



# GUAM POWER AUTHORITY

*Aturidat Iktresedat Guahan*

**R**eliability, **A**ccountability, **T**ransparency, **E**fficiency **R**eport

## FISCAL YEAR 2014

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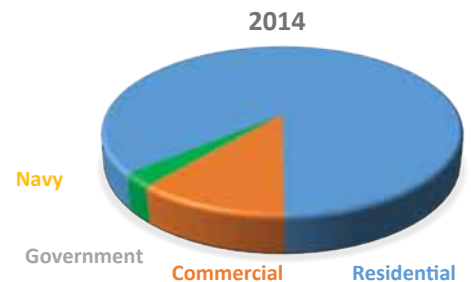
## ABOUT US

**Guam Power Authority** is a public corporation of the Government of Guam. 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). It has total assets of \$969M and employs approximately 500 employees. GPA provides electrical services to residential, commercial, Government of Guam and the U.S. Navy under the Utility Services Contract.

## OUR CUSTOMERS

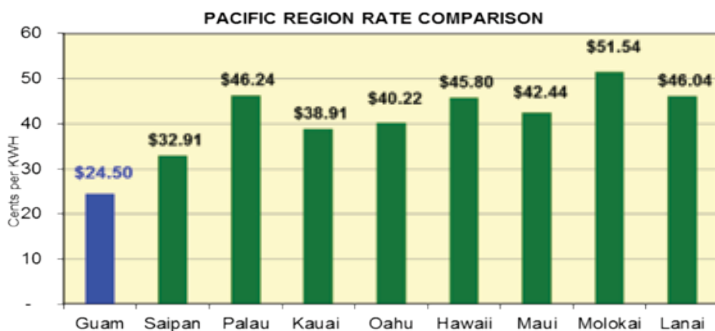
Although the make up of our customer base has remained consistent over the last 5 years, the total customer base grew just over 3% in that same period. However, there has also been a declining trend in customers' power consumption. Much of this is due to efforts made by our customers to become more energy efficient. In addition, new smart meters were installed for virtually all GPA customers to monitor and optimize their use of power. Meter data could be retrieved in hourly intervals by registering on [www.myenergyguam.com](http://www.myenergyguam.com).

Type	2010	2011	2012	2013	2014	2014 % to Total	Trend
Residential	41,108	41,324	41,607	41,708	42,368	86%	▲▲▲▲
Commercial	5,411	5,432	5,638	5,615	5,662	11%	■ ■ ■ ■
Government	1,306	1,290	1,266	1,274	1,266	3%	■ ■ ■ ■
Navy	1	1	1	1	1	0%	■ ■ ■ ■
Total	47,826	48,047	48,512	48,598	49,297	100%	■ ■ ■ ■



## OUR RATE

GPA's rate is competitive as shown on the graph. It is the lowest rate compared to the other neighboring Pacific islands. It is our commitment to the residents of Guam to provide affordable and reliable power.



Notes:  
 1. Rates for Guam effective Nov. 1, 2014  
 2. Rates for Kauai, Oahu, Hawaii, Maui, Molokai, Lanai effective Nov. 1, 2014.

### GPA Mission

"GPA SHALL provide

- R**eliable
- E**fficient, Effective, Environmentally Sound
- A**ffordable, Accountable
- L**eading Energy Solutions."

### GPA Vision

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

Corazon Montellano  
 Acting Chief Financial Officer



## COMMITMENT TO PRODUCT AFFORDABILITY

- Levelized Energy Adjustment Clause (LEAC) changed by at least 41% in 2014
- Line losses dropped to 4.91%
- Station use dropped to 4.98%



## SUPERIOR CUSTOMER SERVICE

- GPA opened its doors to the new Gloria B. Nelson Public Service Building in December 2014. It houses both GPA and GWA utilities for the purpose of providing the public with centralized services
- More convenient ways to pay your bill via pay by phone, online, visiting our main and satellite offices and accepting cash, check, money orders, debit and credit cards (for residential customers)
- Customers have the ability to monitor their consumption through a GPA-sponsored website - [www.myenergyguam.com](http://www.myenergyguam.com)



## HIGH SYSTEM RELIABILITY

- Completed the following major projects: P003 underground extension to Port Authority; Agat Village pole hardening and hybrid conversion; Hagåtña and Tumon substation transformer capacity upgrade



## FINANCIALLY SOUND AND STABLE

- Sixty-two (62) days unrestricted cash as of September 30, 2014
- Debt service coverage is at 1.91x per Bond Covenant
- Maintained investment grade rating from various rating agencies and Moody's upgrade from Ba1 to Baa3



## COMMITMENT TO WORKFORCE DEVELOPMENT

- Quarterly employee recognition awards for excellent performance
- Service awards are given to the employees for their loyalty, dedication and years of service
- Provided various training and continuing education to all employees

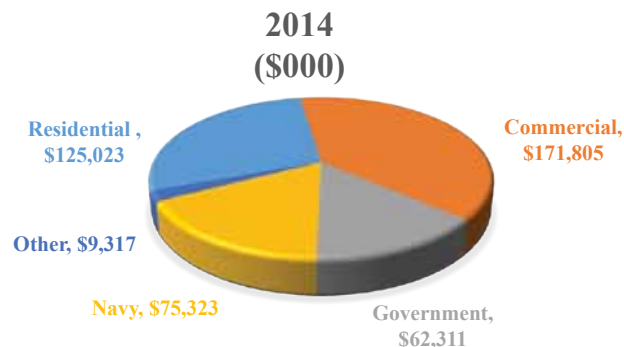


## OPTIMIZE THE USE OF TECHNOLOGY

- Began implementation of the the new Customer Care and Billing software (CC&B) which will provide real time customer information. CC&B went 'live' on March 9, 2015
- 100% completion—installation of smart meters
- Installation of an Outage Management System to effectively track and report power outages

## REVENUES

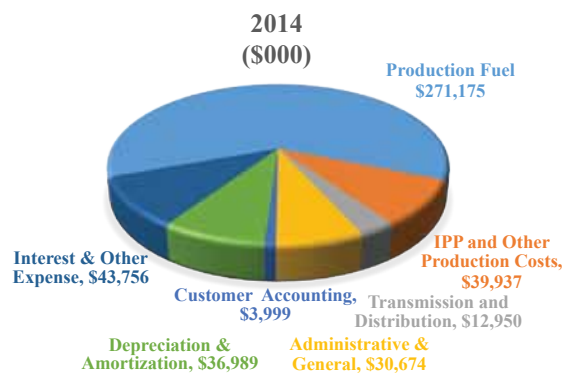
Type	2010	2011	2012	2013	2014	2014 % to Total	Trend
Residential	\$ 101,892	\$ 112,320	\$ 122,261	\$ 125,932	\$ 125,023	28%	■ ■ ■ ■ ■
Commercial	139,409	148,799	165,924	174,126	171,805	39%	■ ■ ■ ■ ■
Government	54,466	58,864	63,893	64,072	62,311	14%	■ ■ ■ ■ ■
Navy	69,123	71,893	86,033	84,899	75,323	17%	■ ■ ■ ■ ■
Other	3,848	12,658	16,888	17,881	9,317	2%	■ ■ ■ ■ ■
<b>Total</b>	<b>\$ 368,738</b>	<b>\$ 404,534</b>	<b>\$ 454,999</b>	<b>\$ 466,910</b>	<b>\$ 443,779</b>	<b>100%</b>	■ ■ ■ ■ ■



GPA's revenue dropped by 4.5% in 2014 compared to 2013. This may be attributed to the decrease in the fuel prices during the latter part of 2014. As shown on the first page of this report, our rate per kWh is 0.2450, which is the lowest compared to the other neighboring island utility companies. Although it is the lowest in comparison, fuel prices are still causing challenges for sales growth. We continue to develop plans and find solutions to reduce energy costs for our customers. A way to achieve this is to use combined cycle combustion unit generators, which may either use Liquefied Natural Gas (LNG) or ultra-low sulfur diesel fuel. The cost estimate of the plan is approximately \$250M and shall be completed no later than September 30, 2019 in compliance with US Environmental Protection Agency ruling.

## EXPENSES

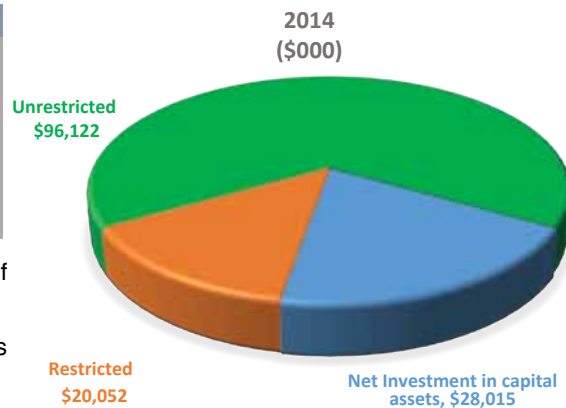
Description	2010	2011	2012	2013	2014	2014 % to Total	Trend
Production Fuel	\$ 219,862	\$ 243,711	\$ 288,602	\$ 295,473	\$ 271,175	62%	■ ■ ■ ■ ■
IPP and Other Production Costs	43,154	40,545	44,928	42,273	39,937	9%	■ ■ ■ ■ ■
Transmission and Distribution	11,228	12,241	12,717	13,368	12,950	3%	■ ■ ■ ■ ■
Administrative & General	27,584	30,432	31,378	31,589	30,674	7%	■ ■ ■ ■ ■
Customer Accounting	4,076	4,454	5,031	5,101	3,999	1%	■ ■ ■ ■ ■
Depreciation & Amortization	28,443	26,122	28,955	31,156	36,989	8%	■ ■ ■ ■ ■
Interest & Other Expense	42,129	48,066	45,730	43,069	43,756	10%	■ ■ ■ ■ ■
<b>Total</b>	<b>\$ 376,476</b>	<b>\$ 405,571</b>	<b>\$ 457,341</b>	<b>\$ 462,029</b>	<b>\$ 439,480</b>	<b>100%</b>	■ ■ ■ ■ ■



GPA's expenses are more or less stable except for a drop in the cost of production fuel which accounts for 62% of the total cost to produce electricity in 2014. This is beneficial to both GPA and the public which we serve. It helps us attain one of our critical success factors which is to provide an affordable cost of electricity to our customers. All expenses are being scrutinized and cost-saving measures are being implemented.

## NET POSITION (\$000)

Description	2010	2011	2012	2013	2014	2014 % to Total	Trend
Net investments in capital assets	\$ 9,316	\$ 12,642	\$ 31,683	\$ 32,029	\$ 28,015	19%	■ ■ ■ ■ ■
Restricted	29,741	33,710	37,851	28,148	20,052	14%	■ ■ ■ ■ ■
Unrestricted	101,580	93,248	65,475	79,714	96,122	67%	■ ■ ■ ■ ■
<b>Total</b>	<b>\$ 140,637</b>	<b>\$ 139,600</b>	<b>\$ 135,009</b>	<b>\$ 139,891</b>	<b>\$ 144,189</b>	<b>100%</b>	■ ■ ■ ■ ■



**Net investment in capital assets** consist of net capital assets less outstanding balances of all debts related to the acquisition, construction and improvement of those assets.

The **restricted** component of the net position consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The **unrestricted** component of the net position are those net assets, deferred outflow, liabilities, deferred inflows of resources that are not included in the restricted component.

We want to hear from you! Let us know what information you want to see next time. Please contact Ms. Cora Montellano, Acting CFO @ (671) 648-3119 / 648-3066

Prepared by : Lenny Florencio –General Ledger Supervisor. Some of the information provided by: Lenora Sanz-Controller, Joven Acosta-Manager of Engineering, Paz Tizon-Special Projects Engineer, John Cruz-Manager of SPORD, Luz Burgos-Plant Accounting Supervisor

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 2014 received a clean opinion from the auditors of Deloitte & Touche. A comprehensive financial statement of GPA may be viewed online at [www.guampowerauthority.com](http://www.guampowerauthority.com)



# GUAM POWER AUTHORITY

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## FUTURE CHALLENGES

GPA faces major challenges:

- 1) USEPA compliance
- 2) Maintaining competitive advantage
- 3) Transformation and modernization
- 4) Service affordability and rightsizing
- 5) Maintaining investment grade rating

USEPA is implementing new regulations affecting several GPA generation. Control-based compliance requires about a \$470 million capital investment. Several GPA power plants are currently noncompliant. GPA and USEPA must develop a compliance plan.

Thus far, GPA has provided a compliance timeline including:

- Retirement of generation assets including Tanguisson (2015)
- Retrofitting existing units for dual-firing on ultralow sulfur diesel (ULSD) and natural gas (2019)
- Dual-fired combined cycle combustion turbines acquisition (2020)
- Establishing infrastructure for LNG receipt and storage, regasification, and gas distribution (2022)
- Integrating 120 MW renewable energy systems (2017).

GPA's plan proposes an innovative solution versus a conventional controls strategy. Switching to LNG could save over \$25 million annually from greater fuel efficiencies. Spending \$470 million on emissions control systems reduces generation efficiencies, increases fuel costs, and increases O&M costs by tens of millions of dollars annually.

Since 2014, net metering cumulative capacity has doubled and is expected to double annually for the next two years. Furthermore, customers expect higher electric service quality. GPA welcomes competition.

GPA must maintain its competitive advantage. Create greater service value for customers. And, achieve higher operational excellence. GPA has two competitive advantages: the grid infrastructure and its customer relationships.

An example of leveraging GPA's competitive advantage to increase value for customers is the Department of the Navy (DON) agreement to lease DON property for renewable energy development.



Utility transformation and modernization are central to improving competitiveness and service value. Until recently, GPA operated like a 1980's utility. GPA has taken long strides into the 21st century via renewable acquisition, smart grid, customer information system (CIS), and energy storage initiatives. Modern companies operate on information. GPA must leverage information in modernizing aging bulk power infrastructure. Better power system operation performance measurement and analysis can reduce O&M and capital investments, increase safety, and maximize utilization.

Innovatively planning and executing can achieve greater affordability by rightsizing GPA operations. Super-efficient air conditioning and home appliances, price elasticity of demand to rising energy prices, increasing penetration of net metering systems, and a growing energy conservation and renewable energy sensitivity have resulted in declining energy sales and revenues. Coupled with funding USEPA compliance, utility business transformation, and grid modernization, this creates pressure to increase rates. However, affordability is essential.

GPA rightsizing enables improved operational excellence and affordability by increasing productivity, eliminating unnecessary jobs, adding needed jobs, building better business processes, optimizing asset replacement/utilization, and building effectiveness. Excellent opportunities for rightsizing GPA exist:

- Leveraging intelligent business systems such as smart grid
- Converging operations and information technology
- Increasing automation and embedded intelligence within power equipment and control systems
- Consolidating common systems and functions with GWA
- Replacing aging assets with more efficient, less resource intensive options.

GPA must maintain access to capital markets to meet the challenges described above.



**JOHN M. BENAVENTE, P.E.**  
Interim General Manager (GPA)  
General Manager-Consolidated Utility Services