



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

In re: Request by the Guam Waterworks Authority for Approval of GWA's Property Insurance under the Contract Review Protocol) GWA Docket 10-02

ORDER APPROVING PURCHASE OF PROPERTY INSURANCE BY GWA

Introduction

This matter comes before the Guam Public Utilities Commission [GPUC] upon the request by the Guam Waterworks Authority [GWA] for approval of its property insurance policy under the Contract Review Protocol.¹

Background

On August 17, 2010 GWA issued Bid No. 2010-12 for \$50M in property insurance with a \$1M deductible.² On September 14, 2010, GWA opened the bids and only AM Insurance submitted a bid in the amount of One Million Seven Hundred Seventy-One Thousand Seven Hundred Thirty Eight Dollars (\$1,771,738).³ The GWA Evaluation Committee recommended that AM Insurance be awarded the contract for property insurance for a 14 month coverage period at the cost indicated.⁴ The Memorandum from Iris Ltd., GWA's insurance consultant, indicated that AM Insurance's proposal met GWA's specifications for coverage and that said firm should be awarded the bid for property insurance.⁵ PUC Counsel filed a Report herein on October 7, 2010, which recommends approval by the PUC of GWA's Property Insurance.

¹ GWA Petition for Approval of Property Insurance Bid and Authorization to Issue Policy, GWA Docket 10-02, filed October 1, 2010; on September 28, 2010, GWA filed various documents relating to its property insurance bid with the PUC.

² Id.

³ Id.

⁴ GWA Memorandum from Supply Management Administrator to General Manager, undated.

⁵ Memorandum from Mike Moody to Greg Cruz, GWA, September 23, 2010.

Determinations

Section 6.05 of the 2005 Bond Series Indenture requires GWA to maintain insurance on its system "with responsible insurers in such amounts and against such risks (including accident to or destruction of the system) as are usually maintained by prudent operators of systems..."⁶ Therefore, approval by PUC of GWA's property insurance is prudent to avoid technical non-compliance by GWA with its bond covenants.

GWA intends, within the next month, to issue revenue bonds (the 2010 Bond Series Issue). Acceptance by GWA of the AM property insurance bid and compliance with the indenture is a prerequisite to GWA's issuance of the 2010 bonds.⁷ GWA's underwriters have indicated that GWA must have this property insurance in effect prior to approaching the rating agencies (which is scheduled for October 11, 2010).⁸ Therefore, approval by PUC of GWA's property insurance will enable it to proceed with the 2010 bond issue.

The AM Insurance bid complies with and responds to the coverage limits and deductibles sought by GWA in the bid. Furthermore, the availability of property insurance will potentially benefit rate payers with regard to the protection of system assets. Insurance proceeds can assist recovery efforts after natural disasters such as typhoons or earthquakes.

Order

Having carefully considered the record herein, the Petition for Approval of GWA's Property Insurance Bid and Authorization to Issue Policy, documents relative to IFB GWA 2010-12, and the Response of AM Insurance, other documentation submitted, and the October 6, 2010 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. The selection of AM Insurance, pursuant to GWA Bid No. 2010-12, to provide property insurance to GWA for \$50M, with a \$1M deductible, is hereby approved pursuant to the Contract Review Protocol.

⁶ Id. at p. 1.

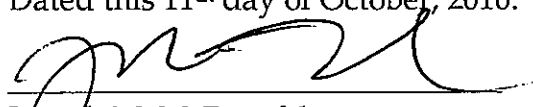
⁷ Email from GWA Legal Counsel to PUC Counsel dated September 23, 2010.

⁸ GWA's Petition for Approval of Property Insurance, GWA Docket 10-02, p. 3.

Order Approving Purchase of Property Insurance
In re: Request by GWA for
Approval of GWA's Property Insurance
GWA Docket 10-02
October 11, 2010

2. GWA is authorized to award said bid to AM Insurance, and to notify AM Insurance to issue the agreed upon policy for property insurance.
3. GWA must be authorized to obtain property insurance, as such insurance is required under Section 6.05 of the 2005 Bond Series Indenture. Furthermore, unless approval is given, GWA could be foreclosed from issuing its anticipated new series 2010 bonds.
4. The bid submitted by AM Insurance, and the cost thereof, are prudent and reasonable under the circumstances; GWA Management is authorized to issue a Notice to Proceed to AM Insurance.

Dated this 11th day of October, 2010.



Joseph M. McDonald
Acting Chairman