

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 22-20  
)  
The Application of the Guam Power )  
Authority to Approve the GPA's Use of ) **ALJ REPORT**  
Bond Refinancing Savings for the Capital )  
Lease and O&M Expense of the Ukudu )  
Power Project. )  
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for Approval of GPA's use of bond refinancing savings for the Capital Lease and O&M Expense of the Ukudu Power Project.<sup>1</sup>

BACKGROUND

2. On March 31, 2022, in GPA Docket 22-10, the PUC approved GPA's refunding of the 2012 Series A Revenue Bonds [the "2022 Series A Revenue Refunding Bonds Forward Delivery"].<sup>2</sup>
3. The bonds were delivered on July 8, 2022.<sup>3</sup>
4. GPA has presented the following "Summary of Savings" from the approved refunding:  
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<sup>1</sup> GPA Petition for Approval of GPA's Use of Bond Refinancing Savings for the Capital Lease and O&M Expense of the Ukudu Power Project, GPA Docket 22-20, filed September 6, 2022.

<sup>2</sup> PUC Orders, GPA Docket 22-10, Order, and Order Approving Long-Term Debt dated March 31, 2022.

<sup>3</sup> Email from GPA CFO John Kim to PUC ALJ Horecky and Chairman Johnson dated July 11, 2022 with "Guam Power Authority Final Pricing Book" attached.



Final Refunding Par Amount:	\$ 257,570,000
Final Refunded Par Amount:	\$ 285,795,000
Avg. Annual Cashflow Savings (2024-2030):	\$ 10,056,536
Avg. Annual Cashflow Savings (2031-2034):	\$ 4,297,438
NPV Savings:	\$ 5,772,263
NPV Savings as % of Refunded Par:	2.02%
All-In True Interest Cost:	4.29% <sup>4</sup>

5. In its Order dated March 31, 2022, which approved the refunding, the PUC held:

Within forty-five (45) days after completion of the refinancing of the Prior Bonds, GPA shall submit a petition to the Commission indicating the manner in which actual savings shall be allocated, and the purposes for which GPA intends to expend the savings from this bond issuance. PUC shall conduct a review of such petition and issue an Order concerning the approved uses for such savings.<sup>5</sup>

6. In addition, in Public Law No. 36-80, Section 2(h) [the Act approving GPA's Bond Refinancing], the Guam Legislature required that:

**Savings in annual debt service payments from refunding shall be utilized specifically for the direct benefit of the ratepayers.** Within ninety (90) days of the completion of the refinancing, the Guam Power Authority and the Guam Public Utilities Commission shall notify *I Liheslaturan Guåhan* of their intent and plan regarding the annual debt service payment savings achieved from the refinancing." (Emphasis added).<sup>6</sup>

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<sup>4</sup> CCU Members Board Packet, CCU Meeting on August 23, 2022, "Bond Refunding", p. 66.

<sup>5</sup> PUC Order, GPA Docket 22-10, at p. 1.

<sup>6</sup> Public Law No. 36-80, An Act to Approve the Terms and Conditions of the Issuance by Guam Power Authority of Revenue Bonds to Refund Outstanding Guam Power Authority Revenue Bonds, Section 2(h), enacted March 10, 2022.



7. In Guam Consolidated Commission on Utilities GPA Resolution No. FY2022-29, the CCU indicated that “GPA desires to reserve the savings for the benefit of the community by making a strategic investment in Ukudu Power Project...GPA proposes to use the Bond Refunding Program savings towards the capital lease and Operating and Maintenance Expense of Ukudu Power Project.”<sup>7</sup>
8. The CCU authorized GPA to petition the PUC for approval of the use the savings toward the investment of the Ukudu Power Project.<sup>8</sup>

### ANALYSIS

9. In Public Law No. 36-80, the Guam Legislature established that savings in annual debt service payments from refunding were required to be “utilized specifically for the direct benefit of the ratepayers.”
10. The PUC must determine whether GPA’s proposed use of the savings from refunding is specifically for the benefit of the ratepayers.
11. GPA intends to apply the savings from refunding to the Capital Lease and O&M Expense of the Ukudu Power Project.
12. GPA has provided an estimate of the schedule of payments for the Ukudu Power Project between 2024 and 2049, which is attached hereto as Exhibit “1”.<sup>9</sup> “FCC”

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<sup>7</sup> Guam Consolidated Commission on Utilities, GPA Resolution No. FY2022-29, Relative to Bond Financing Savings Utilization, approved and adopted on August 23, 2022.

<sup>8</sup> Id.



refers to Fixed Capital Cost, “FOM” to Fixed Operating and Maintenance, and “VOM” to Variable Operating and Maintenance.

13. GPA CFO Kim estimates that expenses for the new Ukudu plant for the first ten years (other than 2024) will be approximately \$70M per year; \$39.810M annually is for the “Capital Lease” payments, which constitute GPA’s payments for use of the plant under the Energy Conversion Agreement. In addition, there are fixed O&M expenses of \$27.382M per year, and variable expenses of roughly \$2.2M per year.<sup>10</sup>
14. The \$10M cash flow savings per year from 2024 to 2030 and the \$4.2M cash flow savings in debt service from 2031 to 2034, will be applied to the “Capital Lease” and “O&M Expense” for the Ukudu Power Project. Over the period from 2024 through 2034, roughly \$87.2M in cash flow savings will be paid to offset GPA expenses for the Ukudu plant.<sup>11</sup>
15. The total expenses from 2024 through 2034 for the Ukudu plant would be roughly \$735M. Thus, the bond savings will offset a significant, although relatively small portion, of the overall Ukudu plant expenses.
16. The savings from the refunding in the early years of the operation of the Ukudu plant will help to minimize the burden on ratepayers. The savings are being utilized for the benefit of ratepayers by reducing costs to ratepayers. This is one of various

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<sup>9</sup> Email from GPA Legal Counsel Graham Botha to PUC ALJ Fred Horecky Re: PUC Petition – Bond Savings, dated September 8, 2022

<sup>10</sup> Phone Conversation between GPA CFO John Kim and PUC ALJ Fred Horecky on September 7, 2022.

<sup>11</sup> Id.



measures that GPA has taken to either avoid or minimize the need for a base rate increase.

17. As General Manager John Benavente testified in support of Bill 212-36, the Bond Refunding, the Public Law “will help GPA garner savings for Guam’s ratepayers.”<sup>12</sup>

18. In GPA Docket 18-11, the PUC considered GPA’s request to approve the use of cash flow savings from the refinancing of the 2010 GPA bonds. There, as in this docket, GPA sought to apply the bulk of the savings (nearly \$10M per year), to offset the annual debt service cost of the new Ukudu Power Plant.<sup>13</sup> The PUC approved such use of the bond savings and found that “to the extent that the bond refunding cost savings paid the debts that would otherwise be funded through ratepayer revenues, there is a specific benefit for the ratepayers.”<sup>14</sup>

19. In accordance with the reasoning of the Order in GPA Docket 18-11, GPA’s proposal to utilize the savings from the refinancing of the 2012 bonds for Capital Lease and O&M Expense of the Ukudu Power Project is “specifically for the benefit of the ratepayers.”

### **RECOMMENDATION**

20. The ALJ recommends that the PUC approve GPA’s use of bond refinancing savings for the Capital Lease and the O&M Expense of the Ukudu Power Project.

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<sup>12</sup> John M. Benavente, T testimony in support of Bill 212-36, submitted to the Guam Legislature on January 20, 2022.

<sup>13</sup> PUC Order, GPA Docket 18-11 dated March 29, 2018, at p. 5.

<sup>14</sup> Id.

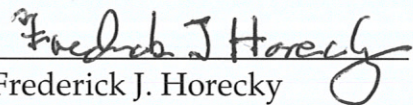


ALJ Report  
Approval of the Use of Refinancing Savings  
For Capital Lease and O&M Expense of the  
Ukudu Power Project  
GPA Docket 22-20  
September 10, 2022

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21. An Order is submitted herewith to the Commissioners for their consideration.

Dated this 10<sup>th</sup> day of September, 2022.

  
Frederick J. Horecky  
Chief Administrative Law Judge



## Fred Horecky

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**From:** Graham Botha <gbotha@gpagwa.com>  
**Sent:** Thursday, September 8, 2022 6:44 PM  
**To:** horeckylaw@teleguam.net  
**Cc:** John J.E. Kim  
**Subject:** Fw: PUC Petition - Bond Savings

Fred:

Here are projections for the 198MW plant from John Kim. It consists of the capacity charge, fixed and variable O&M. We are assuming a COD for the plant of April 1, 2024, although that may be delayed subject to construction delays.

Regards,  
Graham

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**From:** John J.E. Kim  
**Sent:** Thursday, September 8, 2022 4:43 PM  
**To:** Graham Botha  
**Subject:** RE: PUC Petition - Bond Savings

Graham,

Below is the schedule of payment for 198MW plant. We assumed plant payment starting on April 1, 2024.

FY	FCC	FOM	VOM
2024	19,905	13,691	1,243
2025	39,810	27,382	2,292
2026	39,810	27,382	2,311
2027	39,810	27,382	2,171
2028	39,810	27,382	2,179
2029	39,810	27,382	2,194
2030	39,810	27,382	2,218
2031	39,810	27,382	2,230
2032	40,298	27,382	2,241
2033	42,825	27,382	2,238
2034	47,108	27,382	2,249
2035	51,819	27,382	2,261
2036	57,001	27,382	2,275
2037	59,715	27,382	2,277
2038	59,715	27,382	2,281
2039	59,715	27,382	2,284
2040	59,715	27,382	2,295
2041	59,715	27,382	2,306

EXHIBIT "I"



2042	59,715	27,382	2,327
2043	59,715	27,382	2,334
2044	59,715	27,382	2,335
2045	59,715	27,382	2,337
2046	59,715	27,382	2,348
2047	59,715	27,382	2,349
2048	59,715	27,382	2,349
2049	29,857	27,382	2,349

-----Original Message-----

From: Graham Botha <gbotha@gpagwa.com>  
Sent: Thursday, September 8, 2022 4:41 PM  
To: John J.E. Kim <jjekim@gpagwa.com>  
Subject: PUC Petition - Bond Savings

John:

Fred called today as he is working on the report for this months meeting. He would like the amount we will be paying GUP for 10 year period from 2024-2034 for capital lease, fixed O&M and variable O&M. Fred believes he remembers \$37M for capital lease was mentioned. I told him you've got the real figures.

Thanks  
Graham

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