

**GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
FEBRUARY 25, 2014
SUITE 202, GCIC BUILDING, HAGATNA**



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 7:00 p.m. on February 25, 2014, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, Montinola, Cantoria, and Niven were in attendance. The following matters were considered at the meeting under the agenda made *Attachment "A"* hereto.

1. Approval of Minutes

The Chairman announced that the first item of business on the agenda was approval of the minutes of January 30, 2013. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction. Commissioner Perez indicated for the record that she was participating tonight for informational purposes, as her pending appointment as Commissioner is before the Legislature for confirmation.

2. Guam Power Authority

The Chairman announced that the next item of business was GPA Docket 14-05, Petition to Approve Procurement for Diesel Fuel Oil No. 2, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA was requesting that the Commission allow it to go out for procurement for Diesel Fuel No. 2. The present diesel fuel contract expires on November 30, 2014. GPA needs to start the procurement process now to issue bids and select a contractor. The procurement was approved by the Consolidated Commission on Utilities. There will be a multi-step bid process: the first step will be the selection of a qualified bidder and then the second step would be the determination of the best competitive price.

GPA clearly needs diesel fuel. Such fuel is used at the baseload plants, the diesel fast tracks and the combustion turbines. The plants use approximately 5.3M gallons a year of diesel fuel. GPA has also included an option for renewable fuel, such as a diesel fuel blend with DME or biodiesel, in its proposed procurement. Such offering is consistent with the Integrated Resource Plan previously approved by the Commission.

GPA has also provided a draft contract for the selected contractor with the proposed IFB. The contract would be for three years, commencing on December 1, 2014 and continuing until November 30, 2017 with two one-year options for extension. The contract is well drafted and includes provisions designed to protect GPA such as insurance, indemnity, and provisions for termination at the convenience of GPA. The contract adequately protects GPA and the ratepayers. Counsel recommends that the

Commission approve the competitive bid process. Since the price is unknown, GPA should be required to return to the Commission to seek final approval of the contract. The Proposed Order would find that diesel fuel is necessary to allow GPA to run its plants and to continue to supply electricity.

Commissioner Pangelinan asked whether the options in the proposed agreement were truly "options"; they appear to depend on the mutual agreement of the parties. Counsel indicated that GPA must initiate the request for option, but extension must be mutually agreed to by the parties. Commissioner Pangelinan asked whether these were standard provisions. Counsel indicated that generally such options for extension do have to be mutual. Similar provisions were contained in the fuel contract between GPA and Petrobras. The Chairman asked whether the present contract with IP&E was at the end of the three year term, and if there was a one year option to renew also. GPA Counsel Botha indicated that GPA did extend the current agreement for the two additional year options. The contract is at the very end of its term now.

The Chairman asked about the small amount of fuel, 200,000 gallons per year, of diesel fuel for Cabras 1 and 2 and Tango 1 and 2. He wondered whether the purpose of these small amounts of diesel fuel oil was to help fire up the baseloads. GPA Counsel Botha indicated that that was the purpose. Diesel is used to fire up the plants when they first are started up. Upon motion duly made, seconded and unanimously carried, the Commissioners authorized GPA to issue the Procurement for Diesel Fuel Oil No. 2 and adopted the Order made *Attachment "B"* hereto.

The Chairman announced that the next item of business was GPA Docket 14-06, Petition for Fuel LC Facility, PUC Counsel Report, and Proposed Order. Counsel indicated that GPA normally issues a letter of credit for its fuel supplier. GPA has had such a letter of credit for its Residual Fuel Oil supplier for over twenty years. Over that period, the letter of credit has been issued by ANZ Bank. GPA needs a letter of credit to assure the fuel supplier of payment. The letter of credit is not actually used to pay GPA's fuel oil bill; however, the existence of such a letter makes the supplier more willing to ship the fuel to GPA without payment in advance. GPA also maintains that the existence of a letter of credit serves to attract more bidders for its RFO bid.

The current letter of credit with ANZ expires on February 28, 2014. A bid was issued in December 2013, and there was only one bidder: ANZ. The proposed letter of credit amount would not exceed \$35M. The term will not exceed sixty days per letter and five years for the initial facility term with three options to extend for an additional one-year period. The fees are actually lower under the proposed letter of credit than under the prior letter: a 1.9% charge rather than the prior charge of 2.35%. There is roughly a charge to GPA of \$1M per year for the maintenance of the letter of credit. GPA has demonstrated the need for such a letter. It enhances the likelihood of obtaining bids for the fuel oil contract. It also provides assurance to the fuel supplier so that supplier will ship the fuel without advance payment. GPA negotiated a reduced fee for the new letter of credit: a reduction in the penalty fee of LIBOR + 3% rather than the old rate of LIBOR + 4%.

There is a procedural issue here in that the PUC did not approve GPA's procurement for the letter of credit. Apparently, GPA had a shortage of staff in December and omitted to submit the procurement to PUC. It was an unintentional omission and an inadvertent error. This error does not diminish GPA's need for the letter of credit. PUC should include in the Order a reminder that GPA must comply with the contract review process, which requires approval of the procurement before the process has begun. Counsel recommends that the PUC approve the letter of credit with ANZ Bank in accordance with the negotiated terms and conditions.

Commissioner Montinola clarified with Counsel that the \$1M per annum is not for use for the line of credit, but the fee for the maintenance of the letter. The Chairman asked what the 1.9% fee was based upon. Assistant CFO Montellano indicated that it was based on the amount of the LC for the month. She indicated the formula for calculation. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the Letter of Credit issued by ANZ Bank to GPA, and adopted the Order made *Attachment "C"* hereto.

3. Guam Waterworks Authority

The Chairman announced that the next item on the agenda was GWA Docket 14-04, Petition for Approval of 2013 Bond Projects and Exemption for PMO under Contract Review Protocol, ALJ Report, and Proposed Order. Counsel indicated that the only matter to be considered this evening in GWA's Petition was the request for approval of the projects funded by the 2013 Bonds. The requested Exemption is still being considered by the ALJ and would be forthcoming at a future meeting.

The 2013 Bonds fund approximately \$140M in projects. These include potable water projects, wastewater projects, electrical engineering projects, and miscellaneous projects. For the most part, these projects are required by the District Court Amended Stipulated Order and the EPA Findings of Significant Deficiencies. The projects and their costs are outlined in the ALJ report. Counsel indicated that he would not repeat them, but gave an explanation of the six most expensive water and wastewater projects, which range in price from \$7M to \$21M. The Projects were all a part of the 2013 Bond issuance and have been examined on a number of different occasions by the PUC. There is nothing new contained in these projects.

The Consolidated Commission on Utilities determined that these projects are prudent and necessary. Furthermore, the ALJ recommended that all of these projects and the funding should be approved. The Projects were originally identified in the Consulting Engineer's Report that was filed by GWA with the PUC when the PUC reviewed the 2013 Bond issuance.

In Public Law 32-69, the Guam Legislature approved the use of bonds for these projects. GWA must comply with the Amended Stipulated Order. Thus, the projects are necessary to carry out the Court mandates. For all these reasons, the ALJ has

recommended that the PUC approve the projects and the cost estimates to be funded under the 2013 Bond.

The Chairman asked about one project: leak detection and line replacement, wherein there would be a system-wide leak detection, line mapping, leak repair, leak inspection, leak analysis, and leak control and training. The Chairman indicated that PUC had been through this before in the past with mixed results. He wondered whether it was known who would do the field work and whether this would be bid out to a private party or be done in-house, and what other aspects were involved. Tom Cruz, Acting GM for GWA, indicated that GWA has received funding from US EPA on this matter. Phases 1 and 2 have been completed. The third phase of this project is where GWA takes over the reins and does the project in-house. GWA is still examining how to do that with the help of the US EPA consultant. For the third phase, GWA has trained staff and equipment purchased. GWA will reach the point where it has a leak detection section within the Authority. GWA Counsel Sam Taylor added his understanding that GWA is forming teams at present to work in-house, having a leak detection unit within GWA that would have its own staff, vehicles, etc.

The Chairman stated that several years ago GWA had a contract with a Taiwan company that was working on leak detection as a three year job, where GWA staff would be trained and eventually take over by the third year. That was only done partially. The Chairman asked whether there were any leftover in-house assets, equipment or training from the previous efforts. The Acting GM indicated that there was equipment, vehicles, and trained personnel that are still with GWA. At present GWA was working on internal restructuring to make leak detection a business unit.

The Chairman asked whether the new meters are leading to an improvement in water losses which are upward of 50%. Acting GM Cruz indicated that a number of zero meter reads have been reduced to around 16%. GWA is buying less water from FENA. Meters are showing accuracy. In 2013 GWA had about 6.4M gallons of water sales, whereas in the prior year it was roughly 6M. A lot of this increase in sales is attributable to more accurate water readings. GWA will always need to have a leak detection program. With water line replacement, when one leak is fixed, another one seems to pop up in the same area. GWA keeps working on the program, unaccounted water loss starts to improve and the percentages come down.

The Chairman asked whether the increase in water production between this year and last was the result of higher revenues closing the gap on the losses, or a result in having to raise production to meet higher sales. The Acting GM indicated that production is stable and that GWA has been able to capture more revenues. GWA has repaired leaks and is buying less water from the Navy. Production has been stable. He confirmed to the Chairman that GWA was slowly moving in the right direction. Commissioner Cantoria asked what percentage of the total production was GWA able to bill. Acting GM Cruz indicated that GWA was still hovering around the 50% level. However, it used to be as high as 62%. Now it's more consistently around 50%. The Chairman indicated that with the meters we should be able to close the gap. GWA Counsel Taylor

indicated that when GWA puts more meters on the wells, there will be better production records. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the 2013 Bond Projects and funding provided and adopted the Order made *Attachment "D"* hereto.

4. Administrative Matters

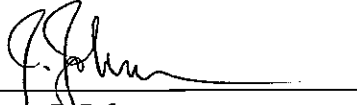
The Chairman introduced the new PUC Consultants for Power and Water matters from the Slater-Nakamura group, Joel Steadley, Alan Finder, and Mel Paret. The Chairman welcomed them to Guam.

The Chairman announced that the next administrative matter was the 2012 Citizen Centric Report, which Counsel and the PUC Administrator have been working on. Counsel indicated that the report was presented for informational purposes. PUC was now up to date, as the 2013 Report is not yet due, but staff is proceeding to put that report together too.

The Chairman indicated that the next item for discussion was Resolution No. 14-01, Establishment of Schedule for Regular Meetings. The Chairman indicated that the Commissioners were in agreement with changing the date for the regular PUC meetings to the last Thursday of each month at 6:30 pm. Commissioner McDonald requested that the new schedule commence in April. The Commissioners agreed that the next meeting would be conducted on Monday the 31st of March as a Special Meeting. The Chairman indicated that the main reason for changing the meeting time was that the Commissioners can be in attendance at the CCU meetings. PUC is changing its schedule to accommodate CCU's schedule. Upon motion duly made, seconded and unanimously carried, the Commissioners changed the regular meeting time for PUC meetings to the last Thursday of each month at 6:30 pm. This schedule will commence in April. The Commissioners adopted Resolution No. 14-01.

The Chairman indicated that the final item for consideration this evening was Extension and Amendment of PUC Contract for Administrative and Bookkeeping Services. Counsel proceeded to discuss the possible retention by the Commission of a part time administrative employee who had previously performed CPA duties for the Commission. Counsel proceeded to discuss the arrangements of the employment, and its terms and conditions, in some detail. The employee would work under the supervision of the Administrator. Commissioner Montinola asked a few questions concerning the proposed fees under the agreement. Commissioner Niven asked whether this position had to be posted. Counsel pointed out that governing statute of the PUC, 12 GCA §12002A, provides that the Commission can hire staff on an as-needed basis. It is not a procurement for professional services. Counsel indicated that this matter was just informational at the time being.

After further discussion and questions, the Commissioners moved to adjourn the meeting.



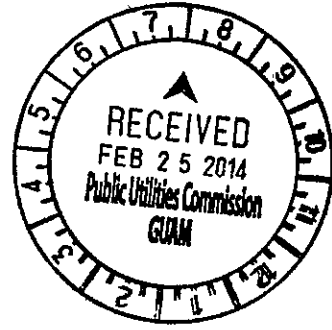
Jeffrey C. Johnson
Chairman

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
SUITE 202, GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
7:00 p.m., February 25, 2014**

Agenda

- 1. Approval of Minutes of January 30, 2014**
- 2. Guam Power Authority**
 - **GPA Docket 14-05, Petition to Approve Procurement for Diesel Fuel Oil No. 2, PUC Counsel Report, and Proposed Order**
 - **GPA Docket 14-06, Petition for Fuel LC Facility, PUC Counsel Report, and Proposed Order**
- 3. Guam Waterworks Authority**
 - **Petition for Approval of 2013 Bond Projects and Exemption for PMO under Contract Review Protocol, ALJ Report, and Proposed Order**
- 4. Administrative Matters**
 - **Informational Filings**
2012 Citizen Centric Report
 - **Resolution No. 14-01, Establishment of Schedule for Regular Meetings**
 - **Introduction of Slater, Nakamura Co. LLC Consultants (PUC Consultants for Water/Power Matters)**
 - **Extension and Amendment of PUC Contract for Administrative and Bookkeeping Services**
- 5. Other Business**

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 14-05
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY FOR APPROVING) ORDER
THE PROCUREMENT FOR SUPPLY OF)
DIESEL FUEL OIL TO GPA)

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority's ["GPA"] Petition for PUC review and approval of GPA's Procurement for Supply of Diesel Fuel Oil.1

BACKGROUND

- 2. GPA's present contract with IP&E Guam to supply diesel fuel oil No. 2 for its base load and peaking units was originally approved by the PUC in GPA Docket 94-04 on July 27, 2009.2
3. The present contract was for a three year base period and two one year extension options. Said contract expires on November 30, 2014.3
4. The Guam Consolidated Commission on Utilities ["CCU"] authorized GPA to petition PUC for approval to issue bids to procure a contractor for the supply of Diesel Fuel Oil No. 2 for the Baseload Plants, Fast Track Diesel Plants, and Combustion Turbine Plants.4
5. GPA proposes that the solicitation of competitive bids for a new diesel fuel supply contract be through a Multi-Step Bid Process.5 GPA submits that diesel fuel oil is essential to the operation of the diesel power plants, and that a contract for such supply is reasonable, prudent, and necessary.6

1 GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014.
2 PUC Order, GPA Docket 94-04, dated July 27, 2009.
3 GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014, at p. 1.
4 CCU Resolution No. 2014-05, adopted January 14, 2014, at p. 2.
5 Id. at p. 2.
6 GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014, at p. 2.

DETERMINATIONS

6. Diesel fuel oil is utilized at various GPA Baseload, Diesel Fast Track and Combustion Turbine Plants. See Schedule A attached hereto.⁷ Diesel fuel assists GPA in providing a stable and uninterrupted supply of electricity to meet the island wide utility power demand.⁸
7. GPA needs to issue an IFB for diesel fuel so that it can secure a new contract which will provide GPA with a continuous supply of fuel necessary to maintain the Authority's electric power generation capacity.
8. The bid that GPA proposes also includes an option for the supply of renewable fuel, such as a diesel fuel blend with DME or biodiesel, consistent with the recommendations of the 2012 Integrated Resource Plan which was approved by the CCU and the PUC.⁹
9. GPA's Petition includes a Draft Bid Package for the Multi-Step Bid for the supply of Diesel Fuel Oil No. 2.¹⁰ In accordance with the draft bid, GPA will seek to procure approximately 5,300,000 gallons of diesel fuel oil per year.¹¹ GPA will first determine which bidders are qualified under the technical bid, and then will select the bidder whose proposal yields the lowest overall Contract Price for the contract base year period.¹²
10. GPA has also proposed a draft contract for the selected bidder.¹³ The contract term will be for a term of three years, to commence on December 1, 2014 and continue until midnight of November 30, 2017. GPA will have an option to extend the contract for two (2) additional one (1) year terms, renewable annually, with the mutual agreement of both parties.¹⁴ The Contract has various provisions designed to protect GPA and its ratepayers, including warranty and quality assurance

⁷ GPA Petition for Contract Review, GPA Docket 14-05, filed February 3, 2014, Schedule A.

⁸ CCU Resolution No. 2012-10, Schedule 1, at p. 4 of 8.

⁹ CCU Resolution No. 2014-05, adopted January 14, 2014, at p. 1.

¹⁰ GPA Petition for Contract Review, Exhibit A, DRAFT BID PACKAGE.

¹¹ Id. at §1.2.

¹² Id. at §4.3.

¹³ GPA Petition for Contract Review, IFB, Volume II CONTRACT.

¹⁴ Id, Volume II CONTRACT, at p. 9 of 36.

provisions, indemnity and insurance requirements, and provisions for termination for the convenience of GPA.¹⁵

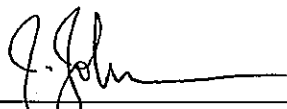
11. The proposed Contract appears to adequately protect the interests of GPA and its ratepayers.

ORDERING PROVISIONS

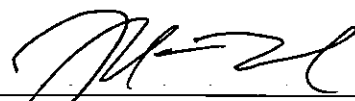
Upon consideration of the record herein, the Petition of GPA, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

1. GPA's request to proceed with the procurement for supply of Diesel Fuel to GPA for the Baseload plants, Fast-Track Diesel Plants, and Combustion Turbine Plants is hereby approved.
2. GPA has demonstrated a clear need for Diesel Fuel Oil No. 2 for its plants, and such fuel is essential to the operation of the plants. It is reasonable, prudent, and necessary for GPA to proceed with procurement for the supply of diesel fuel oil.
3. Once a final contract for supply of diesel fuel oil has been negotiated, GPA should submit such contract to the PUC for final review and approval.
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.



Jeffrey C. Johnson
Chairman

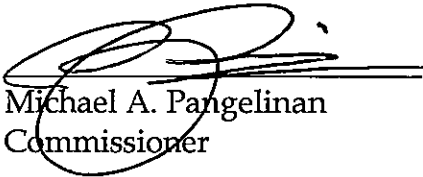


Joseph M. McDonald
Commissioner


¹⁵ Id. at pgs. 4 of 36 through 32 of 36.

Order
Contract Review of
Diesel Fuel Oil Procurement
GPA Docket 14-05
February 25, 2014

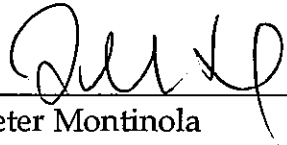
Rowena E. Perez
Commissioner



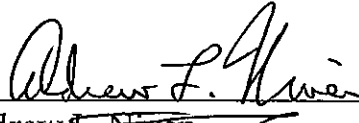
Michael A. Pangelinan
Commissioner



Filomena M. Cantoria
Commissioner



Peter Montinola
Commissioner



Andrew E. Niven
Commissioner

SCHEDULE A

ESTIMATED ANNUAL DIESEL REQUIREMENTS

| Plant Locations | Estimated Annual Requirements |
|--|---------------------------------|
| 1. Baseload Plants (Cabras 1&2, MEC 8&9, Tanguisson 1&2) | 200,000 (gallons per year) |
| 2. Dededo Diesel & CT Plants (Dededo CT, Macheche CT, Marbo CT, Yigo CT) | 1,500,000 (gallons per year) |
| 3. Fast Track Plants (Manengon & Talofoto) | 1,000,000 (gallons per year) |
| 4. TEMES CT | 600,000 (gallons per year) |
| 5. Tenjo Vista Plant | 2,000,000 (gallons per year) |

The estimated fuel oil requirement provided herein is subject to change. GPA shall reasonably notify the Contractor for any changes in the fuel oil requirements.

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

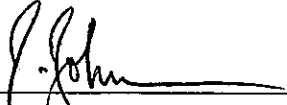
Upon consideration of the record herein, the Petition of GPA, the PUC Counsel Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Guam Public Utilities Commission HEREBY ORDERS that:

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

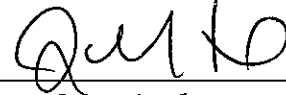


Jeffrey C. Johnson
Chairman

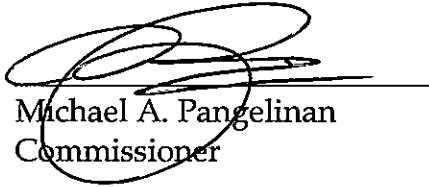


Joseph M. McDonald
Commissioner

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 |



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

**IN RE: PETITION TO (1) APPROVE) GWA DOCKET 14-04
PROJECTS FUNDED BY THE)
2013 BONDS; AND (2) TO)
APPROVE AN EXEMPTION)
UNDER THE CONTRACT) ORDER
REVIEW PROTOCOL FOR)
PROJECTS INVOLVING THE)
PROGRAM MANAGEMENT)
OFFICE FUNDED BY BOND)
PROCEEDS)**

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the Petition to (1) Approve Projects Funded by the 2013 Bonds; and (2) To Approve an Exemption Under the Contract Review Protocol for Projects Involving the Program Management Office Funded by Bond Proceeds (“Petition”), filed by the Guam Waterworks Authority (“GWA”) on February 6, 2014.

DETERMINATIONS

On March 1, 2013, GWA filed its Five Year Financial Plan relative to fiscal years 2014 through 2018 (“Rate Plan”). The Rate Plan contemplated the issuance of three new bonds during 2013, 2015, and 2018, in order to generate \$350 million in capital expenditures for upgrades or rehabilitation of existing facilities or construction of new facilities.¹ On March 13, 2013, GWA filed a petition to reprogram \$7.57 million in 2010 Bond funds, which also contained its updated Capital Improvement Plan for fiscal years 2013 through 2018. On June 5, 2013, GWA filed its Petition for approval of the Rate Plan.

¹ GWA’s 5 Year Financial Rate Plan (“Rate Plan”), p. 6 (Mar. 1, 2013).

On October 24, 2013, GWA filed a Petition for PUC approval of the 2013 Bond, which identified the need for \$95,130,000 for potable water projects, which include tank replacements and repairs; \$33,300,000 for wastewater projects; \$5,395,000 for electrical engineering projects; and \$5,500,000 for miscellaneous projects, which include laboratory modernization, land surveys, and general plant improvements. Accordingly, the 2013 Bond would fund about \$139,325,000 worth of projects.

On October 29, 2013, the PUC approved the Rate Plan. On November 7, 2013, Public Law 32-69 (“P.L. 32-69”) was signed into law, and generally authorized GWA to issue \$450,000,000 in revenue bonds. On November 18, 2013, the PUC approved GWA’s issuance of the 2013 Bond. On February 21, 2014, the Administrative Law Judge of the PUC (the “ALJ”) issued an ALJ Report detailing his findings and recommendations with respect to the subject Petition.

In the February 21, 2014 ALJ Report, the ALJ made the following findings based on a review of the following: GWA’s Petition; CCU Resolution No. 08-FY2014; and GWA’s Capital Improvement Plan 2013-2018, filed in GWA Docket 11-01 on March 13, 2013.

Pursuant to 12 G.C.A. §12005, the PUC is tasked with reviewing and approving all uses of bond proceeds. In addition, pursuant to the November 18, 2013 Order, issued by this Commission in GWA Docket 14-01, GWA “must obtain prior approval of the Projects, as scheduled on Exhibit A to the Debt Order, before either procurement can begin on the projects or before bond proceeds can be expended or

committed on them. Any reprogramming of projects and the associated bond funds shall be subject to prior Commission approval.”

In its Petition, GWA sought PUC approval of the projects to be funded by the 2013 Bond proceeds. GWA submitted that the bases for the request was to meet the requirements of the November 10, 2011 Order for Preliminary Relief issued in the District Court of Guam (“Amended Stipulated Order”), to address the deficiencies in GWA’s water and wastewater systems as identified by the U.S. E.P.A., as well as to fund other capital improvement projects that “promote operational efficiency.” Petition, p. 2.

The Petition further sought authorization from the PUC for flexibility to transfer funds between approved bond-funded projects in an amount equal to 20% of the total value of each project. GWA indicated that this 20% value would only relate “to increases while GWA is also requesting the ability to reduce Bond projects in whatever amounts GWA finds reasonable.” Petition, p. 2. In addition, GWA requested that the PUC exempt all bond-funded projects from the review and approval process of GWA’s Contract Review Protocol. Petition, p. 4. Such exemption was also requested with respect to projects involving GWA’s Program Management Office. Petition, p. 5.

Pursuant to Resolution No. 08-FY2014, issued on January 28, 2014, the Consolidated Commission on Utilities (“CCU”) determined that the subject projects were prudent and necessary. CCU Resolution, p. 2. Accordingly, the CCU authorized GWA to utilize the proceeds of the 2013 Bond for the subject projects and corresponding costs, and also authorized GWA to request PUC approval of same. CCU Resolution, p. 2.

In P.L. 32-69, the Guam Legislature (the “Legislature”) expressly found that “in order for [GWA] to be able to finance the projects required in the timelines prescribed in the United States District Court of Guam Civil Case No. 02-00035, November 10, 2011 Order, the Authority must be authorized to issue an additional Four Hundred Fifty Million Dollars (\$450,000,000) in bonds.”² The Legislature indicated that the proceeds from the issuance of these bonds would fund the following:

[B]ring all three southern wastewater treatment plants in Agat, Umatac and Baza Gardens into compliance with their secondary treatment permits at an estimated cost of 111 Million Dollars by 2018; repair or rebuild all GWA water storage tanks island-wide at an estimated cost of 153.4 Million Dollars by 2021; invest 48.5 Million Dollars for water distribution projects island-wide to begin replacing badly leaking water lines, improve pressure with booster pump upgrades and refurbishing or drilling new wells; fund 39.4 Million Dollars for systems analysis and monitoring and technology upgrades for better system management and energy savings; and to minimize ratepayer impact and allow for gradual rate increases spread out over five to seven years, an additional amount of 108 Million Dollars is required to fund two years of capitalized interest plus a debt service reserve for each bond borrowing.³

Based on the record before the Commission, the ALJ found that the projects for which GWA sought approval in its Petition were identified in its Consulting Engineers Report prepared by GWA’s PMO Brown and Caldwell, filed in GWA Docket 14-01, when the PUC reviewed the 2013 Bond. Such projects have been designed to improve Guam’s water and wastewater utility infrastructure, to increase GWA’s reliability and efficiency, and to comply with the Amended Stipulated Order. In addition, the Legislature authorized

² P.L. 32-69, pp. 1-2 (Nov. 7, 2013).

³ P.L. 32-69, pp. 2.

the issuance of the 2013 Bond for the purposes of repairing and rebuilding GWA's water storage tanks, investing in water distribution projects by replacing water lines, improving water pressure, upgrading booster pumps, and refurbishing or constructing new wells. The 2013 Bond was also authorized to fund systems analysis, monitoring, and technology upgrades. As a result, the ALJ recommended that the PUC approve the projects and cost estimates to be funded under the 2013 Bond.

With respect to the other issues raised in the Petition, specifically GWA's request for PUC authorization to transfer funds between approved bond-funded projects, to increase and reduce amounts approved for such projects; and GWA's request for exemption of all bond-funded projects, and projects involving GWA's Program Management Office, from the review and approval process of GWA's Contract Review Protocol, the ALJ indicated that these issues will be addressed in a separate ALJ Report.

The Commission hereby adopts the findings made in the February 21, 2014 ALJ Report and, therefore, issues the following:

ORDERING PROVISIONS

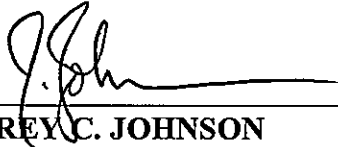
Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

1. That the projects and cost estimates to be funded under the 2013 Bond and identified in GWA's Petition are APPROVED.

2. GWA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses

associated with this docket. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

SO ORDERED this 25th day of February, 2014.



JEFFREY C. JOHNSON
Chairman

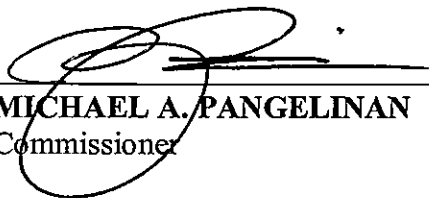
ROWENA E. PEREZ
Commissioner



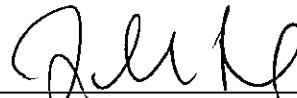
JOSEPH M. MCDONALD
Commissioner



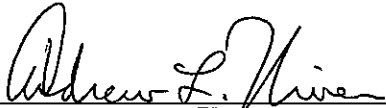
FILOMENA M CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner



PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner

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