

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)	PUC COUNSEL REPORT
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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. When the three-year insurance policy period was to expire in November of 2016, GPA requested that the PUC authorize it to exercise the two (2) one (1) year options on GPA's property insurance policy for the period of November 1, 2016 to November 1, 2018.⁶
7. The PUC approved GPA's request and authorized it to extend its Property Insurance and Casualty Policy through November 1, 2018.⁷
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.
9. 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.⁸
10. Along with its petition, GPA has also submitted the format for its proposed Invitation for Bids for Property Insurance.

ANALYSIS

10. 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.
11. 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. The process is a "Multi-Step Bid": first, GPA will evaluate technical proposals and determine who the qualified bidders are; second, in step

⁶ PUC Order, GPA Docket 17-07, GPA Petition for Approval of Insurance Contract Renewal, dated October 27, 2016.

⁷ Id. at p. 3.

⁸ 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.

two, GPA will evaluate price proposals and select the most qualified bidder.⁹ This bid has been reviewed by GPA's independent Insurance Consultant.¹⁰

12. 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. GPA's current property insurance costs exceed \$6.4M.¹¹ GPA estimates the projected cost of the policy for which it now seeks to issue bids will be "between \$6-\$7M per year."¹²
13. The total sum insured for each and every occurrence in respects to Property Damage/Business Interruption/Extra Expense combined is \$300,000,000, subject to certain sub-limits. Acts of terrorism are insured up to \$200,000,000. The Gloria Nelson Building is insured up to \$35,000,000.¹³
14. 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.

RECOMMENDATION

15. Counsel recommends the PUC approve GPA's proposed Invitation for Bids (IFB) for GPA's property insurance programs for the policy period beginning November 1, 2018 through November 1, 2021, with two one-year extensions.
16. However, at the present time, GPA is uncertain as to the exact price of the policy. Because of the price uncertainty, GPA should seek approval from the PUC before entering into a final contract for its property insurance.
17. A Proposed Order is submitted herewith for the consideration of the Commissioners.

⁹ 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, pgs. 4-6.

¹⁰ On April 17, 2018, GPA Legal Counsel confirmed to PUC Counsel that GPA's Insurance Consultant has reviewed the IFB.

¹¹ 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.

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

¹³ 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, pgs. 15-16.

PUC Counsel Report
Petition for Approval of
Insurance Invitation for Bid
GPA Docket 18-12
April 18, 2018

Dated this 18th day of April, 2018.

Frederick J. Horecky
PUC Legal Counsel