coast of Guam. The WWTP collects and treats wastewater from the areas of Tumon, Harmon, Dededo, Latte Heights, Perez Acres, Ypaopao, and Marianas Terrace, the Yigo collector system, and other unincorporated subdivisions throughout the Yigo and Dededo villages. The service area includes residential and commercial users, and potentially, industrial users.

The service area also includes United States military facilities within the areas of Dededo and Harmon Annex, including Andersen Air Force Base, and wastewater from the new Marine Corps cantonment (Camp Blaz).

The WWTP was upgraded in 2019 and began full operation as a secondary treatment facility in 2021. The permitted flow of the WWTP is 12.0 mgd of average daily flow. The plant was also constructed with

provisions for expanded capacity with an additional clarifier and oxidation ditch. The liquid treatment processes include rotating drum screens; vortex grit removal; three oxidation ditches with anoxic, anaerobic, and aerobic operational flexibility; three secondary clarifiers and three ultraviolet disinfection channels. The secondary solids are stored in an aerated basin, thickened with gravity belt thickeners and processed through an autothermal thermophilic aerobic digestion (ATAD) process. The processed solids are dewatered in centrifuges before being transported for disposal in the Layon Landfill.

GWA constructed a new autothermal thermophilic aerobic digestion (ATAD) system at the Northern District WWTP. This digestion process is capable of treating FOG. In order to treat FOG this new system requires a receiving station. GWA has a design consultant on board to prepare the construction documents for this new receiving station. The FOG receiving station will advance GWA's FOG Program, which is a requirement under its NPDES permit and part of the 2024 Partial Consent Decree.

The effluent from this WWTP is discharged through an outfall (NPDES Permit GU0020141) into the Philippine Sea. The outfall terminates at a recently installed diffuser located approximately 1,850 feet from shore, at a depth of 150 feet. This WWTP is in compliance with its NPDES Permit.

The current state of this WWTP is considered to be excellent. The current state of the WWTP outfall is also considered to be excellent.

4.3.2 Hagåtña WWTP

The Hagåtña WWTP serves a population of approximately 82,645 people. The WWTP collects and treats wastewater from the central region of Guam, which includes the villages of Hagåtña, Agana Heights, Asan Piti, Tamuning, Mongmong-Toto, Sinajana, Chalan Pago-Ordot, Yona, Mangilao, a portion of Barrigada, and Tumon.

The Hagåtña WWTP is located on a 152.4-meter by 213.4-meter (500-foot by 700-foot) man-made island west of Hagåtña Bay.

The permitted flow of the WWTP is 12.0 mgd. Treatment processes at the WWTP include screening of raw sewage, and chemically enhanced primary treatment (CEPT) in three primary clarifiers operating in parallel. Effluent is discharged through an outfall to the Philippine Sea (NPDES Permit GU0020087). During periods of high sea level, an effluent pump station is used to pump the effluent through the outfall. The 2024 Partial Consent Decree established modified effluent limits for this WWTP. This WWTP is in compliance with these modified limits.

Sludge and scum are pumped to three aerobic digesters and decanted prior to centrifuge dewatering and disposal at the Layon Landfill.

The current state of this WWTP is considered to be poor. The current state of this WWTP outfall is considered to be excellent.

Equipment replacement is planned for this WWTP. The procurement package for this work was started in 2025 but was expanded and will be issued for bid in 2026. It is expected that this replacement equipment will be installed by 2027.

4.3.3 Agat-Santa Rita WWTP

The Agat Santa-Rita WWTP collects wastewater from approximately 2,300 residents in the villages of Agat, Santa Rita, Baza Gardens, and Talofofo. The population served is expected to expand as residents along Cross Island Road (Guam Route 17) connect to the collection system in that area. The wastewater is mainly from domestic sources. There are some commercial sources including restaurants and stores, and churches and schools.

The WWTP is located on Route 2A, Tipilao, just north of Agat. The WWTP has a maximum permitted flow rate of 1.6 million gallons per day (mgd) during dry weather, and an estimated peak flow of 9.3 mgd during wet weather. This WWTP has the space and ability for expansion to take additional flow from the Naval Station Navy located adjacent to this WWTP.

The WWTP began full operation in March 2017. The liquid treatment processes include rotating drum screens; vortex grit removal; four flow equalization tanks; two oxidation ditches with anoxic, anaerobic, and aerobic operational flexibility; two secondary clarifiers; two ultraviolet disinfection channels; and an effluent pumping station to the outfall in Tipalao Bay. The secondary solids are treated in two aerobic digesters and then thickened with gravity belt thickeners. The thickened solids are dewatered in centrifuges before being transported for disposal in Layon Landfill.

The effluent from this WWTP is discharged through a combined outfall shared with the Navy's Apra Harbor Wastewater Treatment Plant (NPDES Permit GU0020222) into Tipalao Bay. The outfall terminates at a diffuser located approximately 1,750 feet from shore, at a depth of 130 feet. This WWTP is in compliance with its NPDES permit.

The current state of this WWTP is considered to be excellent. The current state of the WWTP outfall is also considered to be excellent.

4.3.4 Inarajan WWTP

The Inarajan WWTP is an aerated lagoon treatment facility located north of the village of Inarajan. The WWTP has a design capacity of 0.19 mgd, which represents less than 1 percent of the island's wastewater treatment capacity. Treated effluent is discharged to percolation basins.

The Inarajan WWTP is operating satisfactorily but is in need of a rehabilitation project to replace piping, valves, equipment, and structures that are nearing the end of their useful service lives. A sludge-removal project for the lagoons will also be necessary. A rehabilitation project for Inarajan WWTP is identified as a line item in the current five-year CIP.

While there is no NPDES permit for this WWTP, the effluent discharge is considered to be in compliance with industry standards.

The current state of this WWTP is considered to be fair.

4.3.5 Umatac-Merizo WWTP

The Umatac-Merizo WWTP is located in the village of Merizo. It serves approximately 4,000 residents in the villages of Umatac and Merizo. The service area includes residential and some commercial dischargers, and schools and churches.

The WWTP has a permitted flow of 0.39 mgd average daily flow. The facility was upgraded in 2019 and uses pre-screening and a facultative lagoon for initial treatment. Treated effluent is then

disinfected through UV disinfection. Effluent disposal (and "polishing" in wet weather) occurs in a number of wetland treatment system (WTS) terraces, where evapotranspiration and percolation of treated effluent occurs. A recirculation system and equalization (EQ) tank are used to maximize effluent disposal within the wetland system. Solids generated at this WWTP are removed from the facultative lagoon as needed.

Although the WWTP is a non-discharging facility most of the year, the NPDES permit allows it to discharge during the wet season (generally June through September). The rate tends to be about 0.04 mgd. The WWTP discharges to the Toguan River (NPDES Permit GU0020273) during this period, which flows into the Toguan Bay. This WWTP is in compliance with its NPDES permit.

The current state of this WWTP is considered to be excellent. The current state of the WWTP outfall is considered to be good.

4.3.6 Pago Socio WWTP

The Pago Socio WWTP is the smallest WWTP owned and operated by GWA, providing less than one percent of the island's wastewater treatment capacity. The facility does not discharge to surface waters; influent is treated in a centralized septic tank and effluent is disposed via leach fields. GWA plans to convert the Pago Socio WWTP to a pump station, abandon the treatment facility and transfer the influent wastewater to the Hagåtña WWTP.

While there is no NPDES permit for this WWTP, the effluent discharge is considered to be in compliance with industry standards.

5.0 Regulatory and Legal Issues

GWA is subject to various regulations and legal challenges that may impose requirements that have a material impact on GWA's financial position. As noted in Section 1.5, GWA has been successful over the last five years in navigating these challenges.

GWA must adhere to Guam and federal regulations for both water and wastewater treatment and services. Water standards are based on the requirements established by the Safe Drinking Water Act (SDWA), while wastewater treatment and disposal are governed by the CWA. EPA issues NPDES permits for GWA facilities when required and is responsible for monitoring its compliance. GEPA is the territorial agency in charge of monitoring GWA water system operations and monitoring for SDWA compliance. **GWA is in compliance with all applicable permits.**

Prospectively, GWA faces several regulatory and legal issues that could have a material impact on GWA's financial position as described below:

5.1 Rate Regulation

GWA's water and wastewater service rates and charges are subject to approvals of the CCU and Guam PUC. In general, GWA submits a Five-Year Financial Plan and Rate Increase Request[30] that is then adjudicated through a review process (inclusive of public hearings). The PUC typically issues a Rate Decision Order in advance of the first year of the Five-Year period to enable approved rates to be implemented by October 1st - the beginning of the Fiscal Year. Approved rate plans are subject to annual true-up analyses to evaluate the necessary level of rate adjustment based on actual financial performance after approval of the initial five-year plan.

As noted in Section 1.5, the PUC approved a partial-year implementation of the proposed rate increase for Fiscal Year 2020. The PUC did not consider the Authority's request for annual rate increases for Fiscal Years 2022-2024 until September 2022 -effectively precluding a rate increase for Fiscal Year 2022. The PUC's approval in September 2023 of an increase to the base, lifeline and non-lifeline rates of 16.7% for Fiscal Year 2024 (effective October 1, 2023) followed the depletion of available Rate Stabilization Fund reserves and American Rescue Plan Act rate mitigation funding in FY 2023.

Forecasted revenues outlined in Section 7 reflect annual rate adjustments of 7.75% for FY 2028 through FY 2029, consistent with the PUC-approved FY 2025 through FY 2029 five-year plan. Actual rate and revenue adjustments are subject to annual true-up processes and may vary from that proposed by GWA. For example, during the FY 2026 annual true-up process, GWA requested an equivalent 10.75% increase of all non-lifeline components and the PUC ultimately approved an 8.2% increase. GWA's FY 2027 rate request of 7.75% was filed in April 2026 and the PUC approved a 6.25% in August 2026.

[30] See PUC Docket No. 00-40: Administrative Docket – Commission Rules of Procedure, Part 4: Application for Rate Relief, specifically Rule 19 (Application), Rule 20 (Standard Filing Requirements), and Rule 22 (Filing Schedules Instruction).

5.2 2011 Court Order Compliance

In 2011 the U.S. District Court of Guam issued a Court Order identifying a series of compliance requirements and corresponding deadlines for completion, due to GWA's difficulty in meeting prior Stipulated Order deadlines. Out of 93 distinct compliance requirements, GWA has completed or is continuously complying with 91 items (97.8%). The two remaining items involve the repair, rehabilitation or replacement of certain water reservoirs. The U.S. District Court deadline was extended from June 30, 2023, to December 31, 2025. In July of 2025, GWA notified EPA of certain issues potential delaying completion, including unforeseen subsurface conditions affecting foundation construction for a new reservoir. In December 2025, GWA filed and the Court approved an extension to December 31, 2026. Funding for the completion of all remaining work in the 2011 Court Order is in place, and GWA continues to work diligently to complete all work by the extended deadline.

5.3 Partial Consent Decree

GWA successfully completed negotiations with EPA regarding alleged violations of the federal Clean Water Act. GWA's wastewater systems are addressed in a Partial Consent Decree between GWA and the U.S. EPA entered in Guam District Court on August 9 2024.[31] The Partial Consent Decree (CD) is focused on GWA's wastewater collection system with the goal of reducing/preventing sanitary sewer overflows (SSOs). The compliance requirements in the Partial CD involve assessment, planning and upgrade/rehabilitation of sewer gravity mains, pump stations and force mains, along with other operational enhancements (cleaning, CCTV inspection, SSO response, pre-treatment and asset management programs) to maintain proper performance of the wastewater collection system.

In 2025, GWA completed the following deliverables and milestones in the Partial CD:

- Inventory of all Force Main piping in GWA's system
- Force Main Contingency Plan
- CCTV Inspection Certification
- Gravity Main Assessment (based on CCTV)
- Tier 1 (Priority) Pump Station Work Plan

In the coming year, additional compliance deliverables and milestones include:

- Gravity Main Assessment Report
- Capacity Evaluation
- Force Main O&M Program
- Pump Station Priority Project _ Hagåtña Main Sewer Pump Station
- Tier 1 Sewer Pump Station Assessments

[31] District Court of Guam, United States of America vs. Guam Waterworks Authority, Civil Case No. 24-00004, Order, Frances M. Tydingco-Gatewood, Chief Judge, dated: Aug 09, 2024.

5.4 Secondary Treatment

In 2019, the U.S. EPA issued NPDES permits for the Northern District, Hagåtña, Agat-Santa Rita, and Umatac-Merizo WWTPs that became effective on January 1, 2020. In mid-2024, GWA submitted all documentation required for the renewal of these permits. The permits are currently under Administrative Extension while the EPA processes new permit applications. The NPDES permits include secondary treatment standards, some of which the Hagåtña WWTP is unable to meet until a secondary treatment process is implemented at the facility. Under the 2024 Partial Consent Decree, GWA will have seven years from the effective date of the Decree (September 2024) to complete a feasibility study for upgrading or replacing the Hagatña WWTP to secondary treatment. The Hagåtña WWTP will continue to operate using the existing CEPT process under interim effluent limits set for this plant.

GWA has implemented a plan for a bench and pilot-scale study on disinfection feasibility as an interim measure until secondary treatment upgrades can be performed. The results of this study recommended interim upgrades of existing plant equipment and the installation of UV disinfection. GWA is currently upgrading the equipment and the plant controls system with further plans for disinfection. This work was part of the Consent Decree negotiations and may inform the feasibility study required as part of the 2024 Partial Consent Decree.

5.5 Emerging Contaminants

5.5.1 PFOS and PFOA

According to a 2017 EPA factsheet perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) have been released to the environment through industrial manufacturing and through use and disposal of PFAS-containing products. PFOS and PFOA are the most widely studied of the PFAS chemicals. PFOS and PFOA are persistent in the environment and resistant to typical environmental degradation processes. As a result, they are widely distributed across all trophic levels and are found in soil, air and groundwater at sites across the United States including Guam. The toxicity, mobility and bioaccumulation potential of PFOS and PFOA result in potential adverse effects on the environment and human health.

In April of 2024, the U.S. EPA announced its final rule for the regulation of PFAS compounds under the Safe Drinking Water Act. The regulations require that public water systems treat source water with concentrations of these substances above a maximum contaminant level (MCL) to remove the contaminants prior to entry into the distribution system.

In 2016, two of GWA water wells exceeded the EPA health advisory levels. GWA was able to shut these wells off and still maintain adequate water supply to the service areas where the impacted wells are located. GWA has selected a construction contractor to install new GAC treatment systems at these two well sites and construction is on-going. The wells are expected to be back online in 2026.

The promulgation of the proposed regulations on PFAS compounds will require the Authority to design and construct new treatment systems that have not before been needed for Safe Drinking Water Act compliance. GWA finalized the procurement of the design services for these systems, which is currently

on-going. Once construction documents have been completed, GWA will move quickly to initiate construction of the treatment systems as part of its Five-Year Capital Improvement Program.[32]

5.5.2 Dieldrin

Guam EPA promulgated local drinking water regulations in August 2025 for a pesticide compound known as Dieldrin which is currently unregulated at the federal level. According the EPA, Dieldrin is considered a probable human carcinogen however no MCL has been established by the EPA. GEPA has established a local action level of 0.2 ug/l, resulting in a limited number of wells within the GWA system being deemed unusable without treatment. In a proactive response, GWA has prepared construction documents to install granular activated carbon (GAC) treatment systems at three wells affected by the new action level. The EPA has listed granular activated carbon (GAC) as a preferred treatment technology for this insecticide. Selection of a construction contractor was completed in 2025 and treatment systems will be completed in 2026. In the future, additional wells may be impacted by GEPA's determination. GWA is preparing a central transmission system for the affected wells. This system will be used to transmit impacted well water to a centralized treatment system.

5.6 Legal Issues

GWA, like all utilities, is involved in typical legal matters that arise through its operations and capital improvement program implementation. In addition, GWA is involved in three somewhat atypical legal matters:

5.6.1 Core Tech Litigation

GWA is seeking to quiet title for property listed in a current court action first brought by the Government of Guam, Department of Land Management (DLM). The action seeks to rescind and correct certificates of title which DLM has claimed were erroneously issued to Core Tech International Corporation (Core Tech), a private party. The quiet title action addresses certificates of title for property upon which GWA's Northern District WWTP is located. Court records show Core Tech is seeking the enjoyment, use, and occupancy of the property and compensation from GWA for inverse condemnation in the amount of $220 million, as well as damages for trespass and encroachment.

Although GWA believes the matters will be resolved in its favor, GWA cannot predict the outcome of the cases before the Guam Supreme Court or the Guam Superior Court. In the event that the Guam Supreme Court and the Guam Superior Court enter judgments against GWA, the resulting liability could have a material and adverse impact on GWA's financial position. GWA intends to vigorously defend themselves against Core Tech's claims, and intends to vigorously pursue the interlocutory appeal and the quiet title action. The Supreme Court of Guam granted GWA's interlocutory appeal in January 2025. Briefings concluded July 2025 and oral arguments were heard in August 2025. Lower court proceedings have been stayed pending the Supreme Court decision (likely in 2026).

[32] Although the EPA has proposed a rule to extend compliance deadlines and reconsider regulatory determinations for several PFAS compounds, GWA is planning for compliance with the current rule.

5.6.2 Landfill Leachate

On November 5, 2024, Gershman Brickner and Bratton, Inc. (GBB), the federal receiver for the Ordot Landfill, filed a $4.4M lawsuit against the Authority. The suit claims that the Authority caused increased leachate flows at the landfill, resulting in extraordinary costs for both GBB and the Guam Solid Waste Authority (GSWA). On January 6, 2025, GWA filed a Motion to Dismiss, arguing that GBB failed to properly file a government claim and lacks authority to sue on GSWA's behalf without GSWA's consent. The Guam Superior Court heard arguments on the Motion to Dismiss on April 18, 2025 and took the matter under advisement. While confidential settlement negotiations began in January 2025, these talks were later converted to non-confidential discussions. Settlement negotiations stalled for the remainder of 2025, with no further engagement between the parties until a federal Judge in the District Court ordered the parties to engage in a global mediation involved in both the federal and Guam Superior Court cases. In March 2026, GWA participated in mediation with all other parties. The mediation has not yet resulted in a settlement. The Authority intends to vigorously defend itself against GBB's claims.

5.6.3 PFAS

GWA is a class member and claimant in the National Water Provider Settlement class action suit for PFAS. In 2024, GWA filed timely claims for both the 3M and Dupont settlements. In 2025, the final settlements for the 3M and Dupont claims were finalized and awarded in the amounts of $19,523,584.00 and $2,072,903.36, respectively. The 3M award is to be paid in a series of payments over a ten-year period, while the Dupont award is expected to be paid through several installments between 2025 and 2026 (although originally thought to be a lump sum amount).

In 2026, GWA also received 95% of the finalized award for a third settlement with the BASF Corporation in the amount of $798,616.14. As of May 2026, the final stages of review and award allocation only remain for the Tyco Fire Products LP (Tyco) settlement. As of 2026, GWA had only filed claims with these four settling defendants in the National Water Provider Settlement class action litigation. GWA will continue to consider whether to file claims as a class member for any future water provider settlements as part of this legal proceeding and, where eligible, GWA also expects to file supplemental and special need fund claims for all four settling defendants discussed. These claims are intended to (1) compensate GWA for PFAS impacts to its system that were either unknown or that significantly worsened after the original claims were submitted and (2) reimburse GWA for PFAS treatment costs incurred prior to the claim(s) deadline.

6.0 Capital Improvement Program

This section outlines GWA's capital program planning process and describes GWA's four major capital project categories. It provides a summary of GWA's updated FY 2026 to FY 2030 CIP encumbrance and funding schedule that is the basis for the financial plan outlined in Section 7.

Prior to recent updates, Dueñas Camacho & Associates (DCA) had reviewed the CIP presented in the Consultant's Feasibility Study for the Series 2025 Bonds and affirmed that it is reasonable and adequate to address regulatory requirements including the recently entered Partial Consent Decree. DCA noted that the CIP is structured to make reasonable progress on Water Loss Control[33] and continue sound asset management.

Implementing the level of capital projects proposed will be a challenge. However, GWA has implemented major projects (e.g., the Northern District WWTP) and can acquire assistance for projects through multiple ID/IQ contracts currently in place. Accordingly, while the encumbrance schedules for the current CIP are aggressive, GWA's Engineering division believes the schedules are achievable.

The Authority's capital improvement plan is subject to frequent review and modification based on new or updated information regarding project pricing, asset conditions, evolving regulatory requirements, and changing System operational plans. To the extent that actual encumbrances are less than projected, GWA may adjust the schedule of proposed rate adjustments and/or planned debt issuance.

6.1 Capital Program Planning Process and Key Considerations

GWA's CIP as presented herein is the outcome of a structured, deliberate capital planning process that was facilitated by the development of GWA's 2023-2024 Interim Water Resource Master Plan Update and informed by an assessment of evolving regulatory requirements (as described in Section 5). The CIP also reflects changing weather-related and contractor availability risks, as well as outcomes of GWA operating programs (as discussed in Section 2)—most notably its asset management, water loss control and cybersecurity programs.

6.1.1 Water Resources Management Plan Updates

GWA has developed and updated its capital program through regular master planning initiatives. In 2018, GWA updated its Water Resources Master Plan and built in regular, periodic reviews (3-year) and updates (5-year) to the WRMP. In 2023, GWA initiated an update to that 2018 plan, which was approved by the CCU in May 2025.[34] This recently completed master plan update provides the foundation for the CIP summarized herein which in turn defines the capital funding requirements for the financing plan summarized in Section 7.

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[33] Informed by District Metering Area implementation and rigorous analyses as noted in Section 3.4.

[34] See Guam Waterworks Authority Water Resources Master Plan Update, August 2018, prepared by Brown & Caldwell (and approved by the by the CCU in August 2018 under Resolution 43-FY 2018); Guam Waterworks Authority Water Resources Master Plan Update, April 2025, prepared by Brown & Caldwell (and approved by the CCU in May 2025 under Resolution 30-FY 2025).

In general, the master planning process involves a comprehensive assessment of GWA's progress toward delivering acceptable levels of service and complying with drinking water standards and clean water regulations. The master plans consider service levels, projected changes in population, land use and source water supplies; current and potential regulations; and determinants of water losses and asset conditions. Assessment of GWA's asset management and water loss control programs, GIS, and SCADA/electrical systems are also covered.

The WRMPU provides the basis for most of the capital improvements included in the current five-year CIP. Adjustments to the updated master plan capital program include new capital requirements not previously known, such as the PFAS and Emerging Contaminant treatment system initiative. The changes address regulatory changes, new construction or developments, and changes in priorities such as waterline replacements based on Water Loss Control Program implementation. GWA also reviewed recent construction bids and updated relevant project costs accordingly.

6.1.2 Weather / Location Related Risks

Though considered in the master planning process, GWA's physical location and circumstances heighten several risks relative to other water and wastewater systems. GWA's proactive responses to these risks further inform the development of GWA's capital program. In particular:

6.1.3 Changes in the Environment

As a small island without greatly diversified water resources, Guam is vulnerable to changes in climate, climate variability, and extreme events such as droughts and tropical cyclones (typhoons). The potential for both flooding and drought can impact freshwater supply management and associated infrastructure. GWA monitors climate variability and considers mitigation strategies in its capital planning for the potential reduction in water supply and projected increase in drought conditions.

6.1.4 Natural Disasters

Guam is the largest and southernmost island in the Mariana Island chain and experiences occasional typhoons and earthquakes because of its geographic location.[35] GWA continues to improve their facilities to withstand typhoons by, for example, replacing the steel tanks that have suffered damage in the past with ground-level concrete tanks designed for higher typhoon-strength winds. GWA's underground facilities are rarely affected by high winds and intense typhoon rains. In addition, a majority of GWA's above ground infrastructure is housed in concrete buildings that can withstand typhoon conditions. Guam has established building codes that address seismic standards and wind loads for the island. Existing GWA structures were designed to meet the building codes that were in effect at the time of design. New structures, and assets undergoing structural rehabilitation, are designed or upgraded to comply with the current International Building Codes.

[35] Typhoon Mawar struck Guam in 2023. This typhoon exposed weaknesses with standby power systems as many generators were compromised by deferred maintenance or by challenges with securing spare parts. One key deficiency was the inability to re-fuel the entire system of generators over the course of the island wide power outage. Through agreements with the Federal Emergency Management Agency (FEMA), GWA and Guam Power Authority have secured 104 new standby generators. GWA has updated the typical standard of three days of fuel storage to between 5 and 7 days. Earthquakes have caused minimal damage to GWA infrastructure, but damage to the underground pipe network does occur and may go unnoticed. In August 2015, GWA reported broken water mains in Mangilao caused by a magnitude 5.4 earthquake, and emergency water outages occurred.

6.1.5 Contractor Availability

The bidding climate on Guam is becoming increasingly challenged with fewer contractors bidding on GWA and other local government agency projects. While there are still contractors submitting bids for current projects, the number of contractors has been reduced. The present understanding is that demand for contractors has increased with the ongoing military build-up. GWA engineering is aware of this challenge and has taken a closer look at ways to improve the bidding environment. Alternatives that have been considered include:

- Simplifying bid packages to cater to relatively smaller general contractors
- Improving standardization of equipment specifications
- Conducting workshops with contractors to better understand needs
- Mitigating schedule risks where possible
- Considering inclusion of design specifications for pre-fabricated elements where appropriate to reduce manpower and schedule risk constraints

6.2 Capital Program Project Categories

Based on GWA's master planning efforts, outcomes of key operating programs including asset management and water loss control, and consideration of key risks, GWA has organized a comprehensive CIP into four general project categories.

6.2.1 Water Production, Treatment, Distribution, and Storage

The Water Production, Treatment, Distribution, and Storage CIP includes:

1. Rehabilitation, replacement or construction of new groundwater wells with updated casing and screens to improve well maintenance and operations. These upgrades will include robust chlorine injection and monitoring systems to improve safety and chemical usage. Upgrades to the well heads will improve groundwater management. Wellhead treatment will be done to assure protection from emerging contaminants and PFOS. Centralized treatment systems for production wells will be considered and pilot testing conducted to select the preferred treatment system. Upgrades to the Ugum water treatment plant will help to capture more surface water and increase water production at the Ugum WTP.

2. Water distribution pipeline improvements and upgrades will include replacement of aged 2-inch and asbestos water lines. This will have a positive impact on water loss control and reduce the dependency on Navy Water.[36] These upgrades will continue to improve the District Metering Areas within the GWA distribution system. Improvements to metering, isolation and pressure control will be done as part of this upgrade.

3. BPS improvements will provide redundancy and weather hardening of the water system. Upgrades to the pumping system will allow GWA to better manage the assets and provide for better knowledge transfer for operations and maintenance. Pump station improvements will

[36] See Section 3.4 for a discussion of Non-Revenue Water including estimates of water loss reductions to date through GWA's Water Loss Control Program.

increase site security and minimize downtime during typhoons and island power fluctuations. Relocation of pump stations will help maximize the pump station efficacy and service areas.

4. Completion of remaining reservoirs necessary to be in compliance with the 2011 Court Order, and other regulatory requirements will be part of the program. This will include regular tank inspections to assure these assets meet and exceed their projected life spans.

6.2.2 Wastewater Collection and Treatment

The Wastewater Collection and Treatment CIP includes projects to rehabilitate or replace collection system pipes and pump stations in conformance with the 2024 Partial Consent Decree. This includes:

1. Collection system replacements and upgrades. This will reduce impacts from infiltration and inflow, reduce sanitary sewer overflows, and provide increased reliability in the collection system.

2. Assessment and upgrades of pump and force mains will improve capacity and reduce the potential for sanitary sewer overflows. Improved pump controls will allow for better pump efficiency and power savings.

3. Pump station upgrades will include improvements to the emergency power, lighting and ventilation systems. Improved access and site protection will assure asset security. The pump station sites will be brought to, or exceed, industry standards.

4. Improvement to the FOG and pre-treatment programs will assure the collection system and WWTPs are operating efficiently and with minimal risk from clogging and treatment upsets.

5. A feasibility study will be done to determine how the Hagåtña WWTP will be upgraded to secondary treatment at its current location, or if it will be relocated to a new location.

6.2.3 Electrical, Monitoring and Control

The Electrical, Monitoring and Control CIP includes electrical and control system upgrade projects at groundwater wells, BPS, and wastewater pump stations, water and wastewater treatment facilities, as well as development of a SCADA system to increase operational control and efficiency. Realtime monitoring of pressure, flow, elevation, and chlorine residual levels will provide essential data to allow for DMA improvements and identification of specific water loss areas. Improved monitoring and control will consist of standardized pressure loggers, flow metering and system controls. This improvement will help to optimize operations and provide for improved system efficiencies. This will increase equipment life cycle and reduce operating costs. Hardening of the electrical system will include power filters and increased surge protection and onsite battery systems. This will reduce motor burnouts and improve reliability in water and wastewater pumping systems.

6.2.4 General Plant and Miscellaneous

The General Plant and Miscellaneous CIP includes projects for information technology improvements, security improvements, mobile fleet replacements, and general plant improvements. Technology improvements include CMMS and central SCADA system enhancements. These systems will aid in data analysis and work order management. Security improvements include site and hardened network access, 24-hour site surveillance and intrusion detection, and increased force protection. Improvement to the fleets include not only personnel vehicles but also unique system maintenance and surveillance equipment.

6.3 Prospective Capital Program Encumbrances

Table 6-1 presents the updated CIP encumbrance schedule by project category in current dollar terms; Table 6-2 presents the requirements in nominal dollar terms. The CIP requires prospective funding of roughly $1.17 billion in current dollars and $1.22 billion in nominal dollars over the five-year period.[37]

Table 6-1: Capital Program Encumbrances by Project Category (Current Dollars)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	TOTAL
Water Production	$ 24.63	$ 58.50	$ 31.50	$ 26.00	$ 3.77	$ 144.40
Water Treatment	2.48	84.49	10.00	3.90	26.43	127.30
Water Distribution	80.84	70.75	102.00	27.00	14.86	295.46
Water Storage	13.44	30.20	17.20	-	18.11	78.95
Water Subtotal	**$ 121.38**	**$ 243.94**	**$ 160.70**	**$ 56.90**	**$ 63.18**	**$ 646.10**
Wastewater Collection	44.23	150.23	24.00	-	71.84	290.31
Wastewater Treatment	26.00	10.00	2.00	4.00	3.72	45.72
Wastewater Subtotal	**$ 70.23**	**$ 160.23**	**$ 26.00**	**$ 4.00**	**$ 75.56**	**$ 336.03**
Electrical, Monitoring & Control	$ 1.83	$ 6.00	$ 14.00	$ -	$ 1.37	$ 23.19
General Plant & Miscellaneous	$ 17.85	$ 57.65	$ 54.05	$ 7.50	$ 22.63	$ 159.68
System Total	**$ 211.29**	**$ 467.82**	**$ 254.75**	**$ 68.40**	**$ 162.74**	**$ 1,165.00**

[37] These CIP totals exclude previously funded capital projects that are awaiting project delivery.

Table 6-2: Capital Program Encumbrances by Project Category (Nominal Dollars)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	TOTAL
Water Production	$ 24.63	$ 59.66	$ 33.41	$ 28.68	$ 4.33	$ 150.70
Water Treatment	2.48	86.16	10.61	4.30	30.32	133.87
Water Distribution	80.84	72.15	108.18	29.78	17.05	308.01
Water Storage	13.44	30.80	18.24	-	20.77	83.25
Water Subtotal	**$ 121.38**	**$ 248.77**	**$ 170.44**	**$ 62.76**	**$ 72.48**	**$ 675.83**
Wastewater Collection	44.23	153.21	25.45	-	82.42	305.31
Wastewater Treatment	26.00	10.20	2.12	4.41	4.27	47.00
Wastewater Subtotal	**$ 70.23**	**$ 163.41**	**$ 27.58**	**$ 4.41**	**$ 86.68**	**$ 352.31**
Electrical, Monitoring & Control	$ 1.83	$ 6.12	$ 14.85	$ -	$ 1.57	$ 24.36
General Plant & Miscellaneous	$ 17.85	$ 58.79	$ 57.33	$ 8.27	$ 25.95	$ 168.20
System Total	**$ 211.29**	**$ 477.09**	**$ 270.19**	**$ 75.45**	**$ 186.68**	**$ 1,220.70**

1 - Numbers in millions; some calculation discrepancies may exist due to rounding

7.0 Financial Performance

7.1 Overview

This section summarizes historical financial performance, service rate adjustments and customer bill comparisons, and projected System financial performance for the period FY 2026 through FY 2030.[38] Forecasted performance reflects capital financing requirements associated with GWA's Partial Consent Decree, projected operating expense that includes the Authority's salary migration cost adjustments as well as anticipated efficiencies from the island's new Ukudu power plant, and PUC-approved FY 2027 rate revenue levels resulting from GWA's recently submitted FY 2027 annual rate true-up filing.

Projections have been developed using a combination of financial planning and revenue forecasting models designed to represent utility cash flows under alternative assumptions related to projected operations and maintenance expenses, capital expenditures and assumed debt repayment schedules. Prospectively, GWA continues to face challenges associated with increasingly stringent regulatory requirements, System water loss, and renewal and rehabilitation needs typical of major water and wastewater systems.

7.2 Historical Performance

Table 7-1 presents a brief overview of financial performance of the Authority for the most recent five-year period, FY 2021 through FY 2025.[39] Historical financial performance includes the restatement of Administrative and General operating expense to include costs from GWA's prior rate case (FY 2020-2024). Also, interest earnings available for coverage in FY 2024 have been restated based on the reclassification of certain interest-bearing accounts, which resulted in an increase in debt service coverage from 1.51x to 1.53x for that fiscal year.

Combined water and wastewater rate revenues[40] (including legislative surcharge revenues) increased 46.5 percent over the reporting period, from $97.6 million in FY 2021 to $143.0 million in FY 2025. Including the FY 2021 increase, rate adjustments to non-lifeline water and wastewater rate elements have totaled 44.1 percent on a cumulative basis (see Section 7.3). During the same five-year period, billed water volumes decreased 1.5 percent and billed wastewater volumes increased 3.3 percent on a compounded annual basis.[41] Wastewater volumes from hotels and federal facilities (Navy, AAFB, Camp Blaz) are the primary reason for the increase in billable wastewater volume, which were near all-time, pandemic-era lows in FY 2021. The other revenues category, which includes miscellaneous revenues such as installation fees, reconnection fees, rents, and bad check fees, has averaged $0.57 million during the reporting period. Total operating revenues increased 10.0 percent per year from FY 2021 through FY 2025.

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[38] GWA's fiscal year runs from October 1 through September 30.

[39] Based on audited financial statements for FY 2021 through FY 2025.

[40] Does not include Other Revenues presented in Table 7-1.

[41] See Section 7.7. Unless otherwise noted, annual percentage changes are reported on a compounded basis in this report.

Table 7-1. Historical Financial Performance

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Water Rate Revenues[1,2]	$ 63.63	$ 63.32	$ 66.36	$ 79.00	$ 87.34
Wastewater Rate Revenues	30.86	33.17	36.39	44.51	51.45
Legislative Surcharge	3.09	2.94	3.08	4.05	4.19
Other Revenues	0.50	0.46	0.57	0.59	0.71
Total Operating Revenues	**$ 98.08**	**$ 99.90**	**$ 106.40**	**$ 128.16**	**$ 143.69**
Power Purchases	12.51	18.58	24.40	21.89	19.92
Water Purchases	6.62	5.66	7.04	8.66	7.42
Salaries & Benefits	28.00	25.89	27.55	30.43	32.44
Admin & General[3]	9.77	8.65	9.27	9.31	12.09
Contractual Expense	4.25	4.49	5.42	5.24	5.99
Retiree Expenses	9.71	8.86	4.62	8.66	6.83
Total Operating Expense	**$ 70.85**	**$ 72.13**	**$ 78.29**	**$ 84.20**	**$ 84.69**
Net Operating Revenues	$ 27.23	$ 27.77	$ 28.11	$ 43.96	$ 59.00
Interest Income[4]	0.07	0.28	1.97	5.17	5.55
Other Adjustments[5]	8.62	5.63	2.01	6.59	0.61
Capitalized Labor Expense[6]	3.76	3.70	3.08	3.32	3.53
Rate Stabilization Fund Transfers (To)[7]	-	5.75	5.65	-	(9.50)
American Rescue Plan Act Funding	-	-	12.40	-	-
Revenues Available for Debt Service	**$ 39.68**	**$ 43.13**	**$ 53.21**	**$ 59.04**	**$ 59.19**
Total Debt Service	31.44	33.46	39.04	38.52	39.28
Debt Service Coverage Ratio	**1.26**	**1.29**	**1.36**	**1.53**	**1.51**

1 - Numbers in millions; some calculation discrepancies may exist due to rounding.

2 - Rate and surcharge revenues include bad debt adjustments; operating revenues exclude system development charges.

3 - Reflects restatement of expenses to include certain costs incurred and paid in Fiscal Years 2020, 2021, 2022 and 2023 relating to GWA's FY 2020-2024 rate case.

4 - Reflects restatement of FY 2024 value based on reclassification of certain interest-bearing accounts.

5 - Certain Retiree expenses, including cost of living and year-end pension benefits adjustments, are excluded from the coverage calculation.

6 - Some personnel costs related to the delivery of capital improvement projects are capitalized and therefore deducted from O&M (which increases Revenues Available for Debt Service).

7 - Negative amounts indicate transfers to the RSF from the operating fund, which results in a reduction of coverage in the transfer year; positive amounts represent transfers from the RSF to the operating fund.

Over the same reporting period, O&M expenses of the System increased 19.5 percent, from $70.9 million in FY 2021 to $84.7 million in FY 2025.[42] Power costs outpaced all other categories, increasing at nearly 60 percent based on rising fuel costs and electricity rates.[43] The largest expense, Salaries and Benefits, increased 15.9 percent ($4.4 million) over the last five years. Water Purchase costs increased 12.2 percent, Administration and General expenses increased 23.8 percent, and

42 Exclusive of capitalized labor adjustment.

43 Although GWA's power consumption remained relatively consistent across the historical reporting period, Guam Power Authority's gradual increase of the Levelized Energy Adjustment Clause (LEAC) rate from approximately $0.087 per kwh in FY 2021 to approximately $0.209 in FY 2025 resulted in increased power expenses.

Contractual expenses increased 41.0 percent. Retiree expenses fluctuated significantly as a result of shifts in actuarial assumptions and market performance under Governmental Accounting Standards Board (GASB) Statement 75. Overall, O&M expenses increased 4.6 percent per year from FY 2021 through FY 2025. Net operating revenues, prior to adjustments, more than doubled (116.7 percent) over the historical period, from $27.2 million to $59.0 million (equivalent to an annual growth rate of 21.3 percent).

Various revenue and expense adjustments are made to net operating revenues in order to establish revenues available for debt service. Interest earnings from unrestricted operating funds may be considered pledged revenues and are added to net operating revenues. On the expense side, certain cost of living and year-end pension benefits adjustments—components of GWA's retiree expense—are excluded from operating expense (and therefore added back to net operating revenues). Similarly, and consistent with other utilities, the Authority capitalizes a portion of labor costs related to capital project delivery (representing a reduction in O&M expense). The bulk of this cost is attributed to project managers and other GWA personnel that support implementation of the capital program.

In 2021, GWA established a rate stabilization fund (RSF) using $11.4 million of existing operating reserves. Rate stabilization funds provide a mechanism to manage unexpected costs and corresponding fluctuations in financial results, allowing utilities to avoid unplanned rate increases. Rate stabilization fund transfers, either from the operating fund to the RSF or from the RSF to the operating fund, alter revenues available for debt service. Transfers to the RSF—which typically occurs during years with strong financial results—represent a deferred recognition of revenues while transfers from the RSF increase revenues available for debt service as revenues from earlier periods are recognized. During the historical reporting period, GWA used transfers of $5.8 million in FY 2022 and $5.7 million in FY 2023 to manage unanticipated operating expenditures and support the capital program. Adjustments also included the Authority's allocation of American Rescue Plan Act rate mitigation funding in FY 2023 ($12.4 million). In FY 2025, GWA transferred $9.5 million into the RSF to defer recognition of these revenues until later reporting periods.[44]

Revenue and expense trends, as well as annual service rate adjustments, have resulted in a 10.5 percent annual growth rate of revenues available for debt service, from $39.7 million in FY 2021 to $68.7 million in FY 2025 (excluding RSF transfers which affect annual revenue recognition). Debt service reflects the issuance of revenue bonds in FY 2020 (the Series 2020A Bonds with project proceeds of $123.6 million and the Series 2020B Bonds which refunded a portion of the 2013 Bonds); the issuance of refunding revenue bonds in FY 2024 (the Series 2024AB bonds which refunded the Series 2013 and Series 2014 Bonds and tendered of a portion of the Series 2016, Series 2017 and Series 2020B Bonds); and the issuance of revenue bonds in FY 2025 (the Series 2025A Bonds) which provided $250.0 million of proceeds for GWA's capital program. As a result, annual debt service increased 24.9 percent over the same period, from $31.4 million in FY 2021 to $39.3 million in FY 2025.

The Authority's minimum parity debt service coverage requirement is 1.25x. Debt service coverage has varied between 1.26x in FY 2021 and 1.53x in FY 2024, with coverage of 1.51x in GWA's most recently completed fiscal year (FY 2025).

[44] The balance of the RSF as of July 2026 is $10.5 million. Debt service coverage would have been 1.75x in FY 2025 without the $9.5 million RSF transfer.

7.3 Historical and Current Rates

GWA's current water rate structure consists of a monthly charge based on meter size, a two-tiered volumetric rate for residential customers, and a uniform volumetric rate for non-residential customers. The first volumetric tier for residential customers includes the first 5,000 gallons of water consumption, with higher use falling in the second tier. A legislative surcharge, applied to most rate components, allows the Authority to recover costs assessed by the Guam legislature for the purpose of paying retiree benefits. The first-tier residential rate is considered a "lifeline" rate and is not subject to the surcharge.

Historical and current water rates are presented in Table 7-2. Non-lifeline water rate components have been increased every year since FY 2021, with the exception of FY 2022. Water rate adjustments during FY 2024 and FY 2025 were applied to all rate components.

Table 7-2. Current and Historical Water Rates

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Annual Rate Adjustment [1,2]	5.0%	0.0%	5.5%	16.7%	11.5%	8.2%
Base Charge by Meter Size						
3/4 inch	$ 24.87	$ 24.87	$ 26.24	$ 30.62	$ 34.14	$ 36.94
1 inch	29.02	29.02	30.62	35.73	39.84	43.11
1.5 inch	45.54	45.54	48.04	56.06	62.51	67.64
2 inch	58.00	58.00	61.19	71.41	79.62	86.15
3 inch	103.60	103.60	109.30	127.55	142.22	153.89
4 inch	145.02	145.02	153.00	178.55	199.08	215.41
6 inch	269.31	269.31	284.12	331.57	369.70	400.02
8 inch	393.59	393.59	415.24	484.59	540.32	584.63
10 inch	538.63	538.63	568.25	663.15	739.41	800.05
12 inch	642.17	642.17	677.49	790.63	881.55	953.84
Residential Volume Charge, per kgal						
0 - 5 kgals	$ 3.01	$ 3.01	$ 3.01	$ 3.51	$ 3.91	$ 3.91
6 kgals & above	11.83	11.83	12.49	14.58	16.26	17.60
Non-Residential Volume Charges, per kgal						
Commercial-1	$ 14.72	$ 14.72	$ 15.53	$ 18.12	$ 20.20	$ 21.86
Commercial-2	14.72	14.72	15.53	18.12	20.20	21.86
Commercial-3	14.72	14.72	15.53	18.12	20.20	21.86
Hotels	14.72	14.72	15.53	18.12	20.20	21.86
Government	14.72	14.72	15.53	18.12	20.20	21.86
Agriculture	4.73	4.73	4.99	5.82	6.49	7.03
Irrigation	4.89	4.89	5.16	6.02	6.71	7.27
Surcharge	3.60%	3.60%	3.50%	3.80%	3.50%	3.55%
Residential Water Bill [3]	***$ 71.46***	***$ 71.46***	***$ 74.53***	***$ 87.17***	***$ 96.96***	***$ 103.36***
Bill increase	*3.9%*	*0.0%*	*4.3%*	*17.0%*	*11.2%*	*6.6%*

1 - Rate adjustments were applied only to non-lifeline components in FY 2021, FY 2023, and FY 2026

2 - Rates effective as of the beginning of the fiscal year (October 1)

3 - Monthly residential bill based on 3/4 inch meter and water usage of 7,500 gallons

The typical residential water bill (based on a 3/4-inch meter and monthly usage of 7,500 gallons) has increased 44.7 percent, from $71.46 in FY 2021 to $103.36 in FY 2026. Recent rate adjustments have allowed the Authority to finance critical capital projects and keep pace with rising operating costs.

Table 7-3 summarizes GWA's current and historical wastewater rates. A monthly flat rate is charged to all residential customers and multi-dwelling units (e.g., apartments or duplexes) for wastewater service regardless of water use. Non-residential customers pay a volumetric rate for billable flows (which are set equal to 80 percent of water use), but do not currently pay a monthly base charge. The residential wastewater rate is considered a lifeline rate and is therefore not subject to the legislative surcharge. Because of this, the residential wastewater bill remained the same from FY 2021 through FY 2023 and increased 30.1 percent over the six-year period.

Table 7-3. Current and Historical Wastewater Rates

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Annual Rate Adjustment [1,2]	5.0%	0.0%	5.5%	16.7%	11.5%	8.2%
Residential flat rate[3]	$ 27.54	$ 27.54	$ 27.54	$ 32.14	$ 35.84	$ 35.84
Non-Residential Volume Charges, per kgal						
Commercial-1	$ 8.11	$ 8.11	$ 8.56	$ 9.99	$ 11.14	$ 12.06
Commercial-2	19.77	19.77	20.86	24.34	27.14	29.37
Commercial-3	27.42	27.42	28.92	33.75	37.63	40.72
Hotels	19.77	19.77	20.86	24.34	27.14	29.37
Government	11.60	11.60	12.24	14.28	15.92	17.23
Leachate	27.42	27.42	28.92	14.72	16.41	17.76
Navy	11.60	11.60	12.24	14.28	15.92	17.23
Surcharge	3.60%	3.60%	3.50%	3.80%	3.50%	3.55%
Residential WW Bill	***$ 27.54***	***$ 27.54***	***$ 27.54***	***$ 32.14***	***$ 35.84***	***$ 35.84***
Bill increase	*0.0%*	*0.0%*	*0.0%*	*16.7%*	*11.5%*	*0.0%*

1 - Rate adjustments were applied only to non-lifeline components in FY 2021, FY 2023, and FY 2026

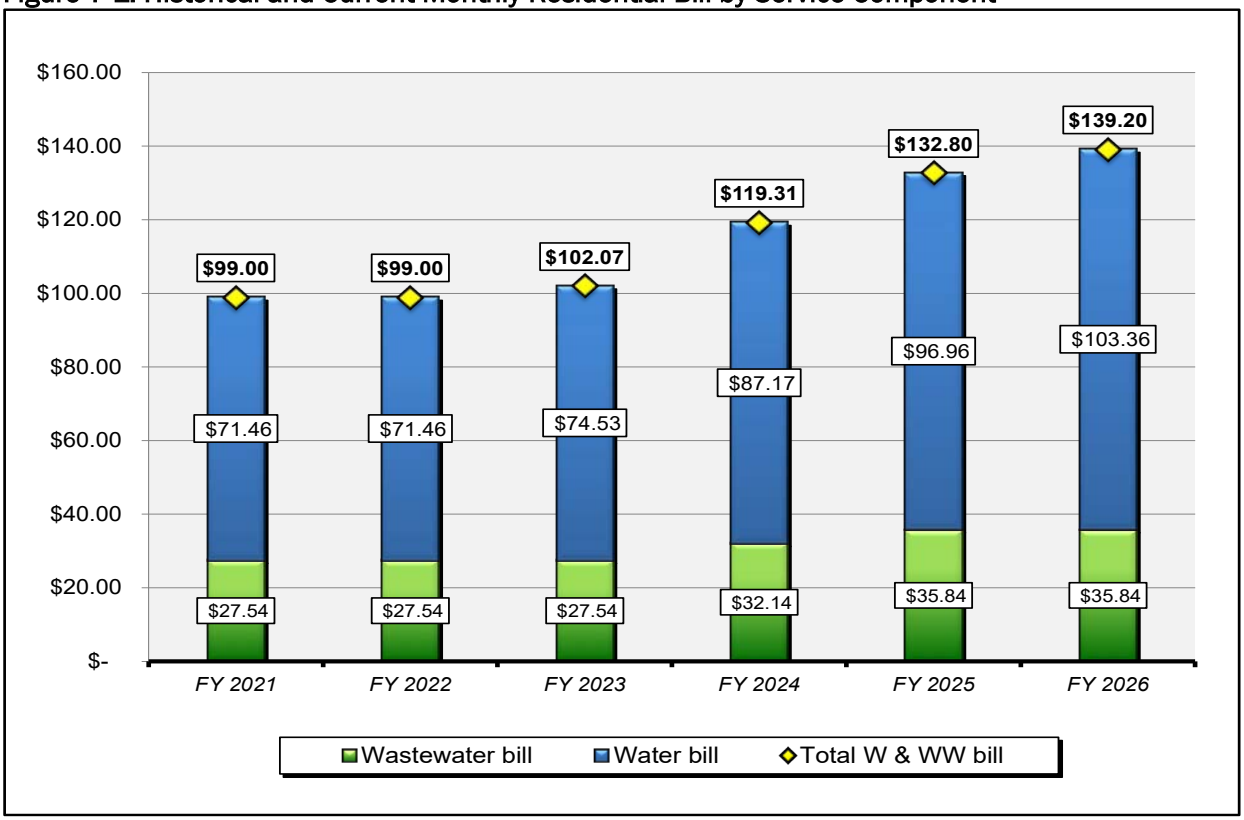
2 - Rates effective as of the beginning of the fiscal year (October 1)

3 - Residential customers, as well as multi-dwelling units, are currently charged a monthly flat rate regardless of usage

Figure 7-1 presents the combined service bill, by system component, from FY 2021 through FY 2026. Bill calculations are based on water consumption of 7,500 gallons per month for residential accounts with a 3/4 inch meter. The monthly water and wastewater bill increased 40.6 percent, from $99.00 in FY 2021 to $139.20 in FY 2026.[45] This represents a compounded growth rate of 7.1 percent per year. The Authority's current rates recover operating costs of the System and support debt service associated with the capital program.

[45] Approximately 38 percent of residential water accounts do not receive wastewater service.

Figure 7-1. Historical and Current Monthly Residential Bill by Service Component



7.4 Bill Comparisons & Affordability

A comparison of residential and non-residential rates for island communities suggests that GWA's residential rates are in line with similar utilities while non-residential rates are relatively high compared to other service providers. Table 7-4 presents the combined water and wastewater bill for residential customers with 3/4-inch meters and water consumption of 5,000 and 7,500 gallons. GWA's residential bill is consistent or slightly lower than the bill average across the other utilities. For non-residential customers, comparisons are made for 1-inch meters using 35 kgals per month and 4-inch meters using 1,200 kgals per month.[46] The data demonstrates that the Authority's non-residential rates are roughly two times higher than the next highest service provider.

The Authority's existing water and wastewater rates and prospective CIP financing requirements may engender water affordability concerns similar to those which have gained national attention as water and wastewater rate increases have been at roughly double the rate of inflation for over a decade and are expected to continue to do so.[47] These concerns are reflected in recent EPA financial capability assessment guidance and various water and wastewater industry initiatives and publications. Water affordability metrics are also used by credit rating agencies to gauge credit quality.[48]

[46] The water use for this latter category typically equates to hotels or resorts.

[47] 2021 American Water Works Association Water and Wastewater Rate Survey, p. 9.

[48] See, for example, Erin Boeke Burke (Associate Director, Municipal and Cooperative Utilities, S&P Global Ratings), "Rates and Affordability: A Ratings Agency Perspective", Water Finance and Management, April 13, 2020.

Table 7-4. Combined Water and Wastewater Bill Comparison with Other Communities

	Residential[1]		Commercial[1]	
Water Usage (kgals):	5,000	7,500	35,000	1,200,000
Meter Size:	3/4 inch	3/4 inch	1 inch	4 inch
Guam Waterworks Authority[2]	$ 93.64	$ 139.20	$ 1,186.57	$ 56,582.42
City/County of Honolulu[3]	141.66	176.71	549.55	16,169.97
Northern Mariana Islands[4]	59.39	83.54	409.27	15,921.55
County of Hawaii[5]	106.77	122.15	565.31	19,340.16
County of Kauai[6]	128.90	141.03	496.40	24,333.15
County of Maui[7]	131.20	155.15	652.50	28,564.43

1 - Bill comparison as of May 2026

2 - Includes a 3.55% surcharge on all non-lifeline rate components; billable flows equal to 80% of metered water use; Commercial-1 rate used for 1-inch bill calculation and Hotels rate used for 4-inch bill calculation

3 - Wastewater bill reflects irrigation credit provided to residential and commercial customers equal to 20% of metered water use

4 - Islands are served by the Commonwealth Utilities Corporation; water bill includes a $3.72 electric surcharge per kgal and the wastewater bill includes a $1.92 electric surcharge per kgal

5 - Residential customers of the County are served by 5/8 inch meters; water bill includes a power cost charge of $2.84 per kgal and an energy CIP charge of $0.05 per kgal

6 - Group 1B Commercial rate used for 1-inch bill calculation; Hotel with Restaurant rate used for 4-inch bill calculation

7 - General or Commercial rates used for 1-inch bill calculations; Hotel rates used for 4-inch bill calculation

The current monthly residential bill of $93.64 for 5,000 gallons usage, equal to an annual cost of $1,123.68, represents 1.49 percent of Guam's 2026 Median Household Income of $75,318.[49] These claims on household incomes are not outliers from a national and state-wide perspective and reflect essential revenue requirements. Nevertheless, water affordability challenges may continue as proposed rate increases are implemented over the forecast period.

7.5 Proposed Rate Structure Changes

As part of GWA's prior five-year rate plan (FY 2020 through FY 2024), a comprehensive cost-of-service study was conducted to evaluate cost responsibilities and subsidies not only across the water and wastewater systems but also among individual customer classes. Changes to the Authority's rate structure (i.e., the composition of base charges and volumetric rates) were considered at that time but ultimately deferred. In December 2023, the PUC called for additional analysis to respond to the results of the study. After further study, the PUC approved the proposed rate design in principle in March 2024.[50] Thereafter, additional refinements were made based on feedback from the PUC and discussions with the PUC's rate design consultant. The *current proposal* for water and wastewater rate structure changes under consideration by the PUC includes:

49 Per EPA Financial Capability Assessment Guidance, Median Household Income (MHI) available for 2019 is escalated to 2026 values based on the change in the Consumer Price Index. (325.252 /251.712 x $58,289 MHI in 2019).

50 PUC Order Re: Amended Petition to Approve a New Rate Design Structure, GWA Docket 19-08 dated March 28, 2024.

- Maintaining the tier 1 threshold at 5,000 gallons while decreasing the tier 2 (non-lifeline rate) for residential customers to address existing inter-class subsidies,
- Implementing wastewater base charges by meter size for residential and non-residential customers,
- Eliminating the flat monthly wastewater rate for residential customers,
- Establishing a uniform volumetric wastewater rate for residential customers, and
- Applying the legislative surcharge to all rate components (including lifeline rates).

The new rate structure shifts a portion of cost recovery from water system customers to wastewater system customers and increases the burden on residential customers—objectives that are consistent with results of the May 2021 cost-of-service study.

GWA anticipates that the PUC will act upon the current rate structure proposal during FY 2027, but there is no guarantee that the proposed rate design changes will be approved. For this reason, the financial performance forecasts summarized in Section 7.8 assume continuation of the existing water and wastewater rate structure. If and when the PUC ultimately takes action, rates will be established within the approved rate design framework to achieve forecasted rate revenue recovery levels necessary to meet forecasted operating costs and capital financing obligations of the Authority.

7.6 Capital Financing

The Authority's CIP contemplates encumbrance requirements of $1,220.7 million in nominal dollars between FY 2026 and FY 2030. Table 7-5 identifies projected capital project encumbrances by major program element and matching sources of funds. Capital requirements will be funded through eight sources: existing reserves ($276.1 million, 22.5 percent); new money proceeds from the Series 2026 Bonds ($100.0 million, 8.2 percent); revolving credit facilities ($125.0 million, 10.2 percent); an encumbrance line ($500.0 million, 40.8 percent); grants from the EPA ($84.7 million, 6.9 percent); net operating revenues transferred from the operating fund—which GWA refers to as internally funded CIP or IFCIP ($82.0 million, 6.7 percent); system development charge revenues ($3.8 million, 0.3 percent); and interest earnings on restricted accounts—such as bond proceeds—that may be used to fund projects ($53.8 million, 4.4 percent).

Various unencumbered funds totaling $276.1 million are available for the Authority's capital program as of the beginning of FY 2026, These include grant awards from prior periods, net operating revenues within the IFCIP account that have not yet been tied to capital projects, and proceeds from the Series 2025 Bonds. The Series 2025 Bonds provided $250 million for capital projects, and GWA encumbered $12.3 million of capital projects with those proceeds in FY 2025.[51] The remaining $237.7 million of Series 2025 Bond proceeds represent the majority of existing reserves that are available for prospective capital encumbrances during the forecast period.

[51] Bond proceeds were not received until the final quarter of FY 2025. As a result, project encumbrances previously scheduled for FY 2025 were deferred to FY 2026 and beyond (see Section 6).

Table 7-5. Capital Encumbrance Requirements by Project Category and Matching Sources of Funds

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	TOTAL	Percent
CIP Requirements by Category [1]							
Water Projects	$ 121.38	$ 248.77	$ 170.44	$ 62.76	$ 72.48	$ 675.83	55.4%
Wastewater Projects	70.23	163.41	27.58	4.41	86.68	352.31	28.9%
Electrical, Monitoring & Control	1.83	6.12	14.85	-	1.57	24.36	2.0%
General Plant & Miscellaneous	17.85	58.79	57.33	8.27	25.95	168.20	13.8%
Projected Capital Encumbrances	**$ 211.29**	**$ 477.09**	**$ 270.19**	**$ 75.45**	**$ 186.68**	**$ 1,220.70**	**100.0%**
CIP Funding Sources							
Existing Reserves[2]	276.14					276.14	22.5%
Series 2026 Bonds (new money)	100.00					100.00	8.2%
Short-Term Financing: Revolving Credit[3]	50.00	-	75.00	-	-	125.00	10.2%
Short-Term Financing: Encumbrance Line[3]	-	150.00	150.00	50.00	150.00	500.00	40.8%
EPA Grants[4]	42.65	30.00	4.00	4.00	4.00	84.65	6.9%
Internally Funded Capital (IFCIP)[5]	15.00	12.00	25.00	15.00	15.00	82.00	6.7%
SDC Revenues	0.75	0.75	0.75	0.75	0.75	3.75	0.3%
Interest Earnings[6]	11.04	10.46	10.02	11.34	10.90	53.77	4.4%
Used (Unused) Balance[6]	(284.30)	273.88	5.41	(5.64)	6.03	(4.61)	
Total Funds	**$ 211.29**	**$ 477.09**	**$ 270.19**	**$ 75.45**	**$ 186.68**	**$ 1,220.70**	**100.0%**

1 - All numbers in millions, nominal dollars, slight calculation discrepancies may exist due to rounding.

2 - Existing reserves consist primarily of Series 2025 bond proceeds ($237.7 million) as well as prior year grant funds and construction fund reserves.

3 - GWA will use short-term financing instruments, including revolving credit facilities and an encumbrance line, to encumber projects and issue loans for contractor payment. These short-term instruments will be refunded with issuance of revenue bonds that will provide permanent funding and pay off outstanding short-term debt balances when the revolvers expire, or as project commitments against the encumbrance line require payment.

4 - These grants are awarded annually to GWA and consist of EPA Drinking Water and Clean Water State Revolving Fund (SRF) infrastructure grants and GWA's allocation from the Infrastructure Investment and Jobs Act (IIJA).

5 - Net operating revenues from the System.

6 - Interest earnings on restricted accounts such as revenue bond proceeds.

7 - At the end of FY 2030, approximately $4.6 million will remain (unrestricted balance) for capital projects beyond the forecast period.

As part of the 2026 bond refunding transaction, the financial plan assumes the Authority will include a new money revenue component of $100 million. The plan also assumes that a $50 million revolving credit facility will be put in place in 2026 to fund encumbrances for Partial Consent Decree work and other high priority projects. The revolver is assumed to have a two-year term and will be taken out with revenue bonds in 2028 that will repay the outstanding loan balance and provide permanent funding for projects initially encumbered against the short-term instrument. A second two-year revolver is expected to be put in place in 2028, when the first one expires, and be taken out with revenue bonds issued in 2030. The financing plan assumes the second revolver will provide a credit limit of $75 million. Altogether, revolving credit facilities will provide a total of $125 million for GWA's capital program over the forecast period which will be refinanced with Series 2028 and Series 2030 Bonds.

GWA's plan of finance also assumes the availability of an encumbrance line in the form of a forward bond purchase agreement to facilitate the procurement of high-priority capital projects in FY 2027 and beyond. The encumbrance line, with a three-year term and capacity of $150 million, provides a viable funding source to begin procurement and contracting, with an assumption that GWA will issue revenue bonds roughly a year later to provide permanent funding and meet payment obligations on the projects.

Together, these short-term financing vehicles will provide funding capacity during the procurement process and defer principal and interest payments until projects are under contract and active. GWA plans to issue revenue bonds to provide permanent funding or repay outstanding obligations for projects initially encumbered or paid for with these instruments. In 2028, GWA plans to issue revenue bonds with proceeds of $200 million in order to repay the first $50 million revolver when it expires and provide permanent funding for $150 million of FY 2027 projects initially funded with the encumbrance line. GWA plans to again issue revenue bonds in 2029 to provide permanent funding for $150 million of FY 2028 projects initially funded with the encumbrance line. And finally, revenue bonds with proceeds of $125 million are planned to be issued in 2030 to repay the $75 million second revolver and provide permanent funding for $50 million of FY 2029 projects initially funded with the encumbrance line.[52] Table 7-6 provides a summary of all planned revenue bonds within GWA's capital financing plan.

Table 7-6. Planned Revenue Bonds

(millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
New Money Component	100	-	-	-	-
Take-Out Bonds for Revolvers	-	-	50	-	75
Take-Out Bonds for Encumbrance Line	-	-	150	150	50
Total Bond Issuance	**$ 100**	**$ -**	**$ 200**	**$ 150**	**$ 125**

EPA grants are projected to total $84.7 million over the five-year period, including SRF capitalization grants from the Drinking Water and Clean Water State Revolving Fund (SRF) program and GWA's allocation from the Infrastructure and Investment and Jobs Act (IIJA)—also known as the Bipartisan Infrastructure Law. SRF grants total $10.5 million in FY 2026 and are expected to total $4.0 million

[52] Repayment of the Series 2030 Bonds is expected to begin outside of the forecast period for this report, in FY 2031.

per year thereafter. IIJA grants are expected to provide $32.1 and $26.0 million per year in FY 2026 and FY 2027, respectively, before the funding authorization expires.[53]

In addition to the funding sources outlined above, the Authority expects to rely on current revenue transfers from the operating fund to contribute $82.0 million for cash financing of capital encumbrance requirements (IFCIP). Other non-debt funding sources include system development charge revenues which are collected when new building permits are issued and future customers reserve capacity in the System ($3.8 million) and interest earnings on restricted accounts such as bond fund proceeds ($53.8 million).

In addition to *prospective* capital financing of future capital project encumbrances, it may be noted that GWA had capital project fund balances as of April 30, 2026 of approximately $106.9 million *already encumbered* to various capital projects in different stages of procurement and implementation.[54] The Authority's capital improvement plan is subject to frequent review and modification based on new or updated information regarding project pricing, asset conditions, evolving regulatory requirements, and changing System operational plans. To the extent that actual encumbrances are less than projected, GWA will reschedule applications of IFCIP financing or reduce the issuance of new debt. In the event that new capital requirements place unanticipated claims on available funds that exceed funding capacity limits, the Authority will prioritize projects to manage infrastructure investment within PUC-approved revenue recovery levels and prevailing financial constraints.

7.7 Historical and Forecasted Billing Determinants

GWA's water and wastewater rate revenue forecasts are based upon billing data trends from FY 2019[55] through FY 2025, as summarized from monthly billing reports provided by the Authority. Billing system data includes the following information for each customer account: meter size, billed rate revenues by component (base charge, water and wastewater volumetric rates), legislative surcharge revenues, and water and wastewater volumes billed by increment (kgals). Customer information within the monthly reports is also identified by residential and non-residential customer classes. Within the non-residential category, commercial customers are further delineated based on the type of business:

- Commercial-1 includes churches, schools, offices, stores, and general commercial
- Commercial-2 customers are primarily industrial laundromats and linen service companies
- Commercial-3 includes restaurants, coffee shops, bars and other food and beverage providers with dining facilities[56]

[53] The IIJA funding allocation for FY 2026 was confirmed by EPA on April 22, 2026. Future grant funding is subject to review and approval.

[54] This differs from the *unencumbered* reserves shown in Table 7-5, which are available for prospective capital funding requirements.

[55] FY 2019 provides a representative annual sample of customer accounts, water use per account, and billable flows prior to the COVID-19 pandemic that began mid-way through FY 2020.

[56] Bars or other establishments that do not offer dining facilities are classified as Commercial-1 customers.

- Hotels are a subset of the Commercial-2 category—and subject to the rates and charges for that class—but are tracked separately to better understand water consumption and wastewater flow trends for these large customers

GRG analyzes monthly billing data on a regular basis, comparing actual revenue results to predicted revenues using historical billing determinants and a revenue forecasting tool within GWA's Rate Application Model. This process of cross-checking actual results with predicted revenues improves accuracy of GWA's revenue projections and identifies average monthly variances that result from pro-rated bills for customers that change residences during the middle of a billing cycle or other billing adjustments.[57] Created by GRG, the tool forecasts detailed revenues by component by customer class that are used to support GWA's requested rate adjustments, facilitate annual budgeting, and track important trends such as customer growth and water use per account.

7.7.1 Historical Account, Demand and Flow Data

Table 7-7 presents historical water system billing determinants for the Authority, including number of customer accounts, annual water demand, and water demand per account for both residential and non-residential classes.[58] Between FY 2020 and FY 2025, GWA experienced declines in annual billed water volumes (2.2 percent per year) despite steady customer account growth for the largest customer classes (Residential and Commercial-1 customers). Total water accounts increased 0.4 percent on a compound annual growth rate basis from 42,864 in FY 2020 to 43,810 in FY 2025.[59] Residential customers are the largest class, representing roughly 92 percent of all water accounts in FY 2025.

Historical billing determinant trends were influenced by abnormal economic conditions imposed by the COVID-19 pandemic. During related lockdowns in FY 2020 and FY 2021, water use for residential customers increased as the world's population spent more time at home. However, many non-residential customers were forced to close or significantly alter business practices. Hotels, in particular, saw a dramatic decrease in occupancy rates as travel to the island was limited and tourism declined. Demand per account for Hotels in FY 2021 was less than half the reported 1.56 million gallons per month per account in FY 2019, although water use has begun to rebound during the last three fiscal years. Other non-residential classes also saw significant decreases in water use per account, such as a 3.8 percent per year reduction for customers in the Commercial-2 class. Agriculture and Irrigation class demands have yet to rebound from pre-pandemic levels.

Besides the impact of the pandemic, another factor contributing to decreased water demand may be customer responses to recent water and wastewater rate adjustments—often referred to as price elasticity of demand. Unlike flat monthly service rates, uniform and tiered volumetric rate structures—like those employed by the Authority for water service—provide a mechanism for residential customers to reduce monthly utility bills by reducing water consumption. Some non-residential customers may also be able to respond to increasing costs of water and wastewater service by adjusting business or manufacturing processes, while certain businesses may not be able to reduce water consumption because it represents an essential part of the product or service they provide.

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57 Actual to predicted revenue variances have averaged approximately 0.12% during the most recent five-year period.

58 Billing determinant summary based on GRG's analysis of GWA's monthly billing reports. Note that non-revenue accounts (i.e., GWA accounts) are excluded from data summarized in this report.

59 Minor differences from data reported elsewhere by GWA reflect adjustments subsequent to production of monthly billing reports.

Table 7-7. Historical Water System Billing Determinants

Summary Billing Statistics[1]	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR[2]
Residential	39,440	39,869	39,924	40,139	40,240	40,285	0.4%
Commercial-1	2,358	2,363	2,389	2,445	2,463	2,468	0.9%
Commercial-2	19	20	20	22	23	24	5.0%
Commercial-3	286	279	282	281	276	283	-0.2%
Hotel	55	56	55	55	54	54	-0.2%
Government	350	354	356	360	359	361	0.6%
Agriculture	326	328	330	325	313	307	-1.2%
Irrigation	30	32	33	33	30	27	-1.7%
Total Water Accounts[3]	**42,864**	**43,300**	**43,389**	**43,660**	**43,759**	**43,810**	**0.4%**
Residential	3,612.9	3,665.7	3,488.2	3,258.4	3,143.2	3,055.0	-3.3%
Commercial-1	611.9	625.8	635.3	638.0	673.0	621.5	0.3%
Commercial-2	82.0	63.5	70.0	63.6	74.7	86.4	1.0%
Commercial-3	133.3	111.8	129.3	134.4	135.1	126.5	-1.1%
Hotel	732.7	448.7	454.7	557.0	630.1	678.6	-1.5%
Government	443.6	433.8	512.7	526.8	400.7	468.4	1.1%
Agriculture	85.1	70.8	66.1	50.5	59.7	59.2	-7.0%
Irrigation	8.6	5.4	5.2	3.8	3.4	3.5	-16.3%
Total Water Demand[4]	**5,710.1**	**5,425.5**	**5,361.5**	**5,232.5**	**5,120.0**	**5,099.0**	**-2.2%**
Demand per Account (gallons per month)							
Residential	7,634	7,662	7,281	6,765	6,509	6,319	-3.7%
Commercial-1	21,621	22,073	22,160	21,742	22,769	20,982	-0.6%
Commercial-2	367,870	265,609	292,880	236,509	269,552	303,238	-3.8%
Commercial-3	38,843	33,351	38,143	39,845	40,789	37,185	-0.9%
Hotel	1,110,220	666,679	692,082	849,118	970,936	1,040,759	-1.3%
Government	105,618	102,246	120,018	121,980	93,013	108,175	0.5%
Agriculture	21,738	17,991	16,685	12,944	15,872	16,071	-5.9%
Irrigation	24,181	14,057	13,341	9,695	9,524	10,834	-14.8%

1 - Based on unadjusted monthly billing reports provided by GWA

2 - Compounded annual growth rate from FY 2020 through FY 2025

3 - Average monthly billed accounts during the fiscal year

4 - Annual water volumes in millions of gallons

Historical billing determinants for the wastewater system are shown in Table 7-8. Total wastewater accounts grew at 0.5 percent per year, with Residential and Commercial-1 customers primarily contributing to that increase. Number of accounts for other customer classes remained relatively constant or declined slightly over the reporting period.

Billable flows for the System decreased approximately 14 percent in a single year (from FY 2020 to FY 2021), demonstrating the effects of the COVID-19 pandemic. The bulk of that reduction is attributed to the Hotel customer class, although most customer classes experienced declines in billable volumes that same year. However, total billable flows have increased steadily since that time, from 1.69 billion gallons in FY 2021 to 1.92 billion gallons in FY 2025 (wastewater flows from Camp Blaz represent 1.2 percent of the FY 2025 billable total). This equates to a 3.3 percent annual increase over that time period, yet FY 2025 billable flows are still 2.4 percent below FY 2020 values.

Table 7-8. Historical Wastewater System Billing Determinants

Summary Billing Statistics[1]	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR
Residential[2]	27,224	27,530	28,078	28,433	28,878	28,820	1.1%
Commercial-1	1,844	1,849	1,868	1,912	1,928	1,920	0.8%
Commercial-2	18	18	18	19	21	21	3.5%
Commercial-3	277	270	272	270	266	273	-0.3%
Hotel	52	52	51	51	50	50	-0.6%
Government	256	260	261	264	264	267	0.9%
Total WW Accounts[3]	**29,671**	**29,979**	**30,548**	**30,949**	**31,407**	**31,351**	**1.1%**
Residential	-	-	-	-	-	-	0.0%
Commercial-1	392.2	398.9	395.4	394.7	413.6	381.9	-0.5%
Commercial-2	65.6	50.7	55.9	50.7	59.5	68.6	0.9%
Commercial-3	104.8	87.7	100.8	104.1	104.3	97.4	-1.5%
Hotel	489.9	296.7	315.5	378.6	418.7	451.2	-1.6%
Government	331.7	326.0	391.1	401.6	301.7	291.6	-2.5%
Leachate	29.1	34.1	42.1	36.3	19.8	15.3	-12.1%
Federal	555.9	494.6	491.2	549.8	598.7	616.2	2.1%
Billable Flows[4]	**1,969.3**	**1,688.6**	**1,792.1**	**1,915.8**	**1,916.2**	**1,922.3**	**-0.5%**

1 - Based on unadjusted monthly billing reports provided by GWA

2 - Includes an estimate of multi-dwelling units that are assessed the residential flat rate

3 - Average monthly billed accounts during the fiscal year

4 - Billable wastewater flows in millions of gallons

7.7.2 Projected Billing Determinants

Analysis of historical data trends provides a basis for future projections of accounts, water demand and billable volumes. Table 7-9 identifies various inputs and assumptions used to establish billing determinants for the Authority over the forecast period and summarizes the resulting forecasts of water sales and billable wastewater volumes.

Customer account growth is expected to follow historical trends. Residential account growth varies by meter size but is assumed to be 0.25 percent per year for water accounts, and 0.30 percent for wastewater accounts for the most common meter size (3/4-inch). Similarly, water and wastewater accounts with smaller meter sizes (3/4-inch) in the Commercial-1 customer class are expected to grow 0.50 percent per year. Small meter Agriculture customers are expected to decline -1.0 percent. For larger meter sizes, accounts are expected to remain flat for most customer classes—consistent with trends observed in the prior five-year period.

Water demand per account for residential customers has decreased 1.4 percent annually since FY 2019 on a compounded growth basis[60] and is expected to continue to decline at 0.7 percent per year. Commercial-1 customers and Commercial-2 customers are expected to also decline at -0.25 percent and -3.0 percent per year, respectively. Hotels and the Government class are projected to continue a slow rebound from COVID levels, with water demand per account increasing 5.0 percent per year for Hotels and 1.5% for Government customers.[61] Demand per account for Commercial-3,

[60] Based on GRG's analysis of GWA's monthly billing files.

[61] The resulting FY 2026 demand per account for the Hotel class is still 67% of pre-COVID levels despite the upward trend.

Agriculture, and Irrigation customers is expected to remain constant. The per account water use assumptions described above are exclusive of projected price elasticity impacts (i.e., these are the assumed price-independent adjustments). Wastewater flows from federal military accounts (Navy, AAFB, Camp Blaz) are expected to increase 2.0 percent per year from a conservative FY 2026 estimate of 580 million gallons.

Table 7-9. Projected Billing Determinants and Related Assumptions

	Water System			Wastewater System		
	FY 2026 Estimate	*Annual Inputs*	FY 2030 Estimate	FY 2026 Estimate	*Annual Inputs*	FY 2030 Estimate
Customer Accounts						
Residential	40,380	*0.25%*	40,763	24,883	*0.30%*	25,180
Commercial-1	2,478	*0.50%*	2,511	1,926	*0.50%*	1,953
Commercial-2	24	-	24	21	-	21
Commercial-3	284	-	284	273	-	273
Hotel	54	-	54	50	-	50
Government	362	-	362	267	-	267
Agriculture	306	*-1.00%*	296			
Irrigation	27	-	27			
Subtotal	**43,915**	*0.23%*	**44,321**	**27,421**	*0.29%*	**27,744**
Demand per Account (kgals per month) [1]						*FY 2026 - FY 2030 CAGR*
Residential	6.26	*-0.70%*	6.04			-0.89%
Commercial-1	21.61	*-0.25%*	20.83			-0.91%
Commercial-2	263.22	*-3.00%*	226.78			-3.66%
Commercial-3	37.57	-	36.59			-0.66%
Hotel	1,048.29	*5.00%*	1,242.65			4.34%
Government	101.32	*1.50%*	104.78			0.84%
Agriculture	15.85	-	15.43			-0.66%
Irrigation	10.10	-	9.84			-0.66%
Water Sales and Billable Flows (kgals)						
Residential [2]	3,033,676		2,954,523	-		-
Commercial-1	642,470		627,744	394,812		385,762
Commercial-2	75,807		65,313	60,193		51,861
Commercial-3	128,029		124,701	98,647		96,082
Hotel	679,295		805,236	451,331		535,007
Government	440,126		455,168	295,895		306,008
Agriculture	58,189		54,824			
Irrigation	3,272		3,187			
Leachate				15,000		15,000
Federal				580,000		627,811
Subtotal	**5,060,864**	*0.15%*	**5,090,697**	**1,895,877**	*1.57%*	**2,017,532**

1 - Where no price independent input is specified, changes to demand per account statistics may still result from price elasticity impacts of proposed rate adjustments; total forecasted change to statistic is shown to the right

2 - Residential customers are currently charged a flat rate for wastewater service

Price elasticity factors of 1.0 for residential customers and 1.5 for non-residential customers are applied in addition to the per account water use trends described above. These factors reflect the expected percentage decrease in demand per account for every 10.0 percent increase in the real (i.e., inflation adjusted) price of water. Because GWA's proposed rate adjustments are not applied to lifeline rates (see Section 7.8.1), GWA's revenue forecast uses a weighted average estimate of lifeline (tier 1) and non-lifeline (tier 2) consumption to calculate the price elasticity and corresponding decrease in demand per account for residential customers. The elasticity reduction in consumption for residential customers is expected to range between -0.14 and -0.21 percent annually based on the assumed rate adjustment schedule. Non-residential customers are anticipated to reduce consumption between -0.49 and -0.71 percent per year as they react to the higher cost of water and wastewater service.

Together, the price-independent consumption adjustments and price elasticity impacts of proposed rate adjustments result in annual decreased water demand per account for all customer classes except for the Hotel class (4.3 percent increase) and Government class (0.8 percent increase). As shown in Table 7-9, water demand per customer decreases between approximately -0.7 percent and -0.9 percent for Residential, Commercial-1, Commercial-3, Agriculture, and Irrigation customers. Commercial-2 customers see the largest decrease at -3.7 percent per year.

Forecasts of water sales and billed wastewater volumes reflect the countervailing impacts of customer account growth and water consumption trends per account. Water sales are assumed to increase slightly at 0.15 percent per year and 0.6 percent in total over the forecast period; from 5.06 billion gallons in FY 2026 to 5.09 billion gallons in FY 2030. Billable wastewater volumes are expected to increase 1.57 percent per year and 6.4 percent in total, due in large part to the Hotel class and anticipated wastewater flows from federal facilities.[62]

7.8 Forecasted Operating Results

Table 7-10 presents cash flow projections for the System. A viable financial plan is developed to ensure compliance with GWA's policy to maintain targeted operating reserves of 120 days of annual operating expense, to achieve minimum 1.25x covenanted debt service coverage, and to support proposed debt issuances and other financing requirements associated with the Authority's CIP.

7.8.1 Revenues

Revenue forecasts include water and wastewater rate revenues, legislative surcharge revenues, other miscellaneous revenues, and interest income on unrestricted accounts.

As stated earlier, water and wastewater revenue forecasts are based on GWA's existing rate structure, approved rate adjustments for FY 2026 and FY 2027, proposed rate adjustments for FY 2028 and FY 2029 in the five-year plan, and projected billing determinants such as number of accounts and billable volumes (see Section 7.7). While GWA anticipates that the PUC will act upon the proposed rate design within the next six months, there is no guarantee that the rate design changes will be approved. For this reason, the financial forecasts summarized herein assume continuation of the existing water and wastewater rate structure. If and when the PUC ultimately takes action, rates will be established within the approved rate design framework to achieve forecasted rate revenue recovery levels.

[62] Wastewater contributions from federal military facilities are likely to be greater than those estimated for this study based on the proposed magnitude of the military buildout, but GWA's financial plan intentionally does not rely on additional revenues from these customers.

Table 7-10. Projected Sources and Uses of Cash, Operating Fund

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Cash Balance [1,2]	*$ 55.67*	*$ 56.40*	*$ 56.14*	*$ 49.62*	*$ 52.49*
Rate Adjustments[3]	8.20%	6.25%	7.75%	7.75%	7.75%
Water Rate Revenues[4]	$ 92.72	$ 98.63	$ 106.26	$ 114.58	$ 123.63
Wastewater Rate Revenues[4]	50.90	54.14	58.24	62.75	67.72
Legislative Surcharge	4.43	4.76	4.81	5.00	5.10
Other Revenues	0.60	0.60	0.60	0.60	0.60
Interest Income[5]	4.79	5.81	5.81	5.81	5.81
Rate Stabilization Fund Transfers[6]	-	-	-	-	-
Total Sources	**$ 153.44**	**$ 163.94**	**$ 175.72**	**$ 188.74**	**$ 202.86**
Power Purchases	17.02	19.99	19.99	19.99	19.99
Water Purchases	7.14	7.82	7.82	7.82	7.82
Salaries & Benefits	36.78	38.44	39.18	40.57	41.78
Admin & General[7]	12.85	15.62	16.70	17.20	17.72
Contractual Expense	8.29	8.98	9.10	9.34	9.63
Retiree Expenses	4.78	4.84	4.91	5.07	5.23
Total Operating Expense	$ 86.85	$ 95.69	$ 97.69	$ 100.00	$ 102.16
Existing Debt Service[8]	50.63	51.65	52.71	53.44	53.26
Short-Term Financing, Interest[9]	0.05	0.80	1.06	1.20	1.48
Short-Term Financing, Fees[10]	0.18	0.56	0.59	0.68	0.03
New Debt Service, Series 2026 Bonds[11]	-	3.51	5.18	5.18	7.07
New Debt Service, Series 2028 Bonds[12]	-	-	-	10.36	10.36
New Debt Service, Series 2029 Bonds[13]	-	-	-	-	7.77
Internally-Funded Capital (IFCIP)	15.00	12.00	25.00	15.00	15.00
Total Uses	**$ 152.71**	**$ 164.21**	**$ 182.23**	**$ 185.86**	**$ 197.13**
Ending Cash Balance	*$ 56.40*	*$ 56.14*	*$ 49.62*	*$ 52.49*	*$ 58.22*

1 - Numbers in millions; some calculation discrepancies may exist due to rounding.

2 - Represents the unrestricted cash balance of GWA's operating funds.

3 - Applied to non-lifeline rate components only. FY 2026 and FY 2027 rate adjustments have been approved by the PUC subsequent to the annual rate filing and true-up process.

4 - Water and wastewater rate revenues reflect reductions for bad debt expense.

5 - Includes only interest earnings that may be considered for calculation of debt service coverage (i.e. excludes interest earnings on restricted accounts).

6 - Positive amounts represent transfers from the RSF to GWA's operating funds and recognition of prior period revenues.

7 - Although budgeted within this cost category, bad debt expense is included as an offset to rate revenues in this table (consistent with the audited financial statements of GWA).

8 - Reflects anticipated refunding savings associated with the Series 2026 Bonds.

9 - Interest expense on short-term financing instruments based on the timing of projected capital project expenditures.

10 - Includes commitment fees associated with the 2026 and 2028 revolving credit agreements as well as annual fees ($300,000) on the three-year encumbrance line.

11 - Debt service on the new money component ($100 million) of the Series 2026 Bonds.

12 - Assumes revenue bonds are issued in 2028 ($200 million) to provide permanent funding for projects funded with the 2026 revolver ($50 million) and FY 2027 projects funded with the encumbrance line ($150 million).

13 - Assumes revenue bonds are issued in 2029 ($150 million) to provide permanent funding for FY 2028 projects funded with the encumbrance line.

Rate adjustments are consistent with the PUC-approved five-year plan and GWA's recently-concluded FY 2027 rate filing, which resulted in an approved rate adjustment of 6.25% to all non-lifeline components. Annual 7.75% increases to non-lifeline rate components are assumed from FY 2028 through FY 2030. Non-lifeline rate components were increased by 8.2% on October 1, 2025 (the beginning of the current fiscal year) following adjudication of the prior annual rate filing. FY 2026 rate revenues are estimated to be $143.6 million and increase $47.7 million over the forecast period, to $191.4 million by FY 2030. The compounded 7.4 percent annual increase is the result of proposed rate adjustments and corresponding elasticity of demand impacts, as well as other forecasted changes to relevant billing determinants. Rate revenue projections reflect annual adjustments of -1.5 percent to account for bad debt expense.[63]

The surcharge is currently applied to all non-lifeline rate components and is updated annually to ensure adequate recovery of retiree benefits mandated by the Guam legislature. Under the rate design proposal, the surcharge will be applied to all rate components. Surcharge revenues are expected to range from $4.4 to $5.1 million over the forecast period.

Other revenues of the Authority consist of various miscellaneous revenue sources including new meter installation fees, service reconnection fees, returned check fees, penalties for illegal system connections, and wastewater dumping fees. These revenues are a relatively small component, estimated to be $0.6 million per year over the forecast period.

Interest income available for coverage (i.e., earnings on unrestricted operating accounts) was $5.6 million in FY 2025 and is projected to be $4.8 million in FY 2026. These figures represent an increase over historical amounts as a result of the reclassification of certain accounts. Interest income is expected to increase to $5.8 million in FY 2027 then remain fairly constant over the forecast period based on estimated reserves within GWA's operating accounts.

GWA established a rate stabilization fund (RSF) in 2021, which it has drawn upon during recent fiscal years to mitigate the impact of unexpected expenditures (see Table 7-1). The balance of the fund as of the beginning of FY 2026 was $10.5 million. Transfers from the RSF provide a mechanism to manage unexpected costs and corresponding fluctuations in financial results, allowing GWA to meet targeted financial performance metrics and avoid unplanned rate increases. Rate stabilization fund (RSF) transfers, either from the operating fund to the RSF or from the RSF to the operating fund, alter revenues available for debt service. Transfers to the RSF—which typically occur during years with strong financial results—represent a deferred recognition of revenues while transfers from the RSF increase revenues available for debt service as revenues from earlier periods are recognized. RSF transfer amounts will be adjusted based on actual financial performance during the forecast period.

In FY 2030, total projected System revenues of $202.9 million consist of water rate revenues ($123.6 million, 60.9 percent), wastewater rate revenues ($67.7 million, 33.4 percent), surcharge revenues ($5.1 million, 2.5 percent), other revenues ($0.6 million, 0.3 percent), and interest income ($5.8 million, 2.9 percent). Total System revenues, under the billing determinant and rate adjustment assumptions delineated above, are projected to increase 32.2 percent, from $153.4 million in FY 2026 to $202.9 million in FY 2030.

63 Annual bad debt expense was -2.1 percent from FY 2018 through FY 2022, then dropped below -0.5 percent in FY 2023 and FY 2024 as a result of American Rescue Plan Act (ARPA)-funded utility assistance programs. FY 2025 bad debt expense increased to -1.5 percent after these assistance programs expired.

7.8.2 Operating Expenses

GWA is responsible for the proper operations and maintenance of its water and wastewater assets. The Authority's operating budget is broken down into six general categories:

1. Power Purchases
2. Water Purchases
3. Salaries and Benefits
4. Administrative and General
5. Contractual Expenses
6. Retiree Expenses

Power Purchases. Pumping and treatment of water and wastewater requires significant electrical use, typically making water and wastewater utilities among the largest customers of a power utility. For GWA's system, electrical requirements are potentially more substantial than for other similarly sized systems. The Authority's service area, the way the System was developed over time (including, for example, its receipt of former military facilities), and the need to move wastewater and pump water from numerous wells all contribute to significant power costs. Forecasted power purchases are expected to increase 13.5 percent in FY 2027, from $17.0 million to $20.0 million. Despite anticipated cost savings associated with GPA's new Ukudu power plant, power costs are expected to rise as a result of surging fuel prices.[64] Power purchase expenses are expected to remain at elevated levels ($20.0 million) throughout the forecast period.

Water Purchases. Pursuant to a Memorandum of Agreement, the Navy supplies water through its water system to GWA for distribution and resale to non-military customers. Total purchases from the Navy for FY 2024 and FY 2025 were $8.7 million and $7.4 million, respectively, and FY 2026 water purchases are expected to total $7.1 million. Water purchase expenses reflect implementation of Navy water rate revisions which remain volatile as the Department of Defense increased the water cost per kgal from $10.36 to $24.07 in FY 2024 then subsequently reduced the water cost per kgal from $24.07 to $10.89 in FY 2025, and from $10.89 to 8.30 in FY 2026. For FY 2027, the Department of Defense has established the water cost to be $12.00 per kgal. As a result, water purchase expense is projected to increase by $0.7 million from FY 2026 to FY 2027 (9.5 percent) and remain at $7.8 million annually through the remainder of the forecast period due primarily to decreased purchase volumes. GWA anticipates working to ensure that future Navy water rate increases will be offset, to the extent practicable, by further reductions in purchase volumes to be achieved through GWA's ongoing Water Loss Control Program (see Sections 1.5.4 and 2.6.2).

Salaries and Benefits. The Salaries and Benefits budget consists of various forms of compensation to GWA employees including (1) regular, differential and hazard pay, (2) pension costs and other benefits, and (3) overtime pay. Personnel budgets in the industry are typically affected by local workforce availability, medical insurance costs, pension benefits and other post-employment benefits (OPEB). Like most utilities, the Authority's largest operational cost is labor. The Salaries and Benefits budget

64 The projection incorporates GPA's approved base rate increase for maintenance costs associated with operating the Ukudu plant, as well as GPA's most recent adjustment to the LEAC rate of $0.187014 to account for the increased cost of oil caused by geopolitical tensions in the Middle East.

is expected to represent over 40 percent of total (cash) operations-related costs in FY 2026. Salaries and wages expenses are projected to increase by $1.7 million in FY 2027 with completion of GWA's approved salary migration program, pay for performance adjustments, and planned staffing additions (particularly those in the Engineering Division which are needed to maintain or accelerate delivery of critical capital projects). In response to a 2023 market review study, GWA is currently implementing various salary adjustments to incentivize and retain top performing employees. The study, which compared U.S. mainland water utility salaries to the existing GWA pay scale for all positions, indicated that GWA had regressed from the 20th market percentile in 2017 to the 5th percentile in 2022. The salary migration plan will eventually move GWA to the 50th market percentile by FY 2029. The salary migration and pay for performance programs will address unusually high employee turnover at the Authority, which averaged 11.9 percent from FY 2021 to FY 2023, 15.9 percent in FY 2024, and 10.7 percent in FY 2025. This upward trend in GWA employees accepting employment elsewhere—either with the federal government or its contractors, other Guam agencies, or simply transferring off-island—leads to increased costs and negatively impacts GWA's operations, The salary migration and pay for performance programs are expected to reduce employee turnover and preserve the institutional knowledge of GWA's systems, processes, and infrastructure that is critical to the efficient and effective delivery of water and wastewater service.[65] Salaries and benefits are projected to increase thereafter at 2.8 percent per year, from $38.4 million in FY 2027 to $41.8 million in FY 2030. Recent increased expenses will provide staffing to implement or expand programs and initiatives (like asset management and water loss control), enable planned improvements in service levels, and enhance internal construction capability to enable self-performance of relatively smaller line replacement capital projects. GWA is currently authorized to hire personnel at the salary and benefit expenditure level noted above for FY 2027, which can accommodate 405 full-time equivalent (FTE) positions.

Administrative and General Expense. This cost category includes cost items such as sludge removal, chemicals, materials and supplies, transportation, communication, claims, insurance, training, advertising, and regulatory expense, among others. Administrative and General expenses are projected to increase by $2.8 million (21.6 percent) from FY 2026 to FY 2027 due to planned installation of granular activated carbon to an additional four water production facilities, increased sludge production and disposal, and replenishment of inventory for materials and supplies in conjunction with GWA's Asset Management Plan. These expenses are projected to increase thereafter by 4.3 percent annually, from $15.6 million in FY 2027 to $17.7 million in FY 2030.

Contractual Expense. Contractual expense includes audit and computer maintenance costs, building and equipment rentals, legal, laboratory and other costs. Contractual expenses are projected to increase $0.7 million in FY 2027 to $9.0 million, then increase to $9.6 million by FY 2030 (an average annual growth rate of 2.3 percent). The forecasted increase will enable GWA to procure and upgrade its payroll system, further invest in GIS software, and maintain the current level of Information Technology support required to operate effectively and securely.

Retiree Expense. As required by GovGuam's Annual Appropriations Act, GWA must reimburse GovGuam's Department of Administration for certain supplemental and healthcare benefits paid to retirees. This contribution to the Government of Guam, along with other post-employment benefits and health care costs, are the primary components of retiree expense. As part of the existing rate structure,

[65] GWA projects a turnover rate of 6.5 percent in FY 2026, suggesting the programs are already beginning to reduce employee turnover.

GWA assesses a surcharge to recover costs associated with retiree expense (often referred to as the legislative surcharge) on all non-lifeline rate components.[66] The current surcharge (FY 2026) is 3.55 percent and is expected to remain at that level for FY 2027. Retiree expenses are projected to increase 2.3 percent per annum, from $4.8 million in FY 2026 to $5.2 million in FY 2030. The increase reflects the rising costs of post-employment benefits, particularly healthcare costs pursuant to GWA's inclusion in the Government of Guam Group Health Insurance Enrollment for both active and retired employees.

Combined operating and maintenance expense for the System is projected to increase $15.3 million over the forecast period (annual compounded growth of 4.1 percent), from $86.9 million in FY 2026 to $102.2 million by FY 2030. This increase reflects the anticipated increase in power purchase expense attributed to current geopolitical tensions in the Middle East, installation of granular activated carbon to additional water production plants, increased sludge disposal costs, GWA's salary migration plan, and other cost assumptions outlined in this section.

7.8.3 Debt Service

Forecasted debt service comprises three primary components: existing debt service, interest expense on loans issued against short-term construction financing instruments, and debt service on proposed revenue bonds (including take-out bonds that will be issued to repay and restore the encumbrance capacity of the short-term financing instruments).

GWA is currently repaying seven prior revenue bond issuances, including the Series 2016 Revenue Bonds, the Series 2017 Refunding Revenue Bonds, the Series 2020A Revenue Bonds, the Series 2020B Refunding Revenue Bonds, the Series 2024A Refunding Revenue Bonds, the Series 2024B Refunding Revenue Bonds, and the Series 2025A Revenue Bonds. Debt service on existing revenue bonds is $50.6 million in FY 2026 and is expected to increase to $53.3 million by FY 2030 (after accounting for estimated refunding savings from the Series 2026 Bonds).

GWA is currently working to secure a $50 million loan from a commercial bank in the form of a revolving credit agreement.[67] The short-term construction financing instrument will facilitate encumbrances of high priority projects, enabling GWA to begin the procurement process and meet project delivery objectives. The Authority's capital planning group has estimated the timing and expenditure patterns of projects that will be encumbered against the short-term financing instrument, which serves as the basis for estimated loan issuance and forecasted interest expenses. The borrowing rate for debt issued against the instrument is assumed to be 5.05% and the fee for the unused portion of the line of credit is assumed to be 75 basis points. GWA anticipates issuing revenue bonds that will repay any outstanding debt obligations and provide substitute funding for projects previously encumbered against the line of credit when the two-year instrument expires in FY 2028. The financing plan assumes a second two-year short-term financing instrument will be put in place in 2028, at a capacity of $75 million with similar terms, and taken out with revenue bonds issued in FY 2030 when it expires.[68]

66 Under GWA's proposed rate design currently under consideration by the PUC, the legislative surcharge would be applied to all rate components.

67 To the extent that the actual 2026 short-term financing amount varies from $50 million, GWA may make adjustments to the timing and magnitude of future debt issuances within the plan of finance.

68 Repayment of the Series 2030 Bonds is expected to begin outside of the forecast period for this report, in FY 2031.

Annual interest expense for the revolving credit agreement is expected to be minimal in FY 2026[69] but increase to $0.8 million by FY 2027 as GWA begins to issue debt against the line of credit. Interest expense is expected to fluctuate between that level and $1.5 million over the forecast period based on the timing of capital expenditures and the assumed renewal (and increased capacity) of the line of credit in FY 2028.

GWA's plan of finance also assumes the availability of an encumbrance line in the form of a forward bond purchase agreement to facilitate the procurement of high-priority capital projects in FY 2027 and beyond. The encumbrance line, with a three-year term and capacity of $150 million, provides a viable funding source to begin procurement and contracting, with an assumption that GWA will issue revenue bonds roughly a year later to provide permanent funding and meet payment obligations on the projects. The annual fee is 20 basis points, or $300,000, for this short-term vehicle that will provide funding capacity during the procurement process.

Short-term financing fees—which are not considered debt service but do represent cash requirements of the System—consist of commitment fees for the revolving credit agreements on the unused portion of the credit facility and the annual fee for the encumbrance line. Total short-term financing fees are expected to increase from $0.2 million in FY 2026 to $0.7 million in FY 2029 before the short-term facilities expire in FY 2030.

GWA's financial plan anticipates the issuance of new money revenue bonds in FY 2026 (Series 2026 Bonds, project fund proceeds of $100 million). In addition, revenue bonds will be issued in FY 2028 (Series 2028 Bonds, $200 million of project proceeds), FY 2029 (Series 2029 Bonds, $150 million of project proceeds), and FY 2030 (Series 2030 Bonds, $125 million of project proceeds) to take out the short-term financing instruments as discussed in Section 7.6.[70] Proposed revenue bonds are assumed to be issued at an average rate of 4.72% with a 30-year amortization period and 1.0% costs of issuance. The debt service reserve is sized based on the Indenture-required maximum annual aggregate debt service and the estimated incremental deposit associated with the proposed Series 2026 Bonds is $7.1 million.[71] All proposed revenue bonds, including the Series 2026 Bonds, assume a debt structure with three years of principal deferral.

Repayment obligations for the proposed Series 2026 Bonds are expected to begin in January 2027 with an initial payment of $3.5 million and total $5.2 million during the remainder of the principal deferral period (through FY 2029). Annual payments will increase to $7.1 million in FY 2030. Debt service on the Series 2028 take-out bonds will begin in FY 2029 at $10.4 million annually. For the Series 2029 Bonds, the first interest-only payment of $7.8 million will occur in the final year of the forecast period. Aggregate debt service on proposed revenue bonds—including take-out bonds in connection with short-term financing instruments—is expected to increase from $3.5 million in FY 2027 to $25.2 million in FY 2030.

Total debt service, including interest expense associated with debt issued against the revolvers, is expected to increase from $50.7 million in FY 2026 to $79.9 million in FY 2030, an increase of 57.7 percent. The increase in the Authority's debt burden is attributed to the significant capital financing

69 The short-term construction financing instrument, when implemented during the next couple of months, will only be in place for the final months of FY 2026.

70 Repayment of the Series 2030 Bonds is expected to begin outside of the forecast period for this report, in FY 2031.

71 Assumed rates and terms as of July 7, 2026.

requirements—more than $1.2 billion over the forecast period—imposed by the Partial Consent Decree and other critical initiatives (like water loss control).

7.8.4 Current Revenue Financing of Capital Improvements

As shown in Table 7-5, the financing plan assumes that $82 million will be transferred from GWA's operating accounts over the forecast period to fund future capital encumbrances between FY 2026 and FY 2030. Annual current revenue financing amounts, or IFCIP, vary over time based on available excess operating revenues from the System. IFCIP transfers are expected to range from $12.0 million in FY 2027 to $25.0 million in FY 2028. The Authority's capital financing plan fully funds projected encumbrance requirements, including those associated with the Partial Consent Decree, while maintaining debt service coverage and operating reserves above established performance targets.

7.8.5 Operating Reserves

To provide adequate working capital for operations, GWA targets to maintain operating reserves equal to 120 days of annual operating expense. The operating reserves provide a buffer against unforeseen operational circumstances (like Typhoon Mawar) and ensure the Authority can meet unexpected operational costs and other needs of the System. At the beginning of FY 2026, GWA's combined operating reserve total was $55.7 million, equal to 238 days of the previous year's actual cash O&M expense. The projected end-of-year operating reserves for the Authority range from $49.6 million to $58.2 million, or between 185 and 237 days of forecasted O&M expense[72], and reflect the effect of projected rate adjustments, O&M expense escalation, annual IFCIP transfers for capital projects, and debt service on existing and proposed revenue bonds.

7.9 Projected Debt Service Coverage

Table 7-11 presents the projected performance of the Authority relative to its targeted debt service coverage metrics, including projected net operating revenues, expenses, debt service, and debt service coverage through FY 2030.[73]

Based on GWA's revenue and expense assumptions summarized in this report, net operating revenues of the System are expected to increase from $61.8 million in FY 2026 to $94.9 million in FY 2030, an increase of nearly 54 percent. Various revenue and expense adjustments are made to net operating revenues in order to establish revenues available for debt service. Interest income from unrestricted operating funds may be considered pledged revenues and is added to net operating revenues. On the expense side, certain cost of living adjustments—components of GWA's retiree expense—are excluded from operating expense (and therefore added back to net operating revenues). Similarly, and consistent with other utilities, the Authority capitalizes a portion of labor costs related to capital project delivery (representing a reduction in O&M expense). The bulk of this cost is attributed to project managers and other GWA personnel that support implementation of the capital program.

Other adjustments are made based on Rate Stabilization Fund transfers, which provide a mechanism to manage unexpected costs and corresponding fluctuations in financial results. RSF transfers, either from the operating fund to the RSF or from the RSF to the operating fund, alter the timing of revenue

72 Excluding non-cash items such as depreciation and bad debt expense.

73 An addendum to this feasibility study provides updated debt service forecasts based on municipal market data as of September 29, 2026.

recognition and, therefore, revenues available for debt service. These transfers are often used to smooth rate increases or mitigate the financial impacts of unanticipated events (such as Typhoon Mawar). RSF transfers may be adjusted based on GWA's actual financial performance during the forecast period.

After adjustments, revenues available for debt service is expected to increase nearly 50 percent, from $71.4 million in FY 2026 to $106.1 million in FY 2030. Total debt service, including repayment obligations for existing and proposed revenue bonds as well as interest expense on the credit revolvers, is anticipated to increase 57.7 percent, from $50.7 million in FY 2026 to $79.9 million in FY 2030.

Table 7-11. Projected Debt Service Coverage

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Rate Revenues[1]	$ 143.62	$ 152.77	$ 164.50	$ 177.33	$ 191.36
Legislative Surcharge	4.43	4.76	4.81	5.00	5.10
Other Revenues	0.60	0.60	0.60	0.60	0.60
Total Operating Revenues	$ 148.65	$ 158.13	$ 169.91	$ 182.93	$ 197.05
Operating Expenses	86.85	95.69	97.69	100.00	102.16
Net Operating Revenues	**$ 61.81**	**$ 62.44**	**$ 72.22**	**$ 82.93**	**$ 94.89**
Interest Income[2]	4.79	5.81	5.81	5.81	5.81
Cost-of-Living Allowance[3]	0.71	0.73	0.73	0.75	0.77
Capitalized Labor Expense[4]	4.08	4.27	4.35	4.50	4.64
Rate Stabilization Fund Transfers (To)[5]	-	-	-	-	-
Revenues Available for Debt Service	**$ 71.38**	**$ 73.24**	**$ 83.10**	**$ 94.00**	**$ 106.11**
Existing Debt Service[6]	50.63	51.65	52.71	53.44	53.26
Series 2026 Debt Service[7]	-	3.51	5.18	5.18	7.07
Series 2028 Debt Service[8]	-	-	-	10.36	10.36
Series 2029 Debt Service[9]	-	-	-	-	7.77
Short-Term Financing Interest[10]	0.05	0.80	1.06	1.20	1.48
Total Debt Service	**$ 50.68**	**$ 55.96**	**$ 58.95**	**$ 70.18**	**$ 79.94**
Total Debt Service Coverage Ratio	**1.41**	**1.31**	**1.41**	**1.34**	**1.33**

1 - All numbers in millions; slight calculation discrepancies may exist due to rounding.

2 - Includes only interest earnings that may be considered for calculation of debt service coverage.

3 - The cost of living allowance, a component of Retiree expense, is excluded from the coverage calculation.

4 - For purposes of calculating coverage, certain personnel costs related to the delivery of capital projects are capitalized.

5 - Positive amounts represent transfers from the RSF to GWA's operating funds and recognition of prior period revenues.

6 - Reflects anticipated refunding savings associated with the Series 2026 Bonds.

7 - Debt service on the new money component ($100 million) of the Series 2026 Bonds, with three year principal deferral.

8 - Debt service on Series 2028 Bonds with project proceeds of $200 million, with three year principal deferral.

9 - Debt service on Series 2029 Bonds with project proceeds of $150 million, with three year principal deferral.

10 - Interest expense on the revolving credit facilities based on the timing of projected capital project expenditures.

For new debt issues, the Authority has a minimum coverage requirement of 1.25x average annual debt service. Debt service coverage is projected to range from 1.31x (FY 2027) to 1.41x (FY 2028), with coverage at 1.33x at the end of the forecast period. The projected coverage ratio demonstrates that implementation of GWA's financing plan (that includes an approved 6.25% non-lifeline adjustment in

FY 2027 and PUC-authorized 7.75% non-lifeline annual rate increases through FY 2029) may enable funding of more than $1.2 billion of project encumbrance requirements while meeting minimum operating reserve and fund balance targets and exceeding covenanted debt service coverage requirements.[74]

7.10 Financial Performance Summary

Projections of revenues, expenses, debt service, and debt service coverage indicate the financial feasibility of GWA's projected operating expenses and five-year capital improvement plan, including its funding of consent decree projects and needed System investments to control water loss and improve reliability. The projection of the financial performance of the System for FY 2026 through FY 2030 is summarized as follows:

- GWA's capital improvement program reflects priority needs of the System and, after adjusting for inflation, is expected to require encumbrances of $1.22 billion between FY 2026 and FY 2030. These capital requirements will be funded through eight sources: existing reserves[75] (22.5 percent) new money revenue bonds (8.2 percent); revolving credit facilities (10.2 percent); an encumbrance line (40.8 percent);[76] grants from the EPA (6.9 percent); net operating revenues, or IFCIP (6.7 percent); system development charge revenues (0.3 percent); and interest earnings that may be used to fund projects (4.4 percent).
- The Authority has demonstrated a strong commitment to rate adjustments as demonstrated by (1) historical annual increases, on a compounded basis, of 10.4 percent during the last four fiscal years (from FY 2023 through FY 2026), (2) a PUC-approved 6.25% adjustment for upcoming FY 2027, and (3) projected (and authorized) rate adjustments of 7.75% per year (consistent with GWA's adjudicated five-year rate plan) from FY 2028 through FY 2029.[77] The resulting net revenues of the System will support existing and proposed debt service and enable financing of capital encumbrance requirements.
- Total operating revenues are projected to increase 32.2 percent, from $153.4 million to $202.9 million between FY 2026 and FY 2030 primarily as a result of water and wastewater rate adjustments and despite minimal forecasted increases in water sales.
- O&M expenses, which reflect GWA's salary migration plan and increased estimates of power purchase expense and sludge disposal costs, are projected to increase 17.6 percent over the forecast period, from $86.9 million in FY 2026 to $102.2 million by FY 2030.
- Total debt service—including debt service associated with the Series 2026 Bonds new money component, interest expense associated with the revolving credit facilities, and take-out revenue bonds to repay short-term financing obligations—is projected to increase 57.7 percent over the forecast period, from $50.7 million in FY 2026 to $79.9 million in FY 2030.

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74 In the event that the PUC approves rates for subsequent annual True-Up years that are projected to achieve revenue recovery levels lower than that delineated in this plan of finance, GWA will adjust O&M expenses and planned capital encumbrances to ensure compliance with targeted debt service coverage and liquidity metrics.

75 Existing reserves include grant awards from prior periods, net operating revenues within the IFCIP account, and $237.7 million of proceeds from the Series 2025 Bonds that have not yet been encumbered to capital projects.

76 Initial project encumbrances to the revolvers and encumbrance line will be taken out with the issuance of revenue bonds that will provide permanent funding for project commitments (see Table 7-6).

77 Annual increases are reported for non-lifeline rate components.

- The Authority expects to generate a total of $82.0 million in net operating revenues that may be used to finance capital encumbrance requirements during the forecast period, with annual IFCIP transfers ranging between $12.0 and $25.0 million.
- Revenues available for debt service are projected to be sufficient to meet these increased debt service obligations, including the covenanted 1.25x coverage requirement. Debt service coverage is projected to range between 1.31x (FY 2027) and 1.41x (FY 2028), with coverage at 1.33x by the end of the forecast period. The projected coverage ratio demonstrates the feasibility of the financing plan and GWA's ability to support the proposed revenue bonds outlined herein.[78]

78 In the event that the PUC approves rates for subsequent annual True-Up years that are projected to achieve revenue recovery levels lower than those delineated in this plan of finance, GWA will adjust O&M expenses and planned capital financing to ensure compliance with targeted debt service coverage and liquidity metrics.

8.0 Conclusions

Galardi Rothstein Group, using information provided by the Authority, has analyzed historical financial performance and developed projections of revenues, operating expenses, and capital project encumbrance requirements for the forecast period FY 2026 through FY 2030. These projections have been used to evaluate the financial feasibility of the Series 2026 Bonds and result in the following general findings and conclusions:

1. GWA's capital improvement program reflects priority needs of the System and comprises projects that will address regulatory requirements (such as the 2024 Partial Consent Decree), reduce System water loss, and provide for efficient renewal and replacement of aging infrastructure informed by GWA's asset management program.
2. GWA's financing plan reflects a balanced approach for capital encumbrance requirements, using both short- and long-term debt instruments, net operating revenues of the System, grants, and other revenue sources to fund approximately $1.22 billion of capital encumbrance requirements over the five-year forecast period.
3. The Authority has demonstrated a strong commitment to rate adjustments as demonstrated by recent historical increases and PUC-approved rate revenue levels identified in GWA's adjudicated five-year rate plan. The resulting revenues of the System will support forecasted operating expenses as well as existing and future debt service associated with planned debt issuances delineated in the capital financing plan.
4. GWA is successfully navigating a changing regulatory landscape through a proactive response to emerging contaminants and its successful completion of negotiations related to the 2024 Partial Consent Decree.
5. The financial projections reported herein demonstrate that GWA can support the Series 2026 Bonds, as well as other proposed debt issuances, from net operating revenues of the System. Although annual debt service is projected to increase almost 60 percent, debt service coverage is projected to be above the minimum 1.25x requirement set forth in the Indenture, ranging from 1.31x to 1.41x.
6. In summary, Galardi Rothstein Group affirms the financial feasibility of the Authority's capital financing plan, including issuance of the Series 2026 Bonds, based on approved and proposed rate adjustments included in the plan of finance[79], GWA's forecasted expense to operate and maintain the System, and projected debt service and other costs associated with existing and proposed debt obligations summarized in this report.[80]

[79] Non-lifeline rate adjustments of 7.75% in FY 2028 and FY 2029 are consistent with GWA's adjudicated five-year rate plan. Final implemented rates are subject to the annual true-up process.

[80] In the event that the PUC approves rates for subsequent annual True-Up years that are projected to achieve revenue recovery levels lower than those delineated in this plan of finance, GWA will adjust O&M expenses and planned capital financing to ensure compliance with targeted debt service coverage and liquidity metrics.

Appendix I - Approved FY 2027 Rates

	FY 2025	increase	FY 2026	change	FY 2027
Proposed Rate Increase [1]		***8.20%***		***6.25%***	
Water Rates					
Monthly Base Charge [2]					
3/4 inch	$34.14	$2.80	$36.94	$2.31	$39.25
1 inch	$39.84	$3.27	$43.11	$2.70	$45.81
1.5 inch	$62.51	$5.13	$67.64	$4.23	$71.87
2 inch	$79.62	$6.53	$86.15	$5.39	$91.54
3 inch	$142.22	$11.67	$153.89	$9.62	$163.51
4 inch	$199.08	$16.33	$215.41	$13.47	$228.88
6 inch	$369.70	$30.32	$400.02	$25.01	$425.03
8 inch	$540.32	$44.31	$584.63	$36.54	$621.17
10 inch	$739.41	$60.64	$800.05	$50.01	$850.06
12 inch	$881.55	$72.29	$953.84	$59.62	$1,013.46
Volumetric Rates					
Residential					
Tier 1 Threshold	5 kgals		5 kgals		5 kgals
Tier 2 Threshold	above		above		above
Tier 1 Rate	$3.91	$0.00	$3.91	$0.00	$3.91
Tier 2 Rate	$16.26	$1.34	$17.60	$1.10	$18.70
Non-Residential [3]					
Commercial-1	$20.20	$1.66	$21.86	$1.37	$23.23
Commercial-2	$20.20	$1.66	$21.86	$1.37	$23.23
Commercial-3	$20.20	$1.66	$21.86	$1.37	$23.23
Hotels	$20.20	$1.66	$21.86	$1.37	$23.23
Government	$20.20	$1.66	$21.86	$1.37	$23.23
GWA	$20.20	$1.66	$21.86	$1.37	$23.23
Agriculture	$6.49	$0.54	$7.03	$0.44	$7.47
Irrigation	$6.71	$0.56	$7.27	$0.46	$7.73
Wastewater Rates					
Residential Flat Rate	$35.84	$0.00	$35.84	$0.00	$35.84
Volumetric Rates					
Commercial-1	$11.14	$0.92	$12.06	$0.76	$12.82
Commercial-2	$27.14	$2.23	$29.37	$1.84	$31.21
Commercial-3	$37.63	$3.09	$40.72	$2.55	$43.27
Hotels	$27.14	$2.23	$29.37	$1.84	$31.21
Government	$15.92	$1.31	$17.23	$1.08	$18.31
Leachate	$16.41	$1.35	$17.76	$1.11	$18.87
Navy	$15.92	$1.31	$17.23	$1.08	$18.31
Legislative Surcharge					
Surcharge	3.50%		3.55%		3.55%

1 - The FY 2026 and FY 2027 rate adjustments are applied to non-lifeline rate components only

2 - Monthly base charges for the Agriculture customer class are roughly 96.6% of stated base charge

3 - Non-residential volumetric water rates are applied to all levels of demand

Appendix II - FY 2027 Bill Impact Schedule

	Meter Size	Kgals	FY 2026	Increase	FY 2027	% Change
Customer Class						
Residential	3/4 inch	1	$78.00	$2.39	$80.39	3.06%
Residential	3/4 inch	2	$81.91	$2.39	$84.30	2.92%
Residential	3/4 inch	3	$85.82	$2.39	$88.21	2.78%
Residential	3/4 inch	4	$89.73	$2.39	$92.12	2.66%
Residential	3/4 inch	5	$93.64	$2.39	$96.03	2.55%
Residential	3/4 inch	6	$111.87	$3.53	$115.40	3.16%
Residential	3/4 inch	7	$130.09	$4.67	$134.76	3.59%
Residential	3/4 inch	9	$166.54	$6.95	$173.49	4.17%
Residential	3/4 inch	12	$221.21	$10.37	$231.58	4.69%
Residential	3/4 inch	15	$275.89	$13.78	$289.67	4.99%
Commercial-1	3/4 inch	23	$788.66	$49.50	$838.16	6.28%
Commercial-1	1.5 inch	50	$1,701.37	$106.79	$1,808.16	6.28%
Commercial-2	2 inch	270	$12,770.07	$800.16	$13,570.23	6.27%
Commercial-3	3/4 inch	41	$2,349.36	$147.16	$2,496.52	6.26%
Hotel	2 inch	400	$18,875.66	$1,182.74	$20,058.40	6.27%
Hotel	4 inch	970	$45,780.21	$2,868.55	$48,648.76	6.27%
Government	3/4 inch	50	$1,883.72	$118.06	$2,001.78	6.27%
Government	1.5 inch	150	$5,606.45	$351.37	$5,957.82	6.27%
Agriculture	3/4 inch	16	$153.42	$9.60	$163.02	6.26%
Irrigation	3/4 inch	10	$113.53	$7.16	$120.69	6.31%

1 - With the exception of the Agriculture and Irrigation customer classes, bill impact calculations assume billable wastewater flows are 80% of water demand for both residential and non-residential customers

Feasibility Study Addendum

October 2, 2026

This Addendum to the Consultant's Feasibility Study updates the forecast of debt service coverage based on municipal market data as of September 29, 2026.

The updated coverage forecast excludes potential refunding savings associated with the Series 2026 Bonds, which had been previously reflected in existing debt service. Estimated debt service for the Series 2026 Bonds has been updated to reflect an average rate of 5.73%, while the Series 2028 Bonds and Series 2029 Bonds are assumed to be issued at an average rate of 5.50%. The estimated debt service for each of these bonds (Series 2026, Series 2028, and Series 2029) continues to assume three years of principal deferral, a 30-year amortization period, 1.0% costs of issuance, and a debt service reserve based on the Indenture-required maximum annual aggregate debt service.

Table 7-11. Projected Debt Service Coverage, *UPDATED*

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Rate Revenues[1]	$ 143.62	$ 152.77	$ 164.50	$ 177.33	$ 191.36
Legislative Surcharge	4.43	4.76	4.81	5.00	5.10
Other Revenues	0.60	0.60	0.60	0.60	0.60
Total Operating Revenues	$ 148.65	$ 158.13	$ 169.91	$ 182.93	$ 197.05
Operating Expenses	86.85	95.69	97.69	100.00	102.16
Net Operating Revenues	**$ 61.81**	**$ 62.44**	**$ 72.22**	**$ 82.93**	**$ 94.89**
Interest Income[2]	4.79	5.81	5.81	5.81	5.81
Cost-of-Living Allowance[3]	0.71	0.73	0.73	0.75	0.77
Capitalized Labor Expense[4]	4.08	4.27	4.35	4.50	4.64
Rate Stabilization Fund Transfers (To)[5]	-	-	-	-	-
Revenues Available for Debt Service	**$ 71.38**	**$ 73.24**	**$ 83.10**	**$ 94.00**	**$ 106.11**
Existing Debt Service[6]	50.63	52.01	53.22	53.94	53.76
Series 2026 Debt Service[7]	-	3.97	6.06	6.06	7.97
Series 2028 Debt Service[8]	-	-	-	11.98	11.98
Series 2029 Debt Service[9]	-	-	-	-	8.99
Short-Term Financing Interest[10]	0.05	0.80	1.06	1.20	1.48
Total Debt Service	**$ 50.68**	**$ 56.78**	**$ 60.34**	**$ 73.19**	**$ 84.17**
Total Debt Service Coverage Ratio	**1.41**	**1.29**	**1.38**	**1.28**	**1.26**

1 - All numbers in millions; slight calculation discrepancies may exist due to rounding.

2 - Includes only interest earnings that may be considered for calculation of debt service coverage.

3 - The cost of living allowance, a component of Retiree expense, is excluded from the coverage calculation.

4 - For purposes of calculating coverage, certain personnel costs related to the delivery of capital projects are capitalized.

5 - Positive amounts represent transfers from the RSF to GWA's operating funds and recognition of prior period revenues.

6 - Excludes potential refunding savings associated with the Series 2026 Bonds.

7 - Debt service on the new money component ($100 million) of the Series 2026 Bonds, with three year principal deferral.

8 - Debt service on Series 2028 Bonds with project proceeds of $200 million, with three year principal deferral.

9 - Debt service on Series 2029 Bonds with project proceeds of $150 million, with three year principal deferral.

10 - Interest expense on the revolving credit facilities based on the timing of projected capital project expenditures.

Relative to the forecast included in the Consultant's Feasibility Study, which estimated debt service based on municipal market data as of July 7, 2026, the assumed rate on the Series 2026 Bonds has increased 101 basis points and the assumed rates of the Series 2028 Bonds and Series 2029 Bonds have both increased 78 basis points. All other revenue and expense assumptions remain the same (i.e., the forecast of net revenues available for debt service has not changed). As a result of the interest rate changes, total FY 2030 debt service is estimated to be $84.2 million, an increase of $4.3 million. The following table presents a comparison of debt service coverage across the forecast period under alternative municipal market data assumptions.

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Average
MMD as of July 7, 2026	1.41	1.31	1.41	1.34	1.33	1.36
MMD as of September 29, 2026	1.41	1.29	1.38	1.28	1.26	1.32
Difference	(0.00)	(0.02)	(0.03)	(0.06)	(0.07)	(0.04)

Average debt service coverage over the five-year forecast period decreases 0.04x, from 1.36x to 1.32x. Debt service coverage is estimated to be 1.26x in FY 2030 (0.07x lower) based on changes to forecasted debt service.

The Authority monitors financial performance on an ongoing basis, including revenues, expenses, and capital encumbrance requirements. To the extent that credit market conditions vary from those presented in the Consultant's Feasibility Study, or forecasted debt service costs are higher or lower than anticipated, the Authority will adjust proposed water and wastewater service rates and/or manage O&M spending to achieve targeted financial performance metrics.

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APPENDIX B

GENERAL INFORMATION REGARDING THE TERRITORY OF GUAM

Guam is the westernmost territory of the United States of America (the "**U.S.**"), as well as the largest and southernmost island of the Marianas archipelago, and the largest of the 2,000 islands in Micronesia. Located at 13 degrees north latitude, 144 degrees east longitude in the western Pacific Ocean, the island is about 30 miles long and varies from four to nine miles wide, with a total land area of approximately 212 square miles. Guam is approximately 3,800 miles west-southwest of Honolulu, Hawaii, 1,550 miles south-southeast of Tokyo, Japan and 1,600 miles east of Manila, Philippines. The Mariana Trench, which has the deepest known ocean depth (36,070 feet), extends from northeast to southwest of Guam. The U.S. Census Bureau estimated Guam's population in 2020 was approximately 153,836 (the most recent date for which such information is available).

The island of Guam was formed by an uplift of undersea volcanoes and consists of two distinct areas of approximately equal size, surrounded by coral reefs near the shore. The northern region of Guam is a high coralline limestone plateau rising 850 feet above sea level. It contains the northern water lens, which is the main source of fresh water on the island. The southern region of Guam is mountainous with elevations of 700 to 1,200 feet above sea level. Apra Harbor, one of the largest protected deep-water harbors in the world, is located on the western side of Guam.

Guam was first settled approximately 4,000 years ago. Its strategic location in the western Pacific historically made it desirable property for the world's superpowers. The indigenous Chamorro people first came in contact with Europeans in 1521 when Ferdinand Magellan landed at Guam's Umatac Bay. Miguel Lopez de Legazpi claimed the island for Spain in 1565. Spanish colonization of Guam began in 1668 and lasted until the end of the Spanish-American War in 1898. As outlined in the Treaty of Paris, signed in December 1898, Guam was ceded to the U.S. along with Cuba, Puerto Rico and the Philippines. Guam has since remained under U.S. administration, except for two and a half years of Japanese occupation during World War II. On July 21, 1944, U.S. forces recaptured Guam and reestablished a naval government. In 1950, the U.S. Congress passed the Organic Act of Guam 48 U.S. Code 1421 (the "**Organic Act**") granting the Chamorro people U.S. citizenship and establishing a civilian government.

Guam's current political status is that of an unincorporated territory of the U.S. The organization and powers of the Government of Guam (the "**Government**" or "**GovGuam**") are determined by the Organic Act. The Government consists of three branches: executive, legislative and judicial. A governor ("**Governor**") and lieutenant governor, elected jointly at large every four years, head the executive branch. The Government maintains a staff of approximately 11,980 employees (as of December 2024, the most recent date for which such information is available) under the direction of the Governor and the Governor's department heads. The unicameral legislature consists of 15 senators elected at large every two years. The judicial branch consists of the Superior Court of Guam, which is the court of general trial jurisdiction, and the Supreme Court of Guam, the court of highest appeal, established in 1996. Guam also has a Federal District Court and is within the jurisdiction of the Ninth Circuit U.S. Court of Appeals ("**Ninth Circuit**") and the U.S. Supreme Court. Guam has one non-voting delegate to the U.S. House of Representatives elected at large every two years. The Government is the sole taxing authority in Guam. There are no separate municipal, county, school district or improvement district taxes.

Guam's political status and ability to self-govern have been discussed for decades. In the 1970s, Guam's leaders created special commissions to discuss political status. These commissions recognized the desires of Guam's people and examined Guam's political conditions and the status options available to Guam. In the late 1990s, the Commission on Decolonization (the "**Commission**") was established for the implementation and exercise of Chamorro self-determination. The Commission was tasked with educating Guam on the three status options available: free association, independence and statehood. While the Commission was inactive for most of the early 2000s, it was re-launched in 2011, and Governor Lou Leon Guerrero appointed a new Commission in February 2019. In 2020, the U.S. Supreme Court announced it would not review a case that could affect the political status of Guam. The order issued means the Ninth Circuit's ruling that Guam's native inhabitants cannot be the sole participants in a political status plebiscite will stand. Governor Leon Guerrero is currently reviewing options to move forward with the Commission. Guam's political status remains unchanged, and Guam remains an unincorporated territory of the U.S.

GUAM'S ECONOMY AND ECONOMIC ACTIVITY

Tourism revenues and U.S. federal and military spending contribute significantly to Guam's economy. Guam's location in the Pacific region, a three- to five-hour flight from many Asian countries, greatly contributes to the diversity of Guam's population and its visitor industry. This geographic feature also provides U.S. military operations with significant flexibility compared to other locations in the Pacific and Asia.

Guam Tourism Industry

Tourism represents a large source of income for Guam's economy. The COVID-19 pandemic, however, had a material adverse effect on tourism in Guam, as global travel restrictions led to significant decreases in tourism. In Fiscal Year 2024, total enplanements reached 1,050,982, a 19% increase from 882,664 in Fiscal Year 2023. Total visitor arrivals for Fiscal Year 2024 were 752,572, 46% of Fiscal Year 2019 pre-pandemic levels. In Fiscal Year 2025, total visitor arrivals were 729,124, representing a decrease of approximately 3.1% from Fiscal Year 2024, reflecting challenges in certain source markets, particularly South Korea, as well as airline capacity and currency-related factors. Despite this decline, tourism remains a principal component of Guam's economy and recent Guam Visitors Bureau statistics indicate continued stabilization and recovery in key markets.

Table B-1 sets forth the annual number of visitors to Guam for Fiscal Years 2019 through 2025.

TABLE B-1
Annual Visitor Arrivals to Guam
Fiscal Years 2019 – 2025

Fiscal Year	Visitor Arrivals	Year-over-Year Percent Increase (Decrease)
2019	1,631,049	--
2020	757,385	(54) %
2021	61,607	(92)
2022	216,915	252
2023	602,594	178
2024	752,572	25
2025	729,124	(3) %

Source: Guam Visitors Bureau

Table B-2 provides a comparison of visitor arrivals by month to Guam for Calendar Years 2019 through 2026 year-to-date. Calendar Year 2019 arrivals were comprised of 45% of visitors from South Korea and 41% of visitors from Japan. The slowdown in arrivals from February 2020 to December 2021 is related to the impact of the COVID-19 pandemic, but Guam slowly has regained traction, with Calendar Year 2022 arrivals exceeding Calendar Year 2020 arrivals by 273 visitors. Calendar Year 2022 visitor arrivals also improved when compared to Calendar Year 2021. Calendar Year 2023 arrivals doubled those of Calendar Year 2022, based on data from the Guam Visitors Bureau ("**GVB**"). The recovery continued into Calendar Year 2024, with total arrivals increasing by 13% over 2023. Guam's Calendar Year 2025 arrivals are 782,840 reflecting a 5.9% increase over Calendar Year 2024.

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Table B-2
Visitor Arrivals to Guam by Month
Calendar Years 2019 – July 2026 [1]

	2019	2020	2021	2022	2023	2024[1]	2025[1]	2026[1]
January	147,507	157,479	4,526	9,060	56,687	82,670	65,818	69,540
February	137,244	116,746	3,478	7,096	56,253	74,154	60,122	69,535
March	146,332	35,310	3,716	9,401	65,603	68,623	61,239	68,281
April	121,004	1,557	3,814	11,323	55,354	56,773	50,558	36,818
May	120,411	1,502	4,352	20,008	44,347	51,420	49,950	38,392
June	123,528	2,221	7,438	28,278	17,310	52,757	54,065	34,789
July	136,878	1,385	12,860	41,091	52,154	59,931	70,994	44,256
August	159,856	2,048	8,675	37,835	67,842	66,926	78,918	-------
September	137,680	2,912	5,735	28,028	52,286	51,380	57,743	-------
October	134,830	2,331	6,416	40,934	54,099	53,077	61,792	-------
November	143,987	2,562	9,615	39,852	60,862	54,231	70,731	-------
December	157,408	2,120	8,764	55,540	73,721	67,203	96,449	-------
Total	1,666,665	328,173	79,389	328,446	656,518	739,145	778,379	361,611

[1] Preliminary Monthly Visitor Arrival Statistics are compiled from the Guam Customs and Quarantine Mandatory Customs Declaration forms and may exclude Armed Forces Sea arrival statistics. Annual numbers are updated once Armed Forces information is received.

Source Guam Visitors Bureau July 2026 Arrival Summary

Key Visitor Markets

Guam receives visitors from a variety of countries and GVB has historically made efforts to further diversify Guam's visitor base. Prior to the COVID-19 pandemic, four of Guam's top five visitor markets included South Korea, Japan, Taiwan and China.

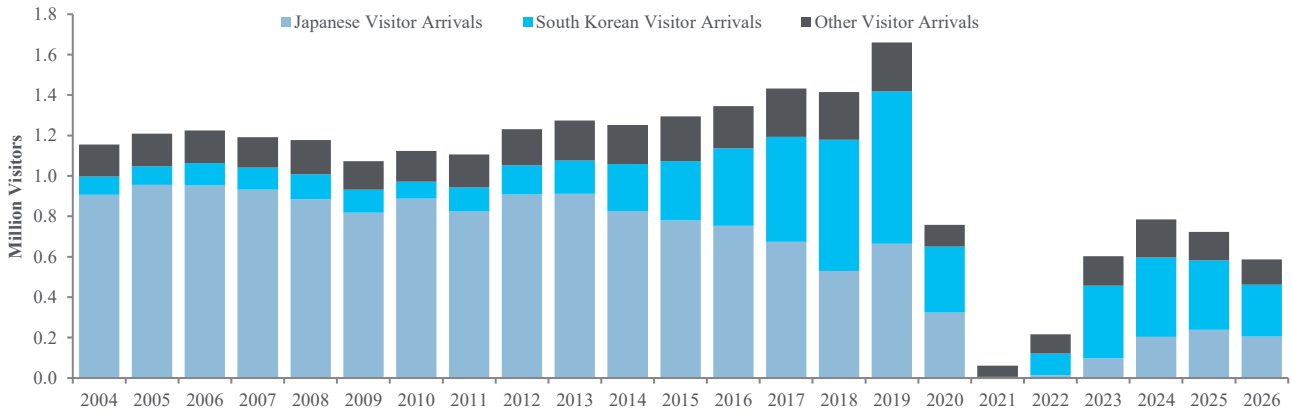
Guam's visitor industry has continued to recover from the significant decline experienced during the COVID-19 pandemic, although total arrivals remain below pre-pandemic levels. Japan and South Korea continue to represent Guam's two largest international visitor markets. Through July 2026, Fiscal Year 2026 arrivals from Japan increased 8.2% compared with the same period in Fiscal Year 2025, while arrivals from South Korea decreased 8.2%. Taiwan, which remains a smaller visitor market, increased 21.0% over the same period. Guam continues to pursue diversification of its visitor base while maintaining its focus on Japan and South Korea.

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Table B-3 provides historical visitor arrivals as a percentage of total visitor arrivals for Japan and South Korea since 2004.

Table B-3

Historical Fiscal Year Japanese and S. Korea Visitor Arrivals as a Percentage of Total Visitor Arrivals 2004-2026



Fiscal Year 2004 to Fiscal Year 2026 [1]

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026[1]
Other	14%	14%	12%	14%	15%	15%	14%	16%	16%	14%	17%	15%	16%	15%	16%	14%	14%	91%	44%	24%	21%	19%	24%
S. Korea	8%	9%	9%	10%	10%	8%	10%	13%	13%	17%	22%	28%	34%	42%	49%	45%	43%	3%	50%	60%	52%	48%	42%
Japan	78%	77%	79%	76%	75%	77%	76%	72%	71%	68%	62%	57%	50%	43%	35%	41%	43%	6%	3%	16%	27%	33%	34%

(1) Preliminary Monthly Visitor Arrival Statistics for Fiscal Year 2024 are compiled from the Guam Customs and Quarantine Mandatory Customs Declaration forms and may exclude Armed Forces Sea arrival statistics. Annual numbers are updated once Armed Forces information is received

Source: Guam Visitors Bureau July 2026 Arrival Summary

Visa Waiver Program.

In November 2009, the United States updated its policies relating to the visa waiver program available for travel to Guam for tourism or business. The current program allows visitors holding passports from Australia, Brunei, Hong Kong, Japan, Malaysia, Nauru, New Zealand, Papua New Guinea, Republic of Korea, Singapore, Taiwan and the United Kingdom to visit Guam and/or Commonwealth of the Northern Mariana Islands ("**CNMI**") without a visa for a period of up to 45 days.

Although a visa waiver has not been granted for Chinese tourists to travel to Guam, in November 2014, the U.S. and China agreed to extend visa validity from a one-year, single-use visa to a 10-year, multi-use visa. This greatly reduces the time and cost required for a U.S. visa and removes one of the roadblocks to attracting Chinese tourists to Guam.

Currency Challenges

The decline in the value of the Japanese yen and South Korean won against the U.S. dollar in recent years (particularly from 2022–2024) has greatly impacted the travel habits of these tourists to Guam and other U.S. destinations. With the strong dollar, travel to all U.S. destinations has become more expensive, reducing the purchasing power of travelers from key markets. GVB has tackled this issue with the launch of several airline incentive programs and other marketing campaigns to make Guam more attractive as a destination and to entice the Asian travelers back to the island.

Table B-4 highlights the percentage change in annual visitor arrivals to Guam by country for Fiscal Years 2021 through 2025.

TABLE B-4
Percentage Change in Annual Visitor Arrivals by Country
Fiscal Years 2021-2025

	2021	% Change From 2020	% of Total	2022	% Change From 2021	% of Total	2023	% Change From 2022	% of Total	2024	% Change From 2023	% of Total	2025(3)	% Change From 2024	% of Total
Japan	3,454	-99%	6%	13,022	277%	6%	97,823	651%	16%	203,767	108%	27%	237,909	17%	33%
South Korea	2,063	-99%	3%	108,454	5157%	50%	358,570	231%	60%	392,945	10%	52%	343,995	-13%	48%
U.S. Mainland / Hawaii	41,239	-15%	67%	64,572	57%	30%	82,794	28%	14%	86,435	4%	12%	77,068	-11%	11%
Taiwan	2,253	-79%	4%	423	-81%	0%	5,371	1170%	1%	2,915	-46%	0%	7,789	167%	2%
China P.R.C.	124	-97%	0%	416	236%	0%	2,025	387%	0%	4,825	138%	1%	4,704	-3%	1%
CNMI	3,178	-69%	5%	12,625	297%	6%	14,383	14%	2%	13,077	-9%	2%	12,376	-5%	2%
Micronesia (1)	2,849	-71%	5%	5,290	86%	2%	15,903	201%	3%	16,812	6%	2%	14,517	-4%	2%
Philippines	2,262	-76%	4%	6,230	175%	3%	13,593	118%	2%	13,242	-3%	2%	14,464	9%	2%
Australia	360	-72%	1%	1,079	200%	1%	1,253	16%	0%	1,261	1%	0%	1,037	-18%	0%
Europe	697	-38%	1%	826	19%	0%	1,485	80%	0%	1,621	9%	0%	1,445	-11%	0%
Hong Kong	31	-98%	0%	125	303%	0%	708	466%	0%	777	10%	0%	707	-9%	0%
Russia	67	-93%	0%	63	-6%	0%	148	135%	0%	157	6%	0%	117	-26%	0%
Singapore	914	85%	2%	562	-39%	0%	853	52%	0%	951	12%	0%	1015	7%	0%
Others / Unknown	1,192	-72%	2%	2,241	88%	1%	4,088	82%	1%	5,343	31%	1%	5,745	8%	1%
Total Air (2)	60,683	-92%	99%	215,928	256%	100%	598,997	177%	99%	744,128	24%	99%	723,214	-3%	100%
Total Sea (3)	924	-83%	2%	987	7%	1%	3,597	264%	1%	8,351	132%	1%	704	-92%	0%
Total Air & Sea	61,607	-92%	100%	216,915	252%	100%	602,594	178%	100%	752,479	25%	100%	723,918	-4%	100%

(1) Includes the Republic of Palau ("**Palau**"), Federated States of Micronesia ("**FSM**") and the Republic of the Marshall Islands ("**RMI**").
(2) Includes military air arrivals.
(3) Preliminary and unaudited.
Source: *Guam Visitors Bureau July 2026 Arrival Summary*

Guam Visitors Bureau

The Guam Visitors Bureau is a nonprofit membership corporation that has existed in its current form since 1984. GVB's mission is to efficiently and effectively promote Guam as a safe and satisfying destination for visitors and to derive maximum benefits for the people of Guam. Policy for GVB is set by a 12-member board of directors, consisting of five directors appointed by the Governor with the advice and consent of the Guam Legislature, two directors appointed by the Speaker of the Guam Legislature, four directors elected by the other members, and one director selected by at least a two-thirds vote of the other 11 directors. A board-appointed President and Chief Executive Officer administers the activities of GVB. Membership in GVB is not restricted to any particular group. The Guam Legislature appropriates funding for GVB's operations from amounts available in the Tourist Attraction Fund.

Recent promotions by GVB include a Guam branding initiative; efforts to expand visitor markets through expansion of the visa waiver program and similar initiatives; encouraging longer stays and repeat visits by enhancing and promoting tourist and cultural destinations and events in Guam and working with travel agents to market group-travel initiatives and coordination of more focused familiarization ("**FAM**") tours. Since 2019, GVB has welcomed FAM tours and meetings, incentives, conventions and events groups from different markets, including hosting three groups of ambassadors focused on re-introducing Guam's activities and attractions to the recovering Japanese market in 2022.

In November 2020, Guam was included in National Geographic's 'Destinations on the Rise for 2021' – a list of "25 amazing places to inspire future journeys and remind us why we love to travel." The National Geographic article noted that these 25 "timeless places" including Guam would define future itineraries. The list was made by the global editors of National Geographic Travel and framed by five categories (Adventure, Culture and History, Nature, Family, Sustainability).

In January 2023, GVB marked an important milestone in the shared history of Taiwan and Guam in celebrating the 50th anniversary of a significant sister city agreement. Guam signed the sister city agreement with Taipei City on January 12, 1973, which was executed by the island's first elected Governor Carlos Camacho and the Taipei Mayor Chang Feng-hsu. The sister city agreement with Taipei City is a celebration of Guam's role in diplomatic relations and cultural ties with the Taiwanese people over the last several decades. According to GVB, this is the third sister city agreement that was signed between Taipei City and the U.S.

In 2024, the GVB implemented a multi-faceted marketing strategy aimed at revitalizing tourism, diversifying its visitor base, and repositioning Guam as a premier destination in the Asia-Pacific region. These efforts included:

- In August 2024, GVB approved a $1.5 million marketing deal with the top-tier British football team, the Tottenham Hotspur Football Club. This unprecedented partnership was designed to leverage the global reach and fanbase of the English Premier League to promote Guam, marking a shift from traditional marketing approaches.

- In September 2024, at the Tourism EXPO Japan 2024 at the Tokyo Big Sight Convention Center, GVB launched the "Wellness Island Project" in partnership with H.I.S. Co., Ltd. The project positions Guam as a top wellness and fitness destination, targeting health-conscious travelers and aiming to attract over 50,000 visitors from Japan in 2025.

- Marketing activities in South Korea included the 2024 Seoul-Busan Roadshow and the immersive "Color of Guam" exhibition at Lotte World in Seoul. These events aimed to captivate Korean travelers with Guam's vibrant culture and natural attractions, supported by extensive media coverage and digital campaigns.

In May 2025, GVB and the Governor of Guam participated in the 2025 Taipei Tourism Expo to engage with airlines and tour operators and promote Guam as a Taiwanese traveler's destination. The Governor of Guam also met with Taiwan President Lai Ching-te to reaffirm Guam and Taiwan's longstanding partnership and explore opportunities for expanded cooperation in tourism, healthcare and economic development. Guam's visitor industry continues to benefit from the restoration and expansion of international air service.

In Fiscal Year 2026, Guam's tourism industry is prioritizing product development, infrastructure investments that improve the visitor experience and enhance cultural and eco-tourism offerings to attract more visitors and compete with other regional destinations. These efforts include:

- Tumon tourism district improvements, including major upgrades throughout Tumon's visitor areas and public spaces, such as Ypao Beach Park / Governor Joseph Flores Memorial Park Improvements and maintenance activities at the park amphitheater.

- Tumon Bay Fire Rescue Station. GVB is moving forward with the plans to develop a Guam Fire Department rescue station at Matapang Beach in Tumon Bay. This project is intended to improve visitor safety, emergency response and overall destination resilience.

- Airport Modernization Initiatives continued planning for airport upgrades, including implementation of new technologies and development of a microgrid system at A.B. Won Pat International Airport.

- GVB has significantly ramped up its marketing and connectivity efforts to attract more visitors from Taiwan, positioning Taiwan as one of the key growth markets for its tourism sector. United Airlines, in partnership with GVB, launched a new direct, twice-weekly non-stop service between Taipei and Guam on April 2, 2025.

In May 2025, GVB and the Governor of Guam participated in the 2025 Taipei Tourism Expo to engage with airlines and tour operators and promote Guam as a Taiwanese traveler's destination. The Governor of Guam also met with Taiwan President Lai Ching-te to reaffirm Guam and Taiwan's longstanding partnership and explore opportunities for expanded cooperation in tourism, healthcare and economic development. Guam's tourism industry continues to benefit from the restoration and expansion of international air service.

According to the Guam Visitors Bureau Quarterly membership meeting presentation dated September 9, 2026, the tourism industry continues to focus on market diversification, increased airline capacity and targeted promotional activities in Japan, South Korea, Taiwan, the Philippines and North America. The Guam Visitors Bureau reported ongoing partnerships with travel agencies and tourism organizations designed to boost visitor arrivals and strengthen Guam's position as a leading tourism destination in the Western Pacific.

Military Visitors on Guam

According to the Guam Hotel and Restaurant Association approximately 3,000 military and federal government personnel stay in Guam's hotels at any given point in time due to a variety of reasons including Permanent Change of Station ("PCS") orders, temporary housing for individuals moving to Guam and temporary duty assignments.

Guam military exercises and military visits provide an instant economic boost to Guam as the crew members stay in local hotels, eat at local restaurants and tour the island. Guam had hosted two major multinational military exercises in 2025: Exercise Cope North 2025 in February with over 2,300 military personnel from the United States, Japan, and Australia and Exercise Sea Dragon 2025 in March with approximately 200 U.S. Navy personnel. Both events underscored Guam's strategic importance in the Indo-Pacific region and involved significant participation from allied nations. In March 2025, the Carl Vinson Carrier Strike Group docked in Guam allowing 7,500 sailors to visit Guam. This visit also reinforces Guam's strategic role in maintaining diplomatic, economic, and military presence in the Indo-Pacific region. The U.S. Navy's largest aircraft carrier, USS Nimitz Carrier Strike Group, also stopped in Guam in 2025, highlighting its strategic importance in the Indo-Pacific.

For Calendar Year 2024, Exercise Cope North 2024 in February held at Andersen Air Force Base, Guam, involving approximately 1,700 U.S. and 700 allied personnel (Japan, Australia, France, Canada, South Korea). Agile Reaper in April brought approximately 800 U.S. Airmen to Guam to rehearse air dominance, global mobility and command/control using a hub and spoke system from Andersen Air Force Base. In June 2024, Guam hosted several nations in Exercise Valiant Shield 2024, a biennial joint field training led by the U.S. and allies. USS Ronald Reagan in July brought approximately 5,000 sailors to visit Guam, boosting the local economy through tourism and spending. Silver Flag in July, a multilateral engineering exercise at Andersen Air Force Base, brought 74 engineers from the U.S., Australia, Korea, Japan, Indonesia and the Philippines. In August and September 2024, key Indo-Pacific maritime forces conducted Pacific Vanguard 2024 a multinational naval exercise at Naval Base, Guam involving 1,500 military personnel from the U.S., Japan, Canada and Korea, focusing on maritime, anti-submarine warfare, and air warfare operations and advanced maneuvering scenarios.

For Calendar Year 2023, Guam hosted several key military exercises. Cope North 2023 in February where over 1,000 U.S. personnel joined forces with Japan, Australian, France. In April, the U.S. hosted a two-week joint military exercise in Guam with military units from Japan, Korea, India and Canada. In July, the United States Army Pacific led the region's first-ever Disaster Response & Exchange Exercise with six South Asian Countries. In October, the U.S. and South Korea navies held the biennial "Silent Shark" anti-submarine warfare exercise.

Cruise Industry

The cruise industry has historically been a modest visitor market for Guam. Governor Leon Guerrero tasked the government and private sector partners to expand the small cruise ship industry by appointing government and private sector leaders to spearhead an initiative to make Guam a home-base for a small cruise ship that will take visitors throughout the Micronesian islands. In August 2019, Guam joined the South Pacific Cruise Alliance ("**SPCA**"), becoming its ninth member. Guam's location in the northern Pacific and close proximity to Asia makes it an ideal cruising destination from the eastern markets and a potential homeport for cruising around Micronesia. SPCA members include American Samoa, Cook Islands, Fiji, French Polynesia, Guam, Pitcairn Islands, Samoa, Tonga and Wallis & Futuna.

In 2024, Guam welcomed 10 cruise ships, bringing over 18,000 visitors to Guam. Guam's cruise industry remains a relatively modest component of the island's visitor market. In Fiscal Year 2025, Guam welcomed five cruise ship calls, and six calls were projected for Fiscal Year 2026. Cruise activity varies from year to year based on vessel itineraries and regional deployment schedules.

Hotels

Tumon Bay, located on the west coast of the island, is the heart of Guam's tourist industry. The hotels in Tumon Bay provide lodging to the majority of visitors to Guam. During the 1990s and early 2000s, Guam's inventory of hotel rooms increased over 100%, with substantial growth in the number of hotel rooms occurring from 1991 to 1993 and from 1995 to 2001. As of September 2026, there are 46 hotels and resorts in Guam, including many notable international hotel operators, with an inventory of approximately 8,868 rooms.

Pursuant to Section 30101(b), Title 11, Guam Code Annotated, the Hotel Occupancy Tax is an excise tax levied and imposed by the Government against transient occupants of a room or rooms in a hotel, lodging house or similar facility located in Guam. The Hotel Occupancy Tax has been levied at the rate of 11% of the rental price charged or paid per occupancy per day since April 1, 1995.

Table B-5 below shows the amount of Hotel Occupancy Tax revenues collected for Fiscal Years 2019 through 2026.

TABLE B-5
Annual Hotel Occupancy Tax Revenues
Fiscal Years 2019 – 2026

Fiscal Year	Taxes Collected ($)
2019	44,701,482
2020	26,366,511
2021	12,372,113
2022	18,168,635
2023	28,514,576
2024	33,942,761
2025[(1)(2)]	30,235,927
2026[(1)(3)]	26,942,992

(1/2) Preliminary and unaudited.
(2) BBMR: September 2025 Special Fund Report
(3) BBMR: August 2026 Special Fund Report
Sources: Tourist Attraction Fund Audited Financial Statements for Fiscal Years 2019-2024

Table B-6 lists the weighted average hotel occupancy and weighted average room rates from Fiscal Years 2019 through 2026.

TABLE B-6
Weighted Average Hotel Occupancy and Room Rates
Fiscal Year 2019-2026

Year	Weighted Average Hotel Occupancy Rate (%)	Weighted Average Room Rate ($)
2019	88	211
2020	56	189
2021	45	157
2022	53	173
2023	65	199
2024	66	208
2025[(1)]	66	202
2026[(1)]	68	201

[(1)] Preliminary and unaudited.
Source: Guam Visitors Bureau Visitor Arrivals to Guam July 2026

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Table B-7 lists the top 15 hotel operators by number of existing rooms as of September 2026.

TABLE B-7
Top 15 Hotel Operations in Guam
As of September 2026

Hotel/Resort	Year Opened	Location	Number of Rooms [1]
Pacific Islands Club	1980	Tumon	777
Hilton Guam Resort & Spa	1972	Tumon	646
Dusit Beach Resort Guam [2]	1999	Tumon	604
Guam Plaza Hotel	1983	Tumon	505
Hotel Nikko Guam	1992	Tumon	470
Hyatt Regency Guam	1994	Tumon	450
Westin Resort Guam	1996	Tumon	430
Dusit Thani Guam	2015	Tumon	421
Tsubaki Tower	2020	Tumon	340
Crowne Plaza Resort Guam [4]	1971	Tumon	321
RIHGA Royal Laguna Guam Resort [5]	2007	Tamuning	318
Leo Palace Resort Guam	1993	Yona	201
Lotte Hotel Guam	2014	Tumon	222
Bayview Hotel Guam	1990	Tumon	145
Hotel Tano Guam	2020	Tumon	150
Top 15 Total			6,000
Other Hotel Rooms			2,868
Total Hotel Rooms			8,868

(1) Numbers may not reflect actual capacity as hotel management may make rooms unavailable at any given time.
(2) Formerly the Outrigger Guam Resort.
(3) Formerly the Onward Beach Resort.
(4) Formerly the Fiesta Resort Guam.
(5) Formerly Sheraton Laguna Guam Resort

Source: Guam Visitors Bureau.

Over the past several years, Guam's hotel industry has continued to attract significant private investment through new development and renovations of existing properties. The former Fiesta Resort Guam underwent an approximately $45 million renovation and reopened as the Crowne Plaza Resort Guam in 2023. The Westin Resort Guam completed renovations to its dining facilities in 2020 and six hotel bungalows in March 2024, representing approximately $3 million of investment. The Hyatt Regency Guam has also completed multimillion dollar renovations to guest rooms and presidential suites, while the Hilton Guam Resort & Spa completed approximately $8 million of property upgrades in March 2024.

The Tsubaki Tower, a 26 story, 340 room luxury hotel in Tumon, opened in July 2020. In March 2025, the Pacific Star Hotel sold for approximately $33 million to Eastern Contractor Corp., which has announced plans to renovate and reposition the property. Additional private investment includes the newly renovated 429 room Hoshino Resorts RISONARE Guam.

Outside the hotel sector, private and public investment has continued across Guam. In July 2026, Japanese arcade operator GiGo opened its first U.S. location at the Village of Donki.

Airlines

The A.B. Won Pat International Airport (the "**Airport**") is operated by the Guam International Airport Authority ("**GIAA**"), a public corporation and autonomous instrumentality of the Government. The Airport is the only commercial air carrier airport serving Guam and is the principal air carrier airport serving the surrounding Micronesian islands.

The Airport has approximately 874,000 square feet of terminal space, which includes the Third-Floor International Arrivals Corridor, along with approximately 250,000 square feet of adjacent facilities, including hangars, maintenance facilities, warehouse space, storage facilities, office space and expansive ground space.

As of June 2025, 13 airlines provided service at the Airport, including one major U.S. flag air carrier, eight foreign-flag air carriers, one regional/commuter airline that provides inter-island service and three cargo airlines. In addition, the Airport is served by other charter flights, including military charter flights, operated by various airline carriers.

United Airlines ("**United**") is the largest air carrier serving the Airport. The Airport serves as a hub for United's operations in the Western Pacific and Asia, connecting Guam to its global route network. United's Guam hub is designed to serve: (1) regional origin-destination passengers on short-haul flights to and from Guam, (2) origin-destination passengers on long-haul flights, primarily tourists visiting Guam, and (3) transit passengers on connecting or through flights.

United provides the only non-stop service between Guam and Honolulu, and operates a significant number of weekly flights, connecting Guam to various destinations in Japan, Micronesia, and other islands.

As of September 2026, United is the leading U.S. carrier serving Guam and provides extensive nonstop service between Guam and Japan, including multiple daily flights from Tokyo (Narita), service from Tokyo (Haneda), Osaka and Nagoya. United also provides nonstop service between Guam and Taipei, Manila and Koror, Palau. United operates these routes primarily with Boeing 737-family aircraft, including Boeing 737-800 and Boeing 737 MAX 8 aircraft.

Japan Airlines also serves the Japan-Guam market with nonstop service between Tokyo (Narita) and Guam. On September 11, 2026, the A.B. Won Pat International Airport Authority announced the rebranding of T'Way Air as Trinity Airways. According to the airport authority, the carrier is transitioning from a low-cost airline model to a hybrid "selective-service carrier" model offering both short-haul and upgraded long-haul services. Guam's tourism industry continues to benefit from expanded air services, destination marketing initiatives and visitor recovery efforts.

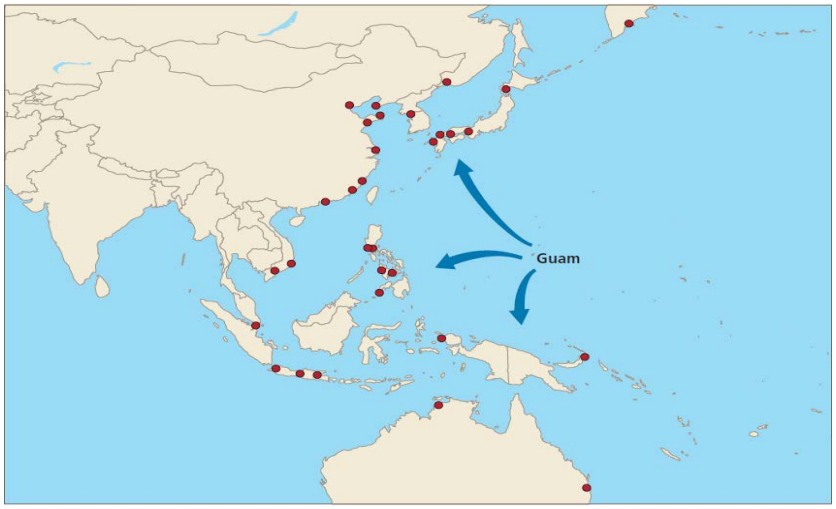
Philippines Airlines provides nonstop service between Manila and Guam using Airbus A321 aircraft. United also operates nonstop service on the Manila-Guam route.

Seaport

The Port Authority of Guam (the "**Port**") is the only commercial seaport on Guam and the primary seaport in Micronesia. The Port consists of a cargo terminal, industrial terminal, four berths, cargo handling equipment and numerous support buildings and facilities. The Port's facilities are located on Cabras Island along the northern shoreline of the Outer Apra Harbor, a natural lagoon enclosed by a submerged coral bank and a barrier reef enhanced with breakwater. The Port receives and processes more than 90% of the total volume of goods and supplies needed to support activities on Guam, making it vital to Guam's future development and sustainability.

The U.S. flag carriers serving Guam include Matson (which is fully compliant with the Jones Act), American President Lines, Seabridge and Waterman Steamship Corporation. The foreign flag carriers include Marianas Express Lines Limited and Kyowa Shipping Co. Ltd. These foreign flag carriers provide the majority of transshipment services to other ports in the region including the Port of Saipan, the Port of Majuro and other smaller ports.

The map below identifies major ports that can be reached from Guam via sea in five days or less.



Military Activity

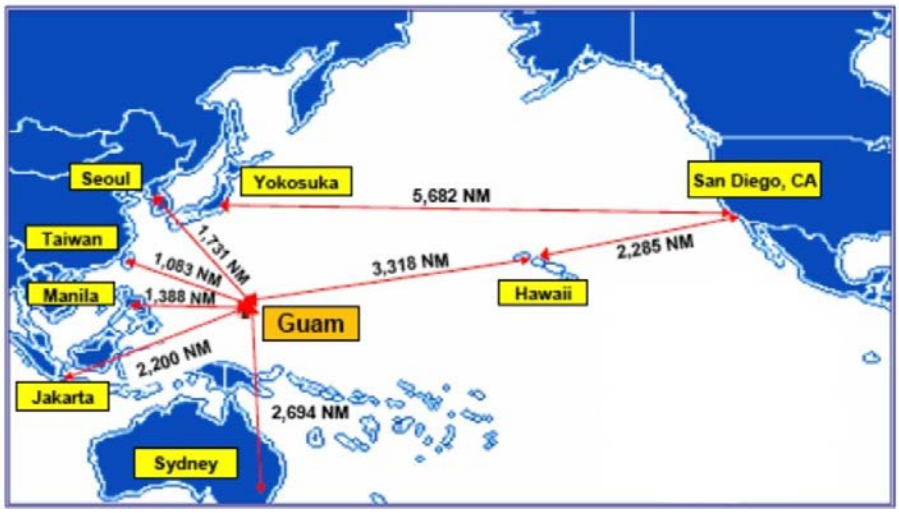
Global geopolitical developments in recent years have reinforced Guam's strategic importance to U.S. defense and Indo-Pacific security objectives. As the westernmost U.S. Territory and home to significant military installations and defense infrastructure, Guam serves as a critical platform for force projection, regional deterrence and homeland defense. Guam's location enables rapid response capabilities throughout the Indo-Pacific while supporting U.S. alliances and security commitments in Asia and the Pacific. Continued military investment, including the Marine Corps relocation, defense infrastructure improvements and the Enhanced Integrated Air and Missile Defense ("EIAMD") system, is expected to increase the military's economic and operational presence on the island.

Military bases and defense systems on Guam can support forward deployed capabilities in Asia and allow rapid response to any threat to the stability of the Asian region or any threat to the U.S. originating in the Asian region. In 2009, Joint Base Guam was created which placed all land in Guam that was previously managed by the various military departments under the Department of the Navy. Other military considerations regarding Guam's location include:

- Geographic Location: Closer to potential flashpoints of conflict in Asia and the Middle East.
- U.S. Sovereign Territory: No need for host nation consent to pre-position war munitions, deploy weapons or conduct operations.
- U.S. Air Force, Navy, Marine Corps, Coast Guard, National Guard and Reserve facilities with substantial munitions, fuel supply, communications, command and control capabilities.
- Unencumbered air and sea space for live fire and special operations training including Explosive Ordnance Disposal and Sea, Air & Land (SEAL) elements and other joint military special operational readiness initiatives.
- Deep-water harbor with 17,000 linear feet of wharfage with ability to handle three million pounds of ordnance (net explosive weight – the actual weight in pounds of explosive mixtures or compounds, including the trinitrotoluene equivalent of energetic material, that is used in determination of explosive limits and explosive quantity data arcs).
- Significant airfield capability including dual, two-mile-long runways with contingency at Andersen Air Force Base, mobilization and surge capable civilian airfields on Guam and CNMI.

- Repair capabilities for surface vessels, submarines, aircraft and combat equipment at the Intermediate Maintenance Facility, private ship repair facilities, the submarine tender, Naval Base Guam, Andersen Air Force Base and civilian facilities.

The map below shows Guam's location in the Pacific and relative distances between major cities in the Pacific Rim.



Military Personnel

In July 2010, the Joint Guam Program Office of the Department of the Navy released its Final Environmental Impact Statement ("**EIS**") pertaining to the proposed U.S. military build-up on Guam, and in September 2010 the Department of Defense ("**DOD**") issued its Record of Decision pertaining to the EIS. At the time the EIS was released, it was anticipated that the military build-up would have three major parts: (i) relocation of part of the Third Marine Expeditionary Force from Okinawa, Japan, (ii) creation of the infrastructure for an aircraft carrier berthing and (iii) installation of an Army Air and Missile Defense Task Force.

In July 2015, the DOD released its Supplemental Environmental Impact Statement ("**SEIS**"), which identified potential impacts associated with several alternatives for the cantonment/family housing component of this relocation, as well as for the live firing training range complex. According to the Navy, the SEIS showed a significantly decreased footprint and a significant decrease in the potential strain on Guam's infrastructure. Rather than the initially contemplated seven years of construction, the SEIS stated there would be 13 years of moderate construction with a gradual phase-out to follow.

The Record of Decision released by DOD in 2015 identified the final locations for additional bases and facilities to accommodate the Marines. The National Defense Authorization Act for fiscal year 2015 set the maximum cost of moving the Marines from Japan to Guam at $8.6 billion, of which $3.1 billion of the cost will be provided by Japan, and the remaining cost will be provided by the United States.

In December 2025, the Government of Guam completed a comprehensive assessment of the projected impacts of military growth. The assessment estimates that the cumulative Department of Defense-related population in Guam will increase from 35,631 persons in 2025 to a peak of 45,321 persons in 2034, before stabilizing at approximately 42,645 persons by 2037. The report further estimates that this military-related growth will generate substantial demand for public services and infrastructure across Guam.

DOD's five-year plan identified approximately $7.3 billion of military construction spending on Guam from Fiscal Year 2024 through Fiscal Year 2028, including investments in Navy and Air Force infrastructure, Camp Blaz and Guam's integrated missile defense system.

Recent planning guidance from Joint Region Marianas indicates that military population planning assumptions have been updated to reflect Guam's current Department of Defense-related population is 20,600 persons. Joint Region Marianas utilizes a tranche based planning methodology for force structure planning purposes that results in a maximum FY37 planning population of approximately 29,400 personnel. The Government of Guam's Military Population Impacts Report estimates the cumulative Department of Defense-related population will stabilize at approximately 42,645 persons by 2037 after reaching a peak of 45,321 persons in 2034. The Joint Region Marianas tranche scenarios are force-planning estimates and should not be interpreted as total Department of Defense-related population projections.

Joint Region Marianas Military Population Planning Scenario

Scenario	FY37 Projected Population	Growth from Current Population
Current Population (2026)	20,600	—
Tranche 1 - Planned Growth Excluding USMC (Coast Guard, Army, Navy, PACOM)	24,900	+4,300
Tranche 2 - Tranche 1 + USMC Permanent Party (984, ramping FY29-FY37)	26,100	+5,500
Tranche 3 - Tranche 2 + USMC Rotational Forces / UDP forces (2,592 from FY28)	29,400	+8,800

Source: Joint Region Marianas planning narrative and Community Defense Liaison Office memorandum September 2026.

The U.S. government may choose to relocate military fleets, equipment and personnel from time to time to either increase or decrease the U.S. military presence on Guam, and the Government cannot predict whether or when such adjustments may occur. However, the military presence on Guam is generally expected to increase due to the factors discussed above.

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Table B-8 lists active-duty military personnel on Guam from Fiscal Years 2020 through 2026.

TABLE B-8
Active-Duty Military Personnel on Guam [(1)]
Fiscal Years 2020-2026[(1)]

Year	Air Force [(2)]	Army	Coast Guard	Marines	Navy	Total
2020	2,108	183	0	48	3,801	6,140
2021	2,165	211	0	133	3,764	6,273
2022	2,169	207	0	290	4,001	6,667
2023	2,166	1	313[(3)]	117	3,768	6,365
2024	2,302	350[(4)]	305	118	3,761	6,836
2025[(1)]	2,400	250	200	150	4,100	7,100
2026[(1)]	2,500	249	200	150	6,300	9,399

(1) This table only represents the unclassified data on personnel who are assigned for duty at these specific locations. The table includes personnel who are assigned to the State Department and Embassies overseas. The table does not include all personnel on temporary duty or deployed in support of contingency operations.
(2) Includes Space Force.
(3) U.S. Coast Guard Forces Micronesia/Sector Guam
(4) Army Coordination Element-Guam
Source: Defense Manpower Data Center (DMDC)

Air Force

Andersen Air Force Base located on the northern tip of Guam is a major airfield operated by the U.S. Air Force 36th Wing. North of Andersen Air Force Base's primary airfield is Northwest Field, an airfield built during World War II. Northwest Field is currently used for training, ammunition storage and live fire ranges. Most Air Force assets such as B-52, B1 and B2 bombers fly in from stateside air bases on a temporary (3-6 month) rotational basis. Air assets from visiting Naval aircraft carriers also utilize Andersen Air Force Base. Permanent air assets based at Andersen Air Force Base include Navy unmanned reconnaissance aircraft (MQ-4 and RQ-4 Global Hawks) and Navy helicopters (MH-60S Seahawks). The Republic of Singapore Air Force plans to establish a permanent rotational presence on Guam beginning in 2029, which will include fighter aircraft such as the F-15SG, F-16C/D, and potentially the F-35B. This presence is expected to increase Guam's population by approximately 205 personnel, with an additional 200 personnel deployed to the island on a biannual basis to support ongoing training exercises.

Also in Andersen Air Force Base, the U.S. Space Force maintains the Guam Tracking Station ("**GTS**"), operated by the 21st Space Operation Squadron, Detachment 2. This unit is part of the Air Force Satellite Control Network. The GTS is a tenant unit on Andersen Air Force Base and its mission is to execute on-demand, real-time command and control operations for launch and operations of DOD, allied, and civil satellites providing assured access to space. GTS supports DOD-assigned space missions by operating and maintaining the Satellite Control Network antennas providing data and status to multiple users and command centers. The unit consists of one military member, two government civilians and approximately 30 contractors executing the 24/7 mission enabling real-time satellite command and control operations in support of the warfighter.

Army

Permanent U.S. Army presence on Guam consists of two organizations, an active-duty Terminal High Altitude Area Defense ("**THAAD**") battery and the Guam Army National Guard. The Army deployed a THAAD battery on Guam in 2013. In 2022, the U.S. Indo-Pacific Command issued new requirements to upgrade Guam's missile defense. The U.S. Missile Defense Agency ("**MDA**") is developing the Enhanced Integrated Air and Missile Defense System ("**GDS**") to defend Guam against advanced missile threats. The MDA is planning on spending $1.7 billion to implement the integrated missile defense system in Guam. In May 2024, the MDA awarded an approximately $460.6 million contract to Boeing Co. for the engineering design and development of the missile defense system in Guam. Over $1.5 billion has been authorized in the 2025 National Defense Authorization Act for MDA projects associated with the defense of Guam.

In June 2024, the MDA released an environmental assessment detailing its plans to conduct missile defense flight test and tracking exercises in cooperation with the Air Force, Army, Navy, and Coast Guard. The proposed action would involve up to two tests each year over the next decade from Guam as the MDA works to develop the GDS. The environmental assessment concluded that the proposed testing would have no significant direct, indirect, or cumulative environmental impacts to Guam. The first test occurred at the end of 2024.

In coordination with the Missile Defense Agency, the Department of Defense is implementing the Enhanced Integrated Air and Missile Defense (EIAMD) system, a multi-component architecture designed to protect Guam from advanced ballistic, cruise, and hypersonic missile threats. This program represents one of the largest military initiatives currently planned for Guam and is expected to drive substantial military construction activity through 2030s.

Coast Guard

The U.S. Coast Guard ("**USCG**") has been present in Guam since 1905. The U.S. Coast Guard Forces Micronesia/Sector Guam **(**"**Guam Coast Guard**") was established on Guam on November 8, 2023 as part of the Consolidated Appropriations Act of 2023 and expands the U.S. Coast Guard's mission support in the Indo-Pacific region. The Guam Coast Guard operates out of Naval Base Guam. The unit is home to the USCGC Myrtle Hazard, the USCGC Oliver Henry, the USCGC Frederick Hatch and the USCGC Hickory. The Guam Coast Guard comprises more than 300 dedicated members based in Guam and the CNMI.

Marines

The major Marine facility on Guam is Marine Corps Base Camp Blaz, which was activated on October 1, 2020, and is the first new Marine Corps base activated in the entire United States since 1952. The SEIS and 2015 Record of Decision, which have not been updated since their respective dates of publication, anticipate that approximately 5,000 Marines and 1,500 Marine Corps family members from Okinawa and other locations will be relocated to Guam by Fiscal Year 2028, with the first 2,500 Marines moving to a new Marine Corps Base Camp Blaz by Fiscal Year 2026. To support plans of strengthening defense on Guam, construction is currently underway at several locations including: the newly activated Marine Corps Base Camp Blaz – Main Cantonment at Finegayan, Apra Harbor United States Marine Corps ("**USMC**") Sea Embarkation, Andersen Air Force Base Northwest Field – Mason Live Fire Training Range Complex, USMC ACE Ramp at Andersen, Family Housing at Andersen Air Force Base and Andersen Air Force Base South – Skaggs Urban Combat Training Complex. The Marine Corps held an activation ceremony on January 29, 2023, for Base Camp Blaz, which will serve as a "strategic hub" in the Indo-Pacific with its eye on China and North Korea. In December 2024, the first 100 logistic support Marines arrived in Guam. The full relocation is projected to be completed around 2028.

On March 16, 2025, 50 Marines began moving into their new quarters at Camp Blaz enlisted barracks. As of July 2026, military officials indicate 150 military personnel, and 100 federal civilian personnel were assigned directly to installation management functions at Camp Blaz.

Navy

Navy Base Guam in Apra Harbor operates a port that can accommodate the largest Navy warships, including aircraft carriers. Within the harbor, Polaris Point Submarines Base is the homeport for four Los Angeles-class nuclear-power fast attack submarines on Guam: the USS Annapolis, USS Asheville, USS Jefferson City, and the USS Springfield. A Virginia-class fast-attack submarine, USS Minnesota, arrived in Guam in November 2024. Also based out of Naval Base Guam are two Navy submarine tender ships, the USS Frank Cable and the USS Emory S. Land, which are surface vessels that provide support and services for the submarines' forward-deployed operations. The submarines and tenders are maintained as part of the U.S. Navy's forward-deployed submarine force (Submarine Squadron 15) and are readily capable of meeting global operational requirements.

Military Procurement of Services and Construction

DOD is planning to make additional investment in military infrastructure in Guam and to increase the number of service members on Guam. DOD's five-year plan outlined in the Future Years Defense Program calls for spending of about $7.3 billion on Military Construction on Guam from Fiscal Year 2024 through Fiscal Year 2028. This includes enhancing Navy and Air Force infrastructure to support air and sea operations, the new Marine Corps Base and installation of a new missile defense system and support for the personnel needed to operate the missile defense system. Military Construction ("**MilCon**") spending in Guam is expected to peak in Fiscal Year 2025, as major construction for the planned missile defense system is executed.

Congressional authorizations for appropriations for military construction and family housing projects are depicted in Table B-9.

TABLE B-9
U.S. Military Construction Authorizations for Guam
Fiscal Years 2021-2026

Fiscal Year	Annual Authorizations
2021	$571,205,000
2022	765,217,000
2023	1,691,325,000
2024	4,233,723,000
2025	6,266,287,000
2026	1,246,209,000

Source: The Committee on Armed Services, National Defense Authorization Acts

The 2021 National Defense Authorization Act ("**NDAA**"), passed in January 2021, included approximately $571.2 million for military construction on Guam. The 2021 NDAA included an important provision specific to Guam that authorized H-2B labor for civilian projects on Guam (see "GEOGRAPIC, DEMOGRAPHIC AND ECONOMIC INFORMATION – Guam Economy- H-2B Visas").

The 2022 NDAA, passed in December 2021, and included approximately $765.2 million for construction projects on Guam. The 2022 NDAA budget prioritized a missile defense system to defend Guam against advanced missile threats. See "– Army" above. According to the Joint Region Marianas, the Missile Defense Agency is evaluating 16 parcels of military-owned land in Guam for the different elements of a defense system. Planning for the missile defense is ongoing.

The 2023 NDAA, passed in December 2022, included up to $1.7 billion of appropriations as part of the military buildup on Guam. The 2023 NDAA extended the Pacific Deterrence Initiative ("**PDI**") through Fiscal Year 2023, identified an additional $11.5 billion in investments to support PDI objectives in Guam, CNMI, the Federated States of Micronesia, and the Republic of Palau, and authorized an additional $1 billion to address unfunded requirements identified by the U.S. Indo-Pacific Command. PDI is a set of prioritized defense investments and activities established by Congress to enhance U.S. deterrence and defense, assure allies and partners, and counter adversary threats in the Indo-Pacific region in response to China's growing military power.

The 2024 NDAA, passed in December 2023, included over $4.2 billion of appropriations as part of the military buildup. The 2024 NDAA directs the assessment of the infrastructure, capacity, resources, and personnel requirements for Guam during fiscal year 2024 through 2029 to meet United States strategic objectives and directs the development of a comprehensive strategy for developing, acquiring, and operationally establishing integrated air and missile defense architecture. The 2024 NDAA also extended the H-2B visa program admission in Guam until December 31, 2029. See "H-2B Visas" in this Appendix B.

The 2025 NDAA, passed in December 2024, includes significant defense-related funding and policy provisions related to Guam and the Micronesian region and provides authorizations for military construction and military procurement. The 2025, NDAA includes $6.26 billion of significant provisions and funding authorization directly impacting Guam's defense infrastructure and the PDI in Guam. The 2025 NDAA extended the 2021 and 2022 authorizations for the Joint Region Marianas Communications upgrade ($22 million) and the Polaris Point Submarine Base Resiliency Upgrades ($38.3 million) respectively, allowing these authorizations to continue into 2025.

The 2026 NDAA, passed in December 2025, includes approximately $1.25 billion of authorizations for military construction and defense-related projects on Guam. The 2026 NDAA continues significant investment in Guam's military infrastructure and integrated air and missile defense capabilities, including projects related to the Guam Defense System, communications infrastructure, harbor improvements, water infrastructure, military housing, and other facilities. The 2026 NDAA also includes provisions related to civilian personnel on Guam and continued support for Guam's strategic role in the Indo-Pacific.

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The projects funded in the 2025 NDAA are listed in the following Table B-10-1

TABLE B-10-1
2025 NDAA Projects Located in Guam

Army	
Army Construction and Land Acquisition Project	386,000,000
GDS Forward Operating Sites	75,000,000
GDS Battalion Headquarters	47,000,000
GDS Environmental Mitigation	23,000,000
Total Army Authorization	**531,000,000**
Navy	
Navy Construction and Land Acquisition Project	561,730,000
Navy Construction and Land Acquisition Project	241,880,000
Navy Construction and Land Acquisition Project	111,666,000
Navy Family Housing	488,186,000
Joint Communication Up-grade	22,000,000
Total Navy Authorization	**1,425,462,000**
Navy & Marines Corps	
PDI: Defense Access Roads III	100,000,000
PDI: Youth Center	78,730,000
HSC-25 Hangar Replacement Facility	50,000,000
PDI: Earth Covered Magazine	42,439,000
Replace Andersen Housing, Phase 9	28,863,000
Replacement of Family Housing, Phase 10	12,112,000
Total Navy & Marines Corps. Authorization	**312,144,000**
Guam Defense	
Defense Agency Construction and Land Acquisition Project	929,224,000
Guam Defense System (GDS) - AEGIS BMD	738,455,000
Ballistic Missile Defense Target	629,108,000
Guam Glass Breakwater	600,000,000
Guam Defense Development	492,294,000
PDI: GDS, ELAMD, Phase 1 (INC)	238,267,000
PDI: GDS, Command Center (INC)	147,212,000
Guam Defense System - AEGIS BMD Test	136,219,000
Polaris Point Submarine Base	38,300,000
Guam High School Temporary Facilities	26,000,000
Defense of Guam Procurement	22,602,000
Total Guam Defense Authorization	**3,997,681,000**
Total 2025 NDAA Appropriations for Guam	**6,266,287,000**

Source: Public Law 118-159 - Servicemember Quality of Life Improvement and National Defense Authorization Act for Fiscal Year 2025

The projects funded in the 2026 NDAA are listed in the following Table B-10-2.

TABLE B-10-2
2026 NDAA Projects Located in Guam

Army	
PDI: Guam Defense System, EIAMD, Phase 2	$33,000,000
Total Army Authorization	**$33,000,000**
Navy & Marine Corps	
PDI: Joint Consolidated Communications Center	$121,124,000
PDI: Inner Apra Harbor	105,950,000
PDI: Missile Integration Test Facility	87,270,000
PDI: Joint Communication Upgrade	83,600,000
PDI: Water Wells	70,070,000
Replace Andersen Housing Phase 9	65,378,000
PDI: Artillery Battery Facilities	64,774,000
PDI: Recycle Center	61,010,000
PDI: Defense Access Roads	50,000,000
Utility Infrastructure & Access Roads	32,000,000
PDI: Cost to Complete X-Ray Wharf Berth	31,000,000
Cost to Complete/Replace Andersen Housing Phase 4	37,384,000
Total Navy & Marine Corps Authorization	**$809,560,000**
Army National Guard	
Readiness Center Addition	$55,000,000
Total Army National Guard Authorization	**$55,000,000**
Guam Defense	
Guam Defense Development	$128,485,000
PDI: Guam Defense System Command Center	83,900,000
Power Generation & Microgrid	63,010,000
PDI: Guam Defense System EIAMD Phase 1	61,903,000
Defense of Guam Procurement	11,351,000
Total Guam Defense Authorization	**$348,649,000**
Total 2026 NDAA Authorizations for Guam	**$1,246,209,000**

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Recent Military Project Awards

Table B-11 reflects the U.S. Department of Defense Procurement Contract Awards from Fiscal Years 2020 through 2024.

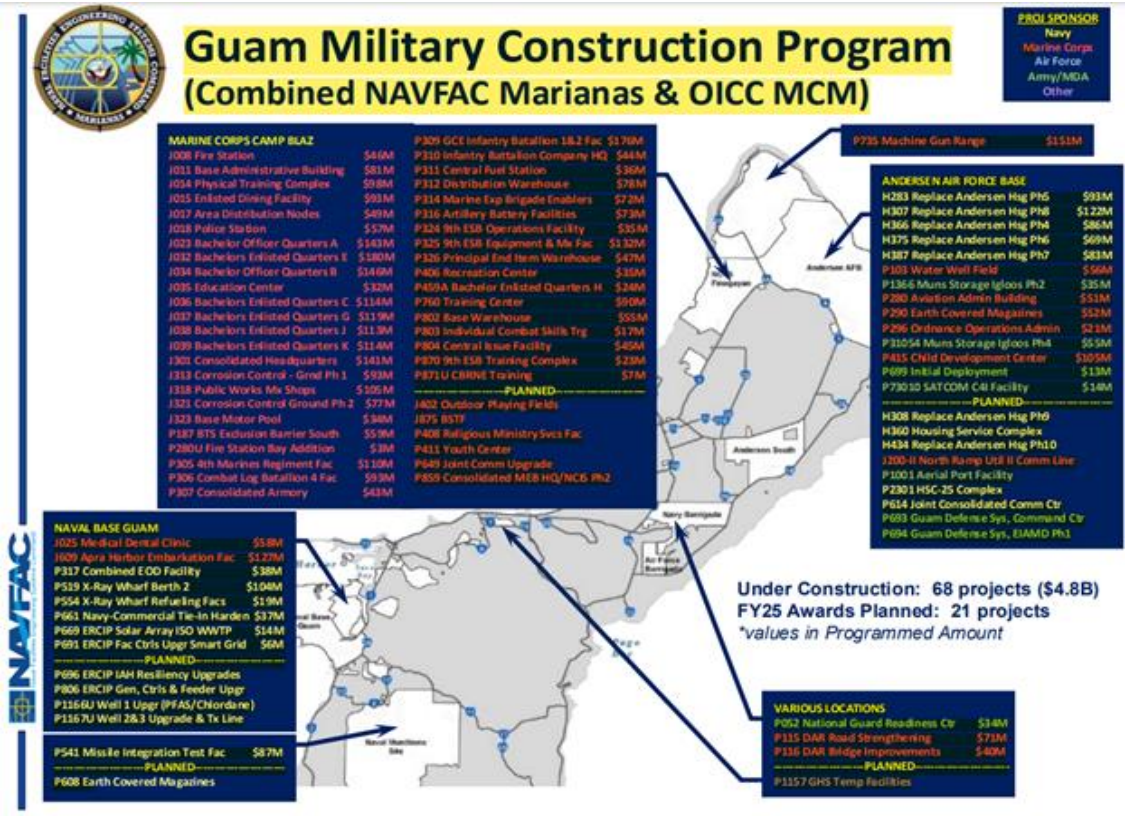
TABLE B-11
U.S. Department of Defense Procurement Contract Awards for Guam
Fiscal Years 2020-2024

Fiscal Year	U.S. Department of Defense Procurement Contracts
2020	$1,203,871,558
2021	2,008,919,859
2022	1,744,690,711
2023	2,747,380,305
2024[(1)]	2,484,569,654

Source: Federal Procurement Data System-Next Generation (FPDS-NG) fiscal year 2020-2023 data
(1) System for Award Management (SAM.gov) fiscal year 2024 data

Table B-12 below lists all planned military construction activity tied to the buildup, and as reported as of November 2024, by the Naval Facilities Engineering Systems Command (NAVFAC) Marianas. This demonstrates the growing activity of military construction on the island going forward for all military branches.

Table B-12
Recent Military Construction Activity



Source: NAVFAC Marinas

GUAM ECONOMIC AND STATISTICAL INFORMATION

The U.S. Bureau of Economic Analysis (BEA) released its final estimates of gross domestic product (GDP) and gross domestic income for Guam on April 15, 2024, covering calendar year 2022. The BEA has subsequently discontinued the preparation and publication of GDP estimates for Guam and the other U.S. Territories. As a result, calendar year 2022 represents the most recent GDP data available from BEA Guam. Based on the estimates, Guam's GDP increased from $6.234 billion in 2021 to $6.910 billion in 2022, an increase of 10.8%.

The 2022 GDP figure primarily consists of approximately $4.140 billion in personal consumption expenditures, $4.633 billion in government consumption expenditures and gross investment and $2.013 billion in private fixed investments, less $3.876 billion in net export of goods and services.

TABLE B-13
Guam Gross Domestic Product
Calendar Years 2018 – 2022
(Millions of Dollars)

Calendar Year [1]	Gross Domestic Product [2]
2018	$6,051
2019	6,355
2020	5,916
2021	6,234
2022	6,910

[1] CY 2022 is the most recent data available.
[2] Estimates for 2018 to 2021 have been revised to incorporate improvements to source data and methods.
Source: U.S. Department of Commerce Bureau of Economic Analysis

The BEA estimates that Guam's GDP, increased from $6.051 billion in 2018 to $6.355 billion in 2019 prior to the COVID-19 pandemic. 2020 experienced a decrease in GDP at $5.916 billion followed by a 5.4% increase in 2021. Guam's economy grew by 5.1% in 2022, driven by increases in private fixed investment (14.7%), federal government spending (4.6%), and personal consumption expenditures (1.2%), though partially offset by a 3.4% decline in territorial government spending.

The GDP by industry data reflected that the private sector was the source of decline in GDP in 2020. The decline in the private sector was primarily caused by decreases in accommodations, food services, and amusements attributed to the COVID-19 pandemic. Due to the pandemic, visitor arrivals declined 80.3% in Calendar Year 2020. In relation, wholesale and retail trade decreased as nonessential businesses throughout the island were subject to mandatory restrictions affecting daily operations. The government sector increased by 1.4% in 2020 reflecting growth in compensation for federal government employees.

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TABLE B-14
Guam Gross Domestic Product Value Added By Industry
Calendar Years 2017 – 2021[1]
(Millions of Dollars)

Calendar Year	2017	2018	2019	2020	2021
Private Industries					
Construction	$388	$412	$453	$522	$604
Wholesale and retail trade [2]	624	625	683	496	570
Accommodations, food services, and amusements [3]	736	759	838	397	349
Other private	1,962	1,946	2,024	2,039	2,194
Government					
Federal	1,288	1,303	1,353	1,439	1,471
Territorial	1,016	1,007	1,003	1,023	1,046
Gross Domestic Product [4]	$6,013	$6,051	$6,355	$5,916	$6,234

[1] CY 2022 breakdown by industry not available.
[2] Previously labeled "distributive services."
[3] Previously labeled "accommodations and amusement" Includes arts, entertainment, and recreation (NAICS 71) and accommodations and food services (NAICS 72).
[4] Estimates for 2018 to 2020 have been revised to incorporate improvements to source data and methods.
Source: U.S. Department of Commerce Bureau of Economic Analysis

The BEA announced that in 2022, Guam's Real GDP grew 5.1%, higher than any other region in the U.S. Guam's real personal consumption expenditure of goods and services increased 0.4% in 2019, and decreased 5.0% in 2020, reflecting the mandatory reductions in operations for nonessential businesses throughout Guam due to the COVID-19 pandemic. Guam's real personal consumption expenditure of goods and services increased 8.2% in 2022 from the prior year. According to the Guam's Bureau of Statistics and Plans, Guam's consumer price index in 2022 increased 11.2% compared to the same period one year earlier.

BEA identified several key industry contributors to economic growth for Calendar Year 2022. The increase in private fixed investment was driven by expansion in both equipment and structures, with significant private-sector construction activity, including the development of a 60-megawatt solar farm, resort renovations, and new retail establishments. Growth in government spending was attributed to an increase in federal expenditures, although this was partially offset by a decline in territorial government spending. Notably, construction activities funded by the DOD constituted a major source of economic expansion, with continued progress on multiple military infrastructure projects, such as housing and dining facilities in support of a new Marine Corps Base Camp Blaz. Additionally, the rise in personal consumption expenditures was broad-based across consumer categories, bolstered by increases in employee compensation and the distribution of direct cash assistance by the territorial government.

According to the U.S. Department of Labor Bureau of Labor Statistics, the average annual wage for residents of Guam increased from $36,930 in 2019 to $42,210 in 2022.

Population

Guam's residents originate from all parts of the Asia-Pacific region in addition to the U.S. mainland. In addition to Guam's indigenous Chamorro people, who comprise approximately 47% of the population, mainland Americans, Filipinos, Chinese, Japanese and South Koreans constitute the bulk of Guam's population. There are also substantial numbers of Micronesian islanders, Vietnamese and East Indians. Guam's diverse population makes it one of the most cosmopolitan communities in the western Pacific.

The U.S. Census Bureau estimates that Guam's population in 2020 was approximately 153,836, the latest data available. The U.S. Census Bureau's 2020 remains a key reference, more recent estimates suggest Guam's population has grown, with current figures ranging between 168,000 to 179,000 people. Guam currently has 41 public schools (all accredited by the Western Association of Schools and Colleges), 20 private schools, four U.S. DOD schools, seven charter schools, one community college and one university. For the school year 2024-2025, approximately 23,413 students attended Guam's public schools. The University of Guam reported an enrollment of 2,920 undergraduate and graduate students (as of December 2024), and the Guam Community College (the "**GCC**") reported 1,398 undergraduates enrolled (as of March 2024). The University of Guam and Guam Community College both are accredited by the Western Association of Schools and Colleges.

Employment

The most recent employment statistics released by the Guam Department of Labor Bureau of Labor Statistics indicate total payroll employment of 67,930 jobs in June 2026. Approximately 52,480 jobs (77.3%) were in the private sector, and 15,450 jobs (22.7%) were in the public sector, including both federal and government of Guam employment. Compared with June 2025, total payroll employment increased by 490 jobs. Private-sector employment increased by 1,130 jobs, while public-sector decreased by 640 jobs. The largest employment gains occurred in the construction sector, which increased by 1,250 jobs over the year to 13,360 jobs. According to GDOL, much of the increase in construction employment was attributable to H-2 workers supporting ongoing military, infrastructure and private construction projects.

Compared with June 2025, private-sector average hourly earnings increased from $18.72 to $19.53, while average weekly earnings increased from $703.50 to $743.29, reflecting continued wage growth across Guam's economy.

Prior to the COVID-19 pandemic, Guam experienced steady job growth in all sectors, with the number of jobs totaling 67,580 in Calendar Year 2019. Employment numbers began a moderate rebound from the pandemic in December 2020, with eventual recovery in 2024.

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The distribution of civilian employment on Guam based on payrolls as of December 31 for Calendar Years 2020 through December 2025 and as of June 2026] is listed by industry in Table B-15. Excluded from the civilian employment estimates in Table B-15 are self-employed individuals, active-duty military personnel, proprietors, volunteers and unpaid family workers. The payroll survey in Table B-16 includes all civilian personnel on payroll, including multiple jobholders counted at each place of employment, and nonresident alien workers.

TABLE B-15
Current Employment Report on Civilian Employment [(1)]
(as of December for Calendar Years 2020 –2026)

	2020	2021	2022	2023	2024	2025	2026
Private sector:							
Agriculture	300	310	320	250	270	270	280
Construction	8,330	9,480	10,820	12,450	12,870	12,910	13,360
Manufacturing	1,430	1,590	1,600	1,540	1,520	1,580	1,510
Transportation & Public Utilities	3,690	3,660	3,800	3,670	3,670	3,780	3,700
Wholesale Trade	2,410	2,270	2,290	2,200	2,370	2,370	2,360
Retail Trade	10,920	11,410	11,750	12,330	12,410	12,530	12,340
Finance, Insurance, and Real Estate	2,510	2,370	2,320	2,370	2,370	2,430	2,430
Services	14,650	15,120	16,320	16,370	16,760	16,930	16,500
Total private	**44,240**	**46,210**	**49,220**	**51,180**	**52,240**	**52,800**	**52,480**
Public sector:							
Federal Government	3,890	3,970	3,900	4,030	4,050	3,890	3,930
Government of Guam[(2)]	11,910	12,010	12,260	12,000	11,980	11,750	11,520
Total public	**15,800**	**15,980**	**16,160**	**16,030**	**16,030**	**15,640**	**15,450**
Total Payroll Employment	**60,040**	**62,190**	**65,380**	**67,210**	**68,270**	**68,440**	**67,930**

(1) Data include both full-time and part-time employees who worked during any part of the pay period, temporary alien workers and employees less than 16 years of age. Data are based upon the number of paychecks issued by employers. Dual and multiple jobholders are counted once for each job held. Proprietors, unpaid family workers, domestic servants and military active-duty personnel are excluded.

(2) Includes temporary contractual employees, autonomous agencies, Agency for Human Resources Development Disaster Recovery and senior/youth employment programs.

Source: Current Employment June Report, Department of Labor, Government of Guam

The employment data as of December 2025 showed total employment of 68,440 jobs, an increase of 170 from December 2024. Private-sector employment increased by 560 jobs, led by gains in services, retail trade, finance, insurance, real estate and construction. Total payroll employment remained at its highest level of the period presented in table B-15.

Unemployment

The Government reports employment and unemployment statistics separately.

Table B-16 lists unemployment statistics for September 2020 to September 2025.Differences in the employment figures between Table B-15 and Table B-17 arise as a result of differences in the surveys' coverage and exclusions. For example, the household survey in Table B-16 excludes civilians living within military installations or in military housing, and employees under the age of 16 years.

Prior to the COVID-19 pandemic, Guam's unemployment rate was 3.6% in September 2019. Guam's unemployment rate has recovered from the COVID-19 pandemic, improving from a high of 17.9% in September 2020 to 3.4% in September 2024, the unemployment rate remained relatively stable at 3.5% as of September 2025.

TABLE B-16
Unemployment Statistics [1]
September 2020 – 2025

As of	Total Labor Force	Number of Unemployed	Unemployment Rate (%)
September 2020	70,620	12,650	17.9%
September 2021	69,920	5,660	8.1%
September 2022	71,680	3,130	4.4%
September 2023	71,990	2,980	4.1%
September 2024	67,550	2,290	3.4%
September 2025	71,850	2,640	3.5%

(1) Data include civilian non-institutional population 16 years of age and older but exclude non-immigrant aliens and civilians living within military installations or in military housing. Individuals with one or more jobs or dual jobs are counted once.
Source: Guam Department of Labor, Bureau of Labor Statistics

Construction

The number and value of building permits generally provide a measure of Guam's construction industry. Building permits constitute an important economic indicator of the type and level of construction activities planned as well as corresponding employment increases once the buildings are completed. Total construction activity in Guam has averaged $379.9 million annually over the past five years.

Through June 2026, Department of Public Works issued 386 building permits across all categories, from residential, being the largest category of permit activity to commercial, utility, infrastructure and military-related development. During July 2026, the Department issued permits representing $5.8 million in construction value, including nine new residential permits with an aggregate construction value of $5.77 million. Significant permits that were issued in the same month included construction associated with the Ukudu Workforce Village Phase B barracks project, utility infrastructure improvements, solar installations and commercial tenant improvements.

Table B-17 lists the dollar value of the construction permits issued during the period from Fiscal Years 2020 through 2026. Values given include permits for new construction and additions.

TABLE B-17
Fiscal Year Building and Construction Permits
Fiscal Years 2020 – 2026 (Dollars in Thousands)

	2020	**2021**	**2022**	**2023**	**2024**	**2025**[2]	**2026**[2]
Residential	$36,797	$98,626	$100,053	$98,168	$81,659	$76,367	$48,942
Commercial & Industrial	149,653	80,191	238,936	22,235	57,974	106,111	77,891
Government	147,293	100,041	82,250	45,634	144,375	66,385	60,141
Other[1]	45,861	29,070	158,801	86,587	94,305	124,429	51,277
Total	$379,612	$307,928	$580,040	$253,860	$378,313	$373,292	$238,251

(1) Includes permit renewals, demolitions, relocations and church buildings.
(2) Preliminary and unaudited.
Source: Guam Bureau of Labor Statistics, Department of Labor June 2026

In Fiscal Year 2021, construction permitting declined by approximately $72 million or 18.9% compared to Fiscal Year 2020. The decline in construction permitting in Fiscal Year 2021 reflected a decline in commercial and industrial permitting by 46.4% and government construction permitting by 32.1%. In Fiscal Year 2022, construction permitting increased by approximately $272 million or 88.4% compared to Fiscal Year 2021. In Fiscal Year 2023, construction permitting decreased by approximately $326 million or -56.2% compared to Fiscal Year 2022. Fiscal Year 2023 commercial and industrial projects included two new restaurants, a construction warehouse, construction of a parking lot for Don Don Donki Mall and a new commercial building. Residential projects included a new 8 building, 64-unit apartment complex and the remaining were for single family dwellings.

In Fiscal Year 2024, construction permits increased by approximately $124 million or 48.9% when compared to Fiscal Year 2023. Major government projects included the reconstruction of the terminal apron and taxiway for the Guam International Airport Authority, construction of a new Guam Waterworks Authority Ugum Reservoir control building, and a new University of Guam student success center, parking lot for the School of Engineering, and building for the School of Nursing. Commercial and industrial projects included construction of a new Bank of Hawaii headquarters building and a new health clinic. Residential projects included construction of 6 new detached homes in the Summer Towers condominium complex and a new 2-building, 16-unit single-family dwellings.

Fiscal Year 2025 construction activity reflected continued investment in residential development, commercial facilities, and public infrastructure. Significant residential projects included ongoing housing construction throughout northern and central Guam, including multifamily and affordable housing developments designed to expand the island's housing inventory. Commercial and industrial permitting activity included new retail, office, healthcare, warehouse, and utility-related projects, while government permitting activity included transportation, educational, utility, and public safety improvements. Construction activity during Fiscal Year 2025 continued to be supported by private-sector investment, federal funding, and ongoing preparation for military-related growth and infrastructure demands.

Residential and commercial development activity continued throughout Fiscal Year 2026. Core Tech Development invested approximately $23.2 million in Summer Vista Phase II in Dededo, consisting of 12 residential buildings containing 96 housing units, representing a significant addition to Guam's housing inventory. Additional private-sector investment included the renovation of the former San Miguel Building by Goodwind Development, representing an investment of approximately $17.5 million and contributing to the modernization and adaptive reuse of existing commercial properties. Goodwind Development also invested approximately $8.0 million in improvements at Micronesia Mall, including the development of a bowling alley, arcade, and food and beverage facilities, expanding Guam's entertainment, retail, and dining offerings. Collectively, these projects represent approximately $48.7 million in private-sector investment completed or advanced during Fiscal Year 2026.

The statistics in this section do not include construction on military bases. For that information, see “Military Procurement of Services and Construction” and “Recent Military Project Awards” below.

Hotel and Residential Construction

In support of Guam’s Tourism 2020 Strategic Plan introduced in 2014, the Government marketed Guam to new hotel developers leading to the development of several new hotel and condominium projects in the Tumon Bay area, the lodging area for a majority of the visitors to Guam. The Tsubaki Tower, a 26-story, 340-room five-star hotel, was constructed by P.H.R. Micronesia, Ken Corp. at an estimated cost of $164 million. Construction was completed in April 2020 and the facility opened on July 1, 2020, following a delay in opening due to COVID-19. Adjacent to the tourist district of Tumon is Summer Towers, a $100 million four-tower, 192-unit luxury condominium development which was completed in 2020.

There are a number of affordable and low-income housing projects currently under construction or in the planning phase. Located in the northern village of Dededo, a $64.1 million, 240-unit Summer Town Estates is the first low-income housing tax credit development for senior citizens in Guam. Summer Town Estates Phases II, III and IV, a 399-unit low-income housing project financed in part by tax credits, was completed in 2018 (Phase II and III) and in 2020 (Phase IV). Villa Del Mar LLC completed a $50 million 138-unit housing project off the Kanada-Toto Loop in the central village of Barrigada for low-income families as well as for homeless veterans on Guam, a project funded in part by federal tax credits.

Also, in the northern part of Guam and adjacent to the Two Lovers Point, a popular tourist destination, the Eiger Towers received approval from the Hybrid Land Use Commission to construct two 20-story condominium buildings. Construction of the phase one tower, with 209 units, is expected to take two years to be completed. Investment on phase one is estimated to be approximately $100 million. A second tower will be built on phase two of the project, which will bring the total number of residences up to 335. The Guam Land Use Commission approved construction of a 32-unit apartment complex between the Gill-Baza and Zero-Down subdivisions in Yigo. Four subdivisions were announced to be constructed in Yigo, including the Bay Gardens, a $2.3 million 20-home subdivision, Songsong Hills Subdivision, with 72 homes that is expected to be completed in late 2025, Tre Vista with 36 homes, and a 28-home gated subdivision next to Perez Acres.

In central Guam, Summer Breeze I, LLC was awarded a $36.6 million contract in November 2021 to develop up to 64 affordable housing units in Radio Barrigada using federal tax credits. Summer Breeze I opened in December 2023. Paradise Courts, a $4.0 million subdivision comprising 17 three-bedroom homes Mangilao, broke ground in November 2020 and opened in April 2025. Planned developments include the multimillion-dollar Palisades Subdivision, a mixed-use residential and commercial development along Tiyan Parkway, and a $1.6 million, eight-unit townhome project in Mangilao.

Commercial, Retail and Office Space Construction

Major ongoing commercial, retail and office space construction projects are underway and have been completed within the last five years. These include but are not limited to: a new Medical Arts Center, a fisherman's seawall and docking area project, a Guam Trades Academy Headquarters and Training Center, a warehouse facility containing purpose-built cold storage, a charter school, multiple banks, multiple restaurants, retailers and grocery stores.

Notably in 2024, the Village of Donki opened its first Guam location, which houses various restaurant franchises and retail offerings. In August 2023, a state-of-the-art facility for the Guam Army National Guard's 1224th Engineering Support Company in Barrigada. Additionally, Cost U Less opened its newly constructed 55,000-square-foot flagship store in Hagåtña on August 28, 2026, and continues to operate its Harmon location, which was upgraded in the prior year, further contributing to the island's expanding commercial infrastructure. The Aquarium of Guam is also planned to reopen following renovation, and discussions are ongoing regarding additional health and wellness, trading card and jewelry concepts in Tumon.

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Government Construction Projects

Major ongoing government construction projects and projects completed within the last five years are described below. Ongoing or recently completed Government construction projects include approximately $947 million of new capital improvements.

- On November 17, 2023, The University of Guam undertook more than $55 million in campus infrastructure improvements, including the construction of two new facilities; the Water and Environmental Research Institute (WERI) of the Western Pacific research facility and the Margaret Perez Hattori-Uchima School of Health Nursing Annex. The Nursing Annex was completed and dedicated in August 2026. The WERI facility, a three-story research building designed to support water and environmental research in the region, was developed as part of the University's broader infrastructure expansion initiative.

- On December 15, 2023, UOG broke ground for the construction of its $7.9 million School of Engineering. The School of Engineering Building officially opened on January 16, 2026. On January 10, 2024, the University of Guam also broke ground for the $22.9 million Dr. Lucio Chan Tan Student Success Center ("**Student Center**"). The Student Center features 45,000 square feet over two stories and is funded by the USDA Rural Development loan and a $1 million gift from Lucio Chua Tan. The Student Success Center officially opened on January 23, 2026.

- Guam Community College Building 300, a $4.5 million facility that houses a multipurpose auditorium, opened on August 31, 2023. The project was partially funded through the Federal Emergency Management Agency (FEMA). In addition, GCC broke ground on the $3.27 million Workforce Development Center in Barrigada on May 6, 2024. The facility was developed to support workforce training in construction, maritime ship repair, and other skilled trades. The Workforce Development Center opened in late December 2025, with a ribbon-cutting ceremony held on December 30, 2025.

- Guam Waterworks Authority ("**GWA**") has (i) completed upgrades to the Northern District WWTP to secondary treatment and installed the related outfall diffuser (completed in 2022); (ii) refurbished the interceptor sewer that runs from the Andersen Air Force Base to the Northern District WWTP (completed in 2020); and (iii) expanded and rehabilitated the Northern Guam Lens Aquifer Monitoring System including in the northwest field area of the Andersen Air Force Base (completed in 2023).

- The Ukudu Power Plant, a 198-megawatt combined-cycle generating facility developed by Guam Power Authority and Guam Ukudu Power LLC, became fully operational on December 25, 2025. The approximately $600 million facility in Dededo is intended to replace Guam's aging generation assets and improve fuel efficiency. According to Guam Power Authority, the plant is capable of supplying a substantial portion of Guam's power demand and may reduce annual fuel consumption by more than 900,000 barrels. The project represents one of the largest infrastructure investments completed on Guam in recent years.

- A $12.9 million Route 5 Reconstruction and Widening project was completed on April 17, 2024. The project was funded by the Federal Highway Administration and completed by InfraTech International LLC. Route 5 covers the road between Hagat and Malesso.

- Guam Housing Urban Renewal Authority awarded a $5.59 million contract to construct a new 6,600 sq. ft. Guam Police Department Eastern Substation in Talo'fo'fo (the southern part of Guam).

- A $10.3 million Chalan Pago-Ordot Multipurpose Center is expected to be completed by the end of December 2026.

- The Guam Department of Education is in the planning stage for the reconstruction of the Simon Sanchez High School in Yigo. The project is authorized in a not-to-exceed financing amount of $166 million.

H-2B Visas

The H-2B program in Guam has allowed employers to bring skilled foreign workers into the U.S. to fill temporary jobs in sectors other than agriculture. Employers of all sizes, primarily in construction but also in a variety of other industries, use the H-2B program when they cannot identify enough skilled U.S. workers to hire.

For more information on the federal laws passed, see "National Defense Authorization Act (NDAA)" below.

As of September 21, 2026, there are approximately 6,603 H-2B workers in Guam, representing an increase of 31.48% compared to June 16, 2025, with approximately 5,022 H-2B workers. This level is above the 2024 peak of more than 5,500 H-2B workers and represents the highest number of H-2B workers recorded in Guam since tracking of admissions began in 1995. The record level of H-2B employment reflects sustained demand for skilled construction labor associated with military, public infrastructure and private-sector projects. Demand for H-2B workers is expected to remain strong in the near term as construction activity ramps up and is expected to remain elevated through Fiscal Year 2028, with no significant decrease anticipated below current levels.

National Defense Authorization Act (NDAA)

The 2019 National Defense Authorization Act eliminated the annual cap of 4,000 H-2B workers and further built on the authorization in a prior NDAA by providing further flexibility for the U.S. Customs and Immigration Services to administer the H-2B visa program on Guam, specifically, the exemption from the temporary work recruitment until December 31, 2023. It further allowed for the admittance of healthcare workers to Guam through the H-2B visa program to augment the increased need for skilled healthcare supporting the military build-up at medical facilities that jointly serve members of the armed forces, dependents, and civilians on Guam.

The 2021 National Defense Authorization Act ("**2021 NDAA**") broadened the options under which a project may qualify under the NDAA provisions, opening the recruiting of foreign labor for smaller contractors and related businesses for their projects that have been left out from previous years NDAAs. The 2021 NDAA included a new provision that specifically allows Guam to bring in H-2B workers for civilian projects, which had not been allowed in previous years.

On February 8, 2022, the USCIS issued updated policy guidance to clarify how petitioners may demonstrate that they qualify for an exemption from the temporary need requirement for a nonimmigrant visa petition for H -2B workers. The policy states that GDOL will be able to write letters supporting civilian construction contractors' applications for H-2B visa workers in response to the military buildup. A letter from GDOL will validate the contractors need for workers to support the military realignment, such as building more housing. The letter will further validate, upon GDOL review, that the contractors are adversely affected by factors such as worker shortages, for non-military projects. For more information on the annual NDAA, see "Military Procurement of Services and Construction."

The 2024 NDAA extended the H-2B visa program admission in Guam to December 31, 2029.

Other Economic Activity

The Government is seeking, through legislative and regulatory efforts, to streamline business and construction permitting processes, to obtain an exemption from the Jones Act (a federal law that governs domestic shipping, which would expand the market for shipments to Guam and reduce the cost of imports), to develop the captive insurance market for the Asian market, and to continue the pursuit of the visa waiver program for Chinese and Filipino tourists.

Other developments being pursued by the Government, private enterprise or both, include a bonded warehouse on Guam as a consolidation and customs clearance center, a hub for the collection and transshipment of recyclable materials in the region, a redevelopment of the Hagåtña area, light domestic manufacturing of construction materials, expanded eco and sports tourism, and television and commercial film production for Asian producers.

Guam continues to experience significant private-sector investment in renewable energy generation and battery energy storage infrastructure as part of the island's effort to diversify its energy portfolio and reduce reliance on imported petroleum fuels. These are GPA’s renewable energy initiatives targeting 330MW by 2028.

In February 2025, the Public Utilities Commission approved the development of a 132megawatts solar facility in Yona to be constructed by KES Yona Solar LLC, a joint venture involving Samsung C&T, Samsung E&C America, Korea Electric Power Corporation ("KEPCO"), and Korea East West Power. The project will include approximately 250,000 solar panels on approximately 627.6 acres and a 66-megawatt battery energy storage system. The estimated contract value of approximately $1.12 billion, upon completion, the project is expected to become Guam's largest solar facility and will provide generating capacity exceedingly twice that of the 60-megawatt Mangilao Solar Project.

In October 2025, the Public Utilities Commission approved a renewable power purchase agreement between Guam Power Authority and PRG CTI Tanguisson LLC, an affiliate of Core Tech Development, for the Tanguisson Solar Energy Project in Dededo. The project is expected to provide up to 60 megawatts of solar generation together with 30 megawatts of battery energy storage facilities. The approved agreement has an estimated contract value of approximately $548.7 million over a 25-year period. Additional land-use approvals were granted in 2026 to support development of the approximately 113-acre project site.

In August 2025, Guam Power Authority entered into renewable energy agreements with Pacific Renewable Unlimited LLC, a partnership involving Pacific Energy Corp. and Landscape Management Systems. The development consists of approximately 18.4 megawatts of solar photovoltaic generation capacity and 13.8 megawatts of battery energy storage located across sites in Tamuning, Barrigada, Yona, and Inalåhan. The four projects have an estimated aggregate contract value of approximately $157.4 million over 25 years and are anticipated to commence commercial operations by 2028.

In June 2026, the Public Utilities Commission approved Guam Power Authority's Phase IV renewable energy agreements with SunEnergy 1 LLC, SunEnergy 2 LLC, SunEnergy 3 LLC, and SunEnergy 4 LLC, subsidiaries of Power Solutions. The projects are expected to provide up to 62 megawatts of solar generating capacity and approximately 35.5 megawatts of battery energy storage. Approximately 57.4 megawatts will be located on portions of the former Guam International Country Club property in Dededo, with an additional facility in Yigo near Andersen Air Force Base. Guam Power Authority anticipates an estimated value of approximately $631.7 million for these projects that will enter service by 2029.

Collectively, the four major renewable energy projects described above are expected to add approximately 228.4 megawatts of new solar generating capacity upon completion. These investments are being advanced through long-term power purchase agreements with the Guam Power Authority and private-sector development partners, including investors from Asia. The projects represent a significant component of Guam's ongoing energy transition strategy and reflect continued foreign and domestic investment in utility infrastructure.

Economic Expansion Initiatives

Agriculture

There are many opportunities available to agricultural producers including establishing a land lease between landowners and agricultural producers to accommodate and identify unique pathways for sustained future in agricultural production. Governor Leon Guerrero is exploring initiatives including developing agriculture incubator programs, establishing a slaughterhouse and creating an agriculture master plan.

Aquaculture and Fisheries

As part of the integrated economic strategy, Governor Leon Guerrero is advancing the growth of aquaculture and fishing to create jobs and keep more local dollars circulating in the economy instead of being spent on imports. In April 2019, the Governor signed an executive order creating the Guam Aquaculture Task Force, which is intended to reinvigorate efforts to develop a potentially $7 billion aquaculture industry, starting with shrimp farming. As part of the task force, the Guam Economic Development Authority ("**GEDA**") in March 2022, released its Guam Aquaculture Industry Feasibility Study, funded by the U.S. Economic Development Administration. The study provides a comprehensive analysis of Guam's aquaculture industry and serves as a roadmap for policymakers and stakeholders to support the industry.

Telecommunication

Guam is equipped with 3G, 4G and 5G broadband coverage and is considered to be the most technologically connected among the surrounding islands in the Pacific. Mobile broadband has rapidly grown since the launch of the High-Speed Packet Access and Long-Term Evolution service. DOCOMO PACIFIC, through its parent company NTT DOCOMO INC., officially began operations of its DOCOMO 5G Open Lab Guam on March 27, 2019, at its Tamuning headquarters. The DOCOMO 5G Open Lab Guam is NTT DOCOMO INC.'s first 5G verification center outside of Japan.

Guam-based telecommunications company GTA Teleguam ("**GTA**") is currently building a new cable landing station ("**CLS**") and data center in Tamuning on the north of the island. The project known as the Alupang data center, began construction in October 2022 and is expected to be completed in October 2025 . Once completed the two-story building will offer 4 medium wave transmission capacity across 31,000 square feet (2,875 square meters). GTA is also planning to build a new CLS in Inalahan on the southeast of Guam. The two-story building will total around 19,440 square feet (1,800 square meters). Though the site will have a small amount of server space, it will be largely unmanned. The GTA landing station on Guam serves as a crucial hub for telecommunications in the Pacific region. It connects Guam to international submarine fiber optic cables, facilitating high-speed internet and telecommunications services to Guam itself and the broader Pacific region.

Guam is currently the landing point for 12 subsea cables. In addition to GTA, Tata Communication operates one CLS on Guam and AT&T operates two CLS on Guam.

On January 18, 2024, Google announced the construction of two new undersea cables from Guam to Fiji and to French Polynesia. For Guam, the cables are expected to greatly increase internet connectivity speeds and reduce latency. Guam plays a part in landing those cables, which in turn will help bridge the digital divide throughout the Pacific. The cost of the projects is currently unknown. The projects are expected to be completed by 2026.

On February 5, 2024, SpaceX's Starlink Satellite Constellation began providing global high-speed internet access to Guam and the Northern Mariana Islands.

On February 20, 2024, IT&E announced the installation of 73 miles of fiber optic cables and 5G upgrades to various wireless towers anticipated to deliver faster internet speeds in the southern part of Guam. The $11.4 million project is expected to be completed between 2025 and late 2026.

On May 8, 2024, GTA announced it would be rolling out GTA Fiber across Guam, the island's largest underground Fiber network. GTA Fiber marks a shift in internet technology with 100% Fiber Internet directly to homes and businesses with speeds up to 1 Gbs or 1,000 Mbps.

Additive Manufacturing

In efforts to diversify Guam's economy and support Indo-Pacific submarine industrial base needs, Governor Leon Guerrero and the Applied Science and Technology Research Organization of America ("**ASTRO**") released a project plan for a 3D printing industry and center in Guam. The project is estimated to cost $38.8 million in the initial two years. Implementation has yet to be determined.

On December 29, 2020, Governor Leon Guerrero, in partnership with GEDA and the Guam Chamber of Commerce, established the Governor's Economic Diversification Working Group, a group charged with executing new industries to rebound from the adverse effects of the COVID-19 pandemic. Proposed alternative industries included:

- Aquaculture and Agriculture
- Alternative Dispute Resolution
- Guam Captive Insurance / Trust Incentives Act Program
- Relocation of High Wealth Businesses/Individuals from Asia
- Pharmaceutical Manufacturing
- Construction & Labor
- Ship Repair
- Safe Haven Port
- Silicon Village Initiative
- Satellite Launching

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NATURAL DISASTERS

Exposure to Extreme Weather and Environmental Changes

Potential impacts of climate change, including rising sea levels, excessive rainfall, stronger tropical storms, drought, ocean acidification, coral bleaching, saltwater intrusion, storm surges, rising temperatures and increased migration, may threaten Guam's security and resources. Pursuant to a July 2019 study released by the University of Guam (the "**UOG**"), one-third of Guam's coral reefs died between 2013 and 2017 because of rising ocean temperatures caused by increased global carbon dioxide output. The impact of climate change and climate variability may also have detrimental socioeconomic impacts to Guam.

The Government has started system-wide coordination and long-range planning efforts to mitigate the potential adverse environmental and socioeconomic impacts of climate change. On August 8, 2019, pursuant to Executive Order No. 2019-19, a Climate Change Resiliency Commission (the "**Climate Change Resiliency Commission**") was established. The objective of the Climate Change Resiliency Commission is to develop an integrated strategy to build resilience against the adverse effects of climate change and to reduce contributing factors such as greenhouse emissions. The Guam Coral Reef Resilience Strategy ("**GRRS**") was developed collaboratively by the Guam Coral Reef Initiative, which includes partners from local and federal agencies, research institutions, non-profit organizations, and the private sector. The goal of the GRRS is to enhance the resilience of Guam's coral reef ecosystems and human communities to the impacts of climate change by 2025. While the original GRRS set 2025 as its target, the ongoing project and funding suggests that efforts to enhance coral reef resilience are continuing beyond this date.

In September 2019, Governor Leon Guerrero and Lieutenant Governor Joshua F. Tenorio promulgated Executive Order 2019-23, creating a working group of government, academia, private sector, non-profit, and youth partners to transition Guam toward a sustainable future. The Guam Green Growth initiative is a public-private partnership that develops tangible solutions to sustainability challenges and contributes to a green economy for the island region and is facilitated by the University of Guam Center for Island Sustainability.

In November 2020, the Pacific Islands Regional Climate Assessment and the East-West Center published a report entitled Climate Change in Guam: Indicators and Considerations for Key Sectors. The report is one in a series of reports aimed at assessing the state of knowledge about climate change indicators, impacts and adaptive capacity of the U.S-Affiliated Pacific Islands and the Hawaiian archipelago. Major challenges detailed in the report on climate change in Guam include hotter weather threatening human health risk, risks to freshwater supplies, increasing wildfire, and the potential for damage to infrastructure caused by future sea level rise and stronger typhoons.

Typhoons

Historically, Guam has experienced short-term impacts of natural disasters. Since 2000, a total of 23 typhoons (including Typhoon Mawar, as further described below) have tracked within 200 miles of Guam.

In May 2023, Typhoon Mawar struck Guam as a Category 4 storm, with strong winds around 140 miles per hour causing the strongest tropical cyclone to hit the island in over 20 years. Former President Joseph Biden approved an emergency declaration on May 25, 2023, enabling the Federal Emergency Management Agency to assist with equipment, resources, and federal funding. Initially set at 75% federal funding, the federal cost-share was increased to 90% on August 9, 2023.

Typhoon Mawar affected travelers and visitors who were on Guam during the typhoon. GVB aided nearly 5,000 stranded tourists, helping with transportation, lodging and meals as they waited for seats on outbound airlines to their home country. The A.B. Won Pat International Airport closed on May 24, 2023, partially opened for humanitarian and essential cargo operations on May 27, 2023, and resumed full operations on May 29, 2023. GPA restored power service to nearly 99% of customers by July 15, 2023. GWA water service was restored to 62% of customers by June 6, 2023, 92% of customers by June 17, 2023, and all areas by June 23, 2023.

Guam recently experienced impacts from Super Typhoon Sinlaku in April 2026 and Super Typhoon Bavi not too long after in July. Although neither storm resulted in damage comparable to that caused by Typhoon Mawar, both events required emergency preparedness measures, causing localized disruptions to transportation and utility services. Overall, Guam saw a rapid and coordinated recovery despite the storm's severe impact. These storms highlighted the importance of ongoing investments in resilient infrastructure, hazard mitigation, utility hardening and emergency preparedness measures throughout the island.

APPENDIX C

FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2025 AND 2024

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Financial Statements, Required Supplementary Information, and Supplementary and Other Information

Guam Waterworks Authority

(A Component Unit of the Government of Guam)

Years ended September 30, 2025 and 2024
with Report of Independent Auditors



Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Financial Statements, Required Supplementary Information,
and Supplementary and Other Information

Years ended September 30, 2025 and 2024

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Report of Independent Auditors

Commissioners
Consolidated Commission on Utilities

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guam Waterworks Authority (the Authority), a component unit of the Government of Guam, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority at September 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Authority adopted a new accounting standard which is GASB 101, *Compensated Absences.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as well as the Schedules of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Proportionate Share of the Total OPEB Liability, the Schedule of OPEB Contributions, and the Notes to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Certain Operating and Maintenance Expenses, the Schedule of Construction Work in Progress, the Schedules of Net Position, Revenue, Expenses and Changes in Net Position for the System Development Charge Fund, and the Schedule of Operating Revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Certain Operating and Maintenance Expenses, the Schedule of Construction Work in Progress, the Schedules of Net Position, Revenue, Expenses and Changes in Net Position for the System Development Charge Fund, and the Schedule of Operating Revenues are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Employee and Other Data but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2026 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Ernst + Young LLP

June 3, 2026

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Management's Discussion and Analysis

Years ended September 30, 2025 and 2024

This Management's Discussion and Analysis (MD&A) provides an overview and analysis of the financial activities of the Guam Waterworks Authority ("GWA" or the "Authority") for the fiscal year ended September 30, 2025, with comparative information for fiscal year 2024. This discussion should be read in conjunction with the Authority's basic financial statements and the accompanying notes.

If you have any questions about this report or require further information, contact Guam Waterworks Authority at finance@guamwaterworks.org.

Introduction

GWA provides water and wastewater services to the majority of Guam's civilian population and some military facilities, serving more than 43,650 water customers and 31,200 wastewater customers at the end of FY2025, with a staff of 381 full-time equivalent employees.

In 2002, pursuant to Public Law 26-76, the Authority was converted from a government agency to a Guam public corporation governed by the Consolidated Commission on Utilities (CCU) – an elected, non-partisan five-member body that holds policy and decision-making authority over GWA operations, including approval of budgets, management strategy, and the hiring of the General Manager, Legal Counsel, and Chief Financial Officer.

The CCU also oversees the Guam Power Authority (GPA); GWA's main offices are co-located with GPA at the Gloria B. Nelson Public Service Building in Fadian, Mangilao, with satellite offices in Hagåtña and Upper Tumon.

GWA's water system draws on groundwater (approximately 90% of supply), surface water, and springs through a network of 120 wells – 95 of which were operational as of September 30, 2025 – along with transmission and distribution pipelines, booster pump stations, pressure regulating valve stations, reservoirs, tanks, and fire hydrants. The wastewater system is divided into seven basins served by six treatment plants and an extensive collection system of gravity sewer pipes, pump stations, force mains, and related infrastructure. The condition and performance of these assets were last comprehensively reviewed in the 2018 Water Resources Master Plan Update, which was subsequently updated in FY2025. GWA continues to modernize its operations through ongoing deployment of mobile workforce tools, District Metered Areas and proactive leak detection under its Water Loss Control Program, Advanced Metering Infrastructure pilot testing, and procurement process improvements – all contributing to improved efficiency and setting the foundation for stronger operating results in the near term.

Overview of the Financial Statements

GWA's basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting and consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These statements present the Authority's overall financial position, results of operations, and cash flows as a single business-type activity.

The Statements of Net Position report all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position. Net position is classified into three components: net investment in capital assets; restricted net position; and unrestricted net position. The Statements of Revenues, Expenses, and Changes in Net Position present operating and nonoperating activities for the fiscal year, while the Statements of Cash Flows provide information about the Authority's cash receipts and disbursements and its ability to meet financial obligations.

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 26 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary and statistical information. Supplementary and statistical information can be found beginning on page 72 of this report.

Financial Highlights

GWA's financial position during FY2025 was shaped by continued execution of its financial plan, implementation of approved rate adjustments, and ongoing capital and regulatory obligations.

Management's Discussion and Analysis, continued

As shown in Table 1, as of September 30, 2025, the Authority's total assets and deferred outflows increased by $285.9 million (23.5%) compared to the prior year. New debt issued in 2025 contributed to most of this as restricted cash balances increased. Completed and ongoing capital improvement projects continued to grow in FY2025. Current and other liabilities decreased approximately $22.1 million (11.1%) primarily due to reductions in net pension and OPEB liabilities resulting from updated actuarial valuations and related adjustments. The decrease was partially offset by increases in accrued interest, accrued payroll and employee benefits, and contractor payables.

Total net position increased by $20.1 million (5.9%) to $358.2 million driven primarily by improved operating income and higher capital contributions, partially offset by interest expense on outstanding debt.

Table 1
Summary Statement of Net Position

	September 30, 2025	*(Restated)* September 30, 2024	2025 to 2024 Comparison Increase/ (Decrease)	2025 to 2024 Comparison % Change	September 30, 2023
Current and other assets	$ 594,771,768	$ 333,682,275	$261,089,493	78.2%	$ 325,180,362
Capital assets, net	852,213,105	811,400,744	40,812,361	5.0%	812,902,989
Total assets	1,446,984,873	1,145,083,019	301,901,854	26.4%	1,138,083,351
Deferred outflows of resources	53,252,495	69,291,823	(16,039,328)	-23.1%	77,227,192
Total assets and deferred outflows of resources	$1,500,237,368	$1,214,374,842	$285,862,526	23.5%	$1,215,310,543
Current and other liabilities	$ 177,263,490	$ 199,390,279	$(22,126,789)	-11.1%	$ 182,998,550
Long-term debt	891,289,641	631,351,050	259,938,591	41.2%	650,847,410
Total liabilities	1,068,553,131	830,741,329	237,811,802	28.6%	833,845,960
Deferred inflows of resources	73,525,278	45,550,274	27,975,004	61.4%	46,950,249
Total liabilities and deferred inflows of resources	1,142,078,409	876,291,603	265,786,806	30.3%	880,796,209
Net Position:					
Net investment in capital assets	307,355,311	320,670,696	(13,315,385)	-4.2%	330,849,577
Restricted	143,255,843	119,899,165	23,356,678	19.5%	102,947,398
Unrestricted	(92,452,195)	(102,486,622)	10,034,427	-9.8%	(99,282,641)
Total net position	358,158,959	338,083,239	20,075,720	5.9%	334,514,334
Total liabilities, deferred inflows and net position	$1,500,237,368	$1,214,374,842	$285,862,526	23.5%	$1,215,310,543

Operating income increased significantly due to higher revenues and modest reductions in operating expenses. Increases in capital contributions further strengthened the Authority's financial position and supported ongoing investment in critical infrastructure.

Net position continues to be predominantly invested in capital assets, net of related debt, with restricted balances supporting debt service and capital-related purposes. Unrestricted net position remains constrained due to the capital-intensive nature of utility operations, ongoing regulatory requirements, and long-term financing obligations.

During FY2025, the Authority implemented provisions of GASB Statement No. 101, which required recognition and measurement changes related to compensated absences liabilities. As a result, beginning net position for FY2024 was restated to reflect the cumulative effect of the new accounting standard, including the impact attributable to prior periods dating back to FY2023.

Analysis of Financial Position and Results of Operations

A summary of the Authority's results of operations is presented in Table 2, which reflects a significant improvement over the prior year.

Operating revenues increased by $5.9 million (4.5%), reflecting the combined impact of rate adjustments and changes in customer demand and flow. The Authority implemented a PUC-approved 11.5% increase in water and wastewater rates across all rate classes, effective October 1, 2024, as part of its FY2025–FY2029 Five-Year Financial Plan. Additional discussion of revenue performance is provided in the sections that follow.

Operating expenses decreased by approximately $500 thousand (0.4%), contributing to an increase in net operating income of $6.4 million (33.8%). A $1.8 million increase in net pension expense was substantially offset by a negative $1.8 million OPEB adjustment recorded at year-end.

Non-operating activities resulted in a net expense of $21.3 million, largely attributable to interest expense on outstanding debt. During FY2025, the Authority also recorded a $3.2 million write-off of regulatory assets, as approved by the PUC, related to amounts accumulated in prior years. This item is not expected to recur and is disclosed here as it is material to an understanding of the Authority's results of operations for the year.

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

	September 30, 2025	*(Restated)* September 30, 2024	2025 to 2024 Comparison Increase/ (Decrease)	% Change	September 30, 2023
Revenues:					
Water	$ 91,422,943	$ 81,925,551	$ 9,497,392	11.6%	$ 68,775,882
Wastewater	53,562,483	45,870,259	7,692,224	16.8%	37,478,561
System development charges	1,563,818	1,698,842	(135,024)	-7.9%	1,359,167
Other	709,295	591,327	117,968	19.9%	567,167
Bad debts	(2,004,924)	(229,334)	(1,775,590)	774.2%	(421,467)
Regulatory deferral	(9,500,000)	---	(9,500,000)	---	---
Total operating revenue	135,753,615	129,856,645	5,896,970	4.5%	107,759,310
Expenses:					
Power purchases	19,917,470	21,892,448	(1,974,978)	-9.0%	24,397,961
Water purchases	7,421,447	8,662,002	(1,240,555)	-14.3%	7,038,954
Sludge (waste) disposal fees	1,336,335	1,099,837	236,498	21.5%	676,362
Salaries, wages and benefits	28,914,078	27,106,931	1,807,147	6.7%	24,470,756
Depreciation	29,427,589	30,172,311	(744,722)	-2.5%	30,911,997
Administrative and general	10,754,027	8,213,661	2,540,366	30.9%	8,346,930
Contractual	5,989,602	5,237,504	752,098	14.4%	5,421,883
Retiree healthcare costs and other benefits	6,830,313	8,661,999	(1,831,686)	-21.1%	4,621,864
Total operating expenses	110,590,861	111,046,693	(455,832)	-0.4%	105,886,707
Net operating income	25,162,754	18,809,952	6,352,802	33.8%	1,872,603
Non-operating revenue	9,513,791	9,965,400	(451,609)	-4.5%	25,605,563
Less: Interest expense	(30,774,173)	(26,805,659)	(3,968,514)	14.8%	(28,678,533)
Total non-operating revenues (expenses), net	(21,260,382)	(16,840,259)	(4,420,123)	26.2%	(3,072,970)
Income (loss) before capital contributions	3,902,372	1,969,693	1,932,679	98.1%	(1,200,367)
Capital contributions	16,173,348	2,999,184	13,174,164	439.3%	13,485,967
Change in net position	20,075,720	4,968,877	15,106,843	304.0%	12,285,600
Net position - beginning year	338,083,239	334,514,334	3,568,905	1.1%	322,228,734
Restatement of beginning net position	---	(1,399,972)	1,399,972	---	---
Net position - end of year	$358,158,959	$338,083,239	$20,075,720	5.9%	$334,514,334

Water Revenue Performance

Water revenues increased by $9.5 million (11.6%), shown in Table 2 and detailed by customer rate class in Tables 3 and 4, primarily due to the rate adjustments described above, despite a slight decline in total demand of approximately 0.4%.

Growth was strongest in the residential, hotel, commercial and federal sectors. Federal demand increased notably during the year, reflecting expanded operations and occupancy associated with the continued development of Marine Corps Base Camp Blaz. Hotel demand increased by approximately 8.0%, while residential and commercial demand declined slightly. These increases were partially offset by reduced demand in the government sector.

Table 3
Annual Water Revenues (Excluding System Development Charges)

Class Type	FY25	FY24	2025 to 2024 Comparison Increase (Decrease)	% Change	FY23
Agricultural	$ 512,638	$ 501,463	$ 11,175	2.2%	$ 368,471
Golf Course	147,252	18,620	128,632	690.8%	116,491
Commercial	19,380,075	17,467,530	1,912,545	10.9%	14,461,167
Federal	754,739	33,854	720,885	2129.4%	25,097
Government	9,165,542	9,053,937	111,605	1.2%	7,514,091
Hotel	14,588,487	12,143,153	2,445,334	20.1%	9,046,164
Irrigation	41,032	38,727	2,305	6.0%	34,965
Residential	46,833,178	42,668,267	4,164,911	9.8%	37,209,436
Total	$91,422,943	$81,925,551	$9,497,392	11.6%	$68,775,882

Table 4
Water Demand by Rate Class
(in '000 gallons)

Class Type	FY25	FY24	2025 to 2024 Comparison Increase (Decrease)	% Change	FY23
Agricultural	57,761	59,551	(1,790)	-3.0%	49,748
Golf Course	6,449	158	6,291	3,981.6%	6,415
Commercial	834,395	840,261	(5,866)	-0.7%	816,393
Federal	35,624	1,317	34,307	2604.9%	1,099
Government	411,346	462,968	(51,622)	-11.2%	445,116
Hotel	686,269	635,654	50,615	8.0%	554,767
Irrigation	3,397	3,460	(63)	-1.8%	3,242
Residential	3,064,638	3,115,717	(51,079)	-1.6%	3,185,230
Total	5,099,879	5,119,086	(19,207)	-0.4%	5,062,010

Wastewater Revenue Performance

Wastewater revenues increased by $7.7 million (16.8%), supported by rate adjustments and a 3.9% increase in total wastewater flows, as shown in Tables 5 and 6.

Growth was driven primarily by increased activity in the federal and hotel sectors. Federal volumes increased significantly, consistent with the operational expansion noted above, as well as in other areas serviced, while hotel volumes increased by approximately 7.0%. Commercial and residential revenues also increased modestly, while government volumes declined slightly.

Wastewater revenues for non-residential customers are directly tied to water consumption, while residential customers are billed at a flat rate. Among the approximately 44 thousand residential customers with water services, only about 71%, or 31 thousand, have wastewater services.

Table 5
Annual Wastewater Revenues (Excluding System Development Charges)

			2025 to 2024 Comparison Increase		
Class Type	FY25	FY24	(Decrease)	% Change	FY23
Commercial	$10,314,493	$ 9,280,158	$1,034,335	11.1%	$ 8,538,306
Federal	12,613,431	9,093,663	3,519,768	38.7%	7,094,928
Government	5,426,399	5,583,721	(157,322)	-2.8%	4,356,099
Hotel	12,813,667	10,835,621	1,978,046	18.3%	8,100,157
Residential	12,394,493	11,077,096	1,317,397	11.9%	9,389,071
Total	$53,562,483	$45,870,259	$7,692,224	16.8%	$37,478,561

Table 6
Wastewater Demand by Rate Class
(in '000 gallons)

			2025 to 2024 Comparison Increase		
Class Type	FY25	FY24	(Decrease)	% Change	FY23
Commercial	551,272	548,241	3,031	0.6%	570,488
Federal	760,742	607,799	152,943	25.2%	558,530
Government	338,329	375,420	(37,091)	-9.9%	341,718
Hotel	454,959	425,057	29,902	7.0%	376,947
Residential	1,847,407	1,849,134	(1,727)	-0.1%	1,906,036
Total	3,952,709	3,805,651	147,058	3.9%	3,753,719

Revenue Offsets and Rate Stabilization

As a result of increases in operating revenues, the Authority deferred $9.5 million of current year revenues to the Rate Stabilization Fund (RSF) as part of its ongoing rate management strategy. This deferral reduced reported operating revenues for the year and is intended to support future rate stabilization, ensuring the Authority can manage fluctuations in revenues and maintain affordable rates for customers over time. Additional offsets include an increase in bad debt expense of $1.8 million, primarily due to an increase in aged receivables subject to full allowance, along with lower collection rates and the reduction of disaster-related subsidies compared to the prior year.

Operating Expenses and Performance

Operating expenses decreased by $500 thousand (0.4%) compared to the prior year. The decrease was primarily driven by lower purchased power and water costs.

During FY2025 the Guam Power Authority (GPA) implemented reductions to its Levelized Energy Adjustment Clause (LEAC), the component of the power bill tied to fuel costs. These reductions resulted in approximately $2.0 million in purchased power savings, despite a slight 1% increase in overall power consumption. Purchased water costs also declined, reflecting a 7% drop in consumption along with rate decreases of 6% in the first half of the fiscal year and an additional 23% in the second half.

These savings were partially offset by increases in personnel and administrative costs. Salaries increased due to the implementation of salary adjustments and increased staffing levels, while employee benefits rose as a result of higher retirement contribution rates and medical and dental costs.

Management continued to prioritize system reliability, regulatory compliance and workforce stability while managing overall expense growth.

Non-Operating Activities

Non-operating activities resulted in a net expense of $21.3 million primarily attributable to interest expense on outstanding debt. The Authority recognized approximately $1.0 million in FEMA funding related to prior-year disaster response activities; receipt of funds is pending as of year-end. The Authority also recognized $3.4 million in proceeds from a PFAS litigation settlement during FY2025. Additional settlement proceeds are expected to be received over multiple future periods and will continue to be reported as non-operating revenue. And as noted above, the Authority recognized a $3.2 million write-off related to regulatory assets accumulated in prior years.

Capital Contributions and Change in Net Position

Income before capital contributions increased by $1.9 million (98.1%), reflecting improved operating performance. Capital contributions totaling $16.2 million, 78% of which are derived from U.S. EPA grants, further enhanced the Authority's financial position and were significantly higher than the prior year. As a result, the Authority reported an increase in net position of $20.1 million, compared to $5.0 million in FY2024.

Significant Capital Asset and Long-Term Financing Activity

Capital Asset Activity

GWA owns and operates extensive water and wastewater infrastructure, including wells, treatment plants, reservoirs, transmission and distribution pipelines, and wastewater collection systems. Table 7 reflects that the carrying value of the Authority's capital assets—original cost minus accumulated depreciation—decreased 0.6% over FY2024; however, this change does not completely capture the substantial amount of capital investment activity that occurred in FY2025.

Table 7
Capital Assets, Net of Accumulated Depreciation

			2025 to 2024 Comparison		
	September 30, 2025	September 30, 2024	Increase (Decrease)	% Change	September 30, 2023
Capital assets, net	$726,212,556	$730,296,860	$(4,084,304)	-0.6%	$733,466,467
Land	5,811,163	5,741,163	70,000	1.2%	5,287,305
Construction in progress	120,189,386	75,362,721	44,826,665	59.5%	74,149,217
Total	$852,213,105	$811,400,744	$ 40,812,361	5.0%	$812,902,989

During FY2025, capital asset activity focused on projects identified in the Authority's Capital Improvement Program, including water loss control initiatives, wastewater collection system improvements, reservoir rehabilitation, and other regulatory compliance-driven projects. Capital additions totaled approximately $26.0 million, as reflected in Table 8.

Construction work in progress increased by approximately $44.8 million or 59.5% as projects advanced through planning, procurement, and construction phases. Balances at the start of FY2025 were $75.4 million. Approximately $72.8 million in construction activity progressed throughout the fiscal year, about $25.6 million were transferred to capital assets as projects were substantially completed and roughly $2.5 million were adjusted or reclassified. A detailed schedule of Construction Work in Progress is available on Page 73 of the financial statements showing the movement by major project.

Table 8
FY2025 Capital Asset Additions

Wastewater		
Collection systems	$	2,091,218
Equipment		749,927
		2,841,145
Water		
Treatment plants		9,401,394
Reservoirs		5,734,411
Distribution systems		3,910,021
Deepwells		946,878
Equipment		290,296
Booster pump stations		32,670
Meters		49,391
Fire hydrants		3,234
		20,368,295
General		
Vehicles and heavy equipment		1,514,859
Equipment		757,289
General plant improvements		561,439
		2,833,587
Total	$	26,043,027

Long-Term Financing Activity

Total bonds outstanding, as reflected in Table 9, increased significantly during FY2025, primarily due to the issuance of Water and Wastewater System Revenue Bonds, Series 2025A. The Series 2025A bonds were issued to support the Authority's capital improvement program and address critical regulatory and infrastructure needs, including partial consent decree wastewater projects, PFAS and emerging contaminant initiatives and system-wide infrastructure upgrades identified in the Authority's Capital Improvement Program.

The issuance resulted in an increase in long-term debt of approximately $266.5 million. Debt service will be funded through system revenues, consistent with the Authority's revenue bond structure. Management continues to evaluate opportunities to optimize debt service costs and align financing structures with the timing of capital expenditures.

Debt service coverage for FY2025 was 1.51, compared to 1.53 in FY2024. The slight decrease reflects the impact of increased debt service requirements associated with the issuance of the Series 2025A Revenue Bonds, partially offset by improved operating performance during the year. The Authority continues to maintain debt service coverage above minimum bond covenant requirements and remains focused on preserving financial flexibility while supporting its capital investment program.

Table 9
Long-Term Debt

	September 30, 2025	September 30, 2024	2025 to 2024 Comparison Increase (Decrease)	% Change	September 30, 2023
2013 Bond Series	$ ---	$ ---	$ ---	---	$ 18,365,000
2014 Refunding Bond Series	---	---	---	---	60,050,000
2016 Bond Series	80,965,000	81,890,000	(925,000)	-1.1%	134,140,000
2017 Refunding Bond Series	55,175,000	57,660,000	(2,485,000)	-4.3%	100,930,000
2020A Bond Series	134,000,000	134,000,000	---	---	134,000,000
2020B Refunding Bond Series	125,835,000	125,835,000	---	---	166,075,000
2024A Refunding Bond Series	130,615,000	133,575,000	(2,960,000)	-2.2%	---
2024B Refunding Bond Series	47,200,000	51,275,000	(4,075,000)	-7.9%	---
2025A Bond Series	266,535,000	---	266,535,000	---	---
Total	$840,325,000	$584,235,000	$256,090,000	43.8%	$613,560,000

Currently Known Facts, Decisions, or Conditions

As of the date the financial statements are issued, several currently known facts, decisions, and conditions are expected to affect the Guam Waterworks Authority's future financial position and results of operations.

Court-Ordered Compliance Requirements

The Authority is subject to a federal court order requiring specific improvements to its water and wastewater infrastructure. Compliance with the court order necessitates continued capital investment and operational focus through FY2027.

During FY2025, the Authority filed a request for an extension of certain court-ordered deadlines. On January 6, 2026, the court granted an extension of the applicable deadline to December 31, 2026. While the extension provides additional time to complete required improvements, the underlying compliance obligations remain in effect and will continue to influence capital planning, project sequencing, and future cash flow requirements.

Partial Consent Decree

In August 2024, the U.S. District Court for the District of Guam entered a Partial Consent Decree (Partial CD) between the United States and the Authority, which became effective August 9, 2024. The Partial CD is separate from and in addition to the 2011 Court Order and is focused on GWA's wastewater collection and conveyance system under the federal Clean Water Act, with the primary objective of reducing and preventing sewer system overflows.

The Partial CD requires the Authority to complete a series of assessments, planning measures, operational program enhancements, and capital improvements over a 10-year compliance period ending in 2034. Required improvements include rehabilitation and upgrade of gravity sewer mains, pump stations, and force mains, along with implementation of enhanced cleaning, CCTV inspection, sewer system overflow response, pre-treatment, and asset management programs. Additionally, the Partial CD requires completion of a feasibility study for upgrading or replacing the Hagåtña Wastewater Treatment Plant to secondary treatment within seven years of the effective date.

Compliance with the Partial CD represents a significant driver of the Authority's capital investment requirements. Partial CD-related projects constitute approximately 30% of the Authority's FY2025–FY2029 Five-Year Capital Improvement Program, which totals $899 million. Funding for these projects is anticipated to be provided through a combination of revenue bond proceeds, State Revolving Fund allocations, and other federal grants. Failure to meet established milestones could result in stipulated penalties under the Partial CD. As of the date of issuance of these financial statements, the Authority is on track to meet all deadlines due under the Partial CD. Additional information regarding the Partial CD is disclosed in the notes to the financial statements.

Regulatory Guidance and Dieldrin Response

In July 2025, the Guam Environmental Protection Agency (GEPA) issued guidance establishing acceptable concentrations of dieldrin in drinking water, effective August 1, 2025. In response to this guidance, the Authority removed two wells from service. A third well remained in operation, and precautionary public notices were issued to customers receiving water from that well. Temporary granular activated carbon (GAC) filtration systems were installed to address the identified concentrations, and permanent GAC treatment systems are expected to be installed during the first half of 2026. These actions have resulted in additional operational and capital expenditures and may continue to affect future costs and the timing of capital projects.

In January 2026, claims were filed against both GEPA and the Authority in connection with this matter. While the outcomes of these claims cannot be determined at this time, they may affect future expenditures or cash flows. Additional information regarding claims and contingencies is disclosed in the notes to the financial statements.

Short-Term Financing Authorization

During FY2025, the Consolidated Commission on Utilities and the Public Utilities Commission approved the Authority's use of short-term financing arrangements to support procurement and capital project execution. This authorization provides additional liquidity and flexibility in managing cash flow timing; however, amounts drawn under these arrangements may increase short-term interest expense and will require repayment or refinancing.

Approved Rate Increases and True-Up Requirements

The Authority's approved Five-Year Financial Plan for FY2025–FY2029 includes proposed rate increases for FY2026. Implementation of these increases remains subject to annual true-up proceedings before the Public Utilities Commission. The outcomes of future true-ups will affect the timing and level of revenue recovery and may influence the Authority's ability to meet debt service coverage and capital funding targets.

Capital Structure and Financing Considerations

Management will continue to evaluate opportunities to refinance outstanding revenue bonds when market conditions are favorable and refinancing is economically viable. Any future refunding transactions would be undertaken to reduce debt service costs or improve cash flow flexibility and would be subject to required approvals and prevailing market conditions. In addition, the Authority is evaluating the potential issuance of additional revenue bonds to fund capital projects identified in its Capital Improvement Program. A decision to proceed with any such financing has not been made and would be subject to approval by the Consolidated Commission on Utilities, the Public Utilities Commission, and market conditions at the time of issuance. Any new money bond issuance, if undertaken, would be structured consistent with the Authority's existing bond indenture requirements and would be reflected in future debt service coverage analyses.

Construction Market Conditions and Funding Availability

Construction market conditions in Guam, including labor availability, inflation, and supply chain constraints, may continue to affect project schedules and costs. Additionally, the timing and availability of federal funding, including State Revolving Fund allocations and other infrastructure grants, may influence the pace and sequencing of capital project execution and financing needs.

The Authority is also monitoring the potential financial impacts of the ongoing U.S.-Israel military conflict with Iran (commenced February 2026), which has contributed to disruptions in global shipping lanes and energy markets. Supply chain constraints related to the conflict may affect construction material costs and delivery timelines for capital projects. In addition, energy price volatility associated with global market disruptions may affect purchased power costs in future periods, as GWA's power costs are subject to fuel adjustment clauses applied by the Guam Power Authority. The Authority is also assessing the potential impact of federal budget priorities on the availability of EPA grants and State Revolving Fund allocations in future periods, and the potential for increased federal and military activity in Guam to affect water and wastewater demand.

Management will continue to monitor these developments and their potential financial impact on the Authority's operations.

Workforce Cost Pressures

The Authority continues the phased implementation of its salary market adjustment and migration plan, which is intended to address workforce recruitment, retention, and competitiveness. These adjustments are expected to result in higher personnel costs in future periods while supporting long-term operational stability.

Pending Litigation

The Authority is a party to certain legal proceedings arising in the ordinary course of business. While the outcomes of these matters cannot be determined at this time, certain proceedings, if resolved unfavorably, could require future expenditures or affect the timing of capital projects or financing activities. Additional information regarding pending litigation is disclosed in the notes to the financial statements.

Management will continue to monitor these facts, decisions, and conditions and adjust financial, operational, and capital strategies as necessary to ensure the Authority's ability to provide reliable service, comply with court and regulatory requirements, and meet its long-term financial obligations.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position

	September 30, 2025	2024 *(Restated)*
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents:		
Unrestricted	$ 68,753,143	$ 51,776,370
Restricted	47,917,143	47,882,117
Receivables, net of allowance for doubtful accounts	25,790,916	19,067,116
Materials and supplies inventory, net of allowance for obsolescence of $213,524 ($199,791 in 2024)	6,935,675	4,960,656
Prepaid expenses	1,212,737	1,217,846
Total current assets	150,609,614	124,904,105
Capital assets:		
Utility plant in service:		
Water system	483,115,995	463,754,614
Wastewater system	686,191,704	683,350,559
Non-utility property	36,950,224	34,757,389
	1,206,257,923	1,181,862,562
Less accumulated depreciation	(480,656,082)	(452,839,346)
	725,601,841	729,023,216
Lease and subscription-based IT assets, net	610,715	1,273,644
Land and land rights	5,811,163	5,741,163
Construction work in progress	120,189,386	75,362,721
Capital assets, net	852,213,105	811,400,744
Other noncurrent assets:		
Restricted cash and cash equivalents	444,162,154	208,778,170
Total assets	1,446,984,873	1,145,083,019
Deferred outflows of resources:		
Deferred outflows on bond refunding	23,190,417	24,067,333
Deferred outflows from pension	8,244,724	13,056,974
Deferred outflows from OPEB	21,817,354	28,992,788
Regulatory assets	---	3,174,728
Total deferred outflows of resources	53,252,495	69,291,823
Total assets and deferred outflows of resources	$1,500,237,368	$1,214,374,842

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30, 2025	2024 *(Restated)*
Liabilities, deferred inflows of resources and net position		
Current liabilities:		
Current maturities of revenue bonds payable	$ 10,965,000	$ 10,445,000
Accounts payable:		
Guam Power Authority	1,576,203	2,083,943
Trade	2,337,661	3,499,226
Accrued interest	9,002,963	6,852,336
Accrued payroll and employee benefits	2,829,713	872,091
Current portion of compensated absences	1,816,090	1,312,990
Current portion of lease and subscription-based IT liabilities	43,634	204,577
Payable to contractors	18,129,972	12,578,904
Customer deposits	2,613,337	2,311,776
Due to Grantor	8,299,382	7,599,831
Other liabilities	1,066,831	907,716
Total current liabilities	58,680,786	48,668,390
Revenue bonds payable, less current maturities	880,324,641	620,906,050
Compensated absences, less current portion	4,758,237	4,492,666
Lease and subscription-based IT liabilities	52,585	96,219
Net pension liability	44,488,639	53,371,429
Collective total other post-employment benefits liability	80,248,243	103,206,575
Total liabilities	1,068,553,131	830,741,329
Deferred inflows of resources:		
Regulatory related	10,116,337	631,637
Deferred inflows on bond refunding	6,767,085	7,532,330
Deferred inflows from pension	6,116,764	4,909,340
Deferred inflows from OPEB	50,525,092	32,476,967
Total deferred inflows of resources	73,525,278	45,550,274

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Net Position, continued

	September 30, 2025	2024 *(Restated)*
Net position:		
Net investment in capital assets	307,355,311	320,670,696
Restricted for:		
Debt service	85,689,893	63,941,087
Service operations	57,565,950	55,958,078
Total restricted - expendable	143,255,843	119,899,165
Unrestricted	(92,452,195)	(102,486,622)
Total net position	358,158,959	338,083,239
Total liabilities, deferred inflows of resources and net position	$1,500,237,368	$1,214,374,842

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30, 2025	2024 *(Restated)*
Operating revenues:		
Water:		
Private	$ 78,980,159	$ 70,389,155
Government	9,584,879	8,754,865
Legislative surcharge	2,857,905	2,781,530
System development charge	830,023	776,254
	92,252,966	82,701,804
Wastewater:		
Private	34,742,911	30,453,396
Government	17,432,144	14,140,891
Legislative surcharge	1,387,428	1,275,973
System development charge	733,795	922,588
	54,296,278	46,792,848
Other	709,295	591,327
Bad debts expense	(2,004,924)	(229,334)
Regulatory deferrals	(9,500,000)	(---)
Total operating revenues	135,753,615	129,856,645
Operating and maintenance expenses:		
Power purchases	19,917,470	21,892,448
Water purchases	7,421,447	8,662,002
Waste disposal fees	1,336,335	1,099,837
	28,675,252	31,654,287
Depreciation	29,427,589	30,172,311
Salaries, wages and benefits	28,914,078	27,106,931
Administrative and general	10,754,027	8,213,661
Contractual	5,989,602	5,237,504
Retiree healthcare costs and other benefits	6,830,313	8,661,999
Total operating and maintenance expenses	110,590,861	111,046,693
Operating income	25,162,754	18,809,952

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position, continued

	Year ended September 30, 2025	2024 *(Restated)*
Nonoperating revenues (expenses):		
Interest income	$ 13,116,573	$ 13,949,794
Insurance recoveries	659,567	1,000,000
Interest expense	(30,774,173)	(26,805,659)
Others, net	(2,325,859)	(219,504)
Bond issuance costs	(1,208,522)	(3,364,221)
Loss on capital asset disposals	(727,968)	(1,400,669)
Total non-operating expenses, net	(21,260,382)	(16,840,259)
Income before capital contributions	3,902,372	1,969,693
Capital contributions:		
Grants from the U.S. Government	16,173,348	2,999,184
Change in net position	20,075,720	4,968,877
Net position at beginning of year	338,083,239	333,114,362
Net position at end of year	$358,158,959	$338,083,239

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows

	Year ended September 30, 2025	2024
Cash flows from operating activities:		
Cash received from customers	$132,999,217	$127,084,900
Cash payments to supplies for goods and services	(49,434,193)	(43,969,246)
Cash payments to employees for services	(32,577,783)	(28,417,575)
Cash payments for retiree healthcare costs	(4,565,086)	(3,909,646)
Net cash provided by operating activities	46,422,155	50,788,433
Cash flows from capital and related financing activities:		
Proceeds from revenue bond issuances	269,286,740	212,168,699
Federal grants received	22,512,445	1,311,964
Proceeds from disposals of capital assets	---	21,871
Insurance proceeds	659,567	1,000,000
Principal paid on revenue bond maturities	(10,445,000)	(224,379,819)
Interest paid on revenue bonds	(28,614,861)	(27,013,904)
Acquisition of capital assets	(64,150,189)	(23,049,455)
Net cash provided by (used in) capital and related financing activities	189,248,702	(59,940,644)
Cash flows from noncapital financing activity:		
Legal proceeds	3,415,740	---
Cash flows from investing activity – Interest income received	13,309,186	13,949,794
Net change in cash and cash equivalents	252,395,783	4,797,583
Cash and cash equivalents at beginning of year	308,436,657	303,639,074
Cash and cash equivalents at end of year	$560,832,440	$308,436,657
Reconciliation of cash and cash equivalents to the statement of net position:		
Current assets:		
Cash and cash equivalents	$ 68,753,143	$ 51,776,370
Restricted cash and cash equivalents	47,917,143	47,882,117
Noncurrent assets:		
Restricted cash and cash equivalents	444,162,154	208,778,170
	$560,832,440	$308,436,657

See accompanying notes.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Statements of Cash Flows, continued

	Year ended September 30, 2025	2024 *(Restated)*
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$25,162,754	$18,809,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	29,427,589	30,172,311
Bad debts expense	2,004,924	229,334
Capitalized labor and benefits	(3,526,882)	(3,321,043)
Non-cash pension costs	2,863,116	6,925,523
Non-cash OPEB costs	(2,265,227)	7,389,859
Regulatory deferral	9,500,000	---
Other non-cash adjustments	(3,709,940)	(219,504)
(Increase) decrease in assets:		
Receivables	(15,260,434)	(2,371,548)
Materials and supplies inventory	(1,975,019)	136,002
Prepaid expenses	5,109	(10,898)
Regulatory assets	3,174,728	---
Increase (decrease) in liabilities:		
Accounts payable	(1,669,305)	1,121,328
Accrued payroll and employee benefits	1,957,622	(461,931)
Compensated absences	768,671	1,333,007
Customer deposits	301,561	42,808
Due to Grantor	699,551	(672,339)
Other liabilities	159,115	109,278
Net pension liability	(5,726,232)	(5,786,200)
Collective total other post-employment benefits liability	4,530,454	(2,637,506)
Net cash provided by operating activities	$46,422,155	$50,788,433
Supplemental information on noncash capital activities:		
Lease and subscription IT assets	$ 43,524	$ 108,550
Lease and subscription IT liabilities	(43,524)	(108,550)
	$ ---	$ ---

See accompanying notes.

1. Reporting Entity

The Guam Waterworks Authority (GWA), a component unit of the Government of Guam (GovGuam), is subject to the regulations of the Public Utilities Commission of Guam (PUC). GWA became an autonomous agency in 1996 under Public Law 23-119 and derives its revenues mainly from its water and wastewater system. The water system is engaged in the production, treatment, and distribution of water to villages and communities of Guam. The wastewater system is engaged in the collection and treatment of wastewater from residences and industries in the villages of Guam. GWA is governed by a five-member elected Consolidated Commission on Utilities (CCU). PUC determines such matters as rates and charges for services.

2. Summary of Significant Accounting Policies

Basis of Accounting

GWA utilizes the flow of economic resources measurement focus. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Net Position

Net position represents the residual interest in GWA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of the following categories:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets, net of debt service reserve. Deferred outflows of resources that are attributable to related debt are also included in this component.

Restricted nonexpendable - net position subject to externally imposed stipulations that require GWA to maintain them permanently.

Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GWA pursuant to those stipulations or that expire with the passage of time.

2. Summary of Significant Accounting Policies, continued

Net Position, continued

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action by management or the CCU or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, generally it is GWA's policy to use restricted resources first and the unrestricted resources when they are needed.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

GWA is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. There is commercial insurance coverage obtained to provide for claims arising from most of these matters. No material losses have been sustained as a result of GWA's risk management practices during the past three years.

Cash and Cash Equivalents

For purposes of the statements of net position and of cash flows, cash and cash equivalents is defined as cash deposits in banks, time certificates of deposit, and short-term investments in U.S. Treasury obligations with original maturities of three months or less.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to revenues. Bad debts are written-off against the allowance based on the specific identification method.

Materials and Supplies Inventory

Materials and supplies inventory is stated at the lower of cost or market with cost determined by the weighted average costing method.

2. Summary of Significant Accounting Policies, continued

Prepaid Expenses

Certain payments made to vendors or persons for services reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying statements of net position.

Capital Assets

Plant in service of $139,583,309 is stated at estimated historical cost as determined by an independent engineering consultant at September 30, 1998. Plant in service acquired subsequent to that date is stated at cost. Non-utility capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Current policy is to capitalize items over $5,000.

Noncurrent Restricted Cash and Cash Equivalents

The purpose of noncurrent restricted cash and cash equivalents is for long-term capital improvements and bond related activities.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. GWA has determined the deferred outflows on debt defeasance of the 2005, 2010, 2013 and 2024 series bonds, regulatory assets, the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, pension and OPEB contributions made subsequent to the measurement date, and changes in proportion and difference between GWA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. GWA has determined regulatory liabilities, the difference between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liabilities, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, and changes in proportion and differences between GWA pension and OPEB contributions and proportionate share of contributions qualify for reporting in this category.

2. Summary of Significant Accounting Policies, continued

Compensated Absences

Vesting annual leave accrued during employment. Employees occupying permanent positions shall accrue annual leave in accordance with its policies. One-half day (four hours) for each full bi-weekly pay period in the case of employees with less than three years of service; Three-fourths day (six hours) for each full bi-weekly pay period except that the accrual for the last full bi-weekly pay period in the year shall be one and one-fourth day (10 hour) in the case of employees with three, but less than 15 years of service; and One day (eight hours) for each full bi-weekly pay period in the case of employees with 15 or more years of service. Unused annual leave is paid out upon termination up to 320 hours. The full unused balance is considered a liability under GASB 101 as employees have earned the right to payment.

For Defined Benefit (DB) plan participants, sick leave is not paid at retirement; instead, it is converted to service credit therefore no liability for compensated absences was computed. However, sick leave expected to be used prior to retiring was computed and is measured based on expected usage. For Defined Contribution (DC) plan participants, sick leave is paid at retirement at 50% of unused sick leave balance. Sick leave that does not vest and is not paid out is measured based on expected usage and payout probabilities.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GWA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GWA's proportionate share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GWA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA payments to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

2. Summary of Significant Accounting Policies, continued

Other Postemployment Benefits (OPEB)

OPEB is required to be recognized and disclosed using the accrual basis of accounting. GWA recognizes an OPEB liability for the defined benefit OPEB plan in which it participates, which represents GWA's proportionate share of total OPEB liability - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established, thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the total OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in total OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Bond Premiums and Discounts

Bond premiums and discounts are amortized using the straight-line method, which approximates the effective yield method, over the life of the related bond issue.

Contribution in Aid of Construction

Contribution in aid of construction represents contributions received by GWA from consumers for improvement of water services and assets owned by GWA. These amounts are recorded as a deferred inflow of resources net of amortization.

Revenue Recognition

Customer water meters are read on a cyclical basis throughout a monthly period based on the route schedules of GWA. Revenue is recognized in the period that meters are read. Wastewater treatment is billed at a flat rate of $35.84 ($32.14 in 2024) per month for residential accounts and 80% of current water consumption for commercial and government accounts. At the end of each month, unbilled revenues are accrued for each cycle based on the most recent cycle billing. Unbilled receivables at September 30, 2025 and 2024 is $5,088,036 and $3,864,984, respectively and is included in receivables in the accompanying statement of net position.

2. Summary of Significant Accounting Policies, continued

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from GWA's ongoing operations. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and expenses.

Grants and Contributions

Grants and contributions consist of government mandated and voluntary nonexchange transactions.

Recently Adopted Accounting Pronouncement

During the year ended September 30, 2025, the Authority implemented the following pronouncements.

GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The adoption of GASB Statement No. 101 requires retrospective application. As a result, the financial statements for the prior period have been restated to reflect the changes in the accounting principles as mandated by the new standard.

	09/30/2023 As Previously Reported	Change in Accounting Principle	09/30/2023 As Restated
Government-Wide	$(99,902,179)	$(2,584,443)	$(102,486,622)

The restatement of the beginning net position affected the current and noncurrent portion of compensated absences in the statement of net position, and salaries, wages and benefits reported in the statement of revenues, expenses and changes in net position.

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement, continued

GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events.* The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. That definition modifies the subsequent events time frame throughout the GASB literature. This Statement also requires the date through which subsequent events have been evaluated to be disclosed.

This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. GASB Statement No. 105 will be effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter.

GWA is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

3. Deposits and Investments

GWA's bond indenture agreements require the establishment of special funds to be held and administered by trustees and by GWA. In addition, proceeds from borrowings to fund capital improvements are maintained by GWA in construction accounts. Funds in these accounts are required by loan agreement or public law to be used to fund capital improvements.

The deposits and investment policies of GWA are governed by 15 GCA 21, *Investments and Deposits*, in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in or certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which is rating in the highest classification by S&P and Moody's; and money market funds rated AAA or better by S&P.

Custodial credit risk is the risk that in the event of a bank failure, GWA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, collateralized with securities held by the pledging financial institution, or held by the pledging financial institution but not in the depositor-government's name. GWA does not have a deposit policy for custodial credit risk.

As of September 30, 2025 and 2024, the carrying amount of GWA's total deposits was $40,171,214 and $89,111,882, and the corresponding bank balance was $49,268,525 and $88,972,984, respectively. Of that bank balance, $31,004,417 and $23,554,882 were uninsured and uncollateralized, respectively as of September 30, 2025 and 2024.

As of September 30, 2025 and 2024, the remaining amount of $520,121,226 and $219,318,845, respectively, represents short-term investments held and administered by GWA's trustees in GWA's name in accordance with various trust agreements and bond indentures.

Unrestricted cash and cash equivalents at September 30, 2025 and 2024 in the amount of $26,308,170 and $16,165,703, respectively, are subject to internally imposed restrictions by the CCU to provide additional liquidity to assist GWA in addressing unforeseen obligations and unexpected short-term cash flow demands and the amount of $12,660,059 and $9,947,328, respectively are subject to internally imposed restrictions by the CCU to fund capital expenditures.

Restricted cash and cash equivalents consist of cash received for specific capital projects and for bond indenture related accounts. The working capital funds are internally imposed restrictions and are not subject to externally imposed stipulations.

3. Deposits and Investments, continued

The composition of restricted cash and cash equivalents at September 30, 2025 and 2024 is as follows:

	2025	2024
Current restricted:		
Sewer Hook-up Revolving Fund	$ 2,278,951	$ 2,172,114
Legislative Surcharge Fund	302,974	74,446
Bid Escrow Fund	1,347,321	990,824
Customer Deposit Fund	2,180,461	2,351,163
Revenue Trust and Revenue Fund	13,725,730	11,507,306
System Development Fund	9,004,334	7,160,562
Working Cap – Reserved for CAPEX	15,993,890	20,542,219
Working Cap – Reserved for O&M	3,083,482	3,083,483
	47,917,143	47,882,117
Noncurrent restricted:		
2010 Bond Indenture Funds:		
Construction Fund	3,184,141	3,144,121
2013 Bond Indenture Funds:		
Construction Fund	1,315,745	2,014,974
2014 Bond Indenture Funds:		
Operations, Maintenance, Renewal and Replacement Reserve Fund	23,300,857	19,560,351
2016 Bond Indenture Funds:		
Construction Fund	7,807,728	18,506,062
Reserved for Debt Service	1,362,934	1,297,905
2017 Bond Indenture Funds:		
Reserved for Debt Service	1,485,212	1,399,148
2020A Bond Indenture Funds:		
Construction Fund	76,494,812	108,145,643
Reserved for Debt Service	1,929,765	1,847,966

3. Deposits and Investments, continued

	2025	2024
Noncurrent restricted, continued:		
2020B Bond Indenture Funds:		
Reserved for Debt Service	$ 1,284,405	$ 1,229,928
2024A Bond Indenture Funds:		
Cost of Issuance Fund	---	16,946
Bond Reserve Fund	41,343,585	42,180,075
Reserved for Debt Service	2,962,442	2,810,063
2024B Bond Indenture Funds:		
Cost of Issuance Fund	---	5,970
Reserved for Debt Service	1,782,255	1,668,696
2025A Bonds Indenture Series		
Cost of Issuance Fund	73,682	---
Construction Fund	250,677,264	---
Reserved for Debt Service	19,813,563	---
Various Construction Fund	9,343,764	4,950,322
	444,162,154	208,778,170
Total restricted cash and cash equivalents	$492,079,297	$256,660,287

4. Receivables

Receivables at September 30, 2025 and 2024 are as follows:

	2025	2024
Customers:		
Private	$22,758,097	$19,624,964
Government	2,466,728	3,321,993
	25,224,825	22,946,957
Federal grants receivable	6,877,296	538,199
Guam Power Authority	625,097	2,516,111
Other	2,482,057	1,725,880
	35,209,275	27,727,147
Less allowance for doubtful accounts	(9,418,359)	(8,660,031)
	$25,790,916	$19,067,116

5. Capital Assets

Capital assets activities for the years ended September 30, 2025 and 2024 are as follows:

	Estimated Useful Lives in Years	Beginning Balance October 1, 2024	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2025
Depreciable:					
Utility Plant in Service Water	25-50	$ 463,754,614	$20,368,295	$(1,006,914)	$ 483,115,995
Utility Plant in Service Wastewater	25-50	683,350,559	2,841,145	---	686,191,704
General Fixed Assets	25-50	34,757,389	2,833,587	(640,752)	36,950,224
		1,181,862,562	26,043,027	(1,647,666)	1,206,257,923
Less: Accumulated Depreciation		452,839,346	28,721,135	(904,399)	480,656,082
		729,023,216	(2,678,108)	(743,267)	725,601,841
Lease assets:					
Equipment	1-4	928,842	---	---	928,842
Building		22,473	---	---	22,473
		951,315	---	---	951,315
Less: Accumulated amortization		765,445	100,073	---	865,518
		185,870	(100,073)	---	85,797
Subscription-based IT assets		1,644,158	43,524	---	1,687,682
Less: Accumulated amortization		556,384	606,380	---	1,162,764
		1,087,774	(562,856)	---	524,918
Non-depreciable:					
Land		5,741,163	70,000	---	5,811,163
Construction Work in Progress		75,362,721	72,819,309	(27,992,644)	120,189,386
		$ 811,400,744	$69,548,272	$(28,735,911)	$ 852,213,105

5. Capital Assets, continued

	Estimated Useful Lives in Years	Beginning Balance October 1, 2023	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2024
Depreciable:					
Utility Plant in Service Water	25-50	$ 444,848,078	$21,295,194	$(2,388,658)	$ 463,754,614
Utility Plant in Service Wastewater	25-50	679,249,470	4,430,989	(329,900)	683,350,559
General Fixed Assets	25-50	33,683,228	1,271,439	(197,278)	34,757,389
		1,157,780,776	26,997,622	(2,915,836)	1,181,862,562
Less: Accumulated Depreciation		424,928,727	29,491,632	(1,581,013)	452,839,346
		732,852,049	(2,494,010)	(1,334,823)	729,023,216
Lease assets:					
Equipment	1-4	928,842	---	---	928,842
Building		22,473	---	---	22,473
		951,315	---	---	951,315
Less: Accumulated amortization		498,065	267,380	---	765,445
		453,250	(267,380)	---	185,870
Subscription-based IT assets		304,253	1,339,905	---	1,644,158
Less: Accumulated amortization		143,085	413,299	---	556,384
		161,168	926,606	---	1,087,774
Non-depreciable:					
Land		5,287,305	453,858	---	5,741,163
Construction Work in Progress		74,149,217	28,587,981	(27,374,477)	75,362,721
		$ 812,902,989	$27,207,055	$(28,709,300)	$ 811,400,744

Lease assets

Guam Power Authority (GPA)

In February 2015, GWA moved to a building owned by GPA. GWA does not currently have a signed lease agreement with GPA but pays for its share of building maintenance costs. GWA's use of the building did not amount to a lease as the resolution passed by the CCU did not convey the right to use an underlying asset. For the years ended September 30, 2025 and 2024, GWA's share of building maintenance cost totaled $294,705 and $291,811, respectively

Morrico Equipment, LLC (Morrico)

GWA and Morrico have an equipment lease agreement with lease term of five (5) years for dump trucks, backhoe loaders and backhoe trailers, with various inception dates based on the delivery dates of the equipment. The lease agreement may be terminated for convenience by GWA with penalty.

6. Long-Term Debt

Long-term debt at September 30, 2025 and 2024 is as follows:

Revenue Bonds

	2025	2024
2016 Series revenue bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $420,000 in July 2020, maturity date in January 2046. On March 14, 2024, these bonds were partially refunded through the issuance of $133,575,000 2024A refunding bonds.	$ 80,965,000	$ 81,890,000
2017 Series refunding bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $55,000 in July 2019, maturity date in July 2040. On March 14, 2024, these bonds were partially refunded through the issuance of $133,575,000 2024A refunding bonds.	55,175,000	57,660,000
2020A Series revenue bonds, interest at 5% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $30,880,000 in July 2047, maturity date in January 2050.	134,000,000	134,000,000
2020B Series refunding bonds, interest at varying rates from 2.75% to 3.70% per annum, payable semiannually in January and July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $1,260,000 in July 2028, maturity date in July 2043. On March 14, 2024, these bonds were partially refunded through the issuance of $133,575,000 2024A refunding bonds.	125,835,000	125,835,000

6. Long-Term Debt, continued

Revenue Bonds, continued

	2025	2024
2024A Series refunding bonds, interest at 5% per annum, payable annually in July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $2,960,000 in July 2025, maturity date in January 2046.	130,615,000	133,575,000
2024B Series refunding bonds, interest at 5% per annum, payable annually in July, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $4,075,000 in July 2025, maturity date in July 2034.	47,200,000	51,275,000
2025A Series bonds, interest at varying rates from 5.00% to 5.50% per annum, principal and mandatory sinking fund payments in varying annual installments commencing with a payment of $2,725,000 in July 2031, maturity date in July 2055.	266,535,000	---
Total revenue bonds payable	840,325,000	584,235,000
Less current maturities	(10,965,000)	(10,445,000)
	829,360,000	573,790,000
Bond premium – 2024A series bonds	13,428,603	14,075,764
Bond premium – 2016 series bonds	10,700,283	11,224,379
Bond premium – 2020A series bonds	9,379,312	9,764,763
Bond premium – 2017 series bonds	6,640,582	7,088,262
Bond premium – 2025A series bond	6,361,993	---
Bond premium – 2024B series bonds	4,453,868	4,962,882
	$880,324,641	$620,906,050

6. Long-Term Debt, continued

Revenue Bonds, continued

Annual debt service requirements to maturity for principal and interest are as follows:

Year ending September 30,	Principal	Interest	Total
2026	$ 10,965,000	$ 39,669,625	$ 50,634,625
2027	11,510,000	40,497,955	52,007,955
2028	13,300,000	39,922,455	53,222,455
2029	14,675,000	39,269,830	53,944,830
2030	15,165,000	38,596,605	53,761,605
2031 through 2035	114,930,000	179,843,688	294,773,688
2036 through 2040	150,670,000	149,730,905	300,400,905
2041 through 2045	192,840,000	110,928,560	303,768,560
2046 through 2050	231,670,000	57,699,588	289,369,588
2051 through 2055	84,600,000	14,456,750	99,056,750
	$840,325,000	$710,615,961	$1,550,940,961

On March 14, 2024, GWA issued $133.58 million in Refunding Bonds to refund $18.37 million of outstanding 2013 Series bonds, $51.39 million outstanding 2016 Series bonds, $40.91 million of outstanding 2017 Series bonds and $40.24 million outstanding of 2020B Series bonds. The net proceeds of $151.09 million (after payment of $1.96 million in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

On April 2, 2024, GWA issued $51.28 million in Refunding Bonds to refund $55.84 million outstanding 2014 Series bonds. The net proceeds of $56.48 million (after payment of $0.67 million in underwriting fees, insurance and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in GWA's financial statements. The economic gain from this transaction was $14.5 million.

The refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of $7.74 million. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to operations using the effective-interest method.

6. Long-Term Debt, continued

Revenue Bonds, continued

During FY2025, the Authority issued Water and Wastewater System Revenue Bonds, Series 2025A, with an aggregate principal amount of $266.5 million. The bonds were issued to finance capital improvements to the Authority's water and wastewater systems, fund the required bond reserve fund and pay certain costs of issuance. The Series 2025A Bonds were delivered on August 6, 2025, with the first interest payment due January 1, 2026 and final maturity on July 1, 2055. Interest rates range from 5.00% to 5.50%. Total bond proceeds were $272.93 million , consisting of the par amount of $266.54 million and net original issue premium of $6.40 million.

Proceeds from the issuance were applied as follows: $250 million was deposited to the Series 2025A Construction Account, $19.81 million was deposited to the Bond Reserve Fund and $3.12 million was used for costs of issuance and underwriter's discount. The Authority also contributed $0.56 million from cash for Guam Economic Development Authority fees. The Series 2025A Bonds require annual debt service payments ranging from approximately $12.8 million in fiscal year 2026 to approximately $19.8 million thereafter through fiscal year 2055. Total debt service over the life of the bonds is approximately $561.78 million consisting of $266.54 million of principal and $295.24 million of interest.

Changes in GWA's long-term debt for the year ended September 30, 2025 and 2024 are as follows:

	Outstanding October 1, 2024	Increases	Decreases	Outstanding September 30, 2025	Current
Revenue Bonds:					
2016 series A bonds	$ 81,890,000	$ ---	$(925,000)	$ 80,965,000	$ 965,000
2017 series A bonds	57,660,000	---	(2,485,000)	55,175,000	2,610,000
2020 series A bonds	134,000,000	---	---	134,000,000	---
2020 series B bonds	125,835,000	---	---	125,835,000	---
2024 series A bonds	133,575,000	---	(2,960,000)	130,615,000	---
2024 series B bonds	51,275,000	---	(4,075,000)	47,200,000	3,110,000
2025 series A bonds	---	266,535,000		266,535,000	4,280,000
Unamortized premium on bonds	47,116,050	3,848,591	---	50,964,641	---
	$631,351,050	$270,383,591	$(10,445,000)	$891,289,641	$10,965,000

6. Long-Term Debt, continued

Revenue Bonds, continued

	Outstanding October 1, 2023	Increases	Decreases	Outstanding September 30, 2024	Current
Revenue Bonds:					
2013 series A bonds	$18,365,000	$ ---	$(18,365,000)	$ ---	$ ---
2014 series A and B bonds	60,050,000	---	(60,050,000)	---	---
2016 series A bonds	134,140,000	---	(52,250,000)	81,890,000	925,000
2017 series A bonds	100,930,000	---	(43,270,000)	57,660,000	2,485,000
2020 series A bonds	134,000,000	---	---	134,000,000	---
2020 series B bonds	166,075,000	---	(40,240,000)	125,835,000	---
2024 series A bonds	---	133,575,000	---	133,575,000	2,960,000
2024 series B bonds	---	51,275,000	---	51,275,000	4,075,000
Unamortized premium on bonds	37,287,410	19,574,316	(9,745,676)	47,116,050	---
	$650,847,410	$204,424,316	$(223,920,676)	$631,351,050	$10,445,000

Pledged Revenues

The 2013, 2014, 2016, 2017, 2020A, 2020B, 2024A, 2024B and 2025A Series Bonds are limited obligations of GWA and are payable solely from, and secured solely by a lien on and pledge of, GWA system revenues (excluding legislative surcharges and system development charges) to secure the payment of principal and interest on the Bonds. As of September 30, 2025, total principal and interest remaining on these bonds is $1,550,940,961 payable through July 2055. For the years ended September 30, 2025 and 2024, debt service paid on these bonds was $36,308,121 and $251,393,723, respectively, and total pledged GWA system revenues were $140,740,093 and $123,738,307, respectively.

Prior-Year Defeasance of Debt

In prior years, GWA defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payouts on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in GWA's financial statements. As of September 30, 2025, bonds outstanding of $206,730,000, are considered defeased.

6. Long-Term Debt, continued

Bond Covenants

The General Indenture, dated December 1, 2005, as updated by supplemental indentures, sets forth the establishment of accounts, the application of revenues, and certain other covenants to ensure proper operation and maintenance of the water and wastewater system and payment of debt service. Management believes GWA was in compliance with all bond covenants as of and for the years ended September 30, 2025 and 2024. The primary requirements of the General Indenture are summarized below:

Rate Covenant - GWA has covenanted to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the water and wastewater system which will be sufficient to yield the sum of net revenues during each fiscal year equal to at least 125% of the annual debt service for such fiscal year. Net revenues are defined generally as all GWA system revenues (excluding legislative surcharges, system development charges and Federal grants) less operating and maintenance expenses (excluding depreciation and amortization charges and certain extraordinary, nonrecurring expenses).

Operation and Maintenance Funds - the General Indenture creates an Operation and Maintenance Fund, available for working capital purposes, and the Operation, Maintenance, Renewal and Replacement Reserve Fund, available for emergency renewals, replacements and other contingency items. With respect to the Operation and Maintenance Fund, GWA must maintain a balance in such account equal to the amount of operation and maintenance expenses budgeted by GWA to be paid from revenues during the next succeeding calendar month. With respect to the Operation, Maintenance, Renewal and Replacement Reserve Fund, GWA must maintain a balance in such account equal to one-fourth of the budgeted sum for the then current fiscal year.

Debt Service Fund - the General Indenture creates a Debt Service Fund available for the purpose of: (1) paying interest on bonds as it shall become due and payable; (2) paying the principal of Serial Bonds when due and payable; (3) purchasing or redeeming or paying at maturity Term Bonds; (4) paying Parity Payment Agreement Payments due and payable; and (5) paying Credit Agreement Reimbursement Payments due and payable. As of September 30, 2025 and 2024, GWA is not currently a party to any Parity Payment Agreements.

Bond Reserve Fund - the General Indenture created a Bond Reserve Fund available for the purpose of paying debt service on Bonds (including Payment Agreement Payments) in the event of a deficiency in the Debt Service Fund. GWA is required to maintain an amount within the Bond Reserve Fund equal to the maximum annual debt service for the then current or future fiscal year on all outstanding bonds.

6. Long-Term Debt, continued

Bond Covenants, continued

Events of default with finance related consequences - the General Indenture specifies a number of Events of Default and related remedies. In the event that the amount in any Fund or Account is insufficient for the purposes for which such Fund or Account was established, the Trustee shall transfer such amount as is necessary to satisfy such deficiency. If after making all such transfers, the amount in the Debt Service Fund is insufficient, the Trustee shall promptly issue a notice of default to Bondholders.

Acceleration - the remedies granted to the Trustee and the Bondholders under the General Indenture do not include any right to accelerate the payment of the outstanding bonds. The Trustee is authorized to take certain actions upon the occurrence of an event of default, including proceedings to enforce the rights of Bondholders as outlined in the General Indenture.

7. Change in Other Long-Term Liabilities

Changes in GWA's other long-term liabilities for the year ended September 30, 2025 are as follows:

	Outstanding October 1, 2024	Increases	Decreases	Outstanding September 30, 2025	Current
Other:					
Compensated absences	$ 5,805,656	$ 768,671	$ ---	$ 6,574,327	$1,816,090
Lease liabilities	192,245	---	(103,802)	88,443	35,858
Subscription-based IT liabilities	108,551	---	(100,775)	7,776	7,776
Net pension liability	53,371,429	---	(8,882,790)	44,488,639	---
OPEB liability	103,206,575	---	(22,958,332)	80,248,243	---
	$162,684,456	$ 768,671	$(32,045,699)	$131,407,428	$1,859,724

7. Change in Other Long-Term Liabilities, continued

	Outstanding October 1, 2023	Increases	Decreases	Outstanding September 30, 2024	Current
(Restated)					
Other:					
Compensated absences	$ 4,472,647	$ 1,333,009	$ ---	$ 5,805,656	$1,312,990
Lease liabilities	438,714	---	(246,469)	192,245	103,802
Subscription-based IT liabilities	128,634	108,550	(128,633)	108,551	100,775
Net pension liability	59,402,698	---	(6,031,269)	53,371,429	---
OPEB liability	87,184,863	16,021,712	---	103,206,575	---
	$151,627,556	$17,463,271	$(6,406,371)	$162,684,456	$1,517,567

The future payments of lease and subscription-based IT liabilities are as follows:

Year ending September 30,	Principal	Interest	Total
2026	$ 62,073	$3,153	$ 65,226
2027	34,147	1,376	35,523
	$96,220	$4,529	$100,749

8. Pensions

GWA is statutorily responsible for providing pension benefits for GWA employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GWA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, and prior to January 1, 2018 are required to participate in the Defined Contribution Retirement System (DCRS) Plan. Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, retirees under the DB and DCRS Plans who retired prior to September 30, 2020 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

8. Pensions, continued

A. General Information About the Pension Plans, continued

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retirees in the amount of $4,238 per year, but not to exceed $40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB and DCRS retirees in a lump sum amount of $2,300. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the Guam Retirement Security Plan (GRSP).

On February 4, 2020, the Guam Legislature terminated the GRSP. Commencing April 1, 2017, eligible employees elected, during the “election window”, to participate in the DB 1.75 Plan with an effective date of January 1, 2018.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution. Benefits are fully vested upon attaining 5 years of credited service.

8. Pensions, continued

A. General Information About the Pension Plans, continued

Members of the DB 1.75 Plan may retire at age 62 with 5 years of credited service, or at age 60 with 5 years of credited service without survivor benefits, or at age 55 with 25 years of credited service but the retirement annuity shall be reduced ½ of 1% for each month that the age of the member is less than 62 years (6% per year). Credited service is earned for each year of actual employment by the member as an employee. Upon retirement, a retired member is entitled to a basic retirement annuity equal to an annual payment of 1.75% of average annual salary multiplied by years of credited service. Average annual salary means the average of annual base salary for the three years of service that produce the highest average.

Contributions: Plan members of the DB Plan are required to contribute a certain percentage of their annual covered salary. The contribution requirements of the plan members and GWA are established and may be amended by the GGRF.

GWA's statutory contribution rates were 30.77% and 29.43% for the years ended September 30, 2025 and 2024, respectively. Employees are required to contribute 9.5% of their annual pay for the years ended September 30, 2025 and 2024.

GWA's contributions to the DB Plan for the years ended September 30, 2025 and 2024 were $5,812,289 and $5,639,689, respectively, which were equal to the statutorily required contributions for the year then ended.

GWA's contributions for supplemental annuity benefit and COLA payments for the years ended September 30, 2025 and 2024 were $602,600 and $611,800, respectively which were equal to the statutorily required contributions for the years then ended.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions into the DCRS plan by members are based on an automatic deduction of 6.2% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the years ended September 30, 2025 and 2024 is determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

8. Pensions, continued

A. General Information About the Pension Plans, continued

GWA's contributions to the DCRS Plan for the years ended September 30, 2025 and 2024 were $3,801,591 and $3,823,503, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $3,035,589 and $2,491,199 were contributed towards the unfunded liability of the DB Plan for the years ended September 30, 2025 and 2024, respectively.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability: At September 30, 2025 and 2024, GWA reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2024 and September 30, 2023, respectively, which is comprised of the following:

	2025	2024
Defined Benefit Plan	$31,191,285	$41,197,565
Ad Hoc COLA/supplemental annuity Plan for DB retirees	11,411,860	10,123,344
Ad Hoc COLA Plan for DCRS retirees	1,885,494	2,050,520
	$44,488,639	$53,371,429

GWA's proportion of the GovGuam net pension liabilities was based on GWA's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2025 and 2024, GWA's proportionate shares of the GovGuam net pension liabilities were as follows:

	2025	2024
Defined Benefit Plan	2.96%	2.95%
Ad Hoc COLA/supplemental annuity Plan for DB retirees	3.75%	3.76%
Ad Hoc COLA Plan for DCRS retirees	2.64%	2.62%

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Pension Expense (Benefit): For the years ended September 30, 2025 and 2024, GWA recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	2025	2024
Defined Benefit Plan	$2,672,777	$5,645,481
Ad Hoc COLA/supplemental annuity Plan for DB retirees	783,853	868,052
Ad Hoc COLA Plan for DCRS retirees	(152,289)	411,990
	$3,304,341	$6,925,523

Deferred Outflows and Inflows of Resources: At September 30, 2025 and 2024, GWA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 41,903	$ 232,994	$552,118	$193,269	$197,371	$21,798
Net difference between projected and actual earnings on pension plan investments	---	3,964,351	250,887	---	---	---
Changes of assumptions	---	125,002	---	---	396,534	307,402
Contributions subsequent to the measurement date	5,812,289	---	602,600	---	94,300	---
Changes in proportion and difference between GWA contributions and proportionate share of contributions	126,725	1,102,043	---	48,768	169,997	121,137
	$5,980,917	$5,424,390	$1,405,605	$242,037	$858,202	$450,337

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

	2024					
	Defined Benefit Plan		Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 423,016	$ 463,409	$ ---	$410,000	$200,897	$ 26,380
Net difference between projected and actual earnings on pension plan investments	5,361,803	---	---	---	---	---
Changes of assumptions	---	248,620	155,090	515,766	396,982	363,012
Contributions subsequent to the measurement date	5,639,689	---	611,800	---	89,700	---
Changes in proportion and difference between GWA contributions and proportionate share of contributions	---	2,683,825	---	48,444	177,998	149,884
	$11,424,508	$3,395,854	$766,890	$974,210	$865,577	$539,276

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2025 and 2024 will be recognized in pension expense as follows:

Year ending September 30,	Defined Benefit Plan	Ad Hoc COLA/ Supplemental Annuity Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2026	$(1,388,885)	$282,169	$ 38,051
2027	425,858	278,798	38,052
2028	(2,376,762)	---	40,137
2029	(1,908,164)	---	37,589
2030	---	---	6,725
Thereafter	---	---	131,749
	$(5,247,953)	$560,967	$292,303

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Actuarial Assumptions: The actuarial assumptions used are based upon recommendations from the actuarial experience study for the period October 1, 2015 through September 30, 2020.

A summary of actuarial assumptions applied to all periods included in the measurement is shown below.

Defined Benefit Plan:

Inflation:	2.50% per year
Investment rate of return:	7.0%
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for service after 10 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Investment rate of return:	The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long- term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for service after 10 years
Retirement age:	40% of employees assumed to retire when first eligible for unreduced retirement, 20% per year thereafter until age 75, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

Ad Hoc COLA Plan for DCRS Retirees:

Inflation:	2.50% per year
Payroll growth:	4.00% for Fiscal Year 2023; 2.50% per year thereafter
Salary increases:	6.0% per year in the first 5 years, 4.5% for years 6-10, 3.0% for service after 10 years
Retirement age:	5% of employees assumed to retire each year for ages 55 to 64, 10% of employees per year thereafter from age 65 until age 74, at which time all remaining employees are assumed to retire
Mortality:	Based on the PUB-2010 General Employees Amount-Weighted and PUB-2010 General Healthy Retiree Amount-Weighted mortality table, set forward by 4 years for males and 2 years for females, respectively then increased by 30% for ages less than 80

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Expected Rate of Return and Asset Allocation: The Fund has a target asset allocation based on the investment policy adopted by the GGRF Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

Asset Class	Target Asset Allocation	Nominal Return	Component Return
U.S. Equities (large cap)	26.0%	7.83%	2.03%
U.S. Equities (small cap)	4.0%	9.32%	0.37%
Non-U.S. Equities	17.0%	10.12%	1.72%
Non-U.S. Equities (emerging markets)	3.0%	11.79%	0.35%
U.S. Fixed Income (aggregate)	22.0%	4.86%	1.07%
Risk Parity	8.0%	6.53%	0.52%
High Yield Bonds	8.0%	6.54%	0.52%
Global Real Estate (REITs)	2.5%	9.34%	0.23%
Global Equity	7.5%	8.59%	0.64%
Global Infrastructure	2.0%	8.42%	0.17%
Expected average return for one year			7.64%
Expected geometric mean (30 years)			6.91%

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan was 7.0%, which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments was 3.81% (4.09% at September 30, 2024), which is equal to the rate of return of a high-quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to GWA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$40,863,250	$31,191,285	$22,864,413

8. Pensions, continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 2.81%	Current Discount Rate 3.81%	1% Increase in Discount Rate 4.81%
Net Pension Liability	$12,453,265	$11,411,860	$10,504,990

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 2.81%	Current Discount Rate 3.81%	1% Increase in Discount Rate 4.81%
Net Pension Liability	$2,115,875	$1,885,494	$1,690,198

C. Payables to the Pension Plans

As of September 30, 2025 and 2024, GWA recorded payables to GGRF of $186,674 and $138,453, respectively, representing unremitted statutorily required contributions.

9. Other Post Employment Benefits (OPEB)

GWA participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an OPEB plan.

9. Other Post Employment Benefits (OPEB), continued

A. General Information About the OPEB Plan

Plan Description: The OPEB plan is a single-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to the Government of Guam Department of Administration, Suite 224, 2nd Floor, ITC Building, 590 South Marine Corps Drive, or by visiting the Guam Department of Administration website – https://da.doa.guam.gov/reports/guam-other-post-employment-benefits-opeb-reports/.

Benefits: GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Total OPEB liability at the fiscal year presented for the OPEB Plan was measured on and was determined by actuarial valuations as of the following dates:

Reporting Date:	September 30, 2025	September 30, 2024
Measurement Date:	September 30, 2024	September 30, 2023
Valuation Date:	September 30, 2024	September 30, 2022

Collective total OPEB liability as of September 30, 2025 and 2024 is $80,248,243 and $103,206,575, respectively.

Proportionate share of total OPEB liability at September 30, 2025 and 2024 is 3.66% and 3.77%, respectively.

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability:

Actuarial Assumptions: A summary of actuarial assumptions applied to all periods included in the measurement is shown below:

Inflation:	2.60%
Healthcare cost trend rate:	For both non-Medicare and Medicare claims, 7% for FY2025, decreasing 0.5% per year to 4.5% in FY2030 and an ultimate rate of 4.1% for FY2031 and later years. For both Medicare and non-Medicare retiree contributions, 0% for all years.
Dental trend rates:	For claims, 4.25% per year. For retiree contributions, 0% per year. These trend rates are based on a blend of historical retiree premium rate increases as well as observed U.S. national trends. The 0% retiree contribution increases reflect recent Guam plan experience.
Employee mortality rates	PUB-2010 General Employees Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.
Healthy retiree mortality rates:	PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.
Disabled retiree mortality rates:	PUB-2010 General Disabled Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

9. Other Post Employment Benefits (OPEB), continued

B. Total OPEB Liability, continued

Discount rate: The discount rate used to measure the total OPEB liability was 3.81%. The projection of cash flows used to determine the discount rate assumed that contributions from the Government will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 3.81% municipal bond rate was applied to all periods to determine the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to GWA's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate 2.81%	Current Discount Rate 3.81%	1% Increase in Discount Rate 4.81%
Total OPEB Liability	$93,220,216	$80,248,243	$69,743,077

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to GWA's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	$68,471,105	$80,248,243	$95,300,412

9. Other Post Employment Benefits (OPEB), continued

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2025 and 2024, GWA reported total OPEB expense of $6,404,598 and $7,389,859, respectively. for its proportionate share of the GovGuam total OPEB expense. At September 30, 2025 and 2024, GWA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 4,519,014	$13,397,181	$ 3,487,443	$19,775,455
Difference between expected and actual experience	11,199,060	28,309,956	15,791,492	4,358,671
Contributions subsequent to the measurement date	3,324,872	---	2,735,797	---
Changes in proportion and difference between employer contributions and proportionate share of contributions	2,774,408	8,817,955	6,978,056	8,342,841
	$21,817,354	$50,525,092	$28,992,788	$32,476,967

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30,	
2026	$(4,533,669)
2027	(6,809,757)
2028	(7,339,013)
2029	(7,339,015)
2030	(2,348,623)
Thereafter	(3,662,533)
	$(32,032,610)

10. Agreements with the United States Navy

Pursuant to a Memorandum of Agreement, the U.S. Navy supplies water through its water system to GWA for distribution and resale to non-military customers. Total purchases from the U.S. Navy for the year ended September 30, 2025 and 2024 amount to $7,421,447 and $8,662,002.

11. Commitments and Contingencies

Claims

Due to the nature of its operations, GWA is subject to various claims by private and governmental customers and vendors for various alleged losses. Because an estimate of the amount or range of potential loss cannot be determined at this time, no provision for any liability that may result from such claims has been made in the accompanying financial statements.

Litigation

In a civil action before the Superior Court of Guam GWA continues to seek resolution in a quiet title action for its Northern District Wastewater Treatment Plant (WWTP) property. In the civil action, a crossclaim and a counterclaim against GWA was filed seeking just compensation for inverse condemnation in the amount of $220 million plus damages for trespass and encroachment. While a final judgment has not been issued, an April 2024 decision and order by the Superior Court granted title to the opposing party. In May 2024, GWA sought an interlocutory appeal on the trial court's April order and an earlier decision arguing that certificates of title for property upon which the Northern District WWTP resides have been continuously owned, used, and occupied by the federal government, the Government of Guam, and GWA's predecessor (the PUAG) for the use of a very visible wastewater treatment plant since 1979. In January 2025, the Guam Supreme Court granted GWA's request for an interlocutory appeal and since August 2025, the appeal has been under advisement awaiting the Supreme Court's decision. Before the Guam Supreme Court, the Office of the Governor, the Guam Legislature, and the Guam Public Utilities Commission each filed separate appearances and briefs supporting GWA's overall position. As such, the litigation before the Superior Court remains stayed until the appeal is resolved. Considering the status of the litigation and without any firm liability or entry of Judgment having been entered by the courts and realized, no related provision has been recorded in the accompanying financial statements for the potential impact, if any, of this matter.

On November 5, 2024, GWA was served a civil suit (GWA lawsuit) resulting from a $4.4. million demand in damages from Gershman Brickner and Bratton, Inc. (GBB) the federal dump's Receiver. The suit alleges that GWA waterline leaks are solely responsible for increased leachate flows and volumes to the Ordot Dump resulting in extraordinary costs to the federal receiver and the local Guam Solid Waste Authority (GSWA) for treatment and investigation. On January 6, 2025, GWA filed a Motion to Dismiss the matter citing GBB's failure to properly file a government claim and for GBB's failure to have the authority to seek a claim on behalf of GSWA without GSWA's consent as GSWA and GWA had publicly agreed to resolve these claims with a $1M account credit prior to GBB's suit. A Decision and Order denying GWA's Motion to Dismiss was entered and a reconsideration motion was filed shortly thereafter; however as of October 2026, the case has remain stayed by the Superior court pending the outcome of a global mediation involving the GWA Lawsuit and three related federal cases. Issues concerning the landfill's high leachate volumes and alleged design flaws that purportedly allowed the intrusion of stormwater and waterline leaks into the dumps leachate collection system remain the subject of global mediation efforts and the ongoing litigation.

11. Commitments and Contingencies

Litigation, continued

GWA is a class member and claimant in the National Water Provider Settlement class action suit for PFAS. In 2024 and 2025, GWA entered settlement and filed timely claims with four settling defendants: the 3M, Dupont, Tyco and BASF manufacturing companies. Since 2025, GWA has received both lumpsum and periodic award payments from each of the four (4) settlements. Future periodic payments are to be made over the next nine (9) years for the 3M company in accordance with applicable settlement agreements.

In 2025, the Guam EPA promulgated local drinking water regulations for a pesticide compound known as Dieldrin currently unregulated at the federal level. After the regulation took effect, GWA complied with the regulation and issued required Do Not Drink without Treatment Notices to approximately 1,200 ratepayers receiving water from GWA's affected well(s) until treatment systems were put in place reducing and eliminating traces of the pesticide compound. These actions were in line and compliant with the local Guam EPA water regulations. Notwithstanding, as of January 2026, through May 2026, 360 government claims totaling $167.5 million have been filed against GWA resulting from the local drinking water regulations with claimants threatening to file a class-action lawsuit.

As of May 2026, no litigation has been initiated and all claims received remain under review. Based on the information currently available, management believes that the likelihood of a material loss arising from these claims is remote. Accordingly, no related liability and no provision has been recorded in the accompanying financial statements. As the finalized review of the claims progress and as any threatened or potential litigation developments become known this assessment may change.

Contract Commitments

Contract commitments in connection with projects currently in construction approximate $86,155,383 at September 30, 2025, of which $36,827,269 will be funded by federal grants from the U.S. Government.

Regulatory Oversight - Court Orders

In 2002, the US Government filed a complaint against GWA and the Government of Guam for alleged violations under the Federal Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Because of GWA's non-compliance with the National Primary Drinking Water Regulations, the U.S. Government sought both civil penalties and injunctive relief to address such non-compliance. Both GWA and the U.S. Department of Justice, Environmental and Natural Resources Division, mutually agreed in the form of a Court Order to resolve the violation issues.

11. Commitments and Contingencies, continued

Regulatory Oversight - Court Orders, continued

In 2003, a Court Order for Preliminary Relief was filed before the District Court of Guam. The Stipulation required implementation of short-term projects and initial planning measures by GWA. GWA was required to submit a final financial plan in the Master Plan that generates sufficient revenue to cover the cost of all compliance activities and deliverables required by the Court Order for Preliminary Relief, as well as any other anticipated expenses, including any measures necessary to ensure compliance with the CWA and the SDWA and costs related to the infrastructure improvements identified in the Master Plan.

In 2006, the Court Order was amended, which required GWA to perform approximately $220 million of capital improvement projects and perform other actions to bring GWA's system into compliance. However, GWA was unable to meet all deadlines set out in the amended Court Order. The District Court ordered the parties to stipulate as to the scope of the remaining projects and project completion dates. The parties were unable to reach an agreement on all items. As a result, on November 10, 2011, the District Court issued an order setting new deadlines for the unfinished projects and included new projects that were not part of the amended Court Order. As of September 2021, of the 93 items required by the Court Order, 92 are either complete or in progress (e.g., continuous reporting requirement). GWA continues to make progress in completing the one remaining item, using 2020A Series Bond Revenue to repair, rehabilitate or replace water storage reservoirs.

GWA together with the Government of Guam, as a co-Defendant, filed an unopposed motion in the U.S. District Court to extend the final completion deadline from December 31, 2025, to December 31, 2026. The Court approved the extension and GWA continues its work to complete the sole remaining compliance requirement by the new deadline.

In further regulatory enforcement efforts, GWA and the U.S. EPA entered and filed a Partial Consent Decree (Partial CD) in the Guam U.S. District Court on January 31, 2024. In August 2024, the federal court entered an Order accepting the Partial CD making it effective August 9, 2024. The Order triggers proximate deadlines from August 9, 2024, for GWA to address a series of assessments, planning, reporting, rule updates, and construction measures within a 10-year period to avoid stipulated penalties. The deadlines to be completed vary from months to years over the 10-year period. . To date, GWA remains on track to meet all applicable deadlines. Where schedule modifications are necessary, the U.S. EPA has been notified and requests for deadline extensions are expected for review.

12. Supplemental Annuities/COLA

As required by GovGuam's Annual Appropriation's Act, GWA must reimburse GovGuam's Department of Administration for certain supplemental and healthcare benefits paid to retirees. During the years ended September 30, 2025 and 2024, GWA levied a 3.5% and 3.80% surcharge, respectively amounting to $4,245,333 and $4,057,503, respectively, in order to satisfy this legislative mandate.

13. System Development Charge (SDC)

In 2010, PUC approved the implementation of a water and sewer SDC, which authorized GWA to charge water and wastewater SDC to applicable customers on and after March 2, 2010. SDC revenues generated and collected are to be expended for costs associated with the construction, expansion, upgrade, and repair of water and wastewater facilities for users who are for the first time connecting property into the Guam water or wastewater system or for builders if the density of the existing connection is increased. SDC revenues may also be used to pay the principal sum and interest and other finance costs on bonds, notes or other obligations issued by or on behalf of GWA to finance such capital improvements or facilities expansion or renovations. During the years ended September 30, 2025 and 2024, SDC revenues were $1,563,818 and $1,698,842, respectively.

14. Related Party Transactions

GWA receives electrical and administrative services from GPA, a component unit of the Government of Guam also governed by the CCU. Electricity purchases from GPA for the years ended September 30, 2025 and 2024 were $19,917,470 and $21,892,448, respectively, and GWA was also charged $610,302 and $593,742, respectively, for administrative services provided by GPA. Outstanding payables for power purchases, administrative expenses and cost reimbursements owed by GWA to GPA were $1,577,928 and $1,961,502 as of September 30, 2025 and 2024, respectively.

For the years ended September 30, 2025 and 2024, GWA billed GPA a total of $3,058,705 and $2,501,224 for water and sewer charges on the facilities transferred by the Navy to GPA. The amount due from GPA as of September 30, 2025 and 2024 was $625,097 and $2,516,111, respectively, which is included in receivables in the accompanying statements of net position.

GWA receives waste disposal services from Guam Solid Waste Authority (GSWA). Waste disposal fees for the year ended September 30, 2025 and 2024 were $1,336,335 and $1,099,837, respectively. Outstanding payables for waste disposal fees owed by GWA to GSWA were $126,545 and $84,595 as of September 30, 2025 and 2024, respectively, and were included in trade accounts payable in the accompanying statements of net position.

Required Supplementary Information

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017
GWA's proportionate share of the net pension liability	$31,191,285	$41,197,565	$48,214,836	$32,556,486	$42,300,716	$40,222,332	$37,292,034	$33,100,479	$38,799,923
GWA's proportion of the net pension liability	2.96%	2.95%	3.24%	3.38%	3.39%	3.31%	3.16%	2.90%	2.83%
GWA's covered payroll**	$20,283,563	$19,718,173	$19,156,692	$18,724,804	$17,738,557	$16,874,281	$16,251,058	$14,729,699	$14,353,805
GWA's proportionate share of the net pension liability as percentage of its covered payroll	153.78%	208.93%	251.69%	173.87%	238.47%	238.36%	229.47%	224.72%	270.31%
Plan fiduciary net position as a percentage of the total pension liability	69.98%	59.17%	54.45%	70.14%	61.48%	62.25%	63.28%	60.63%	54.62%

*Data is presented for those years for which information is available.
**Covered-employee payroll data from the actuarial valuation date with one-year lag.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2025	2024	2023	2022	2021	2020	2019
GWA's proportionate share of the net pension liability	$11,411,860	$10,123,344	$9,694,959	$11,715,208	$12,486,188	$12,866,333	$11,195,277
GWA's proportion of the net pension liability	3.75%	3.76%	3.78%	3.80%	3.88%	3.97%	3.86%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2025	2024	2023	2022	2021	2020	2019
GWA's proportionate share of the net pension liability	$1,885,494	$2,050,520	$1,492,903	$1,766,641	$1,577,875	$1,299,011	$1,105,860
GWA's proportion of the net pension liability	2.64%	2.62%	2.48%	2.50%	2.38%	2.17%	2.24%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 4,979,441	$ 4,365,333	$ 4,474,004	$ 4,263,160	$ 4,116,086	$ 3,998,221	$ 4,029,190	$ 3,491,479	$ 3,524,561
Contributions in relation to the actuarially determined contribution	6,578,291	5,639,689	5,187,181	5,180,477	4,038,242	4,025,886	4,296,287	3,630,252	3,527,186
Contribution deficiency (excess)	$(1,598,850)	$(1,274,356)	$(713,177)	$(917,317)	$ 77,844	$(27,665)	$(267,097)	$(138,773)	$(2,625)
GWA's covered payroll**	$22,596,768	$20,283,563	$19,718,173	$ 18,724,804	$17,738,557	$ 16,874,281	$ 16,251,058	$ 14,729,699	$ 14,353,805
Contributions as a percentage of covered payroll	29.11%	27.80%	26.31%	27.67%	22.77%	23.86%	26.44%	24.65%	24.57%

*Data is presented for those years for which information is available.

Guam Waterworks Authority
(A Component Unit of the Government of Guam)

Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Collective Total OPEB Liability
Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
GWA's proportionate share of the OPEB liability	$80,248,243	$103,206,575	$87,184,863	$116,272,057	$106,433,894	$84,163,331	$62,656,405	$88,950,661
GWA's proportion of the OPEB liability	3.66%	3.77%	3.80%	4.19%	4.23%	3.30%	3.34%	3.66%

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years' information is available.

Guam Waterworks Authority
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Required Supplementary Information (Unaudited)
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$9,347,798	$7,868,855	$9,019,293	$8,511,831	$7,175,899	$5,617,770	$7,776,105	$8,045,954
Contributions in relation to the actuarially determined contribution	3,550,297	2,869,062	2,397,392	1,966,259	1,598,791	1,745,004	1,795,850	1,617,515
Contribution deficiency	$5,797,501	$4,999,793	$6,621,901	$6,545,572	$5,577,108	$3,872,766	$5,980,255	$6,428,439

*Data is presented for those years for which information is available.

Guam Waterworks Authority
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Notes to Required Supplementary Information (Unaudited)

Changes in Assumptions – Pension Plans

Amounts reported in 2024 actuarial valuation reflected an assumption related to administrative expenses to increase to $7,402,000 per year.

Amounts reported in 2023 actuarial valuation reflected an assumption related to administrative expenses to increase to $6,798,000 per year.

Amounts reported in 2022 actuarial valuation reflected an assumption related to administrative expenses to decrease to $6,798,000 per year.

Amounts reported in 2021 actuarial valuation reflected an assumption related to administrative expenses to increase to $6,565,000 per year.

Amounts reported in 2020 actuarial valuation reflected an assumption related to administrative expenses to decrease to $6,439,000 per year.

Amounts reported in 2019 actuarial valuation reflected an assumption related to administrative expenses to decrease to $6,860,000 per year.

Amounts reported in 2018 actuarial valuation reflected an assumption related to administrative expenses to increase to $7,082,000 per year.

Amounts reported in the 2017 actuarial valuation reflect a change in assumption of payroll growth to 2.75% rather than 3%. The mortality, retirement age and disability assumption were changed to more closely reflect actual experience. Assumption related to administrative expense reflected an increase to $6,344,000 per year and a revised allocation to the various pension plans to reflect actual experience.

Amounts reported in 2016 actuarial valuation reflect a change in assumption of administrative expenses to $6,078,000 per year rather than $5,806,000.

Amounts reported in 2015 actuarial valuation reflect a change in assumption of payroll growth to 3% rather than 3.5% which was used to determine amounts reported prior to 2015.

Other Postemployment Benefit Plan

The information presented has no assets accumulated in a trust to pay related benefits.

Supplementary and Other Information

Guam Waterworks Authority
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Schedule of Certain Operating and Maintenance Expenses

	Year ended September 30, 2025	Year ended September 30, 2024 *(Restated)*
Salaries, wages and benefits:		
Regular, differential and hazardous pay	$19,748,833	$17,077,804
Pension costs and other benefits	8,352,274	9,264,298
Overtime pay	812,971	764,829
Total salaries, wages and benefits	$28,914,078	$27,106,931
Administrative and general:		
Materials and supplies	$ 2,949,256	$ 1,396,741
Chemicals	2,615,143	1,882,201
Insurance	1,878,914	1,803,101
Transportation	738,450	504,105
Miscellaneous	738,879	665,430
Merchant fees	857,559	860,821
Public Utility Commission	212,101	552,292
Communications	131,982	136,781
Training	489,052	198,701
Liability claims	84,431	144,593
Advertising	58,260	68,895
Total administrative and general	$10,754,027	$ 8,213,661
Contractual:		
Labor, materials and others	$ 2,007,291	$ 1,404,959
Accounting	2,182,406	1,879,040
Legal	448,384	559,014
Property rental	586,377	582,808
Equipment rental	453,606	124,257
Testing	311,538	687,426
Total contractual	$ 5,989,602	$ 5,237,504
Other expense:		
Interest expense	$30,774,173	$26,805,659
Retiree healthcare costs and other benefits	6,830,313	8,661,999
Bond issuance costs	1,208,522	3,364,221
Total other expense	$38,813,008	$38,831,879

Guam Waterworks Authority
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Schedule of Construction Work in Progress

Year ended September 30, 2025

Projects	Type	Beginning Balance FY2025	Additions and Transfers	Closeouts and Adjustments	Ending Balance FY2025
Asan / Santa Rita Springs Rehabilitation	Water	$ 1,016,691	$ 56,615	$ ---	$ 1,073,306
Deepwells (New Well Site Development, Rehabilitation, GAC treatment)	Water	2,328,052	3,049,753	---	5,377,805
District Metered Areas	Water	---	470,479	---	470,479
Equipment Purchases	Water/Wastewater	606,843	2,472,895	(2,434,575)	645,163
Facilities Improvement	Water/Wastewater	1,036,445	1,039,298	(663,523)	1,412,220
Fire Hydrant Replacement Project	Water	3,234	---	(3,234)	-
GIS Mapping	Water	96,736	---	(96,736)	-
Hydraulic Modeling	Water/Wastewater	644,072	---	(119,849)	524,223
I&I SSES for Central/Northern/Southern Sewer Systems	Wastewater	1,451,991	---	(241,999)	1,209,992
Information Technology	Water/Wastewater	77,257	148,726	(216,889)	9,094
Island Wide Real Property Survey & Mapping	Water/Wastewater	432,318	40,471	---	472,789
Island Wide Water Reservoirs	Water	48,262,157	43,612,998	(5,734,411)	86,140,744
Meters and related	Water	536,524	(92,483)	(10,905)	433,136
Northern & Central Sewer Transmission System	Wastewater	---	278,436	---	278,436
Pressure Zone Realignment	Water	268,291	1,426,980	(256,650)	1,438,621
Program Management Office	Water/Wastewater	3,973,462	193,759	(2,168,101)	1,999,120
Pumps, Motors, Cables and related Replacements	Water/Wastewater	145,121	420,683	(510,848)	54,956
SCADA System for Water and Wastewater	Water/Wastewater	7,240	---	(3,694)	3,546
Sewer Pump Station Improvements	Wastewater	2,839,820	1,036,802	(179,678)	3,696,944
Southern and Central Sewer Transmission	Wastewater	---	30,889	---	30,889
Tumon Hot Spots Sewer Line Rehabilitation	Wastewater	444,979	94,007	---	538,986
Ugum Water Treatment Plant Rehabilitation	Water	877,483	10,156,727	(9,401,394)	1,632,816
Upgrade to Secondary Treatment at NDWWTP	Wastewater	660,382	---	---	660,382
Wastewater Collection Systems	Wastewater	2,261,953	4,872,538	(2,120,852)	5,013,639
Water and Wastewater Infrastructure Improvements	Water/Wastewater	1,723,602	2,017,581	(70,000)	3,671,183
Water Booster Pump Station Improvements	Water	723,245	213,537	(32,670)	904,112
Water Distribution Systems	Water	4,944,823	1,278,618	(3,726,636)	2,496,805
Total		$ 75,362,721	$ 72,819,309	$ (27,992,644)	$ 120,189,386

Guam Waterworks Authority
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System Development Charge Fund
Schedules of Net Position, Revenue, Expenses and Changes in Net Position

	September 30, 2025	2024
Assets		
Current assets:		
Restricted cash	$ 9,004,334	$7,160,562
Receivables	1,350,811	1,334,015
	$10,355,145	$8,494,577
Liabilities and Net Position		
Current liabilities:		
Due to GWA	$ 1,096,611	$1,091,264
Net Position:		
Restricted	9,258,534	7,403,313
	$10,355,145	$8,494,577
Revenues, Expenses and Changes in Net Position		
Revenues:		
System development charge	$1,563,818	$1,698,842
Other revenues	291,403	193,550
Change in net position	1,855,221	1,892,392
Net position at beginning of year	7,403,313	5,510,921
Net position at end of year	$9,258,534	$7,403,313

Guam Waterworks Authority
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Schedule of Operating Revenues

	Year ended September 30, 2025	2024
Water	$ 88,565,038	$ 79,144,020
Wastewater	52,175,055	44,594,287
Surcharges:		
Legislative	4,245,333	4,057,503
System development charge	1,563,818	1,698,842
Other	709,295	591,327
Bad debts expense	(2,004,924)	(229,334)
Regulatory deferral	(9,500,000)	---
Total operating revenues	$135,753,615	$129,856,645

Guam Waterworks Authority
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Schedule of Employee and Other Data

Years ended September 30, 2025 and 2024

2025

Cost Category	Full-Time Employees	Personnel Services	Contractual Services	Materials and Supplies	Total
Administration and Support	76	$ 5,911,576	$ 1,600,466	$ 152,809	$ 7,664,851
Compliance & Safety	18	1,999,306	687,529	121,312	2,808,147
Engineering	32	1,457,551	11,967	29,527	1,499,045
Executive Management	45	4,523,791	1,570,497	223,391	6,317,679
Operations: Construction & Maintenance	33	2,037,386	176,301	134,171	2,347,858
Operations: Water Distribution	55	3,845,798	904,855	1,086,880	5,837,533
Operations: Water Production & Treatment	32	2,454,255	287,546	285,870	3,027,671
Operations: Wastewater Collection	55	4,270,789	735,179	643,456	5,649,424
Operations: Wastewater Treatment	35	2,413,625	15,262	271,840	2,700,729
Total	381	$ 28,914,077	$ 5,989,602	$ 2,949,256	$ 37,852,937

2024 *(Restated)*

Cost Category	Full-Time Employees	Personnel Services	Contractual Services	Materials and Supplies	Total
Administration and Support	72	$ 5,825,477	$ 1,668,452	$ 72,220	$ 7,566,149
Compliance & Safety	18	2,137,330	1,072,148	43,961	3,253,439
Engineering	28	1,718,923	---	7,953	1,726,876
Executive Management	43	4,242,489	1,588,523	14,321	5,845,333
Operations: Construction & Maintenance	27	2,123,667	47,689	73,721	2,245,077
Operations: Water Distribution	49	3,164,670	438,184	788,992	4,391,846
Operations: Water Production & Treatment	34	2,030,299	125,826	124,951	2,281,076
Operations: Wastewater Collection	48	3,461,107	242,888	193,623	3,897,618
Operations: Wastewater Treatment	28	2,402,969	53,795	76,999	2,533,763
Total	347	$ 27,106,931	$ 5,237,505	$ 1,396,741	$ 33,741,177

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE 2005 INDENTURE AND THE 2025 PROSPECTIVE GENERAL INDENTURE

The following summary consists of two parts. The first portion of this Appendix D contains summaries of certain provisions of the 2005 Indenture and the Thirteenth Supplemental Indenture. The second portion, under the heading "SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE" below, contains a summary of certain provisions of the 2025 Prospective General Indenture.

DEFINITIONS

The following are summaries of definitions of certain terms used in the 2005 Indenture and in this summary. Unless otherwise specified, capitalized terms used but not defined in the Official Statement will have the meanings set forth in the 2005 Indenture, as supplemented by the Thirteenth Supplemental Indenture.

"Account" means each account established and given a designation pursuant to the 2005 Indenture.

"Accreted Value" means, with respect to any particular Bonds as of any given date of calculation, an amount equal to the sum of the principal amount of such Bonds plus accrued and unpaid interest on such Bonds as of such date, but not including interest payable on a current basis at least annually.

"Act" means Chapter 14 of Title 12 of the Guam Code Annotated, as amended, and as it may from time to time hereafter be amended or supplemented.

"Additional Bonds" means bonds, notes or other obligations of the Authority payable from Revenues and ranking on a parity with the Bonds then outstanding and authorized to be issued under and pursuant to the 2005 Indenture.

"Aggregate Annual Debt Service" means, for any year, Annual Debt Service for such year on all Bonds.

"Annual Debt Service" means, for any year, and with respect to any Bonds (A) the sum of (1) the interest falling due on such Bonds then Outstanding (assuming that all then Outstanding Serial Bonds are retired on their respective maturity dates and that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by the Mandatory Sinking Account Payments applicable to such Term Bonds), but not including Capitalized Interest, plus (2) the principal amount of such Bonds then Outstanding that are Serial Bonds falling due by their terms, plus (3) the aggregate amount of all Mandatory Sinking Account Payments falling due with respect to such Bonds then Outstanding that are Term Bonds, plus (4) the aggregate amount of Payment Agreement Payments under Related Parity Payment Agreements then Outstanding falling due, minus (B) the aggregate amount of Payment Agreement Receipts under Related Payment Agreements then Outstanding falling due; all as calculated for said year and provided that for purposes of determining the interest payable on Variable Rate Bonds, any obligation of the Authority to make Payment Agreement Payments based on a variable rate under Parity Payment Agreements and any obligation of a Qualified Counterparty to make payments under a Payment Agreement to the Authority based on a variable rate, the following assumptions will be made:

(i) for purposes of determining the interest payable on Variable Rate Bonds, the interest rate used in making such determination will be (a) for periods for which such rate has been determined, the actual interest rate on such Bonds; (b) for purposes of calculations relating to issuance of refunding Bonds for any other period, a rate equal to 1.1 times the highest rate of interest borne by such Bonds, or if such Bonds were not Outstanding during any portion of any such period bonds with similar ratings and terms, during the next preceding twelve months; or (c) for any other period or purpose, the prevailing interest rate on such Bonds as of the date of such determination;

(ii) for purposes of determining the amount of Payment Agreement Payments based on a variable rate under Parity Payment Agreements, the rate used in making such determination will be assumed to be

(a) for periods for which such rate has been determined, the actual rate used to calculate such payments, (b) for purposes of calculations relating to issuance of refunding Bonds for any other period, a rate equal to 1.1 times the highest such rate during the next preceding twelve months, and (c) for any other period or purpose, the prevailing rate being used to determine such payment obligation as of the date of such determination; in each such case without regard to the occurrence of any event that, under the provisions of such Payment Agreement, would permit or require the Authority to make payments on any basis other than such rates;

(iii) for purposes of determining the amount of payments by a Qualified Counterparty under a Payment Agreement to the Authority based on a variable rate, the rate used in making such determination will be (a) if such Payment Agreement obligates a Qualified Counterparty to make payments to the Authority based on a variable rate that is equal to the actual rate on the Related Bonds, the actual rate on such Bonds; and (b) if such Payment Agreement obligates a Qualified Counterparty to make payments to the Authority based on a variable rate other than the actual rate on the Related Bonds (1) for periods for which such rate has been determined, the actual rate used to calculate such payments, (2) for purposes of calculations relating to issuance of refunding Bonds for any other period, a rate equal to 1.1 times the highest such rate during the next preceding twelve months, and (3) for any other period or purpose, the prevailing rate being used to determine such payment obligation as of the date of such determination; in each such case without regard to the occurrence of any event that, under the provisions of such Payment Agreement, would permit or require the Qualified Counterparty to make payments on any basis other than such rates.

"Authority" means the Guam Waterworks Authority, a public corporation of the Government of Guam, or any successor to the rights, powers, functions and duties with respect to the management, administration and control of the System which are now or hereafter vested in the Authority.

"Authorized Officer" of the Trustee means and includes the chairperson of the board of directors, the president, every vice president, every assistant vice president, every trust officer and any other officer or assistant officer of the Trustee, other than those specifically above mentioned, designated by a certificate of an Authorized Officer of the Trustee as an Authorized Officer for purposes of the 2005 Indenture.

"Board" means the Consolidated Commission on Utilities established in Chapter 79 of Title 12 of the Guam Code Annotated or any other governing board of the Authority hereafter provided for pursuant to law.

"Bond Counsel" means an attorney or firm of attorneys designated by the Authority and having a national reputation for expertise in matters relating to governmental obligations the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code.

"Bond Reserve Fund Requirement" means, as of any particular date of calculation, an amount equal to the Maximum Annual Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds; provided, however, that if upon issuance of a Series of Bonds, such amount would require moneys to be credited to the Bond Reserve Fund from such Bond proceeds in an amount in excess of the maximum amount permitted from tax-exempt bond proceeds under the Code, the Bond Reserve Fund Requirement means an amount equal to the sum of the Bond Reserve Fund Requirement immediately preceding issuance of such Bonds plus the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as specified by Certificate of the Authority.

"Bond Reserve Fund" means the fund by that name established pursuant to the 2005 Indenture.

"Bond Year" means, with respect to any Series, the period of twelve consecutive months ending on the day in each year specified in the Supplemental Indenture authorizing the issuance of such Series if Bonds are or will be Outstanding in such twelve-month period, and, with respect to the Series 2026 Bonds, the first Bond Year shall commence on the respective date of delivery of the Series 2026 Bonds.

"Bondowner or Owner or Holder" means any person who is the registered owner of any Outstanding Bond, or, if such Outstanding Bond has a maturity of one year or less and has been issued in bearer form, means the bearer of such Bond.

"Bond Reserve Fund Amendments" has the meaning given such term in the Twelfth Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

"Bonds" means the Guam Waterworks Authority Water and Wastewater System Revenue Bonds authorized by, and at any time Outstanding pursuant to, the 2005 Indenture, including any Additional Bonds authorized by, and at any time Outstanding pursuant to, the 2005 Indenture.

"Business Day" means any day other than a Saturday, Sunday or other day upon which banks in the cities in which the Principal Offices of the Trustee, the Co-Trustee, each Depositary, each Paying Agent and each Credit Provider are located are authorized or required to be closed.

"Capital Improvement" means any addition, betterment, improvement or extension of the System having costs in excess of $100,000 and a useful life in excess of five years.

"Capital Improvement Fund" means the fund by that name established pursuant to the 2005 Indenture for the purposes provided in the 2005 Indenture.

"Capitalized Interest" means interest to be paid from the original proceeds of Bonds (including proceeds constituting accrued interest on the Bonds) and from income derived from the investment of such proceeds.

"Certificate of the Authority" means an instrument in writing signed by the Chairperson or by the General Manager or by any other officer of the Authority duly authorized by resolution of the Board for that purpose. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by relevant provisions of the 2005 Indenture, each Certificate of the Authority shall include the statements provided for in such provisions.

"Certified Public Accountant" means (i) any nationally recognized U.S. certified public accountant or accounting firm or (ii) any other U.S. certified public accountant or accounting firm approved by each Credit Provider, if any, not then in default of its obligations under a Credit Facility.

"Chairperson" means the chairperson of the Board.

"Chief Financial Officer" means the Chief Financial Officer of the Authority.

"Code" means the Internal Revenue Code of 1986 or any similar or successor federal law.

"Construction Account" means an account by that name established pursuant to the 2005 Indenture.

"Construction Fund" means the Guam Waterworks Authority Construction Fund established pursuant to the Act.

"Consulting Engineer" means an Independent architect, engineer, consultant, or architectural, engineering, or consulting firm experienced in water and sewer system design, construction, or operation, having a favorable reputation and retained by the Authority to perform the acts and carry out the duties of a Consulting Engineer under the 2005 Indenture and, in any case, nationally recognized as being experienced in the preparation of feasibility studies for use in connection with the financing of water and sewer systems.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to

advertising costs, Bond and official statement printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, the Co-Trustee, and any Depositary, Paying Agent or Registrar, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of any Credit Provider, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

"Co-Trustee" means U.S. Bank Trust Company, National Association, successor-in-interest to U.S. Bank National Association, appointed by the Authority as Co-Trustee and acting as an independent trustee with the duties and powers provided in the 2005 Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the provisions of the 2005 Indenture relating to the Co-Trustee.

"Credit Agreement" means any agreement between the Authority and a Credit Provider pursuant to which such Credit Provider agrees to provide a Credit Facility or pursuant to which the Authority agrees to reimburse a Credit Provider for draws or advances under or claims made against a Credit Facility.

"Credit Agreement Payments" means Credit Agreement Reimbursement Payments and Other Credit Agreement Payments.

"Credit Agreement Reimbursement Payments" means any payment obligation of the Authority pursuant to a Credit Agreement designated as such in a Supplemental Indenture.

"Credit Facility" means any letter of credit, insurance policy, surety bond or other instrument designated by a Supplemental Indenture as providing supplemental credit support for a Series of Bonds (including by substituting for a deposit in a Bond Reserve Fund).

"Credit Provider" means any person, firm or entity designated in a Supplemental Indenture as providing a Credit Facility for a Series of Bonds, and any successor.

"Date of Completion" means, for any particular Project, the date on which such Project is projected to be available for use by the Authority for the purposes for which it is intended to be used.

"Debt Service Fund" means the fund by that name established pursuant to the 2005 Indenture.

"Depositary" means, with respect to any particular fund or account, the bank or trust company or other financial institution with similar powers designated by a Supplemental Indenture or a Statement of the Authority to act as the Depositary under the 2005 Indenture for such fund or account, its successors and assigns, and any other bank or trust company or financial institution which may at any time be substituted in its place, as provided in the provisions of the 2005 Indenture relating to the Depositary.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Agreement" means, individually or collectively as the context shall require, each Escrow Agreement, to be executed by the Authority and the Co-Trustee, as escrow agent thereunder, relating to the refunding of the Bonds to be refunded by the Series 2026 Bonds.

"Escrow Fund" means the related fund by such name established pursuant to, and as defined in, each Escrow Agreement.

"Event of Default" means an event of that name described in the 2005 Indenture.

"Federal Securities" means (1) direct obligations of the United States of America for which the full faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America); (2) obligations for which the payment of principal and interest is guaranteed directly by the full faith and

credit of the United States of America of the following types issued by the following agencies: U.S. Export-Import Bank (direct obligations or fully guaranteed certificates of beneficial ownership), Farmers Home Administration (certificates of beneficial ownership), Federal Financing Bank, General Services Administration (participation certificates), U.S. Maritime Administration (guaranteed Title XI financing), U.S. Department of Housing and Urban Development (project notes, local authority bonds, new communities debentures--U.S. government guaranteed debentures, or U.S. public housing notes and bonds--U.S. government guaranteed public housing notes and bonds); (3) obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (collectively, "Municipal Obligations") (a) which are fully secured as to principal and interest and redemption premium, if any, by an escrow or trust fund consisting only of cash or obligations of the character described in clauses (1) or (2) of this definition ("Government Obligations"), which fund may be applied only to the payment of interest on such municipal obligations when due and principal of and redemption premium, if any, on such municipal obligations on the maturity date or dates thereof or the redemption date or dates specified in an irrevocable notice, as appropriate, (b) as to which the cash and the principal of and interest on the Government Obligations in such escrow or trust fund will be sufficient to pay such interest, principal and redemption premium on such date or dates, and (c) which at the time of purchase are rated in the highest rating category by each Rating Agency; (4) certificates which evidence ownership of the right to the payment of any specified portion of the principal of and interest on obligations described in clause (1) of this definition, provided that such obligations have been stripped by the Treasury of the United States of America; and (5) the interest component of Resolution Funding Corp. stripped securities, which have been stripped by request to the Federal Reserve Bank of New York, in book entry form.

"Fiduciaries" means the Trustee, the Co-Trustee, each Depositary, each Registrar and each Paying Agent.

"Final Transition Date" has the meaning given such term in the Twelfth Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

"Financial Newspaper or Journal" means, collectively, The Wall Street Journal, The Bond Buyer or any one or more other newspapers or journals publishing financial news and selected by the Trustee, whose decision shall be final and conclusive, printed in the English language, customarily published on each business day and circulated in New York, New York, San Francisco, California, and Hagatña, Guam.

"Fiscal Year" means the period beginning on October 1 of each year and ending on the next succeeding September 30, or such other fiscal year as may be adopted by the Authority.

"Fund" means each fund established and given a designation pursuant to the 2005 Indenture or any Supplemental Indenture.

"General Manager" means the person appointed by the Board under the Act to supervise the administration of the Authority as its chief executive officer.

"Government" means the Government of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

"Independent" means, when used with respect to any given person, that such person (who may be selected and paid by the Authority or the Government) (1) is in fact independent and not under domination of the Authority or the Government; (2) does not have any substantial interest, direct or indirect, with the Authority or the Government; and (3) is not connected with the Authority or the Government as an officer or employee of the Authority or the Government, but who may be regularly retained to provide services to the Authority or the Government.

"Interest Accrual Period" means, for any particular Bond, each period between successive Interest Payment Dates for such Bond, including in each case in such period the concluding Interest Payment Date but not the beginning Interest Payment Date, and treating the day prior to the date of original issuance of such Bond as if it were an Interest Payment Date for such Bond for this purpose.

"Interest Payment Date" means, for any particular Bond, each date specified as an Interest Payment Date for such Bond by the Supplemental Indenture authorizing the issuance of such Bond and, for all Bonds, all such dates.

"Interim Transition Date" has the meaning given such term in the Twelfth Supplemental Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE."

"Investment Securities" means any of the following which at the time are legal investments under the laws of Guam for moneys held under the 2005 Indenture and then proposed to be invested therein (the Trustee and the Co-Trustee shall be entitled to rely upon a Request of the Authority directing investments under the 2005 Indenture as a determination that such investment constitutes a legal investment): (1) Federal Securities; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Federal Housing Administration or Federal Home Loan Mortgage Corporation; (3) interest-bearing demand or time deposits (including certificates of deposit) which are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund; (4) obligations, including deposits, federal funds borrowings and banker's acceptances, of any bank, or of the subsidiary lead bank of any bank holding company, which has an unsecured, uninsured and unguaranteed obligation of equivalent maturity rated at least the second highest major rating category by each Rating Agency; (5) commercial paper rated at least the second highest rating category by each Rating Agency; (6) money market funds which are (a) restricted to Federal Securities or (b) registered under the Investment Company Act of 1940 and the shares of which are registered under the Securities Act of 1933, and have a rating by S&P of AAAm-G; AAA-m; or AA-m and Moody's of Aaa, Aa1 or Aa2; (7) repurchase agreements, the underlying securities of which are specifically designated and are obligations described in clause (1) or (2) of this definition, provided that, (a) the agreement is between the municipal entity and a dealer bank or securities firm; (b) such dealer bank or securities firm is either a primary dealers on the Federal Reserve reporting dealer list rated "A" or better by Standard & Poor's and Moody's, or a bank rated "A" or better by Standard & Poor's and Moody's; (c) the agreement provides that the securities be delivered to the Authority, the Trustee, the Co-Trustee or third party acting as agent for either (if the Trustee or Co-Trustee is supplying the collateral) before payment or on a delivery versus payment basis; (d) the securities must be valued weekly, marked-to-market at current market price plus accrued interest; (e) the value of collateral must be equal to 104% (or 105% if the collateral is comprised of obligations of Federal National Mortgage Association or Federal Home Loan Mortgage Corporation) of the amount of cash transferred to the dealer bank or security firm plus accrued interest; and (f) the Authority receives a legal opinion that the agreement is a legal investment under the laws of Guam; (8) subject to the provisions of any Supplemental Indenture, investment agreements (a) with corporations, associations or financial institutions which have general obligations, or whose holding companies have general obligations, rated at least the second highest rating category by each Rating Agency, or (b) which agreements are continuously secured by obligations described in clause (1) or (2) of this definition which have a market value (valued at least weekly) not less than 103% of the amount so invested; and (9) any other investment approved in writing by each Credit Provider then providing a Credit Facility for Bonds not then in default of its obligations thereunder. None of the Trustee, the Co-Trustee nor any Depositary shall be deemed, by entering into the 2005 Indenture, to have agreed to make the valuation required by clauses (7) and (8) of this definition, but such agreement by or on behalf of the Trustee, the Co-Trustee or a Depositary shall be a condition precedent to investment in obligations of the type described in such clauses.

"Legislature" means the Legislature of Guam or any successor to the rights, powers and obligations thereof under the Act with respect to the Bonds.

"Mandatory Sinking Account Payment" means, as of any date of calculation with respect to any Series of Bonds, the amount required by the 2005 Indenture and any Supplemental Indenture to be paid by the Authority on a given date for the retirement of Term Bonds of such Series.

"Maximum Annual Debt Service" means, for any particular Bonds as of any particular date of calculation, Annual Debt Service on such Bonds for the Bond Year including or commencing on or after such date for which such sum shall be largest.

"Net Revenues" means, for any particular period, (a) the sum of (i) all of the Revenues (other than Payment Agreement Receipts) received during such period plus (ii) the aggregate amount of all transfers from the Rate

Stabilization Fund to the Revenue Fund during such period, less (b) the sum of (x) all Operation and Maintenance Expenses incurred during such period plus (y) the amount of all transfers from the Revenue Fund to the Rate Stabilization Fund during such period.

"Operation and Maintenance Expenses" means such reasonable and necessary current expenses of the Authority, paid or accrued, for operation, maintenance and repair of the System as may be determined by the Board, and the term may include at the Board's option, except as limited by contract or otherwise limited by law, without limiting the generality of the foregoing: (a) legal and overhead expenses of the Authority directly related and reasonably allocable to the administration of the System; (b) fidelity bond and insurance premiums appertaining to the System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the System; (c) contractual services, professional services, salaries, administrative expenses, and costs of labor appertaining to System, including fees and expenses of the Trustee; (d) the costs incurred in the collection of all or any part of the Revenues; and (e) any costs of utility services furnished to the System by the Authority or otherwise. However, the term "Operation and Maintenance Expenses" as used in the 2005 Indenture does not include: (i) any allowance for depreciation; (ii) any costs of System capital renewals, replacements, major repairs, reconstruction, improvements, extensions or betterments; (iii) any accumulation of reserves for System capital renewals, replacements, major repairs or reconstruction; (iv) any reserves for operation, maintenance or repair of the System; (v) any liabilities incurred in the acquisition or improvement of any properties comprising the System or any combination thereof; (vi) any other legal liability not based on contract; and (vii) payments made by the Authority to Guam Power Authority for power delivered prior to the Fiscal Year commencing October 1, 2003.

"Operation and Maintenance Fund" means the fund by that name established pursuant to the 2005 Indenture.

"Operation, Maintenance, Renewal and Replacement Reserve Fund" means the fund by that name established pursuant to the 2005 Indenture.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) retained by the Authority. If and to the extent required by relevant provisions of the 2005 Indenture, each Opinion of Counsel shall include the statements provided for in such provisions.

"Order of the Authority, Request of the Authority, Requisition of the Authority, or Statement of the Authority" mean, respectively, a written order, request, requisition or statement signed by or on behalf of the Authority by the Chairperson or the General Manager or by any person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Board to sign or execute such a document on behalf of the Authority.

"Other Credit Agreement Payments" means any payment obligation of the Authority pursuant to a Credit Agreement designated as such in a Supplemental Indenture.

"Outstanding", when used as of any particular time with reference to: (A) Bonds, means (subject to the provisions of the 2005 Indenture relating to discharge of liability on Bonds) all Bonds executed, issued and delivered by the Authority under the 2005 Indenture except --(1) Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation, (2) Bonds for the payment or redemption of which funds or securities in the necessary amount (as set forth in the 2005 Indenture) have been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the 2005 Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, and (3) Bonds in lieu of or in substitution for which other Bonds have been executed, issued and delivered by the Authority pursuant to the 2005 Indenture; (B) Payment Agreements, means all Payment Agreements which have not been paid or otherwise satisfied as provided in the proceedings and instruments pursuant to which such Payment Agreements have been incurred; provided that Payment Agreements shall not be Outstanding if the Authority or the related Qualified Counterparty is in default thereunder; and (C) Credit Agreements, means all Credit Agreements which have not been paid or otherwise satisfied as provided in the proceedings and instruments pursuant to which such Credit Agreements have been incurred; provided that a Credit Agreement shall not be Outstanding during any period in which the related Credit Provider is in default on its payment obligations thereunder.

"Parity Payment Agreement" means a Payment Agreement which is designated as such in a Supplemental Indenture, the payment of which constitutes a charge and lien on Revenues equal to and on a parity with the charge and lien upon the Revenues for the payment of the Bonds.

"Parity Payment Agreement Payments" means Payment Agreement Payments under a Parity Payment Agreement.

"Paying Agent" means any paying agent appointed pursuant to a Supplemental Indenture, and its successors and assigns as provided in the provisions of the 2005 Indenture regarding the Paying Agent.

"Payment Agreement" means any contract entered into by the Authority with a Qualified Counterparty in connection with, or incidental to, the issuance of Bonds, or the carrying of any investment or program of investment or entering into or maintaining any agreement which secures Bonds, which the Authority determines to be necessary or appropriate to place the obligation or investment of the Authority, as represented by such Bonds, investment, program of investment or agreement and the contract or contracts, in whole or in part, on the interest rate, currency, cash-flow, or other basis desired by the Authority, including, without limitation, contracts commonly known as interest rate swap agreements or contracts providing for payments based on levels of, or changes in, interest rates, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, put or call to hedge payment, rate, spread, or similar exposure and which is designated as such and as Related to particular Bonds in a Supplemental Indenture.

"Payment Agreement Payment Accrual Period" means, for any Payment Agreement, each period between successive Payment Agreement Payment Dates for such Payment Agreement, including in each case in such period the concluding Payment Agreement Payment Date but not the beginning Payment Agreement Payment Date, and treating the day prior to the effective date of such Payment Agreement as if it were a Payment Agreement Payment Date for such Payment Agreement for this purpose.

"Payment Agreement Payment Date" means, for any particular Payment Agreement, each date specified as a payment date in such Payment Agreement.

"Payment Agreement Payments" means amounts required to be paid periodically by the Authority to any Qualified Counterparty pursuant to a Payment Agreement, but not including (i) Termination Payments or (ii) such other payments as may be specified in a Supplemental Indenture.

"Payment Agreement Receipts" means amounts required to be paid periodically by a Qualified Counterparty to the Authority pursuant to a Payment Agreement, but not including Termination Payments.

"Principal Office" means, with respect to the Trustee, the Co-Trustee and any other Fiduciary, the office at the respective address set forth in the 2005 Indenture or at such other address as the respective party may have designated for such purpose. The Principal Office of any Credit Provider shall be as specified by such Credit Provider pursuant to its Credit Facility or Credit Agreement.

"Principal Payment Period" means, for any particular Bond, each period so designated by the Supplemental Indenture authorizing the issuance of such Bond.

"Project" means any particular additions, enlargements, betterments, extensions and other improvements to or related to, and the equipping of, the System, including, without limitation, the acquisition of land and furnishings therefor or the payment of any related claims or judgments, as specified and described by the Supplemental Indenture authorizing issuance of the first Series of Bonds for such Project, and as such specification and description may be modified in accordance with the 2005 Indenture.

"Project Costs" means, with respect to any given Project, all costs which are chargeable to the capital account of such Project, including, but not limited to, the following: (1) costs of the Authority and all contractors for land (including franchises, licenses or other interests in land), labor, materials, machinery, equipment and furnishings in connection with the acquisition, construction, reconstruction, installation and equipping of the Project

or otherwise attributable to the Project; (2) the cost of relocation and installation of utilities, environmental cleanup and noise abatement; (3) the cost of contract bonds and insurance of all kinds that may be required or necessary during the construction of the Project; (4) all costs of architectural and engineering services, including the costs of test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for inspecting and supervising construction, as well as for the performance of all other duties required by or consequent upon the proper construction of the Project; (5) relocation costs and any claims, awards or judgments relating to the Project; (6) Capitalized Interest; and (7) all amounts required to reimburse the Authority for advances made by it for any of the above items or for any other costs incurred and for work done, whether before or after the date of the 2005 Indenture, which are properly chargeable to the Project.

"Qualified Counterparty" means the party, other than the Authority, to a Payment Agreement; provided that any such party must satisfy the following requirements: (1) either (a) the obligations of such party under the Payment Agreement (or obligations of such type) must be rated in one of the three highest rating categories of each of the Rating Agencies then rating the Bonds (without regard to any gradations within a rating category), or (b) the obligations of such party under the Payment Agreement are guaranteed by a bond insurer or other institution, in each case the obligations of such type of which must be rated in one of the three highest rating categories of each of the Rating Agencies then rating the Bonds (without regard to any gradations within a rating category); and (2) such party must be otherwise qualified to act as the other party to a Payment Agreement with the Authority under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the 2005 Indenture.

"Rating Agency" means, as of any given date, each nationally recognized securities rating agency designated by the 2005 Indenture or any Supplemental Indenture as a Rating Agency under the 2005 Indenture and then rating any Series of Bonds.

"Rebate Fund" means the fund by that name established pursuant to the 2005 Indenture.

"Record Date" means, for any particular payment of principal of or interest or premium on particular Bonds, each date specified as a Record Date for such Bonds by the Supplemental Indenture authorizing the issuance of such Bonds.

"Redemption Price" means, with respect to any Bond (or portion thereof if less than all of a Bond is to be redeemed) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the 2005 Indenture.

"Registrar" means any registrar appointed pursuant to a Supplemental Indenture, and its successors and assigns as provided in the 2005 Indenture.

"Related" means, with respect to any particular Payment Agreement, having been designated as such with respect to any particular Bonds pursuant to a Supplemental Indenture.

"Renewal and Replacement Costs" means the costs of System capital renewals, replacements, major repairs or reconstruction.

"Revenue Fund" means the Guam Waterworks Authority Revenue Fund established pursuant to the Act.

"Revenues" means all gross income and other amounts received or receivable by the Authority as revenues of any kind from the ownership or operation of any part of the System, including all rates, fees and charges (including ground water, surface water and treated water charges and all sewer and wastewater service charges), received by the Authority for providing water and sewer services (but excluding development charges and assessments and hook-up fees and other special charges such as penalties and fines), all Payment Agreement Receipts, and all proceeds of insurance or grants covering business interruption loss (and related losses and expenses) relating to the System, and all other income and revenue howsoever derived by the Authority from the ownership or operation of, or arising from, the System, together with all interest, profits or other income derived

from the investment of amounts in the Revenue Fund, but not including: (1) amounts received as insurance proceeds (except as provided above) or from the sale, transfer or other disposition of, or upon the taking by or under the threat of eminent domain of, all or any part of the System (which moneys shall be received and disposed of pursuant to the relevant provision of the 2005 Indenture), (2) proceeds from any securities issued by the Authority or proceeds from loans obtained by the Authority, (3) the proceeds of any court or arbitration award or settlement in lieu thereof received by the Authority, (4) amounts received by the Authority as gifts or as grants (except as provided above), whether restricted or unrestricted; and (5) other amounts (except as provided above), the use of which is restricted by the donor or grantor.

"Serial Bonds" means Bonds designated as Serial Bonds in the Supplemental Indenture providing for the issuance of such Series and for which no Mandatory Sinking Account Payments are provided.

"Series or Series of Bonds" means and refers to all Bonds of like designation and described as such in a Supplemental Indenture authenticated and delivered on original issuance at the same time pursuant to the 2005 Indenture, and any Bonds thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the 2005 Indenture.

"Series 2025A Bonds" means the Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2025A, issued on August 6, 2025 in the aggregate principal amount of $266,535,000.

"Series 2026 Bonds" means, individually or collectively, as the context requires, the Series 2026A Bonds, the Series 2026B Bonds and the Series 2026C Bonds.

"Series 2026A Bonds" means the Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2026A.

"Series 2026B Bonds" means the Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026B.

"Series 2026C Bonds" means the Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery).

"Series 2026A Construction Account" means the account by such name as established by the Thirteenth Supplemental Indenture.

"Series 2026 Costs of Issuance Account" means one or more accounts established by the Thirteenth Supplemental Indenture for the payment of Costs of Issuance relating to the Series 2026 Bonds.

"Series 2026 Project" means, with respect to the Series 2026 Bonds, the acquisition, construction, improvement, equipping, maintenance, repair, renewal, replacement and reconstruction of those certain parts of the System to be funded with proceeds of the Series 2026A Bonds.

"Series 2026 Rebate Account" means one or more accounts established by the Thirteenth Supplemental Indenture for the payment of rebate, if any, relating to the Series 2026 Bonds.

"Sinking Accounts" means any special account or accounts established by any Supplemental Indenture or Indentures in the Debt Service Fund for the payment of Term Bonds.

"Subordinate Securities" means any obligations of the Authority payable from the Subordinate Securities Fund and having a lien, if any, on Revenues subordinate to the pledge and lien of the 2005 Indenture securing the payment of the Bonds.

"Subordinate Securities Fund" means the fund by that name established pursuant to the 2005 Indenture for the purposes provided in the 2005 Indenture.

"Supplemental Indenture" means any indenture duly authorized under and in compliance with the Act, entered into by and between the Authority, the Trustee and the Co-Trustee and accepted by each Depositary, Paying Agent and Registrar the duties of which are affected thereby, supplementing, modifying or amending the 2005 Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the 2005 Indenture.

"System" means the water and sewer systems, now or hereafter existing, owned and/or operated by the Authority or its contractors, agents or subcontractors.

"Tax Certificate" means a Certificate of the Authority concerning the calculation of any amount to be paid to the United States of America pursuant to Section 148(f) of the Code and any other matters relating to the exclusion of interest on Bonds from gross income for federal income tax purposes.

"Term Bonds" means Bonds designated as Term Bonds in the Supplemental Indenture providing for the issuance of such Series and which are payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Termination Payments" means amounts required to be paid by the Authority or a Qualified Counterparty pursuant to a Payment Agreement in connection with a termination of all or any portion thereof.

"Thirteenth Supplemental Indenture" means the Thirteenth Supplemental Indenture, dated as of November 1, 2026, among the Authority, the Trustee and the Co-Trustee, providing for the issuance of the Series 2026 Bonds.

"Trustee" means Bank of Guam, appointed by the Authority as Trustee in the 2005 Indenture and acting as an independent trustee with the duties and powers provided in the 2005 Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the 2005 Indenture.

"Twelfth Supplemental Indenture" means the Twelfth Supplemental Indenture (2025 Prospective General Indenture), dated as of August 1, 2025, among the Authority, the Trustee and the Co-Trustee, which Twelfth Supplemental Indenture amends and restates the 2005 Indenture to the extent provided therein (a) in part, as of the Interim Transition Date and (b) in full, from and after the Final Transition Date.

"2005 Indenture" means the Indenture, dated as of December 1, 2005, as amended and supplemented (other than by the Twelfth Supplemental Indenture), by and among the Authority, the Trustee and the Co-Trustee, providing for the issuance of Bonds.

"Variable Rate Bonds" means Bonds which bear interest at a variable rate of interest.

THE BONDS

Authorization of Bonds

Bonds may be issued under the 2005 Indenture from time to time in order to obtain funds for the purposes authorized in the 2005 Indenture. The Bonds shall be issued under the Act for the purpose of financing or refinancing the acquisition, construction, reconstruction, improvement, betterment, extension, financing and refinancing of the System. The aggregate principal amount of Bonds which may be issued under the 2005 Indenture is not limited (subject, however, to the right of the Authority, which is reserved under the 2005 Indenture, to limit or restrict the aggregate principal amount of Bonds which may at any time be issued and Outstanding under the 2005 Indenture) and consists or may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, all issued and to be issued pursuant to the 2005 Indenture and the Act, subject to the limitations on the issuance of Bonds contained in the 2005 Indenture. The Bonds are designated as the "Guam Waterworks Authority Water and Wastewater System Revenue Bonds." The Bonds may be issued in such Series as

from time to time shall be established and authorized by the Authority by Supplemental Indenture, subject to the provisions and conditions contained in the 2005 Indenture.

Payment of Bonds

The principal of and premium, if any, on each Series 2026 Bond shall be payable in lawful money of the United States of America to the Owner of such Bond, upon the surrender of such Bond at the Principal Office of any Paying Agent for such Bond. The interest on each Series 2026 Bond shall be payable in like lawful money to the person whose name appears on the bond registration books of the Registrar for such Bond as the Owner of such Bond as of the close of business on the Record Date for such Bond preceding the Interest Payment Date, whether or not such Record Date is a Business Day, such interest to be paid by check or mailed by first class mail to such Owner at such address as appears on such registration books or at such address as such Owner may have filed with the Registrar for that purpose. Upon the written request of a registered owner of $1,000,000 or more in aggregate principal amount of Series 2026 Bonds, payment of interest on and principal (including Redemption Price) of such Bonds shall be made by wire transfer from the Paying Agent to the registered owner of such Bonds. Any such principal payment by wire transfer shall nevertheless be subject to prior surrender of the Series 2026 Bonds with respect to which such payment is made. Each payment of interest or principal on Series 2026 Bonds, whether by check, draft or wire transfer, shall be accompanied by information specifying for each maturity of such Bonds with respect to which such payment is being made, the amount and the CUSIP number (if available).

Execution of Bonds

The Bonds will be executed on behalf of the Authority by the manual or facsimile signature of the Chairperson, and countersigned by the manual or facsimile signature of the Chief Financial Officer. The Bonds will then be delivered to the applicable Registrar for authentication by it. In case any of the officers who have signed or countersigned any of the Bonds cease to be such officer or officers before the Bonds so signed or countersigned have been authenticated or delivered by the Registrar or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, will be as binding upon the Authority as though those who signed and countersigned the same had continued to be such officers of the Authority, and also any Bond may be signed and countersigned on behalf of the Authority by such persons as on the actual date of the execution of such Bond will be the proper officers of the Authority although at the nominal date of such Bond any such person was not such officer of the Authority.

Except as may be provided in any Supplemental Indenture, only such of the Bonds as bear a certificate of authentication in the form recited in the 2005 Indenture, manually executed by the applicable Registrar, will be valid or obligatory for any purpose or entitled to the benefits of the 2005 Indenture, and such certificate of the Registrar shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered under the 2005 Indenture and are entitled to the benefits of the 2005 Indenture.

Transfer of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the 2005 Indenture, by the person in whose name it is registered, in person or by its duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the applicable Registrar.

Whenever any Bond or Bonds are surrendered for transfer, the Authority will execute and the applicable Registrar will authenticate and deliver a new Bond or Bonds of the same Series and maturity, for a like aggregate principal amount of authorized denominations. The Registrar will require the payment by any Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer or exchange of any Bond of any Series shall be required during the period established by the applicable Registrar for the selection of Bonds of such Series for redemption or at any time after selection of such Bond for redemption.

ISSUANCE OF BONDS; ISSUANCE OF A SERIES OF BONDS; PARITY PAYMENT AGREEMENTS

Issuance of Bonds

At any time after the execution of the 2005 Indenture and one or more appropriate Supplemental Indentures, the Authority may sell and execute one or more Series of Bonds and the Registrar for each such Series of Bonds is required to authenticate and, upon the Order of the Authority, deliver such Series of Bonds. The proceeds received by the Authority from the sale of each Series of Bonds are required to be deposited with the Trustee or the Co-Trustee, who shall forthwith set aside such proceeds in such respective funds and accounts as are directed by a Request of the Authority, subject to the requirements of the 2005 Indenture.

Establishment and Application of Construction Accounts; Modification of Projects

With respect to each Project or Series, as determined by the Authority, the Depositary for the Construction Account for such Project or Series shall establish within the Construction Fund and maintain and hold in trust under the 2005 Indenture a separate account designated as the "_____ Construction Account" (inserting therein the Project or Series designation). Amounts in each Construction Account shall be used and withdrawn, as provided in the 2005 Indenture, solely for the payment of Project Costs of such Project (or of the Project or Projects for which such Series is being issued), including by (1) direct payment, (2) payment of any debt obligations issued by the Authority, or repayment of any advances made from any source, to finance temporarily such Project Costs, (3) payment of Capitalized Interest accruing on Bonds issued for such Project as specified in the related Supplemental Indenture, and (4) payment of Costs of Issuance of such Bonds. A Depositary shall disburse moneys in a Construction Account only upon Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper and lawful charge against such account.

The Authority may modify the specifications or description of any Project or Projects by filing with the Trustee and each Depositary for each Construction Account for such Project or Projects a Certificate of the Authority describing such modification, together with a written report of a Consulting Engineer to the effect that such modification will have no material adverse effect on the Authority's ability to comply with the rate covenant contained in the 2005 Indenture and an opinion of Bond Counsel to the effect that such modification and the use of amounts in such Construction Accounts for such modified Project or Projects will not adversely effect the exclusion, if any, of interest on any Bonds from gross income for federal income tax purposes.

Upon receipt of a Certificate of the Authority that amounts in any Construction Account are no longer required for the purpose of such account, said amounts shall be transferred to the Capital Improvement Fund or any other fund or account designated by the Authority in such Certificate; provided, however, that any such transfer shall be subject to receipt by the Trustee of an opinion of Bond Counsel to the effect that such transfer and the use of such amounts for the purposes intended by the Authority after such transfer will not adversely affect the exclusion, if any, of interest on any Bonds from gross income for federal income tax purposes.

All interest and other profits derived from the investment of moneys in each Construction Account shall be retained therein.

Establishment and Application of Series 2026A Construction Account

Pursuant to the Thirteenth Supplemental Indenture, the Trustee is required to establish the Series 2026A Construction Account to be used and withdrawn for the payment of Project Costs of the Series 2026A Project.

Establishment and Application of Series 2026 Costs of Issuance Account

Pursuant to the Thirteenth Supplemental Indenture, the Trustee is required to establish the Series 2026 Costs of Issuance Account to be used for the payment of Costs of Issuance of the Series 2026 Bonds. Unused moneys remaining on deposit in the Series 2026 Costs of Issuance Account after the respective date or dates

specified in the Thirteenth Supplemental Indenture are expected to be transferred and deposited in the Series 2026A Construction Account and applied to Project Costs of the Series 2026A Project.

Issuance of Additional Series of Bonds

In addition to the initial Series of Bonds, the Authority may by Supplemental Indenture establish one or more other Series of Bonds payable from Revenues on a parity with the initial Series of Bonds and Parity Payment Agreements and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the initial Series of Bonds and Parity Payment Agreements, and the Authority may issue Bonds of any Series so established, in such principal amount and for such lawful purpose or purposes (including refunding of any Bonds issued under the 2005 Indenture and then Outstanding) as shall be specified by the Authority in said Supplemental Indenture, but only upon compliance by the Authority with the relevant provisions of the 2005 Indenture and subject to the following specific conditions, which are conditions precedent to the issuance of any such additional Series of Bonds: (1) no Event of Default has occurred and is continuing; (2) the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall specify the purposes for which such Series is being issued, which shall be one or more of the following (a) to provide moneys for deposit into a Construction Account and withdrawal therefrom in accordance with law for purposes other than the refunding of Bonds, or (b) to refund all or part of the Bonds of any one or more Series then Outstanding, by depositing with the Trustee, in trust, moneys or noncallable Federal Securities in the necessary amount to discharge all liability of the Authority with respect to the Bonds to be refunded as provided in the 2005 Indenture and to make any payment necessary or desirable in connection with the termination of any Related Payment Agreement in connection with such refunding; (3) the Supplemental Indenture providing for the issuance of such additional Series of Bonds shall require that the amount in the Bond Reserve Fund be increased, if and to the extent necessary, to an amount at least equal to the Bond Reserve Fund Requirement for such Series. Said deposit may be made from such proceeds or any other source, as provided in the 2005 Indenture; (4) the aggregate principal amount of Bonds issued under the 2005 Indenture shall not exceed any limitation imposed by law or by the 2005 Indenture; and (5) the representations and estimates set forth in the certificates and written reports required by the 2005 Indenture for such Series have been made by the parties required to give such certificates and written reports.

Additional Parity Payment Agreements

The Authority may enter into Parity Payment Agreements payable from Revenues on a parity with the Bonds and other Parity Payment Agreements and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the Bonds and other Parity Payment Agreements, but only upon compliance by the Authority with the relevant provisions of the 2005 Indenture, and subject to the following specific conditions, which are conditions precedent to the entering into by the Authority of any Parity Payment Agreement: (1) no Event of Default has occurred and is continuing; (2) the representations and estimates set forth in the certificates and written reports required by the 2005 Indenture have been made by the parties required to give such certificates and written reports; and (3) the Authority, the Trustee and the Co-Trustee have executed and delivered a Supplemental Indenture designating such agreement as a Parity Payment Agreement and the Bonds to which such Parity Payment Agreement is Related.

Other Payment Agreements

In addition to Parity Payment Agreements, the Authority may enter into Payment Agreements payable from Revenues after and subordinate to the payment from Revenues of payments with respect to the Bonds and Parity Payment Agreements, but only upon compliance by the Authority with any applicable provisions of the 2005 Indenture and any such agreement shall constitute a Payment Agreement upon execution and delivery by the Authority, the Trustee and the Co-Trustee of a Supplemental Indenture designating such agreement as a Payment Agreement and the Bonds to which such Payment Agreement is Related.

Proceedings for the Issuance of a Series of Bonds; Parity Payment Agreements.

Whenever the Authority shall determine to issue a Series of Bonds, the Authority shall execute and deliver a Supplemental Indenture providing for the issuance of such Series of Bonds and specifying the terms and conditions of such Series of Bonds, including the following: (1) the authorized principal amount of such Series;

(2) the purpose or purposes for which such Series is being issued and, if such purpose is the deposit of moneys in a Construction Account, the Project or Projects for which such Series is being issued (including any appropriate modifications to any previously specified or described Project or Projects); (3) the amount of the Bond Reserve Fund Requirement upon the issuance of such Series; (4) the amount to be deposited (or otherwise available) in the Bond Reserve Fund upon the issuance of such Series, the source or sources of such amount (which may be proceeds of such Series, a Credit Facility or other amounts available for such purpose); (5) the amount, if any, to be deposited in the applicable Construction Account, if any, upon the issuance of such Series, and the source or sources of such deposit (which may be the proceeds of such Series or other amounts available for such purpose); (6) the amounts, if any, to be reserved within the applicable Construction Account to pay Costs of Issuance and Capitalized Interest of such Series and the source or sources of such amounts (which may be the proceeds of such Series or other amounts available for such purpose); (7) the amount, if any, to be deposited in the Debt Service Fund as accrued interest upon the issuance of such Series; (8) the Credit Facility and Credit Provider, if any, for such Series and any special provisions not inconsistent with the terms of the 2005 Indenture relating to such Credit Facility and designating any related Credit Agreement Payments; (9) the Related Payment Agreement, if any, and related Qualified Counterparty and any provisions not inconsistent with the terms of the 2005 Indenture relating to such Payment Agreement; (10) the appointment of the Registrar and any Paying Agents for such Series and, if necessary, any Depositary for any Funds or Accounts relating to such Series; (11) the form, title and designation of, and the manner of numbering and lettering, Bonds of such Series; (12) the denomination or denominations of Bonds of such Series; (13) the date or dates of maturity and Principal Payment Periods of Bonds of such Series and the manner of payment of principal of such Bonds; (14) the rate or rates of interest or the manner of determining such rate or rates borne by the Bonds of such Series and the Record Dates and Interest Payment Dates for such Bonds; (15) the Bonds of such Series which are Serial Bonds (if any) and the Bonds of such Series which are Term Bonds (if any); (16) the terms of redemption, if any, of Bonds of such Series; (17) the date and amount of each Mandatory Sinking Account Payment (if any) required to be paid by the Authority for the retirement of Term Bonds of such Series; (18) the designation of any accounts to be established pursuant to the 2005 Indenture and any other accounts deemed advisable by the Authority; (19) any tax or other covenants which, in the judgment of the Authority, are designed to insure that interest on such Series of Bonds will be excludable from gross income for federal income tax purposes and which are not inconsistent with the provisions of the 2005 Indenture; provided, however, that the Authority may, in its sole and absolute discretion, determine in connection with the authorization of a Series of Bonds that it will not make any such covenants because interest on such Series is not intended to be excludable from gross income for federal income tax purposes; and (20) any other provisions deemed advisable by the Authority, not in conflict with or in substitution for the provisions of the 2005 Indenture (except as expressly permitted in the 2005 Indenture).

Before any Series of Bonds shall be issued and delivered and before any Parity Payment Agreements are entered into, the Authority shall file the following documents with the Trustee:

(a) If and to the extent that an additional Series of Bonds is being issued, an Opinion of Counsel setting forth (i) that such counsel has examined the Supplemental Indenture; (ii) that the execution and delivery of the additional Series of Bonds have been duly authorized by the Authority; and (iii) that said additional Series of Bonds, when duly executed by the Authority and, if required, authenticated and delivered by the Registrar for such Bonds, will be valid and binding special obligations of the Authority, payable from Revenues as provided in the 2005 Indenture;

(b) A Certificate of the Authority that no Event of Default has occurred and is then continuing; and

(c) (i) If and to the extent that an additional Series of Bonds is being issued for the purpose of providing moneys for deposit in a Construction Account, the following certificates:

(A) A certificate of a Consulting Engineer setting forth (I) the projected Date of Completion for the Project or Projects for which such Series of Bonds is being issued and for any other uncompleted Projects, and (II) an estimate of the cost of construction of such Projects;

(B) A written report of a Consulting Engineer setting forth for each Fiscal Year from the then current Fiscal Year through the later of (I) the first Fiscal Year commencing at least five years after the date of original issuance of such additional Series, or (II) the first Fiscal Year commencing at least three years

after the Date of Completion projected by the Consulting Engineer pursuant to subparagraph (A) above, estimates of Revenues, Operation and Maintenance Expenses and Net Revenues; and

(C) A Certificate of the Authority (I) setting forth (a) the estimates of Revenues, Operation and Maintenance Expenses and Net Revenues, as set forth in the written report of a Consulting Engineer pursuant to subparagraph (B) above, for each of the Fiscal Years covered by such report, and (b) the Aggregate Annual Debt Service and Capitalized Interest for each of such Fiscal Years, including Annual Debt Service and Capitalized Interest on all future Series of Bonds, if any, which such Certificate of the Authority shall estimate (based on the estimate of the Consulting Engineer of the cost of construction of such Projects) are required to complete payment of the cost of construction of such Projects, and (II) demonstrating that for each of such Fiscal Years (a) Revenues are projected to be at least equal to the aggregate amount of all transfers required to be made to the Operations and Maintenance Fund, the Debt Service Fund, the Bond Reserve Fund, the Subordinate Securities Fund, and the Operation, Maintenance, Renewal and Replacement Reserve Fund for such Fiscal Year and, to the extent applicable, otherwise required to provide for the payment of all obligations of the Authority to be paid from Revenues, and (b) Net Revenues are projected to be at least equal to 1.25 times Aggregate Annual Debt Service.

(ii) In lieu of the certificates and reports described above in subparagraphs (i)(A), (B) and (C) above, the Authority may deliver to the Trustee a Certificate of the Authority to the effect that for the last complete Fiscal Year or any period of 12 consecutive calendar months out of the 18 calendar months next preceding the original issuance of such Series of Bonds, Net Revenues for such Fiscal Year or 12-month period equaled at least 1.25 times the Maximum Annual Debt Service on all Bonds then Outstanding plus the Series of Bonds being issued.

(iii) In addition, a Series of Bonds may be issued for the sole purpose of depositing in a Construction Account the amounts necessary to complete any one or more Projects without filing with the Trustee of the certificates and reports described in subparagraphs (i)(B) and (C), if such certificates and reports demonstrating compliance with such subparagraphs were filed in connection with the issuance of the prior Series of Bonds for each of such Projects and if the principal amount of such Bonds to be issued for completion purposes does not exceed ten percent (10%) of the principal amount of Bonds previously issued for and allocable to such Projects.

If and to the extent that an additional Series of Bonds is being issued for the purpose of refunding Bonds, either (i) a certificate of an Independent Certified Public Accountant that Aggregate Annual Debt Service for each Fiscal Year thereafter will be less than or equal to Aggregate Annual Debt Service for each such Fiscal Year in the absence of such refunding, or (ii) the certificates and reports described in paragraphs (A) (if any one or more of the Projects for which the Bonds being refunded is not then completed), (B) and (C) above; provided that in lieu of the certificates and reports described in paragraphs (A), (B) and (C) above, the Authority may deliver to the Trustee the certificate described in paragraph (ii) above.

If and to the extent that a Parity Payment Agreement, other than a Parity Payment Agreement all payments pursuant to which have been taken into account for purposes of determining that the requirements have been satisfied with respect to the issuance of the Related Bonds, is being entered into, either (i) a certificate of an Independent Certified Public Accountant that Aggregate Annual Debt Service for each Fiscal Year thereafter will be less than or equal to Aggregate Annual Debt Service for each such Fiscal Year in the absence of such Parity Payment Agreement, or (ii) the certificates and reports described in paragraphs (B) and (C) above, in each case treating such Payment Agreement as in effect for purposes of any calculations; provided that in lieu of the certificates and reports described in said paragraphs (B) and (C), the Authority may deliver to the Trustee the certificate described in paragraph (ii) above, treating such Payment Agreement as in effect for purposes of any calculations.

In connection with the issuance of an additional Series of Bonds, upon the delivery to the Trustee of the foregoing instruments, the applicable Registrar is required to authenticate and deliver said additional Series of Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Order of, the Authority, when such additional Series of Bonds have been presented to it for that purpose.

Validity of Bonds

The validity of the authorization and issuance of the Bonds shall not be dependent on or affected in any way by any proceedings taken by the Authority for the improvement of the System, or by any contracts made by the Authority in connection therewith, or the failure to construct the System or any part thereof. The recital contained in the Bonds that the same are regularly issued pursuant to the Act shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

REDEMPTION OF BONDS

Terms of Redemption

Any Series of Bonds may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof plus such premium or premiums, if any, as may be determined by the Authority at the time such Series is authorized and as shall be set forth in the Supplemental Indenture authorizing such Series; provided, however, that such Supplemental Indenture provides that the Authority has the right, on any date, to redeem the Bonds of any such Series, as a whole, or in part so that the reduction in Annual Debt Service for the Bonds of such Series for each Bond Year after such redemption shall be as nearly proportional as practicable, from and to the extent of proceeds received by the Authority due to a governmental taking of the System or portions thereof by eminent domain proceedings, if such amounts are not used for additions, improvements or extensions to the System, under the circumstances and upon the conditions and terms set forth in the provisions of the 2005 Indenture relating to eminent domain proceeds, at the principal amount thereof plus interest accrued thereon, without premium.

Selection of Bonds for Redemption. For purposes of selecting Bonds for redemption, Bonds shall be deemed to be composed of portions equal to their respective minimum authorized denomination, and any such portion may be separately redeemed. The applicable Registrar shall promptly notify the Authority, the Trustee and the Co-Trustee in writing of the Bonds or portions thereof selected for redemption.

Notice of Redemption. A copy of any notice of redemption shall be sent by first class mail to each Owner of $1,000,000 or more in aggregate principal amount of Bonds to be redeemed and to each of the Fiduciaries, each of the Credit Providers, the Securities Depositories (as defined in the 2005 Indenture) and two or more Information Services (as defined in the 2005 Indenture); provided, however, that failure to give notice pursuant to this sentence by certified mail to any Bondowners, to any Fiduciaries, to any Credit Providers or to any Securities Depositories or Information Services, or the insufficiency of any such notices, shall not affect the sufficiency of the proceedings for redemption of any Bonds. A second notice shall be sent by first class mail to the registered owner of any Bond which has been called for redemption in whole or in part, and is not surrendered for payment within 60 days after the date fixed for redemption; provided, however, that failure to send any such second notice, or any deficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption of any Bonds.

Partial Redemption. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the applicable Registrar shall authenticate and deliver to the registered owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations, and of the same Series, maturity and tenor, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption

Notice of redemption having been duly given as aforesaid, and moneys being held by the Trustee, the Co-Trustee or Paying Agents for payment of the Redemption Price of, and interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption on the redemption date designated in such notice, such Bonds (or such portions) shall become due and payable at the Redemption Price specified in such notice plus interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the 2005 Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest.

All Bonds purchased or redeemed pursuant to the provisions of the 2005 Indenture shall be cancelled upon surrender thereof and delivered to or upon the Order of the Authority.

REVENUES AND FUNDS

Revenue Fund

The Authority shall deposit all Revenues upon the receipt thereof in the Revenue Fund. Subject only to the provisions of the 2005 Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the 2005 Indenture, the Trustee and the Depositary shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, the Co-Trustee and the Depositary for the Revenue Fund and shall forthwith be paid by the Authority to such Depositary.

All moneys at any time deposited with the Trustee, the Co-Trustee or any Depositary, as the case may be, are required to be held by the Trustee, the Co-Trustee or such Depositary, as the case may be, in trust for the benefit of the Owners at any time of the Bonds (and, to the extent any Credit Agreement Payment is due and payable, for the benefit of the applicable Credit Provider), and the Authority is to have no beneficial right or interest in any of such moneys, except as provided in the 2005 Indenture. All Revenues and other moneys so deposited shall be held, disbursed, allocated and applied only as provided in the 2005 Indenture.

Rebate Fund, Series 2026 Rebate Account

The Thirteenth Supplemental Indenture provides for one or more separate subaccounts within the Rebate Fund designated as the "Series 2026 Rebate Account" (or with such further designations as may be made in the Thirteenth Supplemental Indenture). There shall be deposited in the Series 2026 Rebate Account from amounts in the Operation and Maintenance Fund or other lawfully available moneys such amounts as are required to be deposited therein pursuant to the applicable Tax Certificate delivered by the Authority in connection with the issuance of the Series 2026 Bonds. All money at any time deposited in the Series 2026 Rebate Account is required to be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement for the Series 2026 Bonds (as defined in such Tax Certificate), for payment to the United States of America, and the United States of America is granted a first lien on such money until such payment. All amounts required to be deposited into or on deposit in the Series 2026 Rebate Account will be governed exclusively by the 2005 Indenture and by such applicable Tax Certificate.

In the event that the amount in the Series 2026 Rebate Account exceeds the Rebate Requirement for the Series 2026 Bonds, upon the Request of the Authority, the Trustee is required to transfer the excess from the Series 2026 Rebate Account to the Revenue Fund.

Notwithstanding any provisions of the 2005 Indenture relating to the Rebate Fund or Rebate Accounts, if the Authority shall provide to the Trustee an opinion of Bond Counsel that any specified action required under such provisions is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on any Series of Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of the 2005 Indenture relating to the Rebate Fund, and, notwithstanding the requirements of the 2005 Indenture for modifications to the 2005 Indenture, the covenants under the 2005 Indenture shall be deemed to be modified to that extent.

Application of Debt Service Fund

Subject to the provisions of the next paragraph, on each Mandatory Sinking Account Payment date, the Co-Trustee shall apply the Mandatory Sinking Account Payment or Payments required on that date to the redemption (or payment at maturity, as the case may be) of the applicable Term Bonds upon the notice and in the manner provided in the 2005 Indenture. At any time prior to giving such notice of such redemption, the Co-Trustee, upon the Request of the Authority, shall apply moneys in the Debt Service Fund, in an amount not in excess of such Mandatory Sinking Account Payment, to the purchase of the applicable Term Bonds at public or private sale, as and

when and at such prices (including brokerage and other charges) as are specified in such Request, except that the purchase price (excluding accrued interest) shall not exceed the price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment.

If (1) during the twelve-month period immediately preceding a Mandatory Sinking Account Payment date the Co-Trustee purchases the applicable Term Bonds with moneys in the Debt Service Fund, or (2) during said period and prior to giving notice of redemption the Authority otherwise deposits the applicable Term Bonds with the Co-Trustee (together with a Request of the Authority to apply such Bonds so deposited to the Mandatory Sinking Account Payment due on said date), the amount of Bonds so purchased or deposited shall be credited at the time of such purchase or deposit, to the extent of the full principal amount thereof, to reduce such Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this paragraph are required be cancelled and destroyed by the Co-Trustee.

With respect to each series of Bonds for which proceeds of the sale thereof are required to be set aside to pay interest on the Bonds, the Co-Trustee (if so instructed by the Supplemental Indenture providing for the issuance of such series) shall transfer from the Construction Fund and deposit in the Debt Service Fund the amounts at the times specified in the Supplemental Indenture providing for the issuance of such Series.

Application of Bond Reserve Fund

All amounts in the Bond Reserve Fund shall be used and withdrawn by the Co-Trustee solely for the purpose of paying debt service on Bonds (including Payment Agreement Payments to the extent provided in any Supplemental Indenture) in the event of a deficiency in the Debt Service Fund, in the manner and to the extent set forth in the 2005 Indenture. So long as the Authority is not in default under the 2005 Indenture, any amount in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement shall be transferred to the Revenue Fund. A Supplemental Indenture providing for the issuance of a Series of Bonds may provide that income derived from the investment of the proceeds of such Series in the Bond Reserve Fund prior to the completion of each Project for which such Bonds were issued shall be deposited in the Construction Account for such Project. Otherwise, such income shall be deposited in the Revenue Fund.

If and to the extent provided by a Supplemental Indenture, and subject to certain provisions of the 2005 Indenture, the Bond Reserve Fund Requirement may be wholly or partially satisfied by a Credit Facility.

Application of Operation, Maintenance, Renewal and Replacement Reserve Fund

All amounts in the Operation, Maintenance, Renewal and Replacement Reserve Fund shall be used and withdrawn upon Requisition of the Authority solely for the purposes of (A) paying Operation and Maintenance Expenses if and to the extent that amounts on deposit in the Operation and Maintenance Fund are insufficient for such purpose, (B) paying Renewal and Replacement Costs budgeted by the Authority, pursuant to the budget, as revised, filed in accordance with the 2005 Indenture, for the then current Fiscal Year, and (C) paying the costs of repair or replacement of loss or damage caused by or resulting from fire or from action of the elements (including loss from typhoons, earthquakes, floods and tidal waves), whether or not such costs are Operation and Maintenance Expenses or Renewal and Replacement Costs. For purposes of this Section, any check, draft, warrant or purchase order of the Authority executed by an officer or employee of the Authority duly authorized by resolution of the Board of Directors of the Authority to execute such instruments shall be treated as a Requisition.

Application of Rate Stabilization Fund

All amounts in the Rate Stabilization Fund shall be transferred by the Authority from time to time to the Revenue Fund in the amounts specified by a Certificate of the Authority which also certifies that such amount is consistent with the annual budget established by the Authority pursuant to the 2005 Indenture.

Application of Capital Improvement Fund

Except as may be otherwise set forth in a Supplemental Indenture, all amounts in the Capital Improvement Fund may be used and withdrawn by the Authority for any lawful purpose of the Authority or may be transferred to the Revenue Fund, in each case upon Request of the Authority. The Authority may direct the appropriate Depositary to establish accounts within the Capital Improvement Fund for appropriate purposes, and may restrict the purposes for which amounts in any such account may be used and withdrawn so long as such purposes are lawful purposes.

Application of Subordinate Securities Fund

All amounts in the Subordinate Securities Fund may be used and withdrawn, as directed by a Request of the Authority, for the purpose of paying debt service due on Subordinate Securities, amounts due pursuant to Payment Agreements (including Termination Payments), funding or replenishing reasonable reserves and meeting other requirements of the instrument pursuant to which such Subordinate Securities are issued.

Investment of Moneys in Funds

All Investment Securities and any other investments acquired with moneys held under the 2005 Indenture shall be acquired subject to the limitations of any covenant relating to the exclusion of interest on Bonds from gross income for federal income tax purposes, to the limitations as to maturities set forth in the 2005 Indenture and to such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority. No Investment Security which is subject to redemption at the option of the issuer may be purchased at a premium above the amount of the premium payable upon any such redemption.

Moneys in the Construction Accounts, the Rebate Fund, the Debt Service Fund and the Bond Reserve Fund shall be invested solely in Investment Securities to maximize investment income, with proper regard for the preservation of principal, pursuant to a Request of the Authority as to such investment. In the absence of any different instruction, such moneys shall be invested in Investment Securities described in clause (6) of the definition thereof.

Moneys in the Revenue Fund, the Operation and Maintenance Fund, the Subordinate Securities Fund, the Operation, Maintenance, Renewal and Replacement Reserve Fund and the Capital Improvement Fund may be invested in any investment designated by Request of the Authority.

Notwithstanding any other provision of the 2005 Indenture, moneys in the Revenue Fund and the Bond Reserve Fund shall be invested only in Investment Securities having at least an investment grade rating from the Rating Agency.

Subject to the provisions of any Supplemental Indenture, moneys in all Funds and Accounts established under the 2005 Indenture shall be invested in investments paying interest and maturing not later than the dates on which it is estimated that such moneys will be required by the Trustee, the Co-Trustee, the applicable Depositary or the Authority.

All interest and other profit derived from such investments shall be deposited in the Revenue Fund when received, except that interest and other profit derived from the investment of moneys in the Construction Accounts, the Capital Improvement Fund and the Rebate Fund shall be retained in such respective Fund or Account, and except that interest and other profit derived from the investment of moneys in the Bond Reserve Fund shall be deposited as provided in the 2005 Indenture. Investments acquired as an investment of moneys in any Fund or Account established under the 2005 Indenture shall be credited to such Fund or Account.

Subject to the provisions of any Supplemental Indenture, for the purpose of determining the amount in any Fund or Account, except the Rebate Fund, the amount of any obligation allocable to such Fund or Account shall be equal to the purchase price of such obligation (not including accrued interest, if any, paid on the purchase of such obligation) plus the amount of any discount below par accounting for any such discount ratably each year over the

term of such obligation (i.e., by dividing the amount of such discount by the number of interest payments remaining to maturity and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase) ("amortized value"); provided, however, that the amount of any accrued interest on any obligation may be credited to the Revenue Fund or to any Fund or Account to which such amount or any portion thereof may have been transferred from the Revenue Fund.

The Trustee, the Co-Trustee or the applicable Depositary may sell at the best price obtainable, or present for redemption, any security purchased under the 2005 Indenture whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such security is credited, and the Trustee, the Co-Trustee and such Depositary shall not be liable or responsible for any loss resulting from such investment.

CERTAIN COVENANTS

Payment of Principal and Interest

The Authority will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of every Bond issued under the 2005 Indenture at the times and places and in the manner provided in the 2005 Indenture and in the Bonds, in strict conformity with the terms of the Bonds and of the 2005 Indenture, but solely from Revenues and other moneys held in trust under the 2005 Indenture, as provided in the 2005 Indenture.

Against Encumbrances

Subject to any rights of the United States of America or as otherwise set forth in the 2005 Indenture, the Authority will not mortgage or otherwise encumber, pledge or place any charge upon the System or any part thereof, or upon any of the Revenues, prior to or on a parity with the Bonds, the Parity Payment Agreements and Credit Agreement Payments. So long as any Bonds are Outstanding, the Authority will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues prior to or on a parity with the Bonds, the Parity Payment Agreements and the Credit Agreement Payments, other than the Bonds, the Parity Payment Agreements and the Credit Agreement Payments. Except as may be otherwise set forth in a Supplemental Indenture, nothing in the 2005 Indenture, and particularly nothing in the preceding two paragraphs, shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, (1) are payable from Revenues after and subordinate to the payment from Revenues of the principal of and interest on the Bonds, the Parity Payment Agreement Payments and Credit Agreement Payments, or (2) are payable from moneys which are not Revenues as such term is defined in the 2005 Indenture.

Sale or Other Disposition of Property

The Authority will not sell or otherwise dispose of the System or any part thereof, or permit others to sell or otherwise dispose of the System or any part thereof, essential to the proper operation of the System or to the collection of Revenues sufficient to pay debt service on the Bonds, Parity Payment Agreement Payments and Credit Agreement Payments and otherwise comply with the rate covenant contained in the 2005 Indenture. The Authority will not enter into any agreement which impairs the operation of the System or impedes the collection of Revenues sufficient to pay debt service on the Bonds, Parity Payment Agreement Payments and Credit Agreement Payments and otherwise comply with the rate covenant contained in the 2005 Indenture.

Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the System, or any material or equipment which has worn out, may be sold at a price not less than the fair market value thereof if such sale will not reduce Net Revenues and if the net proceeds of such sale are deposited in the Revenue Fund.

Operation and Maintenance of the System

The Authority will maintain and preserve the System in good repair and working order at all times from the Revenues available for such purposes, in conformity with prudent management and standards customarily followed in the industry for systems of like size and character. The Authority will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the System, so that at all times business carried on in connection with the System shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost. The Authority will operate the System in an efficient and economical manner, consistent with the protection of the Owners of the Bonds and so as to assure that the System shall be financially self-sufficient and self-sustaining. The Authority shall not commit or allow any waste with respect to the System. Nothing in the 2005 Indenture shall prohibit the Authority from subcontracting any part of the maintenance and operation of the System.

Liens and Claims

Subject to any rights of the United States of America, the Authority shall keep the System and all parts thereof free from judgments, from mechanics' and materialmen's liens and from all liens and claims of whatsoever nature or character, to the end that the security provided pursuant to the 2005 Indenture may at all times be maintained and preserved, and the Authority shall keep the System and the Revenues free from any liability which might hamper the Authority in conducting its business or operating the System. The Trustee or and Co-Trustee at its option (after first giving the Authority ten days' written notice to comply therewith and failure of the Authority to so comply within said ten-day period) may defend against any and all actions or proceedings in which the validity of the 2005 Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Trustee or the Co-Trustee shall not in any event be deemed to have waived or released the Authority from liability for or on account of any of its covenants and warranties contained in the 2005 Indenture, or from its liability under the 2005 Indenture to defend the validity of the 2005 Indenture and the pledge made in the 2005 Indenture and to perform such covenants and warranties.

Insurance

The Authority will maintain or cause to be maintained insurance on the System with responsible insurers in such amounts and against such risks (including accident to or destruction of the System) as are usually maintained by prudent operators of systems similar and similarly situated to the System and which it shall deem advisable or necessary to protect its interests and the interests of the Bondowners so long as such insurance is available to the Authority on the open market from responsible insurers at reasonable cost. In the event of any damage to or destruction of the System caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the System; and the Authority shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the Authority shall deposit such excess in the Capital Improvement Fund. Notwithstanding the foregoing, if the proceeds of such insurance, together with other moneys available for such purpose, are sufficient to enable the Authority to retire all Outstanding Bonds, whether at maturity or on redemption prior to maturity or any combination thereof, and to pay the Parity Payment Agreement Payments and any Termination Amount payable by the Authority pursuant to Parity Payment Agreements in connection with a termination thereof, and to pay any Credit Agreement Payments then due and payable the Authority may elect not to repair, reconstruct or replace the damaged or destroyed portion of the System, and thereupon, the proceeds of such insurance shall be applied by the Authority and the Trustee to the payment when due of the interest to become due on all Outstanding Bonds on and prior to the maturity date or redemption date thereof, as the case may be, to the payment of the principal of and redemption premiums, if any, on all Outstanding Bonds at maturity or on redemption prior to maturity, as the case may be, and to the payment of such Parity Payment Agreement Payments and any such Termination Amounts, as the case may be, when due and to pay any Credit Agreement Payments then due and payable.

The Authority will maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Bondowners, which insurance shall afford protection in such amounts and against such risks as are usually maintained by prudent operators of systems similar to the System.

Any insurance required under the 2005 Indenture may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner customarily maintained by prudent operators of systems similar to the System. The Authority shall, every third year, engage an insurance consultant to review the Authority's self-insurance program and to make recommendations for any necessary modifications, including, but not limited to, any modifications necessary to comply with these provisions. Each such report shall be filed with the Trustee.

Books and Accounts; Financial Statements

The Authority will keep proper books of record and accounts, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee, the Co-Trustee or any Owner of Bonds then Outstanding or their representatives authorized in writing, at reasonable hours and under reasonable conditions.

The Authority will prepare and file with the Trustee and the Co-Trustee annually within nine months after the close of each Fiscal Year so long as any of the Bonds are Outstanding: (1) financial statements for the preceding Fiscal Year, prepared in accordance with (i) the accounting requirements of the 2005 Indenture and (ii) generally accepted accounting principles applied on a consistent basis from year to year, including a balance sheet, statement of income, statement of retained earnings, and statement of changes in financial position (including a statement of revenue, expenditures and fund balances for each of the Funds and Accounts established pursuant to the 2005 Indenture), and including a reconciliation between the bases of accounting required under clauses (i) and (ii) above, which financial statements shall be examined by and include the certificate or opinion of an Independent Certified Public Accountant, such certificate or opinion to include a statement as to the manner and extent to which the Authority has complied with the provisions of the 2005 Indenture as it relates to said financial statements; and (2) a statement as to all insurance carried by the Authority as of the end of such Fiscal Year, including a brief description of the amount and coverage of each insurance policy and the name of the insuring company.

The Authority will furnish a copy of the aforesaid statements to any Credit Provider and to any Bondowner upon request, and will furnish to the Trustee such reasonable number of copies thereof (not exceeding 100 copies) as may be required by the Trustee for distribution to investment bankers, securities dealers and others interested in the Bonds and to the Owners of Bonds requesting copies thereof. The Trustee shall not be required to incur any nonreimbursable expenses in making such distribution.

Authority Budgets

Prior to the commencement of each Fiscal Year, the Authority shall prepare and adopt an annual budget for such Fiscal Year. Such budget shall set forth in reasonable detail the Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year including, without limitation, the amounts required to provide for the payment of the principal of, interest and redemption premium, if any, on the Bonds during such Fiscal Year, to pay or provide for Operation and Maintenance Expenses for such Fiscal Year, to pay or provide for Renewal and Replacement Costs for such Fiscal Year, to make up any deficiencies in any Fund or Account anticipated for the then current Fiscal Year, to transfer to or from the Rate Stabilization Fund each month, and to pay or provide for the payment of all other claims or obligations required to be paid from Revenues in such Fiscal Year, and shall show that Net Revenues shall be at least adequate to satisfy the rate covenant contained in the 2005 Indenture. The Authority shall supply to the Trustee, the Co-Trustee, the Revenue Fund Depositary, any Credit Provider and any Bondowners who shall so request in writing a copy of the annual budget for the then current Fiscal Year. Such budget shall also be open for inspection by any Owner during normal business hours. The Authority may at any time adopt a revised annual budget and shall supply copies as aforesaid.

Payment of Taxes, Etc.

The Authority will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Authority on account of the System or any portion thereof or upon any Revenues and which, if unpaid, might impair the security of the Bonds, when the same shall become due, but nothing contained in the 2005 Indenture shall require the Authority to pay any such tax, assessment or charge so long as it shall in good faith contest the validity thereof. The Authority will duly observe and conform with all valid requirements of any governmental authority having jurisdiction over the Authority or the System or any part thereof.

Acquisition and Construction of Improvements

The Authority will commence and will continue to completion the acquisition and construction of the improvements to the System proposed to be financed from any Series of Bonds, and said improvements will be acquired, constructed and completed in a sound and economical manner and in conformity with law.

Eminent Domain Proceeds

If all or any part of the System shall be taken by or under threat of eminent domain proceedings, the net proceeds realized by the Authority therefrom (excluding any portion thereof payable to the United States of America or required by the United States of America to be deposited in a restricted fund) shall be deposited by the Chief Financial Officer in a special fund in trust and applied and disbursed by the Chief Financial Officer subject to the following conditions:

(A) If such proceeds are sufficient to provide for the payment of the entire amount of principal due or to become due upon all of the Bonds, together with all of the interest due or to become due thereon and any redemption premiums, and all amounts payable under Parity Payment Agreements (including Termination Amounts) and all Credit Agreement Payments then due and payable so as to enable the Authority to retire all of the Bonds, either by redemption at the then current redemption prices or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, and terminate such Parity Payment Agreements and discharge such obligations with respect to such Credit Agreement Payments, the Chief Financial Officer shall transfer such moneys to the Trustee who shall apply such moneys to such retirement and to the payment of such amounts. The balance of such moneys, if any, shall be transferred back to the Authority and shall be deposited in the Capital Improvement Fund.

(B) If such proceeds are insufficient to provide the moneys required for the purposes described in the foregoing paragraph (A), the Authority shall by resolution determine to apply such proceeds for one of the following purposes, subject to the conditions described in this paragraph (B):

(1) The Authority may determine to apply such proceeds to the purchase or redemption of Bonds then Outstanding and to the payment of Credit Agreement Payments then due and payable. In that event, the Chief Financial Officer shall transfer such proceeds to the Trustee, who shall apply such proceeds pro rata to the redemption or purchase of Bonds of each Series then Outstanding in the proportion which the principal amount of outstanding Bonds of each Series bears to the aggregate principal amount of all Bonds then Outstanding.

(2) The Authority may determine to apply such proceeds to the cost of additions or improvements to or extensions of the System if the Authority first secures and files with the Trustee a report of an Independent Consulting Engineer (a) showing (i) the loss in annual Revenues, if any, suffered or to be suffered, by the Authority by reason of such eminent domain proceedings, (ii) a general description of the additions, improvements or extensions then proposed to be acquired by the Authority from such proceeds, and (iii) an estimate of the additional Revenues to be derived from such additions, improvements or extensions; and (b) determining that such eminent domain proceedings will not substantially impair the ability of the Authority to meet the rate covenant contained in the 2005 Indenture. The Authority shall then promptly proceed with the construction of the additions, improvements or extensions substantially in accordance with such report. Payments for such construction shall be made by the Authority from such

proceeds. Any balance of such proceeds not required by the Authority for the purposes aforesaid shall be deposited in the Capital Improvement Fund.

Rate Covenant

The Authority shall at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the System which will be sufficient to yield the sum of Net Revenues during each Fiscal Year equal to at least 1.25 times the Aggregate Annual Debt Service for such Fiscal Year and to yield Revenues during each Fiscal Year equal to at least the aggregate amount of all transfers required to be made to the Operations and Maintenance Fund, the Debt Service Fund, the Bond Reserve Fund, the Subordinate Securities Fund, and the Operation, Maintenance, Renewal and Replacement Reserve Fund for such Fiscal Year.

The debt service coverage ratio specified in this covenant shall be the debt service coverage ratio used by the PUC, together with other appropriate factors, in setting rates.

If the financial statements prepared pursuant to the 2005 Indenture reflect that (or if the Authority's other books and records at the time such statements are due under the 2005 Indenture reflect that) at the end of a Fiscal Year the sum of Net Revenues have been less than 1.25 times Aggregate Annual Debt Service for such Fiscal Year, or if Revenues have been less than the aggregate amount of all transfers required to be made to the Operations and Maintenance Fund, the Debt Service Fund, the Bond Reserve Fund, the Subordinate Securities Fund, and the Operation, Maintenance, Renewal and Replacement Reserve Fund for such Fiscal Year, the Authority shall promptly employ a Consulting Engineer to make recommendations as to a revision of such rates, fees and charges or the methods of operation of the System. The Authority shall, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law and subject to a good faith determination of the Board that such recommendations, in whole or in part, are in the best interests of the Authority, the Owners and each Credit Provider, revise such rates, fees and charges or methods of operation and will take such other actions as shall be in conformity with such recommendations.

If the Authority complies in all material respects with the reasonable recommendations of the Consulting Engineer with respect to said rates, fees, charges and methods of operation or collection, or makes a good faith determination that such recommendations are not in the best interests of the Authority, the Authority will be deemed to have complied with the rate covenant contained in the 2005 Indenture for such Fiscal Year; provided, that Net Revenues shall in no event have been less than Aggregate Annual Debt Service for such Fiscal Year.

The Authority may make adjustments from time to time in its rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of the 2005 Indenture.

Compliance with Indenture

The Authority (and the Government as to its covenant summarized below) will faithfully observe and perform all the covenants, conditions and requirements of the 2005 Indenture, and will not suffer or permit any default to occur under the 2005 Indenture, or do or permit to be done, in, upon or about the System, or any part thereof, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the 2005 Indenture.

Observance of Laws and Regulations

The Authority shall comply promptly, fully and faithfully with and abide by any contract relating to or affecting the availability of any grant or other similar assistance and any statute, law, ordinance, order, rule, regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted or entered by any competent governmental authority or agency applicable or with respect to or affecting the acquisition, construction or reconstruction of the System or any part thereof or applicable or with respect to or affecting the operation, manner, use or condition of the System or any part or parcel thereof or adjoining public ways or relating to the

imposition of charges or collection of Revenues; provided that the Authority need not comply with any such contract, statute, law, ordinance, rule, regulation, judgment, decree, direction or requirement if and so long as the Authority in good faith shall be contesting or permitting or causing to be contested the applicability or validity thereof by appropriate proceedings diligently prosecuted, even though such contest may result in the imposition of a lien or charge against the System or the Revenues, if (1) the Authority shall effectively prevent foreclosure or enforcement of any such lien or charge and (2) the foreclosure or enforcement of any such lien or charge shall be stayed, and if said stay thereafter expires, the Authority shall forthwith discharge such lien or charge or cause the same to be discharged, so that pending such proceedings the System and the Revenues thereof shall not be affected thereby, and the security of the Bonds shall not be impaired.

Prosecution and Defense of Suits

The Authority shall promptly from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the System hereafter developing, and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purposes and, to the extent permitted by law, shall indemnify and save the Trustee and every Bondowner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding. The Authority shall defend against every suit, action or proceeding at any time brought against the Trustee or any Bondowner upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee or any Bondowner under the 2005 Indenture; provided, that the Trustee or any Bondowner at its or his election may appear in and defend any such suit, action or proceeding. The Authority shall, to the extent permitted by law, indemnify and hold harmless the Trustee and the Bondowners against any and all liability claimed or asserted by any person arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the Bondowners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation to which any of them may become a defendant by reason of its ownership of Bonds. The Authority, to the extent permitted by law, shall promptly reimburse any Bondowner in the full amount of any attorneys' fees or other expenses which such Bondowner may incur in litigation or otherwise in order to enforce its rights under the 2005 Indenture or the Bonds, if such litigation is concluded favorably to such Bondowner's contentions therein. Notwithstanding any contrary provision of the 2005 Indenture, this paragraph will remain in full force and effect, even though all indebtedness and obligations issued under the 2005 Indenture may have been fully paid and satisfied, until the Authority have been dissolved.

Pledge of the Government

The Government pledges to the holders of all Bonds the following: while any Bonds remain outstanding and not fully performed or discharged (A) to maintain the rights, powers and duties of the Board and the Guam Public Utilities Commission, or their respective successors in accordance with law, to fulfill the terms of Bonds and the 2005 Indenture, (B) to maintain the rights and remedies of Bondholders provided in the Act and the 2005 Indenture, (C) to protect the exclusive right of the Authority to operate or maintain within Guam any water or wastewater system operated by the government or its designees by preventing the acquisition, operation, maintenance or permitting of any instrumentality of the Government or any other public or private agency, entity or person to operate a separate and competitive water and/or wastewater system, and (D) not to transfer any additional non-system operating responsibilities or other unfunded mandates to the Authority without providing for the payment of the costs of such additional responsibilities, with the exception of annual supplemental annuity and COLA contributions paid by the Authority on behalf of retired employees of the Authority (or its lawful predecessors) as may be required by other laws of Guam. The Authority includes a pledge and agreement of the Government in the 2005 Indenture as authorized by Section 14229 of the Act.

Tax Covenants for Series 2026 Bonds

The Authority intends that interest on the Series 2026 Bonds be excluded from gross income for federal income tax purposes, and exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof, or by the District of Columbia. The Authority reserves the right to determine the desired tax status of any additional Series of Bonds.

Pursuant to the Thirteenth Supplemental Indenture, the Authority has agreed not to use or permit the use of proceeds of the Series 2026 Bonds which would cause any such Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or to be "federally guaranteed" within the meaning of Section 149(b) of the Code, and to do and perform all acts and things permitted by law and the Indenture in furtherance of the foregoing.

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Events of Default

Any one or more of the following events shall be an "Event of Default" under the 2005 Indenture:

(1) if default shall be made in the due and punctual payment of the principal of, or the premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise, or if default shall be made in the redemption or payment at maturity from any Sinking Account of any Term Bonds in the amounts and at the times provided therefor;

(2) if default shall be made in the due and punctual payment of any installment of interest on any Bond or any Parity Payment Agreement Payment when and as such interest installment or Parity Payment Agreement Payment shall become due and payable;

(3) if default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the 2005 Indenture or in the Bonds contained or by the Government in the observance of its covenant in summarized above, and such default has continued for a period of 30 days after notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority by the Trustee, the Co-Trustee or a Credit Provider, or to the Authority, the Trustee and the Co-Trustee by the Owners of not less than twenty-five percent in aggregate principal amount of the Bonds at the time Outstanding; or

(4) if the Authority shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Remedies

In each and every case during the continuance of an Event of Default, the Trustee in its own name and as Trustee of an express trust, on behalf and for the benefit and protection of the Bondowners, after notice to the Authority, and upon the request of the Owners of a majority in Accreted Value of the Bonds then Outstanding, shall proceed to protect and enforce any rights of the Trustee and, to the full extent that the Bondowners themselves might do, the rights of such Bondowners under the 2005 Indenture and under the laws of the Government by such of the following remedies as such majority shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondowners, including the right to require the Authority to charge, prescribe and collect Revenues adequate to comply with the covenants and agreements made in the 2005 Indenture, and to require the Authority to carry out any other covenant or agreement with the Bondowners and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Authority to account as if it were the trustee of an expressed trust for the Bondowners;

(d) by realizing or causing to be realized through sale or otherwise upon the moneys, securities and other assets pledged under the 2005 Indenture;

(e) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners;

(f) by requiring the Authority to endorse all checks and other negotiable instruments representing Revenues to the order of the Trustee immediately upon the receipt thereof and to deliver such endorsed instruments daily to the Trustee;

(g) by notifying any or all account debtors of the Authority to pay any amounts representing Revenues, when due, directly to the Trustee as Trustee; and

(h) by commencing proceedings for the appointment of a receiver or receivers of the System and of the Revenues, with such powers as the court making such appointment confers.

Application of Funds Upon Default

All of the Revenues, all amounts in certain of the Funds and Accounts established under the 2005 Indenture (except any escrow fund established for the payment of any refunded obligations), upon the date of the declaration of an Event of Default as provided in the 2005 Indenture and all Revenues thereafter received by the Authority, the Trustee, the Co-Trustee or any Depositary under the 2005 Indenture, shall be transmitted to the Trustee and be applied by the Trustee as and in the order of priority provided in the 2005 Indenture; provided, however, that (A) if amounts in the Debt Service Fund are insufficient to pay, when due, all interest on, principal of, and Mandatory Sinking Account Payments on all Bonds then Outstanding, all Parity Payment Agreement Payments pursuant to Parity Payment Agreements then Outstanding and all Credit Agreement Reimbursement Payments due and payable pursuant to Credit Agreements then Outstanding, then such amounts in the Debt Service Fund shall be used first to pay all installments of interest then due and owing without preference or priority of any such installment of interest over any other installment of interest, then to pay installments of principal and Mandatory Sinking Account Payments then due and owing, without preference or priority of any installment of principal or Mandatory Sinking Account Payments over any other such installment, then to pay all Credit Agreement Reimbursement Payments then due and payable, and then to pay Parity Payment Agreement Payments then due and owing, without preference or priority of any Parity Payment Agreement Payment over any other such Parity Payment Agreement Payment; and (B) amounts in Construction Accounts may be used for the purposes for which such Construction Accounts were created and funded if the Trustee determines, in accordance with relevant provisions of the 2005 Indenture, that such use is in the best interests of the Bondholders and the Credit Providers.

If any installment of interest, principal or Redemption Price is only partially paid, such payment shall occur only upon presentation of the several Bonds and the recording thereon of a record of such partial payment.

Representation of Bondowners by Trustee

In case one or more of the Events of Default shall happen, then and in every such case the Owner of any Bond at the time Outstanding shall be entitled to proceed to protect and enforce the rights vested in such Owner by the 2005 Indenture by such appropriate judicial proceeding as such Owner shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the 2005 Indenture, or in aid of the exercise of any power granted in the 2005 Indenture, or to enforce any other legal or equitable right vested in the Owners of Bonds by the 2005 Indenture or by law; provided, however, that no such Bondowner will have the right to institute any such judicial proceeding pursuant to this paragraph unless (A) such Owner has previously given to the Trustee notice of the occurrence of an

Event of Default under the 2005 Indenture; (B) the Owners of at least a majority in Accreted Value of the Bonds then Outstanding have made request to the Trustee to exercise the powers granted in the 2005 Indenture or to institute such action, suit or proceeding in its own name; (C) such Owner or said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Trustee has refused or omitted to comply with such request for a period of sixty days after such request have been received by, and said tender of indemnity has been made to, the Trustee. The provisions of the 2005 Indenture shall constitute a contract with the Owners of the Bonds, and such contract and duties of the Authority and of the Authority members, officers and employees thereof will be enforceable by any Bondowner by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Nonwaiver

Nothing in the 2005 Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and the interest (and premium, if any) on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, or upon call for redemption, as provided in the 2005 Indenture, but only out of the Revenues pledged in the 2005 Indenture for such payments, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default or breach of duty or contract by any Bondowner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on the subsequent default or breach. No delay or omission of the Trustee or of any Owner of any of the Bonds to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Act or relevant provisions of the 2005 Indenture to the Trustee or to the Owners of Bonds or any Credit Provider may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners of Bonds or any such Credit Provider.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bondowners, the Authority, the Trustee and the Bondowners and each Credit Provider shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact

Any suit, action or proceeding which any Owner of Bonds has the right to bring to enforce any right or remedy under the 2005 Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated (notwithstanding any conditions upon the bringing of any such action, suit or proceeding set forth in the 2005 Indenture) and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the 2005 Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Except as may be set forth in a Supplemental Indenture, anything in the 2005 Indenture to the contrary notwithstanding, the Owners of a majority in Accreted Value of the Bonds at any time Outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the 2005 Indenture, provided that such direction shall be in accordance with law and the provisions of the 2005 Indenture.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Owners of Bonds or to any Credit Provider is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to

every other remedy given under the 2005 Indenture or now or hereafter existing, at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

MODIFICATION OR AMENDMENT OF THE 2005 INDENTURE

Amendments Permitted

The 2005 Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee and Co-Trustee may be modified or amended at any time by a Supplemental Indenture which shall become binding when the consents of the Owners of at least 60% in Accreted Value of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the 2005 Indenture; provided that if such modification or amendment will, by its terms, not take effect so long as any bonds of any particular maturity or Series remain Outstanding, the consent of the Owners of Bonds of such maturity or Series shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds relative to such modification or amendment; and provided further that the consent of a Credit Provider for any Bond shall be deemed to be the consent of the Owner of such Bond if specified in the Supplemental Indenture pursuant to which such Credit Provider is designated as providing a Credit Facility for such Bond.

No such modification or amendment shall (a) extend the fixed maturities of the Bonds, or extend the time for making any Mandatory Sinking Account Payments, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected, (b) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of the 2005 Indenture or permit the creation of any lien on the Revenues prior to or on a parity with the lien created by the 2005 Indenture or deprive the Owners of the Bonds of the lien created by the 2005 Indenture upon such Revenues, without in each case the consent of the Owners of all of the Bonds then Outstanding.

No such modification or amendment shall modify any of the rights or obligations of any Fiduciary without its consent.

The 2005 Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority in the 2005 Indenture other covenants and agreements thereafter to be observed or to surrender any right or power reserved to or conferred upon the Authority in the 2005 Indenture; (2) to cure, correct or supplement any ambiguous or defective provision contained in the 2005 Indenture or in regard to questions arising under the 2005 Indenture, as the Authority may deem necessary or desirable and not inconsistent with the 2005 Indenture, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Credit Provider; (3) to provide for the issuance of Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the 2005 Indenture; (4) to provide for any other matters for which a Supplemental Indenture is expressly permitted or required under the 2005 Indenture; and (5) to make any other amendment or modification which shall not materially adversely affect the interests of the Owners of the Bonds or any Credit Provider.

Any Supplemental Indenture providing for the issuance of a Series of Bonds may require, in addition to or in lieu of any consents described in the foregoing provisions, the consent of any Credit Provider for such Bonds in order for any amendment to the 2005 Indenture affecting such Bonds to be effective, and may set forth appropriate procedures for obtaining and evidencing such consent.

Procedure for Amendment with Consent of Bondowners

The Authority may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of the 2005 Indenture, to the extent that such amendment is permitted by the 2005 Indenture, to take effect when and as

provided. A copy of the Supplemental Indenture, together with a request to Bondowners for their consent, shall be mailed by the Authority to each Owner of Bonds, but failure to receive any such copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the consents of the Owners of 60% in Accreted Value of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the 2005 Indenture) and a notice has been published as hereafter provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the 2005 Indenture. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice provided for has been published.

After the Owners of the required percentage of Bonds have filed their consents to the Supplemental Indenture, the Authority shall mail a notice to the Bondowners in the manner provided for the mailing of the Supplemental Indenture and publication of the notice of adoption thereof, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the 2005 Indenture (but failure to receive copies of said notice shall not affect the validity of the Supplemental Indenture or consents to it). A record, consisting of the papers required to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondowners upon such notice and in accordance with such rules and regulations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

DEFEASANCE

Discharge of Indenture

If the Authority shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways—

(A) by well and truly paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all Bonds Outstanding, as and when the same become due and payable (but this clause shall not include Bonds the principal of or interest on which has been paid by a Credit Provider until said principal and interest have been paid by the Authority); or

(B) by depositing with the Co-Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Debt Service Fund and the Bond Reserve Fund, is fully sufficient to pay or redeem all Bonds Outstanding, including all principal, interest and redemption premiums, if any; or

(C) by delivering to the Co-Trustee, for cancellation by it, all Bonds Outstanding; or

(D) by depositing with the Co-Trustee, in trust, non-callable Federal Securities in such amount which, in the determination of an Independent Certified Public Accountant, who shall certify such determination to the Co-Trustee and, if so provided in a Supplemental Indenture, any Credit Provider, shall, together with the income or increment to accrue thereon and any other moneys of the Authority made available for such purpose, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if the Authority shall also pay or cause to be paid all other sums payable under the 2005 Indenture by the Authority (including all Parity Payment Agreement Payments and any Termination Payments payable in connection with a termination of a Parity Payment Agreement and any Credit Agreement Payments then due and payable) and deliver or have delivered to the Trustee, the Co-Trustee and each Credit Provider an Opinion of Counsel to the effect that upon satisfaction of the other requirements of the 2005 Indenture all obligations of the Authority under the 2005

Indenture have ceased, terminated and been completely discharged, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority signifying its intention to pay and discharge all such indebtedness and that the 2005 Indenture and all other obligations of the Authority under the 2005 Indenture shall cease and terminate, which shall be filed with the Trustee and the Co-Trustee), and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the 2005 Indenture and all other obligations of the Authority under the 2005 Indenture are required to cease, terminate and be completely discharged, and the Owners of the Bonds not so surrendered and paid would thereafter be entitled to payment only out of the money or Federal Securities deposited with the Co-Trustee as aforesaid for their payment; subject, however, to the provisions of the 2005 Indenture.

The Authority may at any time surrender to the Co-Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, are required to be deemed to be paid and retired.

Discharge of Liability on Bonds

Upon the deposit with the Co-Trustee, in trust, at or before maturity, of money or Federal Securities in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption have been given as provided in the 2005 Indenture or provision satisfactory to the Co-Trustee have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds is required to cease, determine and be completely discharged and the Owners thereof would thereafter be entitled only to payment out of the money or Federal Securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the 2005 Indenture.

Payment of Bonds after Discharge of Indenture

Notwithstanding any provisions of the 2005 Indenture, any moneys deposited with the Co-Trustee in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for two years after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the 2005 Indenture) are required to then be repaid to the Authority upon its Request, and the Owners of such Bonds would thereafter be entitled to look only to the Authority for payment thereof, and all liability of the Co-Trustee with respect to such moneys would thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Co-Trustee may (at the cost of the Authority) first publish at least once in a Financial Newspaper or Journal and in a newspaper of general circulation in Guam a notice, in such form as may be deemed appropriate by the Co-Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Authority as aforesaid, the Owners of the Bonds in respect of which such moneys were deposited would thereafter be deemed to be general creditors of the Authority for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Authority (without interest thereon).

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SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE

Solely for convenience of the reader, instances of new text inserted into the 2005 Indenture by the amendments set forth in the Twelfth Supplemental Indenture are generally indicated under this heading "SUMMARY OF CERTAIN PROVISIONS OF THE 2025 PROSPECTIVE GENERAL INDENTURE" as **bold text**. *By the terms of the Twelfth Supplemental Indenture, except as amended by such Twelfth Supplemental Indenture, the terms (including definitions) of the 2005 Indenture otherwise remain unchanged. As used in under this heading, references to the "Indenture" mean and refer to the 2005 Indenture as amended by the 2025 Prospective General Indenture.*

DEFINITIONS AMENDED BY 2025 PROSPECTIVE GENERAL INDENTURE

The following are summaries of definitions of certain terms used in the 2025 Prospective General Indenture.

"Annual Debt Service" means, for any year, and with respect to any Bonds (A) the sum of (1) the interest falling due on such Bonds then Outstanding (assuming that all then Outstanding Serial Bonds are retired on their respective maturity dates and that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by the Mandatory Sinking Account Payments applicable to such Term Bonds), but not including Capitalized Interest, plus (2) the principal amount of such Bonds then Outstanding that are Serial Bonds falling due by their terms, plus (3) the aggregate amount of all Mandatory Sinking Account Payments falling due with respect to such Bonds then Outstanding that are Term Bonds, plus (4) the aggregate amount of Payment Agreement Payments under Related Parity Payment Agreements then Outstanding falling due, minus (B) the aggregate amount of Payment Agreement Receipts under Related Payment Agreements then Outstanding falling due; all as calculated for said year and provided, **that the principal amount of any Short-Term Bonds shall be excluded, and provided, further**, that for purposes of determining the interest payable on Variable Rate Bonds, any obligation of the Authority to make Payment Agreement Payments based on a variable rate under Parity Payment Agreements and any obligation of a Qualified Counterparty to make payments under a Payment Agreement to the Authority based on a variable rate, the following assumptions shall be made:

(A) for purposes of determining the interest payable on Variable Rate Bonds, the interest rate used in making such determination shall be (a) for periods for which such rate has been determined, the actual interest rate on such Bonds; (b) for purposes of calculations relating to issuance of Refunding Bonds for any other period, a rate equal to 1.1 times the highest rate of interest borne by such Bonds, or if such Bonds were not Outstanding during any portion of any such period bonds with similar ratings and terms, during the next preceding twelve months; or (c) for any other period or purpose, the prevailing interest rate on such Bonds as of the date of such determination;

(B) for purposes of determining the amount of Payment Agreement Payments based on a variable rate under Parity Payment Agreements, the rate used in making such determination shall be assumed to be (a) for periods for which such rate has been determined, the actual rate used to calculate such payments, (b) for purposes of calculations relating to issuance of Refunding Bonds for any other period, a rate equal to 1.1 times the highest such rate during the next preceding twelve months, and (c) for any other period or purpose, the prevailing rate being used to determine such payment obligation as of the date of such determination; in each such case without regard to the occurrence of any event that, under the provisions of such Payment Agreement, would permit or require the Authority to make payments on any basis other than such rates;

(C) for purposes of determining the amount of payments by a Qualified Counterparty under a Payment Agreement to the Authority based on a variable rate, the rate used in making such determination shall be (a) if such Payment Agreement obligates a Qualified Counterparty to make payments to the Authority based on a variable rate that is equal to the actual rate on the Related Bonds, the actual rate on such Bonds; and (b) if such Payment Agreement obligates a Qualified Counterparty to make payments to the Authority based on a variable rate other than the actual rate on the Related Bonds (1) for periods for which such rate has been determined, the actual rate used to calculate such payments, (2) for purposes of calculations relating to issuance of Refunding Bonds for any other period, a rate equal to 1.1 times the

highest such rate during the next preceding twelve months, and (3) for any other period or purpose, the prevailing rate being used to determine such payment obligation as of the date of such determination; in each such case without regard to the occurrence of any event that, under the provisions of such Payment Agreement, would permit or require the Qualified Counterparty to make payments on any basis other than such rates;

In the event that all or any portion of any Series of the Bonds have been issued as or are proposed to be issued as Balloon Bonds, then in order to compute the principal amount of and interest on such Series of the Bonds for the purposes of determining (i) whether the Bonds, regardless of whether they are to be Balloon Bonds, may be issued in compliance with the requirements of the Indenture when any Balloon Bonds are outstanding, (ii) whether the Bonds that are Balloon Bonds may be issued in compliance with the requirements of the Indenture, and (iii) the amount of any reserve fund or reserve account requirements attributable to such Balloon Bonds, the principal of and interest on such Bonds will be determined:

(a) if such Balloon Bonds are not Capital Appreciation Bonds, by (1) assuming that such Balloon Bonds are to be amortized on the basis of level debt service over the Assumed Amortization Period and that such Bonds bear interest at the prevailing interest rate on such Bonds as of the date of such determination, or (2) if certified by the Financial Advisor to be appropriate given the then-current standing of the Public Finance industry, by assuming that such Balloon Bonds are to be amortized on a basis other than level annual debt service over the Assumed Amortization Period and that such Bonds bear interest at the prevailing interest rate on such Bonds as of the date of such determination; and

(b) if such Balloon Bonds are Capital Appreciation Bonds, by assuming that the accreted principal amount of such Balloon Bonds at maturity is to be amortized on the basis of level principal payments over the Assumed Amortization Period.

"Assumed Amortization Period" means the period of time specified in paragraph (a) or paragraph (b) below, as selected by the Chief Financial Officer:

(a) five years; or

(b) The period of time, exceeding five years, set forth in a written opinion of the Financial Advisor as not being longer than the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar issuers of comparable credit standing would, then if being offered, be marketable on reasonable and customary terms.

"Balloon Bonds" means the aggregate principal amount of Bonds of a Series (including Capital Appreciation Bonds) that becomes due and payable, either at scheduled maturity, by Mandatory Sinking Fund Payment or by mandatory tender for purchase, in any Fiscal Year that constitutes 25% or more of the initial aggregate principal amount of such Series of Bonds.

"Bond Reserve Fund Amendments" means the amendments to the 2005 Indenture set forth in the Twelfth Supplemental Indenture relating to the funding or lack thereof of any series reserve account (i) as summarized in Section (A)(3) under the heading "ISSUANCE OF ADDITIONAL SERIES OF BONDS; ADDITIONAL PARITY PAYMENT AGREEMENTS; OTHER PAYMENT AGREEMENTS" below; (ii) as summarized under the heading "PROCEEDINGS FOR THE ISSUANCE OF A SERIES OF BONDS" below); (iii) as summarized under the heading "ALLOCATION OF REVENUES" below, (iv) the definition of "Bond Reserve Fund Requirement" and (v) the application of the Bond Reserve Fund as summarized in the third paragraph as summarized under the heading "APPLICATION OF BOND RESERVE FUND" below, all of which shall not become effective until the Final Transition Date.

"Bond Reserve Fund Requirement" means, as of any particular date of calculation, an amount equal to **fifty percent (50%) of** the Maximum Annual Debt Service for the then current or any future Fiscal Year on all Outstanding Bonds; provided, however, that if upon issuance of a Series of Bonds, such amount would require

moneys to be credited to the Bond Reserve Fund from such Bond proceeds in an amount in excess of the maximum amount permitted from tax-exempt bond proceeds under the Code, the Bond Reserve Fund Requirement shall mean an amount equal to the sum of the Bond Reserve Fund Requirement immediately preceding issuance of such Bonds plus the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as specified by Certificate of the Authority.

"Bonds" means the Guam Waterworks Authority Water and Wastewater System Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Indenture and a Supplemental Indenture, including any Additional Bonds authorized by, and at any time Outstanding pursuant to, the Indenture and any Supplemental Indenture**, as well other evidences of indebtedness for borrowed money issued from time to time by the Authority under the Indenture, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein, the payment of which constitutes a charge and lien on Revenues equal to and on a parity with the charge and lien upon the Revenues for the payment of the Guam Waterworks Authority Water and Wastewater System Revenue Bonds referenced above**.

"Capital Appreciation Bonds" means any Bonds the interest on which is not scheduled to be paid until the maturity or prior redemption thereof, or the conversion thereof to Current Interest Bonds.

"Current Interest Bonds" means any Bonds, other than Capital Appreciation Bonds, which pay interest at least annually to the Owners thereof commencing within 18 months from the date of issuance thereof.

"Final Transition Date" means the date designated in a Certificate of the Authority delivered to the Trustee and the Co-Trustee to the effect that all of the terms of the Indenture, on and after such date, constitute the full amendment and complete restatement of the 2005 Indenture, which Certificate of the Authority shall be accompanied by a written opinion of Bond Counsel to the effect that the Indenture constitutes a valid and binding amendment of the 2005 Indenture. The Final Transition Date shall not occur until all of the Bonds issued under the 2005 Indenture as of the date of issuance of the Series 2025A Bonds (including the Series 2025A Bonds) are no longer Outstanding within the meaning of the 2005 Indenture.

"Financial Advisor" means in independent, certified and registered financial advisory firm selected by the Authority.

"Interim Transition Date" means the date upon which consents of the Owners of at least sixty percent (60%) in Accreted Value of the Bonds then Outstanding under the 2005 Indenture to the terms of the Indenture, other than the Bond Reserve Fund Amendments have been obtained. On or after the Interim Transition Date, the Authority shall file a Certificate of the Authority with the Co-Trustee and the Trustee indicating that all of the terms of the Indenture, other than the Bond Reserve Fund Amendments, are in effect.

"Principal" means, as of any date of calculation, (a) with respect to any Current Interest Bond, the principal amount thereof, and (b) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date).

"Short-Term Bonds" means Bonds having an original maturity less than or equal to sixty (60) months and not renewable at the option of the Authority for a term greater than one year from the date of original incurrence or issuance unless, by the terms of such Bonds, no Bonds are permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each Fiscal Year.

ISSUANCE OF ADDITIONAL SERIES OF BONDS; ADDITIONAL PARITY PAYMENT AGREEMENTS; OTHER PAYMENT AGREEMENTS

(A) In addition to the initial Series of Bonds, the Authority may by Supplemental Indenture establish one or more other Series of Bonds payable from Revenues on a parity with the initial Series of Bonds and Parity Payment Agreements and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the initial Series of Bonds and Parity Payment Agreements, and the Authority may issue Bonds of any Series so established, in such principal amount and for such lawful purpose or purposes (including refunding of any Bonds issued under the Indenture and then Outstanding) as shall be specified by the Authority in said Supplemental Indenture, but only upon compliance by the Authority with the applicable provisions of the Indenture and any applicable provisions of any Supplemental Indenture, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

(1) No Event of Default shall have occurred and then be continuing.

(2) The Supplemental Indenture providing for the issuance of such additional Series of Bonds shall specify the purposes for which such Series is being issued, which shall be one or more of the following (1) to provide moneys for deposit into a Construction Account and withdrawal therefrom in accordance with law for purposes other than the refunding of Bonds, **or to otherwise finance Project-related costs or working capital**, or (2) to refund all or part of the Bonds of any one or more Series then Outstanding, by depositing with the Trustee, in trust, moneys or noncallable Federal Securities in the necessary amount to discharge all liability of the Authority with respect to the Bonds to be refunded as provided in the Indenture and to make any payment necessary or desirable in connection with the termination of any Related Payment Agreement in connection with such refunding.

(3) The Supplemental Indenture providing for the issuance of such additional Series of Bonds **may specify whether such Series will be secured by** the Bond Reserve Fund, **a separate Series reserve fund or any other such similar reserve fund**.

(4) The aggregate principal amount of Bonds issued under the Indenture shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(5) The representations and estimates set forth in the certificates and written reports required by the Indenture for such Series shall have been made by the parties required to give such certificates and written reports.

(B) The Authority may enter into Parity Payment Agreements payable from Revenues on a parity with the Bonds and other Parity Payment Agreements and secured by a lien upon and pledge of Revenues equal to the lien and pledge securing the Bonds and other Parity Payment Agreements, but only upon compliance by the Authority with the applicable provisions of the Indenture and any applicable provisions of any Supplemental Indenture, and subject to the following specific conditions, which are hereby made conditions precedent to the entering into by the Authority of any Parity Payment Agreement:

(1) No Event of Default shall have occurred and then be continuing.

(2) The representations and estimates set forth in the certificates and written reports required by the applicable provisions of the Indenture shall have been made by the parties required to give such certificates and written reports.

(3) The Authority, the Trustee and the Co-Trustee shall have executed and delivered a Supplemental Indenture designating such agreement as a Parity Payment Agreement and the Bonds to which such Parity Payment Agreement is Related.

(C) In addition to Parity Payment Agreements, the Authority may enter into Payment Agreements payable from Revenues after and subordinate to the payment from Revenues of payments with respect

to the Bonds and Parity Payment Agreements, but only upon compliance by the Authority with any applicable provisions of any Supplemental Indenture and any such agreement shall constitute a Payment Agreement upon execution and delivery by the Authority, the Trustee and the Co-Trustee of a Supplemental Indenture designating such agreement as a Payment Agreement and the Bonds to which such Payment Agreement is Related.

PROCEEDINGS FOR THE ISSUANCE OF A SERIES OF BONDS

(A) Whenever the Authority shall determine to issue a Series of Bonds, the Authority shall execute and deliver a Supplemental Indenture providing for the issuance of such Series of Bonds and specifying the terms and conditions of such Series of Bonds, including the following:

(1) the authorized principal amount of such Series;

(2) the purpose or purposes for which such Series is being issued and, if such purpose is the deposit of moneys in a Construction Account, the Project or Projects for which such Series is being issued (including any appropriate modifications to any previously specified or described Project or Projects);

(3) **if applicable**, the amount of the Bond Reserve Fund Requirement **or a Series specific reserve account requirement** upon the issuance of such Series;

(4) **if applicable**, the amount to be deposited (or otherwise available) in the Bond Reserve Fund **or a separate series reserve account** upon the issuance of such Series, the source or sources of such amount (which may be proceeds of such Series, a Credit Facility or other amounts available for such purpose);

(5) the amount, if any, to be deposited in the applicable Construction Account, if any, upon the issuance of such Series, and the source or sources of such deposit (which may be the proceeds of such Series or other amounts available for such purpose);

(6) the amounts, if any, to be reserved within the applicable Construction Account to pay Costs of Issuance and Capitalized Interest of such Series and the source or sources of such amounts (which may be the proceeds of such Series or other amounts available for such purpose);

(7) the amount, if any, to be deposited in the Debt Service Fund as accrued interest upon the issuance of such Series;

(8) the Credit Facility and Credit Provider, if any, for such Series and any special provisions not inconsistent with the terms of the Indenture relating to such Credit Facility and designating any Credit Agreement Payments with respect thereto;

(9) the Related Payment Agreement, if any, and Qualified Counterparty with respect thereto and any provisions not inconsistent with the terms of the Indenture relating to such Payment Agreement;

(10) **if applicable**, the appointment of the Registrar and any Paying Agents for such Series and, if necessary, any Depositary for any Funds or Accounts relating to such Series;

(11) **if applicable**, the form, title and designation of, and the manner of numbering and lettering, Bonds of such Series;

(12) the denomination or denominations of Bonds of such Series;

(13) the date or dates of maturity and Principal Payment Periods of Bonds of such Series and the manner of payment of principal of such Bonds;

(14) the rate or rates of interest or the manner of determining such rate or rates borne by the Bonds of such Series and the Record Dates and Interest Payment Dates for such Bonds;

(15) the Bonds of such Series which are Serial Bonds (if any) and the Bonds of such Series which are Term Bonds (if any);

(16) the terms of redemption, if any, of Bonds of such Series;

(17) the date and amount of each Mandatory Sinking Account Payment (if any) required to be paid by the Authority for the retirement of Term Bonds of such Series;

(18) the designation of any accounts to be established pursuant to the Indenture and any other accounts deemed advisable by the Authority;

(19) any tax or other covenants which, in the judgment of the Authority, are designed to insure that interest on such Series of Bonds will be excludable from gross income for federal income tax purposes and which are not inconsistent with the provisions of the Indenture; provided, however, that the Authority may, in its sole and absolute discretion, determine in connection with the authorization of a Series of Bonds that it will not make any such covenants because interest on such Series is not intended to be excludable from gross income for federal income tax purposes; and

any other provisions deemed advisable by the Authority, not in conflict with or in substitution for the provisions of the Indenture (except as expressly permitted in the Indenture).

ALLOCATION OF REVENUES

Paragraph (C) as summarized under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Allocation of Revenues" in the forepart of this Official Statement is amended and restated as follows:

(C) **only to the extent specified in a Supplemental Indenture for a Series of Bonds, (1)** into the Bond Reserve Fund held by the Co-Trustee, the amount, if any, needed to increase the amount in the Bond Reserve Fund to the Bond Reserve Fund Requirement as of the date of such transfer**, or (2) into a series reserve account held by the Co-Trustee, the amount, if any, needed to increase the amount in such series reserve account to the any applicable series reserve account requirement as of the date of such transfer**;

APPLICATION OF BOND RESERVE FUND

All amounts in the Bond Reserve Fund shall be used and withdrawn by the Co-Trustee solely for the purpose of paying debt service on Bonds (including Payment Agreement Payments to the extent provided in any Supplemental Indenture) in the event of a deficiency in the Debt Service Fund, in the manner and to the extent set forth in the Indenture. So long as the Authority is not in default under the Indenture, any amount in the Bond Reserve Fund in excess of the Bond Reserve Fund Requirement shall be transferred to the Revenue Fund. A Supplemental Indenture providing for the issuance of a Series of Bonds may provide that income derived from the investment of the proceeds of such Series in the Bond Reserve Fund prior to the completion of each Project for which such Bonds were issued shall be deposited in the Construction Account for such Project. Otherwise, such income shall be deposited in the Revenue Fund.

If and to the extent provided by a Supplemental Indenture, and subject to certain provisions of the Indenture, the Bond Reserve Fund Requirement may be wholly or partially satisfied by a Credit Facility.

Notwithstanding anything to the contrary contained in the Indenture, the Authority may, at its discretion provide that a Series of Bonds will be secured by the Bond Reserve Fund, a separate series specific reserve account or neither the Bond Reserve Fund nor a separate series specific reserve account. If the Authority, at its discretion, provides that a Series of Bonds will be secured by a series specific reserve account, then the Supplemental Indenture pursuant to which such Series of Bonds is issued shall provide the funding and mechanics of such series specific reserve account.

AMENDMENTS PERMITTED

(A)(1) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee and Co-Trustee may be modified or amended at any time by a Supplemental Indenture which shall become binding when the consents of the Owners of at least sixty percent (60%) in Accreted Value of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture; provided that if such modification or amendment will, by its terms, not take effect so long as any bonds of any particular maturity or Series remain Outstanding, the consent of the Owners of Bonds of such maturity or Series shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided further that the consent of a Credit Provider for any Bond shall be deemed to be the consent of the Owner of such Bond if specified in the Supplemental Indenture pursuant to which such Credit Provider is designated as providing a Credit Facility for such Bond.No such modification or amendment shall (a) extend the fixed maturities of the Bonds, or extend the time for making any Mandatory Sinking Account Payments, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected, (b) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of the Indenture or permit the creation of any lien on the Revenues prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture upon such Revenues, without in each case the consent of the Owners of all of the Bonds then Outstanding.

(3) No such modification or amendment shall modify any of the rights or obligations of any Fiduciary without its consent.

(B) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed or to surrender any right or power reserved in the Indenture to or conferred upon the Authority;

(2) to cure, correct or supplement any ambiguous or defective provision contained in the Indenture or in regard to questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Credit Provider;

(3) to provide for the issuance of Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(4) to provide for any other matters for which a Supplemental Indenture is expressly permitted or required under the Indenture;

(5) to make any other amendment or modification which shall not materially adversely affect the interests of the Owners of the Bonds or any Credit Provider;

(6) **to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee that are not contrary to or inconsistent with the Indenture as then in effect or to subject to the pledge and lien of the Indenture additional revenues, properties or collateral;**

(7) **to modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect; or**

(8) **to amend, modify, alter or replace the Letter of Representations or other provisions relating to Book Entry Bonds.**

(C) Any Supplemental Indenture providing for the issuance of a Series of Bonds may require, in addition to or in lieu of any consents required by the foregoing provisions of this Section, the consent of any Credit Provider for such Bonds in order for any amendment hereto affecting such Bonds to be effective, and may set forth appropriate procedures for obtaining and evidencing such consent.

TWELFTH SUPPLEMENTAL INDENTURE AS SUPPLEMENT TO AND AMENDMENT OF 2005 INDENTURE

Until the Interim Transition Date, the terms and conditions of the 2005 Indenture shall continue to control with respect to all Bonds issued under the 2005 Indenture, including the Series 2026 Bonds. On and after the Interim Transition Date and until (but not including) the Final Transition Date, the terms and conditions set forth in the Twelfth Supplemental Indenture, except for the Bond Reserve Fund Amendments, shall control with respect to all Bonds issued under the 2005 Indenture, including the Series 2026 Bonds. On and after the Final Transition Date, the terms and conditions of the Indenture shall control with respect to all Bonds.

Upon the Final Transition Date, the Twelfth Supplemental Indenture shall constitute a full amendment and complete restatement of the 2005 Indenture and in the case of any inconsistency or contradiction between the terms of the Twelfth Supplemental Indenture and the 2005 Indenture, the terms of the Twelfth Supplemental Indenture shall control; provided, however, that in accordance with the 2005 Indenture, under no circumstances shall the Twelfth Supplemental Indenture constitute an amendment or restatement of any of the following, namely, the Twelfth Supplemental Indenture, as it applies to any Bonds that were originally issued under the 2005 Indenture and are Outstanding on the date of issuance of the Series 2025A Bonds, shall never:

(1) extend the fixed maturities of the Bonds, or extend the time for making any Mandatory Sinking Account Payments, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected,

(2) reduce the aforesaid percentage of Owners of Bonds whose consent is required for the execution of any amendment or modification of the Indenture or permit the creation of any lien on the Revenues prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture upon such Revenues, without in each case the consent of the Owners of all of the Bonds then Outstanding; or

(3) modify any of the rights or obligations of any Fiduciary without its consent thereto.

The initial Owners of Series 2025A Bonds and the initial Owners of any Additional Bonds (as defined in the 2005 Indenture) issued after the date of issuance of the Series 2025A Bonds shall, as an express condition to the delivery and purchase of such Bonds, agree and give their consent that: (1) except with respect to the Bond Reserve Fund Amendments for Owners of the Bonds Outstanding under the 2005 Indenture as of the date of issuance of the Series 2025A Bonds, the Twelfth Supplemental Indenture shall constitute a full amendment and complete restatement of the 2005 Indenture; and (2) subject to the limitations of the Twelfth Supplemental Indenture, from and after the Final Transition Date, in the case of any inconsistency or contradiction between the Twelfth Supplemental Indenture and the 2005 Indenture, the language of the Twelfth Supplemental Indenture shall control; and (3) notwithstanding the provisions of the 2005 Indenture, no notice of the proposed execution of the Twelfth Supplemental Indenture, including a brief statement of the nature of the Twelfth Supplemental Indenture, will be mailed or otherwise provided to such Owners.

APPENDIX E-1

PROPOSED FORM OF OPINION OF BOND COUNSEL – 2026A AND 2026B BONDS

[Closing Date], 2026

Guam Waterworks Authority
Mangilao, Guam

Guam Waterworks Authority
Water and Wastewater System Revenue Bonds, Series 2026A and
Water and Wastewater System Revenue Refunding Bonds, Series 2026B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Guam Waterworks Authority (the "Authority") in connection with the issuance of $_____ aggregate principal amount of Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2026A (the "2026A Bonds") and $_____ aggregate principal amount of Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026B (the "2026B Bonds" and, together with the 2026A Bonds, the "2026 Bonds") issued pursuant to an indenture, dated as of December 1, 2005, as heretofore supplemented and amended, and as supplemented by the Thirteenth Supplemental Indenture, dated as of November 1, 2026 (as so supplemented, the "Indenture"), each among the Authority, Bank of Guam, as trustee (the "Trustee") and U.S. Bank Trust Company, National Association, as co-trustee (the "Co-Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"), certificates of the Authority, the Trustee, the Co-Trustee and others, opinions of counsel to the Authority, the Trustee, the Co-Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2026 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2026 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2026 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2026 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the

rights and obligations under the 2026 Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Authority in Guam. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2026 Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2026 Bonds constitute the valid and binding limited obligations of the Authority payable solely from the Revenues of the System.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Authority.

3. The Indenture creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds, Credit Agreement Payments and Parity Payment Agreement Payments, of the Revenues, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. Interest on the 2026 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Interest on the 2026 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2026 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Under 48 U.S.C. Section 1423a, interest on the 2026 Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof or by the District of Columbia. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2026 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E-2

PROPOSED FORM OF OPINION OF BOND COUNSEL – 2026C BONDS

[Delayed Delivery Date], 2027

Guam Waterworks Authority
Mangilao, Guam

Guam Waterworks Authority
Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Guam Waterworks Authority (the "Authority") in connection with the issuance of $_____ aggregate principal amount of Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery) (the "2026C Bonds") issued pursuant to an indenture, dated as of December 1, 2005, as heretofore supplemented and amended, and as supplemented by the Thirteenth Supplemental Indenture, dated as of November 1, 2026 (as so supplemented, the "Indenture"), each among the Authority, Bank of Guam, as trustee (the "Trustee") and U.S. Bank Trust Company, National Association, as co-trustee (the "Co-Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"), certificates of the Authority, the Trustee, the Co-Trustee and others, opinions of counsel to the Authority, the Trustee, the Co-Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the 2026C Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the 2026C Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the 2026C Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2026C Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2026C Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the

application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Authority in Guam. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2026C Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2026C Bonds constitute the valid and binding limited obligations of the Authority payable solely from the Revenues of the System.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding agreement of, the Authority.

3. The Indenture creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds, Credit Agreement Payments and Parity Payment Agreement Payments, of the Revenues, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. Interest on the 2026C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Interest on the 2026C Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the 2026C Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Under 48 U.S.C. Section 1423a, interest on the 2026C Bonds is exempt from taxation by the Government of Guam, or by any state or territory of the United States or any political subdivision thereof or by the District of Columbia. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2026C Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX F-1

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT – 2026AB BONDS

[Closing Date]

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Guam Waterworks Authority (the "Authority") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $_____ Guam Waterworks Authority Water and Wastewater System Revenue Bonds, Series 2026A, and $_____ Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026B (collectively, the "Bonds") pursuant to the Indenture, dated as of December 1, 2005 (the "General Indenture"), as amended and supplemented from time to time, including as supplemented by the Thirteenth Supplemental Indenture, dated as of November 1, 2026 (the "Supplemental Indenture"), among the Authority, Bank of Guam, as trustee, and U.S. Bank Trust Company, National Association, as co-trustee. The General Indenture, as amended and supplemented, including as supplemented by the Supplemental Indenture, is referred to herein as the "Indenture." The Authority and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Annual Filing Date" means the date, set forth in Section 3(a), by which the Annual Report is to be filed with the MSRB.

"Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Business Day" means any day other than a Saturday, Sunday or other day on which Authority offices generally are not open for business.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Listed Event notice, or Failure to File Event notice, as applicable, delivered to the Dissemination Agent is the Annual Report, Listed Event notice or Failure to File Event notice, as applicable, required to be submitted to the MSRB under this Continuing Disclosure Agreement. A Certification shall accompany each such document submitted to the Dissemination Agent by the Authority and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means such person as the Authority shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing Information to the Dissemination Agent.

"Dissemination Agent" means Digital Assurance Certification, L.L.C. ("DAC"), or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Failure to File Event" means the Authority's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" means, for purposes of the Listed Events set out in Sections 5(a)(10) and 5(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means the person in whose name any Bond shall be registered.

"Information" means, collectively, the Annual Reports, the Listed Event notices and the Failure to File Event notices.

"Listed Events" means any of the events listed in Sections 5(a) or 5(b) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at https://emma.msrb.org/.

"Official Statement" means the Official Statement, dated _____, 2026, as supplemented, relating to the Bonds.

"Participating Underwriter" means the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of each fiscal year of the Authority (presently September 30) (the "Annual Filing Date"), commencing with the report for the fiscal year ending September 30, 2026, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, subject to the requirement in Section 4(a) of this Disclosure Agreement to file the unaudited financial statements. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) The Authority shall provide, annually, an electronic copy of the Annual Report and Certification to the Dissemination Agent, not later than fifteen (15) days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Dissemination Agent shall provide an Annual Report to the MSRB not later than the Annual Filing Date. The Annual Report may be submitted as a single document or as

separate documents comprising a package, and may cross reference other information as provided in Section 4 of this Disclosure Agreement.

(c) If on the fifteenth (15th) day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Report and Certification, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Authority of its undertaking to provide the Annual Report pursuant to subsection 3(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Dissemination Agent in writing that the Authority will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent.

(d) If the Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Authority irrevocably directs the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent.

(e) If the Authority adjusts the Annual Filing Date upon change of its fiscal year, it shall provide written notice of such change and the new Annual Filing Date to the Dissemination Agent and the MSRB, provided, however, that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(f) Any Information received by the Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided that if the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements for such entity in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) an update for the prior fiscal year of the information of the type set forth in the following tables in the Official Statement:

(1) Table 3 – Historical and Projected Water Requirements, to the extent that such information is historical and not projected;

(2) Table 6 – Ten Largest Water Customers;

(3) Table 7 – Ten Largest Wastewater Customers;

(4) Table 8 – New Water Installations;

(5) Table 9 – New Sewer Installations;

(6) Table 13 – Collection Data; and

(7) Table 20 – Historical Operating Results and Debt Service Coverage.

The Authority has not undertaken in this Disclosure Agreement to provide all information an investor may want to have in making decisions to buy, hold or sell the Bonds, but only to provide the information specified above. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes;

(9) Bankruptcy, insolvency, receivership or similar event of the Authority; or

(10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, to the MSRB in a timely manner not later than ten business days after the occurrence of the event:

(1) Non-payment related defaults;

(2) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(3) Modifications to rights of Bond holders;

(4) Optional, unscheduled or contingent Bond calls;

(5) Release, substitution, or sale of property securing repayment of the Bonds;

(6) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) Appointment of a successor or additional trustee or the change of name of a trustee; or

(8) Incurrence of a Financial Obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Bond holders.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event under subsection 5(b), the Authority shall as soon as practicable determine if such event is material under applicable federal securities laws. If the Authority determines that the occurrence of such Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing of the occurrence of the Listed Event. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection 5(e) and shall be accompanied by a Certification. Such notice or Certification shall identify the Listed Event that has occurred (which shall be any of the categories set forth in subsections 5(a) or 5(b) of this Disclosure Agreement), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Dissemination Agent to disseminate the information.

(d) The Dissemination Agent is under no obligation to notify the Authority or the Disclosure Representative of an event that may constitute a Listed Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will promptly instruct the Dissemination Agent that either (i) a Listed Event has not occurred and no filing is to be made or (ii) a Listed Event has occurred and the Dissemination Agent is to report the occurrence pursuant to subsection 5(e), which instructions relating to this clause (ii) to be accompanied by a Certification. Such Certification shall identify the Listed Event that has occurred (which shall be any of the categories set forth in subsections 5(a) or 5(b)), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Dissemination Agent to disseminate the information.

(e) If the Dissemination Agent has been instructed by the Authority as prescribed in subsections 5(c) or 5(d)(ii) to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within the time frame set forth in Section 3(f). This notice will be filed with a cover sheet completed by the Dissemination Agent.

(f) The Authority intends to comply with the Listed Events described in subsections 5(a)(10) and 5(b)(8), and the definition of "Financial Obligation" in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of the Bonds.

SECTION 7. Dissemination Agent. The Authority has appointed Digital Assurance Certification, L.L.C. as exclusive Dissemination Agent under this Disclosure Agreement. The Authority may, upon thirty days' prior written notice to the Dissemination Agent, replace or appoint a successor Dissemination Agent. Upon termination of DAC's services as Dissemination Agent, whether by notice of the Authority or DAC, the Authority agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Authority shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (A) is approved by the Holders of a majority in aggregate principal amount of the affected Bonds, or (B) does not, in the opinion of nationally recognized bond counsel or another independent third party, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (A) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (B) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, the sole remedy for any Holder or Beneficial Owner of the Bonds shall be to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause or compel the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Authority has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the Authority's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Authority has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon Certifications of the Authority at all times.

The obligations of the Authority under this Section 11 shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Authority.

SECTION 12. Format for Filings with MSRB. All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB necessary to file such information in accordance with this Disclosure Agreement.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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Dated as of the date first written above.

GUAM WATERWORKS AUTHORITY

By: _____
Authorized Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Guam Waterworks Authority
Name of Bond Issue:	Water and Wastewater System Revenue Bonds, Series 2026A
	Water and Wastewater System Revenue Refunding Bonds, Series 2026B
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated [Closing Date]. [The Authority anticipates that the Annual Report will be filed by _____.]

Dated: _____

GUAM WATERWORKS AUTHORITY

By: [to be signed only if filed]
Title: _____

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APPENDIX F-2

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT – 2026C BONDS

[Delayed Delivery Date]

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Guam Waterworks Authority (the "Authority") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance of $_____ Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery) (the "Bonds") pursuant to the Indenture, dated as of December 1, 2005 (the "General Indenture"), as amended and supplemented from time to time, including as supplemented by the Thirteenth Supplemental Indenture, dated as of November 1, 2026 (the "Supplemental Indenture"), among the Authority, Bank of Guam, as trustee, and U.S. Bank Trust Company, National Association, as co-trustee. The General Indenture, as amended and supplemented, including as supplemented by the Supplemental Indenture, is referred to herein as the "Indenture." The Authority and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of this Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Annual Filing Date" means the date, set forth in Section 3(a), by which the Annual Report is to be filed with the MSRB.

"Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Business Day" means any day other than a Saturday, Sunday or other day on which Authority offices generally are not open for business.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Listed Event notice, or Failure to File Event notice, as applicable, delivered to the Dissemination Agent is the Annual Report, Listed Event notice or Failure to File Event notice, as applicable, required to be submitted to the MSRB under this Continuing Disclosure Agreement. A Certification shall accompany each such document submitted to the Dissemination Agent by the Authority and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means such person as the Authority shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing Information to the Dissemination Agent.

"Dissemination Agent" means Digital Assurance Certification, L.L.C. ("DAC"), or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Failure to File Event" means the Authority's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" means, for purposes of the Listed Events set out in Sections 5(a)(10) and 5(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means the person in whose name any Bond shall be registered.

"Information" means, collectively, the Annual Reports, the Listed Event notices and the Failure to File Event notices.

"Listed Events" means any of the events listed in Sections 5(a) or 5(b) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at https://emma.msrb.org/.

"Official Statement" means the Official Statement, dated _____, 2026, as supplemented, relating to the Bonds.

"Participating Underwriter" means the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of each fiscal year of the Authority (presently September 30) (the "Annual Filing Date"), commencing with the report for the fiscal year ending September 30, 2027, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, subject to the requirement in Section 4(a) of this Disclosure Agreement to file the unaudited financial statements. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) The Authority shall provide, annually, an electronic copy of the Annual Report and Certification to the Dissemination Agent, not later than fifteen (15) days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Dissemination Agent shall provide an Annual Report to the MSRB not later than the Annual Filing Date. The Annual Report may be submitted as a single document or as

separate documents comprising a package, and may cross reference other information as provided in Section 4 of this Disclosure Agreement.

(c) If on the fifteenth (15th) day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Report and Certification, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Authority of its undertaking to provide the Annual Report pursuant to subsection 3(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Dissemination Agent in writing that the Authority will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit A, accompanied by a cover sheet completed by the Dissemination Agent.

(d) If the Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Authority irrevocably directs the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Dissemination Agent.

(e) If the Authority adjusts the Annual Filing Date upon change of its fiscal year, it shall provide written notice of such change and the new Annual Filing Date to the Dissemination Agent and the MSRB, provided, however, that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(f) Any Information received by the Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided that if the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements for such entity in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) an update for the prior fiscal year of the information of the type set forth in the following tables in the Official Statement:

(1) Table 3 – Historical and Projected Water Requirements, to the extent that such information is historical and not projected;

(2) Table 6 – Ten Largest Water Customers;

(3) Table 7 – Ten Largest Wastewater Customers;

(4) Table 8 – New Water Installations;

(5) Table 9 – New Sewer Installations;

(6) Table 13 – Collection Data; and

(7) Table 20 – Historical Operating Results and Debt Service Coverage.

The Authority has not undertaken in this Disclosure Agreement to provide all information an investor may want to have in making decisions to buy, hold or sell the Bonds, but only to provide the information specified above. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The Authority shall give, or cause to be given, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten (10) business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Unscheduled draws on debt service reserves reflecting financial difficulties;

(3) Unscheduled draws on credit enhancements reflecting financial difficulties;

(4) Substitution of credit or liquidity providers, or their failure to perform;

(5) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);

(6) Tender offers;

(7) Defeasances;

(8) Rating changes;

(9) Bankruptcy, insolvency, receivership or similar event of the Authority; or

(10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, to the MSRB in a timely manner not later than ten business days after the occurrence of the event:

(1) Non-payment related defaults;

(2) Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(3) Modifications to rights of Bond holders;

(4) Optional, unscheduled or contingent Bond calls;

(5) Release, substitution, or sale of property securing repayment of the Bonds;

(6) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) Appointment of a successor or additional trustee or the change of name of a trustee; or

(8) Incurrence of a Financial Obligation of the Authority, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Bond holders.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event under subsection 5(b), the Authority shall as soon as practicable determine if such event is material under applicable federal securities laws. If the Authority determines that the occurrence of such Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing of the occurrence of the Listed Event. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection 5(e) and shall be accompanied by a Certification. Such notice or Certification shall identify the Listed Event that has occurred (which shall be any of the categories set forth in subsections 5(a) or 5(b) of this Disclosure Agreement), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Dissemination Agent to disseminate the information.

(d) The Dissemination Agent is under no obligation to notify the Authority or the Disclosure Representative of an event that may constitute a Listed Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will promptly instruct the Dissemination Agent that either (i) a Listed Event has not occurred and no filing is to be made or (ii) a Listed Event has occurred and the Dissemination Agent is to report the occurrence pursuant to subsection 5(e), which instructions relating to this clause (ii) to be accompanied by a Certification. Such Certification shall identify the Listed Event that has occurred (which shall be any of the categories set forth in subsections 5(a) or 5(b)), include the text of the disclosure that the Authority desires to make, contain the written authorization of the Authority for the Dissemination Agent to disseminate such information, and identify the date the Authority desires for the Dissemination Agent to disseminate the information.

(e) If the Dissemination Agent has been instructed by the Authority as prescribed in subsections 5(c) or 5(d)(ii) to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within the time frame set forth in Section 3(f). This notice will be filed with a cover sheet completed by the Dissemination Agent.

(f) The Authority intends to comply with the Listed Events described in subsections 5(a)(10) and 5(b)(8), and the definition of "Financial Obligation" in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of the Bonds.

SECTION 7. Dissemination Agent. The Authority has appointed Digital Assurance Certification, L.L.C. as exclusive Dissemination Agent under this Disclosure Agreement. The Authority may, upon thirty days' prior written notice to the Dissemination Agent, replace or appoint a successor Dissemination Agent. Upon termination of DAC's services as Dissemination Agent, whether by notice of the Authority or DAC, the Authority agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Authority shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Authority.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (A) is approved by the Holders of a majority in aggregate principal amount of the affected Bonds, or (B) does not, in the opinion of nationally recognized bond counsel or another independent third party, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (A) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (B) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Agreement, the sole remedy for any Holder or Beneficial Owner of the Bonds shall be to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause or compel the Authority to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Authority has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the Authority's failure to report to the Dissemination Agent a Listed Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Authority has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon Certifications of the Authority at all times.

The obligations of the Authority under this Section 11 shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Authority.

SECTION 12. Format for Filings with MSRB. All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB necessary to file such information in accordance with this Disclosure Agreement.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

(Remainder of Page Intentionally Left Blank)

Dated as of the date first written above.

GUAM WATERWORKS AUTHORITY

By: _____
Authorized Officer

DIGITAL ASSURANCE CERTIFICATION, L.L.C.

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Guam Waterworks Authority
Name of Bond Issue:	Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery)
Date of Issuance:	[Delayed Delivery Date]

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated [Delayed Delivery Date]. [The Authority anticipates that the Annual Report will be filed by _____.]

Dated: _____

GUAM WATERWORKS AUTHORITY

By: [to be signed only if filed] _____
Title: _____

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APPENDIX G

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), Brooklyn, NY, will act as securities depository for the 2026 Bonds. The 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2026 Bond certificate will be issued for each maturity of each series of the 2026 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2026 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2026 Bond documents. For example, Beneficial Owners of 2026 Bonds may wish to ascertain that the nominee holding the 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the

alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2026 Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of, redemption price and interest on the 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Authority, the Trustee or the Co-Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, redemption price or interest on the 2026 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such, payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2026 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, 2026 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2026 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The preceding information in this APPENDIX G is supplied by DTC for inclusion herein, and has not been independently verified by the Authority or the Underwriter. No representation is made by the Authority as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Authority cannot and does not give any assurances that DTC will distribute to the Participants, or that the Participants or others will distribute to the Beneficial Owners, payments of debt service on the 2026 Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority is not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2026 Bonds or any error or delay relating thereto.

None of the Authority, the Trustee and the Co-Trustee shall have any responsibility or obligation to any DTC Participant, any beneficial owner or other persons claiming a beneficial ownership interest in the 2026 Bonds under or through DTC or any DTC Participant, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant with respect to any beneficial ownership interest in the 2026 Bonds; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and premium, if any, or interest on the 2026 Bonds to any beneficial owner or other person for the 2026 Bonds; or (iii) the delivery to any beneficial owner of the 2026 Bonds, or any other person of any notice which is permitted or required to be given to owners under the 2005 Indenture. None of the Authority, the Trustee and the Co-Trustee shall have any responsibility with respect to obtaining consents from anyone other than the registered owners.

APPENDIX H

FORM OF DELAYED DELIVERY CONTRACT OF PURCHASER

Raymond James & Associates, Inc.
10250 Constellation Boulevard, Suite 850
Los Angeles, California 90067

RE: $_____ Guam Waterworks Authority Water and Wastewater System Revenue Refunding Bonds, Series 2026C (Forward Delivery) (the "Bonds")

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby agrees to purchase from Raymond James & Associates, Inc. (the "Representative"), as representative of itself and RBC Capital Markets, LLC (together with the Representative, the "Underwriters"), when, as, and if issued and delivered to the Underwriters by the Guam Waterworks Authority (the "Authority"), and the Representative agrees to sell to the Purchaser:

Series	Par Amount	Maturity Date	Interest Rate	CUSIP Number	Yield	Price

of the above-referenced bonds (the "Purchased Bonds") offered by the Authority under the Preliminary Official Statement dated October __, 2026 (the "Preliminary Official Statement") and the Official Statement relating to the Purchase Bonds dated October __, 2026, (the "Official Statement"), receipt and review of copies of which is hereby acknowledged, at the purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Official Statement. The Purchased Bonds are being purchased by the Underwriters pursuant to a Forward Delivery Bond Purchase Contract between the Authority and the Representative (the "Forward Delivery Bond Purchase Contract").

The Purchaser hereby confirms that it has received and reviewed the Preliminary Official Statement and the Official Statement (including, without limitation, the section entitled "DELAYED DELIVERY OF THE 2026C BONDS"), has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of the Purchased Bonds from the Underwriters on or about [Settlement Date], 2027 (the "Settlement Date"), as they may be issued and delivered in accordance with the Forward Delivery Bond Purchase Contract.

Payment for the Purchased Bonds on the Settlement Date shall be made to the Representative or upon its order on the Settlement Date upon delivery to the Purchaser of the Purchased Bonds through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriters be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer if the Authority does not for any reason issue and deliver the above-referenced Bonds.

Upon issuance by the Authority of the Bonds and purchase thereof by the Underwriters, the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional except in the event that between the date of this Delayed Delivery Contract and the Settlement Date one of the following events shall have occurred:

(1) as of the Settlement Date, the Bonds are not rated (or any rating is suspended or withdrawn which results in the Bonds having no rating) by Moody's or S&P;

(2) Bond Counsel notifies the Authority that as a result of any Change in Law or otherwise, it does not expect to be able to issue an opinion on the Settlement Date substantially in the form and to the effect set forth in Appendix E-2 to the Official Statement;

(3) for any reason, including a Change in Law, the issuance, offering, or sale of the Bonds as contemplated by the Forward Delivery Contract or by the Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended or supplemented (the "1933 Act"), the Securities Exchange Act of 1934, as amended or supplemented (the "1934 Act"), or the Trust Indenture Act of 1939, as amended or supplemented (the "1939 Act");

(4) an Event of Default has occurred and is continuing under the Indenture; or

(5) an event shall occur which makes untrue or incorrect in any material respect, as of its date, any statement or information contained in the Official Statement or Official Statement Supplement or which is not reflected in the Official Statement or Official Statement Supplement but should be reflected therein in order to make the statements contained therein in light of the circumstances under which they were made, not misleading in any material respect and, in either such event, (a) the Authority refuses to permit the Official Statement or Official Statement Supplement, as the case may be, to be supplemented to supply such statement or information in a manner satisfactory to the Underwriters or (b) the effect of the Official Statement or Official Statement Supplement, as so supplemented is, in the judgment of the Representative, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds.

The Representative shall notify the Purchaser promptly in the event that the Representative becomes aware of the occurrence of any of the events described in clauses (1) through (5) above.

A "Change in Law" means any of the following, which occur at any time after the Preliminary Closing Date and on or prior to the Settlement Date:

(i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies;

(ii) any legislation enacted by the Congress of the United States (if such enacted legislation has a proposed effective date which is on or before the Settlement Date);

(iii) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such enacted law, rule or regulation has a proposed effective date which is on or before the Settlement Date); or

(iv) any judgment, ruling or order issued by any court or administrative body,

which with respect to the foregoing clauses (i) through (iv) would, (A) as to the Underwriters, legally prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from (1) accepting delivery of and paying for the Bonds in accordance with the provisions of the Forward Delivery Bond Purchase Contract or (2) selling the Bonds or beneficial ownership interests therein to the bona fide purchasers, or, (B) as to the Authority, make illegal the issuance, sale or delivery of the Bonds (or have the retroactive effect of making illegal such issuance, sale or delivery, if enacted, adopted, passed or finalized), (C) eliminate the exclusion from gross income of interest on the Bonds (or have the retroactive effect of eliminating such exclusion if enacted, adopted, passed, or finalized), or (D) require the Bonds to be registered under the 1933 Act or under the 1934 Act, or require the Indenture to be qualified under the 1939 Act (or have the retroactive effect of requiring such registration or qualification if enacted, adopted, passed or finalized); or

(v) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs,

the effect of which is that the issuance, offering or sale of the Bonds, is, or would be, in violation of any applicable provision of the 1933 Act, the 1934 Act, or the 1939 Act.

A Change in Law shall not include any enactment, proposal or recommendation having the effect of diminishing (rather than eliminating) the exclusion from gross income for federal income tax purposes of interest payable on state or local bonds.

The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a "forward" or "delayed delivery" basis for delivery on the Settlement Date and that the Purchaser is obligated to take up and pay for the Purchased Bonds on the Settlement Date unless one of the five events described above shall have occurred.

The Purchaser acknowledges that it will not be able to withdraw its order except as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) except for the rating change described in event number 1 above, changes in the ratings assigned to the Purchased Bonds between the date of Closing and the Settlement Date or changes in the credit associated with the Purchased Bonds generally, and (b) changes in the financial condition, operations, performance, properties or prospects of the Authority from the date hereof to the Settlement Date. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof, even if the Purchaser decides to sell the Purchased Bonds following the date hereof, unless the Purchaser sells the Purchased Bonds to another institution with the prior written consent of the Representative and such institution provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject. Each of the undersigned parties represents and warrants that it has the power and authority to enter into this Delayed Delivery Contract and to perform its obligations hereunder.

The Purchaser agrees that it will at all times satisfy the minimum initial and maintenance margin requirements of Regulation T of the Board of Governors of the Federal Reserve System, Rule 431 of the New York Governors of the Federal Reserve System, Rule 4210 of the Financial Industry Regulatory Authority, and any other margin regulations applicable to the Underwriters related to the Purchased Bonds as may be communicated by the Underwriters to the Purchaser.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Representative is entering into the Forward Delivery Bond Purchase Contract with the Authority to purchase the Purchased Bonds in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

It is understood that the acceptance by the Representative of any Delayed Delivery Contract (including this one) is in the Representative's sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Representative, it is requested that the Representative sign the form of acceptance below and mail, email or otherwise deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Representative and the Purchaser when such counterpart is so mailed, emailed or otherwise delivered by the Representative. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

[PURCHASER]

By: _____
Name: _____
Title: _____
Address: _____
Telephone: _____
Accepted: _____

RAYMOND JAMES & ASSOCIATES, INC.

By: _____
Name: _____
Title: _____

GUAM WATERWORKS AUTHORITY

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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