



BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:

GPA DOCKET 25-04

THE PETITION OF THE GUAM
POWER AUTHORITY FOR APPROVAL)
OF THE PROPERTY INSURANCE)
CONTRACT FOR FY 2025)

ORDER

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Guam Power Authority [“GPA”] Petition for Approval of Property Insurance Contract Extension with AM Insurance and its affiliates for the period beginning on January 1, 2025 and ending October 31, 2025.¹
2. The initial term of GPA’s Property Insurance Contract with AM Insurance would have expired on October 31, 2024, and GPA and AM Insurance agreed to extend the contract until December 31, 2024 to obtain the regulatory approvals needed to exercise the first option term which will begin on January 1, 2025 and expire on October 31, 2025, and GPA requests that the PUC approve GPA’s exercise of the extension of the contract that will cost \$5,978,600 for that coverage period.²

BACKGROUND

3. GPA’s Bond Indenture Agreement requires GPA to “secure and maintain property insurance on all facilities constituting the system against risks of loss or damage to the extent that such insurance is obtainable at reasonable cost....” The Indenture further requires GPA to carry insurance “of a scope and nature as that usually carried in the industry....”³
4. On October 31, 2024, the PUC authorized GPA to award a Property Insurance Policy Contract to AM Insurance for a one-year policy period beginning November 1, 2023 to October 24, 2024 with four one-year options to renew and which required GPA to obtain the PUC’s approval prior to exercising any of those four options.⁴

¹ GPA Petition for Approval and Authorization for GPA to Renew of Property Insurance, GPA Docket 25-04, filed November 18, 2024. (Petition).

² Id., at 1. [NOTE: This report cites the PDF numbers because the numbers used in the Petition and its exhibits are not continuous].

³ Id., at 1.

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

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. On November 26, 2024, the Consolidated Commission on Utilities ["CCU"] adopted GPA Resolution No. 2025-02 authorized GPA to exercise the first option term for the coverage period beginning on January 1, 2025 and ending on October 31, 2025 for the amount of \$5,978,600.⁶
7. On November 24, 2024 PUC Legal Counsel issued his report recommending that the PUC approve the petition.

DETERMINATIONS

8. 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.
9. 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-

⁵ Id., at 5.

⁶ Amendment to GPA Petition filed on November 27, 2024.

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.

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 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.

10. 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.
11. The contract extension is necessary. As stated above, GPA is required by its Bond Indenture Agreements to maintain property insurance coverage.
12. Based on the foregoing, the first one-year extension of GPA's Property Insurance Contract with AM Insurance is reasonable, prudent, and necessary.

ORDERING PROVISIONS

After review of the record herein, GPA's Petition for Approval of Property Insurance Contract Extension with AM Insurance and its affiliates for the period beginning on January 1, 2025 and ending October 31, 2025, and the PUC Counsel Report, and for good cause shown, on motion duly made, seconded and carried by the undersigned Commissioners, the Guam Public Utilities Commission **HEREBY ORDERS** that:

⁹ GPA Petition at 2.

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

1. GPA's Petition for Approval of Property Insurance Contract Extension with AM Insurance and its affiliates for the period beginning on January 1, 2025 and ending October 31, 2025 is hereby approved.
2. A total property insurance premium in the amount of \$5,978,600 for the first one-year contract extension period beginning January 1, 2025 and ending October 31, 2025 is hereby approved.
3. Exercise by GPA of any of the additional three renewal options for property insurance shall be brought to the PUC for prior approval.
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 the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

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Order
Guam Power Authority's
Property Insurance Contract
For FY 2025
GPA Docket 25-04
December 2, 2024

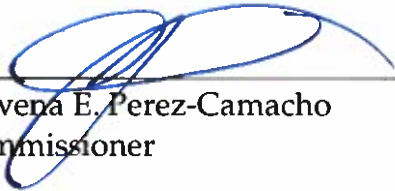
Dated this 2nd day of December, 2024.



Jeffrey C. Johnson
Chairman



Joseph M. McDonald
Commissioner



Rowena E. Perez-Camacho
Commissioner



Doris Flores Brooks
Commissioner



Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner