

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: )  
 ) GPA DOCKET 11-05  
 )  
GUAM POWER AUTHORITY )  
PROPERTY INSURANCE RENEWAL )  
\_\_\_\_\_ )

**ORDER**

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the Guam Power Authority [GPA] Petition for Authorization to Exercise the Remaining Two (2) One (1) year options on GPA’s property insurance policy for the period of November 1, 2011 to November 1, 2013.<sup>1</sup>
2. GPA General Manager seeks such authority based upon the belief that GPA may be able to avoid a significant rate increase if it could include in the negotiating process a commitment to exercise both options available to GPA to obtain its policy extension.<sup>2</sup>
3. GPA’s current insurance policy will expire November 1, 2011, if GPA does not renew the existing policy.<sup>3</sup>

BACKGROUND

4. GPA’s current property and casualty insurance policy includes two remaining one year options to extend such policy. The PUC previously approved the GPA insurance coverage adopted in 2008, which provided for a three year term plus two (2) one year options to extend at the mutual agreement of both parties.

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<sup>1</sup> GPA Petition for Authorization to Exercise the Remaining Two (2) One (1) Year Options of GPA’s Property Insurance Policy, GPA Docket 11-05, filed May 19, 2011.

<sup>2</sup> Letter from GPA General Manager Joaquin Flores to PUC ALJ, GPA Docket 11-05, dated May 18, 2011, Re: Petition to Exercise up to Two (2) Options for Insurance Coverage.

<sup>3</sup> GPA Petition for Authorization, GPA Docket 11-05, filed May 19, 2011.

5. On April 12, 2011, the Consolidated Commission authorized the GPA General Manager to exercise up to two options for the renewal of the property insurance policy.<sup>4</sup>

### DETERMINATIONS

6. Given current market conditions, GPA should be given the option to extend its existing property and casualty coverage.<sup>5</sup>
7. The General Manager should also have the negotiating tool to exercise up to two one year options in the negotiating process to obtain a policy extension and to potentially avoid a significant cost increase.<sup>6</sup>

### ORDERING PROVISIONS

After a review of the record herein, GPA's Petition to Authorize Remaining Options on its Property Insurance Policy, and the PUC Counsel Report, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. GPA's Petition for Authorization to Exercise the remaining two (2) one (1) year options on GPA's Property Insurance and Casualty Policy for the period of November 1, 2011 to November 1, 2013, is hereby approved.
2. The General Manager is authorized to extend the existing property and casualty insurance policies in accordance with such negotiating strategy as he determines will best protect the interest of the Guam Power Authority.
3. GPA is authorized to extend its present property and casualty insurance, in accordance with its present policy, up to an amount of \$5.3M per annum plus ten percent.
4. In the event that GPA is able to negotiate per annum extension(s) which do not exceed the annual cost of \$5.3M plus ten percent, GPA will not be required to

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<sup>4</sup> CCU Resolution No. 2011-16, adopted April 12, 2011, at pgs. 1-2.

<sup>5</sup> Letter from GPA General Manager Joaquin Flores to PUC ALJ, Re: Petition to Exercise Up to Two Options for Insurance Coverage, GPA Docket 11-05, dated May 18, 2011, at p. 2.

<sup>6</sup> Id.

ORDER

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GPA Docket 11-05

June 20, 2011

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request additional approval of such amount(s) from the PUC. If the rate(s) exceed ten percent, further PUC approval shall be required.

5. Once GPA has negotiated a rate for the extension of its property and casualty insurance, it shall file a copy of such extension and documentation relating to any extension of such property and casualty insurance policy with the PUC, indicating the cost thereof.
6. GPA 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 the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 20<sup>th</sup> day of June, 2011.

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Jeffrey C. Johnson  
Chairman

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Joseph M. McDonald  
Commissioner

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Rowena E. Perez  
Commissioner

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Filomena M. Cantoria  
Commissioner

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Michael A. Pangelinan  
Commissioner