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8 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 IN THE MATTER OF:

DOCKET NO. 07-10

10 Guam Power Authority's Petition for Base  
11 Rate Increase

12 **SUPPLEMENTAL FILING FOR BASE  
13 RATE PETITION REGARDING GPA  
14 FIVE YEAR FORECAST**

15 **COMES NOW**, the GUAM POWER AUTHORITY (GPA), by and through its counsel  
16 of record, D. GRAHAM BOTHA, ESQ., and hereby submits GPA's supplemental filing to  
17 include the five year financial forecast, as follows:

18 The Guam Power Authority's five year forecast is important for understanding GPA's  
19 financial strategy regarding the pay down of outstanding commercial paper, delineation of  
20 capital expenditures for CIPs, and availability of funds for the planned new long-term bond. The  
21 addition of the five year forecast in Mr. Wiegand's testimony are attached together with the five  
22 year financial forecast in Exhibit A-1.

23 **RESPECTFULLY SUBMITTED** this 17<sup>th</sup> day of December, 2007.

24

25 D. GRAHAM BOTHA, ESQ.  
26 GPA Legal Counsel

COPY

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

In the Matter of )
Guam Power Authority's Petition for Base )
Rate Increase ) Docket No. 07-10
)
)
)

AFFIDAVIT OF RANDALL V. WIEGAND

TERRITORY OF GUAM )
)

RANDALL V. WIEGAND, being first duly sworn on his oath, states:

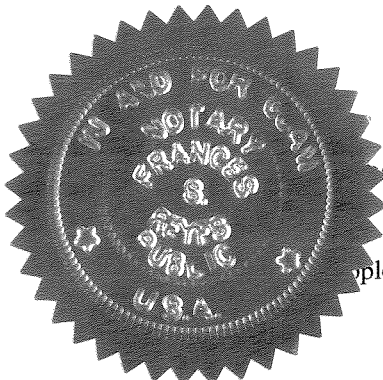
- 1. My name is RANDALL V. WIEGAND. My office is in Harmon, Guam, and I am employed by Guam Power Authority as the Chief Financial Officer.
2. Attached hereto and made a part hereof for all purposes is my Supplemental Testimony on behalf of Guam Power Authority, consisting of three (3) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

[Signature]
RANDALL V. WIEGAND

Subscribed and sworn before me this 18th day of December, 2007.

[Signature]
Notary Public

FRANCES S. REYES
NOTARY PUBLIC
In and for Guam, U.S.A.
My Commission Expires: Oct. 02, 2010
P.O. Box 2977 Hagatna, Guam 96932



S: \_\_\_\_\_
Supplemental Testimony CFO



# GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN  
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

11 December 2007

Mr. Harry Boertzel, Esq.  
Administrative Law Judge  
Guam Public Utilities Commission  
Suite 207, GCIC Building  
Hagatna, Guam 96932

**SUBJ:** PUC Supplemental Filing(s)  
- Mr. Randall V. Wiegand, "Supplemental" Testimony  
& Exhibit A-1  
**REF:** GPA's Petition for Base Rate Increase  
PUC Docket No.: 07-010

The attached "Supplemental Testimony" and Exhibit A-1 is hereby submitted for filing with the Public Utilities Commission to be inclusive of the Authority's petition for Base Rate Increase relative to PUC Docket # 07-010.

If you require further information, please call Mr. R. Wiegand, Chief Financial Officer, Finance Division at 648-3120 or Email: [rwiegand@gpagwa.com](mailto:rwiegand@gpagwa.com).

Yours truly,



JOAQUIN C. FLORES, P.E.  
GENERAL MANAGER

Cc: Mr. G. Botha, Legal Counsel  
Mr. R. Wiegand, Chief Financial Officer  
CCU Board  
File CFO 047 -08

**GUAM PUBLIC UTILITIES COMMISSION**

**DOCKET NO. 07-10**

**SUPPLEMENTAL TESTIMONY OF**

**RANDALL V. WIEGAND**

**ON BEHALF OF**

**GUAM POWER AUTHORITY**

**Hagatna, Guam**

**December 18, 2007**



# GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN  
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## **Randall V. Wiegand Supplemental Testimony**

### **Q. What is the purpose of this supplemental testimony?**

A. In GPA's filing the five year financial forecast (See Exhibit A-1) was inadvertently omitted as an exhibit to GPA's testimony. The forecast is important for understanding GPA's medium term strategy for regaining a necessary level of financial strength. The financial strategy affects a number of key issues surrounding the rate petition, including paydown of outstanding commercial paper, delineation of capital expenditures for CIPs, and availability of funds for the planned new long-term bond

In pages 22-23 of my testimony previously submitted in this base rate petition discusses the need to include a paydown of the short term debt outstanding under the \$20 million commercial paper program. GPA has developed a plan to increase the funding of the Working Capital fund in Fiscal Year 2008, and then to pay down over time the balance owed in the commercial paper program, starting in Fiscal Year 2009 and continuing through FY 2012. The five year forecast demonstrates how this fund up and paydown will occur.

The paydown of the outstanding commercial paper is a critical piece of GPA's financial strategy, and should be included in the FY 2008 and FY2009 revenue requirements in the current rate filing. GPA issued this debt in 1998, with the intent to pay it down over time. When the Guam government made a commitment to repay its past due receivables in a lump sum, GPA determined the obligation would be repaid from the proceeds of the lump sum payment. The commercial paper has now been outstanding almost ten years (since 1998). Furthermore, it now appears the Guam government intends to pay its past due bills over a number of years rather than in a lump sum. Given this past and prospective pattern of payments, GPA determined that sound and prudent financial management requires collection through rates of revenues sufficient to commence paydown of this long outstanding obligation. Although this issue is mentioned in the base rate petition, GPA's financial strategy is made clear in the five year forecast.

Additionally, on page 18 of my testimony GPA's capital improvement program is discussed. The process of identifying needed capital improvement projects and spreading them out over a five year period is discussed. The related capital expenditures are clearly delineated in GPA's five year forecast.

Finally, GPA's filing included references to a planned bond issuance with debt service coming due in FY2011. The five-year financial forecast shows how the currently requested rate increase improves GPA's ability to issue the planned bonds and begin debt service without resorting to another base rate increase for GPA ratepayers.

It should be noted that GPA's testimony also reflected the fact that the base revenue forecast appears to be aggressive, given that GPA's sales growth is trending lower than anticipated in the forecast. However, GPA uses the five-year financial forecast as a tool for spreading costs and associated revenues out over a five year period, rather than allowing one time events to drive the rate petition.

**Q. Does this conclude your supplemental testimony?**

A. Yes.

Guam Power Authority  
Five-Year Forecast of Operations

Row #	Description	Forecast FY 2008	Forecast FY 2009	Forecast FY 2010	Forecast FY 2011	Forecast FY 2012	
<b>Proforma Income Statement:</b>							
2	Base Revenues	\$ 136,190,242	\$ 139,003,127	\$ 147,731,107	\$ 157,711,847	\$ 159,935,899	
3	Fuel Revenues	190,355,285	190,056,464	197,330,157	208,541,093	207,412,270	
4	Self Insurance Revenue	-	-	-	-	-	
5	Revenue from Allowed Rate Change	17,909,747	26,863,278	26,863,278	26,863,278	26,863,278	
6	Credit for DPW Streetlight Payments	(2,411,586)	(3,617,379)	(3,617,379)	(3,617,379)	(3,617,379)	
7	Other Revenues	2,532,915	2,558,244	2,583,826	2,609,664	2,635,761	
8							
9	Total Revenues	\$ 344,576,603	\$ 354,863,734	\$ 370,890,988	\$ 392,108,504	\$ 393,229,829	
10							
11	Production Fuel	\$ 190,355,285	\$ 190,056,464	\$ 197,330,157	\$ 208,541,093	\$ 207,412,270	
12	IPP Costs	18,499,707	19,054,699	19,626,340	20,215,130	20,821,584	
13							
14	Production Non-Fuel	22,393,782	24,187,981	25,222,566	26,346,438	28,022,580	
15	Transmission & Distribution	12,119,878	13,090,928	13,650,862	14,259,120	15,166,275	
16	Administrative & General	29,458,562	31,818,796	33,179,770	34,658,201	36,863,131	
17	Customer Accounting	3,111,955	3,361,287	3,505,058	3,661,237	3,894,162	
18	Total O&M Expenses	67,084,178	72,458,992	75,558,256	78,924,995	83,946,148	
19	Depreciation	26,834,141	27,277,133	27,728,984	28,189,872	28,659,978	
20							
21	Total Operating Expenses	\$ 302,773,311	\$ 308,847,288	\$ 320,243,736	\$ 335,871,090	\$ 340,839,980	
22							
23	Earnings From Operations	41,803,291	46,016,447	50,647,252	56,237,414	52,389,849	
24							
25	Other Income (Expenses):						
26	Investment Income	4,775,491	4,462,293	3,921,403	6,984,771	5,366,389	
27	Interest Expense (ST Debt)	(1,205,406)	(961,120)	(599,149)	(290,672)	(101,851)	
28	Interest Expense (Bonds)	(20,400,763)	(20,071,588)	(19,687,813)	(19,278,575)	(18,847,813)	
29	Interest Expense (2011 Series)				(6,166,145)	(6,078,359)	
30	Interest Expense (IPP's)	(16,779,702)	(15,970,952)	(15,055,992)	(14,020,648)	(12,848,830)	
31	AFUDC	512,350	409,880	327,904	2,007,438	1,405,207	
32	Amortization of Issuance Costs	(1,513,980)	(1,513,980)	(1,513,980)	(1,660,230)	(1,660,230)	
33							
34	Net Earnings	\$ 7,191,283	\$ 12,370,981	\$ 18,039,625	\$ 23,813,353	\$ 19,624,361	
35							
36	<b>Debt Service Coverage Calculation:</b>						
39	Earnings From Operations	\$ 41,803,291	\$ 46,016,447	\$ 50,647,252	\$ 56,237,414	\$ 52,389,849	
40	Add: Depreciation	26,834,141	27,277,133	27,728,984	28,189,872	28,659,978	
	Add: Investment Income (Net of Construction Fund interest and Amortization of deferred credit)	3,441,491	3,428,293	3,037,403	2,988,127	2,674,579	
41	Balance Available for Debt Service	\$ 72,078,924	\$ 76,721,872	\$ 81,413,639	\$ 87,415,412	\$ 83,724,406	
42	Debt Service						
43	Bond Interest Expense	\$ 20,400,763	\$ 20,071,588	\$ 19,687,813	\$ 19,278,575	\$ 18,847,813	
44	Bond Interest Expense (2011 Series)	-	-	-	6,166,145	6,078,359	
45	Bond Principal	7,080,000	7,373,601	7,795,000	8,205,000	8,635,000	
46	Bond Principal (2011 Series)	-	-	-	1,574,462	1,662,248	
48	Total Debt Service	\$ 27,480,763	\$ 27,445,189	\$ 27,482,813	\$ 35,224,181	\$ 35,223,419	
49							
50	Debt Service Coverage	2.62 x	2.80 x	2.96 x	2.48 x	2.38	
51	Debt Service Coverage w/o IPP Acctg chang	1.78 x	1.95 x	2.12 x	1.83 x	1.72	
52							
53	<b>Internal Cashflow Statement:</b>						
54	Total Cash Generated	35,027,054	40,752,213	46,954,685	51,656,017	48,539,363	
55	CIPs-Internally Funded	(13,638,410)	(16,003,000)	(15,445,795)	(15,401,959)	(16,222,281)	
56	Principal Payment (1993 & 1999 Series)	(7,080,000)	(7,373,601)	(7,795,000)	(8,205,000)	(8,635,000)	
57	Principal Payment (2011 Series)	-	-	-	(1,574,462)	(1,662,248)	
58	Principal Payment (IPP's)	(6,304,602)	(7,113,352)	(8,028,315)	(9,063,656)	(10,235,474)	
59	Principal Payment (\$10M Loan)	(1,786,734)	(1,887,520)	(1,993,991)	(2,106,467)	(2,225,289)	
60	Note Payment from GMH	-	-	-	-	-	
61	Note Payment from GPSS	1,575,298	1,953,398	2,068,569	2,162,953	2,261,642	
62	Note Payment from GWA	2,380,716	2,488,189	2,614,315	-	-	
63	Note Payment from DPW	1,825,008	2,890,013	3,079,272	3,280,924	3,495,782	
64	WCapital Requirement (Materials Inventory)	(1,500,000)	(1,500,000)	(1,500,000)	(500,000)	(500,000)	
65	WCapital Requirement (Fuel Inventory)	(5,296,374)	(4,000,000)	(4,000,000)	(2,000,000)	(2,000,000)	
66	WCapital Requirement (Others)	3,880,684	-	-	-	-	
67	Cabras 3 & 4 (CIPS & PIPS)	(2,500,000)	(2,625,000)	(2,756,250)	(2,894,063)	(3,038,766)	
68	Cabras 1 & 2 (CIPS & PIPS)	(4,200,000)	(4,410,000)	(4,630,500)	(4,862,025)	(5,105,126)	
69	Revenue Bond Proceeds (2011 Series)	-	-	-	100,371,894	-	
70	Construction Fund (2011 Series)	-	-	-	(100,371,894)	-	
71	Regulatory Asset Amortization	2,097,359	1,874,000	-	-	-	
72	Streetlight Clearing Account	(318,414)	-	-	-	-	
73	Paydown TECP	-	(4,100,000)	(7,300,000)	(5,600,000)	(2,000,000)	
74	Increase In Working Capital Reserve Fund	(3,411,584)	(469,249)	(912,050)	(1,263,872)	(374,899)	
75	Construction Fund Interest Income	(750,000)	(450,000)	(300,000)	(3,412,644)	(2,107,810)	
76	Cash (Deficiency)/Surplus	1	26,091	54,941	215,746	189,896	
	With IPP Acctg Change	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
1	Debt Service Coverage Calculation						
2	Earnings from Operations	41,803,291	46,016,447	50,647,252	56,237,414	52,389,849	
3	Add: Depreciation	26,834,141	27,277,133	27,728,984	28,189,872	28,659,978	
	Add: Investment Income (Net of Construction Fund interest and Amortization of deferred credit)	3,441,491	3,428,293	3,037,403	2,988,127	2,674,579	
4	Less: IPP Interest and principal	23,084,304	23,084,304	23,084,307	23,084,304	23,084,304	
5	Balance Available for Debt Service	48,994,620	53,637,568	58,329,332	64,331,108	60,640,101	
6							
7							
8							
9	Bond Interest Expense	20,400,763	20,071,588	19,687,813	25,444,720	24,926,171	
10	Bond Principal	7,080,000	7,373,601	7,795,000	9,779,462	10,297,248	
11	Total Debt Service	27,480,763	27,445,189	27,482,813	35,224,181	35,223,419	
12							
13	Debt Service Coverage	1.78	1.95	2.12	1.83	1.72	

Guam Power Authority  
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5	Revenue from Allowed Rate Change	17,909,747	26,863,278	26,863,278	26,863,278	26,863,278
6	Credit for DPW Streetlight Payments	(2,411,586)	(3,617,379)	(3,617,379)	(3,617,379)	(3,617,379)
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60	Note Payment from GMH	-	-	-	-	-
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65	WCapital Requirement (Fuel Inventory)	(5,296,374)	(4,000,000)	(4,000,000)	(2,000,000)	(2,000,000)
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67	Cabras 3 & 4 (CIPS & PIPS)	(2,500,000)	(2,625,000)	(2,756,250)	(2,894,063)	(3,038,766)
68	Cabras 1 & 2 (CIPS & PIPS)	(4,200,000)	(4,410,000)	(4,630,500)	(4,862,025)	(5,105,126)
69	Revenue Bond Proceeds (2011 Series)				100,371,894	
70	Construction Fund (2011 Series)				(100,371,894)	
71	Regulatory Asset Amortization	2,097,359	1,874,000	-	-	-
72	Streetlight Clearing Account	(318,414)	-	-	-	-
73	Paydown TECP	-	(4,100,000)	(7,300,000)	(5,600,000)	(2,000,000)
74	Increase In Working Capital Reserve Fund	(3,411,584)	(469,249)	(912,050)	(1,263,872)	(374,899)
75	Construction Fund Interest Income	(750,000)	(450,000)	(300,000)	(3,412,644)	(2,107,810)
76	Cash (Deficiency)/Surplus	1	26,091	54,941	215,746	189,896