

**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF: ) GPA Docket 24-02  
)  
Guam Power Authority Casualty )  
Insurance Contract for FY 2024 with Two ) **ORDER**  
One-Year Renewal Options )  
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**INTRODUCTION**

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Guam Power Authority ["GPA"] Petition for approval of its Casualty Insurance Contract for FY 2024 with Two One-Year Renewal Options.<sup>1</sup>
2. GPA's proposed contract with AM Insurance and its affiliates for Casualty Insurance is for a one (1) year policy period beginning November 1, 2023, to October 31, 2024, with two one-year options to renew.<sup>2</sup>

**BACKGROUND**

3. GPA filed this request for approval of its Casualty Insurance Policy on October 24, 2023, two days before the PUC hearing on October 26. GPA's present line of casualty insurance policies was awarded in 2018 and will expire on October 31, 2023.<sup>3</sup>

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<sup>1</sup> GPA Petition for PUC Approval of Casualty Insurance Contract for FY 2024 with Two One-Year Renewal Options, GPA Docket 24-02, filed October 24, 2023.

<sup>2</sup> Id. at p. 1.

<sup>3</sup> Guam Consolidated Commission on Utilities GPA Resolution No. FY2024-02, To Authorize the Management of Guam Power Authority to Award the Casualty Insurance, adopted and approved on October 24, 2023, GPA Petition at Exhibits A-001-004.



4. This Petition only requests approval of GPA's Casualty Insurance Policy currently, but not its Property Insurance Policy. When it issued its Insurance Solicitations in July 2023, GPA decided to issue separate requests for proposals for casualty and property insurance. GPA did this to enable at least one of the bids to move forward with procurement if the other bid became "bogged down."<sup>4</sup>
5. GPA's solicitation for Casualty Insurance included commercial general liability, commercial auto physical damage and commercial auto liability, crime, excess liability, Directors' and Officers', professional liability and excess workers' compensation insurance under multi-step bid MS GPA-062-23.<sup>5</sup> Only one bid was received for a premium total of \$712,192.00, which substantially exceeded GPA's price estimates for such policy. GPA cancelled the casualty insurance procurement and conducted sole source negotiations with AM Insurance for the Casualty Insurance.<sup>6</sup>
6. Following sole source negotiations, GPA negotiated a lower total premium of \$688,323. The contract term was revised from a three-year term with 2 one additional one-year options to extend to a one-year term with two additional one-year options to extend.<sup>7</sup>

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<sup>4</sup> GPA Responses to PUC Request for Information, dated October 22, 2023 (email from GPA Counsel Theresa Rojas to PUC ALJ Frederick Horecky).

<sup>5</sup> GPA Petition at p. 2.

<sup>6</sup> GPA Petition at p. 2.

<sup>7</sup> Id.



7. On October 24, 2023, the Guam Consolidated Commission on Utilities approved the casualty line of insurance policies offered by AM Insurance for a combined annual premium of \$688,223.<sup>8</sup>
8. The ALJ filed his Report herein dated October 26, 2023.<sup>9</sup>

### **DETERMINATIONS**

9. The PUC-GPA Contract Review Protocol mandates that any contract which exceeds \$1,500,000 requires PUC approval.<sup>10</sup> For this proposed multi-year casualty insurance contract, the price for all terms thereof is estimated to be \$2,064,968. The contract must be reviewed by the PUC.<sup>11</sup>
10. GPA has established that its Bond Indenture Agreement requires GPA to carry insurance “of a scope and nature as that usually carried in the industry...”<sup>12</sup> GPA cites Section 6.13 of its Bond Indenture, which requires it “to obtain adequate workmen’s compensation, general liability, automotive, and fidelity insurance on all officers and employees responsible for funds and other insurance consistent with that of similar utilities.”<sup>13</sup> A true and correct copy of Section 6.13 of its Bond Indenture is attached to the ALJ Report as Exhibit “1”.

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<sup>8</sup> Guam Consolidated Commission on Utilities GPA Resolution No. FY2024-02, To Authorize the Management of Guam Power Authority to Award the Casualty Insurance, adopted and approved on October 24, 2023, GPA Petition at Exhibits A-001-004.

<sup>9</sup> ALJ Report, GPA Docket 24-02, dated October 25, 2023.

<sup>10</sup> Contract Review Protocol for Guam Power Authority, Administrative Docket, dated February 15, 2008, at par. 1(e).

<sup>11</sup> GPA Petition at p. 3; Contract Review Protocol for Guam Power Authority, Administrative Docket, dated February 15, 2008, at par. 4(b).

<sup>12</sup> GPA Revenue Bonds Indenture dated December 1, 1992-Section 6.13 Insurance.

<sup>13</sup> GPA Petition at p. 1.



11. GPA's costs for casualty insurance premiums have increased considerably over the last six-year period (from FY2018-FY2023):

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GL	88,277	76,536	76,536	76,536	76,536	\$ 76,536
Auto	105,005	62,565	69,879	89,879	67,559	\$ 70,106
Professional	-	102,000	102,000	102,000	102,000	\$ 102,000
Excess	204,804	204,804	204,804	204,804	204,804	\$ 204,804
Workmen's	15,236	15,236	15,236	15,236	15,236	\$ 15,236
Blanket Crime	38,700	32,895	32,895	32,895	32,895	\$ 32,895
D&O	68,229	68,229	68,229	68,229	96,667	\$ 102,037
	520,251	562,265	569,579	589,579	595,696	\$ 603,614

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10. In GPA Resolution FY2024-02, the CCU indicates that the breakdown of the FY 2024 Annual premium of \$688,323 is as follows:

<u>Life of Insurance</u>	<u>Premium</u>
GL	\$ 81,275
Auto	88,124
Professional	145,350
Excess	204,804
Workmen's	15,236
Blanket Crime	49,034
D&O	104,500
	<u>\$ 688,323</u>

11. The proposed increase for Casualty Insurance for the one-year period from FY2023-FY2024 is from \$603,614 to \$688,323. The premium increase from FY2023-2024 (\$84,709) is greater than the increase for the prior six-year period from FY2018-2023 (\$83,363). The overall increase for FY2024 from FY2023 appears to be in the vicinity of 13%. The increase will apply to each year for three years if the contract extensions are exercised by GPA. Prior year increases were minimal.

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<sup>14</sup> GPA's Response to PUC Request for Information, dated October 22, 2023 (email from GPA Counsel Theresa Rojas to PUC ALJ Fred Horecky).



12. GPA was able to negotiate a savings of \$23,870 per annum for its proposed Casualty Insurance premiums (from \$712,192 to \$688,323). GPA indicates that the total premium amount of \$688,323.00 is required by GPA's bond indenture and is "reasonable, prudent and necessary."<sup>15</sup>
13. At the PUC hearing on the matter, GPA John Kim GPA indicated that GPA had not made any insurance casualty claims during the last six-year period. Over one-half of the cost increase was for Professional insurance (related to GPA engineers). Mr. Kim stated that GPA believes that it may be able to self-insure for the professional insurance.
14. The Commissioners are concerned about the cost of casualty insurance. GPA shall conduct an evaluation of whether GPA can self-insure for professional insurance and possibly other insurance coverages.
15. The Casualty Insurance Contract and the annual premiums should be approved on the grounds of prudence and necessity. The policy should not be allowed to lapse. Without casualty insurance in place, GPA runs the risk of loss or liability for all matters for which the Casualty Insurance Policy provides coverage.

### **ORDERING PROVISIONS**

After review of the record herein, including GPA's Petition for Approval and Authorization for GPA to Award the Casualty Insurance Contract to AM Insurance, the ALJ Report, and for good cause shown, on motion duly made, seconded and carried by

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<sup>15</sup> GPA Petition at p. 3.



the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

1. PUC authorizes GPA to award a Casualty Insurance Policy contract to AM Insurance for a one (1) year policy period beginning November 1, 2023, to October 31, 2024, with two one-year options to renew.
2. GPA is authorized to expend up to \$2,064,968 for a one (1) year policy period and two one-year options to renew.
3. However, approval by PUC is subject to the requirement that GPA evaluate whether it can self-insure for professional insurance. GPA shall notify PUC in writing as to whether it can self-insure for professional insurance before it awards the Casualty Insurance Contract to AM Insurance or binds the policy with an Underwriter.
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.



Dated this 26th day of October 2023.

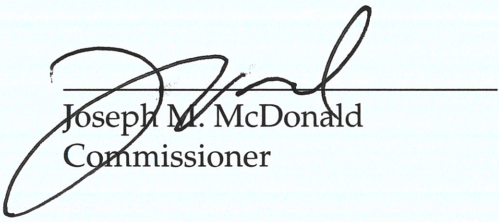
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Jeffrey C. Johnson  
Chairman



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Rowena E. Perez-Camacho  
Commissioner



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Joseph M. McDonald  
Commissioner



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Michael A. Pangelinan  
Commissioner

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Peter Montinola  
Commissioner



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Doris Flores Brooks  
Commissioner

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Pedro S.N. Guerrero  
Commissioner