



## COMMITTEE ON RULES

*I Mina'trentai Tres na Liheslaturan Guåhan* • The 33rd Guam Legislature

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June 18, 2015

### Memorandum

**To:** Rennae Meno  
*Clerk of the Legislature*

**From:** Senator Thomas C. Ada   
*Acting Chairperson of the Committee on Rules*

**Subject:** Fiscal Notes and Fiscal Note Waivers

*Hafa Adai!*

Attached please find the fiscal notes and fiscal note waivers for the bill numbers listed below. Please note that the fiscal notes and fiscal note waiver are issued on the bills as introduced.

#### FISCAL NOTES:

Bill No. 8-33(COR)  
Bill No. 67-33(COR) Revised  
Bill No. 75-33(COR)  
Bill No. 78-33(COR)  
Bill No. 87-33(LS)  
Bill No. 88-33(LS)  
Bill No. 93-33(LS)

#### FISCAL NOTE WAIVERS:

Bill No. 72-33(COR)  
Bill No. 102-33(COR)  
Bill No. 119-33(COR)  
Bill No. 123-33(COR)

Please forward the same to MIS for posting on our website. Please contact our office should you have any questions regarding this matter.

*Si Yu'os ma'åse'!*

  
2015 JUN 18 PM 3:41

**Bureau of Budget & Management Research  
Fiscal Note of Bill No. 8-33 (COR)**

**AN ACT TO PROVIDE FOR DEVELOPMENT AND IMPLEMENTATION OF COMPARABLE RATE SCHEDULE R CHARGES FOR RESIDENTIAL MULTIFAMILY ACCOMMODATIONS BY THE GUAM POWER AUTHORITY, BY ADDING A NEW ITEM (1) TO §8104(D) OF CHAPTER 8, TITLE 12, GUAM CODE ANNOTATED, AND A NEW ITEM (1) TO §3111 OF ARTICLE 1, CHAPTER 3, TITLE 28, GUAM ADMINISTRATIVE RULES AND REGULATIONS.**

**Department/Agency Appropriation Information**

Dept./Agency Affected: Guam Power Authority	Dept./Agency Head: John M. Benavente, P.E.
Department's General Fund (GF) appropriation(s) to date:	0
Department's Other Fund (Specify) appropriation(s) to date:	0
<b>Total Department/Agency Appropriation(s) to date:</b>	<b>\$0</b>

**Fund Source Information of Proposed Appropriation**

	General Fund:	(Specify Special Fund):	Total:
FY 2014 Unreserved Fund Balance		\$0	\$0
FY 2015 Adopted Revenues	\$0	\$0	\$0
FY 2015 Appro. (P.L. 32-181)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Estimated Fiscal Impact of Bill**

	One Full Fiscal Year	For Remainder of FY 2015 (if applicable)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

1. Does the bill contain "revenue generating" provisions? / / Yes /x/ No  
If Yes, see attachment
2. Is amount appropriated adequate to fund the intent of the appropriation? /x/ N/A / / Yes / / No  
If no, what is the additional amount required? /x/ N/A
3. Does the Bill establish a new program/agency? / / Yes /x/ No  
If yes, will the program duplicate existing programs/agencies? /x/ N/A / / Yes / / No  
Is there a federal mandate to establish the program/agency? / / Yes /x/ No
4. Will the enactment of this Bill require new physical facilities? / / Yes /x/ No
5. Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: /x/ Yes / / No  
/x / Requested agency comments not received by due date / / Other:

Analyst: Michael M. Aflague, B&M Analyst IV Date: 3/11/15 Director: [Signature] Date: **JUN 18 2015**  
[Signature] Salvo, Acting Director

**Footnotes:** The Bill would require the Guam Power Authority (GPA) to adjust rates to residential customers who may be otherwise charged as a commercial customer particularly for condominiums and/or apartment complexes that may be configured behind a master meter. Utilizing data from GPA's Audited Financials for Year's Ending 9/30/12 and 9/30/13 (ref. attachment), the Bureau anticipates an increase and decrease to the Guam Power Authority's 'residential' and 'commercial' rate class Kilowatt consumption respectively. As a result, GPA may likely experience a decline in revenues resulting from adjusted rates. The Bureau would like to note that GPA had provided testimony on similar legislation noting that a significant impact of metering customers based on a master meter is that consumption is billed as a commercial tariff rather than the residential tariff. A 'service study' is conducted to allocate cost across all customer classes when adjustments to rates are considered. Proper metering is vital to accurately allocate cost. GPA had stated that the legislation assumes a level of uniformity among unmetered apartments and condominiums and addressed concerns in the estimation of cost to customers based on an assumption of uniformity given the diversity in usage of apartments/condominiums. Specifically, GPA had noted that some people only utilize their unit's at night and some only use their unit's parts of the year etc..

**GUAM POWER AUTHORITY**  
**(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Management's Discussion and Analysis  
 Years Ended September 30, 2013 and 2012

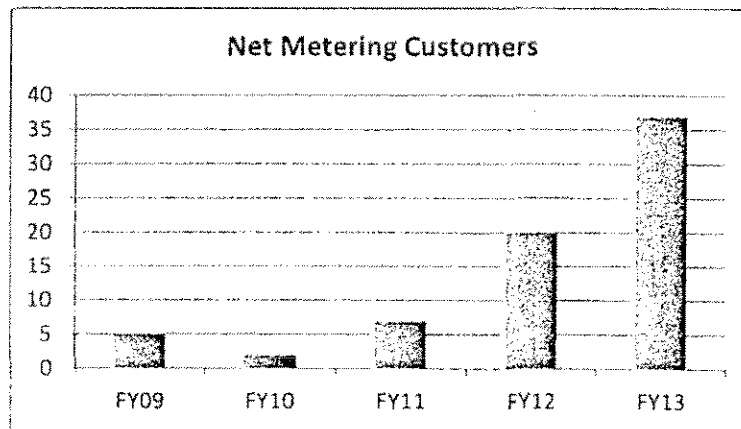
The table below reflects sales by customer class for the last three years:

**Annual Electric Sales (Kilowatt hours)**

Rate Class	<u>FY2013 to FY2012 Comparison</u>				
	FY2013	FY2012	FY2011	Increase (Decrease)	% Change
Residential	462,163,297	459,499,094	487,230,149	2,664,203	0.58%
Government	179,117,942	187,376,166	194,002,127	(8,258,224)	-4.41%
Commercial	564,977,723	560,879,948	566,545,898	4,097,775	0.73%
Navy	348,150,857	343,711,146	358,016,810	4,439,711	1.29%
Other	12,000,492	12,008,640	12,015,084	(8,148)	-0.07%
<b>Total</b>	<b>1,566,410,311</b>	<b>1,563,474,994</b>	<b>1,617,810,068</b>	<b>2,935,317</b>	<b>0.19%</b>

**Solar Energy**

GPA implemented a net metering program at the behest of the Guam Legislature in 2008. As is clear from the graph below, the program got off to a slow start. There were only 14 customers in the program during the first three years. In FY12, there were more net metering customers added than there were during the first three years of the program. Then in FY13, there were more customers added than in the first four years of the program. This exponential growth is another factor chipping away at GPA sales.



Like many utilities, GPA is involved in a public relations battle with solar energy providers. GPA believes there is a role for solar energy and is bringing 25 megawatts of solar energy into the grid in the Spring of 2014. However, GPA would like to make sure the amounts paid for solar energy are less than GPA's incremental cost of energy. The problem with net metering is that non-demand customers can eliminate all but the customer charge portion of the bill. That means those customers are not paying their share of costs to keep a transformer near their home, the distribution line to deliver power to their home, the cost to maintain a substation near their home, transmission line costs, and the costs to keep generators available in case the day is cloudy and they need to draw power from GPA. When GPA does not collect these costs from net metering customers, they get re-allocated to the remaining customers. This places an unfair burden on non-net metering customers. GPA is working on a solution to make rates charged to customers more reflective of proper economic signals of the costs of providing power to the island.

**GUAM POWER AUTHORITY**  
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Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u> As Restated (Note 1)
Revenues:		
Sales of electricity	\$ 449,029,377	\$ 438,111,537
Miscellaneous	2,926,573	1,915,786
	<u>451,955,950</u>	<u>440,027,323</u>
Bad debt expense	(1,222,905)	(1,354,894)
Total revenues	<u>450,733,045</u>	<u>438,672,429</u>
Operating and maintenance expenses:		
Production fuel	295,472,656	288,602,256
Other production	22,009,288	24,990,683
	<u>317,481,944</u>	<u>313,592,939</u>
Administrative and general	31,589,477	31,377,717
Depreciation and amortization	31,155,714	28,954,754
Energy conversion costs	20,263,958	19,937,105
Transmission and distribution	13,367,775	12,716,911
Customer accounting	3,878,455	3,675,895
Total operating and maintenance expenses	<u>417,737,323</u>	<u>410,255,321</u>
Operating earnings	<u>32,995,722</u>	<u>28,417,108</u>
Non-operating revenues (expense):		
Allowance for funds used during construction	4,671,155	4,987,676
Interest revenue	2,150,244	2,775,819
Grants from the United States (U.S.) Government for GovGuam related projects	3,218,460	8,425,572
Cost of GovGuam related projects funded by grants from the U.S. Government	(3,218,460)	(8,425,572)
Interest expense	(41,254,435)	(45,272,108)
Bond issuance costs	(1,594,168)	(262,516)
Other expense	(220,504)	(299,204)
Total non-operating revenues (expense), net	<u>(36,247,708)</u>	<u>(38,070,333)</u>
Loss before capital contributions	<u>(3,251,986)</u>	<u>(9,653,225)</u>
Capital contributions:		
Grants from the U.S. Government	<u>8,132,518</u>	<u>7,208,246</u>
Change in net position	4,880,532	(2,444,979)
Net position at beginning of year	<u>135,009,797</u>	<u>137,454,776</u>
Net position at end of year	<u>\$ 139,890,329</u>	<u>\$ 135,009,797</u>

See accompanying notes to financial statements.

**GUAM POWER AUTHORITY**  
**(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**  
**Statement of Revenues, Expenses and Changes in Net Assets**

	August 31		% of change Inc (dec)	Eleven Months Ending August 31		% of change Inc (dec)
	Unaudited 2014	Audited 2013		Unaudited 2014	Audited 2013	
<b>Revenues</b>						
Sales of electricity	\$ 35,166,744	\$ 36,126,666	(3)	\$ 393,842,809	\$ 402,592,825	(2)
Working Capital surcharge	569,645	1,006,876	(43)	6,369,820	10,587,241.84	(40)
Miscellaneous	131,679	329,172	(60)	1,708,010	2,499,992	(32)
<b>Total</b>	<u>35,808,068</u>	<u>37,462,714</u>	(4)	<u>401,920,639</u>	<u>415,680,061</u>	(3)
Bad debt expense	(113,500)	(102,333)	11	(1,248,500)	(1,125,663)	11
<b>Total revenues</b>	<u>35,694,568</u>	<u>37,360,381</u>	(4)	<u>400,672,139</u>	<u>414,554,398</u>	(4)
<b>Operating and maintenance expenses</b>						
Production fuel	22,217,826	24,648,552	(10)	250,043,467	271,593,120	(7)
Other production	988,080	1,505,696	(35)	16,587,994	19,267,810	(14)
	<u>23,205,906</u>	<u>26,154,248</u>	(11)	<u>266,631,461</u>	<u>290,860,930</u>	(8)
Depreciation	2,371,251	3,347,352	(29)	28,944,403	27,976,466	3
Energy conversion cost	1,761,730	1,722,716	2	18,940,201	18,564,680	2
Transmission & distribution	784,324	683,002	15	10,836,742	11,778,654	(8)
Customer accounting	318,022	187,806	69	3,459,510	3,400,811	2
Administrative & general	1,998,920	2,344,134	(15)	27,387,976	28,313,083	(3)
<b>Total operating and maintenance expenses</b>	<u>30,440,153</u>	<u>34,439,258</u>	(12)	<u>356,200,293</u>	<u>390,994,624</u>	(7)
<b>Operating income</b>	<u>5,254,415</u>	<u>2,921,123</u>	80	<u>44,471,846</u>	<u>33,559,774</u>	33
<b>Other income (expenses)</b>						
Interest income	58,619	144,299	(59)	1,040,969	1,888,794	(45)
Interest expense and amortization	(3,045,061)	(3,273,804)	(7)	(34,511,628)	(38,014,870)	(10)
Bond issuance costs	(14,935)	(599,645)	(95)	(127,824)	(3,299,372)	(96)
Allowance for funds used during construction	326,393	379,804	(14)	3,653,682	4,333,507	(16)
Other expense	(1,288)	(14,175)	(70)	(60,690)	(206,035)	(71)
<b>Total other income (expenses)</b>	<u>(3,679,252)</u>	<u>(3,064,317)</u>	(13)	<u>(29,605,491)</u>	<u>(35,197,983)</u>	(16)
<b>Income (loss) before capital contributions</b>	<u>1,575,163</u>	<u>(143,194)</u>	(1,898)	<u>14,866,355</u>	<u>(1,738,208)</u>	(955)
<b>Capital contributions</b>	<u>17,777</u>	<u>(53,877)</u>	(133)	<u>1,834,828</u>	<u>8,206,564</u>	(78)
<b>Increase (decrease) in net assets</b>	<u>1,592,940</u>	<u>(197,071)</u>	(1,316)	<u>16,701,183</u>	<u>6,468,356</u>	158
<b>Total net assets at beginning of period</b>	<u>153,998,572</u>	<u>143,923,649</u>	7	<u>139,890,329</u>	<u>147,258,222</u>	7
<b>Total net assets at end of period</b>	<u>\$ 155,591,512</u>	<u>\$ 143,726,578</u>	9	<u>\$ 156,591,512</u>	<u>\$ 143,726,578</u>	9

**GUAM POWER AUTHORITY**  
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Management's Discussion and Analysis  
Years Ended September 30, 2013 and 2012

**Results of Operations (in millions)**

	<u>2013</u>	<u>2012</u> <u>(As Restated)</u>	<u>2011</u> <u>(As Restated)</u>
Revenues	\$ 450.7	\$ 438.7	\$ 393.6
Operating and maintenance expense	<u>417.7</u>	<u>410.3</u>	<u>356.6</u>
Operating earnings	33.0	28.4	37.0
Interest income	2.2	2.8	1.8
Other revenues and (expenses), net	<u>(38.4)</u>	<u>(40.9)</u>	<u>(43.1)</u>
Loss before capital contributions	(3.2)	(9.7)	(4.3)
Capital contributions	<u>8.1</u>	<u>7.2</u>	<u>1.3</u>
Increase (decrease) in net position	\$ <u><u>4.9</u></u>	\$ <u><u>(2.5)</u></u>	\$ <u><u>(3.0)</u></u>

**Explanations of Variances**

The change in current assets is attributed to the decrease in the Construction Fund which has been drawn down as bond projects are being completed and the Capitalized Interest Fund as capitalized interest has been paid. Another factor is normal timing fluctuations in the Fuel Inventory Account.

Non-current investments changed as a result of the 2012 bond refinancing and restructuring.

Other non-current assets have been declining as the last note receivable from the Government of Guam (the Department of Education) is being paid down. The note was fully paid off during Fiscal Year 2013.

Utility Plant has been growing as bond projects have been completed and moved into this account.

Current liabilities are moderately impacted by lower debt service requirements as a result of the refinancing and restructuring. The remaining significant changes are the result of some timing related fluctuations in other accounts.

Non-current liabilities have been declining as bond principal payments are made and as the capital lease liability decreases over time. These reductions were offset in FY13 by an increase in bond debt as a result of the refinancing and restructuring plan.

The major factor in the Results of Operations is the impact of fuel. The cost of fuel increased by \$45 million from FY11 to FY12 followed by a more moderate increase of \$7 million in FY13. The recognition of income from the Smart Grid grant (capital contributions) helped improve the bottom line in FY12 and FY13.

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Management's Discussion and Analysis  
Years Ended September 30, 2013 and 2012

**Future Borrowing**

As has been described GPA is planning a financing to fund the combined cycle combustion turbine plants. This financing will likely take place in 2015. GPA is exploring a few projects which may have a financing component including a streetlight replacement project, renewable energy projects, etc.

**Military Buildup**

There have been indications in the local media regarding the planned military buildup being downsized from an influx of 8,000 Marines to 5,000 Marines as well as a reduction in support staff. GPA is currently not including any military buildup projects in its five year planning horizon. GPA believes it has sufficient generation resources to meet the new demand from the expanded military presence.

**Financial Highlights**

Table 1 highlights financial comparisons from Fiscal Years 2011 through 2013. Increases in revenues and operating expenses are indicative of increased fuel charges and costs.

**Table 1. Financial Data (in millions)**

	<u>2013</u>	<u>2012</u> (As Restated)	<u>2011</u> (As Restated)
Assets:			
Current assets	\$ 281.7	\$ 334.2	\$ 351.4
Non-current investments	49.3	45.3	45.2
Other non-current assets	9.9	7.6	10.2
Utility plant	<u>526.7</u>	<u>501.7</u>	<u>484.5</u>
Total assets	867.6	888.8	891.3
Deferred outflows of resources	<u>17.4</u>	<u>12.1</u>	<u>14.6</u>
	\$ <u>885.0</u>	\$ <u>900.9</u>	\$ <u>905.9</u>
Liabilities and Net Position:			
Current liabilities	\$ 75.9	\$ 100.7	\$ 62.7
Non-current liabilities	<u>639.0</u>	<u>644.6</u>	<u>674.1</u>
Total liabilities	714.9	745.3	736.8
Deferred inflows of resources	30.2	20.6	31.6
Net Position:			
Net investment in capital assets	32.0	31.6	12.6
Restricted	28.2	37.9	33.7
Unrestricted	<u>79.7</u>	<u>65.5</u>	<u>91.2</u>
Net position	<u>139.9</u>	<u>135.0</u>	<u>137.5</u>
	\$ <u>885.0</u>	\$ <u>900.9</u>	\$ <u>905.9</u>

**GUAM POWER AUTHORITY  
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**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

**(RESTATED)**