



GUAM POWER AUTHORITY

Aturidat Iktresedat Guahan

Reliability
Accountability
Transparency
Efficiency
Report

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GPA MISSION

"GPA Shall Provide

Reliable

Efficient, Effective,
Environmentally Sound

Affordable, Accountable

Leading 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

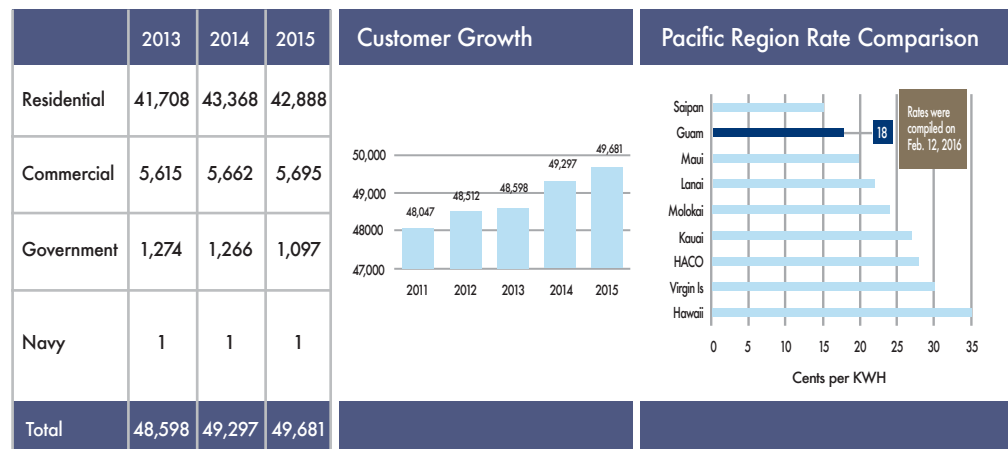
Guam Power Authority is a public corporation and a component unit of the Government of Guam established in 1968. It is governed by the Consolidated Commission on Utilities (CCU), an elected five member board. GPA is subject to the regulation of the Guam Public Utilities Commission of Guam (GPUC) and has adopted the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). The Authority has total assets of \$904M and employs approximately 500 employees. The Authority has 429MW 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 green energy solutions.

Demographics

As of September 30, 2015 GPA has 49,681 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 one of the lowest compared to the other neighboring Pacific islands.

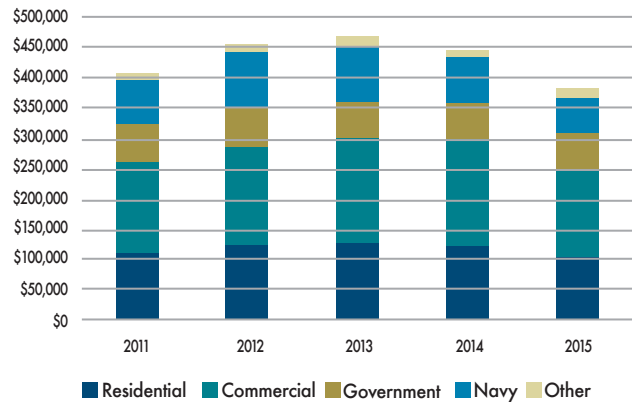


PROGRESS

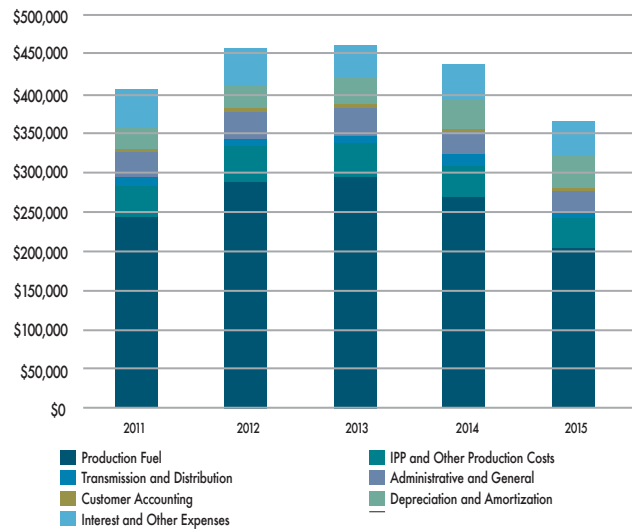
	KEY STRATEGIES	2013	2014	2015
	PRODUCT AFFORDABILITY	<p>Fuel recovery charge decreased by 13.01%.</p> <p>Developed implementation plan to transition to Liquefied Natural Gas (LNG).</p>	<p>Levelized Energy Adjustment clause changed by at least 41%.</p> <p>Line losses dropped to 4.91%</p> <p>Station use dropped to 4.98%</p>	<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>
	SUPERIOR CUSTOMER SERVICE	<p>Available call center 24/7.</p> <p>More ways to pay bill.</p> <p>Survey on customer service increased from 50% to 62%.</p>	<p>Construction of Gloria B. Nelson Service Building providing centralized services.</p> <p>Convenient payment methods.</p>	<p>Implemented the Data Side Management Program which will provide rebate incentives to customers for buying approved energy efficient appliances.</p>
	HIGH SYSTEM RELIABILITY	<p>GPA commissioned a study to improve reliability through energy storage (batteries).</p> <p>T&D maintenance action plan to replace old and rusted line and hardware.</p> <p>Fuse installation and coordination.</p>	<p>Completed the following:</p> <ol style="list-style-type: none"> 1. P003 underground extension to Port Authority 2. Agat village pole hardening and hybrid conversion. 3. Upgrade of Hagatna and Tumon substation. 	<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.
	FINANCIALLY SOUND AND STABLE	<p>45 days unrestricted cash.</p> <p>Debt service coverage of 1.9x.</p> <p>Maintained investment grade rating.</p>	<p>62 days unrestricted cash.</p> <p>Debt service coverage of 1.91x.</p> <p>Maintained investment grade rating.</p> <p>Moody's upgrade from Ba to Baa3.</p>	<p>80 days unrestricted cash.</p> <p>Debt service coverage of 2.62x.</p> <p>Ratings: Standard & Poor-BBB. Moody's- upgrade to Baa2. Fitch-BBB.</p>
	COMMITMENT TO WORKFORCE DEVELOPMENT	<p>2013 Magpro Agency of the Year.</p> <p>Quarterly employee recognition awards.</p> <p>Service awards.</p>	<p>Quarterly employee recognition awards.</p> <p>Service awards for employees.</p> <p>Training and continuing education to all employees</p>	<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>We want to hear from you! Let us know what information you want to see next time.</p> <p>Please contact Mr. John J.E. Kim, CFO (671) 648-3119 • 648-3066</p>	OPTIMIZE THE USE OF TECHNOLOGY	<p>Purchased Customer Care and billing software.</p> <p>Installation of smart meters 99% complete.</p> <p>Launched "My Energy" customer monitoring utility consumption.</p>	<p>Implemented the new Customer Care and Billing software-provides real time information to customers.</p> <p>Installation of smart meters-100% completed.</p> <p>Installation of outage management system.</p>	<p>Implemented the Geographic Information System to monitor island wide overhead lines and power poles. This will ensure immediate response should there be an emergency situation.</p>

FINANCES

REVENUES					
Type	2011	2012	2013	2014	2015
(in 000)					
Residential	112,320	122,261	125,932	125,023	105,533
Commercial	148,799	165,924	174,126	171,805	145,356
Government	58,864	63,893	64,072	62,311	53,710
Navy	71,893	86,033	84,899	75,323	61,586
Other	12,658	16,888	17,881	9,317	14,691
Total	404,534	454,999	466,910	443,779	380,876



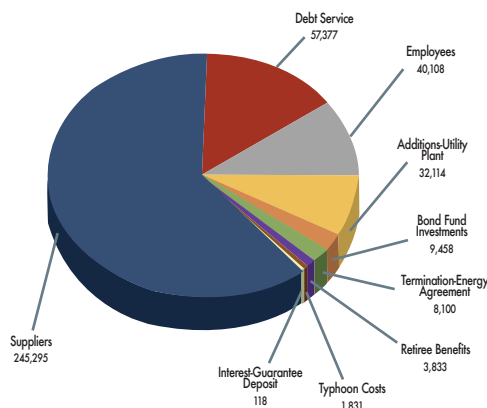
EXPENSES					
Type	2011	2012	2013	2014	2015
(in 000)					
Production Fuel	243,711	288,602	295,473	271,175	204,136
IPP and Other Production Costs	40,545	44,928	42,273	39,937	38,483
Transmission and Distribution	12,241	12,717	13,368	12,950	11,170
Administrative and General	30,432	31,378	31,589	28,394	21,908
Customer Accounting	4,454	5,032	5,101	3,999	4,739
Depreciation and Amortization	26,122	28,955	31,156	36,989	41,765
Interest and Other Expenses	48,066	45,730	43,069	43,756	43,484
Total	405,571	457,342	462,029	437,200	365,685



GPA's operating revenue dropped by almost 16% from prior year. This is primarily due to the reduction of the Levelized Energy Adjustment Clause (LEAC) by about 41% from prior year's rate. The reduction in LEAC was due to the worldwide decrease in fuel prices and GPA's effort to secure better fuel rates.

GPA's expenses decreased considerably in 2015 as compared to 2014. Most of the reduction is attributed to the production fuel cost. Operating and maintenance expenses decreased due to the termination of Tanguisson 1 and 2 power plants. Other expenses remained stable compared to last year.

HOW DID WE USE OUR FUNDS?	
(in \$000)	
Suppliers	245,295
Debt Service	57,377
Employees	49,108
Additions-Utility Plant	32,114
Bond Fund Investments	9,458
Termination-Energy Conversion Agreement	8,100
Retiree Benefits	3,833
Typhoon Costs	1,831
Interest-Guarantee Deposit	118
Total	398,234



The biggest portion of our disbursement goes to payments made to our vendors and suppliers. This accounts for almost 62% of the total payments made for the year. Included in these payments are fuel purchases in the amount of \$193M. Debt service payments include bond and capital lease payments. Payments to employees include labor and benefits for their services rendered. One of our capital activities in 2015 was the construction of the Gloria B. Nelson Public Service Building which houses the GPA and GWA Customer and Administrative offices. Also in 2015, GPA acquired approval from the PUC to terminate the energy conversion agreement of Tanguisson 1 & 2 for a payment of \$8.1 M.

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 2015 received a clean opinion from the auditors of Deloitte & Touche. A comprehensive financial statement of GPA may be viewed online at www.guampowerauthority.com



GUAM POWER AUTHORITY

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GPA faces major challenges:

- 1) USEPA compliance
- 2) Integrating non-firm renewable energy sources into the grid
- 3) Incentivizing energy efficiency through Demand-Side Management (DSM) programs
- 4) Increasing the penetration of all-electric vehicles to increase revenues, reduce customer transportation costs, and reduce hazardous emissions
- 5) Building additional capabilities upon smart grid foundational infrastructure
- 6) Maintaining competitive advantage
- 7) Transformation and modernization
- 8) Service affordability and rightsizing
- 9) Maintaining investment grade rating

USEPA is implementing new regulations affecting several GPA generation. GPA may comply using control-based compliance or switching from generator operation using residual fuel oil and substituting the use of ultralow sulfur diesel. Both these options are costly. Several GPA power plants are currently noncompliant. GPA and USEPA must develop a compliance plan. The compliance plan will include moving from a residual oil fueled generation to one using ultralow sulfur diesel. When fuel oil prices rise significantly, GPA will invest in a natural gas infrastructure to lower costs. Thus far, GPA has provided a compliance timeline including:

- Retirement of generation assets including Tanguisson (done, 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 (2018 to 2019).

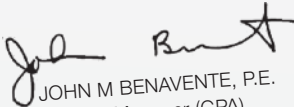
Since 2014, net metering (NEM) cumulative capacity has doubled and is expected to double annually for the next two years. Furthermore, customers expect higher electric service quality. GPA has to plan for redesigning its distribution protection, operations, and infrastructure designs. To accomplish these objectives, we must learn from the experiences of the neighboring islands and establish our own expertise.

Utility transformation and modernization are central to improving competitiveness and service value. GPA must leverage information in modernizing aging bulk power infrastructure.

Innovatively planning and executing can achieve greater affordability by rightsizing GPA operations. 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
- Creating new uses for electric energy
- 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.
General Manager (GPA)