



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority
P.O. Box 2977 Hagåtña, Guam 96932 | (671) 648-3002 | guamccu.org

RESOLUTION NO: 2024-18

AUTHORIZING THE APPROVAL OF A BOND ISSUANCE TO REFUND OUTSTANDING REVENUE BONDS

WHEREAS, the Consolidated Commission on Utilities (“CCU”) is a body corporate a politic, organized and existing under the laws of the Government of Guam; and

WHEREAS, the Consolidated Commission on Utilities is the governing body of the Guam Power Authority (“GPA”); and

WHEREAS, GPA has been pursuing strategies for reducing debt service payments, which would be of significant assistance in paying for capacity payment of the new power plant as noted previously; and

WHEREAS, one strategy that has emerged as a result of low interest rates has been the concept of refunding all or a portion of GPA’s outstanding 2014 Series A revenue bonds for interest rate savings; and

WHEREAS, GPA expects that opportunities will arise from time to time to refund all or a portion of its other then-outstanding revenue bonds for debt service savings, which is expected to result in potential savings to ratepayers; and

WHEREAS, the current scenario of low interest rates warrants action from the CCU; and

WHEREAS, after reviewing this strategy with Bank of America, GPA Bond Counsel, and Guam Economic Development Authority (“GEDA”), GPA believes this strategy has potential for providing significant benefit for GPA ratepayers; and

WHEREAS, the proposed transaction will be subject to the approval of the Guam Legislature, GEDA, the Public Utilities Commission, and the Governor, and to final approval by the CCU; and

1
2 **WHEREAS**, the CCU desires to pursue this plan for refunding GPA's debt service costs
3 in order to provide a net present value savings to ratepayers; and
4

5 **WHEREAS**, the present value of debt service on the refunding bonds shall be at least two
6 percent (2%) less than the present value of debt service on the refunded bonds, using the yield on
7 the refunding bonds as the discount rate; and
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9
10 **NOW BE IT RESOLVED**, the Consolidated Commission on Utilities does hereby
11 approve and authorize the following:
12

- 13 1. The General Manager and the CCU Chairman are authorized to proceed forward with the
14 refunding of outstanding revenue bonds.
15
- 16 2. The General Manager and CCU Chairman are authorized to petition the Public Utilities
17 Commission for authorization to complete the bond refunding initiative.
18
- 19 3. The General Manager and CCU Chairman are authorized to submit the proposed bond
20 refunding legislation to the Guam Legislature for approval.
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- 22 4. The General Manager and CCU are authorized to seek approval from the Governor and
23 GEDA to proceed with the proposed bond refunding.
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25 **RESOLVED**, that the Chairman certifies and the Board Secretary attests to the adoption
26 of this Resolution.
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4 **DULY AND REGULARLY ADOPTED AND APPROVED THIS 27TH DAY OF**
5 **FEBRUARY 2024.**
6
7

8 Certified by:

Attested by:

9
10 



11
12 **JOSEPH T. DUENAS**

PEDRO ROY MARTINEZ

13 Chairperson

Secretary

14 Consolidated Commission on Utilities

Consolidated Commission on Utilities

15
16 **SECRETARY'S CERTIFICATE**

17
18 I, **Pedro Roy Martinez**, Board Secretary of the Consolidated Commission on
19 Utilities (CCU), as evidenced by my signature above, do hereby certify as follows:
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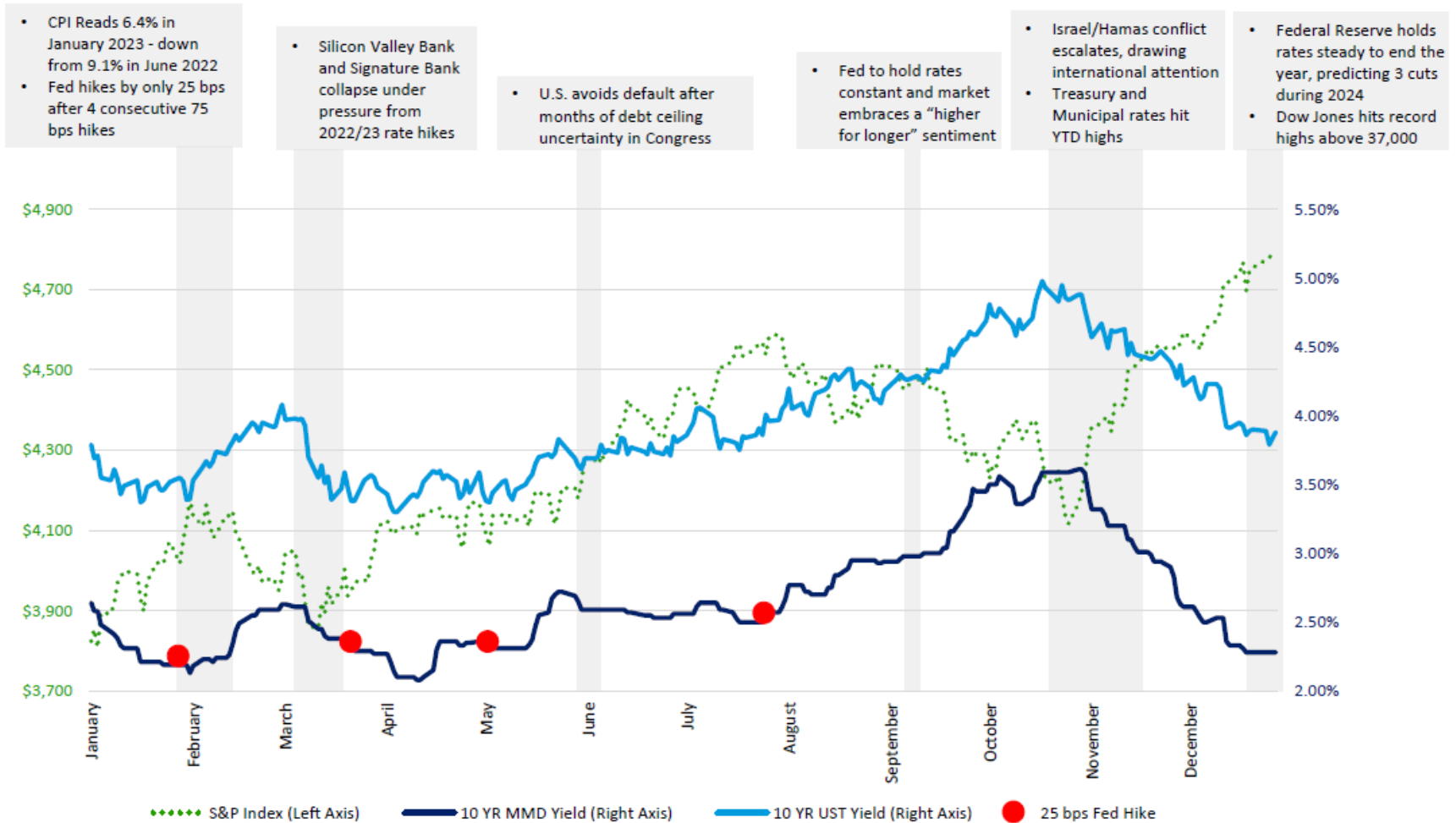
21 The foregoing is a full, true and correct copy of the resolution duly adopted at a
22 regular meeting by the members of the Guam CCU, duly and legally held at a place properly
23 noticed and advertised at which meeting a quorum was present and the members who were
24 present voted as follows:

25
26 Ayes: 4
27 Nays: 0
28 Absent: 1
29 Abstain: 0
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31



2014 Bond Refunding

- 2023 was characterized by the Fed's continued path to taming inflation as well as political and geopolitical instability

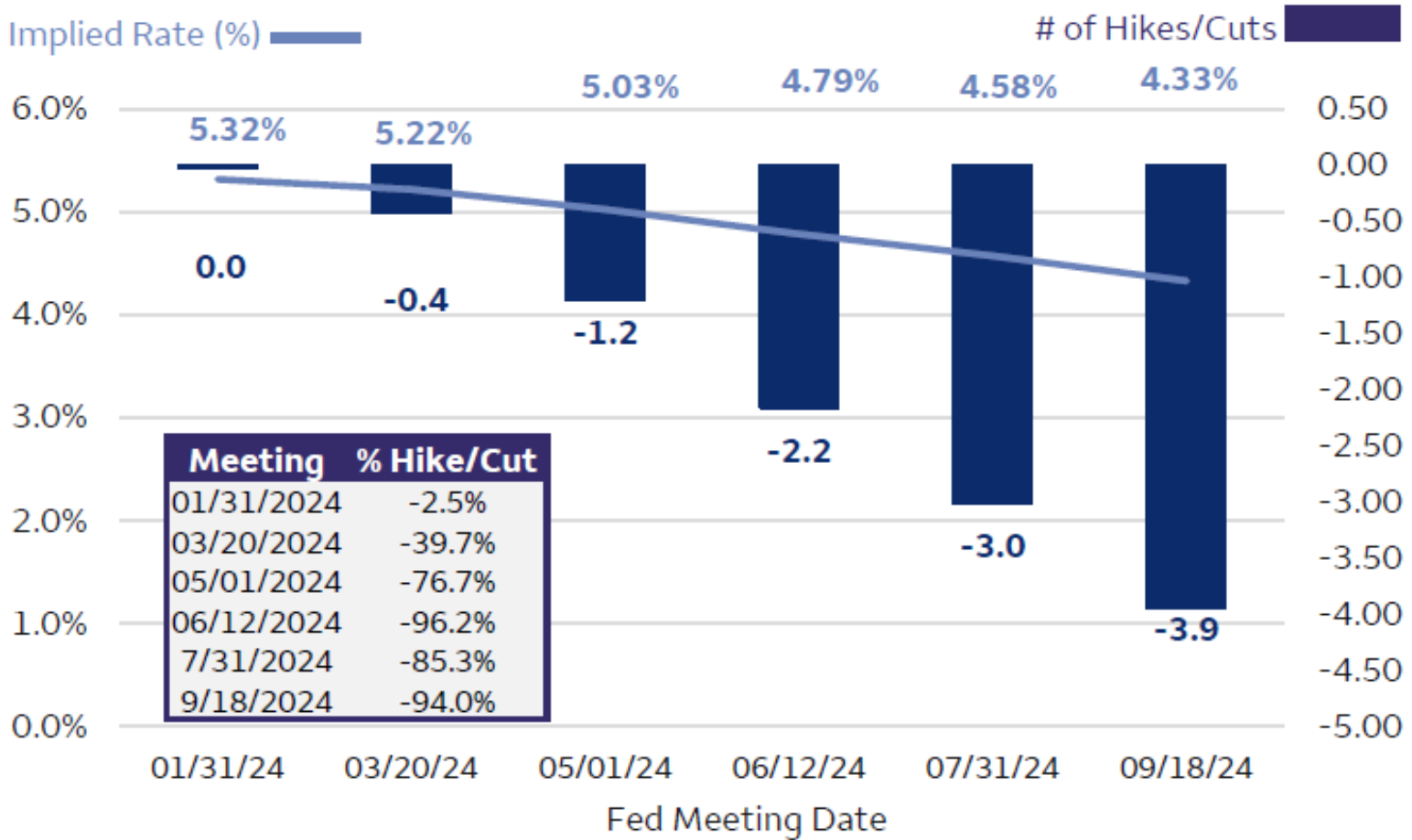


Sources: S&P 500 as of end of business as reported by the Wall Street Journal; 10YR UST from The US Department of the Treasury.



2014 Bond Refunding – Market Projections Snapshot¹

Projected U.S. Federal Reserve Rate Hike Probabilities¹



Sources: (1) Bloomberg World Interest Rate Probabilities as of 1/24/2024

2014 Bond Refunding – Market Projections Snapshot (continued)

Wells Fargo Economist Interest Rate Projection ⁽¹⁾

	2023		2024				2025	
	Current	Q1	Q2	Q3	Q4	Q1	Q2	
Fed Funds Rate	5.50%	5.50%	5.00%	4.50%	4.25%	4.00%	3.75%	
5-Year UST	4.06%	3.95%	3.75%	3.60%	3.50%	3.40%	3.35%	
10-Year UST	4.18%	4.00%	3.85%	3.70%	3.60%	3.55%	3.50%	
30-Year UST	4.41%	4.15%	4.05%	3.95%	3.90%	3.85%	3.80%	

2014 Bond Refunding

- Currently outstanding in the amount of \$65.79 million, the 2014 Series A are callable on October 1, 2024
- Settlement of the refunding bonds must be on or after July 1, 2024 to reach the 90-day window

Refunded Bonds					Refunding Bonds					
Maturity	Coupon	Par	Call Date	Escrow Rate	New Yield	Savings (\$)	Savings (%)	Neg. Arb.	Efficiency	Selected?
10/1/2024	5.00%	1,845,000	N/A	5.48%	3.39%	(9,316)	-0.50%	(9,446)	0.00%	*
10/1/2025	5.00%	1,935,000	10/1/2024	5.48%	3.34%	21,944	1.13%	(10,162)	186.20%	✓
10/1/2026	5.00%	2,035,000	10/1/2024	5.48%	3.22%	60,672	2.98%	(11,310)	122.90%	✓
10/1/2027	5.00%	2,135,000	10/1/2024	5.48%	3.20%	99,440	4.66%	(11,927)	113.60%	✓
10/1/2028	5.00%	2,245,000	10/1/2024	5.48%	3.16%	144,248	6.43%	(12,769)	109.70%	✓
10/1/2029	5.00%	2,355,000	10/1/2024	5.48%	3.15%	189,934	8.07%	(13,456)	107.60%	✓
10/1/2030	5.00%	2,470,000	10/1/2024	5.48%	3.20%	230,033	9.31%	(13,809)	106.40%	✓
10/1/2031	5.00%	2,595,000	10/1/2024	5.48%	3.23%	274,066	10.56%	(14,317)	105.50%	✓
10/1/2032	5.00%	2,725,000	10/1/2024	5.48%	3.28%	314,867	11.55%	(14,698)	104.90%	✓
10/1/2033	5.00%	2,860,000	10/1/2024	5.48%	3.31%	360,139	12.59%	(15,215)	104.40%	✓
10/1/2034	5.00%	3,005,000	10/1/2024	5.48%	3.33%	409,629	13.63%	(15,839)	104.00%	✓
10/1/2039	5.00%	17,440,000	10/1/2024	5.48%	3.75%	1,680,327	9.63%	(74,292)	104.60%	✓
10/1/2044	5.00%	17,150,000	10/1/2024	5.48%	4.28%	733,005	4.27%	(50,493)	107.40%	✓
10/1/2044	4.00%	5,000,000	10/1/2024	5.48%	4.28%	(401,920)	-8.04%	(14,662)	0.00%	*
Total		\$ 65,795,000				\$ 4,107,070	6.24%	\$ (282,395)	107.38%	
Total Selected for Refunding		\$ 58,950,000				\$ 4,518,305	7.66%	\$ (258,287)	106.06%	

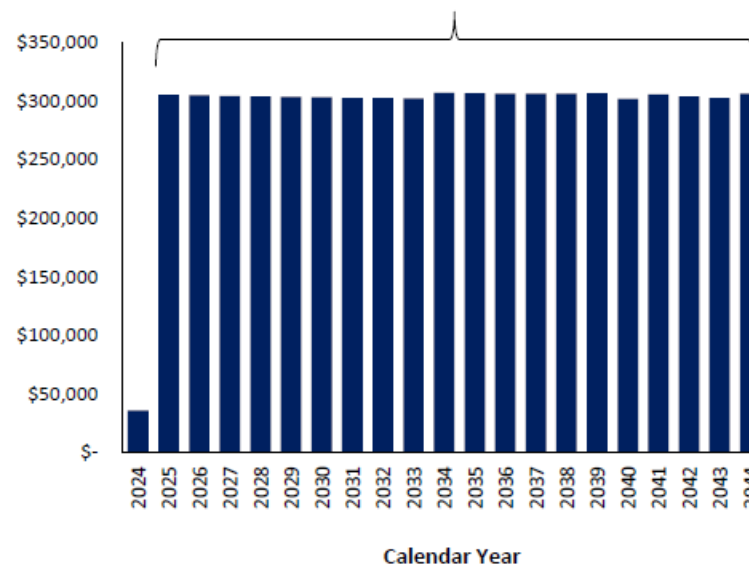
2014 Bond Refunding

Refunding Statistics

Summary of Refunding Results	
Delivery	July 2, 2024
Refunding Par Amount	\$54,045,000
Refunded Par Amount	\$58,950,000
All-In TIC:	4.30%
Current Aggregate MADS	\$37,945,250
New Aggregate MADS	\$37,643,125
DSRF (Deposit) / Reduction:	\$302,125
Principal Amortization	2025 - 2044
NPV Savings	\$3,907,709
NPV Savings as % of Refunded Par	6.63%
Positive Arbitrage	\$258,806

Cashflow Savings

Average Annual CF Savings: \$304,558



2014 Bond Refunding (Continued)

Steps Required to Refund 2014 Bond

- CCU approval.
- New legislation.
- PUC approval.

I MINA'TRENTAI SIETTE NA LIHESLATURAN GUÅHAN
2024 (SECOND) Regular Session

Bill No. ____-37

Introduced by:

**AN ACT TO APPROVE THE TERMS AND CONDITIONS
OF THE ISSUANCE BY GUAM POWER AUTHORITY OF
REVENUE BONDS TO REFUND OUTSTANDING GUAM
POWER AUTHORITY REVENUE BONDS.**

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

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

1 *I Liheslaturan Guahan* finds that 12 GCA § 12105 provides that the Authority
2 shall not enter into any contractual agreements or obligations (including bonds)
3 which could increase rates and charges prior to the written approval of the Guam
4 Public Utilities Commission (GPUC).

5 *I Liheslaturan Guahan* finds that 12 GCA § 50103 provides that public
6 corporations of the Government of Guam, including the Authority, shall issue bonds
7 and other obligations only by means of, and through the agency of the Guam
8 Economic Development Authority (GEDA), and that GEDA shall not sell any bond
9 without the approval by *I Liheslaturan Guahan* of the terms and conditions of the
10 bonds.

11 *I Liheslaturan Guahan* finds that based on low interest rates and
12 current market conditions, the Authority expects to be able to refund certain maturities
13 of its outstanding 2014 Series A revenue bonds for debt service savings.

14 Therefore, to benefit ratepayers, it is the intent of *I Liheslaturan Guahan* to
15 approve the issuance of revenue bonds by the Authority for the purpose described in
16 the immediately preceding paragraph, all subject to approval by the Consolidated
17 Commission on Utilities (CCU), *I Maga'håga Guahan*, the GPUC, and the Board
18 of Directors of GEDA in accordance with law.

19 **Section 2. Approval of the Terms and Conditions of the Guam Power**
20 **Authority Refunding Bonds.**

21 *I Liheslaturan Guahan*, pursuant to 12 GCA § 50103(k), hereby approves the
22 terms and conditions of the issuance of senior revenue bonds by the Guam Power
23 Authority from time to time, including, but not limited to, on a forward basis, for the
24 purpose of refunding all or a portion of its currently outstanding 2014 Series A
25 revenue bonds, in accordance with the following requirements, limitations,
26 terms and conditions:

1 (a) The aggregate principal amount of the refunding bonds shall not
2 exceed the sum of (1) the amount determined in accordance with 12 GCA §
3 8229, plus (2) any additional amount needed to provide for a deposit to the
4 debt service reserve in connection with the issuance of the refunding bonds.

5 (b) All obligations of the Authority to pay debt service on, and the
6 redemption price of, the prior bonds shall be discharged concurrently with
7 the issuance of the refunding bonds. Thereafter, the prior bonds shall be
8 payable solely from and secured solely by an escrow established for such
9 purpose in accordance with the Authority's existing bond indenture.

10 (c) The final maturity of the refunding bonds shall not exceed the
11 final maturity of the latest maturing then outstanding revenue bonds. For
12 clarity, the final maturity of the refunding bonds may exceed the maturity of
13 an individual series of prior bonds so long as the final maturity of all then
14 outstanding revenue bonds is not exceeded.

15 (d) Such bonds shall be issued and sold pursuant to the Authority's
16 existing bond indenture and in compliance with the provisions of Chapter 8,
17 Title 12, Guam Code Annotated, including approval by the CCU and by *I*
18 *Maga'håga Guahan* as provided therein.

19 (e) The sale of the bonds shall be approved by the Board of Directors
20 of GEDA as provided in Chapter 50 of Title 12, Guam Code Annotated; and,
21 the terms and conditions of the issuance of the bonds shall be approved by
22 the GPUC as provided in Chapter 12, Title 12, Guam Code Annotated.

23 (f) The present value of debt service on the refunding bonds shall be
24 at least two percent (2%) less than the present value of debt service on the
25 prior bonds, using the yield on the refunding bonds as the discount rate.

1 (g) Such refunding bonds shall have a principal amount or principal
2 amounts sufficient to provide funds for the payment of all or a portion of the
3 prior bonds refunded, and in addition, for the payment of all expenses incident
4 to the calling, retiring, or paying of such prior bonds and the issuance of such
5 refunding bonds, including:

6 (1) the difference in amount between the par value of the
7 refunding bonds and any amount less than par for which the refunding
8 bonds are sold;

9 (2) any amount necessary to be made available for the
10 payment of interest upon such refunding bonds from the date of sale
11 thereof to the date of payment of the prior bonds or to the date upon
12 which the prior bonds will be paid pursuant to the call thereof or
13 agreement with the holders thereof;

14 (3) the premium, if any, necessary to be paid in order to call
15 or retire the prior bonds and the interest accruing thereon to the date of
16 the call or retirement; and

17 (4) any additional amount needed to provide for a deposit to
18 the debt service reserve in connection with the issuance of the
19 refunding bonds.

20 (h) Savings in annual debt service payments from refunding shall be
21 utilized specifically for the direct benefit of the ratepayers. Within ninety (90)
22 days of the completion of the refinancing, the Guam Power Authority and the
23 Guam Public Utilities Commission shall notify *I Liheslaturan Guåhan* of their
24 intent and plan regarding the annual debt service payment savings achieved
25 from the refinancing.

26 **Section 3. Local Sale of Bonds.** The Guam Economic Development
27 Authority shall undertake its best efforts to cause a portion of any bonds issued

1 pursuant to this Act to be offered for sale in Guam, as well as in other jurisdictions,
2 if and to the extent that such offer and any sales resulting from such offer do not
3 increase the cost to the Authority of issuing and repaying such bonds.

4 **Section 4. Severability.** If any provision of this Act or its application to any
5 person or circumstance is found to be invalid or contrary to law, such invalidity shall
6 not affect other provisions or applications of this Act that can be given effect without
7 the invalid provision or application, and to this end the provisions of this Act are
8 severable.