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APPROVED

SEP 3 - 1976

89/3

THE WHITE HOUSE

ACTION

WASHINGTON

LAST DAY: September 7

September 1, 1976

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *[Signature]*

SUBJECT:

H.R. 13679 - Guam Power Authority Guarantee

Attached for your consideration is H.R. 13679, sponsored by Del. Won Pat of Guam.

The enrolled bill authorizes the Secretary of the Interior to guarantee not more than \$36 million in obligations for the Guam Power Authority. The Guam Power Authority is a public utility which was created by the Territorial Government of Guam as the sole electric power supplier for the entire island including the needs of the U.S. Defense Department.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, NSC, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 13679 at Tab B.

*Posted*  
*9/3/76*

*archives*  
*9/3/76*





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

AUG 31 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13679 - Guam Power Authority  
guarantee  
Sponsor - Del. Won Pat (D) Guam

Last Day for Action

September 7, 1976 - Tuesday

Purpose

Authorizes the Secretary of the Interior to guarantee not more than \$36 million in obligations for the Guam Power Authority.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval
Department of Defense	Approval
Department of the Treasury	No objection
Department of State	No objection
Department of Justice	Defers to Interior and Treasury

Discussion

The Guam Power Authority (GPA) is a public utility which was created by the Territorial Government of Guam as the sole electric power supplier for the entire island including the needs of the U.S. Defense Department. The GPA operates generators, distribution lines, and related facilities it owns as well as generators owned by the Navy.

In 1972, the Guam Power Authority needed to raise capital in support of its efforts to install greater electric generating capacity to meet the growing demand for electricity on the island. However, because Guam's usury laws prohibited interest rates in excess of 7 percent, the GPA's long-term bonds were not marketable and it was forced to raise the required funds by selling short-term notes. This action was taken on the assumption that the Guam legislature would raise the usury ceiling and that the bond market would improve.

Subsequently, the usury ceiling was increased to 9 percent, but other factors developed that effectively barred the sale of any long-term debt by the GPA:

- the price of oil, the only fuel used by the GPA's generating plants, increased fourfold;
- U.S. Defense activities, including its power requirements, declined with the ending of the Vietnam conflict;
- tourism in Guam, the island's primary industry, decreased significantly as the Japanese economy entered a recessionary period; and
- as a result of both a severe recessionary period on Guam and significantly higher operating costs, the GPA's financial position suffered a reversal as the utility operated at a loss during fiscal year 1975, and this ultimately produced a suspension of the GPA's bond rating.

The Guam Power Authority subsequently defaulted on its short-term notes and other debt, and although an unaudited report for fiscal year 1976 indicates that it is once again running profitably, the GPA will not be able to tap the bond markets until it has demonstrated profitable operations for a sustained period. In addition, the continuing default by the GPA, if uncorrected for a long enough period, would adversely affect the ability of the Government of Guam to sell bonds, and thus make Guam more dependent on Federal aid.

Accordingly, the Department of the Interior, after coordination with Treasury and clearance by this Office, submitted draft legislation to Congress which was designed to provide the GPA with temporary assistance. Briefly, the Interior proposal, which has been enrolled as H.R. 13679 without any changes, would authorize:

- the Secretary of the Interior to guarantee for purchase by the Federal Financing Bank bonds or other obligations, in an amount not to exceed \$36 million, of the Guam Power Authority which mature on or before December 31, 1978 (the guarantee could be extended by the Secretary, with concurrence of the Secretary of the Treasury, until December 31, 1980);
- interest rates, as determined by the Secretary of the Treasury, at levels equivalent to comparable Treasury issues, plus one percent per annum (only interest payments would be required until the guarantee is terminated);
- repayment of interest and/or principal, if necessary, through deductions from (a) Federal income taxes and customs duties that are collected from Federal employees and their dependants during their residency in Guam and subsequently returned to the Government of Guam, and (b) any congressional appropriation which would otherwise go directly to Guam; and,
- the Secretary to place any stipulations he deems appropriate on any bond or obligation he guarantees.

Finally, Interior has advised this Office that it intends to work closely with the Guam Power Authority in an attempt to improve the overall management of the GPA, with special attention on financial management. In this regard, the enrolled bill, in conjunction with an improved management capability, should enable the Guam Power Authority in the next several years to fully recover from its past difficulties. This would then allow the GPA to successfully enter the capital markets to meet its future financial needs.

*James M. Frey*  
Assistant Director for  
Legislative Reference

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 31

Time: 600pm

FOR ACTION: Steve McConahey  
George Humphreys cc (for information): Jack Marsh  
Max Friedersdorf Jim Cavanaugh  
Ken Lazarus Ed Schmults  
NSC/S

FROM THE STAFF SECRETARY

DUE: Date: September 1

Time: 500pm

SUBJECT:

H.R. 13679 p Guam Power Authority Guarantee

ACTION REQUESTED:

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

\*\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President





# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

AUG 6 1978

Dear Mr. Lynn:

This responds to your request for our views on the enrolled bill H.R. 13679, "To provide assistance to the Government of Guam, to guarantee certain obligations of the Guam Power Authority, and for other purposes."

We recommend that the President approve the enrolled bill.

The Guam Power Authority has a financial problem of refunding its short-term debt. In 1972 the Guam Power Authority attempted to float long-term bonds as a part of its long-range financial plan. The usury laws of Guam prevented the payment of interest in excess of 7%. At the time of the attempted sale, however, market interest rates were above the 7% limit, so the bonds did not sell. Thus, short-term notes were issued in anticipation of a raise in the interest ceiling by the Guam Legislature, and in anticipation of a more favorable bond market in the near future. The Guam Legislature subsequently raised the usury rate to 9%.

Primarily due to the energy crisis, the price of oil within 3 months rose from \$2.77 per barrel to \$12.95 per barrel. As a result of this price increase, the Guam Power Authority suffered temporary losses in current income. Subsequently, Guam's bond rating slipped from AA to BB, which is a non-investment rating. In the period just before the recent typhoon, the Guam Power Authority was operating in the black and medium and long-term prospects were good. However, its short-term financial prospects are far from good. If the Guam Power Authority attempted to enter the bond market on its own at this time, it would be unsuccessful in attracting the necessary capital for repayment of the short-term notes which were due on June 1, 1976, and its other debts, due to its BB rating.

As enrolled, H.R. 13679 is identical to the proposal which the Administration transmitted to the Congress on June 11, 1976. Under the bill, the Secretary of the Interior would guarantee bonds or other obligations of not more than \$36 million which would mature not later than December 31, 1978. The Secretary, with the

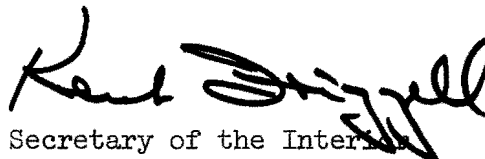


concurrence of the Secretary of the Treasury, may extend the guarantee to December 31, 1980. The guaranteed bonds or other obligations would be sold to the Federal Financing Bank without impact on the Federal budget. The Federal Financing Bank would charge a rate of interest equal to the current average market yield on outstanding marketable obligations of the U.S. of comparable maturities plus 1%.

Section 30 of the Guam Organic Act provides that Guam shall receive the proceeds of all taxes collected under the Internal Revenue laws of the United States together with customs duties and other moneys. The enrolled bill provides that in the event of non-payment of interest or default in the payment of principal by the Guam Power Authority, the Secretary of the Interior may withhold such sums as he deems necessary from the section 30 payments to Guam as will reimburse the Department for any loss incurred under the guarantee. In addition, there is authorization for the Congress in any appropriation act to deduct from appropriations which would otherwise go to Guam amounts lost to the United States should the guarantee be called into effect. The legislation authorizes the Secretary to place such restrictions as he deems appropriate on the loan to the Guam Power Authority.

As enrolled, H.R. 13679 would make it possible for Guam to successfully enter the capital markets in order to meet its financial obligations, but at the same time provide the United States with security for its guarantees. Accordingly, we recommend that the President approve the enrolled bill.

Sincerely yours,



Under

Secretary of the Interior

Honorable James T. Lynn  
Director, Office of  
Management and Budget  
Washington, D.C.





DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20350

27 August 1976

Dear Mr. Lynn:

Your transmittal sheet dated August 26, 1976, enclosing a facsimile of an enrolled bill of Congress, H.R. 13679, "To provide assistance to the Government of Guam, to guarantee certain obligations of the Guam Power Authority, and for other purposes," and requesting the comments of the Department of Defense, has been received. The Department of the Navy has been assigned the responsibility for the preparation of a report expressing the views of the Department of Defense.

The purpose of H.R. 13679 is to amend the Organic Act of Guam (64 Stat. 387; 48 U.S.C. 1423a) to provide that the United States guarantee repayment of bonds and other obligations of the Guam Power Authority to be issued to refinance short-term notes and other indebtedness that became due on or before June 1, 1976. This guarantee will include not more than \$36 million in bonds and other obligations with maturities falling due on or before June 1, 1986. The Federal guarantee is intended to make long-term bonds of the Guam Power Authority, whose bond rating is presently BB, sufficiently attractive to raise the necessary capital to repay short-term notes due June 1, 1976.

The approval of this legislation would result in no increase in the budgetary requirements of the Department of Defense.

The Department of the Navy, on behalf of the Department of Defense, recommends the approval of H.R. 13679.

Sincerely yours,

H. Tyler Marcy  
Acting Secretary of the Navy

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503





THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

AUG 30 1976

Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Assistant Director for Legislative  
Reference

Sir:

This letter is in response to your request for the views of this Department on the enrolled enactment of H.R. 13679, "To provide assistance to the Government of Guam, to guarantee certain obligations of the Guam Power Authority, and for other purposes."

The enrolled enactment would authorize the Secretary of the Interior to guarantee for purchase by the Federal Financing Bank up to \$36 million of obligations of the Guam Power Authority. Such obligations would mature on or before December 31, 1978, and would bear interest at not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding obligations of the United States of comparable maturity, plus 1 percent. The Secretary of the Interior would be authorized, with the concurrence of the Secretary of the Treasury, to extend the maximum maturity until December 31, 1980.

The enrolled enactment incorporates draft legislation submitted to the Congress by the Department of the Interior. The Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,

General Counsel  
Richard R. Albrecht



DEPARTMENT OF STATE

Washington, D.C. 20520

AUG 30 1976

Dear Mr. Lynn:

This is in response to the Office of Management and Budget's letter of August 26 requesting the Department of State's views on the enrolled bill, HR 13679, an act "to provide assistance to the Government of Guam, to guarantee certain obligations of the Guam Power Authority, and for other purposes."

The Department of State has no objection to this enrolled bill. The issue addressed in the bill, i.e., the authorization of the Secretary of Interior to guarantee for purchase by the Federal Financing Bank bonds or other obligations of the Guam Power Authority in order to refinance short term notes, does not have direct foreign policy implications.

Sincerely yours,

A handwritten signature in dark ink, reading "Robert J. McCloskey".

Robert J. McCloskey  
Assistant Secretary for  
Congressional Relations

The Honorable  
James T. Lynn, Director,  
Office of Management and Budget,  
Washington, D. C.

Department of Justice  
Washington, D.C. 20530

August 30, 1976

Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request I have examined a facsimile of the enrolled bill H.R. 13679, "To provide assistance to the Government of Guam, to guarantee certain obligations of the Guam Power Authority, and for other purposes."

The bill would authorize the Secretary of the Interior to guarantee for purchase by the Federal Financing Bank certain bonds and other obligations of the Guam Power Authority. It also would provide for the method of reimbursing the United States in the event that guaranty has to be honored.

The subject matter of this bill is outside the expertise of the Department of Justice. We therefore defer to the views of the agencies more directly concerned (Interior, Treasury and possibly the Federal Financing Bank) as to whether this bill should receive Executive approval.

Sincerely,



Michael M. Uhlmann  
Assistant Attorney General  
Office of Legislative Affairs

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 31

Time: 600pm

FOR ACTION: Steve McConahey  
George Humphreys  
Max Friedersdorf  
Ken Lazarus  
NSC/S

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 1

Time: 500pm

SUBJECT:

H.R. 13679 - Guam Power Authority Guarantee

## ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 9/1/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 31

Time: 600pm

FOR ACTION: Steve McConahey  
George Humphreys cc (for information): Jack Marsh  
Max Friedersdorf Jim Cavanaugh  
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FROM THE STAFF SECRETARY

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SUBJECT:

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## ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

*Conan with OMB*PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE

WASHINGTON

September 2, 1976

MEMORANDUM FOR: JIM CAVANAUGH  
FROM: MAX L. FRIEDERSDORF *mlf.*  
SUBJECT: H.R. 13679 - Guam Power Authority Guarantee

The Office of Legislative Affairs concurs with the agencies  
that the subject bill be signed.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 31 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13679 - Guam Power Authority  
guarantee  
Sponsor - Del. Won Pat (D) Guam

Last Day for Action

September 7, 1976 - Tuesday

Purpose

Authorizes the Secretary of the Interior to guarantee not more than \$36 million in obligations for the Guam Power Authority.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Interior	Approval
Department of Defense	Approval
Department of the Treasury	No objection
Department of State	No objection
Department of Justice	Defers to Interior and Treasury

Discussion

The Guam Power Authority (GPA) is a public utility which was created by the Territorial Government of Guam as the sole electric power supplier for the entire island including the needs of the U.S. Defense Department. The GPA operates generators, distribution lines, and related facilities it owns as well as generators owned by the Navy.



Files  
~~Mr. J.~~

9/8/76



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
Kate

NATIONAL SECURITY COUNCIL

September 1, 1976

MEMORANDUM FOR: JAMES M. CANNON

FROM:  Jeanne W. Davis 

SUBJECT:  H. R. 13679

The NSC Staff has no objection to the proposed Enrolled Bill  
H. R. 13679 - Guam Power Authority Guarantee.

## GUAM POWER AUTHORITY GUARANTEE

AUGUST 20, 1976.—Ordered to be printed

Mr. JACKSON, from the Committee on Interior and Insular Affairs,  
submitted the following

### REPORT

[To accompany S. 3681]

The Committee on Interior and Insular Affairs, to which was referred the bill (S. 3681) to guarantee certain obligations of the Guam Power Authority, having considered the same, reports favorably thereon with out amendment and recommends that the bill do pass.

#### PURPOSE

The purpose of S. 3681 is to provide a federal guarantee for not to exceed \$36 million in obligations for the Guam Power Authority.

Under the bill, the Secretary of the Interior would guarantee bonds or other obligations of not more than \$36 million which would mature not later than December 31, 1978. The Secretary, with the concurrence of the Secretary of the Treasury, may extend the guarantee to December 31, 1980. The guaranteed bonds or other obligations would be sold to the Federal Financing Bank without impact on the Federal budget. The Federal Financing Bank would charge a rate of interest equal to the current average market yield on outstanding marketable obligations of the United States of comparable maturities plus 1 percent.

Section 30 of the Guam Organic Act provides that Guam shall receive the proceeds of all taxes collected under the Internal Revenue laws of the United States together with customs duties and other moneys. The legislation provides that in the event of nonpayment of principal by the Guam Power Authority, the Secretary of the Interior may withhold such sums as he deems necessary for the Section 30 payments to Guam as will reimburse the Department for any loss incurred under the guarantee. In addition, there is authorization for the Congress in any appropriation act to deduct from appropriations

which would otherwise go to Guam amounts lost to the United States should the guarantee be called into effect. The legislation authorized the Secretary to place such restrictions as he deems appropriate on the loan to the Guam Power Authority.

#### BACKGROUND AND NEED

The Guam Power Authority generates Guam's entire supply of electricity and has a financial problem of refunding its short-term debt. In 1972 the Guam Power Authority attempted to float long-term bonds as a part of its long-range financial plan. The usury laws of Guam prevented the payment of interest in excess of 7 percent. At the time of the attempted sale, however, market interest rates were above the 7 percent limit, so the bonds did not sell. Thus, short-term notes were issued in anticipation of a raise in the interest ceiling by the Guam Legislature, and in anticipation of a more favorable bond market in the near future. The Guam Legislature subsequently raised the usury rate to 9 percent.

Primarily due to the energy crisis, the price of oil within 3 months rose from \$2.77 per barrel to \$12.95 per barrel. As a result of this price increase, the Guam Power Authority suffered temporary losses in current income. Subsequently, Guam's bond rating slipped from AA to BB, which is a non-investment rating. In the period just before the recent typhoon, the Guam Power Authority was operating in the black and medium and long-term prospects were good. However, its short-term financial prospects are far from good. If the Guam Power Authority attempted to enter the bond market on its own at this time, it would be unsuccessful in attracting the necessary capital for repayment of the short-term notes which were due on June 1, 1976 and its other debts, due to its BB rating.

Compounding the fiscal problems facing the Guam Power Authority is the estimated \$8 million in damages caused to its facilities by Typhoon Pamela.

#### LEGISLATIVE HISTORY

Identical legislation (H.R. 13679) passed the House on July 1, 1976. S. 3681 was introduced at the request of the Administration on July 21, 1976 and was considered by the full committee on August 4, 1976.

#### COMMITTEE RECOMMENDATION AND TABULATION OF VOTES

The Senate Committee on Interior and Insular Affairs, in open business session on August 4, 1976, by unanimous vote of a quorum present recommends that the Senate pass S. 3681 without amendment.

#### COST AND BUDGETARY CONSIDERATIONS

The Committee has been advised by the Budget Committee that as a loan guarantee program this measure does not have a budgetary impact within the provisions of section 40](c)(2)(C) of the Budget Control and Anti-Impoundment Act.

#### EXECUTIVE COMMUNICATIONS

The pertinent legislative report received by the committee from the Department of the Interior setting forth executive agency recommendations relating to S. 3681 is set forth below:

U.S. DEPARTMENT OF THE INTERIOR,  
Washington, D.C., June 11, 1976.

HON. NELSON A. ROCKEFELLER,  
President of the U.S. Senate,  
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is a draft bill "To guarantee certain obligations of the Guam Power Authority."

We recommend that the bill be referred to the appropriate Committee for consideration and that it be enacted.

The Guam Power Authority has a financial problem of refunding its short-term debt. In 1972 the Guam Power Authority attempted to float long-term bonds as a part of its long-range financial plan. The usury laws of Guam prevented the payment of interest in excess of 7%. At the time of the attempted sale, however, market interest rates were above the 7% limit so the bonds did not sell. Thus, short-term notes were issued in anticipation of a raise in the interest ceiling by the Guam Legislature, and in anticipation of a more favorable bond market in the near future. The Guam Legislature subsequently raised the usury rate to 9%.

Primarily due to the energy crisis, the price of oil within 3 months rose from \$2.77 per barrel to \$12.95 per barrel. As a result of this price increase, the Guam Power Authority suffered temporary losses in current income. Subsequently, Guam's bond rating slipped from AA to BB, which is a noninvestment rating. In the period just before the recent typhoon, the Guam Power Authority was operating in the black and medium and long-term prospects were good. However, its short-term financial prospects are far from good. If the Guam Power Authority attempted to enter the bond market on its own at this time, it would be unsuccessful in attracting the necessary capital for repayment of the short-term notes which were due on June 1, 1976 and its other debts, due to its BB rating.

Under the bill, the Secretary of the Interior would guarantee bonds or other obligations of not more than \$36 million which would mature not later than December 31, 1978. The Secretary, with the concurrence of the Secretary of the Treasury, may extend the guarantee to December 31, 1980. The guaranteed bonds or other obligations would be sold to the Federal Financing Bank without impact on the Federal budget. The Federal Financing Bank would charge a rate of interest equal to the current average market yield on outstanding marketable obligations of the U.S. of comparable maturities plus 1%.

Section 30 of the Guam Organic Act provides that Guam shall receive the proceeds of all taxes collected under the Internal Revenue laws of the United States together with customs duties and other moneys. The attached draft legislation provides that in the event of

non-payment of interest or default in the payment of principal by the Guam Power Authority, the Secretary of the Interior may withhold such sums as he deems necessary for the Section 30 payments to Guam as will reimburse the Department for any loss incurred under the guarantee. In addition, there is authorization for the Congress in any appropriation act to deduct from appropriations which would otherwise go to Guam amounts lost to the United States should the guarantee be called into effect. The legislation authorizes the Secretary to place such restrictions as he deems appropriate on the loan to the Guam Power Authority.

The Office of Management and Budget has advised that there is no objection to the presentation of this proposal from the standpoint of the Administrations program.

Sincerely yours,

KENT FRIZZELL,  
*Under Secretary of the Interior.*

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, the Committee notes that no changes in existing law are made by the bill S. 3681 as reported.

○

H. R. 13679

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To provide assistance to the Government of Guam, to guarantee certain obligations of the Guam Power Authority, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 11 of the Organic Act of Guam (64 Stat. 387, 48 U.S.C. 1423a) is hereby amended by adding at the end thereof the following language: "The Secretary of the Interior (hereafter in this section referred to as 'Secretary') is authorized to guarantee for purchase by the Federal Financing Bank bonds or other obligations of the Guam Power Authority maturing on or before December 31, 1978, which shall be issued in order to refinance short-term notes due or existing on June 1, 1976 and other indebtedness not evidenced by bonds or notes in an aggregate amount of not more than \$36 million, and such bank, in addition to its other powers, is authorized to purchase, receive or otherwise acquire these same. The interest rate on obligations purchased by the Federal Financing Bank shall be not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities, adjusted to the nearest one-eighth of 1 per centum, plus 1 per centum per annum. The Secretary, with the concurrence of the Secretary of the Treasury, may extend the guarantee provision of the previous sentence until December 31, 1980. Such guaranteed bonds or other obligations shall, while outstanding, include a provision for semiannual payments of interest only. If the Secretary determines that the Guam Power Authority will not meet its obligation to pay interest, the Secretary shall request the Secretary of the Treasury to deduct such payments from sums collected and paid pursuant to Section 30 of this Act (48 U.S.C. 1421h). Should there be default at maturity on the bonds or other obligations so guaranteed, (1) the Secretary may withhold such sums as he determines may be necessary from sums collected by the Secretary of the Treasury pursuant to Section 30 of this Act (48 U.S.C. 1421h) until losses incurred by the Secretary under the guarantee plus interest at the rate specified in this section have been reimbursed to the Secretary and (2) notwithstanding any other provision of law, Acts making appropriations may provide for the withholding of any payments from the United States to the Government of Guam which may be

## H. R. 13679—2

or may become due pursuant to any law and offset the amount of such withheld payments against any claim the United States may have against the Government of Guam or the Guam Power Authority pursuant to this guarantee. For the purposes of this Act, under Section 3466 of the Revised Statutes (31 U.S.C. 191) the term 'person' includes the Government of Guam and Guam Power Authority. The Secretary may place such stipulations as he deems appropriate on the bonds or other obligations he guarantees."

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*