

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
) GPA DOCKET 12-01
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY REQUESTING) **ORDER**
APPROVAL OF THE REGULATORY)
SERVICES CONTRACT WITH R.W. BECK)
(dba SAIC).)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of Guam Power Authority [“GPA”] for contract review and approval of the Regulatory Services Contract with R.W. Beck (dba SAIC).¹

BACKGROUND

2. The Guam Power Authority issued RFP 09-004 for “regulatory services” and entered into a contract for such services with R.W. Beck in May 2009.²
3. Over the past two and a half years, GPA issued task orders to R.W. Beck for provision of certain regulatory services.³
4. When GPA entered into the contract with R.W. Beck in May 2009, it did not anticipate at that time that the value of the contract would approach \$1.5M.⁴
5. The contract review threshold of \$1.5M has now been met as a result of the task orders issued to R.W. Beck for regulatory services. GPA seeks approval of its regulatory services contract, and wishes to issue an additional task order to R.W. Beck for “engineering consulting services” to review a proposed bond issuance/refinancing.⁵ The Engineering Consultant would review the ability of GPA to refinance its outstanding debt and to reduce its present interest costs.⁶
6. Since GPA already has a contract with R.W. Beck, it wishes to utilize its existing regulatory services contract for this work. This additional work will cost in the

¹ GPA Petition for Contract Review, Requesting Approval of the Regulatory Services Contract with R.W. Beck, GPA Docket 12-01, filed February 23, 2012.

² Id. at p. 1.

³ Id. at p. 2.

⁴ Id. at p. 1.

⁵ Letter from Joaquin C. Flores, General Manager to ALJ, Public Utilities Commission, GPA Docket 12-01, dated February 17, 2012 at p. 1.

⁶ Id. at pgs. 1-2.

range of \$245,000.⁷\$50,000.00 would be used to pay R.W. Beck for services performed in the pending rate case, for a total of \$300,000.00.

7. The Consolidated Commission on Utilities, in Resolution No. 2012-08, authorized GPA to increase the amount of its task orders to R.W. Beck in the amount of \$300,000 for a consultant's report "as a part of GPA's official statement needed for the upcoming bond issuance...", and to petition the PUC for contract review approval of its proposed task order with Beck.⁸
8. GPA now requests that the PUC approve an increase in the contract amount for R.W. Beck from \$1.5M to \$1.8M.
9. On March 20, PUC Counsel has submitted his Report recommending that GPA's request be approved, but with certain reservations.⁹

DETERMINATIONS

10. Here, GPA did not realize when the contract was initially entered into that the total multi-year cost of the contract would exceed \$1.5M. GPA has a reasonable excuse for not seeking prior approval of this procurement under the contract review protocol, as it appeared that the total cost would not exceed \$1.5M.
11. GPA should be authorized to pay R.W. Beck for services it has rendered in the pending rate case in an additional amount of \$50,000.00.¹⁰
12. It is also reasonable to authorize GPA to utilize the services of R.W. Beck to look into the possibility of bond issuance and refinancing, and to provide an engineering consultant's report.¹¹ However, the Commission believes it prudent to authorize only \$200,000.00 for such purpose. Whether GPA can refinance existing bonds in order to reduce interest costs, or to restructure debt, are appropriate subjects for further examination.
13. However, to the extent that CCU Resolution No. 2012-12 indicates that the engineering consultant's report is "part of GPA's Official Statement needed for the upcoming bond issuance...", GPA has not adequately appraised PUC of any plans

⁷ Id.

⁸ CCU Resolution No. 2012-08, issued February 14, 2012, at p. 3.

⁹ PUC Counsel Report, GPA Docket 12-01, issued March 20, 2012.

¹⁰ CCU Resolution No. 2012-08, issued February 14, 2012, at p. 2.

¹¹ Id. at p. 2.

for a bond issuance; PUC does not agree that there is any approved “upcoming bond issuance” at this time.

14. Furthermore, PUC approval of the Beck regulatory services contract or authorization for Beck prepare an engineering report in no manner signifies that PUC approves of any plan by GPA to refinance its debt or to issue new bonds. GPA has a heavy burden to justify any refinancing of bonds or issuance of new debt, as such actions impact ratepayers and could increase the rates which ratepayers must pay.
15. GPA should be very cautious in the issuance of new bonds or the undertaking of new debt.
16. GPA itself, in its letter from General Manager Flores dates February 17, 2012 to the PUC ALJ, indicates the possible pitfalls of bond issuance by GPA, including the lack of certainty of GPA’s ability to issue bonds in the market, the uncertain nature of the amount of savings, if any, from a refinancing or bond issuance.
17. GPA should report hereafter to the PUC on a monthly basis concerning the present nature of its plans to issue further bonds or to refinance existing bonds. Such report should include a detailed description of any and all activities undertaken by GPA with regard to consideration of the issuance of bonds or refinancing during such period and the expenditure of any funds in such regard. GPA must keep the Commission fully advised regarding its plans for bond issuance and refinancing.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Report of PUC Counsel, and the record herein, for good cause shown and on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The PUC hereby grants GPA’s application for approval of the Regulatory Services Contract with R.W. Beck (dba SAIC).
2. GPA is authorized to expend an additional \$50,000 under such contract for the services of R.W. Beck, the pending rate case, and the amount of \$200,000 for R.W. Beck to provide an engineering consultant’s report concerning bond issuance/refinancing.

3. GPA is authorized to expend up to a total of \$1.8M for the Regulatory Services Contract with R.W. Beck.
4. PUC's approval of such expenditures for the R.W. Beck contract should in no manner be deemed as any approval or authorization for a bond issuance/refinancing by GPA. PUC instructs GPA to fully advise the PUC concerning any steps and actions which GPA intends to take towards a future bond issuance/ refinancing.
5. GPA shall provide PUC with a report on or before April 10, 2012, clarifying its reference to the R.W. Beck report as the "engineering consultant's report as part of GPA's Official Statement needed for the upcoming bond issuance..." , , explaining what steps or actions it has already taken to pursue bond refinancing or issuance, and what justification it believes there is for any planned refinancing or bond issuance. GPA should explain in detail all steps it has previously taken to pursue bond issuance or refinancing.
6. Hereafter, GPA shall report to the PUC by the last day of each month with regard to all actions and steps that it has taken to proceed with a bond issuance/refinancing. This report shall include, in detail, all actions or steps taken by GPA and all amounts expended for such purpose.
7. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 26th day of March, 2012.

Jeffrey C. Johnson
Chairman

Rowena E. Perez
Commissioner

Joseph M. McDonald
Commissioner

Michael A. Pangelinan
Commissioner

ORDER
GPA Application Requesting Approval of
Regulatory Services Contract with R.W. Beck
GPA Docket 12-01
March 26, 2012

Filomena M. Cantoria
Commissioner