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9 *Attorney for Guam Power Authority*

10 **BEFORE THE GUAM PUBLIC UTILITIES COMMISSION**

11 **IN THE MATTER OF:**

GPA DOCKET NO. 25-04

12 **GUAM POWER AUTHORITY'S**
13 **PROPERTY INSURANCE CONTRACT**
14 **FOR FY 2025**

PETITION FOR APPROVAL AND
AUTHORIZATION FOR GPA TO
RENEW PROPERTY INSURANCE

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16 The Guam Power Authority (GPA) hereby files its Petition for the Public Utilities
17 Commission of Guam (PUC) to review and approve GPA's renewal option with AM Insurance
18 and its affiliates for property insurance for the 10-month period beginning January 1, 2025, and
19 ending November 30, 2025.

20
21 **I. Background.**

22 Pursuant to section 6.13 of its bond indenture, GPA is required to obtain insurance on all
23 facilities to protect the system against risk of loss resulting from fire and "action of the elements",
24 including typhoons, floods, earthquakes, and tidal waves. See GPA Revenue Bonds Indenture,
25 § 6.13, Insurance (Dec. 1, 1992). These policies are required to the extent that such insurance is
26 obtainable at reasonable cost.

27 Last year, on October 31, 2023, the PUC approved GPA to award a property insurance
28 policy contract to AM Insurance for the period from November 1, 2023, to October 31, 2024, at a
29 cost of \$7.1 million for the total premium amount. The insurance contract included four 1-year
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1 options to renew. However, the PUC placed a requirement on GPA to obtain the PUC's approval
2 prior to exercising the options.

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4 GPA's property insurance for all facilities was due to expire on October 31, 2024. Well in
5 advance of expiration, in early September 2024, GPA contacted AM Insurance to begin the process
6 of obtaining a price for the premium to exercise the first 1-year option. On or about October 24,
7 2024, AM Insurance returned to GPA with a price of \$7.1 million for coverage for the entire year.
8

9 Since the time to obtain prior approval of the Consolidated Commission on Utilities (CCU)
10 and PUC had run out, GPA ultimately negotiated a 2-month extension with AM Insurance to
11 ensure coverage from November 1, 2024, through December 31, 2024¹, and a prorated price of
12 \$5,978,600 for the 10-month period from January 1, 2025, to November 1, 2025.
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14 **II. Request For Approval.**

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16 Pursuant to the contract review protocol, GPA hereby petitions the PUC to approve GPA's
17 exercise of the first of four 1-year options to renew insurance. With GPA having obtained an
18 extension of the original contract to December 31, 2024, the renewal option covers the period from
19 January 1, 2025, to November 1, 2025. The renewal is reasonable, in that it does not exceed the
20 price paid last year yet adds a cybersecurity component; it is necessary in order to comply with
21 GPA's bond covenants; and it is a prudent way to protect GPA's financial stability.
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23
24 In support of this petition, GPA has attached a draft CCU resolution which authorizes the
25 General Manager to submit this petition to the PUC for review and approval. *See* Ex. A, Draft
26 CCU Resolution No. FY2025-02 (authorizing GPA to take action to ensure property insurance
27 coverage for the period from November 1, 2024, to October 31, 2025). The CCU meets on
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¹ The \$1,184,766 cost of the extension is less than 20 percent over the amount of \$7.1 million previously authorized by the PUC in GPA Docket No. 24-01 and thus does not trigger the requirements of the PUC's Contract Review Protocol for GPA, *see* Admin. Dkt. Order ¶ 10 (Feb. 15, 2008).

1 November 26, 2024. If the commissioners approve the resolution at the meeting, GPA will
2 supplement this petition with the signed resolution.

3
4 **III. Conclusion**

5 The PUC should approve GPA's request to exercise the option to renew insurance with
6 AM Insurance and its affiliates to ensure coverage from January 1, 2025, to October 31, 2025.
7 Given the increase in coverage with no change in price, the requirements of GPA's bond indenture,
8 and GPA's responsibilities to its stakeholders, GPA's request to renew insurance is reasonable,
9 and GPA's responsibilities to its stakeholders, GPA's request to renew insurance is reasonable,
10 necessary and prudent.
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12 Respectfully submitted this 18th day of November, 2024.

13 *Attorney for Guam Power Authority*

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16 By: _____

17 Marianne Woloschuk
18 GPA Legal Counsel
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CONSOLIDATED COMMISSION ON UTILITIES
Guam Power Authority | Guam Waterworks Authority
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GPA RESOLUTION NO.: FY2025-02

**RELATIVE TO THE AUTHORIZATION OF THE GUAM POWER AUTHORITY
TO TAKE ACTION TO ENSURE PROPERTY INSURANCE COVERAGE FOR
THE PERIOD FROM NOVEMBER 1, 2024 TO OCTOBER 31, 2025**

WHEREAS, the Consolidated Commission on Utilities has determined that it is a prudent and reasonable business practice to maintain insurance coverage on GPA'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 Property Insurance policy was awarded to AM Insurance, a local insurance brokerage firm and its affiliates, in October 2023 for a one (1) year policy period beginning November 1, 2023, to October 31, 2024, with four one-year options to renew; and

WHEREAS, GPA's current Property Insurance policy's base year is set to expire on October 31, 2024, and GPA would like to exercise the first one-year option to renew; and

WHEREAS, the insurance broking team has configured, with the goal in mind of improving, to the greatest extent possible, the terms and conditions of GPA's property insurance policy for the year; and

1 **WHEREAS**, during the negotiation the Authority was not able to receive a price in a
2 timely manner, thus a two-month extension at a cost of \$1,184,766 was requested to avoid a break
3 in property insurance coverage, an amount that is less than 20 percent over the amount of
4 \$7.1 million previously authorized by the PUC in GPA Docket No. 24-01 and thus does not
5 trigger the requirements of the PUC's Contract Review Protocol for GPA, *see* Admin. Dkt. Order
6 ¶ 10 (Feb. 15, 2008); and

7
8 **WHEREAS**, after negotiation, the underwriters are prepared to offer the following terms
9 for the period from January 1, 2025 to October 31, 2025:

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11 1. The policy coverage includes:
- 12 a. Limit of Liability of \$200,000,000 each and every occurrence of Property Damage,
13 Business Interruption and Extra Expense combined.
 - 14 b. Sub-limits for Earthquake, Flood, Typhoon, and Tsunami of \$100 million.
- 15 2. Cyber insurance coverage of \$3 million with \$250,000 deductible.
- 16 3. The remaining 10-month premium will be billed at a cost of \$5,978,600.

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18 **WHEREAS**, GPA now brings these matters before the Consolidated Commissions on
19 Utilities.

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21 **NOW, THEREFORE, BE IT RESOLVED**, by the Consolidated Commission on
22 Utilities, as the governing body of the Guam Power Authority, subject to the approval of the
23 Guam Public Utilities Commission where required, as follows:

- 24
25 1. The GPA General Manager is authorized to accept a two-month extension of the current
26 property insurance coverage at a cost of \$1,184,766, during the period of November 1,
27 2024 to December 31, 2024.
- 28 2. The GPA General Manager is authorized to enter into a contract with AM Insurance and
29 its affiliates, by which AM Insurance and its affiliates will provide property insurance
30 coverage for the period from January 1, 2025 to October 31, 2025.
- 31 3. The GPA General Manager is authorized to accept the terms of the renewal premium
32 offered by AM Insurance and its affiliates at a cost of \$5,978,600 for the policy
33 period of coverage between January 1, 2025 and October 31, 2025.
- 34 4. Management is authorized to work with the insurance consultant, broker and

1 underwriters to continue to look at options to reduce insurance premium.

2
3 **RESOLVED**, that the Chairman of the Commission certifies and the Secretary of the
4 Commission attests the adoption of this Resolution.

5
6 **DULY AND REGULARLY ADOPTED**, this 26th day of November, 2024.

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8
9 Certified by:

Attested by:

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12 _____
13 **JOSEPH T. DUENAS**

14 **CHAIRPERSON**

PEDRO ROY MARTINEZ
SECRETARY

15 Consolidated Commission on Utilities

Consolidated Commission on Utilities

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19 **SECRETARY'S CERTIFICATE**

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

23
24 The foregoing is a full, true and accurate copy of the resolution duly adopted at a
25 regular meeting by the members of the Guam CCU, duly and legally held at a place properly
26 noticed and advertised at which meeting a quorum was present and the members who were
27 present voted as follows:

28
29 Ayes: _____

30 Nays: _____

31 Abstentions: _____

32 Absent: _____