

*The Auditor's Communication With Those Charged With
Governance*

Guam Power Authority
(A Component Unit of the Government of Guam)

Year Ended September 30, 2022





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August 16, 2023

Commissioners
Consolidated Commission on Utilities

We have performed an audit of the financial statements of Guam Power Authority (the Authority), a component unit of the Government of Guam, as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated August 16, 2023.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board of Directors (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board (or those charged with governance) in overseeing the financial reporting and disclosure processes which the management of the Authority is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated November 17, 2022 and at our audit planning meetings with management on December 1, 2022 and January 13, 2023.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements, required supplementary information and supplementary information are the responsibility of the Authority's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

Auditors' Responsibilities under US GAAS and GAGAS, continued

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the December 2022 meeting.

Matters relevant to our evaluation of the Authority's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Authority's ability to continue as a going concern.

Our views about the qualitative aspects of the Authority's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 1 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Significant findings and issues arising during the audit relating to related parties

We noted no significant matters regarding the Authority's relationships and transactions with related parties.

Changes to the terms of the audit with no reasonable justification for the change

None.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by the Authority.

Difficult or contentious matters subject to consultation outside of the audit team

None.

Material corrected misstatements, related to accounts and disclosures

Refer to “*Summary of Corrected Misstatement*” in Appendix A.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

Certain uncorrected misstatement accumulated by us were identified during the audit and pertaining to the latest period presented, which were determined by the Authority’s management to be immaterial, both individually and in the aggregate, to the financial statements as a whole (see Appendix B – *Summary of Uncorrected Misstatements*).

Significant deficiencies and material weaknesses in internal control over financial reporting

No material weaknesses have been identified.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Significant issues discussed with management in connection with the auditor’s initial appointment or recurring retention

None.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

None.

Management’s consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with the Authority or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations we are requesting from management

See “*Management’s Representation Letters*” related to the audit in Appendix C.

Engagement team’s involvement with preparation of the financial statements

Under GAS 2011 Revision, Chapter 3 General Standards, Paragraph 3.34 Requirements for Performing Non-audit Services explains that the audit team should make consideration of management’s ability to effectively oversee the non-audit (or non-attest) services to be performed. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them. The engagement team should document consideration of management’s ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.

The preparation of the financial statements is based on the Authority’s trial balance with our understanding that the Authority’s underlying books and records are maintained by the Authority’s accounting department and that the final trial balance prepared by the Authority is complete.

Engagement team's involvement with preparation of the financial statements, continued

All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of the Authority.

The Authority's Chief Financial Officer, Assistant Chief Financial Officer and Controller have the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

This report is intended solely for the use of the Authority's Board of Directors and management, the Office of Public Accountability of Guam, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Ernst + Young LLP

Appendix

A - Summary of Corrected Misstatements

B - Summary of Uncorrected Misstatements

C - Management's Representation Letters

A – Summary of Corrected Misstatements

Summary of corrected misstatements
Entity: Guam Power Authority Period ended: 30-Sep-2022 Currency: USD

No.	GL Acct.	Account	Analysis of misstatements				Effect on the current period OCI	
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Debit/Credit	Debit/Credit
<p>(misstatements are recorded as journal entries with a description)</p>								
263000 30	OPFB adjustment per actuarial valuation					14,545,421		
025200 04	Pension Unfunded							6,434,105
186000 130	Deferred outflow of resources		17,240,222					
253000 130	Deferred inflow of resources					15,360,803		
<p>Pension adjustment per actuarial valuation</p>								
363000 28	FY15-NM1 pension liability					14,314,661		
253000 130	Deferred inflow Pension rti					69,933,606		
186000 130	Deferred outflow Pension rti		68,870,535					
253000 04	Pension Unfunded							(1,270,531)
025100 04	Pension Retirement							809,811
<p>Per new lease standard adjustments</p>								
EV-1	Lease Asset			21,115,196				
EV-2	Lease Liability						12,113,106	
<p>Per new lease standard adjustments</p>								
EV-3	Lease expense							305,477
501000 83	Fuel handling							3,850,456
EV-18	Amortization of lease asset			6,125,931				
<p>Per new lease standard adjustments</p>								
EV-4	Interest expense							210,561
EV-2	Lease liability						3,969,542	
055000 28	Building Maintenance							(11,876)
301000 83	Fuel handling							0,130,498
EV-18	Amortization of lease asset							(133,938)
051000 11	Other assets							(11,420)
051000 14	Land lease							(11,420)
<p>(16 property/leasehold gain revenue)</p>								
201100 10	Grant by DOI						993,911	
EV993000 02	Grants Revenue - capital							(993,911)
Total of corrected misstatements before income tax			0	2,812,400	0	(8,972,837)	993,911	5,166,325
Financial statement amounts			305,104,867	609,347,146	(28,511,751)	(352,762,247)	(23,187,133)	(15,132,277)
Effect of corrected misstatements on FTS amounts			0.0%	0.5%	0.0%	1.1%	-4.3%	-38.6%

We reviewed, agreed, and approved the proposed entries as listed above and have reflected these on the financial statements.

John J.E. Kim
Chief Financial Officer (CFO)

Marjorie Perez
Assistant CFO

Lenny Benz
Controller

B – Summary of Uncorrected Misstatements

Communication schedule for uncorrected misstatements
Entity: Guam Power Authority Period Ended: 30-Sep-2022 Currency: USD

No.	VWP ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Assets		Liabilities		Equity components		Effect on the current period OCI		Income statement effect of the current period		Income statement effect of the prior period	
			Current Debit(Credit) (Note 2)	Non-current Debit(Credit) (Note 2)	Current Debit(Credit) (Note 2)	Non-current Debit(Credit) (Note 2)	Debit(Credit)	Credit	Debit(Credit)	Credit	Debit(Credit)	Credit	Debit(Credit)	Credit
GL Acc		Misstatement of Bonds Premium and Loss on Depreciation as of FY2022. Refer to 001100												
EV-225000		Premium on Bonds 2022		(2,234,226)										X
225000		Loss on Depreciation - 2022 Bonds		2,610,344										X
599428.160		Amort SEC and exp-2022 bond												X
Total of uncorrected misstatements before income tax			0	0	0	0	376,107	0	0	0	0	0	0	
Financial statement amounts			305,104,582	6,09,347,145	(68,581,751)	(827,702,648)	(2,187,332)	0	0	0	0	0	0	
Effect of uncorrected misstatements on F/B amounts			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Memo: Total of non-taxable items (marked "X" above)														
Uncorrected misstatements before income tax														
Less: Tax effect of misstatements at current year/marginal rate														
Uncorrected misstatements in income tax														
Cumulative effect of uncorrected misstatements after tax but before turnaround														
Turnaround effect of prior period uncorrected misstatements														
Cumulative effect of uncorrected misstatements, after turnaround effect														
Current year income before tax														
Current year income after tax														

Actual and projected misstatements:
Judgmental misstatements (Note 3):
Alter tax: (1,009,902) / (1,009,902) / 14.9% / (1,009,902) / 0

Memo: Before tax: (1,009,902) / (1,009,902) / 0

Memo: After tax: (1,009,902) / (1,009,902) / 0

We believe that the effects of the uncorrected misstatements summarized above, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in aggregate to the financial statements as a whole.

John J.E. W...
Chief Financial Officer (CFO)

Margaret Perez
Assistant CFO

Lynette Sainz
Controller

C – Management’s Representation Letters



GUAM POWER AUTHORITY

ATURIDĀT ILEKTRESEDĀT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

August 16, 2023

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96931

In connection with your audit of the basic financial statements of the Guam Power Authority (the Authority), a component unit of the Government of Guam, as of September 30, 2022 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the respective financial position of the fiduciary fund of the Authority and the respective changes in financial position, where applicable, in conformity with US generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management’s responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated November 17, 2022, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding years. In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority’s ability to continue as a going concern for one year after the date that the financial statements are issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

C – Management’s Representation Letters, continued

GPA Management Representation Letter

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We acknowledge our responsibility for 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. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- Unrestricted access to persons within the Authority from whom you determined it necessary to obtain evidence

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From October 1, 2021 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements of any opinion unit that comprises the basic financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts and internal audit reports

The dates of meetings of shareholders, directors, committees of directors and important management committees after October 1, 2022 are as follows:

C – Management’s Representation Letters, continued

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<u>Date Meeting</u>	<u>Type</u>
October 26, 2021	Regular
November 23, 2022	Regular
February 2, 2022	Regular
March 22, 2022	Regular
April 26, 2022	Regular
May 24, 2022	Regular
July 26, 2022	Regular
September 27, 2022	Regular
October 25, 2022	Regular
November 29, 2022	Regular
January 24, 2023	Regular
April 3, 2023	Regular
April 25, 2023	Regular
May 30, 2023	Regular
July 3, 2023	Special
July 25, 2023	Regular

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Risks and uncertainties

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, *Risks and Uncertainties*.

Environmental liabilities

We have disclosed to you all significant pollution remediation matters and have made available to you all significant relevant information related to them. The pollution remediation obligations included in the statements of net position represents our best estimate of the potential losses in accordance with GASB Statement No. 49 – as amended. The disclosures of pollution remediation matter in the financial statements are in accordance with GASB Statement No. 49 – as amended.

Ownership and pledging of assets

Except for right-to-use another entity’s nonfinancial asset (the underlying asset), the Authority has satisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which the Authority has satisfactory title appear in the statement of net position.

Receivables and revenues

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date(s) in respect of any sales and services rendered prior to that (those) date(s) and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72 – as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72 – as amended.

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 – as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Leases

Our calculation of the cumulative effect of initially applying GASB 87 as of the beginning of the period of adoption is in accordance with our accounting policies established under GASB 87—as amended. The initial adoption does not have an impact on the beginning balance of net position.

We have identified and accounted for all contracts that meet the criteria to be accounted for as a lease under GASB 87—as amended. We have appropriately considered any renewal, termination or purchase options in the contract.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56— as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Events of default under debt agreements

No events of default have occurred with respect to any of the Authority’s debt agreements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62—as amended.

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, *Contingencies*, nor are there any accruals for loss contingencies included in the balance sheet or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

We have not consulted legal counsel concerning litigation, claims or assessments.

There are no oral or written guarantees, including guarantees of the debt of others.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others

Purchase commitments

At September 30, 2022 the Authority had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that the Authority’s business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Authority’s internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

Independence

We have communicated to you the names of the Authority’s affiliates, officers and directors, or individuals who serve in such capacity for the Authority.

We are not aware of any business relationship between the Authority and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of the Authority’s audit.

Conflicts of interest

There are no instances where any officer or employee of the Authority has an interest in a company with which the Authority does business that would be considered a “conflict of interest.” Such an interest would be contrary to the Authority’s policy.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on the Management’s Discussion and Analysis on pages 4 through 12, Schedules of Proportional Share of the Net Pension Liability on pages 58 through 60, the Schedule of Pension Contributions on page 61, the Schedule of Changes in the Proportional Share of the Total OPEB Liability and Related Ratios on page 62, the Schedule of Proportional Share of the Total OPEB Liability on page 63, and the Schedule of OPEB Contributions on page 64, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period. We are responsible for the significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. We believe that the significant assumptions and interpretations used are reasonable.

We believe that the separate presentation of the schedule of changes in total pension liability and related ratios related to GASB statement No. 73 is not significant. The

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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required information is combined with schedules required under GASB Statement No. 68.

We have omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pension that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. We understand the missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Supplementary information

We are responsible for the preparation and fair presentation of the following schedules (the “supplementary information”):

- Schedule of Sales of Electricity
- Schedule of Operating and Maintenance Expenses
- Schedule of Salaries and Wages

We believe the supplementary information, including its form and content, is fairly stated in all material respects in relation to the basic financial statements as a whole.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Effects of new accounting principles

As discussed in Note 1 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, *Omnibus 2022*
- GASB Statement No. 100, *Accounting Changes and Errors Correction – An Amendment of GASB Statement No. 62*
- GASB Statement No. 101, *Compensated Absences*

C – Management’s Representation Letters, continued

GPA Management Representation Letter

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The Authority is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Pension benefits

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Postemployment benefits other than pensions

We have disclosed to you all significant postemployment benefits other than pensions (OPEBs) promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes, that constitute the plan.

Other Representations

- We have identified and disclosed to you, all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds
- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- We have followed applicable laws and regulations in adopting, approving and amending budgets, debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.
- Components of net position (net investments in capital assets, restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Risk disclosures associated with deposits and investment securities are presented in accordance with GASB requirements.
- Investments are properly valued.
- Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated.

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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Other matters

We have received a draft copy of our financial statements as of and for the years ended September 30, 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are our responsibility.

You have assisted in the preparation of our financial statements based on information in our trial balance and accounting records. It is our understanding that:

- Our underlying books and records are maintained by our accounting department and that the final trial balance prepared by us is complete and,
- All adjusting journal entries posted to the trial balance have been approved by us, and
- We have designated a competent representative to oversee your services and that our personnel have sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements, including footnote disclosures.

We have reviewed the draft financial statements for accuracy and completeness.

We acknowledge that we have reviewed them and taken responsibility for them.

Subsequent events

Subsequent to September 30, 2022, no events or transactions other than the following have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Authority’s affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable, cash flows of the Authority:

On May 24, 2023, the island of Guam suffered severe damages caused by super typhoon Mawar. As of the date of this report, the Authority is unable to reasonably estimate the potential impact on its future financial statements.

* * * * *

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and was, therefore, designed primarily for the purpose of expressing an opinion on the basic financial statements of the Authority and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

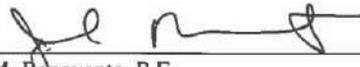
C – Management’s Representation Letters, continued

GPA Management Representation Letter
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Very truly yours,



Joseph (Joey) T. Duenas
Chairman, Consolidated Commission on Utilities



John M. Benavente, P.E.
General Manager



John J.E. Kim
Chief Financial Officer



Maripaz N. Perez
Assistant CFO



Lenora M. Sanz
Controller

C – Management’s Representation Letters, continued



GUAM POWER AUTHORITY

ATURIDÁT ILEKTRESEDÁT GUAHAN
P.O.BOX 2977 • AGANA, GUAM U.S.A. 96932-2977

August 16, 2023

Ernst & Young LLP
Ernst & Young Building
231 Ypao Road, Suite 201
Tamuning, Guam 96913

We are providing this letter in connection with your audit of the federal award programs of Guam Power Authority (GPA) as of and for the year ended September 30, 2022, which was performed in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the Single Audit Act Amendments of 1996, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure and we understand that the purpose of your testing of transactions and records from GPA’s federal programs was to obtain reasonable assurance that GPA had complied, in all material respects, with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of its sole major program.

In connection with your audit, we confirm, to the best of our knowledge and belief, the following representations:

1. We acknowledge our responsibility for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance, except for those findings disclosed in the Schedule of Findings and Questioned Costs and/or otherwise disclosed to you.
2. We have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on GPA’s sole major federal program.
3. We have identified and disclosed to you any changes to compliance requirements for any COVID-19 related awards.
4. We have identified and disclosed to you any compliance requirement flexibilities provided by federal grantor agencies for any existing awards not due to additional COVID-19 funding.
5. We have identified and disclosed to you any compliance requirement flexibilities provided by federal grantor agencies for existing awards due to those respective agencies’ adoption of

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- various COVID-19 related US Office of Management and Budget memoranda listed in Appendix VII of the OMB Compliance Supplement.
6. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
 7. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 8. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
 9. We acknowledge our responsibility for the design, implementation, and maintenance of internal control over compliance and have designed, implemented and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are managed in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on the federal programs.
 10. We have complied in all material respects with the requirements of the Uniform Guidance including with the direct and material compliance requirements, and with federal statutes, regulations, and the terms and conditions federal awards related to each of the federal programs, except for those findings disclosed in the Schedule of Findings and Questioned Costs and/or otherwise disclosed to you.
 11. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
 12. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (“the Schedule”) in accordance with the Uniform Guidance, 2 CFR 200.510(b). We believe the Schedule, including its form and content, is presented in accordance with the Uniform Guidance, 2 CFR 200.510(b). There have been no changes in the methods of measurement or presentation of the Schedule from those used in the prior period. There are no significant assumptions or interpretations underlying the measurement or presentation of the Schedule.
 13. We acknowledge that it is our responsibility for understanding and complying with the compliance requirements related to the preparation of the Schedule. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and have included in the Schedule all expenditures made during the period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees and other noncash awards, property (including donated surplus property), cooperative agreements under the Federal Acquisition Regulations, interest subsidies, insurance, food commodities, direct appropriations and other direct assistance. The Schedule is accurate and complete in all material respects, presents the information required by the Uniform Guidance, and includes all federal program expenditures made during the year ended September 30, 2022.
 14. We have charged costs to federal awards in accordance with applicable cost principles.
 15. Information presented in federal program financial reports and claims for advances and reimbursements are supported by the books and records from which GPA’s financial statements have been prepared, and are prepared on a basis consistent with that presented in the Schedule

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GPA Management Representation Letter

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- of Expenditures of Federal Awards, except for those findings disclosed in the Schedule of Findings and Questioned Costs and/or otherwise disclosed to you.
16. Amounts claimed or used for matching were determined in accordance with the applicable cost principles and administrative requirements.
 17. The copies of GPA’s federal program financial reports provided to you are true copies of the reports submitted or electronically transmitted to the federal agencies or pass-through entities, as applicable.
 18. We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud affecting federal programs involving management or other employees who have a significant role in internal control over financial reporting and compliance. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the federal programs. We have disclosed to you any allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”) where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the federal program.
 19. We have accurately completed the appropriate sections of the Data Collection Form.
 20. The reporting package does not contain protected personally identifiable information.
 21. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of this letter.
 22. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the year ended September 30, 2022 to the date of this letter.
 23. We have disclosed to you that there are no known instances of noncompliance with the direct and material compliance requirements occurring subsequent to the year ended.
 24. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the year ended September 30, 2022.
 25. We have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the year ended September 30, 2022.
 26. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
 27. We have developed a corrective action plan that meets the requirements of the Uniform Guidance and addresses each of the findings reported in the Schedule of Findings and Questioned Costs.

C – Management’s Representation Letters, continued

GPA Management Representation Letter
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28. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
29. We have issued management decisions for any audit findings that relate to federal awards we make to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse.
30. We have followed up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from us in our capacity as the pass-through entity.
31. We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
32. From October 1, 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on a major federal program, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
33. We have communicated to you the names of all of GPA’s affiliates, officers and directors, or individuals who serve in such capacity for the GPA.
34. We are not aware of any business relationship between GPA and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.
35. We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of GPA’s audit.

In connection with your audit, we also confirm, to the best of our knowledge and belief, the following representations related to any findings included in the Schedule of Findings and Questioned Costs:

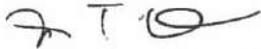
36. We have resolved any audit findings and recommendations directed to us and have a process to track their status.
37. We have taken timely and appropriate steps to remedy fraud, noncompliance with federal statutes, regulations, the terms and conditions of federal awards or abuse that you have reported.
38. We have provided views on your reported findings, conclusions and recommendations, as well as management’s planned corrective actions, for the report.

C – Management’s Representation Letters, continued

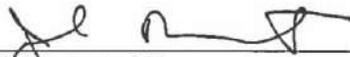
GPA Management Representation Letter
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We understand that your audit was made in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the Single Audit Act Amendments of 1996, and the audit requirements of the Uniform Guidance and, and was, therefore, designed for the purpose of obtaining reasonable assurance about whether the Schedule of Expenditures of Federal Awards is presented fairly, in all material respects, in relation to the financial statements taken as a whole and whether GPA had complied, in all material respects, with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the sole major federal program. Accordingly, we understand that your tests of the accounting and federal program records and other auditing procedures were limited to those that you considered necessary for those purposes.

Very truly yours,



Joseph (Joey) T. Duenas
Chairman, Consolidated Commission on Utilities



John M. Bonavente, P.E.
General Manager



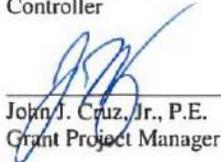
John J.E. Kim
Chief Financial Officer



Maripaz N. Perez
Assistant CFO



Lenora M. Sanz
Controller



John J. Cruz, Jr., P.E.
Grant Project Manager