



Territory of Guam  
Territorio de Guam

JUL 15 1992

SECRETARY

The Honorable Joe T. San Agustin  
Speaker, Twenty-First Guam Legislature  
155 Hesler Street  
Agana, Guam 96910

*JFS*  
7/15/92  
S. M.

Dear Mr. Speaker:

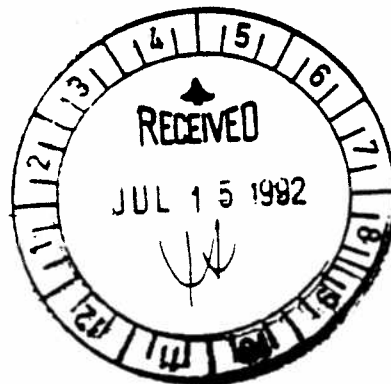
Transmitted herewith is Bill No. 898 which I have signed into law this date as  
Public Law 21-117.

Sincerely yours,

*Joseph F. Ada*  
JOSEPH F. ADA  
Governor

210879

Attachment



Commonwealth Now!

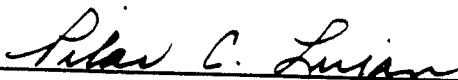
TWENTY-FIRST GUAM LEGISLATURE  
1992 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

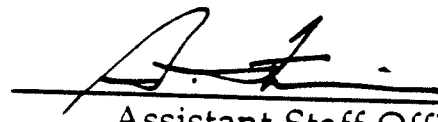
This is to certify that Substitute Bill No. 898 (LS), "AN ACT TO PROVIDE EMERGENCY ELECTRICAL GENERATION RELIEF FOR THE TERRITORY BY ADDING §§8113.1 THROUGH 8113.13 AND §12016.1 TO TITLE 12 OF THE GUAM CODE ANNOTATED IN ORDER THAT THE GUAM POWER AUTHORITY AND THE PUBLIC UTILITIES COMMISSION MAY COOPERATE IN THE EXPEDITED PROCUREMENT OF ADDITIONAL GENERATING EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM, APPROPRIATING FOR THE ACQUISITION OF SUCH EQUIPMENT, AND FOR SKIP," was on the 10th day of July, 1992, duly and regularly passed.

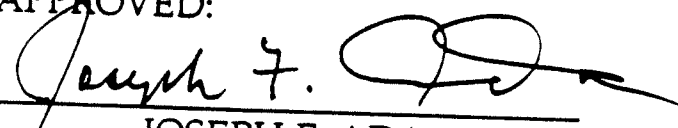
  
JOE T. SAN AGUSTIN  
Speaker

Attested:

  
PILAR C. LUJAN  
Senator and Legislative Secretary

-----  
This Act was received by the Governor this 13<sup>th</sup> day of July, 1992,  
at 4:25 o'clock p.M.

  
Assistant Staff Officer  
Governor's Office

APPROVED:  
  
JOSEPH F. ADA  
Governor of Guam

Date: July 15, 1992

Public Law No. 21-117

TWENTY-FIRST GUAM LEGISLATURE  
1992 (SECOND) REGULAR SESSION

Bill No. 898 (LS)

As substituted by the  
Committee on Energy,  
Utilities and Consumer  
Protection and as amended by  
the Committee of the Whole

Introduced By:

T. V. C. Tanaka  
A. C. Blaz  
J. T. San Agustin

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D. Parkinson  
J. G. Bamba  
D. F. Brooks  
J. P. Aguon  
E. P. Arriola  
M. Z. Bordallo  
H. D. Dierking  
E. R. Dueñas  
E. M. Espaldon  
C. T. C. Gutierrez  
P. C. Lujan  
G. Mailloux  
M. D. A. Manibusan  
M. J. Reidy  
M. C. Ruth  
F. R. Santos  
D. L. G. Shimizu  
A. R. Unpingco

AN ACT TO PROVIDE EMERGENCY ELECTRICAL  
GENERATION RELIEF FOR THE TERRITORY BY ADDING  
§§8113.1 THROUGH 8113.13 AND §12016.1 TO TITLE 12 OF  
THE GUAM CODE ANNOTATED IN ORDER THAT THE  
GUAM POWER AUTHORITY AND THE PUBLIC UTILITIES  
COMMISSION MAY COOPERATE IN THE EXPEDITED  
PROCUREMENT OF ADDITIONAL GENERATING  
EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM,

APPROPRIATING FOR THE ACQUISITION OF SUCH  
EQUIPMENT, AND FOR SKIP.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:  
2 Section 1. §8813.1 is added to Title 12, Guam Code Annotated, to read:

3 "§8113.1. Expedited procurement of generators. In order to  
4 provide immediate relief from the critical power shortage existing  
5 in 1992, the Guam Power Authority (herein called "GPA"), with all  
6 deliberate speed, and with the consent of the Public Utilities  
7 Commission (herein called "PUC"), shall procure and install  
8 generators adding at least 76 megawatts more or less of  
9 nameplate generating capacity to the Island-Wide Power System  
10 ("IWPS"). GPA has determined what equipment it shall procure,  
11 weighing the time necessary to make the equipment an efficiently  
12 operating component of the IWPS, the per kilowatt hour cost of  
13 the equipment, factoring in the maintenance cost of the equipment  
14 over its anticipated usable life, and the compatibility of the  
15 equipment with the long-range capital improvement plans for the  
16 IWPS."

17 Section 2. §8113.2 is added to Title 12, Guam Code Annotated, to read:

18 "§8113.2. Interim debt. Procurement by GPA of the  
19 generators and ancillary equipment, land and buildings will  
20 require long-term financing in the form of revenue bonds or  
21 capital leases, or a combination of both.

22 Pending issuance of revenue bonds, in order to identify  
23 funds sufficient to enable GPA forthwith to enter into contracts  
24 and obligations incident to procurement and installation of the  
25 generators and ancillary equipment, and to enable GPA to obtain

1 or provide for interim funding, the Governor may guarantee the  
2 repayment by GPA of such interim debt in an amount not to  
3 exceed \$45.6 million. In order to reduce the amount of interim  
4 debt, the Governor is authorized to transfer to GPA from any  
5 funds of the government of Guam or appropriated by statute,  
6 excluding appropriations to the Judicial or Legislative Branches,  
7 such sums as he may identify as available, without interest, to be  
8 repaid not later than September 1, 1993 from fund proceeds herein  
9 authorized. If the Governor identifies other sources which  
10 require Legislative approval he shall promptly introduce a bill  
11 requesting approval to use these funds. All sums advanced by the  
12 government of Guam to expedite the interim financing loan shall  
13 be repaid promptly from the bond proceeds.

14 GPA presently has outstanding long-term and other  
15 indebtedness which includes that to the Federal Financing Bank  
16 ("FFB") with certain restrictive covenants.

17 Without retirement of the FFB indebtedness, which include  
18 covenants preventing parity of new indebtedness, GPA is at an  
19 extreme disadvantage in obtaining additional long-term debt.  
20 Further, GPA has an existing short term \$26,000,000 bank loan  
21 which is intended to be replaced by issuance of revenue bonds at  
22 the earliest practicable time, and which should be replaced in  
23 order to enhance a new issuance here authorized. The \$20 Million  
24 loan to GPA in Public Law 20-112 is hereby converted to a grant  
25 with the condition that the \$800,000 interest free annual payment  
26 be used for debt service and a source of funding for the long-term  
27 debt."

1 Section 3. §8113.3 is added to Title 12, Guam Code Annotated, to read

2 "§8113.3. Long-term indebtedness. In order to enable GPA  
3 to obtain the best possible price to the territory, and in the best  
4 interest of GPA's rate payers, GPA is authorized to incur long-  
5 term indebtedness not to exceed \$240,000,000 maturing not later  
6 than thirty (30) years from issuance, bearing interest at a rate not  
7 to exceed 10% per annum, and payable solely from revenues of  
8 GPA. The debt service ratio coverage for the debt authorized by  
9 this Act shall not exceed an amount approved in writing by the  
10 Governor, which shall be the debt service coverage used by PUC  
11 in setting rates. The proceeds of said debt shall be used to refund  
12 GPA's existing indebtedness, including revenue bonds, FFB loans,  
13 the short term indebtedness herein authorized, and the \$26 million  
14 interim debt and to finance the following listed projects:

- 15 1. Procurement and installation of the generation,  
16 and ancillary equipment described in §8113.1;
- 17 2. Refurbishment of the Weber barge;
- 18 3. Land acquisition for generator siting;
- 19 4. Next baseload unit (35 MW);
- 20 5. Anigua substation construction and equipment;
- 21 6. Upgrading of computers for central control of  
22 IWPS; and
- 23 7. Replacement of deteriorated steel structures at  
24 Cabras supporting 115 KV buses and switch gear.

25 To the extent GPA, with the approval of PUC, determines  
26 that as to procurement and installation of the generators and  
27 ancillary equipment, it is in the best interests of GPA's rate payers

1 to procure by various appropriate financing means available,  
2 GPA is hereby authorized to do so.

3 To the extent costs are incurred or advances are received for  
4 such projects prior to issuance of the revenue obligations  
5 authorized hereby, such costs may be reimbursed from proceeds of  
6 such obligations. This authorization shall constitute an  
7 expression of the intent of the government of Guam to reimburse  
8 such costs for purposes of §1.148-18 of the Treasury Regulations."

9 Section 4. Section 8113.4 is added to Title 12, Guam Code Annotated  
10 to read:

11 "§8113.4 PUC authorization; tax-free. Such funds as GPA  
12 may borrow to implement the requirements of this Act, shall be  
13 borrowed upon such terms and conditions as shall be authorized  
14 by PUC pursuant to its regulatory authority ensuring that any  
15 rates resulting to consumers are reasonable as provided by §12004  
16 of this Title 12.

17 The amount and terms for both interim and long-term debt  
18 authorized by the Act shall be as set by PUC, not to exceed the  
19 limits set by this Act. All interest on the debt and all costs of  
20 financing and all associated costs for new generation shall be  
21 capitalized so there are no associated demands on GPA cash and  
22 no impact on rates until construction and installation of the  
23 respective generators are complete and the generators concerned  
24 are on line and providing power, revenue and benefits to GPA and  
25 the people of Guam. On behalf of the government of Guam, the  
26 Governor may guarantee the repayment of the interim debt. The  
27 term of the interim debt allowed by this Act shall be repaid not

1 later than September 1, 1993, during which period long-term  
2 financing to pay off this debt shall be obtained by GPA. The  
3 interim debt terms shall allow for an early payoff with no pre-  
4 payment penalty after two (2) months, and the interest rate  
5 thereon shall not exceed a reasonable rate to GPA (taking into  
6 account non-taxability to the lender of the interest), not to exceed  
7 an annual actual percentage rate of 10%. The appropriateness,  
8 terms, conditions, fees, and interest rates of the debt (interim and  
9 long-term) shall be approved by PUC. All expenses and costs  
10 involved in the origination of the debt shall be the responsibility of  
11 GPA, to be paid from the proceeds of said debt.

12 Interest paid by GPA on long-term and interim financing, if  
13 any, shall be free of income and gross receipts taxation by the  
14 government of Guam."

15 Section 5. §8113.5 is added to Title 12, Guam Code Annotated, to read:

16 "§8113.5. **Transfer of property.** To provide necessary land  
17 for installation of the generators, for use for substations, and for  
18 building uses, there is hereby transferred to GPA, in fee simple, the  
19 following described parcels of real property, all hereby  
20 determined to be necessary and related to GPA's immediate needs  
21 for additional generation capacity and its operation,  
22 maintenance, transmission and distribution:

23 **Macheche Substation:**

24 Two (2) parcels of government of Guam land more  
25 particularly described as Lots Nos. 5246-2 and 5246-3, each  
26 situated in the Municipality of Dededo, each containing an area  
27 of 3,716 ± square meters or 40,000 ± square feet, each as shown on



1 the map recorded in the Department of Land Management on  
2 June 6, 1988, under Document Number 399099.

3 **Anigua Substation:**

4 A parcel of government of Guam land more particularly  
5 described as Lot No. 1361-1-C NEW, situated in Anigua,  
6 Municipality of Agaña, containing an area of 1,522 ± square  
7 meters or 16,382 ± square feet, as shown on the map recorded in  
8 the Department of Land Management on February 11, 1981 under  
9 Document Number 319048.

10 **T&D/Supply Warehouse Relocation:**

11 A parcel of government of Guam land more particularly  
12 described as Lot No. 10122-13-R1, situated in the Municipality of  
13 Dededo, containing an approximate area of 32,115 ± square  
14 meters or 345,551 ± square feet, as shown on the map recorded in  
15 the Department of Land Management on May 26, 1988 under  
16 Document Number 398768."

17 **Section 6.** §8113.6 is added to Title 12, Guam Code Annotated, to read:

18 "§8113.6. **Generators at the Hospital.** Subject to agreement  
19 between the Guam Memorial Hospital Authority ("GMHA") and  
20 GPA whereby GMHA makes available to GPA at the Guam  
21 Memorial Hospital site sufficient land for installation of electrical  
22 generators and related ancillary equipment, including fuel  
23 storage, and in consideration of such agreement, should a  
24 shortage of electrical supply otherwise occur, from and after  
25 commissioning of that generating capacity to be installed at the  
26 Guam Memorial Hospital site, GPA will apportion to GMHA  
27 sufficient electrical supply from the generating capacity there

1 installed to meet the needs of GMHA; provided, however, that  
2 the terms and conditions of any such agreement between GMHA  
3 and GPA shall be subject to prior review and approval of PUC."

4 **Section 7.** §8113.7 is added to Title 12, Guam Code Annotated, to read

5 "§8113.7. **Conditional uses approved.** To permit use by GPA  
6 of the parcels of land described in §§8113.5 and 8113.6 of this Title  
7 for public utility uses, GPA is hereby granted such conditional  
8 uses."

9 **Section 8.** §8113.8 is added to Title 12, Guam Code Annotated, to read:

10 "§8113.8. **Waiver of procurement requirements.** In view of  
11 the urgency for procurement of the generators and ancillary  
12 equipment, the requirements of Part B, Article 3, Chapter 5, Title  
13 5, Guam Code Annotated, are hereby waived and GPA is hereby  
14 authorized to utilize such method of source selection as it deems  
15 necessary, subject to the approval of PUC for the generators and  
16 ancillary equipment described in §§8113.10 and 8113.12 of this Title  
17 and as shown on GPA Exhibit I attached to the Act of which this  
18 section is a part."

19 **Section 9.** §12016.1 is added to Title 12, Guam Code Annotated, to  
20 read:

21 "§12016.1. **Exemption from certain provisions.** In the  
22 conducting of any hearing pertaining to the implementation of the  
23 provisions of the act authorizing the emergency procurement of  
24 generating equipment (Bill No. 898, 21st Guam Legislature) the  
25 Commission shall be exempt from the provisions of §12016 of this  
26 Chapter. The Commission is requested to act upon any request of  
27 the Guam Power Authority ("GPA") having to do with the

1 implementation of such act expeditiously in order to enable GPA  
2 to timely accept such bids as it has received as may be approved by  
3 the Commission; provided, however, that the Commission's  
4 authority under §12004 of this Chapter to determine the need,  
5 prudence and timing of contracts and obligations contemplated by  
6 such act is recognized and confirmed."

7 Section 10. §8113.9 is added to Title 12, Guam Code Annotated, to  
8 read:

9 "§8113.9 Liquidated damages. GPA shall provide that any  
10 contract awarded to a bidder to provide GPA with a generating  
11 unit shall include in the contract a provision which will impose  
12 liquidated damages of not less than \$2,000 per day for each day  
13 beyond an agreed date that the contractor promises to activate a  
14 specific generating unit. The provisions in this section shall not  
15 apply in the case of force majeure to the extent of delays caused by  
16 such force majeure. The provisions of this section can not be  
17 waived.

18 Section 11. §8113.10 is added to Title 12, Guam Code Annotated, to  
19 read:

20 "§8113.10. Dates when generators go on line. GPA did, on  
21 July 10, 1992, provide the Legislature, while sitting as a  
22 Committee of the Whole, with a list of the specific dates that each  
23 of the following generating units purchased by the authorization  
24 contained in this Act will come on line and be producing electricity  
25 for the IWPS. Such dates were:

<u>Generation unit</u>	<u>In-Service date*</u>	<u>Ten. Location</u>
2-3616 Caterpillar, 9.6 MW	<u>May 31, 1993</u>	Talofof

1	(4.8 MW each)		
2	2-3616 Caterpillar, 9.6 MW	<u>June 30, 1993</u>	GMH
3	(4.8 MW each)		
4	1-LM2500, 21.6 MW	<u>April 30, 1993</u>	Macheche
5	(Gas Turbine)		
6	4-3616 Caterpillar, 19.2 MW	<u>Aug. 31, 1993</u>	New Site
7	(4.8 MW each)		
8	Weber CT1 (8 MW)	<u>Jan. 31, 1993</u>	Existing
9	Weber CT2 (8 MW)	<u>Feb. 28, 1993</u>	Existing

10           \* In-Service Date means the date the unit is up and  
11 providing power to the IWPS.

12 The Authority shall also provide the Speaker of the Legislature  
13 and the Governor of Guam a detailed explanation as to why a  
14 specific dateline cannot or has not been met within ten (10) days of  
15 the date missed."

16 Section 12. §8113.11 is added to Title 12, Guam Code Annotated, to  
17 read:

18           "§8113.11. Power to southern Guam. Any generating units  
19 purchased with the funds authorized by this Act and which are  
20 sited to the south of a line extending from the northernmost point  
21 in Agat to the northernmost point in Yoña and are activated to  
22 supplement the IWPS shall be used to provide electric power to  
23 the villages of Yoña, Talofoyo, Inarajan, Merizo, Umatac, Agat  
24 and Santa Rita first, and only secondarily for the rest of the IWPS;  
25 provided, that all parts of the island share equally in any  
26 loadshedding. Excess electricity from these generating units may

1 then be used to provide electric power to the Manengon Hills  
2 project only if there is adequate power for the rest of the island.

3 Section 13. §8113.12 is added to Title 12, Guam Code Annotated, to  
4 read:

5 "§8113.12. Awards to specific bidders. Of the generating  
6 equipment to provide the 76 megawatts more or less of electricity  
7 authorized by this Act 60 megawatts shall be purchased from the  
8 bidders listed in this section, and 16 megawatts will be achieved as  
9 a result of the refurbishment of the Navy's Weber Barge. The new  
10 units shall be purchased from the bidders Pacific Machinery and  
11 Stewart & Stevenson. These are the successful bidders to supply  
12 new generators to GPA as shown in GPA Exhibit I, attached to  
13 this Act and made a part thereof by reference. If such units as are  
14 described in this Act are not purchased pursuant to said bids, this  
15 Act shall be a nullity. The units purchased must be new units and  
16 may not be replaced or substituted with rebuilt units. PUC may  
17 waive bid defects or minor technical changes as recommended or  
18 approved by GPA.

19 Section 14. §8113.13 is added to Title 12, Guam Code Annotated, to  
20 read:

21 "§8113.13. Repayment of FFB debt. Part of the funds  
22 authorized to be borrowed by this Act shall be used to purchase the  
23 entire debt held by FFB and GPA must use the FFB Reserve fund  
24 to offset the balance to be paid."

25 Section 15. Appropriation for SKIP. Sixteen Thousand Nine Hundred  
26 Seventy-Four Dollars (\$16,974) are appropriated from the General Fund to

- 1 SKIP Entertainment Company ("SKIP") to supplement travel funds needed to
- 2 complete SKIP's current mainland tour.

GPA EXHIBIT I

ATTACHED TO BILL 21-898 As Substituted

**Preliminary Bid Screening  
Based on \$/KW Price of Comparable Units**

<u>Bidders</u>	<u>Net Capacity (MW)</u>	<u>Bid Price<sup>(1)</sup> (\$1,000)</u>	<u>Per Unit Bid Price \$1/net KW</u>
<b>I. Diesel Equipment</b>			
● Wartsila Diesel			
Barge-based (4 units)	24.6	23,400	949
Land-based (2 units)	22.5	21,863	973
Mobile	2.5	1,965	779
● Pacific Machinery (2 sites) <sup>(2)</sup>	38.4	16,511	430
● JWP Technical Services	38.4	18,760	489
<b>II. Combustion Turbine</b>			
● Enprotech			
Barge-based	31.9	23,980	752
Land-based	25.6	17,790 <sup>(3)</sup>	695
● Stewart & Stevenson <sup>(4)</sup>	21.6	14,700	681

(1) Price does not include recommended spare parts inventory, tools, or other options offered by vendors as part of bid package.

(2) Pacific Machinery and JWP Technical proposed the same type of Caterpillar diesel generating set

(3) Used Turbine Generator; price does not include...

**SENATOR DON PARKINSON**  
21st GUAM LEGISLATURE  
192 ARCHBISHOP FLORES ST. - ROOM 203  
AGANA, GUAM 96910

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

21-117

Honorable Joe T. San Agustin  
Speaker, Twenty-First Guam Legislature  
Temporary Building, 155 Hesler St.  
Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Energy, Utilities and Consumer Protection wishes to report out its findings on **BILL NO. 898:(AS SUBSTITUTED BY THE COMMITTEE ON ENERGY UTILITIES AND CONSUMER PROTECTION) AN ACT TO PROVIDE EMERGENCY ELECTRIC GENERATION RELIEF FOR THE TERRITORY BY SECTIONS 8113.1, 8113.2, 8113.3, 8113.4, 8113.5, 8113.7 AND 12016.1 TO TITLE 12 OF THE GUAM CODE ANNOTATED IN ORDER THAT THE GUAM POWER AUTHORITY AND THE PUBLIC UTILITY COMMISSION MAY COOPERATE IN EXPEDITED PROCUREMENT OF ADDITIONAL GENERATING EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM AND APPROPRIATING FOR THE ACQUISITION OF SUCH EQUIPMENT AND AUTHORIZE THE GUAM POWER AUTHORITY TO INCUR LONG TERM INDEBTEDNESS EXCEEDING TWO HUNDRED MILLION (\$240,000,000.00) DOLLARS.**

The Committee's Voting Record is as follows:

TO PASS: 10  
NOT TO PASS: 0  
ABSTAIN: 2  
TO PLACE IN  
INACTIVE FILE: 0  
OFF-ISLAND: 0

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

Sincerely,



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



**REPORT OF THE COMMITTEE ON ENERGY, UTILITIES  
AND CONSUMER PROTECTION ON BILL NO. 898, "AN  
ACT TO PROVIDE EMERGENCY ELECTRICAL GENERATION  
RELIEF FOR THE TERRITORY BY SECTIONS 8113.1,  
8113.2, 8113.3, 8113.4, 8113.5, 8113.6, 8113.7  
AND 12016.1 TO TITLE 12 OF THE GUAM CODE ANNOTATED  
IN ORDER THAT THE GUAM POWER AUTHORITY AND THE  
PUBLIC UTILITY COMMISSION MAY COOPERATE IN THE  
EXPEDITED PROCUREMENT OF ADDITIONAL GENERATING  
EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM AND  
APPROPRIATING FOR THE ACQUISITION OF SUCH EQUIPMENT  
AND TO AUTHORIZE THE GUAM POWER AUTHORITY TO  
INCUR LONG TERM INDEBTEDNESS NOT EXCEEDING TWO  
HUNDRED MILLION (\$240,000,000.00) DOLLARS."**

#### PREFACE

The Committee on Energy, Utilities and Consumer Protection conducted a public hearing on Friday, July 3, 1992 at 10:00 a.m. in the Legislative Public Hearing Room on Bill No. 898, (AS SUBSTITUTED BY THE COMMITTEE ON ENERGY, UTILITIES AND CONSUMER PROTECTION) "AN ACT TO PROVIDE EMERGENCY ELECTRICAL GENERATION RELIEF FOR THE TERRITORY BY SECTIONS 8113.1, 8113.2, 8113.3, 8113.4, 8113.5, 8113.6, 8113.7 AND 12016.1 TO TITLE 12 OF THE GUAM CODE ANNOTATED IN ORDER THAT GUAM POWER AUTHORITY AND THE PUBLIC UTILITY COMMISSION MAY COOPERATE IN THE EXPEDITED PROCUREMENT OF ADDITIONAL GENERATING EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM AND APPROPRIATING FOR THE ACQUISITION OF SUCH EQUIPMENT. The Committee Members present at the public hearing include: Senator Don Parkinson, Chairman; Senator Herimina Dierking Vice-Chairperson; Senator Anthony Blaz, Member; Senator Francisco Santos, Member; Senator Madaleine Bordallo,

Member; Senator Antonio Unpingco, Member; Senator George Bamba, member; and Speaker Joe T. San Agustin, member. Also present were, Senator Tommy Tanaka, Minority Leader; Senator Bell Arriola; Senator John Aguon, and Senator Michael Reidy.tsq

#### TESTIMONY

Mr. John Benavente, GPA General Manager did not personally attend the public hearing, but submitted written testimony, labeled "Exhibit A". In his testimony, Mr. Benavente pointed out that there is an immediate need to put in place approximately 75.8 mega-watts of additional generation capacity in order to reduce or eliminate loadshedding if any of the Cabras or Tanguisson generating units go down. The proposal by GPA is not to put in place a single large unit, but to purchase and install several smaller units to provide flexibility and still have the capacity to provide for emergency units in case of major breakdown to the base load units located at Cabras and Tanguisson. The purchase and installation of these additional units does not preclude the need for future purchase and installation of the base load generations which must be accomplished to eventually replace the aging Cabras and Tanguisson power plants.

In his testimony, Mr. Benavente pointed out that the amount of funding needed to fund the needed generation capacity is approximately \$45.6 million. This amount will include the following:

1. Eight (8) Caterpillar diesel Generating units capable of generating 4.8 MW each for a total 38.4 MW.
2. One (1) Combustion Turbine with a generating capacity of 21.6 MW.
3. Overhaul and repair of the Weber barge which is currently under the control of the Navy which will

be turned over to GPA. If fully operational will be capable of generating approximately 16 MW.

In addition to the units described above the following items are also to be funded:

1. The next baseload unit (35MW)
2. Anigua substation construction and equipment
3. Upgrading of computers for central control of IWPS
4. Replacement of deteriorated steel structures at Cabras supporting 115 KV buses and switch gear

Representing the Administration was Mr. Carl Taitano, Special Assistant for Financial Affairs. Mr. Taitano submitted testimony which is labeled as exhibit "B". Mr. Taitano informed the Committee that the Governor supports the efforts to put on additional generating capacity as quickly as possible. In order to finance the new generating units, the Governor proposes the following:

1. Lend GPA \$20.6 million from the following sources
  - a. \$13.0 million from the Legislative Capital Improvement fund
  - b. \$7.6 million from FY93 Revenues
2. The Government of Guam additionally agrees to guarantee an amount not to exceed \$25.0 million.

The funding proposed are interim proposals to assure that the process of purchasing and installing the additional generating capacity. The final funding shall be obtained by issuing revenue bonds.

It was pointed out that the time to actively seek financing through the issuance of revenue bonds is right now and should be accomplished within the next couple of months due to the low interest rates which could be obtained.

There is no guarantee that the interest rates would remain at the current level.

Many other concerns were brought out during the question and answer period which ensued. One of the questions brought out include the possibility of increasing the borrowing authority from \$45 million to include the proposed base-load units which would bring the borrowing authority to approximately \$240 million. This discussion centered on the fact that if the interest rates are very favorable now, but may not be later on, then perhaps we should authorize the financing of the entire generating need for GPA and Guam now rather than wait.

The Committee Chairman, Senator Don Parkinson, requested that the Guam Power Authority submit to the Committee as quickly as possible the complete package and proposal for the Committee to peruse and consider funding authorization up to \$140 million.

In addition to the simple purchase of several small units to provide emergency generation capacity, Senator Santos agreed with Senator Parkinson that if GPA is proposing to place an 8 MW diesel generator near the hospital then this units should be configured so that this could serve as the emergency generator for the hospital and be dedicated for such use if the island-wide power system goes down. He also requested that GPA consider dedicating such units to provide power to the water wells so that in the event of an island-wide power failure, the island will not suffer water shortages or outages as a result.

The Chairman and Vice-Chairman of the Public Utilities Commission, Mr. Joey Duenas and Mr. Simon Sanchez both commented that the Public Utilities Commission agrees that something should be done now. However, they requested that

GPA take a look at their original submission to the Commission of a funding request for \$200 million to find out what is common to the \$140 million funding request and the \$200 million request before the PUC. This is to preclude any unnecessary duplication in funding.

Mr. Peter Kuhn of Kuhn & Kuhn, an Industrial Energy Consulting firm provide written testimony which is labeled as exhibit "B".

### COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee on Energy, Utilities and Consumer Protection finds that an emergency situation exist on Guam due to the lack of sufficient generation capacity if any of the base load units become inoperative. This condition have resulted in island-wide loadshedding which disrupts all forms of activities on Guam. In addition to the urgent need to purchase and install the additional generation capacity, there is also a need for additional base-load units. Because of the very favorable interest rates at this time, the Committee also finds that it would be prudent to seek the financing now to fund the generating needs of the Guam Power Authority especially since the Guam Power Authority is now the sole generator of electricity as a result of the Customer Service Agreement which was recently signed by the Navy and the Guam Power Authority.

The Committee on Energy, Utilities and Consumer Protection therefore recommends that Bill No. 898, as substituted by the Committee on Energy, Utilities and Consumer Protection be passed by the 21st Guam Legislature.

### EXHIBITS

Exhibit "A"      Written testimony of Mr. John Benavente,

GPA General Manager (With attachments)

Exhibit "B" Bill No. 898 as introduced

Exhibit "C" Bill No. 898 as substituted by the Committee on Energy, Utilities and Consumer Protection

Exhibit "D" Written testimony of Mr. Carl Taitano, Special Assistant for Financial Affairs, who testified for Governor Joseph F. Ada.

Exhibit "E" Written testimony of Mr. Peter Kuhn of Kuhn & Kuhn, an Industrial Energy Consulting firm.

Exhibit "F" Governor Joseph F. Ada Letter dated July 8, 1992 transmitting Bill No. 898 (Draft 2, Revision).

Exhibit "G" GPA Bill as submitted by the Governor

Exhibit "H" Bill No. 898 (Draft 2, Revision 1)

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# GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN  
P.O. BOX 2977, AGANA, GUAM, USA 96910-2977

JULY 1, 1992

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

RE: BILL 898

Dear Senator Parkinson:

The Guam Power Authority has just completed its analysis of the bids submitted in response to its RFP. The attached summary outlines the results of our analysis.

In summary, GPA feels a total of 38.2MW at three sites (with the first two sites done by April 1993 and the third by December 1993), plus 21.6MW at a new site (by March 1993), plus 16MW (by December 1992) via rehabilitating the Weber barge would reduce load shedding dramatically. In fact, it is felt that the current loss of load level of over 300 hours per year could be reduced to something closer to 20 hours per year by FY 93. (One lost hour occurs when any circuit is out due to a lack of generation.) The total cost for this effort is approximately \$45.6 million.

The financing alternatives GPA has considered include capital leases, interim financing to be retired using long term revenue bonds, General Fund appropriation, or delaying all or part of this effort (causing additional loadshedding eventually) until long term financing can be arranged. GPA is giving the most serious consideration to capital leasing and interim financing. However, it is felt that capital leasing provides less flexibility (when compared to more conventional loan terms) and would cost ratepayers more in the short and intermediate term.

Interim financing for no more than one or two years may be more attractive primarily because of its simplicity and lessened impact in the short run of GPA's annual revenue requirements and GPA's ratepayers. This "bridge" financing will enable construction to begin at the soonest while GPA continues its efforts to obtain long term debt. The source would likely either be from the General Fund or a local bank with a GOVGUAM guaranty similar to the \$26 million interim loan for the Dededo Combustion Turbine #2. We also understand that the debt ceiling of GOVGUAM is near its maximum, and that it may be difficult to include an unplanned for \$45.6 million.

*Exhibit "A"*

GPA is also requesting from the Legislature assistance in the following:

1. Provide conditional use for public utility purposes for the GMH, Talofofa and Macheche Substation sites to allow immediate construction of the generators we outlined.
2. Transfer the property designated for the Anigua Substation to GPA and provide authorization for conditional use to construct a substation at this site.
3. Transfer to GPA the additional portion of land next to the Dededo Combustion Turbine to allow construction of the transmission and distribution compound to save substantial funds of money due to rentals.

We are prepared to work with the Legislature to do whatever must be done to complete this most essential effort.

Sincerely,

  
JOHN BENAVENTE  
GENERAL MANAGER

ATTACHMENTS



- **IFB GPA - 89-92**
- **Bid Issued - June 3, 1992**
- **Bid opened - June 22, 1992**
- **42 Vendors were provided Bid Invitations**
- **5 Bidders submitted bids**

**Preliminary Bid Screening  
Based on \$/KW Price of Comparable Units**

<u>Bidders</u>	<u>Net Capacity (MW)</u>	<u>Bid Price<sup>(1)</sup> (\$1,000)</u>	<u>Per Unit Bid Price \$1/net KW</u>
<b>I. Diesel Equipment</b>			
● Wartsila Diesel			
Barge-based (4 units)	24.6	23,400	949
Land-based (2 units)	22.5	21,863	973
Mobile	2.5	1,965	779
● Pacific Machinery (2 sites) <sup>(2)</sup>	38.4	16,511	430
● JWP Technical Services	38.4	18,760	489
<b>II. Combustion Turbine</b>			
● Enprotech			
Barge-based	31.9	23,980	752
Land-based	25.6	17,790 <sup>(3)</sup>	695
● Stewart & Stevenson <sup>(4)</sup>	21.6	14,700	681

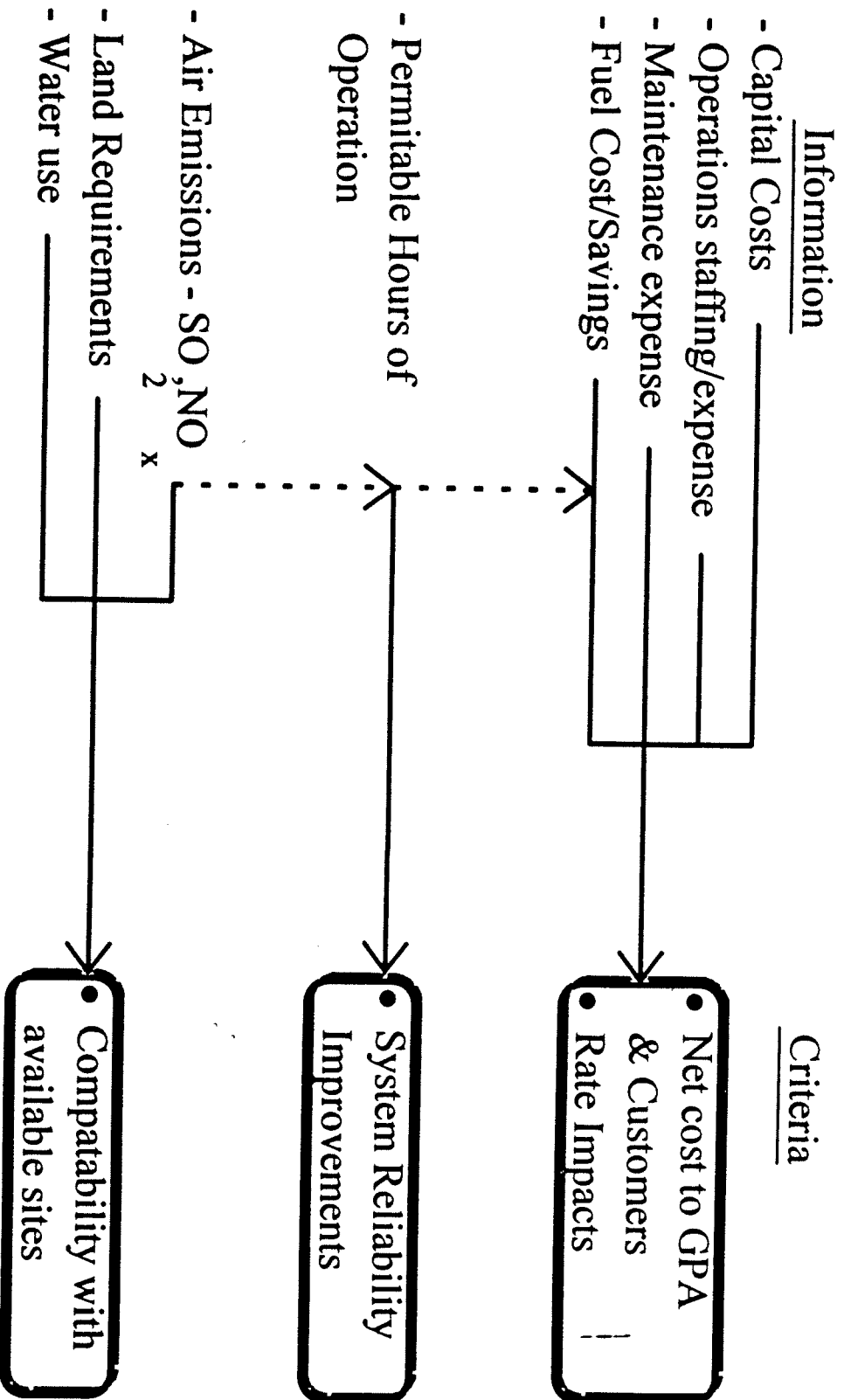
(1) Price does not include recommended spare parts inventory, tools, or other options offered by vendors as part of bid package.

(2) Pacific Machinery and JWP Technical proposed the same type of Caterpillar diesel generating sets.

(3) Used Turbine Generator; price does not include building or water treatment system.

(4) Stewart & Stevenson also bid a used turbine unit of the same model.

# Criteria for Detailed Evaluation of Bid Options



## **Detailed Evaluation of Bid Options Overview**

- Projected costs of owning and operating/maintaining plants for 10 years, 1993-2002.
- Accounted for operational affects on dispatch of existing and planned generating units.
- Evaluated combinations of number of units and number of sites for each vendor.
- Included rehabilitation of the two Weber CT's as one of the combination of options.
- Included the estimated residual/salvage value remaining after 2002.

## **Recommendations**

### **Primary**

1. Accept the bid of Pacific Machinery for 8-3616 Caterpillar diesel generating sets of 4.8 MW each and authorize negotiation of necessary contract(s).
2. Accept the bid of Stewart & Stevenson for 1-LM2500 (new) combustion turbine generator and authorize negotiation of necessary contract(s).
3. Overhaul/repair the 2-LM1500 combustion turbine generators on the Weber barge and take title of barge from Army.

#### **Justification:**

- **Lowest capital and operating cost**
- **Provides accepted system reliability (with plans for slow speed diesel units) through 1997.**
- **Allows some flexibility for changes in load growth, DSM programs, Navy units, etc.**

## Probable Location and Timing of Recommended Projects

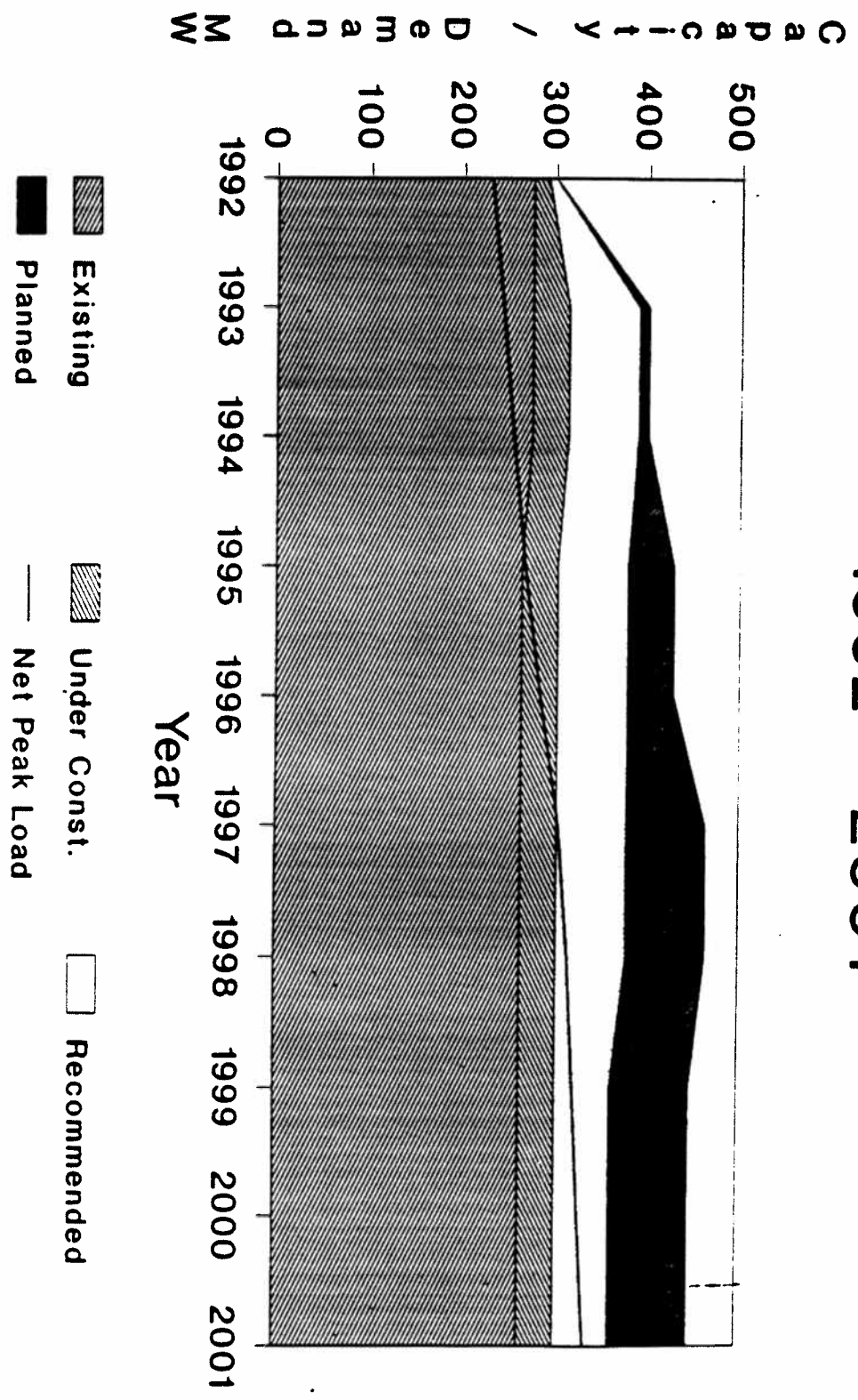
<u>Generating Units</u>	<u>In-service Date</u>	<u>Location</u>
<b>Through Bids:</b>		
2-3616 Caterpillar, 9.6 MW	March, 1993	Talofofo Sub.
2-3616 Caterpillar, 9.6 MW	April, 1993	Guam Memorial Hospital
1-LM2500, 21.6 MW	March, 1993	Macheche Sub.
4-3616 Caterpillar, 19.2 MW <sup>(1)</sup>	December, 1993	New Site
<b>Additional:</b>		
Weber CT1	December, 1992	Existing
Weber CT2	February, 1993	Existing

(1) To be permitted as a "major source" for air emissions; may be in service as early as August, 1993.

**Recommended Schedule of  
Unit Additions  
1992-1997**

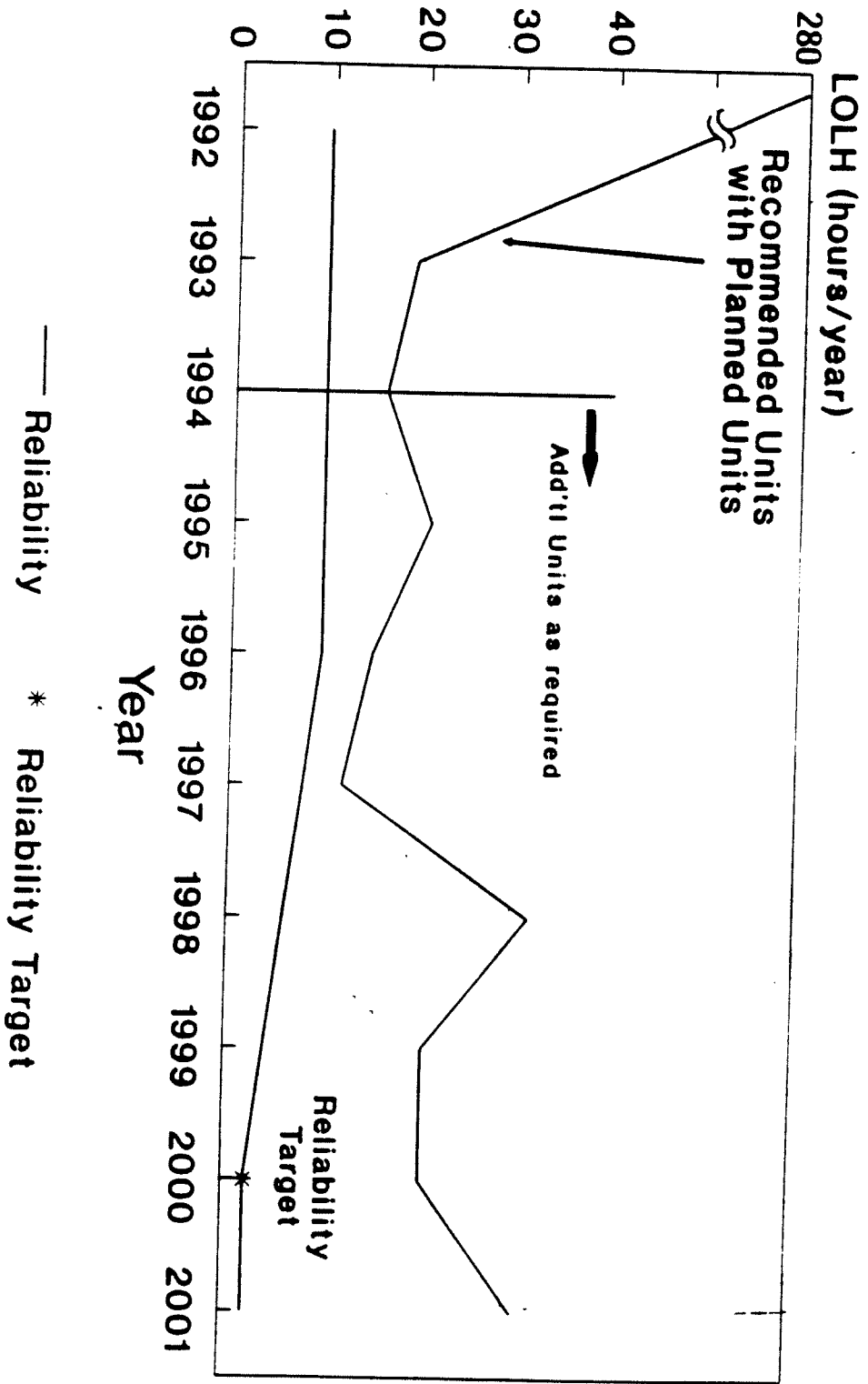
<u>Recommended</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Weber Barge	8.0	8.0				
Cat. Diesel - 2 sites		19.2				
Combustion Turbine (LM2500)		21.6				
Cat. Diesels - new site		19.2				
Sub-total	8.0	68.0	0	0	0	0
<u>Other Units</u>						
<i>Under Construction - -</i>						
Dededo CT#2		23.0				
Navy Marbo CT	16.0					
Sub-total	16.0	23.0	0	0	0	0
<i>Planned - -</i>						
Manenggon Diesels	0.0	10.0	0.0	5.0	0.0	0.0
Low speed Diesels	0.0	0.0	0.0	35.0	0.0	35.0
Sub-total	0.0	10.0	0.0	40.0	0.0	35.0
Total Additions	24.0	101.0	0.0	40.0	0.0	35.0
Cumulative Additions	24.0	125.0	125.0	165.0	165.0	200.0
Existing Generating Capacity	275.0	275.0	275.0	264.0	264.0	264.0
Total Generating Capacity	299.0	400.0	400.0	429.0	429.0	464.0
Net Peak Load	230.0	243.0	255.0	268.0	285.0	305.0
Reserve Margin	30.0%	64.6%	56.9%	60.1%	50.5%	52.1%

# Summary of Load & Resources 1992 - 2001





# System Reliability with Recommended and Planned Units



### **Additional Items That May Be Included In Final Contracts**

- A minimum of three-day fuel storage capacity for each site (one-day storage was included in bids)
- Concrete exterior to buildings for Pacific Machinery Caterpillar generating sets.

**Immediate Power Plants Including  
New Site Development and Weber Rehab  
Estimate of Total Capital Costs**

	<i>(in \$1,000)</i>
1. Pacific Machinery Bid - 8 units	17,462 (1)
2. Stewart & Stevenson Bid - 1 unit	16,561 (1)
<u>Subtotal - Bids</u>	<u>34,023</u>
<b>Additional Requirements</b>	
3. Site Permitting	850
4. Land Acquisition	1,150
5. Additional Fuel Storage (3 - 6 day)	740
6. Concrete Buildings (3 sites)	1,500
7. Stack Extension (2 sites)	800
<u>Subtotal</u>	<u>39,063</u>
8. Bid Contingency @ 5%	2,000
<u>Total</u>	<u>41,063</u>
9. Weber Rehab	3,000
10. GPA Project Management	1,500
<b>Grand Total</b>	<b><u><u>45,563</u></u></b>

(1) Including initial spare parts inventory, tools, and gross receipts tax.

TWENTY-FIST GUAM LEGISLATURE

Second Regular Session

Bill 898  
Sponsored by:

T.V.C. Tanaka

A. Blaz

J.T. San Agustin

D. Parkinson

G. Bamba

AN ACT TO PROVIDE EMERGENCY ELECTRICAL GENERATION RELIEF FOR THE TERRITORY BY SECTIONS 8113.1, 8113.3 AND 12016.1 TO TITLE 12 OF THE GUAM CODE ANNOTATED IN ORDER THAT GUAM POWER AUTHORITY AND THE PUBLIC UTILITY COMMISSION MAY COOPERATE IN THE EXPEDITED PROCUREMENT OF ADDITIONAL GENERATING EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM AND APPROPRIATING FOR THE ACQUISITION OF SUCH EQUIPMENT.

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

Section 1. Statement of Legislative Finding. The Legislature finds that Guam Power Authority is unable to generate the electrical power necessary to meet the needs of the island. The current electrical system is so structured that the failure of virtually any individual generator triggers a load shedding plan that leaves parts of the island without power for substantial periods of time. The failure of the system results from the fact that some of its components have outlived their useful life span, that other elements are so large that their loss for maintenance or

due to an emergency reduces effective generating capacity of the entire system substantially and that the growth of the island has been so great in the last five years that GPA has been unable to add the new generators that would have avoided the emergency the island now faces. The inadequacy of the electrical power system not only jeopardizes the island's commercial interests, but also threatens the health, safety and welfare of every resident. The impact on the commercial sector of the economy is so significant that it threatens the economic miracle that has permitted the territory to make great strides in self-sufficiency in the past decade. It is the conclusion of the Legislature that the situation is such that the Legislature must provide for GPA to acquire additional generating equipment in an expedited fashion. Despite the emergency, however, the Legislature requires that the equipment that is to be procured be obtained at a reasonable price to be operated at a reasonable cost and be of such design and quality that it not only provides immediate relief but also fits into the long range plans for the expansion of the Island-Wide Power System.

Section 2.           Section 8113.1 is added to Title 12 of the Guam Code  
Annotated to read:

"Section 8113.1.           Expedited Procurement of Generators. In order to provide immediate relief from the critical power shortage existing in 1992, the Board, with all deliberate speed and with the consent of the Public Utility

Commission, shall procure, install and operate generators adding 20 to 50 megawatts of nameplate generating capacity to the Island-Wide Power System ("IWPS"). In determining what equipment it shall procure, the Board shall weigh, the time necessary to make the equipment an efficiently operating component of the IWPS; the per kilowatt hour cost of the equipment, factoring in the maintenance cost of the equipment over its anticipated usable life; compatibility of the equipment to the long-range capital improvement plans for the IWPS; and the potential for conversion of the equipment to an alternate energy source. The Board may purchase, lease or lease-purchase the equipment. In procuring the equipment the Board shall be cognizant of and apply to the maximum extent possible Section 1423 small L of Title 48 of the United States Code, which section permits the territorial government to make purchases through the federal General Services Administration; provided, however, that procurement shall not be made through the federal General Services Administration if such method of procurement shall delay unreasonably the procurement of the equipment. The equipment shall be procured from the Fund created by Section 8113.3 of this Chapter or from funds borrowed by the Board. No loan obtained by the Board shall require interest to be paid than is greater than the interest paid by the United States government for notes or bonds of similar amount and term as of the date that the indenture between the Board and the lender is executed. Interest earned by a lender on such an indenture shall be

free of taxation by the government of Guam.

Section 3. Section 8113.3 is added to Title 12 of the Guam Code

Annotated to read:

"Section 8113.3. Expedited Procurement Fund for Generators.

There is a created an Expedited Procurement Fund for Generators ("the Fund") as a depository for such funds as the Legislature may appropriate to it or for such funds as may be set aside by the GPA Board of Directors from loans or other sources. The Treasurer of Guam shall be the Custodian of the Fund and no disbursement shall be made from the Fund except upon the request of the Board and provided that the Public Utilities Commission has concurred in the procurement. Such funds as the Board may borrow to implement the requirements of this section shall be borrowed upon such terms and conditions as shall be authorized by th Public Utilities Commission. In setting the terms and conditions of repayment, the Commission shall structure the terms and conditions to avoid excessive or unreasonable increases in the rates paid by the consumer of the Authority.

Section 4. Section 12016.1 is added to Title 12 of the Guam Code

Annotated to read:

"Section 12016.1. In the conducting of any hearing pertaining to the implementation of the provisions of Section 8113.1 of this Title, the

Commission shall be exempt from the provisions of Section 12016 of this Title. The Commission shall act upon any request of the Guam Power Authority having to do with the implementation of Section 8113.1 of this Title within thirty (30) days from the receipt of such request. The Commission's failure to act upon a request within the thirty (30) days shall constitute consent and approval by the Commission of the request of the Guam Power Authority."

"Section 5. Continuing Appropriation. All funds received by the General Fund from the Guam Power Authority, as annual installment payments required under Section 2 of Public Law 20-112, are hereby appropriated to the Expedited Power Procurement Fund for Generators.

Section 6. The Guam Power Authority is authorized to borrow such sums as may be necessary for the procurement of generators and equipment as stipulated in Section 8113.1, as amended, of Title 12 of the Guam Code Annotated and to use the Expedited Power Procurement Fund for Generators as a source of repayment. Such borrowed sums shall be repaid upon terms and conditions as shall be authorized by the Public Utilities Commission. In setting terms and conditions of repayment, the Commission shall structure such terms and conditions to avoid excessive or unreasonable increases in the rate paid by the consumers of the Authority."



**TWENTY-FIRST GUAM LEGISLATURE  
1992 (SECOND) REGULAR SESSION**

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**Bill No. 898: (Draft 2, Revision 1)  
(As Substituted by the  
Committee on Energy,  
Utilities and Consumer  
Protection):**

**Introduced By:**

**T.V.C. Tanaka  
A. Blaz  
J.T. San Agustin  
D. Parkinson  
G. Bamba**

**AN ACT TO PROVIDE EMERGENCY ELECTRICAL GENERATION  
RELIEF FOR THE TERRITORY BY SECTIONS 8113.1, 8113.2, 8113.3,  
8113.4, 8113.5, 8113.6, 8113.7 AND 12016.1 TO TITLE 12 OF THE GUAM  
CODE ANNOTATED IN ORDER THAT GUAM POWER AUTHORITY  
AND THE PUBLIC UTILITY COMMISSION MAY COOPERATE IN THE  
EXPEDITED PROCUREMENT OF ADDITIONAL GENERATING  
EQUIPMENT FOR THE ISLAND-WIDE POWER SYSTEM AND  
APPROPRIATING FOR THE ACQUISITION OF SUCH EQUIPMENT.**

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

**Section 1. Section 8813.1 is added to Title 12 of the  
Guam Code Annotated to read:**

**"Section 8113.1. Expedited Procurement of Generators.  
In order to provide immediate relief from the critical power  
shortage existing in 1992, GPA, with all deliberate speed,  
and with the consent of the Public Utility Commission, shall  
procure, install and operate generators adding 76 megawatts  
of nameplate generating capacity to the Island-Wide Power  
System ("IWPS"). GPA has determined what equipment it shall  
procure, weighing the time necessary to make the equipment  
an efficiently operating component of the IWPS, the per  
kilowatt hour cost of the equipment, factoring in the  
maintenance cost of the equipment over its anticipated  
usable life, and the compatibility of the equipment with the  
long-range capital improvement plans for the IWPS."**

*Exhibit "C"*

1           Section 2. Section 8113.2 is added to Title 12 of the  
2 Guam Code Annotated to Read:

3           "Section 8113.2. Procurement by GPA of the generators  
4 and ancillary equipment, land, and buildings will require  
5 long term financing in the form of revenue bonds or capital  
6 leases, or a combination of both. GPA must identify a  
7 source of the entire \$45.6 million before it may sign any  
8 purchase agreements and any contractual obligations related  
9 to the immediate power needs.

10           Pending issuance of revenue bonds, in order to identify  
11 funds sufficient to enable GPA forthwith to enter into  
12 contracts and obligations incident to procurement and  
13 installation of the generators and ancillary equipment, and  
14 other related purposes, and to enable GPA to obtain or  
15 provide for interim funding, the Governor may guarantee the  
16 repayment by GPA of such interim debt in an amount not to  
17 exceed \$45.6 million. In order to reduce the amount of  
18 interim debt the Governor is authorized to transfer to GPA  
19 from Fiscal Years 92 and 93 General Funds appropriated to  
20 the Executive Branch, such sums as he may identify as  
21 available, without interest, to be repaid not later than  
22 September 1, 1993 from fund proceeds herein authorized. If  
23 the Governor identifies other sources which require  
24 Legislative approval he shall promptly introduce a bill  
25 requesting approval to use these funds. All sums advanced  
26 by Government of Guam to expedite the interim financing loan  
27 shall be repaid promptly approval of this Act.

28           GPA presently has outstanding long term and other  
29 indebtedness which includes that to the Federal Financing  
30 Bank ("FFB") with certain restrictive covenants.

31           Without retirement of the FFB indebtedness, which  
32 include covenants preventing parity of new indebtedness, GPA  
33 is at an extreme disadvantage in obtaining additional long  
34 term debt. Further GPA has an existing short term  
35 \$26,000,000 bank loan which is intended to be replaced by  
36 issuance of revenue bonds at the earliest practicable time,

1 and which should be replaced in order to enhance a new  
2 issuance here authorized."  
3

4 **Section 3.** Section 8113.3 is added to Title 12 of the  
5 Guam Code Annotated to read:

6 "Section 8113.3. In order to enable GPA to obtain the  
7 best possible price to the territory in the best interest of  
8 GPA's rate payers, GPA is authorized to incur long term  
9 indebtedness not exceeding \$240,000,000 maturing not later  
10 than thirty (30) years from issuance, bearing interest at a  
11 rate not to exceed 10% per annum, and payable solely from  
12 revenues of GPA, with which to refund its existing  
13 indebtedness, including revenue bonds, FFB loans and the \$26  
14 million interim debt, and to finance the following listed  
15 projects:

- 16 1. Procurement and installation of the generation, and  
17 ancillary equipment described in Section 8113.1;
- 18 2. Refurbishment of the Weber barge; and
- 19 3. Land acquisition for generator siting.
- 20 4. Next baseload unit (35 MW);
- 21 5. Anigua substation construction and equipment;
- 22 6. Upgrading of computers for central control of IWPS;
- 23 and
- 24 7. Replacement of deteriorated steel structures at  
25 Cabras supporting 115 KV buses and switch gear.

26 To the extent GPA, with the approval of the PUC,  
27 determines that as to procurement and installation of the  
28 generators and ancillary equipment it is in the best  
29 interests of GPA's rate payers to procure by various  
30 appropriate financing means available, GPA is hereby  
31 authorized to do so.

32 To the extent costs are incurred or advances are  
33 received for such projects prior to issuance of the revenue  
34 obligations authorized hereby, such costs may be reimbursed  
35 from proceeds of such obligations. This authorization shall  
36 constitute an expression of the intent of the Government to

1 reimburse such costs for purposes of Section 1.148-18 of the  
2 Treasury Regulations."

3

4 Section 4. Section 8113.4 is added to Title 12 of the  
5 Guam Code Annotated to read:

6 "Section 8113.4 Such funds as GPA may borrow to  
7 implement the requirements of this Act shall be borrowed  
8 upon such terms and conditions as shall be authorized by the  
9 Public Utilities Commission pursuant to its regulatory  
10 authority ensuring that any rates resulting to consumers are  
11 reasonable as provided by Title 12 Guam Code Annotated,  
12 Section 12004.

13 The amount and terms for both (interim and long term  
14 debt) authorized by the Act shall be as set by the Public  
15 Utilities Commission, not to exceed the limits set by this  
16 Act. All interest on the debt and all costs of financing  
17 and all associated costs for new generation shall be  
18 capitalized so there are no associated demands on GPA cash  
19 and no impact on rates until construction and installation  
20 of the respective generators are complete and the generators  
21 concerned are on line and providing power, revenue and  
22 benefits to GPA and the people of Guam. On behalf of the  
23 Government of Guam, the Governor may guarantee the repayment  
24 of the interim debt. The term of the interim debt allowed  
25 by this Act shall be repaid not later than September 1, 1993  
26 during which period long term financing to pay off this debt  
27 shall be obtained by the Guam Power Authority. The interim  
28 debt terms shall allow for an early payoff with no pre-  
29 payment penalty after 2 months, and the interest rate  
30 thereon shall not exceed a reasonable rate to Guam Power  
31 Authority (taking into account non-taxiability to the lender  
32 of the interest), not to exceed an annual actual percentage  
33 rate of 10% The appropriateness, terms, conditions, fees,  
34 and interest rates of the debt(interim and long-term) shall  
35 be approved by the Public Utilities Commission. All  
36 expenses and costs involved in the origination of the debt

1 shall be the responsibility of the Guam Power Authority, to  
 2 be paid from the proceeds of said debt. All fees arising  
 3 from the structuring of this debt to Guam Economic  
 4 Development Agency are, notwithstanding other provisions of  
 5 Law, are hereby waived. Interest paid by GPA on long term  
 6 and interim financing, if any, shall be free of income and  
 7 gross receipts taxation by the Government of Guam."

8 Section 5. Section 8113.5 is added to Title 12 of the  
 9 Guam Code Annotated to read:

10 "Section 8113.5. To provide necessary land for  
 11 installation of the generators, for use for substations, and  
 12 for building uses, there is hereby transferred to GPA, in  
 13 fee simple, the following described parcels of real property  
 14 all hereby determined to be necessary and related to GPA's  
 15 immediate needs for additional generation capacity and its  
 16 operation, maintenance, transmission and distribution:

17 Macheche Substation:

18  
 19 A portion of Government land more particularly  
 20 described as Lot No. 5246-3 situated in the  
 21 Municipality of Dededo, containing an area of  
 22 3,716 +- square meters or 40,000 +- square feet as  
 23 shown on map, recorded in the Department of Land  
 24 Management on June 6, 1988, under document number  
 25 399099 and Government Land more particularly  
 26 described as Lot No 5246-2, situated in the  
 27 Municipality of Dededo, containing an area of  
 28 3,176 +- square meters or 40,000 +- feet as shown  
 29 on map, recorded in the Department of Land  
 30 Management on June 6, 1988 under documents number  
 31 399099.

32 Anigua Substation:

33  
 34 A portion of Government land more particularly  
 35 described as Lot No. 1361-1-C NEW, situated in  
 36 Anigua, Municipality of Agana, containing an area  
 37 of 1,522 +- square meters or 16,382 +- square  
 38 feet, as shown on map, recorded in the Department  
 39 of Land Management on February 11, 1981 under  
 40 Document Number 319048.  
 41

42 T&D/Supply Warehouse Relocation:

43

1 A portion of Government land more particularly  
2 described as Lot No. 10122-13-R1, situated in the  
3 Municipality of Dededo, containing an approximate  
4 area of 32,115 +- square meters or 345,551 +-  
5 square feet, as shown on map recorded in the  
6 Department of Land Management on May 26, 1988  
7 under Document Number 398768."  
8

9 **Section 6.** Section 8113.6 is added to Title 12 of  
10 the Guam Code Annotated to read:

11 "Section 8113.6. Subject to agreement between the Guam  
12 Memorial Hospital Authority ("GMHA") and GPA whereby GMHA  
13 makes available to GPA at the Guam Memorial Hospital site  
14 sufficient land for installation of electrical generators  
15 and related ancillary equipment, including fuel storage, and  
16 it consideration of such agreement, should a shortage of  
17 electrical supply otherwise occur, from and after  
18 commissioning of that generating capacity to be installed at  
19 the Guam Memorial Hospital site, GPA will apportion to the  
20 hospital sufficient electrical supply from the generating  
21 capacity there installed to meet the needs of the hospital;  
22 provided, however, that the terms and conditions of any such  
23 agreement between GMHA and GPA shall be subject to prior  
24 review and approval of the Public Utilities Commission."  
25

26 **Section 7.** Section 8113.7 is added to Title 12 of the  
27 Guam Code Annotated to read:

28 "Section 8113.7. To permit use by GPA of the parcels  
29 described in Section 8113.5 and 8113.6 for public utility  
30 uses, GPA is hereby granted such conditional uses."  
31

32 **Section 8.** Section 8113.8 is added to Title 12 of the  
33 Guam Code Annotated to read:

34 "Section 8113.8. In view of the urgency for  
35 procurement of the generators and ancillary equipment, the  
36 requirements of Title 5, GCA, Chapter 5, Article 3, Part B,  
37 are hereby waived and GPA is hereby authorized to utilize  
38 such method of source selection as it deems necessary,

1 subject to the approval of the PUC for the Generators and  
2 ancillary equipment described in Sections 11 and 13 of this  
3 Act."

4

5 Section 9. Section 12016.1 is added to Title 12 of the  
6 Guam Code Annotated to read:

7 Section 12061.1. In the conducting of any hearing  
8 pertaining to the implementation of the provisions of  
9 Section 8113.1 through 8113.8 of this Title, the Commission  
10 shall be exempt from the provisions of Section 12016 of this  
11 Title. The Commission is requested to act upon any request  
12 of the Guam Power Authority having to do with the  
13 implementation of Section 8113.1 through 8113.8 of this  
14 Title expeditiously in order to enable GPA timely to accept  
15 such bids as it has received as may be approved by the  
16 commission; provided however, that the Commission's  
17 authority under 12 GCS Section 12004 to determine the  
18 needed, prudence and timing of contracts and obligations  
19 contemplated by sections 8113.1 through 8113.8 is recognized  
20 and confirmed."

21

22 Section 10. The Guam Power Authority shall provide that  
23 any contract awarded to a bidder to provide the Authority  
24 with a generating unit shall include in the contract a  
25 provision which will levy a penalty of 1/4% of the contract  
26 cost per day for each day beyond an agreed date that the  
27 contractor promises to activate a specific generating unit.  
28 The provisions in this section shall not apply in the case  
29 of Force Majeur to the extent of delays caused by such Force  
30 Majeur. The provisions of this section can not be waived.

31

32 Section 11. The Guam Power Authority shall provide the  
33 Speaker of the Guam Legislature with a list of the specific  
34 dates that each of the following generating units purchased  
35 by the authorization contained in this act will come on line

1 and be producing electricity for the island-wide power  
2 system.

3	<u>Generation unit</u>	<u>In-Service date*</u>	<u>Ten. Location</u>
4	2-3616 Caterpillar, 9.6 MW	_____	Talofofo
5	2-3616 Caterpillar, 9.6 MW	_____	GMH
6	1-LM2500, 21.6 MW	_____	Macheche
7	Weber CT1	_____	Existing
8	Weber CT2	_____	Existing

9 \* In-Service Date means the date the unit is up and  
10 providing power to the IWPS. The Authority shall also  
11 provide the Speaker of the Guam Legislature and the Governor  
12 of Guam a detailed explanation as to why a specific dateline  
13 cannot or has not been met within 10 days of the date  
14 missed.  
15

16 **Section 12.** Any generating units purchased with the  
17 funds authorized by this act and which are sited in the  
18 South and are activated to supplement the island-wide power  
19 system shall be used to provide electric power to the  
20 Southern villages first, and secondarily for the rest of the  
21 IWPS provided that all parts of the island share equally in  
22 any loadshedding. Excess electricity from these generating  
23 units may then be used to provide electric power to the  
24 Manengon Hills project, only if there is adequate power for  
25 the rest of the Island.

26 **Section 13.** The generating equipment to provide the 75  
27 Mega Watts of electricity authorized by Section 1 of this  
28 Act shall be purchased from Wartsila Diesel, Pacific  
29 Machinery, JWP Technical Services, Enprotech and Stewart &  
30 Stevenson. These are the successful bidders as provided by  
31 the Guam Power Authority in Exhibit "A" of the Committee  
32 Report. If such units are not purchased pursuant to said  
33 bids, this Act shall be a nullity. The units purchased must  
34 be new units and may not be replaced/substituted with  
35 rebuilt units. The Public Utilities Commission may waive



1 PUC approval of bid defects or minor technical changes as  
2 recommended or approved by GPA.

3 Section 14. Part of the funds authorized to be borrowed  
4 by this Act shall be used to purchase the entire debt held  
5 by the Federal Financing Bank and must use FFB Reserve fund  
6 to offset balance to be paid.

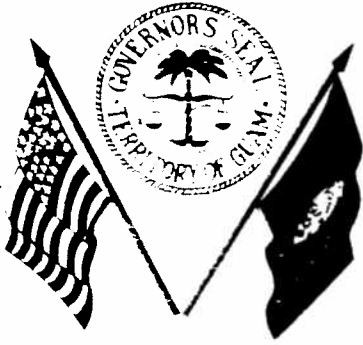
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*Secretary of Guam*  
*Secretary of Guam*

SENATOR PARKINSON & MEMBERS OF THE COMMITTEE ON ENERGY,  
UTILITIES AND CONSUMER PROTECTION


My Name is Carl Taitano, Special Assistant for Financial Affairs and I am testifying on behalf of the Governor.

Recognizing the emergency nature of this problem the Governor is transmitting herewith his proposed legislation to address the current power generation shortfall of the Guam Power Authority. The Governor fully supports GPA's proposals to increase generation as quickly as possible. The remaining and critical issues before us now is financing these projects and improving GPA's financial position.

The Governor proposes the following for financing the \$45.6 million dollars for additional generation:

1. In the interim to get the projects underway, the General fund will lend to the Guam Power Authority an amount not exceeding \$20.6 million to fund the projects identified in this legislation. The money will come from the estimated \$13.0 million in the Legislative Capital Improvement Fund and \$7.6 million from Fiscal Year 93 Revenues (a practice the Governor discourages but is proposing because of the emergency nature of this problem and because no FY 93 funds are expected to be used until after October 1 1992).

2. In the interim the Government of Guam additionally agrees to guarantee an amount not to exceed \$25.0 million of debt borrowed from local banks. This is a contingency which we hope not to exercise but may have to do so to timely execute the agreements necessary to keep the projects moving.

*Exhibit "D"* 

3. As a condition to taking the above actions we would need the Legislature to approve in this Legislation the issuance of a long term municipal bond to repay the above debt and refinance existing debt of the Guam Power Authority. Issuing bonds is a matter we have discussed and have prepared to do so for some time

Along with the \$45.6 million generation projects , GPA's existing debt, to be refinanced are the 1969 & 1972 revenue bonds, the Federal Financing Bank loan and the three year \$26. million dollar interim bank loan (for the Dededo Combustion Turbine #2).

Refinancing the 1969 and 1972 GPA bonds is conditional upon changing the indentures so as to lessen its impact on the required rates to support them.

As a prerequisite to issuing any bonds with a viable pledge of Revenues the Federal Financing Bank loan must first be repaid. New bonds cannot be issued without repaying the FFB loan.

The \$26. million dollar 3 year interim loan needs to be financed over the useful life of the project. This was anticipated at the time of the enactment Public Law 21-74 was enacted.

The reason we need to insure that these proposed projects are financed through a long term bond is two fold. First, we need to reimburse the funds supplying the cash for the GPA loan so the Government can meet all its obligations to the people of Guam.

Secondly, we need to preserve our capacity to issue public debt to finance the construction of the vitally needed schools in our Territory. This new GPA bond will make available an additional \$52. million to our debt ceiling and remove the proposed interim guarantee. The Northern and Southern Area High Schools are expected to have project costs of \$150.0 million and the University of Guam needs \$22.0 million to continue to fund its expansion. Not to mention the need for financing the Guam Community College and the proposed Sports complex which are also pressing.

Issuing bonds for GPA at this time is highly favorable to the Territory. The interest rate levels are the best seen in market in several years. If the Legislation gives its approval at this time we can

be in the market with the GPA bond in as short a time as 4 months. All normal procedures used by the Government of Guam to issue municipal bonds will be used. The bond will be issued through GEDA using experienced bond counsels , underwriters, and fiduciaries with PUC oversight. If we do not take this approach it would probably take us 8 months or more to get to market. We would probably miss the current favorable interest rate market and that would mean higher costs to GPA and its customers.

A handwritten signature in black ink, appearing to read 'C. W. Taitano', written over a horizontal line.

CARL W. TAITANO  
Special Assistant  
Financial Affairs

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# KUHN & KUHN

## INDUSTRIAL ENERGY CONSULTANTS

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July 2, 1992

Senator Tanaka  
Guam Legislature  
Tel 011-671-472-3416  
Fax 011-671-477-1323

Dear Senator Tanaka:

I am writing to recommend support for Guam Power Authority's recent plan for adding new power plants. This plan would address immediate power needs through purchase of diesel and gas turbine power plants that were bid last month and refurbishment of the Weber power barge. It would also mesh with GPA's existing plan for meeting long-term power needs through ongoing construction projects and planned future projects.

This plan would provide a good technology mix to provide replacement power when the Cabras units are taken down for overhauls next year. The combination of large gas turbines with multiple diesel units gives efficiency, flexibility, and low emissions. The gas turbines are efficient when operating at full capacity, but their efficiency degrades when operated at part load. The diesel units can be brought on line and shut down as needed to match hourly and daily variations in the island's power needs.

The bids proposed for purchase are from the best manufacturers and are at an attractive price. The GE LM2500 gas turbine has an excellent reputation for dependable, efficient, clean power, and Stewart & Stevenson has an excellent reputation for packaging the turbine into dependable generator sets. Caterpillar is the foremost US manufacturer of medium speed diesel engines, and the proposed engines can be expected to be efficient and economical to operate. The cost per unit of capacity, \$681 per kilowatt for the gas turbine

*EXHIBIT "E"*

and \$430 per kilowatt for the diesels, is lower than we have encountered in the past for this type of equipment for turnkey operation.

I believe the 9 month time frame for construction can be met with the bids proposed for purchase. These bidders have an excellent reputation for fulfilling their commitments, and there are no long lead times expected for manufacture of components. While gas turbines are normally not available within this short a time frame, a Stewart & Stevenson representative informed me that they have two LM2500 gas turbines available for use.

The proposed purchase of an LM2500 gas turbine generator and four Caterpillar diesel generators, plus the Navy Marbro gas turbine generator, would provide by March 1993 the capacity necessary to replace each of the Cabras power plants when they are removed from service. Before the Cabras overhauls begin, the GPA plan would provide almost 60 megawatts of new capacity, which is equal to the output now obtained from each Cabras power plant. Without new capacity on line by then, the island would face much more severe power shortages than are currently occurring.

After the Cabras units are overhauled, the new power plants will continue to be needed to meet rapid growth in the island's power needs. According to a recent study by RW Beck, which updated their 1990 study, the island can be expected to need 25 megawatts more by 1995 than had been expected in the 1990 study. The island's economy is growing faster than had previously been expected, and the increase in RW Beck's projections of power needs reflects unexpected growth in residences and hotels. A factor RW Beck may not have fully accounted for is the deterioration of existing power plants, which also increases the amount of generating capacity needed to provide reliability. The 1990 study assumed that existing power plants had excellent availability, and their recent update did not revise this assumption. Even after the Cabras units are overhauled, other power plants will continue to fail, requiring a high level of redundant capacity to avoid power outages.


The new power plants will also be needed over the long term as sources of low cost, low emissions power. The proposed gas turbine and diesel power plants are more efficient at

converting fuel energy to electricity than most of GPA's existing capacity, and will probably also cost less to operate and maintain than the present power plants, which are deteriorating rapidly due to age and deferral of maintenance. The new power plants will use low sulfur distillate oil and will have modern emissions controls, which should make them cleaner than existing plants that burn high sulfur residual oil without pollution controls.

I believe GPA has done an excellent job of bidding for the new power plants, and incorporating them into their long term plan. The invitation for bids was widely distributed here on the mainland, and attracted bids from almost all of the well-known suppliers of turnkey power plants in this size range. This is even more commendable considering the short time allowed for response, and the short time frame for delivery. GPA has also carefully considered how the plants will fit into their twenty year resource plan, and determined how they can be used to achieve a commendable level of reliability. At the same time, GPA is pursuing lower cost options, such as overhaul of the Weber power barge, that could provide additional capacity at relatively little capital expense, albeit with higher fuel and maintenance costs than the new power plants.

I would strongly recommend funding the GPA plan through a bond financing mechanism, so that this plan can be pursued with the lowest cost capital that is available.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'P. Kuhn', with a long horizontal flourish extending to the right.

Peter Kuhn