

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)	GPA DOCKET 18-12
)	
THE PETITION OF THE GUAM POWER AUTHORITY FOR APPROVAL OF INSURANCE INVITATION FOR BID)	ORDER
)	
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INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Guam Power Authority [“GPA”] Petition for Approval of Insurance Invitation for Bids.¹
2. GPA seeks to obtain Property Insurance for the policy period beginning November 1, 2018. The current GPA Property Insurance Policy will expire on November 1, 2018.²

BACKGROUND

3. GPA’s Bond Indenture Agreement requires GPA to “secure and maintain property insurance on all facilities constituting the system against risks of loss or damage to the extent that such insurance is obtainable at reasonable cost...”. The Indenture further requires GPA to carry insurance “of a scope and nature as that usually carried in the industry...”.³
4. The insurance coverages for which GPA seeks to issue an IFB are: Property and Boiler & Machinery, Catastrophe Coverage including Earthquake, Flood, Typhoon and Tsunami, Business Income/Extra Expense, Terrorism, All Risk, and Cyber Liability.⁴
5. In 2013, the PUC approved GPA’s last property insurance procurement.⁵

¹ GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 18-12, filed April 10, 2018.

² Id. at p. 1.

³ Guam Consolidated Commission on Utilities Resolution No. 2018-06, Relative to Petitioning the Public Utilities Commission for Authorization to Begin Procurement for Property Insurance, issued March 27, 2018.

⁴ Attachment to the Petition of the Guam Power Authority for Approval of Insurance Invitation for Bids, Property Insurance Bid, GPA Docket 18-12, filed April 10, 2018.

⁵ PUC Order, GPA Docket 13-04, in the Matter of Petition for Approval of Insurance Invitation for Bid, dated May 28, 2013.

6. The PUC approved GPA's request and authorized it to extend its Property Insurance and Casualty Policy through November 1, 2018.⁶
7. On March 27, 2018, the Consolidated Commission on Utilities adopted Resolution No. 2018-06, which approves the GPA draft Invitation for Bids for Property Insurance to include Boiler and Machinery and Terrorism coverage, and further determines that such property insurance costs are a prudent expense. The General Manager was authorized to submit the bid documents to the PUC.⁷
8. Since its current Property Insurance Policy will expire on November 1, 2018, GPA now seeks to obtain property insurance for the policy period from November 1, 2018 through November 1, 2021.

DETERMINATIONS

9. GPA is required by its Bond Indenture Agreement to maintain insurance coverage. Thus, it has little choice as to whether to issue the proposed Invitation for Bids. Its present policy is expiring on November 1, 2018.
10. The Invitation for Bid documents submitted by GPA are in a standard form and contain the provisions which GPA has ordinarily included in its insurance procurement bids. This bid has been reviewed by GPA's independent Insurance Consultant.⁸
11. GPA is required to seek PUC review under the Contract Review Threshold of \$1.5M for its Property Insurance Policy, which includes Boiler and Machinery Coverage and Terrorism Coverage.

⁶ Id. at p. 3.

⁷ Guam Consolidated Commission on Utilities Resolution No. 2018-06, Relative to Petitioning the Public Utilities Commission for Authorization to Begin Procurement for Property Insurance, issued March 27, 2018, at pg. 2.

⁸ On April 17, 2018, GPA Legal Counsel confirmed to PUC Counsel that GPA's Insurance Consultant has reviewed the IFB.

12. GPA's current property insurance costs exceed \$6.4M.⁹ GPA estimates the projected cost of the policy for which it now seeks to issue bids will be "between \$6-\$7M per year."¹⁰
13. GPA has demonstrated that it is required by its Bond Indenture to have property insurance. Therefore, its request to issue an Invitation for Bids for its property insurance program is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of Insurance Invitation for Bids, 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 approval of Insurance Invitation for Bids for GPA Property Insurance Policy for the period of November 1, 2018, to November 1, 2021, with two one-year extension options, is hereby approved.
2. GPA is authorized to issue an IFB in the form attached to its Petition.
3. However, since the price of the cost of which GPA seeks to procure is presently unknown, GPA shall be required to seek approval from the PUC for the cost of the policy before it makes a final award.
4. GPA shall file a copy of its property insurance contract with the PUC when such policy is finalized.
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 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.

⁹ Guam Consolidated Commission on Utilities Resolution No. 2018-06, Relative to Petitioning the Public Utilities Commission for Authorization to Begin Procurement for Property Insurance, issued March 27, 2018, at p. 1.

¹⁰ GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 18-12, filed April 10, 2018, at p. 1.

Order
Petition for Approval of
Insurance Invitation for Bid
GPA Docket 18-12
April 26, 2018

Dated this 26th day of April, 2018.

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Filomena M. Cantoria
Commissioner

Michael A. Pangelinan
Commissioner

Peter Montinola
Commissioner

Andrew L. Niven
Commissioner