

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 24-23
)
GUAM POWER AUTHORITY'S BOND)
FINANCING SAVINGS UTILIZATION) **ALJ REPORT**
)
)
)
)
_____)

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 Bond Financing Savings Utilization.¹

BACKGROUND

2. On May 30, 2024, in GPA Docket 24-19, the PUC approved GPA's refunding of the Guam Power Authority Revenue Bonds, 2014 Series A.²
3. The bonds were delivered on July 31, 2024.³
4. GPA has presented the following "Summary of Savings" from the approved refunding:

¹ GPA Petition to Approve the Bond Financing Savings Utilization, GPA Docket 24-23, filed September 9, 2024.

² PUC Orders GPA Docket 24-19, Order Approving Long-Term Debt dated May 30, 2024.

³ Email from GPA Counsel Marianne Woloschuk to PUC ALJ Fred Horecky dated September 16, 2024, Summary of Savings from 2014 Series A.

Final Refunding Par Amount:	\$ 54,830,000
Final Refunded Par Amount:	\$ 58,950,000
Avg. Annual Cashflow Savings (2026-2044):	\$ 331,000
NPV Savings:	\$ 4,619,292
NPV Savings as % of Refunded Par:	7.84%
All-In True Interest Cost:	4.16%

5. In Public Law No. 37-95, Section 2(h) [the Act approving GPA’s Bond Refunding], 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).⁴

6. In Guam Consolidated Commission on Utilities GPA Resolution No. FY2024-26, 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.”⁵
7. The CCU authorized GPA to petition the PUC for approval of the use of the savings toward the investment of the Ukudu Power Project.⁶

⁴ Public Law No. 37-95, 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, enacted May 8, 2024, Section 2(h).

⁵ Guam Consolidated Commission on Utilities, GPA Resolution No. FY2024-26, relative to Bond Financing Savings Utilization, approved and adopted on August 27, 2024.

⁶ Id.

ANALYSIS

8. In Public Law No. 37-95, 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.”
9. The PUC must determine whether GPA’s proposed use of the savings from refunding is specifically for the benefit of the ratepayers.
10. GPA intends to apply the savings from refunding to the Capital Lease and O&M Expense of the Ukudu Power Project.
11. GPA has provided an estimate of the schedule of payments for the Ukudu Power Project between 2026 and 2044, which is attached hereto as Exhibit “1”.⁷
12. GPA CFO Kim estimates that total expenses for the new Ukudu plant during the period of 2026-2044 will be approximately \$1.593 Billion (total plant cost over the 25 year period of the Energy Conversion Agreement is estimated to be \$2,159,912,000)⁸. GPA costs under the Energy Conversion Agreement with KEPCO include Fixed Capital Costs, fixed O&M expenses, variable expenses, and an inflation adjustment.⁹
13. The \$331,000 annual cash flow savings from 2026 to 2044 will be applied to expenses for the Ukudu Power Project. Over the period from 2026 through 2044, roughly

⁷ Email from GPA CFO John Kim to PUC ALJ Fred Horecky dated September 16, 2024, Ukudu Power Plant Payment Schedule.

⁸ Id., Exhibit “1”.

⁹ Id., Exhibit “1”.

\$6,281,750 in cash flow savings will be paid to offset GPA expenses for the Ukudu plant.¹⁰

14. Thus, the bond savings will offset a relatively small portion of the overall Ukudu plant expenses.

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

16. 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 Series A Revenue Bonds. There, as in this docket, GPA sought to apply the bulk of the savings, to offset the annual debt service cost of the new Ukudu Power Plant.¹¹

17. 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."¹² From the savings from the refunding of its 2010 Series A Revenue Bonds, in 2021 through 2039, \$9,889,250 is being utilized to offset the annual debt service costs of the new Power Plant.¹³

¹⁰ Id.

¹¹ PUC Order, GPA Docket 18-11 dated March 29, 2018, at p. 5.

¹² Id.

¹³ Id. at p. 4.

18. In GPA Docket 22-20, the PUC considered GPA's request to approve the use of cash flow savings from the refinancing of the 2012 Series A Revenue GPA bonds. The PUC determined that, over the period from 2024 through 2034, roughly \$87.5M in cash flow expenses would be paid to offset GPA expenses for the Ukudu plant.¹⁴
19. In accordance with the reasoning of the Orders in GPA Dockets 18-11 and 22-20, GPA's proposal to utilize the savings from the refinancing Guam Power Authority Revenue Bonds, 2014 Series A is "specifically for the benefit of the ratepayers."
20. From the total bond refunding savings in this Docket and GPA Dockets 18-11 and 22-20, it appears that over \$103M total in such refunding savings will go to offset expenses for the Ukudu plant.
21. While \$103M is only a small portion of the \$2,159,912,000 total expense for the new Ukudu plant, it represents funds that the GPA ratepayers will not have to pay for the expenses of the Ukudu plant.


RECOMMENDATION

22. The ALJ recommends that the PUC approve GPA's use of bond refinancing savings for the expenses of the Ukudu Power Project.
23. An Order is submitted herewith to the Commissioners for their consideration.

¹⁴ PUC Order, GPA Docket 22-20, dated September 29, 2022, at p. 4.

ALJ Report
Financing Savings Utilization
GPA Docket 24-23
September 17, 2024

Dated this 17th day of September, 2024.


Frederick J. Horecky
Chief Administrative Law Judge

Ukudu Power Plant payment schedule

FY	New FCC	FOM	Inflation Adjustment to FOM - 23% as of August		Total	Savings from 2024 Bond	Expenses of Ukudu until 2044
			2024	VOM			
2026	\$ 39,388	\$ 27,382	\$ 6,298	\$ 2,274	\$ 75,342	\$ 329,750	\$ 75,342
2027	39,388	27,382	6,298	2,292	75,360	328,250	75,360
2028	39,388	27,382	6,298	2,311	75,379	331,500	75,379
2029	39,388	27,382	6,298	2,171	75,239	329,250	75,239
2030	39,388	27,382	6,298	2,179	75,247	331,750	75,247
2031	39,388	27,382	6,298	2,194	75,262	328,750	75,262
2032	39,388	27,382	6,298	2,218	75,286	330,500	75,286
2033	39,388	27,382	6,298	2,230	75,298	331,750	75,298
2034	40,321	27,382	6,298	2,241	76,243	332,500	76,243
2035	44,223	27,382	6,298	2,238	80,142	332,750	80,142
2036	48,514	27,382	6,298	2,249	84,444	332,500	84,444
2037	53,235	27,382	6,298	2,261	89,177	331,750	89,177
2038	58,427	27,382	6,298	2,275	94,382	330,500	94,382
2039	58,427	27,382	6,298	2,277	94,385	328,750	94,385
2040	58,427	27,382	6,298	2,281	94,389	331,500	94,389
2041	58,427	27,382	6,298	2,284	94,391	328,500	94,391
2042	58,427	27,382	6,298	2,295	94,402	330,000	94,402
2043	58,427	27,382	6,298	2,306	94,413	330,750	94,413
2044	58,427	27,382	6,298	2,327	94,435	330,750	94,435
2045	58,427	27,382	6,298	2,334	94,442	-	-
2046	58,427	27,382	6,298	2,335	94,443	-	-
2047	58,427	27,382	6,298	2,337	94,444	-	-
2048	58,427	27,382	6,298	2,348	94,455	-	-
2049	58,427	27,382	6,298	2,349	94,457	-	-
2050	58,427	27,382	6,298	2,349	94,457	-	-
	\$ 1,260,946	\$ 684,561	\$ 157,449	\$ 56,956	\$ 2,159,912	\$ 6,281,750	\$ 1,593,215