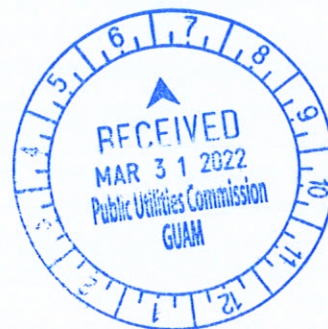


## BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF: ) GPA Docket 22-09  
)  
The Application of the Guam Power )  
Authority to Approve the Contract for ) **ORDER**  
Merchant Services for GPA and GWA. )  
\_\_\_\_\_)



### INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] to Approve the Contract for Merchant Services for GPA and GWA.<sup>1</sup>
2. GPA requests that PUC approve the Award of a Contract for Merchant Services with First Hawaiian Bank for both GPA and GWA. The Merchant Services provided by First Hawaiian Bank would enable the acceptance and processing of credit and debit card customer billing payments for GPA and GWA at their payment facilities and online.
3. Guam Solid Waste Authority (GSWA) will also receive merchant services from First Hawaiian Bank. Although GSWA was included in the procurement for Merchant Services, GPA has not included GSWA in its present request because the cost of the contract to GSWA does not meet GSWA's contract review threshold of \$750,000.00 per annum or over the possible 5-year period of the Contract.<sup>2</sup>

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<sup>1</sup> GPA Petition to Approve the Contract for Merchant Services, GPA Docket 22-09, filed March 9, 2022.

<sup>2</sup> Phone conversation between GPA Legal Counsel Graham Botha and PUC Administrative Law Judge Fred Horecky on March 10, 2022.



### **BACKGROUND**

4. In GPA Docket 21-08, the PUC authorized GPA to issue a Procurement for Merchant Services as set forth in its Petition and Request for Proposal No. GPA-RFP-21-\_\_\_\_, for GPA, GWA, and GSWA.<sup>3</sup>
5. Pursuant to the PUC Order, GPA issued a Request for Proposal for a 1-year contract for Merchant Banking Services, with the option to extend for four 1-year periods.<sup>4</sup>
6. GPA received three proposals in response to the RFP. An Evaluation Committee comprised of GPA and GWA personnel determined that the proposal from First Hawaiian Bank was the most comprehensive and acceptable.<sup>5</sup>
7. The Consolidated Commission on Utilities, subject to PUC approval, authorized the General Managers of the Guam Power Authority and Guam Waterworks Authority to award the Merchant Banking Services Contract to the First Hawaiian Bank at a cost of approximately \$600,000 per year and \$3 million for five years, and \$350,000 per year, and \$1,750,000 for five years, for GPA and GWA respectively.<sup>6</sup>
8. The Merchant Services Contracts would be for a 5-year contract period consisting of a base year and four additional 1-year options.

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<sup>3</sup> PUC Order, GPA Docket 21-08, dated April 29, 2021, at p. 5.

<sup>4</sup> Guam Consolidated Commission on Utilities, GPA Resolution No. FY2022-09/GWA Resolution No. 08-FY2022, Relative to the Authorization for the Guam Power Authority and the Guam Waterworks Authority to Award a Contract for Merchant Banking Services and to Petition the Guam Public Utilities Commission for Approval, approved and adopted on February 22, 2022.

<sup>5</sup> Id., at p. 1.

<sup>6</sup> Id., at p. 2.



9. The Administrative Law Judge ["ALJ"] submitted his Report in this Docket dated March 15, 2022. The PUC adopts the conclusions and recommendations stated therein.

### **DETERMINATIONS**

10. GPA indicates that the First Hawaiian Bank price proposal offered certain advantageous rates, including Visa Utility Program and Mastercard Utility Industry Program rates which offer low interchange rates for utilities.<sup>7</sup>
11. First Hawaiian Bank can offer credit card payments with Visa cards, whereas Bank of Hawaii was unable to do so under the prior Merchant Services Contract.<sup>8</sup>
12. The proposal of First Hawaiian Bank offered "a very favorable interchange rate introduced specifically for the utility industry" under which GPA and GWA expect to save \$1,000,000 and \$220,000 respectively, per year in merchant fees under this new contract.<sup>9</sup>
13. The First Hawaiian Bank proposal also provides all implementation support at no extra cost to the utilities in addition to maintaining consistent pricing throughout the duration of the contract.<sup>10</sup>

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<sup>7</sup> Id., at p. 1.

<sup>8</sup> Phone conversation between GPA CFO John Kim and PUC Administrative Law Judge Fred Horecky on March 14, 2022.

<sup>9</sup> Guam Consolidated Commission on Utilities, GPA Resolution No. FY2022-09/GWA Resolution No. 08-FY2022, Relative to the Authorization for the Guam Power Authority and the Guam Waterworks Authority to Award a Contract for Merchant Banking Services and to Petition the Guam Public Utilities Commission for Approval, approved and adopted on February 22, 2022, at p. 1.

<sup>10</sup> Id., at p. 2.



14. The fees which First Hawaiian Bank will charge for Merchant Services are set forth in the Bid Worksheet attached to the ALJ Report as Exhibit "1".

15. Under the Contact Award, GPA indicates that the following prices will be charged to GPA/GWA for the Merchant Services:

1. Visa & Mastercard - \$0.75 consumer, \$1.5 commercial + transaction fee 0.2%
2. Debit card - \$0.17 per transaction
3. Gateway fee - \$0.09 per transaction<sup>11</sup>

16. GPA and GWA will enter into Form Merchant Agreements with First Hawaiian Bank to establish such services. A true and correct copy of said Agreement is attached to the ALJ Report as Exhibit "2".<sup>12</sup>

17. The PUC previously determined in GPA Docket 21-08 that the provision of merchant services are beneficial to both the utilities and their customers: (1) Credit card payments of utility bills has increased substantially in the last few years; (2) The wide availability of merchant services to customers helps to ensure that the utilities are promptly paid for the services which they provide; (3) The reduced costs of such merchant services have increased customer usage of credit card and online payments of utility bills.<sup>13</sup>

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<sup>11</sup> Email from Graham Botha, GPA Legal Counsel, to PUC ALJ Fred Horecky, dated March 11, 2022.

<sup>12</sup> The FHB Merchant Processing Agreement was provided by Graham Botha, GPA Legal Counsel, to PUC ALJ Fred Horecky in an email dated March 12, 2022.

<sup>13</sup> PUC Order, GPA Docket 21-08, dated April 29, 2021, at pgs. 3-4.



18. There are no charges to the GPA and GWA customers who utilize the merchant services.<sup>14</sup>

19. The award of the Merchant Services Contract to First Hawaiian Bank is reasonable, prudent, and necessary. The cost of services under the proposed contract is less than that under the prior contract. The cost for such services is also reasonable.

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### **ORDERING PROVISIONS**

Upon consideration of the record herein, the Petition of GPA, the ALJ Report, and for good cause shown, on motion duly made, seconded, and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby **ORDERS** that:

1. The Merchant Banking Services contract awards by GPA and GWA to the First Hawaiian Bank are approved.
2. GPA has demonstrated a clear need to provide a broad range of merchant services for the customers of the utilities. It is reasonable, prudent, and necessary for GPA to proceed with the Procurement for Merchant Services.
3. Expenditures in the approximate amount of \$600,000 per year and \$3 million for five years, and \$350,000 per year and \$1,750,000 for five years, for GPA and GWA respectively, are authorized for the 5-year contract period consisting of a base year and four additional 1-year options.

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<sup>14</sup> Phone conversation between GPA CFO John Kim and PUC Administrative Law Judge Fred Horecky on March 14, 2022.



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 PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §§12103(b) and 12125(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

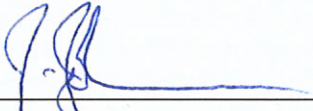
**[SIGNATURES TO FOLLOW ON NEXT PAGE]**



Order  
Approval of the Contracts for Merchant Services  
GPA Docket 22-09  
March 31, 2022

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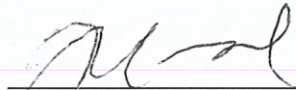
Dated this 31st day of March 2022.



Jeffrey C. Johnson  
Chairman



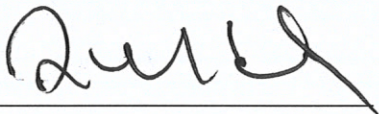
Rowena E. Perez-Camacho  
Commissioner



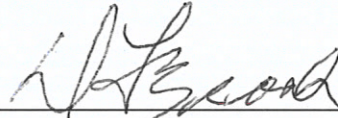
Joseph M. McDonald  
Commissioner



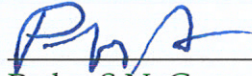
Michael A. Pangelinan  
Commissioner



Peter Montinola  
Commissioner



Doris Flores Brooks  
Commissioner



Pedro S.N. Guerrero  
Commissioner