

5. The initial term of GPA's Property Insurance Contract would have expired on October 31, 2024 and GPA and AM Insurance agreed to extend the initial term until December 31, 2024 for the amount of \$1,184,766 to obtain the regulatory approvals required for GPA to exercise the first option term for the coverage period beginning on January 1, 2025 and ending on November 1, 2025 which will cost \$5,978,600 for that coverage period.⁵
6. GPA reasonably anticipates that during their next meeting on November 26, 2024, the Consolidated Commission on Utilities ["CCU"] will adopt Draft GPA Resolution No. 2025-02 that will authorize GPA to exercise the first option term for the coverage period beginning on January 1, 2025 and ending on November 1, 2025 for the amount of \$5,978,600.⁶

ANALYSIS

7. As stated above, the PUC ordered GPA to obtain the PUC's approval prior to exercising any of the four one-year options to renew in GPA's Property Insurance Contract with AM Insurance. Therefore, GPA must obtain the PUC's prior approval prior to exercising the first option period that will begin on January 1, 2025 and end on October 31, 2025. GPA was not required to obtain the PUC's approval for the two-month extension of the contract's initial term. Generally, GPA shall not incur expenses for PUC approved contracts and obligations in excess of 20% over the amount authorized by the PUC.⁷ Here, the PUC had authorized GPA to expend the amount of \$7,100,000 for the contract's initial one year term.⁸ The \$1,184,766 two-month extension is \$235,234 less than 20% of that amount ($\$7,100,000 \times .20 = \$1,420,000$). Therefore, GPA was not required to obtain the PUC's approval to extend the initial term of the contract to December 31, 2024.
8. The \$5,978,600 cost of the first one-year extension is reasonable. To accurately compare the cost of the twelve-month initial contract term and the first one-year extension, it is necessary to combine the price of the two-month extension and ten-month period of the first one-year extension. The \$1,184,766 two-month extension of the initial contract term to December 31, 2024, plus the \$5,978,600 cost of the first

⁵ Id., at 5.

⁶ Id., at 2.

⁷ Paragraph 10, Contract Review Protocol for GPA dated February 15, 2008, GPA Administrative Docket.

⁸ PUC Order dated October 31, 2023, GPA Docket No. 24-01 at 7.

one-year extension result in the amount of \$7,163,366. This amount is only \$63,366 more than the \$7,100,000 amount the PUC authorized for the contract's initial term. Further, this slight increase is justified because unlike the contract's initial term, the property insurance coverage of the first one-year extension includes a cybersecurity component.⁹ GPA Property Insurance contract have been increases each year since 2021, with cost for 2021 being \$5,252,334, the cost for 2022 being \$5,788,646, the cost for 2023 being \$6,670,980, and the cost for 2024 being \$7,100,000.¹⁰ The average increase for this period is \$615,888.67 ($\$536,312 + 882,334 + 429,020 = \$1,847,660 / 3 = \$615,888.67$). Here, the \$63,366 increase from 2024 to 2025 is \$552,522.67 less than that average. ($\$615,888.67 - \$63,366.00 = \$552,522.67$). Therefore, the cost of the first one-year extension is reasonable.

9. The contract extension is prudent. Even with an extension of the contract's initial term to December 31, 2024, GPA has an insufficient amount of time to prepare a new property insurance solicitation, issue it, receive responses, and award a new property insurance contract. Hence, it is more prudent for GPA to exercise the second one (1) year extension of the contract instead of issuing a solicitation for a new contract.
10. The contract extension is necessary. As stated above, GPA is required by its Bond Indenture Agreements to maintain property insurance coverage.
11. Based on the foregoing, the first one-year extension of GPA's Property Insurance Contract with AM Insurance, is reasonable, prudent, and necessary.

RECOMMENDATION

12. Counsel recommends that the PUC approve the first one-year extension of GPA's Property Insurance Contract with AM Insurance, for the policy period beginning January 1, 2025 and ending on October 31, 2025.

⁹ GPA Petition at 2.

¹⁰ PUC Order dated October 31, 2023, GPA Docket No. 24-01 at 4 and 7.

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

Dated this 24th day of November, 2024.

Anthony R. Camacho, Esq.

Anthony R. Camacho, Esq.
PUC Legal Counsel