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Guam Power Authority – FY 2020 Financial Highlights

March 25, 2021

Hagåtña, Guam – The Office of Public Accountability (OPA) released the Guam Power Authority (GPA) financial statements, report on compliance and internal control, management letter, and auditor’s communication with those charged with governance for fiscal year (FY) 2020. GPA closed FY 2020 with a decrease in net position (net income) of \$10.5 million (M) from the prior year’s net position of \$15.2M to \$4.7M in FY 2020.

Independent auditors, Deloitte & Touche, LLP (D&T), rendered an unmodified “clean” opinion on GPA’s financial statements and did not identify any material weaknesses or significant deficiencies in its compliance report. D&T, however, issued a separate management letter that identified six comments.

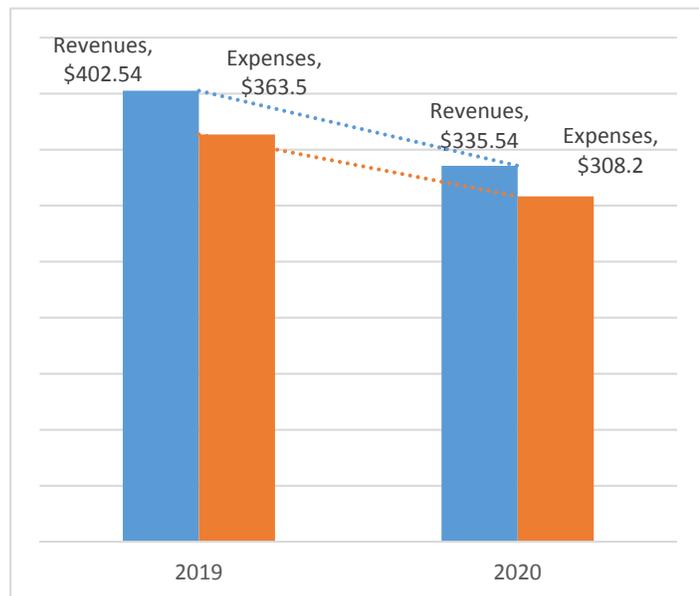
Impact of Coronavirus (COVID-19) Pandemic

In March 2020, the Governor of Guam issued Executive Order 2020-03, declaring a state of emergency in response to the COVID-19 pandemic. This led to the closure of non-essential government services, private businesses, and schools for an extended period, including GPA’s offices. GPA has determined that this negatively impacted its business, results of operations, and net position. Due to the uncertainty surrounding the duration of the pandemic, GPA is unable to reasonably estimate its ultimate financial impact.

Revenues and Expenses Decrease

GPA’s total operating revenues decreased by 17%, or \$67M, from \$402.5M in FY 2019 to \$335.5M in FY 2020. This decrease is mostly due to the 16% or \$66.2M decrease in sales of electricity caused by the global decline in fuel prices and the COVID -19 pandemic.

Total operating and maintenance expenses also decreased by 15% or \$55.6M, going from \$363.5M in FY 2019 to \$307.8M in FY 2020. The decrease was primarily due to a 26% or \$61.9M decrease in production fuel expense, which went from \$238.9M in FY 2019 to \$177M in FY 2020. In addition, there was a 13% or \$1.8M decrease in energy conversion costs, which went from \$14M in FY 2019 to \$12.2M in FY 2020.



These decreases were slightly offset by the 14% or \$5.4M increase in administrative and general expenses, which went from \$38.3M in FY 2019 to \$43.7M in FY 2020, and the 9% or \$1.5M increase in other production expenses, which went from \$16.8M in FY 2019 to \$18.3M in FY 2020.

FY 2020 Other Post-Employment Benefits (OPEB) Increased

Governmental Accounting Standards Board (GASB) No. 75 pertains to post-employment benefits other than pension. These benefits provided by the Government of Guam (GovGuam) include medical, dental, and life insurance to retirees, spouses, children, and survivors. GPA's proportionate share of GovGuam's OPEB liability was \$161.9M in FY 2020, which is a 35% or \$41.7M increase from \$120.3M in FY 2019.

Autonomous Agency Collections Fund

Pursuant to Chapter 5 of the Guam Code Annotated § 22421, several autonomous agencies, including GPA, are to remit certain amounts to the Government of Guam (GovGuam) General fund at the end of each fiscal year. On March 31, 2011, GPA received a \$12.2M invoice from the Department of Administration (DOA), representing an annual assessment of \$875 thousand (K) for FY 1998 to 2011. In September 2013, GPA received another invoice from the Chamorro Land Trust Commission referring to the same annual assessment aforementioned. There were no invoices received for the years ended September 30, 2020 and 2019.

GPA obtained approval from the Consolidated Commission on Utilities to offer DOA a settlement amount of \$2.6M. However, such settlement offer is conditional on the approval by the Public Utilities Commission (PUC) of a surcharge to recover the assessment from ratepayers. The PUC has not approved the surcharge as of September 30, 2020, and therefore no liability or other impact has been recognized on GPA's financial statements.

Management Letter

Although there were no material weaknesses or significant deficiencies in its compliance report, D&T issued a separate management letter that identified six comments related to the following: (1) billing customers on estimated consumption beyond the allowed three months, (2) no analysis was done for revenue rate reclassification which overstated revenue billing by \$342K, (3) reassessment of long outstanding receivables which may have understated bad debt expense by \$642K, (4) lack of documentation to support the Performance Management Contractors obtained the best pricing, (5) about \$507K of inactive accounts still appear active in their Customer Care & Billing System, and (6) untimely closing of construction work in progress to fixed assets.

For more details, refer to the Management Discussion and Analysis in the audit report at www.opaguam.org and www.guampowerauthority.com.