

GUAM PUBLIC UTILITIES COMMISSION
REGULAR MEETING
JUNE 26, 2014
SUITE 202, GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a regular meeting commencing at 6:50 p.m. on June 26, 2014, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Pangelinan, 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 May 29, 2014. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the minutes subject to correction.

2. Port Authority of Guam

The Chairman announced that the next order of business was PAG Docket 12-02, Transshipment Study. Counsel indicated that ALJ Alcantara had submitted a proposed Order in this matter; however, shortly before this meeting, the Port submitted additional comments on the proposed Order. Based upon the questions presented by PAG, there are further settlement negotiations between the PUC Consultant Slater-Nakamura and the Port. In the opinion of ALJ Alcantara, this matter should thus be continued until the next meeting.

3. Guam Power Authority

The Chairman indicated that the next item of business was GPA Docket 14-02, Petition for Implementation of Additional Program Management Services under the PMO Contract, PUC Counsel Report, and Proposed Order. Counsel indicated that this morning GPA had filed a six page response to the Order, basically disagreeing therewith and the approach taken. The Commissioners have not had a chance to review those comments, nor has Counsel. Counsel will need additional time to thoroughly address the comments and to refer them to the Consultant. Counsel added that a study is being done by Commissioner Cantoria's students at UOG. The Commissioners have also not had a chance to review the UOG study. Counsel proposes to table this matter until the next meeting. Upon motion duly made, seconded and unanimously carried, the Commissioners tabled this matter until the next meeting.

The Chairman stated that the next item on the agenda was GPA Docket 14-11, Petition to Approve Procurement of Phase II Renewable Acquisition, PUC Counsel Report, and Proposed Order. Counsel indicated that the proposal for a Phase II Renewable

Acquisition originated in 2008. In the 2008 GPA Integrated Resource Plan, it was contemplated that there would be two phases of renewable procurements: each phase would involve GPA procuring 40 megawatts of renewable energy from various possible technologies such as biomass, hydro-geothermal, solar, wind, ocean thermal, wave action and tidal action. GPA already did procure wind and solar power in their Phase I procurement with NGR & PGR. Phase I is now in the process of being constructed and implemented.

Phase II was also included in the 2013 IRP. The Commission has been fully aware from the beginning that GPA intended to go out for a Phase II, and that such was a part of a long-range plan. A Phase II renewable acquisition was contemplated all along. This procurement will be for 40 megawatts from the same renewable resources as previously mentioned in Phase I; GPA also added bio-fuel as something that could be included in a proposal. GPA has already prepared the procurement and proposed contract in five volumes. The RFP is ready to go. There is a proposed contract form for the selected renewable projects. The contract form is similar to that utilized in Phase I.

The proposed contract form appears to protect the interests of both GPA and the ratepayers. The power Producer is required to produce a certain amount of energy and to start by a certain date, the operation date. If the producer fails to start by that date, it faces penalties. GPA can take certain security funds that have been put up for the purpose of protecting GPA and the ratepayers. All things considered, the contract appears to adequately protect the ratepayers' interest and that of GPA. The proposed Order would make certain determinations: that the PUC has been aware of this project and that the project is in accordance with Public Law 29-62, which mandated that GPA promote the development of renewable energy and establish a renewable energy portfolio. GPA has a specific renewable portfolio standard to meet whereby 5% of GPA's net electricity sales should be through renewables by December 31, 2015. The Order would approve the procurement and authorize GPA to issue a procurement for 40 megawatts of renewable energy in its Phase II acquisition. It will be a two-step process whereby GPA first selects qualified providers for qualified projects, then determines the lowest price proposals.

Commissioner Perez asked whether there was already an agreement for the Phase I 40 megawatts; Counsel responded that there was. The total was up to 40 megawatts, but that does not have to be in one project. In Phase II the maximum size of the project is 20 megawatts and the minimum size is 5 megawatts. Commissioner McDonald asked what the timeline was for the 5% renewable energy. GPA General Manager Joaquin Flores stated that the standard is 5% by 2015, 8% by 2020. This Phase II will achieve the first portfolio standard level [i.e., 5%]. In response to Commissioner McDonald's question, GM Flores indicated that GPA was on track such that, at least by 2018, GPA should meet the 5% standard. Commissioner Niven asked whether it was 5% under contract or 5% actual commercial operation. GM Flores indicated that the 5% was on total net sales. Commissioner Perez clarified that there could be a project proposal from 5MW up 40MW. GM Flores stated that if a bidder wanted a combination of waste

energy, wind, and solar in one facility, the total production cannot be less than 5 megawatts. It is the total by facility. There are interconnection grid requirements and stability studies that have to be done by facility where the system is located. CCU Chairman Simon Sanchez indicated that a bidder could come in with multiple facilities and technologies.

Chairman Johnson asked whether there was an interest in biofuels at this point. GM Flores indicated that there was some interest with coconut oil and palm oil, but the volumes are very small. These fuels still have to be blended with diesel fuel. Chairman Johnson asked Mr. Flores what would be the contribution of 40 megawatts of renewables upon the maximum load of 250MW, the system load. GM Flores indicated that solar peaks during daylight hours. Unfortunately, the GPA system peaks at 7pm. It would not reduce system heat from the solar. However, with wind, wind could reduce system peak at night because there is wind energy at night. According to Chairman Sanchez, the solar power through NRG and Pacific Green will have the capacity to make 25 megawatts in Dandan between 6am and 6pm; however at night, that capacity goes down to zero and the energy goes to zero. "Capacity" is the nameplate for these renewable plants, but what GPA is really buying from these vendors is energy. Although the nameplate says that 25 megawatts is produced every day for 365 days, the producer is only giving GPA $\frac{1}{4}$ of that energy every day for 365 days. Upon motion duly made, seconded and unanimously carried, the Commissioners approved GPA's Phase II Renewable Acquisition and adopted the Order made *Attachment "B"* hereto.

The Chairman announced that the next item of business was GPA Docket 14-14, Application of the Guam Power Authority for Approving the Contract of East West Power Guam for the Cabras 4 Unit Generator Overhaul, PUC Counsel Report, and Proposed Order. Counsel stated that there were reasons to expedite the hearing on this matter. There is a definite need for a Cabras 4 overhaul; if GPA issues a purchase order for this work by June 30, 2014, it receives a 1.5% reduction on the contract price. GPA's PMC Contractor for Cabras 3&4, East West Power, solicited bids for the overhaul and received quotes from the generator manufacturer, Alstom, and the engine manufacturer Doiik Engineering Company. The CCU approved the request of GPA to enter into a contract with those parties through the PMC for the Cabras 4 overhaul at a total cost of \$1,129,589. That amount would be covered from bond funds.

The generators are supposed to have a major overhaul every ten years. Counsel understands that Cabras 4 hasn't had a major overhaul before, so it's overdue at this point. In light of the problems that developed with the shaft in Cabras 3 before, it behooves GPA to proceed ahead quickly with the Cabras 4 Overhaul. The overhaul involves inspection of the generator, shaft, insulation tests, re-wedging of the stator, aligning the engine and the generator shaft, etc. Preventive maintenance is also suggested by the operational manuals. This overhaul is necessary to ensure that Cabras 4 continues to reliably operate and to be available. If Cabras 4 goes down, GPA would

be required to expend more for diesel on the fast-track units, which is something to be avoided.

Alstom would do the generator overhaul for \$718,900 and Doiik Engineering would do the engine overhaul for \$410,689. The proposed Order would make the determinations on the matters that Counsel has covered, and authorize GPA to undertake the generator and engine overhauls. However, these funds would be taken out of the 2014 bond issue. The Order would conditionally approve the Cabras 4 Overhaul upon the successful issuance of the 2014 bonds, in an amount not less than \$1,129,589 for the overhaul.

The Chairman asked whether the Cabras 3 overhaul was completed, and GPA indicated that it was. AGMO Camacho indicated that only the generators would have to be overhauled. Commissioner Niven asked whether, since the Order was conditional, the 1.5% reduction would be possible. AGMO Camacho indicated that GPA just needed to commit to the project to reserve the contractors' time and resources. In response to Commissioner Niven's question, GM Flores indicated that approval, even though conditional, would probably be sufficient.

Commissioner Perez clarified that what is needed now is a commitment to do the work; when the funds come through, the contractors will perform the work. AGMO Camacho agreed that was correct. AGMO Camacho also indicated that GPA wants the contractors to come in January, subject to the clarification that work will commence in January. Upon motion duly made, seconded and unanimously carried, the Commissioners approved the selected bids for the Cabras 4 Overhaul and approved the Order made *Attachment "C"* hereto.

CCU Chairman Sanchez then briefly discussed the GPA Bond Issuance matter, issues concerning the subordinate debt, and the lack of a definition of demand side management in the law. Senator Ada has introduced a bill to address these concerns. This will give flexibility to the PUC to address the bond funds separate from approving the demand side management subordinated debt piece of the bill. GPA is hopeful that PUC will attend the hearing and participate in the policy making at the Legislature. CCU encourages PUC to make a presentation at the Legislature. Counsel indicated that in discussions with GPA Counsel, PUC Counsel indicated a willingness to participate upon the approval of the PUC Commissioners.

4. Guam Waterworks Authority

The Chairman announced that the next item on the agenda was GWA Docket 13-01, Petition for Approval of an Additional \$3.199M Increase in GWA's Program Management Office Contract with Brown & Caldwell, Lummus Consultants Report, ALJ Report, and Proposed Order. Counsel indicated that there was a Consultant Report submitted, and an Order prepared in this matter; however, at 4:30pm this afternoon, PUC received additional comments from acting GWA GM Tom Cruz. This has not been sufficient time for the PUC to address these comments. The Commissioners did

not receive the comments as part of their packets. PUC needs to step back and look at the issues and points raised, and also refer those to consultant Lummus. The PUC should address this matter at next month's meeting.

CCU Chairman Sanchez indicated GWA was comfortable with approved spending for \$2.2M; the other issues could be worked through between Lummus and GWA. GWA and Lummus could come back to the PUC within thirty days to address the issues in the GM's prior response. PUC Chairman Johnson asked whether the entire Order could not simply wait for thirty days; Mr. Cruz makes some good points and the PUC wants to ask its consultant to review those. This matter could be ready by July. Upon motion duly made, seconded and unanimously carried, the Commissioners tabled the matter of GWA's request for approval of an additional increase in the PMO Contract until the next PUC meeting.

The Chairman stated that the next item for consideration was GWA Docket 14-05, Petition to Refinance 2005 Bond Series Funds, Lummus Report, ALJ Report, and Proposed Orders. Counsel indicated that GWA has asked for PUC approval to refinance the 2005 bond issuance. That issuance was for approximately \$101M. The amount to be refinanced at present would be roughly \$83,350,000. This refinancing does not involve new Projects or bond funds for CIPs. It's designed to refinance existing bonds. GWA has made the case in its Petition that this refinance will meet the statutory standard of providing at least 2% present value savings.

According to the ALJ Report and the Petition, GWA states that, according to its underwriters, refunding the 2005 bonds in July would result in an 8.1% present value savings. Of course, the exact savings are unknown until the bond is issued and the interest rates are locked in. However, it appears on the record that 2% test would be satisfied here. The ALJ indicates that the necessary documentation for the refunding application, including bond purchase agreement and supplemental indenture, has been submitted. These documents and the escrow agreements have been duly approved by the Consolidated Commission on Utilities through resolution.

Significantly, the refunding was approved in Public Law 32-69. GWA was authorized to refinance any of its series of bonds if it met the 2% test. There is legislative authorization for this bond refinance. The Lummus Consultant Report analyzes this bond refinance and addresses issues concerning the year in which GWA would take the resulting savings. Different scenarios were considered in terms of gross savings and present value savings. In the preferred case, the gross savings were over \$8M. This refinancing will likely save the ratepayers money. It will have a positive effect. GWA has satisfied the 2% savings test. Lummus also raises the issue of how the savings are going to be used.

For the original bond issuance in 2005, the interest rate was somewhere between 5.5% and 6%. Now it's more in the area of 4.3%. Interest rates look more advantageous at this point. The ALJ recommended approval of the refinancing issuance and all other

appropriate approvals (Legislature/GEDA) have been given. Lummus also recommended that the issuance be approved.

In the proposed Orders, the true interest cost given is 4.5%, and costs on the issuance of the bond of 1.5% or \$1.25M. Interest rates are more favorable now. The first Order would approve the long-term debt, and the Debt Order. It would require that the proceeds of the long-term debt be authorized to redeem the 2005 bonds. After the bonds are issued, GWA shall submit a Petition to the PUC indicating the manner by which any actual savings shall be allocated. The Commission, to approve this issuance, must approve the supplemental indenture, the terms and conditions of the issuance and the various bond documents. The amount of bonds issued would not exceed what is necessary to refund the 2005 bonds. The present value of the debt service on the refinancing must be at least 2% less than the present value of debt service on the prior bonds.

CCU Chairman Sanchez indicated that GWA unquestionably did meet the net present value test; however, it had not yet been agreed between GWA and Lummus in what years GWA should take the savings. This is a policy call reserved for the PUC. GWA is attempting to refinance now because it believes that rates will rise. However, when GWA sells the bonds, it needs to know when the savings will be taken because it affects the structure of the financing.

Chairman Johnson asked whether this needed to be defined before GWA went to the market. CCU Chairman Sanchez indicated that it did. PUC Chairman Johnson asked Mr. Sanchez when GWA preferred to take the savings. Greg Cruz, the CFO of GWA, indicated that GWA preferred to take the savings in years 2020, 2021, and 2022. CCU Chairman Sanchez indicated that "58% of the rate increase from the debt service of the GWA borrowings really hit the fan in 2020, 2021, and 2022." ALJ Alcantara indicated that Lummus preferred that GWA take the savings in 2034 and 2035, as that approach provided the most gross savings. Chairman Sanchez indicated that, under another strategy, a portion of the savings could be taken in years 2015 and 2016 (to provide \$1.5M of relief) and then 70% of the savings in the last eighteen months, in 2034 and 2035. Chairman Sanchez believes that this policy decision should come from the PUC. GWA needs to go to the market in three weeks.

PUC Chairman Johnson asked whether the original 2005 debt was on a thirty-year note. Chairman Sanchez and CFO Cruz indicated that it was. The Chairman indicated that GWA was shortening this new note to twenty years, which Mr. Sanchez confirmed indicating that the debt is ten years old. The term is not being extended. Interest rates were dropping because they are now lower than they were in 2005. Also GWA has a better credit rating. The Chairman asked what the original principal and interest payments on the 2005 note were, about 5%? CCU Chairman Sanchez indicated the interest was at about 5 ½%. PUC Chairman Johnson asked whether the monthly payments under the note at 5 ½% were structured like those now at 4 ¼% such that there would still be a \$7.2M payment due per year. GWA's Underwriter Representative indicated that the savings would basically be structured so that the debt service would

never exceed the existing debt service except in the years that savings are taken. Every year there would be at least 1 to \$2,000.00 in savings, then in the year of the structure, the actual savings, the big target year, there would be a decrease depending on the savings that Chairman Sanchez alluded to.

Chairman Johnson indicated he was asking whether the payments that GWA is making on the original 2005 note are basically the same as are being paid here under the refinancing, or are they higher? The Underwriter's Representative stated payments under the original note were a little higher. Essentially, every year, the payment is about \$7.2M, so that's about where the 2005 bond was. It was a few thousand dollars higher. There are a couple of years depending on the scenario which would be significantly lower than \$7.29M, depending on the savings. The Chairman asked whether GWA was deferring the principal on select three-year periods. The Underwriter's Representative said that it was.

The Chairman then asked what degree of confidence was there in obtaining a 4 ¼% interest rate. The Underwriter's Representative stated that it was subject to market variations. Fixed income markets have been very strong lately. There's a demand for both municipal bonds and in particular Guam long-term debt. The Underwriters feel strongly that the bonds will have a strong reception. Chairman Johnson established that the gross savings would be roughly 3% to 5% average on the bill and a little smaller by 2018. CCU Chairman Sanchez indicated it could be 3% or 5%.

Commissioner Niven asked whether bond counsel or the bond market itself care one way or another about this aspect of the years in which the savings are taken. Chairman Sanchez indicated that they do not, but GWA does. GWA is doing this to save money for the ratepayers. Collectively, the question needs to be answered as to when the savings should be claimed. Mr. Sanchez indicated that the concern of Lummus was that at the back end, the gross savings is \$18M. Lummus suggested a compromise; under scenario 7, part of the savings would be available in 2015 and 2016, and the other part would be taken in 2034 and 2035 (\$13M). CFO Cruz indicates that predicting GWA rates in twenty years has uncertainties, and he does not have a comfort level with taking the savings then. Interest rates could be a lot higher in twenty years. GWA has more confidence in the early years.

Counsel suggested to the Commissioners that they could address the savings issue now if they were comfortable with it. Another option would be to defer it to the ALJ and Lummus to work out a solution with GWA. But, the handling of the matter is up to the Commissioners; there are policy implications that the Commissioners are now just being presented; such issues could be deferred to the ALJ. Counsel asked ALJ Alcantara for a comment. The ALJ indicated that Lummus would be more comfortable if there was more time to analyze the numbers better. Chairman Sanchez supported Counsel's idea that Lummus and GWA could address the issue further. Chairman Sanchez indicated that GWA could attempt to reach an agreement with Lummus and submit it to the ALJ. GWA Counsel Taylor requested guidance from the PUC tonight.

Commissioner Perez asked what the refinance was in relation to the five year rate plan that the PUC worked on together with GWA. Chairman Sanchez indicated that the PUC could apply the savings to the current five year rate plan. Chairman Sanchez indicated that if things are deferred until 2035, it will be the most savings for the community but there would be no relief for nineteen more years on this refinance. PUC Chairman Johnson indicated that he was personally comfortable with allowing the ALJ to work with GWA and Lummus over the course of the next week before GWA goes to the bond market in three weeks to come up with a conclusion. The Chairman's personal preference is either GWA's case 1, 2020 to 2022 or at the tail end or some combination thereof, such as case 7. But, the details will be left to the PUC Consultant, the ALJ, and GWA.

Commissioner Perez indicated that she would like to see a scenario aligning the five year rate plan and the savings of the impact on the ratepayers. Commissioner Niven felt that this might not be a ratemaking policy decision for the Commission as opposed to a management policy decision for the CCU or GWA. Commissioner Pangelinan did see it as a rate decision for the Commission because it has an impact. There would be a varying impact depending on which option the PUC chooses. He agreed that the hybrid approach was probably the best in terms of when to do because he would like to give as much rate relief immediately as possible and also maximize the relief. On the other hand, one does not know what is going to happen twenty years from now and what other factors would emerge. The fact that there is at least a guarantee of rate relief, the sooner the better.

Commissioner Perez wished to envision the five year rate plan and the amount of savings. Commissioner Cantoria, as a finance person, believes that the alternative that has the highest present value of savings should be selected and that there then is no need to discuss dates. Chairman Sanchez concurred that he also only looks at present values. It depends upon the discount rate if one goes strictly by net present value, the savings would be taken in 2033, 2034, and 2035. Legal Counsel Horecky raised an issue concerning ratepayer benefit. Since current ratepayers are paying the principal and interest on the bonds that funded the CIP projects, there could be an argument for taking the savings earlier so that the ratepayers who paid for the bonds derive the benefit.


The Chairman again recommended that a Commissioner make a motion to allow the ALJ, Lummus and the CCU/GWA to work this out over the next week. PUC Counsel suggested a procedure whereby the matter of years in which the savings would be allocated would be referred to the ALJ; the ALJ, GWA and Lummus would then work on a stipulation to resolve the matter. Upon motion duly made, carried and unanimously approved, the Commissioners referred the matter of the years in which the cost savings from the refinance should be allocated to the ALJ and that GWA and Lummus should negotiate a stipulation as to the years in which the savings would be taken. The Commissioners further adopted the Order made *Attachment "D"* hereto.

5. Administrative Matters

Counsel indicated that there is a Resolution, 14-03, before the Commissioners which would renew the PUC Telecom Consultant [Slater Nakamura & Co. LLC] for another year. Counsel recommends that Slater Nakamura be extended for another year as the PUC Telecommunications Consultant. Upon motion duly made, seconded and unanimously carried, the Commissioners approved and adopted Resolution 14-03, Extension of Professional Services Agreement for Telecom Consultant for FY2014-2015.

Chairman Johnson also raised the issue of the Commissioners' utilizing tablets for the PUC meetings. Upon motion duly made, seconded and unanimously carried, the Commissioners approved looking into the use of tablets through an IT consultant to bring the Commission into the next century.

There being no further business, 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
6:30 p.m., June 26, 2014
Agenda**

1. Approval of Minutes of May 29, 2014
2. Guam Power Authority
 - GPA Docket 14-02, Petition for Implementation of Additional Program Management Services under the PMO Contract, PUC Counsel Report, and Proposed Order
 - GPA Docket 14-11, Petition to Approve Procurement of Phase 11 Renewable Acquisition, PUC Counsel Report, and Proposed Order
3. Guam Waterworks Authority
 - GWA Docket 13-01, Petition for Approval of an Additional \$3.199M Increase in GWA's Program Management Office Contract with Brown & Caldwell, Report by Lummus Consultants International Inc., ALJ Report, and Proposed Order
 - GWA Docket 14-05, Petition to Refund 2005 Bond Series Funds, Report by Lummus Consultants International Inc., ALJ Report, and Proposed Order
4. Port Authority
 - PAG Docket 12-02, Transshipment Study, Report on the Transshipment Investigation by Slater Nakamura, ALJ Report, and Proposed Order
5. Administrative Matters
 - Adoption of Resolution 14-03, Extension of Professional Services Agreement for Telecom Consultant for FY2014-2015
6. Other Business

ATTACHMENT A



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-11
)
The Application of the Guam Power Authority for Approving the Procurement of Phase II Renewable Acquisition for GPA.) **ORDER**
)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Petition of the Guam Power Authority [“GPA”] for contract review and approval of GPA’s Procurement of Phase II Renewable Acquisition.¹
2. GPA now requests that PUC approve the issuance of an Invitation for Bids [“IFB”] for the Phase II Renewable Acquisition. Attached to GPA’s Petition are five Volumes relative to the IFB for Renewable Energy Resource Phase II Acquisition.

BACKGROUND

3. The PUC has been involved in the review of GPA’s renewable resource acquisition plan for nearly six years. On December 29, 2008, the PUC approved GPA’s Integrated Resource Plan, which included a proposal for “Phase I of GPA’s Renewable Resource Acquisition.”² GPA was authorized to procure up to 40MW of renewable energy sources, including technologies such as biomass, hydro, geothermal, solar, wind, ocean thermal, wave action and tidal action.³
4. On December 19, 2011, the PUC approved the renewable energy contract awards to Quantum Guam Power (20MW Solar Project) and Pacific Green Resources (9.34MW Wind and 5.04MW Solar) under Phase I of the Renewable Energy Acquisition.⁴
5. In its Integrated Resource Plan filed with the PUC on February 25, 2013, GPA clearly indicated that it planned to procure an additional 40MW of renewable energy resources under the Phase II Renewable Energy Acquisition Program, if

¹ GPA Petition for Contract Review of Renewable Acquisition, GPA Docket 14-11, filed June 12, 2014.

² PUC Order, In Matter of GPA Integrated Resource Plan, Docket 08-06, dated December 29, 2008.

³ Id. at p. 1.

⁴ PUC Order, GPA Docket 11-12, dated December 19, 2011.

cost-competitive with other available technologies, as early as 2017.⁵ GPA's 2013 IRP was "conditionally approved" on July 30, 2013.⁶

6. On May 20, 2014, the Guam Consolidated Commission on Utilities adopted Resolution No. 2014-19, which approved the submission to the PUC of the draft bid documents for the Phase II renewable acquisition.⁷ Therein the CCU approved the additional renewable resource acquisition of 40MW in Phase II, indicating that, in addition to the original technologies considered in Phase I, GPA would also consider biofuel as an alternative to energy delivered.⁸

PHASE II RENEWABLE RESOURCE ACQUISITION FOR 40MW

7. On June 23, PUC Counsel filed his Report herein. The Report details the elements of the proposed contract for renewable resource acquisition projects in Phase II. The contract format utilized is similar to that followed by GPA in Phase I of the Renewable Acquisition.

DETERMINATIONS

8. The PUC has been aware for nearly six years that GPA intended to undertake both Phase I and Phase II Renewable Energy Acquisition projects.
9. In the IRP submitted by GPA in 2008, it was understood by PUC that GPA intended to undertake a second phase associated with its renewable energy resource acquisition process. GPA's goal was to acquire a total of approximately 80MW of renewable energy resources.⁹
10. This Phase II renewable energy acquisition was also included in GPA's 2013 IRP. Thus, PUC has understood, and impliedly agreed, GPA could undertake a Phase II renewable energy acquisition.

⁵ Filing of GPA Integrated Resource Plan (IRP), GPA Docket 13-02, dated February 25, 2013, Executive Summary at p. ii.

⁶ PUC Order, GPA Docket 13-02, dated July 30, 2013.

⁷ CCU Resolution No. 2014-19, Relative to the Approval to Submit to the Public Utilities Commission the Draft Bid Documents Phase II Renewable Acquisition, adopted May 20, 2014.

⁸ Id. at p. 1.

⁹ Georgetown Consulting Group, Docket No. 08-6, Petition for Contract Review of Renewable Energy Acquisition, dated April 18, 2009.

11. Phase II renewable energy acquisition is also consistent with the intent of Public Law 29-92, which is to promote the development of renewable energy on Guam and for GPA to establish a renewable energy portfolio. There is a specific renewable portfolio standard of five (5) percent of net electricity sales by December 31, 2015.
12. The proposed agreement contains numerous provisions which seek to protect GPA and ratepayer interests in the event that the Contractor defaults in constructing the facility or otherwise fails to deliver renewable energy in accordance with the agreement. Other protections appear to be standard and commercially reasonable.

ORDERING PROVISIONS

After a review of the record herein, GPA's Petition for review and approval of GPA's Phase II Renewable Acquisition, and the PUC Counsel Report, 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 Petition for Review and Approval of Phase II Renewable Acquisition is hereby granted.
 2. GPA is authorized to solicit competitive bids for up to 40MW of renewable energy in its Phase II Renewable Acquisition.
 3. GPA is required to present the final Phase II Renewable Energy Contracts to the PUC for review and approval, so that the PUC can determine if the final price is reasonable.
 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.
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Order
Procurement of Phase II
Renewable Acquisition
GPA Docket 14-11
June 26, 2014

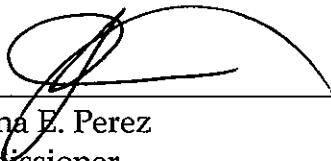
Dated this 26th day of June, 2014.



Jeffrey C. Johnson
Chairman

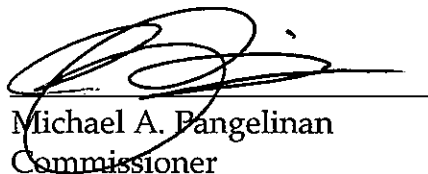


Joseph M. McDonald
Commissioner

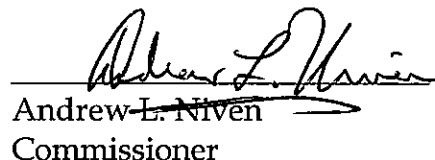


Rowena E. Perez
Commissioner

Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Andrew L. Niven
Commissioner



Filomena M. Cantoria
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:) GPA Docket 14-14
)
The Application of the Guam Power)
Authority for Approving the Contract) **ORDER**
with East West Power Guam for Cabras 4)
Generator Overhaul.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of the Contract with East West Power Guam for the Cabras 4 Generator Overhaul.¹

BACKGROUND

2. GPA contracted with East West Power Guam for PMC services for Cabras 3&4. The generator of Cabras 4 is in need of overhaul, and the PMC solicited bids for the overhaul, receiving two quotes from the generator manufacturer (Alstom) and the engine manufacturer (Dooik Eng. Co., Ltd.).²
3. On June 3, 2014, the Guam Consolidated Commission on Utilities approved GPA's request to contract for the generator overhaul for Cabras 4 through the PMC, East West Power Guam. The CCU authorized the GPA General Manager to issue a purchase order to the PMC in the amount of \$1,129,589.00 for the Cabras Unit 4 Generator Overhaul.³

DETERMINATIONS

4. The original Equipment Manufacturer [OEM] ABB SPAIN recommends that the Cabras Unit 4 generator have a major overhaul every ten years.⁴ Though the Cabras 4 generator has been in operation for 17 years, it has not yet had a major overhaul and is overdue.
5. The scope of work for the major overhaul includes inspection of the generator shaft, an insulation test, UT test, hot spot test, DC bus check, re-wedging of the stator if

¹ GPA Petition for Contract Review, GPA Docket 14-14, filed June 19, 2014.

² Id. at p. 1.

³ Id.; See also Guam Consolidated Commission on Utilities Resolution No. 2014-30, adopted June 3, 2014.

⁴ Id. at p. 1; See also ABB SPAIN Design, Operation and Maintenance Manual Guam, Cabras SSDPS Unit #3, p. 17.

necessary, partial discharge test, polarization index, tangent delta, insulation resistance test on the stator & poles, pulling out of coupling bolts, alignment between engine & generator shaft, jack-up test for bearings load and main bearing & crankpin bearing inspections among other activities.⁵

6. Alstom indicates that prevention maintenance on generators serves to avoid major disturbances or damages which may occur during operating service.⁶ Thus, it appears that the overhaul is necessary to ensure the continuing reliability and availability of the generator.
7. The quotes of the Generator Manufacturer (Alstom) and the Engine Manufacturer (Dooik Eng. Co., Ltd.) are attached to CCU Resolution No. 2014-30. Alstom proposes to do the generator overhaul services for \$718,900.00, and Dooik Eng. Co., Ltd. proposes to do the engine overhaul services for \$410,689.00.⁷
8. Recently GPA discovered cracks to the Cabras 3 rotor shaft. Expensive repairs of approximately \$4.5M were required. The previous issues discovered with regard to the Cabras Unit 3 suggest that the Cabras 4 overhaul is prudent to reduce the risk of operational and catastrophic failures.
9. There is an additional reason for expeditious PUC action on GPA's instant request. Alstom has agreed with GPA that if the Purchase Order is issued to Alstom before the end of June, 2014, there will be cost savings of 1.5% of the cost of the General Overhaul (over \$10k).⁸

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of the Contract with East West Power Guam for the Cabras 4 Generator Overhaul, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

⁵ CCU Resolution No. 2014-30 at p. 1.

⁶ Alstom Power, S. A., Recommendations for Service, Monitoring and Overhauls of Synchronous Salient Pole Machines, HTWT600501E, at p. 2.

⁷ See Exhibits to CCU Resolution No. 2014-30.

⁸ Letter from Giho Choi, General Manager of EWP, to Melinda R. Camacho, Assistant General Manager re: Request for Reviewing the proposal for Generator Overhaul (Cabras Unit 4), dated May 23, 2014.

1. GPA's Application for approval of the contract with East West Power Guam for the generator overhaul of Cabras 4, in the amount of \$1,129,589.00, is approved.
2. However, since GPA intends to pay for the generator overhaul with 2014 bond funds⁹, approval herein should be conditioned upon successful issuance of the 2014 Bonds by GPA and obtaining funds of no less than \$1,129,589.00 for the Cabras 4 Generator Overhaul referenced in GPA's Petition in this Docket.
3. 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.

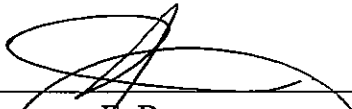
Dated this 26th day of June, 2014.



Jeffrey C. Johnson
Chairman

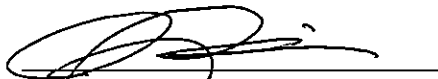


Joseph M. McDonald
Commissioner

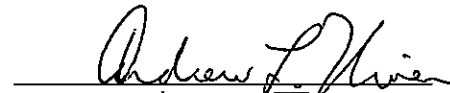


Rowena E. Perez
Commissioner

Peter Montinola
Commissioner



Michael A. Fangelinan
Commissioner



Andrew E. Niven
Commissioner



Filomena M. Cantoria
Commissioner

⁹ GPA Petition for Contract Review, GPA Docket 14-14, filed June 19, 2014, at p. 1.



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

REQUEST BY THE GUAM)	GWA DOCKET 14-05
WATERWORKS AUTHORITY TO)	
REFUND THE 2005 SERIES WATER)	
AND WASTEWATER REVENUE)	ORDER
BONDS AND TO APPROVE THE)	
ASSOCIATED DOCUMENTS)	
<hr/>		

On May 27, 2014, Guam Waterworks Authority (“GWA”) petitioned the Guam Public Utilities Commission (the “Commission”) for authority to issue bonds for the purpose of redeeming or retiring all or a portion of GWA’s outstanding Water and Wastewater System Revenue Bonds, Series 2005 (the “Prior Bonds”).


The Commission has examined the petition and the findings and recommendations of its regulatory consultant and Administrative Law Judge (the “ALJ”). After discussion at a duly convened Commission meeting on June 26, 2014 and upon specific findings and on motion duly seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission, hereby ORDERS that:

1. The order approving long term debt, in form attached (“Debt Order”), shall be and is hereby adopted by the Commission.
2. A portion of the proceeds of the long term debt authorized by the Debt Order is authorized to be used to redeem or retire the Prior Bonds, in whole or in part.
3. After such bonds have been issued, GWA shall submit a petition indicating the manner by which any actual savings shall be allocated.
4. The issue regarding the structuring of bond payments and targeted savings shall be referred to the ALJ for resolution, and that such issue shall be resolved by and

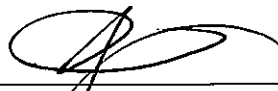
subject to a Stipulation between GWA and the PUC's consultants, Lummus Consultants International.

5. 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 26th day of June, 2014.




JEFFREY C. JOHNSON
Chairman




ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner

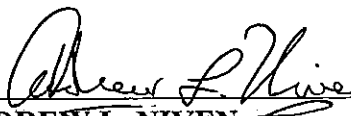


FILOMENA M. CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

REQUEST BY THE GUAM)	GWA DOCKET 14-05
WATERWORKS AUTHORITY TO)	
REFUND THE 2005 SERIES WATER)	
AND WASTEWATER REVENUE)	ORDER APPROVING
BONDS AND TO APPROVE THE)	LONG TERM DEBT
ASSOCIATED DOCUMENTS)	
<hr/>)	

On October 27, 2005, the Guam Public Utilities Commission (the “Commission”) adopted an Order in Docket No. 05-10 (the “2005 Order”) approving certain aspects of the proposal of the Guam Waterworks Authority (“GWA”) to issue and sell long-term debt in the form of revenue bonds (the “Bonds”) pursuant to Article 2 of Chapter 14 of Title 12 of the Guam Code Annotated (the “Act”) for the purposes of financing certain additions and improvements to the water and wastewater systems of GWA (the “System”).

The proposed form of an indenture pursuant to which the Bonds in one or more series were proposed to be issued (the “General Indenture”) was presented to the Commission at that time. In accordance with the Act, the terms and conditions pursuant to which the Bonds were to be issued, and included in the General Indenture, were approved by the Commission pursuant to the 2005 Order.

GWA executed and delivered the General Indenture, dated as of December 1, 2005, and issued one series of Bonds on December 7, 2005, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted.

On October 29, 2010, this Commission approved an Order in Docket No. 10-03 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System.

GWA issued one series of Bonds on November 23, 2010, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted.

On November 18, 2013, the Commission approved an Order in Docket No. 14-01 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System.

GWA issued one series of Bonds on December 12, 2013, having the terms and issued for the purposes authorized and approved by Orders of the Commission theretofore adopted.

GWA has now applied to the Commission for approval of the issuance of one or more additional series of Bonds (the "Refunding Bonds") in an aggregate principal amount sufficient to provide funds for the purpose of redeeming or retiring all or a portion of GWA's outstanding Water and Wastewater System Revenue Bonds, Series 2005 (the "Prior Bonds"), under the limitations provided in Section 4 of Public Law 28-71, as amended by Public Law 30-145, and by Public Law 32-069 (as so amended, the "GWA Bonds Law"), and of the terms and conditions pursuant to which such Refunding Bonds are to be issued.

The proposed form of supplemental indenture pursuant to which the Refunding Bonds are proposed to be issued (the "Supplemental Indenture") has been presented to the Commission (together with certain financial and other relevant information) and is attached hereto, together with the General Indenture, as Exhibit A.

The Commission having duly considered the application of GWA and the information presented on GWA's behalf and having determined that the issuance of the Refunding Bonds for such purposes is just and reasonable, it is ordered as follows:

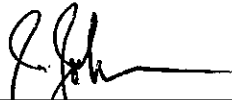
1. The issuance of the Refunding Bonds and the terms and conditions pursuant to which the Refunding Bonds are to be issued and included in Exhibit A are hereby approved; provided, however, that any material modification or amendment of the Supplemental Indenture shall be subject to the Commission's prior review and approval. GWA shall have the responsibility of bringing any such material modification or amendment to the Commission's attention.

2. The principal amount of Refunding Bonds that may be issued may not exceed an aggregate principal amount sufficient to provide funds for the redemption or retirement of all or a portion of the Prior Bonds, plus costs of issuance and of retirement or redemption, [and of a debt service reserve fund deposit]. As provided in the GWA Bonds Law, the Refunding Bonds shall have a final maturity not later than the final maturity of the Prior Bonds; the Refunding Bonds shall be issued and sold pursuant to the Indenture and in compliance with the Act; and the present value of debt service on the refinancing shall be at least two percent (2%) less than the present value of debt service on the Prior Bonds being refinanced, using the yield on the refinancing bonds as the discount rate. All obligation of GWA to pay debt service on, and the redemption price of, the Prior Bonds

shall be discharged concurrently with the issuance of the refinancing bonds; and thereafter, the Prior Bonds shall be payable solely from and secured solely by an escrow established for such purpose in accordance with the Indenture.

3. 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 26th day of June, 2014.



JERFREY C. JOHNSON
Chairman



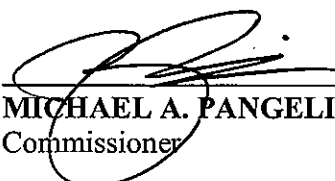
ROWENA E. PEREZ
Commissioner



JOSEPH M. MCDONALD
Commissioner

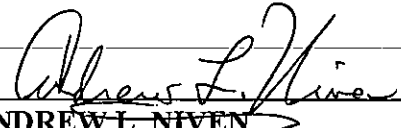


FILOMENA M CANTORIA
Commissioner



MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



ANDREW L. NIVEN
Commissioner



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

REQUEST BY THE GUAM)
WATERWORKS AUTHORITY FOR)
APPROVAL OF THE ISSUANCE OF)
\$195M IN WATER AND WASTEWATER)
REVENUE BONDS AND TO APPROVE)
THE ASSOCIATED DOCUMENTS)
_____)

GWA DOCKET 14-01

ORDER

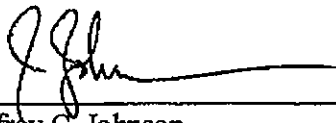
On October 24, 2013, Guam Waterworks Authority (“GWA”) petitioned the Commission for authority to issue up to \$195,000,000 in bonds for the purpose of financing new capital projects, plus such amount as may be appropriate for the purpose of redeeming or retiring all or a portion of GWA’s outstanding Series 2005 and Series 2010 revenue bonds.

The Commission has examined the petition and the findings and recommendations of its regulatory consultant and Administrative Law Judge. After discussion at a duly convened Commission meeting on November 18, 2013 and upon specific finding that the GWA petition is in the best interests of GWA’s ratepayers, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby **ORDERS** that:

1. The order approving long term debt, in form attached (“Debt Order”), shall be and is hereby adopted by the Commission.
2. GWA is reminded that it 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.
3. GWA must obtain prior approval to use any excess bond proceeds or contingency funds not previously committed to an approved new project before such excess bond proceeds or contingency funds can be expended or committed.
4. No implied approval is provided by the Commission regarding revenue and expense pro-forma statements utilized in the financing where such statements have not been previously approved by the Commission.

5. The Commission authorizes its Chairman to approve any changes to the maximum principal amount of the bonds to be issued and other matters not inconsistent with the terms of this Order.
6. GWA shall provide quarterly reports in a manner approved by the Commission 45 days after the close of each quarter on the actual uses of the bonds.

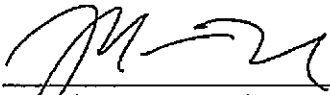
Dated this 18th day of November, 2013.



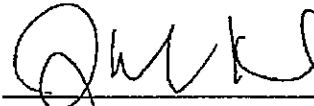
Jeffrey C. Johnson
Chairman



Filomena M. Cantoria
Commissioner



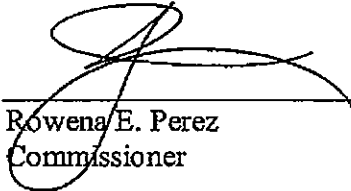
Joseph M. McDonald
Commissioner



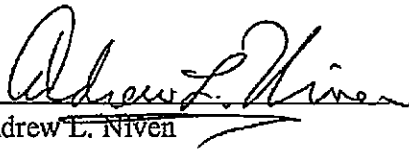
Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Rowena E. Perez
Commissioner



Andrew L. Niven
Commissioner

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BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

REQUEST BY THE GUAM)
WATERWORKS AUTHORITY FOR)
APPROVAL OF THE ISSUANCE OF)
\$195M IN WATER AND WASTEWATER)
REVENUE BONDS AND TO APPROVE)
THE ASSOCIATED DOCUMENTS)

GWA DOCKET 14-01

ORDER APPROVING LONG-TERM DEBT

On October 27, 2005, this Commission adopted an Order in Docket No. 05-10 (the "2005 Order") approving certain aspects of the proposal of the Guam Waterworks Authority ("GWA") to issue and sell long-term debt in the form of revenue bonds (the "Bonds") pursuant to Article 2 of Chapter 14 of Title 12 of the Guam Code Annotated (the "Act") for the purposes of financing certain additions and improvements to the water and wastewater systems of GWA (the "System").

The proposed form of an indenture pursuant to which the Bonds in one or more series were proposed to be issued (the "General Indenture") was presented to the Commission at that time. In accordance with the Act, the terms and conditions pursuant to which the Bonds were to be issued, and included in the General Indenture, were approved by the Commission pursuant to the 2005 Order.

GWA executed and delivered the General Indenture, dated as of December 1, 2005, and issued one series of Bonds on December 7, 2005, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted.

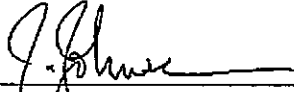
On October 29, 2010, this Commission approved an Order in Docket No. 10-03 approving the issuance and sale by GWA of long-term debt in the form of Bonds pursuant to the Act for the purposes of financing certain additions and improvements to the System.

GWA issued one series of Bonds on November 23, 2010, having the terms and issued for the purposes authorized and approved by Orders of the Commission heretofore adopted.

GWA has now applied to the Commission for approval of the issuance of one or more additional series of Bonds in an amount not to exceed \$195,000,000 (the "Additional Bonds") for the purposes of financing certain additions and improvements described in Exhibit A to this Order (the "Projects") the limitations provided in Section 2 of Public Law

fees and the fee of the Guam Economic Development Authority) shall not exceed two percent (2.0%) of the original principal amount of such Bonds. The 2013 Bonds shall have a final maturity not later than 30 years from their date of issuance.

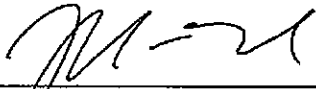
Dated this 18th day of November, 2013.



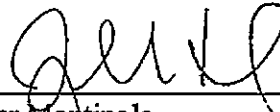
Jeffrey C. Johnson
Chairman



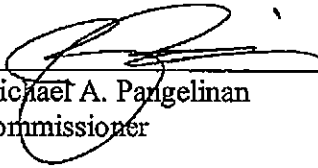
Filomena M. Cantoria
Commissioner



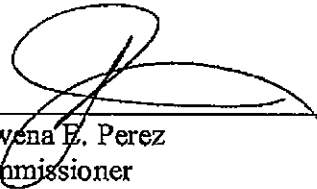
Joseph M. McDonald
Commissioner



Peter Montinola
Commissioner



Michael A. Pangelinan
Commissioner



Rowena E. Perez
Commissioner



Andrew L. Niven
Commissioner

**PUBLIC UTILITIES COMMISSION
OF GUAM**



Jeffrey C. Johnson

Suite 207, GCIC Building
Post Office Box 862
Hagatna, Guam 96932

David A. Mair
Joseph R. Alcantara
Administrative Law Judge

Joseph M. McDonald
Filomena M. Cantoria
Rowena E. Perez
Michael A. Pangelinan
Peter Montinola
Andrew L. Niven

Telephone: (671) 472-1907
Fax: (671) 472-1917
Email: info@guampuc.com

Frederick J. Horecky
Administrative Law Judge/Legal Counsel

Lourdes R. Palomo
Administrator

RESOLUTION NO. 14-03

**RE: EXTENSION OF PROFESSIONAL SERVICES AGREEMENT FOR
TELECOMMUNICATIONS CONSULTANT FOR FY2014-15**

Whereas, the Guam Public Utilities Commission ("PUC") is an autonomous instrumentality within the Government of Guam;

Whereas, pursuant to 12 GCA §12002(a), the PUC has the authority to retain consultants;

Whereas, on or about July 30, 2012, the PUC approved a Professional Services Agreement with Slater, Nakamura & Co. LLC the purpose of advising the PUC with regard to telecommunications matters and the regulatory oversight supervision of telecommunications companies;

Whereas, the above-referenced Professional Services Agreement provided for a maximum total term of five years, with four one year options to extend;

Whereas, the Agreement has now been in effect for two years;

Whereas, the Commission desires to continue to use the services of Slater, Nakamura & Co. LLC as its telecommunications consultant; and

Whereas, the PUC hereby desires to exercise its option to extend the Professional Service Agreements of Telecommunications Consultant for an additional one year period;

NOW THEREFORE, in due consideration of the above recitals and for good cause shown, the PUC hereby resolves that:

1. The Professional Services Agreement retaining Slater, Nakamura & Co. as the PUC Telecommunications Consultant is hereby extended for a period of one year;

2. During the period of the one year extension, all terms and conditions of said Agreement between the PUC and the above referenced Consultant shall fully remain in effect and shall govern the respective relations of the parties.
3. The Chairman is authorized to sign all documents necessary to effectuate the above referenced professional services agreement.

Dated: June 26, 2014




JEFFREY C. JOHNSON
PUBLIC UTILITIES COMMISSION
Chairman

Dated: June 26, 2014



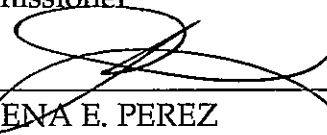
JOSEPH M. MCDONALD
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: June 26, 2014



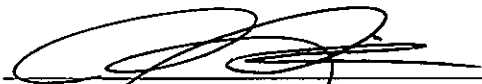
FILOMENA M. CANTORIA
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: June 26, 2014



ROWENA E. PEREZ
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: June 26, 2014

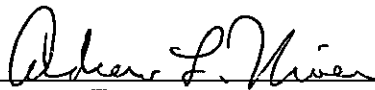


MICHAEL A. PANGELINAN
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: June 26, 2014

PETER MONTINOLA
PUBLIC UTILITIES COMMISSION
Commissioner

Dated: June 26, 2014



ANDREW L. NIVEN
PUBLIC UTILITIES COMMISSION
Commissioner