

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

)
) **GPA Docket 11-04**

**GUAM POWER AUTHORITY'S FILING
REGARDING SELF INSURANCE POLICY**

)
) **ORDER**
)
)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [PUC] upon the Guam Power Authority [GPA] Filing to increase the self insurance surcharge and to increase the cap, or limit, of the GPA surcharge fund from \$10M to \$20M.¹
2. PUC Counsel filed a Report herein on May 11, 2011, which recommends that the PUC allow GPA to continue to collect the self-insurance surcharge after the \$10M cap is reached.²
4. In its Supplemental Filing, GPA dropped its request to increase the amount of the self-insurance surcharges. The issue now before the PUC is whether GPA should be allowed to continue to collect the self insurance surcharge from civilian rate payers and the Navy, even though the limit or cap of \$10M has or will soon be reached.

BACKGROUND

5. In the Phase I Rate Decision in Docket 07-10, filed February 15, 2008, the Commission increased the ceiling of GPA's self insurance surcharge program from \$2.5M to \$10M effective March 1, 2008; the surcharge for civilian ratepayers was set at \$0.00290 per kWh for civilian ratepayers and \$0.00070 per kWh for the Department of Defense.³
6. Pursuant to the February 25, 2010, FY10 (Phase II) Rate Decision of the PUC in Docket 07-10,⁴GPA filed its Report re: Self-Insurance Policy with the PUC on

¹ GPA Filing Re: Self Insurance Policy, Docket 07-10 [In the Matter of: Guam Power Authority's Filing Regarding Self Insurance Policy], filed February 1, 2011.

² PUC Counsel Report

³ PUC FY08 Rate Decision, Docket 07-10, filed February 15, 2008, p. 5.

⁴ PUC FY10 (Phase II) Rate Decision, Docket 07-10, issued February 25, 2010, at p. 7.

February 1, 2011.⁵A Report by GPA Consultant R.W. Beck was attached to the filing. Among other matters, Beck recommended a 16% increase in the self-insurance surcharge tariffs, and that the self-insurance fund maximum limit be increased to \$20M, in order to more adequately protect GPA against catastrophic losses.⁶

7. On April 6, 2011, GPA filed its Supplemental Filing Re: Self Insurance Policy.⁷ GPA withdrew its request for an increase in the amount of the surcharge, but continued to request an increase in the self insurance fund cap of \$20M, and requests that the PUC "approve the principles set forth in the R.W. Beck report included in the February 2011 self insurance filing].⁸
8. Furthermore, the General Manager requested that the PUC approve the continuance of self-insurance surcharges in effect even after the \$10M cap was reached.⁹
9. At the request of PUC Counsel, PUC Consultant Georgetown Consulting Group, Inc. prepared a report concerning GPA's filing to modify the self-insurance protocol. On April 29, 2011, GCG filed its Report Re: GPA Request for Changes in Self-Insurance Protocol, GPA Docket 11-04.¹⁰ The Report included the recommendation that the self-insurance surcharges continue in effect after the \$10M cap is reached.¹¹
10. GPA filed a response to the GCG Report on May 9, 2011. It again clarified that no increase in the self-insurance fund surcharge rate is being sought, but it continues to request the increase of the self-insurance fund cap from \$10M to \$20M.¹²

⁵ Letter from GPA General Manager to PUC ALJ, dated March 29, 2011, at p. 1, f.n. 2.

⁶ R.W. Beck Insurance Options Assessment at Section 7, p. 7-2.

⁷ GPA Supplemental Filing Re: Self Insurance Policy, Docket 07-10, filed April 6, 2011.

⁸ Letter from GPA General Manager to PUC ALJ, dated March 29, 2011.

⁹ Id. at p. 2.

¹⁰ GCG Report Re: GPA Request for Changes in Self-Insurance Protocol, GPA Docket 11-04, filed April 29, 2011.

¹¹Id. at p.8.

¹² GPA Response to GCG Report Re: Self-Insurance Policy, filed May 9, 2011.

ORDERING PROVISIONS

After careful review and consideration of GPA's Filing Re: Self Insurance Surcharge, the Supplemental Filing, the Reports of GCG and PUC Counsel, and the GPA Response to the GCG Report, and the record herein, for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. The recommendations of GCG and PUC Counsel that PUC allow the monthly self-insurance surcharge payments to continue even after the \$10M cap has been reached by GPA are approved.
2. The current self-insurance surcharges for both civilian ratepayers and the Navy (\$0.00290 per kWh for civilian ratepayers and \$0.00070 per kWh for the Department of Defense) shall continue in effect until PUC approval of self-insurance fund protocols or the completion of the next base rate case, whichever is sooner.
3. The continuance of the current self-insurance surcharges in effect will help to ensure that GPA has a sufficient reservoir of funds to cover catastrophic losses.
4. Whether the cap for the self-insurance fund should be raised to \$20M, the appropriate protocols, and other unresolved issues concerning the self-insurance fund, shall be further explored in proceedings to be conducted under the direction of the ALJ.¹³
5. Upon approval by the PUC of self-insurance fund protocols, or at the conclusion of the next base rate case, whichever is sooner, a maximum self-insurance reserve will be established after proper investigation.
6. The principles in the R.W. Beck Report will not be adopted at the present time, but will be further considered in proceedings conducted by the ALJ.
7. 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 16th day of May, 2011.

¹³Id. at pgs. 2-6.

PUC Counsel Report
In the Matter of: GPA's Filing
Regarding Self Insurance Fund
GPA Docket 11-04
May 16, 2011

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner