



COMMITTEE ON RULES

I Mina'trentai Unu na Liheslaturan Guåhan • The 31st Guam Legislature

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June 28, 2012

MEMORANDUM

To: Pat Santos
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Subject: Referral of Bill No. 484-31 (COR)

As the Chairperson of the Committee on Rules, I am forwarding my referral of Bill No. 484-31 (COR).

Please ensure that the subject bill is referred, in my name, to the respective committee, as shown on the attachment. I also request that the same be forwarded to all members of *I Mina'trentai Unu na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os Ma'åse!

(1) Attachment

I Mina'Trentai Unu Na Liheslaturan Guahan

Bill Log Sheet

BILL NOS.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	120 DAY DEADLINE	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	STATUS
484-31 (COR)	T. C. Ada, R. J. Respicio, J. P. Guthertz, DPA	AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND AND RESTRUCTURE CERTAIN GUAM POWER AUTHORITY REVENUE BONDS; AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY SUBORDINATE REVENUE BONDS TO TERMINATE AND RETIRE THE OBLIGATIONS OF THE AUTHORITY UNDER CERTAIN FORWARD PURCHASE AGREEMENTS RELATING TO THE INVESTMENT OF THE AUTHORITY'S BOND RESERVE FUND	06/27/12 5:03 p.m.	6/28/12		Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement and Land			

I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN
2012 (SECOND) Session

2012 JUN 27 10:03 AM
PH 5: 03

Bill No. 484,31 (Cor)

Introduced by:

T.C. Ada
R.J. Respicio
J.P. Guthertz, DPA

AN ACT TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY REVENUE BONDS TO REFUND AND RESTRUCTURE CERTAIN GUAM POWER AUTHORITY REVENUE BONDS; AND TO APPROVE THE TERMS AND CONDITIONS OF GUAM POWER AUTHORITY SUBORDINATE REVENUE BONDS TO TERMINATE AND RETIRE THE OBLIGATIONS OF THE AUTHORITY UNDER CERTAIN FORWARD PURCHASE AGREEMENTS RELATING TO THE INVESTMENT OF THE AUTHORITY'S BOND RESERVE FUND

BE IT ENACTED BY THE PEOPLE OF GUAM:

1 **Section 1. Legislative Intent.** *I Liheslaturan Guåhan* finds that Section 8203 of
2 Title 12 of the Guam Code Annotated provides that Guam Power Authority (“GPA”) is
3 authorized to incur indebtedness by the issuance of revenue bonds with the approval of
4 the Governor to raise funds for the purpose of establishing the electric power system of
5 GPA, or of acquiring lands for the system, or of acquiring, constructing, improving,
6 equipping, maintaining, repairing, renewing, replacing, reconstructing or insuring the
7 system, or any part thereof, or for the purpose of refunding any such bonds, or for any
8 combination of such purposes.

9 (b) Section 12004 of Title 12 of the Guam Code Annotated provides that GPA
10 shall not enter into any contractual agreements or obligations (including bonds) that could

1 increase rates and charges prior to the written approval of the Guam Public Utilities
2 Commission (the “GPUC”).

3 (c) Section 50103 of Title 12 of the Guam Code Annotated provides that
4 public corporations of the government of Guam, including GPA, shall issue bonds and
5 other obligations only by means of, and through the agency of the Guam Economic
6 Development Authority (“GEDA”), and that GEDA shall not sell any bond without the
7 approval by *I Liheslaturan Guåhan* of the terms and conditions of the bonds.

8 (d) The Consolidated Commission on Utilities (“CCU”) has been exploring
9 opportunities to reduce debt service costs for nearly a decade and the primary point of
10 focus has been the Marianas Energy Corporation (“MEC”) plant contract which is
11 financed over a 20 year period even though the useful life of the plant is estimated to be
12 40 years. This short-term financing has placed a high burden on existing ratepayers to
13 repay this debt faster than usual, with the highest debt payments emerging in the next few
14 years, between 2012 and 2018.

15 (e) While the CCU has concluded that the MEC contract cannot be refinanced
16 on terms beneficial to GPA customers, GPA has developed an alternative finance strategy
17 to serve as a proxy for the savings from an MEC refinancing wherein GPA would
18 perform a refinancing and restructuring of its currently outstanding bonds in order to
19 accomplish the same purposes, reducing debt service costs by approximately \$8 million
20 per year through 2018, when the front-loaded Independent Power Producer contracts,
21 including the MEC contract, will terminate.

22 (f) This estimated \$8 million annual savings would provide great relief to
23 ratepayers now, at a time when they need it most, and be used to minimize the impact of
24 rate increases on GPA customers. The GPUC recently approved a May 1 base rate

1 increase that would yield an estimated \$9.1 million per year in revenues to GPA. The
2 proposed refinancing contemplated by this legislation would effectively roll back nearly
3 all of the recently approved rate hike.

4 (g) Based on historic low interest rates and current market conditions, GPA
5 expects to be able to refinance certain maturities of its outstanding 1993 Series A and
6 1999 Series A revenue bonds for debt service savings, but in any event desires to
7 refinance certain maturities of such bonds in order to restructure debt service in a manner
8 that results in more level total payments for capital costs, taking into account GPA's
9 current contract with Marianas Energy Company, which requires much higher capital
10 payments through January, 2019.

11 (h) GPA entered into forward purchase agreements with Lehman Brothers and
12 Bank of America for the investment of certain funds relating to its outstanding 1993
13 Series A and 1999 Series A revenue bonds, and it is necessary and desirable to terminate
14 and retire one or more of those agreements in connection with such refinancing and
15 restructuring of the outstanding 1993 Series A and 1999 Series A revenue bonds.

16 (i) As a result of the potential savings to ratepayers, On June 5, 2012, the
17 Consolidated Commission on Utilities (the "CCU") adopted a resolution relative to (1)
18 approving the issuance of additional senior revenue bonds to refund all or a portion of the
19 outstanding Guam Power Authority Revenue Bonds 1993 Series A and 1999 Series A,
20 and (2) approving the issuance of subordinate revenue bonds to terminate and retire all or
21 a portion of the outstanding GPA obligations under the forward purchase agreements.

22 (j) In order to benefit ratepayers, *I Liheslaturan Guåhan* has determined to
23 approve the issuance of revenue bonds by GPA for the purposes described in
24 subparagraph (1) of the preceding paragraph and the issuance of subordinate revenue

1 bonds by GPA for the purpose described in subparagraph (2) of the preceding paragraph,
2 all subject to approval by *I Maga'lahaen Guåhan*, the GPUC and the Board of Directors of
3 GEDA in accordance with law.

4 **Section 2. Approval of the Terms and Conditions of GPA Refunding Bonds.**

5 *I Liheslaturan Guåhan*, pursuant to §50103(k) of Title 12 of the Guam Code
6 Annotated, hereby approves the terms and conditions of the issuance of senior revenue
7 bonds by GPA for the purpose of refunding all or a portion of GPA's outstanding 1993
8 Series A and 1999 Series A revenue bonds in accordance with the following
9 requirements, limitations, terms and conditions:

10 a) The aggregate principal amount of the refunding bonds shall not exceed the
11 sum of (i) the amount determined in accordance with Section 8229 of Title 12
12 of the Guam Code Annotated, plus (ii) any additional amount needed to
13 provide for a deposit to the debt service reserve in connection with the
14 issuance of the refunding bonds.

15 b) All obligation of GPA to pay debt service on, and the redemption price of, the
16 prior bonds shall be discharged concurrently with the issuance of the
17 refunding bonds. Thereafter, the prior bonds shall be payable solely from and
18 secured solely by an escrow established for such purpose.

19 c) The final maturity of the refunding bonds shall not be greater than 21 years
20 after the final maturity of the bonds being refunded.

21 d) Such bonds shall be issued and sold pursuant to GPA's existing bond
22 indenture, shall be held by the Trustees of the existing bonds and shall be in
23 compliance with the provisions of Chapter 8 of Title 12 of the Guam Code

1 Annotated, including approval by the CCU and by *I Maga'lahaen Guåhan* as
2 provided therein.

3 e) The sale of the bonds shall be approved by the Board of Directors of GEDA
4 as provided by Chapter 50 of Title 12 of the Guam Code Annotated and the
5 terms and conditions of the issuance of the bonds shall be approved by the
6 GPUC as provided by Chapter 12 of Title 12 of the Guam Code Annotated.

7 f) GPA's outstanding 1993 Series A and 1999 Series A revenue bonds maturing
8 in calendar years 2012 through 2018, inclusive, may be refinanced with a
9 portion of the proceeds of the bonds approved in this Section, provided that
10 such refinancing results in GPA's ability to petition the GPUC to reduce rates
11 during the years of the maturities being refinanced without such rate reduction
12 resulting in the violation of any bond indenture covenants.

13 g) GPA's outstanding 1993 Series A and 1999 Series A revenue bonds maturing
14 in calendar years 2019 and after may be refinanced with a portion of the
15 proceeds of the bonds approved in this Section, provided that the present
16 value of debt service for each maturity of such refinancing bonds shall not
17 exceed the present value of debt service for each maturity of such refinanced
18 bonds, using the yield on the refinancing bonds as the discount rate.

19 **Section 3. Approval of the Terms and Conditions of GPA Subordinate**
20 **Revenue Bonds to Terminate and Retire the Obligations of GPA under Certain**
21 **Forward Purchase Agreements.**

22 a) *I Liheslaturan Guåhan*, pursuant to §50103(k) of Title 12 of the Guam Code
23 Annotated, hereby approves the terms and conditions of GPA subordinate
24 revenue bonds in a principal amount not to exceed Twenty Million Dollars

1 (\$20,000,000) for the purposes listed in subsection (c) of this section,
2 *provided*, that such bonds have a final maturity not later than October 1, 2027,
3 bear interest at such rate or rates and are sold for such price or prices as shall
4 result in a net interest cost not exceeding the limitation provided by Section
5 8214 of Chapter 8 of Title 12 of the Guam Code Annotated, as amended, are
6 issued and sold in accordance with the provisions of Chapter 8 of Title 12 of
7 the Guam Code Annotated, including approval by the CCU and by *I*
8 *Maga'láhen Guåhan* as provided therein, and the Trustees for the 1993 Series
9 A and 1999 Series A revenue bonds series shall remain as the Trustees for the
10 subordinate revenue bonds.

11 b) The sale of the subordinate bonds shall be approved by the Board of Directors
12 of GEDA as provided by Chapter 50 of Title 12 of the Guam Code Annotated
13 and the subordinate bonds shall be approved by the GPUC as provided by
14 Chapter 12 of Title 12 of the Guam Code Annotated.

15 c) The proceeds of the subordinate bonds may be applied to pay for the costs of
16 issuance of the subordinate bonds, for credit enhancement therefor, to provide
17 for reserves and to pay the costs of terminating and retiring GPA's obligations
18 under the forward purchase agreements relating to the investment of certain
19 funds relating to its outstanding 1993 Series A and 1999 Series A revenue
20 bonds, subject in each case to approval by the GPUC of such purpose in
21 accordance with Chapter 12 of Title 12 of the Guam Code Annotated.