

GUAM PUBLIC UTILITIES COMMISSION
SPECIAL MEETING
May 14, 2009
SUITE 207 GCIC BUILDING, HAGATNA



MINUTES

The Guam Public Utilities Commission [PUC] conducted a special business meeting commencing at 1:00 p.m. on May 14, 2009, pursuant to due and lawful notice. Commissioners Johnson, Perez, McDonald, Cantoria and Pangelinan were in attendance. The following matters were considered at the meeting under the agenda made *Attachment A* hereto.

1. **PUC Review of Limited Obligation (Section 30) Bonds, Series 2009A**

The Chairman called the meeting to order and indicated that the only matter on the agenda for the Commission's review is the Limited Obligation Bonds that the Government of Guam seeks to issue to pay for the closure of the Ordot dump and certain landfill/solid waste projects at Leyon. According to the PUC Legal Counsel Report Filed herein, in Public Law 30-7 the Legislature authorized the Governor to issue Limited Obligation Bonds for the purpose of paying for the costs of the closure of the Ordot dump and the construction of a new landfill. The law indicates that the Bonds cannot be issued until the issuance, terms conditions of the bonds and the indenture pursuant to which the bonds are issued have been approved by the Guam Public Utilities Commission. The Guam Economic Development Authority has requested that the PUC approve the issuance of these Bonds.

Initially, Commissioner Pangelinan indicated for the record that his law firm represents GEDA as general counsel. Normally he would not participate in this matter because his client is appearing before the PUC; however, because of the urgency of the matter, and so as to not disable the PUC from having a quorum, he will participate, if necessary, to establish a quorum.

Tony Blaz, the Administrator of GEDA, made an initial presentation in support of the application. He indicated that the purpose of the Bonds was to address certain "Consent Decree" projects required by the District Court of Guam. The goal of the Governor is to implement the Bond closing by June 15, 2009. On May 5, the government's financial team, its economic advisors & bond counsel met with Standard & Poors to present the financial/economic update for Guam. He anticipated that Standard & Poors credit assessment will be provided this week

and a formal rating to follow by early next week. In addition, on May 12, the GEDA Board of Directors approved a resolution authorizing the issuance of the Limited Obligation Bonds and the financing for the landfill projects. GEDA appears here today to request PUC approval pursuant to Public Law 30-1, as amended by Public Law 30-7.

The GEDA Administrator then called Aulii Limtiaco, Financial Advisor to the Government, to speak on the financial details of the bond issuance and financing. Ms. Limtiaco presented a written power point presentation to the Commissioners. She indicated that Limited Obligation Section 30 Bonds were authorized by public law. GEDA and the finance team determined that the best method for funding the projects was through Section 30 revenue backed bonds. The bonds are secured by Section 30 revenues, but not by tipping fees. It is her belief that the military build up in Guam will increase Section 30 revenues, which is a credit positive factor for the bond issuance.

The Section 30 collection mechanism is secure, a lockbox, which includes prefunding of debt service. Tipping fees will be used to reimburse the government for debt service. Rates and charges related to those tipping fees will be reviewed separately by the Public Utilities Commission. Ms. Limtiaco then presented a "snapshot" of the various uses intended by the Section 30 Bonds, the issuance amount of which is approximately \$202 million. These 2009 bonds will be a priority lien upon certain previous bonds issued by the Government of Guam. Maximum annual debt service will be funded for the year upon issuance of the bonds, and that bond fund will be tapped over the life of the bonds.

Ms. Limtiaco indicated that the government was faced with the District Court deadline of June 30 to secure financing for the landfill projects. She is hoping to receive PUC approval today. On May 20, the Preliminary Official Statement will be posted; the bonds will be priced on June 3, 2009, and they hopefully will close on June 18, 2009.

She then presented a market update concerning municipal bond markets. The government's underwriting team is confident that the bonds will be able to be sold at the maximum rates allowed by local law. She believes that there will be demand for non-taxable bonds such as these.

Commissioner Cantoria asked about minimum bond limitations of the Government of Guam. Ms. Limtiaco responded that she believes that Public Law 30-7 adjusted the debt limit for the Government of Guam. These bond issues will be within that limit. Commissioner Perez asked what the present limit is within the statute. Ms. Limtiaco responded that it is approximately \$900 Million. Commissioner Perez asked whether we are at present in terms of that limitation. Ms. Limtiaco indicated that right now, we are about \$350 Million of outstanding

debt, not including the general obligation bonds. To that total, \$230 Million would be added for the general obligation bonds and \$202 Million for these landfill bonds. Commissioner Perez asked whether the GPA/GWA bonds were included. Ms. Limtiaco responded that they were not included; these are separate entities that do not count for the government's debt financing limit. Commissioner Perez indicated the government had reached the present debt level of \$570 Million, not including the \$202 Million for the landfill bonds, so that PUC could add the amount of the landfill bonds without exceeding the current maximum debt level. Commissioner Perez also requested that GEDA provide a summary of the government's outstanding debt.

PUC Legal Counsel proceeded to give a presentation concerning the Limited Obligation Bonds. The District Court of Guam has ordered that the Ordot dump must be closed, and the Leyon landfill projects must be funded. Both the Executive and the Legislative branches of the government agree that Section 30 Limited Obligation Bonds are the most appropriate means to fund landfill and consent decree projects. Thus, there is a public necessity for the financing to proceed ahead. Such financing is in the interest of the rate payers of Guam, as the Ordot dump has to be closed and the new landfill projects must be constructed. The draft orders presented to the Commissioners contains a finding that the bond issuance is in the public interest.

In addition, Public Law 30-7 requires PUC approval for the issuance of the bonds, terms and conditions, and, specifically, the indentures involved. Such review should be a "prudency" review, since PUC is the regulatory authority for the Department of Public Works Solid Waste Division. Counsel recommends that the PUC approve the issuance. The Commissioners have received copies of the bond indenture, the supplemental indenture, and the Preliminary Official Statement. The Commissioners have had the opportunity to review these documents. The terms and conditions of the bond indentures were prepared by the law firm of Orrick, Herrington, and Sutcliffe, which has been the Government of Guam Bond Counsel for approximately thirty years. Such firm is expert in bond matters; it prepared the indenture forms herein, which forms it advised GEDA to use for the bond issuance. As Administrator Tony Blaz mentioned, GEDA approved the bond issuance, as well the forms of indenture, on May 12, 2009.

Counsel's opinion is that the forms of the indentures are standard bond issuance forms, forms which have previously been used in other Government of Guam bond issues. The indenture forms are ordinary and customary.

Counsel next proceeded to review the draft ORDER approving the bond issuance. He indicated that the ORDER was prepared with the assistance of Orrick, Herrington, and Sutcliffe. Counsel indicated that the issuance and sale of

these Limited Obligation Bonds for the landfill projects are dependent upon the issuance and sale of the general obligation bonds of the government, which address certain past due obligations of the government. These limited obligation bonds have a maturity date of no later than 2042, and an interest rate of up to 10%. There is a finding in the order that the issuance and terms and conditions of the 2009A bonds are in the best interest of the rate payers of Guam and the solid waste management system. Copies of the indenture and the supplemental indenture are attached to the Order as Exhibits A & B. In the Order, the Commissioners are approving the issuance and the specific bond indenture forms. Finally, there is the issue of Commission fees and expenses for bond review. Counsel indicated that, according to the OHS law firm, PUC fees and expenses can be paid as costs of the issuance of the bonds. In the near future, the Commission will need to address issues concerning the regulatory relationship between it and the Department of Public Works Solid Waste Division, as that relationship is at an early stage.

Commissioner Perez asked if there was a need to shift bond money to new projects, would the Legislature have the opportunity to allow that? Legal Counsel indicated his belief that the Legislature would have that opportunity; with regard to ongoing projects, under the indentures, a process is provided for which new projects, related to the purposes for which the bonds were issued, can be funded. Such projects must be related to the original purpose of the bond issuance. Upon consideration of the GEDA Application, and review of the bond indentures and the Preliminary Official Statement, and the PUC Legal Counsel Report, and good cause appearing, upon motion duly made, seconded and carried, the Commission approved and adopted the ORDER made *Attachment "B"* hereto (Commissioner Pangelinan abstained).

There being no further business, the meeting was adjourned.

Jeffrey C. Johnson,
Chairman

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

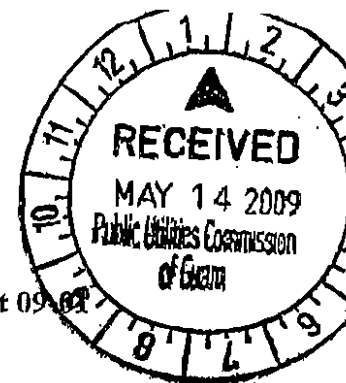
**SPECIAL MEETING
SUITE 206 GCIC BUILDING
414 W. SOLEDAD AVE. HAGATNA, GUAM
1:00 p.m. May 14, 2009**

Agenda

- 1. Government of Guam / Department of Public Works
(Solid Waste Management Division)**
 - PUC Review of the Issuance, Terms and Conditions,
Indenture, and Related Matters, Government of Guam
Limited Obligation (Section 30) Bonds, Series 2009A;
Proposed Order**

- 2. Other Business**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF GUAM



APPLICATION REGARDING ISSUANCE BY
THE GOVERNMENT OF GUAM OF LIMITED
OBLIGATION (SECTION 30) REVENUE BONDS
FOR THE SOLID WASTE MANAGEMENT SYSTEM

DPW Docket 09-01

ORDER APPROVING ISSUANCE OF LIMITED OBLIGATION BONDS

Pursuant to Article 8 of Chapter 51 of Title 10 of the Guam Code Annotated and Section 11 of Public Law 30-7 (collectively, the "Act"), the Legislature of Guam has authorized the Governor of Guam (the "Governor") to issue one or more series or issues of limited obligation bonds for the purpose of paying, or reimbursing the Government of Guam (the "Government") for the payment of, the costs of the closure of the Ordot Dump and the construction of a new landfill (as such expenses and capital projects are described in the Act, collectively, the "Project"), or refunding any other prior obligations of the Government issued for any of such purposes, funding any necessary reserves relating to such bonds and paying costs of issuance of such bonds, in accordance with and subject to the requirements and limitations set forth in the Act. Pursuant to such authority, the Governor proposes to issue the Government of Guam Limited Obligation (Section 30) Bonds, 2009 Series A, in an aggregate principal amount not to exceed \$202,425,000 (the "2009 Bonds") to finance the Project, refund a loan from the Bank of Guam, make a deposit to a debt service reserve fund and pay costs of issuance of the 2009 Bonds. The 2009 Bonds are to be secured by a pledge of revenue derived by the Government under Section 30 of the Organic Act. In connection with said issuance, the Governor proposes to enter into an indenture and a supplemental indenture (collectively, the "Indenture"), each by and between the Government, Bank of Guam, as trustee (the "Trustee"), and U.S. Bank National Association, as co-trustee (the "Co-Trustee"). The issuance, terms and conditions of the 2009 Bonds and the Indenture are subject to Commission approval under Section 11 of Public Law 30-7.

The Governor, through the agency of the Guam Economic Development Authority ("GEDA") and pursuant to Public Law 30-7, has applied to the Commission for approval of the issuance, terms and conditions of the 2009 Bonds.

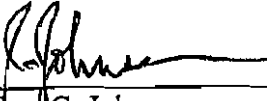
The issuance and sale of the 2009 Bonds have been approved by the Guam Economic Development Authority pursuant to Resolution No. 09-19 adopted on May 12, 2009.

The proposed form of General Indenture and Supplemental Indenture have been presented to the Commission and are attached hereto as Exhibit A and Exhibit B, respectively.

The Commission, having duly considered the application of GEDA and the information presented on the Governor's behalf and having determined that the issuance, terms and conditions of the 2009 Bonds as described herein for the purpose of financing the Projects is in the best interest of the ratepayers of Guam's solid waste management system, for good cause shown, and upon motion duly made, seconded and unanimously carried, **IT IS ORDERED AS FOLLOWS:**

1. The Indenture in substantially the form attached hereto as Exhibit A and Exhibit B is hereby approved, with such modifications as may be approved by the Governor, subject to the limitations of the Act and this Order.
2. The issuance, terms and conditions of the 2009 Bonds Exhibit A and Exhibit B hereto are hereby approved; provided, however, that the 2009 Bonds shall have a final maturity not later than 2042 and shall bear interest at such rate or rates and be sold at such price or prices as shall result in a yield to the bondholders not exceeding nine percent (9.0%) per annum.
3. The Department of Public Works (DPW) is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of PUC's regulatory fees and expenses is authorized pursuant to the 2009 Amended Assessment Order, 12 GCA 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

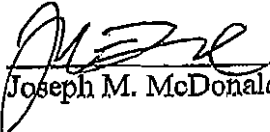
Dated this 14th day of May, 2009.



Jeffrey C. Johnson
Chairman



Rowena B. Perez



Joseph M. McDonald



Filomena M. Cantoria

Michael A. Pangelinan