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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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.

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 36 through 40 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 March 15, 2012, on our consideration of 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

March 15, 2012

GUAM POWER AUTHORITY
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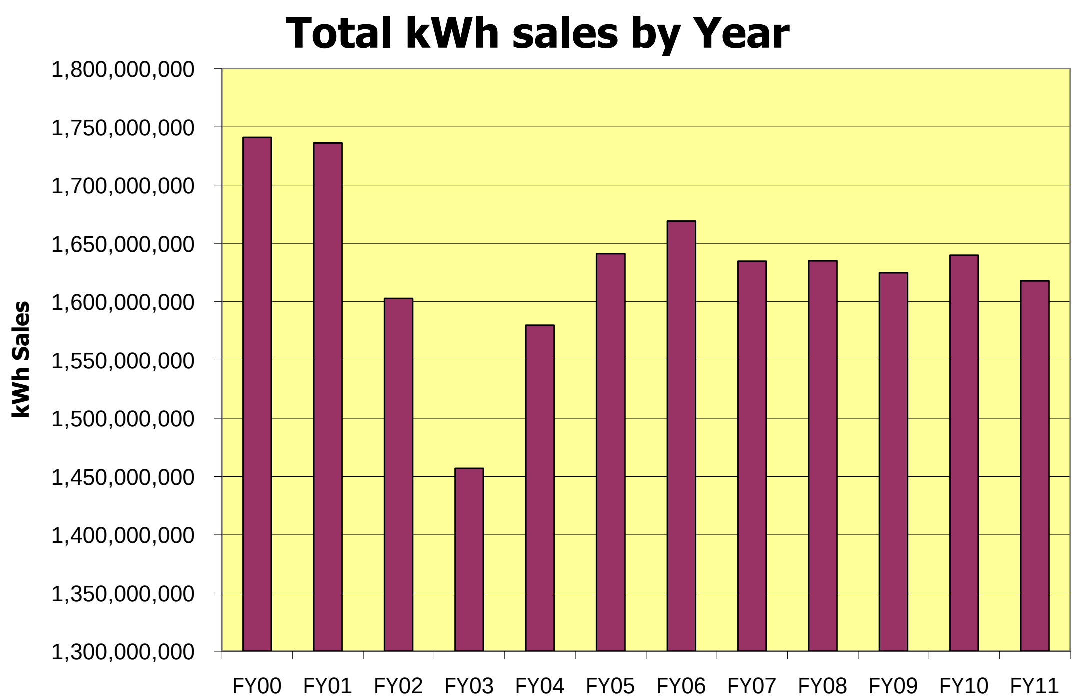
Management's Discussion and Analysis
Year Ended September 30, 2011

The following is a discussion and analysis of the Guam Power Authority's (GPA) financial performance for the fiscal year ending September 30, 2011.

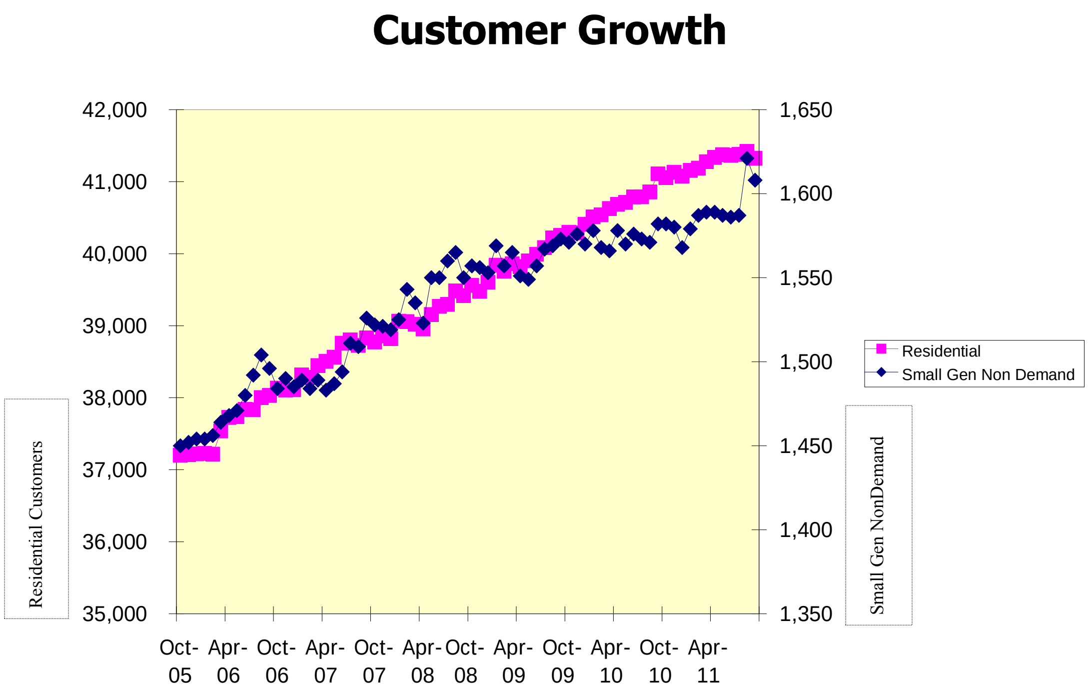
Sales Decline/Elasticity of Demand

The most significant issue being faced by GPA is the increased cost of providing energy to the island and the impact that is having on Guam's ratepayer community. The chart below depicts the energy sales for the utility for the last 12 years. The utility has not been able to exceed its Fiscal Year 2006 sales for any of the last five years.



Because GPA energy is provided solely by fossil fuels, the increasing world-wide market for fuel prices has had a negative impact on GPA customers and on budgets for families and businesses throughout the island.

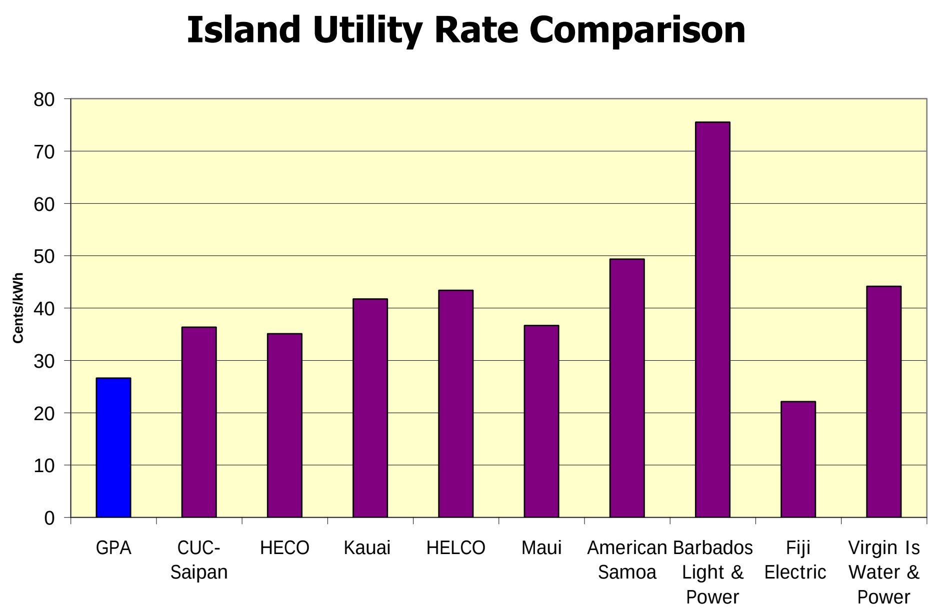
There is no doubt there is an elasticity of demand for GPA customers as energy sales have fallen over a period in which there has been significant growth in customers. The graph below shows the number of residential customers has grown from just over 37,000 in 2005 to over 41,000 in September 2011. If not for the customer growth, things could be much more challenging for GPA and the island.



The challenges created by high fossil fuel prices have impacted not only GPA but all island utilities. All of GPA's customer classes have taken significant actions to improve the efficiency of equipment used and to monitor power usage very carefully.

The graph below is the result of a survey of island utilities completed by GPA. As the graph reveals, GPA's price is competitive relative to other island utilities. The rate for Fiji Electric is lower than GPA's rate because they have a hydro plant which facilitates lower costs and they have all of the people living on Fiji and therefore, they do not have the costs of transmitting and distributing power throughout the island.

A major cost advantage GPA has over many other island utilities is the burning of fuel oil in GPA plants. Many of the island utilities in the chart have generation provided largely by diesel fuel. Although Guam was fortuitous in the construction of fuel oil burning plants in the 1970's and 1990's, it does not provide much solace to GPA customers facing steadily increasing power bills.



There are no easy solutions to the problem of high oil prices. GPA has been exploring options for renewable energy including wind, solar and geothermal energy, liquefied natural gas, coal, and small modular reactors; however, there is no magic bullet for the problem of high fuel costs. GPA has not been able to identify any solution that would provide immediate savings to its customers anytime in the near future.

A table of sales data is shown below:

Annual Electric Sales (kWh)

				2011 to 2010 Comparison	
	2011	2010	2009	Increase/Decrease	% Change
Residential	487,230,149	486,961,506	471,384,720	268,643	0.06%
Small Non Demand	53,059,808	54,265,632	54,083,247	(1,205,824)	(2.22%)
Small Demand	205,800,944	211,387,692	209,356,703	(5,586,748)	(2.64%)
Large	303,594,906	308,456,638	323,331,267	(4,861,732)	(1.58%)
Auxiliary/Standby	4,090,240	3,584,400	-	505,840	14.11%
Private Streetlights	635,522	651,616	630,549	(16,094)	(2.47%)
Small Gov't Non Demand	10,166,523	11,207,056	12,719,408	(1,040,533)	(9.28%)
Small Gov't Demand	98,255,849	100,952,415	102,530,794	(2,696,566)	(2.67%)
Large Gov't	85,579,755	88,114,436	81,743,867	(2,534,681)	(2.88%)
Public Streetlights	11,379,562	10,561,996	9,351,639	817,566	7.74%
Navy	358,016,810	361,518,349	359,520,521	(3,501,539)	(0.97%)
	1,617,810,068	1,637,661,736	1,624,652,715	(19,851,668)	(1.21)%

Customer Count

	2011	2010	2009	2011 to 2010 Comparison Increase/Decrease	% Change
Residential	41,324	41,108	40,254	216	0.52%
Small Non Demand	3,080	3,088	3,078	(8)	(0.26%)
Small Demand	1,608	1,582	1,573	26	1.64%
Large	178	171	171	7	4.09%
Auxiliary/Standby	-	1	-	(1)	(100.00%)
Private Streetlights	566	569	563	(3)	(0.53%)
Small Gov't Non Demand	588	594	566	(6)	(1.02%)
Small Gov't Demand	452	449	439	3	(0.66%)
Large Gov't	59	58	56	1	1.72%
Public Streetlights	191	205	146	(14)	(6.83%)
Navy	1	1	1	-	0.00%
	48,047	47,826	46,847	221	0.46%

Renewable Energy

GPA issued an Invitation For Bids in 2010, however all bids came in well above GPA's incremental cost of energy. GPA re-issued an Invitation For Bids in 2011 and has issued a Notice of Award to two vendors, however, value of the bids comes from their usefulness as a hedge against significantly increasing fuel prices in the future rather than their ability to provide any near term significant savings to GPA customers.

Liquefied Natural Gas

During 2011, GPA conducted a study into the feasibility of converting some of GPA's generating units for the burning of liquefied natural gas. While there is some potential for savings to be passed on to GPA customers, some very significant investments would be required in order to achieve such savings. The process of bringing natural gas to the island is very complex and would likely not be achieved over a period of less than five years.

Small Modular Reactors

GPA also conducted a mini-study into the feasibility of bringing small modular reactors to the island, but while GPA is very interested in this emerging technology, we do not believe this solution would be available within the next 10 years.

Thus, while GPA feels the pain of its customers caused by high fuel prices, it appears that high power costs are going to be a fixture for the island for the foreseeable future.

Regulatory Actions

GPA is also following some developments in the U.S. Environmental Protection Agency. There are some proposed pollution standards, which, if placed into effect, would only serve to exacerbate the challenges to the utility caused by high fuel prices.

Smart Grid Technology

In July 2009, GPA submitted a grant request to the U.S. Department of Energy (DOE) to implement smart grid technology. Because approximately 2/3 of GPA's annual expenses arise from fuel costs, there are significant benefits that could be obtained by improving energy losses even by small amounts. GPA's smart grid project includes the installation of smart meters for every customer; implementation of a meter data management system; and implementation of an outage management system, a mobile workforce management system, a distribution management system, substation automation, distribution automation, and Volt/VAR optimization, etc. In November 2009, GPA received word that it would likely be awarded a grant under the American Recovery and Reinvestment Act of 2009. The grant was eventually awarded in March 2010. The grant applied for was a 50/50 matching grant wherein half of the money needed for a $33.2 million smart grid project would be funded via a DOE grant and GPA would fund the remainder. One of the most significant purposes of the 2010 bond issuance was to provide matching funds for the grant. During the year, GPA entered into contracts for the provision of program management office services, engineering services, and comprehensive technical services. These contractors assisted GPA in the development of Requests For Proposals for smart grid services. We expect that 2012 will be the year in which significant progress towards project completion takes place.

Rate Activity

In October 2011, GPA filed a petition for a multi-year rate petition with the Public Utilities Commission. The filing calls for an increase of rates of 10.7% over a five year period as well as including the creation of demand charges, a payment in lieu of taxes (PILOT) surcharge, and a transition plan to reduce the subsidization of residential customers by other customer classes.

Future Borrowing

GPA is exploring options for refinancing some of its existing bonds in order to lower annual debt service costs. GPA is also exploring other financing options to reduce some of the need for rate increases in its multi-year rate petition.

Military Buildup

Prior to Fiscal Year 2010, there had been a significant amount of energy being expended to plan and effect the relocation of about 8,000 Marines from a base in Okinawa to Guam. During the year, events have transpired that have taken the focus off of the relocation. The official position of the United States government as well as the Government of Japan is for the relocation to take place, however, the scale of troops coming to the island may be reduced. In any event, GPA believes it has sufficient generation capacity to meet the demands of an increased military presence on the island. Furthermore, any improvements to the transmission and distribution system required by the buildup would be manageable. The Consolidated Commission on Utilities, GPA's governing board, remain resolute in their position that the costs caused by the buildup should not have a negative impact on existing GPA customers.

Financial Highlights

Table 1 highlights financial comparisons from Fiscal Years 2009 through 2011. Increases in revenues and operating expenses are indicative of increased fuel charges and costs.

Table 1. Financial Data (in millions)

	2011	2010	2009
Assets:			
Current assets	$ 351.4	$ 328.7	$ 176.1
Non-current investments	45.2	45.1	27.5
Other non-current assets	15.2	18.6	22.4
Utility plant	481.4	492.5	511.1
Total Assets	$ 893.2	$ 884.9	$ 737.1
Liabilities:			
Current liabilities	$ 62.7	$ 54.1	$ 90.1
Regulatory liabilities	31.8	9.4	3.6
Non-current liabilities	659.1	680.7	495.0
Total Liabilities	$ 753.6	$ 744.2	$ 588.7
Net Assets:			
Invested in capital assets net of related debt	$ 12.6	$ 9.3	$ 16.3
Restricted	33.7	29.7	53.1
Unrestricted	93.3	101.7	79.0
Total Net Assets	$ 139.6	$ 140.7	$ 148.4

Results of Operations (in millions)

	2011	2010	2009
Revenues	$ 393.5	$ 365.7	$ 388.9
Operating and maintenance expense	356.6	333.7	366.8
Operating earnings	36.9	32.0	22.1
Interest income	1.8	1.5	2.1
Other revenues (expense), net	(41.1)	(41.3)	(41.8)
Loss before capital contributions	(2.4)	(7.8)	(17.6)
Capital contributions	1.3	0.1	3.6
Decrease in net assets	$ (1.1)	$ (7.7)	$ (14.0)

Explanations of Variances

The increase in current assets is caused by an increase in receivables and a $8 million increase in the carrying value of fuel inventory due mostly to the increased cost of oil. The average cost of a barrel of oil in inventory increased from $73.91 as of 9/30/10 to $107.07 at 9/30/11 or an increase of nearly 45%. The balance in accounts receivable increased by $12.5 million. This increase is largely explained by the increase in the cost of fuel.

The fluctuation in current liabilities is driven by an increase in bond related liabilities.

The two components of the regulatory liabilities are the net deferred fuel revenue and provision for self-insurance which both increased by $18.5 million and $3.9 million, respectively. The increase in fuel revenues is caused by the increase in cost of fuel. It results from a decision by the Public Utilities Commission in 2008 to allow GPA to recover increases in the carrying cost of fuel inventory in the Levelized Energy Adjustment Clause (LEAC). GPA does not have sufficient cash reserves to tie up additional cash in fuel inventory without jeopardizing operations. The PUC recognized this problem and allowed the cost of the increased inventory value to be funded from the LEAC. The increased provision for self-insurance is related to a PUC decision to allow increased reserves to respond to future uninsured losses.

Non-current liabilities decreased by $21.6 million mainly due to the decrease in long-term debt and capital lease obligations, both net of current portions.

The growth in revenues is related to the increased cost of fuel which is passed on to customers through the LEAC and the fact that the 2010 rate increase was in effect for the full 12 months of Fiscal Year 2011. Other production expense declined by $2.8 million as compared to the prior year. The decrease resulted from a planned overhaul that has been delayed until Fiscal Year 2012. The estimated cost of the overhaul is approximately $2 million. Administrative and general costs increased by nearly $3 million. The increase was due to an increase in retiree health insurance costs, retirement contributions, medical benefits and due to some planning studies that were conducted during the period. Interest expense increased in conjunction with the recent bond issuance.

During Fiscal Year 2011, GPA received a payment from the Bank of America (BOA) in the amount of $5,173,671 as a settlement of an investigation by the Securities and Exchange Commission covering a period in which GPA entered into an investment contract with BOA.

Capital Asset Activities

There were no major capital asset activities for Fiscal Year 2011. Most of the capital activities were related to line extension and repair projects, minor plant improvement projects, and initial expenditures for the smart grid project. We expect that there will be significant capital asset activities in Fiscal Year 2012 as a result of the expenditure of bond funds. For additional information concerning GPA's capital assets, please refer to note 15 to the accompanying financial statements.

Long Term Debt Activities

GPA issued $206 million of bonds during 2010 and activities during 2011 relate solely to amortization and repayments. GPA is currently exploring strategies to utilize a future bond issuance as a vehicle to smooth out future rate increases. For additional information concerning GPA's long-term debt, please refer to note 6 to the accompanying financial statements.

Commitments for Capital Expenditures

While GPA has not entered into significant contracts as of September 30, 2011, it has planned for significant capital expenditures to take place during 2012 and has budgeted $70.6 million for related activities.

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 year ended September 30, 2010 is set forth in GPA's report on the audit of financial statements which is dated February 25, 2011. That Discussion and Analysis explains in more detail major factors impacting the 2010 financial statements. A copy of that report can be obtained by contacting the CFO office at (671) 648-3066 or from GPA's website at the addresses noted below.

For additional information about this report, please contact Mr. 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
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Statements of Net Assets
September 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents:		
Held by trustee for restricted purposes:		
Interest and principal funds	$ 28,292,131	$ 20,643,782
Bond indenture funds	160,985,312	170,340,036
Held by Guam Power Authority:		
Bond indenture funds	27,439,343	28,660,542
Self-insurance fund - restricted	10,982,776	7,065,846
Total cash and cash equivalents	227,699,562	226,710,206
Short-term investments held by trustee	-	99,916
Accounts receivable, net	48,057,864	35,459,239
Current installments of long-term receivables	2,870,328	4,470,997
Total current receivables	50,928,192	39,930,236
Materials and supplies inventory	14,861,733	12,046,199
Fuel inventory	57,132,243	48,947,057
Prepaid expenses	787,081	972,373
Total current assets	351,408,811	328,705,987
Regulatory assets:		
Cancelled unit, net of amortization	257,830	380,005
Total regulatory assets	257,830	380,005
Utility plant, at cost:		
Electric plant in service	876,058,032	868,791,171
Less accumulated depreciation	(408,737,820)	(383,122,491)
	467,320,212	485,668,680
Construction work in progress	14,070,558	6,873,135
Total utility plant	481,390,770	492,541,815
Other non-current assets:		
Investments - bond reserve funds held by trustee	45,159,623	45,134,634
Long-term receivables, less current installments	1,822,750	4,131,882
Unamortized debt issuance costs	9,386,233	9,934,791
Deferred asset, net	3,027,668	3,187,019
Other assets	722,583	899,414
Total other non-current assets	60,118,857	63,287,740
	$ 893,176,268	$ 884,915,547

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Statements of Net Assets, Continued
September 30, 2011 and 2010

LIABILITIES AND NET ASSETS	2011	2010
Current liabilities:		
Current maturities of long-term debt	$ 12,640,000	$ 7,795,000
Current obligations under capital leases	10,235,901	9,064,045
Accounts payable:		
Operations	12,604,855	11,677,153
Fuel	1,526,908	209,017
Payable to federal government	554,350	554,350
Payable to Navy	-	3,410,727
Deferred payment agreement	-	255,792
Accrued payroll and employees' benefits	372,591	255,578
Current portion of employees' annual leave	2,263,391	1,838,093
Interest payable	16,356,876	13,556,572
Customer deposits	6,185,002	5,529,260
Total current liabilities	62,739,874	54,145,587
Regulatory liabilities:		
Deferred fuel revenue, net	20,479,214	1,981,805
Provision for self-insurance	11,288,677	7,383,869
Total regulatory liabilities	31,767,891	9,365,674
Long-term debt, net of current maturities	547,466,230	558,495,132
Employees’ annual leave, net of current portion	663,898	803,086
Obligations under capital leases, net of current portion	97,829,839	108,065,350
DCRS sick leave liability	2,012,318	1,722,649
Deferred revenues	11,096,334	11,680,352
Total liabilities	753,576,384	744,277,830
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	12,641,588	9,316,246
Restricted	33,710,050	29,741,073
Unrestricted	93,248,246	101,580,398
Total net assets	139,599,884	140,637,717
	$ 893,176,268	$ 884,915,547

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011	2010
Revenues:		
Sales of electricity	$ 391,874,987	$ 364,889,888
Miscellaneous	2,605,775	1,449,273
	394,480,762	366,339,161
Bad debt expense	(942,669)	(671,900)
Total revenues	393,538,093	365,667,261
Operating and maintenance expenses:		
Production fuel	243,711,339	219,861,507
Other production	20,839,638	23,669,640
	264,550,977	243,531,147
Administrative and general	30,431,797	27,583,537
Depreciation and amortization	26,121,870	28,443,290
Energy conversion costs	19,704,755	19,484,007
Transmission and distribution	12,240,510	11,228,100
Customer accounting	3,511,033	3,404,006
Total operating and maintenance expenses	356,560,942	333,674,087
Operating earnings	36,977,151	31,993,174
Non-operating revenues (expense):		
Interest revenue	1,779,178	1,541,432
Allowance for funds used during construction	1,779,789	-
Other income	5,173,671	759,585
Other expense	(299,204)	(1,505,781)
Interest expense	(47,767,482)	(40,622,793)
Total non-operating revenues (expense), net	(39,334,048)	(39,827,557)
Loss before capital contributions	(2,356,897)	(7,834,383)
Capital contributions:		
Grants from the United States Government	1,319,064	97,707
Change in net assets	(1,037,833)	(7,736,676)
Net assets at beginning of year	140,637,717	148,374,393
Net assets at end of year	$ 139,599,884	$ 140,637,717

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Statements of Cash Flows
Years Ended September 30, 2011 and 2010

Increase (decrease) in cash and cash equivalents	2011	2010
Cash flows from operating activities:		
Cash received from customers	$ 421,787,478	$ 383,086,641
Proceeds from Bank of America settlement	5,173,671	-
Cash payments to suppliers for goods and services	(323,186,026)	(291,061,557)
Cash payments to employees for services	(32,810,587)	(33,372,785)
Cash payments for retiree benefits	(2,757,587)	(2,234,700)
Net cash provided by operating activities	68,206,949	56,417,599
Cash flows from investing activities:		
Withdrawal from short-term investments	99,916	598,648
Interest and dividends on investments and bank accounts	1,269,127	1,137,644
Deposit to bond reserve funds	-	(17,640,372)
Net cash provided by (used in) investing activities	1,369,043	(15,904,080)
Cash flows from noncapital financing activities:		
Self insurance fund receipts	3,904,808	3,774,304
Interest paid on short-term debt, deferred payment agreements and deposits	(129,706)	(1,309,126)
Payment of short-term debt	-	(17,499,999)
Net proceeds from bond issuance	-	54,888,678
Contribution to the Government of Guam	-	(1,178,100)
Net cash provided by noncapital financing activities	3,775,102	38,675,757
Cash flows from capital and related financing activities:		
Receipts from the federal government	383,447	97,748
Additions to utility plant	(15,147,854)	(10,083,641)
Principal paid on bonds	(7,795,000)	(7,373,601)
Interest paid on bonds	(26,718,028)	(19,916,098)
Principal paid on capital leases	(9,063,655)	(8,028,312)
Interest paid on capital leases	(14,020,648)	(15,055,992)
Net proceeds from bond issuance	-	141,350,000
Net cash (used in) provided by capital and related financing activities	(72,361,738)	80,990,104
Net change in cash and cash equivalents	989,356	160,179,380
Cash and cash equivalents at beginning of year	226,710,206	66,530,826
Cash and cash equivalents at end of year	$ 227,699,562	$ 226,710,206

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Statements of Cash Flows, Continued
Years Ended September 30, 2011 and 2010

	2011	2010
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings	$ 36,977,151	$ 31,993,174
Non-recurring cash received – Bank of America Settlement	5,173,671	-
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	26,121,870	28,443,290
Bad debts	942,669	671,900
(Increase) decrease in assets:		
Accounts receivable	(12,704,633)	912,662
Long-term receivables	3,909,801	5,345,755
Materials and supplies inventory	(2,815,534)	319,381
Fuel inventory	(8,185,186)	4,746,120
Prepaid expenses	185,292	(274,324)
Deferred fuel costs	-	4,764,848
Other assets	176,831	167,921
Increase (decrease) in liabilities:		
Accounts payable - fuel	1,317,891	(21,093,527)
Accounts payable - operations	927,702	(1,445,119)
Payable to Navy	(3,410,727)	3,410,727
Deferred payment agreement	(255,792)	(3,229,588)
Customer deposits	655,742	316,554
Deferred fuel revenue	18,497,409	1,981,805
Accrued payroll and employees' benefits	117,013	(648,464)
Employees' annual and sick leave	575,779	34,484
Net cash provided by operating activities	$ 68,206,949	$ 56,417,599

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

Guam Power Authority (GPA) is a component unit of the Government of Guam (GovGuam). GPA provides electrical services on Guam to residential, commercial and 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 Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. 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.

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

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.

Utility Plant

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

Depreciation

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

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. During the year ended September 30, 2010, obsolete materials and supplies inventories of approximately $1,044,000 were written off and included as a component of other production expense in the accompanying statements of revenues, expenses and changes in net assets.

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. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale and is primarily determined based on quoted market rates.

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. Any unused leave over 320 hours shall be lost upon retirement.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement.

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

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.

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.

Allowance for Doubtful Receivables

The allowance for doubtful receivables is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense.

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

During fiscal year 2010, GPA adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 requires that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, are reported at fair value.

Disclosures required by GASB Statement No. 53 for GPA's fuel oil hedging activities are included in note 12.

GASB Statement No. 53 excludes "normal purchases and normal sales contracts". 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 10) are excluded from the GASB Statement No. 53 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. Over recoveries of fuel costs amounted to $120,090 at September 30, 2011. Cumulative unrecovered fuel costs amounted to $2,798,172 at September 30, 2010.

(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, 2011 and 2010, cumulative unrecovered fuel inventory costs amount to $11,141,174 and $184,387 and surcharges that have been billed but not yet earned amounted to $31,500,298 and $4,964,364, respectively. The net amounts of $20,359,124 and $4,779,977 are presented as components of deferred fuel revenues, net at September 30, 2011 and 2010, respectively.

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. AFUDC recognized during the year ended September 30, 2011 was $1,779,789. No AFUDC was recognized in 2010.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs include costs related to the issuance of the Series 1993, Series 1999 and Series 2010 bonds. These costs are being amortized on the straight line method over the life of the applicable debt, which approximates the effective interest method.

Reclassifications

Certain balances in the 2010 financial statements have been reclassified to correspond with the 2011 presentation.

New Accounting Standards

During fiscal year 2011, GPA implemented the following pronouncements:

- GASB 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.

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

- GASB Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

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

New Accounting Standards, Continued

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

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus,* which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity,* and No. 34*, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. 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, accounts receivable and commodity swap derivatives.

At September 30, 2011 and 2010, GPA has cash deposits in bank accounts that are not subject to or 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.

As discussed in note 12, GPA enters into commodity swaps only with highly rated counterparties.

(3) Cash, Cash Equivalents and Investments

The bond indenture agreements for the 1993, 1999 and 2010 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, 2011 and 2010, cash and cash equivalents and short-term investments held by trustees and by GPA in these funds and accounts are as follows:

	2011				
	Held By Trustees		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Self Insurance Fund	Bond Indenture Funds	Total
Construction funds	$ -	$ 118,957,292	$ -	$ -	$ 118,957,292
Interest and principal funds	28,292,131	-	-	-	28,292,131
Bond funds	-	13,535,601	-	-	13,535,601
Working capital funds	-	28,492,419	-	-	28,492,419
Self-insurance fund	-	-	10,982,776	-	10,982,776
Revenue funds	-	-	-	9,065,972	9,065,972
Operating funds	-	-	-	14,821,123	14,821,123
Surplus funds	-	-	-	3,552,248	3,552,248
	$ 28,292,131	$ 160,985,312	$ 10,982,776	$ 27,439,343	$ 227,699,562

	2010				
	Held By Trustees		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Self Insurance Fund	Bond Indenture Funds	Total
Construction funds	$ -	$ 120,656,062	$ -	$ -	$ 120,656,062
Interest and principal funds	20,643,782	-	-	-	20,643,782
Bond funds	-	22,303,416	-	-	22,303,416
Working capital funds	-	27,480,474	-	-	27,480,474
Self-insurance fund	-	-	7,065,846	-	7,065,846
Revenue funds	-	-	-	11,681,440	11,681,440
Operating funds	-	-	-	13,724,806	13,724,806
Surplus funds	-	-	-	3,254,296	3,254,296
	$ 20,643,782	$ 170,439,952	$ 7,065,846	$ 28,660,542	$ 226,810,122

(3) Cash, Cash Equivalents and Investments, Continued

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.

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, 2011 and 2010, the carrying amount of GPA's total cash and cash equivalents and time certificates of deposit was $227,699,562 and $226,810,122, respectively, and the corresponding bank balances were $227,269,906 and $227,465,041, respectively. Of the bank balance amount as of September 30, 2011 and 2010, $16,979,077 and $12,572,849 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2011 and 2010, bank deposits in the amount of $1,659,088 and $1,387,171, respectively, were FDIC insured. Bank balances as of September 30, 2011 and 2010, also include $210,281,801 and $214,712,193, 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, 2011 and 2010, $15,329,017 and $10,710,758, respectively, of cash and cash equivalents are subject to custodial credit risk.

(3) Cash, Cash Equivalents and Investments, Continued

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.

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, 2011, GPA's investments, presented as bond reserve funds in the accompanying financial statements, were as follows:

	Amount	Maturity	S&P or Moody's Rating
Bond Reserve Funds:			
First American Treasury (cash equivalents)	$ 13,746,268	-	Aaa
Intesa Funding LLC Commercial Paper (CP)	13,742,000	October 3, 2011	P-1
Natixis U.S. Finance Co. LLC (CP)	12,028,872	October 1, 2015	A
US Bank Money Market Account (cash equivalents)	5,642,483	-	-
	$ 45,159,623		

As of September 30, 2010, GPA's investments, presented as bond reserve fund in the accompanying financial statements, were as follows:

	Amount	Maturity	Moody's Rating
Bond Reserve Funds:			
US Bank Money Market Account (cash equivalents)	$ 17,649,634	-	-
General Electric Capital Corp. (CP)	13,743,000	October 1, 2010	A-1+
Natixis U.S. Finance Co. LLC (CP)	13,742,000	October 1, 2010	A-1
	$ 45,134,634		

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

(3) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

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, 2011 and 2010, $45,159,623 and $45,134,634, respectively, of investments held in the name of a trustee for GPA, are classified as category 3 risks 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, 2011, GPA's investments that exceeded 5% of total investments are as follows: First America Treasury (30.44%), Intesa Funding LLC CP (30.43%), Natixis Funding Corp. (26.64%) and US Bank (12.49%). As of September 30, 2010, GPA's investments, including those classified as cash equivalents, that exceeded 5% of total investments are as follows: US Bank (39.10%), General Electric Capital Corp. CP (30.45%) and Natixis U.S. Finance Co. LLC CP (30.45%).

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, 2011 and 2010, are summarized as follows:

	2011	2010
Customers:		
Private	$ 36,006,471	$ 28,265,161
Government	7,036,750	5,004,039
	43,043,221	33,269,200
U.S. Navy	3,902,336	3,505,408
U.S. Department of Energy	935,617	-
Interest	273,374	372,330
Federal Emergency Management Agency	-	441,873
Others	4,943,793	1,942,922
	53,098,341	39,531,733
Less allowance for doubtful receivables	(5,040,477)	(4,072,494)
	$ 48,057,864	$ 35,459,239

Unbilled accounts receivable included above amounted to $10,292,903 and $8,453,268 at September 30, 2011 and 2010, respectively.

(4) Receivables, Continued

Long-Term Receivables

Long-term receivables at September 30, 2011 and 2010 consisted of the following:

	2011	2010
Installment payment agreement receivable from Guam Department of Education, resulting from conversion of past due receivable, payable in varying amounts starting in July 2004, currently at $200,000 per month, interest at 4.47% per annum, with the final installment due in July 2013, uncollateralized.	$ 4,085,708	$ 6,447,691
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 installment payment due in April 2007, uncollateralized.	390,377	390,377
Receivable due from Guam Waterworks Authority (GWA) under a memorandum of understanding (see note 11), with monthly installments of $25,688, non-interest bearing, starting October 2009.	216,993	216,993
Receivable due from GWA, payable monthly from a water rate surcharge, interest at 4.3% per annum, uncollateralized.	-	1,547,818
	4,693,078	8,602,879
Less current portion	(2,870,328)	(4,470,997)
	$ 1,822,750	$ 4,131,882

Scheduled maturities of long-term receivables are as follows:

Year ending September 30,	Amount
2012	$ 2,870,328
2013	1,822,750
	$ 4,693,078

(5) Deferred Payment Agreement

At September 30, 2010, deferred payments of $255,792 are due to a vendor, payable in various monthly installments including interest at 4% to 5% per annum. The balance was fully paid in 2011.

(6) Long-Term Debt

Long-term debt at September 30, 2011 and 2010 is as follows:

	2011	2010
2010 Series Senior Revenue Bonds, initial face value of $150,440,000, interest at varying rates from 5.0% to 5.5% per annum payable semiannually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $225,000 in October 2022, increasing to $17,215,000 in October 2040.	$ 150,440,000	$ 150,440,000
2010 Series Subordinated Revenue Bonds, initial face value of $56,115,000, interest at varying rates from 6.0% to 7.5% per annum payable semiannually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of $4,435,000 in October 2011, increasing to $14,155,000 in October 2015.	56,115,000	56,115,000
1999 Series Revenue Bonds, 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.	309,265,000	313,700,000
1993 Series Revenue Bonds, initial face value of $100,000,000, 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.	63,625,000	66,985,000
	579,445,000	587,240,000
Less current maturities	(12,640,000)	(7,795,000)
	566,805,000	579,445,000
Less discount on bonds	(7,757,396)	(8,488,896)
	559,047,604	570,956,104
Loss on defeasance, net of $10,408,575 and $9,528,977 of accumulated amortization in 2011 and 2010, respectively	(11,581,374)	(12,460,972)
Total bonds	$ 547,466,230	$ 558,495,132

(6) Long-Term Debt, Continued

As of September 30, 2011, future maturities of long-term debt are as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2012	$ 12,640,000	$ 30,867,313	$ 43,507,313
2013	20,815,000	30,147,875	50,962,875
2014	21,290,000	28,878,950	50,168,950
2015	22,710,000	27,461,788	50,171,788
2016	24,225,000	25,947,238	50,172,238
2017 through 2021	58,670,000	115,735,863	174,405,863
2022 through 2026	88,130,000	97,611,419	185,741,419
2027 through 2031	122,620,000	69,663,119	192,283,119
2032 through 2036	130,665,000	34,017,550	164,682,550
2037 through 2041	77,680,000	13,118,800	90,798,800
	$ 579,445,000	$ 473,449,915	$ 1,052,894,915

Proceeds of the 1993 Series Revenue Bonds, face value of $100,000,000, 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 Revenue 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 previously issued for the purpose of financing certain capital projects.

Proceeds of the 2010 Series Senior Revenue Bonds, face value of $150,440,000, will be used to finance capital projects, generally consisting of a new administration building and various generation, transmission and distribution facilities. Additionally, proceeds were used to make a deposit to the Bond Reserve Fund, to provide capitalized interest through October 1, 2013, and to pay costs of issuance.

Proceeds of the 2010 Series Subordinated Revenue Bonds, face value of $56,115,000, were used to make a deposit to the Working Capital Fund, Bond Reserve Fund, to provide capitalized interest through April 1, 2011, and to pay costs of issuance.

All gross revenues of GPA have been pledged to repay the 1993, 1999 and 2010 series bond principal and interest. The debt service for the 1993, 1999 and 2010 series bonds was $30,078,450 for the year ended September 30, 2011 or approximately 7.6% of pledged gross revenues for the year. The debt service for the 1993 and 1999 series bonds was $27,061,414 for the year ended September 30, 2010 or approximately 7.4% of pledged gross revenues for the year.

Discounts associated with 1993, 1999 and 2010 bond series are being amortized on the straight line method, which approximates the effective interest method, over the life of the applicable debt.

(6) Long-Term Debt, Continued

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 on a straight line basis 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.

On September 28, 2000, GPA entered into a Bond Reserve Fund Forward Delivery Agreement (the agreement) with Lehman Brothers 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.

The following summarizes deferred revenues and deferred asset at September 30, 2011 and 2010:

	2011	2010
Deferred revenues	$ 17,521,029	$ 17,521,029
Accumulated amortization	(6,424,695)	(5,840,677)
	$ 11,096,334	$ 11,680,352
Deferred asset	$ 4,780,529	$ 4,780,529
Accumulated amortization	(1,752,861)	(1,593,510)
	$ 3,027,668	$ 3,187,019

(6) Long-Term Debt, Continued

Changes in long-term liabilities are presented as follows:

	Outstanding October 1, 2010	Increases	Decreases	Outstanding September 30, 2011	Current
1993 Series bonds	$ 66,985,000	$ -	$ (3,360,000)	$ 63,625,000	$ 3,535,000
1999 Series bonds	313,700,000	-	(4,435,000)	309,265,000	4,670,000
2010 Series bonds	206,555,000	-	-	206,555,000	4,435,000
Unamortized discount on bonds	(8,488,896)	-	731,500	(7,757,396)	-
Loss on defeasance of bonds	(12,460,972)	-	879,598	(11,581,374)	-
Obligations under capital leases (see note 10)	117,129,395	-	(9,063,655)	108,065,740	10,235,901
DCRS sick leave liability	1,722,649	289,669	-	2,012,318	-
Deferred payment agreements	255,792	-	(255,792)	-	-
Employees annual leave	2,641,179	2,026,721	(1,740,611)	2,927,289	2,263,391
Deferred revenues	11,680,352	-	(584,018)	11,096,334	-
	$ 699,719,499	$ 2,316,390	$ (17,827,978)	$ 684,207,911	$ 25,139,292

	Outstanding October 1, 2009	Increases	Decreases	Outstanding September 30, 2010	Current
1993 Series bonds	$ 70,175,000	$ -	$ (3,190,000)	$ 66,985,000	$ 3,360,000
1999 Series bonds	317,883,601	-	(4,183,601)	313,700,000	4,435,000
2010 Series bonds	-	206,555,000	-	206,555,000	-
Unamortized discount on bonds	(4,597,790)	(4,240,661)	349,555	(8,488,896)	-
Note payable to Bank	17,499,999	-	(17,499,999)	-	-
Loss on defeasance of bonds	(13,340,570)	-	879,598	(12,460,972)	-
Obligations under capital leases (see note 10)	125,157,707	-	(8,028,312)	117,129,395	9,064,045
DCRS sick leave liability	1,559,545	163,104	-	1,722,649	-
Deferred payment agreements	3,485,380	-	(3,229,588)	255,792	255,792
Employees annual leave	2,769,799	1,533,003	(1,661,623)	2,641,179	1,838,093
Deferred revenues	12,264,370	-	(584,018)	11,680,352	-
	$ 532,857,041	$ 204,010,446	$ (37,147,988)	$ 699,719,499	$ 18,952,930

(7) 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.

(7) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

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.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2009, 2008, and 2007, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2011, 2010 and 2009, respectively, have been determined as follows:

	2011	2010	2009
Normal costs (% of DB Plan payroll)	17.00%	18.34%	17.36%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
Employer portion of normal costs (% of DB Plan payroll)	7.50%	8.84%	7.86%
Employer portion of normal costs (% of total payroll)	3.03%	3.73%	3.70%
Unfunded liability cost (% of total payroll)	21.75%	22.69%	19.68%
Government contribution as a % of total payroll	24.78%	26.42%	23.38%
Statutory contribution rates as a % of DB Plan payroll			
Employer	27.46%	26.04%	25.20%
Employee	9.50%	9.50%	9.50%

GPA's contributions to the DB Plan for the years ended September 30, 2011, 2010 and 2009 were $3,001,267, $2,793,428 and $2,705,933, 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.

Statutory employer contributions into the DCRS plan for the years ended September 30, 2011 and 2010 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, 2011, 2010 and 2009 were $4,141,724, $3,595,455, and $3,127,292, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $3,415,577, $2,930,927 and $2,530,670 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2011, 2010 and 2009, respectively.

(7) Employees' Retirement Plan, Continued

Defined Contribution Plan, Continued

GPA has accrued an estimated liability of $2,012,318 and $1,722,649 at September 30, 2011 and 2010, respectively, for potential future sick leave payments pursuant to Public Law 26-86. 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, 2011 , 2010 and 2009, GPA reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	2011	2010	2009
Supplemental benefits	$ 746,609	$ 852,325	$ 359,528
Medical and dental	2,010,978	1,382,375	1,567,588
	$ 2,757,587	$ 2,234,700	$ 1,927,116

(8) Commitments and Contingencies

Fuel Purchase Contracts

In March 2010, GPA has entered into an agreement to purchase residual fuel oil and low sulfur fuel oil. The agreement is for three years with an option to extend for two additional one year terms, renewable annually.

In 2009, GPA entered into two contracts to purchase diesel fuel oil. The agreements are for three years ending September 30, 2012 with an option to extend for two additional one year terms, renewable annually.

Capital Commitments

The 2012 capital improvement project budget is approximately $70.6 million.

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 with a monthly rental of $45,000, which expired on December 31, 2009 and was renewed for an additional three year term through December 31, 2012.

(8) Commitments and Contingencies, Continued

Operating Leases, Continued

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. On February 8, 2008, GPA renewed the agreement for an additional five year term from March 1, 2008 to February 28, 2013.

GPA entered into a commercial space lease beginning July 1, 2010, with monthly rentals of $4,495. The lease has an option to renew for an additional term of five years.

At September 30, 2011, future minimum lease payments for operating leases are as follows:

Year ending September 30,	Amount
2012	$ 1,636,196
2013	752,040
2014	53,935
2015	40,451
	$ 2,482,622

Rent expense under the aforementioned agreements totaled $1,636,196 and $1,716,756 during the years ended September 30, 2011 and 2010, respectively.

Performance Management Contracts

During the year ended September 30, 2010, GPA entered into two new Performance Management Contracts (PMC) with two companies for the operation and maintenance of Cabras 1 and 2 and Cabras 3 and 4 generators, which became effective on October 1, 2010 and July 1, 2010, respectively. These PMCs are for a period of five years with an option to extend for another five-year term.

At September 30, 2011, the minimum future management fees are as follows:

Year ending September 30,	Amount
2012	$ 2,587,404
2013	2,659,801
2014	2,734,177
2015	2,526,743
	$ 10,508,125

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

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.

(8) Commitments and Contingencies, Continued

Litigation

GPA has several asserted and unasserted claims outstanding as of September 30, 2011. It is not possible for the management of GPA to estimate the ultimate resolution of these matters and therefore, no provision for any liability that may result from these claims has been made in the accompanying financial statements.

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 a corresponding 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.

In May 2011, PUC issued an order which allows GPA to continue to collect the surcharges at the same rate, beyond the $10 million cap established in the 2008 order. The self-insurance fund, included in cash and cash equivalents held by GPA, is $10,982,776 and $7,065,846 at September 30, 2011 and 2010, respectively.

During the year ended September 30, 2010, GPA recovered typhoon-related preparation costs of $166,960 from the self-insurance fund.

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.

Autonomous Agency Collections Fund

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

(9) 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, 2011 and 2010, GPA billed the Navy $71,892,503 and $69,123,041, respectively, for sales of electricity under a customer-supplier agreement. Receivables from the Navy were $3,902,336 and $3,505,408 at September 30, 2011 and 2010, respectively.

On July 12, 2010, the PUC adopted and approved the Joint Stipulation of Settlement between the Navy and GPA wherein GPA will refund the amount of $4,117,098 covering the period October 2008 through April 2010 to account for an error in the calculation of unit fuel cost charged to the Navy. GPA credited the Navy the amount of the refund in equal installments over one year beginning in August 2010. As of September 30, 2010, the balance due is $3,410,727 and is presented as payable to the Navy in the accompanying statements of net assets. The balance was fully refunded in 2011.

(10) Obligations Under Capital Leases

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.

At September 30, 2011 and 2010, the costs of the plant and plant improvements are $171,382,727 and accumulated depreciation is $61,075,206 and $56,390,638, respectively.

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
2012	$ 23,084,304
2013	23,084,304
2014	23,084,304
2015	23,084,304
2016	23,084,304
2017-2019	48,047,861
	163,469,381
Less amounts representing interest	55,403,641
	108,065,740
Less current portion	10,235,901
	$ 97,829,839

(11) Related Party Transactions

During the years ended September 30, 2011 and 2010, GPA billed GovGuam agencies $58,863,737 and $54,466,058, respectively, for sales of electricity. Receivables (excluding long-term receivables) from GovGuam agencies were $7,036,750 and $5,004,039 at September 30, 2011 and 2010, respectively.

GPA provides electrical and administrative services to GWA, a component unit of the GovGuam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2011 and 2010 were $15,191,769 and $14,169,237, respectively.

On June 23, 2009, GPA and GWA entered into a Memorandum of Understanding (MOU) where each agency agrees to provide administrative, operational, maintenance, repair and other specified services on behalf of the other agency and each will reimburse the other for their actual costs for providing said services. The MOU also covers the repayment period for prior services rendered by GPA. Total amounts billed by GPA to GWA for administrative expenses and cost reimbursements amounted to $334,576 and $818,616 in 2011 and 2010, respectively. Outstanding receivables for administrative expenses and cost reimbursements billed by GPA to GWA amounted to $414,436 and $310,264 as of September 30, 2011 and 2010, respectively. Additionally, at September 30, 2010, GPA has long-term receivables due from GWA of $1,547,818 for a prior water surcharge which were fully collected during 2011 (see note 4).

During the year ended September 30, 2010, GPA recognized certain on–behalf payments as a transfer to GovGuam of $1,178,100 pursuant to Public Law 30-101, which mandated the reimbursement of Cost of Living Allowance payments made by GovGuam in fiscal years 2007, 2008 and 2009 to eligible retirees. The amount is included in non-operating other expense in the accompanying statements of revenues, expenses and changes in net assets.

In September 2011, GovGuam transferred, in fee simple, a parcel of land for GPA's planned consolidated central office pursuant to Public Law 31-77. Title and ownership of the land must remain with GPA for a period of at least ten years and must not be sold, leased or otherwise encumbered by GPA and shall be transferred back to the Chamorro Land Trust Commission if GPA no longer requires it. As of September 30, 2011, GPA is in the process of obtaining transfer of title and has yet to determine the fee simple value of the land. Accordingly, the land has not been recognized in the accompanying financial statements.

(12) 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, 2011 and 2010, GPA has outstanding commodity swaps of notional amounts of 169,938 and 59,814 metric tons, respectively, of low sulfur and high sulfur fuel oil. Payment is based on current spot prices at the settlement date.

At September 30, 2011 and 2010, the commodity swaps had a net positive fair value of approximately $486,000 and $156,000, respectively, which is recorded as a component of deferred fuel costs in accordance with GASB Statement No. 53 as discussed in note 1. At September 30, 2011 and 2010, there are three counterparties, rated as A-1, Aa2, A2 and A-1+ by Moody's and S&P.

The commodity swaps' fair value of $486,000 and $156,000 at September 30, 2011 and 2010, respectively, is subject to credit risk.

(13) Restricted Net Assets

At September 30, 2011 and 2010, net assets are restricted for the following purposes:

	2011	2010
Debt Service	$ 18,264,779	$ 13,408,408
Capital Projects	15,445,271	16,332,665
	$ 33,710,050	$ 29,741,073

(14) Settlement

In January 2011, GPA received $5,173,671 in full restitution related to an agreement between Bank of America (BOA) and the Securities and Exchange Commission for BOA's participation in a conspiracy to rig bids in the municipal bond derivatives market that defrauded several federal and state agencies, municipalities, and the Internal Revenue Service. The amount is presented as other non-operating income in the accompanying financial statements.

(15) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2011 and 2010 is as follows:

2011	Estimated Useful Lives in Years	Beginning Balance October 1, 2010	Transfers and Additions	Transfers and Deletions	Balance September 30, 2011
Depreciable:					
Intangible plant	30	$ 4,353,988	$ -	$ -	$ 4,353,988
Steam production plant	25 - 50	92,888,589	5,300	(491,386)	92,402,503
Other production plant	25	254,956,123	128,754	(51,496)	255,033,381
Transmission plant	30 - 45	143,607,262	1,764,754	-	145,372,016
Distribution plant	25 - 45	171,666,920	5,755,027	(1,606,699)	175,815,248
General plant	3 - 60	29,935,562	2,123,941	(361,334)	31,698,169
Production plant under capital lease	20 - 40	171,382,727	-	-	171,382,727
		868,791,171	9,777,776	(2,510,915)	876,058,032
Accumulated depreciation		(383,122,491)	(26,121,870)	506,541	(408,737,820)
		485,668,680	(16,344,094)	(2,004,374)	467,320,212
Non-depreciable:					
Construction work in progress		6,873,135	17,489,318	(10,291,895)	14,070,558
		$ 492,541,815	$ 1,145,224	$ (12,296,269)	$ 481,390,770

2010	Estimated Useful Lives in Years	Beginning Balance October 1, 2009	Transfers and Additions	Transfers and Deletions	Balance September 30, 2010
Depreciable:					
Intangible plant	30	$ 4,353,988	$ -	$ -	$ 4,353,988
Steam production plant	25 - 50	92,703,050	732,786	(547,247)	92,888,589
Other production plant	25	253,686,334	1,715,018	(445,229)	254,956,123
Transmission plant	30 - 45	139,548,593	4,279,746	(221,077)	143,607,262
Distribution plant	25 - 45	165,622,814	6,441,924	(397,818)	171,666,920
General plant	3 - 60	29,606,907	871,297	(542,642)	29,935,562
Production plant under capital lease	20 - 40	171,382,727	-	-	171,382,727
		856,904,413	14,040,771	(2,154,013)	868,791,171
Accumulated depreciation		(355,748,260)	(28,443,290)	1,069,059	(383,122,491)
		501,156,153	(14,402,519)	(1,084,954)	485,668,680
Non-depreciable:					
Construction work in progress		9,950,817	12,986,458	(16,064,140)	6,873,135
		$ 511,106,970	$ (1,416,061)	$ (17,149,094)	$ 492,541,815

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

Schedule 1
Schedule of Sales of Electricity
Years Ended September 30, 2011 and 2010

	2011	2010
Commercial	$ 148,798,483	$ 139,408,993
Residential	112,320,264	101,891,796
Government of Guam	58,863,737	54,466,058
U.S. Navy	71,892,503	69,123,041
	$ 391,874,987	$ 364,889,888

See accompanying independent auditors' report.

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

Schedule 2
Schedule of Operating and Maintenance Expenses
Years Ended September 30, 2011 and 2010

	2011	2010
Administrative and General:		
Salaries and wages:		
Regular pay	$ 4,306,460	$ 4,010,918
Overtime	95,114	70,994
Premium pay	5,033	3,574
Benefits	9,866,645	8,593,074
Total salaries and wages	14,273,252	12,678,560
Insurance	6,021,828	6,390,846
Contract	5,272,087	3,474,115
Retiree COLA/supplemental benefits	2,757,587	2,234,700
Communications	1,316,115	1,365,035
Training	361,001	351,761
Travel	170,831	201,560
Other administrative expenses	161,954	138,152
Operating supplies	137,034	159,652
Trustee fee	124,226	54,333
Overhead allocations	69,163	18,811
Office supplies	57,179	55,111
Completed work orders	(604,547)	47,469
Miscellaneous	314,087	413,432
Total administrative and general	$ 30,431,797	$ 27,583,537
Customer Accounting:		
Salaries and wages:		
Regular pay	$ 1,581,995	$ 1,503,090
Overtime	100,488	75,230
Premium pay	2,017	119
Benefits	101,591	166,422
Total salaries and wages	1,786,091	1,744,861
Collection fee	1,125,410	864,764
Communications	304,957	274,199
Completed work orders	122,368	409,114
Overhead allocations	76,608	52,876
Office supplies	72,781	15,656
Operating supplies	18,443	40,822
Miscellaneous	4,375	1,714
Total customer accounting	$ 3,511,033	$ 3,404,006

See accompanying independent auditors' report.

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

Schedule 2
Schedule of Operating and Maintenance Expenses, Continued
Years Ended September 30, 2011 and 2010

	2011	2010
Fuel:		
Salaries and wages:		
Regular pay	$ 80,791	$ 46,124
Overtime	10,707	8,986
Premium pay	422	253
Total salaries and wages	91,920	55,363
Fuel	230,386,184	212,965,221
Deferred fuel costs	13,233,235	6,840,923
Total fuel costs	$ 243,711,339	$ 219,861,507
Other Production:		
Salaries and wages:		
Regular pay	$ 8,623,561	$ 8,236,183
Overtime	1,192,859	1,400,061
Premium pay	178,743	171,036
Benefits	636,024	1,045,152
Total salaries and wages	10,631,187	10,852,432
Contract	8,284,844	10,004,623
Completed work orders	898,128	1,735,199
Operating supplies	760,875	709,690
Overhead allocations	87,806	193,313
Office supplies	9,687	5,007
Training	-	2,272
Miscellaneous	167,111	167,104
Total other production	$ 20,839,638	$ 23,669,640
Transmission and Distribution:		
Salaries and wages:		
Regular pay	$ 5,386,362	$ 4,873,047
Overtime	806,191	561,680
Premium pay	71,066	53,832
Benefits	457,310	556,655
Total salaries and wages	6,720,929	6,045,214
Overhead allocations	2,179,661	1,539,634
Completed work orders	1,648,381	1,613,128
Contract	972,504	1,180,909
Operating supplies	688,906	828,583
Office supplies	30,129	20,632
Total transmission and distribution	$ 12,240,510	$ 11,228,100

See accompanying independent auditors' report.

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

Schedule 3
Schedule of Salaries and Wages
Years Ended September 30, 2011 and 2010

	2011	2010
Salaries and wages:		
Regular pay	$ 19,979,169	$ 18,669,362
Overtime	2,205,359	2,116,951
Premium pay	257,281	228,814
Benefits	11,061,570	10,361,303
Total salaries and wages	$ 33,503,379	$ 31,376,430

Schedule 4
Employees by Department
Years Ended September 30, 2011 and 2010

	2011	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel
Department:		
Board	2	$ 212,172
Executive	15	782,856
Administration	28	2,209,825
Finance	24	1,877,626
Planning and Regulatory	6	529,284
Property and Facilities	8	494,146
Purchasing and Supply Management	16	683,422
Customer Service	60	2,789,108
Engineering	37	815,670
Generation	188	13,434,387
Strategic Planning and Operation Research and Development	6	597,660
Power System Control Center	24	1,979,575
Transportation	12	189,669
Transmission and Distribution	110	6,715,895
Total full time employees	536	33,311,295
Apprentice and summer engineering		192,084
		$ 33,503,379

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
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)

Schedule 4, Continued
Employees by Department
Years Ended September 30, 2011 and 2010

	2010	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel
Department:		
Board	2	$ 194,896
Executive	14	646,440
Administration	26	2,196,950
Finance	24	1,647,989
Planning and Regulatory	6	452,523
Property and Facilities	10	478,619
Purchasing and Supply Management	16	585,929
Customer Service	59	2,516,470
Engineering	36	620,565
Generation	177	13,020,596
Strategic Planning and Operation Research and Development	6	572,196
Power System Control Center	26	1,722,165
Transportation	13	179,620
Transmission and Distribution	107	5,741,197
Total full time employees	522	30,576,155
Apprentice and summer engineering		800,275
		$ 31,376,430

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.