




MINA' TRENTA NA LIHESLATURAN GUAHAN  
THIRTIETH GUAM LEGISLATURE  
2010 (SECOND) Regular

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MM

Bill No. 368-30 (Cor)

Introduced by:

FRANK B. AGUON, JR.   
THOMAS C. ADA   
ADOLPHO B. PALACIOS, SR. 

AN ACT RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE BY 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) Section 8203 of Title 12 of the  
3 Guam Code Annotated provides that the Guam Power Authority ("GPA")  
4 is authorized to incur indebtedness by the issuance of revenue bonds with  
5 the approval of the Governor to raise funds for the purpose of establishing  
6 the electric power system of GPA, or of acquiring lands for the system, or

1 of acquiring, constructing, improving, equipping, maintaining, repairing,  
2 renewing, replacing, reconstructing or insuring the system, or any part  
3 thereof, or for the purpose of refunding any such bonds, or for any  
4 combination of such purposes.

5 (b) Section 12004 of Title 12 of the Guam Code Annotated provides  
6 that the GPA shall not enter into any contractual agreements or obligations  
7 (including bonds) which could increase rates and charges prior to the  
8 written approval of the Guam Public Utilities Commission (the "GPUC").

9 (c) Section 50103 of Title 12 of the Guam Code Annotated provides  
10 that agencies and instrumentalities of the government of Guam, including  
11 GPA, shall issue bonds and other obligations only by means of, and  
12 through the agency of the Guam Economic Development Authority  
13 ("GEDA"), and that GEDA shall not sell any bond without the approval by  
14 *I Liheslaturan Guahan* of the terms and conditions of the issuance of the  
15 bonds.

16 (d) GPA applied for and has been awarded a grant in the amount  
17 of approximately \$16.6 million from the Office of Electricity Delivery and  
18 Energy Reliability of the United States Department of Energy (the "DOE")  
19 for the modernization of its electric grid infrastructure through automation  
20 of the electric distribution system and acquisition and installation of smart  
21 electric meters for customers (the "Smart Grid project"). The DOE requires  
22 GPA to provide funds to match the grant for the Smart Grid project within  
23 120 days of GPA's acceptance of the award from the DOE.

1 (e) GPA expects the Smart Grid project to create 210 jobs during  
2 the first 36 months and to result in up to \$5 million of annual cost savings  
3 for GPA in each fiscal year for the first 15 years following completion of the  
4 installation of the Smart Grid project.

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

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

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

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

19 (j) On April 6, 2010, the Consolidated Commission on Utilities (the  
20 "CCU") adopted a resolution relative to (1) approving the issuance of  
21 additional revenue bonds (A) to finance the local matching portion of the  
22 costs of the Smart Grid project and the costs of an administration building  
23 and certain other generation, transmission and distribution projects and (B)

1 to refund all or a portion of the outstanding GPA revenue bonds, and (2)  
2 approving the issuance of subordinate revenue bonds to provide for  
3 reserves and to pay the costs of refinancing GPA's outstanding obligations  
4 relating to its commercial paper program.

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

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

15 (a) *I Liheslaturan Guahan*, pursuant to §50103(k) of Title 12 of the  
16 Guam Code Annotated, hereby approves the terms and conditions of the  
17 issuance by GPA of revenue bonds in a principal amount not to exceed One  
18 Hundred Fifty-Five Million Dollars (\$155,000,000) for the purpose of  
19 financing the projects and paying the other costs listed in subsection (c) of  
20 this section, *provided*, that such bonds have a final maturity not later than 32  
21 years from their date of issuance, bear interest at such rate or rates and are  
22 sold for such price or prices as shall result in a net interest cost to GPA not  
23 exceeding the limitation provided by Section 8214 of Chapter 8 of Title 12

1 of the Guam Code Annotated, as amended, and are issued and sold  
2 pursuant to GPA's existing bond indenture and otherwise in compliance  
3 with the provisions of Chapter 8 of Title 12 of the Guam Code Annotated,  
4 including approval by the CCU and by *I Maga'lahaen Guahan* as provided  
5 therein.

6 (b) The sale of the bonds shall be approved by the Board of  
7 Directors of GEDA as provided by Chapter 50 of Title 12 of the Guam Code  
8 Annotated and the terms and conditions of the issuance of the bonds shall  
9 be approved by the GPUC as provided by Chapter 12 of Title 12 of the  
10 Guam Code Annotated.

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

1           **Section 3. Approval of the Terms and Conditions of the Issuance**  
2 **by GPA of Refunding Bonds.**

3           *I Liheslaturan Guahan*, pursuant to §50103(k) of Title 12 of the Guam  
4 Code Annotated, hereby approves the terms and conditions of the issuance  
5 of revenue bonds by GPA for the purpose of refunding all or a portion of  
6 GPA's outstanding 1993 Series A and 1999 Series A revenue bonds in  
7 accordance with the following requirements, limitations, terms and  
8 conditions:

9           (a) The aggregate principal amount of the refunding bonds  
10 shall not exceed the amount determined in accordance with Section 8229 of  
11 Title 12 of the Guam Code Annotated.

12           (b) All obligation of GPA to pay debt service on, and the  
13 redemption price of, the prior bonds shall be discharged concurrently with  
14 the issuance of the refunding bonds. Thereafter, the prior bonds shall be  
15 payable solely from and secured solely by an escrow established for such  
16 purpose.

17           (c) The final maturity of the refunding bonds shall not be  
18 greater than 15 years after the final maturity of the bonds being refunded.

19           (d) Such bonds shall be issued and sold pursuant to GPA's  
20 existing bond indenture and in compliance with the provisions of Chapter  
21 8 of Title 12 of the Guam Code Annotated, including approval by the  
22 Consolidated Commission on Utilities and by *I Maga'lahaen Guahan* as  
23 provided therein.

1           (e) The sale of the bonds shall be approved by the Board of  
2 Directors of GEDA as provided by Chapter 50 of Title 12 of the Guam Code  
3 Annotated and the bonds shall be approved by the GPUC as provided by  
4 Chapter 12 of Title 12 of the Guam Code Annotated.

5           **Section 4. Approval of the Terms and Conditions of the Issuance**  
6 **by GPA of Subordinate Revenue Bonds to Refinance Outstanding**  
7 **Commercial Paper Notes.**

8           (a) *I Liheslaturan Guahan*, pursuant to §50103(k) of Title 12 of the  
9 Guam Code Annotated, hereby approves the terms and conditions of the  
10 issuance by GPA of subordinate revenue bonds in a principal amount not  
11 to exceed Sixty-Five Million Dollars (\$65,000,000) for the purposes listed in  
12 subsection (c) of this section, *provided*, that such bonds have a final maturity  
13 not later than October 1, 2019, bear interest at such rate or rates and are  
14 sold for such price or prices as shall result in a yield to the bondholders not  
15 exceeding nine percent (9%) per annum, and are issued and sold in  
16 accordance with the provisions of Chapter 8 of Title 12 of the Guam Code  
17 Annotated, including approval by the CCU and by *I Maga'lahaen Guahan* as  
18 provided therein.

19           (b) The sale of the subordinate bonds shall be approved by the  
20 Board of Directors of GEDA as provided by Chapter 50 of Title 12 of the  
21 Guam Code Annotated and the subordinate bonds shall be approved by  
22 the GPUC as provided by Chapter 12 of Title 12 of the Guam Code  
23 Annotated.

1 (c) The proceeds of the subordinate bonds may be applied to  
2 pay for the costs of issuance of the subordinate bonds, for credit  
3 enhancement therefor, to provide for reserves and to pay the costs of  
4 refinancing GPA's outstanding obligations relating to its commercial paper  
5 program, subject in each case to approval by the GPUC of such purpose in  
6 accordance with Chapter 12 of Title 12 of the Guam Code Annotated.

7 **Section 5. Amendment of Chapter 8 of Title 12 of the Guam Code**  
8 **Annotated.** Subparagraph (a) of Section 8214 of Chapter 8 of Title 12 of the  
9 Guam Code Annotated is hereby amended to read, as follows:

10 "(a) Bonds shall bear interest at a net rate of not to exceed  
11 nine percent (9%) per annum, after subtracting from bond  
12 interest the amount of any direct subsidy payment to be  
13 received from the United States in connection with such  
14 Bonds. Interest shall be payable annually or semi-annually  
15 or in part annually and in part semi-annually except that the  
16 first coupon on any bond may be payable any number of  
17 months less than twelve (12) after the date of such bond."

18 **Section 6. Local Sales of Bonds.** GEDA shall undertake its best  
19 efforts to cause a portion of any bonds approved pursuant to Section 3, 4 or  
20 5 of this Act, to be offered for sale to residents of Guam, as well as to  
21 residents of other jurisdictions, if and to the extent that such offer and any  
22 sales resulting from such offer do not increase the costs to GPA of issuing



1 and repaying such bonds. Notwithstanding any other provision of law to  
2 the contrary, these bonds may be sold to employees of GPA.