GUAM POWER AUTHORITY

ATURIDÅT ILEKTRESEDÅT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

26 November 2018

CFO 027 19

Senator Therese M. Terlaje, Vice Speaker
Office of the Speaker
I Mina' Trentai Kuattro Liheslaturan Guahan
34th Guam Legislature
163 Chalan Santo Papa
Hagatna, Guam 96910

Vice Speaker Therese M. Terlaje
#346L-18 - 2022
Dec. 03
NOV 30 2018
Time: 9:20
Received by:

SUBJECT: Guam Power Authority
Ref: Monthly Financial – September 2018

Dear Honorable Vice-Speaker Terlaje:

Enclosed is the Guam Power Authority's Financial Statement for the month of September 2018, submitted in accordance with Public Law 30-55 Chapter XIII §4.

Should you require further information, please feel free to contact me at 648-3120 or E-Mail jjekim@gpagwa.com.

Sincerely,

John J.E. Kim
Chief Financial Officer

cc: Mr. Benjamin J. Cruz, Public Auditor

2018 DEC -3 AM 10:58

GUAM LEGISLATURE
CENTRAL FILES

ACKNOWLEDGEMENT RECEIPT
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GUAM POWER AUTHORITY
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GUAM POWER AUTHORITY
FINANCIAL STATEMENT OVERVIEW
September 2018

Attached are the financial statements and supporting schedules for the month and fiscal year ended September 30, 2018.

Summary
The increase in net assets for the year ended was $13.8 million as compared to the anticipated net increase of $1.0 million at the beginning of the year. This was primarily due to the under-expenditure of O&M expenses – more specifically the over-anticipated fuel costs. The total kWh sales for the year were 3.19% less than projected and non-fuel revenues were $4.0M less than the estimated amounts. O & M expenses for the year were $65.7 million which was $10.0 million less than our projections for this year. Other expenses for the year such as interest expense, IPP costs, (net of interest income and other income) totaled to $40.5 million which was about $7.1 million less than the projected amount. There were no other significant departures from the budget during the period.

Analysis

Description	Previous Month	Current Month	Target
Quick Ratio	2.62	1.92	2
Days in Receivables	38	38	52
Days in Payables	20	42	30
LEAC (Over)/Under Recovery Balance -YTD	$7,313,081	$8,370,542	$8,802,313
T&D Losses	5.08%	5.12%	7.00%
Debt Service Coverage	1.78	1.75	1.75
Long-term equity ratio	17%	18%	30 – 40%
Days in Cash	199	216	60

The Quick Ratio reflects the basic challenge facing GPA. However, this fiscal year has shown improvement over the previous fiscal year. This is due to the receipt of $84M in cash advances of insurance proceeds. GPA has current obligations of approximately $94.7 million and approximately $181.5 million in cash and current receivables. The LEAC under recovery for the month is $1.1 million. The Debt Service Coverage ratio is calculated using the methodology in use before the Fiscal Year 2002 change in accounting practice.

Financial Statement
September 2018
Significant Assumptions

The significant assumptions in the financial statements are as follows:

- Accrual cutoff procedures were performed at month end
- An inventory valuation is performed at year-end only
- Accounts Receivable includes accruals based on prior months' usage.

Prepared by:	Reviewed by:	Approved by:
Lenora M. Sanz Controller	John J.E. Kim Chief Financial Officer	John M. Benavente, P.E. General Manager

Statements of Net Position
September 30, 2018 and September 30, 2017

	Unaudited September 2018	Audited September 2017	Change from Sept 30 2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and cash equivalents:			
Held by trustee for restricted purposes:			
Interest and principal funds	17,997,927	18,061,879	(63,952)
Bond indenture funds	49,970,719	56,907,535	(6,936,816)
Held by Guam Power Authority:			
Bond indenture funds	142,583,470	132,579,889	10,003,581
Self insurance fund-restricted	19,258,353	19,251,372	6,981
Energy sense fund	1,085,472	1,074,491	10,981
Total cash and cash equivalents	230,895,941	227,875,166	3,020,775
Accounts receivable, net	37,746,060	77,826,132	(40,080,072)
Total current receivables	37,746,060	77,826,132	(40,080,072)
Materials and supplies inventory	12,695,441	11,989,745	705,696
Fuel inventory	67,993,103	52,387,369	15,605,734
Prepaid expenses	979,828	629,586	350,242
Total current assets	350,310,373	370,707,998	(20,397,625)
Utility plant, at cost:			
Electric plant in service	1,063,192,955	1,038,121,362	25,071,593
Construction work in progress	28,495,325	18,480,173	10,015,152
Total	1,091,688,280	1,056,601,535	35,086,745
Less: Accumulated depreciation	(598,792,653)	(561,829,334)	(36,963,319)
Total utility plant	492,895,627	494,772,201	(1,876,574)
Other non-current assets:			
Investment - bond reserve funds held by trustee	48,600,660	48,576,863	23,797
Unamortized debt issuance costs	2,503,448	4,267,305	(1,763,857)
Total other non-current assets	51,104,108	52,844,168	(1,740,060)
Total assets	894,310,108	918,324,367	(24,014,259)
Deferred outflow of resources:			
Deferred fuel revenue	8,370,542	16,751,048	(8,380,506)
Unamortized loss on debt refunding	27,093,636	11,076,064	16,017,572
Pension	8,698,853	8,698,853	0
Unamortized forward delivery contract costs	477,998	637,358	(159,360)
Total deferred outflows of resources	44,641,029	37,163,323	7,477,706
	938,951,137	955,487,690	(16,536,553)

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statement of Net Position, Continued
September 30, 2018 and September 30, 2017

	Unaudited September 2018	Audited September 2017	Change from Sept 30 2017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities:			
Current maturities of long-term debt	1,630,000	1,780,000	(150,000)
Current obligations under capital leases	18,126,544	23,330,193	(5,203,649)
Accounts payable			
Operations	47,870,908	56,723,139	(8,852,232)
Others	259,708	7,597,801	(7,338,092)
Accrued payroll and employees' benefits	1,949,080	1,546,860	402,220
Current portion of employees' annual leave	2,101,168	2,045,201	55,967
Interest payable	14,660,598	15,065,830	(405,232)
Customer deposits	8,142,519	8,209,228	(66,709)
Total current liabilities	94,740,525	116,298,252	(21,557,727)
Regulatory liabilities:			
Provision for self insurance	19,345,291	19,550,977	(205,686)
Total regulatory liabilities	19,345,291	19,550,977	(205,686)
Long term debt, net of current maturities	604,881,434	590,568,862	14,312,572
Obligations under capital leases, net of current portion	6,571,815	24,428,832	(17,857,017)
Net Pension liability	81,468,099	85,875,217	(4,407,118)
DCRS sick leave liability	4,008,397	4,008,397	0
Employees' annual leave net of current portion	1,086,456	1,086,456	0
Customer advances for construction	385,293	369,180	16,113
Total liabilities	812,487,310	842,186,173	(29,698,863)
Deferred inflows of resources:			
Unearned forward delivery contract revenue	1,752,053	2,336,071	(584,018)
Pension	788,894	788,894	0
Total deferred inflows of resources	2,540,947	3,124,965	(584,018)
Commitments and contigencies			
Net Position:			
Net investment in capital assets	(40,128,079)	(40,220,468)	92,389
Restricted	47,856,103	15,232,832	32,623,271
Unrestricted	116,194,856	135,164,187	(18,969,332)
Total net position	123,922,879	110,176,552	13,746,327
	938,951,137	955,487,690	(16,536,553)

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM
Statement of Revenues, Expenses and Changes in Net Assets

	September 30			Twelve Months Ending September 30		
	Unaudited 2018	Audited 2017	% of change Inc (dec)	Unaudited 2018	Audited 2017	% of change Inc (dec)
Revenues						
Sales of electricity	31,097,639	29,769,728	4	378,328,873	331,074,054	14
Miscellaneous	194,101	51,936	274	2,217,201	2,193,476	1
Total	31,291,740	29,821,664	5	380,546,074	333,267,530	14
Bad debt expense	285,382	1,187,950	(76)	(677,870)	200,588	(438)
Total revenues	31,577,122	31,009,614	2	379,868,204	333,468,118	14
Operating and maintenance expenses						
Production fuel	18,390,290	15,896,627	16	217,324,520	166,426,108	31
Other production	1,595,738	3,207,918	(50)	16,998,852	17,762,059	(4)
	19,986,028	19,104,545	5	234,323,372	184,188,167	27
Depreciation	3,229,310	831,387	288	38,549,877	44,291,587	(13)
Energy conversion cost	1,414,314	1,769,267	(20)	17,552,373	19,935,334	(12)
Transmission & distribution	389,149	986,467	(61)	12,228,617	11,749,623	4
Customer accounting	622,025	468,168	33	5,560,217	4,296,347	29
Administrative & general	2,514,747	8,709,435	(71)	30,928,370	32,484,110	(5)
Total operating and maintenance expenses	28,155,573	31,869,269	(12)	339,142,826	296,945,168	14
Operating income	3,421,549	(859,655)	(498)	40,725,378	36,522,950	12
Other income (expenses)						
Interest income	524,246	346,969	51	3,260,342	1,722,482	89
Interest expense and amortization	(2,500,104)	(2,610,748)	(4)	(31,620,663)	(33,693,389)	(6)
Bond issuance costs	(115,438)	76,827	(250)	(1,892,175)	921,924	(305)
Gains from catastrophic events	2,310,282	39,823,785	0	2,310,282	39,977,139	
Allowance for funds used during construction	123,062	272,277	(55)	1,686,379	3,675,582	(54)
Other expense	(4,291)	(4,058)	0	(839,392)	(772,971)	9
Total other income (expenses)	337,757	37,905,052	(99)	(27,095,227)	11,830,767	(329)
Income (loss) before capital contributions	3,759,306	37,045,397	(90)	13,630,151	48,353,717	(72)
Capital contributions	0	(144,702)	0	116,175	10	1,161,650
Increase (decrease) in net assets	3,759,306	36,900,695	(90)	13,746,326	48,353,727	(72)
Total net assets at beginning of period (restated)	120,163,577	73,122,508	64	110,176,557	61,822,830	78
Total net assets at end of period	123,922,883	110,023,203	13	123,922,883	110,176,557	12

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statements of Cash Flows
Period Ended September 30, 2018

	Month Ended 9/30/2018	YTD Ended 9/30/2018
Increase(decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received from customers	$30,320,239	$ 377,977,999
Cash payments to suppliers and employees for goods and services	5,481,078	344,254,356
Net cash provided by operating activities	$24,839,161	33,723,643
Cash flows from investing activities:		
Interest and dividends on investments and bank accounts	524,246	3,260,342
Net cash provided by investing activities	524,246	3,260,342
Cash flows from non-capital financing activities		
Proceeds from Cabras 3&4 insurance claims	-	41,844,342
Interest paid on short term debt	(6,017)	(81,907)
Provision for self insurance funds	(1,167)	(6,981)
Net cash provided by noncapital financing activities	(7,184)	41,755,454
Cash flows from capital and related financing activities		
Acquisition of utility plant	(7,287,027)	(36,673,302)
Principal paid on bonds and other long-term debt	-	(3,550,000)
Interest paid on bonds(net of capitalized interest)	123,062	(27,090,907)
Interest paid on capital lease obligations	(180,898)	(3,166,701)
Interest & principal funds held by trustee	(2,688,136)	63,952
Reserve funds held by trustee	(32,958)	(23,797)
Bond funds held by trustee	1,023,269	6,936,816
Principal payment on capital lease obligations	(1,963,200)	(23,060,666)
Grant from DOI/FEMA	-	116,175
Debt issuance costs/loss on defeasance	(162,524)	17,712,572
Net cash provided by (used in) capital and related financing activities	(11,168,412)	(68,735,858)
Net (decrease) increase in cash and cash equivalents	14,187,811.13	10,003,581
Cash and cash equivalents, beginning	128,395,658	132,579,889
Cash and cash equivalents-Funds held by GPA, September 30, 2018	**$ 142,583,470**	**$ 142,583,470**

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statements of Cash Flows, continued
Period Ended September 30, 2018

	Month Ended 9/30/2018	YTD Ended 9/30/2018
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings net of depreciation expense and excluding interest income	$3,421,549	$40,725,378
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	3,229,310	38,549,877
Other expense	2,190,553	(421,285)
(Increase) decrease in assets:		
Accounts receivable	(1,248,340)	(1,764,270)
Materials and inventory	143,473	(705,696)
Fuel inventory	(6,491,625)	(15,605,734)
Prepaid expenses	960,567	(350,242)
Unamortized debt issuance cost	23,667	1,763,857
Deferred fuel revenue	(1,057,461)	8,380,506
Unamortized loss on debt refunding	229,166	(16,017,572)
Unamortized forward delivery contract costs	13,280	159,360
Increase (decrease) in liabilities:		
Accounts payable-operations	26,136,842	(8,852,232)
Accounts payable-others	(2,351,491)	(7,349,073)
Accrued payroll and employees' benefits	371,982	402,220
Provision for self insurance	(205,686)	(205,686)
Net pension liability	(482,933)	(4,407,118)
Employees' annual leave	30,250	55,967
Customers deposits	(25,274)	(66,709)
Customer advances for construction	-	16,113
Unearned forward delivery contract revenue	(48,668)	(584,018)
Net cash provided by operating activities	**$24,839,161**	**$ 33,723,643**