

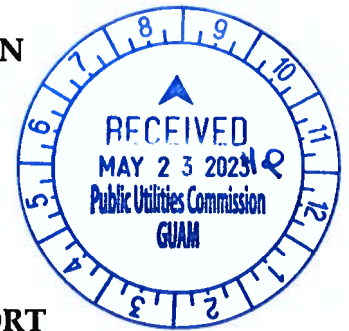
**BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF:**

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

**GPA DOCKET 24-18**

**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 Merchant Banking Services for GPA, the Guam Waterworks Authority ["GWA"], and the Guam Solid Waste Authority ["GSWA"].<sup>1</sup>
2. The GPA requests that the PUC approve the award of the contract for Merchant Banking Services to Bank of Hawaii and the contract is estimated to cost GPA \$11,000,000 and GWA \$5,000,000 for its five (5) year term.<sup>2</sup>

**BACKGROUND**

3. 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 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.<sup>3</sup>

<sup>1</sup> GPA Petition to Award Merchant Banking Services Contract for GPA and GWA, GPA Docket 24-18, dated May 7, 2024 [GPA Petition].

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

<sup>3</sup> PUC Order dated June 5, 2023 in GPA Docket No. 23-18 at 2.

4. First Hawaiian Bank is the contractor providing Merchant Banking Services for GPA, GWA, and GSWA and its contract expired on June 30, 2023, but was extended on a month to month basis until a new contract is awarded.<sup>4</sup>
5. 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.<sup>5</sup>
6. The PUC issued an order on June 25, 2023, in GPA Docket No. 23-18 authorizing GPA to solicit for Merchant Banking Services.<sup>6</sup>
7. In October, 2023, GPA issued IFB RE-BID GPA-076-23 ["IFB"] to solicit for the Merchant Banking Services. GPA only received one (1) bid from Bank of Hawaii and the contract is estimated to cost \$11,000,000 for GPA and \$5,000,000 GWA for contract's five (5) year term.<sup>7</sup>
8. GPA anticipates that the Guam Consolidated Commission on Utilities ["CCU"] will authorize GPA to award the contract to Bank of Hawaii at the CCU's May 28, 2024 meeting.

### ANALYSIS

9. 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 those amounts.<sup>8</sup> Therefore, GPA must obtain the PUC's approval of the contract for Merchant Banking Services.

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<sup>4</sup> GPA Petition at 5.

<sup>5</sup> Id.

<sup>6</sup> Id., at 7.

<sup>7</sup> Id., at 2

<sup>8</sup> Id.

10. GPA's estimated cost of the Merchant Banking Services is reasonable. GPA, prior to issuing the IFB, estimated that its contract costs would be approximately \$1.2 million and there was no estimate for GWA or GSWA at that time.<sup>9</sup> Now that GPA has received Bank of Hawaii's bid, the five (5) year contract is estimated to cost GPA \$11,000,000, \$2,200,000 per year, and it is estimated to cost GWA \$5,000, \$1,000,000 per year, for the contract's five (5) year term. 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 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 transactions by 2022. Hence, it is reasonable to expect transactions using Merchant Banking Services to increase throughout the term of the contract 2023 resulting in higher contract costs for those services.
11. The contract 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.<sup>10</sup> As these types of transactions are expected to increase, it is prudent to continue these revenue streams by contracting with Bank of Hawaii for Merchant Banking Services.
12. The contract 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.<sup>11</sup> 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.
13. Based on the foregoing, GPA's request to approve the contract for Merchant Banking Services for GPA, GWA, and GSWA with Bank of Hawaii is reasonable, prudent, and necessary.

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<sup>9</sup> Id., at 5.

<sup>10</sup> Id., at 6.

<sup>11</sup> Id.

**RECOMMENDATION**

14. Counsel recommends that the PUC approve GPA's petition to approve the contract with Bank of Hawaii for Merchant Banking Services for GPA, GWA, and GSWA.
  
15. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 24th day of May, 2024.

*Anthony R. Camacho*

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PUC Legal Counsel