

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 21-08
)
The Application of the Guam Power)
Authority to Approve the Procurement of) **ALJ REPORT**
Merchant Services.)
_____)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for approval of the Procurement of Merchant Services.¹
2. The Merchant Services which GPA seeks to procure would enable the acceptance and processing of credit and debit card payments for GPA, GWA, and the Guam Solid Waste Authority at their payment facilities and online. The merchant service provider will process Visa and MasterCard, debit and credit cards, and Discover Card. Request for Proposal No. GPA-RFP-21-___ for Merchant Services, Section 4, Solicitation and Technical Requirements (attached to the GPA Petition). A true and correct copy of Section 4 is attached hereto as Exhibit "1".

BACKGROUND

3. The current provider of Merchant Services to GPA and GWA is the Bank of Hawaii. The BOH 5-year contract will expire in May 2021.²

¹ GPA Petition for Approval of the Procurement of Merchant Services, GPA Docket 21-08, filed April 5, 2021.

² Telephone conference between GPA Counsel Graham Botha and PUC ALJ Fred Horecky on April 7, 2021.

4. GPA requests that PUC authorize it to proceed with the procurement of Merchant Services. The term of the proposed merchant service RFP being requested will be for a one (1) year period with options for four (4) additional one (1) year extensions.³
5. Attached hereto as Exhibit "2" is the current PRICE SUMMARY for Merchant Services provided by the Bank of Hawaii.
6. The current volumes of annual transactions and annual sales for GPA, GWA, and GSWA are as follows⁴:

| Service Locations | Annual Transactions | Annual Sales |
|----------------------|---------------------|--------------|
| GPA Offices | 80,400 | \$28,025,000 |
| GPA Online Payments | 258,900 | \$88,055,000 |
| GWA Office | 52,400 | \$7,583,000 |
| GWA Online Payments | 205,110 | \$32,272,000 |
| GSWA Office | 0 | 0 |
| GSWA Online Payments | 86,782 | \$3,807,542 |

7. In the GPA/GWA Resolutions No. 2021-06 and No. 15-FY2021 respectively, the Guam Consolidated Commission on Utilities authorized the issuance of Request for Proposal No. GPA-RFP-21-___ for Merchant Services for GPA and GWA.⁵

³ Guam Consolidated Commission on Utilities, GPA Resolution No. 2021-06/GWA Resolution No. 15-FY2021, adopted and approved on March 23, 2021, at p. 1.

⁴ See Exhibit "1".

⁵ Guam Consolidated Commission on Utilities, GPA Resolution No. 2021-06/GWA Resolution No. 15-FY2021, adopted and approved on March 23, 2021.

8. On April 7, 2021, the Board of the Guam Solid Waste Authority ["GSWA"] approved GSWA Board Resolution No. 2021-002. Resolution No. 2021-002 authorizes GSWA Management to enter and issue the joint procurement for Merchant Services with the Guam Power Authority and the Guam Waterworks Authority.⁶
9. GPA indicates that the Guam Consolidated Commission on Utilities will amend GPA/GWA Resolutions No. 2021-06 and No. 15-FY2021 during its April 2021 regular meeting to approve the inclusion of GSWA in issuance of Request for Proposal No. GPA-RFP-21-___ for Merchant Services for GPA and GWA, and to authorize the collection of payments for GSWA at the GPA and GWA facilities.⁷
10. PUC approval of the Merchant Services RFP for GSWA should be conditioned upon the amendment by CCU of its Resolutions to include GSWA in the issuance of the RFP.

ANALYSIS

11. GPA estimates that its annual costs for customer merchant services will be approximately \$1.3M; over a 5-year period, the cost for merchant services will exceed the contract review threshold of \$1.5M. The PUC must review the proposed Merchant Services RFP.⁸

⁶ Guam Solid Waste Authority Board Resolution No. 2021-002, Authorization for Management to have joint procurement with the Guam Power Authority and the Guam Waterworks Authority's Procurement for Merchant Services, adopted and approved by the GSWA Board on April 7, 2021.

⁷ Phone Conference between GPA Legal Counsel Graham Botha and PUC ALJ Fred Horecky on April 13, 2021.

⁸ Contract Review Protocol for Guam Power Authority, Administrative Docket, PAR.1(e), dated February 15, 2008.

12. There is a clear need for GPA, GWA, and GSWA to provide a broad range of merchant services to their customers. Particularly, during a time of pandemic, the ability to make credit card payments online should be widely available to the customers of Guam.
13. The number of customers paying online for utility bills in the last few years has increased substantially. It is therefore important that the utilities procure the merchant services which they seek in the proposed RFP.
14. In addition, the wide availability of such services to customers ensures that the utilities are promptly paid for the services which they provide.
15. GPA has included GSWA within the procurement for Merchant Services. GSWA became aware of the reduced prices which GPA and GWA pay for Merchant Services and wishes to avail itself of the same discounted rates.⁹
16. GPA has amended the RFP for Merchant Services to include GSWA, as reflected in the language of GPA's RFP. Said amendment awaits final CCU approval.
17. GSWA will be responsible for selecting its own offeror for Merchant Services, for implementing its own credit card/debit card online and in-office procedures, and for paying all fees and charges due for the Merchant Services.
18. The RFP approved by the CCU contains standard provisions for the procurement of services to the government.

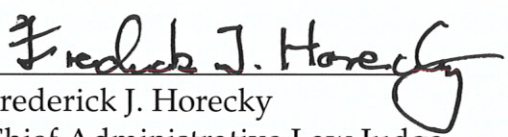
⁹ Phone conversation between Kathrine B. Kakigi, Comptroller, Guam Solid Waste Authority, and Frederick J. Horecky, PUC Administrative Law Judge, on April 8, 2021.

19. GPA indicates that the Merchant Services rates charged under its Merchant Services Contract have been less expensive than those charged by other banks.¹⁰
20. GPA should be afforded the opportunity to procure the required Merchant Services to obtain the best prices for rate payers.

RECOMMENDATION

21. The Administrative Law Judge recommends that the PUC authorize GPA to issue the procurement for Merchant Services, as requested in its Petition and the RFP, for itself, GWA, and GSWA.
22. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 16th day of April 2021.


Frederick J. Horecky
Chief Administrative Law Judge

¹⁰ Phone Conference between GPA Legal Counsel Graham Botha and PUC ALJ Fred Horecky on April 13, 2021.

SECTION 3.0: FORM OF CONTRACT

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To be negotiated with Awarded Proponent

4 SOLICITATION AND TECHNICAL REQUIREMENTS

Guam Power Authority Merchant Services

General:

The Guam Power Authority was created in 1968 as a public corporation and autonomous instrumentality of the Government of Guam. Since that time the Authority has maintained and expanded the island wide power system on Guam. The Authority now has 469 megawatts of generation capacity, 663 miles of transmission and distribution lines, 29 substations, \$958 million in assets, and \$335 million in annual revenues. GPA currently serves approximately 51,000 customers with the U.S. Navy being the largest representing about 16% of revenues.

The Guam Power Authority was changed into a public corporation of the Government of Guam in 2002 and is governed by a five member elected Commission – the Consolidated Commission on Utilities (CCU). The CCU retains contracting authority, establishes policies and has control over the selection of top management of the Authority.

The Authority is regulated by the Guam Public Utilities Commission – a rate setting body made up of Commissioners appointed by the Governor of Guam. The PUC has established rules of operation that are similar to those of other jurisdictions within the United States. The PUC has broad regulatory authority over GPA including approval of any contracts that might have an impact on GPA's rates.

Purpose:

The Guam Power Authority (GPA), Guam Waterworks Authority (GWA), and Guam Solid Waste Authority (GSWA) are soliciting proposals for merchant services enabling the acceptance and processing of credit and debit card payments for GPA, GWA, and GSWA at our payment facilities and online.

Scope of Work (SOW):

The following is an overview of the major requirements/specifications in which Guam Power Authority (GPA), Guam Waterworks Authority (GWA), and Guam Solid Waste Authority (GSWA) are interested and provides explanatory information regarding items within the SOW.

GPA and GWA has merchant services where n credit cards and debit cards have been accepted at GPA and GWA offices and through its website and mobile application. GSWA is currently only accepting online payments for credit cards. This procurement is to provide GPA, GWA, and GSWA with Merchant Services for the one-year period with the four options to extend additional one-year period and may be renewed at the same terms and conditions for additional periods.

The merchant service provider should be able to process substantially all Visa and MasterCard debit and credit cards, and Discover Card, and local bank issued debit cards. Proponents must have payment gateway for online and mobile payments application. Proponents are invited to propose additional related services to GPA, GWA, and GSWA including, but not limited to, serving as a third party collection agent for all electronic payments.

GPA, GWA, and GSWA Statistics:

| Service Locations | Annual Transactions | Annual Sales |
|----------------------|---------------------|--------------|
| GPA Offices | 80,400 | \$28,025,000 |
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GPA and GWA are currently under Utility Industry Program offered by MasterCard wherein lower fees are charged to customers of municipal utilities. The service providers are encouraged to explore incorporating these services or similar utility rate program into the proposal. The extension of the contract may be subject to obtaining or maintaining the Utility Industry Program or similar utility rate program.

NOTE: The GSWA is procuring its online bill payment service. As soon as GSWA award its bill payment services, they will be included in this will execute their merchant services contract.

| | |
|------------------|-----------------------------|
| Exhibit A | PRICING SUMMARY FORM |
|------------------|-----------------------------|

Request For Proposal: GPA-RFP-16-003

Priced Proposal

Offeror: Bank of Hawaii

PRICE SUMMARY FORM
TO BE ENCLOSED IN SEPARATELY SEALED ENVELOPE

Please provide Unit Price for the following and include any additional fees not listed:

Contract Fee: \$ No charge

Monthly Minimum Charge: \$ No charge

Setup Fee: \$ No charge

Annual Assessment/Compliance Fee: \$ No charge

Monthly Service Fee: \$ No charge

Per Transaction Fee: \$

(list separately if there is a dollar and % transaction charge): \$

Visa and MasterCard Credit and Signature Debit (times amount of transaction) 0.1033%

PIN Debit (each transaction): \$ 0.06

Utility Interchange - MasterCard: Bank of Hawaii can offer GPA Utility Interchange rates for MasterCard card purchases as follows: Consumer credit card, \$0.65; Debit card, \$0.45; Commerical and Business card, \$1.50

Terminal Fee per month or year: ..(Up to 35 chip-card read enabled devices with PIN Pad)..... \$ No charge

Chargeback Fee: \$ 5.95

Batch Settlement Fee: \$ No charge

Other Fees: Payeezy payment gateway product, setup and authorization fees \$ No charge

Other Fees: Regulatory Bundle (includes lowest cost PIN Debit network routing)..... \$ 2.95 a month**

Other Fees: PCI DSS Administrative Fee \$ 4.95 a month**

Other Fees: ClientLine Web portal back office reporting tool..... \$ No charge

Other Fees: Fees assessed by Visa, MasterCard, and the PIN Debit Networks and charged to Bank of Hawaii will be "passed through" at prevailing rates, no retail or wholesale markup. (Bank of Hawaii's fee for processing GPA transactions is 0.1033% for Credit and \$0.06 for PIN debit, as shown above.)

** This fee applies to GPA, as a whole, not each merchant number .