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

22 February 2019

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35GL-19-0201
Speaker Tina Rose Muña Barnes

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Honorable Tina Muna Barnes, Office of the Speaker
35th Guam Legislature
163 Chalan Santo Papa
Hagatna, Guam 96910

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

Dear Honorable Speaker Barnes:

Enclosed is the Guam Power Authority's Financial Statement for the month of December 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, OPA

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GUAM POWER AUTHORITY
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GUAM POWER AUTHORITY
FINANCIAL STATEMENT OVERVIEW
December 2018

Attached are the financial statements and supporting schedules for the month and fiscal year ended December 31, 2018.

Summary

The increase in net assets for the month ended was $1.6 million as compared to the anticipated net increase of $1.0 million projected at the beginning of the year. The total kWh sales for the month were 1.87% less than projected and non-fuel revenues were $0.4million less than the estimated amount. O & M expenses for the month were $4.7 million which was $1.4 million less than our projections for the month. Other expenses for the month such as interest expense, IPP costs, (net of interest income and other income) totaled to $4.7 million, which was $1.2 more than the projected amounts. There were no other significant departures from the budget during the period.

Analysis

Description	Previous Month	Current Month	Target
Quick Ratio	1.60	1.72	2
Days in Receivables	43	42	52
Days in Payables	49	33	30
LEAC (Over)/Under Recovery Balance -YTD	$11,367,941	$12,374,890	$12,296,414
T&D Losses	5.25%	5.33%	<7.00%
Debt Service Coverage	1.34	1.38	1.75
Long-term equity ratio	18%	18%	30 – 40%
Days in Cash	187	171	60

The Quick Ratio has been a challenge for GPA historically. However, over the last two fiscal years, the influx of cash from insurance proceeds continued to improve this ratio. GPA has current obligations of approximately $93 million and approximately $159 million in cash and current receivables. Debt Service Coverage ratio is calculated using the methodology in use before the Fiscal Year 2002 change in accounting practice.

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

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statements of Net Position
December 31, 2018 and September 30, 2018

	Unaudited December 2018	Unaudited September 2018	Change from Sept 30 2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and cash equivalents:			
Held by trustee for restricted purposes:			
Interest and principal funds	13,357,281	17,997,927	(4,640,646)
Bond indenture funds	45,574,892	49,970,719	(4,395,827)
Held by Guam Power Authority:			
Bond indenture funds	114,425,104	142,583,470	(28,158,366)
Self insurance fund-restricted	19,260,114	19,258,353	1,761
Energy sense fund	745,616	1,085,472	(339,856)
Total cash and cash equivalents	193,363,007	230,895,941	(37,532,934)
Accounts receivable, net	46,528,964	37,746,060	8,782,904
Total current receivables	46,528,964	37,746,060	8,782,904
Materials and supplies inventory	11,403,971	12,695,441	(1,291,470)
Fuel inventory	62,090,855	67,993,103	(5,902,248)
Prepaid expenses	6,107,573	979,828	5,127,745
Total current assets	319,494,370	350,310,373	(30,816,003)
Utility plant, at cost:			
Electric plant in service	1,064,536,587	1,063,192,955	1,343,632
Construction work in progress	41,903,316	28,495,325	13,407,991
Total	1,106,439,903	1,091,688,280	14,751,623
Less: Accumulated depreciation	(608,362,500)	(598,792,653)	(9,569,847)
Total utility plant	498,077,403	492,895,627	5,181,776
Other non-current assets:			
Investment - bond reserve funds held by trustee	48,530,722	48,600,660	(69,938)
Unamortized debt issuance costs	2,432,876	2,503,448	(70,572)
Total other non-current assets	50,963,598	51,104,108	(140,510)
Total assets	868,535,371	894,310,108	(25,774,737)
Deferred outflow of resources:			
Deferred fuel revenue	12,374,890	8,370,542	4,004,348
Unamortized loss on debt refunding	26,503,503	27,093,636	(590,133)
Pension	8,698,853	8,698,853	0
Unamortized forward delivery contract costs	438,158	477,998	(39,840)
Total deferred outflows of resources	48,015,404	44,641,029	3,374,375
	916,550,775	938,951,137	(22,400,362)

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statement of Net Position, Continued
December 31, 2018 and September 30, 2018

	Unaudited December 2018	Unaudited September 2018	Change from Sept 30 2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities:			
Current maturities of long-term debt	16,130,000	1,630,000	14,500,000
Current obligations under capital leases	18,126,544	18,126,544	0
Accounts payable			
Operations	38,736,532	47,870,908	(9,134,375)
Others	310,096	259,708	50,387
Accrued payroll and employees' benefits	1,193,035	1,949,080	(756,045)
Current portion of employees' annual leave	2,253,483	2,101,168	152,315
Interest payable	7,595,454	14,660,598	(7,065,144)
Customer deposits	8,207,394	8,142,519	64,875
Total current liabilities	92,552,538	94,740,525	(2,187,987)
Regulatory liabilities:			
Provision for self insurance	19,345,291	19,345,291	0
Total regulatory liabilities	19,345,291	19,345,291	0
Long term debt, net of current maturities	587,787,823	604,881,434	(17,093,611)
Obligations under capital leases, net of current portion	283,368	6,571,815	(6,288,447)
Net Pension liability	80,578,499	81,468,099	(889,600)
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	388,419	385,293	3,126
Total liabilities	786,030,791	812,487,310	(26,456,519)
Deferred inflows of resources:			
Unearned forward delivery contract revenue	1,606,049	1,752,053	(146,004)
Pension	788,894	788,894	0
Total deferred inflows of resources	2,394,943	2,540,947	(146,004)
Commitments and contigencies			
Net Position:			
Net investment in capital assets	(30,533,137)	(40,128,079)	9,594,942
Restricted	25,119,252	47,856,103	(22,736,851)
Unrestricted	133,538,925	116,194,856	17,344,069
Total net position	128,125,040	123,922,880	4,202,160
	916,550,775	938,951,137	(22,400,362)

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

	December 31 Unaudited 2018	December 31 Audited 2017	% of change Inc (dec)	Three Months Ended December 31 Unaudited 2018	Three Months Ended December 31 Audited 2017	% of change Inc (dec)
Revenues						
Sales of electricity	33,436,004	29,975,334	12	101,464,636	88,763,807	14
Miscellaneous	124,046	122,242	1	764,470	407,052	88
Total	33,560,050	30,097,576	12	102,229,106	89,170,859	15
Bad debt expense	(91,500)	(83,583)	9	(274,500)	(250,749)	9
Total revenues	33,468,550	30,013,993	12	101,954,606	88,920,110	15
Operating and maintenance expenses						
Production fuel	19,968,778	16,007,336	25	61,229,809	47,343,365	29
Other production	1,250,738	936,410	34	3,660,815	3,525,714	4
	21,219,516	16,943,746	25	64,890,624	50,869,079	28
Depreciation	2,549,294	3,567,508	(29)	9,884,395	10,740,759	(8)
Energy conversion cost	1,472,122	1,432,452	3	4,220,973	4,941,972	(15)
Transmission & distribution	817,614	1,108,137	(26)	2,533,312	2,959,860	(14)
Customer accounting	422,021	435,690	(3)	1,209,983	1,276,215	(5)
Administrative & general	2,179,650	2,129,750	2	7,509,572	6,861,300	9
Total operating and maintenance expenses	28,660,217	25,617,283	12	90,248,859	77,649,185	16
Operating income	4,808,333	4,396,710	9	11,705,747	11,270,925	4
Other income (expenses)						
Interest income	368,160	741,024	(50)	885,203	1,751,460	(49)
Interest expense and amortization	(2,394,985)	(2,729,985)	(12)	(7,178,289)	(8,168,390)	(12)
Bond issuance costs	88,022	(2,487,564)	(104)	263,066	(2,333,910)	(111)
Bid bond forfeiture	(1,245,000)	0	0	(1,245,000)	0	
Allowance for funds used during construction	0	273,336	(100)	0	819,921	(100)
Other expense	(4,291)	(82,834)	0	(228,564)	(205,135)	11
Total other income (expenses)	(3,188,094)	(4,286,023)	(26)	(7,503,584)	(8,136,054)	(8)
Income (loss) before capital contributions	1,620,239	110,687	1,364	4,202,163	3,134,871	34
Capital contributions	0	0	0	0	4,795	0
Increase (decrease) in net assets	1,620,239	110,687	1,364	4,202,163	3,139,666	34
Total net assets at beginning of period (restated)	126,504,804	113,205,536	0	123,922,880	110,176,557	12
Total net assets at end of period	128,125,043	113,316,223	13	128,125,043	113,316,223	13

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statements of Cash Flows
Period Ended December 31, 2018

	Month Ended 12/31/2018	YTD Ended 12/31/2018
Increase(decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Cash received from customers	$32,638,700	$ 93,188,005
Cash payments to suppliers and employees for goods and services	39,260,131	93,144,560
Net cash provided by operating activities	($6,621,431)	43,445
Cash flows from investing activities:		
Interest and dividends on investments and bank accounts	368,160	885,203
Net cash provided by investing activities	368,160	885,203
Cash flows from non-capital financing activities		
Interest paid on short term debt	(6,283)	(19,570)
Provision for self insurance funds	(1,761)	(1,761)
Net cash provided by noncapital financing activities	(8,044)	(21,331)
Cash flows from capital and related financing activities		
Acquisition of utility plant	(4,675,581)	(15,066,173)
Principal paid on bonds and other long-term debt	-	(1,630,000)
Interest paid on bonds(net of capitalized interest)	-	(14,052,875)
Interest paid on capital lease obligations	(59,318)	(170,988)
Interest & principal funds held by trustee	(3,680,378)	4,640,646
Reserve funds held by trustee	(36,633)	69,938
Bond funds held by trustee	8,195	4,395,827
Principal payment on capital lease obligations	(2,111,923)	(6,288,447)
Debt issuance costs/loss on defeasance	(321,537)	(963,611)
Net cash provided by (used in) capital and related financing activities	(10,877,175)	(29,065,683)
Net (decrease) increase in cash and cash equivalents	(17,138,490.26)	(28,158,366)
Cash and cash equivalents, beginning	131,563,594	142,583,470
Cash and cash equivalents-Funds held by GPA, December 31, 2018	**$ 114,425,104**	**$ 114,425,104**

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)
Statements of Cash Flows, continued
Period Ended December 31, 2018

	Month Ended 12/31/2018	YTD Ended 12/31/2018
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings net of depreciation expense and excluding interest income	$4,808,333	$11,705,747
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	2,549,294	9,884,395
Other expense	(1,161,269)	(1,210,498)
(Increase) decrease in assets:		
Accounts receivable	(832,510)	(8,782,904)
Materials and inventory	1,623,515	1,291,470
Fuel inventory	6,876,859	5,902,248
Prepaid expenses	761,682	(5,127,745)
Unamortized debt issuance cost	23,524	70,572
Deferred fuel revenue	(1,006,949)	(4,004,348)
Unamortized loss on debt refunding	196,711	590,133
Unamortized forward delivery contract costs	13,280	39,840
Increase (decrease) in liabilities:		
Accounts payable-operations	(14,280,872)	(9,134,375)
Accounts payable-others	(6,383,019)	390,243
Accrued payroll and employees' benefits	308,808	(756,045)
Net pension liability	(301,561)	(889,600)
Employees' annual leave	(27,365)	152,315
Customers deposits	258,776	64,875
Customer advances for construction	-	3,126
Unearned forward delivery contract revenue	(48,668)	(146,004)
Net cash provided by operating activities	**($6,621,431)**	**$ 43,445**