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**I MINA'TRENTA NA LIHESLATURAN GUÅHAN
2010 (SECOND) Regular Session**

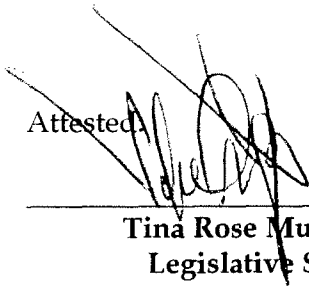
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that Bill No. 368-30 (COR), "AN ACT RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE BY GUAM POWER AUTHORITY (GPA) OF REVENUE BONDS TO FINANCE THE LOCAL MATCHING PORTION OF THE COSTS OF THE SMART GRID PROJECT; TO FUND CERTAIN OTHER GENERATION, TRANSMISSION AND DISTRIBUTION PROJECTS; TO FUND THE COSTS OF AN ADMINISTRATION BUILDING; TO REFUND SPECIFIC OUTSTANDING GPA BONDS; AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE BY GUAM POWER AUTHORITY OF SUBORDINATE REVENUE BONDS TO FUND CERTAIN RESERVES AND REFUND ITS OUTSTANDING OBLIGATIONS RELATING TO ITS COMMERCIAL PAPER PROGRAM", was on the 3rd day of May, 2010, duly and regularly passed.



Judith T. Won Pat, Ed. D.
Speaker

Attested:



Tina Rose Muña Barnes
Legislative Secretary

This Act was received by *I Maga'lahaen Guåhan* this 5th day of May, 2010, at 4:00 o'clock P.M.



Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

FELIX P. CAMACHO
I Maga'lahaen Guåhan

Date: _____
Public Law No. _____

I MINA'TRENTA NA LIHESLATURAN GUÁHAN
2010 (SECOND) Regular Session

Bill No. 368-30 (COR)

As amended in the Committee of the Whole.

Introduced by:

F. B. Aguon, Jr.
T. C. Ada
Adolpho B. Palacios, Sr.
V. Anthony Ada
F. F. Blas, Jr.
E. J.B. Calvo
B. J.F. Cruz
J. V. Espaldon
T. R. Muña Barnes
Judith P. Guthertz, DPA
v. c. pangelinan
R. J. Respicio
Telo Taitague
Ray Tenorio
Judith T. Won Pat, Ed.D.

AN ACT RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE BY GUAM POWER AUTHORITY (GPA) OF REVENUE BONDS TO FINANCE THE LOCAL MATCHING PORTION OF THE COSTS OF THE SMART GRID PROJECT; TO FUND CERTAIN OTHER GENERATION, TRANSMISSION AND DISTRIBUTION PROJECTS; TO FUND THE COSTS OF AN ADMINISTRATION BUILDING; TO REFUND SPECIFIC OUTSTANDING GPA BONDS; AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE BY GUAM POWER AUTHORITY OF SUBORDINATE REVENUE BONDS TO FUND CERTAIN RESERVES AND REFUND ITS OUTSTANDING OBLIGATIONS RELATING TO ITS COMMERCIAL PAPER PROGRAM.

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Findings.** (a) §8203 of Title 12 of the Guam Code

3 Annotated provides that the Guam Power Authority (GPA) is authorized to incur
4 indebtedness by the issuance of revenue bonds with the approval of *I Maga'lahi*
5 (the Governor) to raise funds for the purpose of establishing the electric power
6 system of GPA, or of acquiring lands for the system, or of acquiring, constructing,
7 improving, equipping, maintaining, repairing, renewing, replacing, reconstructing
8 or insuring the system, or any part thereof, or for the purpose of refunding any such
9 bonds, or for any combination of such purposes.

10 (b) §12004 of Title 12 of the Guam Code Annotated provides that the
11 GPA *shall not* enter into any contractual agreements *or* obligations (including
12 bonds) which could increase rates and charges prior to the written approval of the
13 Guam Public Utilities Commission (GPUC).

14 (c) §50103 of Title 12 of the Guam Code Annotated provides that
15 agencies and instrumentalities of the government of Guam, including GPA, *shall*
16 issue bonds and other obligations only by means of, and through the agency of the
17 Guam Economic Development Authority (GEDA), and that GEDA *shall not* sell
18 any bond without the approval by *I Liheslaturan Guåhan* of the terms and
19 conditions of the issuance of the bonds.

20 (d) GPA applied for and has been awarded a grant in the amount of
21 approximately \$16.6 Million Dollars from the Office of Electricity Delivery and
22 Energy Reliability of the United States Department of Energy (DOE) for the
23 modernization of its electric grid infrastructure through automation of the electric
24 distribution system and acquisition and installation of smart electric meters for
25 customers (the “Smart Grid project”). The DOE requires GPA to provide funds to
26 match the grant for the Smart Grid project within one hundred twenty (120) days
27 of GPA’s acceptance of the award from the DOE.

1 (e) GPA expects the Smart Grid project to create two hundred twenty
2 (220) jobs during the first thirty-six (36) months, and to result in up to Five Million
3 Dollars (\$5,000,000) of annual cost savings for GPA in each fiscal year for the first
4 fifteen (15) years following completion of the installation of the Smart Grid
5 project.

6 (f) GPA expects the construction of an administration building to
7 stabilize and reduce the costs of providing the necessary space for administration
8 and related services and to provide an opportunity to consolidate the office spaces
9 of GPA and the Guam Waterworks Authority.

10 (g) GPA needs to finance the completion of certain generation,
11 transmission and distribution projects for the purpose of enhancing system
12 reliability, improving system stability, and installing new fire protection equipment
13 in several of its power plants.

14 (h) GPA has outstanding certain revenue bonds, known as the 1993 Series
15 A Bonds and the 1999 Series A Bonds, and certain subordinate obligations relating
16 to its commercial paper program.

17 (i) Based on current market conditions, GPA expects to be able to
18 refinance certain of its outstanding revenue bonds for debt service savings or in
19 order to restructure debt service.

20 (j) On April 6, 2010, the Consolidated Commission on Utilities (CCU)
21 adopted a resolution relative to: (1) approving the issuance of additional revenue
22 bonds; (A) to finance the local matching portion of the costs of the Smart Grid
23 project and the costs of an administration building and certain other generation,
24 transmission and distribution projects; and (B) to refund all or a portion of the
25 outstanding GPA revenue bonds; and (2) approving the issuance of subordinate
26 revenue bonds to provide for reserves and to pay the costs of refinancing GPA's
27 outstanding obligations relating to its commercial paper program.

1 (k) *I Liheslaturan Guåhan* has determined to approve the issuance of
2 revenue bonds by GPA for the purposes described in subparagraph (1) of the
3 preceding paragraph and the issuance of subordinate revenue bonds by GPA for
4 the purpose described in subparagraph (2) of the preceding paragraph, all subject to
5 approval by *I Maga'lahaen Guåhan*, the GPUC and the Board of Directors of
6 GEDA in accordance with law.

7 **Section 2. Approval of the Terms and Conditions of the Issuance by**
8 **GPA of Revenue Bonds to Finance the Local Matching Portion of the Costs of**
9 **the Smart Grid Project, Certain Other Generation, Transmission and**
10 **Distribution Projects, and the costs of an Administration Building.**

11 (a) *I Liheslaturan Guahan*, pursuant to §50103(k) of Title 12 of
12 the Guam Code Annotated, hereby approves the terms and conditions of the
13 issuance by GPA of revenue bonds in a principal amount *not to exceed* One
14 Hundred Fifty-five Million Dollars (\$155,000,000) for the purpose of
15 financing the projects and paying the other costs listed in Subsection (c) of
16 this Section, *provided*, that such bonds have a final maturity *not later than*
17 thirty-two (32) years from their date of issuance, bear interest at such rate *or*
18 rates and are sold for such price or prices as *shall* result in a net interest cost
19 to GPA *not exceeding* the limitation provided by §8214 of Chapter 8 of Title
20 12 of the Guam Code Annotated, as amended, and are issued and sold
21 pursuant to GPA's existing bond indenture and otherwise in compliance
22 with the provisions of Chapter 8 of Title 12 of the Guam Code Annotated,
23 including approval by the CCU and by *I Maga'lahaen Guåhan* as provided
24 therein.

25 (b) The sale of the bonds *shall* be approved by the Board of
26 Directors of GEDA, as provided by Chapter 50 of Title 12 of the Guam
27 Code Annotated, and the terms and conditions of the issuance of the bonds

1 *shall* be approved by the GPUC, as provided by Chapter 12 of Title 12 of the
2 Guam Code Annotated.

3 (c) The proceeds of the bonds may be applied to pay for the costs
4 of issuance of the bonds, for accrued and capitalized interest thereon, for
5 credit enhancement therefore, to provide for reserves and to pay the local
6 matching portion of the costs of the Smart Grid project, the costs of an
7 administration building, and other generation, transmission and distribution
8 projects, including, but *not limited to*, environmental compliance, generation
9 improvements, underground fuel pipeline conversion, fire protection
10 upgrades at GPA facilities, power substation/transmission upgrades and
11 improvements, system protection relaying improvements, and power
12 distribution system improvements, subject in each case to approval by the
13 GPUC of such projects in accordance with Chapter 12 of Title 12 of the
14 Guam Code Annotated.

15 **Section 3. Approval of the Terms and Conditions of the Issuance by**
16 **GPA of Refunding Bonds.**

17 *I Liheslaturan Guåhan*, pursuant to §50103(k) of Title 12 of the Guam
18 Code Annotated, hereby approves the terms and conditions of the issuance
19 of revenue bonds by GPA for the purpose of refunding all or a portion of
20 GPA’s outstanding 1993 Series A and 1999 Series A revenue bonds in
21 accordance with the following requirements, limitations, terms and
22 conditions:

23 (a) The aggregate principal amount of the refunding bonds
24 *shall not exceed* the amount determined in accordance with §8229 of
25 Title 12 of the Guam Code Annotated, provided that the refunding
26 results in a positive net present value savings to the Authority. All
27 obligation of GPA to pay debt service on and the redemption price of,

1 the prior bonds *shall* be discharged concurrently with the issuance of
2 the refunding bonds. Thereafter, the prior bonds *shall* be payable
3 solely from and secured solely by an escrow established for such
4 purpose.

5 (b) The final maturity of the refunding bonds *shall not* be
6 greater than fifteen (15) years after the final maturity of the bonds
7 being refunded.

8 (c) Such bonds *shall* be issued and sold pursuant to GPA's
9 existing bond indenture and in compliance with the provisions of
10 Chapter 8 of Title 12 of the Guam Code Annotated, including
11 approval by the Consolidated Commission on Utilities and by *I*
12 *Maga'lahaen Guåhan* as provided therein.

13 (d) The sale of the bonds *shall* be approved by the Board of
14 Directors of GEDA, as provided by Chapter 50 of Title 12 of the
15 Guam Code Annotated, and the bonds *shall* be approved by the
16 GPUC, as provided by Chapter 12 of Title 12 of the Guam Code
17 Annotated.

18 **Section 4. Approval of the Terms and Conditions of the Issuance by**
19 **GPA of Subordinate Revenue Bonds to Refinance Outstanding Commercial**
20 **Paper Notes.**

21 (a) *I Liheslaturan Guåhan*, pursuant to §50103(k) of Title 12 of the
22 Guam Code Annotated, hereby approves the terms and conditions of the
23 issuance by GPA of subordinate revenue bonds in a principal amount *not to*
24 *exceed* Sixty-five Million Dollars (\$65,000,000) for the purposes listed in
25 Subsection (c) of this Section, *provided*, that such bonds have a final
26 maturity *not later than* October 1, 2019, bear interest at such rate *or* rates
27 and are sold for such price *or* prices as *shall* result in a yield to the

1 bondholders *not exceeding* nine percent (9%) per annum, and are issued and
2 sold in accordance with the provisions of Chapter 8 of Title 12 of the Guam
3 Code Annotated, including approval by the CCU and by *I Maga'lahen*
4 *Guåhan* as provided therein.

5 (b) The sale of the subordinate bonds *shall* be approved by the
6 Board of Directors of GEDA, as provided by Chapter 50 of Title 12 of the
7 Guam Code Annotated, and the subordinate bonds *shall* be approved by the
8 GPUC, as provided by Chapter 12 of Title 12 of the Guam Code Annotated.

9 (c) The proceeds of the subordinate bonds may be applied to pay
10 for the costs of issuance of the subordinate bonds, for credit enhancement
11 therefore, to provide for reserves and to pay the costs of refinancing GPA's
12 outstanding obligations relating to its commercial paper program, subject in
13 each case to approval by the GPUC of such purpose in accordance with
14 Chapter 12 of Title 12 of the Guam Code Annotated. The funding of the
15 reserves is part of a plan by the Authority to defer a planned surcharge
16 which has been ordered by the Public Utilities Commission, reduce the rate
17 of the surcharge, and provide funding immediately to the reserve fund to
18 ensure GPA is in a better position to respond to any natural disaster that
19 might impact the island's power grid.

20 **Section 5. Amendment of Article 2, Chapter 8 of Title 12 of the Guam**
21 **Code Annotated.** §8214(a) of Article 2, Chapter 8 of Title 12 of the Guam Code
22 Annotated, is hereby *amended* to read as follows:

23 “(a) Bonds *shall* bear interest at a net rate of *not to exceed* nine
24 percent (9%) per annum, after subtracting from bond interest the amount of
25 any direct subsidy payment to be received from the United States in
26 connection with such Bonds. Interest *shall* be payable annually or semi-
27 annually *or* in part annually and in part semi-annually except that the first

1 coupon on any bond may be payable any number of months *less than* twelve
2 (12) after the date of such bond.”

3 **Section 6. Local Sales of Bonds.** GEDA *shall* undertake its best efforts to
4 cause a portion of any bonds approved pursuant to Section 2, 3 or 4 of this Act, to
5 be offered for sale to residents of Guam, as well as to residents of other
6 jurisdictions, *if* and to the extent that such offer and any sales resulting from such
7 offer do *not* increase the costs to GPA of issuing and repaying such bonds.
8 Notwithstanding any other provision of law to the contrary, these bonds may be
9 sold to employees of GPA.