



Territory of Guam

Territorio de Guam

OFFICE OF THE GOVERNOR
OFISINAN I MAGA LAHI
AGANA, GUAM 96910 U.S.A.

Recey Seal
OCT 21 1989

R



The Honorable Joe T. San Agustin
Speaker, Twentieth Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Dear Mr. Speaker:

I am herewith transmitting Substitute Bill No. 1011, which I have most happily signed into law as of this date.

This law is a product of cooperation between branches of government; of cooperation between the executive branch and the legislative branch.

It was born out of the inability of the Department of Interior and the Justice Department to grant our power authority a comfort letter needed to purchase a new turbine through a bond, or at least in sufficient time to purchase the turbine before the prices escalated.

It was born out of the tremendous need to act quickly to obtain the turbine before prices went up, adding who knows how much more of a financial burden to our government, and ultimately to the public.

It was born out of our need to obtain this new turbine in order to improve our power generating capabilities, safeguard against more power outages and load shedding, do the essential preventative maintenance which allows the system to operate efficiently and effectively.

It was born out of our mutual commitment to keep the power bills our people pay as low as possible.

That is the bottom line. We want to keep the quality of our power system up. We want to prevent power outages and load shedding that hurts our people, and we want to keep power bills as low as we can.

Our joint action in this matter -- this law that we have mutually made come to pass -- has done that.



The Honorable Joe T. San Agustin
Page 2

I want to commend the legislature for speedy action on this proposal. Our hard work and our speedy work in drafting this bill and making it law is a fine testament to what good can be accomplished if we set aside politics and work together for the benefit of people. You and the Committee Chairman, Sen. Parkinson and all of the senators who worked so hard on this bill have my gratitude.

Let us keep up the good work.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph F. Ada", written in a cursive style.

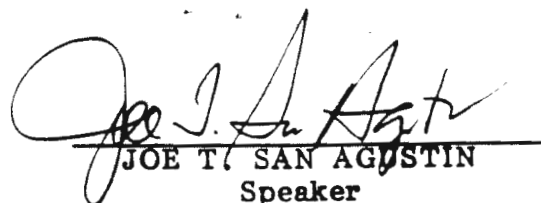
JOSEPH F. ADA
Governor

200571

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR


This is to certify that Substitute Bill No. 1011 (LS), "AN ACT AUTHORIZING THE GOVERNOR TO LEND TWENTY MILLION DOLLARS TO THE GUAM POWER AUTHORITY FOR CAPITAL IMPROVEMENT PROJECTS, TO ADJUST APPROPRIATIONS TO THE PUBLIC UTILITY AGENCY, AND TO ADJUST CERTAIN PAY RANGES," was on the 20th day of October, 1989, duly and regularly passed.


JOE T. SAN AGUSTIN
Speaker

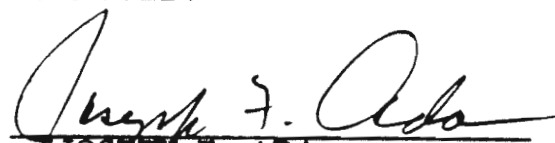
Attested:


PILAR C. LUJAN
Senator and Legislative Secretary

This Act was received by the Governor this 20th day of October, 1989,
at 5:55 o'clock P.m.


Katherine A. Maramba
Assistant Staff Officer
Governor's Office

APPROVED:


JOSEPH F. ADA
Governor of Guam

Date: October 21, 1989

Public Law No. 20-112

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

Bill No. 1011 (LS)
Substituted by the Committee on
Energy, Utilities and Consumer
Protection and as further
substituted on the floor.

Introduced by:

D. Parkinson
T. S. Nelson
C. T. C. Gutierrez

J. T. San Agustin
H. D. Dierking
J. G. Bamba
J. P. Aguon
E. P. Arriola
M. Z. Bordallo
P. C. Lujan
G. Mailloux
F. J. A. Quitugua
E. D. Reyes
F. R. Santos
D. F. Brooks
E. R. Duenas
E. M. Espaldon
M. D. A. Manibusan
M. C. Ruth
T. V. C. Tanaka
A. R. Unpingco

AN ACT AUTHORIZING THE GOVERNOR TO
LEND TWENTY MILLION DOLLARS TO THE
GUAM POWER AUTHORITY FOR CAPITAL
IMPROVEMENT PROJECTS, TO ADJUST
APPROPRIATIONS TO THE PUBLIC UTILITY
AGENCY, AND TO ADJUST CERTAIN PAY
RANGES.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:
2 Section 1. Legislative finding. In order to provide reliable power to
3 its customers, the Guam Power Authority (the "Authority") must undertake
4 several major capital improvement projects as soon as possible. The
5 Authority has sought financing of these projects through the issuance of
6 bonds and increases in rates. If the government of Guam lends to the
7 Authority sufficient funds interest free for the necessary projects with a

1 twenty-five-(25-)year pay back period then the Authority's obligation will
2 not be one that causes an increase in rates higher than those in effect on
3 October 26, 1984.

4 Section 2. Loan to Authority. (a) For rate relief and on behalf of
5 the government of Guam, the Governor may lend Twenty Million Dollars
6 (\$20,000,000) from the General Fund to the Authority. The funds so lent
7 shall be from the 1991 fiscal year revenues but may be advanced from cash
8 available in fiscal year 1990; provided, however that those appropriations
9 made prior to the effective date of this Act from fiscal year 1990 funds for
10 capital improvement projects shall have priority in the use of available cash
11 if drawdowns for such other projects are required prior to disbursement of
12 funds pursuant to this Act.

13 (b) The funds lent to the Authority shall be used to finance capital
14 improvement projects including but not limited to the purchase and
15 installation of the new twenty-three (23) megawatt combustion turbine, and
16 for other capital improvements to the power system, which expenditures
17 shall be included in the capital improvement ceiling set by the Public
18 Utilities Commission for the Authority.

19 (c) The loan shall be interest free, and shall be repaid in twenty-five
20 (25) equal annual installments of Eight Hundred Thousand Dollars
21 (\$800,000), beginning on September 30, 1993 and on the thirtieth (30th)
22 day of September of each year thereafter until fully paid.

23 (d) If default be made in such installment payments when due, the
24 government of Guam may offset, without notice, the amount due against its
25 obligations to the Authority for the purchase of power, exclusive, however
26 of the fuel component of the power charge, and subject to any prior
27 obligations which are a lien on such revenues.

28 (e) The debt instruments shall be governed by and construed in
29 accordance with the laws of Guam and shall recite the Authority's rate
30 increase withdrawal and commitment not to increase rates as provided in
31 Section 3 of this Act.

32 (f) The debt shall be evidenced by a promissory note and other
33 necessary debt instruments to be prepared by the Attorney General and
34 executed by the Governor on behalf of the government of Guam and the

1 chairman of the board of directors of the Authority on behalf of the
2 Authority.

3 Section 3. Withdrawal of rate increase requests. As a condition
4 precedent to the loan and to any release of funds by the government of
5 Guam to the Authority under the loan authorized by this Act, the Authority
6 must first submit to the Governor and to the Legislature the following: A
7 certified copy of a resolution duly adopted by the board of directors of the
8 Authority (the "Board") which both (a) formally withdraws all rate increase
9 approval requests submitted by the Authority to the Public Utility
10 Commission (the "Commission") and not yet approved or disapproved by the
11 Commission and (b) unequivocally and without exception commits the
12 Authority to not seek any increases in power rates effective before
13 December 31, 1992, which resolution must be individually signed and
14 approved by each Board member voting for passage of the same and by the
15 general manager of the Authority, and which resolution may not be
16 rescinded or amended without the prior express permission of the Governor
17 and the Legislature.

18 As an additional condition precedent to the loan and to any release of
19 funds by the government of Guam to the Authority under the loan
20 authorized by this Act, the Authority must also first submit to the
21 Governor and to the Legislature the following additional document: A
22 certified copy of a resolution duly adopted by the Commission approving (a)
23 the withdrawal of the rate increase requests, (b) the commitment by the
24 Authority to not seek increases effective before December 31, 1992, and (c)
25 the terms and conditions of the loan authorized by this Act.

26 Nothing in this section shall be construed to prohibit the Authority,
27 with the concurrence of the Commission, from imposing one-time impact fees
28 on the development of Guam property, and nothing in this Act shall be
29 construed as limiting the discretion of the Commission to approve or
30 disapprove the loan and the conditions herein contained.

31 Section 4. Pay increases. (a) Notwithstanding any other provision
32 of law, the assignment of pay range 55 to the position of Deputy Controller
33 of the Department of Administration, as approved by the Civil Service

1 Commission at its meeting on June 27, 1989, (CSC No. 89-703), is hereby
2 made retroactive to June 27, 1989.

3 (b) Notwithstanding any other provision of law, the position of Land
4 Management Administrator of the Department of Land Management is hereby
5 assigned pay range 58, retroactive to October 1, 1989.

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

ROLL CALL SHEET

Bill No. 1011

Date: 10/20/89

Resolution No. _____

QUESTION: Passage

	<u>AYE</u>	<u>NAY</u>	<u>NOT VOTING</u>	<u>ABSENT</u>
J. P. Aguon	✓			
E. P. Arriola	✓			
J. G. Bamba +			✓	
M. Z. Bordallo	✓			
D. F. Brooks				✓
H. D. Dierking	✓			
E. R. Duenas			✓	
E. M. Espaldon				✓
C. T. C. Gutierrez	✓			
P. C. Lujan	✓			
G. Mailloux	✓			
M. D. A. Manibusan -			✓	
T. S. Nelson	✓			
D. Parkinson	✓			
F. J. A. Quitugua	✓			
E. D. Reyes	✓			
M. C. Ruth		✓		
J. T. San Agustin	✓			
F. R. Santos	✓			
T. V. C. Tanaka		✓		
A. R. Unpingco		✓		
	13	3	3	2

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

ROLL CALL SHEET

Bill No. 1011

Date: 10/20/89

Resolution No. _____

QUESTION: To provide COW on B1011

	<u>AYE</u>	<u>NAY</u>	<u>NOT VOTING</u>	<u>ABSENT</u>
J. P. Aguon	+	✓		
E. P. Arriola		✓		
J. G. Bamba				✓
M. Z. Bordallo		✓		
D. F. Brooks				✓
H. D. Dierking		✓		
E. R. Duenas			✓	
E. M. Espaldon				✓
C. T. C. Gutierrez				✓
P. C. Lujan		✓		
G. Mailloux				✓
M. D. A. Manibusan			✓	
T. S. Nelson		✓		
D. Parkinson		✓		
F. J. A. Quitugua		✓		
E. D. Reyes		✓		
M. C. Ruth			✓	
J. T. San Agustin		✓		
F. R. Santos		✓		
T. V. C. Tanaka				✓
A. R. Unpingco			✓	

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TWENTIETH GUAM LEGISLATURE
1989 (First) Regular Session

Introduced

OCT 16 '89

Bill No. 1011 (LS)

Introduced by:

D. Parkinson
T.S. Nelson

Whitney
E. D. REYES RA

AN ACT TO APPROPRIATE THE SUM OF THIRTEEN
MILLION THREE HUNDRED THOUSAND DOLLARS TO
THE GUAM POWER AUTHORITY FOR THE PURPOSE
OF PURCHASING A 23-MEGAWATT GENERATOR.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Legislative Intent - The Guam Legislature finds that the United States Navy has not kept up its part of the Power Pool Agreement by not maintaining the generation capacity of the Navy's Piti Power Plant at the level that it was at the time the Power Pool Agreement was signed making the Piti Power Plant part of the Islandwide Power System. Therefore, unless the United States Navy agrees to pay for its share of the new 23 megawatt generator in advance, the Legislative appropriation to purchase the new generator shall include the provision that the generator purchased by this appropriation shall be used only for civilian electrical loads and that the Guam Power Authority is precluded from providing any electrical power from the new generator.

Section 2. The sum of Thirteen Million Three Hundred Thousand Dollars (\$13,300,000.00) is hereby appropriated from the General Fund to the Guam Power Authority for the purpose of purchasing a new 23 megawatt gas turbine electrical generator.

SENATOR DON PARKINSON
20th GUAM LEGISLATURE
163 CHALAN SANTO PAPA STREET
AGANA, GUAM 96910

MAJORITY LEADER and CHAIRPERSON, COMMITTEE ON ENERGY, UTILITIES, AND CONSUMER PROTECTION

October 20, 1989

Honorable Joe T. San Agustin
Speaker, 20th Guam Legislature
163 Chalan Santo Papa
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Energy, Utilities and Consumer Protection wishes to report out its findings on BILL NO. 1011 (as substituted by the Committee on Energy, Utilities and Consumer Protection): AN ACT AUTHORIZING THE GOVERNOR TO LEND TWENTY MILLION DOLLARS TO THE GUAM POWER AUTHORITY FOR CAPITAL IMPROVEMENT PROJECTS, TO ADJUST APPROPRIATIONS TO THE PUBLIC UTILITY AGENCY AND TO ADJUST CERTAIN PAY RANGES.

TO PASS: _____ -6-
NOT TO PASS: _____ -0-
NOT VOTING: _____ -2-
REPORT OUT ONLY: _____ -4-
OFF-ISLAND: _____ -1-

A copy of the Committee Report and all pertinent documents are attached for your information.

Sincerely,



Senator Don Parkinson
Chairman, Committee on
Energy, Utilities and
Consumer Protection

jla(20-32/voting.doc)

**COMMITTEE ON ENERGY, UTILITIES AND
CONSUMER PROTECTION**

VOTING SHEET ON:

**BILL NO. 1011 (as substituted by the
Committee on Energy, Utilities and
Consumer Protection): AN ACT AUTHORIZING
THE GOVERNOR TO LEND TWENTY MILLION DOLLARS
TO THE GUAM POWER AUTHORITY FOR CAPITAL
IMPROVEMENT PROJECTS, TO ADJUST APPROPRI-
ATIONS TO THE PUBLIC UTILITY AGENCY
AND TO ADJUST CERTAIN PAY RANGES.**

<u>COMMITTEE MEMBERS:</u>	<u>INITIAL</u>	<u>TO PASS:</u>	<u>NOT TO PASS:</u>	<u>REPORT OUT:</u>
Sen. Don Parkinson	<i>DP</i>	✓		
Sen. Herminia Dierking	<i>HD</i>	✓		
Sen. George Bamba	<i>GB</i>			✓
Sen. Madeleine Bordallo				
Sen. Doris Brooks	<i>off-island</i>			
Sen. Gordon Mailloux	<i>G</i>			<i>No action!</i>
Sen. Marilyn Manibusan	<i>M</i>			<i>Mdm 10/20/89</i>
Sen. Ted Nelson	<i>TN</i>	✓		
Sen. Franklin Quitugua	<i>FQ</i>	✓		
Sen. Martha Ruth	<i>MR</i>			<i>10/20/89</i>
Sen. Frank Santos	<i>FS</i>	✓		
Sen. Antonio Unpingco				
Spkr. Joe T. San Agustin	<i>JA</i>	✓		

jla(20-32/voting.doc)

REPORT OF THE COMMITTEE ON ENERGY,
UTILITIES AND CONSUMER PROTECTION
ON:
BILL NO. 1011: AN ACT TO APPROPRIATE THE SUM
OF THIRTEEN MILLION THREE HUNDRED THOUSAND
DOLLARS TO THE GUAM POWER AUTHORITY FOR THE
PURPOSE OF PURCHASING A 23-MEGAWATT
GENERATOR.

PREFACE:

The Committee on Energy, Utilities and Consumer Protection conducted a public hearing on Wednesday, October 18, 1989 at 9:00 a.m. in the Legislative Session Hall on BILL NO. 1011: AN ACT TO APPROPRIATE THE SUM OF THIRTEEN MILLION THREE HUNDRED THOUSAND DOLLARS TO THE GUAM POWER AUTHORITY FOR THE PURPOSE OF PURCHASING A 23-MEGAWATT GENERATOR. Committee members present at the public hearing were: Senator Don Parkinson, Chairman; Senator George Bamba, member; Senator Ted Nelson, member; Senator Martha Ruth, member and Senator Frank Santos, member.

TESTIMONY:

During the public hearing Mr. John Benavente, General Manager, Guam Power Authority (GPA) and Mr. Bruce Pecon, Chief Comptroller, GPA appeared before the Committee to testify in full support of Bill No. 1011. Written testimony was submitted by Mr. Benavente which is labeled Exhibit "A". Mr. Benavente stated that this Bill would benefit GPA's rate payers, who would avoid the combustion turbine construction costs. However, Section 1 of this Bill presents an operational problem for GPA because the new generator would be tied into the island-wide-power-system (IWPS). It would be almost impossible to separate its' output because power is dispatched into all villages without distinguishing between the various generators that produce the power. It is therefore most likely not possible for GPA to comply with Section 1 of this Bill.

Mr. Benavente also stated that even if the production is separated to prevent delivery of it to the Navy, this would require the civilian customers to pay for the entire operational costs (fuel, O&M, etc.) with no cost sharing by the Navy, as would be normal when a new plant is added onto the IWPS. The Navy may also exclude GPA's usage of about 20MW of existing Navy generators which currently serves IWPS during emergencies. The Navy may seek to exclude its

planned new turbine scheduled to be operational in FY 92 from the system. By having these units outside the IWPS, the general reliability of the system would be adversely affected. Mr. Benavente stated that since this a appropriation the amount of 13.3 million can be reduced by the amount of the Bond Reserve Fund since there is no Bond issue and the capitalized interest fund could be removed along with some other reductions related to bond issuing costs. Therefore, the turbine construction costs is approximately \$11 million and the costs to reimburse expenses incurred by the consulting engineers, GEDA, underwriters, bond counsel, etc., should not exceed \$150,000 thereby reducing the requested amount to \$11,150,000.

Mr. Michael Reidy, Director, Bureau of Budget and Management Research and representing the Administration testified orally and submitted a written testimony labeled Exhibit "B". Mr. Reidy testified in support of Bill No. 1011 with a caution that although the Legislature developed and adopted a General Fund revenue estimate of \$384,000,000, \$371,400,000 are the net revenues available for appropriation. However, up through P.L. 20-104, appropriations from FY 1990 General Fund revenues total approximately \$382,314,050 and are currently faced with a projected appropriation deficit of \$10,914,050. Therefore, Mr. Reidy recommended that the revenues from Fiscal year 1991 be identified as the source to accommodate this project.

Mayor Greg Borja, Santa Rita Mayor testified orally and submitted a written testimony during the public hearing. This testimony is labeled Exhibit "C". Mayor Borja testified in favor of Bill No. 1011 and recommended this legislation to be passed by the Legislature.

The following are testimony submitted during the public hearing on Bill No. 836: AN ACT TO APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF THE GUAM POWER AUTHORITY POWER REVENUE BONDS, 1989 SERIES A.

Mr. John Benavente, General Manager, Guam Power Authority, submitted written testimony in favor of Bill No. 836. This testimony is labeled Exhibit "D".

COMBUSTION TURBINE PROJECT

1. Island's generating capacity is quickly becoming saturated with the accelerated growth rates of the last few years. The contract was and its' bonding financing was approved by the PUC on June 15, 1989. The outside date is December '90, because thereafter GPA will be conducting necessary preventive maintenance on its' two largest generating units at Cabras and thus taking each unit off line for a few weeks at a time. When the Cabras unit is

under overhaul and another steam unit is lost, the remaining steam and diesel will not be able to handle the demand for generation at that time. This will cause a load shedding schedule to be undertaken which will then cause GPA to face unscheduled outages due to improperly maintained generators.

2. The delay in financing this combustion turbine will cause the December 1990 target to slip, causing load shedding problems.

The project has been studied by not only GPA but also by Stone & Webster in the earlier five year growth study then corroborated by the PUC engineering consultants.

Mr. Charles Crisostomo, Administrator, Guam Economic Development Authority submitted written testimony labeled Exhibit "E". Mr. Crisostomo stated that the GEDA Board of Directors adopted Resolution 89-010 approving the issuance and sale of the Guam Power Authority Power Revenue Bonds. Mr. Crisostomo also stated in favor of the Bill.

Mr. Roland B. Solivio, Acting Administrator, Guam Environmental Protection Agency of Guam, submitted written testimony labeled Exhibit "F". Mr. Solivio stated that the Agency has reviewed the pertinent information regarding the construction of improvements to the Guam Power Authority facilities, affected by the proposed issuance of bonds. The proposed facilities are judged to be in accordance with Federal and Territorial standards and regulations providing certain air quality standards are met. Therefore, GEPA supports the issuance of bonding to permit improvement and expansion of the GPA facilities along with the necessary pollution control equipment.

Ms. Nancy T. Leon Guerrero, Acting Chairman, GPA, submitted written testimony in full support of the combustion turbine project. This testimony is labeled Exhibit "G".

COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee on Energy, Utilities and Consumer Protection of the 20th Guam Legislature finds that the Guam Power Authority recognized the need for the 23-Megawatt Combustion Turbine as part of its long range planning to meet the electrical generation needs of the Territory and the need for additional generation capacity by 1990. Without the combustion turbine installation by December 1990, GPA may be unable to meet the increasing demands for the electricity and perform vital maintenance to existing generators. If this project is undertaken now GPA will be

able to avoid any load shedding during GPA's required maintenance periods within the next 18 months. Therefore, the Committee on Energy, Utilities and Consumer Protection of the 20th Guam Legislature recommends that Bill No. 1011 as Substituted by the Committee be passed by the 20th Guam Legislature.

EXHIBITS

- Exhibit "A" Written testimony by Mr. John Benavente, General Manager, Guam Power Authority.
- Exhibit "B" Written testimony by Mr. Michael Reidy, Director, Bureau of Budget and Management Research.
- Exhibit "C" Written testimony by Mayor Greg Borja, Santa Rita Mayor.
- Exhibit "D" Written testimony by Mr. John Benavente, General Manager, GPA on Bill #836.
- Exhibit "E" Written testimony by Mr. Charles Crisostomo, Administrator, GEDA on Bill #836.
- Exhibit "F" Written testimony by Mr. Roland Solivio, Acting Administrator, GEPA on Bill #836.
- Exhibit "G" Written testimony by Ms. Nancy Leon Guerrero, Acting Chairman, GPA Board of Directors on Bill #836.
- Exhibit "H" Letter to Ms. Stella Guerra, Assistant Secretary for Territorial and International Affairs, Department of Interior, Washington, D.C.
- Exhibit "I" Letter from Mr. John Benavente, GPA General Manager, dated September 18, 1989.
- Exhibit "J" GPA's Application for Approval of Combustion Turbine, Decision & Order by PUC.
- Exhibit "K" Letter from Mr. John Benavente, GPA General Manager, letter dated August 3, 1989.
- Exhibit "L" Letter from Governor Joseph Ada, dated October 19, 1989.
- Exhibit "M" Witness Sign-In Sheet displayed during the public hearing.

jl(20-32b/rept1011.doc)

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) REGULAR SESSION

Bill No. 1011
Substituted by the Committee on
Energy, Utilities and Consumer Protection

Introduced By:

- D. Parkinson
- T. S. Nelson
- C. T.C. Gutierrez
- J. T. San Agustin
- H. D. Dierking
- G. Bamba
- J. Aguon
- E. Arriola
- M. Bordallo
- P. Lujan
- G. Mailloux
- F. Quitugua
- E. Reyes
- F. Santos
- D. Brooks
- E. Duenas
- E. Espaldon
- M. Manibusan
- M. Ruth
- T. Tanaka
- A. Unpingco

AN ACT AUTHORIZING THE GOVERNOR TO LEND TWENTY MILLION DOLLARS TO THE GUAM POWER AUTHORITY FOR CAPITAL IMPROVEMENT PROJECTS, TO ADJUST APPROPRIATIONS TO THE PUBLIC UTILITY AGENCY AND TO ADJUST CERTAIN PAY RANGES.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Legislative finding. In order to provide reliable power to its customers the Guam Power Authority (the "Authority") must undertake several major capital improvement projects as soon as possible. The Authority has sought financing of these projects through the issuance of bonds and increases in rates. If the government of Guam lends to the Authority

1 sufficient funds interest free for the necessary projects with a
2 twenty-five-(25-) year pay back period then the Authority's
3 obligation will not be one that causes an increase in rates
4 higher than those in effect on October 26, 1984.

5 Section 2. Loan to Authority. (a) For rate relief and on
6 behalf of the government of Guam, the Governor shall lend Twenty
7 Million Dollars (\$20,000,000) from the General Fund to the
8 Authority. The funds so lent shall be from the 1991 fiscal year
9 revenues but may be advanced from cash available in fiscal year
10 1990.

11 (b) The funds lent to the Authority shall be used to
12 finance capital improvement projects including but not limited to
13 the purchase and installation of the new twenty-three (23)
14 megawatt combustion turbine, and for other capital improvements
15 to the power system, which expenditures shall be included in the
16 capital improvement ceiling set by the Public Utilities
17 Commission for the Authority.

18 (c) The loan shall be interest free, and shall be repaid in
19 twenty-five (25) equal annual installments of Eight Hundred
20 Thousand Dollars (\$800,000), beginning on September 30, 1993 and
21 on the thirtieth (30th) day of September of each year thereafter
22 until fully paid.

23 (d) If default be made in such installment payments when
24 due, the government of Guam may offset, without notice, the
25 amount due against its obligations to the Authority for the
26 purchase of power, exclusive, however of the fuel component of
27 the power charge, and subject to any prior obligations which are

1 a lien on such revenues. In the event of such default, the
2 government of Guam may not declare the entire principal sum then
3 unpaid immediately due and payable.

4 (e) The debt instruments shall be governed by and construed
5 in accordance with the laws of Guam.

6 (f) The debt shall be evidenced by a promissory note and
7 other necessary debt instruments to be prepared by the Attorney
8 General and executed by the Governor on behalf of the government
9 of Guam and the Chairman of the Board of Directors of the
10 Authority on behalf of the Authority.

11 Section 3. PUAG appropriation. Section 1 of Public Law 20-
12 75 is repealed and reenacted to read:

13 "Section 1. Nine Hundred Six Thousand One Hundred Fifty
14 Dollars (\$906,150) are appropriated from the fiscal year 1990
15 revenues of the General Fund to the Public Utility Agency of Guam
16 for the design and construction of a sewer line collector for the
17 Ordot-Chalan Pago Elementary School."
18

19 Section 4. Pay increases. (a) Notwithstanding any other
20 provision of law, the assignment of pay range 55 to the position
21 of Deputy Controller of the Department of Administration, as
22 approved by the Civil Service Commission at its meeting on June
23 27, 1989, (CSC No. 89-703), is hereby made retroactive to June
24 27, 1989.
25

26 (b) Notwithstanding any other provision of law, the
27 position of Land Management Administrator of the Department of

1 Land Management is hereby assigned pay range 58, retroactive to
2 October 1, 1989.

3
4

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TWENTIETH GUAM LEGISLATURE
1989 (First) Regular Session

89 OCT 11 PM 4:
yes

Bill No. 1011

Introduced by:

D. Parkinson
T.S. Nelson

W. Winkler
E. D. REYES

AN ACT TO APPROPRIATE THE SUM OF THIRTEEN
MILLION THREE HUNDRED THOUSAND DOLLARS TO
THE GUAM POWER AUTHORITY FOR THE PURPOSE
OF PURCHASING A 23-MEGAWATT GENERATOR.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. Legislative Intent - The Guam Legislature finds that the United States Navy has not kept up its part of the Power Pool Agreement by not maintaining the generation capacity of the Navy's Piti Power Plant at the level that it was at the time the Power Pool Agreement was signed making the Piti Power Plant part of the Islandwide Power System. Therefore, unless the United States Navy agrees to pay for its share of the new 23 megawatt generator in advance, the Legislative appropriation to purchase the new generator shall include the provision that the generator purchased by this appropriation shall be used only for civilian electrical loads and that the Guam Power Authority is precluded from providing any electrical power from the new generator.

Section 2. The sum of Thirteen Million Three Hundred Thousand Dollars (\$13,300,000.00) is hereby appropriated from the General Fund to the Guam Power Authority for the purpose of purchasing a new 23 megawatt gas turbine electrical generator.

20-21/genera.bil



GUAM POWER AUTHORITY

Board of Directors



October 17, 1989

Senator Don Parkinson
Chairman
Committee on Energy, Utilities
and Consumer Protection
Twentieth Guam Legislature
163 Chalan Santo Papa Street
Agana, Guam 96910

Re: Bill 1011

Dear Senator Parkinson:

Thank you for giving GPA the opportunity to testify before your Committee on Bill 1011.

The Authority generally supports the intent of Bill 1011, as a General Fund appropriation in lieu of obtaining new debt as would be authorized in Bill 826. Bill 1011 would benefit GPA's rate payers, who would avoid the combustion turbine construction costs.

Section 1 of the Bill, however, presents an operational problem for GPA, because the new generator would be tied into the island-wide-power-system (IWPS). This means that it is almost impossible to separate its' output because power is dispatched into all villages without distinguishing between the various generators that produce the power. Therefore, it is most likely not possible for GPA to comply with Section 1 of the Bill.

Even if GPA could somehow separate this production and prevent delivery of it to the Navy, this would then require the civilian customers to pay for the entire operational costs (fuel, O&M, etc.) with no cost sharing by the Navy, as would be normal when a new plant is added onto the IWPS. Navy may also exclude GPA's usage of about 20MW of existing Navy generators which currently serves IWPS during emergencies. Navy may also seek to exclude its planned new turbine scheduled to be operational in FY 92 from the system. By having these units outside the IWPS, the general reliability of the system would be adversely affected.

Nonetheless if the appropriation can be passed, the amount contained in Section 2 of the Bill may be reduced by the amount of the Bond Reserve Fund, since there would be no Bond issue. Also,

Exhibit 'A'

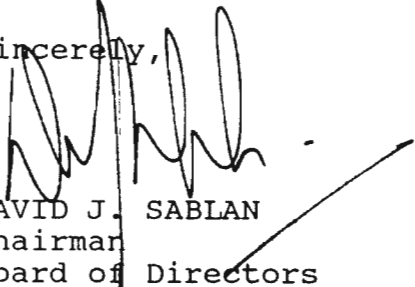
P.O. Box 2977, Agana, Guam, USA 96910-2977 Tel: (671) 477-1404 Fax: (671) 472-1987 Telex: 6131

October 17, 1989
Page 2
Testimony ref Bill 1011

since this is an appropriation and not a loan, the capitalized interest fund could be removed, along with some other reductions related to bond issuing costs. This would leave the turbine construction costs of approximately \$11 million and the need to reimburse expenses incurred by consulting engineers, GEDA, underwriters, bond counsel, etc., which we estimate should not exceed \$150,000. The total appropriation should be reduced to \$11,150,000.

We appreciate your efforts to assist in obtaining the needed turbine, and request decision be made as soon as possible.

Sincerely,



DAVID J. SABLAN
Chairman
Board of Directors



BUREAU OF BUDGET & MANAGEMENT RESEARCH
OFFICE OF THE GOVERNOR, Post Office Box 2950, Agaña, Guam 96910



MICHAEL J. REIDY
Director

TESTIMONY OF
MICHAEL J. REIDY
DIRECTOR, BUREAU OF BUDGET AND MANAGEMENT RESEARCH
ON BILL 1011

Dear Mr. Chairman and Members of this Committee:

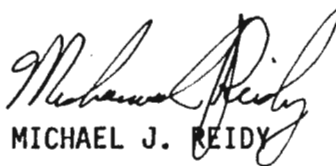
Thank you for allowing me the opportunity to discuss Bill 1011 with you today. I am here in support of the appropriation proposed in this bill, but I am also here to bring you a message of caution.

Figures provided to us by the Guam Power Authority indicate the current cost of the 23 megawatt generator project as totaling approximately \$11,150,000. Although I am in support of a direct General Fund appropriation, I feel that an appropriation of this magnitude from FY 1990 revenues further complicates a worsening situation. In the Budget Act for FY 1990, signed into Public Law 20-41 by Governor Ada on September 13, 1989, the Legislature developed and adopted a General Fund revenue estimate of \$384,000,000. Of this amount, \$371,400,000 are the net revenues available for appropriation. However, up through P.L. 20-104, appropriations from FY 1990 General Fund revenues total approximately \$382,314,050 and we are now faced with a projected appropriation deficit of \$10,914,050. It has been and will continue to be a policy of this administration to limit expenditures to the confines of projected revenues. As such, I strongly recommend that revenues from Fiscal Year 1991 be identified as the source to accommodate this project.

Exhibit 'B'

"Na chilong i minalagota yan i guinahata"

I hope my testimony to you today emphasizes this administration's commitment to ensuring the necessary funds for us to proceed in addressing the demanding power requirements of our growing island community within the boundaries of our resources.


MICHAEL J. REIDY



MAYOR
OFFICE OF THE COMMISSIONER
Santa Rita-Sunny District
Santa Rita, Guam



Telephone: 565-2514

REG M. BORJA
~~COMMISSIONER~~
MAYOR

OCTOBER 18, 1989

SENATOR DON PARKINSON
CHAIRMAN, COMMITTEE ON ENERGY,
UTILITIES AND CONSUMER PROTECTION
20TH GUAM LEGISLATURE
AGANA, GUAM 96910

"TESTIMONY ON THE FOLLOWING BILLS"

- BILL NO. 923: AN ACT MAKING APPROPRIATIONS FOR CONSTRUCTION OF FIRE HYDRANTS IN SANTA MARIA AND SANTA LUCIA ST., BORDALLO SUB-DIVISION IN THE MUNICIPALITY OF SANTA RITA.
- BILL NO. 950: AN ACT TO APPROPRIATE FIFTY-FIVE THOUSAND DOLLARS (\$55,000) FOR THE INSTALLATION OF LIGHTING FACILITIES AT THE TALOFOFO MAJOR LEAGUE BASEBALL FIELD.
- BILL NO. 991
AND NO. 1011: AN ACT TO AUTHORIZE THE GUAM POWER AUTHORITY TO BORROW \$13.3M FOR THE PURPOSE OF PURCHASING A 23-MEGAWATT GENERATOR.
- BILL NO. 1010: AN ACT TO PROHIBIT THE DISCONNECTION OF TELEPHONE SERVICE BY GUAM TELEPHONE AUTHORITY BECAUSE OF NON-PAYMENT OF LONG DISTANCE CHARGES.

Good morning Mr. Chairman and members of the Committee. My name is Greg M. Borja and I am Mayor of the District of Santa Rita.

I hereby submit testimony in favor of the above Bills.

I strongly recommend that these legislations be passed, since they all represent improvements in the community and also the residents can enjoy a better quality of life that they all deserved from their Government.

Thank you for the opportunity to testify before your Committee.

Very Respectfully,

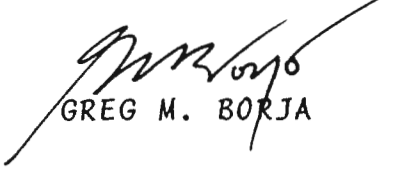

GREG M. BORJA

Exhibit 'C'



September 27, 1989

Senator Don Parkinson
Chairman, Committee on Energy,
Utilities & Consumer Protection
Twentieth Guam Legislature
Agana, Guam 96910

Senator Edward D. Reyes
Chairman, Committee on Economic
Development
Twentieth Guam Legislature
Agana, Guam 96910

Re: Bill 836

Gentlemen:

Thank you for this opportunity to submit testimony to your Committee.

GPA is in full support of Bill 836 with the following recommended changes as already submitted by the Governor in his August 16, 1989 transmitted letter to the Speaker:

- a. The Principal amount shall be changed to "not to exceed \$13.3 Million".
- b. As requested, a new Section be added to address Side Agreements.

GPA's heightened concern over this project is twofold. First, the island's generating capacity is quickly becoming saturated with the accelerated growth rates of the last few years. GPA has been aware of this potential problem for some time and had asked the PUC to recognize the need for this project in a request to it in June '88. We were unable to begin the financing aspects of this project until the PUC at least recognized the need for the project, which they did in February '89. In addition, PUC has approved the turbine contract and its' bond financing on June 15, 1989.

The experts agree that this project must be completed as soon as possible to maintain the reliability of the system. The outside date is December '90, because thereafter GPA will be conducting necessary preventive maintenance on its' two largest generating units at Cabras and thus taking each unit off line for a few weeks at a time. When a Cabras unit is under overhaul and we lose any

Exhibit 'D'

Senator Don Parkinson
Senator Edward D. Reyes
Twentieth Guam Legislature
September 27, 1989
Page 2

other steam unit, we are certain that the remaining steam and diesel will not be able to handle the demand for generation at that time. This will cause load shedding schedules to be implemented. If no preventive maintenance is undertaken, GPA then faces a considerable risk of unscheduled outages due to improperly maintained generators.

Secondly, the contract for the manufacture of this turbine has provided that financing must be in place by June 30, 1989 (but subsequently extended it to September 30, 1989) or else they could void the contract and force GPA to start the purchase process again. This delay would add about six months-1 year to the project (plus would substantially increase the cost of the turbine). This repurchase would also cause the December 1990 target to slip, causing load shedding problems.

The Legislature should take some comfort in that this project has been studied by more than GPA. It was recognized as a need by Stone & Webster in their earlier five year growth study, then corroborated by the PUC engineering consultants. Additionally, the PUC has closely examine the financing terms for reasonableness to ensure that the interests of all concerned parties are protected.

We believe GPA has proven the need and the urgency for this project, and that this need has been further substantiated by various external parties. The financing for this project has been developed in accordance with local statutes and is being structured in accordance with typical revenue bond issues so that it may be marketed at the most optimal terms available to GPA.

We are therefore requesting that the Legislature pass Bill 836, with the recommended changes so that GPA can now obtain financing and begin the construction process.

Sincerely,


JOHN M. BENAVENTE
General Manager GPA

TESTIMONY ON BILL 836
FAN ACT TO APPROVE THE TERMS AND CONDITIONS
OF THE ISSUANCE OF THE GUAM POWER AUTHORITY
POWER REVENUE BONDS, 1989 SERIES A.

SUBMITTED BY
CHARLES P. CRISOSTOMO
ADMINISTRATOR
OF THE
GUAM ECONOMIC DEVELOPMENT AUTHORITY
SEPTEMBER 27, 1989
GUAM LEGISLATURE SESSION HALL

GOOD EVENING MR. CHAIRMAN, ESTEEMED MEMBERS OF THE COMMITTEE ON ENERGY, UTILITIES, AND CONSUMER PROTECTION AND MEMBERS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT, LADIES AND GENTLEMEN:

MY NAME IS CHARLES P. CRISOSTOMO, ADMINISTRATOR OF THE GUAM ECONOMIC DEVELOPMENT AUTHORITY. I AM HERE TODAY ON BEHALF OF THE AUTHORITY TO PROVIDE FAVORABLE TESTIMONY ON THE PROPOSED BILL NO. 836 WHICH WOULD AUTHORIZE AND APPROVE THE TERMS AND CONDITIONS OF THE ISSUANCE OF THE GUAM POWER AUTHORITY POWER REVENUE BONDS, 1989 SERIES A. IN RESPONSE TO THE GUAM POWER AUTHORITY'S NEED AND GOVERNOR ADA'S REQUEST FOR GEDA TO PURSUE THE FINANCING ALTERNATIVES THAT COULD BE MADE AVAILABLE FOR THE MUCH NEEDED TWENTY-THREE (23) MEGA-WATT TURBINE, BOTH GEDA AND GPA IN COMPLIANCE WITH PUBLIC LAW 19-12, FORMULATED AND DISSEMINATED TO VARIOUS UNDERWRITING FIRMS AND LOCAL LENDING INSTITUTIONS, REQUESTS FOR PROPOSALS TO PROVIDE THE RELATED FINANCIAL SERVICES NORMALLY ASSOCIATED WITH A DEBT ISSUE. THIS REQUEST WAS CIRCULATED WITH A 30 DAY SUBMISSION DEADLINE.

Exhibit 'E'

SUBSEQUENTLY, A JOINT REVIEW BETWEEN THE GOVERNOR'S FINANCIAL ADVISOR, GUAM POWER AUTHORITY AND GEDA'S STAFF WAS CONDUCTED TO ANALYZE THE PROPOSALS RECEIVED. ON MAY 9, 1989, THE REVIEW HAVING BEEN COMPLETED, THE GEDA BOARD OF DIRECTORS APPROVED THE SELECTION OF SMITH BARNEY, HARRIS UPHAM AND COMPANY INC. OF SAN FRANCISCO, CALIFORNIA. THE SELECTION WAS BASED ON FOUR CONSIDERATIONS WHICH WERE OVERALL QUALIFICATIONS AND DEMONSTRATED EXPERIENCE WITH POWER BONDS, TECHNICAL EXPERTISE AND INNOVATION AS DEMONSTRATED BY FINANCING PLANS SUBMITTED BY THE PROPOSER, BOND MARKETING CAPABILITIES, AND OVERALL FEES COSTS.

THE GEDA BOARD OF DIRECTORS DURING A SPECIAL MEETING OF MAY 29, 1989, ADOPTED RESOLUTION NO. 89-010 APPROVING THE ISSUANCE AND SALE OF THE GUAM POWER AUTHORITY POWER REVENUE BONDS.

IN CLOSING, PLEASE ALLOW ME TO THANK THE COMMITTEES FOR PERMITTING THE AUTHORITY TO PROVIDE ITS TESTIMONY ON BILL 836.
THANK YOU.



CHARLES P. CRISOSTOMO



GUAM ENVIRONMENTAL PROTECTION AGENCY

AHENSIAN PRUTEKSION LINA'LA GUAHAN
POST OFFICE BOX 2999 AGANA, GUAM 96910 TELEPHONE: (671) 646-8863/64/65 FAX: 646-9402

SEP 27 1989

Senator Don Parkinson
20th Guam Legislature
163 Santo Papa Street
Agana, Guam 96910

Dear Senator Parkinson:

The Guam Environmental Protection Agency and the United States Environmental Protection Agency, Region IX, Administrator of the Air and Land Programs Division, have reviewed the pertinent information regarding the construction of improvements to the Guam Power Authority facilities, affected by the proposed issuance of bonds.

The proposed facilities are judged to be in accordance with Federal and Territorial standards and regulations providing certain air quality standards are met.

As such, the Guam Environmental Protection Agency supports the issuance of bonding to permit improvement and expansion of the GPA facilities along with the necessary pollution control equipment.

Sincerely,

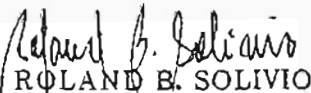

ROLAND B. SOLIVIO
Acting Administrator

Exhibit 'F'

"ALL LIVING THINGS OF THE EARTH ARE ONE"

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
215 Fremont Street
San Francisco, Ca. 94105

August 31, 1988
IN REPLY A-3-1
REFER TO: NSR 2



Mr. James L. Canto
Air and Land Programs Administrator
Guam Environmental Protection Agency
P.O. Box 2999
Agana, Guam 96910

Dear Mr. Canto:

This is in response to your April 21, 1988 request for a determination of applicability of the Federal Prevention of Significant Deterioration of Air Quality (PSD) regulations (40 CFR 52.21) for the proposed construction of Guam Power Authority's 20 MW gas turbine generator to be located at the Dededo Diesel Plant in Northern Guam.

Our review of Guam Power Authority's revised June 2, 1988 air permit application indicates that the proposed facility will have the maximum potential to emit pollutants in the amounts as listed below:

<u>Pollutant</u>	<u>Emission Rate</u> <u>tons/year</u>
Nitrogen Oxides	52.1
Carbon Monoxide	10.2
Hydrocarbons	5.7
Particulate Matter	18.0
Sulfur Dioxide	212.5

In addition, it is also EPA's understanding from Guam Power Authority's air permit application that the Guam Environmental Protection Agency will issue permits for the four existing 2 MW diesel engine generators units 1-4 which will limit the total No. 2 diesel fuel usage for all four units to 594,500 gallons per year. This will limit the potential to emit for units 1-4 to less than the threshold level for a major stationary source.

Therefore, the EPA has determined that the proposed project is not a "major stationary source" or "major modification" as defined in 40 CFR 52.21(b) and will be exempt from the PSD regulations if permits are received from the Guam Environmental

Protection Agency limiting the fuel usage for diesel units 1-4 and the potential emissions from the proposed gas turbine to the quantities specified above. If any limitations on hours of operation or type or amount of fuel combusted are assumed in estimating the air quality impacts of the source, those limits should also be included in the local permit.

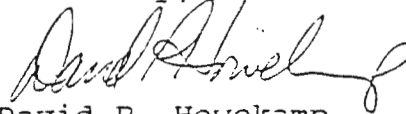
Upon receipt by this office of final permits issued by the Guam Environmental Protection Agency, we will evaluate the permits with respect to the applicable regulations, and issue an exemption if the source qualifies. Any change in equipment or permit condition that increase the project's potential to emit above the applicable PSD threshold will require a full review of the source as though construction has not yet commenced on the source. Regardless of the applicability of the PSD regulations, the source will still be subject to all applicable local air pollution rules and regulations.

Because the projected sulfur dioxide emissions are bordering on the PSD threshold level for a major source, this office must be sent a copy of the results of the first annual source test (Attn: A-3-1) and be notified of any changes in the project, including any increase in allowable emissions or hours of operation. Should EPA determine, in the future, based on new or revised information, that the project is a major source or major modification, then this source will have to immediately apply for a Federal PSD permit. All requirements of the PSD regulations will have to be satisfied even though construction may be complete. In the event, for example, that vendor guaranteed emission rates are not achieved, it will still be the source's responsibility to comply with all PSD regulations. Continued operation of such a source prior to receiving a final PSD permit may subject the source to Federal enforcement action pursuant to Section 113 of the Clean Air Act.

In addition, EPA has determined that the proposed project is subject to the Standards of Performance for New Stationary Sources (NSPS), 40 CFR Part 60, Subparts A and GG, including all emission limits and all notification, testing, monitoring, and reporting requirements.

If you have any questions regarding this matter, please contact Tom Andrews of our New Source Section at (415) 974-7658.

Sincerely,



David P. Howekamp
Director
Air Management Division

cc: John Benavente, Guam Power Authority

H/C

FEB 9 1989

INTERAGENCY MEMORANDUM

To: General Manager, Guam Power Authority
From: Administrator
Subject: Conditional Approval of Permit to Construct for 20 MW Gas Turbine Generator, Located on Lot 10122-10-1, Municipality of Dededo

Your application for a Permit to Construct a 20 MW Gas Turbine Generator, located on Lot 10122-10-1 in the Municipality of Dededo, has been reviewed and is herein approved contingent upon the following conditions:

1. The 20 MW Gas Turbine Generator covered by this Permit shall be constructed as specified in the application submitted to Guam E.P.A..
2. Adequate controls approved by the Guam E.P.A. shall be implemented to prevent the exceedance of any applicable ambient air quality standards during the construction of the Gas Turbine.
3. Compliance with all applicable emission standards; notification and testing procedures; monitoring and reporting requirements under Subparts A and GG (attached) of the New Source Performance Standards and submittal of all documentation to that effect to the Guam E.P.A. for review.
4. Non-resetting fuel meters must be installed to record the amount of #2 diesel fuel oil burned by existing diesel engine generator units 1-4 and by the gas turbine.
5. Upon completion of construction and prior to start up of operation, performance tests for the emissions of NOX, PM10, and SO₂ shall be conducted and the results reported to Guam E.P.A. in accordance with the test methods set forth in 40 CFR Part 60.8 and Appendix A. The following test methods shall be used:
 - a. Performance test for the emissions of PM10 shall be conducted using E.P.A. Methods 1-4 and 5.
 - b. Performance test for the emissions of NOX shall be conducted using E.P.A. Methods 1-4 and 20.
 - c. Performance test for the emissions SO₂ shall be conducted using E.P.A. Methods 1-4 and 20.

6. This Permit will be revoked if the construction is not completed within one (1) year from the date of issuance, unless the holder secures and extension to the expiration date by written request to the Administrator of the Guam E.P.A. stating the reasons for the extension.
7. Upon completion of construction and applicable performance tests, and prior to start up of operation, this Permit is terminated and an application for a Permit to Operate shall be made to the Administrator of Guam E.P.A. at least thirty (30) days prior to the anticipated date of operation.
8. This Permit is nontransferable from person to person or from place to place.
9. This Permit does not absolve the holder from responsibilities for compliance with all applicable rules and regulations of the Guam E.P.A. and the Government of Guam.
10. This Permit will be revoked if the Guam E.P.A. finds willful or continued violation of the Air Pollution Control Standards and Regulations.

Acceptance of this Permit constitutes an agreement and acknowledgment that the holder will comply with all the Air Pollution Control Standards and Regulations of the Guam E.P.A. and these Permit conditions.

Fred M. Castro
 FRED M. CASTRO

Construction Permit No. GPA-585

JLCANTO:slc
 2/7/89
 cc: Chrono
 GEPA File
 Jim's Rdng File

TO	INITIAL	DATE
Jim	JL	2-7
Polina	AB	2-7
Fred	FC	2-7
FILES		



GUAM ENVIRONMENTAL PROTECTION AGENCY

AHENSIAN PRUTEKSION LINA'LA GUAHAN

POST OFFICE BOX 2999 AGANA, GUAM 96910 TELEPHONE: 646-8863/64/65

INTER-AGENCY MEMORANDUM

TO: General Manager, Guam Power Authority

FROM: Administrator

SUBJECT: Conditional Permit to Operate for
Diesel Engine Units 1-4 and 20 MW
Turbine Generator, Located on
Lot 10122-10-1, Municipality of Dededo

Your application for a Permit to Operate Diesel Engine Units 1-4 and the 20 MW Gas Turbine, located on Lot 10122-10-1 in the Municipality of Dededo has been conditionally approved contingent upon the following conditions:

1. On or after the date of start up, the amount of No. 2 diesel fuel oil utilized for operation is limited to the following:
 - a) In diesel engine units 1-4, the amount of fuel oil burned shall not exceed a total of 594,500 gallons per year for all four units.
 - b) In the gas turbine generator, the amount of fuel oil burned shall not exceed 3,705,500 gallons per year.
2. Within fifteen (15) days after each calendar quarter, an operating report shall be submitted to the Administrator of GEPA on the amount of fuel burned by diesel engine units 1-4 and by the gas turbine.
3. On or after the date of start up, the permit holder shall not discharge or cause the discharge into the atmosphere the following from the gas turbine:
 - a) NO_x (as NO_2) in excess of the more stringent of 58.05 lbs/hr or 58 ppmv @15% O_2 (3-hour average).
 - b) SO_2 in excess of 0.015% by volume at 15% O_2 and on a dry basis or burn any fuel which contains sulfur in excess of 0.8% by weight.
 - c) PM_{10} in excess of 17.1 lb./hr.
4. Annual performance tests for the emissions of NO_x , PM_{10} , and SO_2 shall be conducted and the results reported to the Administrator of GEPA in accordance with test methods set forth in 40 CFR Part 60.8 and Appendix A. The following test methods shall be used:

"ALL LIVING THINGS OF THE EARTH ARE ONE"

INTER-AGENCY MEMORANDUM

TO: General Manager, Guam Power Authority

Page 2

- a) Performance tests for the emissions of PM10 shall be conducted using EPA Methods 1-4 and 5.
 - b) Performance tests for the emissions of NO_x shall be conducted using EPA Methods 1-4 and 20.
 - c) Performance tests for the emissions of SO₂ shall be conducted using EPA Methods 1-4 and 20.
5. Any modification to the gas turbine that increases this source's potential to emit pollutants above the applicable PSD threshold level will require a full PSD review [as per 40 CFR Part 52.21 (r)(4)]. This will apply to all criteria pollutants including the PM10 standard.
6. Any release of NO_x, SO₂, or PM10 into the atmosphere above the acceptable emission limits due to equipment breakdown or malfunction shall be immediately reported to the Administrator of the GEPA.
7. In the event of shutdown of air pollution control equipment for necessary scheduled maintenance, the intent to shutdown such equipment shall be reported to the Administrator of the GEPA in writing at least twenty-four (24) hours prior to the planned shutdown.
8. Proper preventive maintenance procedures for diesel engine units 1-4 and the gas turbine shall be followed in accordance with the manufacturer's recommendations.
9. This permit will be revoked if the GEPA finds willful or continued violation of Air Pollution Control Standards and Regulations.
10. This permit expires on _____
Date

Acceptance of this Permit to Operate constitutes an agreement and acknowledgment that the holder will comply with all the Air Pollution Control Standards and Regulations of the GEPA and these permit conditions.

ROLAND B. SOLIVIO
Acting

Operation Permit No.

cc: Chrono GEPA File

Kin's rdg file

JCruz

TO	INITIAL	DATE
<i>Vic</i>		
<i>Qro</i>		
<i>Adm</i>		
<i>Jm</i>		
FILES		



TELEX 6131

GUAM POWER AUTHORITY

P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

Senator Edward D. Reyes
Chairman, Committee on Economic
Development
Twentieth Guam Legislature
Agana, Guam 96910

Senator Don Parkinson
Chairman, Committee on Energy,
Utilities & Consumer Protection
Twentieth Guam Legislature
Agana, Guam 96910

RE: BILL 836

Gentlemen:

Thank you for the opportunity to submit testimony to your Committee on behalf of the GPA Board of Directors.

The Board is in complete support of the combustion turbine project and has indicated its views on the matter in its Resolution No. 102, which was transmitted to the Speaker on September 18, 1989. We request your Committee's favorable endorsement on this essential project so that the Authority may continue to provide reliable electrical service to the people of Guam.

Our Management will be available to answer any questions you and your Committee members may have.

Sincerely,

NANCY T. LEON GUERRERO
ACTING CHAIRMAN

Exhibit 'G'



Territory of Guam
Territorio de Guam

OFFICE OF THE GOVERNOR
LUPEDIAN I MAGA'LANE
AGANA, GUAM 96910 U.S.A.

1525

September 12, 1989

Ms. Stella Guerra
Assistant Secretary for Territorial
and International Affairs
Department of Interior
Washington D.C.

RE: Guam Power Authority's Turbine Loan

Dear Ms. Guerra:

Nancy Boone has preliminarily indicated to us that it appears very unlikely your office will provide Guam Power Authority's (GPA) Bond Counsel with a 'comfort' letter which would acknowledge the 1984 Note as subordinate with respect to a lien on revenues to the new 1989 GPA Bond issue, even though the 1984 Note is adequately secured by the Section 30 revenues. Such a letter would enable GPA promptly to issue its bonds for the construction of its combustion turbine.

If no letter is provided, GPA would be required either to issue an 'unrated' bond at a significantly higher interest rate or to attempt to pay off the 1984 Note to the Federal Financing Bank. Either financing must occur before the turbine purchase commitment date of September 30, 1989, at which time a letter of credit drawn in favor of the manufacturer must be in place, unless such date is extended.

An attempt to sell 'unrated' bonds is risky for GPA because it is uncertain if buyers will be found. If no financing is available for the turbine prior to the turbine purchase commitment date, GPA would be required to re-bid the turbine, which may result in a higher project cost, and will miss its target completion date. The turbine project is a vital component of Guam's infrastructure and must be undertaken now if we are to avoid load shedding during GPA's required maintenance periods within the next 18 months.

On the other hand, prepayment of the 1984 Note would result in higher interest costs for the Authority in the amount of approximately \$20 million over the term of the loan.

We understand that GPA's Bond Counsel has confirmed with your staff that the holder of the 1984 Note does not have a lien on the Authority's revenues and that there is no requirement that the proceeds of the first additional revenue bonds of the Authority be used to prepay their 1984 Note. Under these circumstances, it is

Exhibit 'N'

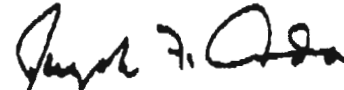
PAGE 2

GPA's Turbine Loan
Sept. 12, 1989

difficult to see why the 1984 Note would not be subordinate to the new bonds. Since the security position of the 1984 Noteholder with respect to Section 30 revenues is not adversely affected by GPA's planned bond issue, and is consistent with the existing security the 1984 Note has on GPA revenues, I see no reason not to provide the needed comfort letter.

The need for this project has been firmly established and the Guam Public Utilities Commission, which has thoroughly studied the need for this project and the financing approach, has issued a 'Decision and Order' accordingly. I believe that the Department of Interior is within its rights to issue the comfort letter to GPA's Bond Counsel without breaching any provisions of the 1984 Note, and GPA (and its Bond Counsel) will provide whatever additional support you may need to assist you in this effort.

Sincerely,

JOSEPH F. ADA
GOVERNOR



TELEX 6131

GUAM POWER AUTHORITY

P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

September 18, 1989

Rec'd Sep 2

Honorable Joe T. San Agustin
Speaker
Twentieth Guam Legislature
Agana, Guam 96910

Dear Speaker San Agustin:

Enclosed is a signed copy of GPA's Resolution No. 102 urging the Legislature to approve the Combustion Turbine's financing as soon as possible. GPA stands to lose the turbine contract on September 30, 1989. Loss of the contract will result in substantial cost to GPA's rate payers and extensive loadshedding in 1991.

Your urgent attention on this matter is greatly appreciated.

Sincerely,

John M. Benavente

JOHN M. BENAVENTE
General Manager GPA

cc: Governor of Guam
Lieutenant Governor of Guam

Enclosure

200482

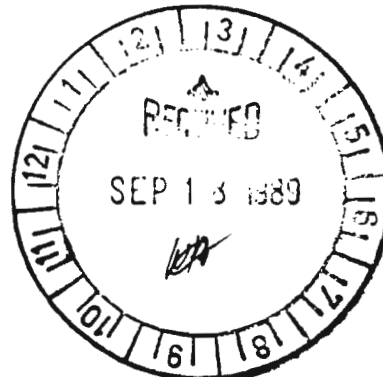


Exhibit 'I'



GUAM POWER AUTHORITY

Board of Directors



RESOLUTION NO. 102

OF

THE GUAM POWER AUTHORITY

BOARD OF DIRECTORS

WHEREAS, the Guam Power Authority ("GPA"), in August 1986, as part of its long range planning to meet the electrical generation needs of the Territory recognized the need for additional generation capacity by 1990; and

WHEREAS, on September 17, 1986, GPA commenced the process for selection of an engineering firm to confirm the future generation needs of the Territory and identify the best method of meeting the future generation requirements and a firm was selected on February 13, 1987; and

WHEREAS, on August 5, 1987, the engineering firm Stone & Webster provided GPA with a report confirming need for additional capacity and recommending installation of a combustion turbine by 1990; and

WHEREAS, on November 5, 1987, GPA commenced the procurement process for construction and installation of a combustion turbine and the award for the project was made in May 24, 1988; and

WHEREAS, GPA submitted the project to the Public Utilities Commission of Guam for review and approval on June 3, 1988 and received approval of the Public Utilities Commission on June 15, 1989; and

WHEREAS, after exploration of the various financing alternatives for the project, GPA has determined that the only viable alternative is issuance of bonds to finance the installation of the combustion turbine; and

WHEREAS, on May 29, 1989, the Guam Economic Development Authority approved the issuance of bonds for the financing; and

WHEREAS, the bond financing package and proposed legislation for its approval was submitted by the Governor to the Legislature on June 26, 1989; and

WHEREAS, in view of the fact the power consumption on the island recently peaked at 193,000 kW and since the original projection of the need of the combustion turbine, the accelerated growth rate in the Territory has heightened the need for additional generation capacity; and

WHEREAS, GPA has scheduled the completion of necessary preventive maintenance on its two largest generating units at Cabras which would require them to be off line for a few weeks and with the current growth rate, the remaining steam and diesel will not be able to handle the demand for generation without the installation of the combustion turbine; and

WHEREAS, if preventive maintenance is not undertaken, there is a substantial risk of unscheduled outages due as a result of the inability to maintain the principal generating units; and

WHEREAS, current growth rates indicate that without the installation of the combustion turbine by December, 1990, it is likely that GPA will be unable to meet the increasing demands for

electricity and perform vital maintenance to existing generators (see attached graph); and

WHEREAS, if no financing is available for the turbine prior to the turbine purchase commitment date of September 30, 1989, GPA would be required to re-bid the turbine, which will result in a substantially higher project cost, and will cause GPA to miss the target completion date; and

WHEREAS, the turbine project must be undertaken now if GPA is to avoid 'load shedding' during GPA's required maintenance periods within the next 18 months; and

WHEREAS, it is imperative that the combustion turbine generator be installed as soon as possible.

NOW, THEREFORE, BE IT RESOLVED, that the 20th Guam Legislature is urged to complete its review of the financing package submitted by the Governor on June 26, 1989 as expeditiously as possible.

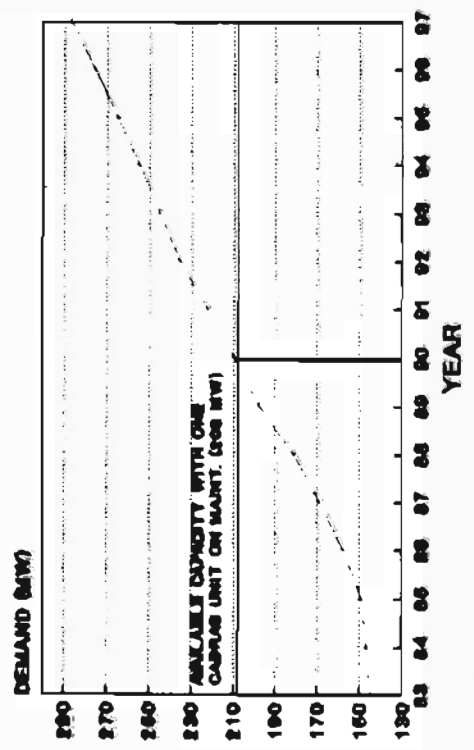
DATED this 6th day of September, 1989.


NANCY D. LEON GUERRERO, Acting Chairman

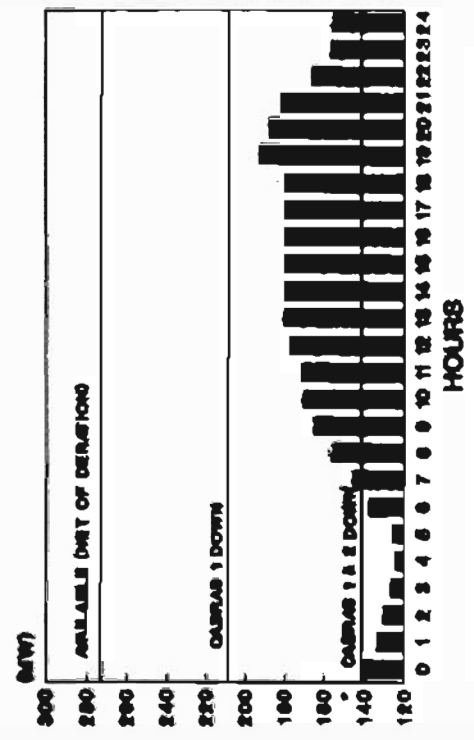

CHARLES TUROSSIK, Secretary


WILLIAM A. FLORES, Member

IWPS DEMAND CURVE (MW) FY 1983 - 1997



IWPS DEMAND 24 HRS. PERIOD ON AUG. 31, '89



* MEANS LOAD SHEDDING FROM 6 A.M. TILL 12 MIDNIGHT



Territory of Guam

Territorial Guam

OFFICE OF THE GOVERNOR
UPSIÑAN I MAQA'LARI
AGANA, GUAM 96910 U.S.A.

SEP 22 1989

The Honorable Joe T. San Agustin
Speaker, 20th Guam Legislature
163 Chalan Santo Papa
Agana, GU 96910

Dear Mr. Speaker:

I am writing to request swift legislative action on a matter that affects the health, safety and well-being of the people of Guam. I refer to the urgent need to act on debt-authorizing legislation which would allow the Guam Power Authority to proceed with the purchase of a critically-needed combustion turbine. The GPA Board of Directors has sent you a resolution concerning this need and this office has submitted legislation as well; this legislation is now known as BILL 500.

Mr. Speaker, I cannot under-state the criticality of this measure. The project is in danger of being delayed because GPA cannot, without legislative action, comply with a turbine purchase contract stipulation that a letter of credit be in place by September 30, 1989. The funds to purchase said letter of credit are intended to come from the sought-after bond issue. If the contractor does not agree to extend this date, the contract will lapse and GPA will have to rebid the turbine.

If this happens, the people of Guam will be forced to contend with a renewal of the load-shedding which plagued our island in the past. This load-shedding will certainly occur by 1991 as GPA must perform essential maintenance on its large Cabras power plants; to avoid such load-shedding, the new combustion turbine must be in operation before that time; however, any delay in obtaining funding for the turbine will certainly mean that the 1991 deadline will not be met.

I need not remind you of the tremendous growth in electrical consumption over the past few years as the unprecedented economic growth of our island continues; however, I must state that the critical need to upgrade our GPA power production capabilities is not based upon future needs (although they are certainly a consideration) but upon current needs. The time is now to upgrade our system, and any delay will threaten GPA's ability to meet the demands being placed upon the electrical system of our island.

The Honorable Joe T. San Agustin
Page Two

Both GPA and this office have responded to preliminary questions from Senators Parkinson and Reyes several weeks ago. Since that time, we have awaited legislative action on the measure, thus far, fruitlessly.

To restate, then, Mr. Speaker: Without swift legislative action on Bill 836, we face a needless delay in obtaining a combustion turbine critically needed by the Guam Power Authority to meet the electrical needs of the people of Guam now and in the future. As the growth of our island continues, the situation will only be exacerbated; for that reason, action must be taken now.

I, respectfully, request your immediate attention to this matter to ensure that swift legislative action may be taken to prevent a future hardship on the people of Guam, a hardship which literally threatens their health, safety and well-being.

Thank you and Si Yulo Malaso.

Sincerely,



FRANK F. BLAS
Governor of Guam,
Acting

Date/Time Recd	9/25	4:58
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SENATOR		
Chronology		
Comments		
Orig Filed by		
Other Action	JOHNSON - ATTACH TO GPA Bond Bill	

COPIED AT GOVERNMENT EXPENSE

GEDA

GUAM ECONOMIC DEVELOPMENT AUTHORITY
 ITC Building - Suite 911
 590 South Marine Drive
 Tamuning, Guam 96911



RECEIVED
 MAY 30 1989
 G.P.A.

May 30, 1989

MEMORANDUM

To: Acting Governor Frank F. Blas

From: Administrator

Subject: Guam Economic Development Authority's Board of Directors Resolution on Guam Power Authority's Financing of A Combustine Turbine Plant (Revenue Bonds, 1989 Series A)

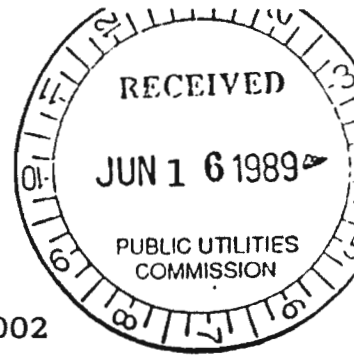
Transmitted to you, herewith, is the Guam Economic Development Authority's Board of Directors Resolution No. 89-010 adopted on May 29, 1989, approving the issuance and sale of Guam power Authority's Power Revenue Revenue Bonds, 1989 Series A, and approving and authorizing the execution of related documents, agreements and actions. Also attached are draft copies of the Second Supplemental Resolution (Supplement to Resolution No. 19 adopted October 31, 1972) and the Bond Purchase Agreement which were provided to the members of the GEDA Board during the May 29, 1989 meeting. As a point of clarification, both the Second Supplemental Resolution and the Purchase Agreement are the proposed forms to which the Bonds would be issued and to which the Bonds would be sold.

Thank you.

RE Endo
 for CHARLES P. CRISOSTOMO

Attachments

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE TERRITORY OF GUAM



Application of the Guam Power Authority for approval of a Combustion Turbine Generator contract package.) Docket No. 88-002)
))
) DECISION AND ORDER)
))
))

I

PROCEDURAL BACKGROUND

On June 20, 1988, the Guam Power Authority (GPA) filed an application with the Public Utilities Commission (Commission) in accordance with 12 G.C.A. §12004 for the review and approval of a contract package by which GPA would purchase and install a combustion turbine generator on Lot No. 10122-13, Dededo, Guam (the "project").

On October 10, 1988, the Commission retained Georgetown Consulting Group, Inc. (GCG) as its independent utilities expert consultant in accordance with 12 G.C.A. §12002(b) and applicable procurement laws. On or about October 14, 1988, GCG retained the engineering consulting services of Resource Management International, Inc. (RMI) to assist GCG in certain aspects of the proceeding (GCG and RMI being collectively referred to as the "Consultants"). Harry M. Boertzel was designated by the Commission to serve as the Administrative Law Judge (ALJ) in this proceeding.

During the months of October, November and December of 1988, Consultants and GPA exchanged data requests and responses. In order to assist the Commissioners in understanding certain complex and technical aspects of the subject matter of this proceeding, a Sacramento briefing conference was held at the RMI's offices in late January, 1989. On February 22, 1989 the parties entered into a first stipulation which defined points of agreement and disagreement and by which the Consultants were accepted as intervening parties. As a result of further data requests and exchanges between the parties in February and March, 1989 and a Honolulu conference by the parties and ALJ in late March, 1989, the parties entered into a second stipulation in

Exhibit '9'

early May, 1989. In support of its position in the two stipulations, RMI submitted testimony to the Commission on February 15, 1989 and May 25, 1989 and GCG submitted testimony on May 22, 1989.

The Commission conducted hearings on the application on May 30 and 31, 1989 pursuant to public notices which were duly published in accordance with law and regulation. There was no public attendance at the hearings. At the commencement of the hearing, ALJ informed the participants that the proceeding was governed by 12 G.C.A. §12004, which provides in effect that:

1. GPA shall not enter into any contractual agreements or obligations which could increase rates and charges prior to the written approval of the Commission; and

2. GPA has the burden of establishing by a preponderance of the evidence that the contract package and the proposed bond obligations are necessary and reasonable.

Pursuant to the parties' second stipulation ALJ was requested to rule on the apparent jurisdictional overlap created by 12 G.C.A. §12004 which prohibits GPA from entering into an "obligation" which could increase rates without the Commission's approval and 12 G.C.A. §2103(k) and 12 G.C.A. §8210 which mandate that revenue bonds also receive legislative approval. ALJ ruled that the Commission's authority under 12 G.C.A. §12004 is independent of the Legislature's authority under 12 G.C.A. §2103(k) and 12 G.C.A. §8210. In this regard, 12 G.C.A. §12025 provides that GPA shall comply with 12 G.C.A. §12004 "in addition to complying with any other condition or obligation imposed upon it by law".

On June 8, 1989, the commission met to consider the ALJ's report. As part of our review of the ALJ report, the Commissioners examined and reviewed the docket entries and hearing and post-hearing exhibits, which are catalogued in Attachment "A" to the ALJ report, as we have considered necessary to understand the evidence and the positions of the parties on the issues discussed in the ALJ report. After such examination and review, and in the exercise of our judgment, we have made the determinations set forth below.

II

DETERMINATIONS

1. GPA's turbine generator contract package is one which could increase rates and charges and, therefore, requires the Commission's approval pursuant to 12 G.C.A §12004.

2. It is reasonable and appropriate for the Commission to review the site location of the turbine generator as part of its overall responsibility of determining whether the contract package is reasonable and necessary.

3. GPA has established by a preponderance of the evidence that:

a) The Turbotecnica contract dated May 24, 1988 and the following contract expenses are under the circumstances reasonable and necessary:

Turbine	\$ 6,264,500
Building	467,000
Spare parts	550,000
Site prep	35,000
Demineralizer	240,000
Instrumentation	150,000
Air/fuel system/tanks	349,000
Electrical	350,000
Subtotal	<u>8,405,500</u>
Eng/project management/ test and startup services	<u>1,453,000</u>
Subtotal	<u>9,858,500</u>
Contingency	<u>384,000</u>
TOTAL	<u>\$10,242,500</u> *****

b) The Dededo site is a suitable location for the turbine generator.

c) GPA's proposed use of revenue bonds for financing the contract package is reasonable and necessary.

d) The form of GPA's Second Supplemental Resolution authorizing the issuance of GPA revenue bonds (1989 Series A) as attached to the GEDA Resolution No. 89-010 dated May 29, 1989 is reasonable and appropriate and is approved except that the aggregate bond principal ceiling should be fixed at \$13,300,000.00.

4. It is reasonable and appropriate that the Commission make the following recommendations concerning GPA's professional procurement practices:

a) GPA should immediately take steps to develop an in-house planning and construction management capability.

b) GPA should prepare a plan under which it would take an aggressive, effective role in the procurement and construction of future generating facilities.

c) GPA should independently procure planning services and engineering design services in connection with the same capital improvement project.

5. The stipulations of the parties which are set forth in Section II(1) and (2) of the ALJ report are reasonable and appropriate and should be ordered by the Commission.

6. The rulings and orders by ALJ during the course of this proceeding should be confirmed and ratified.

7. The substantial rights of the parties have been carefully preserved in the process of permitting factual materials into the record as evidence and by allowing the arguments, reasoning, and statements of position of the parties to be brought before the Commission.

8. There has been compliance with the law and regulations governing the conduct of this proceeding.

III

ORDERS

In furtherance of our eight determinations as set forth above, and in the exercise of our judgment after considering the record and the arguments, reasoning and statement of position of the parties, and for good cause shown, the Public Utilities Commission of Guam hereby orders that:

1) All rulings and orders of ALJ during the course of this proceeding are confirmed and ratified. All motions not heretofore granted or denied are denied. No other matters require discussion.

2) GPA's turbine generator contract package expenses as set forth in determination 3(a) above, the Dededo site and GPA's Second Supplemental Resolution authorizing the issuance of GPA revenue bonds (1989 Series A) as described in determination 3(d) above, are hereby approved, provided, however, that the bond aggregate principal ceiling is hereby fixed at \$13,300,000.00. Any bond proceeds not required to cover such contract package expenses and bond and related expenses such as underwriter's discount, costs of issuance, capitalized interest, bond insurance, debt service reserve and feasibility costs shall be used to redeem the bonds when and to the extent permitted under the bond terms.

3. As an integral part of its professional procurement policies GPA shall carefully consider the:

a) development of an in-house planning and construction management capability.

b) preparation of a plan under which it would take an aggressive, effective role in the procurement and construction of future generating facilities.

c) independent procurement of planning services and engineering design services in connection with the same capital improvement project.

4. On or before September 1, 1989, GPA shall file with the Commission a supplemental report which :

a) reviews the reliability criteria used in other isolated systems and provides the results of such analysis to the Commission;

b) explains and discusses the costs associated with the benefits received from the use of varying reliability criteria; and

c) analyzes the feasibility of providing a higher reliability criteria, if required, for a specific customer (say, the U.S. Navy) than is provided for the rest of the system and of allocating the cost associated with such a higher reliability to the specific customer in questions.

5. GPA shall insure that the Commission and its Consultants are kept regularly and fully informed of R.W. Beck and Associates' progress in its future generation study. Upon the Commission's Consultants' request, GPA and Beck shall promptly and fully respond to Consultants' request for documents and information during the Beck study. GPA will insure that the Beck study will:

a) consider the following generation alternatives:

(1) the expansion of the Dededo site into a combined cycle plant burning number 6 fuel oil or crude (included in this alternative should be the costs of those facilities necessary to clean and treat number 6 fuel oil or crude);

(2) the expansion of the Dededo site into a combined cycle plant burning number 2 fuel oil; and

(3) conventional steam generation facilities burning number 6 fuel oil, coal or other potentially cost-effective fuels;

b) present a benefit/cost analysis, assessing generation planning criteria based upon loss of load probabilities varying over a range of .1 days to .4 days/year.

6. GPA shall not engage in any procurement of equipment, capital improvements or services in furtherance of the Beck study without the Commission's prior review and approval.

7. Consistent with environmental laws and regulations, GPA shall use its best efforts to cause the proposed Navy turbine generator to be procured at the earliest possible date and installed at the Dededo site.

8. GPA shall submit to the Commission for its approval, any contract with the Navy under which GPA would function as the construction contractor for the Navy turbine, if said contract would result in GPA incurring nonreimbursable expense.

9. The turbine generator shall be capable of being retrofitted to burn No. 6 fuel oil or crude in the future. GPA shall use its best efforts to arrange for the Navy generator, if installed on the Dededo site, to also be capable of being retrofitted.

Entered this 15 day of June, 1989.



JOSEPH T. DUENAS



SIMON A. SANCHEZ, II



TERRENCE M. BROOKS



ROSE ENDO



MARY LOUISE ANDERSON

D#H4293 A#T



TELEX 6131

GUAM POWER AUTHORITY

P. O. BOX 2977, AGANA, GUAM, USA 96910-2977

August 3, 1989

Senator Don Parkinson
Chairman, Committee on Energy,
Utilities & Consumer Protection
Twentieth Guam Legislature
Agana, Guam 96910

Dear Senator Parkinson:

In response to your recent queries on GPA's investment fund, I am providing herewith a brief status report.

The investments of GPA are disclosed in the financial statements dated June 30, 1989 at \$7,846,332 (net of valuation). This includes interest earnings of \$1,461,751 which was earned on the basic investment of \$6,790,020 and equates to an overall yield of approximately 9% over the investment life.

The investments were made to generate interest earnings on funds which are not usually intended for disbursement but are reserved pursuant to GPA's bond covenants [e.g. Section 5.03(4)], Customer deposits, etc. The interest earnings generated by these funds is useful in offsetting the burden on GPA's ratepayers when funding GPA's operating and capital budget requirements, and also helps to improve GPA's profitability and return ratios.

The accumulated interest earnings through June is approximately \$420,000 more than would have been earned under a certificate of deposit approach, which has typically carried interest yields of 2% to 3% under that of the Federal Securities. The 'unrealized losses' as of June was approximately \$379,000 (and \$290,000 as of July 31), which is to say that if the **entire investment** were to be liquidated the interest earnings would be reduced by this amount. However, there would be a 'gain' when contrasting the Federal Securities to the certificate approaches, since the increased interest from the higher yields is larger than the 'unrealized loss.'

Importantly, it is highly unlikely that any (much less all) of the investment would be liquidated as GPA must be able to maintain these cash balances to meet the various restricted and reserve fund requirements as required under the bond covenants.

These 'unrealized losses' are indeed not real losses, since it is clear that the **investments are always earning interest**. Moreover, the so called losses do not appear on the income statement, indicating that no actual loss has been incurred. (Note: The Federal Securities are also safer than typical bank certificates

Exhibit 'K'

of deposit in that Federal Securities are not subject to bank failures, which provides the investor with insurance only up to the \$100,000 insured limit.)

Sincerely

John Benavente
JOHN BENAVENTE
GENERAL MANAGER

cc: Senator Edward Reyes

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Territory of Guam
Territorio de Guam

OFFICE OF THE GOVERNOR
OFISIAN I MAGA'LANI
AGANA, GUAM 96910 U.S.A.

OCT 19 1989

The Honorable Joe T. San Agustin
Speaker, Twentieth Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Dear Mr. Speaker:

As per our meeting this morning, the administration and the legislative leaders present agreed that they would like to propose a twenty million dollar loan from the General Fund to the Guam Power Authority, for the purposes of funding the new power generation capability that GPA and the utility consumers of Guam require to ensure improved and uninterrupted power service.

Under the terms of our discussion and agreement this morning, this \$20 million loan would be in the form of an appropriation from FY 1991. GPA would repay this loan over a period of twenty-five years, beginning in July, 1992, which is when the new turbine will have been installed and on-line.

As we discussed, the benefits of this arrangement to our people are many.

Since this is a loan, we can be assured that the General Fund will be repaid in time, which means that these funds will continue to be used over the course of years not only to improve our power services but to continue to do other worthwhile things like pay for vital services, road improvements, infrastructure improvements, etc. Moreover, this new turbine will allow for proper preventative maintenance on the whole turbine system, thus reducing interruptions.

Since, as we agreed, the loan will take the form of an FY'91 appropriation, we can preserve the integrity of the FY 1990 revenue estimate, and estimate made by the legislature, of \$384 million. This is a goal I know we all share, as none of us wish to return to the days of deficit spending and massive over-appropriations.

The enhanced power generation capabilities of GPA will ensure a higher quality of service for all of our people, with fewer and fewer unnecessary interruptions in service. The

Exhibit L



The Honorable Joe T. San Agustin

Page 2

improvement in this regard that has been characteristic of GPA's better performance will continue. This is especially important as demand increases.

And finally, as a result of this loan, the Guam Power Authority has agreed that there will be no increase in power rates to our people until January of 1993 -- at the earliest! Beyond that date, GPA will continue to attempt to find ways to prevent future rate hikes. This assurance of no new rate hikes, combined with the price of oil, will mean that power bills for our people -- which have in general been dropping over the past three years -- will not only be stabilized --- they may very well continue to go down!

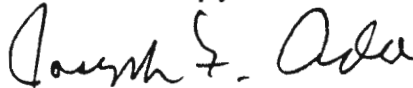
This after all is our ultimate goal: to provide the best power system we can to our people and the lowest power bills possible. Our agreement today accomplishes this, and I believe that we have -- in cooperation -- done a very good job.

I wish to commend you, Mr. Speaker, as well as your colleagues who were in attendance at our meeting and made such positive contributions, including the Chairman of the Committee on Utilities and Consumer Protection, Sen. Don Parkinson, Sen. Frank Santos, Sen. George Bamba, Sen. Herminia Dierking and Sen. Carl Gutierrez.

I would also like to commend Chairman David Sablan and all the members of the Guam Power Authority Board of Directors and staff for their hard work.

Once again, this episode demonstrates the enormous good we can do when we work cooperatively to solve the problems that confront our people. I sincerely look forward to working with you and the other members of your august body in this successful fashion on many occasions in the future -- for the benefit of our people.

Sincerely,



JOSEPH F. ADA
Governor

TWENTIETH GUAM LEGISLATURE
1989 (FIRST) Regular Session

Bill No. _____

Introduced by:

At the request of the
Governor

AN ACT AUTHORIZING THE GOVERNOR TO LEND
TWENTY MILLION DOLLARS (\$20,000,000) FROM
THE GENERAL FUND TO THE GUAM POWER AUTHORITY
FOR CAPITAL IMPROVEMENT PROJECTS.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

1 Section 1. Legislative Finding. In order to
2 provide reliable power to its customers the Guam Power
3 Authority must undertake several major capital improvement
4 projects as soon as possible. The Authority has sought
5 financing of these capital improvement projects through
6 issuance of bonds and increase in revenues. If the
7 government of Guam lends sufficient funds interest free
8 for the necessary capital improvement projects with a
9 lengthy pay back period then the obligation will not be
10 one that causes an increase in rates and charges higher
11 than those in effect on October 26, 1984.

12 Section 2. (a) For rate relief and on behalf of
13 the government of Guam the Governor of Guam shall lend
14 Twenty Million Dollars (\$20,000,000) from the General Fund
15 to the Guam Power Authority. The money so lent shall be
16 from the 1991 fiscal year revenues but may be advanced
17 from cash available in fiscal year 1990.

18 (b) The funds lent to Guam Power Authority shall be
19 used to finance capital improvement projects including but
20 not limited to the purchase and installation of the new 23

1 megawatt combustion turbine and improvements to
2 substations and transmission lines.

3 (c) The loan shall be interest free. The loan
4 shall be repaid in 100 equal quarterly installments of Two
5 Hundred Thousand Dollars (\$200,000) each beginning on
6 July 1, 1992 and on the first day of each quarter
7 thereafter until fully paid.

8 (d) If default is made in the payment when due the
9 government of Guam, as its sole remedy, may offset,
10 without notice, the amount due against its obligations to
11 Guam Power Authority for the purchase of power exclusive
12 of the fuel component of the power charge. The
13 government of Guam may not declare the entire principal
14 sum then unpaid immediately due and payable.

15 (e) The debt instruments shall be governed by and
16 construed in accordance with the laws of the Territory of
17 Guam.

18 (f) The debt shall be evidenced by a promissory
19 note and other necessary debt instruments executed by the
20 Governor on behalf of the Territory and the Chairman of
21 the Board of Directors of Guam Power Authority on behalf
22 of Guam Power Authority.

23 (g) The Attorney General shall prepare the debt
24 instruments necessary to evidence the loan.