



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O. BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

July 25, 2016

AMENDMENT NO.: II

TO

REQUEST FOR PROPOSAL NO.: GPA-RFP-16-017

FOR

RISK MANAGEMENT AND INSURANCE CONSULTING SERVICES

Interested Firms/Individuals are hereby notified of the following response to inquiries received from Grennan & Associates dated 07/18/16:

QUESTION:

1. Does GPA want all the services performed in one year or several years?

ANSWER:

Yes. If the service(s) is/are needed within and the years thereafter.

QUESTION:

2. Does GPA want all the services performed each and every year?

ANSWER:

Refer to response to Question #1.

QUESTION:

3. Please provide more information on GPA's self-insurance program.

ANSWER:

Refer to Exhibit A – Self Insurance Protocols (see attached)

QUESTION:

4. Does GPA want a GAP analysis regarding the purchase of Property, Casualty, and Pollution policies?

ANSWER:

We are looking for GAP analysis on the coverage and other matters.

QUESTION:

5. Does GPA want a GAP analysis regarding coverage in the Property, Casualty, and Pollution policies?

ANSWER:

Refer to response to Question #4.

QUESTION:

6. Does GPA want a GAP analysis for safety and loss control?

ANSWER:

Refer to response to Question #4.

QUESTION:

7. Exactly what kind of GAP analysis does GPA want?

ANSWER:

Refer to response to Question #4.

QUESTION:

8. Does GPA anticipate needing insurance renewal specifications before the end of the year?

ANSWER:

Yes.

QUESTION:

9. Does GPA want a firm to provide insurance certificate management only or do they want a firm to review all contracts and make sure all certificates comply with said contract?

ANSWER:

Yes to insurance certificate management services. Only periodic reviews of insurance certificates compliance to contract will be needed.

QUESTION:

10. How many contracts does GPA have with third party vendors?

ANSWER:

The Authority does not have a number at this time.

QUESTION:

11. Does each contract require vendor provide an insurance certificate?

ANSWER:

Not all contracts.

QUESTION:

12. How detailed does GPA want a Risk Management Manual? For example, do they want the manual to cover safety and loss control for power plants, safety or all employees regardless of location, safety regarding truck and auto usage, the proper insurance language to use in contracts based upon the services being performed by the vendor, how many employees conduct daily business, how different departments communicate with each other, etc.?

ANSWER:

GPA does not have details at this time.

QUESTION:

13. What type of claims are to be addressed when developing a claims handling protocol memo?

ANSWER:

All types of claims that GPA has or may encounter.

QUESTION:

14. Please explain what services GPA wants in regards to "Insurance Producer of Record Selection & Evaluation".

ANSWER:

Please note that the service was listed under Risk Administration.

QUESTION:

15. Is GPA looking for some type of modeling for "Asset Exposure and Risk"?

ANSWER:

GPA is open to review modeling samples, however we desire to develop our own.

QUESTION:

16. Does GPA want a "desk top" replacement cost valuation or do they want someone to come to Guam to inspect all buildings and equipment for the replacement cost valuation?

ANSWER:

The Authority has not made a final decision to date.

QUESTION:

17. Under the request for Claim Analysis and Auditing are there certain past or ongoing claims that need this service? If so, does GPA have the necessary information needed to do the analysis and audit?

ANSWER:

Not presently, however GPA reserves that right to utilize the said services at a later time.

QUESTION:

18. Under Insurance Archaeology how far back does GPA want to go? For example, do they want to go back 10 years or further?

ANSWER:

Please note that service noted is under Risk Analysis and exact period will be determined at a later time.

QUESTION:

19. Does GPA want the consultant to negotiate each and every third part contract that GPA enters?

ANSWER:

No. GPA will notify the consultant when the said serves will be needed.

QUESTION:

20. Does GPA want the consultant to review all contracts that GPA has on the books now or just review new contract?

ANSWER:

Just new, however GPA reserves the right to utilize the said services at a later time.

QUESTION:

21. Under Litigation Management does GPA have certain ongoing claims that need this service?

ANSWER:

Not at this time, however GPA reserves that right to utilize the said services at a later time.

QUESTION:

22. Under Litigation Management does GPA intent to use this service for future claims?

ANSWER:

Yes. If and when needed.

QUESTION:

23. Does GPA intent to issue an RFP that would require Insurance Specification Development for the upcoming renewals on November 1?

ANSWER:

That has not been determined at this time, however GPA reserves that right to utilize the said services at a later time.

QUESTION:

24. If GPA does not intend to issue an RFP for the November 1 renewals does GPA still need renewal analysis?

ANSWER:

GPA reserves that right to utilize the said services at a later time.

QUESTION:

25. Does GPA already have an Enterprise Risk Management program in place or do they want a consultant to develop a plan?

ANSWER:

The Authority currently does not have one however we would like to work toward developing a program.

QUESTION:

26. Does GPA want a consultant to draft actual insurance language to be used in an insurance policy? For example, draft the language for a specific endorsement that adds back coverage?

ANSWER:

Not at this time, however GPA reserves the right should the service(s) be needed.

QUESTION:

27. Who is the contract person at GPA?

ANSWER:

The General Manager.

QUESTION:

28. Who are the five people that will review all proposals and what qualifications do they have to review an RFP for Risk Management and Insurance Consulting services?

ANSWER:

The General Manager will approve who the evaluation team will be comprised of.

All other Terms and Conditions in the bid package shall remain unchanged and in full force.


JOHN M. BENAVENTE, P.E.
General Manager

The Self Insurance Program Protocols

The Self Insurance Program (SIP) of the Guam Power Authority (GPA) will be administered pursuant to the SIP Protocols (SIPP) set forth herein.

Protocol I Scope

The Self Insurance Program (SIP) is established for the purpose of providing GPA with a dynamic mechanism to recover all unanticipated and extraordinary expenses associated with Insurable Events, as defined herein. The SIP shall be used to reimburse GPA for:

- losses resulting from hazards such as accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunamis, natural disasters, equipment failures, and similar events to the GPA's own property or property leased from others, and costs associated with: pre-hazard preparation and mitigation activities; provision of service during the hazard; GPUC approved hazard mitigation projects; and restoration of the system to at least its pre-hazard state;
- losses that would normally be covered by insurance to the extent that such losses are not covered by insurance;
- deductible amounts contained in insurance policies held by GPA; and
- other approved purposes based on specific petition to the Guam Public Utilities Commission (GPUC) including reimbursement for any loss of net revenues necessary to meet its minimum DSCR requirements under its bond indentures.

Protocol II Insurable Event

Insurable Events for the SIP include: accidents, explosions, fires, floods, storms, wind events, cyclones, typhoons, earthquakes, tsunamis, natural disasters, equipment failures, and similar hazards that would normally be covered by insurance. Nothing in the SIPP shall be deemed to prohibit GPA from petitioning the GPUC for approval to use the SIP Reserve for additional purposes, such as, as examples only, to cover loss of revenues and short-term liquidity in the event of business interruption that would normally be covered by insurance to the extent that such losses are not covered by insurance.

Protocol III Exclusions

Items not covered under the SIP are:

- Losses covered through GPA's other insurance policies;
- Business interruption costs not caused by an Insurable Event;
- Leased real property and equipment covered by other insurance;
- Losses caused by actions of a governmental unit;
- Normal wear and tear; and
- Workmen's compensation claims.

Protocol IV Minimum Threshold Amount

A Minimum Threshold Amount of \$200,000 per Insurable Event represents the minimum incurred amount required to access the SIP Reserve.

Protocol V Draw Declaration

A Draw Declaration consisting of a written self-certification by the GPA General Manager that a loss has occurred or is occurring that exceeds the Minimum Threshold Amount and is associated with an Insurable Event, or that pre-hazard preparation is necessary to minimize service interruptions that may result from an impending Insurable Event. This self-certification by the General Manager shall be applicable for SIP draws for expenditures of up to \$5.0 million per Insurable Event. The Consolidated Commission on Utilities (CCU) shall authorize all SIP draws above the \$5.0 million threshold.

Protocol VI SIP Reserve

The SIP Reserve shall be separately accounted for by GPA and invested in a diversified approach that maximizes interest income while moderating investment risk and adhering to reasonable SIP liquidity constraints. All interest earnings will be reinvested into the SIP Reserve.

Protocol VII SIP Reserve Sources

The SIP Reserve will be funded through proceeds collected through the Self Insurance Surcharge, amounts obtained through securitization or bond issuance, insurance proceeds or reimbursements for prior SIP Reserve drawdowns, SIP Reserve interest earnings, and any additional funding sources directed to be deposited into the SIP Reserve.

Protocol VIII SIP Reserve Cap

The SIP Reserve will continue to accrue until it reaches the SIP Reserve Cap, which shall remain at \$20,000,000 until changed by an order by the GPUC. GPA will retain an outside expert on or before three years from the date of this order to review the adequacy of the SIP Reserve Cap and recommend changes, if appropriate. Such review shall include an actuarial analysis filed with the GPUC. Thereafter, a recommendation from an outside expert specializing in actuarial analysis shall be required to be filed by GPA prior to any further changes to the SIP Reserve Cap requested by GPA or ordered by the GPUC. Any change to the SIP Reserve Cap must be approved and authorized in writing by the GPUC and reflected in this Protocol VIII of the SIPP. Risk assessments shall be performed by a firm specializing in actuarial analysis taking into consideration liquidity available by access to lines of credit, existing delivery system inventory of T&D materials and supplies, temporary cash investments, and the cash portion of the existing SIP Reserve. If acceptable to the GPUC, the initial risk assessment under this Protocol shall be prepared no later than June 2016.

Protocol IX Self-Insurance Surcharge¹

The Self Insurance Surcharge will be set at \$0.0029 per kilowatt hour (kWh) sold by GPA to civilians and \$0.0007 per kWh sold by GPA to US Navy customers. The Self Insurance Surcharge will remain in effect until the amount in the SIP Reserve reaches the SIP Reserve Cap, and shall be reinstated at any time the balance in the SIP Reserve thereafter falls to less than \$18,000,000.

Protocol X Drawdown Report

Within 60 days of the end of a month in which disbursements (drawdowns) are made from the SIP Reserve, GPA shall provide a Drawdown Report to the CCU, with a copy to the GPUC, identifying the amount and purpose of the drawdown in sufficient detail to allow auditing of such transaction. The Drawdown Report shall include, but not be limited to: (i) the drawdown amount; (ii) the purpose of the drawdown; (iii) vendors paid including name, address, telephone, authorized representative, and invoice; (iv) materials purchased including receipts; (v) employee payments broken out by employee, and nature of pay (regular, overtime, special); (vi) itemized accounting of materials drawn from GPA's warehouse; (vii) if applicable, a copy of the CCU resolution approving a drawdown to the SIP Reserve in excess of \$5.0 million; and (viii) a monthly summary of kWhs consumed in the 12-months prior to the Insurable Event and a monthly summary of kWhs consumed following the Insurable Event, and (ix) the Draw Declaration.

Protocol XI Photographic Documentation

Prior to initiation of repairs or restoration activities, GPA will obtain Photographic Documentation for any loss associated with any Insurable Event in sufficient detail to meet any FEMA requirements. Photographic Documentation will be maintained for a period of ten years.

Protocol XII Allowable Expenditures – Draw Declaration

The types of costs allowed to be charged to the SIP Reserve include, but are not limited to, activities associated with loss preparation (proactive and reactive) and restoration activities associated with an Insurable Event such as:

- (i) Additional contract labor;
- (ii) Logistics costs of providing meals, lodging, and linens for tents and other staging areas;
- (iii) Transportation of crews;
- (iv) Vehicle costs for vehicles specifically rented for the Insurable Event;
- (v) Waste management costs specifically related to the Insurable Event;
- (vi) Rental equipment specifically related to the Insurable Event;

¹ 1 Figures cited are current as of the date of this report.

- (vii) Materials and supplies used to repair and restore service and facilities to pre-event condition, such as poles, transformers, meters, light fixtures, wire, and other electrical equipment;
- (viii) Overtime payroll and payroll-related costs for overtime pay to utility personnel related to the Insurable Event;
- (ix) Fuel cost for GPA and contractor vehicles;
- (x) Increased costs for fuel used for power generation;
- (xi) Increased power generation costs and/or purchased power costs;²
- (xii) Carrying costs from the date costs are incurred until recovered;
- (xiii) Expediting costs;
- (xiv) Debris removal;
- (xv) Tree trimming and other preparation activity initiated at the onset of a tracked storm event;
- (xvi) Infrastructure hardening activities during a recovery period (e.g. replacing wooden poles with concrete, using stronger straps for streetlights, etc.) approved in accordance with the SIP that are in excess of any amounts contained in GPA's current capital budget;
- (xvii) Cost of public service announcements regarding key event-related issues, such as safety and service restoration estimates;
- (xviii) Deductible amounts contained in insurance policies held by GPA;
- (xix) Losses below the deductible for GPA insurance policies in the event the Governor of Guam does not petition the President of the United States to declare the island a major disaster area;
- (xx) Costs for Protocol XV compliance audits; and,
- (xxi) Costs of outside experts required to comply with FEMA requirements and the SIPP.

Protocol XII (a) Allowable Expenditures – Petition Required

GPA shall be required to file a petition with sufficient information for GPUC review and approval of all other purposes not specifically set forth in Protocol XII.

Protocol XIII Federal Emergency Management Agency Petition

In the case of natural disasters in which Guam is determined to be a major disaster area by the President of the United States, GPA shall make best efforts inclusive of the

² This language has been included to allow for the use of alternative generation resources, potential 3rd-party generation (for example generators or barge-mounted power stations), power purchases from the Department of Defense, and other power solutions (e.g., cruise ship provided support) used in the aftermath of a natural disaster as well as potential future changes to the system.

reliance on disaster reimbursement recovery experts to petition FEMA for reimbursement of deductible levels under GPA's insurance programs including this SIP as well as amounts that exceed the funding levels available in this SIP and GPA's insurance policies.

Protocol XIV Loss Mitigation

GPA may seek to use the SIP Reserve to fund activities associated with infrastructure hardening activities intended to mitigate future damage not directly associated with an impending Insurable Event. Use of the SIP Reserve for such mitigation activities shall require prior approval from both the CCU and the GPUC.

GPA shall make all efforts to seek redress from manufacturers/retail sellers of any products purchased by GPA and deemed to be defective. Any recoveries made from such warranty claims shall be deposited to the SIP Reserve. GPA will at all times seek to mitigate losses associated with Insurable Events.

Protocol XV Audit

All SIP Reserve drawdowns and Draw Declarations in excess of \$2,500,000 will be audited by an independent third party for SIPP compliance on an annual basis. GPA will retain an independent audit firm to prepare the report. The audit report will be provided to the Audit Committee of the CCU and a copy will be provided to the GPUC. Any transaction found by the GPUC, after hearing, not meeting the parameters of these Protocols shall be adjusted by the GPUC accordingly.

Protocol XVI Conflicts with Other Insurance Policies

Since the purpose of the SIP is to provide for losses not covered by other insurance policies, conflicts with other GPA insurance policies will be the responsibility of the other insurance policy.

Protocol XVII GPUC Inherent Powers

Nothing in the SIPP shall be deemed in derogation of or otherwise limiting the GPUC's express or inherent regulatory oversight powers created by Chapter 12 of the Guam Code Annotated, including, without limitation, 12 GCA §§12004, 12005 and 12007.

Protocol XVIII SIPP Modifications

Any modifications to the SIPP must be authorized in writing by the CCU and the GPUC.