

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA DOCKET 23-18

THE APPLICATION OF THE GUAM
POWER AUTHORITY TO APPROVE
THE PROCUREMENT OF MERCHANT
BANKING SERVICES FOR THE GUAM
POWER AUTHORITY, THE GUAM
WATERWORKS AUTHORITY, AND
THE GUAM SOLID WASTE
AUTHORITY

PUC COUNSEL REPORT



INTRODUCTION

1. This matter comes before the Public Utilities Commission ["PUC"] pursuant to the Guam Power Authority's ["GPA"] Petition to Approve the Procurement of Merchant Banking Services for GPA, the Guam Waterworks Authority ["GWA"], and the Guam Solid Waste Authority ["GSWA"].¹
2. The GPA's current contract for Merchant Banking Services with First Hawaiian Bank will expire on or about June 30, 2023 and GPA must issue a solicitation to procure Merchant Banking Services for GPA, GWA, and GSWA prior to the expiration date.²
3. GPA requests that the PUC authorize GPA to issue a solicitation for Merchant Banking Services for GPA, GWA, and GSWA.³

BACKGROUND

4. Merchant Banking Services permit GPA, GWA, and GSWA rate payers to use credit and debit cards to pay utility bills and integrate their payments into GPA, GWA, and GSWA customer service and billing systems. Merchant Banking Services enable the rate payers to pay their bills online via GPA, GWA, or GSWA websites, or via phone through voice calls or by using mobile applications. Merchant

¹ GPA Petition to Authorize GPA and GWA to Procure Merchant Banking Services, GPA Docket 23-18, dated May 29, 2023 [GPA Petition].

² GPA Petition at 1. NOTE: The page numbers in GPA's Petition and its exhibits are not continuous and the page numbers cited herein refer to the page number of the PDF version of the Petition which is continuous.

³ Id., at 2.

Banking Services are also used at all GPA, GWA, and GSWA point of sale points at GPA, GWA, and GSWA walk-in and drive through customer service locations.⁴

5. First Hawaiian Bank of the current provider of Merchant Banking Services for GPA, GWA, and GSWA and its contract will expire on June 30, 2023.⁵
6. On April 25, 2023, the Guam Consolidated Commission on Utilities ["CCU"] issued GPA Resolution No. FY2023-18 and GWA Resolution No. 25-FY2023 authorizing GPA and GWA's General Managers to issue a solicitation for Merchant Banking Services to include GSWA for a one-year contract period with four options, and with each option to extend for one-year periods for GPA and GWA, subject to the PUC's approval.⁶

ANALYSIS

7. GPA must obtain the PUC's authorization to issue a solicitation for Merchant Banking Services. The PUC's Contract Review Protocol mandates that GPA shall obtain PUC approval for solicitations and contracts that exceed the amount of \$1,500,000. Here, GPA estimates that the cost of the Merchant Banking Services will exceed that amount.⁷ Therefore, GPA must obtain the PUC's approval of the solicitation for Merchant Banking Services prior to issuing it.
8. GPA's estimated cost of the Merchant Banking Services is reasonable. GPA estimates that its contract costs will be approximately \$1.2 million.⁸ There was no estimate for GWA, however, GWA paid approximately \$626,606 for FY2022.⁹ There was no cost estimate provided by GSWA. The cost of Merchant Banking Services is dependent on the number of transactions made using those services which have been increasing for both GPA and GWA. In 2017 there were 225,533 GPA transactions using Merchant Banking Services and the amount of such transactions increased to each year to reach 426,521 for FY2022. GWA experienced similar growth with 207,894 transactions using Merchant Banking Services in 2018 which grew to 343,938

⁴ Id., at 1-2.

⁵ Id., at 1.

⁶ Id., at 12.

⁷ Id., at 2.

⁸ Id., at 17.

⁹ Id., at 16.

transactions by 2022. Hence, it is reasonable to expect transactions using Merchant Banking Services to increase for 2023 and beyond resulting in higher contract costs for those services.

9. The solicitation for Merchant Banking Services is prudent. GPA received the amount of \$183,079,000 and GWA received the amount of \$47,140,737 from transactions using Merchant Banking Services in FY2022.¹⁰ As these types of transactions are expected to increase in FY2023 and beyond, it is prudent to continue these revenue streams by soliciting and procuring Merchant Banking Services.
10. The solicitation for Merchant Banking Services is necessary. GPA saw an increase in the use of online payments with 97,122 such payments in 2017 and 372,589 payments by 2022.¹¹ GWA saw an increase in online and pay by phone payments with 144,056 payments in 2018 which grew to 292,684 payments by 2022. Hence, the trend of receiving payments online and via phone will only increase with each coming year and Merchant Banking Services are necessary to meet the growing customer demand that GPA, GWA, and GSWA receive payments in this manner.
11. Based on the foregoing, GPA's request to issue a solicitation for Merchant Banking Services for GPA, GWA, and GSWA is reasonable, prudent, and necessary.

RECOMMENDATION

12. Counsel recommends that the PUC approve GPA's petition to issue a solicitation for Merchant Banking Services for GPA, GWA, and GSWA.

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¹⁰ Id., at 15-17.

¹¹ Id., at 15.

13. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 2nd day of May, 2023.

Anthony R. Camacho

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