

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

APPLICATION OF THE) GPA Docket 12-03
GUAM POWER AUTHORITY)
TO ISSUE BONDS)
_____)

ORDER

On June 14, 2012, Guam Power Authority (“GPA”) petitioned the Guam Public Utilities Commission (“Commission”) for authority to issue additional senior bonds for the purpose of restructuring and refunding certain outstanding senior bonds, and up to \$20 million in subordinate bonds for the purpose of financing termination payments, if any, in connection with GPA’s Forward Delivery Agreements with Lehman Brothers Special Financing Inc. and Bank of America (the “Forward Delivery Agreements”).

The Commission has examined the petition and the findings and recommendations of its regulatory consultants. After discussion at a duly convened Commission meeting on September 25, 2012, and upon specific finding that the GPA petition is in the best interests of GPA’s ratepayers, the Commission, [by unanimous vote of five Commissioners], hereby **ORDERS THAT:**

1. GPA has withdrawn its request to issue Subordinate Bonds; there is no need for the PUC to further address such request.
2. The Order Approving Long-Term Debt, in form attached (“Debt Order”), shall be and is hereby adopted by the Commission.
3. A portion of the proceeds of the long-term debt authorized by the Debt Order is authorized to be used to restructure and/or refund 1993 Bonds and 1999 Bonds (as defined in the Debt Order) and to make a deposit to the senior Bond Reserve Fund in an amount determined in part by the amount used in connection with the termination of the Lehman Brothers Forward Delivery Agreement, providing that the restructuring, refunding, and deposit to the senior Bond Reserve Fund satisfy the conditions set forth in the Order Approving Long Term Debt.

Dated this 25th day of September, 2012.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

APPLICATION OF THE) GPA Docket 12-03
GUAM POWER AUTHORITY)
TO ISSUE BONDS)
_____)

ORDER APPROVING LONG-TERM DEBT

On September 28, 1992, this Commission adopted an Order approving certain aspects of the proposal of Guam Power Authority (“GPA”) to issue and sell long-term debt in the form of revenue bonds (“Senior Bonds”) pursuant to Chapter 8 of Title 12 of the Guam Code Annotated (Sections 8101 et seq.) (the “Act”) for the purposes of financing certain additions and improvements to the electric power system of GPA and, as part of such financing program, refunding certain of GPA’s then outstanding bonds and other indebtedness. The proposed form of an indenture pursuant to which the Senior Bonds in one or more series were proposed to be issued (the “Indenture”) was presented to the Commission at that time. In accordance with the Act, the covenants and agreements authorized by the Act and included in the Indenture were approved by said Order for inclusion in substantially such form in the Indenture executed by GPA; and certain modifications of such form were approved by Order of the Commission adopted on December 3, 1992. GPA executed and delivered the Indenture on January 5, 1993, and has issued five series of Senior Bonds, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted.

GPA has now applied to the Commission for approval of one or more additional series of Senior Bonds for the purposes of restructuring GPA’s outstanding Revenue Bonds, 1993 Series A (the “1993 Bonds”) and 1999 Series A (the “1999 Bonds”) that mature in the years 2012 through 2018, refunding all or a portion of the balance of the 1993 Bonds and 1999 Bonds, and making a deposit in the Bond Reserve Fund established under the Indenture in an amount determined in part by the amount used to terminate GPA’s Forward Delivery Agreement with Lehman Brothers Special Financing Inc. (the “Lehman Brothers Forward Delivery Agreement”), in each case subject to the terms and conditions approved in Public Law 31-233 (the “GPA 2012 Bonds Law”). The Senior Bonds proposed to be issued for purposes of the restructuring are herein called “Restructuring Bonds,” the Senior Bonds proposed to be issued for purposes of the refunding of the balance of the 1993 Bonds and the 1999 Bonds are herein called “Refunding Bonds,” and the Senior Bonds proposed to be issued for the purpose of replenishing the Bond Reserve Fund for amounts used to terminate the Forward Delivery Agreement with Lehman Brothers Special Financing Inc. are herein called the “FDA Bonds.” Collectively, the Restructuring Bonds, Refunding Bonds and FDA Bonds are herein called the 2012 Senior Bonds.

The proposed form of supplemental indenture pursuant to which the 2012 Bonds are proposed to be issued has been presented to the Commission (together with certain financial and other relevant information) and is attached hereto, together with the Indenture, as Exhibit A (the “Supplemental Indenture”).

The Commission having duly considered the application of GPA and the information presented on GPA's behalf and having determined that the issuance of 2012 Bonds for such purposes is just and reasonable, hereby **ORDERS THAT**:

1. The covenants and agreements authorized by Section 8210 of the Act and included in Exhibit A are hereby approved for inclusion in substantially such form in the Indenture, as supplemented and amended by the Supplemental Indenture executed by GPA; provided, however, that any material modification or amendment of the Supplemental Indenture shall be subject to the Commission's prior review and approval. GPA shall have the responsibility of bringing any such material modification or amendment to the Commission's attention.
2. The issuance and sale of Restructuring Bonds are hereby approved, subject to the Restructuring Bonds, the Refunding Bonds, and the FDA Bonds satisfying all terms and conditions set forth in paragraphs 3, 5 and 7 of this Order.
3. The issuance and sale of Restructuring and Refunding Bonds are hereby approved, provided that the present value of debt service on the aggregate of the Restructuring and Refunding Bonds is at least two percent less than the present value of debt service on the Senior Bonds restructured and refunded by the Restructuring and Refunding Bonds, using the aggregate yield on the Restructuring and Refunding Bonds as the discount rate, and subject to the other terms and conditions set forth below in paragraph 5 and 7 of this Order. In GPA Docket 10-01¹, the PUC authorized GPA to issue bonds to refund the 1993 or the 1999 Bonds provided that the refunding results in a net present value savings to GPA and its ratepayers of at least two percent (2%). The PUC Consultants in this proceeding recommend that the Commission retain the NPV threshold of 2.0%, and that this savings test should be applied to the entire issue. The NPV threshold of 2% shall be adopted for this proceeding and is hereby made applicable to the entire issue.
4. The issuance and sale of the FDA Bonds are hereby approved; provided that the amount paid to terminate the Lehman Brothers forward delivery agreement is no greater than \$4.5 Million as of the date of termination subject to the Restructuring Bonds, the Refunding Bonds, and the FDA Bonds satisfying all terms and conditions set forth in paragraphs 3, 5 and 7 of this Order.. Nothing herein shall authorize termination of the Bank of America Forward Delivery Agreement or the use of FDA Bonds for such purpose; any termination thereof shall be subject to PUC review and approval in accordance with the Contract Review Protocol.
5. The 2012 Senior Bonds shall be issued in an aggregate principal amount not to exceed the amount determined in accordance with Section 8229 of Title 12 of the Guam Code Annotated, plus any additional amount needed to provide for any reason a deposit to the

¹ Order, GPA Docket 10-01, Guam Power Authority's Request to Issue GPA Revenue Bonds and Subordinate Revenue Bond Financing, issued June 3rd, 2010.

debt service reserve in connection with the issuance of the 2012 Senior Bonds. The final maturity of the 2012 Senior Bonds shall not be later than the final maturity of the Guam Power Authority Revenue Bonds, 1999 Series A. The 2012 Senior Bonds may be issued in an aggregate principal amount necessary to provide for original issue discount (if any), a credit enhancement fee (if applicable), underwriters' discount, other costs of issuance and a deposit in the Bond Reserve Fund (if applicable). Original issue discount and credit enhancement each shall not be used unless it results in a lower yield on such Bonds, as evidenced by a certificate of GPA. Underwriters' discount (not including original issue discount) shall not exceed one and one-quarter percent (1.25%) of the original principal amount of such Bonds. Other costs of issuance (including, but not limited to, fees and disbursements of bond counsel, printing fees, rating agency fees, initial trustee's fees, escrow agent fees, verification agent fees, consulting engineer fees and the fee of the Guam Economic Development Authority, but not including the cost of credit enhancement, if any) shall not exceed two and one-quarter percent (2.25%) of the original principal amount of such Bonds.

6. Pending the issuance of the FDA Bonds as provided in paragraph 4, GPA may terminate the Lehman Brothers Forward Delivery Agreement on or prior to September 30, 2012 in order to take advantage of the termination amount discount offered by Lehman Brothers. If FDA Bonds have not been issued by the date on which any termination amount is to be paid, GPA may pay such termination amount from the Working Capital Fund or with any moneys that are available for such purpose pursuant to the terms of the Indenture and the Subordinate Indenture. If and when FDA Bonds are issued, GPA shall reimburse the fund or account from which such payment is made.
7. Notwithstanding any of the foregoing provisions, approval is given to proceed with the restructuring/refunding subject to GPA's ability to satisfy the following additional conditions at the time of closing:

Combined Restructuring/Refunding/FDA Termination

- a) In no event shall the All-in Total Interest Cost (TIC) exceed 4.95 percent; and

- b) GPA shall provide to the PUC for review actual figures for the cash flow and NPV savings based on interest rates at the time just prior to bond issuance.
8. Compliance with the terms and conditions of this Order shall be evidenced by a certificate of GPA delivered at the time of delivery of the any bonds issued pursuant to this Order. The Authority shall confirm to the Commission in writing, supported with appropriate work papers, that at the time of the sale the proposed restructuring, refunding, and deposit to the senior Bond Reserve Fund will result in the required net present value savings after inclusion of all appropriately allocated fees and expenses and meet the other conditions in this Order Approving Long Term Debt. GPA shall also certify that the Lehman FDA termination amount is no greater than \$4.5 Million Dollars.
9. Within thirty (30) days after the issuance of the bonds approved by this Order, GPA shall petition the PUC for a resetting of GPA's revenue requirement that takes into account the savings in debt service which results from the restructuring/refunding. With its Petition, GPA shall provide a summary of the debt service achieved and revised tariffs for review. The PUC will reduce GPA retail rates by the amount of reduction in debt service resulting from the bond transactions (i.e., somewhere on the order of \$9 million) so that the rate reduction can take effect on the first day of the month following PUC's approval of GPA's revised tariffs.
10. The Commission authorizes its Chairman to approve such changes with respect to the maximum principal amount of the bonds to be issued, the principal amount of the restructuring/refunding bonds, or other matters not inconsistent with the terms of this Order.

Dated this 25th day of September, 2012.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

EXHIBIT A
FORM OF SUPPLEMENTAL SENIOR INDENTURE