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OFFICE OF THE GOVERNOR UFISINAN I MAGA'LAHI AGANA, GUAM 96910 U.S.A. OFFICE OF THE SPEAKE
DATE: 0121 03
TIME: 3:76 000
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REFER TO SEP 2 1 1993

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

Dear Mr. Speaker:

Transmitted herewith is Bill No. 548 which I have signed into law this date as Public Law 22-26.

Sincerely yours,

/JOSEPH F. ADA Governor of Guam 220353

Attachment



TWENTY-SECOND GUAM LEGISLATURE 1993 (FIRST) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR

This is to certify that Substitute Bill No. 548 (LS), "AN ACT TO AMEND ITEM 4. OF §8113.3, TITLE 12, GUAM CODE ANNOTATED (PUBLIC LAW 21-117), ON THE AUTHORITY OF THE PUBLIC UTILITY COMMISSION TO DETERMINE THE MEGAWATTS FOR BASE LOAD GENERATORS," was on the 15th day of September, 1993, duly and regularly passed.

TO DETERMINE THE MEGAWAT was on the 15th day of September, 19	THE PUBLIC UTILITY COMMISSION TS FOR BASE LOAD GENERATORS, 193, duly and regularly passed.
	JOE T. SAN AGUSTIN Speaker
Attested:	Speaker
PILAR C. LUJAN Senator and Legislative Secretary	
This Act was received by the Governor 1993, at/0:29o'clock_AM	r this 17th day of Systember
	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	Assistant Staff Officer
APPROVED:	Governor's Office
Joseph S. Onla	-
JOSEPH F. ADA	•
Governor of Guam	
SEP 2 1 1993	

Public Law No. 22-26

TWENTY-SECOND GUAM LEGISLATURE 1993 (FIRST) Regular Session

Bill No. 548 (LS)
As amended by the Committee on Water Utilities & Electronic Communications, as substituted by the Committee on Rules, and as further substituted on the floor.

Introduced by:

D. Parkinson T. C. Ada T. S. Nelson M. Z. Bordallo J. P. Aguon E. P. Arriola H. D. Dierking C. T. C. Gutierrez P. C. Lujan V. C. Pangelinan E. D. Reyes J. T. San Agustin D. L. G. Shimizu J. G. Bamba A. C. Blaz D. F. Brooks F. P. Camacho M. D. A. Manibusan T. V. C. Tanaka A. R. Unpingco

AN ACT TO AMEND ITEM 4. OF §8113.3, TITLE 12, GUAM CODE ANNOTATED (PUBLIC LAW 21-117), ON THE AUTHORITY OF THE PUBLIC UTILITY COMMISSION TO DETERMINE THE MEGAWATTS FOR BASE LOAD GENERATORS.

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

1 Section 1. Removal of restriction in order to provide for additional base load generation for Guam Power Authority. (a) Legislative findings and 2 intent. The Legislature finds that item 4. of §8113.3 of Title 12, Guam Code 3 Annotated, added in Public Law 21-117, is restrictive in that it limits the purchase of new base load generation to 35 Megawatts. It is the intent of the Legislature that the determination of required megawatts in the purchase of new base load generation shall be determined by the Public Utilities Commission.

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(b) Amendment of item 4. of §8113.3 of Title 12, Guam Code Annotated, to remove restriction on obtaining base load generation. Item 4. of §8113.3 of Title 12, Guam Code Annotated, added in Public Law 21-117, is amended to read "4. Next baseload unit having between 34.5 and 40 megawatts of capacity unless some greater capacity is recommended by the GPA board of directors, and approved by the PUC."

TWEN A-SECOND GUAM LEGELATURE

1993 (FIRST) Regular Session

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Date:	<u> 9//3 / /-</u>	>

7/8	VOTING SHEET	
Bill No. <u>340</u>		•
Resolution No.	•	
Question:		

NAME	AYE	NO	NOT VOTING/ ABSTAINED	ABSENT/ OUT DURING ROLL CALL
ADA, Thomas C.	V			
AGUON, John P.			·	
ARRIOLA, Elizabeth P.				
BAMBA, J. George	/			
BLAZ, Anthony C.				
BORDALLO, Madeleine Z.				
BROOKS, Doris F.				
CAMACHO, Felix P.	/.		,	
DIERKING, Herminia D.	/			
GUTIERREZ, Carl T. C.	✓			
LUJAN, Pilar C.	V			
MANIBUSAN, Marilyn D. A.				
NELSON, Ted S.	V .			
PANGELINAN, Vicente			·	
PARKINSON, Don	V		. *	
REYES, Edward D.				
SAN AGUSTIN, Joe T.				
SANTOS, Francisco N.				
SHIMIZU, David L. G.	/ .			
TANAKA, Thomas V. C.				
UNPINGCO, Antonio R.				



August 24, 1993

Hon. Joe T. San Agustin Speaker Twenty-Second Guam Legislature 155 Hesler Street Agana, Guam 96910

Re: <u>Bill No. 548</u>, <u>as amended</u>; AN ACT TO AMEND SECTION 8113.3 OF P.L. 21-117 AND TO AMEND SECTION 12004, CHAPTER 12, TITLE 12, GUAM CODE ANNOTATED.

Dear Mr. Speaker:

The Committee on Water Utilities & Electronic Communications wishes to report out Bill No. 548 to the Twenty-Second Legislature with the recommendation TO DO PASS, as amended.

Committee Voting Record:

TO DO PASS	7
TO NOT PASS	1
ABSTENTIONS	1
IN INACTIVE FILE	0

Copies of the Committee Report, including all pertinent information, are attached for your consideration.

Senseramente,

Thomas C. Ada

Chairman



VOTING SHEET

August 20, 1993

BILL NO. 548

AN ACT TO AMEND SECTION 8113.3 OF P.L. 21-117 AND TO AMEND SECTION 12004, CHAPTER 12, TITLE 12, GUAM CODE ANNOTATED.

COMMITTEE MEMBERS:	TO PASS	NOT TO PASS	ABSTAIN	TO PLACE IN INACTIVE FILE	SIGNATURE
Sen. Thomas C. Ada, Chairman	7				2000
Sen. David L.G. Shimizu, Vice-Chairman	V				Drine:
Sen. Joe T. San Agustin, Speaker	V/			Ĺ	141 8
Sen. Madeleine Z. Bordallo, Member					77 78/1/3
Sen. Ted S. Nelson, Member	V			4	
Sen. Don Parkinson, Member					
Sen. Edward D. Reyes, Member	-		/		SA 1
Sen. Anthony Blaz, Member			V TO PE	roney Br	Amile
Sen. Felix P. Camacho, Member		-			Famous -
Sen. Marilyn D.A. Manibusan, Member					

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COMMITTEE REPORT

BILL No. 548

AN ACT TO AMEND SECTION 8113.3 OF P.L. 21-117 AND TO AMEND SECTION 12004, CHAPTER 12, 12 **GUAM CODE ANNOTATED.**

I. BACKGROUND

Bill No. 548 expands the regulatory oversight of the Public Utilities Commission (PUC) by specifically granting it the authority to issue such orders as may be necessary to maintain, within reasonable limits, the expenses of the Guam Power Authority (Authority/GPA) and the Guam Telephone Authority. Currently, the PUC's ability to regulate the expenses of utilities under its' jurisdiction is weakened by the lack of express authority.

The Bill further seeks to ensure that GPA purchase a new base load generator, the megawatt capacity of which shall be determined by the Public Utilities Commission.

A Public Hearing was held on July 19, 1993, at 9:30 A.M. at the Public Hearing Room of the Guam Legislature Temporary Building.

Committee Members Present:

Thomas C. Ada, Chairman Elizabeth Arriola Tony Blaz Felix Camacho Marilyn Manibusan Ted Nelson

Ed Reves

II. SUMMARY OF TESTIMONY

Testifying:

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Ray Camacho, Acting General Manager Guam Power Authority

Joseph T. Duenas, Chairman Public Utilities Commission w

> Simon Sanchez, Member Public Utilities Commission

Raymond C. Camacho (Written/Oral Testimony) General Manager, Acting,

Guam Power Authority testified that expanding the Public Utilities Commission's (Commission) authority to include regulatory oversight for GPA's operational expenses is unprecedented anywhere in the world. The purpose of the GPA Board is to regulate the Authority's expenses while the purpose of the Commission is to regulate the Authority's rates. To change this basic formula would negate the Authority's autonomous status.

The generally recognized concept is that while public service commissions are not designed to supplant the managers or directors of public utilities, or to substitute the discretion and judgment of the commission for that of the officers and directors chosen to operate the utilities, such commissions are generally empowered to, and are created with the intention that they should, regulate public utilities insofar as the powers and operations of such utilities affect the public interest and welfare.

The implications of this additional grant of authority to the Commission are far reaching, and, in effect, a transfer of authority. To all practical purposes the GPA Board of Directors would cease to exist, becoming little more than an advisory council to the Commission.

The obvious question raised is that with this transfer of administrative authority, who will now regulate the regulators? The proposal is tantamount to placing the "wolf in charge of the hen

house". The way it is usually done is to have a public service commission review the expenses after-the-fact.

As a consequence of Bill No. 548, if enacted, the bond market would view this as an unattractive feature thus making GPA bonds less desirable. Further, the proposed legislative transfer from GPA to a third party of authority over GPA expenses gives rise to a concern that such, if enacted, may constitute an event of default under the 1992 Series A Revenue Bonds Indenture.

The need to increase base load power generation is a foregone conclusion. Fast track generators are designed for peak need only and not designed for long periods of operation (due to cost constraints and the nature of combustion turbine generators). However, to mandate that the new base load generation acquisition be "no less than 35 megawatts" may not be entirely correct. Pending the determination of the exact amount needed is pending, he suggests that an alternative description be used; "(Nominal 35-40 MW)". However, a need does exists, and if forecasting is perceived as paramount, then the appropriate people can be mandated to produce forecasts and analysis.

Joseph T. Duenas, Chairman & Simon Sanchez, Member

Public Utilities Commission, testified that the future PUC determination of needed baseload generation may prove to be less than the Bill's mandate, and thereby force GPA to purchase more megawatts than are required. Recommends that the Bill be amended to support the PUC finding(s) relative to GPA generation needs, once completed.

Pointed out that Bill No. 548 may have been premised upon an older version of §12004 of Title 12, Guam Code Annotated. Public Law 21-117 restricts utilities from entering into "contractual agreements or obligations which could increase rates and charges prior to the written approval of the Commission". The PUC requests that the provision not be deleted.

III. FINDINGS AND RECOMMENDATIONS

The Committee finds it appropriate to extend the oversight authority of the PUC, to include the review and approval of the utility's operational expenses. However, there is a need to insure that such review is in itself reasonable, and does not unduly hinder the efficient day-to-day operation of the utility by the utility's management and Board of Directors. In this light, Bill No. 548 has been amended by the Committee to restrict such review by the PUC to (1) a triennial basis, or (2) whenever the Commission enters into any consideration of any rate change request or any other action which effects, or may effect, a rate change.

The Committee further finds that the requests of the PUC, relative to (1) the Legislatures' pre-approval of the Public Utilities Commission future determination of generation requirements, and (2) the restoration of language which restricts utilities from entering into "contractual agreements or obligations which could increase rates and charges prior to the written approval of the Commission", are appropriate. The Bill has been further amended to reflect these findings.

The Committee on Water Utilities & Electronic Communications hereby recommends to the Twenty-Second Guam Legislature **TO DO PASS Bill No. 548, as amended.**



August 20, 1993

TO:

Members, Committee on Water Utilities & Electronic

Communications.

FROM:

Chairman

SUBJECT:

Committee Report - Bill No. 548 (as amended by the Committee

on Water Utilities & Electronic Communications; An act to amend Section 8113.3 of P.L. 21-117 and to amend Section 12004,

Chapter 12, Title 12, Guam Code Annotated).

Transmitted herewith for your consideration is the Committee on Water Utilities & Electronic Communications Report on Bill Number 548, amended.

The report is accompanied by the following:

- 1. Bill No. 548 (original).
- 2. Bill No. 548, as amended.
- 3. Committee Voting Sheet.

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4. Testimony and Sign-in Sheet.

Should you have any questions, concerns or suggestions, please do not hesitate to bring them to my immediate attention.

Your prompt action on this matter is greatly appreciated.

THOMAS C. ADA

Attachments

TWENTY-SECOND GUAM LEGISLATURE 1993 (FIRST) REGULAR SESSION

Bill No. 548, as amended by the Committee on Water Utilities & Electronic Communications

Introduced By:

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D. Parkinson T.C. Ada

AN ACT TO AMEND SECTION 8113.3 OF P.L. 21-117/1/AND TO AMEND SECTION 12004, CHAPTER 12, TITLE 12, GUAM CODE ANNOTATED.

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

SECTION 1. Legislative findings and intent. The Legislature finds that Section 8113.3 of Public Law 21-117 is restrictive in that it limits the purchase of new base load generation to 35 Megawatts. It is the intent of the Legislature that the determination of required megawatts in the purchase of new base load generation shall be determined by the Public Utilities Commission. The Legislature also finds that the Public Utility Commission authority to regulate utilities under its control is weakened by the lack of express authority. It is the intent of the Legislature that the Public Utility Commission be empowered to regulate public utilities under its control.

SECTION 2. Section 8113.3.4 of Public 21-117, is amended to read: "Next baseload unit (as determined by the Public Utilities Commission 35 MW)."

SECTION 3. Section 12004 OF TITLE 12, Guam Code Annotated, is amended to read:

"§12004. General Power and Duties. The Commission shall have regulatory oversight supervision and authority over the of rates and expenses of each public utility under its jurisdiction, including, without limitation, the authority to issue such orders as

may be necessary to keep utility expenses within reasonable limits as set forth in this Chapter over each public utility. The Commission's examination of expenses of each public utility under its jurisdiction shall be conducted (1) on a triennial basis, or (2) whenever the Commission enters into any consideration of any rate change request or any other action which effects a rate change. After any such examination the Commission has the authority to adjust rates downward if the examination indicates such adjustment is appropriate, and Further, the Commission shall perform the duties and exercise the power imposed or conferred upon it by this Chapter. The Commission in the discharge of any of its duties or the exercise of any of its powers, except a final determination affecting a public utility, may act through one or more of its Commissioners designated by the Commission for this purpose. The Commission shall investigate and examine any rates and charges charged by any utility, and all records pertinent thereto. The Commission may seek advice from an independent utility expert, shall approve, disapprove, increase or reduce rates for each utility. The Commission shall establish and modify from time to time, reasonable rates and charges for services, including General Lifeline Rates, which as far as Guam Telephone Authority and Guam Power Authority are concerned together, shall be at least adequate to cover the full cost of such service or subject to any contractual agreements of the utilities to the holders of any bonds shall increase rates or charges from time to time as may be necessary pursuant to any contractual obligations, except that General Lifeline Rates may only be increased when the total actual overall cost providing service to all

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classes of customers, increases by no less than twenty percent (20%). The utilities shall not, however, enter into rates and charges prior to the written approval of the Commission. No money in any utility sinking fund may be released except for the purpose for which it is dedicated.

No rate change may be approval by the Commission unless it is affirmatively established, by a preponderance of the evidence, that a rate change is necessary. The Commission shall conduct such investigation and hearings as to any such rate changes as it deems necessary. As to the Guam Power Authority, the Commission shall ensure that rates will, at all times, be sufficient to enable the utility to meet its financial obligations, operating, expenses, debt service and capital improvement needs. Any rate change shall be considered by the Commission using standards and financial criteria consistent with generally accepted rate-making practices of public utilities and in full consideration of the requirement to establish and maintain General Lifeline Rates.

The Commission shall have the power to enter into contracts and execute all instruments necessary or convenient in the exercise of its powers, adopt a seal, and sue or to be sued in its own corporate name.

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TIME SECOND GUAM LEGISLATURE STOREGULAR SESSION

Bill No. 54; Introduced By:

D. Parkinson
T. e. Ada 7

AN ACT TO AMEND SECTION 8113.3 OF P.L. 21-117 AND TO AMEND SECTION 12004, CHAPTER 12, 12 GUAM CODE ANNOTATED

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

Section 1. Legislative findings and intent. The
Legislature finds that Section 8113.3 of Public Law is
restrictive in that it limits the purchase of new base load
generation to 35 Meggawatts. It is the intent of the
Legislature that the purchase of new base load generation be
not less than 35 meggawatts. The Legislature also finds
that the Public Utility Commission authority to regulate
utilities under its control is weakened by the lack of
express authority. It is the intent of the Legislature that
the Public Utility Commission be empowered to regulate
public utilities under its control.

section 2. Section 8113.3 of Public Law 21-117, 4. is amended to read "Next baseload unit (not less than 35 MW)."

Section 3. Section 12004, Chapter 12, 12 Guam Code
Annotated is amended to read:

Commission shall have the regulatory oversight supervision and authority over the of rates and expenses of each public utility under its jurisdiction, including, without limitation, the authority to issue such orders as may be necessary to keep utility expenses within reasonable limits. and shall perform the duties and exercise the powers imposed or conferred upon it by this Chapter. as set forth in this Chapter over each public utility and shall perform the duties and exercise the powers imposed or conferred upon it by this Chapter. The Commission in the discharge of any of its duties or the exercise of any of its powers, except a final determination affecting a public utility, may act through one or more of its Commissioners designated by the Commission for this purpose. The Commission shall investigate and examine any rates and charges charged by any utility, and all records pertinent thereto. The Commission may seek advice from an independent utility expert, shall approve, disapprove, increase or reduce rates for each utility. The Commission shall establish and modify from time to time, reasonable rates and charges for services, which as far as Guam Telephone Authority and Guam Power Authority are concerned shall be at least adequate to cover the full cost of such service or subject to any contractual agreements of the utilities to the holders of any bonds and shall increase rates or charges from time to time as may be necessary pursuant to any contractual obligations which

this Act, prior to the written approval of the Commission.

No money in any utility sinking fund may be released except for the purpose for which it is dedicated.

No rate change may be approved by the Commission unless it is affirmatively established, by a preponderance of the evidence, that a rate change is necessary. The Commission shall conduct such investigation and hearings as to any such rate changes as it deems necessary. As to the Guam Power Authority, the Commission shall ensure that rates will, at all times, be sufficient to enable the utility to meet its financial obligations, operating expenses, debt service and capital improvement needs. Any rate change shall be considered by the Commission using standards and financial criteria consistent with generally accepted rate-making practice of Public Utilities.

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Senator Thomas C. Ada Twenty-Second Guam Legislature Agana, Guam 96910

Re: 68111 No. 548

Dear Senator Ada: Rom Convella To the Managed of

I appreciate the opportunity to present Guam Power Authority's comments before your Committee on the Authority's future generation needs and its expense trends as well as comment on Bill No. 548.

Future Power Generation Needs

The future generation needs of GPA have been set forth in the 1990 20 Year Integrated Resource Plan performed by The Plan currently is being updated in a report R.W. Beck. that should be completed within the next several months. Principally, the current resource plan calls for the addition of a nominal 35 MW slow speed diesel baseload unit by late 1995. We anticipate no change in that regard.

GPA's Expense Levels

The Authority has given considerable priority to reducing its costs as growth in KWH sales slows in the short term, and in response to some of the findings of the recent Management Audit. Specifically, GPA has reduced its overtime significantly and is freezing certain positions scrutinizing several non-labor objects such as contracts and operating supplies to ensure the lowest possible costs without adversely affecting the system. This effort is part of GPA's ongoing commitment to cost effectiveness.

Bill No. 548

Bill No. 548 would, by Section 2, amend Section 8113.3 of Public Law 21-117 to read "Next baseload unit (not less than 35 MW)." We suggest it read "(Nominal 35-40 MW)".

Bill No. 548 would, by Section 3, amend Section 12004, Chapter 12, 12 Guam Code Annotated to expand the powers of the PUC to include "authority over the rates and expenses of each public utility under its jurisdiction, including, without limitation, the authority to issue such orders as may be necessary to keep utility expenses within reasonable limits."

Under existing legislation, the powers and authority of the PUC and of the GPA Board of Directors provide each with fairly distinct and separate roles generally consistent with practices in other similar jurisdictions.

Essentially, it is the responsibility and authority of the GPA Board of Directors to operate and administer the Authority and of the PUC to regulate rates and, in conjunction with that, to approve or disapprove applications by the Authority to enter into contracts and obligations which could increase rates. Incidentally, the PUC also has authority to examine the affairs of the Authority. Under that existing scheme, the PUC indirectly controls expenses of the Authority through rate regulation and certain contract/obligation approval.

The generally recognized concept is that while public service commissions are not designed to supplant the managers or directors of public utilities, or to substitute the discretion and judgment of the commission for that of the officers and directors chosen to operate the utilities, such commissions are generally empowered to, and are created with the intention that they should, regulate public utilities insofar as the powers and operations of such utilities affect the public interest and welfare.

Bill No. 548, Section 3, would change that scheme drastically.

The Guam Power Authority Act of 1968, as amended, 12 GCA Chapter 8, established the Guam Power Authority as a public corporation vested with certain powers and by 12 GCA Section 8107 provided that those powers shall be exercised by its Board of Directors. That broad panoply of powers, including that to do any and all other things necessary to the full and convenient exercise of the powers enumerated necessarily includes authority over the expenses of GPA.

By Title 12, Chapter 12, Guam Code Annotated, the Public Utilities Commission was established to regulate utility rates, including those of GPA. 12 GCA Section 12004 further provides utilities shall not enter into any contractual agreements or obligations which could increase rates and charges prior to the written approval of the Commission. By these provisions, and to the extent so provided, the Commission has certain authority over GPA expenses by regulation of rates and approval or disapproval of entry by GPA into contracts or obligations which could increase rates. One effect of Bill No. 548 would be to expand the authority of the Commission over GPA