

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:)

GPA DOCKET 13-03)

GUAM POWER AUTHORITY'S)
REQUEST TO FINANCE)
MAINTENANCE WORK AT CABRAS)
#1 AND TO USE 1999 BOND FUNDS)
FOR CAPITAL PROJECTS)

PUC COUNSEL REPORT)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of Guam Power Authority ["GPA"] for Contract Review of GPA's Request to Finance Maintenance Work at Cabras #1 and to Use 1999 Bond Funds for Capital Projects.¹

BACKGROUND

2. In its Petition, GPA is seeking PUC approval for two projects: (1) a major overhaul of the Cabras #1 plant scheduled for May 2013, which will cost \$1.4M, to be financed by TEMES; and (2) the undertaking of capital projects to be conducted at the same time as the overhaul, to replace superheater tubes, reheater tubes, and traveling screens, in the amount of \$2.9M, which would be paid for from 1999 Bond Funds.²
3. For the Cabras #1 Overhaul, GPA proposes to enter into a financing agreement with TEMES in the amount of \$1.4M at 5% annual interest rate for a period of 24 months. The installation of the superheater tubes, reheater tubes, and traveling screens will cost \$2.9M; GPA requests that it be authorized to use 1999 Bond Funds for this project.³
4. GPA has provided a detailed listing of the projects involved for both the overhaul and the capital improvement projects. See Exhibit "1" attached hereto (please refer to the listing for a detailed description of each of the projects).
5. On December 12, 2012, the Guam Consolidated Commission on Utilities adopted Resolution No. 2012-82, which found that the major Cabras overhaul was necessary and authorized GPA to seek approval from the PUC to finance the major operations and overhaul work, and to use 1999 Series Bond Funds for Capital Projects at Cabras #1.⁴

¹ GPA Petition for Contract Review of GPA's Request to Finance Maintenance Work at Cabras #1 and to Use 1999 Bond Funds for Capital Projects, filed March 26, 2013.

² Id. at p. 1.

³ Id. at p. 1.

⁴ CCU Resolution No. 2012-82, adopted December 12, 2012.

DISCUSSION

6. The last major overhaul of Cabras Unit #1 was in July 2011; the unit has been in operation for 16 months without any major overhaul and will be running for 23 months before the scheduled overhaul.⁵
7. Major projects for the overhaul include refurbishment of the air heater rotors and pin racks.⁶ This maintenance will improve airflow and reduce air leakage. Replacements of the rotor and pin racks on each of the two air preheaters on Cabras #1 will maintain the reliability, availability and efficiency of the boiler.⁷
8. Included in the overhaul is the replacement of the current metal Circulating Water Pump discharge pipes with non-metallic material (HDPE). The project will maintain the reliability and availability of the unit by improving the condition of the circulating water system.⁸
9. For the overhaul work, GPA has submitted cost-benefit analyses which indicate that the expenditures for the overhaul projects are justified and cost effective.⁹ Other necessary work for the Cabras #1 Overhaul includes Unit 1 Boiler Casing and Refractory Renewal, Testing of the Thickness of the Boiler Tubes, Economizer Tubes Replacement, Unit Electromatic Relief Valve [ERV] Replacement and Breaker adjustment and refurbishment.¹⁰
10. The Overhaul projects are reasonable, prudent and necessary.
11. There are three major necessary capital improvement projects proposed: Unit 1 CWP Traveling Screen Assembly Replacement, Boiler Reheater Tube Replacement, and Secondary Super Heater (SSH) Tube Replacement. The cost of these three projects is \$2.9M. GPA proposes to finance such projects through the 1999 Bond Funds.
12. For each of the three CIP projects, GPA has provided detailed justifications and cost-benefit analyses. The existing reheater tubes (total 35 banks) in Cabras #1 have been operating for more than 37 years and are approaching the end of their useful life. Replacement of the 35 banks of RH tubes will allow the unit to be operated at the design RH temperature which will increase overall unit efficiency. The installation of the tubes will also improve the unit's Equivalent Availability and

⁵ Id. at p. 1.

⁶ Id.

⁷ Attachment-1 to Petition for Contract Review: Air Preheater 1A & 1B Rotor Refurbishment (2013 Major Maintenance).

⁸ Attachment-2 to the Petition for Contract Review: Cabras Units 1 & 2 Circulating Water Pump Discharge Piping Replacement with Non-Metallic (HDPE) material 2013 Major Maintenance.

⁹ Id. at Attachments-1&2.

¹⁰ See Exhibit "1" attached hereto.

reduce the Equivalent Forced Outage Rate on the unit by reducing unplanned forced shutdowns caused by the RFI tube failures.¹¹

13. The existing Secondary Super Heater (SSH) Tubes in Cabras #1 have also been operating for more than 37 years and are approaching the end of their useful life. Replacement of the 18 banks of SSH Tubes will allow the unit to be operated at the design steam pressure and temperature which will increase boiler efficiency. Installation of the new SSH tubes will also improve Equivalent Availability and reduce the Equivalent Forced Outage Rate on the Unit by reducing unplanned forced shutdowns caused by the SSH tube failures.¹²
14. The cost benefit justifications provided by GPA also establish that the proposed capital improvement projects are reasonable, prudent and necessary.

FINANCE ISSUES

15. GPA proposes to finance the Cabras Overhaul through a financing agreement with TEMES for \$1,400,000 at 5% annual interest rate for a period of 24 months.
16. Such a financing vehicle is well established. GPA has often financed the construction of plant improvements through its Performance Management Contractors. The borrowing of such construction funds at a reasonable interest rate conserves GPA's financial resources and improves its liquidity.
17. Counsel has raised a number of questions in a Requests for Information concerning GPA's requested use of 1999 Bond Funds for capital projects. GPA asks that PUC approve the use of 1999 Bond Funds in the amount of \$2.9M for the capital improvement projects.
18. A true and correct copy of GPA's response to PUC Request for Information is attached hereto as Exhibit "2".
19. Therein GPA has demonstrated that it has a Construction Fund Balance from the 1999 Bonds available in the amount of \$3.486M. Thus, there are sufficient bond funds available for the completion of the CIP projects listed in the instant petition.
20. There is legal authority for the PUC to approve the use of such bond funds for the projects requested. Public Law 25-04 Section 4(c) set forth the terms and conditions for the approval of the issuance of GPA revenue bonds [the 1999 bonds]. Therein, one of the specifically approved projects for the use of such bonds is the "Cabras Refurbishment Project." "Cabras Miscellaneous" is furthermore an approved project category for the expenditure of the 1999 bonds.

¹¹Attachment -4 to the Petition for Contract Review: Cabras Unit #1 Reheater Tube Replacement (2013 Capital Improvement Project).

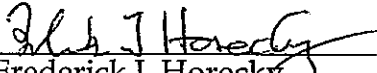
¹² Attachment-5 to the Petition for Contract Review: Cabras Unit #1 Secondary Super Heater (SSH) Tube Replacement (2013 Capital Improvement Projects).

21. The authorization requested by GPA herein would appear to fall within the categories of Cabras Refurbishment and Cabras Miscellaneous expenditures. Counsel is satisfied that GPA has answered the questions concerning the propriety of the expenditure of the 1999 bonds for the CIP projects set forth in the Petition. Cabras Refurbishment is an appropriate use for the expenditure of such funds.

RECOMMENDATION

22. It is Counsel's opinion that both the Cabras Overhaul and the Capital Improvement projects requested by GPA have been justified.
23. The funding sources proposed by GPA for the Cabras #1 Overhaul and the Capital Improvement Projects are also appropriate and should be authorized.
24. Counsel recommends that the PUC approve GPA's Petition and authorize it to proceed with the Cabras #1 Overhaul and the Capital Improvement Projects listed in the Petition.
25. A proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 24th day of April 2013.


Frederick J. Horecky
PUC Legal Counsel

Cabras Unit 1 2013 Major Maintenance O&M List					
Item	2013 Major Maintenance Items	Material	Labor	Total	Description
1	Unit 1 Boiler Casing and Refractory Renewal	\$25,000.00	\$50,000.00	\$75,000.00	Areas of the boiler casing have burned out and gas is leaking into the boiler room. The casing and refractory needs to be replaced. If they are not replaced, a hot spot may occur and force a Unit derating or outage. The area to be replaced is about 200 ft ² .
2	Material Attenuation Ultrasonic Thickness (UT) Testing for Boiler Tubes		\$100,000.00	\$100,000.00	The bifurcated tubes with arch way tubes, and waterwall tubes are aging and thinning. Ultrasonic Thickness (UT) testing will be done to determine the wall thickness of the tubes and their residual life. Corrective measures will be taken to prevent tubes failure.
3	Economizer tubes Replacement		\$80,000.00	\$80,000.00	Some economizer tubes have experienced thinning problem and have failed, causing an unplanned unit outage. Tubes have been purchased so that thinning tubes can be replaced.
4	Cabras Unit # 1 for Non-return, Turbine Valves (GV, MSV, RIV, RSV, Drain) Inspection and EHC system servo valves, solinod valves, dump valves and orifice cleaning and inspection		\$150,000.00	\$150,000.00	This item is to provide inspection, adjustment and maintenance for Turbine Valves and EHC system inspection and maintenance during Turbine overhaul major maintenance
5	Unit #1 air heater (AH) rotor and pin rack refurbish	\$520,000.00	\$80,000.00	\$600,000.00	Refurbish the AH rotor and all pin racks for both air preheaters. The boiler has two, 50% capacity air preheater rotor units. (see attachment-1)
6	Unit Electromatic Relief Valve (ERV) Replacement	\$45,000.00		\$45,000.00	This valve allows operators to remotely operate this valve during plant abnormal conditions to release excess boiler steam pressure or release boiler steam containing impurities such as rust scale. The valve can only be replaced during an overhaul.
7	CWP discharge pipe replacement (units 1 & 2). Replaced with HDPE or other material	\$200,000.00	\$75,000.00	\$275,000.00	CWP discharge piping has several corroded areas and has experienced leaks which affects the reliability of power generation. The cost is estimated based on the similar material used for a similar modification to Cabras Units 3&4. (see attachment-2)
8	4.16 KV SWGR breaker and 480 V breaker adjustment and refurbish		\$75,000.00	\$75,000.00	The 4.16 KV Switchgear breakers and 480 V power panel breakers are original equipment and have been in service for many years. A thorough inspection, adjustment and possible refurbishment are needed during this overhaul to ensure safe and reliable operation of the breakers.
Total		\$790,000.00	\$610,000.00	\$1,400,000.00	

Cabras Unit 1 2013 CIP/PIP List					
Item	2013 CIP/PIP Items	Priority I for Unit 1 Overhaul			Description
		Material	Labor	Total	
1	Unit #1 CWP Travelling Screen 1A/1B Assembly Replacement	\$500,000.00	\$150,000.00	\$650,000.00	Travelling screens continuously remove trash and debris from the circulating water (CW) protecting the CW pumps (CWP). The CWPs provide sufficient CW flow to the unit condenser. If debris is allowed to accumulate, a CWP could trip resulting in less CW flow requiring the load to be reduced to 50%. (see attachment-3)
2	Boiler reheater tube replacement	\$580,000.00	\$510,000.00	\$1,090,000.00	The bank of the reheater tubes (35 panels altogether) has been in service for 37 years. They are approaching their end of life. Results of the material thickness testing indicate that the tubes have thinned beyond ASME material standards. The unit is experiencing tube failures at an increasing rate. The replacement of the 35 panels of reheater tubes will increase the unit availability. (see attachment-4)
3	Secondary super heater(SSH) tube replacement	\$790,000.00	\$460,000.00	\$1,250,000.00	than 37 years and are experiencing tubing wall thinning resulting in tube failures and unplanned unit shutdowns. The sampled tube wall thickness have been measured to be much less than the allowable requirement to maintain the tube integrity. The tube failure rate has been trending up as the unit ages. The tube thinning problem is being accelerated by the ash deposits and induced high temperature corrosion. (see attachment-5)
Total		\$1,870,000.00	\$1,120,000.00	\$2,990,000.00	

1 **D GRAHAM BOTHA, ESQ.**
2 **Legal Counsel**
3 **Guam Power Authority**
4 **1911 Route 16, Suite 227**
5 **Harmon, Guam 96913**
6 **Ph: (671) 648-3203/3002**
7 **Fax: (671) 648-3290**

8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 **IN THE MATTER OF:**) **GPA DOCKET NO. 13-03**
10 **Guam Power Authority's Request to Finance**) **GPA's RESPONSE TO PUC REQUEST**
11 **Maintenance Work at Cabras #1 and To Use**) **FOR INFORMATION**
12 **1999 Bond Funds for Capital Projects**)

13 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel
14 of record, D. GRAHAM BOTHA, ESQ., and hereby files GPA's response to the PUC Request
15 for Information regarding the Cabras #1 petition for Use of 1999 Bond Funds for capital projects.
16 GPA has attached the 1999 bond CIP project list (Exhibit "A"), bond funds remaining and the
17 proposed use of funds (Exhibit "B"). P.L. 25-04, which approved the 1999 GPA revenue bonds,
18 is attached as Exhibit "C".

19 **RESPECTFULLY SUBMITTED** this 22nd day of April, 2013.

20 
21 **D. GRAHAM BOTHA, ESQ.**
22 **GPA Legal Counsel**
23
24
25
26
27
28



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O. BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

April 21, 2013

Public Utilities Commission
Suite 207, GCIC Building
P.O. Box 862
Hagatna, Guam 96932

Attention: ALJ Fred Horecky

Subject: GPA Docket 13-03
Response to Request for Information

Dear ALJ Horecky:

GPA is providing the following responses to the PUC Request for information under GPA Docket 13-03 regarding GPA's request to finance maintenance work at Cabras #1 and to use 1999 Bond Funds for Capital Projects

1. *Please provide GPA's most current spreadsheet concerning the 1999 Bond Funds, the amount of funds remaining, purposes for which the funds are allocated, and proposed uses of such funds.*

Please see the attached spreadsheet titled Attachment A – 1999 Bond CIP's for a list of projects under the 1999 Bond funds and Attachment B - 1999 Revenue Bond Uncompleted CIP's which shows the amount of funds remaining and the proposed use of such funds.

2. *Please explain the uses and purposes of the "Cabras Miscellaneous" account. Does this include general plant expenditures? What funds have previously been spent for this Account? What portion of the 1999 Bond Funds are allocated for this Account?*

There is no documentation on file at GPA which indicates the original use and purpose of the Cabras Miscellaneous account. As is today, GPA was working to fund extraordinary capital expenses associated with maintaining the availability and efficiency of the units. These capital expenses would normally have been covered under the general plant categories. To-date nothing is spent under this category. The original amount allocated to this project is \$248,000 and the amount requested for approval is \$2.99 million.

3. *Please provide all applicable statutory/legal authority, including specific legislation or statutory language, which authorizes the PUC to approve the requested funding of \$2.990M for "Cabras Miscellaneous" expenditures.*

Please refer to Attachment C – Public Law 25-04. This public law approved the terms and conditions of the 1999 bond issuance. Under Section 4(c) of Public Law 25-04, "Approval of the Terms and Conditions of the Issuance by GPA of Revenue Bonds to Refinance Projects Financed by the GPA Commercial Paper Program and to Finance Certain New Projects," the PUC is designated as the approving authority for use

of bond funds for the projects listed under Section 4(c)(2). Included as part of the projects listed under Section 4(c)(2)(vi) is the "Cabras Refurbishment Project" which GPA broke down to a series of more specific projects including the following: Cabras building upgrade, Cabras condenser line repair, Cabras demineralizer, Cabras fire/AC, Cabras Mark V Turbine, Cabras monitoring equipment, and Cabras Miscellaneous under GPA's 1999 bond project listing.

4. *Was there any specific language in the legislation authorizing the 1999 Bond funds allowing or providing for "miscellaneous" expenditures for the Cabras Plants? If so, please provide such language.*

As mentioned above, the Cabras Miscellaneous account is part of the Cabras Refurbishment project under Item 4(c) (2) of the public law.

5. *Did the legislation authorizing the 1999 Bond Funding specifically limit the purposes/categories of spending which were authorized for the bond financing? If so, cite such provisions.*

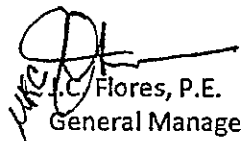
The legislation limited the purpose and category of spending authorized for bond financing insofar as it referenced a list of projects for which the bond funds could pay for, "subject in each case to approval by the PUC for such projects . . ." under Section 4(c)(2).

6. *Do the provisions and the authorizing legislation for the 1999 Bond Funds allow the PUC to approve the funding request in this docket? If so, please indicate the specific language, and/or the reasons why such funding may be approved by the PUC.*

Yes, as previously indicated, the legislation limited the purpose and category of spending authorized for bond financing, "subject in each case to approval by the PUC for such projects . . ." under Section 4(c)(2) of Public Law 25-04.

I hope this information provides more clarity to the request from GPA. Please let me know if you have further questions. Thank you for your consideration and support.

Sincerely,


J.C. Flores, P.E.
General Manager

Attachments

cc: GPA Legal Counsel
CFO
AGMO

Attachment A
1999 Bond CIPs

Item #	Finance List of Projects	Budget	
		Amount	Source
1	Agana Heights Pole Hardening	\$1,685,000	1999 Bond
2	Asan GHURA Redevelopment	\$398,000	1999 Bond
3	Barigada Village Hardening	\$1,463,000	1999 Bond
4	Boiler Control Upgrade - Cabras	\$1,300,000	1999 Bond
5	Bulk Storage Tanks	\$6,765,000	1999 Bond
6	Cabras Refurbishment		1999 Bond
7	Cabras Bldg Upgrade	\$708,000	
8	Cabras Condenser Line Repair	\$1,833,000	
9	Cabras Demineralizer	\$350,000	
10	Cabras Fire/ AC	\$531,000	
11	Cabras Mark V Turbine, etal	\$1,300,000	
12	Cabras Miscellaneous	\$248,000	
13	Cabras Monitoring Equipment	\$850,000	
14	Dededo Village Pole Hardening (90% FEMA)	\$700,000	1999 Bond
15	Distribution Automation Systems	\$1,000,000	1999 Bond
16	GIAT 34.5 kV line	\$1,036,000	1999 Bond
17	Harmon Substation Protection System	\$1,250,000	1999 Bond
18	Marbo to Pagat Line	\$3,225,000	1999 Bond
19	Old Dededo Kaiser Pole Hardening Phase II	\$905,000	1999 Bond
20	Old Dededo Kaiser Pole Hardening Phase III	\$1,072,000	1999 Bond
21	Perezville Conversion - Phase II	\$544,000	1999 Bond
22	Spill Containment	\$350,000	1999 Bond
23	Talofofu Substation Upgrade	\$933,000	1999 Bond
24	Tamuning Village Pole Hardening	\$789,000	1999 Bond
25	Undergr. Yona (all phases)	\$1,792,000	1999 Bond
26	Upgrade Cathodic Protection	\$175,000	1999 Bond
27	USN Fuel Oil Pipeline Assessment	\$300,000	1999 Bond
28	Yigo Feeder P-331 Reconductoring	\$540,000	1999 Bond
29	Cabras to Piti 115 kV Line	\$279,097	TECP
30	Harmon Substation Expansion	\$3,954,730	TECP
31	Piti Pipeline Upgrade	\$350,000	TECP
32	Piti Switchyard - 115 kV	\$4,044,998	TECP
33	Piti to Harmon Line	\$9,524,062	TECP
34	Pulantant Transmission #2	\$737,259	TECP
35	Umatac to Apra Line	\$2,785,404	TECP
36	Umatac to Talofofu Line	\$3,144,000	TECP
37	Upgrade Barrigada to Talofofu Line	\$1,900,000	TECP
38	YFP-10 Switching Upgrade	\$2,042,000	TECP
39	TOTAL	\$60,803,550	

Attachment B
1999 Bond Uncompleted CIPs

	Project	PUC Approval	Engineering Estimate	Unapproved	Uncompleted Portion	Drawdown Amount	Committed Amounts
1	Tenjo Units 5 & 6	Yes	\$860	\$0	\$860		\$860
2	Agana Heights Pole Hardening	Yes	\$1,633	\$0	\$1,570		
3	Barigada Village Hardening	Yes	\$1,464	\$0	\$1,463		
4	Old Dededo Kaiser Pole Hardening Phase II	Yes	\$905	\$0	\$905		
5	Old Dededo Kaiser Pole Hardening Phase III	Yes	\$1,072	\$0	\$1,071		
6	Undergr. Yona (all phases)	Pending	\$1,792	\$1,792	\$0		
7	Marbo to Pagat Line	Yes	\$5,437	\$0	\$5,437	\$5,806	\$0
8	Talofof Substation Upgrade	Pending	\$933	\$933	\$0		
9	Umatac to Talofof Line	Pending	\$3,144	\$3,144	\$0		
10	YFP-10 Switching Upgrade	On Hold	\$2,042	\$2,042	\$0		
11	Boiler Control Upgrade - Cabras	Yes	\$6,000	\$0	\$6,000	\$225	\$5,775
12	Cabras Miscellaneous	Yes	\$248	\$0	\$248		
13	Spill Containment	Yes	\$350	\$0	\$322	\$0	\$322
14							
15	Total		\$25,880	\$7,911	\$17,876	\$6,031	\$6,957
16							
17							
18	1999 Construction Fund balance - 02/28/13				\$10,443		
19	Less Committed Amounts				\$6,957		
20	Construction Fund Balance Available				\$3,486		
21	CIP's For PUC Approval						
22	Cabras 1 Circulating Water Travelling Screen		\$650				
23	Replacement of Reheater Tubes in Cabras 1		\$1,090				
	Replace Secondary Super Heater Tubes in						
24	Cabras 1		\$1,250		\$2,990		
25	Remaining Construction Fund Balance				\$496		

ATTACHMENT C

Carl T.C. Gutierrez
Magaíáhi
Governor



John F. Tarantino
Hinirát Abugao, Akko
Attorney General, Acting

Madeleine Z. Bordallo
Tifiente Gubatinadora
Lt. Governor

Ufisinan Hinirát Abugao
Guáhan

Michael C. Stern
Atkádi Sigundo
Chief Deputy

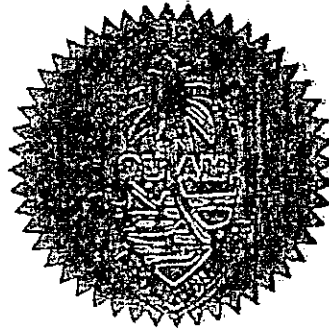
Office of the Attorney General
Guam

CERTIFICATE OF ATTORNEY GENERAL

I, John F. Tarantino, the Acting Attorney General of Guam, do hereby *certify* that I have examined the attached copy of Public Law 25-04 as passed by the Twenty-Fifth Guam Legislature on April 28, 1999 and as signed by the Governor of Guam on April 30, 1999, and that it is a true and correct copy of the same as transmitted to the Office of the Attorney General.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 1st day of June, 1999.


JOHN F. TARANTINO
Attorney General, Acting



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DR\bad



Commonwealth Now!

Suite 2-200E, Judicial Center Bldg., 120 West O'Brien Drive, Hagåtña, Guam U.S.A. 96910
Phone: (671) 475-3324 Fax: (671) 472-2493 E-mail: law@ns.gov.gu



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

APR 30 1999

The Honorable Antonio R. Unpingco
Speaker
I Mina'Bente Singko na Liheslaturan Guåhan
Twenty-Fifth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Hagåtña, Guam 96910



Dear Speaker Unpingco:

Enclosed please find Substitute Bill No. 163 (COR), "AN ACT TO REPEAL AND REENACT §§ 2 AND 3 OF P.L. NO. 24-312 AND TO REPEAL AND REENACT §8122 OF ARTICLE 1, CHAPTER 8 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE BY GPA OF REFUNDING BONDS TO ACHIEVE DEBT SERVICE SAVINGS, AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE BY GPA OF REVENUE BONDS TO PERMANENTLY FINANCE THE PROJECTS FINANCED BY THE COMMERCIAL PAPER PROGRAM AND CERTAIN OTHER NEW PROJECTS", which I have signed into law today as Public Law No. 25-04.

This legislation will allow the Guam Power Authority to restructure the current debt of the agency to allow a savings of approximately Two Million Dollars per year. The refinancing extends the life of the current bonds, since the projects financed are long term assets whose life is considerably longer than the current debt term.

This legislation will also allow the financing of new capital projects for our power authority, consolidating the refurbishment of our overall power system which has taken place in the past several years. The restructuring of the debt at this time will also allow for maintaining the rates charged at their current levels.

Office of the Speaker
ANTONIO R. UNPINGCO

Date: 4-30-99

Time: 10:25

Rec'd by: [Signature]

The Guam Power Authority has made great strides in the past several years, and this legislation is one of the many stepping stones taken to achieve an adequate, reliable, long term power source for life on our island.

Very truly yours,



Carl T. C. Gutierrez
I Maga'Lahen Guåhan
Governor of Guam

Attachment: copy attached for signed bill or overridden bill
 original attached for vetoed bill

cc: The Honorable Joanne M. S. Brown
 Legislative Secretary

MINA'BENTE SINGKO NA LIHESLATURAN GUAHAN
1999 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 163 (COR), "AN ACT TO REPEAL AND REENACT §§ 2 AND 3 OF P.L. NO. 24-312 AND TO REPEAL AND REENACT §8122 OF ARTICLE 1, CHAPTER 8 OF TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO APPROVING THE TERMS AND CONDITIONS OF THE ISSUANCE BY GPA OF REFUNDING BONDS TO ACHIEVE DEBT SERVICE SAVINGS, AND TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE BY GPA OF REVENUE BONDS TO PERMANENTLY FINANCE THE PROJECTS FINANCED BY THE COMMERCIAL PAPER PROGRAM AND CERTAIN OTHER NEW PROJECTS," was on the 28th day of April, 1999, duly and regularly passed.



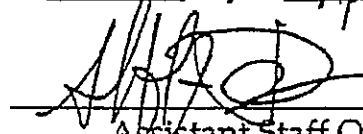
ANTONIO R. UNPINGCO
Speaker

Attested:



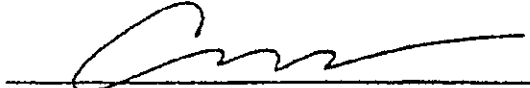
JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahen Guahan* this 28 day of April, 1999,
at 7:35 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahen Guahan

Date: 4-30-99

Public Law No. 25-04

MINA'BENTE SINGKO NA LIHESLATURAN GUÅHAN
1999 (FIRST) Regular Session

Bill No. 163 (COR)

As substituted by the Committee on Power,
Public Works, Tax and Regulatory Reform,
Municipal and Community Affairs and
as amended on the Floor.

Introduced by:

A.C. Lamorena, V

F. B. Aguon, Jr.

E. C. Bermudes

A. C. Blaz

J. M.S. Brown

E. B. Calvo

M. G. Camacho

Mark Forbes

L. F. Kasperbauer

C. A. Leon Guerrero

K. S. Moylan

V. C. Pangelinan

J. C. Salas

S. A. Sanchez, II

A. R. Unpingco

AN ACT TO REPEAL AND REENACT §§ 2 AND 3 OF
P.L. NO. 24-312 AND TO REPEAL AND REENACT §8122
OF ARTICLE 1, CHAPTER 8 OF TITLE 12 OF THE
GUAM CODE ANNOTATED, RELATIVE TO
APPROVING THE TERMS AND CONDITIONS OF
THE ISSUANCE BY GPA OF REFUNDING BONDS TO
ACHIEVE DEBT SERVICE SAVINGS, AND TO
APPROVE THE TERMS AND CONDITIONS OF THE
ISSUANCE BY GPA OF REVENUE BONDS TO
PERMANENTLY FINANCE THE PROJECTS

FINANCED BY THE COMMERCIAL PAPER
PROGRAM AND CERTAIN OTHER NEW PROJECTS.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 Section 1. Legislative Findings. (a) Section 8203 of Title 12 of the
3 Guam Code Annotated provides that the Board of Directors ("Board") of the
4 Guam Power Authority ("GPA") is authorized to incur indebtedness by the
5 issuance of revenue bonds to raise funds for the purpose of establishing the
6 electric power system of GPA, or of acquiring lands for said system, or of
7 acquiring, constructing, improving, equipping, maintaining, repairing, renewing,
8 replacing, reconstructing or insuring said system, or any part thereof, or for the
9 purpose of refunding any such bonds.

10 (b) Section 50103 of Title 12 of the Guam Code Annotated provides
11 that agencies and instrumentalities of the government of Guam, including
12 GPA, shall issue bonds and other obligations only by means of, and
13 through the agency of, the Guam Economic Development Authority
14 ("GEDA"), and that GEDA shall *not* sell any bond without the approval of
15 *I Liheslaturan Guåhan* of the terms and conditions of the issuance of the
16 bonds.

17 (c) In each of the years 1992, 1993 and 1994, in Public Law
18 Numbers 21-117, 21-133, 22-26 and 22-136, *I Liheslaturan Guåhan* approved
19 the issuance of revenue bonds by GPA for the purposes set forth in
20 §8203(d) of Title 12 of the Guam Code Annotated, *subject to the approval*

1 of the terms and conditions of the bonds by the Public Utilities Commission
2 ("PUC") and the Board of Directors of GEDA.

3 (d) In accordance with these approvals, and with the approval of
4 the PUC and GEDA, GPA issued certain revenue bonds, known as, "1992
5 Series A Bonds," "the 1993 Series A Bonds" and "the 1994 Series A Bonds."

6 (e) In April, 1998, the Board of Directors of GPA adopted
7 Resolution Number 98-003, relative to approving the refunding of certain
8 GPA bonds.

9 (f) In December, 1998, *I Liheslaturan Guðhan* passed, and *I*
10 *Maga'laken Guahan* signed, Public Law Number 24-312 approving the
11 issuance by GPA of refunding bonds to achieve debt service savings.

12 (g) *I Liheslaturan Guðhan* finds that Public Law Number 24-312
13 requires several technical amendments in order to enable GPA to maximize
14 debt service savings during the years of these difficult economic times.

15 (h) In addition, the Board of Directors of GPA has adopted a
16 resolution approving the issuance of revenue bonds to refinance the
17 projects financed by GPA's commercial paper program and to finance
18 certain other new projects.

19 (i) *I Liheslaturan Guðhan* has determined to approve the issuance
20 of revenue bonds by GPA for the purposes of refinancing the projects
21 financed by GPA's commercial paper program and financing certain other
22 new projects, *subject* to the approval of the terms and conditions of the
23 bonds by the PUC and the Board of Directors of GEDA.

24 Section 2. Section 2 of Public Law Number 24-312 is hereby *repealed and*

1 *reenacted* to read as follows:

2 "Section 2. Definitions Relating to Approval of the Terms
3 and Conditions of the Issuance by GPA of Refunding Bonds to Achieve
4 Debt Service Savings. The following terms shall have the following
5 meanings when used in this Act:

6 (1) '*Prior bond*' means a bond which has been issued by GPA and
7 which is to be redeemed or otherwise retired in whole or in part with the
8 proceeds of refunding bonds and investment earnings thereon.

9 --(2) '*Refunding bond*' means a bond approved pursuant to this
10 Section for the purpose of providing moneys to redeem or otherwise retire
11 prior bonds, funding any necessary bond reserves or paying expenses
12 incurred in connection with the issuance of such refunding bonds.

13 (3) '*Yield*' shall have the same meaning as when used in §148 of the
14 Internal Revenue Code of 1986, as amended. That is, '*yield*' means the
15 annual discount rate which, when used to discount all payments of debt
16 service on an issue of bonds to the date of issuance of bonds, using a
17 semiannual compounding interval, results in the aggregate present value
18 of such payments being equal to the re-offering price to the public of such
19 bonds.

20 (4) '*Debt service*' means the scheduled principal of and interest on
21 bonds, plus fees to be paid for credit enhancement of such bonds.

22 (5) '*Debt service savings*' means the percentage by which the present
23 value of debt service on the refunding bonds is less than the present value
24 of debt service on the prior bonds. Present value shall be calculated for this

1 purpose using the yield on the refunding bonds as the discount rate.”

2 Section 3. Section 3 of Public Law Number 24-312 is hereby *repealed and*
3 *reenacted* to read as follows:

4 “Section 3. Approval of Terms and Conditions of the Issuance
5 of Refunding Bonds by GPA for the Purpose of Achieving Debt Service
6 Savings. (a) *I Liheslaturan Guåhan*, pursuant to Section 50103(k)

7 of Title 12 of the Guam Code Annotated, hereby approves the terms and
8 conditions of issuances of refunding bonds by GPA in accordance with the
9 following requirements, limitations, terms and conditions, which shall
10 apply separately to each issue of refunding bonds:

11 (1) The issuance of the refunding bonds shall *not* cause a
12 violation of the debt limitation provisions contained in 48 USC
13 §1423(a) (§11 of the Organic Act of Guam).

14 (2) All obligations of GPA to pay debt service on, and the
15 redemption price of, the prior bonds shall be discharged concurrently
16 with the issuance of the refunding bonds. Thereafter, the prior bonds
17 shall be payable solely from and secured solely by an escrow
18 established for such purpose.

19 (3) The debt service savings resulting from the issuance of
20 the refunding bonds shall *not* be less than three percent (3%) after
21 taking into account (deducting for) all costs of issuance of the
22 refunding bonds, including, but not limited to, fees and expenses of
23 bond counsel, underwriters (including discount), financial advisor
24 and verification agent, printing costs, and other similar out-of-pocket

1 costs.

2 (4) The final maturity of the refunding bonds shall be less
3 than thirty-six (36) years after the date of issuance of the refunding
4 bonds.

5 (5) The maximum annual debt service on the refunding
6 bonds shall *not* be greater than the maximum annual debt service on
7 the prior bonds.

8 (6) The terms and conditions of the refunding bonds shall be
9 consistent with this Section, and the bonds shall be additional bonds
10 issued under and pursuant to the 1992 indenture and the Third
11 Supplemental Indenture in substantially the same form as presented
12 to *I Liheslaturan Guðhan*. The Third Supplemental Indenture
13 presented to *I Liheslaturan Guðhan* is hereby attached and made a part
14 of this bill. (Exhibit A)

15 (7) No issue of bonds approved by this Section shall be sold
16 until the Board of Directors of GEDA has adopted a resolution
17 approving the sale of such issue.

18 (8) No issue of bonds approved by this Section shall be sold
19 until the PUC has adopted an order approving the sale of such issue.

20 (b) All debt service savings resulting from the refunding and
21 refinancing of any prior bonds shall be used solely for the payments to
22 independent power producers contracted pursuant to Public Law Number
23 23-103, for the express purpose of reducing or maintaining the rates, or
24 offsetting any potential increase in the rates and charges for utility services

1 paid by the residential and business customers of GPA, subject in each case
2 to such use being consistent with the bond indenture pursuant to which the
3 outstanding GPA bonds were issued.”

4 **Section 4. Approval of the Terms and Conditions of the Issuance by**
5 **GPA of Revenue Bonds to Refinance Projects Financed by the GPA**
6 **Commercial Paper Program and to Finance Certain New Projects.**

7 (a) *I Liheslaturan Guåhan*, pursuant to §50103(k) of Title 12 of the
8 Guam Code Annotated, hereby approves the terms and conditions of the
9 issuance by GPA of revenue bonds in a principal amount *not to exceed* One
10 Hundred Million Dollars (\$100,000,000) for the purpose of refinancing the
11 projects authorized by §8122 of Title 12 of the Guam Code Annotated to be
12 financed by the commercial paper program described therein, and
13 financing the projects listed in Subsection (c) of this Section; *provided*, that
14 such bonds have a final maturity not later than October 1, 2034, bear
15 interest at such rate or rates and are sold for such price or prices as shall
16 result in a yield to the bondholders *not exceeding* eight percent (8%) per
17 annum, and are issued and sold pursuant to an indenture complying with
18 the provisions of Chapter 8 of Title 12 of the Guam Code Annotated,
19 including approval by the Board of Directors of GPA and by *I Maga Tahen*
20 *Guåhan* as provided therein.

21 (b) The sale of the bonds shall be approved by the Board of
22 Directors of GEDA, as provided by Chapter 50 of Title 12 of the Guam
23 Code Annotated, and the terms and conditions of the issuance of bonds
24 shall be approved by the PUC as provided by Chapter 12 of Title 12 of the

1 Guam Code Annotated.

2 (c) The proceeds of the bonds and any transferred proceeds of the
3 refinanced commercial paper may be applied to pay for the costs of
4 issuance of the bonds, for accrued and capitalized interest thereon, for
5 credit enhancement therefor, to provide for reserves and to pay the costs
6 of the following capital projects, *subject* in each case to approval by the PUC
7 of such projects in accordance with Chapter 12 of Title 12 of the Guam
8 Code Annotated:

9 (1) the projects listed in §8122 of Title 12 of the Guam Code
10 Annotated, *and*

11 (2) the following additional projects:

12 (i) Agana Heights Village Pole Hardening;

13 (ii) Asan GHURA Redevelopment;

14 (iii) Barrigada Village Pole Hardening;

15 (iv) Boiler Control Upgrade for Cabras 1 and 2;

16 (v) Bulk Storage Tank Upgrade;

17 (vi) Cabras Refurbishment Project;

18 (vii) Dededo Village Pole Hardening;

19 (viii) Distribution Automation Systems;

20 (ix) GLAT 34.5 KV Line/P-312/P-313;

21 (x) Harmon Substation Protection System Upgrade;

22 (xi) Marbo to Pagat 34.5 KV Line;

23 (xii) Old Dededo Kaiser Pole Hardening - Phase II;

24 (xiii) Old Dededo Kaiser Pole Hardening - Phase III;

- 1 (xiv) P-331 Reconductoring;
- 2 (xv) Perezville Conversion - Phase II;
- 3 (xvi) Refurbishment of 115 KV Lines and Construction
- 4 of Maintenance Road;
- 5 (xvii) Spill Containment at Various Plants;
- 6 (xviii) Talofofo Substation 30 MVA Upgrade;
- 7 (xix) Tamuning Village Pole Hardening;
- 8 (xx) U/G Reconstruction - Yona Phase I, Phase II, Phase
- 9 III;
- 10 (xxi) Upgrade Cathodic Protection; *and*
- 11 (xxii) USN Fuel Oil Pipeline Assessment and Upgrade.

12 Section 5. Section 8122 of Article 1, Chapter 8 of Title 12 of the Guam Code
13 Annotated is hereby *repealed and reenacted* to read as follows:

14 "Section 8122. (a) Authorization for Tax Exempt
15 Commercial Paper Program. The Public Utilities Commission ('PUC')
16 and the Guam Economic Development Authority ('GEDA') have
17 authorized the Guam Power Authority ('GPA') to enter into a borrowing
18 or financing program referred to as tax exempt commercial paper ('TECP').
19 GPA is authorized to establish a tax exempt commercial paper program in
20 accordance with the approvals of the PUC and GEDA.

21 (b) Purposes: Terms of Borrowing GPA is Authorized to Incur
22 Debt Under the Tax Exempt Commercial Paper Program Up to a Limit of
23 Thirty Million Dollars (\$30,000,000). This amount may be used to
24 replace the existing lines of credit. At no time will the total outstanding

1 balance borrowed from TECP and lines of credit arising from operation and
2 maintenance purposes exceed this amount without approval from the
3 Public Utilities Commission and *I Liheslaturan Guåhan*. This Section is
4 effective upon closing of the bond issue."

5 Section 6. The Guam Power Authority shall provide a complete and
6 detailed report to *I Liheslaturan Guåhan* outlining the usage requirements for
7 requested additional working capital. Guam Power Authority must also submit
8 to *I Liheslaturan Guåhan* a complete and detailed accounting of all funds that have
9 been transferred to the Executive Branch, as well as the agency's plan of action
10 towards recovering the transferred funds. Guam Power Authority must also
11 submit to *I Liheslaturan Guåhan* a complete and detailed accounting together with
12 the total cost, of all free power line extensions and power line hook-ups
13 beginning with Fiscal Year 1995.

14 Section 7. The report requested in §6 above shall be submitted to the
15 Speaker of *I Liheslaturan Guåhan* within sixty (60) days from the enactment of this
16 Act.

Frederick J. Horecky

From: Graham Botha <gbotha@gpagwa.com>
Sent: Monday, April 22, 2013 7:03 PM
To: horeckylaw@teleguam.net; Lou Palomo
Cc: Lou Sablan; Anita C Fejarang
Subject: PUC Filing - GPA Response to PUC RFI re Cabras #1
Attachments: PUC Filing - GPA Resp to PUC RFI Cabras #1.pdf

Importance: High

Dear PUC:

This is the ELECTRONIC FILING for:

- **GPA Docket No. 13-03 GPA Response to PUC RFI re Cabras #1 Petition for Use of 1999 Bond Funds**

A hard copy follows in 24-48 hours.

Respectfully,

Graham Botha
GPA Legal Counsel
648-3203/3002
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