



Guam Power Authority

Aturidat Iktresedat Guahan



Reliability, Affordability, Transparency and Efficiency Report

Fiscal Year 2017

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GPA Mission

“GPA SHALL provide

- R eliable
- E³fficient, Effective, Environmentally Sound
- A²ffordable, Accountable
- L eading Energy Solutions.”

GPA Vision

GPA will be the best utility providing outstanding energy solutions to our island community.

Mr. John J.E. Kim
Chief Financial Officer

About Us

Guam Power Authority is a public corporation and a component unit of the Government of Guam established in 1968. It is governed by the Consolidated Commission on Utilities (CCU), an elected five member board. GPA is subject to the regulation of the Guam Public Utilities Commission of Guam (GPUC) and has adopted the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Authority has total assets of \$955M and employs 467 employees. The Authority has 420 megawatts of generation capacity, 663 miles of transmission and distribution lines and 29 substations. We invested in a solar farm and wind turbine with a combined generation capacity of 25megawatt. We continue to commit ourselves to achieve energy diversification using green energy solutions.

Demographics

As of September 30, 2017 GPA has 50,843 customers. They are categorized as residential, commercial, Government of Guam and the U.S. Navy, which is GPA’s largest customer. GPA has established six strategic measures and one of them is providing superior customer service. Our efforts to achieve this include installation of smart meters which give control to our customers over their economical energy use. To assist the customers in monitoring their energy use we created an online site called “My Energy”.

Our rate

GPA is committed to provide affordable and reliable power to the people of Guam. As shown on the graph below, our rate is still the lowest compared to the other neighboring Pacific islands. The system average rate per kWh in 2017 is at 20.56 cents which is slightly higher than its lowest at 19.7 cents per kWh in 2016.

Customers	2015	2016	2017	GPA System Average Rates	Pacific Region Rate Comparison																																												
Residential	42,888	43,252	43,756	<table border="1"> <caption>GPA System Average Rates (cents per kWh)</caption> <thead> <tr> <th>Year</th> <th>Base Rate</th> <th>LEAC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>9.09</td> <td>18.86</td> <td>27.95</td> </tr> <tr> <td>2014</td> <td>10.21</td> <td>17.77</td> <td>27.98</td> </tr> <tr> <td>2015</td> <td>10.07</td> <td>13.26</td> <td>23.33</td> </tr> <tr> <td>2016</td> <td>10.20</td> <td>9.47</td> <td>19.67</td> </tr> <tr> <td>2017</td> <td>10.23</td> <td>10.34</td> <td>20.56</td> </tr> </tbody> </table>	Year	Base Rate	LEAC	Total	2013	9.09	18.86	27.95	2014	10.21	17.77	27.98	2015	10.07	13.26	23.33	2016	10.20	9.47	19.67	2017	10.23	10.34	20.56	<table border="1"> <caption>Pacific Region Rate Comparison (cents per kWh)</caption> <thead> <tr> <th>Island</th> <th>Rate (cents per kWh)</th> </tr> </thead> <tbody> <tr> <td>Guam</td> <td>18.1</td> </tr> <tr> <td>Saipan</td> <td>18.7</td> </tr> <tr> <td>Virgin Islands</td> <td>29.8</td> </tr> <tr> <td>Kauai</td> <td>33.1</td> </tr> <tr> <td>Oahu</td> <td>37.3</td> </tr> <tr> <td>Hawaii</td> <td>35.5</td> </tr> <tr> <td>Maui</td> <td>24.9</td> </tr> <tr> <td>Molokai</td> <td>27.2</td> </tr> <tr> <td>Lanai</td> <td>26.0</td> </tr> </tbody> </table>	Island	Rate (cents per kWh)	Guam	18.1	Saipan	18.7	Virgin Islands	29.8	Kauai	33.1	Oahu	37.3	Hawaii	35.5	Maui	24.9	Molokai	27.2	Lanai	26.0
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Commercial	5,695	5,720	5,758																																														
Government	1,097	1,235	1,328																																														
Navy	1	1	1																																														
Total	49,681	50,208	50,843																																														



Our Progress



KEY STRATEGIES	2015	2016	2017
PRODUCT AFFORDABILITY	<p>Dededo Indoor substation.</p> <p>Cabras 3&4 smoke stack.</p> <p>Completion of Dandan Solar Farm for additional 25 MW.</p> <p>Completion of wind turbine in Santa Rita for additional .275 MW</p>	<p>Levelized Energy Adjustment Clause rate reduced by 17.4%.</p> <p>Line losses further dropped to 4.55%. Station use dropped to 3.77% as well.</p> <p>A 1% reduction in line losses means a \$1.5M fuel cost savings to our ratepayers.</p>	<p>Station use dropped to 3.74%.</p> <p>Line losses remain stable.</p> <p>GPA Management and CCU board members are committed to reducing operating costs, i.e., lower number of employees and reduce overtime and still maintain reliability to our ratepayers.</p>
SUPERIOR CUSTOMER SERVICE	<p>Implemented the Demand Side Management Program which provide rebate incentives to customers for buying approved energy efficient appliances.</p>	<p>Rebate incentives to customers for buying approved energy efficient appliances still on going.</p> <p>A redesigned energy statement was introduced to customers for a more useful information complete with graphics and tips on how to manage their energy usage.</p>	<p>Rebate incentives to customers for buying approved energy efficient appliances is extended.</p> <p>More payment options were made available to customers such as pay by phone, online payments, mobile and ACH payments.</p>
HIGH SYSTEM RELIABILITY	<p>Completed the following:</p> <ol style="list-style-type: none"> 1.Dededo Indoor substation. 2.Cabras 3&4 smoke stack. 3.Geographic Information System implementation. 	<p>CCU and PUC approved the procurement of up to 180MW of generation capacity which will provide efficient, reliable and least-cost generation.</p> <p>GPA signed a Rent To Own agreement with Aggreko for 40MW generators to increase its total capacity.</p> <p>Replacement of Cabras1 Power Transformer.</p>	<p>Dededo CT return to service.</p> <p>Cabras Unit 2 Turbine and Boiler Overhauls</p> <p>Substation Major Refurbishment (Power Transformers)</p>
FINANCIALLY SOUND AND STABLE	<p>80 days unrestricted cash.</p> <p>Debt service coverage of 2.62x.</p> <p>Ratings:</p> <p>Standard & Poor-BBB</p> <p>Moody's— upgrade to Baa2</p> <p>Fitch—BBB-</p>	<p>207 days unrestricted cash.</p> <p>Debt service coverage of 3.38x</p> <p>GPA maintained its current ratings in spite of the Cabras 3&4 incident:</p> <p>S&P-BBB/Stable</p> <p>Moody's-Baa2/Stable</p> <p>Fitch-BBB-/Stable</p> <p>Working with Insurers to settle claim per policy limits.</p>	<p>71 days unrestricted cash.</p> <p>Debt service coverage of 2.65x</p> <p>GPA maintained its current ratings:</p> <p>S&P-BBB/Stable</p> <p>Moody's-Baa2/Negative</p> <p>Fitch-BBB-/Stable</p>
COMMITMENT TO WORKFORCE DEVELOPMENT	<p>Quarterly employee and Mag-Pro recognition awards.</p> <p>Service awards for employees.</p> <p>Training and continuing education to all employees</p>	<p>Quarterly employee and MagPro recognition awards.</p> <p>Service awards for employees.</p> <p>Training and continuing education to all employees.</p>	<p>Service awards for employees.</p> <p>Training and continuing education to all employees.</p>
OPTIMIZE THE USE OF TECHNOLOGY	<p>Implemented the Geographic Information System to model island wide power lines to provide for efficient work practices.</p>	<p>Revamped Online Payment System-customers can change their contact information, view financial history for the past 12 months.</p> <p>iDashboards—analytics to monitor our achievements in providing superior customer service.</p> <p>Advanced Grid Analytics (AGA)-monitor and solve power quality and reliability issue.</p>	<p>New Mobile Payment APP for Android and iOS.</p> <p>Upgrade of GPA's energy usage website MYENERGYGUAM.COM</p> <p>2018 GPA compliance PCI-DSS for credit card processing.</p> <p>Security and network review of GPA systems to ensure that customer data is kept secure.</p>

We want to hear from you! Let us know what information you want to see next time. Please contact Mr. John J.E. Kim, CFO @ (671) 648-3119 / 648-3066

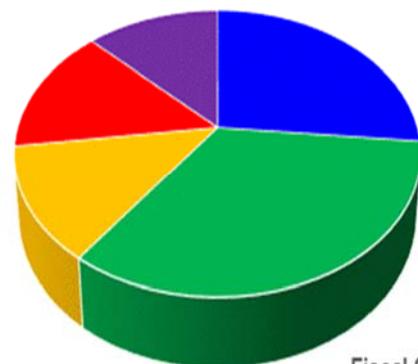
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Our Finances

Revenues

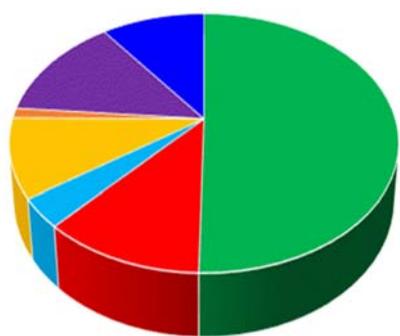
Type	2013	2014	2015	2016	2017	% Change from 2016
(in \$000)						
Residential	\$ 125,932	\$ 125,023	\$ 105,533	\$ 92,057	\$ 100,602	9%
Commercial	174,126	171,805	145,356	120,186	126,806	6%
Government	64,072	62,311	53,710	45,460	48,761	7%
Navy	84,899	75,323	61,586	49,193	54,905	12%
Other income and extraordinary revenues	17,881	9,317	14,691	8,900	47,794	437%
Total	\$ 454,999	\$ 443,779	\$ 380,876	\$ 315,796	\$ 378,868	20%



Fiscal 2017

GPA's revenue increased by 20% from prior year. The increase is due to the increase in peak demand of electricity and customer consumption, and to the increase in the global fuel price. Decline of sales in the prior year is due to conservation efforts of the customers, efficiencies in household appliances and also to the growing number of net metering customers. Increase in other income and extraordinary revenues was due to the Cabras 3&4 explosion insurance recovery.

Expenses



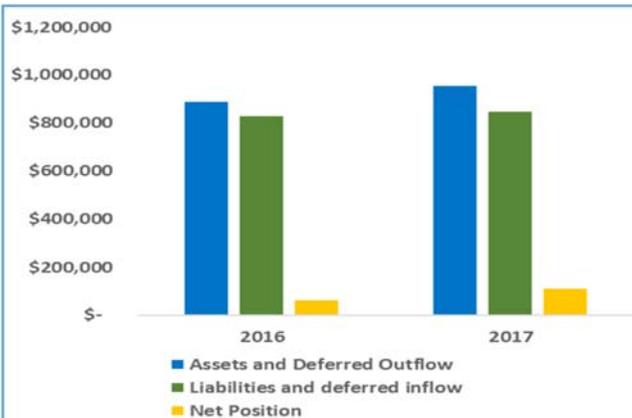
Fiscal 2017

Type	2013	2014	2015	2016	2017	% Change from 2016
(in \$000)						
Production fuel	\$ 295,473	\$ 271,175	\$ 204,136	\$ 146,340	\$ 166,426	14%
IPP and Other production costs	42,273	39,937	38,483	32,635	37,697	16%
Transmission and Distribution	13,368	12,950	11,170	10,817	11,750	9%
Administrative and General	31,589	28,394	21,908	31,686	32,484	3%
Customer Accounting	5,101	3,999	4,739	5,492	4,095	-25%
Depreciation and Amortization	31,156	36,989	41,765	44,240	44,292	0%
Interest & other Extraordinary expenses	43,069	43,756	43,484	54,261	33,770	-38%
Total	\$ 462,029	\$ 437,200	\$ 365,685	\$ 325,471	\$ 330,514	2%

GPA's expenses slightly increased from Fiscal 2016. The increase of Production fuel is due to the increase in the global fuel prices. The increase in the IPP and other production cost is due to the new capital lease agreement with Aggreko which started on January 2017.

Net Position

	2016	2017	% change
(in \$000)			
Assets and Deferred Outflow	\$ 888,435	\$ 955,488	8%
Liabilities and deferred inflow	826,612	845,311	2%
Net Position	\$ 61,823	\$ 110,177	78%



Asset is the economic resource which GPA controls. Deferred outflow is the consumption of the assets of the company to be reported in the future period. Liabilities and Deferred inflow are the acquisition of the assets of the company that should be recorded in the future period. Net position is the residual of the two elements.

All financial activities of GPA are in line with the Mission, Vision and Goals established by the Authority. GPA's financial statements for fiscal year 2017 received a clean opinion from the auditors of Deloitte & Touche. A comprehensive financial statement of GPA may be viewed online at www.guampowerauthority.com

Our Future Challenges

Clean Power Means Cleaner Air

The combination of renewable energy, cleaner fuel and more efficient generation will improve air quality and will keep power affordable by reducing and stabilizing the Levelized Energy Acceleration Cost.

Mobile workforce Management System (in progress)

Outage Management System (in progress)

Establish a complex Supervisory Control and Data Acquisition (SCADA) system and Automation Generation Control

Establish LNG Infrastructure and Supply



Integrate 160 MW Utility Scale Solar with Renewable Integration (RI-ESS) and Energy-Shifting ESS

Retire Cabras 1 & 2 by year 2022



2017

2019

2022

2018

Achieve American Public Power Association as a Reliable Power Provider (APPA RP3) by year 2018



Build a 40MW/22MWh battery Energy Storage System (BESS) at Talofofo and Agana (online in 2018)

Execute Renewable Integration/Long Range Transmission Plan Recommendations from 2018 to 2023

2021

Build up of a New Flexible Baseload Generation – estimated to complete by 2021



Convert RFO Fuel Storage & Pipelines to Ultra Low Sulfur Diesel Fuel (ULSD)

Convert Piti 8 & 9 to Dual-Fuel Operation estimated to complete by 2022

2025

Establish 50% GPA Energy Production from Renewable Sources from 2025

Clean Power Means Affordable Power

Fuel diversification and renewable energy sources reduces and stabilizes fuel costs, the major expense in producing electricity.

Clean Power Means Enhancing Customer Engagement

Customers expect higher levels of electric service quality. GPA is finding better ways to engage, inform, communicate and please customers