

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 14-06
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR APPROVAL) ORDER
OF A FUEL LETTER OF CREDIT)
FACILITY.)

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for approval of a Fuel Letter of Credit Facility.¹

BACKGROUND

- 2. GPA has maintained a Letter of Credit Facility for its fuel supplier for nearly twenty years.² ANZ Bank has been GPA's Letter of Credit provider for the last eleven years.³
3. The letter of credit is designed to give assurance to GPA's fuel supplier that amounts owed for shipments of fuel will be duly paid. GPA believes that it would not be able to attract fuel suppliers to provide fuel to the Authority if it did not have a Letter of Credit Facility in place.⁴
4. GPA's current Letter of Credit Facility with ANZ Bank expires on February 28, 2014.⁵ GPA issued an RFP for a new LC Facility. ANZ Bank was the only bidder. GPA now desires to enter into a new Letter of Credit Facility with ANZ Bank.⁶
5. In accordance with ANZ's bid, the Letter of Credit Facility with ANZ Bank would be in an amount not to exceed \$35M.⁷ The term of the facility is not to exceed sixty (60) days per letter and five (5) years for the initial facility term with three (3) options to extend for an additional one (1) year period.⁸

¹ GPA Petition for Contract Review, GPA Docket 14-06, filed February 17, 2014.

² Guam Consolidated Commission on Utilities Resolution No. 2014-09, adopted February 11, 2014.

³ Letter from GPA General Manager to ALJ Horecky, GPA Docket 14-06, dated February 12, 2014, at p. 2.

⁴ Id. at p. 2.

⁵ CCU Resolution No. 2014-09, adopted February 11, 2014, at p. 2.

⁶ Id.

⁷ ANZ Submission to GPA-RFP-14-005, Revolving Irrevocable Fuel Letter of Credit Facility, dated January 17, 2014, at p. 4.

⁸ CCU Resolution No. 2014-09, adopted February 11, 2014, at p. 2.

6. ANZ has offered a Letter of Credit Issuance Fee of 1.9% per annum plus various additional fees and expenses.⁹ ANZ's original proposal indicated that if GPA failed to pay any amount when due, the overdue amount would carry interest at 4% per annum above the stipulated Libor.¹⁰

DETERMINATIONS

7. GPA indicates that the presence of Letter of Credit Facility enhances the likelihood of obtaining bids for its fuel and reduces the premium paid for fuel.¹¹
8. The presence of the Letter of Credit Facility provides an assurance to GPA's fuel supplier that the supplier will be duly paid for fuel shipments. Furthermore, the existence of the facility is an inducement to the fuel supplier to ship fuel to GPA before payment has been made.
9. It appears that maintenance of the Letter of Credit Facility for fuel will cost GPA roughly \$1M per annum. As Exhibit "A", attached hereto, indicates, for the five year base period of the agreement with ANZ, GPA will pay approximately \$5M as fees.¹²
10. GPA has been successful in reducing the original LC Fee from 2.35% under the fuel facility which terminates this month to 1.9% for the proposed new LC facility.¹³ GPA also indicates that it has negotiated with ANZ to reduce the delinquency fee from LIBOR + 4% to LIBOR + 3%.¹⁴
11. With regard to the RFP for the LC facility herein, GPA inadvertently neglected to seek PUC approval for the procurement. GPA is reminded of the need to comply

⁹ ANZ's Response to GPA-RFP-14-005, Revolving Irrevocable Fuel Letter of Credit Facility, dated January 17, 2014, at p. 7.

¹⁰ Id.

¹¹ CCU Resolution No. 2014-09, adopted February 11, 2014, at p. 2.

¹² See Exhibit "A" attached hereto, LC Fee Calculations provided by GPA Asst. CFO Cora Montellano to ALJ Horecky on February 19, 2014; See also letter from GM Joaquin Flores to ALJ Horecky, GPA Docket 14-06, dated February 12, 2014, at p. 2 ("We anticipate the value of the contract will exceed \$5 million over the life of the agreement").

¹³ See Exhibit "A", supra.

¹⁴ Email from GPA Asst. CFO Cora Montellano to ALJ Horecky dated February 19, 2014.

with the requirement of the GPA Contract Review Protocol that GPA obtain approval for procurement “before the procurement process is begun.”¹⁵

12. Unless the PUC approves the new Fuel Letter of Credit Facility, the existing facility will expire on February 28, 2014, and GPA will be left without such a needed facility.

ORDERING PROVISIONS

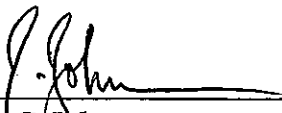
Upon consideration of the record herein, the Petition of GPA, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. GPA is hereby authorized to enter into an irrevocable Letter of Credit Facility with ANZ Bank in an amount not to exceed \$35M, and in accordance with the terms and conditions negotiated by GPA and ANZ.
2. GPA has demonstrated that maintenance of a Fuel Letter of Credit Facility is essential to maintain its supply of fuel oil from its RFO Fuel Supplier.
3. The proposed Letter of Credit Facility with ANZ Bank appears to be reasonable, prudent and necessary.
4. 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.

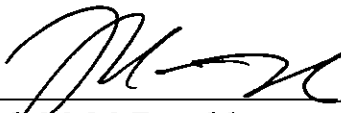
Dated this 25th day of February, 2014.

¹⁵ Contract Review Protocol for Guam Power Authority, Administrative Docket, adopted February 15, 2008, at p. 1.

Order
GPA Petition for
Approval of Fuel
Letter of Credit Facility
GPA Docket 14-06
February 25, 2014

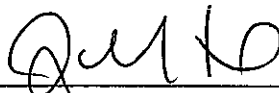


Jeffrey C. Johnson
Chairman




Joseph M. McDonald
Commissioner

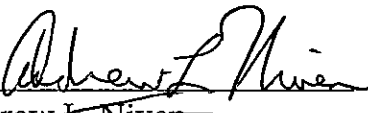
Rowena E. Perez
Commissioner



Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner



Filomena M. Cantoria
Commissioner

GPA

ANZ Bank LC Fees

A	FY 14 Fuel Budget-Hyundai		\$	287,000,000
B	LC Basis Amount (Plus 10% Tolerance)	A*1.1	\$	315,700,000
C	Original LC Fee			2.35%
D	Minimum Days			60
E	Estimated Annual Fees	B*C*D/360	\$	1,236,492
F	Proposed LC Fee			1.9%
G	Estimated Annual Fees	B*F*D/360	\$	999,717
H	Savings	E-G	\$	236,775

ANZ Banking Group

Letter of Credit

No.	Date	Amount	Issuance Fee	Settlement Fee	Swift Charge	Total
LM431068140	8/7/2013	\$ 26,000,000.00	\$ 112,016.67	\$ 3,000.00	\$ 70.00	\$ 115,086.67
LM442528140	9/13/2013	\$ 26,000,000.00	\$ 112,016.67	\$ 3,000.00	\$ 70.00	\$ 115,086.67
LM453478140	10/23/2013	\$ 26,000,000.00	\$ 112,016.67	\$ 3,000.00	\$ 70.00	\$ 115,086.67
LM463248140	11/26/2013	\$ 26,000,000.00	\$ 112,016.67	\$ 3,000.00	\$ 70.00	\$ 115,086.67
LM473068140	12/24/2013	\$ 25,000,000.00	\$ 107,708.33	\$ 3,000.00	\$ 70.00	\$ 110,778.33