



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:	)	GPA Docket 11-03
	)	
The Application of the Guam Power Authority requesting Approval of the Procurement for Guaranteed Investment Contracts	)	ORDER
	)	
	)	
	)	

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the Petition of Guam Power Authority [GPA] for contract review for Approval of the Procurement of Guaranteed Investment Contracts.<sup>1</sup>
2. GPA currently has an excess of \$100M in its Construction Fund and Bond Reserve Fund. It desires to improve the interest rate that it currently obtains.<sup>2</sup>
3. Through its Petition, GPA seeks to procure "Guaranteed Investment Contracts."<sup>3</sup>
4. The Consolidated Commission on Utilities, through issuance of Resolution No. 2011-04, has authorized the General Manager to proceed with the procurement of Guaranteed Investment Contracts.<sup>4</sup>
5. GPA seeks to issue a bid to obtain GICs as investment vehicles for the Construction Fund and Bond Reserve Fund, with a contract being awarded to the institution that would provide the highest earnings rate to the authority.<sup>5</sup>

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<sup>1</sup> GPA Petition for Contract Review, Approval of the Procurement of Guaranteed Investment Contracts, GPA Docket 11-03, filed January 24, 2011.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Id. at p. 1.

<sup>4</sup> The Consolidated Commission on Utilities Resolution No. 2011-04, issued January 11, 2011.

<sup>5</sup> Id. at p. 2.

### DETERMINATIONS

6. GPA could potentially, through GICs, earn additional interest on the monies in its Construction Fund (\$100M+) and the GPA Bond Reserve Fund (\$12M) in an amount in excess of \$2M over a 5 year period.<sup>6</sup>
7. GPA currently has Guaranteed Investment Contracts outstanding and has used them in the past; it is comfortable with this investment vehicle.<sup>7</sup>
8. PPFG is utilizing Kensington Advisors Group to develop a bid specification document. The document will be circulated to financial institutions, who will be potential bidders for the GIC. When the bid becomes due, GPA will select the most responsible bidder consistent with the highest interest rate bid.<sup>8</sup>
9. GPA's financial advisors indicate that current market conditions would support a rate of .7% for the construction fund and 1.85% for the Bond Reserve Fund.<sup>9</sup>
10. GPA's Bond Indenture Agreement requires notifications, consents or assurances in order to enter into such investment contracts from rating agencies as well as bond insurers, and GPA is currently seeking such approvals.<sup>10</sup>

### 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, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's request to proceed with the procurement of Guaranteed Investment Contracts (GICs) is hereby approved. However, such approval is dependent upon GPA securing all necessary approvals under the Bond Indenture Agreement.

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<sup>6</sup> Letter from GPA General Manager to PUC Legal Counsel, GPA Docket 11-03, dated January 24, 2011 at p. 1.

<sup>7</sup> Id. at p. 2.

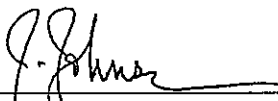
<sup>8</sup> Id. at p. 2.

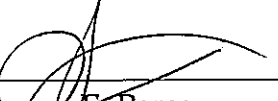
<sup>9</sup> Id. at p. 2.


<sup>10</sup> CCU Resolution No. 2011-04, at p. 2, issued January 11, 2011.


2. Procurement of Guaranteed Investment Contracts is reasonable, prudent, and necessary, as GPA should be able to obtain additional investment income over a 5 year period.
3. GPA is authorized to issue GUCs for the amounts requested, the amounts in the Construction Fund and the Bond Reserve Fund.
4. Once GPA has selected appropriate bidder(s) and is ready to enter into such Guaranteed Investment Contracts, it shall seek approval of PUC for any award and contract for GICs.
5. 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 21<sup>st</sup> day of February, 2011.

  
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Jeffrey C. Johnson  
Chairman

  
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Rowena E. Perez  
Commissioner

  
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Michael A. Pangelinan  
Commissioner

  
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Joseph M. McDonald  
Commissioner

  
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Filomena M. Cantoria  
Commissioner