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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2009 AND 2008 (RESTATED)

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Consolidated Commission on Utilities:

We have audited the accompanying statements of net assets of Guam Power Authority (GPA), a component unit of the Government of Guam, as of September 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of GPA's management. 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 of material misstatement. An audit 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 GPA'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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of GPA as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, GPA restated its 2008 financial statements to reflect the effects of the redesignation of the Government of Guam Defined Benefit Pension Plan from a single-employer plan to a cost-sharing multiple-employer plan, in conformity with the accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of GPA's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules on pages 37 through 41, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of GPA's management. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2010, on our consideration of the GPA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte + Touche LLP

February 27, 2010

GUAM POWER AUTHORITY

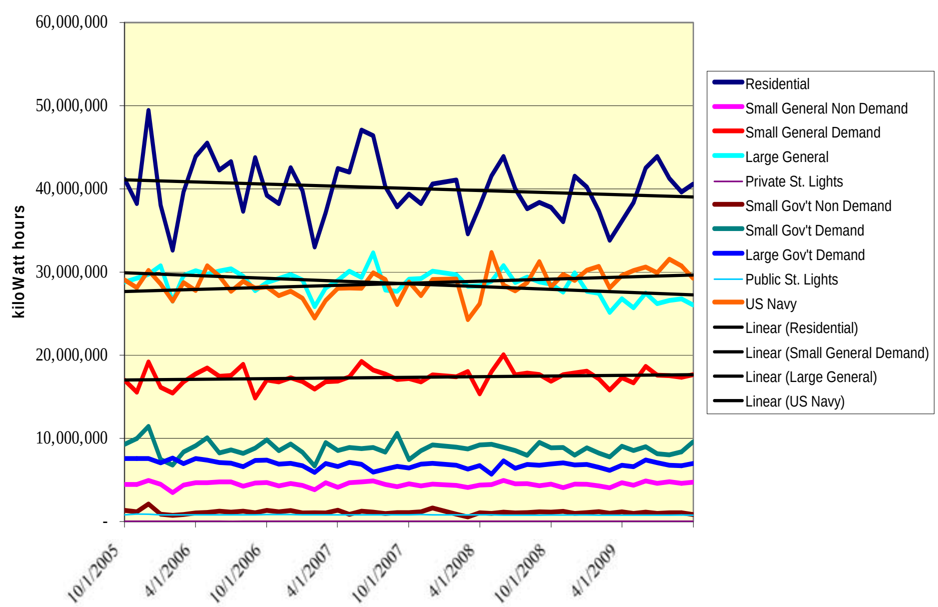
Management Discussion and Analysis
Year Ended September 30, 2009

The following is a discussion and analysis of GPA's financial performance for the fiscal year ended September 30, 2009.

Sales

GPA's sales have been trending downward for the last few years as is shown by the graph below. While the number of customers is growing, the average usage is declining as a result of conservation efforts by many of GPA's customers. These conservation measures are the result of the steep increases in the fuel portion of the bill for the last few years. GPA expects to see positive growth for Fiscal Year 2011 as conservation measures become fully realized, the impacts of the military buildup begin to show up, and as the economy begins to recover from the impact of the world-wide economic crisis.

Sales Activity (kWh)



More detailed information regarding GPA's sales by class and year is shown below.

Annual Electric Sales

	Consumption (in kilowatt hours)			2009 to 2008 Comparison	
Rate Class	FY09	FY08	FY07	Increase/ (Decrease)	% Change
Residential	471,384,720	471,060,549	485,931,336	324,171	0.07%
Small General Non Demand	54,083,247	53,484,286	53,555,258	598,961	1.12%
Small General Demand	209,356,703	210,541,167	207,268,006	(1,184,914)	(0.56)%
Large General	323,331,267	350,006,359	346,874,493	(26,675,092)	(7.62)%
Private St. Lights'	630,549	604,433	591,728	26,116	4.32%
Small Gov't Non Demand	12,719,408	12,878,413	13,563,297	(159,005)	(1.23)%
Small Gov't Demand	102,530,794	105,168,995	106,263,972	(2,638,201)	(2.51)%

Large Gov't Demand	81,743,867	80,151,222	80,430,792	1,592,645	1.99%
Public St. Lights'	9,351,639	9,634,418	9,865,631	(282,779)	(2.94)%
US Navy	359,520,521	341,392,577	330,277,668	18,127,944	5.31%
Total	1,624,652,715	1,634,922,869	1,634,622,181	(10,270,154)	(0.63)%

GPA believes the decline in the Large General customer class is driven more by the decline in the tourism industry related to world-wide economic slowdown rather than by conservation measures.

Customer Count

	Number of Customers			2009 to 2008 Comparison	
Rate Class	FY09	FY08	FY07	Increase/ (Decrease)	% Change
Residential	40,254	39,418	38,828	836	2.12%
Small General Non Demand	3,078	3,073	3,050	5	0.16%
Small General Demand	1,573	1,550	1,526	23	1.48%
Large General	171	170	170	1	0.59%
Private St. Lights'	563	555	540	8	1.44%
Small Gov't Non Demand	566	573	599	(7)	(1.22)%
Small Gov't Demand	439	440	461	(1)	(0.23)%
Large Gov't Demand	56	56	56	-	0.00%
Public St. Lights'	146	147	149	(1)	(0.68)%
US Navy	1	1	1	1	0.00%
Total	46,847	45,983	45,384	864	1.88%

Even though individual customers have been taking measures to conserve energy, the total number of GPA's customers continues to increase.

Explanation of Net Decrease in Net Assets

The $14 million net decrease in net assets is made up of many factors. GPA was projecting a $3.5 million net loss for the year as a result of the Public Utilities Commission's decision to defer the FY08 rate increase to March 1, 2009 and have the Authority apply the cash proceeds from a collected receivable against the expenses. Additionally, GPA forecast non-fuel revenues of $144 million; however, the actual numbers came in at $134 million. Finally, GPA's interest expense increased by $1 million due mostly to increased interest costs associated with the commercial paper program and investment income was approximately $1 million lower than projected. GPA made cuts to its budget for the year when it became apparent the revenue forecast would not be realized; however, much of this effort was offset when the generator overhaul (discussed in the variance analysis below) exceeded budgeted levels.

Liquidity Study

The silver lining of these events is that it has highlighted some ongoing liquidity issues faced by GPA. GPA has hired a consultant to conduct a liquidity study with the purpose of recommending liquidity targets to be considered in the context of future rate actions. The Consolidated Commission on Utilities (GPA's governing board) and the Public Utilities Commission (PUC) have both been receptive to the need for improving GPA's liquidity. GPA is targeting the middle of Fiscal Year 2010 for a final decision from the PUC regarding the proposed liquidity targets. GPA is also putting together a 10 year financial management plan to file with the PUC to help ensure current rate actions are taken with a view to the long term impact on the utility.

Rate Activity

GPA filed a petition for a two phased rate implementation in October 2007. The Phase I rate relief went into effect on March 1, 2008. GPA filed an addendum to the Phase I petition in November 2009 and the Phase II rate relief of approximately 2.8% is expected to go into effect on March 1, 2010.

Public Utilities Commission

Since the Consolidated Commission on Utilities first assumed governance of the Authority in January 2003, the relationship between the Authority and the PUC has been on a steady track of continued improvement. There were some significant changes at the PUC during 2009 and GPA is pleased that the spirit of mutual respect and cooperation has continued through the changes that have taken place. One of the most important changes has been the willingness to entertain Authority petitions on a monthly basis as opposed to a quarterly basis. This has enabled the Commission to move more swiftly on the various petitions filed by the Authority.

GPA filed a petition with the PUC for its first base rate increase in nearly 10 years in October 2007. The petition included a two phase rate increase with a $17.9 million increase in Phase I and the remaining $9 million in Phase II. The Authority was awarded an increase equivalent to $16.3 million with an effective date of March 1, 2008. Part of the increase was deferred to March 1, 2009 when GPA received the $13.5 million payment for past due streetlight billings. The Phase II increase of $10.6 million is expected to go into effect on March 1, 2010.

The PUC has established a Phase III proceeding to address issues related to a Working Capital Fund Surcharge to provide a mechanism to ensure the utility is always in compliance with the Working Capital Requirement of its bond indenture agreement.

Bond Ratings

Despite the difficulties posed by the crisis in the U.S. capital markets, GPA has maintained an investment grade rating with Standard & Poor's and near investment grade ratings with Moody's and Fitch. GPA plans to meet with all three rating agencies in mid-Fiscal Year 2010 and believes investment grade ratings can be achieved from all three agencies.

Future Borrowing

GPA is planning for a bond offering in the summer of 2010. GPA is anticipating seeking financing for its planned Smart Grid program, some small transmission and distribution projects, and a new office complex to house most of its operations in a single location. GPA received terms and conditions for a Smart Grid grant award from the U.S. Department of Energy. The grant matches 50% of the project costs of GPA's $33.2 million Smart Grid program and allows GPA 120 days to show evidence of the ability to fund its share of the project cost.

Military Buildup

GPA is working with the U.S. Department of Defense (DOD) in planning to ensure there is adequate capacity to serve the load of military projects targeted for the island. The current best estimate of the additional load from the buildup is 30 megawatts with an additional 25 megawatts of transient load. GPA believes there is sufficient generation capacity currently in the system to meet the planned load requirements. DOD has also expressed that a preferred solution to complement GPA's existing generation system is to re-condition up to five peaking/emergency combustion turbine units. GPA is working with DOD to identify transmission and distribution projects that would be required to meet the military service requirements. DOD has been committed to the principle of ensuring the civilian community is not negatively impacted by the cost of the buildup.

Retirement Accounting

GPA had been preparing its Board for the addition of a significant retirement liability resulting from the Governmental Accounting Standards Board (GASB) Statement 45. However, the Government of Guam has made a determination that the Government of Guam retirement plans are multi-employer pension plans for purposes of GASB Statements 27 and 45 and therefore, accrual of unfunded obligations to the plan are no longer required. This change is reflected in the Fiscal Year 2008 financial statements.

Certified Technical Professional Legislation

Shortly after the Consolidated Commission on Utilities took office in January 2003, GPA management began a high level assessment of manpower. Two main observations were made: 1) Nearly half of the Authority's workforce would become eligible for retirement within the next 10 years, and 2) there was a pattern developing of highly skilled employees leaving the Authority for higher paying jobs both on-island and off-island. GPA identified both of these observations as threats to the utility. The issue of the aging workforce was a threat because there is a very limited pool of skilled workers on the island and the location of Guam poses a significant impediment to recruitment. GPA does not have the ability to attract labor from a neighboring utility without substantial lifestyle changes. The employee exodus was highlighting the problem that the Government of Guam pay structure to which the Authority was subject to had not been adjusted since the early 1990's.

To highlight the problem the pay scales were posing, GPA was allowed to offer $26,000 per annum to entry level engineers and $24,000 per year to entry level accountants. Engineering graduates on the mainland were commanding more than twice that amount and accounting graduates on the mainland were receiving nearly twice the amount for which GPA was allowed to offer. However, the pay disparity was not only evident in professional positions, but GPA also encountered a series of employees who were finding their skills as linemen were in high demand in other utilities. GPA was paying its linemen approximately $13/hr whereas utilities in the mainland were offering nearly $30/hr. Some utilities were offering bonuses as high as $25,000 for linemen willing to come work at their utilities.

In response to this threat, GPA engaged the Guam Legislature in a dialog to address the situation faced by the Authority. The discussions resulted in the passage of Public Law 28-113 signed into law in April 2006 which authorized the Consolidated Commission on Utilities (CCU) to have authority over the establishment of pay scales for certified, technical and professional employees of the Authority. Under the terms of the rules promulgated by the CCU and approved by the Guam Legislature, the Authority conducted a study comparing market wages for utility positions in the mainland with the wages paid by the Authority. When the study was completed, it revealed the pay disparity was much worse than believed. More than 99% of all positions within the Authority were in the bottom 5% on the bell curve of utility wages. GPA recognized that while there was an immediate problem of highly skilled operations personnel leaving the utility, there was a gathering threat on the horizon for other highly skilled positions within the Authority including accountants, human resource personnel, procurement personnel, and customer service personnel. Based on these findings, GPA expanded its definition of highly skilled personnel to include these professions.

In January 2008, GPA made the initial move to bring all Authority wages up to the fifth percentile. The cost of this action, including benefits, was $3.0 million. In January 2009, GPA made a second adjustment to bring all Authority wages to the high 10th percentile/low 15th percentile. The cost of this action, including benefits, was $2.1 million. GPA deferred any adjustment to wages for Fiscal Year 2010 due to budgetary shortfalls. At the pace GPA is currently on, it will reach its goal of having all employees at the 50th percentile by 2020. GPA's total labor costs for Fiscal Year 2009 were $33 million which represents approximately 8.5% of GPA's total revenues for the year.

Since raising the issue of personnel costs with the Guam Legislature, the Port Authority of Guam, the Guam International Airport Authority, and the Guam Community College have all sought and received similar wage scale authorizations. The Guam Legislature has also mandated a government-wide pay scale review of all positions within the general government.

The Authority has been highly criticized throughout the Government of Guam and in the local media for the actions it has taken with respect to the adoption of the new wage scale as authorized by the Guam Legislature. GPA maintains that its actions were prudent and reasonable. GPA does not believe the criticisms of its actions in this regard have any rational basis.

Commercial Paper Credit Agreement

Fiscal Year 2009 was one of the most challenging years ever faced by GPA. In the spring of 2007, GPA issued a Request For Proposal to identify a replacement provider for its letter-of-credit facility backing up its commercial paper program. GPA believed that with its improving record of performance, it would be able to attract a bank to its program that would enable the conversion of the program back to a tax-exempt basis. In August 2007, GPA became aware that its bond insurer was beginning to face some problems with collateralized mortgage obligations it had insured. These problems impeded GPA's effort to identify a replacement credit facility. As the problems with the insurer grew worse, GPA's ability to access capital markets became impaired. In July 2008, GPA became unable to market its commercial paper with the insurer as part of the program. GPA's financial advisor had indicated that GPA's paper would be marketable if the program was de-linked from the insurer. GPA's current credit provider was unwilling to release the insurer from the program and GPA was unable to attract an alternative credit provider with the credit markets tightening. In August 2008, GPA negotiated a one-year period, with interest only payments on the $20 million outstanding balance while GPA either found another credit provider or made provisions to begin repaying the credit facility over a three year period.

In November 2008, GPA's insurer was downgraded creating a default situation with GPA's credit agreement. Fortunately, GPA's credit provider was willing to work with GPA wherein the credit agreement between the parties was converted to a loan with a four year amortization period at a market interest rate, which resulted in the default situation being cured. Under the terms of the credit agreement, the credit provider had the right to very stringent terms, however, the credit provider's willingness to work with the Authority was a significant factor in allowing GPA to weather this financial storm.

Shortly after the loan conversion was completed, the bond insurer lost its investment grade rating which triggered a second default action on the part of GPA. GPA and its credit provider have entered into a temporary rate agreement wherein the bank is retaining the right to declare a default on the part of GPA continuing to allow the repayment of the loan with terms more favorable than the default interest rate, and is continuing to work with GPA while we continue to seek an alternative credit provider.

Hedging Program

GPA initiated a revision to its hedging program in 2007 wherein it would target 50% of its fuel supply for inclusion in hedging contracts. GPA's program allows for zero cost dollar transactions wherein GPA is protected against upward swings in the price of fuel above a call price but is required to pay a lower put price in the event the price of fuel drops below the level of the put. When the bottom fell out of the fuel market, GPA had 50% of its fuel costs hedged for nearly one year. Two of GPA's hedge providers were comfortable with GPA's credit and the repayment provisions in GPA's Levelized Energy Adjustment Clause (LEAC), which assures the full recovery of any hedging losses. However, the third provider required the Authority to put up margin call requirements. This placed the Authority under a severe cash flow strain.

Table 1. Financial Data (in millions)

Statements of Net Assets (in millions)

	2009	2008 (As Restated)	2007 (As Restated)
Assets:			
Current assets	$ 176.1	$ 170.6	$ 162.0
Non-current investments	27.5	27.5	27.5
Other non-current assets	24.6	23.6	32.2
Utility plant	511.1	522.4	534.4
Total Assets	$ 739.3	$ 744.1	$ 756.1
Liabilities:			
Current liabilities	$ 90.0	$ 65.5	$ 80.2
Non-current liabilities	500.9	516.2	523.9
Total Liabilities	590.9	581.7	604.1
Net Assets:			
Invested in capital assets net of related debt	16.3	14.8	15.0
Restricted	53.1	56.7	51.5
Unrestricted	79.0	90.9	85.5
Total Net Assets	148.4	162.4	152.0
	$ 739.3	$ 744.1	$ 756.1

Results of Operations (in millions)

	2009	2008 (As Restated)	2007 (As Restated)
Revenues	$ 388.9	$ 370.6	$ 306.7
Total operating and maintenance expense	366.8	341.6	270.3
Operating earnings	22.1	29.0	36.4
Interest income	2.0	3.5	4.2
Other non-operating revenues (expense), net	(41.7)	(27.0)	(50.8)
Income (loss) before capital contributions	(17.6)	5.5	(10.2)
Capital contributions	3.6	4.9	3.0
Change in net assets	$ (14.0)	$ 10.4	$ (7.2)

Explanations of Variances

The restatement pertains to the re-designation of the Defined Benefit (DB) Plan by GovGuam's Department of Administration, on behalf of the Government of Guam, from a single-employer plan to a cost-sharing multiple-employer plan. Please refer to note 16 of the accompanying financial statements for additional details concerning information on this restatement.

The increase in current assets is largely driven by the increased carrying value of fuel.

Other non-current assets are decreasing from the 2007 level of $32.2 million as a result of continued collections of long outstanding receivables from Government of Guam.

The Utility plant decreases are resulting from the cash strains GPA has been under in recent years. These should be addressed by the series of rate actions planned with the PUC.

Current liabilities are within the expected range of fluctuation caused by the timing of fuel deliveries. A component of the increase is also related to the increased cost of fuel recorded in the fuel payable.

The decreases in non-current payables are the result of principal payments on GPA's outstanding debt.

The increases in revenues and operating expenses are driven by the increase in fuel prices and the corresponding increases in GPA's LEAC where the high fuel costs are recovered. Energy sales were down slightly year over year for the three year period. This is the result of significant conservation efforts taking place among GPA ratepayers.

GPA's other production costs increased nearly $4.6 million from Fiscal Year (FY) 2008 to FY2009. During the year, GPA performed some catch-up maintenance on some of its generation units. The inability to keep pace with maintenance needs has been a major driver behind GPA's recent rate requests. GPA had an overhaul planned for the Cabras #2 generator for FY2008 which was pushed into FY2009. This caused the FY2008 costs to be lower than expected and the FY2009 costs to be higher than normal. In addition, when the Cabras #2 overhaul was performed, GPA learned that additional work was required on the boiler beyond what was included in the spending plan.

The other revenue and expense numbers are impacted by the write-off of a streetlight receivable from the Government of Guam in 2007 and the reversal of the write-off when the amount was collected from the Government in 2008.

The factors that led to the net decrease in net assets were the starting point of negative $3.5 million, the $10 million difference between actual sales and the forecast, the shortfall in investment income and the additional commercial paper interest. GPA attempted to cut its budget to adapt to the revenue shortfall; however, many of the budget reductions were offset by the increased costs in other production.

Capital Asset Activities

There were no major capital asset activities for FY09 other than described in note 18 in the accompanying financial statements. Most of the capital activities were related to line extension and repair projects and minor plant improvement projects.

Long Term Debt Activities

There were no long term debt activities during the year other than described in note 6 in the accompanying financial statements.

Commitments for Capital Expenditures

The 2010 capital improvement project budget is approximately $24.6 million.

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, 2008 and 2007 is set forth in GPA's report on the audit of financial statements which is dated March 31, 2009. That Discussion and Analysis explains in more detail major factors impacting the 2008 and 2007 financial statements. A copy of that report can be obtained by contacting the Financial Controller or from GPA's website at the addresses noted below.

For additional information about this report, please contact Mr. Randall V. Wiegand, 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

Statements of Net Assets
September 30, 2009 and 2008

ASSETS	2009	2008 (As Restated, see Note 16)
Current assets:		
Cash and cash equivalents:		
Held by trustee for restricted purposes:		
Interest and principal funds	$ 17,345,795	$ 17,592,267
Bond indenture funds	32,435,531	27,681,744
Held by Guam Power Authority:		
Bond indenture funds	11,186,192	11,293,886
Escrow account - restricted	1,953,743	5,500,000
Self-insurance fund - restricted	3,609,565	2,233,834
Total cash and cash equivalents	66,530,826	64,301,731
Short-term investments held by trustee	698,564	1,984,049
Accounts receivable, net	36,788,152	45,102,705
Current installments of long-term receivables	5,352,292	4,811,962
Total current receivables	42,140,444	49,914,667
Materials and supplies inventory, net	12,365,580	12,632,930
Fuel inventory	53,693,177	40,990,313
Prepaid expenses	698,049	729,962
Total current assets	176,126,640	170,553,652
Regulatory assets:		
Deferred fuel costs, net	4,764,848	-
Deferred typhoon losses	-	2,470,992
Cancelled unit, net of amortization	502,180	624,356
Total regulatory assets	5,267,028	3,095,348
Utility plant, at cost:		
Electric plant in service	856,904,413	837,756,513
Less accumulated depreciation	(355,748,260)	(329,522,068)
	501,156,153	508,234,445
Construction work in progress	9,950,817	14,187,283
Total utility plant	511,106,970	522,421,728
Other non-current assets:		
Investments - bond reserve funds held by trustee	27,488,268	27,488,268
Long-term receivables, less current installments	8,596,342	11,076,108
Unamortized debt issuance costs	4,121,672	4,288,877
Deferred asset, net	3,346,370	3,505,720
Other assets	1,067,335	1,713,347
Total other non-current assets	44,619,987	48,072,320
	$ 737,120,625	$ 744,143,048

See accompanying notes to financial statements.

GUAM POWER AUTHORITY

Statements of Net Assets, Continued
September 30, 2009 and 2008

LIABILITIES AND NET ASSETS	2009	2008 (As Restated, see Note 16)
Current liabilities:		
Short-term debt	$ -	$ 20,000,000
Current maturities of long-term debt	24,873,600	7,080,000
Current obligations under capital leases	8,028,667	7,113,678
Deferred payment agreement	3,485,380	-
Accounts payable:		
Operations	13,122,272	12,643,874
Fuel	21,302,544	858,436
Payable to federal government	872,021	177,025
Accrued payroll and employees' benefits	904,042	1,034,601
Current portion of employees' annual leave	1,385,384	1,116,800
Interest payable	10,866,041	10,902,571
Customer deposits	5,212,706	4,560,829
Total current liabilities	90,052,657	65,487,814
Regulatory liabilities:		
Deferred fuel revenue, net	-	4,580,169
Provision for self-insurance	3,609,565	2,233,834
Total regulatory liabilities	3,609,565	6,814,003
Long-term debt, net of current maturities	362,746,640	368,932,816
Employees' annual leave, net of current portion	1,384,415	1,224,717
Obligations under capital leases, net of current portion	117,129,040	125,157,381
DCRS sick leave liability	1,559,545	1,292,473
Deferred revenues	12,264,370	12,848,388
Total liabilities	588,746,232	581,757,592
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	16,331,203	14,762,209
Restricted	53,066,840	56,331,082
Unrestricted	78,976,350	91,292,165
Total net assets	148,374,393	162,385,456
	$ 737,120,625	$ 744,143,048

See accompanying notes to financial statements.

GUAM POWER AUTHORITY

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2009 and 2008

	2009	2008 (As Restated, see Note 16)
Revenues:		
Sales of electricity	$ 388,004,036	$ 368,957,936
Miscellaneous	1,520,926	2,586,523
	389,524,962	371,544,459
Bad debt expense	(577,333)	(920,484)
Total revenues	388,947,629	370,623,975
Operating and maintenance expenses:		
Production fuel	254,372,323	237,062,567
Other production	24,630,931	20,083,143
	279,003,254	257,145,710
Administrative and general	26,682,265	25,154,207
Depreciation and amortization	27,596,710	27,169,664
Energy conversion costs	19,180,679	18,882,846
Transmission and distribution	11,140,950	10,283,950
Customer accounting	3,241,855	2,979,209
Total operating and maintenance expenses	366,845,713	341,615,586
Operating earnings	22,101,916	29,008,389
Non-operating revenues (expense):		
Recovery of GovGuam receivable	-	13,488,544
Interest revenue	2,063,111	3,500,762
Allowance for funds used during construction	-	686,341
Other expense	(1,456,985)	(1,774,370)
Interest expense	(40,339,759)	(39,470,978)
Total non-operating revenues (expense), net	(39,733,633)	(23,569,701)
(Loss) income before capital contributions	(17,631,717)	5,438,688
Capital contributions:		
Grants from the United States Government	3,620,654	4,926,028
Change in net assets	(14,011,063)	10,364,716
Net assets at beginning of year	162,385,456	152,020,740
Net assets at end of year	$ 148,374,393	$ 162,385,456

See accompanying notes to financial statements.

GUAM POWER AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

Increase (decrease) in cash and cash equivalents	2009	2008 (As Restated, see Note 16)
Cash flows from operating activities:		
Cash received from customers	$ 394,514,331	$ 394,715,367
Cash payments to suppliers for goods and services	(301,444,542)	(304,470,114)
Cash payments to employees for services	(29,583,850)	(28,503,967)
Cash payments for retiree benefits	(1,927,116)	(2,006,013)
Net cash provided by operating activities	61,558,823	59,735,273
Cash flows from investing activities:		
Withdrawal from (deposit to) short-term investments	1,285,485	(1,984,049)
Interest and dividends on investments and bank accounts	1,462,991	2,870,787
Net cash provided by investing activities	2,748,476	886,738
Cash flows from noncapital financing activities:		
Self insurance fund receipts	3,846,723	2,395,984
Payment of short-term debt	(2,500,001)	-
Interest paid on short-term debt, deferred payment agreements and deposits	(2,269,202)	(990,982)
Net cash (used in) provided by noncapital financing activities	(922,480)	1,405,002
Cash flows from capital and related financing activities:		
Additions to utility plant	(17,616,761)	(16,872,325)
Principal paid on bonds	(7,080,000)	(6,770,000)
Interest paid on bonds	(20,622,156)	(19,869,766)
Principal paid on capital leases	(7,113,352)	(6,304,602)
Interest paid on capital leases	(15,970,951)	(16,779,702)
FEMA receipts	7,247,496	4,447,864
Net cash used in capital and related financing activities	(61,155,724)	(62,148,531)
Net change in cash and cash equivalents	2,229,095	(121,518)
Cash and cash equivalents at beginning of year	64,301,731	64,423,249
Cash and cash equivalents at end of year	$ 66,530,826	$ 64,301,731

See accompanying notes to financial statements.

GUAM POWER AUTHORITY

Statements of Cash Flows, Continued
Years Ended September 30, 2009 and 2008

	2009	2008 (As Restated, see Note 16)
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings	$ 22,101,916	$ 29,008,389
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Recovery of bad debt	-	13,488,544
Depreciation and amortization	27,596,710	27,169,664
Bad debts	577,333	920,484
(Increase) decrease in assets:		
Accounts receivable	4,821,476	1,382,310
Long-term receivables	1,939,436	3,639,845
Materials and supplies inventory	267,350	(211,900)
Fuel inventory	(12,702,864)	(7,406,759)
Prepaid expenses	31,913	61,246
Deferred fuel costs	(4,764,848)	2,141,464
Other assets	646,012	110,011
Increase (decrease) in liabilities:		
Accounts payable - fuel	20,444,108	(16,453,762)
Accounts payable - operations	478,398	1,980,249
Deferred payment agreements	3,485,380	(1,101,681)
Customer deposits	651,877	80,040
Deferred fuel revenue	(4,580,169)	4,580,169
Accrued payroll and employees' benefits	(130,559)	(89,391)
Employees' annual and sick leave	695,354	436,351
Net cash provided by operating activities	$ 61,558,823	$ 59,735,273

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

The Guam Power Authority (GPA) is a component unit of the Government of Guam (GovGuam). GPA provides electrical services on Guam to residential, commercial and Government of Guam customers and to the U.S. Navy under a customer supplier agreement. 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 (FERC). 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. GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting"* requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. GPA has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

Net Assets

Net assets represent the residual interest in GPA's assets after liabilities are deducted and consist of four sections: invested in capital assets, net of related debt; restricted expendable and nonexpendable, and unrestricted. Net assets invested in capital assets, net of related debt, include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. All of GPA's restricted net assets are expendable. All other net assets are unrestricted.

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.

Income Taxes

As an instrumentality of GovGuam, GPA and all property acquired by or for GPA, and all revenues and income there from 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.

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

Utility Plant

Utility plant 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. Contributions in aid of construction are deducted from the cost of the utility plant. Current policy is to capitalize items over $1,000.

Depreciation

Depreciation is computed under the straight-line method over the estimated useful lives of the respective assets (5-60 years for plant assets).

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit, money market accounts 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, and the self-insurance fund.

Investments

GPA values its investments based on fair values in accordance with GASB Statement No. 31.

Compensated Absences

Compensated absences are accrued and reported as a liability in the period earned. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. All annual leave credit is convertible to pay upon termination of employment. The maximum accumulation amount of annual leave 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. At the time of retirement or termination of service, up to 100 hours of excess annual leave existing at February 28, 2003 may be credited to sick leave and the remainder of the excess leave, if any, shall be lost. Public Law 27-106 does not allow lump sum compensation or retirement credit for annual leave in excess of three hundred twenty (320) hours.

Deferred Asset and Deferred Revenues

The deferred asset and deferred revenues arose as a result of the Bond Reserve Fund Forward Delivery Agreement entered into in September 2000. The deferred asset represents termination fees and closing costs and the deferred revenues represent the gross proceeds that will be deferred and amortized on a straight line basis over the average remaining life of the 1993 and 1999 bonds.

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

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. Unbilled receivables at September 30, 2009 and 2008 are $7,986,423 and $9,268,449, respectively.

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 collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of GPA. 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.

Derivative Instruments

GASB Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, adopts many of the definitions established in Financial Accounting Standards Board (FASB) Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* and clarifies guidance on derivative disclosures, pending the results of the GASB's project on reporting and measurement of derivatives and hedging activities.

Disclosures required by Technical Bulletin 2003-1 for GPA's fuel oil hedging activities are included in note 15.

Technical Bulletin 2003-1 also adopts the FASB 133 exception for certain derivative transactions that meet the criteria of "normal purchases and normal sales". Power purchase agreements generally meet the "normal purchases and normal sales" exception. Accordingly, the operations and maintenance portions of GPA's energy conversion agreements (see note 11) are excluded from the Technical Bulletin requirements under the "normal purchases and normal sales" exception.

Fuel Oil Costs

Fuel oil costs increase or decrease billings to customers based on price changes in fuel oil purchased by GPA. Under or over recoveries of fuel oil costs are recorded as deferred fuel cost assets or deferred fuel revenue liabilities, respectively, in the accompanying statements of net assets, 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. Cumulative unrecovered fuel costs amount to $6,921,597 at September 30, 2009. Over recoveries of fuel cost amounted to $4,580,169 at September 30, 2008.

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

Fuel Oil Costs, Continued

During the year ended September 30, 2009, PUC approved new fuel surcharges to recover the cost difference between fuel inventory on hand against a base year. At September 30, 2009, cumulative unrecovered fuel inventory costs amount to $78,475 and surcharges that have been billed but not yet earned amounted to $2,235,224. The net amount of $2,156,749 is presented as a component of deferred fuel costs, net at September 30, 2009.

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.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs include costs related to the issuance of the Series 1993 and Series 1999 bonds. These costs are being amortized on the straight line method over the life of the applicable debt, which approximates the effective interest method.

Canceled Unit

The canceled unit account consists of costs incurred in the refurbishment of the Weber Power Barge. The barge refurbishment project was abandoned during the year ended September 30, 1994. These costs are being amortized on a straight-line basis over the life of the bonds used to finance the refurbishment costs.

Reclassifications

Certain balances in the 2008 financial statements have been reclassified to correspond with the 2009 presentation.

New Accounting Standards

During fiscal year 2009, GPA implemented the following pronouncements:

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

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

New Accounting Standards, Continued

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GPA has not been determined.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. The effect of the implementation of this statement on the financial statements of GPA has not been determined.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

(2) Concentrations of Credit Risk

Financial instruments which potentially subject GPA to concentrations of credit risk consist principally of cash and cash equivalents, investments and accounts receivable.

At September 30, 2009 and 2008, GPA has cash deposits in bank accounts that exceed federal depository insurance limits. GPA has not experienced any losses in such accounts.

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

(3) Cash and Investments

The bond indenture agreements for the 1993 and 1999 series revenue bonds (note 6) 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.

At September 30, 2009 and 2008, cash and cash equivalents held by trustees and by GPA in these funds and accounts are as follows:

	2009				
	Held By Trustee		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Other Restricted Funds	Bond Indenture Funds	Total
Construction funds	$ -	$ 16,314,828	$ -	$ -	$ 16,314,828
Interest and principal funds	17,345,795	-	-	-	17,345,795
Bond funds	-	2,232,491	-	-	2,232,491
Escrow account	-	-	1,953,743	-	1,953,743
Working capital funds	-	14,586,776	-	3,000,000	17,586,776
Self-insurance fund	-	-	3,609,565	-	3,609,565
Revenue funds	-	-	-	6,236,073	6,236,073
Operating funds	-	-	-	1,695,449	1,695,449
Surplus funds	-	-	-	254,670	254,670
	$ 17,345,795	$ 33,134,095	$ 5,563,308	$ 11,186,192	$ 67,229,390

	2008				
	Held By Trustee		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Other Restricted Funds	Bond Indenture Funds	Total
Construction funds	$ -	$ 16,324,057	$ -	$ -	$ 16,324,057
Interest and principal funds	17,592,267	-	-	-	17,592,267
Bond funds	-	4,818,992	-	-	4,818,992
Escrow account	-	-	5,500,000	-	5,500,000
Working capital funds	-	8,522,744	-	-	8,522,744
Self-insurance fund	-	-	2,233,834	-	2,233,834
Revenue funds	-	-	-	5,142,405	5,142,405
Operating funds	-	-	-	5,878,275	5,878,275
Surplus funds	-	-	-	273,206	273,206
	$ 17,592,267	$ 29,665,793	$ 7,733,834	$ 11,293,886	$ 66,285,780

The deposits 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 is rating in the highest classification by S&P and Moody's; and money market funds rated AAAm or better by S&P.

(3) Cash and Investments, Continued

A. Cash and Cash Equivalents

GASB Statement No. 3 previously required government entities to categorize cash to give an indication of the level of risk assumed by the entity at year-end. The three categories are described below:

Category 1 Insured or registered, or collateralized with securities held by GPA or its agent in GPA's name;

Category 2 Uninsured and unregistered, but collateralized with securities held by the broker's or dealer's trust department or agent in GPA's name; or

Category 3 Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in GPA's name.

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. 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, 2009 and 2008, the carrying amount of GPA's total cash and cash equivalents and time certificates of deposit was $67,229,390 and $66,285,780, respectively, and the corresponding bank balances were $67,310,332 and $64,799,789, respectively. Of the bank balance amount as of September 30, 2009 and 2008, $4,135,581 and $10,089,550 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009 and 2008, bank deposits in the amount of $2,171,052 and $2,629,162, respectively, were FDIC insured. Bank balances as of September 30, 2009 and 2008, also include $54,529,056 and $50,291,168, respectively, representing cash and short-term investments held and administered by GPA's trustees in GPA's name in accordance with various trust agreements and bond indentures. GPA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. At September 30, 2009 and 2008, $10,610,224 and $11,879,459, respectively, of cash and cash equivalents are subject to custodial credit risk.

B. Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1 Investments that are insured or registered, or securities held by GPA or its agent in GPA's name;

Category 2 Investments that are uninsured or unregistered for which the securities are held by the counterparty's trust department or agent in GPA's name; or

Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in GPA's name.

(3) Cash and Investments, Continued

B. Investments, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks for investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 retained and expanded the element of custodial risk in GASB Statement No. 3.

As of September 30, 2009, GPA's investment in debt securities, included in the bond reserve fund, were as follows:

	Amount	Maturity	Moody's Rating
Bond Reserve Fund:			
First America Treasury (cash equivalents)	$ 13,746,268	-	Aaa
HSBC Finance Commercial Paper	13,742,000	October 1, 2009	A3
	$ 27,488,268		

As of September 30, 2008, GPA's investments in debt securities, included in the bond reserve fund, were as follows:

	Amount	Maturity	S&P's Rating
Bond Reserve Fund:			
Crimson Corporation	$ 13,746,268	October 1, 2008	A-1+
UBS Finance Delaware	13,742,000	October 1, 2008	A-1
	$ 27,488,268		

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

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, GPA will not be able to recover the value of 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 bond indentures for the purpose of funding future debt service requirements. At September 30, 2009 and 2008, $27,488,268 is held in the name of a trustee for GPA, classified as category 3 and are subject to custodial credit risk.

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 investments in any one issuer that represents five percent (5%) or more of total of investments for GPA. As of September 30, 2009, GPA's investments, including those classified as cash equivalents, that exceeded 5% of total investments are as follows: First America Treasury (36.94%) and HSBC Finance Commercial Paper (16.32%). As of September 30, 2008, GPA's investments, including those classified as cash equivalents, that exceeded 5% of total investments are as follows: UBS Finance Delaware (22.31%), Crimson Commercial paper (22.31%), and First American Treasury (28.56%).

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.

(4) Receivables

Accounts receivable at September 30, 2009 and 2008, are summarized as follows:

	2009	2008
Customers:		
Private	$ 27,745,789	$ 33,662,426
Government	5,403,926	5,087,395
	33,149,715	38,749,821
U.S. Navy	4,308,442	3,482,473
Federal Emergency Management Agency	-	2,931,846
Interest	558,554	542,452
Others	2,347,747	4,057,569
	40,364,458	49,764,161
Less allowance for doubtful receivables	(3,576,306)	(4,661,456)
	$ 36,788,152	$ 45,102,705

Long-Term Receivables

Long-term receivables at September 30, 2009 and 2008 consisted of the following:

	2009	2008
Installment payment agreement receivable from GovGuam Public School System (GPSS) (now Guam Department of Education, GDOE), resulting from conversion of past due receivable, payable in three $500,000 payments in July, August, September 2004, thirteen monthly installments of $100,000 starting October 2004, with monthly installments increasing by $25,000 annually each November until payments reach $200,000 in November 2008, interest at 4.47% per annum, with the final installment due in July 2013, uncollateralized.	$ 8,325,628	$ 10,288,409
Note receivable from the GovGuam Department of Public Works (DPW), due in 60 monthly installments of $75,000, beginning May 2002, including interest at 4.35%, per annum, with the final installments payment due in April 2007, uncollateralized.	390,377	390,375
Receivable due from Guam Waterworks Authority (GWA), payable monthly from a water rate surcharge, interest at 4.3% per annum, uncollateralized.	3,998,968	5,209,286
Receivable due from GWA under a memorandum of understanding (MOU), with monthly installments of $25,688, non-interest bearing, starting October 2009.	1,233,661	-
	13,948,634	15,888,070
Less current portion	(5,352,292)	(4,811,962)
	$ 8,596,342	$ 11,076,108

(4) Receivables, Continued

Long-Term Receivables, Continued

Scheduled maturities of long-term receivables are as follows:

Year ending September 30,	Amount
2010	$ 5,352,292
2011	3,856,021
2012	2,570,058
2013	2,170,263
	$ 13,948,634

On June 23, 2009, GPA and GWA entered into a Memorandum of Understanding 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 by reducing the costs to each agency and passing on the lower costs to their respective ratepayers and the community as a whole. The MOU also covers the repayment period for prior services rendered by GPA amounting to $1,233,661.

(5) Short-Term Debt

Movements in GPA's short-term debt in 2009 and 2008 are as follows:

	Outstanding October 1, 2008	Increases	Decreases	Outstanding September 30, 2009
Note payable	$ 20,000,000	$ -	$ 20,000,000	$ -

	Outstanding October 1, 2007	Increases	Decreases	Outstanding September 30, 2008
Note payable	$ -	$ 20,000,000	$ -	$ 20,000,000
Taxable commercial paper	20,000,000	-	20,000,000	-
	$ 20,000,000	$ 20,000,000	$ 20,000,000	$ 20,000,000

In March 2009, GPA converted its $20 million note payable to a three year loan, amortizing monthly, with principal payments of $5 million per year at an interest rate at the bank's prime rate plus 2%, with a floor of 6.5%. Unpaid principal is due upon maturity. The loan is secured by a pledge of revenues subordinate to the revenue pledge under the 1993 and 1999 Bond Series indentures, and by $5 million required to be deposited in a collateral account with the bank. Of the $5 million required, $3,608,375 was pledged through the self-insurance fund.

On April 24, 2009, GPA received a Notice of Event of Default related to the Amended and Restated $20 million Credit Agreement with the Bank. The default was triggered by the downgrade in the credit rating of GPA's bond insurer. This default situation entitled the Bank to charge the Authority a 15% default interest rate on the outstanding balance of the loan. On April 29, 2009, the Authority entered into a Temporary Rate Modification Agreement with the Bank wherein the Bank will earn interest at the Bank's Prime Rate plus 5% (but no lower than 6.5%), which was 8.25% at September 30, 2009. The bank reserves the right to revert back to the default interest rate without notice. The Authority has placed an additional $3 million unsecured deposit with the Bank in addition to the previous $5 million deposit that serves as security for the Credit Agreement.

(5) Short-Term Debt, Continued

As a result of the default, the balance of the three-year loan is presented as a current liability in the accompanying financial statements as the Bank reserves the right to call upon the unpaid balance (see note 6).

Deferred Payment Agreement:

At September 30, 2009, deferred payments of $3,485,380 are due to a vendor, payable in various monthly installments including interest at 4% to 5% per annum, due in September 2010.

(6) Long-Term Debt

Long-term debt at September 30, 2009 and 2008, is as follows:

	2009	2008
Bonds:		
1999 Series, initial face value of $349,178,601, interest at varying rates from 5.0% to 5.25% per annum payable semiannually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $2,950,000 in October 2000, increasing to $26,110,000 in October 2034.	$ 317,883,601	$ 321,933,601
1993 Series, initial face value of $100 million, interest at 5.25% per annum payable semiannually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $1,725,000 in October 1996, increasing to $6,535,000 in October 2023.	70,175,000	73,205,000
	388,058,601	395,138,601
Less current maturities	(7,373,601)	(7,080,000)
	380,685,000	388,058,601
Less discount on bonds	(4,597,790)	(4,905,617)
	376,087,210	383,152,984
Loss on defeasance, net of $8,649,379 and $7,769,781 of accumulated amortization in 2009 and 2008, respectively	(13,340,570)	(14,220,168)
Total bonds	$ 362,746,640	$ 368,932,816

(6) Long-Term Debt, Continued

Bonds, Continued:

As of September 30, 2009, future maturities of long-term debt are as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2010	$ 7,373,601	$ 19,687,813	$ 27,061,414
2011	7,795,000	19,278,575	27,073,575
2012	8,205,000	18,847,813	27,052,813
2013	8,635,000	18,394,475	27,029,475
2014	9,090,000	17,917,250	27,007,250
2015 through 2019	53,070,000	81,601,825	134,671,825
2020 through 2024	68,130,000	65,798,000	133,928,000
2025 through 2029	87,355,000	45,603,550	132,958,550
2030 through 2034	112,295,000	19,244,925	131,539,925
2035	26,110,000	-	26,110,000
	$ 388,058,601	$ 306,374,226	$ 694,432,827

Proceeds of the 1993 series bonds, face value of $100 million, were used to finance acquisitions of additional generating capacity, to construct additional transmission facilities, and to upgrade and refurbish existing equipment.

Proceeds of the 1999 series bonds, face value of $349,178,601, were used to finance new projects as specified in the bond indenture and to retire certain outstanding bonds and commercial paper issued for the purpose of financing certain commercial paper projects.

All gross revenues of GPA have been pledged to repay the 1993 and 1999 series bond principal and interest. The debt service for the 1993 and 1999 series bonds was $27,151,587 and $26,955,841 for the years ended September 30, 2009 and 2008, respectively, or approximately 7.0% and 7.3%, respectively, of pledged gross revenues for those years.

Discounts associated with 1993 and 1999 bond series are being amortized using the effective interest method over the lives of the bonds.

On September 28, 2000, GPA entered into a Bond Reserve Fund Forward Delivery Agreement (the agreement) with the US Bank Trust National Association and Bank of America. In connection with the agreement, GPA received cash, totaling $13.5 million, in October 2000 representing the present value of interest income on certain invested bond proceeds.

Based on the terms of the agreement, gross proceeds totaled $17,521,029 while GPA incurred termination fees and closing costs totaling $3,530,000 and $1,250,529, respectively. The $13.5 million in net proceeds included $759,500 of interest income earned as of the closing date of the agreement. 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 deferred revenue in the accompanying statements of net assets. The termination fees and closing costs amortization are reflected as a deferred asset in the accompanying statements of net assets. The current year amortization of deferred revenue and deferred asset is reflected as components of interest income and interest expense, respectively, in the accompanying statements of revenues, expenses and changes in net assets.

(6) Long-Term Debt, Continued

The following summarizes deferred revenues and deferred asset at September 30, 2009 and 2008:

	2009	2008
Deferred revenues	$ 17,521,029	$ 17,521,029
Accumulated amortization	(5,256,659)	(4,672,641)
	$ 12,264,370	$ 12,848,388
Deferred asset	$ 4,780,529	$ 4,780,529
Accumulated amortization	(1,434,159)	(1,274,809)
	$ 3,346,370	$ 3,505,720

Note Payable to Bank:

At September 30, 2009, note payable to bank of $17,499,999 is due on the $20,000,000 three year loan, bearing interest at 8.25% per annum and presented as current due to default status resulting from a ratings downgrade of GPA's bond insurer (refer to note 5). The note is collateralized by a pledge of revenues subordinate to bondholders under GPA's bond issues and by $5 million deposited in a collateral account with the bank. As of September 30, 2009, future maturities of this note payable, assuming no accelerated payments are called upon, is as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2010	$ 5,000,000	$ 1,272,000	$ 6,272,000
2011	5,000,000	953,000	5,953,000
2012	7,499,999	270,000	7,769,999
	$ 17,499,999	$ 2,495,000	$ 19,994,999

Changes in long-term liabilities are presented as follows:

	Outstanding October 1, 2008	Increases	Decreases	Outstanding September 30, 2009	Current
1993 Series bonds	$ 73,205,000	$ -	$ (3,030,000)	$ 70,175,000	$ 3,190,000
1999 Series bonds	321,933,601	-	(4,050,000)	317,883,601	4,183,601
Unamortized discount on bonds	(4,905,617)	-	307,827	(4,597,790)	-
Loss on defeasance of bonds	(14,220,168)	-	879,598	(13,340,570)	-
Note payable to Bank	-	20,000,000	(2,500,001)	17,499,999	17,499,999
Obligations under capital leases	132,271,059	-	(7,113,352)	125,157,707	8,028,667
DCRS sick leave liability	1,292,473	267,072	-	1,559,545	-
Deferred payment agreements	-	3,485,380	-	3,485,380	3,485,380
Employees annual leave	2,341,517	1,877,938	(1,449,656)	2,769,799	1,385,384
Deferred revenues	12,848,388	-	(584,018)	12,264,370	-
	$ 524,766,253	$ 24,180,734	$ (16,089,946)	$ 532,857,041	$ 37,773,031

(6) Long-Term Debt, Continued

	Outstanding October 1, 2007	Increases	Decreases	Outstanding September 30, 2008	Current
1993 Series bonds	$ 76,085,000	$ -	$ (2,880,000)	$ 73,205,000	$ 3,030,000
1999 Series bonds	325,823,601	-	(3,890,000)	321,933,601	4,050,000
Unamortized discount on bonds	(5,213,445)	-	307,828	(4,905,617)	-
Loss on defeasance of bonds	(15,099,766)	-	879,598	(14,220,168)	-
Obligations under capital leases	138,575,661	-	(6,304,602)	132,271,059	7,113,678
DCRS sick leave liability	1,041,974	250,499	-	1,292,473	-
Deferred payment agreements	1,101,681	-	(1,101,681)	-	-
Employees annual leave	2,155,665	1,710,641	(1,524,789)	2,341,517	1,116,800
Deferred revenues	13,432,405	-	(584,017)	12,848,388	-
	$ 537,902,776	$ 436,351	$ (13,572,874)	$ 524,766,253	$ 15,310,478

(7) Defeased Debt

On May 1, 1999, GPA issued the 1999 Series bonds of $349,178,601 to finance 1999 projects; to retire $45 million in tax exempt commercial paper notes; to retire GPA's 1992 and 1994 series bonds with a total principal outstanding of $143,660,000 and $99,820,000, respectively; and to pay the amount currently due on the 1993 bonds totaling $1,950,000. The proceeds for the refunding of the aforementioned bonds were transferred to an escrow agent who used the proceeds to purchase U.S. Government securities which are to be held by the escrow agent in an irrevocable trust to provide debt service payments until maturity or earlier redemption of the 1992 and 1994 bonds. The advance refunding met the requirements of an in-substance defeasance and the 1992 and 1994 bonds were removed from GPA's financial statements. The advance refunding resulted in a loss on defeasance totaling $21,989,949 representing the difference between the reacquisition price and the carrying amount of the 1992 and 1994 bonds. The loss has been deferred and amortized over the remaining life of the 1992 and 1994 bonds and is reflected as a reduction of the bond liability in the accompanying statements of net assets.

(8) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

GPA participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-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. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. 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 commences 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.

(8) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

The DB Plan was originally designated as a single-employer plan but was redesignated by GovGuam's Department of Administration as a cost-sharing multiple-employer plan, effective October 1, 2008. The redesignation was based on the determination as outlined under GASB Statement No.27, *Accounting for Pensions by State and Local Government Employers*, that all risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the separate employers. A single actuarial valuation 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 Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website-www.ggrf.com.

As more fully discussed in Note 16, the redesignation from a single-employer plan to a cost-sharing multiple-employer plan resulted in a restatement relating to the accrued unfunded liability.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2007, 2006, and 2005, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2009, 2008 and 2007, respectively, have been determined as follows:

	2009	2008	2007
Normal costs (% of DB Plan payroll)	17.36%	17.94%	18.21%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
Employer portion of normal costs (% of DB Plan payroll)	7.86%	8.44%	8.71%
Employer portion of normal costs (% of total payroll)	3.70%	3.99%	4.26%
Unfunded liability cost (% of total payroll)	19.68%	20.75%	20.66%
Government contribution as a % of total payroll	23.38%	24.74%	24.92%
Statutory contribution rates as a % of DB Plan payroll			
Employer	25.20%	24.07%	22.94%
Employee	9.50%	9.50%	9.50%

GPA's contributions to the DB Plan for the years ending September 30, 2009, 2008 and 2007 were \$2,705,933, \$2,547,415 and \$2,411,457, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Plan

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.

(8) Employees' Retirement Plan, Continued

Defined Contribution Plan, Continued

Statutory employer contributions into the DCRS plan for the years ended September 30, 2009 and 2008, are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit 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 to the DCRS plan for the years ended September 30, 2009, 2008 and 2007 were $3,127,292, $2,557,142 and $2,189,262, respectively, which were equal to the required contributions for the respective years then ended.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GPA has accrued an estimated liability of $1,559,545 and $1,292,473 at September 30, 2009 and 2008, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Other Post Employment Benefits

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 medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with $10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. 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.

For the years ended September 30, 2009 , 2008 and 2007, GPA reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	2009	2008	2007
Supplemental benefits	$ 359,528	$ 484,590	$ 501,906
Medical and dental	1,567,588	1,521,423	529,000
	$ 1,927,116	$ 2,006,013	$ 1,030,906

(9) Commitments and Contingencies

Capital Commitments

The 2010 capital improvement project budget is approximately $24.6 million.

Fuel Purchase Contracts

In February 2007 and December 2006, GPA has entered into agreements to purchase residual fuel oil and low sulfur fuel oil, respectively. The agreements are for three years with an option to extend for two additional one year terms.

Operating Leases

On December 31, 2002, GPA entered into a lease agreement for its office building for a period of five years, including extensions, with a monthly rental of $25,000. On January 1, 2008, GPA renewed the lease agreement for an additional term of two years with a monthly rental of $45,000, expiring on December 31, 2009. The renewed lease has an option to extend for an additional three years.

GPA entered into a ten-year lease of fuel storage tanks beginning in September 1998, with monthly rentals increasing to $107,500 in March 2003. The lease has an option to renew for an additional 5-year period, expiring in September 2013, at an increased monthly rental of $115,650. On February 8, 2008, GPA renewed the agreement for an additional five year term from March 1, 2008 to February 28, 2013.

At September 30, 2009, future minimum lease payments for operating leases are as follows:

Year ending September 30,	Amount
2010	$ 1,716,756
2011	1,565,637
2012	1,447,261
2013	698,105
	$ 5,427,759

Rent expense under the aforementioned agreements totaled $2,061,756 and $1,812,999 during the years ended September 30, 2009 and 2008, respectively.

Performance Management Contracts

On January 1, 2003 and 2005, GPA entered into Performance Management Contracts (PMC) with two companies, for the operation and maintenance of the Cabras 1 and 2 and Cabras 3 and 4 generators, respectively. PMC contracts are for a period of 5 years. On December 31, 2008, GPA extended the PMC contract for the Cabras 1 and 2 power plants to complete the maintenance and repair overhauls and to continue management and operations for both plants for period not to exceed six months from January 1, 2009 to June 30, 2009. A contract extension was granted until December 31, 2009. The bidding process for PMC contract for Cabras 1 and 2 is under a procurement protest and GPA management was unable to award a PMC contract for Cabras 1 and 2 prior to the expiration of last extension.

(9) Commitments and Contingencies

Performance Management Contracts, Continued

Pending a resolution of procurement protest, GPA allowed the current company to continue with the plant management of Cabras 1 and 2 power plants on a month to month basis not to exceed a nine-month period ending September 30, 2010.

At September 30, 2009, the minimum future management fees for the PMC above are $346,095 for the year ending September 30, 2010.

The above fees are subject to certain incentives and penalties, as agreed by both parties.

Letters of Credit

As of September 30, 2009, GPA has a $20 million uncollateralized revolving documentary letter of credit for purchases of fuel. Commitments under standby letter of credit at September 30, 2009 totaled $10,000.

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.

Litigation

GPA has several asserted and unasserted claims outstanding as of September 30, 2009. 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 financial statements.

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 Decision and Order, GPA added an insurance charge of $.00145 per kilowatt hour to customer billings effective January 1, 1993 until a self- insurance fund balance of $2.5 million is established. On February 12, 2008, PUC has approved the amendment of self-insurance program to be effective March 1, 2008 to reflect the following: (1) increase in surcharge ceiling from $2.5 million to $10 million; (2) increase in the surcharge from $0.00145 per kWh to $0.00290 per kWh for civilian ratepayers and from $0.00035 per kWh to $0.00070 per kWh for the U.S. Navy. As required by the Decision and Order, GPA records the insurance charge as sales revenue and records self-insurance expense of the same amount. Insurance charge proceeds are transferred to the restricted self-insurance fund to be used to cover uninsured or self-insured damages to the T&D plant in the event of a natural catastrophe. The self-insurance fund, included in cash and cash equivalents held by GPA, is $3,609,565 and $2,233,834 at September 30, 2009 and 2008, respectively, of which $3,608,375 at September 30, 2009 collateralized the $20 million note payable to bank (see note 5).

(9) Commitments and Contingencies, Continued

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 and, accordingly, no provision has been made in the accompanying financial statements for payments to be made under this law.

(10) Agreements with the United States 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.

During the years ended September 30, 2009 and 2008, GPA billed the Navy $81,373,460 and $67,546,040, respectively, for sales of electricity under a customer-supplier agreement. Receivables from the Navy were $4,308,442 and $3,482,473 at September 30, 2009 and 2008, respectively.

(11) Energy Conversion Agreements

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

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

The leases have effective interest rates ranging from 8.6% to 14.2%. Future capacity payments under these agreements are as follows:

Year ending September 30,	Amount
2010	$ 23,084,304
2011	23,084,304
2012	23,084,304
2013	23,084,304
2014	23,084,304
2015-2019	94,221,073
	209,642,593
Less amounts representing interest	84,484,886
	125,157,707
Less current portion	8,028,667
	$ 117,129,040

(12) Self-Insurance Fund

During the years ended September 30, 2009 and 2008, GPA recovered the following costs against the self-insurance fund:

	2009	2008
Regulatory asset (note 13)	$ 2,470,992	$ 1,500,000
Typhoon-related preparations	71,949	-
Generator fire	-	771,591
	$ 2,542,941	$ 2,271,591

(13) Regulatory Asset

In May 2007, the PUC authorized GPA to establish a $4.5 million regulatory asset to recover prior years' uninsured typhoon losses. Recoveries will be made through the insurance charge included in customer billings. The establishment of this regulatory asset is in full discharge of any and all uninsured GPA claims through August 2004. At September 30, 2009, GPA has fully recovered the uninsured typhoon losses.

(14) Transactions with Government of Guam Agencies

During the years ended September 30, 2009 and 2008, GPA billed Government of Guam agencies $55,005,422 and $52,988,852, respectively, for sales of electricity. Receivables (excluding long-term receivables) from Government of Guam agencies were $5,403,926 and $5,087,395 at September 30, 2009 and 2008, respectively.

GPA provides electrical and administrative services to GWA, a component unit of the Government of Guam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2009 and 2008 were $14,935,862 and $14,528,245, respectively. Total amounts billed by GPA to GWA for administrative expenses and cost reimbursements amounted to $567,991 and $280,851 in 2009 and 2008, respectively. Outstanding receivables for administrative expenses and cost reimbursements billed by GPA to GWA amounted to $1,549,355 and $1,322,476 as of September 30, 2009 and 2008, respectively. In addition, GPA has a long-term receivable of $3,998,968 and $5,209,286 due from GWA at September 30, 2009 and 2008, respectively (see note 4).

(15) Derivatives

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.

At September 30, 2009, GPA has an outstanding commodity swap for the fiscal year 2010 fuel requirements based on a notional amount of 69,783 metric tons of low sulfur and high sulfur fuel oil. Payment is based on current spot prices at the settlement date. At September 30, 2009, the commodity swaps had a negative fair value of approximately $337,000. At September 30, 2009, there are two counterparties, rated as AA and A-1 by S&P.

(15) Derivatives, Continued

At September 30, 2008, GPA has outstanding commodity swaps for the fiscal year 2009 fuel requirements based on notional amount of 69,783 metric tons of low sulfur and high sulfur fuel oil. Payment is based on current spot prices at the settlement date. At September 30, 2008, the commodity swaps had a negative fair value of approximately $20,800,000. At September 30, 2008, two of the three counterparties were rated A- by S&P and one counterparty was rated AA- by S&P.

At September 30, 2009 and 2008, a counterparty required GPA to deposit into an escrow account a cash deposit amounting to $500,000 and $5,500,000, respectively, to cover future margin calls on outstanding hedge contracts.

At September 30, 2009 and 2008, GPA was not exposed to credit risk because the swaps had negative fair values. However, should implied forward prices increase and the fair value of the swaps become positive, GPA would be exposed to credit risk on the swaps on the amount of their fair value.

(16) Prior Year Restatement

Subsequent to the issuance of GPA's 2008 financial statements, GovGuam's Department of Administration issued a determination concerning the redesignation of the DB Plan as a cost-sharing multiple-employer plan. Prior to this determination, the DB Plan was designated as a single-employer plan, requiring GPA to measure and disclose an amount for annual pension cost. Annual pension cost amounted to GPA's annual required contributions (ARC) to the plan with the difference between the ARC and actual required contributions recognized as a net pension obligation.

The redesignation of the DB Plan as a cost-sharing multiple-employer plan resulted in the reversal of the previously reported unfunded pension liability, totaling $10,720,832, and related pension costs of $704,538 as well as related disclosure. The effect on the 2008 financial statements as a result of this restatement is as follows:

	As Previously Reported	As Restated
At September 30, 2008:		
Unfunded pension liability	$ 10,720,832	$ -
Net assets:		
Unrestricted	$ 80,571,333	$ 91,292,165
For the year ended September 30, 2008:		
Operating expenses:		
Administrative and general	$ 23,852,732	$ 23,148,194
Operating earnings	$ 30,309,864	$ 31,014,402
Net assets:		
Beginning of the year	$ 142,004,446	$ 152,020,740
End of the year	$ 151,664,624	$ 162,385,456

(17) Restricted Net Assets

At September 30, 2009 and 2008, net assets are restricted for the following purposes:

	2009	2008
Debt Service	$ 31,189,894	$ 34,507,025
Capital Projects	16,314,828	16,324,057
Escrow Deposit	5,562,118	5,500,000
	$ 53,066,840	$ 56,331,082

(18) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2009 and 2008 is as follows:

2009	Beginning Balance October 1, 2008	Transfers and Additions	Transfers and Deletions	Balance September 30, 2009
Depreciable:				
Intangible plant	$ 4,353,988	$ -	$ -	$ 4,353,988
Steam production plant	92,862,627	1,443,874	(1,039,080)	93,267,421
Other production plant	253,145,400	718,239	(741,678)	253,121,961
Transmission plant	125,225,351	11,130,750	3,192,492	139,548,593
Distribution plant	158,695,377	7,775,241	(491,365)	165,979,253
General plant	32,091,043	1,305,111	(4,145,684)	29,250,470
Production plant under capital lease	171,382,727	-	-	171,382,727
	837,756,513	22,373,215	(3,225,315)	856,904,413
Accumulated depreciation	(329,522,068)	(27,596,710)	1,370,518	(355,748,260)
	508,234,445	(5,223,495)	(1,854,797)	501,156,153
Non-depreciable:				
Construction work in progress	14,187,283	21,845,995	(26,082,461)	9,950,817
	$ 522,421,728	$ 16,622,500	$ (27,937,258)	$ 511,106,970

2008	Beginning Balance October 1, 2007	Transfers and Additions	Transfers and Deletions	Balance September 30, 2008
Depreciable:				
Intangible plant	$ 4,353,988	$ -	$ -	$ 4,353,988
Steam production plant	83,354,002	10,322,447	(813,822)	92,862,627
Other production plant	251,471,381	1,735,596	(61,577)	253,145,400
Transmission plant	118,037,053	7,282,448	(94,150)	125,225,351
Distribution plant	155,992,162	4,269,875	(1,566,660)	158,695,377
General plant	36,004,928	380,522	(4,294,407)	32,091,043
Production plant under capital lease	171,382,727	-	-	171,382,727
	820,596,241	23,990,888	(6,830,616)	837,756,513
Accumulated depreciation	(306,590,392)	(27,169,644)	4,237,968	(329,522,068)
	514,005,849	(3,178,756)	(2,592,648)	508,234,445
Non-depreciable:				
Construction work in progress	20,365,413	19,618,904	(25,797,034)	14,187,283
	$ 534,371,262	$ 16,440,148	$ (28,389,682)	$ 522,421,728

GUAM POWER AUTHORITY

Schedule 1
Schedule of Sales of Electricity
Years Ended September 30, 2009 and 2008

	2009	2008
Commercial	$ 147,652,770	$ 146,909,566
Residential	103,972,384	101,513,478
Government of Guam	55,005,422	52,988,852
U.S. Navy	81,373,460	67,546,040
	$ 388,004,036	$ 368,957,936

See accompanying independent auditors' report.

GUAM POWER AUTHORITY

Schedule 2
Schedule of Operating and Maintenance Expenses
Years Ended September 30, 2009 and 2008

	2009	2008
Administrative and General:		
Salaries and wages:		
Regular pay	$ 4,053,431	$ 3,857,559
Overtime	86,151	53,271
Premium pay	2,586	5,218
Benefits	7,824,459	7,054,640
Total salaries and wages	11,966,627	10,970,688
Retiree COLA/supplemental benefits	1,927,116	2,006,013
Insurance	6,079,887	6,966,474
Contract	3,709,812	2,863,827
Communications	1,193,125	1,035,030
Trustee fee	947,698	530,284
Operating supplies	162,696	108,649
Training	327,294	168,526
Completed work orders	(169,641)	(106,069)
Other administrative expenses	103,495	64,054
Travel	144,916	77,529
Office supplies	31,956	33,670
Overhead allocations	21,918	34,580
Miscellaneous	235,366	400,952
Total administrative and general	$ 26,682,265	$ 25,154,207
Customer Accounting:		
Salaries and wages:		
Regular pay	$ 1,491,371	$ 1,430,775
Overtime	119,042	63,179
Premium pay	24	22
Benefits	113,743	156,585
Total salaries and wages	1,724,180	1,650,561
Collection fee	730,703	516,065
Completed work orders	434,624	408,355
Communications	252,444	231,250
Overhead allocations	60,937	67,471
Office supplies	13,366	8,638
Operating supplies	24,372	48,100
Miscellaneous	1,229	48,769
Total customer accounting	$ 3,241,855	$ 2,979,209

See accompanying independent auditors' report.

GUAM POWER AUTHORITY

Schedule 2
Schedule of Operating and Maintenance Expenses, Continued
Years Ended September 30, 2009 and 2008

	2009	2008
Fuel:		
Salaries and wages:		
Regular pay	$ 80,484	$ 93,755
Overtime	10,965	12,238
Premium pay	292	298
Benefits	2,428	10
Total salaries and wages	94,169	106,301
Fuel	264,039,831	230,234,632
Deferred fuel costs	(9,761,677)	6,721,634
Total fuel costs	$ 254,372,323	$ 237,062,567
Other Production:		
Salaries and wages:		
Regular pay	$ 8,305,158	$ 7,739,961
Overtime	1,359,372	2,085,658
Premium pay	157,727	159,438
Benefits	645,947	757,916
Total salaries and wages	10,468,204	10,742,973
Contract	12,579,731	7,804,070
Completed work orders	802,437	668,499
Operating supplies	533,142	577,392
Overhead allocations	76,954	109,286
Office supplies	3,351	6,417
Miscellaneous	167,112	174,506
Total other production	$ 24,630,931	$ 20,083,143
Transmission and Distribution:		
Salaries and wages:		
Regular pay	$ 4,803,330	$ 4,446,868
Overtime	653,287	531,495
Premium pay	54,262	49,834
Benefits	384,586	352,207
Total salaries and wages	5,895,465	5,380,404
Overhead allocations	1,503,483	1,667,848
Completed work orders	1,975,317	1,625,551
Operating supplies	699,389	653,114
Contract	1,050,045	941,050
Office supplies	17,251	15,983
Total transmission and distribution	$ 11,140,950	$ 10,283,950

See accompanying independent auditors' report.

GUAM POWER AUTHORITY

Schedule 3
Schedule of Salaries and Wages
Years Ended September 30, 2009 and 2008

	2009	2008
Salaries and wages:		
Regular pay	$ 18,733,774	$ 17,568,918
Overtime	2,228,817	2,745,841
Premium pay	214,891	214,810
Benefits	8,971,163	8,321,358
Total salaries and wages	$ 30,148,645	$ 28,850,927

Schedule 4
Employees by Department
Years Ended September 30, 2009 and 2008

	2009	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel
Department:		
Board	2	$ 188,171
Executive	14	614,398
Administration	28	2,014,321
Finance	24	1,662,085
Planning and Regulatory	6	427,288
Property and Facilities	9	437,170
Purchasing and Supply Management	17	571,438
Customer Service	62	2,574,030
Engineering	35	595,073
Generation	184	11,985,016
Strategic Planning and Operation Research and Development	6	632,671
Power System Control Center	24	1,638,163
Transportation	13	162,123
Transmission and Distribution	110	5,214,266
Total full time employees	534	28,716,213
Apprentice and summer engineering		1,432,432
		$ 30,148,645

Note(s):

(a) The amounts consists 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.

GUAM POWER AUTHORITY

Schedule 4, Continued
Employees by Department
Years Ended September 30, 2009 and 2008

	2008	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel
Department:		
Board	2	$ 179,189
Executive	13	628,704
Administration	28	1,890,665
Finance	24	1,526,850
Planning and Regulatory	6	402,108
Property and Facilities	10	409,643
Purchasing and Supply Management	17	523,209
Customer Service	64	2,506,182
Engineering	35	530,910
Generation	181	11,418,720
Strategic Planning and Operation Research and Development	7	548,440
Power System Control Center	23	1,595,597
Transportation	14	151,755
Transmission and Distribution	101	4,491,578
Total full time employees	525	26,803,550
Apprentice and summer engineering		2,047,377
		$ 28,850,927

Note(s):

(a) The amounts consists 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.