

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:

GPA DOCKET 19-03

THE PETITION OF THE GUAM
POWER AUTHORITY FOR APPROVAL
OF PROPERTY INSURANCE
CONTRACT WITH DB INSURANCE
CO., LTD.

ORDER

INTRODUCTION

- 1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for Approval of its Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance.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 October 31, 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. In 2013, the PUC approved the solicitation for GPA's existing property insurance contract.⁴

¹ GPA Petition for Approval of Property Insurance Contract with DB Insurance Co., Ltd., GPA Docket 19-03, filed October 4, 2018 at p. 1.

² Id. at p. 1.

³ Guam Consolidated Commission on Utilities Resolution No. 2018-22, Relative to the Authorization of the GPA to Award Property Insurance for a Three-Year Policy with Two One-Year Options, issued September 25, 2018 at p. 1.

⁴ PUC Order, GPA Docket 13-04, in the Matter of Petition for Approval of Insurance Invitation for Bid, dated May 28, 2013.

5. When the three-year insurance policy period for said contract was to expire in November of 2016, GPA requested that the PUC authorize GPA to exercise its two one-year options for the period of November 1, 2016 to October 31, 2018.⁵
6. The PUC approved GPA's request and authorized it to extend its Property Insurance and Casualty Policy through October 31, 2018.⁶
7. Since its current Property Insurance Policy will expire on October 31, 2018, GPA prepared a new Property Insurance solicitation for the policy period beginning on November 1, 2018 and ending on November 1, 2021.
8. On March 27, 2018, the Consolidated Commission on Utilities ["CCU"] adopted Resolution No. 2018-06, which approved GPA's draft IFB for Property Insurance to include Boiler and Machinery and Terrorism coverage, and the resolution authorized GPA's General Manager was authorized to submit the IFB to the PUC.⁷
9. On April 26, 2018, the PUC authorized GPA to issue the Property Insurance IFB and required GPA to obtain the PUC's approval prior to making a final award of the contract.⁸
10. GPA subsequently issued the Property Insurance IFB as GPA-IFB-077-18 (Property Insurance)(Multi-Sealed Bid) and received one bid from DB Insurance Co., Ltd, by and through its local agent, AM Insurance.⁹
11. On September 25, 2018, the CCU adopted Resolution No. 2018-22 which authorized GPA's General Manager to accept the terms of the annual premiums offered by DB Insurance Co., Ltd., by and through its local agent, AM Insurance, and related parties at a cost of \$4,355,000 for each of the next three policy periods covered between November 1, 2018 and October 31, 2021 with two one-year options and to

⁵ PUC Order, GPA Docket 17-07, GPA Petition for Approval of Insurance Contract Renewal, dated October 27, 2016.

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 p. 2.

⁸ PUC Order, GPA Docket 18-12, GPA Petition for Approval of Insurance IFB, dated April 26, 2018, at pg. 3.

⁹ Guam Consolidated Commission on Utilities Resolution No. 2018-22, Relative to the Authorization of the GPA to Award Property Insurance for a Three-Year Policy with Two One-Year Options, issued September 25, 2018 at p. 1.

exercise the option to increase the coverage from \$200 million to \$300 million for an additional \$100 thousand annual premium.¹⁰

12. PUC Counsel issued his Report herein on October 23, 2018.
13. GPA requests that the PUC approve its property insurance contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance.

DETERMINATIONS

14. GPA is required by its Bond Indenture Agreement to maintain insurance coverage. Thus, it has little choice but to enter into a new property insurance contract before its present policy expires on October 31, 2018.
15. GPA originally estimated that its new Property Insurance Contract would cost between \$6-\$7M per year.¹¹ However, despite having only one bid, GPA's Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, has an annual cost of \$4,355,000 for each of the next three policy periods covered between November 1, 2018 and November 1, 2021, which is \$1,645,000 less than the low estimate of \$6,000,000 per annum, and \$2,645,000 less than the high estimate of \$7,000,000 per annum. Additionally, when compared to the \$6,450,000 annual premium for GPA's existing Property Insurance Contract, the new premium is \$2,095,000 less, and after GPA exercises its option to increase its insurance coverage from \$200 million to \$300 million resulting in an annual premium of \$4,455,000, the premium payment will be \$1,995,000 less than GPA's existing property insurance contract. Hence, approving GPA's Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, will result in an annual savings of \$2,095,000 to \$1,995,000 for the next three years.¹²
16. Based upon the foregoing considerations, GPA's proposed property insurance contract is reasonable, prudent, and necessary. The PUC approves GPA's insurance contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, for the policy period beginning November 1, 2018 through October 31, 2021.

¹⁰ Id., at p. 2.

¹¹ GPA Petition for Approval for Insurance Invitation for Bids, GPA Docket 18-12, filed April 10, 2018, at p. 1.

¹² PUC Legal Counsel Report, Docket No. 19-03, filed on October 23, 2018, at p. 4.

ORDERING PROVISIONS

After review of the record herein, GPA’s Petition for Approval of its Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, and the PUC Counsel Report, and 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 its Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance, for the period of November 1, 2018, to October 31, 2021, with two one-year optional extensions is hereby approved.
2. GPA is authorized to enter into the Property Insurance Contract with DB Insurance Co., Ltd., by and through its local agent, AM Insurance.
3. GPA shall file a copy of its property insurance contract with the PUC.
4. 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.

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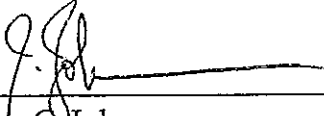
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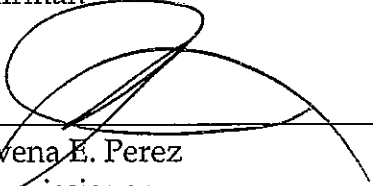
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Order
Petition for Approval of
Property Insurance Contract
With DB Insurance Co., Ltd.
GPA Docket 19-03
October 25, 2018

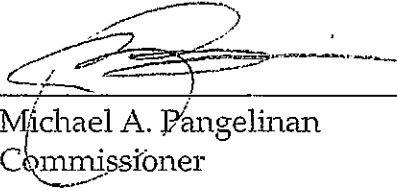
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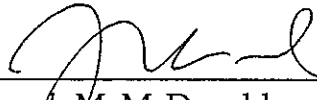
Jeffrey C. Johnson
Chairman



Rowena E. Perez
Commissioner



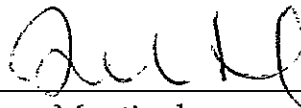
Michael A. Pangelinan
Commissioner



Joseph M. McDonald
Commissioner



Filomena M. Cantoria
Commissioner



Peter Montinola
Commissioner