

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)
) GPA Docket 11-14
)
Guam Power Authority's Petition for)
Approval to Use Bond Proceeds for the) **PUC COUNSEL REPORT**
Fadian Office Complex)
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority of ["GPA"] for Approval to Use Bond Proceeds for the Fadian Office Complex.¹

BACKGROUND

2. On May 17, 2010, Public Law 30-147 was enacted. The law approved terms and conditions of the issuance by GPA of revenue bonds in the approximate amount of \$155M. One of the projects for which the use of such bonds was approved was costs of a new administration building for GPA.² The Legislature approved the issuance of GPA revenue bonds for the purpose of financing "projects", which included the new office building, and for paying the other costs created in the Legislation.³
3. On June 3, 2010, the PUC approved the 2010 GPA Revenue Bond and Subordinate Bond Issuance.⁴ Attached as Exhibit A to the Order was a listing of projects which would be financed under the bonds, including the new office building.⁵
4. On the same date, the PUC approved an Order which reminded GPA of its obligation to obtain prior approval of the "new projects" as scheduled on Exhibit A to the debt Order, which included the new office building project.⁶

¹ GPA Petition for Use of 2010 Bond Proceeds on the Fadian Office Complex Project, GPA Docket 11-14, filed November 4, 2011.

² Public Law 30-147, enacted May 17, 2010, at Sections 2, 3, and 4.

³ Id.

⁴ See Order Approving Long-Term Debt, GPA Docket 10-01, issued June 3, 2010.

⁵ Id. at p. 1.

⁶ See Order, GPA Docket 10-01, issued June 3, 2010, at p. 1.

5. Furthermore, in Public Law 31-77, §31, enacted on September 21, 2010, the Guam Legislature transferred to GPA in fee simple, Lot No. 5412-2 (property in Fadian, Mangilao) **“to provide necessary land for the development of a consolidated Central Office.”**⁷
6. GPA now petitions the PUC to authorize it to use bond proceeds for the Fadian Office Complex and to proceed ahead with the construction of the complex.⁸
7. On December 14, 2010, the Consolidated Commission on Utilities issued Resolution No. 2010-65. The Resolution indicated that GPA had contracted with RIM Architects to perform a space allocation study, to generate a site development plan and conduct a financial analysis of the Fadian site for the GPA-GWA Multi-Purpose Facility. The CCU found that the Fadian GPA-GWA Multipurpose Facility was reasonable, prudent and necessary for the use of 2010 bond funds. The CCU further authorized the General Manager of GPA to submit a Petition to the PUC for approval for the above mentioned use of the 2010 bond funds.⁹

DISCUSSION

8. GPA has attached the Space Utilization and Financial Analysis Report for the GPA-GWA Multipurpose Facility in Fadian Mangilao to its Petition.¹⁰
9. According to the Report, the project will be a consolidated central office facility for both GPA and GWA. The project will reduce costs for leasing and renovating existing facilities, thereby streamlining utility operations and increasing efficiencies. The new Fadian administration and operations center will be designed and constructed in accordance with LEED standards to reduce electrical demand, water and sewer demand, and stress on the landfill. The building will be approximately 123,200 square feet; it is contemplated to house 237 GPA employees and 137 GWA employees.¹¹

⁷ Public Law 31-77, §31, enacted on September 21, 2011.

⁸ GPA Petition for Use of 2010 Bond Proceeds on the Fadian Office Complex Project, GPA Docket 11-14, dated November 4, 2010, at p. 1-2.

⁹ Id. at p. 2.

¹⁰ GPA Space Utilization and Financial Analysis Report, prepared by RIM Architects, attached to its Petition for Use of 2010 Bond Proceeds, GPA Docket 11-14.

¹¹ Id.

10. Among the justifications, a new central office will address the current and future space needs of GPA and GWA as both agencies have outgrown their current facilities; parking spaces are inadequate, making customer visits inconvenient. GPA presently rents its main office facility; an investment will protect it from rising rental market prices and provide opportunities for consolidation between GPA and GWA. Advantage will be taken of economies of scale and other efficiencies by eliminating duplication of efforts between the two agencies.¹²
11. The Report examines three alternatives in detail: alternative 1 (do nothing regarding current operational inefficiencies and continue operating at the existing locations under the current working conditions); alternative 2 (consider the leasing of office space at six various locations; however because divisions will be spread out over multiple sites, efficient operations will not be maximized and costs will be subject to real estate market conditions); the other alternative is to construct the proposed Fadian GPA-GWA Multipurpose Facility.
12. The Report concludes that: “the Construction of a new multipurpose facility at Fadian will offer the best return value on the basis of cost per square footage and provide quantifiable and intangible benefits to GPA, GWA, and their ratepayers. GPA and GWA will see improved operational efficiencies along with cost savings.” In the Benefit Cost Analysis, the Report indicates that the cost per square foot for the “Do Nothing” alternative is \$1.88; for the “Lease Multiple Sites” (Alternative 2), \$1.95 per square foot; for the Fadian Facility the cost per square foot is \$1.53. The analysis is based on a 30-year useful life of the project.¹³
13. The total projected cost of the project is \$35M; the available funds from GPA’s 2010 bond issuance will be utilized for the project.¹⁴
14. The “do nothing” alternative has the advantage that it would “require no upfront capital investment.” However, this option would require GPA and GWA to accept risks by operating in substandard conditions creating

¹² Id.

¹³ Id.

¹⁴ Id.

inconveniences not conducive to a healthy and friendly environment for both customers and employees.¹⁵ It would also subject both utilities to the risk of rising rentals.

15. The “Lease Multiple Sites” option has substantial drawbacks, which include difficulty in finding large leasable areas in central Guam; limited parking at the leasable offices; less economies of scale from scattered office locations; in addition, Managers and Employees will expend considerable time and travelling expense for travelling back and forth between the different locations. GPA would also be subject to future increases in market lease rates.¹⁶
16. The benefits provided by the Fadian Complex include consolidation of facilities, allowing GPA to invest in a GPA-owned facility, protecting GPA and GWA from rising market lease rates and capitalizing rental costs into fixed assets. The economies of scale will result and savings from new LEED standards. The space requirements of GPA and GWA, as well as adequate parking spaces for customers and employees, will be met.¹⁷
17. In terms of Cost comparison, the report concludes that the Construction of the Fadian Complex alternative has a lower operating cost and other benefits such as consolidation and approved facilities for both customers and employees, making it the most desirable option.¹⁸

RECOMMENDATION

18. Based upon the analysis in the RIM Architects Report, PUC Legal Counsel recommends that the Commission approve GPA’s Petition for use of 2010 bond proceeds for the Fadian Office Complex.
19. GPA should be further authorized to proceed with the construction of the Fadian Office Complex. However GPA should be required to provide updates to the PUC on the use of bond proceeds for the Fadian complex in accordance with its standard bond fund reporting requirements.

¹⁵ Id. at Section 1, p. 10.

¹⁶ Id. at Section II, p. 23.

¹⁷ Id. at Section II, p. 25.

¹⁸ Id. at Section II, p. 27.

PUC Counsel Report
In the Matter of:
GPA Petition to Use Bond
Proceeds for the Fadian Complex
GPA Docket 11-14
December 14, 2011

20. A proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 14th day of December, 2011.

Frederick J. Horecky
PUC Legal Counsel