GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

(AS RESTATED)

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INDEPENDENT AUDITORS' REPORT

Commissioners
Consolidated Commission on Utilities:

Report on Financial Statements

We have audited the accompanying financial statements of Guam Power Authority (GPA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Power Authority as of September 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, in 2017, GPA adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. GPA has elected to restate its 2016 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 10 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 54 through 56, the Schedule of Pension Contributions on page 57, and the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pensions on page 58 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Sales of Electricity, Operating and Maintenance Expenses and Salaries and Wages on pages 59 through 62 are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules of Sales of Electricity, Operating and Maintenance Expenses and Salaries and Wages are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Sales of Electricity, Operating and Maintenance Expenses and Salaries and Wages are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Matters, Continued

Other Financial Information, Continued

The Schedule of Employees by Department on page 63 has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2018 on our consideration of GPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GPA's internal control over financial reporting and compliance.

Deloitte & Touche LLP

April 16, 2018

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

This Management's Discussion and Analysis should be read in conjunction with the Guam Power Authority's September 30, 2017 audited financial statements and accompanying notes.

OVERVIEW

The Guam Power Authority (GPA or the Authority) was created in 1968 as a public corporation and autonomous instrumentality of the Government of Guam. Since that time, the Authority has maintained and expanded the island wide power system on Guam. The Authority has 420 megawatts (MW) of generation capacity, 663 miles of transmission and distribution lines, 29 substations, $955 million in assets, and $333 million in annual revenues. GPA currently serves approximately 51,000 customers with the U.S. Navy being the largest representing about 17% of revenues.

In 2002, the Consolidated Commission on Utilities (CCU) was established as the board of directors for both the Guam Power Authority and the Guam Waterworks Authority. The CCU is made up of five elected members and is vested with the same powers exercised by the previous board of directors. In addition, it retains contracting authority, establishes policies and controls the selection of the top management of the Authority. GPA also continued its existence as a public corporation.

The Authority is regulated by the Guam Public Utilities Commission (PUC) – a rate setting body made up of Commissioners appointed by the Governor of Guam. The PUC has established rules of operation that are similar to those of other jurisdictions within the United States. The PUC has broad regulatory authority over GPA including approval of any contracts that might have an impact on GPA's rates.

GPA'S STRATEGY

GPA is committed to providing outstanding energy solutions to our island community by focusing on capital discipline and operational excellence. Key components of GPA's strategy include:

- Achieve Superior Customer Service – GPA is continuously reaching for ways to better serve our customers through accountability, efficiency and reliability.

- Optimize Energy Production Cost – Focus on driving down cost and on improved productivity.

- Achieve Energy Diversification – GPA implemented the Integrated Resource Plan which includes renewable energy resources like solar and wind power generating 25 megawatts. An additional 120 megawatts of solar renewable generation have been contracted and approved by the CCU and the PUC.

- Become Financially Sound and Stable – Improve credit rating and debt service coverage.

Promote Energy Innovation

GPA has been operating the smart grid for the past couple of years. The smart grid includes the smart meters for all customers, substation automation, AMI technology and high broadband communication. The smart meters give customers greater control over their energy use and costs by allowing them to monitor their energy consumption online and determine which activities are contributing to the fluctuations in their power bills.

In conjunction with the smart grid, GPA has been using the Customer Care and Billing system from Oracle since March 2015 which enables GPA to improve billing processes, customer service, and credit management. In addition, it enables GPA to integrate online bill payment, mobile payment application for Android and Apple, and 24/7 pay-by-phone where account balance and payment posting are real time. Future integrations include prepaid power services, payment kiosks, and e-billing.

Customers can visit the MyEnergy online site which enables customers to see their current usage and past history allowing them to take actions to mitigate their consumption before being charged in their bill. Information also helps customers decide on which energy efficient appliances to purchase.

Lastly, GPA redesigned the energy statement to provide immediate information on energy usage, a historical consumption graphic, a "Tips" section on energy services, rebate program or reminder notices and much more that will enable consumers to manage their energy usage.

Cabras 3 & 4 Fire

On August 31, 2015, GPA experienced a major failure with two of its base load units - Cabras units 3 & 4 - when an explosion and fire occurred in the Cabras 4 engine. The power system lost 78.6 MW of base load capacity. GPA promptly coordinated efforts with large customers to establish a 29 MW interruptible load program, run smaller peaking units, and installed 40MW of diesel generation.

In addition, GPA aggressively implemented a rehabilitation plan for its Diesel engines and turbines. GPA activated its decommissioned Dededo Combustion Turbines 1 & 2 with 40MW becoming fully operational by April 2017.

Currently, GPA has about 420 MW of generation capacity without Cabras 3 & 4 and GPA also has 25MW of renewable generation. In 2017, GPA's peak demand was 261MW which GPA was able to meet despite the loss of Cabras 3 & 4.

Prior to the outage, Cabras 3 & 4 represented 19% of GPA's total system capacity of 420MW, and GPA's reserve margin was approximately 39% with its peak at 258MW. With its baseload out of service, the reserve margin was thin. Low reserve margin caused GPA to shed some load during peak demand and unplanned repairs. Over the past years, GPA was able to bring various small generations online and increased capacity of some generators thus bringing its total capacity back to 420MW of generation.

Due to GPA's focused service efforts, the average customer experienced less than 1% of the total period hours of load shedding.

GPA has in place $300 million insurance policy with Lloyd's of London which provided $84 million in cash advances to mitigate the impact of the outages. The savings on the operational cost from not running Cabras 3 and 4 were used to fund other generation projects.

GPA filed its updated 2016 Integrated Resource Plan (IRP) with the CCU and PUC. The IRP included a plan to install 180MW of dual-fired combined-cycle generation units, retire Cabras 1 & 2 generators, expand the renewable energy portfolio, and install energy storage. The 180MW of new generation is planned to be commissioned on December 31, 2021. MEC 8 and 9 generators with 88MW of generation are to be converted to burn Ultra Low Sulfur Diesel (ULSD) within one year after the commission of the new combined-cycle generation. The PUC approved GPA's generation plan in October 2016 and GPA hired a consulting engineer to assist with the engineering and procurement.

Obtaining the combined-cycle generation has several benefits such as better fuel efficiency, lower capital cost compared to installing emission control system to its existing generation plants, promotion of fuel diversity and compliance with USEPA requirements.

United States Environmental Protection Agency

The United States Environmental Protection Agency (USEPA), under the Clean Air Act, established rules under National Emission Standard for Hazardous Air Pollutants (NESHAP) for Reciprocating Internal Combustion Engine Maximum Achievable Control Technology (RICE MACT). These rules require stack emissions control and continuous monitoring systems (CPMS) equipment to be installed on all GPA peaking and base load diesel generators including its Cabras 3 & 4 and MEC 8 & 9 slow speed units. The deadline for complying with the rules was May 3, 2013. GPA applied for and received an extension for complying with the rules with respect to its small diesel peaking units. The required stack emission equipment for the small peaking units was installed within the extension period.

With regards to the slow speed diesel units, GPA engaged the assistance of USEPA along with U.S. Department of Justice (USDOJ) to negotiate a consent decree that will allow sufficient time to implement recommendations in its Integrated Resource Plan (IRP) which included new and efficient generation, renewable energy, and diversification of its fuel sources.

In 2016, the CCU and the PUC approved the procurement of combined combustion turbine plants which will put GPA in compliance with USEPA requirements. GPA believes that ongoing negotiations with USEPA and USDOJ will defer potential fines after the RICE MACT deadlines for the slow speed units. If the consent decree is not reached, the maximum liability for GPA would not exceed $195 million as of February 19, 2018.

FINANCIAL HIGHLIGHTS

The table below highlights the financial comparison from fiscal year 2015 through 2017. In 2017, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the Authority's fiscal year 2016 and 2015 financial statements to reflect the reporting of pension liabilities, deferred inflows of resources and deferred outflows of resources for ad hoc COLAs and supplemental annuity payments and the recognition of pension expense in accordance with the provisions of GASB Statement No. 73. The 2016 and 2015 financial statements were also restated due to changes in actuarial assumptions and other inputs used to determine the pension liabilities, deferred inflows of resources and deferred outflows of resources for the qualified pension plan. See note 1 to the financial statements.

During fiscal year 2016, Guam Power Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which addresses certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards.

Statements of Net Positions (in $ millions):

	2017	2016 (Restated)	2015 (Restated)
Assets			
Current assets	$ 349.9	$ 311.2	$ 244.4
Non-current investments	12.5	9.8	9.5
Other non-current assets	61.2	74.4	84.3
Utility plant	494.8	467.5	541.4
	918.4	862.9	879.6
Deferred outflows of resources	37.1	25.5	25.2
	$ 955.5	$ 888.4	$ 904.8
Liabilities			
Current liabilities	$ 116.3	$ 91.9	$ 79.6
Non-current liabilities	725.9	731.0	742.1
	842.2	822.9	821.7
Deferred inflows of resources	3.1	3.7	11.6
Net position			
Net investment in capital assets	(40.2)	(49.2)	16.9
Restricted	15.2	4.6	21.2
Unrestricted	135.2	106.4	33.4
	110.2	61.8	71.5
	$ 955.5	$ 888.4	$ 904.8

The increase in current assets in 2017 compared to 2016 is due to the global increase in fuel prices. GPA used its working capital to fund the under recovery from LEAC and the fuel inventory increased in 2017 compared to 2016. The accounts receivable increased in 2017 due to the insurance claim from the insurance company for Cabras 3 & 4 fire. The increase in the current assets in 2016 compared to 2015 is due to insurance recoveries and recovery receivables accrued in 2016 (Note 3).

The increase in the current liabilities in 2017 compared to 2016 is attributable to increase in fuel price. The increase in current liabilities in 2016 compared to 2015 is due to accrual of estimated repair costs for Cabras 3 and 4 offset by the reduction in the principal bond payment in the current maturities of the long-term debt.

Financial results summary:

- 2017 had income of $48.4 million compared to a loss of $11 million in 2016.
- Operating income for 2017 was $36.5 million, compared to $38 million in 2016.

The table below details certain items from GPA's Statements of Revenue, Expenses and Changes in Net Position from 2015 through 2017. The presentation below separately identifies activities that impact earnings and cost recovery activities that do not impact earnings.

	2017			2016 (Restated)			2015		
(in $ '000)	**Earning Activities**	**Cost Recovery Activities**	**Total Utility**	**Earning Activities**	**Cost Recovery Activities**	**Total Utility**	**Earning Activities**	**Cost Recovery Activities**	**Total Utility**
Sales of electricity	$ 164,849	$ 166,426	$ 331,275	$ 159,567	$ 146,340	$ 305,907	$ 162,049	$ 204,136	$ 366,185
Other	2,193	-	2,193	2,294	-	2,294	3,816	-	3,816
Total operating revenues	**167,042**	**166,426**	**333,468**	**161,861**	**146,340**	**308,201**	**165,865**	**204,136**	**370,001**
Cost of electricity	-	166,426	166,426	-	146,340	146,340	-	204,136	204,136
Operating and maintenance	86,227	-	86,227	79,640	-	79,640	75,342	-	75,342
Depreciation	44,292	-	44,292	44,240	-	44,240	41,765	-	41,765
Total operating expenses	**130,519**	**166,426**	**296,945**	**123,880**	**146,340**	**270,220**	**117,107**	**204,136**	**321,243**
Operating Income	**36,523**	**-**	**36,523**	**37,981**	**-**	**37,981**	**48,758**	**-**	**48,758**
Interest income			1,722			1,101			1,179
Interest expense			(32,771)			(33,989)			(37,145)
Allowance for funds used during construction			3,676			4,137			5,646
Other expense, net			(846)			(451)			(4,838)
Extraordinary item			40,049			(19,806)			-
Income (Loss)			**$ 48,353**			**$ (11,027)**			**$ 13,600**

Operating Revenues

GPA's operating revenues increase by $25 million or 8.2% in 2017 compared to 2016. The increase is due to increase in demand of electricity and increase in the global fuel price. Operating revenues decreased by $61.8 million, or 16.7%, in 2016 compared to 2015, primarily due to reduction in the LEAC rate over the course of the year. Reduction in LEAC was due to drop in global fuel prices.

Electric Sales Information

	2012	2013	2014	2015	2016	2017
Peak Demand (MW)	263	257	249	255	258	261
Total Electric Sales (MWh)	1,563,475	1,566,410	1,533,323	1,539,587	1,574,000	1,610,093
Sales Growth (%)	(3.4)	0.2	(0.2)	0.4	2.2	2.29
Total Customers	48,512	48,598	48,918	49,530	50,207	51,114

The energy sales increased by 2.29% in fiscal year 2017 compared to fiscal year 2016. The increase in sales is due to increase in peak demand and customer consumption. The energy sales increased by 2.2% in fiscal year 2016 and 0.4% in fiscal year 2015. Annual electric sales were 1,610 gWh, and 1,574 gWh for 2017 and 2016, respectively. Number of customers was 51,114 and 50,207 for 2017 and 2016, respectively.

The strong growth of 2.29% and 2.2% in 2017 and 2016, respectively, is a departure from prior years and the industry where the growth is stagnating or declining in customer demand. The previously noted decline in the demand is attributable to conservation efforts, efficiencies in appliances, and a growing number of net metering customers.

Operating and Maintenance

GPA's operating and maintenance expenses increase in 2017 compared to 2016 due to the addition of 40 MW of power generation and repairs of existing combustion turbine. GPA's operating and maintenance expense increased slightly in 2016 compared to 2015 due to higher insurance cost. In 2016, GPA achieved several cost saving measures like headcount reduction, overtime reduction, fleet fuel consumption cost reduction, greater energy station efficiencies, reduced transmission and distribution (T&D) line loss and station use, and lower merchant service cost from credit cards due to better rates. This savings carried its benefits through 2017.

GPA headcount increased slightly to 475 in 2017 from 466 in 2016. Overtime increased from $1.2 million in 2016 to $1.4 million in 2017. Headcount reduced from 489 in 2015 to 466 in 2016. Increase in overtime in 2017 is attributed to emergency repairs and GPA's commitment to provide electric service to the community. Overtime decreased from $1.5 million in 2015 to $1.2 million in 2016.

Station use in 2017 of 65,895 mWh remained comparable to 2016 of 64,952 mWh. In comparison from 2016 to 2015, station use of energy went down from 83,060 MWH in 2015 to 64,952 MWH in 2016.

T&D line loss in 2017 of 83,949 mWh increased from 2016 of 80,852 mWh. T&D line loss slightly increase from 79,267 mWh in 2015 to 80,852 mWh in 2016.

Depreciation and Amortization

GPA's depreciation and amortization expense for 2017 and 2016 remained the same.

GPA's depreciation and amortization expense increased by $2.5 million, or 5%, in 2016 compared to 2015. The change is due to reassessment of the estimated useful lives of Cabras 1 and 2 based on the expected retirement of these plants when the new power plant becomes operational.

Utility Cost Recovery Activities

Cost of Electricity

GPA's cost of electricity includes the costs of fuel used in its own generation facilities, the fuel supplied to other facilities under power purchase agreement, cost of fuel handling and the cost of power purchased from third parties.

In line with the GPA IRP to increase its renewable resources, GPA procured a power purchase agreement for a utility scale solar farm of 25MW with NRG Energy, located in southern Guam and the system became available to the grid in August 2015. The project performed as expected and it is producing approximately 4,300 MWH of emission free energy each month.

In addition, GPA commissioned a 275kW wind project which became operational in March 2016. The $2 million wind project was funded by a USDOI Grant and provided available experience and data on the potential of wind renewable projects.

GPA completed its bid process for the acquisition of an additional 120 MW of utility scale solar farm power under the Phase II renewal project. This project includes batteries to mitigate sudden drops or increases in production due to electrical or atmospheric conditions such as rain. GPA anticipates the signing of the contract in early 2018 and operations to commence in 2020.

There is a Phase III renewable project where GPA will be utilizing a 30-year lease of Navy property for 35MW solar PV. The proposed property has been identified and the CCU and PUC have approved the lease.

Interest Income, Interest Expense, and Other Income and Expenses

Interest expense decreased in 2017 compared to 2016 due to GPA's lease with an independent power producer being near the end of its contract where the principal balance is lower. Interest expense decreased in 2016 compared to 2015 due to completion of payments for the 2010 Series Subordinate Revenue Bonds.

Operating Activities

GPA's cash flows from operating activities primarily consist of receipts from customers less payments of operating expenses.

GPA's cash flows from operating activities from 2015 to 2017 are as follows:

(in $ millions)	**2017**	**2016**	**2015**
Cash received from customers	$ 326.1	$ 305.2	$ 354.8
Cash payments to suppliers	(233.0)	(198.8)	(245.3)
Cash payments to employees for services	(35.5)	(35.3)	(40.1)
Cash payments to retiree benefits	(4.3)	(4.2)	(3.8)
Net cash provided by operating activities	**$ 53.3**	**$ 66.9**	**$ 65.6**

Capital Activities

GPA's capital activities primarily consist of new construction and replacement of facilities necessary to deliver safe and reliable power to its customers. The largest capital costs incurred during the year were Cabras #1 overhaul ($7.7M), 40MW diesel generation ($32M), Dededo CT 1&2 ($9.4M), Macheche CT ($2.1M), Yigo CT ($2.3M), transmission plant ($4.4M), distribution plant ($6.8M) and general plant ($5.3M).

The largest capital costs incurred in 2016 were the Cabras #2 turbine overhaul ($4.4M), line extension and distribution plant ($5.8M), Solar Dandan Interconnection ($1.8M), Yigo and Machete CT overhaul ($2.5M), Street lights ($1.1M), and general plant ($2.5M). Cash used in capital activities includes proceeds from bonds and from revenue funds.

Please refer to Note 14 to the financial statements for details of GPA's capital activities.

Investing Activities

GPA's cash flows from investing activities from 2015 to 2017 are as follows (in millions):

	2017	2016	2015
Net cash provided by (used in) investing activities	$ 17.4	$ (37.8)	$ (8.9)

Borrowing Activities

No new borrowing was done in 2015, 2016, and 2017. Please refer to Note 7 to the financial statements for details of GPA's borrowing activities.

GPA's cash flows from capital and non-capital financing activities from 2015 to 2017 are as follows (in millions):

	2017	2016	2015
Net cash provided by non-capital financing activities	$ 34.0	$ 52.7	$ 2.9
Net cash used in capital and related financing activities	$ (94.5)	$ (83.4)	$ (96.4)

Credit Ratings

GPA's credit rating relates to the Authority's cost of funds and liquidity. In particular, GPA's ability to access and engage in certain activities on a cost-effective basis is primarily dependent upon maintaining a strong credit rating.

GPA's long-term senior debt ratings are as follows:

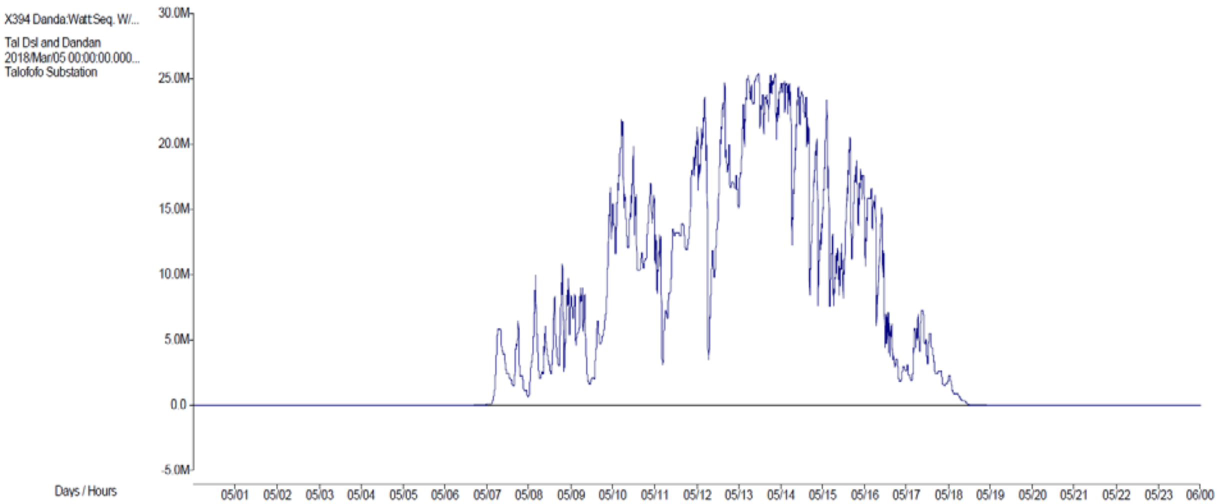
Long-Term Senior Debt	Rating	Long-Term Outlook
Standard & Poor's	BBB	Stable
Moody's Rating	Baa2	Negative
Fitch Rating	BBB-	Positive

Future Capital Activities

GPA is committed to renewable energy and the reduction of greenhouse gas emissions. GPA invested in an industry scale solar farm of 25MW which became operational in 2015. GPA will be adding 120MW of solar PV as part of the phase II renewable project and anticipates the system to be online by 2020. The phase III project is underway and is expected to add 35MW of renewable energy with energy storage systems (ESS); shifting 100% of the energy to evening load.

The investment in solar farm and increase in net metering customers (NEM) has led to a grid that is becoming physically and operationally very different from historical patterns. The energy received from the solar farm in Dandan and net metering customers are "must take" contracts, meaning their energy goes into the grid whenever they can generate. The Power System Control Center must now monitor and respond to dramatic changes in system frequencies during certain times of the day. These fast changes are known as ramping events. Historically, the need for fast ramping was in response to load changes, but now is also due to generation output from non-GPA sources.

GPA is required to absorb all the power fluctuations emitted by the solar farm and NEM. On any given day, the solar farm can fluctuate as much as 15MW in an hour. Below is a sample reading for a day on March 5, 2018.



To mitigate the sudden drop in power generation by solar PV, GPA procured energy storage solution (ESS) to cut the shortfall and inject power to the system to prevent an outage. The ESS system is being installed and should be fully operation around August of 2018.

In 2016, the CCU and the PUC approved to proceed with the procurement of a 180MW dual-fired combined cycle combustion turbine. The project is planned to be completed by December 2021.

Future Borrowing

Despite the advancement of renewable energy generation and storage, traditional power generation is still required. As noted earlier, GPA filed an integrated resource plan (IRP) with the CCU and the PUC for the construction of combined cycle combustion turbine plants and approval was provided by the CCU and the PUC to authorize GPA to proceed with the procurement of up to 180MW. The plan for the procurement model is an independent power purchase agreement (IPP) where the IPP finances the construction of the plant. However, GPA is not ruling out the review to determine if financing by GPA is more economical.

In December 2017, Guam Power Authority refunded its 2010 Series bonds through the issuance of the 2017 Series bonds. The advanced refunding will reduce GPA's debt service payments by $11.5 million over the course of the next twenty-two years.

Contacting GPA's Financial Management

The Management Discussion and Analysis report is intended to provide information concerning known facts and conditions affecting GPA's operations. This financial report is designed to provide a general overview of GPA's finances and to demonstrate GPA's accountability for the funds it receives and expends.

Management's Discussion and Analysis for the years ended September 30, 2016 and 2015 is set forth in GPA's report on the audit of financial statements which is dated April 6, 2017. That Discussion and Analysis explains in more detail major factors impacting the 2016 and 2015 financial statements. A copy of that report can be obtained by contacting the CFO office at (671) 648-3066 or from GPA's website at the addresses noted below.

For additional information about this report, please contact Mr. John J.E. Kim, Chief Financial Officer, Guam Power Authority, P.O. Box 2977, Hagåtña, Guam 96932-2977 or visit the website at www.guampowerauthority.com.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Net Position
September 30, 2017 and 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016 As Restated (Note 1)
Current assets:		
Cash and cash equivalents - restricted	$ 119,684,409	$ 118,946,263
Cash and cash equivalents - unrestricted	37,681,703	15,332,510
Total cash and cash equivalents	157,366,112	134,278,773
Certificates of deposit - restricted	7,049,535	8,752,047
Certificates of deposit - unrestricted	10,248,873	18,501,460
Total certificates of deposit	17,298,408	27,253,507
Investments	32,357,730	41,367,658
Accounts receivable, net	77,826,134	62,635,768
Materials and supplies inventory, net	11,989,746	13,555,719
Fuel inventory	52,387,370	31,326,368
Prepaid expenses	629,586	754,023
Total current assets	349,855,086	311,171,816
Utility plant, at cost:		
Depreciable utility plant, net of accumulated depreciation	475,219,795	449,259,789
Non-depreciable utility plant	19,552,409	18,278,666
Total utility plant	494,772,204	467,538,455
Other non-current assets:		
Cash and cash equivalents - restricted	56,907,535	69,821,815
Investments	12,522,243	9,801,436
Unamortized debt issuance costs	4,267,305	4,646,601
Total other non-current assets	73,697,083	84,269,852
Total assets	918,324,373	862,980,123
Deferred outflows of resources:		
Unamortized loss on debt refunding	11,076,064	12,324,400
Pension	8,698,853	10,841,692
Unrecovered fuel costs	16,751,048	1,492,055
Unamortized forward delivery contract costs	637,357	796,717
Total deferred outflows of resources	37,163,322	25,454,864
	$ 955,487,695	$ 888,434,987

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Net Position, Continued
September 30, 2017 and 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2017	2016 As Restated (Note 1)
Current liabilities:		
Current maturities of long-term debt	$ 1,780,000	$ 115,000
Current obligations under capital leases	23,330,193	16,737,242
Accounts payable:		
Operations	28,190,510	18,695,325
Fuel	30,802,200	6,622,514
Accrued repair costs	5,328,230	22,317,509
Accrued payroll and employees' benefits	1,546,860	1,533,636
Current portion of employees' annual leave	2,045,201	2,405,799
Interest payable	15,065,830	15,146,696
Customer deposits	8,209,228	8,381,571
Total current liabilities	116,298,252	91,955,292
Regulatory liabilities:		
Provision for self-insurance	19,550,977	19,550,977
Total regulatory liabilities	19,550,977	19,550,977
Long-term debt, net of current maturities	590,568,862	595,057,778
Obligations under capital leases, net of current portion	24,428,832	22,872,720
DCRS sick leave liability	4,008,397	3,436,738
Net pension liability	85,875,217	88,899,619
Employees' annual leave, net of current portion	1,086,456	806,762
Customer advances for construction	369,180	319,321
Total liabilities	842,186,173	822,899,207
Deferred inflows of resources:		
Pension	788,894	792,862
Unearned forward delivery contract revenue	2,336,071	2,920,088
Total deferred inflows of resources	3,124,965	3,712,950
Commitments and contingencies		
Net position:		
Net investment in capital assets	(40,220,465)	(49,190,904)
Restricted	15,232,832	4,645,344
Unrestricted	135,164,190	106,368,390
Total net position	110,176,557	61,822,830
	$ 955,487,695	$ 888,434,987

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2017 and 2016

	2017	2016 As Restated (Note 1)
Revenues:		
Sales of electricity	$ 331,074,056	$ 306,896,753
Miscellaneous	2,193,478	2,293,868
	333,267,534	309,190,621
Bad debts recovery (expense)	200,589	(989,762)
Net operating revenues	333,468,123	308,200,859
Operating and maintenance expenses:		
Production fuel	166,426,110	146,339,927
Other production	17,762,063	15,834,795
	184,188,173	162,174,722
Depreciation and amortization	44,291,589	44,240,395
Administrative and general	32,484,109	31,686,174
Energy conversion costs	19,935,334	16,800,170
Transmission and distribution	11,749,623	10,816,588
Customer accounting	4,296,347	4,501,923
Total operating and maintenance expenses	296,945,175	270,219,972
Operating income	36,522,948	37,980,887
Non-operating revenues (expense):		
Allowance for funds used during construction	3,675,581	4,137,421
Non-operating grants from the United States (U.S.) Government	153,356	13,612
Interest income	1,722,483	1,100,895
Interest expense	(32,771,454)	(33,988,980)
Other expense, net	(998,654)	(465,599)
Total non-operating revenues (expense), net	(28,218,688)	(29,202,651)
Income before extraordinary item	8,304,260	8,778,236
Extraordinary item - generator explosion and fire and related insurance recoveries, net	40,049,467	(19,805,608)
Income (loss) before capital contributions	48,353,727	(11,027,372)
Capital contributions:		
Grants from the U.S. Government	-	1,353,972
Change in net position	48,353,727	(9,673,400)
Net position at beginning of year	61,822,830	71,496,230
Net position at end of year	$ 110,176,557	$ 61,822,830

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Cash Flows
Years Ended September 30, 2017 and 2016

Increase (decrease) in cash and cash equivalents	2017	2016 As Restated (Note 1)
Cash flows from operating activities:		
Cash received from customers	$ 326,061,020	$ 305,166,728
Cash payments to suppliers for goods and services	(233,043,926)	(198,802,614)
Cash payments to employees for services	(35,490,659)	(35,328,683)
Cash payments for retiree benefits	(4,239,420)	(4,146,630)
Net cash provided by operating activities	53,287,015	66,888,801
Cash flows from investing activities:		
Interest on investments and bank accounts	1,138,466	516,877
Decrease (increase) in certificates of deposit	9,955,099	(27,253,507)
Decrease (increase) in investments	6,289,121	(11,084,219)
Net cash provided by (used in) investing activities	17,382,686	(37,820,849)
Cash flows from non-capital financing activities:		
Proceeds from insurance claims	34,040,000	50,000,000
Receipts from the U.S. Government	51,950	-
Self insurance fund receipts, net of disbursements	-	(207,343)
Proceeds from typhoon assistance to Saipan	-	2,946,569
Interest paid on deposits	(79,132)	(80,918)
Net cash provided by non-capital financing activities	34,012,818	52,658,308
Cash flows from capital and related financing activities:		
Receipts from the U.S. Government	-	1,763,046
Interest paid on capital leases	(4,940,987)	(5,969,664)
Principal paid on capital leases	(21,317,453)	(14,819,819)
Principal paid on long-term debt	(115,000)	(14,265,000)
Interest paid on long-term debt	(25,078,544)	(25,150,895)
Additions to utility plant	(43,057,476)	(24,988,824)
Net cash used in capital and related financing activities	(94,509,460)	(83,431,156)
Net change in cash and cash equivalents	10,173,059	(1,704,896)
Cash and cash equivalents at beginning of year	204,100,588	205,805,484
Cash and cash equivalents at end of year	$ 214,273,647	$ 204,100,588

Non-cash capital and related financing activities:
In 2017, GPA acquired a power plant for $29,446,516 through a capital lease.

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Statements of Cash Flows, Continued
Years Ended September 30, 2017 and 2016

	2017	2016 As Restated (Note 1)
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings	$ 36,522,948	$ 37,980,887
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	44,291,589	44,240,395
Bad debts (recovery) expense	(200,589)	989,762
Pension recovery	(885,531)	(988,040)
Cabras 4 costs	(1,794,874)	(20,254,497)
(Increase) decrease in assets:		
Accounts receivable	(7,084,030)	154,119
Materials and supplies inventory	1,565,973	1,687,682
Fuel inventory	(21,061,002)	3,448,244
Prepaid expenses	124,437	(19,027)
Increase (decrease) in liabilities:		
Accounts payable	33,674,871	3,249,636
Accrued repair costs	(16,989,279)	-
Customer deposits	(172,343)	288,108
Customer advances for construction	49,859	113,860
Unrecovered fuel costs	(15,258,993)	(4,222,711)
Accrued payroll and employees' benefits	13,224	236,887
Other unearned revenues	-	(357,000)
Employees' annual and sick leave	490,755	340,496
Net cash provided by operating activities	$ 53,287,015	$ 66,888,801

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

Guam Power Authority (GPA) is a component unit of the Government of Guam (GovGuam). GPA provides electrical services on Guam to residential, commercial and GovGuam customers, and to the United States (U.S.) Navy under a Utility Services Contract (USC). GPA is governed by the Consolidated Commission on Utilities (CCU), an elected five-member board. GPA is subject to the regulations of the Public Utilities Commission of Guam (PUC) and has adopted the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. Because of the rate-making process, certain differences arise in the application of accounting principles generally accepted in the United States of America between regulated and non-regulated businesses. Such differences mainly concern the time at which various items enter into the determination of net earnings in order to follow the principle of matching costs and revenues.

Basis of Accounting

The accounting policies of GPA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. GPA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

As an instrumentality of GovGuam, GPA and all property acquired by or for GPA, and all revenues and income therefrom are exempt from taxation by GovGuam or by any political subdivision or public corporation thereof and from all taxes imposed under the authority of the Guam Legislature, or with respect to which the Guam Legislature is authorized to grant exemption.

Cash, Cash Equivalents and Investments

Cash and cash equivalents classified as current assets include cash on hand, cash in banks, money market accounts, certificates of deposit, and U.S. treasury bills with original maturities of three months or less in the interest and principal funds for debt repayment, the bond indenture funds, the bond reserve fund, the energy sense fund and the self-insurance fund.

Cash and cash equivalents restricted for the acquisition or construction of capital assets are classified as noncurrent assets.

(1) Organization and Summary of Significant Accounting Policies, Continued

Cash, Cash Equivalents and Investments, Continued

Investments in short-term, highly liquid debt instruments, including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations are recorded at amortized cost.

All other investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

The deposit and investment policies of GPA are governed by 5 GCA 21, *Investments and Deposits,* in conjunction with applicable bond indentures. Authorized investments include obligations issued or guaranteed by the U.S. government or agencies of the U.S. government; bonds, notes or other indebtedness rated in the highest rating by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P); obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities of not more than three years; any bonds or other obligations of any state of the U.S. or any agency, instrumentality or local government unit of such state which are rated in the highest rating category of either Moody's or S&P; demand and time deposits in or certificates of deposit or bankers acceptances with U.S. domestic banks which have a rating of their short term certificates of deposit of A-1 or better by S&P and P-1 by Moody's and mature no more than 360 days after purchase; commercial paper which has a rating in the highest classification by S&P and Moody's; and money market funds rated AAAm or better by S&P.

Allowance for Doubtful Receivables

The allowance for doubtful receivables is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Uncollectible accounts are written-off against the allowance or are charged to expense in the period GPA deems the accounts to be uncollectible but with prior approval of the CCU.

Inventory Valuation

Materials and supplies inventories and fuel inventories are stated at the lower of cost (using the weighted average and the first-in, first-out method, respectively), or market.

Allowance for inventory obsolescence is provided for inventory items with no movement for a period of five years and over and for parts and supplies for equipment no longer in use. Allowance for inventory obsolescence was $1,528,226 and $1,485,450 as of September 30, 2017 and 2016, respectively.

(1) Organization and Summary of Significant Accounting Policies, Continued

Utility Plant

Utility plant purchased or constructed is stated at cost. Cost includes an allowance on certain projects for funds used during construction of specific power generation plants based on the net cost of borrowed funds used for construction purposes. Donated utility is recorded at fair market value at the date of donation or at the donating entity's basis in the asset if donated by GovGuam or a GovGuam agency. Current policy is to capitalize utility plant with a cost of $1,000 or more.

Depreciation

Depreciation is computed under the straight-line method over the estimated useful lives of the respective assets.

Compensated Absences

Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. GPA recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents GPA's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes GPA's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

(1) Organization and Summary of Significant Accounting Policies, Continued

Forward Delivery Contract Costs and Revenues

The forward delivery contract costs and revenues arose as a result of the Bond Reserve Fund Forward Delivery Agreements entered into in September 2000. The unamortized forward delivery contract costs represent termination fees and closing costs while the unearned forward delivery contract revenues represent the gross proceeds. The costs and revenues are amortized on a straight line basis until 2034.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs mainly include insurance costs related to the issuance of the Series 2010, 2012 and 2014 bonds. These costs are being amortized using the effective interest method over the life of the applicable debt.

Net Position

Net position represents the residual interest in GPA's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of four sections:

Net investment in capital assets - include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve.

Restricted expendable - net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of GPA pursuant to those stipulations or that expire with the passage of time.

Restricted nonexpendable - net position subject to externally imposed stipulations that require GPA to maintain them permanently.

Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by management or the CCU or may otherwise be limited by contractual agreements with outside parties.

All of GPA's restricted net position is expendable.

Sales of Electricity

Sales of electricity are recorded as billed to customers on a monthly cycle billing basis. At the end of each month, unbilled revenues are accrued for each cycle based on the most recent cycle billing.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of systems to provide electrical services to the island of Guam. Non-operating revenues and expenses result from capital and financing activities, costs and related recoveries from natural disasters, and certain other non-recurring income and costs.

(1) Organization and Summary of Significant Accounting Policies, Continued

Deferred Outflows of Resources

Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Levelized Energy Adjustment Clause

Fuel oil costs increase or decrease billings to customers based on increases or decreases in the price of fuel oil purchased by GPA. Under or over recoveries of fuel oil costs including the fair value of outstanding commodity swap agreements (if any) are recorded as unrecovered fuel cost or unearned fuel revenue, respectively, in the accompanying statements of net position, and are recovered or deducted in future billings to customers based on the Levelized Energy Adjustment Clause (LEAC) approved by the PUC in January of 1996. The LEAC results in the conversion of the monthly fuel charge to a levelized fuel charge, which is reviewed and adjusted by the PUC on a bi-annual basis. GPA is only permitted to recover its actual fuel and related costs.

GPA also bills customers fuel surcharges to recover the cost difference between fuel inventory on hand against a base year.

Derivative Instruments

GPA is exposed to market price fluctuations on its purchases of fuel oil. GPA uses derivatives such as commodity swaps to protect itself from increases in market prices. GPA records commodity swap agreements associated with its fuel oil hedging activities at fair value with gains and losses recognized in operations in the statement of revenues, expenses and changes in net position. The fair value of outstanding commodity swaps at year-end is included as a component of the LEAC and is recorded as part of unrecovered fuel cost or unearned fuel revenue in the accompanying statements of net position. GPA did not have outstanding commodity swap agreements at September 30, 2017 and 2016.

GPA's power purchase agreements are considered “normal purchases and normal sales” and accordingly, the operations and maintenance portions of GPA's energy conversion agreements are not recognized in the statements of net position. Operations and maintenance costs associated with the power purchase agreements are expensed as incurred with the independent power producers.

Allowance for Funds Used During Construction

The allowance for funds used during construction (AFUDC) is provided only for construction projects of more than $50,000, which require a minimum of 90 days to complete. AFUDC is computed using the interest expense on directly assignable borrowings to finance the projects less interest income on the related unused borrowings which have been invested. AFUDC is provided only during the period in which such projects are undergoing activities to prepare them for their intended use and is capitalized as part of the cost of the applicable projects. AFUDC of $3,675,581 and $4,137,421 was recognized during the years ended September 30, 2017 and 2016, respectively.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2017, GPA implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of GPA's fiscal year 2016 financial statements to reflect the reporting of pension liabilities, deferred inflows of resources and deferred outflows of resources for ad hoc COLAs and supplemental annuity payments and the recognition of pension expense in accordance with the provisions of GASB Statement No. 73. The 2016 financial statements were also restated, as follows, due to changes in actuarial assumptions resulting from the implementation of GASB 73 and other inputs used to determine the pension liabilities, deferred inflows of resources and deferred outflows of resources for the qualified pension plan.

	As Previously Reported	Adjustment	As Restated
As of October 1, 2015:			
Net position	$ 84,105,278	$ (12,609,048)	$ 71,496,230
For the year ended September 30, 2016:			
Change in net position	$ (7,044,949)	$ (2,628,451)	$ (9,673,400)
As of September 30, 2016:			
Deferred outflows of resources from pension	$ 8,168,718	$ 2,672,974	$ 10,841,692
Net pension liability	$ (71,049,220)	$ (17,850,399)	$ (88,899,619)
Deferred inflows of resources from pension	$ (732,788)	$ (60,074)	$ (792,862)
Net position	$ 77,060,329	$ (15,237,499)	$ 61,822,830

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).

- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Except for GASB Statement No. 73, the implementation of these statements did not have a material effect on GPA's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on an actuarial valuation dated October 1, 2015, the net OPEB obligation that GPA will record upon implementation of GASB Statement No. 75 is anticipated to be $59,348,450 as of September 30, 2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(1) Organization and Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

Reclassification

Certain items in the 2016 financial statements have been reclassified to correspond with the 2017 financial statement presentation.

(2) Cash, Cash Equivalents and Investments

The bond indenture agreements for the 2010, 2012 and 2014 series revenue bonds (note 7) require the establishment of special funds to be held and administered by trustees and by GPA. In addition, proceeds from borrowings to finance generation and transmission facility construction are maintained by GPA in construction accounts. Funds in these accounts are required by loan agreement or public law to be used for generation and transmission facility construction. Certain funds are restricted by rate orders of the PUC.

At September 30, 2017 and 2016, cash and cash equivalents, certificates of deposit and investments held by trustees and by GPA in these funds and accounts were as follows:

	2017						
	Cash and Cash Equivalents and Certificates of Deposit				Investments		
	Held By Trustees	Held By GPA			Held By Trustees	Held By GPA	
	Bond Indenture Funds	PUC Restricted Funds	Unrestricted Funds	Cash Total	Bond Indenture Funds	Unrestricted Funds	Total
Construction funds	$ 56,907,535	$ -	$ -	$ 56,907,535	$ -	$ -	$ 56,907,535
Interest and principal funds	7,538,676	-	-	7,538,676	10,523,203	-	18,061,879
Working capital funds	20,367,797	-	-	20,367,797	10,353,509	-	30,721,306
Bond reserve fund	34,834,863	-	-	34,834,863	13,742,000	-	48,576,863
Self-insurance fund	-	19,251,372	-	19,251,372	-	-	19,251,372
Revenue funds	10,472,662	-	-	10,472,662	-	-	10,472,662
Energy sense fund	-	1,074,491	-	1,074,491	-	-	1,074,491
Operating funds	-	-	47,930,576	47,930,576	-	7,002,010	54,932,586
Surplus funds	33,194,083	-	-	33,194,083	3,259,251	-	36,453,334
	$ 163,315,616	$ 20,325,863	$ 47,930,576	$ 231,572,055	$ 37,877,963	$ 7,002,010	$ 276,452,028

(2) Cash, Cash Equivalents and Investments, Continued

	2016					
	Cash and Cash Equivalents and Certificates of Deposit				Investments	
	Held By Trustees	Held By GPA			Held By Trustees	
	Bond Indenture Funds	PUC Restricted Funds	Unrestricted Funds	Cash Total	Bond Indenture Funds	Total
Construction funds	$ 69,821,815	$ -	$ -	$ 69,821,815	$ -	$ 69,821,815
Interest and principal funds	6,203,627	-	-	6,203,627	9,801,436	16,005,063
Excess bond funds	510,504	-	-	510,504	-	510,504
Working capital funds	11,932,417	-	-	11,932,417	20,363,113	32,295,530
Bond reserve fund	34,808,887	-	-	34,808,887	13,742,000	48,550,887
Self-insurance fund	-	19,506,796	-	19,506,796	-	19,506,796
Revenue funds	1,372,165	-	-	1,372,165	-	1,372,165
Energy sense fund	-	1,646,041	-	1,646,041	-	1,646,041
Operating funds	-	-	33,833,970	33,833,970	-	33,833,970
Surplus funds	51,717,873	-	-	51,717,873	7,262,545	58,980,418
	$ 176,367,288	$ 21,152,837	$ 33,833,970	$ 231,354,095	$ 51,169,094	$ 282,523,189

The operating funds include the remaining insurance monies of $49,700,979 and $21,005,669 as of September 30, 2017 and 2016, respectively, recovered by GPA from the Cabras 3 and 4 explosion and fire insurance claims.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

A. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, GPA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. GPA does not have a deposit policy for custodial credit risk.

As of September 30, 2017 and 2016, the carrying amount of GPA's total cash and cash equivalents and certificates of deposit was $231,572,055 and $231,354,095, respectively, and the corresponding bank balances were $231,788,408 and $230,764,038, respectively. Of the bank balance amount as of September 30, 2017 and 2016, $68,427,002 and $53,327,876, respectively, was maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2017 and 2016, bank deposits in the amount of $988,101 and $739,756, respectively, were FDIC insured. GPA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. At September 30, 2017 and 2016, $67,222,548 and $53,972,549, respectively, of cash and cash equivalents and certificates of deposit were subject to custodial credit risk. GPA has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits. Bank balances as of September 30, 2017 and 2016, also include $163,315,616 and $176,367,288, respectively, representing cash, cash equivalents and certificates of deposit held and administered by GPA's trustees in GPA's name in accordance with various trust agreements and bond indentures.

(2) Cash, Cash Equivalents and Investments, Continued

B. Investments

As of September 30, 2017, GPA's investments were as follows:

	Amount	Maturity	Moody's Rating
Current:			
Investments held by trustee – restricted:			
Bond Reserve Fund:			
BNP Paribas Fortis (commercial paper)	$ 13,742,000	Less than 1 year	P-1
Bond Fund:			
Federal Home Loan Banks	2,997,780	Less than 1 year	P-1
Federal Farm Credit Banks	1,899,411	Less than 1 year	P-1
Federal Home Loan Mortgage Corporation	2,374,872	Less than 1 year	P-1
Federal National Mortgage Association	1,499,835	Less than 1 year	P-1
Federated Government Ultrashort Duration Fund (mutual fund)	4,840,862	Less than 1 year	Not rated
	27,354,760		
Investments held by GPA - unrestricted:			
Operating Fund:			
Federal Home Loan Banks	1,999,460	Less than 1 year	P-1
Federal Farm Credit Banks	1,003,970	Less than 1 year	P-1
Federal Home Loan Mortgage Corporation	999,650	Less than 1 year	P-1
Federal National Mortgage Association	999,890	Less than 1 year	P-1
	5,002,970		
	$ 32,357,730		
Noncurrent:			
Investments held by trustee - restricted:			
Bond Fund:			
Bayerische Landesbank Guaranteed Investment Certificate (GIC)	$ 10,523,203	More than 10 years	A1
Investments held by GPA - unrestricted:			
Operating Fund:			
Federal National Mortgage Association	1,999,040	More than 10 years	Aaa
	$ 12,522,243		

(2) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

As of September 30, 2016, GPA's investments were as follows:

	Amount	Maturity	Moody's Rating
Current:			
Investments held by trustee – restricted:			
Bond Reserve Fund:			
BNP Paribas Fortis (commercial paper)	$ 13,742,000	Less than 1 year	P-1
Bond Fund:			
Federal Home Loan Banks	12,773,015	Less than 1 year	P-1
Federal Farm Credit Banks	5,002,380	Less than 1 year	P-1
Federal Home Loan Mortgage Corporation	2,001,210	Less than 1 year	P-1
Federal National Mortgage Association	3,013,090	Less than 1 year	P-1
Federated Government Ultrashort Duration Fund (mutual fund)	4,835,963	Less than 1 year	Not rated
	$ 41,367,658		
Noncurrent:			
Investments held by trustee - restricted:			
Bond Fund:			
Bayerische Landesbank Guaranteed Investment Certificate (GIC)	$ 9,801,436	More than 10 years	A1

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, GPA will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. GPA's investments are held and administered by trustees in accordance with various trust agreements and bond indentures.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investment in any one issuer that represents five percent (5%) or more of total investments. As of September 30, 2017 and 2016, each of GPA's investments exceeded 5% of total investments, except for the investment in Federal Home Loan Mortgage Corporation which represents 4% of total investments at September 30, 2016.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. Maturities of investments in certain funds are limited to five years to limit interest rate risk. Maturities of investments in all funds may not be later than the dates that such moneys are expected to be required by the trustees.

(2) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

Investments Measured at Fair Value

GPA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2017 and 2016, the following investments are valued using Level 1 inputs:

	2017	2016
Federal National Mortgage Association	$ 1,999,040	$ -
Federated Government Ultrashort Duration Fund (mutual fund)	4,840,862	4,835,963
	$ 6,839,902	$ 4,835,963

(3) Receivables

Accounts receivable at September 30, 2017 and 2016, were summarized as follows:

	2017	2016
Customers:		
Private	$ 26,893,888	$ 22,865,829
Government	4,977,262	4,546,621
	31,871,150	27,412,450
U.S. Government - Navy (note 8)	4,020,017	2,379,893
U.S. Government - grants	2,066,272	1,964,866
Insurance	41,844,342	34,040,000
Others	1,224,184	869,189
	81,025,965	66,666,398
Less allowance for doubtful receivables	(3,199,831)	(4,030,630)
	$ 77,826,134	$ 62,635,768

Unbilled accounts receivable included in the accounts receivable – private customers amounted to $7,768,323 and $5,658,070 at September 30, 2017 and 2016, respectively.

At September 30, 2017 and 2016, receivables included $42 million and $34 million, respectively, of insurance receivables representing insurance recoveries realizable as at year end (see note 10).

Substantially all of GPA's customer accounts receivable are from individuals, companies and government agencies based in Guam. Concentrations largely result from accounts receivable from GovGuam agencies and the U.S. Navy. Management assesses the risk of loss and provides for an allowance for doubtful accounts to compensate for known and estimated credit risks.

(4) Levelized Energy Adjustment Clause

At September 30, 2017 and 2016, GPA has an under recovery of fuel costs of $16,751,048 and $1,492,055, respectively.

At September 30, 2017 and 2016, no under or over recovery of the fuel inventory cost difference is recognized as the fuel prices for the years are lower than the base year.

(5) Obligations Under Capital Leases

In 1996 through 1999, GPA entered into energy conversion agreements to purchase electricity produced by generating plants constructed or refurbished and operated by three companies. The agreements have twenty-year terms.

In January 2017, GPA extended its contract to purchase power services for four years which includes payments for the acquisition of the underlying power plant.

At the end of the agreements, ownership of the plants and the plant improvements reverts to GPA. Under each of the agreements, GPA pays capacity and operation and maintenance costs and purchases fuel for the plants.

GPA has determined that the agreements to purchase electricity are in fact capital leases to acquire the plants and that the capacity payments made under the agreements are lease payments. The operations and maintenance payments under the agreements are reflected as energy conversion costs under operation and maintenance expenses.

At September 30, 2017 and 2016, the costs of plant and plant improvements were $184,849,243 and $155,382,727 and accumulated depreciation was $74,722,606 and $69,298,046, respectively, which were presented as part of depreciable utility plant in the accompanying statements of net position. The leases have effective interest rates ranging from 8.6% to 13.7%.

Future capacity payments under these agreements are as follows:

Year Ending September 30,	Principal	Interest	Total
2018	$ 23,330,193	$ 3,033,848	$ 26,364,041
2019	13,621,228	916,292	14,537,520
2020	8,582,729	346,471	8,929,200
2021	2,224,875	18,578	2,243,453
	$ 47,759,025	$ 4,315,189	$ 52,074,214

(6) Employees' Retirement Plans

A. General Information About the Pension Plans:

Defined Benefit Plan

Plan Description: GPA participates in the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes GPA, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commenced on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

A single actuarial calculation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: As of September 30, 2016, the most recent measurement date, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,298
Terminated employees entitled to benefits but not yet receiving them	4,463
Current members	2,208
	13,969

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater.

Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age.

Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age.

(6) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Contributions and Funding Policy: Contribution requirements of participating employers and active members are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the September 30, 2015 actuarial valuation was used for determining the year ended September 30, 2017 statutory contributions. Member contributions are required at 9.55% of base pay (9.54% in 2016).

As a result of actuarial valuations performed as of September 30, 2015, 2014, and 2013, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2017, 2016 and 2015, respectively, have been determined as follows:

	2017	2016	2015
Normal costs (% of DB Plan payroll)	16.27%	15.86%	15.92%
Employee contributions (DB Plan employees)	9.55%	9.54%	9.55%
Employer portion of normal costs (% of DB Plan payroll)	6.72%	6.32%	6.37%
Employer portion of normal costs (% of total payroll)	1.87%	1.94%	2.05%
Unfunded liability cost (% of total payroll)	21.60%	22.42%	24.09%
Government contribution as a % of total payroll	23.47%	24.36%	26.14%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	27.41%	28.16%	29.85%
Employee	9.55%	9.54%	9.55%

GPA's contributions to the DB Plan for the years ended September 30, 2017, 2016 and 2015 were $2,284,475, $2,438,748 and $2,772,299, respectively, which were equal to the required contributions for the respective years then ended.

(6) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Actuarial Assumptions: Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	14.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	6.70%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

(6) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Defined Benefit Plan, Continued

Discount Rate: The total pension liability is calculated using a discount rate that is a blend of the expected investment rate of return and a high quality bond index rate. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except ad hoc COLA and supplemental annuity (SA) payments to DB retirees. The rate of return of a high quality bond index applies to the ad hoc COLAs and supplemental annuity payments to DB retirees, which are not funded by plan assets. The blended rate calculated as described above is 6.70%.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.70%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate 5.70%	Current Discount Rate 6.70%	1% Increase in Discount Rate 7.70%
Net Pension Liability	$ 86,707,750	$ 71,113,926	$ 57,691,871

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

Plan Description: GPA participates in the GovGuam ad hoc COLA/supplemental annuity plan for DB retirees, a single-employer defined benefit pension plan administered by the GGRF. GPA considers this as a separate pension plan for DB retirees. A single actuarial calculation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for this plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: The plan membership is the same as the DB plan described above.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA and supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. Ad hoc COLAs are made through annual allocations to provide DB Plan retired members and spouse survivors with COLA payments of $2,000 per year. In addition, DB Plan retired members and survivors whose benefits commenced prior to October 1, 1995, have received supplemental annuity payments in the amount of $4,238 per year, but not to exceed $40,000 per year when combined with their regular annual retirement annuity. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

GPA's contributions to the Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees for the years ended September 30, 2017, 2016 and 2015 were $1,221,634, $1,151,078 and $1,132,303, respectively, which were equal to the statutorily required contributions.

(6) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees, Continued

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	6.70%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012

Discount Rate: The total pension liability is calculated using a discount rate that is a blend of the expected investment rate of return and a high quality bond index rate. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except ad hoc COLA and supplemental annuity payments to DB retirees. The rate of return of a high quality bond index applies to the ad hoc COLAs and supplemental annuity payments to DB retirees, which are not funded by plan assets. The blended rate calculated as described above is 6.70%.

(6) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees, Continued

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.70%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate 5.70%	Current Discount Rate 6.70%	1% Increase in Discount Rate 7.70%
Net Pension Liability	$ 11,774,247	$ 10,942,403	$ 10,206,030

Ad Hoc COLA Plan for DCRS Retirees

Plan Description: GPA participates in the GovGuam ad hoc COLA plan for DCRS retirees, a single-employer defined benefit pension plan administered by the GGRF. GPA considers this as a separate pension plan for DCRS retirees. A single actuarial calculation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for this plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: As of September 30, 2016, the most recent measurement date, plan membership consisted of 8,858 active DCRS participants.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA benefits, contributions and funding policy are the same as those for DB retirees.

GPA's contributions to the Ad Hoc COLA Plan for DCRS Retirees for the years ended September 30, 2017, 2016 and 2015 were $98,000, $88,000 and $80,000, respectively, which were equal to the statutorily required contributions.

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%

(6) Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued:

Ad Hoc COLA Plan for DCRS Retirees, Continued:

Discount Rate:	3.058%
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to age 74, 100% at age 75
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

Discount Rate: The total pension liability is calculated using a discount rate of 3.058% that is the high quality bond index rate. The rate of return of a high quality bond index applies to benefit payments that are not funded by plan assets.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.058%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate 2.058%	Current Discount Rate 3.058%	1% Increase in Discount Rate 4.058%
Net Pension Liability	$ 4,362,257	$ 3,818,888	$ 3,356,535

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Pension Liability: At September 30, 2017 and 2016, GPA reported a net pension liability for its proportionate shares of the GovGuam net pension liabilities which comprised of the following:

	2017	2016
Defined benefit plan	$ 71,113,926	$ 74,504,797
Ad hoc COLA/supplemental annuity plan for DB retirees	10,942,403	11,002,776
Ad hoc COLA plan for DCRS retirees	3,818,888	3,392,046
	$ 85,875,217	$ 88,899,619

(6) Employees' Retirement Plans, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

GPA's proportion of the GovGuam net pension liabilities was based on projection of GPA's long-term share of contributions to the pension plans relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2017 and 2016, GPA's proportionate shares of the GovGuam net pension liabilities were as follows:

	2017	2016
Defined benefit plan	5.20%	5.19%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.77%	4.67%
Ad hoc COLA plan for DCRS retirees	6.19%	6.51%

Pension Expense: For the years ended September 30, 2017 and 2016, GPA recognized pension expense from the above pension plans as follows:

	2017	2016
Defined benefit plan	$ 5,405,355	$ 5,294,179
Ad hoc COLA/supplemental annuity plan for DB retirees	1,135,370	1,103,742
Ad hoc COLA plan for DCRS retirees	332,974	309,133
	$ 6,873,699	$ 6,707,054

Deferred Outflows and Inflows of Resources: At September 30, 2017 and 2016, GPA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 234,273	$ 856	$ -	$ 73,715	$ 32,144
Net difference between projected and actual earnings on pension plan investments	-	371,960	-	-	-	-
Changes of assumptions	202,481	-	11,287	-	417,059	-
Contributions subsequent to the measurement date	6,458,402	-	1,221,634	-	98,000	-
Changes in proportion and difference between GPA contributions and proportionate share of contributions	33,408	-	55,373	-	126,638	150,517
	$ 6,694,291	$ 606,233	$ 1,289,150	$ -	$ 715,412	$ 182,661

(6) Employees' Retirement Plans, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued:

	2016 (as restated)					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB Retirees		Ad Hoc COLA Plan for DCRS Retirees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 891,044	$ -	$ -	$ 24,055	$ -	$ 36,019
Net difference between projected and actual earnings on pension plan investments	802,882	-	-	-	-	-
Changes of assumptions	1,000,907	-	55,917	-	153,931	-
Contributions subsequent to the measurement date	6,474,792	-	1,151,078	-	88,000	-
Changes in proportion and difference between GPA contributions and proportionate share of contributions	-	732,788	88,171	-	134,970	-
	$ 9,169,625	$ 732,788	$ 1,295,166	$ 24,055	$ 376,901	$ 36,019

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2017 will be recognized in pension expense as follows:

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/SA Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2018	$ (821,427)	$ 67,516	$ 28,013
2019	188,859	-	28,013
2020	662,124	-	28,013
2021	(399,900)	-	28,013
2022	-	-	28,013
Thereafter	-	-	294,686
	$ (370,344)	$ 67,516	$ 434,751

Defined Contribution Retirement System

Contributions into the Defined Contribution Retirement System (DCRS) plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

(6) Employees' Retirement Plans, Continued

Defined Contribution Retirement System, Continued

Statutory employer contributions for participants in the DCRS plan for the years ended September 30, 2017, 2016 and 2015 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only an amount equivalent to 5% of the member’s regular pay is deposited into the member’s individual investment account in the DCRS. The remaining amount is contributed towards the unfunded liability of the DB Plan.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

GPA’s contributions for participants in the DCRS plan for the years ended September 30, 2017, 2016 and 2015 were $5,280,871, $5,075,223, and $5,244,535, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $4,173,926, $4,036,044 and $4,221,066 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2017, 2016 and 2015, respectively.

GPA has accrued an estimated liability of $4,008,397, $3,436,738 and $3,113,912 at September 30, 2017, 2016 and 2015, respectively, for potential future sick leave payments pursuant to Public Law 26-86 (note 1). However, this amount is an estimate and actual payout may be materially different than estimated.

Other Post-Employment Benefits

Plan Description: GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides postemployment medical, dental and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. Because the Plan consists solely of GovGuam’s firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy: GovGuam contributes to the Plan a portion of the medical and dental premiums based on a schedule of semi-monthly rates provided through insurance companies, with GovGuam’s contribution amount set each year at renewal. Retirees are also required to pay a portion of the medical and dental insurance premiums. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions. Retirees and covered spouses are eligible for a $10,000 life insurance benefit. Retirees do not share in the cost of this benefit. Monthly life insurance premium is $15.52 per covered life.

For the years ended September 30, 2017, 2016 and 2015, GPA reimbursed GovGuam $2,884,459, $2,911,552 and $2,621,098, respectively, for its share of the costs of the above mentioned Plan, which were equal to the statutorily required contributions.

(6) Employees' Retirement Plan, Continued

Other Post-Employment Benefits, Continued

GPA's net OPEB obligation at September 30, 2017, 2016 and 2015 for the above mentioned Plan is as follows:

2017	2016	2015
$ 59,348,450	$ 51,711,054	$ 44,213,000

Defined Benefit 1.75 Retirement System (the DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP)

In September 2016, Public Law 33-186 was enacted to create two new government retirement plans: the DB 1.75 Plan and the GRSP. Beginning January 1, 2018, the DB 1.75 Plan and GRSP are to become the primary retirement systems for all new hires.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DCRS Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by a mandatory pre-tax payroll deduction at the rate of 9.5% of the employee's base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

The GRSP will be the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DCRS Plan within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided a limited opportunity to participate in the GRSP. Employee contributions are made by a mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary.

(7) Noncurrent Liabilities

A. Long-term Debt

Long-term debt at September 30, 2017 and 2016 is as follows:

	2017	2016
2014 Series Senior Revenue Bonds, initial face value of $76,470,000, interest at varying rates from 4.0% to 5.0% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $1,310,000 in October 2017, increasing to a final payment of $4,855,000 in October 2044.	$ 76,470,000	$ 76,470,000

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

	2017	2016
2012 Series Senior Revenue Bonds, initial face value of $340,620,000, interest at varying rates from 2.98% to 5.0% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $110,000 in October 2013, increasing to a maximum payment of $25,630,000 in October 2031, with a final payment of $24,485,000 in October 2034.	339,830,000	339,945,000
2010 Series Senior Revenue Bonds, initial face value of $150,440,000, interest at varying rates from 5.0% to 5.5% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $225,000 in October 2022, increasing to $17,215,000 in October 2040. Refinanced in December 2017 (note 13).	150,440,000	150,440,000
Total long-term debt	566,740,000	566,855,000
Less current maturities	(1,780,000)	(115,000)
	564,960,000	566,740,000
Add premium on 2014 and 2012 bonds	29,002,672	31,824,124
Less discount on 2010 bonds	(3,393,810)	(3,506,346)
Total bonds	$ 590,568,862	$ 595,057,778

Proceeds of the 2010 Series Senior Revenue Bonds were used to finance capital projects, generally consisting of a new administration building and various generation, transmission and distribution facilities, make a deposit to the Bond Reserve Fund, provide capitalized interest through October 1, 2013, and pay costs of issuance.

Proceeds of the 2012 Series Revenue Bonds were used to refund GPA's 1993 and 1999 Senior Bonds, make a deposit to the Senior Bond Reserve Fund to increase the amount on deposit therein to the Bond Reserve Fund Requirement, and pay costs of issuance.

Proceeds of the 2014 Series Revenue Bonds were used to finance a variety of generation, transmission and distribution improvements and systems and information technology upgrades, make a deposit to the Senior Bond Reserve Fund, provide capitalized interest through September 30, 2017, and pay costs of issuance.

All gross revenues of GPA have been pledged to repay the 2010, 2012 and 2014 series bonds principal and interest. For the years ended September 30, 2017 and 2016, the debt service for the 2010, 2012 and 2014 series bonds was $30,532,400 and $28,870,850, respectively, or approximately 9% of pledged gross revenues.

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

Premium and discount associated with the 2010, 2012 and 2014 series bonds at September 30, 2017 and 2016 are being amortized on the effective interest method over the life of the applicable debt.

As of September 30, 2017, future maturities of long-term debt are as follows:

Year Ending September 30,	Principal	Interest	Total Debt Service
2018	$ 1,780,000	$ 28,712,600	$ 30,492,600
2019	1,495,000	28,636,625	30,131,625
2020	15,950,000	28,201,700	44,151,700
2021	20,515,000	27,290,075	47,805,075
2022	21,540,000	26,238,700	47,778,700
2023 through 2027	126,010,000	113,699,200	239,709,200
2028 through 2032	155,915,000	77,723,800	233,638,800
2033 through 2037	126,725,000	39,724,750	166,449,750
2038 through 2042	82,905,000	14,691,725	97,596,725
2043 through 2045	13,905,000	1,017,025	14,922,025
	$ 566,740,000	$ 385,936,200	$ 952,676,200

Debt Refunding

In October 2012, GPA refunded its 1993 and 1999 Series bonds through the issuance of the 2012 Series bonds. At the time of refunding, the 1993 and 1999 Series bonds had principal balances outstanding of $56,370,000 and $299,680,000, respectively. The proceeds for the refunding were transferred to an escrow agent who used the proceeds to purchase non-callable and non-prepayable obligations of the United States of America or held as cash and are to be held in an irrevocable trust to be used for the payment of the principal of and interest on the 1993 and 1999 Series bonds. The advance refunding met the requirements of an in-substance defeasance and the 1993 and 1999 bonds were removed from GPA's financial statements. The advance refunding resulted in a loss on defeasance totaling $17,283,801 representing the difference between the reacquisition price and the carrying amount of the 1993 and 1999 bonds. Although the advance refunding resulted in the recognition of an accounting loss, GPA in effect reduced its aggregate debt service payments by $16,506,398 over the next twenty years and obtained an economic gain (difference between the present values of the old debt and the new debt service payments) of $27,940,966.

The loss on refunding of the 1993 and 1999 Series bonds is being amortized using the effective interest method over the average remaining life of the 1993 and 1999 bonds which approximated the average life of the 2012 Series bonds. The unamortized balance of the loss on refunding of the 1993 and 1999 Series bonds is $11,076,064 and $12,324,400 as of September 30, 2017 and 2016, respectively.

(7) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

Forward Delivery Contract

On September 28, 2000, GPA entered into Bond Reserve Fund Forward Delivery Agreements (the agreements) with Lehman Brothers and Bank of America. In connection with the agreements, GPA received cash of $13.5 million in October 2000, representing the present value of interest income on certain invested bond proceeds. Based on the terms of the agreements, gross proceeds totaled $17,521,029 while GPA incurred termination fees and closing costs totaling $3,530,000 and $1,250,000, respectively. The $13.5 million in net proceeds included $759,500 of interest income earned as of the closing dates of the agreements.

The gross proceeds, termination fees and closing costs have been deferred and amortized on a straight line basis over the average remaining life of the 1993 and 1999 bonds. The gross proceeds, net of amortization, are reflected as unearned forward delivery contract revenue in the accompanying statements of net position. The termination fees and closing costs are reflected as unamortized forward delivery contract costs in the accompanying statements of net position. The amortization of forward delivery contract revenues and costs is reflected as components of interest income and interest expense, respectively, in the accompanying statements of revenues, expenses and changes in net position.

The following summarizes the unearned revenues and unamortized costs on the forward delivery contract at September 30, 2017 and 2016:

	2017	2016
Unearned forward delivery contract revenues	$ 8,760,514	$ 8,760,514
Accumulated amortization	(6,424,443)	(5,840,426)
	$ 2,336,071	$ 2,920,088
Unamortized forward delivery contract costs	$ 2,390,265	$ 2,390,265
Accumulated amortization	(1,752,908)	(1,593,548)
	$ 637,357	$ 796,717

(7) Noncurrent Liabilities, Continued

B. Long-term Liabilities

Changes in long-term liabilities were as follows:

	Outstanding October 1, 2016 (as restated)	Increases	Decreases	Outstanding September 30, 2017	Current
2010 Series Senior bonds	$ 150,440,000	$ -	$ -	$ 150,440,000	$ -
2012 Series Senior bonds	339,945,000	-	(115,000)	339,830,000	470,000
2014 Series Senior bonds	76,470,000	-	-	76,470,000	1,310,000
Unamortized premium on bonds	31,824,124	-	(2,821,452)	29,002,672	-
Unamortized discount on bonds	(3,506,346)	-	112,536	(3,393,810)	-
Obligations under capital leases	39,609,962	29,466,516	(21,317,453)	47,759,025	23,330,193
DCRS sick leave liability	3,436,738	571,659	-	4,008,397	-
Employees' annual leave	3,212,561	3,033,434	(3,114,338)	3,131,657	2,045,201
Net pension liability	88,899,619	-	(3,024,402)	85,875,217	-
Customer advances for construction	319,321	53,683	(3,824)	369,180	-
	$ 730,650,979	$ 33,125,292	$ (30,283,933)	$ 733,492,338	$ 27,155,394

	Outstanding October 1, 2015 (as restated)	Increases (as restated)	Decreases	Outstanding September 30, 2016 (as restated)	Current
2010 Series Senior bonds	$ 150,440,000	$ -	$ -	$ 150,440,000	$ -
2010 Series Subordinate bonds	14,155,000	-	(14,155,000)	-	-
2012 Series Senior bonds	340,055,000	-	(110,000)	339,945,000	115,000
2014 Series Senior bonds	76,470,000	-	-	76,470,000	-
Unamortized premium on bonds	34,543,120	-	(2,718,996)	31,824,124	-
Unamortized discount on bonds	(3,612,954)	-	106,608	(3,506,346)	-
Obligations under capital leases	54,429,781	-	(14,819,819)	39,609,962	16,737,242
DCRS sick leave liability	3,113,912	322,826	-	3,436,738	-
Employees' annual leave	3,194,892	2,599,550	(2,581,881)	3,212,561	2,405,799
Net pension liability	80,858,389	8,041,230	-	88,899,619	-
Customer advances for construction	205,461	129,522	(15,662)	319,321	-
	$ 753,852,601	$ 11,093,128	$ (34,294,750)	$ 730,650,979	$ 19,258,041

(8) Agreements with the U.S. Navy

On September 15, 1996, a lease agreement was entered into between GPA and the U.S. Navy (Navy) to transfer to GPA the operations, maintenance, and custody of certain Navy-owned electrical transmission and distribution lines, electric power generation facilities, related structures and equipment, together with the associated land interest. The facilities are leased to GPA at no cost for a period of 50 years.

(8) Agreements with the U.S. Navy, Continued

On August 1, 2012, GPA and the Navy entered into a Utility Services Contract (USC) for a period of ten years, unless terminated early at the option of the Navy, with no option for extension. Key features of the USC include transfer of certain Navy facilities to GPA at no charge, calculation of power rates charged to the Navy in accordance with the methodology approved by the PUC, GPA's continued use of the Navy's assets and associated real estate assets at no charge, compensation by GPA to the Navy for energy supplied to GPA's customers from Navy dedicated facilities, weekly fuel payments by the Navy, supply of water to Guam Waterworks Authority (GWA) by the Navy for power generation facilities, maintenance of a minimum contract demand with no maximum demand provision, and payment within fifteen days of electric billing by the Navy, subject to late payment charges. During the years ended September 30, 2017 and 2016, GPA billed the Navy $54,904,634 and $49,193,414, respectively, for sales of electricity under the USC. Receivables from the Navy were $4,020,017 and $2,379,893 at September 30, 2017 and 2016, respectively.

On August 31, 2015, GPA and the Navy entered into a Basic Ordering Agreement (BOA) which enumerates task items that are to be contracted to identify, develop and/or implement work on Navy facilities and utility systems. The tasks are generally related to energy services including renewable energy and energy efficiency. The period during which the orders may be placed against the BOA may not exceed five years. As of September 30, 2017, no work has commenced on this BOA.

On September 12, 2016, GPA and the Navy entered into a lease agreement to lease a portion of the land controlled by the Navy to construct and operate a renewable energy plant. The lease will not be effective until a final decision to determine if the project is consistent with the Federal Renewable Energy Program is obtained. If the terms and conditions of the lease agreement are satisfied, the land will be leased to GPA at no cost until April 30, 2054. As of September 30, 2017, the effectivity of the lease is not yet established.

(9) Commitments and Contingencies

Fuel Purchase Contracts

In August 2013, GPA entered into a fuel purchase contract with Hyundai Corporation. The agreement is for two years commencing on September 1, 2013 with options to extend for three additional one-year terms upon mutual agreement of both parties. In August 2015, the parties amended and agreed to extend the contract for three years commencing on September 1, 2015 with options to extend for a three-year term upon mutual agreement of both parties.

In January 2015, GPA entered into diesel fuel supply contracts with IP&E Guam, Inc. and Mobil Oil Guam, Inc. The agreements are for three years ending December 31, 2017 with an option to extend for two additional one-year terms, renewable annually. In December 2017, GPA exercised the option and extended the contract through December 31, 2018.

In May 2015, GPA entered into cylinder lubrication oil supply contract with Pacific Petroleum Trading Corporation. The agreement is for three years commencing June 1, 2015 with options to extend for two additional one-year terms, renewable annually.

(9) Commitments and Contingencies, Continued

Performance Management Contracts

In 2010, GPA entered into Performance Management Contracts (PMC) with two companies for the operation and maintenance of Cabras 1 and 2, and Cabras 3 and 4 generators, which became effective on October 1, 2010 and July 1, 2010, respectively. The PMCs are for a period of five years with an option to extend for another five-year term. The fees are subject to certain incentives and penalties, as agreed by both parties. Several extensions were made on both PMCs. The latest extension of the PMC for Cabras 1 and 2 expires on September 30, 2020 while the PMC for Cabras 3 and 4 expires on February 28, 2018.

In 2016, GPA entered into a PMC for the Dededo, Macheche and Yigo combustion turbine power plants for a period of five years commencing on March 1, 2016 with options to extend for one additional three-year term and one additional two-year term. The fees are subject to certain incentives and penalties, as agreed by both parties.

At September 30, 2017, the minimum future fixed management fees are as follows:

Year Ending September 30,	Amount
2018	$ 2,688,626
2019	2,449,963
2020	2,515,840
2021	293,203
	$ 7,947,632

Fuel Bulk Storage Facility Contract

In September 2017, GPA entered into an agreement for the management and operations of its fuel bulk storage facility. The agreement is for two years ending September 30, 2019 with an option to extend the contract for three additional one-year terms. At September 30, 2017, the minimum future management fees for the years ending September 30, 2018 and 2019 are $516,560 and $532,057, respectively.

Operating Leases

GPA entered into a sublease agreement for vehicle, equipment, and material storage and for a power substation beginning November 1, 2002 with annual rental of $61,261 through October 31, 2012, which was extended for ten years.

GPA entered into a lease agreement for fuel storage tanks effective September 1, 2013. The contract includes fixed annual fees escalating 4% every year until August 31, 2018.

GPA entered into a commercial space lease beginning July 1, 2010, with monthly rentals of $4,495 through June 30, 2015, which was extended for five years.

(9) Commitments and Contingencies, Continued

Operating Leases, Continued

At September 30, 2017, future minimum lease payments for operating leases are as follows:

Year Ending September 30,	Amount
2018	$ 1,630,481
2019	115,196
2020	101,712
2021	61,261
2022	61,261
2023	5,105
	$ 1,975,016

Rent expense under the aforementioned agreements totaled $1,709,954 and $1,648,617 during the years ended September 30, 2017 and 2016, respectively.

Renewable Energy Contracts

GPA entered into two renewable energy purchase agreements to purchase 20 MW and 5.65 MW of solar renewable energy. The commercial operation date of the two solar plants was October 30, 2015. The agreements include escalating contract prices per MW hour until 2041 and 90% minimum production which is the minimum requirement per contract year that is to be met to avoid production shortfall penalties. The total minimum renewable energy purchase commitment is 1.1 million MW hours.

At September 30, 2017, the minimum future renewable energy purchases are as follows:

Year Ending September 30,	Amount
2018	$ 9,164,695
2019	9,157,338
2020	9,162,071
2021	9,171,682
2022	9,200,983
2023 through 2027	46,045,437
2028 through 2032	46,118,779
2033 through 2037	46,575,874
2038 through 2041	28,968,797
	$ 213,565,656

Capital Commitments

As of September 30, 2017, GPA has various on-going construction contracts with a total contract price of $62 million, of which $27 million has been paid.

(9) Commitments and Contingencies, Continued

Letters of Credit

As of September 30, 2017, GPA has a $35 million uncollaterized revolving documentary letter of credit for purchases of fuel. There was an outstanding commitment of $14 million under the standby letter of credit at September 30, 2017.

Self-Insurance

GPA self-insures its transmission and distribution (T&D) plant, because no insurance is available at reasonable rates.

As the result of a PUC Order, GPA adds an insurance charge of $0.00290 per kWh for civilian ratepayers and from $0.00035 per kWh to $0.00070 per kWh for the Navy until a self-insurance fund balance of $20 million is achieved. Insurance charge proceeds are transferred to the restricted self-insurance fund to be used to cover losses that would normally be covered by insurance. GPA is not prohibited from petitioning PUC for approval to use the self-insurance fund for additional purposes to the extent that such losses are not covered by insurance.

The self-insurance fund, included in cash and cash equivalents held by GPA, was $19,251,372 and $19,506,796 at September 30, 2017 and 2016, respectively.

In 2015, GPA reached the $20 million self-insurance cap and the insurance surcharge was discontinued. The insurance surcharge will be reactivated after the fund balance falls to less than $18 million.

Autonomous Agency Collections Fund

On March 31, 2011, GPA received an invoice from the Government of Guam Department of Administration (GovGuam DOA) of $12,250,000 representing an annual assessment of $875,000 for each of the fiscal years 1998 to 2011 pursuant to 5 GCA Chapter 22 Section 22421, *Transfer of Autonomous Agency Revenues To Autonomous Agency Collections Fund*. In September 2013, GPA received another invoice for $875,000 from the Chamorro Land Trust Commission referring to the same annual assessment aforementioned. There was no invoice received for the years ended September 30, 2017 and 2016. GPA obtained approval from the CCU to offer GovGuam DOA a settlement amount of $2.6 million. However, such settlement offer is conditional on the approval by the PUC of a surcharge to recover the assessment from ratepayers. The PUC has not approved the surcharge as of September 30, 2017 and therefore, no liability or other impact has been recognized in the accompanying financial statements.

Hazardous Waste Assessment

Guam Public Law 20-110 requires certain entities to remit payments to a hazardous substance expense fund. There are questions as to the enforceability of the law; accordingly, no provision has been made in the accompanying financial statements for payments to be made under this law. GPA is covered by its self-insurance and worker's compensation insurance in case of accidents due to hazardous substances.

(9) Commitments and Contingencies, Continued

Litigation

GPA has several asserted and unasserted claims outstanding as of September 30, 2017. It is not possible for the management of GPA to estimate the ultimate resolution of these matters and therefore, no provision for any liability that may result from these claims has been made in the accompanying financial statements.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991 but was suspended by law for the years 1996, 2002, 2003 and 2004. Between 1991 and 2008, GPA did not calculate or pay any bonuses. In 2010, the Guam Legislature authorized GPA to implement a Pay for Performance program, similar to the GovGuam unified pay systems for certified, technical and professional positions, covering the evaluation period of 2009. As of September 30, 2017 and 2016, the CCU determined that there was no liability for employees covered in the new pay system. Therefore, no liability has been recognized in the accompanying financial statements.

U.S. Environmental Protection Agency

On May 24, 1986, the administrator of the U.S. Environmental Protection Agency (EPA) granted a continuing exemption to GPA under the provisions of Section 325(b) of the Clean Air Act, as amended. The terms of the exemption require monitoring by EPA, certain commitments by GPA regarding fuel stocks, and reporting and delineation of grounds for revocation of the exemption.

In February 2011, EPA, under the Clean Air Act, established new rules under National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engine Maximum Achievable Control Technology (RICE MACT). These new rules require stack emissions control and continuous monitoring system equipment to be installed on all GPA peaking and baseload diesel generators including its Cabras 3 and 4 and MEC 8 and 9 slow speed diesel units. Compliance under the diesel MACT was due May 3, 2013. Non-compliance under the diesel MACT could result in penalty fees of $37,000 per unit per day. GPA applied for and received a one-year extension for complying with the rules with respect to its small diesel peaking units. The required stack emission equipment was installed within the extension period. As to compliance with the other units subjected to RICE MACT, GPA requested EPA to enter into a consent decree allowing time for GPA to comply with the regulations and allowing potential fines and penalties for non-compliance to be used for compliance with regulations. In January 2015, GPA submitted its compliance plan outlining the proposed timelines for inclusion in the consent decree.

In August 2015, due to explosion and fire at Cabras 3 and 4 power plant (see note 10), these units are no longer subject to compliance. As of September 30, 2017, GPA is still negotiating the consent decree with EPA. GPA believes result of negotiations with EPA will defer potential fines post RICE MACT deadlines for the slow speed diesel units. If the consent decree is not reached, the maximum liability of GPA would be $186 million as of September 30, 2017. No liability that may result from potential noncompliance has been recorded in the accompanying financial statements.

(9) Commitments and Contingencies, Continued

Environmental Protection Agency, Continued

EPA also established rules for Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) which applies to Cabras 1 and 2 and Tanguisson steam boiler units. Compliance under the EGU MACT was due in April 2015. Non-compliance could result in penalty fees of $37,000 per unit per day. GPA obtained PUC approval to early terminate the associated energy conversion agreement of the Tanguisson unit. By deactivating the Tanguisson unit, GPA did not incur compliance costs for this unit. As to compliance for Cabras 1 and 2, a consent decree requested from EPA for compliance with RICE MACT is also expected to cover the EGU MACT compliance.

Integrated Resource Plan

In 2012, GPA developed its Integrated Resource Plan (IRP). The objectives of the IRP are primarily to identify the timing, size, technology of future power generating units, and to address issues such as fuel diversification and the renewable energy portfolio standards. Specifically, the IRP recommendations include the replacement of older generation equipment with combined cycle combustion turbine generators which can utilize either Liquefied Natural Gas (LNG) or Ultra-Low Sulfur (ULS) diesel fuel oil; adding 40-45 MW of generation from renewable energy sources; and diversification of its fuel source to LNG and ULS diesel fuel oil.

In August 2015, GPA lost 78MW of base load capacity and experienced insufficient generation reserve after the explosion and fire at the Cabras 4 Power Plant. The PUC ordered GPA to update the IRP in consideration of this event. The results of the updated IRP indicated that GPA should procure up to 180 MW of combined cycle units. In October 2016, the PUC authorized GPA to proceed with procurement which shall be based upon the Independent Power Producer (IPP) model. No approval was given in regards to bond financing, restructuring, or financing/leasing for the IPP. The PUC also ordered GPA to retire Cabras 1 and 2 upon commission of the new combined cycle plants.

GPA reassessed the estimated useful life of Cabras 1 and 2 based on the expected retirement of these plants when the new combined cycle plant becomes operational. GPA recorded additional depreciation expense of approximately $3.7 million during each of the years ended September 30, 2017 and 2016 due to the revised estimated useful life of these power plants.

Asset Retirement Obligation

GPA has power plants that were identified to be retired in the future. Upon retirement, GPA may incur costs to dismantle and clean-up the power plants. GPA has no legal or contractual obligation to perform these actions when they retire their assets; therefore, no provision for this potential cost was recorded in the accompanying financial statements.

(10) Explosion and Fire at Cabras Power Plant

On August 31, 2015, GPA suffered an explosion and fire at its Cabras 3 and 4 generator building. GPA commissioned an investigation and evaluation of the loss of Cabras 4 generator. In 2016, it was determined that Cabras 4 was a total loss. It was later determined that repair of the Cabras 3 generator was economically infeasible. As a result, both the Cabras 3 and 4 generators and related facilities and equipment were written down to zero value at September 30, 2016.

As of September 30, 2017, GPA received $84 million of insurance recoveries. Subsequent to September 30, 2017, GPA entered into a final insurance settlement of $126 million. As a result, GPA recorded an additional $42 million recovery receivable at September 30, 2017 (see note 3). GPA applied the insurance recoveries against actual damage incurred and estimated repair costs, and presented these as an extraordinary item in the accompanying financial statements.

The extraordinary item amount estimated for the years ended September 30, 2017 and 2016 comprise of the following:

	2017	2016
Insurance recoveries	$ 125,884,342	$ 84,040,000
Impairment of Cabras 3 and 4	(52,873,884)	(52,873,884)
Temporary power services	(13,923,247)	(13,923,247)
Repair and other costs	(24,780,107)	(24,780,107)
Administrative charges	(4,645,452)	(2,850,577)
Clean-up costs	(1,018,075)	(1,018,075)
Fuel recovery	(4,600,000)	(4,600,000)
Provision for inventory obsolescence	(1,069,158)	(1,069,158)
Revenue loss	(2,730,560)	(2,730,560)
	20,243,859	$ (19,805,608)
Extraordinary loss recognized in 2016	19,805,608	
Extraordinary gain recognized in 2017	$ 40,049,467	

Total damage costs are based on GPA's current best estimate and may ultimately be materially different than estimated.

(11) Related Party Transactions and Balances

During the years ended September 30, 2017 and 2016, GPA billed GovGuam agencies $48,761,147 and $45,460,183, respectively, for sales of electricity. Receivables from GovGuam agencies were $4,977,262 and $4,546,621 at September 30, 2017 and 2016, respectively (see note 3).

GPA provides electrical and administrative services to GWA, a component unit of the GovGuam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2017 and 2016 were $12,073,592 and $11,193,172, respectively. Outstanding receivables were $1,083,783 and $897,240 at September 30, 2017 and 2016, respectively, which are included in the GovGuam agencies receivable mentioned above.

(11) Related Party Transactions and Balances, Continued

On June 23, 2009, GPA and GWA entered into a Memorandum of Understanding (MOU) where each agency agrees to provide administrative, operational, maintenance, repair and other specified services on behalf of the other agency and each will reimburse the other for their actual costs for providing said services. Total billings by GPA to GWA for administrative expenses and cost reimbursements were $147,538 and $202,090 for the years ended September 30, 2017 and 2016, respectively. Outstanding receivables totaled $12,254 and $112,815 at September 30, 2017 and 2016, respectively, and were included in other receivables (see note 3).

In 2015, GPA and GWA replaced their revenue billing systems with a combined billing system. In accordance with a MOU between GPA and GWA, costs necessary for the implementation and operation of the combined billing system are shared by GPA and GWA. Total amounts billed by GPA to GWA for its share in the operation of the combined billing system amounted to $250,000 in 2016. Outstanding receivables were $56,272 and $118,774 at September 30, 2017 and 2016, respectively, and were included in other receivables (see note 3).

Effective October 1, 2015, GPA and GWA implemented an agreement to share in the costs of the office building commonly occupied by them for an annual cost of $269,170 due from GWA to GPA. GWA also shares in the actual costs incurred for security, janitorial services, building insurance and other maintenance costs. Total billings by GPA to GWA for its share of the costs of the office building were $454,941 and $353,291 for the years ended September 30, 2017 and 2016, respectively. Outstanding receivables were $36,678 and $31,935 at September 30, 2017 and 2016, respectively, and were included in other receivables (see note 3).

GWA billed GPA for water and sewer charges on the facilities transferred by the Navy to GPA under the USC (see note 8) totaling $493,549 and $1,166,911 for the years ended September 30, 2017 and 2016, respectively. The amount due to GWA at September 30, 2017 and 2016 was $505,031 and $139,738, respectively, which was included in accounts payable - operations in the accompanying statements of net position.

In October 2011, U.S. Federal Emergency Management Agency (FEMA) reimbursed GPA for certain typhoon related costs incurred in 2002 of approximately $1,800,000. The reimbursement was received by GovGuam DOA which plans to offset such amount against billings to GPA related to the Autonomous Agency Collections Fund (see note 9). Due to uncertainty of receipt, GPA has not recorded the reimbursement in the accompanying financial statements.

(12) Restricted Net Position

At September 30, 2017 and 2016, net position was restricted for the following purposes:

	2017	2016
Debt service	$ 3,685,679	$ 1,627,138
Budgeted maintenance and operating expenses	10,472,662	1,372,165
Demand Side Management Program and projects	1,074,491	1,646,041
	$ 15,232,832	$ 4,645,344

(13) Subsequent Events

In December 2017, GPA refinanced the 2010 Senior Revenue bonds through the issuance of the 2017 Revenue Refunding bonds. The 2017 series bonds have the same maturity date as the 2010 series bonds but bear a lower interest rate and reduced the principal amount to $148,670,000. GPA saved approximately $7.8 million from this refunding.

(14) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2017 and 2016 were as follows:

2017:	Estimated Useful Lives in Years	Beginning Balance October 1, 2016	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2017
Depreciable:					
Steam production plant	25 - 50	$ 116,221,073	$ 7,786,668	$ (491,386)	$ 123,516,355
Other production plant	25	225,201,904	17,570,519	(17,745,997)	225,026,426
Transmission plant	30 - 45	178,576,835	4,590,737	(867,325)	182,300,247
Distribution plant	25 - 45	220,981,069	6,170,868	(1,380,702)	225,771,235
General plant	03 - 60	93,158,754	5,255,343	(2,806,737)	95,607,360
Production plant under capital lease	20 - 40	155,382,727	29,466,516	-	184,849,243
		989,522,362	70,840,651	(23,292,147)	1,037,070,866
Accumulated depreciation		(540,262,573)	(44,291,589)	22,703,091	(561,851,071)
		449,259,789	26,549,062	(589,056)	475,219,795
Non-depreciable:					
Land and land rights		1,072,236	-	-	1,072,236
Construction work in progress		17,206,430	61,099,405	(59,825,662)	18,480,173
		18,278,666	61,099,405	(59,825,662)	19,552,409
		$ 467,538,455	$ 87,648,467	$ (60,414,718)	$ 494,772,204

(14) Utility Plant, Continued

2016:	Estimated Useful Lives in Years	Beginning Balance October 1, 2015	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2016
Depreciable:					
Steam production plant	25 - 50	$ 101,802,084	$ 15,477,391	$ (1,058,402)	$ 116,221,073
Other production plant	25	271,811,044	2,262,159	(48,871,299)	225,201,904
Transmission plant	30 - 45	168,377,451	10,225,658	(26,274)	178,576,835
Distribution plant	25 - 45	215,803,790	7,080,812	(1,903,533)	220,981,069
General plant	03 - 60	90,173,607	2,718,926	266,221	93,158,754
Production plant under capital lease	20 - 40	155,382,727	-	-	155,382,727
		1,003,350,703	37,764,946	(51,593,287)	989,522,362
Accumulated depreciation		(494,104,531)	(44,240,395)	(1,917,647)	(540,262,573)
		509,246,172	(6,475,449)	(53,510,934)	449,259,789
Non-depreciable:					
Land and land rights		1,072,236	-	-	1,072,236
Construction work in progress		31,056,101	27,252,248	(41,101,919)	17,206,430
		32,128,337	27,252,248	(41,101,919)	18,278,666
		$ 541,374,509	$ 20,776,799	$ (94,612,853)	$ 467,538,455

GUAM POWER AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Defined Benefit Plan

	2017	2016	2015	2014
Total Government of Guam net pension liability	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754	$ 1,303,304,636
Guam Power Authority's (GPA's) proportionate share of the net pension liability	$ 71,113,926	$ 74,504,797	$ 67,025,973	$ 77,870,353
GPA's proportion of the net pension liability	5.20%	5.19%	5.38%	5.97%
GPA's covered-employee payroll**	$ 26,308,182	$ 26,516,476	$ 27,155,671	$ 27,505,038
GPA's proportionate share of the net pension liability as percentage of its covered employee payroll	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2017	2016
Total Government of Guam net pension liability***	$ 229,486,687	$ 235,799,709
Guam Power Authority's (GPA's) proportionate share of the net pension liability	$ 10,942,403	$ 11,002,776
GPA's proportion of the net pension liability	4.77%	4.67%
GPA's covered-employee payroll**	$ 24,142,501	$ 23,861,140
GPA's proportionate share of the net pension liability as percentage of its covered employee payroll	45.32%	46.11%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2017	2016
Total Government of Guam net pension liability***	$ 61,688,067	$ 52,115,736
Guam Power Authority's (GPA's) proportionate share of the net pension liability	$ 3,818,888	$ 3,392,046
GPA's proportion of the net pension liability	6.19%	6.51%
GPA's covered-employee payroll**	$ 22,600,153	$ 23,164,094
GPA's proportionate share of the net pension liability as percentage of its covered employee payroll	16.90%	14.64%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A Component Unit of the Government of Guam)

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	2017	2016	2015	2014
Statutorily required contribution	$ 6,474,792	$ 6,993,365	$ 7,249,568	$ 7,375,045
Contributions in relation to the statutorily required contribution	6,464,756	6,974,715	7,212,224	7,285,774
Contribution (excess) deficiency	$ 10,036	$ 18,650	$ 37,344	$ 89,271
GPA's covered-employee payroll **	$ 26,308,182	$ 26,516,476	$ 27,155,671	$ 27,505,038
Contribution as a percentage of covered-employee payroll	24.57%	26.30%	26.56%	26.49%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Funding Progress and Actuarial Accrued Liability - Post Employment Benefits Other than Pension (Unaudited)

The Schedule of Funding Progress presents GASB 45 results of OPEB valuations as of fiscal year ends September 30, 2017, 2016, 2011, and 2007 for the Guam Power Authority's share of GovGuam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	$ -	$ 38,089,000	$ 38,089,000	0.0%	$ 17,568,918	216.8%
October 1, 2011	$ -	$ 58,314,000	$ 58,314,000	0.0%	$ 20,572,185	283.5%
October 1, 2015	$ -	$ 122,598,086	$ 122,598,086	0.0%	$ 25,806,659	475.1%
October 1, 2016*	$ -	$ 128,659,314	$ 128,659,314	0.0%	$ 26,838,925	479.4%

*Projected

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Sales of Electricity
Years Ended September 30, 2017 and 2016

	2017	2016
Commercial	$ 126,806,297	$ 120,185,796
Residential	100,601,978	92,057,360
Government of Guam	48,761,147	45,460,183
U.S. Navy	54,904,634	49,193,414
	$ 331,074,056	$ 306,896,753
Annual Electric Sales in kWh		
Commercial	589,527,624	580,473,950
Residential	506,335,602	487,022,560
Government of Guam	185,678,816	176,786,363
U.S. Navy	318,585,901	318,082,773
Other	9,965,068	11,974,425
	1,610,093,011	1,574,340,071

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Operating and Maintenance Expenses
Years Ended September 30, 2017 and 2016

	2017	2016 As Restated (Note 1)
Administrative and General:		
Salaries and wages:		
Regular pay	$ 5,077,260	$ 4,931,869
Overtime	58,624	57,528
Premium pay	2,863	2,367
Benefits	2,369,552	2,220,391
Pension adjustment	8,099,602	8,276,997
Total salaries and wages	15,607,901	15,489,152
Insurance	7,254,358	7,178,726
Contract	4,074,378	3,993,505
Retiree healthcare and other benefits	2,884,459	2,911,552
Utilities	1,858,396	1,715,061
Travel	252,407	161,923
Training	226,188	80,951
Operating supplies	116,870	109,670
Office supplies	90,238	84,110
Other administrative expenses	87,240	158,237
Trustee fee	68,395	93,944
Overhead allocations	7,982	13,671
Completed work orders	(1,950)	(829,045)
Miscellaneous	(42,753)	524,717
Total administrative and general	$ 32,484,109	$ 31,686,174
Customer Accounting:		
Salaries and wages:		
Regular pay	$ 1,896,223	$ 1,835,855
Overtime	96,431	39,481
Premium pay	6,111	4,718
Benefits	140,322	144,309
Total salaries and wages	2,139,087	2,024,363
Collection fee	755,944	866,868
Demand-side management program	658,450	189,179
Communications	314,555	333,478
Office supplies	228,244	61,420
Completed work orders	129,507	950,692
Overhead allocations	46,786	44,260
Contracts	18,926	18,091
Operating supplies	-	11,330
Miscellaneous	4,848	2,242
Total customer accounting	$ 4,296,347	$ 4,501,923

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Operating and Maintenance Expenses, Continued
Years Ended September 30, 2017 and 2016

	2017	2016 As Restated (Note 1)
Fuel:		
Salaries and wages:		
Regular pay	$ 96,449	$ 111,773
Overtime	7,853	8,499
Premium pay	316	292
Benefits	51	92
Total salaries and wages	104,669	120,656
Fuel	166,321,441	146,219,271
Total fuel costs	$ 166,426,110	$ 146,339,927
Other Production:		
Salaries and wages:		
Regular pay	$ 7,626,659	$ 7,913,336
Overtime	808,904	477,671
Premium pay	166,878	169,927
Benefits	621,219	756,612
Total salaries and wages	9,223,660	9,317,546
Contract	6,646,314	4,766,115
Completed work orders	1,231,619	854,916
Operating supplies	545,550	772,018
Overhead allocations	105,438	114,875
Office supplies	9,482	9,325
Total other production	$ 17,762,063	$ 15,834,795
Transmission and Distribution:		
Salaries and wages:		
Regular pay	$ 7,017,466	$ 6,728,684
Overtime	336,227	366,604
Premium pay	71,713	65,416
Benefits	436,612	427,125
Total salaries and wages	7,862,018	7,587,829
Overhead allocations	1,800,633	1,763,708
Contract	963,728	924,002
Operating supplies	819,491	600,006
Completed work orders	283,522	(75,247)
Office supplies	20,231	16,290
Total transmission and distribution	$ 11,749,623	$ 10,816,588

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule of Salaries and Wages
Years Ended September 30, 2017 and 2016

	2017	2016 As Restated (Note 1)
Salaries and wages:		
Regular pay	$ 21,714,057	$ 21,521,517
Overtime	1,308,039	949,783
Premium pay	247,881	242,720
Benefits	3,567,756	3,548,529
Pension adjustment	8,099,602	8,276,997
Total salaries and wages	$ 34,937,335	$ 34,539,546

See Accompanying Independent Auditors' Report.

GUAM POWER AUTHORITY
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Employees by Department
Years Ended September 30, 2017 and 2016

	2017	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel Services (a)
Department:		
Board	2	$ 177,491
Executive	18	568,903
Administration	25	1,879,711
Finance	42	2,089,545
Planning and Regulatory	7	711,888
Property and Facilities	9	385,921
Purchasing and Supply Management	21	540,095
Customer Service	35	1,630,173
Engineering	37	1,981,197
Generation	140	9,102,360
Strategic Planning and Operation Research and Development	10	709,897
Power System Control Center	21	1,690,128
Transportation	9	46,833
Transmission and Distribution	100	4,977,846
Total full time employees	476	26,491,988
Pension adjustment		8,099,602
Apprentice and summer engineering		345,745
		$ 34,937,335

	2016, As Restated (Note 1)	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel Services (a)
Department:		
Board	2	$ 136,409
Executive	17	534,589
Administration	23	1,474,163
Finance	25	1,369,361
Planning and Regulatory	8	699,916
Property and Facilities	9	230,504
Purchasing and Supply Management	20	434,947
Customer Service	45	2,114,726
Engineering	37	2,113,684
Generation	142	9,521,851
Strategic Planning and Operation Research and Development	10	629,845
Power System Control Center	21	1,725,536
Transportation	10	77,189
Transmission and Distribution	97	4,856,446
Total full time employees	466	25,919,166
Pension adjustment		8,276,997
Apprentice and summer engineering		343,383
		$ 34,539,546

Note:
(a) The amounts consist of total payroll charge to O & M for the year end funded by revenues.
(b) Filled positions at the end of the year, excluding apprentices.

See Accompanying Independent Auditors' Report.