

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 14-04
The Application of the Guam Power Authority to Draw from the Self Insurance Fund for the Cabras 3 Rotor Repair Costs. ) ORDER

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon GPA's Petition for PUC to review and approve GPA's request to draw from the Self Insurance Fund for the Cabras 3 Rotor Repair costs.1
2. The Consolidated Commission on Utilities, in GPA Resolution 2014-01, authorized GPA to petition the PUC to draw \$4,627,592 from the Self Insurance Fund to pay for the Cabras 3 rotor repairs.2

BACKGROUND

- 3. In January of 2013, GPA fully advised the PUC that cracks had been discovered at the drive end of the rotor shaft on Cabras Unit 3 Rotor.3
4. Due to the outage of the Cabras 3 unit, it was determined by PUC that there would be substantial additional fuel costs to ratepayers, somewhere between \$13 and \$23M depending on the length of the Cabras 3 unavailability.4
5. Due to the need to bring Cabras 3 back online as soon as possible, PUC authorized GPA to expend up to the amount of \$4.5M for the repairs. However, at that time, no specific source of funds was identified.5
6. In the meantime, the repairs have been completed and Cabras 3 has returned to operation on September of 2013. GPA incurred costs in the amount of \$4,627,592

1 GPA Application to Draw from the Self Insurance Fund for the Cabras 3 Rotor Repair Costs, GPA Docket 14-04, filed January 17, 2014.
2 Guam Consolidated Commission on Utilities Resolution No. 2014-01, approved January 14, 2014.
3 GPA Petition for Approval of Cabras #3 Rotor Repair, GPA Docket 13-01, filed January 11, 2013.
4 PUC Order, GPA Docket 13-01, dated January 29, 2013.
5 Id., Ordering Provisions at pgs. 3-4.

for the Cabras 3 rotor repairs. Said costs were paid in part from the Working Capital Fund.<sup>6</sup>

7. GPA now requests authorization from the PUC to withdraw the amount of \$4,627,592 from the Self-Insurance Fund to pay for the Cabras 3 rotor repairs.
8. GPA's insurance underwriters recently notified GPA that its claim for damage to the Cabras 3 rotor was not insurable based upon the root cause analysis report. FAP ["Failure Analysis & Prevention, Inc."] issued its report on the Investigation on Cracking in the Generator Rotor Shaft of the Cabras No. 3 40MW Diesel Engine Generator on October 11, 2013.<sup>7</sup> In essence, FAP determined that the cracking in the rotor shaft resulted from high cycle fatigue and was present for a long time prior to the November 8, 2012 trip. The damage did not appear to result from a sudden cause.<sup>8</sup>
9. In May of 2013, GPA Docket 11-09, the PUC considered certain issues regarding the Self Insurance Surcharge and Self Insurance Program Protocols (PHASE II of GPA's 2011 Multi Year Base Rate Relief Filing).<sup>9</sup> Therein the PUC approved the Self Insurance Program Protocol; said Protocols are attached hereto as Exhibit "A" for easy reference.
10. PUC Counsel filed his Report herein on January 29, 2014. The PUC adopts the recommendations therein.

### DETERMINATIONS

11. PUC adopts Counsel's determination that various provisions of the SIPP authorize PUC to permit GPA to withdraw funds from the Self Insurance Funds to pay for the Cabras 3 repairs. In the facts presented by GPA, it appears that the Self Insurance

---

<sup>6</sup> CCU Resolution No. 2014-01, Relative to the Petition to Draw from the Self-Insurance Fund to cover the Repair Costs for the Cabras No. 3 Rotor Repairs, adopted January 14, 2014, at p. 2; on January 28, 2014, GPA Counsel Graham Botha represented to PUC Counsel Frederick J. Horecky that GPA had withdrawn funds from the Working Capital Fund to pay for the Cabras 3 rotor repairs.

<sup>7</sup> FAP, Investigation on Cracking in the Generator Rotor Shaft of the Cabras No. 3 40MW Diesel Engine Generator, issued October 11, 2013.

<sup>8</sup> Id. at p. 19.

<sup>9</sup> PUC Order, GPA Docket 11-09, dated May 28, 2013.

Fund is the most appropriate source from which the Cabras 3 rotor repairs can be paid.

12. While GPA indicates that it did withdraw funds from the Working Capital Fund as an "interim solution pending resolution of the insurance loss determination", it further points out that the WCF is not an appropriate source of funding: "The Working Capital Fund is now underfunded and needs to be reimbursed or GPA's capital budget will be negatively impacted."
13. Even though the rotor damage to Cabras No. 3 may not technically be an "insurable loss", GPA correctly indicates that the Cabras 3 rotor damage is certainly close to an insurable loss and it has taken the insurers more than a year to make a determination that the event was not covered.
14. The Cabras 3 rotor repair is an unexpected and unanticipated event; GPA had little ability to plan for such an eventuality through budgeting or otherwise. GPA was not financially prepared to deal with this situation, nor could it have expected to have been so prepared.

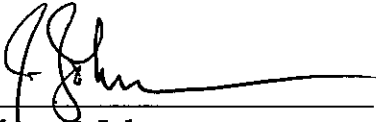
### ORDERING PROVISIONS

After careful review and consideration of the above Determinations and the PUC Counsel Report, and matters of record herein, for good cause shown and on motion duly made, seconded, and unanimously carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

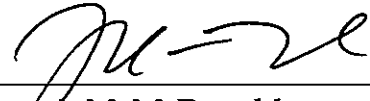
1. GPA is hereby authorized to draw \$4,672,592 from the Self Insurance Fund to pay for the Cabras 3 rotor repairs.
2. GPA shall reimburse the Working Capital Fund with funds from the Self Insurance Fund for any repairs for the Cabras 3 rotor which had been paid for from the WCF.
3. In the event that insurance funds are received relative to the Cabras 3 repairs, GPA will reimburse such funds to the Self Insurance Fund to the amount withdrawn from such fund.

4. GPA shall comply with all applicable reporting requirements in the Self Insurance Program Protocols, in accordance with Protocol X Drawdown Report and Protocol XV Audit.
  
5. 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 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.

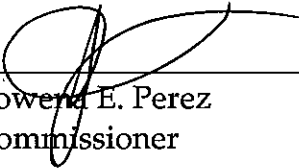
Dated this 30<sup>th</sup> day of January, 2014.



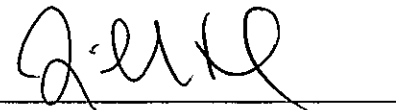
Jeffrey C. Johnson  
Chairman



Joseph M. McDonald  
Commissioner



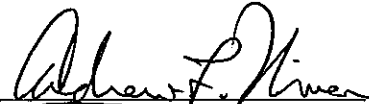
Rowena E. Perez  
Commissioner



Peter Montinola  
Commissioner



Michael A. Pangelinan  
Commissioner



Andrew L. Niven  
Commissioner



Filomena M. Cantoria  
Commissioner

# The Self Insurance Program Protocols

The Self Insurance Program (SIP) of the Guam Power Authority (GPA) will be administered pursuant to the SIP Protocols (SIPP) set forth herein.

## Protocol I Scope

The Self Insurance Program (SIP) is established for the purpose of providing GPA with a dynamic mechanism to recover all unanticipated and extraordinary expenses associated with Insurable Events, as defined herein. The SIP shall be used to reimburse GPA for:

- losses resulting from hazards such as accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunamis, natural disasters, equipment failures, and similar events to the GPA's own property or property leased from others, and costs associated with: pre-hazard preparation and mitigation activities; provision of service during the hazard; GPUC approved hazard mitigation projects; and restoration of the system to at least its pre-hazard state;
- losses that would normally be covered by insurance to the extent that such losses are not covered by insurance;
- deductible amounts contained in insurance policies held by GPA; and
- other approved purposes based on specific petition to the Guam Public Utilities Commission (GPUC) including reimbursement for any loss of net revenues necessary to meet its minimum DSCR requirements under its bond indentures.

## Protocol II Insurable Event

Insurable Events for the SIP include: accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunamis, natural disasters, equipment failures, and similar hazards that would normally be covered by insurance. Nothing in the SIPP shall be deemed to prohibit GPA from petitioning the GPUC for approval to use the SIP Reserve for additional purposes, such as, as examples only, to cover loss of revenues and short-term liquidity in the event of business interruption that would normally be covered by insurance to the extent that such losses are not covered by insurance.

## Protocol III Exclusions

Items not covered under the SIP are:

- Losses covered through GPA's other insurance policies;
- Business interruption costs not caused by an Insurable Event;
- Leased real property and equipment covered by other insurance;
- Losses caused by actions of a governmental unit;
- Normal wear and tear; and
- Workmen's compensation claims.

## **Protocol IV Minimum Threshold Amount**

A Minimum Threshold Amount of \$200,000 per Insurable Event represents the minimum incurred amount required to access the SIP Reserve.

## **Protocol V Draw Declaration**

A Draw Declaration consisting of a written self-certification by the GPA General Manager that a loss has occurred or is occurring that exceeds the Minimum Threshold Amount and is associated with an Insurable Event, or that pre-hazard preparation is necessary to minimize service interruptions that may result from an impending Insurable Event. This self-certification by the General Manager shall be applicable for SIP draws for expenditures of up to \$5.0 million per Insurable Event. The Consolidated Commission on Utilities (CCU) shall authorize all SIP draws above the \$5.0 million threshold.

## **Protocol VI SIP Reserve**

The SIP Reserve shall be separately accounted for by GPA and invested in a diversified approach that maximizes interest income while moderating investment risk and adhering to reasonable SIP liquidity constraints. All interest earnings will be reinvested into the SIP Reserve.

## **Protocol VII SIP Reserve Sources**

The SIP Reserve will be funded through proceeds collected through the Self Insurance Surcharge, amounts obtained through securitization or bond issuance, insurance proceeds or reimbursements for prior SIP Reserve drawdowns, SIP Reserve interest earnings, and any additional funding sources directed to be deposited into the SIP Reserve.

## **Protocol VIII SIP Reserve Cap**

The SIP Reserve will continue to accrue until it reaches the SIP Reserve Cap, which shall remain at \$20,000,000 until changed by an order by the GPUC. GPA will retain an outside expert on or before three years from the date of this order to review the adequacy of the SIP Reserve Cap and recommend changes, if appropriate. Such review shall include an actuarial analysis filed with the GPUC. Thereafter, a recommendation from an outside expert specializing in actuarial analysis shall be required to be filed by GPA prior to any further changes to the SIP Reserve Cap requested by GPA or ordered by the GPUC. Any change to the SIP Reserve Cap must be approved and authorized in writing by the GPUC and reflected in this Protocol-VIII of the SIPP. Risk assessments shall be performed by a firm specializing in actuarial analysis taking into consideration liquidity available by access to lines of credit, existing delivery system inventory of T&D materials and supplies, temporary cash investments, and the cash portion of the existing SIP Reserve. If acceptable to the GPUC, the initial risk assessment under this Protocol shall be prepared no later than June 2016.

## **Protocol IX Self-Insurance Surcharge<sup>1</sup>**

The Self Insurance Surcharge will be set at \$0.0029 per kilowatt hour (kWh) sold by GPA to civilians and \$0.0007 per kWh sold by GPA to US Navy customers. The Self Insurance Surcharge will remain in effect until the amount in the SIP Reserve reaches the SIP Reserve Cap, and shall be reinstated at any time the balance in the SIP Reserve thereafter falls to less than \$18,000,000.

## **Protocol X Drawdown Report**

Within 60 days of the end of a month in which disbursements (drawdowns) are made from the SIP Reserve, GPA shall provide a Drawdown Report to the CCU, with a copy to the GPUC, identifying the amount and purpose of the drawdown in sufficient detail to allow auditing of such transaction. The Drawdown Report shall include, but not be limited to: (i) the drawdown amount; (ii) the purpose of the drawdown; (iii) vendors paid including name, address, telephone, authorized representative, and invoice; (iv) materials purchased including receipts; (v) employee payments broken out by employee, and nature of pay (regular, overtime, special); (vi) itemized accounting of materials drawn from GPA's warehouse; (vii) if applicable, a copy of the CCU resolution approving a drawdown to the SIP Reserve in excess of \$5.0 million; and (viii) a monthly summary of kWhs consumed in the 12-months prior to the Insurable Event and a monthly summary of kWhs consumed following the Insurable Event, and (ix) the Draw Declaration.

## **Protocol XI Photographic Documentation**

Prior to initiation of repairs or restoration activities, GPA will obtain Photographic Documentation for any loss associated with any Insurable Event in sufficient detail to meet any FEMA requirements. Photographic Documentation will be maintained for a period of ten years.

## **Protocol XII Allowable Expenditures – Draw Declaration**

The types of costs allowed to be charged to the SIP Reserve include, but are not limited to, activities associated with loss preparation (proactive and reactive) and restoration activities associated with an Insurable Event such as:

- (i) Additional contract labor;
- (ii) Logistics costs of providing meals, lodging, and linens for tents and other staging areas;
- (iii) Transportation of crews;
- (iv) Vehicle costs for vehicles specifically rented for the Insurable Event;
- (v) Waste management costs specifically related to the Insurable Event;
- (vi) Rental equipment specifically related to the Insurable Event;

---

<sup>1</sup> 1 Figures cited are current as of the date of this report.

- (vii) Materials and supplies used to repair and restore service and facilities to pre-event condition, such as poles, transformers, meters, light fixtures, wire, and other electrical equipment;
- (viii) Overtime payroll and payroll-related costs for overtime pay to utility personnel related to the Insurable Event;
- (ix) Fuel cost for GPA and contractor vehicles;
- (x) Increased costs for fuel used for power generation;
- (xi) Increased power generation costs and/or purchased power costs;<sup>2</sup>
- (xii) Carrying costs from the date costs are incurred until recovered;
- (xiii) Expediting costs;
- (xiv) Debris removal;
- (xv) Tree trimming and other preparation activity initiated at the onset of a tracked storm event;
- (xvi) Infrastructure hardening activities during a recovery period (e.g. replacing wooden poles with concrete, using stronger straps for streetlights, etc.) approved in accordance with the SIP that are in excess of any amounts contained in GPA's current capital budget;
- (xvii) Cost of public service announcements regarding key event-related issues, such as safety and service restoration estimates;
- (xviii) Deductible amounts contained in insurance policies held by GPA;
- (xix) Losses below the deductible for GPA insurance policies in the event the Governor of Guam does not petition the President of the United States to declare the island a major disaster area;
- (xx) Costs for Protocol XV compliance audits; and,
- (xxi) Costs of outside experts required to comply with FEMA requirements and the SIPP.

### **Protocol XII (a) Allowable Expenditures – Petition Required**

GPA shall be required to file a petition with sufficient information for GPUC review and approval of all other purposes not specifically set forth in Protocol XII.

### **Protocol XIII Federal Emergency Management Agency Petition**

~~In the case of natural disasters in which Guam is determined to be a major disaster area by the President of the United States, GPA shall make best efforts inclusive of the~~

---

<sup>2</sup> This language has been included to allow for the use of alternative generation resources, potential 3<sup>rd</sup>-party generation (for example generators or barge-mounted power stations), power purchases from the Department of Defense, and other power solutions (e.g., cruise ship provided support) used in the aftermath of a natural disaster as well as potential future changes to the system.



reliance on disaster reimbursement recovery experts to petition FEMA for reimbursement of deductible levels under GPA's insurance programs including this SIP as well as amounts that exceed the funding levels available in this SIP and GPA's insurance policies.

### **Protocol XIV Loss Mitigation**

GPA may seek to use the SIP Reserve to fund activities associated with infrastructure hardening activities intended to mitigate future damage not directly associated with an impending Insurable Event. Use of the SIP Reserve for such mitigation activities shall require prior approval from both the CCU and the GPUC.

GPA shall make all efforts to seek redress from manufacturers/retail sellers of any products purchased by GPA and deemed to be defective. Any recoveries made from such warranty claims shall be deposited to the SIP Reserve. GPA will at all times seek to mitigate losses associated with Insurable Events.

### **Protocol XV Audit**

All SIP Reserve drawdowns and Draw Declarations in excess of \$2,500,000 will be audited by an independent third party for SIPP compliance on an annual basis. GPA will retain an independent audit firm to prepare the report. The audit report will be provided to the Audit Committee of the CCU and a copy will be provided to the GPUC. Any transaction found by the GPUC, after hearing, not meeting the parameters of these Protocols shall be adjusted by the GPUC accordingly.

### **Protocol XVI Conflicts with Other Insurance Policies**

Since the purpose of the SIP is to provide for losses not covered by other insurance policies, conflicts with other GPA insurance policies will be the responsibility of the other insurance policy.

### **Protocol XVII GPUC Inherent Powers**

Nothing in the SIPP shall be deemed in derogation of or otherwise limiting the GPUC's express or inherent regulatory oversight powers created by Chapter 12 of the Guam Code Annotated, including, without limitation, 12 GCA §§12004, 12005 and 12007.

### **Protocol XVIII SIPP Modifications**

Any modifications to the SIPP must be authorized in writing by the CCU and the GPUC.

# **The Self Insurance Program Protocols**

The Self Insurance Program (SIP) of the Guam Power Authority (GPA) will be administered pursuant to the SIP Protocols (SIPP) set forth herein.

## **Protocol I      Scope**

The Self Insurance Program (SIP) is established for the purpose of providing GPA with a dynamic mechanism to recover all unanticipated and extraordinary expenses associated with Insurable Events, as defined herein. The SIP shall be used to reimburse GPA for:

- losses resulting from hazards such as accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunamis, natural disasters, equipment failures, and similar events to the GPA's own property or property leased from others, and costs associated with: pre-hazard preparation and mitigation activities; provision of service during the hazard; GPUC approved hazard mitigation projects; and restoration of the system to at least its pre-hazard state;
- losses that would normally be covered by insurance to the extent that such losses are not covered by insurance;
- deductible amounts contained in insurance policies held by GPA; and
- other approved purposes based on specific petition to the Guam Public Utilities Commission (GPUC) including reimbursement for any loss of net revenues necessary to meet its minimum DSCR requirements under its bond indentures.

## **Protocol II      Insurable Event**

Insurable Events for the SIP include: accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunamis, natural disasters, equipment failures, and similar hazards that would normally be covered by insurance. Nothing in the SIPP shall be deemed to prohibit GPA from petitioning the GPUC for approval to use the SIP Reserve for additional purposes, such as, as examples only, to cover loss of revenues and short-term liquidity in the event of business interruption that would normally be covered by insurance to the extent that such losses are not covered by insurance.

## **Protocol III      Exclusions**

Items not covered under the SIP are:

- Losses covered through GPA's other insurance policies;
- Business interruption costs not caused by an Insurable Event;
- Leased real property and equipment covered by other insurance;

- Losses caused by actions of a governmental unit;
- Normal wear and tear; and
- Workmen's compensation claims.

#### **Protocol IV Minimum Threshold Amount**

A Minimum Threshold Amount of \$200,000 per Insurable Event represents the minimum incurred amount required to access the SIP Reserve.

#### **Protocol V Draw Declaration**

A Draw Declaration consisting of a written self-certification by the GPA General Manager that a loss has occurred or is occurring that exceeds the Minimum Threshold Amount and is associated with an Insurable Event, or that pre-hazard preparation is necessary to minimize service interruptions that may result from an impending Insurable Event. This self-certification by the General Manager shall be applicable for SIP draws for expenditures of up to \$5.0 million per Insurable Event. The Consolidated Commission on Utilities (CCU) shall authorize all SIP draws above the \$5.0 million threshold.

#### **Protocol VI SIP Reserve**

The SIP Reserve shall be separately accounted for by GPA and invested in a diversified approach that maximizes interest income while moderating investment risk and adhering to reasonable SIP liquidity constraints. All interest earnings will be reinvested into the SIP Reserve.

#### **Protocol VII SIP Reserve Sources**

The SIP Reserve will be funded through proceeds collected through the Self Insurance Surcharge, amounts obtained through securitization or bond issuance, insurance proceeds or reimbursements for prior SIP Reserve drawdowns, SIP Reserve interest earnings, and any additional funding sources directed to be deposited into the SIP Reserve.

#### **Protocol VIII SIP Reserve Cap**

The SIP Reserve will continue to accrue until it reaches the SIP Reserve Cap, which shall remain at \$20,000,000 until changed by the GPUC. GPA will retain an outside expert at least every three years to review the adequacy of the SIP Reserve Cap and recommend changes, if appropriate. Any change to the SIP Reserve Cap must be approved and authorized in writing by the GPUC and reflected in this Protocol VIII of the SIPP. Such risk assessments shall be performed by a firm specializing in actuarial analysis taking into consideration liquidity available by access to lines of credit, existing delivery system inventory of T&D materials and supplies, temporary cash investments, and the cash portion of the s existing SIP Reserve. If acceptable to the

GPUC, the initial risk assessment under this Protocol shall be prepared no later than June 2016.

## **Protocol IX Self-Insurance Surcharge<sup>1</sup>**

The Self Insurance Surcharge will be set at \$0.0029 per kilowatt hour (kWh) sold by GPA to civilians and \$0.0007 per kWh sold by GPA to US Navy customers. The Self Insurance Surcharge will be in effect at any time the balance in the SIP Reserve is less than the SIP Reserve Cap.

## **Protocol X Drawdown Report**

Within 60 days of the end of a month in which disbursements (drawdowns) are made from the SIP Reserve, GPA shall provide a Drawdown Report to the CCU, with a copy to the GPUC, identifying the amount and purpose of the drawdown in sufficient detail to allow auditing of such transaction. The Drawdown Report shall include, but not be limited to: (i) the drawdown amount; (ii) the purpose of the drawdown; (iii) vendors paid including name, address, telephone, authorized representative, and invoice; (iv) materials purchased including receipts; (v) employee payments broken out by employee, and nature of pay (regular, overtime, special); (vi) itemized accounting of materials drawn from GPA's warehouse; (vii) if applicable, a copy of the CCU resolution approving a drawdown to the SIP Reserve in excess of \$5.0 million; and (viii) a monthly summary of kWhs consumed in the 12-months prior to the Insurable Event and a monthly summary of kWhs consumed following the Insurable Event, and (ix) the Draw Declaration.

## **Protocol XI Photographic Documentation**

Prior to initiation of repairs or restoration activities, GPA will obtain Photographic Documentation for any loss associated with any Insurable Event in sufficient detail to meet any FEMA requirements. Photographic Documentation will be maintained for a period of ten years.

## **Protocol XII Allowable Expenditures**

The types of costs allowed to be charged to the SIP Reserve include, but are not limited to, activities associated with loss preparation (proactive and reactive) and restoration activities associated with an Insurable Event such as:

- (i) Additional contract labor;
- (ii) Logistics costs of providing meals, lodging, and linens for tents and other staging areas;
- (iii) Transportation of crews;
- (iv) Vehicle costs for vehicles specifically rented for the Insurable Event;

---

<sup>1</sup> Figures cited are current as of the date of this report.

- (v) Waste management costs specifically related to the Insurable Event;
- (vi) Rental equipment specifically related to the Insurable Event;
- (vii) Materials and supplies used to repair and restore service and facilities to pre-event condition, such as poles, transformers, meters, light fixtures, wire, and other electrical equipment;
- (viii) Overtime payroll and payroll-related costs for overtime pay to utility personnel related to the Insurable Event;
- (ix) Fuel cost for GPA and contractor vehicles;
- (x) Increased costs for fuel used for power generation;
- (xi) Increased power generation costs and/or purchased power costs;<sup>2</sup>
- (xii) Carrying costs from the date costs are incurred until recovered;
- (xiii) Expediting costs;
- (xiv) Debris removal;
- (xv) Tree trimming and other preparation activity initiated at the onset of a tracked storm event;+
- (xvi) Infrastructure hardening activities (e.g. replacing wooden poles with concrete, using stronger straps for streetlights, etc.) approved in accordance with the SIPP that are in excess of any amounts contained in GPA's current capital budget;
- (xvii) Cost of public service announcements regarding key event-related issues, such as safety and service restoration estimates;
- (xviii)
- (xix) Deductible amounts contained in insurance policies held by GPA;
- (xx) Losses below the deductible for GPA insurance policies in the event the Governor of Guam does not petition the President of the United States to declare the island a major disaster area;
- (xxi) Costs for Protocol XV compliance audits;
- (xxii) Costs of outside experts required to comply with FEMA requirements and the SIPP; and
- (xxiii) Other purposes based on petition to and approval of the GPUC.

---

<sup>2</sup> This language has been included to allow for the use of alternative generation resources, potential 3<sup>rd</sup>-party generation (for example generators or barge-mounted power stations), power purchases from the Department of Defense, and other power solutions (e.g., cruise ship provided support) used in the aftermath of a natural disaster as well as potential future changes to the system.

### **Protocol XIII Federal Emergency Management Agency Petition**

In the case of natural disasters in which Guam is determined to be a major disaster area by the President of the United States, GPA shall make best efforts inclusive of the reliance on disaster reimbursement recovery experts to petition FEMA for reimbursement of deductible levels under GPA's insurance programs including this SIP as well as amounts that exceed the funding levels available in this SIP and GPA's insurance policies.

### **Protocol XIV Loss Mitigation**

GPA may seek to use the SIP Reserve to fund activities associated with infrastructure hardening activities intended to mitigate future damage not directly associated with an impending Insurable Event. Use of the SIP Reserve for such mitigation activities shall require prior approval from both the CCU and the GPUC.

GPA shall make all efforts to seek redress from manufacturers/retail sellers of any products purchased by GPA and deemed to be defective. Any recoveries made from such warranty claims shall be deposited to the SIP Reserve. GPA will at all times seek to mitigate losses associated with Insurable Events.

### **Protocol XV Audit**

All SIP Reserve drawdowns and Draw Declarations in excess of \$2,500,000 will be audited by an independent third party for SIPP compliance on an annual basis. GPA will retain an independent audit firm to prepare the report. The audit report will be provided to the Audit Committee of the CCU and a copy will be provided to the GPUC.

### **Protocol XVI Conflicts with Other Insurance Policies**

Since the purpose of the SIP is to provide for losses not covered by other insurance policies, conflicts with other GPA insurance policies will be the responsibility of the other insurance policy.

### **Protocol XVII SIPP Modifications**

Any modifications to the SIPP must be authorized in writing by the CCU and the GPUC.

---

