

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF: ) GPA Docket 15-04
)
The Petition of the Guam Power Authority)
for Approval of Financing for the ) ORDER
Insurance Contract with AM Insurance )
)
)

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon Petition of Guam Power Authority ["GPA"] for Approval of Financing for the Insurance Contract with AM Insurance.1
2. GPA presently maintains its property insurance through a contract with AM Insurance. The renewal period for such insurance will commence November 1, 2014 for a one year period.2
3. GPA requests that the PUC approve the renewal contract with AM Insurance for the 2014-2015 policy year with a total payment not to exceed \$5,250,000, and with a financing agreement at an interest rate of 4.00% on premium payments to be made over the 12 month policy period.3

BACKGROUND

- 4. In its Order dated October 29, 2013, the PUC approved GPA's property insurance contract with AM Insurance for the policy period beginning November 1, 2013 through November 1, 2016.4
5. In its Order, the PUC authorized GPA to expend \$5.4M for the annual cost of the property insurance policy. Upon evidence presented to it, PUC found that the program for the proposed policy was in line with that of recent policies.5

1 GPA Petition for Approval of Financing for the Insurance Contract with AM Insurance, GPA Docket 15-04, filed November 6, 2014.

2 Id. at p. 1.

3 Id.; although GPA's Petition indicated a 4.25% interest rate, GPA's subsequent email, and Commercial Premium Finance Agreement with First Insurance Funding, provided to Counsel on November 13, 2014, establish that the interest rate will be 4%. Email from Graham Botha, GPA Counsel, to Fred Horecky, PUC Counsel, dated November 13, 2014.

4 PUC Order re: GPA Petition for Approval of Insurance Contract with AM Insurance, GPA Docket 13-04, dated October 29, 2013.

5 Id. at p. 2.

6. PUC further determined that GPA was required by its Bond Indenture Agreement to maintain property insurance coverage to ensure that such policy is in place.<sup>6</sup> GPA's proposed property insurance coverage with AM Insurance was found to be reasonable, prudent, and necessary.<sup>7</sup>
7. The Guam Consolidated Commission on Utilities, in Resolution No. 2014-53, authorized GPA to enter into a contract with AM Insurance for a total payment not to exceed \$5,250,000 for the property insurance, and to execute a financing agreement with an interest rate of 4.25% to allow for the premium payments to be made over the next 12 months.<sup>8</sup>
8. PUC Counsel filed his Report herein on November 16, 2014.<sup>9</sup>

#### DETERMINATIONS

9. The PUC had previously approved an annual property insurance payment to AM Insurance in the amount of \$5.4M. GPA has successfully negotiated a property insurance contract for the upcoming year in an amount less than that previously approved by the PUC (\$5,250,000.00).
10. GPA has little choice but to maintain its property insurance coverage, in accordance with the requirements in its Bond Indenture Agreement.
11. GPA's property insurance contract with AM Insurance should be approved for the annual policy year commencing on November 1, 2014. GPA's proposed property insurance program is reasonable, prudent and necessary
12. GPA further seeks authorization to finance a portion of its property insurance premiums over an eleven month period.<sup>10</sup> GPA should be authorized to finance its property insurance premiums in accordance with the terms of its Commercial

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<sup>6</sup>Id.

<sup>7</sup> Id.

<sup>8</sup> Guam Consolidated Commission on Utilities Resolution No. 2014-53, Relative to the Authorization to Authorize the Guam Power Authority to Accept Premium Rates for the Upcoming Property Insurance Policy Period and to Execute a Financing Agreement for Same, adopted October 27, 2014.

<sup>9</sup> PUC Counsel Report, GPA Docket 15-04, dated November 16, 2014.

<sup>10</sup> See Commercial Premium Finance Agreement between GPA and First Insurance Funding, dated October 31, 2014.

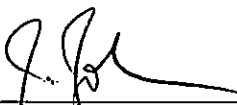
Premium Finance Agreement with First Insurance Funding. The 4% interest rate is reasonable; such financing will assist GPA in meeting its financial obligations.


### ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of Financing for the Insurance Contract with AM Insurance, 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 is hereby authorized to enter into its property insurance contract with AM Insurance for the policy period beginning November 1, 2014 through November 1, 2015, in a total amount not to exceed \$5,250,000; such property insurance is approved.
2. GPA is further authorized to enter into the Commercial Premium Finance Agreement with First Insurance Funding, at an interest rate of 4.00%, and to finance its property insurance premiums. Payments thereunder, approximately \$412,039.45 per month, should be made over an eleven month period in accordance with the Agreement.
3. 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 1st day of December, 2014.


  
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Jeffrey Q. Johnson  
Chairman


  
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Joseph M. McDonald

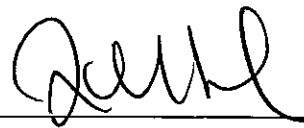
Order  
Petition for Approval of Financing  
For Insurance Contract with AM Insurance  
GPA Docket 15-04  
December 1, 2014

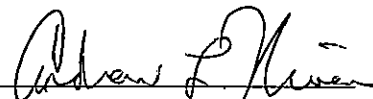
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Rowena E. Perez  
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Michael A. Pangelinan  
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Filomena M. Cantoria  
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