



GUAM POWER AUTHORITY

Aturidat Iktresedat Guahan

Reliability, Accountability, Transparency, Efficiency Report

Fiscal Year 2012

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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 services to our island community.



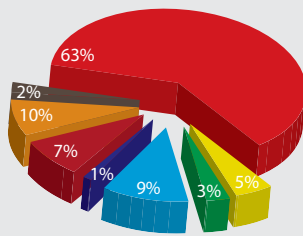
A Glance at Guam Power Authority

The Guam Power Authority (GPA) 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 regulations of the Guam Public Utilities Commission (GPUC) and has adopted the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

GPA is maintaining a steady growth on the number of customers, except for the Government agencies. One of GPA's goals is to provide the best customer service to all ratepayers.

Our Customers					
Rate Class	2008	2009	2010	2011	2012
Residential	39,418	40,254	41,108	41,324	41,607
Commercial	5,348	5,385	5,411	5,432	5,638
Government	1,216	1,207	1,306	1,290	1,266
Navy	1	1	1	1	1
Total	45,983	46,847	47,826	48,047	48,512

What we pay for every \$1 you spend on Residential Power bill



Type of cost	Cost per \$1	What is it?
Production Fuel	0.63	Fuel used to produce steam to generate electricity.
Other production costs	0.05	Salaries, benefits, operating & maintenance costs and supplies incurred by the Generation Department.
Transmission & Distribution costs	0.03	Cost incurred in sending and distributing electricity to customers which may include salaries, benefits, maintenance and supplies.
IPP (Purchased Power)	0.09	Cost we pay to private entity generating power for GPA.
Customer Accounting	0.01	Salaries, benefits, supplies incurred in providing service to customers.
Administrative & General	0.07	Salaries, benefits, supplies used in the administration of the utility.
Debt service - Bonds	0.10	Principal and interest for the repayment of bond liability, which is used to finance major improvements of the plant and equipment.
Other costs	0.02	Other incidental expenses incurred which includes capital improvement projects.
Total	\$1.00	

RESIDENTIAL RATE COMPARISON

The residential rate for Guam increased by 0.03 cents from prior year's 26 cents per kWh. Despite of this, GPA's rate for the residential customer is still the lowest compared with the other neighboring islands, adhering to GPA's commitment of providing affordable product to the people of Guam.

Effective January 2013

Island	Rate (cents per kWh)
Guam	29.16
Kauai	42.97
Oahu	36.13
Hawaii	41.57
Maui	38.65
Molokai	49.25
Lanai	48.50
Fiji	33.10

SOURCES:
1. Guam - rate published by Guam Power Authority (Effective Date: 2/1/2012)
2. Kauai - rates published by Kauai Island Utility Cooperative (Effective Date: 5/1/2012)
3. Oahu, Hawaii, Maui, Molokai, Lanai - rates published by Hawaiian Electric Company (HECO, HELCO, MECO; Effective Date: 4/1/2012)

CONVENIENT WAYS TO PAY YOUR BILL!

Paying your bill has never been easier! You can view, print, and pay your bill in just a few minutes.

ONLINE

For residential customers go to www.payGPA.com



BY PHONE

For residential customers call 647-5785/8/9.



BY MAIL

Guam Power Authority
P.O. BOX 21868
Barrigada, GU 96921



PREPAID METERING

The latest innovation in purchasing electricity. This option will be made available to more residential customers in the near future.

CRITICAL SUCCESS FACTORS

METRICS

PROGRESS IN FY 2012

Commitment to Product Affordability

1. Improve system heat rate.
2. Increase unit availability.
3. Implement integrated resource plan such as renewable, Demand Side Management (DSM), Liquefied Natural Gas (LNG) and others.
4. Reduce line losses and revenue losses.
5. Meet efficiency measures set by the American Public Power Association.

Fuel hedging contracts are in place. GPA has received \$5M in 2012 from Fuel Hedging gain, which effectively reduced the cost of fuel with the same amount.

Two renewable energy contracts totaling 35,000 kW were signed.

The Transmission and Distribution losses continues to be maintained at 6.5%.

The savings of \$10M annually on debt service payments resulted in a roll back credit to the ratepayers. The rollback credit took effect December 1, 2012.

Superior Customer Service

1. Sustained improvements of customer satisfaction.
2. Enhance billing and payment experience.
3. Increase overall satisfaction with GPA's physical improvements.
4. Increase call center effectiveness.

A Customer Focus committee was established to drive improvements in customer service both internal and external. Representatives from each section, called "Champions", were chosen. Their task is to identify obstacles in providing excellent service to the section's customers and assist in finding solutions to correct and eliminate the obstacles. The champions report to the committee, which facilitate Authority-wide improvements.

The telephone system was upgraded to provide features focusing on customer satisfaction.

Extended hours are being proposed.

High System Reliability

1. Improve T&D reliability indices.
2. Meet or exceed generation reliability expectations.

The average outage duration for each customer served decreased 46% from 521 to 283 minutes (System Average Interruption Duration Index). The average number of interruptions that a customer experienced increased slightly from 8.3 in 2011 to 9.04 in 2012.

Financially Sound and Stable

1. Achieve 120 days unrestricted cash.
2. Obtain "A" or equivalent rating from all rating agencies.
3. Achieve 1.75x debt service coverage.

1. As of 09/30/12, GPA achieved 46 days unrestricted cash.
2. Currently at investment grade with Moody's, upgraded from Ba1 to Baa3
3. Debt service coverage ratio is currently at 2.13x per Bond Covenant. GPA refinanced the 1993 and 1999 bonds resulting in annual savings of \$10M.

Commitment to Workforce development and outstanding leadership

1. Complete workforce planning.
2. Improve on leadership characteristics.
3. Increase safety awareness and enhance safety practices.

Applicable trainings are provided to all employees, most of them mandatory. Employee recognitions, Annual Service, Mag Pro awards are in place. The Authority was recognized in 2012 for "The Largest Agency of the Year Award."

Optimize the use of technology

1. Evaluate return on investment for Information Technology (IT) projects.
2. Automate manual processes.

A new software for the Customer Information system is due for implementation by late FY13 or early FY14. A new financial software package is on the planning stage and will start its implementation by FY15. Smart Grid projects will be completed by December 2013.

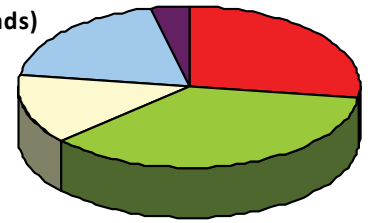


*We want to hear from you!
Let us know what
information you want to see
next time. Please contact Mr.
Randall Wiegand, CFO at
(671) 648-3066*

REVENUES

Type	2008	2009	2010	2011	2012	%
Residential	101,513	103,972	101,892	112,320	122,261	27%
Commercial	146,910	147,653	139,409	148,799	165,924	36%
Government	52,989	55,005	54,466	58,864	63,893	14%
Navy	67,546	81,373	69,123	71,893	86,033	19%
Other	25,188	7,205	3,848	12,658	16,888	4%
Total	394,146	395,208	368,738	404,534	454,999	100%

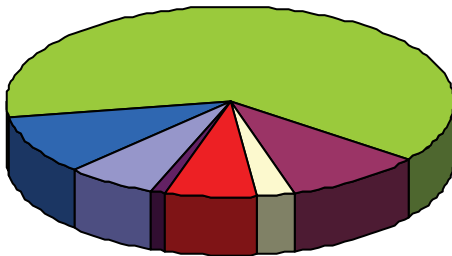
2012 Revenues
(in thousands)



The % column represents the revenues for each type as a percent of the total revenues for 2012. One reason for the increase in revenue for 2012 as compared to 2011 is the increase in the price of fuel, which is one component of the revenue structure. Another factor is the increase approved by the GPUUC in the non-fuel rates. The US Navy signed a 10-year customer service agreement contract with GPA essentially guaranteeing revenues from the Department of Defense.

EXPENSES

2012 Expenses
(in thousands)

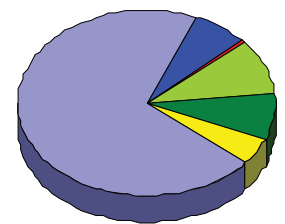


Description	2008	2009	2010	2011	2012	%
Production Fuel	237,063	254,372	219,862	243,711	288,602	63.1%
IPP and Other Production Costs	38,966	43,812	43,154	40,545	44,928	9.8%
Transmission and Distribution	10,284	11,141	11,228	12,241	12,717	2.8%
Administrative & General	25,154	26,682	27,584	30,432	31,378	6.9%
Customer Accounting	3,899	3,819	4,076	4,454	5,031	1.1%
Depreciation & Amortization	27,170	27,597	28,443	26,122	28,955	6.3%
Interest & Other Expenses	41,245	41,797	42,129	48,066	45,730	10.0%
Total	383,781	409,220	376,476	405,571	457,341	100%

The % column represents the expenses for each type as a percent of the total expenses for 2012. Production fuel, which is also a component of the rate structure, constitutes 63.1% of the total costs for the year.

SOURCE & USES OF CASH FOR FY 2012

SOURCES		USES	
Cash received from customers	\$ 455,105	Suppliers for goods and services	\$ 341,368
Interest on investments	1,986	Employees for services	34,315
Receipts from Federal Government	2,845	Retiree benefits	2,797
Self insurance proceeds	3,741	Interest on customer deposits	144
Total	\$ 463,677	Additions to utility plants	46,337
		Principal & interest-Bonds	38,600
		Principal & interest-Capital Lease	23,084
		Cost of issuance of 2012 bonds	262
		Total	\$ 486,907





GUAM POWER AUTHORITY

Aturidat Iktresedat Guahan

FUTURE CHALLENGES

The major challenges facing the Guam Power Authority are as follows:

- 1) The cost of fuel and the affordability of electric service to our customers.
- 2) Compliance with United States Environmental Protection Agency (USEPA) rules and regulations.
- 3) Loss of sales due to renewable energy and conservation.
- 4) Maintaining a healthy credit profile to ensure GPA retains the capability to fund its capital improvement projects.



The high cost of fuel remains the most significant challenge for the Authority. Increasingly GPA is hearing from its customers that the high cost of fuel is making power unaffordable. GPA has not been able to

identify any short term solutions which will lead to significant reductions in costs.

The USEPA recently imposed a series of new regulations governing the levels of emissions that can be made from certain power generation facilities. GPA has estimated the costs of complying with these regulations will exceed \$600 million. GPA is engaged with USEPA to develop a plan wherein GPA would pursue a conversion to Liquefied Natural Gas (LNG) in lieu of making the improvements necessary to complete the required emission



remediation.

GPA has completed its Integrated Resource Plan which indicates that a 10-15% savings could be achieved after consid-

ering the cost of construction and financing an LNG facility.

Another growing concern is the lack of sales growth and the growth of solar energy on Guam. For all power generated by solar energy on island, GPA does not recover the fixed costs it has incurred to service those customers. This could lead to a situation where non-renewable energy customers are asked to pay the fixed costs of customers receiving solar energy. GPA is seeking a solution that would allow for solar energy to be encouraged while keeping GPA whole for the cost incurred to serve customers with firm power. GPA is also concerned about the impact renewable



energy is having on system stability.

GPA is planning a Phase II renewable energy bid this summer which may lead to a small amount of cost savings to our customers.



Regardless of whether GPA pays in excess of \$600 million for emissions remediation projects or a similar amount to bring LNG to the island, it is paramount that GPA maintain its investment grade credit rating with all three nationally recognized rating agencies.


JOAQUIN C. FLORES, P.E.
General Manager