

*I Mina'Trentai Kuåttro Na Liheslaturan*  
**BILL STATUS**

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
139-34 (COR)	Telena C. Nelson William M. Castro Fernando B. Esteves	AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER AUTHORITY REVENUE BONDS.	7/6/17 3:08 p.m.	7/10/17	Committee on Appropriations and Adjudication	7/17/17 6:00 p.m.	11/20/17 4:32 p.m.	Fiscal Note Request 7/11/17  Fiscal Note 7/28/17	



Office of the Speaker

**BENJAMIN J.F. CRUZ**

*I Mina'trentai Kuåtro na Liheslaturan Guåhan*

Committee on Appropriations and Adjudication

November 17, 2017

The Honorable Régine Biscoe Lee

Chairwoman

*I Mina'trentai Kuåtro na Liheslaturan Guåhan*

34<sup>th</sup> Guam Legislature

Guam Congress Building

163 Chalan Santo Papa

Hagåtña, Guam 96910

**RE: Committee Report on Bill No. 139-34 (COR)**

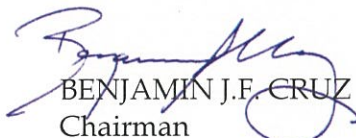
Dear Chairwoman Biscoe Lee:

Transmitted herewith is the Report of the Committee on Appropriations and Adjudication on Bill No. 139-34 (COR), As Introduced,- T. C. Nelson - "An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds."

Committee votes are as follows:

\_\_\_\_\_ TO DO PASS  
\_\_\_\_\_ TO NOT PASS  
5 \_\_\_\_\_ TO REPORT OUT ONLY  
\_\_\_\_\_ TO ABSTAIN  
\_\_\_\_\_ TO PLACE IN INACTIVE FILE

Sincerely,

  
BENJAMIN J.F. CRUZ  
Chairman

2017 NOV 20 PM 4:32





Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuåtro na Liheslaturan Guåhan*  
Committee on Appropriations and Adjudication

## COMMITTEE REPORT

### **Bill No. 139-34 (COR), As Introduced**

**"An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds."**



Office of the Speaker

**BENJAMIN J.F. CRUZ**

*I Mina'trentai Kuåtiro na Liheslaturan Guåhan*

Committee on Appropriations and Adjudication

MEMORANDUM

TO: All Members

FROM: Speaker Benjamin J.F. Cruz

*Chairman, Committee on Appropriations and Adjudication*

SUBJECT: Committee Report on Bill No. 139-34 (COR)

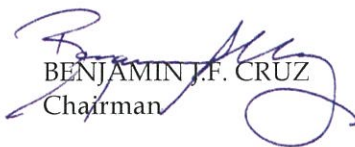
Transmitted herewith for your consideration is the Committee Report on Bill No. 139-34 (COR), As Introduced – T. C. Nelson – “An act to repeal and reenact Article 2 of Chapter 10, Title 12, Guam Code Annotated, relative to authorizing Jose D. Leon Guerrero Commercial Port to issue revenue bonds and other indebtedness for the purpose of financing or refinancing improvements and/or working capital relating to the Jose D. Leon Guerrero Commercial Port and other related facilities and operations of the Jose D. Leon Guerrero Commercial Port; and approving the terms and conditions of the issuance of one or more series of such bonds pursuant to such article for such purposes.”

This report includes the following:

- COR Referral of Bill No. 139-34 (COR)
- Notices of Public Hearing
- Public Hearing Agenda
- Public Hearing Sign-in Sheet
- Copies of Submitted Testimony & Supporting Documents
- Committee Vote Sheet
- Committee Report Digest
- Bill No. 139-34 (COR), As Introduced
- COR Pre-referral Checklist
- Fiscal Note Requirement and Funding Availability Note

Please take the appropriate action on the attached voting sheet. Your attention to this matter is greatly appreciated. Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

  
BENJAMIN J.F. CRUZ  
Chairman

Address: Guam Congress Building 163 Chalan Santo Papa, Hagåtña, Guam 96910

Phone: 671-477-2520 / Email: [Senator@SenatorBjCruz.com](mailto:Senator@SenatorBjCruz.com) / Website: [SenatorBjCruz.com](http://SenatorBjCruz.com)



## COMMITTEE ON RULES

*I Mina'Trentai Kuåttro na Liheslaturan Guåhan • 34<sup>th</sup> Guam Legislature*

---

July 10, 2017

# MEMO

**To:** **Rennae Meno**  
Clerk of the Legislature  
  
**Attorney Julian Aguon**  
Legislative Legal Counsel

**From:** **Senator Régine Biscoe Lee**  
Chairperson, Committee on Rules

**Re:** **Referral of Bill No. 139-34 (COR)**

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*Buenas yan Háfa adai.*

As per my authority as Chairperson of the Committee on Rules, I am forwarding the referral of **Bill No. 139-34 (COR)**.

Please ensure that the subject bill is referred, in my name, to **Speaker Benjamin J.F. Cruz, Chairperson of the Committee on Appropriations and Adjudication**. I also request that the same be forwarded to the prime sponsor of the subject bill.

Attached, please see the COR pre-referral checklist for your information, which shall be attached as a committee report item to the bill.

If you have any questions or concerns, please feel free to contact Jeanenne Cordero at 472-3455.

Thank you for your attention to this important matter.

Respectfully,

  
**Senator Régine Biscoe Lee**  
Chairperson, Committee on Rules





Hermina Certeza &lt;hermina.certeza@senatorbjcruz.com&gt;

**FIRST NOTICE of Public Hearing – Monday, July 17, 2017**

3 messages

Hermina Certeza &lt;hermina.certeza@senatorbjcruz.com&gt;

Mon, Jul 10, 2017 at 5:38 PM

To: PH Notice &lt;phnotice@guamlegislature.org&gt;, phmaterials@guamlegislature.org

Cc: Clerks &lt;clerks@guamlegislature.org&gt;, Committee on Rules Guam Legislature &lt;corguamlegislature@gmail.com&gt;, Joe San Agustin

&lt;protocol@guamlegislature.org&gt;, Management Information System &lt;mis@guamlegislature.org&gt;, "Sergeant-at-Arms (Legislature)" &lt;sgtarms@guamlegislature.org&gt;

Bcc: "Carlo J. Branch" &lt;carlo.branch@senatorbjcruz.com&gt;, Francis Santos &lt;fesantos57@gmail.com&gt;, Orleen Villasoto &lt;orleen@senatorbjcruz.com&gt;, Sarah Elmore

&lt;sarah.elmore@senatorbjcruz.com&gt;, Speaker Cruz &lt;senator@senatorbjcruz.com&gt;, Telenia Cruz Nelson &lt;senatortcnelson@guamlegislature.org&gt;, cipo@guamlegislature.org

July 10, 2017

**MEMORANDUM**

To: All Members / All Senators

From: Speaker Benjamin J.F. Cruz, Chairman

Re: **FIRST NOTICE of Public Hearing – Monday, July 17, 2017**

*Håfa Adai!* The Committee on Appropriations and Adjudication will conduct a Public Hearing beginning **6:00 PM on Monday, July 17, 2017**, in the **I Liheslatura Public Hearing Room** at the **Guam Congress Building** with the following schedule:

**Bill No. 139-34 (COR) – T.C. Nelson** – An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds.

Testimonies may be submitted via hand delivery to the Office of Speaker Benjamin J.F. Cruz at the Guam Legislature; via postal mail to Guam Congress Building, 163 Chalan Santo Papa, Hagatna, GU 96910; or via e-mail to senator@senatorbjcruz.com. Please submit testimonies at least one day prior to the date of the hearing.

All government activities, programs, and services are accessible for people with disabilities in compliance with Title II of the Americans with Disabilities Act (ADA). Should you or interested parties require assistance or special accommodations to fully participate in this public hearing, please contact Mr. Carlo J. Branch at the Office of the Speaker at 477-2520 or via e-mail at carlo.branch@senatorbjcruz.com.

We look forward to your attendance and participation.

cc: Clerks

COR

MIS

Protocol

Sergeant at Arms

—  
*Si Yu'os ma'åse'*

**Hermina R.B. Certeza**

OFFICE OF SPEAKER BENJAMIN J.F. CRUZ

7/12/2017

Senator BJ Cruz Mail - FIRST NOTICE of Public Hearing – Monday, July 17, 2017

Committee on Appropriations and Adjudication

*I Mina'trentai Kuattro na Liheslaturan Guåhan*


Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910

T: (671) 477-2520 | [www.senatorbjcruz.com](http://www.senatorbjcruz.com)

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3 attachments

 PH AGENDA - BILL NO. 139-34.pdf  
505K

 FIRST NOTICE - PH MEMO 071717 .pdf  
735K

 FIRST NOTICE - PH PR 071717 .pdf  
636K

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Joe San Agustin <[joesa@guamlegislature.org](mailto:joesa@guamlegislature.org)>  
To: Hermina Certeza <[hermina.certeza@senatorbjcruz.com](mailto:hermina.certeza@senatorbjcruz.com)>

Mon, Jul 10, 2017 at 5:41 PM

Now posted, Thanks!

[Quoted text hidden]

**Joe San Agustin**

Chief Protocol Officer (Acting)

*I Mina'trentai Kuattro na Liheslaturan Guåhan*

155 Hesler Place, Suite 201, Hagatna, Guam 96910

[www.guamlegislature.com](http://www.guamlegislature.com) / [protocol@guamlegislature.org](mailto:protocol@guamlegislature.org)

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Hermina Certeza <[hermina.certeza@senatorbjcruz.com](mailto:hermina.certeza@senatorbjcruz.com)>  
To: Joe San Agustin <[joesa@guamlegislature.org](mailto:joesa@guamlegislature.org)>

Mon, Jul 10, 2017 at 6:01 PM

Great, thanks!

[Quoted text hidden]



Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuåtro na Liheslaturan Guåhan*  
Committee on Appropriations and Adjudication

July 10, 2017

**MEMORANDUM**

To: All Members / All Senators  
From: Speaker Benjamin J.F. Cruz, Chairman

Re: **FIRST NOTICE of Public Hearing – Monday, July 17, 2017**

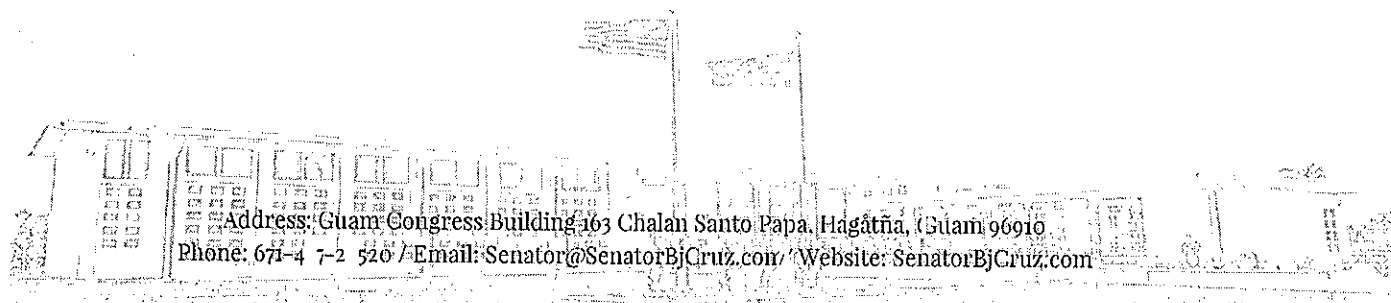
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We look forward to your attendance and participation.



Address: Guam Congress Building 163 Chalan Santo Papa, Hagatna, Guam 96910  
Phone: 671-4 7-2 520 / Email: [Senator@SenatorBjCruz.com](mailto:Senator@SenatorBjCruz.com) / Website: [SenatorBjCruz.com](http://SenatorBjCruz.com)





*Office of the Speaker*  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuåtiro na Liheslaturan Guåhan*  
*Committee on Appropriations and Adjudication*

**FOR IMMEDIATE RELEASE**

July 10, 2017

## FIRST NOTICE OF PUBLIC HEARING

In accordance with the Open Government Law, P.L. 24-109, relative to notice for public meetings, let this release serve as five (5) days' notice for a Public Hearing by the Committee on Appropriations and Adjudication scheduled on **Monday, July 17, 2017** in the **Guam Legislature Public Hearing Room** at the **Guam Congress Building**, on the following:

**6:00 PM**

**Bill No. 139-34 (COR) – T.C. Nelson** – An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds.

Testimonies may be submitted in person to the Office of Speaker Benjamin J.F. Cruz at the Guam Legislature; by postal mail to Guam Congress Building, 163 Chalan Santo Papa, Hagåtña Guam 96910 or by email to [senator@senatorbjcruz.com](mailto:senator@senatorbjcruz.com). Copies of written testimonies received at least one day before the scheduled date will be available at the hearing.

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Address: Guam Congress Building 163 Chalan Santo Papa, Hagåtña, Guam 96910  
Phone: 671-477-2520 / Email: [Senator@SenatorBjCruz.com](mailto:Senator@SenatorBjCruz.com) / Website: [SenatorBjCruz.com](http://SenatorBjCruz.com)



Hermina Certeza &lt;hermina.certeza@senatorbjcruz.com&gt;

**SECOND NOTICE of Public Hearing – Monday, July 17, 2017**

1 message

Hermina Certeza &lt;hermina.certeza@senatorbjcruz.com&gt;

Fri, Jul 14, 2017 at 8:00 AM

To: PH Notice &lt;phnotice@guamlegislature.org&gt;, phmaterials@guamlegislature.org

Cc: Clerks &lt;clerks@guamlegislature.org&gt;, Committee on Rules Guam Legislature &lt;corguamlegislature@gmail.com&gt;, Management Information System &lt;mis@guamlegislature.org&gt;, Joe San Agustin &lt;protocol@guamlegislature.org&gt;, "Sergeant-at-Arms (Legislature)" &lt;sgtarms@guamlegislature.org&gt;

Bcc: senator@senatorbjcruz.com, sarah.elmore@senatorbjcruz.com, orleen@senatorbjcruz.com, cipo@guamlegislature.org, fesantos57@gmail.com, lpalomo@guampuc.com, epocaigue@senatorbjcruz.com, governor@guam.gov, mark.calvo@guam.gov, ejcalvo@tpiguam.com, jeffcharjohnson@hotmail.com, rojas@investguam.com, aguzman@investguam.com, jbenavente@gpagwa.com, l.sablan@gpagwa.com, senatortcnelson@gmail.com

July 14, 2017

**MEMORANDUM**

To: All Members / All Senators

From: Speaker Benjamin J.F. Cruz, Chairman

Re: **SECOND NOTICE of Public Hearing – Monday, July 17, 2017**

*Håfa Adai!* The Committee on Appropriations and Adjudication will conduct a Public Hearing beginning **6:00 PM on Monday, July 17, 2017**, in the **I Liheslatura Public Hearing Room** at the **Guam Congress Building** with the following schedule:

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We look forward to your attendance and participation.

cc: Clerks

COR

MIS

Protocol

Sergeant at Arms

—  
*Si Yn'os ma'da'e'***Hermina R.B. Certeza**

OFFICE OF SPEAKER BENJAMIN J.F. CRUZ

Committee on Appropriations and Adjudication

*I Mina'trentai Kuâtro na Liheslaturan Guåhan*

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910

7/17/2017

Senator BJ Cruz Mail - SECOND NOTICE of Public Hearing – Monday, July 17, 2017

T: (671) 477-2520 | [www.senatorbjcruz.com](http://www.senatorbjcruz.com)

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**3 attachments**



**PH AGENDA - BILL NO. 139-34.pdf**  
505K



**SECOND NOTICE - PH MEMO 071717 .pdf**  
735K



**SECOND NOTICE - PH PR 071717 .pdf**  
645K



Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuâtro na Liheslaturan Guåhan*  
(Committee on Appropriations and Adjudication)

July 14, 2017

**MEMORANDUM**

To: All Members / All Senators  
From: Speaker Benjamin J.F. Cruz, Chairman

**Re: SECOND NOTICE of Public Hearing - Monday, July 17, 2017**

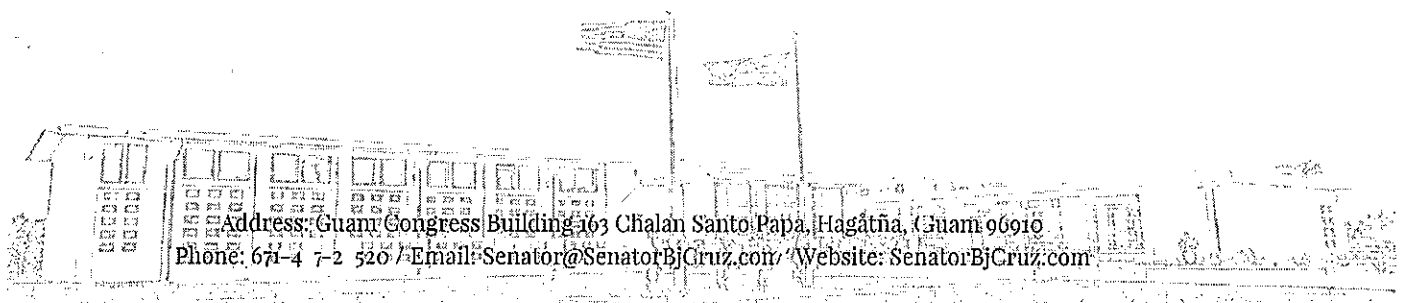
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Address: Guam Congress Building 163 Chalan Santo Papa, Hagatna, Guam 96910  
Phone: 671-477-2520 / Email: [Senator@SenatorBjCruz.com](mailto:Senator@SenatorBjCruz.com) / Website: [SenatorBjCruz.com](http://SenatorBjCruz.com)



Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuåtiro na Liheslaturan Guåhan*  
Committee on Appropriations and Adjudication

**FOR IMMEDIATE RELEASE**

July 14, 2017

## **SECOND NOTICE OF PUBLIC HEARING**

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###

Address: Guam Congress Building 163 Chalan Santo Papa, Hagåtña, Guam 96910  
Phone: 671-477-2520 / Email: [Senator@SenatorBjCruz.com](mailto:Senator@SenatorBjCruz.com) / Website: [SenatorBjCruz.com](http://SenatorBjCruz.com)



*Office of the Speaker*

**BENJAMIN J.F. CRUZ**

*I Mina'trentai Kuåtrot na Liheslaturan Guåhan*

Committee on Appropriations and Adjudication

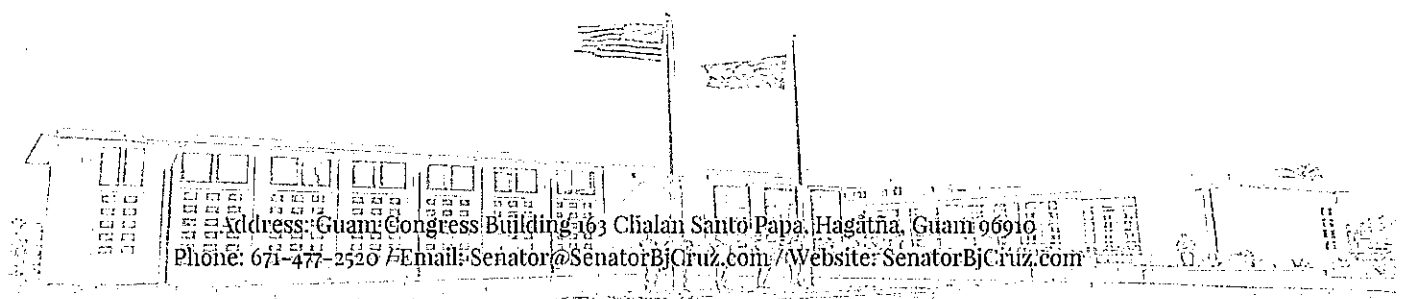
# Public Hearing Agenda

**Monday, July 17, 2017**

Guam Legislature Public Hearing Room • Guam Congress Building

**6:00 PM**

**Bill No. 139-34 (COR) – T.C. Nelson** – An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds.



Address: Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910  
Phone: 671-477-2520 / Email: [Senator@SenatorBjCruz.com](mailto:Senator@SenatorBjCruz.com) / Website: [SenatorBjCruz.com](http://SenatorBjCruz.com)



Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina threntai Kuadro na Liheslaturan Guahan*  
Committee on Appropriations and Adjudication

## PUBLIC HEARING SIGN IN SHEET

6:00 PM • Monday, July 17, 2017

Guam Legislature Public Hearing Room | Guam Congress Building

**Bill No. 139-34 (COR) – T.C. Nelson – An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds.**

NAME	AGENCY OR ORGANIZATION	POSITION		TESTIMONY		PHONE NO.	EMAIL ADDRESS
		SUPPORT	OPPOSE	WRITTEN	ORAL		
Joey Duenas	CCU	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	686-1512	tduenas@hotmail.com
Jha Kim	GPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	483-1922	jhekin@gpa.gov.gu
Cora Matllano	GPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	488-2816	cunatllano@gpa.gov.gu
John Boman	GPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	488-5395	jboman@gpa.gov.gu
Fred Storch	POC	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	646-8275	fredstorch@telecom.net
Jay Kasis	GPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	447-4332	jkasis@investigam.com
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		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

PAGE 1 OF 1



# GUAM POWER AUTHORITY

ATURIDÂT ILEKTRESEDÂT GUAHAN  
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

July 17, 2017

Senator Benjamin J.F. Cruz  
Chairman  
Committee on Appropriations, Adjudication  
Office of the Speaker, Guam Congress Building  
I Mina 'trentai Kuartro na Liheslaturan Guahan  
163 Chalan Santo Papa  
Hagåtña, Guam 96910  
Email: [senator@senatorbjcruz.com](mailto:senator@senatorbjcruz.com)

Dear Speaker Cruz:

On behalf of the CCU and Guam Power Authority (GPA), we sincerely thank Senators Telena Cruz Nelson, William Castro, Fernando Barcinas Esteves and you for introducing and scheduling a hearing on Bill No. 139-34 (COR). This proposed legislation does a good thing for our power ratepayers.

The bill allows GPA to re-finance portion of its 2010 Revenue bond, in order to reduce interest costs and reduce debt service payments. Historic low interest rates provide an opportunity to provide ratepayers with cash savings in debt service.

By refinancing these revenue bonds, ratepayers will save \$4.8 million of debt service payment over the life of the bond or \$3.1 million in net present value. GPA is requesting to refund \$95 million of \$150 million of the 2010 Revenue Bond. The interest rate on the existing bond is 5.5% and all-in true interest cost for the refunded bond will be 4.22%. The length of the bond will be the same as existing bond meaning there is no extension on the term. Appendix A and B are attached to show the calculation used to determine the savings.


GPA filed a petition with the PUC for refinancing last November 2016, but the interest rate increased shortly after the filing which made refinancing not attractive. However, interest rates have recently dropped to where the savings is again possible. GPA will be pursuing PUC and GEDA approval for this refinancing, but in any case legislation is required.

In closing, the CCU and GPA support and respectfully request approval of Bill 139-34.



Thank you again for this opportunity to testify. We remain ready to answer any questions the Committee may have.

Sincerely,



John M. Benavente, P.E.  
General Manager

## Exhibit A

# GPA Revenue Refunding Bonds, Series 2017

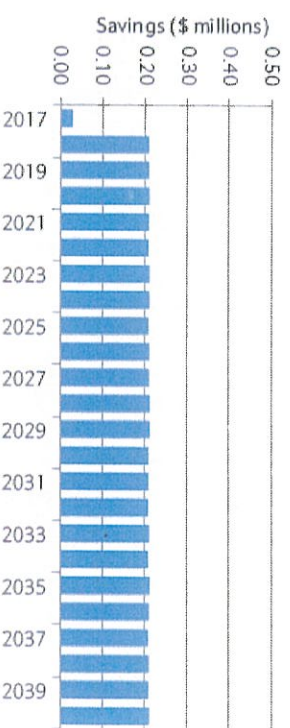
In the current market, refunding approximately \$95mm of GPA's Series 2010A Bonds on 9/1/2017 with a 10-year par call produces nearly \$3.1 mm of PV savings, or 3.24% of refunded par

Series 2010A Revenue Bonds			
Original Issuance	\$150,440,000		
Dated Date	6/23/2010		
Principal Due	October 1		
Call Date	10/1/2020		
Call Price	100%		
Tax Status	Non-AMT		
Adv Refundable	Yes		
Purpose	New Money		
Maturity	Par	Coupon	Par

2022	255,000	*	5.50%
2023	3,985,000	*	5.50%
2024	4,200,000	*	5.50%
2025	4,435,000	*	5.50%
2026	4,675,000	*	5.50%
2027	4,935,000	*	5.50%
2028	5,205,000	*	5.50%
2029	5,495,000	*	5.50%
2030	5,795,000	T	5.50%
2031	6,115,000	*	5.00%
2032	6,420,000	*	5.00%
2033	6,740,000	*	5.00%
2034	7,075,000	*	5.00%
2035	7,430,000	*	5.00%
2036	7,990,000	*	5.00%
2037	7,230,000	T	5.00%
2038			
2039			
2040			

## Summary of Refunding Results

Refunding Date (Delivery)	9/1/2017
Refunded Series	Series 2010A
Refunded Maturities <sup>1</sup>	2023-2030, 2037-2040
Ratings	Baa2/BBB-/BBB-
Optional Redemption	10/1/2027
Total New Par Amount	\$97,540,000
Par Refunded	\$95,185,000
All-In TIC of Refunding Bonds	4.22%
Interest Rate on Existing Bonds	5.50%
Summary of Estimated Savings	
Existing Total Debt Service	\$186,225,263
New Refunding Debt Service	\$179,166,538
Gross Savings	\$4,877,402
Annual Gross Savings (2018 - 2040)	\$210,738
Refunding Statistics	
PV Savings	\$3.08 million
PV Savings as a % of Refunded Par	3.24%



<sup>1</sup> Includes all maturities that produce positive savings. Estimated market conditions as of June 7, 2017. Preliminary and subject to change. Assumes 2% Cost of Issuance. Refunding bonds structured for level annual savings.

Exhibit B

# Refunding Savings

In the current market, \$95.2 million of CPA's Series 2010A Bonds produce positive savings

Proposed Refunding of Selected 2010A Revenue Bonds							
2010A Refunding Candidates				Proposed 2017 Refunding Bonds			
	Refunded Par (\$)	Refunded Interest (\$)	Total Refunded Debt Service(\$)	Refunding Par (\$)	Refunding Interest (\$)	Total Refunding Debt Service (\$)	Annual Savings (\$)
10/1/2017		2,617,588	2,617,588		405,838	405,838	30,427
10/1/2018		5,235,175	5,235,175	155,000	4,870,050	5,025,050	210,125
10/1/2019		5,235,175	5,235,175	160,000	4,865,400	5,025,400	209,775
10/1/2020		5,235,175	5,235,175	165,000	4,859,000	5,024,000	211,175
10/1/2021		5,235,175	5,235,175	175,000	4,850,750	5,025,750	209,425
10/1/2022		5,235,175	5,235,175	185,000	4,842,000	5,027,000	208,175
10/1/2023	3,985,000	5,235,175	9,220,175	4,175,000	4,832,750	9,007,750	212,425
10/1/2024	4,200,000	5,016,000	9,216,000	4,380,000	4,624,000	9,004,000	212,000
10/1/2025	4,435,000	4,785,000	9,220,000	4,605,000	4,405,000	9,010,000	210,000
10/1/2026	4,675,000	4,541,075	9,216,075	4,830,000	4,174,750	9,004,750	211,325
10/1/2027	4,935,000	4,283,950	9,218,950	5,075,000	3,933,250	9,008,250	210,700
10/1/2028	5,205,000	4,012,525	9,217,525	5,325,000	3,679,500	9,004,500	213,025
10/1/2029	5,495,000	3,726,250	9,221,250	5,595,000	3,413,250	9,008,250	213,000
10/1/2030	5,795,000	3,424,025	9,219,025	5,875,000	3,133,500	9,008,500	210,525
10/1/2031		3,105,300	3,105,300	55,000	2,839,750	2,894,750	210,550
10/1/2032		3,105,300	3,105,300	60,000	2,837,000	2,897,000	208,300
10/1/2033		3,105,300	3,105,300	60,000	2,834,000	2,894,000	211,300
10/1/2034		3,105,300	3,105,300	65,000	2,831,000	2,896,000	209,300
10/1/2035		3,105,300	3,105,300	65,000	2,827,750	2,892,750	212,550
10/1/2036		3,105,300	3,105,300	70,000	2,824,500	2,894,500	210,800
10/1/2037	7,465,000	3,105,300	10,570,300	7,540,000	2,821,000	10,361,000	209,300
10/1/2038	15,465,000	2,694,725	18,159,725	15,505,000	2,444,000	17,949,000	210,725
10/1/2039	16,315,000	1,844,150	18,159,150	16,280,000	1,668,750	17,948,750	210,400
10/1/2040	17,215,000	946,825	18,161,825	17,095,000	854,750	17,949,750	212,075
<b>Total</b>	<b>\$95,185,000</b>	<b>\$91,040,263</b>	<b>\$186,225,263</b>	<b>\$97,495,000</b>	<b>\$81,671,538</b>	<b>\$179,166,538</b>	<b>\$4,877,402</b>

1. Reflects current universe of refunding candidates that produce positive individual savings



Testimony of Jay Rojas  
Administrator, Guam Economic Development Authority (GEDA)  
July 17, 2017

*Hafa Adai Speaker Cruz and Senators on the Committee on Appropriations and Adjudication!*

I am here today to provide testimony in support of Bill No. 139-34 (COR), **"AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER AUTHORITY REVENUE BONDS."**

GEDA has been working with the Guam Power Authority (GPA) on refunding opportunities for its outstanding bonds as a means to provide cash flow savings that can translate into savings for the rate- payers. In today's market, GPA stands to save over \$3 million or approximately 3.24% net present value, by refunding \$95 million of its Series 2010A Bonds.

GPA has worked hard at strengthening its financial position in the market as demonstrated by its bond rating being reaffirmed by Moody's last month. This is an affirmation of GPA's financial strength as it has had very positive results in FY 2016 despite the challenges it faced after the explosion and fire at the Cabras 3 and 4 power plants. By keeping the lines of communication open with rating analysts during this process, GPA was able to mitigate any negative credit action.

Taking advantage of refunding opportunities at this time will further assist GPA in its move toward providing additional capacity through the procurement of a 180 MW combined cycle unit at the best possible cost to the people of Guam.

Thank you for the opportunity to provide this testimony on Bill 139-34 (COR) and we look forward to working with you and the Committee on Appropriations and Adjudication on future initiatives.



Jay Rojas  
Administrator

**BEFORE THE  
I MINA'TRENTAI KUATTRO NA LIHESLATURAN GUÁHAN**

**In the Matter of:**

**Bill No. 139-34 (COR)**

**An Act to approve the terms and  
conditions of Guam Power Authority  
Revenue Bonds to refund outstanding  
Guam Power Authority Revenue Bonds.**

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**WRITTEN TESTIMONY OF JEFFREY C.  
JOHNSON, CHAIRMAN, ON BEHALF  
OF THE GUAM PUBLIC UTILITIES  
COMMISSION**

**Introduction**

The Guam Public Utilities Commission [PUC] is pleased to have been afforded an opportunity to comment on Bill No. 139-34 (COR). GPA has not justified any pressing need to refinance or refund a portion of the 2010 Series A Revenue Bonds. PUC is not convinced that GPA would achieve sufficient savings to justify the expense and burden of the refunding. The ratepayers will not be harmed in the absence of refunding. PUC opposes Bill No. 139-34.

**Discussion**

PUC only became aware of this proposal a few days ago. It has not yet had the opportunity to have its Consultants review the refunding proposal. It will do so. However, our preliminary review indicates that the proposed refunding is not necessary. GPA does not seek to refund all of the 2010 Series A Bonds. The original issuance was \$150,440,000; however GPA only seeks to refund a portion of the bonds,

which amount is referred to on different pages of its presentation as \$95M, \$95.2M, and \$97.5M.

GPA estimates that the cost of issuance will be \$1.9M. Such cost would include expenses such as underwriter's fees, underwriter's discount, bond counsel fees, and fees to the Guam Economic Development Authority, and fees for the Engineers Report. PUC is very concerned about the high cost of the refunding and the Underwriter/GEDA fees. We note that GEDA has already advertised in local newspapers for an underwriter for this issuance, as if it is a done deal. GEDA and the underwriter will benefit monetarily from this issuance.

However, GPA has no firm figures yet on what the actual costs will be. Its estimate was merely calculated based upon 2% of an issuance of \$95M. In addition, there will be a "premium" cost to issue the bonds of \$10,607,943.00. These are upfront costs, spent at the time of issuance. In view of the large upfront costs, the proposed savings seem paltry.

GPA claims that there will be gross savings of \$4,877,402.00 over the next twenty four years, and Annual Gross Savings of \$210,000. Those claims are misleading. As this Bill indicates, what must be determined is **present value savings** on the debt service of the prior bonds. In this case the present value savings is \$3.08M. Over 24 years, the annual value of the savings is closer to \$128,333 per year. GPA would be spending nearly \$2M upfront now in issuance costs and \$10.5M premium to obtain savings of \$3.08M.

Why should these substantial costs be paid up front to obtain rather small savings over 24 years? Remember that GPA is a company with revenues of over \$370M per year. \$123,000 per year is a drop in the bucket. There are certainly many other ways that GPA could save money more easily without the burden and expense of bond refunding, such as implementing cost efficiency measures, reducing overtime, cutting employment positions, cutting out or eliminating unnecessary contracts. As a cost savings measure, GPA has not demonstrated that this bond refinancing is an efficient or most cost effective method of cutting expenses.

The money available to GPA today is more valuable than hypothetical savings many years down the road. It makes little sense to spend \$2M upfront to gain \$3M in savings over 24 years. It is certainly possible that inflation in future years will further devalue the alleged savings.

This is not a bond issuance where GPA seeks to fund necessary equipment for the island wide power system or other operational needs. The sole justification offered is cost savings. That justification fails to provide a sufficient basis for the refunding. The refunding is unnecessary, and there will be no harm to ratepayers in its absence.

There is also an issue concerning the application of the "two percent" rule. Generally the rule provides that the present value of debt service on the refunding bonds shall be at least two percent less than the present value of debt service on the prior bonds. If the two percent is applied to the total of the cost of the original issuance,

that criteria is barely satisfied if at all. Even if the two percent rule is satisfied, there is no requirement that a bond refunding must be approved.

GPA has estimated that the total in cost [TIC] of the bond refunding would be 4.22%. That figure would not be truly known until the bonds are issued. It may well be an underestimate of the actual cost.

Barclays suggested that there should be a refunding because the Federal Reserve intended to raise rates in June but it did not do so. Barclays also pointed to low employment payroll growth in May of 138K in June. However, employment increased by 222,000 in June 2017. Finally, GPA claims in Resolution No. 2017-17 that the refunding is justified by “historically low interest rates.” However, municipal bond rates have in fact increased substantially since August 2016. It could be alleged that we are in a rising bond interest market.

If GPA and Barclays are wrong on any of their predictions, the alleged savings could be reduced substantially. Higher rates, inflation, and devaluation of the currency could reduce savings too. There are other issues that must be explored. GPA includes “Prior Receipts” of \$2,181,322.92 as “savings” for the 2017 Refunding Bonds and “prior funds on hand” of \$213,000 as savings from the refunding. These items need further explanation as to how they impact the savings that GPA predicts.

### **Conclusion**

The alleged savings by GPA does not justify the refunding. GPA has a history of relying upon bond financing; perhaps it should focus on solutions other than borrowing

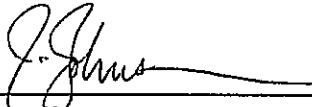


to resolve financial issues. Other measures could be far more effective for cost cutting purposes, as opposed to this proposal by GPA. This refunding involves the placement of substantial new costs on the ratepayers. The PUC requests that the Bill No. 139-34 not be approved. Your consideration of this Testimony is appreciated.

Please let me know if you have any questions concerning my testimony.

Sincerely,

Dated: 7/14/17

  
\_\_\_\_\_  
Dr. Jeffrey C. Johnson  
Chairman  
Guam Public Utilities Commission

July 27, 2017

Speaker B. J. Cruz  
Senator Telenia Nelson  
Senators of the 34th Guam Legislature

Supplemental Testimony on Bill 139-34;

Hafa Adai Mr. Speaker, Senator Nelson (primary Bill sponsor), and Senators,

Thank you for conducting the hearing last week on Bill 139-34. This bill would allow GPA to refund 2010 bonds for savings, subject to the approval of the Consolidated Commission on Utilities (CCU), the Public Utilities Commission (PUC), Guam Economic Development Authority (GEDA) and Governor. Bill 139 continues the precedents set by prior Guam law and Public Utility Commission (PUC) rules for financing or re-financing authorized utility debt that has existed since 1992.

During last week's hearing, a number of questions and issues emerged from Senators, the Chairman of the PUC, our CCU chairman and GPA and GEDA senior management. This testimony is filed in attempt to clarify issues and address what appear to be misunderstandings of how the proposed transaction would work and correct outright errors in fact that emerged during that hearing. It is hoped that my testimony provides useful information to the Legislature while also documenting and justifying my support for passage of Bill 139.

The views expressed in this testimony are strictly my own and do not necessarily represent the views of the entire CCU.

#### **History of Utility Debt Financings**

Guam law requires Legislative authorization for the Government of Guam and its public corporations to incur public debt. Once debt is incurred, the Legislature has to further authorize any re-financings. For General Obligation debt, only the Legislature, Governor and GEDA are required to act. For utility debt, all authorized financings and re-financings must also be approved by the elected CCU and further approved by the independent Guam PUC.

The independent PUC was created in response to a failed GPA financing in the 1980's. A subsequent federal bail-out required an independent PUC be created to remove the Legislature from the rate setting process. The Legislature created the independent PUC in 1988.

Since the 90's, the Legislature has set the minimum threshold for debt refinancing for savings to be 2% net present value (NPV). This means that any re-financing must produce no less than 2% savings, when savings from the new debt is calculated using its net present value.

Since its approval of GPA's first loan in 1992, the PUC has established procedures and rules in which financings can be proposed by a utility, evidence submitted and reviewed by PUC and their professional expertise, and then a final decision rendered. To preserve the PUC independence, the Legislature does not make the final decision on financings or rate. This job has been rightfully delegated to the PUC

Attachments 1 and 2 briefly describe utility debt history since 1992. These summaries will be helpful in discussing Bill 139.

### **Bill 139**

Bill 139 would allow GPA and the CCU to re-finance higher cost 2010 debt for ratepayer savings.

Whether, when and how this should happen is left to the same four parties that have approved and executed utility financings since 1992: Bill 139 still requires any refinancing to be approved by the Governor, GEDA, the CCU and the PUC. All four entities must agree. All retain their authorized veto power over the transaction under if Bill 139.

This understanding was correctly expressed at the hearing by Senator San Agustin who quickly recognized that Bill 139 simply allows the parties to exercise discretion they already have to refinance debt if they collectively agree it is in the best interest of ratepayers. If the parties do not agree, the financing does not move forward. No costs are incurred, except for those costs related to the PUC review of GPA's filing.

The PUC may add other parameters as well or reject the request outright. But it must do so within the process it has established for many years. This PUC process allows for public comment, GPA/CCU advocacy, rebuttal and professional review and exchange. Bill 139 does not change this authority.

### **The Proposed Re-financing of GPA 2010 Bonds**

GPA/CCU are proposing to the PUC that higher interest rate 2010 debt be refinanced now in order to save an estimated \$4.8 million in interest costs for ratepayers over the remaining twenty three years of the loan, or an average of \$210,000 in ratepayer interest savings per year. This \$4.8 million in future interest savings over time is equivalent to reducing \$3M in aggregate interest expenses now. This \$3 million equates to a Net present Value of 3.16%, well above the 2% minimum saving threshold for re-financings that the Legislature has long established for all utility and other public debt.

Since 2010, interest rates have fallen and GPA's credit rating has improved. The combination of lower interest rates and a financially stronger GPA creates an opportunity for ratepayer savings.

GPA/CCU originally considered re-financing 2010 debt late last year but the analysis showed the market at that time would not provide sufficient savings. GEDA, GPA, CCU and underwriter Barclay's believe there are sufficient savings available in the market place now to justify re-financing a large portion of our most expensive debt in the original 2010 financing.

For these reasons, GPA/CCU approached Committee oversight Chairwoman Senator Telena Nelson in June to introduce Bill 139. She further obtained co-sponsors Senator Estevez and Castro. We are grateful for their support.

### **Analysis of PUC testimony**

The testimony on Bill 139 provided by PUC Chairman Johnson and Legal Counsel Horecky (PUC testimony) opposes the passage of Bill 139. They take this position while admitting they have not even started their formal review of the GPA re-financing proposal.

Their testimony opposes Bill 139 because they believe the savings are too low and the costs are too high to justify the effort. Their testimony focuses primarily on the calculation of Net Present Value savings (NPV) and their understanding that a "Premium" that would be paid by new bondholders represents "a cost" to ratepayers.

### **PUC bases their opposition on a misunderstanding of Net Present Value and Premiums**

Surprisingly, the PUC testimony shows a complete misunderstanding of “net present value” (NPV) and the use of Premiums by investors to provide lower cost financings for ratepayers. This is surprising to me since the PUC has correctly calculated NPV in prior approvals and have also approved financings that allowed investors to pay a Premium to the utility.

In the case of Bill 139, they incorrectly calculate and understate NPV savings and incorrectly characterize “Premiums” as a cost to ratepayers when premiums actually are a benefit to ratepayers. By understating savings and miscalculating premiums as costs instead of benefits, they then combine these two misunderstandings to say that Bill 139 should not be passed.

#### **Net present Value**

As proposed, GPA/CCU, GEDA and Barclays believe a new loan could lower GPA’s interest expenses for a large portion of the 2010 loan (about \$95 million) which has an interest cost of 5.5%. Barclay’s has projected that the current market could yield an interest cost as low as 4.2%, if GPA can approach the market in the next sixty days.

These savings result from interest rates that are still lower today than in 2010 and GPA’s improved credit rating since 2010.

The savings are projected to be \$4.8M over the remaining 23 years, or about \$210,000 per year. To measure what those future savings over time (future value) are worth today (present value), NPV is calculated to be worth an estimated \$3M today.

Think of NPV as if you won the lottery and you had the choice of taking the future value of \$4.8M over 23 years or you can take the present value of that 23 year cash flow now. The industry standard calculation of NPV estimates that \$4.8M over 23 years is the same as \$3M now. If you decide to take the \$3M now, you would get all of it now. The economic value of the winnings is the same but the cash flow differs if you take it now or over time.

The PUC testimony incorrectly takes the present value of \$3M now and then divides that present value as if it would be received over 24 years. This is incorrect. NPV is NOT calculated this way. Lottery winners do not have to wait for their \$3M for 23 years. If they waited for 23 years, they would receive \$4.8M. The PUC testimony confuses the concepts of present value and future values.

This error incorrectly reduces the projected savings to ratepayers, incorrectly calculating it to be \$128,333 per year when it is in fact projected to be \$210,000 per year. The PUC testimony then argues that the savings are too low using a calculation that incorrectly reduces the projected savings.

In an unfortunate choice of words, the PUC testimony states that the correct NPV used by GPA/CCU/GEDA/Barclays is “misleading” Unfortunately, it is the PUC miscalculation/misunderstanding of NPV that misleads the Legislature into thinking the potential savings are lower than they actually could be. The PUC should at least calculate the savings correctly before they argue that there are not enough savings.

## Premiums

The PUC testimony also opposes Bill 139 because it thinks the projected premium investors will pay to re-finance GPA's debt is a "cost" to ratepayers. Once again, the PUC testimony shows a misunderstanding of what a "premium" is.

Under the proposed financing, GPA is not *paying* a \$10.6 million premium. GPA is *receiving* a \$10.6 million premium from investors who prefer to pay a premium (by providing GPA \$108.1M for \$97.5M of new bonds). Selling bonds at a premium is standard industry practice. Most bonds today are sold at a premium. GPA could issue bonds without a premium, but this would result in a higher net borrowing cost and therefore lower savings to GPA ratepayers.

Premiums benefit ratepayers by lowering their cost of borrowing from new investors.

The PUC position opposing premiums is surprising. As shown in Tables 1 and 2, the PUC previously approved GPA and GWA financings that also included the receipt of Premiums from the new investors.

A 2014 GWA re-financing approved by the PUC included the receipt of a \$5.65M premium. A 2016 GWA borrowing for CIP's included the receipt of \$18M in premiums.

A 2012 GPA re-financing approved by the PUC included a \$33.5M premium benefit while a 2014 CIP borrowing received a \$7.8M premium.

If the PUC misunderstands premiums to be costs rather than benefits, then their opposition is mistakenly based on a misunderstanding of what a premium really is, even though they have previously authorized financings with premiums before.

The PUC testimony misunderstands net present value and therefore underestimates the savings possible.

The PUC testimony incorrectly treats the premiums as a cost, when instead they are a benefit that helps create lower interest costs for ratepayers. The PUC testimony thus incorrectly calculates re-financing costs.

Finally, the PUC testimony also contains the disappointing statement that "The sole justification offered is cost savings".

Why else would you re-finance a debt if you didn't achieve savings?

The CCU has committed itself to find every avenue for cost savings possible to help reduce any pressure on existing rates. There has not been a base rate increase at GPA since 2013. The CCU and GPA management are working to modernize our aging generation without a base rate increase. Whether its overtime savings, or fuel savings or financial savings, we consider ALL savings as a good thing for ratepayers. \$210,000 per year in savings at GPA may only be a "drop in the bucket" to the PUC but to the CCU, and we hope everyone else, every dollar that can be saved for ratepayers should be saved.

The savings projected for ratepayers is net of ALL costs. . These savings are essentially free money. Why wouldn't GPA take \$3.08 million (present value) or \$4.8M over 23 years if it was available after paying all the re-financing costs?

**Bill 139 provides the Legislature an opportunity to reduce costs for ratepayers.**

By passing Bill 139, the Legislature establishes clear policy that Senators want re-financing that saves ratepayer money. If passed into law, the Legislature then gives this opportunity to find savings to the same four government entities that have designed/approved and closed successful financings since 1992.

The Legislature already granted GWA the permission to refinance all of its existing debt for savings, still subject to the approval of GWA/CCU, GEDA, the PUC and the Governor. Bill 139 simply extends that same opportunity to GPA to re-finance a higher cost 2010 debt.

Even though the PUC has not started its review, the PUC testimony appears to be arguing the financing case before the Legislature. Ironically, the Legislature delegated powers to the independent PUC to handle such a case so that the Legislature was NOT the place to argue rate or financings cases.

PUC discretion is best exercised within the long established procedures set by the PUC for reviewing utility requests for rates or permission to finance/re-finance. The time to argue whether the time is right or that savings are enough is during the PUC review process, not during the part of the process where the Legislatures is simply giving permission to refinance for savings if and when everyone agrees.

The CCU and GPA WANT to go before the PUC. We are ready to advocate our case to the PUC, as we have done many times before. And we will follow their decision as we have also done before.

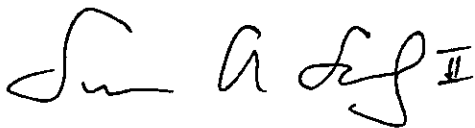
By passing Bill 139 now, the Legislature gives four government entities the flexibility to proceed with saving money if they reach an agreement, and to move quickly once the decision is made. The parties do not have to run back to the Legislature if market forces at the time require prompt action.

The ratepayers have everything to gain from the passage of Bill 139. The ratepayers will not be harmed if Bill 139 becomes law. The PUC will not be harmed.

Bill 139 can only help ratepayers.

I ask the Legislature to pass Bill 139

Si Yu'us Ma'ase for allowing me to provide this testimony.



Simon A. Sanchez II

Ratepayer, CCU Commissioner, former Senator and former PUC Vice Chairman

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# ATTACHMENT 2

## WATER AND WASTEWATER SYSTEM REVENUE BONDS STATISTICS, SOURCES AND USES OF FUNDS SUMMARY

	2005 SERIES	2010 SERIES	2013 SERIES	2014 SERIES	REFUNDING	2016 SERIES
Delivery Date	12/7/2005	11/23/2010	12/12/2013		8/7/2014	2/24/2016
Last Maturity	7/1/2035	7/1/2040	7/1/2043		7/1/2035	1/1/2046
True Interest Cost (TIC)		5.8%	5.6%		4.2%	4.2%
Net Interest Cost (NIC)		5.7%	5.5%		4.4%	4.5%
All-In TIC		5.9%	5.6%		4.3%	4.3%
Average Coupon		5.6%	5.4%		4.9%	5.0%
Term (years)	30	30	30		21	30
Capitalized Interest (years)	2	2 1/2	1 1/2		n/a	1 1/2

### Sources of Funds:

Bonds @ Par	\$ 101,175,000.00	\$ 118,825,000.00	\$ 172,630,000.00	\$ 85,600,000.00	\$ 143,310,000.00
* Original Issue Premium	3,604,522.15*	-	-	5,648,969.70*	18,224,841.75*
Original Issue Discount	-	(2,420,409.15)	(1,532,983.40)	-	-
Debt Service Reserve Fund Contribution	1,349,421.19	-	-	-	-
Insurance Reserve Fund Contribution	50,508.49	-	-	-	-
Bond Funds on Hand	-	-	-	1,283,798.96	-
DSRF Release	-	-	-	268.76	-
<b>Total Sources of Funds</b>	<b>\$ 106,179,451.83</b>	<b>\$ 116,404,590.85</b>	<b>\$ 171,097,016.60</b>	<b>\$ 92,533,037.42</b>	<b>\$ 161,534,841.75</b>

### Uses of Funds:

Beginning Escrow Account Cash Balance	\$ 10.24	\$ -	\$ -	\$ -	\$ -
Refunding Escrow Cash Deposit	-	-	-	-	20.63
SLGS Purchases	-	-	-	-	90,996,840.00
Cost of Escrowed Securities	16,190,765.00	-	-	-	-
Construction Fund Deposit	65,715,130.18	87,359,333.69	139,280,960.98	-	140,019,462.98
Repay GPA Promissory Note	4,736,289.15	-	-	-	-
Debt Service Reserve Fund	7,707,793.76	7,566,537.50	12,031,687.76	-	7,582,725.00
Capitalized Interest	9,149,010.22	18,607,942.22	16,822,958.86	-	11,464,800.00
Underwriter's Discount	1,750,483.73	1,356,296.13	1,261,951.79	759,121.32	1,170,033.77
Cost of Issuance	926,145.00	1,514,481.31	1,698,948.11	768,201.11	1,297,820.00
Contingency	3,824.55	-	-	-	-
Additional Proceeds	-	-	509.10	8,854.36	-
<b>Total Uses of Funds</b>	<b>\$ 106,179,451.83</b>	<b>\$ 116,404,590.85</b>	<b>\$ 171,097,016.60</b>	<b>\$ 92,533,037.42</b>	<b>\$ 161,534,841.75</b>

GUAM POWER AUTHORITY  
BOND ISSUANCES, SOURCES AND USES OF FUNDS

ATTACHMENT 2

	1992 SERIES	1993 SERIES	1994 SERIES	1999 SERIES	2010 SERIES	2010 SERIES	2012 SERIES	2014 SERIES
Delivery Date	12/1/1992	10/1/1993	10/1/1994	5/1/1999	Senior 7/1/2010	Subordinate 7/1/2010	10/18/2012	9/30/2014
Last Maturity	10/1/2022	10/1/2023	10/1/2009	10/1/2034 Re-Financing	10/1/2040	10/1/2015	10/1/2030	10/1/2044
True Interest Cost (TIC)							4.249034%	4.264569%
Net Interest Cost (NIC)							4.394903%	4.430427%
All-in TIC							4.299806%	4.376697%
Average Coupon							4.999028%	4.908217%
Term (years)	30	30	15	35	30	5	18	30
Capitalized Interest (years)					3.25	1.25		
Sources of Funds:								
Bonds @ Par	158,000,000	100,000,000	102,900,000	349,178,601	150,440,000	56,115,000	340,620,000	76,470,000
* Original Issue Premium				(5,092,167)	(4,087,324)	(153,398)	33,518,709 *	7,831,290 *
Original Issue Discount			(1,348,854)					
Proceeds of Refunded Commercial Paper Notes				26,348,000				
Prior Bond Fund Monies Released	6,327,500			6,877,765				

Total Sources of Funds

164,127,500	200,000,000	101,551,146	377,312,198	246,352,676	55,961,662	374,138,709	84,301,290
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Uses of Funds:

Beginning Escrow Account Cash Balance	48,450,089						100	
Escrow Cash Deposit								
SLGS Purchases								
Debt Service Reserve Fund	11,737,505	6,878,618	8,148,276	730,000	12,028,872	5,611,500	358,502,597	5,085,000
Cost of Issuance	6,744,127	4,887,639	2,090,755	5,852,150	1,299,689	483,235	1,946,606	2,669,290
Underwriter's Discount							2,937,425	
AG Insurance @ 80bps					1,671,144	623,346	3,262,530	
Termination Payment							3,574,285	
Deposit to Refunding Escrow								
Refund of Certain Commercial Paper Notes				260,965,674				
Repayment of Short-term Obligations			1,370,271	45,120,753				
Interim Loan Retirement		3,720,000						
Cost of Escrowed Securities								
Construction Fund Deposit	90,699,483	74,752,279	77,131,729	57,869,489	106,277,000	1,767,080		69,000,000
CP Redemption Fund						27,876,501		
Capitalized Interest						20,000,000		
Senior Lien Insurance	6,499,296	9,761,464	12,810,115	6,774,123	22,989,662			7,547,000
Contingency					2,146,309			
Additional Proceeds								
Total Uses of Funds	164,127,500	200,000,000	101,551,146	377,312,198	246,352,676	55,961,662	374,138,709	84,301,290

Present value of prior debt

402,747,250

Net PV Savings

27,940,766

Percentage savings of refunded bonds

7.85%

Percentage savings of refunding bonds

8.29%





Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuatro na Liheslaturan Guahan*  
Committee on Appropriations and Adjudication

COMMITTEE VOTING SHEET

Bill No. 139-34 (COR), As Introduced- T. C. Nelson - "An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds."

COMMITTEE MEMBERS	SIGNATURE	TO DO PASS	TO NOT PASS	TO REPORT OUT ONLY	TO ABSTAIN	TO PLACE IN INACTIVE FILE
CRUZ, BENJAMIN J.F. Chairperson				<input checked="" type="checkbox"/>		
AGUON, Jr., FRANK B. Vice Chairperson	 w/14/17			<input checked="" type="checkbox"/>		
TERLAJE, THERESE M. Member						
ESPALDON, JAMES V. Member				<input checked="" type="checkbox"/>		
RODRIGUEZ, Jr., DENNIS G. Member						
SAN NICOLAS, MICHAEL, F.Q. Member						
LEE, REGINE BISCOE Member				<input checked="" type="checkbox"/>		
MORRISON, THOMAS A. Member				<input checked="" type="checkbox"/>		



Office of the Speaker  
**BENJAMIN J.F. CRUZ**  
*I Mina'trentai Kuåtro na Liheslaturan Guåhan*  
Committee on Appropriations and Adjudication

## COMMITTEE REPORT DIGEST

**Bill No. 139-34 (COR)**– T. C. Nelson – “An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds.”

### **I. OVERVIEW**

**Bill No. 139-34 (COR)** was introduced by Senator Frank B., Jr. on July 6, 2017, and referred to the **Committee on Appropriations and Adjudication** on July 10, 2017.

The Committee on Appropriations and Adjudication convened a public hearing on Monday, July 17, 2017, beginning at 6:00 PM in the Guam Legislature Public Hearing Room. The hearing for Bill No. 139-34 (COR) began at 6:00 PM and ended at 6:54 PM.

#### Public Notice Requirements

All legal requirements for public notices were met, with requests for publication sent to all media and all Senators on July 10, 2017, and July 14, 2017, via email. Copies of the hearing notices are appended to the report.

#### Senators Present

Speaker Benjamin J.F. Cruz, *Chairperson*  
Senator Fernando B. Esteves  
Senator Joe S. San Agustin

#### Appeared Before the Committee

Mr. Joey Duenas, *Chairman, Consolidated Commission on Utilities*  
Mr. John M. Benavente, *General Manager, Guam Power Authority*  
Attorney Fred Horecky, *Legal Counsel, Public Utilities Commission*  
Mr. Jay Rojas, *Administrator, Guam Economic Development Authority*

#### Submitted Written Testimony

Mr. John M. Benavente, *General Manager, Guam Power Authority*  
Mr. Jay Rojas, *Administrator, Guam Economic Development Authority*  
Mr. Simon A. Sanchez II, *Commissioner, Consolidated Commission on Utilities*

### **II. TESTIMONY & DISCUSSION**

Speaker Benjamin J.F. Cruz, Chairman of the Committee on Appropriations and Adjudication (Committee), called the hearing to order and announced Bill No. 139-34

(COR). The Chairman then prompted **Senator Fernando B. Esteves** to read the measure's opening statement, on behalf of the sponsor, **Senator Telenia C. Nelson**.

**Senator Esteves:**

"Dear Speaker Cruz. *Hafa adai*. Thank you for expeditiously scheduling Bill No. 139-34 (COR), an act to approve the terms and conditions of Guam Power Authority revenue bonds to refund outstanding Guam Power Authority revenue bonds for a public hearing. Based on historically low interest rates and current market conditions GPA expects to be able to refund certain maturities of its outstanding 2010 revenue bond Series A for debt service savings. In addition GPA expects that opportunities will arise from time to time to refund all or a portion of its other than outstanding revenue bonds for debt service savings, which is expected to result in potential savings to ratepayers.

"Bill No. 139-34 (COR) would save our ratepayers a projected \$3.1 million dollars of bond savings. In order to benefit ratepayers, the bill determines to approve the issuance of revenue bonds by GPA and is subject to approval by the Consolidated Commission on Utilities, the governor, the Public Utilities Commission and the Board of Directors of Guam Economic Development Authority in accordance with law. According to GPA the 2010 revenue bond Series A was used for capital improvement projects such as the smart grid projects at \$17,000, GPA new main office and operation facility improvements at \$35,000, ambient air quality monitoring at \$1,900, generation improvements at \$16,859, underground fuel pipe conversion at \$2,150, fire protection upgrades at GPA facilities at \$3,808, power substation transmission upgrades and improvements at \$11,550, system protection relay improvements at \$1,893 and power distribution system improvements at \$16,159 with a total of \$106,319 for bond projects. The total payments of the old bond is \$184 million and the new bond total payment is \$179 million with a cash savings of around \$210,000 per annum.

"Senator Nelson would like to thank Senator Castro and myself for co-sponsoring this bill with her and she looks forward to the committee's discussion and approval of this legislation and requests that this statement be included in the committee's report of Bill 139-34 (COR).

*Si Yu'os Ma'ase*. Signed Senator Telenia Cruz Nelson."

**Chairman Cruz:**

"Thank you very much. I think we'll probably have to make some amendments because I think it should run in the millions. But I'm not sure how it was reported."

**Senator Esteves** acknowledged that the figures in the opening statement should have been in the millions, not the thousands. A corrected opening statement (*appended to this report*) was sent to the Committee shortly after.

**Chairman Cruz:**

"Mr. [Duenas]."

**Mr. Duenas:**

"Thank you again Speaker Cruz, Senator Esteves, and Senator San Agustin. I come before you tonight to represent the Commission and we are in support of this effort to refund our bonds. We have a written testimony from our General Manager and we believe that this is a good thing for the ratepayers of Guam. We believe though it will lead to savings in terms of lower debt service coverage for us. Although it's not a huge savings it is still a savings, which we believe. We are looking for any way of cost cutting. So with that I'd like to ask our general manager to read his testimony into the record."

**Chairman Cruz:**

"Please."

**Mr. Benavente** greeted the Committee and proceeded to read his written testimony (*appended to this report*).

**Chairman Cruz:**

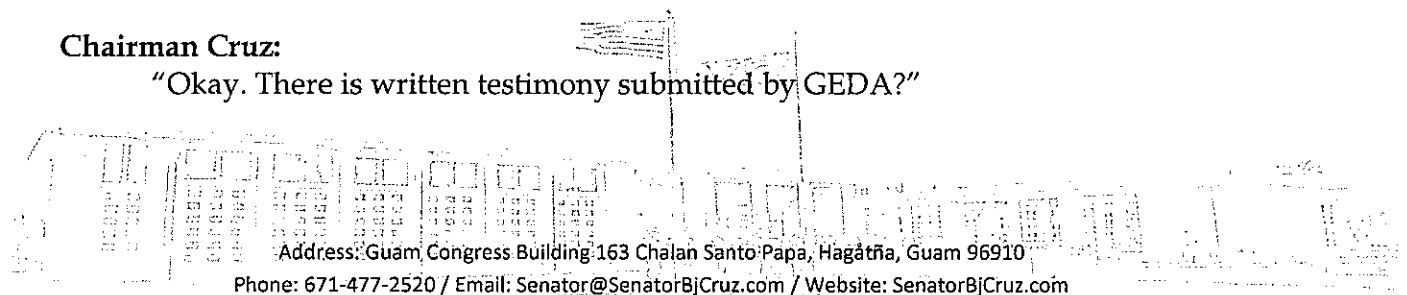
"Anybody else on GPA side that's going to be testifying? Just you? Okay, Mr. Horecky, if it's all right with you can I get the testimony of Mr. Rojas first then have yours?"

**Mr. Rojas:**

"Hafa adai and good evening Mr. Speaker thank you very much for having us here. GEDA has actually provided written testimony and GEDA is essentially here to be able to support the passage of the Bill No. 139-34. We have been in constant communication with both Guam Power Authority and the CCU to be able to take a look at refunding opportunities and as the General Manager has actually stated we are looking at approximately \$3.1 million in ABP savings over the term of this refunding."

**Chairman Cruz:**

"Okay. There is written testimony submitted by GEDA?"



**Mr. Rojas:**

"Yes."

**Chairman Cruz:**

"Do you want to add anything else?"

**Mr. Rojas:**

"I'm available for questions if necessary."

**Chairman Cruz:**

"Thank you. Mr. Horecky."

**Attorney Horecky:**

"Thank you Speaker Cruz, Senator Esteves. My name is Frederick Horecky. I'm the legal counsel and the administrative law judge for the Guam Public Utilities Commission. I am appearing tonight to provide the testimony of Chairman Jeffrey Johnson, the Chairman of the PUC who has offered written testimony on behalf of the Public Utilities Commission.

"Essentially the PUC will be involved in this process of reviewing this bill. Normally we refer these matters to our consultants, but we indicate we haven't had that opportunity, yet. But our initial take on this proposed refunding is that it is not justified, that there is not a pressing need to refinance or refund a portion of the revenue bonds. The PUC is not convinced that GPA would achieve sufficient savings to justify the expense and burden of the refunding. Ratepayers would not be harmed in the absence of this refunding. PUC therefore at this point opposes the bill.

"To indicate the basic problem: the amount of bonds that GPA would intend to refinance is about \$95M. But to refinance \$95 million they're going to spend a \$110M because in addition to the amount of the bonds they have to pay a premium and the cost of issuance. Again they are only refunding a portion of the bonds. The entire bond issue was a \$150 plus million. But this refunding would only be about \$95M. GPA estimates that the cost of issuance will be \$1.9 million. Such costs would include expenses such as underwriter's fees, underwriter's discount, bond counsel fees, fees to the Guam Economic Development Authority and fees for the Engineer's Report. PUC is very concerned about the high cost of these fees particularly underwriter fees and GEDA fees. We note that GEDA has already advertised in local newspapers for an underwriter for this issuance as if it's already

a done deal. GEDA and the underwriters will certainly benefit monetarily from this issuance.

"However, GPA has no firm figures yet on what the actual cost will be. Its estimate was calculated based on 2% of the issuance of \$95M. But as I mentioned in addition there will be a premium cost to issue the bonds of over \$10M. These are upfront costs spent at the time of issuance. In the view of these large upfront costs the proposed savings seem somewhat paltry.

"GPA has claimed that there would be gross savings of \$4.8 million four over the next twenty-four years and Annual Gross Savings of \$210,000. But as Chairman Duenas mentioned what is really considered is the present net value savings because we're talking about savings 24 years down the road. Those net savings would only be \$3.08M over 24 years and if you use that figure the annual savings would be closer to \$128,000. GPA would be spending nearly \$2 million up front in issuance costs and \$10.5M premium to obtain savings of \$3.08 million.

"The question is why should these substantial costs be paid up front to obtain rather small savings over 24 years? Remember GPA is a company with revenues of over \$370,123,000 per year. \$123,000 per year seems to be something of a drop in the bucket. There are certainly other ways that GPA could save money more easily without the burden and expense of bond refunding, such as cost efficiency measures reducing over time, cutting employment positions, reducing unnecessary contracts. As a cost saving measure, GPA has not really demonstrated that this refinancing is an efficient or a cost-effective method. Remember the savings don't occur now. The savings will only be annually over a period of 24 years.

"Money now that GPA has is more valuable than savings that it achieves on a present value basis. This refinancing is not to fund new equipment for the island-wide power system or other operational needs. The refunding will - it's not done, there won't be harm to the ratepayers in this matter.

"GPA has also estimated that the total cost of the bond refunding would be 4.22%. You know that's difficult to predict. The bond refinancing even if approved wouldn't occur for months down the road and the interest rates could definitely change. They change all the time. GPA has claimed in its presentation that the refunding is justified by historically low interest rates. But in fact I've looked at the interest rates and over the period of time since August, 2016 interest rates have been going up. I mean they've gone up, they've gone down. But you could call

this a rising interest rate market. So the question is if GPA is not correct in all of its assumptions about interest rates about employment about the Federal Reserve's actions we could end up in a situation where the savings will not materialize to the extent that GPA indicates. If GPA and Barclays are wrong the alleged savings could be reduced substantially. There are also other issues about this bill that we need to look at.

"One is, GPA has included a prior receipts in the bill of \$2.181 million as savings for the 2017 refunding bonds and prior funds on hand of \$213,000. I think we at the PUC would like to take a closer more careful look to see if these are real savings or not.

"In conclusion at this point the PUC feels that the alleged savings by GPA do not justify the refunding. GPA has relied on bond refinancing many times and generally the PUC has supported it. But on this particular refunding we see very little justification as was present with the prior bond issuances as well as refundings. We think that there are other measures that could be more effective. This refunding will place substantial new costs on the ratepayers. The PUC requests that Bill 13934 not be approved. Dr. Johnson appreciates your consideration of his testimony. Thank you."

**Chairman Cruz:**

"Is the CCU and GPA ready to respond to some of the statements that were made? Because the statements by the PUC are pretty strong."

**Mr. Duenas:**

"Yes, they are and we agree with some of the statements. One of the statements that we agree with is that we would like the PUC to take a closer look. We have not really been able to discuss in full detail with the PUC - all of the things that they brought up. With great respect to them we would disagree. We believe that they've misinterpreted some of the data that they've seen in terms of this refunding. So we agree that they should do their due diligence. We don't have a problem with that. We look forward to that. But we really can't go there until we have an authorization that says we can proceed to look at refinancing the bond.

"The way this is set up is that first there has to be a law as with everything that we do. There has to be a law that says that GPA is authorized to refinance some of its bonds and in the bill I think it says subject of course to the approval of the CCU, the PUC, GEDA - all the different entities. So what we're saying is that this bill is like a threshold bill that says we start down the road and we would like to work

with PUC. We look forward to working with them. We do have a good working relationship I believe. But we believe and I'm going to ask John Benavente to address some of the items that were addressed in Dr. Johnson's letter. But first the point I'd like to make is if we're going to refund anything, if we're going to borrow money, the first step we usually take is to come to the legislature and say we would like to borrow money, this is what we're borrowing the money for and... "

**Chairman Cruz:**

"My only problem with that statement Mr. chairman is your own testimony from GPA. It states in here GPA filed a petition with the PUC for refinancing last November. So what authorization from the Legislature had been given prior to November 2016 for you to be going to PUC? I would have hoped that all of this had been cleared at PUC before you brought this to us."

**Mr. Duenas:**

"So in other words it's the position of the Legislature that we can work with the PUC, start doing everything..."

**Chairman Cruz:**

"I'm saying that. You're claiming that's the procedure."

**Mr. Duenas:**

"We believe."

**Chairman Cruz:**

"But in your own statement you went to PUC before you came to us last November."

**Mr. Duenas:**

"I'd like John to explain that because I think that was a little different."

**Chairman Cruz:**

"Well if you can tell me which authorization you guys went to them with and couldn't you use that same authorization?"

**Mr. Benavente:**

"Thank You Mr. Speaker. Prior to November - again let me explain perhaps the difficulty that we have with the process that is setup. Like Attorney Horecky had mentioned interest rates can changed quickly over time. So, prior to November we received CCU approval to proceed because there was an opportunity for



refinancing the bonds. However, as you've seen we can't refinance the bonds unless we get Legislative approval, we get the PUC approval and GEDA board approval. So therefore we concurrently filed petition with the PUC and I believe the Legislature. Did we file one with the Legislature? Do you remember? (asking a GPA representative). At the same time we were looking to pursue the Legislative authorization. And so again recently we were approached that there is now an opportunity again to save money and that's what the presentation that was provided. It shows that if we refinance the bonds and first of all only a portion of it because the way the bond industry works not all are - some have higher yields or particle funds so they do a combination of all of this to determine which one will provide a savings to GPA.

"So those portions, those bonds to different areas that don't provide a savings to us they are left alone. That's why we don't have a full refunding of 150. We can refund the 95 and get the \$4.8 million savings over the next 24 years or like they said a net present value savings of 3.2. Now again too we have the full intention to work with the PUC and its consultants and everyone because we don't have all the answers necessarily ourselves. We have our consultants coming also and telling us that they believed they are correct and that's why we would be going to the next process to get all of this approved."

**Chairman Cruz:**

"But in November you simultaneously supposedly filed with us and with them."

**Mr. Benavente:**

"Right."

**Chairman Cruz:**

"When did you file with them for this one?"

**Mr. Duenas:**

"We're getting ready to file with them but we wanted to start with discussions with you and we're going to file with them also. But we know that it's going to take you time to pass this. We're hoping that you will pass this soon. We're also going to be filing with them. When we did that in 2016 - we filed with them, we started to work on the law. We were going to give it to you and ask you to please concur on the law. And then the interest rates turned against us. So we just dropped it and we never followed through. It's really something we're trying to get you on board and them on board at the same time."

**Chairman Cruz:**

"I understand it. Who's supposed to be first? Is it we or them? Because by your own testimony in November it was them."

**Mr. Duenas:**

"Well, actually it was supposed to be both. We were trying to do both at the same time in November, but the minute we started going down the road the interest rates changed. And we decided to just drop it."

**Chairman Cruz:**

"And so I'm asking for this one when did you file with them? It should have been filed simultaneously with them."

**Mr. Duenas:**

"We have not filed yet. Mr. Speaker for all in transparency we have not filed yet. We believe that for us we should go through the Legislature first and get your approval saying yes you can refund it subject to all the clearances and all the other approvals that are required. And that's basically what we think would be the best way to approach this."

**Chairman Cruz:**

"It would seem to me that as I understand it - Port Authority was just before us last week and they got approval for their increase in their five-year rate plan in anticipation of a bond that's going to be floated and I don't see that this happened with this one. We don't have the expertise to be able to go through to do this than what we would have expected and I'm very thankful to the PUC who sent in their testimony because then it made us..."

**Mr. Duenas:**

"And I think that is where this is a little different. When we're doing refinancing we're not increasing rates. So there is no rate plan. There's no need to go to them and say we need an increase from you because we're going to borrow money. This is a little different. This is where we're coming to them and to you and saying we believe we have an opportunity to reduce the amount of debt service that we pay and we therefore will not be asking for a rate increase. We're going to be able to reduce a cost. So there's no need for a five year plan. There's no need for rates. This does not impact rates."

"We disagree with some of the statements that the Chairman wrote in his letter. We are not paying a \$10M premium. It actually works out a different way and I'm

not going to try to sit here and try to explain all the financings that go on in bond refinancing. At the end of the day this is the takeaway we would like for you to understand and we would like to explain further with the PUC. When we go through this bond refunding at the end of the day all that happens is we will reduce the debt service coverage, the debt service that we will be paying by about \$200M a year."

**Chairman Cruz:**

"It's not \$200,000?"

**Mr. Duenas:**

"\$200,000 [a] year, rather. I'm sorry".

**Chairman Cruz:**

"Everybody's having a problems with millions and thousands."

**Mr. Duenas:**

"No \$200,00 a year. It's not a huge amount but it is a savings and we are looking for savings everywhere we can get them. So, there will be that savings. There's no money coming out from GPA. There's no rate increase that we're looking for. This is not going to affect rates."

**Chairman Cruz:**

"But you will eventually have to go through them anyway, right?"

**Mr. Duenas:**

"Yes but when we go to them we would like to explain to them because we believe that they have misinterpreted some of the data that I think we provided them. That's all. And we're not faulting anybody. We just need to sit down and work a little more closely with them. So we will be going to them forthwith. But at the end of the day the takeaways... we're not asking for a rate increase. In fact we believe this is going to save our ratepayers \$200,000 a year. We would like to explain it to them and help them understand our position a little bit better because we believe that they've misinterpreted some of the data."

**Chairman Cruz:**

"I know would help me as much as I trust everybody at GPA, I know it would help me and I'm not sure how many of my other colleagues would have problems after reading the PUC's statement whether or not they could support this

legislation. But could we table this for right now until after you've gotten with them and figured it out? As you saw we could do this forthwith."

**Mr. Duenas:**

"Okay."

**Chairman Cruz:**

"The thing is that I don't like this shadow lingering up there and trying to take this and try to defend it on the floor when there is that very strong negative statement from the PUC and if we could dispel it and come back and they join you we could have this done."

**Mr. Benavente:**

"May I make a suggestion, Mr. Speaker? Part of it is really timing and the process to get things like this done. There are some policies that have been set like if the present value savings is greater than two percent then the refinancing can be done. In this case we're looking at three point two or this is greater than 2. So it could also be set by policy, which is actually in law already that we have to get CCU approval. If CCU doesn't approve our refinancing nothing happens. But at least then perhaps in the interest of time and in the interest of having the flexibility to be able to hit the market when the time is right that you can make a contention that the PUC has to approve the scenario. There are no upfront costs. When I say no - again I cannot go in depth with this - there's a slight cost that perhaps the only course here might be the credit rating agencies. We have to get their rating on the bonds. All the other costs does not happen until a contract is signed of the bond issuance.

"So even the underwriters that's doing all this work don't get paid until we see that the issuance is going to be that rating that percentage. Really it's an opportunity with no additional costs to be able to save money for the utility. And \$200,000 may seem to be a small amount but that's \$200,000 that we can probably use on something else. And again understanding the way we run the utility we try to save on fuel savings for vehicles. We save \$200,000 this past year. So again \$200,000 is a savings in debt service - four point eight over twenty-four years or when you calculate whether refinancing or a project is economically feasible. You bring all these costs back to net present value and that is \$3.1M. So perhaps you may be able to give us the authority to go ahead and work with PUC, get them to approve and then we hit the market versus having to come back again. We come back again and it may take us another month, month and a half. Interest rates go up and we lost the opportunity.

"There's really no costs to this. You can set the parameters that would allow us to go to the market. It's just that the whole process - you know granted everyone may want to have that authority to set what will allow us to do this. But he seems like we just had too many approvals and hoops that we had to jump through to get something done. That is quite terrible in the market. So that's why we're asking perhaps some consideration."

**Chairman Cruz:**

"And looking at his bill with it introduced on July 6th and today is the 17th. Within 11 days we had a hearing."

**Mr. Duenas:**

"We appreciate that."

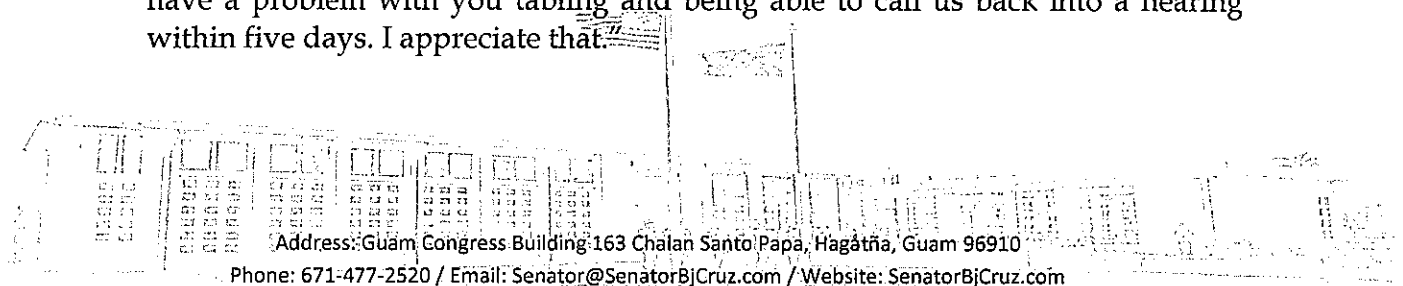
**Chairman Cruz:**

"So we show that we can do it if all of you are on the same page. When two of you are not on the same page I'm not going to be able to carry this. Maybe the three sponsors might be able to try to convince everybody on the floor but I assure you there's going to be lingering doubt and you're better off tabling it until you sort it out and I'll schedule a hearing within five days of you working things out with them."

**Mr. Duenas:**

"Okay. I agree, Mr. Speaker and what we'll approach the PUC forthwith and we'll start down that road. We'll petition them and engage them. We really believe that they have misinterpreted some of the data. No fault. It's just that I think when they looked at some of the schedules they saw \$10M and that's a premium that we're paying. We're not paying anybody a premium. It actually works the other way. But we'll have to explain that to them and also all the other costs. We figured in even the costs for the presentation to the rating agencies and getting the rating agencies to endorse and to do their due diligence. So we figured out the cost."

"The takeaway is this. At the end of the day after all the costs are paid we believe the savings will be about \$200,000 a year and we believe that with all the financial wherewithal and the knowledge that we have. I appreciate what you're saying and I have no problem with doing that. We will go straight to the PUC and we don't have a problem with you tabling and being able to call us back into a hearing within five days. I appreciate that."



**Chairman Cruz:**

"Before I do that I think I should probably give PUC an opportunity. They may not want to do this. I'm just saying trying to get eight votes...."

**Mr. Duenas:**

"I appreciate that Mr. Speaker and that's why I said thank you for offering your suggestion and I think we'll do that. We're open to doing that."

**Senator Esteves:**

"Thank you, Mr. Speaker and thank you for the testimony provided here today. Just for the sake of the public and just to clarify some things. When GPA goes out to the bond market - let's see if I get the process correct. GPA makes a request of the CCU's approval, works with GEDA and works with the PUC and all of that happens before coming to the Legislature for the statute to get passed into law in order for that to happen. Am I correct?"

**Mr. Duenas:**

"That's correct if you're going out for bond issuance to raise money for projects."

**Senator Esteves:**

"I understand that."

**Mr. Duenas:**

"This is a little different."

**Senator Esteves:**

"I do understand that it's different. I think just to echo some of the Speaker's sentiments is that the process exists and there's collaboration on all parts and there has to be obviously agreements and cross all bodies and you guys being the experts in your field. Now echoing the sentiments of the Speaker I think the thought was that all of these things had happened already prior to coming to the Legislature. I'll tell you individually this is not my realm of expertise as much as I would like it to be. So, obviously I'm a little wary. We don't want to be here - I think I can I speak for myself. I don't want to be here attempting to adjudicate whether the PUC is right, whether GEDA is right or whether the CCU is right or GPA. I think what I would like as a policymaker before passing law, which I believe is more towards the final stage is that as you guys came together on the bond issuance because you all have a role to play in one form of another and that you guys all come together on the bond refinancing. Again judging by the testimony I think that system having already existed in place where you had

petitioned simultaneously the Legislature and the PUC. And so perhaps if there was just within the board a kind of policy for anything else that comes up because there may be other opportunities in the future for GPA and the CCU to refinance a bond that will potentially save the ratepayers money.

"But I have to agree with the sentiments of the Speaker that the Legislature should be the last step because truth be told we're talking about affecting Guam law. This is a law that's going to be passed on behalf of the people of Guam and so therefore I think every single party that's involved in this should be addressed prior to so that as lawmakers we're able to place our vote based on all available information. I'm very cautious about voting on something without all the information there and the PUC's input or there being a potential miscommunication as you have stated could result in missing information to myself and the other lawmakers in this final step of the process.

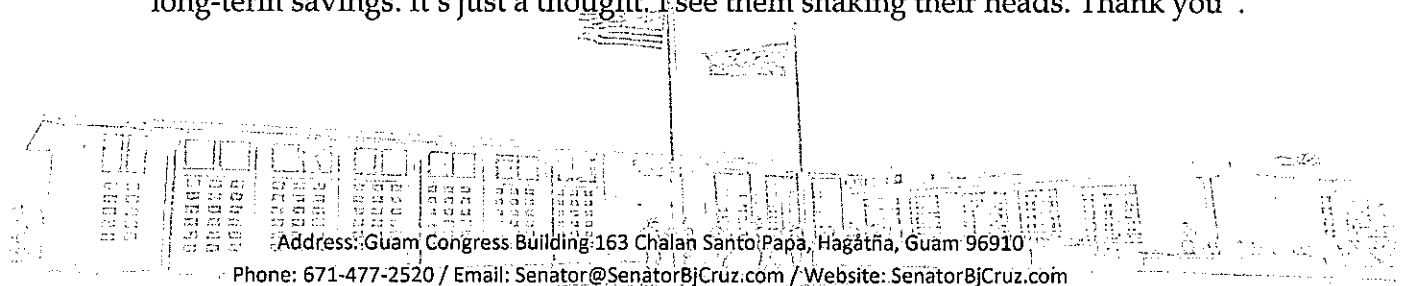
"As one of the co-sponsors of the bill I don't have issue allowing this a little bit more time to develop and I would support any initiative to bring it back out and push it forward as fast as possible once there is some parity between the different entities because I would like to see that the ratepayers are able to save some money. I would just like to add again thank you for always looking at opportunities to save the ratepayers money, however I just ask that maybe we consider some other things, too. Potentially if another opportunity comes up to refinance at a lower interest rate if those potential savings could be used towards a principle of another bond that has potentially a higher interest rate and we can look at potential savings over the long period of time with a greater impact to the ratepayers. For example if we refinance this to a lower interest rate I think was at 4.22%. Is that correct for this one?"

**Mr. Duenas:**

"That's the projection."

**Senator Esteves:**

"I think you guys are doing some other upgrades and some other bonds for some other capital improvement projects. Potentially if they carry a higher interest rate, if something that could be included in the assessment is that in refinancing this bond we take those savings realized and apply that to another bond - apply that towards the principle payment towards another bond to look at real potential long-term savings. It's just a thought. I see them shaking their heads. Thank you".



**Mr. Duenas:**

"Your heart is in the right place, Senator. If I may make a comment real quick. The way it would work is that if we were able to lower the debt service what we were paying for our monthly mortgage payments - put it in layman's terms - then if we got another loan to do an extension on the house then that would benefit us because then our amount of money available to pay debt would be better because we've cut down on one debt. Okay? So your heart is in the right place and I appreciate your thoughts. Could I also make one slight comment. This is really a little different because as we go out to the rating agencies for example in trying to do this refinancing, when we go to them they're going to be looking - so do you need a rate increase? And that's what we're telling you. We are representing to you that there's no rate increase here. In fact we're going to lower our cost. That's the whole point. If they look at this and they say, you guys need rates. The minute they see that we don't have rate support from PUC they're going to say, no. They're going to walk away. So that's why I can represent to you that as we look at it, it's not going to cause any rate increase. The projection is to reduce cost."

**Senator Esteves:**

"I do understand that and I respect that. But again that's the prerogative of the PUC who has that in their purview to make that determination about the rate increase."

**Mr. Duenas:**

"Yes and as I said, we don't have a problem".

**Senator Esteves:**

"Thank you again for the sentiment and statements. I just want to make it clear. I think as a prerogative for myself as a Senator is that I think that applying something into statute and law should really be the final step and that's what I'm asking for individually. Again thank you."

**Senator San Agustin:**

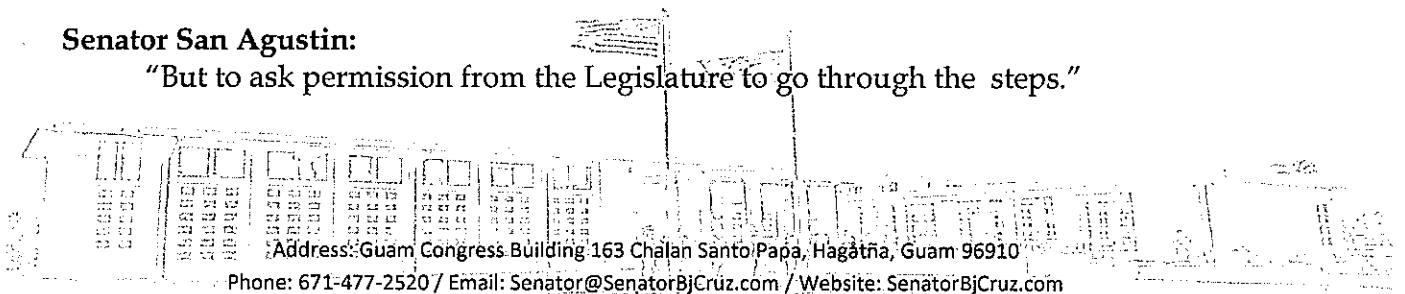
"Mr. Chairman Duenas, sir. A simple question: from GPA to CCU and then PUC, right? All this bill is asking for is the permission to go to CCU then PUC, right?"

**Mr. Duenas:**

"Right. And to go out and do this."

**Senator San Agustin:**

"But to ask permission from the Legislature to go through the steps."





**Mr. Duenas:**  
"Right."

**Senator San Agustin:**

"And PUC is already saying, Mr. Horecky that they're saying no, they don't support GPA going to CCU then to you. Is that what you saying? You don't want the process to get to you to say no because the bottom line - isn't the PUC the final? I mean if it doesn't pass the PUC it doesn't matter if we pass whatever bill, it doesn't go by you."

**Mr. Horecky:**

"That's correct, Senator. We provided testimony. We were asked by Speaker Cruz to look at the bill and give our best opinion about the bill and whether it was necessary. But the way the process would generally work if the Legislature approves this kind of bill then yes, you're correct. It would go through the CCU and then to the PUC. This is chairman Johnson's testimony. He does speak on behalf of the PUC but generally what would happen if you passed the bill there would be more proceedings before the PUC, there would be a petition filed, GPA would then have the opportunity to present its arguments in favor and then the Commission, a body of seven commissioners would vote on the matter. So that's the normal process.

"I think we have an interest in these kinds of bills and we still feel that the savings are somewhat questionable. I know \$200,000 a year was mentioned. But the problem is that's not the value that the ratepayers would actually get in twenty four years because of present value issue. So the money that they're alleging they would save will not be \$200,000 and could be considerably less fifteen years from now or even 10 years from now depending on inflation and other factors. But as for the process I believe you've correctly identified the process."

**Senator San Agustin:**

"Okay. I just wanted to make sure that was clearly understood because I see where the Speaker is coming from and my colleagues here, but if GPA needs a green light, work the process. If it dies at CCU don't say it was us. If it dies at PUC don't say it to us. It's your fault because at least I see something. I see the drawing on the paper. The only thing I need to remind the folks here is that Bill 88 is coming up and you need to have the money up front. If it gets passed in the Legislature you need to have the money up front to pay GEDA. It's not coming out what you borrow. Just to let you know that That bill will probably be moving forward in the session this month and if that gets passed, whatever you borrow you will not

include what you pay everybody else. If you borrow 95, 95 is what you get. Everything else you need to pay GEDA or anybody else, you need to pay that out of the house. It doesn't come out of what you borrowed. Just to give you fair warning. There is a bill that's hot on the table right now. Okay? So it'll take a different course. Just something to think about."

**Mr. Duenas:**

"Senator, I thank you for giving us notice. I did not know about Bill 88. We're going to take a look at right away so we can give you some input. Okay? Thank you very much."

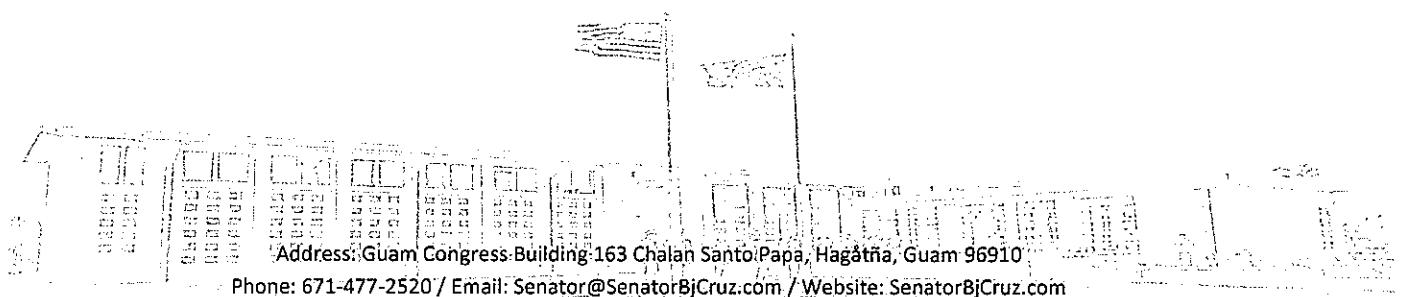
**Chairman Cruz:**

"Mr. Rojas."

**Mr. Rojas:**

"Thank You Mr. Speaker. If I may, I essentially just have to kind of chime in here and essentially say that GEDA is here to be able to support GPA in this refinancing. Savings is a savings and what this refinancing is going to be doing is lowering their debt service on an annual basis. We have presented some estimates with GPA as well as with our underwriters and believe that is the same information that was given to the PUC. Whenever we do these estimates, these estimates are very conservative. So we state that we are looking at a TIC of 4.22%. Currently the bonds are actually funding at 5.5% on average. So a reduction in 5.5% interest to a 4.22% interest is quite a bit of savings, which is where that \$200,000 a year would essentially be going. Again what this does is this reduces their debt service payments on an annual basis by \$200,000, which can then be pushed towards operations.

"I did shake my head a little bit earlier with Senator Esteves' idea that that could actually be used towards other debt. It's probably better used towards other operations because they wouldn't be paying any interest on trying to be able to look at that but that's up to GPA and GPA's management to be able to decide exactly where that goes. The numbers are there. There is going to be a realized savings to kind of go from that standpoint and we are essentially just here to be able to testify and help spearhead the communications between the CCU, GPA and the PUC and that savings do actually exist and will exist for the maturity of these refinanced bonds."



**Senator Esteves:**

"What's the intention for the \$210,000 in savings if everything was to come to fruition?"

**Mr. Duenas:**

"It will be one more cost savings measure that we've done. We've done others. We continue to look at savings and let me explain. We had almost two years ago a catastrophic event at Cabras 3 and 4. So right now we have some very big issues confronting us. One is the need to repower generation, okay? And including repower generation will be collateral equipment that will be needed: pipelines, tanks and other things. So what we've done is we're trying to cut back, find as much cost savings as we can so that when we go out - there are several things: there is still the claim that we hope to settle someday with the insurance companies on Cabras 3 & 4. So we want to try to put all the money together. The goal is to not raise rates at all. To repower generation, to fix the ship, to do everything that we need to do, more renewables. To do all the good things that we want to do at no increase in costs. If at the time we finish all of these big items and put this whole ball of wax together and we find out that we can actually reduce rates, that would be great. We'd love to do that. That is where we're trying to go. So everywhere we can, we look to reduce rates.

"We've cut personnel costs, we've cut the number of people that work at GPA, we're down to about 460 people from 512 when I started in 2009. So we've been cutting people. [inaudible] I think we were at 436 when I started in 2009 on the CCU and we've been constantly trying to find ways to cut costs so we've cut personnel. We've got a whole bunch of other stuff and we continue to look at doing more renewables. We're going to do 120 megawatts. We want to do another 40 so we're going to be up around 180 megawatts of renewables. To do all of these things because you need generation that's going to work well with renewables. Our goal is to put all the money together, cut costs and that's where the money will go to put all this into place and have no rate increase and to come out with a really good power utility that has renewable energy, that is reliable and can provide the island with the power it needs to grow and no increase in the base rates. We don't control the oil. I have to always mention that. So the oil is the oil. But no increase in base rates and that's our goal. Okay?"

**Senator Esteves:**

"This Series A Bond, the one pulled out in 2010 was there - this may have gone to the PUC. Was there a rate increase associated with that?"

**Mr. Horecky:**

"Yes."

**Senator Esteves:**

"And while I appreciate all the efforts you're doing again I ask the board to just be mindful as a matter of principle. If the rate increase was provided for this bond, this specific bond and said bond is being refinanced with the potential savings I think as a matter of principle those savings should go back to the ratepayers. Again I do appreciate what you're trying to do but somehow I feel that it doesn't necessarily fit into the purview of the CCU but more of the PUC because where there is potential savings, it should go back to the ratepayer. Now again that's just as a matter of principle. What I don't want to happen obviously is you give the savings back to the ratepayer and then you go back to the PUC trying to borrow off the bond market for the CIP to get things done where we pay interest on. I get it. I just add this as cautionary. I get the concept and I get what you guys are trying to do and I commend it. But again be mindful of that as part of using those savings for operations as opposed to returning it to the ratepayer. But I think we're on the same page."

**Chairman Cruz:**

"Thank you. The Committee will continue to accept any written testimonies on this matter for the next 10 days. Please provide written testimonies to the Office of the Speaker Benjamin J. Cruz, Guam Congress Building, 163 Chalan Santa Papa, Hagatna, Guam 96910. They may also be sent to my email address: senator@senatorbjcruz.com. Thank you and with that we stand adjourned."

### III. FINDINGS AND RECOMMENDATIONS

The Committee on Appropriations and Adjudication to which was referred **Bill No. 139-34 (COR), As Introduced - T. C. Nelson - "An act to approve the terms and conditions of Guam Power Authority Revenue Bonds to refund outstanding Guam Power Authority Revenue Bonds"** hereby submits these findings to *I Mina'trentai Kuåtro na Liheslaturan Guåhan* and reports out **Bill No. 139-34 (COR), As Introduced** with a recommendation TO REPORT OUT ONLY.

***I MINA' TRENTAI KUATTRO NA LIHESLATURAN GUÅHAN***  
**2017 (FIRST) Regular Session**

Bill No. 139 -34 (COR)

Introduced by:

Telena Cruz Nelson  
William M. Castro  
Fernando Barcinas Esteves *F.B.E.*

**AN ACT TO APPROVE THE TERMS AND CONDITIONS OF  
GUAM POWER AUTHORITY REVENUE BONDS TO  
REFUND OUTSTANDING GUAM POWER AUTHORITY  
REVENUE BONDS.**

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

**Section 1. Legislative Findings and Intent.**

(a) *I Liheslaturan Guåhan* finds that § 8203 of Title 12 of the Guam Code Annotated provides that Guam Power Authority ("GPA") is authorized to incur indebtedness by the issuance of revenue bonds with the approval of *I Maga'lahi* (the Governor) to raise funds for the purpose of establishing the electric power system of GPA, or of acquiring lands for the system, or of acquiring, constructing, improving, equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the system, or any part thereof, or for the purpose of refunding any such bonds, or for any combination of such purposes.

(b) § 12105 of Title 12 of the Guam Code Annotated provides that the GPA shall not enter into any contractual agreements or obligations (including bonds) which could increase rates and charges prior to the written approval of the Guam Public Utilities Commission (the "GPUC").

(c) § 50103 of Title 12 of the Guam Code Annotated provides that public corporations of the government of Guam, including GPA, shall issue bonds and

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1cc

1 other obligations only by means of, and through the agency of the Guam Economic  
2 Development Authority (“GEDA”), and that GEDA shall not sell any bond without  
3 the approval by *I Liheslaturan Guahan* of the terms and conditions of the bonds.

4 (d) Based on historical low interest rates and current market conditions,  
5 GPA expects to be able to refund certain maturities of its outstanding 2010 Series  
6 A revenue bonds for debt service savings. In addition, GPA expects that  
7 opportunities will arise from time to time to refund all or a portion of its other then  
8 outstanding revenue bonds for debt service savings, which is expected to result in  
9 potential savings to ratepayers.

10 (e) In order to benefit ratepayers, *I Liheslaturan Guahan* has determined  
11 to approve the issuance of revenue bonds by GPA for the purpose described in the  
12 above immediately preceding paragraph, all subject to approval by the  
13 Consolidated Commission on Utilities (“CCU”), *I Maga’lahen Guahan*, the  
14 GPUC, and the Board of Directors of GEDA in accordance with law.

15 **Section 2. Approval of the Terms and Conditions of GPA Refunding**  
16 **Bonds.**

17 *I Liheslaturan Guahan*, pursuant to §50103(k) of Title 12 of the Guam Code  
18 Annotated, hereby approves the terms and conditions of the issuance of senior  
19 revenue bonds in one or more series or issues by GPA for the purpose of refunding  
20 all or a portion of its currently outstanding 2010 Series A revenue bonds, in  
21 accordance with the following requirements, limitations, terms and conditions:

22 (a) The aggregate principal amount of the refunding bonds shall not  
23 exceed the sum of (i) the amount determined in accordance with Section 8229 of  
24 Title 12 of the Guam Code Annotated, plus (ii) any additional amount needed to  
25 provide for a deposit to the debt service reserve in connection with the issuance of  
26 the refunding bonds.

1 (b) All obligation of GPA to pay debt service on, and the redemption  
2 price of, the prior bonds shall be discharged concurrently with the issuance of the  
3 refunding bonds. Thereafter, the prior bonds shall be payable solely from and  
4 secured solely by an escrow established for such purpose in accordance with  
5 GPA's existing bond indenture.

6 (c) The final maturity of the refunding bonds shall not exceed the final  
7 maturity of the prior bonds. For clarity, the final maturity of the refunding bonds  
8 may exceed the maturity of an individual series of prior bonds so long as the final  
9 maturity of all such prior bonds is not exceeded.

10 (d) Such bonds shall be issued and sold pursuant to GPA's existing bond  
11 indenture and in compliance with the provisions of Chapter 8 of Title 12 of the  
12 Guam Code Annotated, including approval by the CCU and by *I Maga'laha*  
13 *Guahan* as provided therein.

14 (e) The sale of the bonds shall be approved by the Board of Directors of  
15 GEDA as provided by Chapter 50 of Title 12 of the Guam Code Annotated and the  
16 terms and conditions of the issuance of the bonds shall be approved by the GPUC  
17 as provided by Chapter 12 of Title 12 of the Guam Code Annotated.

18 (f) That the present value of debt service on the refunding bonds shall be  
19 at least two percent (2%) less than the present value of debt service on the prior  
20 bonds, using the yield on the refunding bonds as the discount rate.

21 (g) Promptly following the approval of the issuance of refunding bonds  
22 by GPA under this Section by the CCU, the CCU shall provide *I Liheslaturan*  
23 *Guahan* a copy of the resolution providing for such approval.

24 **Section 3. Severability.** If any provision of this Act or its application to  
25 any person or circumstances is found to be invalid or contrary to law, such  
26 invalidity *shall not* affect other provisions or applications of this Act that can be  
27 given effect without the invalid provisions or application, and to this end the

1 provisions of this Act are severable.





## COMMITTEE ON RULES

I Mina'Trentai Kuåttro na Liheslaturan Guåhan • 34<sup>th</sup> Guam Legislature

### PRE-REFERRAL CHECKLIST

<b>BILL NO. 139-34 (COR)</b>		
<b>AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER AUTHORITY REVENUE BONDS</b>		
<b>(A) Legal Bureau</b>	<p>(1) One subject matter? [SR § 6.01(a), 2 GCA § 2108(a)] <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)</p> <p>(2) Conform to Standing Rules as to form and style? [SR §§ 6.02(b) and (d), 6.03(d)] <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)</p>	<p>Notice to Legal Bureau: <u>7-6-17 3:51 pm</u></p> <p>Completed by Legal Bureau: <u>7-10-17 10:17 am</u></p>
<b>(B) Office of Finance &amp; Budget (OFB)</b>	<p>(1) Does the Bill contain appropriations or authorizations for appropriations from any fund sources? <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO</p> <p>(2) Does the Bill contain an authorization to expend government funds? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A</p> <p>(3) Does the Bill contain provisions that have <u>potential</u> fiscal impacts on the government of Guam budget? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A</p>	<p>Notice to OFB: <u>7-6-17 3:51 pm</u></p> <p>Completed by OFB: <u>7-7-17 3:58 pm</u></p>
<b>COR Action</b>	<p>Is the fiscal impact revenue negative to the government of Guam budget? <input type="checkbox"/> YES (Refer to Committee on Appropriations) <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A</p>	<p>Completed by: <u></u></p>

## PRE-REFERRAL CHECKLIST

<b>BILL NO. 139-34 (COR)</b> <b>AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER          AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER          AUTHORITY REVENUE BONDS.</b>		
<b>(C) DEBT</b>		
<b>(1) SR § 6.01 (b)(1)(A)</b> Land, Infrastructure, Building Projects, Capital Improvement Projects	<input checked="" type="checkbox"/> N/A <input type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)	<b>Received by:</b> (Signature, Date & Time) 7-10-17 @ 4pm  <b>Completed by:</b> (Signature, Date & Time) 
<b>(2) SR § 6.01 (b)(1)(B)</b> Refinancing of existing debt (not less than 2%)	<input type="checkbox"/> N/A <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO (Return to Prime Sponsor)	
<b>(3) SR § 6.01 (b)(2)</b> Authorize public debt to fund operations of agency, instrumentality, public corporation	<input checked="" type="checkbox"/> N/A <input type="checkbox"/> YES (Return to Prime Sponsor) <input type="checkbox"/> NO <input type="checkbox"/> Waived (per official state of emergency, as attached)	
<b>COR Action</b>	<input type="checkbox"/> Return to Prime Sponsor <input checked="" type="checkbox"/> Refer to: <div style="font-size: 1.2em; margin-top: 5px;">Cmte. on Appropriations</div>	<b>Date &amp; Time:</b> <div style="font-size: 1.2em; margin-top: 5px;">7-10-17 @ 4:58pm</div>

<b>For COR Office Use Only</b>	<b>Pursuant to COR decision (COR Meeting, April 3, 2017):</b>  Completed within five (5) working days? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>Initial:</b>  <b>If NO:</b> Provide letter of explanation (see attached).
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Speaker Benjamin J.F. Cruz,  
Member

Vice Speaker Therese M. Terlaje,  
Member

Senator Thomas C. Ada,  
Member

Senator Frank B. Aguon, Jr.,  
Member

Senator Telenia C. Nelson,  
Member



Senator Dennis G. Rodriguez, Jr.,  
Member

Senator Joe S. San Agustin,  
Member

Senator Michael F.Q. San Nicolas,  
Member

Senator James V. Espaldon,  
Member

Senator Mary C. Torres,  
Member

**COMMITTEE ON RULES**  
**SENATOR RÉGINE BISCOE LEE, CHAIR**  
SIKRITARIAN LIHESLATURAN GUAHAN  
I MINA'TRENTAI KUATTRO NA LIHESLATURAN GUÅHAN  
LEGISLATIVE SECRETARY • 34<sup>TH</sup> GUAM LEGISLATURE

July 28, 2017

## MEMO

**To:** Rennae Meno  
Clerk of the Legislature

**From:** Senator Régine Biscoe Lee  
Chairperson, Committee on Rules

**Re:** Fiscal Note

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*Buenas yan Håfa adai.*

Attached, please find the fiscal note for the following bill:

**Bill No. 139-34 (COR)**

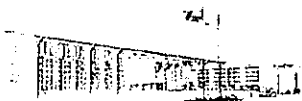
Please forward the same to Management Information Services (MIS) for posting on our website.

For any questions or concerns, please feel free to contact Jean Cordero, Committee on Rules Director, at 472-3455.

Thank you for your attention to this important matter.

Respectfully,

  
Senator Régine Biscoe Lee  
Chairperson, Committee on Rules



**Bureau of Budget & Management Research  
Fiscal Note of Bill No. 139-34 (COR)**

**AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER AUTHORITY REVENUE BONDS.**

**Department/Agency Appropriation Information**

Dept./Agency Affected: <b>Guam Power Authority (GPA)</b>	Dept./Agency Head: <b>John M. Benavente, General Manager</b>
Department's General Fund (GF) appropriation(s) to date:	
Department's Other Fund (Specify) appropriation(s) to date:	
Total Department/Agency Appropriation(s) to date:	<b>\$0</b>

**Fund Source Information of Proposed Appropriation**

	General Fund:	Other Fund (Specify)	Total:
FY 2016 Unreserved Fund Balance		\$0	\$0
FY 2017 Adopted Revenues	\$0	\$0	\$0
FY 2017 Appro. (P.L. 33-185 thru )	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

**Estimated Fiscal Impact of Bill**

	One Full Fiscal Year	For Remainder of FY 2017 (if applicable)	FY 2018	FY 2019	FY 2020	FY 2021
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Other Fund (Specify)	\$0	\$0	\$0	\$0	\$0	\$0
Total	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>

1. Does the bill contain "revenue generating" provisions? / / Yes /X/ No  
If Yes, see attachment
2. Is amount appropriated adequate to fund the intent of the appropriation? /X/ N/A / / Yes / / No  
If no, what is the additional amount required? \$ /X/ N/A
3. Does the Bill establish a new program/agency? / / Yes /X/ No  
If yes, will the program duplicate existing programs/agencies? / / N/A / / Yes /X/ No  
Is there a federal mandate to establish the program/agency? / / Yes /X/ No
4. Will the enactment of this Bill require new physical facilities? / / Yes /X/ No
5. Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / / Yes /X/ No  
/X/ Requested agency comments not received by due date /X/ Other: Time Constraints

Analyst: William J. Tattington Date: 7/27/17 Director: Lester L. Carlson, Jr. Date: JUL 28 2017  
William J. Tattington, B&M Analyst Supvr. Lester L. Carlson, Jr., Acting Director

**Footnotes:**

1/ See attached comments.

### Comments on Bill No. 139-34 (COR)

Bill 139-34 is an "Act to approve the terms and conditions of Guam Power Authority (GPA) Revenue Bonds to refund outstanding GPA Revenue Bonds". The intent is to seek legislative approval pursuant to §50103(k) of Title 12 of the Guam Code Annotated, for a proposed refinancing of about \$95.0 Million in Series 2010A Bonds which will provide savings on debt service which is expected to result in potential savings to ratepayers. The GPA notes that the savings would be around \$200,000 annually, based on GPA's calculations, or \$4.8 Million over the 24 years.

Based on written testimony provided by the Guam Economic Development Authority (GEDA), the GEDA has been working with the GPA on refunding opportunities for its outstanding bonds as a means to provide cash flow savings that can translate into savings for the rate-payers. GEDA notes that in today's market, GPA stands to save over \$3.0 Million or approximately 3.24% net present value, by refunding \$95.0 Million of its Series 2010A Bonds. GEDA also notes that taking advantage of refunding opportunities at this time will further assist GPA in its move toward providing additional capacity through the procurement of a 180 MW combined cycle unit at the best possible cost to the people of Guam.

However, according to testimony provided at the legislative public hearing on Bill 139-34 on July 17, 2017, the Guam Public Utilities Commission (PUC) stated that the PUC does not support the proposed refinancing and that the \$3.0 Million in savings over 24 years would not be worth the large fees associated with the processing and other costs associated with borrowing. The PUC noted that with issuance fees and premiums included, the GPA would spend a total of \$110.0 Million to refinance \$95.0 Million and save about \$3.0 Million over 24 years. The Ratepayers according to PUC would ultimately not experience any negative effects without the savings in debt service, however, as a cost-saving measure, the GPA has not really demonstrated that this proposed refinancing is an efficient or cost-effective method.

Based on subsection (e) of Section 1. Legislative Findings and Intent of Bill 139-34, *I Liheslaturan Guåhan's* approval of the issuance of revenue bonds by GPA is subject to approval by the Consolidated Commission on Utilities (CUC), *I Maga'lahaen Guåhan*, the PUC, and the Board of Directors of GEDA in accordance with law. And, in light of PUC's statements at the public hearing to not support Bill 139-34, it was suggested by the Chairperson of the Legislative Committee on Appropriations and Adjudication that further discussions of Bill 139-34 be tabled until such time the GPA and Consolidated Commission on Utilities (CCU) had the opportunity to meet and fully discuss with PUC officials the proposed refinancing in order to clarify issues and address noted concerns.



Office of the Speaker

**BENJAMIN J.F. CRUZ**

*I Mina'trentai Kuåtro na Liheslaturan Guåhan*

Committee on Appropriations and Adjudication

**MEMORANDUM**

**To: Senator Régine Biscoe Lee**

*Chair, Committee on Rules*

**From: Speaker Benjamin J.F. Cruz**

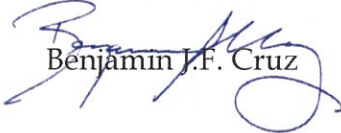
**Re: Waiver of Funding Availability Note for Bill No. 139-34 (COR)**

*Håfa Adai!*

In accordance with Section 6.01(d)(1), Rule VI, Part B of I Mina'trentai Kuåtro na Liheslaturan Guåhan, the Committee on Appropriations and Adjudication (Committee), with the assistance of the Office of Finance and Budget, has reviewed **Bill No. 139-34 (COR)**.

The Committee has determined that the above-referenced bill does not contain an appropriation or an authorization for appropriation from a specified funding source. Therefore, a **Funding Availability Note has been waived**.

Si Yu'os ma'åse'

  
Benjamin J.F. Cruz



# OFFICE OF SENATOR TELENA CRUZ NELSON

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CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY  
I MINA'TRENTAI KUATTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

July 17, 2017

**VIA E-MAIL:**

[senator@senatorbjcruz.com](mailto:senator@senatorbjcruz.com)

Honorable Benjamin J.F. Cruz  
Speaker and Chairperson  
Committee on Appropriations and Adjudication  
Guam Congress Building  
155 Hesler Place, Suite 107  
Hagåtña, Guam 96910

**Subject: Sponsor Statement for Bill No. 139-34 (COR)**

Dear Speaker Cruz:

*Håfa Adai!* Thank you for expeditiously scheduling **Bill No. 139-34 (COR)- "AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER AUTHORITY REVENUE BONDS,"** for a public hearing.

Based on historical low interest rates and current market conditions, GPA expects to be able to refund certain maturities of its outstanding 2010 Revenue Bonds Series A for debt service savings. In addition, GPA expects that opportunities will arise from time to time to refund all or a portion of its other then outstanding revenue bonds for debt service savings, which is expected to result in potential savings to ratepayers.

Bill No. 139-34 (COR) would save our ratepayers a projected \$3.1 million dollars of bond savings. In order to benefit ratepayers, the bill determines to approve the issuance of revenue bonds by GPA and is subject to approval by the Consolidated Commission on Utilities, the Governor, the Guam Public Utilities Commission, and the Board of Directors of Guam Economic Development Authority in accordance with law.

According to GPA, the 2010 Revenue Bonds Series A was used for capital improvement projects such as the Smart Grid Projects (\$17,000,000), GPA New Main Office & Operation Facility Improvements (\$35,000,000), Ambient Air Quality Monitoring (\$1,900,000), Generation Improvements (\$16,859,000), Underground Fuel Pipeline Conversion (\$2,150,000), Fire Protection Upgrades at GPA Facilities (\$3,808,000), Power Substation/Transmission Upgrades and Improvements (\$11,550,000), System Protection Relaying Improvements (\$1,893,000), and Power Distribution System Improvements (\$16,159,000) with a total of \$106,319,000 for bond projects. The total payment of the old bond is \$184 million and the new bond total payment is \$179 million with a cash savings of around \$210,000 per annum.

GUAM CONGRESS BLDG. 163 CHALAN SANTO PAPA HAGÁTÑA, GUAM 96910

Tel: (671) 989-4678/7689 | Email: [senatortcnelson@guamlegislature.org](mailto:senatortcnelson@guamlegislature.org)

July 17, 2017

Page 2 of 2

I thank Senator William M. Castro and Senator Fernando Barcinas Esteves for co-sponsoring this bill with me and I look forward to the Committee's discussion and approval of this legislation, and request that this statement be included in the Committee Report of Bill No. 139-34 (COR). *Si Yu'as Ma'ase!*

*Senseramente,*



**Telen Cruz Nelson**

Senator

*I Mina' Trentai Kuättro Na Libeslaturan Guåhan*





# OFFICE OF SENATOR TELENA CRUZ NELSON

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CHAIRPERSON OF THE COMMITTEE ON HOUSING, UTILITIES, PUBLIC SAFETY & HOMELAND SECURITY  
I MINA'TRENTAI KUATTRO NA LIHESLATURAN GUAHAN | 34th GUAM LEGISLATURE

For Immediate Release  
July 7, 2017

## SENATOR NELSON INTRODUCES BILL TO REFUND GUAM POWER AUTHORITY REVENUE BONDS

(Hagåtña, Guam) Senator Telena Cruz Nelson authored Bill No. 139-34 (COR), a measure, co-sponsored by Senator William M. Castro and Senator Fernando Barcinas Esteves, to approve the terms and conditions of the Guam Power Authority to refund outstanding 2010A revenue bonds.

Based on historical low interest rates and current market conditions, GPA expects to be able to refund certain maturities of its outstanding 2010 Series A revenue bonds for debt service savings. In addition, GPA expects that opportunities will arise from time to time to refund all or a portion of its other then outstanding revenue bonds for debt service savings, which is expected to result in potential savings to ratepayers. Senator Nelson noted that the original bonds funded GPA projects.

"This bill would save our ratepayers a projected \$3.1 million dollars of bond savings and I am committed to working toward improving our island's utilities for our people," Senator Nelson stated.

In order to benefit ratepayers, the bill determines to approve the issuance of revenue bonds by GPA and is subject to approval by the Consolidated Commission on Utilities, the Governor, the Guam Public Utilities Commission, and the Board of Directors of Guam Economic Development Authority in accordance with law.

###

For more information, please contact the Office of Senator Telena Cruz Nelson at 989-7696.

*Attachment: Bill No. 139-34 (COR)*

Senator Thomas C. Ada,  
Vice Chairperson

Speaker Benjamin J.F. Cruz,  
Member

Vice Speaker Therese M. Terlaje,  
Member

Senator Frank B. Aguon, Jr.,  
Member

Senator Telena C. Nelson,  
Member



Senator Dennis G. Rodriguez, Jr.,  
Member

Senator Joe S. San Agustin,  
Member

Senator Michael F.Q. San Nicolas,  
Member

Senator James V. Espaldon,  
Member

Senator Mary C. Torres,  
Member

**COMMITTEE ON RULES**  
**SENATOR RÉGINE BISCOE LEE, CHAIR**

SIKRITARIAN LIHESLATURAN GUAHAN  
MINA'TRENTAI KUATTRO NA LIHESLATURAN GUAHAN  
LEGISLATIVE SECRETARY • 34<sup>TH</sup> GUAM LEGISLATURE

**COMMITTEE REPORT CHECKLIST**

Part 1 / 1

BILL NO. 139-34 (COR) As Introduced AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND OUTSTANDING GUAM POWER AUTHORITY REVENUE BONDS		
REFERRED TO: Speaker B.J.F. Cruz, Chairman Cmte on Appropriations and Adjudication		
<b>(A) FISCAL NOTE or WAIVER</b>	<b>(1) Requested by COR</b> <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Date & Time: <i>July 10, 2017 @ 5:38 pm</i>
	<b>(2) Received by COR</b> <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Date & Time: <i>July 28, 2017 @ 1:55 pm</i>
	<b>(3) Waived by COR</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Date & Time:
	<b>(4) Bill contains appropriations or authorizations for appropriations from any fund sources?</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	If YES: <b>(4/5)(a) Funding Availability Note/Waiver (OFB) attached?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO (Unable to file CMTE Report)
	<b>(5) Bill contains an authorization to expend government funds?</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<b>(4/5)(b) Funding source identified?</b> 2 GCA § 9101 <input type="checkbox"/> YES <input type="checkbox"/> NO (Proceed to (A)(6))
		<b>(4/5)(c) Funds available and sufficient?</b> 2 GCA § 9101 <input type="checkbox"/> YES <input type="checkbox"/> NO (Proceed to (A)(6))
<b>(6) Restrictions Against Unfunded Appropriations (2 GCA § 9101)</b> <input type="checkbox"/> Identifies specific alternate funding source <input type="checkbox"/> De-appropriates from previous appropriation with available funds and fiscal note <input type="checkbox"/> Written certification by CMTE Chair that a situation exists which "threatens the safety, health and welfare of the community"		If <b>no boxes</b> checked:  <b>UNABLE TO PLACE ON SESSION AGENDA</b> 2 GCA § 9102

Committee Report Checklist on  
Bill No. 139-34 (COR) As Introduced

Part 1 / 1

<b>(B) PUBLIC HEARING</b>	<b>(1) HEARING NOTICES</b> SR §§ 6.04(a)(1) and 6.04(a)(2), Open Government Law (5 GCA, Ch. 8)	
	<input checked="" type="checkbox"/> <b>(a)</b> Five (5) working days prior (A L Senators & ALL Media)	<b>Date and Time of Notice:</b> <i>July 10, 2017 @ 5:38 pm</i>
	<input checked="" type="checkbox"/> <b>(b)</b> Forty-eight (48) hours prior (ALL Senators & ALL Media)	<b>Date and Time of Notice:</b> <i>July 14, 2017 @ 8 am</i>
	<b>(2) Date and Time of Hearing:</b> <i>July 17, 2017 @ 6 pm</i>	or <b>(4) HEARING WAIVED by Speaker in case of emergency</b> SR § 6.04(a)(1) <input type="checkbox"/> YES <input type="checkbox"/> NO <input type="checkbox"/> N/A  If YES: <b>Attach memo indicating WAIVER</b>
	<b>(3) Location:</b> Public Hearing Room, Guam Congress Building	
	<b>(5) AMENDMENTS or SUBSTITUTIONS BY COMMITTEE</b> SR § 6.04(b)	
	<b>(a) Committee elects to substitute bill?</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<b>If YES:</b> <b>Date and Time:</b>  <b>(a)(1) Vote sheet affirmative?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO  <b>(a)(2) Preliminary report filed with COR?</b> SR § 6.04(b)(2) <input type="checkbox"/> YES <input type="checkbox"/> NO  <b>(a)(3) Public Hearing noticed?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO
	<b>(b) Bill materially different after committee amendment or substitution?</b> <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	<b>If YES:</b> <b>SECONDARY PUBLIC HEARING MAY BE REQUIRED</b> SR § 6.04(c)(3)  <input type="checkbox"/> YES <input type="checkbox"/> NO
	_____ COR Chair	

Committee Report Checklist on  
Bill No. 139-34 (COR) As Introduced

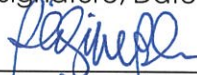
Part 1 / 1

<b>(C) COMMITTEE REPORT</b>	<b>(1) Committee Report filed with COR?</b> <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO  If YES: <b>Date &amp; Time:</b> 11-17-17 @ 4:14pm	Notes:	If NO: <b>UNABLE TO PLACE ON SESSION AGENDA</b> SR § 6.04(d)(1)
	<b>(1)(a) Secondary CMTE Report filed with COR?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A  If YES: <b>Date &amp; Time:</b>		
	<b>(2) LAND LEGISLATION</b>		
	<b>(a) Bill involves government taking, transfer, purchase, or lease of land?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A	If YES: <b>ATTACH TWO (2) PROPERTY APPRAISALS TO CMTE REPORT</b> SR § 6.04(c)(4) 2 GCA § 2107(b)	
	<b>(a)(1) Please indicate on both columns:</b>		
	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <b>(i) Type of transaction:</b>  <input type="checkbox"/> Taking  <input type="checkbox"/> Transfer  <input type="checkbox"/> Purchase  <input type="checkbox"/> Lease               </td><td style="width: 50%; vertical-align: top;"> <b>(ii) Type of entity:</b>  <input type="checkbox"/> Government  <input type="checkbox"/> Non-government               </td></tr> </table>		
<b>(i) Type of transaction:</b> <input type="checkbox"/> Taking <input type="checkbox"/> Transfer <input type="checkbox"/> Purchase <input type="checkbox"/> Lease	<b>(ii) Type of entity:</b> <input type="checkbox"/> Government <input type="checkbox"/> Non-government		
<b>(b) Bill involves legislative land rezoning?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A	If YES: <b>INCLUDE Land Zoning Consideration Report</b> 2 GCA § 2110		
<b>(b)(1) Bill involves legislative rezoning of property zoned Agricultural (A)?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A	If YES: <b>INCLUDE Agricultural Consideration Report (Dept. of Agriculture)</b> 2 GCA § 2110 [Proceed to (b)(2)]		
<b>(b)(2) Proof of Agricultural consideration report reviewed by Guam Land Use Commission? 21 GCA § 61637</b> <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A			



Committee Report Checklist on  
Bill No. 139-34 (COR) As Introduced

Part 1 / 1

<b>(D) COMMITTEE REPORT (continued)</b>	<b>(3) G.A.R.R. LEGISLATION</b> SR § 6.04(c)(1) 5 GCA §§ 9301 and 9303	
	<b>a) Bill involves approving or amending Rules and Regulations?</b> <input type="checkbox"/> YES <input type="checkbox"/> NO <input checked="" type="checkbox"/> N/A	<b>If YES: INCLUDE Economic Impact Statement</b> 5 GCA §§ 9301(d), 9301(e), 9301(f)
	<b>(4) COMMITTEE REPORT COMPONENTS</b>	
	<b>(a)</b> Front Page Transmittal to <del>Speaker</del> <u>COR Chairperson</u>	
	<b>(a)(1)</b> COR Chair Signature Line	
	<b>(b)</b> Title Page	
	<b>(c)</b> Committee Chair Memo to All Committee Members	
	<b>(d)</b> COR Referral Memorandum	
	<b>(e)</b> Notice of Public Hearing & Other Correspondence	
	<b>(f)</b> Public Hearing Agenda	
	<b>(g)</b> Public Hearing Sign-in Sheet	
	<b>(h)</b> Written Testimonies & Additional Documents	
	<b>(i)</b> Committee Vote Sheet(s)	
	<b>(j)</b> Committee Report Digest(s)	
	<b>(k)</b> Bill History	
	<b>(k)(1)</b> Copy of Bill as introduced	
	<b>(k)(2)</b> COR Pre-Referral Checklist	
	<b>(k)(3)</b> Copy of Bill as corrected by Prime Sponsor (if applicable)	
	<b>(k)(4)</b> Copy of Bill as amended/substituted by Committee (if applicable)	
	Substitute/Amended Mark-Up Version	
	Substitute/Amended Word-Version Emailed to COR?	
	<b>(l)</b> <del>Fiscal Note</del> <u>Waiver and Funding Availability Note (OFB)</u>	
	<b>(m)</b> Two (2) Property Appraisals (if applicable)	
	<b>(n)</b> Related News Reports (optional)	
<b>(o)</b> Miscellaneous (optional)		
<b>(p)</b> Committee Report Checklist(s)		
	Originals	
	Single-Sided	
	Letter Size	
	No Staples/ Paper Clips	
<b>(E) COR Action</b>	<input checked="" type="checkbox"/> CMTE Report duly filed; Available for Placement on Session Agenda <input type="checkbox"/> CMTE Report non-conforming for acceptance; Return to Committee	<b>COR CHAIR</b> (Signature, Date & Time)  <u>February 11-20-17 9:05am</u> 