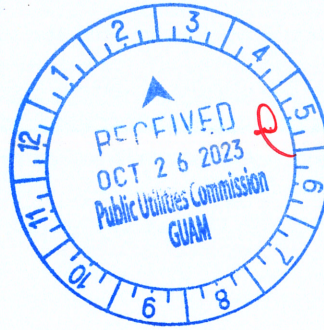


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6 Mangilao, Guam 96913 .
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9 Email: tgrojas@guamwaterworks.org



7 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

9 IN THE MATTER OF:) GPA DOCKET NO. 24-01
10)
11 **GUAM POWER AUTHORITY PROPERTY) PETITION FOR APPROVAL AND**
12 **INSURANCE CONTRACT FOR FY 2024) AUTHORIZATION FOR GPA TO**
13 **WITH FOUR ONE-YEAR RENEWAL) AWARD PROPERTY INSURANCE**
14 **OPTIONS)**

14 **COMES NOW**, the GUAM POWER AUTHORITY (“GPA”), by and through its interim
15 counsel of record, THERESA G. ROJAS, ESQ., and hereby files its petition for the PUC to
16 review and approve GPA's contract with AM Insurance and its affiliates for Property Insurance
17 for a one (1) year policy period beginning November 1, 2023 to October 31, 2024, with four
18 one-year options to renew.

20 **I. BACKGROUND**

21 GPA’s property insurance for all facilities will expire on October 31, 2023. Pursuant to
22 Section 6.13 of its bond indenture GPA is required to obtain insurance on all facilities to protect
23 the system against risk of loss resulting from fire and “action of the elements” which include
24 protecting against risks of loss from typhoons, floods, earthquakes, and tidal waves.¹ These
25 policies are required to the extent that such insurance is obtainable at a reasonable cost.

27 ¹ GPA Revenue Bonds Indenture dated December 1, 1992 – Section 6.13 Insurance

1 In June 2023, GPA issued a solicitation for Property Insurance under multi step bid MS GPA-
2 039-23. The advertised contract term was for three (3) years from FY 2024 to FY 2026 with two
3 one (1) year options to renew. Technical proposals were due August 4, 2023, and price proposals
4 were due September 15, 2023. Interested bidders had approximately nine (9) weeks to submit
5 bids. Two bidders picked up MS GPA-039-23 but only AM Insurance submitted a bid.

6 The property insurance premiums offered by AM Insurance through its underwriters totaled
7 \$7,973,857.73 (Seven Million, Nine Hundred Seventy-Three Thousand, Eight Hundred Fifty-
8 Seven Dollars and 73/100). These amounts exceeded GPA's price estimates as the proposed bid
9 increased by 20% above prior year premiums.

10 Due to the high premiums received and time constraints to re-bid, pursuant to Guam
11 procurement rules for "one-bidder" scenarios subject to specific conditions, the MS GPA-039-
12 23 multi-step procurement was cancelled and then conducted as a sole source procurement to
13 permit negotiations.² Following sole source negotiations, GPA successfully negotiated a lower
14 premium of a not to exceed total of \$7,873,858.00 (Seven Million, Eight Hundred Seventy-Three
15 Thousand, Eight Hundred Fifty-Eight Dollars 00/100) reduced from \$7,973,857.73 realizing a
16 savings of approximately \$100,000.00 per annum for GPA's Property premiums. The not to
17 exceed amount is contingent on an agreement with AM Insurance and its underwriters to
18 continually review all options available to reduce insurance premiums before a new policy date
19 of November 1, 2023. During negotiations, other options to reduce premium amounts were
20 discussed and agreed upon to include the following:

- 21 a. Increase deductible for Earthquake, Flood, Typhoon and Tsunami from
22 \$10 million to \$20 million;
- 23 b. Reduce the Sub-limit for Earthquake, Flood, Typhoon and Tsunami from
24 \$100 million to \$50 million.

27 ² See 2 GAR, Division 4, Section 3102 (c)(1)(C)

1 If additional savings can be realized GPA may further look to reduce its fire coverage by half to
2 \$100 million from \$200 million. To align with sole source procurement rules, the contract term
3 was also revised to a one-year term with four additional one-year options to extend.

4 **II. REQUEST FOR APPROVAL**

5 GPA hereby petitions the PUC, pursuant to its Contract Review Protocol to review and
6 approve GPA's contract with AM Insurance and its affiliates for Property Insurance OR in the
7 alternative for the PUC to extend the authority to GPA to bind its property insurance with the
8 affiliated underwriters to ensure no lapse in GPA's coverage and for a total premium amount not
9 to exceed \$7,873,858.00 (Seven Million, Eight Hundred Seventy-Three Thousand, Eight
10 Hundred Fifty-Eight Dollars 00/100). The contract term shall be for one (1) year beginning
11 November 1, 2023 to expire October 31, 2024, with four one-year options to renew subject to
12 sole source requirements and reviews. The multi-year contract is estimated at \$39,369,290
13 (Thirty-Nine Million, Three Hundred Sixty-Nine Thousand, Two Hundred Ninety Dollars and
14 00/100).

15 In support of this Petition, the Consolidated Commission on Utilities (CCU) has passed and
16 adopted CCU Resolution No. FY2024-01, which authorizes the General Manager to submit this
17 petition to the PUC for final review and approval. CCU Resolution No. FY2024-01 is attached
18 as **Exhibit A** and is also incorporated by reference as if fully set forth herein. GPA can provide
19 minimum coverage requirements, to include the limits of liability, and coverage conditions for
20 its property insurance through a request for information, as required.


21 **III. CONCLUSION**

22 The PUC should approve GPA's contract with AM Insurance and its affiliates for Property
23 Insurance for a one (1) year term beginning November 1, 2023 to expire October 31, 2024, with
24 four one-year options to renew, not to exceed a total annual premium amount of \$7,873,858.00.
25 In the alternative, and at minimum considering time constraints, the PUC should extend the
26 authority to GPA to bind its property insurance with the affiliated underwriters to ensure no lapse
27

1 in GPA's coverage as it is required by GPA's bond indenture and is reasonable, prudent, and
2 necessary.

3
4 **RESPECTFULLY SUBMITTED** this 26th day of October 2023.

5
6
7 By:

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9 **THERESA G. ROJAS, ESQ.**
10 GPA Interim Counsel
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CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagåtña, Guam 96932 | (671) 648-3002 | guamccu.org

GPA RESOLUTION NO. FY2024-01

TO AUTHORIZE THE MANAGEMENT OF GUAM POWER AUTHORITY TO AWARD THE PROPERTY INSURANCE

WHEREAS, the Consolidated Commission on Utilities has determined that it is prudent and reasonable business practice to maintain insurance coverage on Guam Power Authority's assets to the extent practical; and

WHEREAS, the Guam Power Authority's Bond Indenture agreement requires GPA to "secure and maintain property insurance on all facilities constituting the system against risks of loss or damage caused by or resulting from fire and from action of the elements (including loss from typhoons, earthquakes, floods and tidal waves), to the extent that such insurance is obtainable at reasonable cost"; and

WHEREAS, the indenture further requires GPA to carry insurance "of scope and nature as that usually carried in the industry"; and

WHEREAS, GPA's current Property Insurance policy was awarded in 2018 with a term of three (3) year period with two (2) options to renew for an additional one (1) year period and is set to expire on October 31, 2023; and

WHEREAS, in June 2023, GPA issued its solicitation for property insurance under multi step bid MS GPA-039-23, for a three-year (3) term with two one-year options; and

1 **WHEREAS**, one vendor submitted a proposal, which is GPA's incumbent provider; and

2
3 **WHEREAS**, due to the hard market, the initial premium came at 20% higher than prior
4 premium, MS GPA-039-23 was cancelled and sole source was done to negotiate a reduced
5 premium by looking at catastrophic and non-catastrophic coverage and options; and
6

7 **WHEREAS**, the contract review protocol established by the Public Utilities Commission
8 (PUC) requires that all contracts in excess of \$1.5 million be authorized by the PUC; and
9

10 **WHEREAS**, the insurance broking team has configured, with the goal in mind of
11 improving to the greatest extent possible the terms and conditions of GPA's property insurance
12 policies and will continue to look at options available before the renewal date of November 1,
13 2023; and
14

15 **WHEREAS**, GPA recommends to award the contract to AM Insurance, a local insurance
16 brokerage firm, and its affiliates for the period from November 1, 2023 to November 1, 2024,
17 and four one-year options and the broker and the underwriters are prepared to offer the following:
18

- 19 • Broker and underwriters will continue to look at options available to reduce
20 insurance premium before the renewal date of November 1, 2023. The options
21 are as follows:
 - 22 ○ Increase deductible for Earthquake, Flood, Typhoon and Tsunami from
 - 23 \$10 million to \$20 million.
 - 24 ○ Reduce the Sub-limit for Earthquake, Flood, Typhoon and Tsunami from
 - 25 \$100 million to \$50 million.
 - 26 ○ Reduce the fire coverage from \$200 million to \$100 million.
- 27 • The premium will not exceed \$7,873,858 for policy period from November 1,
28 2023 to November 1, 2024.
29

30 **WHEREAS**, GPA now brings these matters before the Consolidated Commission on
31 Utilities.
32

1 **NOW, THEREFORE BE IT RESOLVED**, by the Consolidated Commission on
2 Utilities, as the governing body of the Guam Power Authority, subject to the approval of the
3 Guam Public Utilities Commission, as follows:

- 4
- 5 1. The GPA General Manager is authorized to enter into a contract with AM Insurance
6 and its affiliates.
- 7 2. The GPA General Manager is authorized to accept the annual premium offered by
8 AM Insurance and its affiliates not to exceed Seven Million Eight Hundred Seventy-
9 Three Eight Hundred Fifty-Eight Dollars (\$7,873,858).
- 10 3. The one-year contract with four one-year options is estimated at Thirty-nine Million
11 Three Hundred Sixty-Nine Thousand Two-Hundred Ninety Dollars (\$39,369,290).
- 12 4. Management is authorized to work with insurance consultant, broker and
13 underwriters to look at options to reduce insurance premium.
- 14 5. Management is authorized to exercise the following options:
- 15 a. Increase deductible for Earthquake, Flood, Typhoon and Tsunami from \$10
16 million to \$20 million.
- 17 b. Reduce the Sub-limit for Earthquake, Flood, Typhoon and Tsunami from
18 \$100 million to \$50 million.
- 19 6. If additional savings can be realized, Management is further authorized to exercise
20 the following option:
- 21 a. Reduce the fire coverage from \$200 million to \$100 million.

22

23 **RESOLVED**, that the Chairman of the Commission certifies and the Secretary of the
24 Commission attests to the adoption of this Resolution.

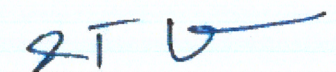
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27 **DULY AND REGULARLY ADOPTED**, this day of 26th of October, 2023.

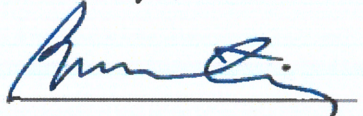
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29 Certified by:

30 

31 **JOSEPH T. DUENAS**
32 Chairperson

Attested by:


PEDRO ROY MARTINEZ
Secretary

1 I, **Pedro Roy Martinez**, Secretary of the Consolidated Commission on Utilities (CCU)
2 as evidenced by my signature above do hereby certify as follows:
3

4
5 The foregoing is a full, true and accurate copy of the resolution duly adopted at a
6 regular meeting by the members of the Guam Consolidated Commission on Utilities,
7 duly and legally held at a place properly noticed and advertised at which meeting a
8 quorum was present and the members who were present voted as follows:

9
10 AYES: 5
11 NAYS: 0
12 ABSTAIN: 0
13 ABSENT: 0
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