

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

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

(RESTATED)



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INDEPENDENT AUDITORS' REPORT

Commissioners
Consolidated Commission on Utilities:

Report on Financial Statements

We have audited the accompanying financial statements of Guam Power Authority (GPA), a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Power Authority as of September 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 1 to the financial statements, during the year ended September 30, 2013, GPA has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The 2012 financial statements were restated for the effect of adopting these accounting pronouncements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 8 as well as the Schedule of Funding Progress on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of sales of electricity, operating and maintenance expenses and salaries and wages on pages 40 through 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of sales of electricity, operating and maintenance expenses and salaries and wages are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of sales of electricity, operating and maintenance expenses, and salaries and wages are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of employees by department on page 44 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014 on our consideration of GPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GPA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

March 11, 2014

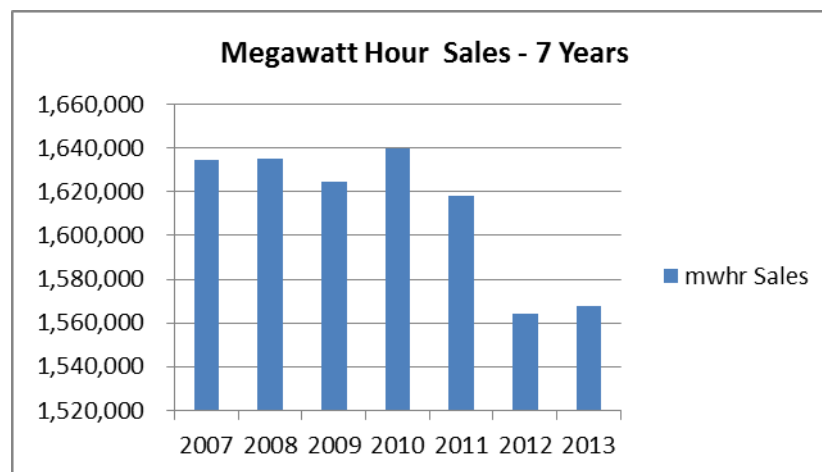
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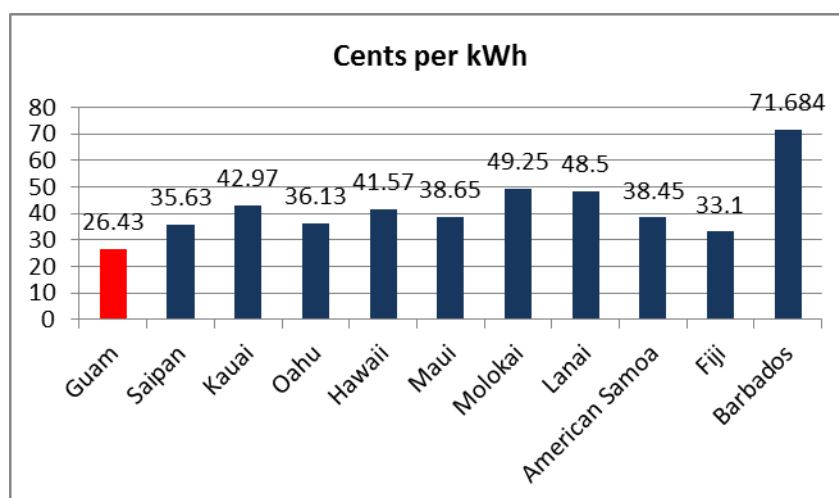
The following is a discussion and analysis of the Guam Power Authority's (GPA or the Authority) financial performance for the fiscal year ended September 30, 2013.

Sales

The biggest issue for the Authority remains sales. As the chart below show, sales grew slightly in Fiscal Year 2013 over Fiscal Year 2012; however, the overall trend remains negative and challenges to the GPA's sales growth remain one of the most significant issues facing the Authority. GPA is facing pressure from high fuel prices which are passed onto consumers through the Levelized Energy Adjustment Clause (LEAC). This has caused many of GPA's customers to take aggressive measures to conserve energy through reduced use and through energy efficient equipment purchases. The high cost of fuel is also making solar energy appear to be a viable alternative to GPA power. We will be addressing that issue later in the report.



As the graph below reveals, GPA's rates remain competitive in comparison to other island utilities; however, this reality is not well appreciated by our customers who are demanding lower cost energy solutions.



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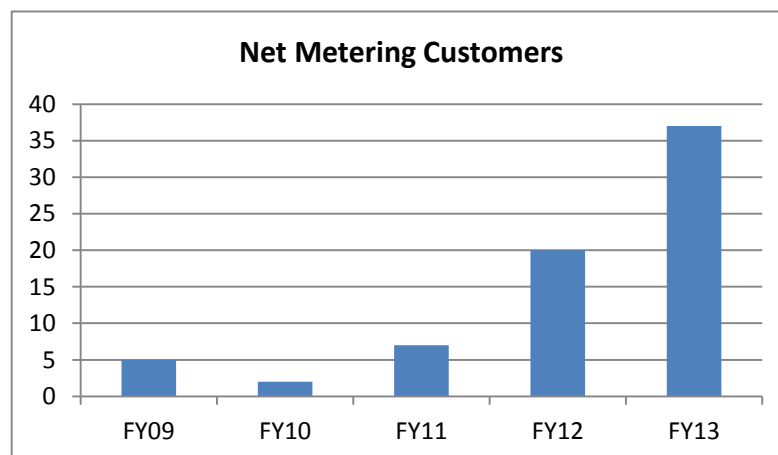
The table below reflects sales by customer class for the last three years:

Annual Electric Sales (Kilowatt hours)

Rate Class	FY2013 to FY2012 Comparison				
	FY2013	FY2012	FY2011	Increase (Decrease)	% Change
Residential	462,163,297	459,499,094	487,230,149	2,664,203	0.58%
Government	179,117,942	187,376,166	194,002,127	(8,258,224)	-4.41%
Commercial	564,977,723	560,879,948	566,545,898	4,097,775	0.73%
Navy	348,150,857	343,711,146	358,016,810	4,439,711	1.29%
Other	12,000,492	12,008,640	12,015,084	(8,148)	-0.07%
Total	1,566,410,311	1,563,474,994	1,617,810,068	2,935,317	0.19%

Solar Energy

GPA implemented a net metering program at the behest of the Guam Legislature in 2008. As is clear from the graph below, the program got off to a slow start. There were only 14 customers in the program during the first three years. In FY12, there were more net metering customers added than there were during the first three years of the program. Then in FY13, there were more customers added than in the first four years of the program. This exponential growth is another factor chipping away at GPA sales.



Like many utilities, GPA is involved in a public relations battle with solar energy providers. GPA believes there is a role for solar energy and is bringing 25 megawatts of solar energy into the grid in the Spring of 2014. However, GPA would like to make sure the amounts paid for solar energy are less than GPA's incremental cost of energy. The problem with net metering is that non-demand customers can eliminate all but the customer charge portion of the bill. That means those customers are not paying their share of costs to keep a transformer near their home, the distribution line to deliver power to their home, the cost to maintain a substation near their home, transmission line costs, and the costs to keep generators available in case the day is cloudy and they need to draw power from GPA. When GPA does not collect these costs from net metering customers, they get re-allocated to the remaining customers. This places an unfair burden on non-net metering customers. GPA is working on a solution to make rates charged to customers more reflective of proper economic signals of the costs of providing power to the island.

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Smart Grid Technology

In July 2009, the Guam Power Authority submitted a grant request to the U.S. Department of Energy (DOE) to implement smart grid technology at the utility. 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, implementing a meter data management system, implementing 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 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. At September 30, 2013, GPA has installed more than 47,000 of the 49,000 meters. Some of the projects were deferred or reduced due to budget constraints. GPA is currently completing the remaining projects and expects the system to be fully installed by the end of Fiscal Year 2014. GPA is already benefitting from the ability to connect and disconnect customers without sending an employee to the service address. This savings has been passed on to customers in the form of lower re-connection charges. GPA is rolling out a prepaid metering program imminently. This rollout will be improved once the new billing system is in place. GPA is also preparing for its E-Portal program which will provide more information to customers regarding their power usage through the internet. The smart grid project has provided a foundation through which many other programs can be added in order to improve operational efficiencies and to empower customers with more information concerning their power use.

Customer Care & Billing

GPA has had an inherent limitation reported in its report of internal controls completed in conjunction with its annual audit. The limitation has to do with audit tracking in its billing system. During the year, GPA purchased from Oracle Corporation the billing software named Customer Care & Billing. The software has been in use in utilities for more than a decade (in earlier versions), was purchased by Oracle and integrated with JDEdwards Enterprise One software which will be implemented by GPA in the near future. GPA is currently using an earlier version of JD Edwards Enterprise Resource Planning software.

GPA's current billing software was implemented in 2005, and although an updated version of the software has been made available to GPA, there have not been sufficient other utilities implementing the software to warrant the significant implementation expense that would be required in order to utilize the updated version. The current software has had a number of limitations that led GPA to desire a new direction for its billing system. Integration with JD Edwards software has also been an issue for GPA.

The new software will enable GPA to offer E-billing, SMS messaging, can be integrated with voice recognition software, and will enable GPA to take better advantage of the data now available from the smart grid project.

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United States Environmental Protection Agency

The United States Environmental Protection Agency (USEPA), under the Clean Air Act, established new rules under National Emission Standards for Hazardous Air Pollutants (NESHAP) for Reciprocating Internal Combustion Engine Maximum Achievable Control Technology (RICE MACT). These new rules require stack emissions control and continuous monitoring system (CPMS) equipment to be installed on all GPA peaking and baseload diesel generators including its Cabras 3&4 and MEC 8&9 slow speed diesel units. The deadline for complying with the rules was May 3, 2013. GPA applied for and received a one year extension for complying with the rules with respect to its small diesel peaking units. There is a project ongoing to bring these units into compliance with the rules. GPA believes the installation will be completed well in advance of the deadline. Furthermore, GPA has engaged the assistance of USEPA along with the U.S. Department of Justice (USDOJ) to negotiate a consent decree that will allow sufficient time to implement recommendations in its IRP. The IRP was approved by the CCU and the PUC. The recommendations in the IRP include new and much more efficient generation; an additional 40-45 MW of renewable energy sources; and the diversification of its fuel source to Liquefied Natural Gas (LNG) and Ultra-Low Sulfur Diesel fuel oil. GPA believes ongoing negotiations with USEPA and USDOJ will defer potential fines post RICE MACT deadlines for the slow speed diesel units.

Liquefied Natural Gas (LNG)

During the year, GPA has continued to develop implementation plans of the Integrated Resources Plan (IRP). The results are indicating that GPA can replace some of its older generation equipment with combined cycle combustion turbine generators. These units are far more efficient than older fuel oil steam units presently in use. Moreover, these combine cycle combustion turbine units can utilize either LNG or Ultra-Low Sulfur diesel fuel oil and provide fuel savings that can pay for the debt service associated with the acquisition of these new units. New combine cycle facilities are planned to be constructed as soon as feasible to achieve fuel savings and improve system reliability. As GPA develops LNG facilities over the next 7-8 years, the combined cycle combustion turbines will utilize Ultra-Low Sulfur diesel fuel oil as an interim and alternative fuel source. LNG implementation is expected to be completed by the year 2022. At that time, all baseload generators will then utilize LNG as the main fuel for power production. GPA is currently exploring the number of new plants to install. The range of costs for the generation facilities and the LNG regasification plant are estimated to be between \$500 - \$800 million, depending on the number of generators to be installed. However, nearly a billion dollars in net present value savings will be achieved over a thirty-year period despite the enormous capital infrastructure cost associated with implementation plans in the IRP.

Rate Activity

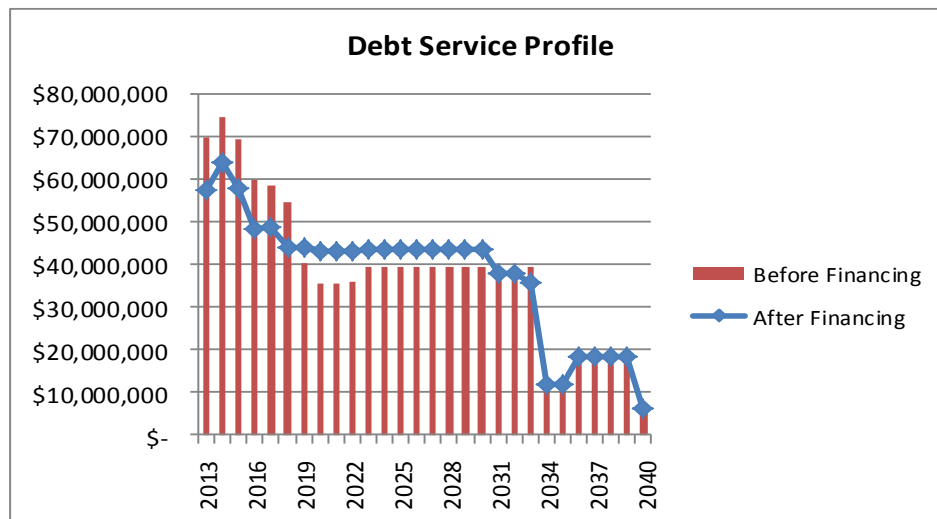
In April 2013, GPA petitioned the Public Utilities Commission (PUC) for a 2.2% rate increase. In September 2013, an increase in the amount of 1.9% was granted. The increase was a part of a financing plan in the petition wherein certain large capital projects were to be funded with a commercial paper issuance. In 2015, the commercial paper would be redeemed through the issuance of a long term bond. The financing strategy was created to minimize the rate increases required during FY14 – GPA's peak year for debt service.

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Borrowing Activities

During 2013, GPA completed a restructuring and refinancing bond issuance. Approximately \$60 million of the bonds were used to restructure GPA's existing bond debt. GPA's debt profile was moving towards a peak in Fiscal Year 2014 of nearly \$75 million before debt service would begin to decline as a result of the tapering off of GPA's short term taxable subordinate debt in 2015 and 2016 and the termination of GPA's Energy Conversion Agreements in 2017-2019. The purpose of the bond restructuring was to flatten out GPA's debt service requirements by reducing the principal payments required for 2012-2018 and increasing the amount of debt service payments required in 2019-2031. The remaining amount of the \$340 million bond issuance was to refinance existing debt at lower rates. The all in cost of the bond issuance was 4.39%. The results of the bond issuance are reflected in the chart below:



GPA also started work on a commercial paper borrowing. During the year, it became apparent that the restoration of GPA's commercial paper program would not be feasible at this time. GPA's underwriter proposed a short term interest only bond issuance to simulate the commercial paper borrowing sought by the Authority. When GPA took the short term bond financing proposal to the Guam Legislature, it became apparent the senators were concerned about rising interest rates between the current period and the takeout date in 2015. The legislature appeared to be more comfortable with a traditional financing. GPA has submitted legislation for a traditional bond financing and is currently awaiting action on the part of that body.

The key projects for which funding is being sought include energy storage solutions, initial funding for the LNG project planning, and RICE MACT compliance costs.

Refer to note 9 to the financial statements for details on GPA's borrowing activities.

Rollback Credit

After securing the reduced debt service costs from the bond refinancing/restructuring, GPA petitioned the Public Utilities Commission for an immediate rollback of the recently instituted base rate increase. The \$9 million rate reduction was provided through the use of a credit surcharge set to run until GPA's FY14 base rate increase petition was decided in October 2013. The surcharge was allowed to expire when GPA's new rates went into effect.

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Future Borrowing

As has been described GPA is planning a financing to fund the combined cycle combustion turbine plants. This financing will likely take place in 2015. GPA is exploring a few projects which may have a financing component including a streetlight replacement project, renewable energy projects, etc.

Military Buildup

There have been indications in the local media regarding the planned military buildup being downsized from an influx of 8,000 Marines to 5,000 Marines as well as a reduction in support staff. GPA is currently not including any military buildup projects in its five year planning horizon. GPA believes it has sufficient generation resources to meet the new demand from the expanded military presence.

Financial Highlights

Table 1 highlights financial comparisons from Fiscal Years 2011 through 2013. Increases in revenues and operating expenses are indicative of increased fuel charges and costs.

Table 1. Financial Data (in millions)

	<u>2013</u>	<u>2012</u> <u>(As Restated)</u>	<u>2011</u> <u>(As Restated)</u>
Assets:			
Current assets	\$ 281.7	\$ 334.2	\$ 351.4
Non-current investments	49.3	45.3	45.2
Other non-current assets	9.9	7.6	10.2
Utility plant	<u>526.7</u>	<u>501.7</u>	<u>484.5</u>
Total assets	867.6	888.8	891.3
Deferred outflows of resources	<u>17.4</u>	<u>12.1</u>	<u>14.6</u>
	\$ <u>885.0</u>	\$ <u>900.9</u>	\$ <u>905.9</u>
Liabilities and Net Position:			
Current liabilities	\$ 75.9	\$ 100.7	\$ 62.7
Non-current liabilities	<u>639.0</u>	<u>644.6</u>	<u>674.1</u>
Total liabilities	714.9	745.3	736.8
Deferred inflows of resources	30.2	20.6	31.6
Net Position:			
Net investment in capital assets	32.0	31.6	12.6
Restricted	28.2	37.9	33.7
Unrestricted	<u>79.7</u>	<u>65.5</u>	<u>91.2</u>
Net position	<u>139.9</u>	<u>135.0</u>	<u>137.5</u>
	\$ <u>885.0</u>	\$ <u>900.9</u>	\$ <u>905.9</u>

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Results of Operations (in millions)

	<u>2013</u>	<u>2012</u> (As Restated)	<u>2011</u> (As Restated)
Revenues	\$ 450.7	\$ 438.7	\$ 393.6
Operating and maintenance expense	<u>417.7</u>	<u>410.3</u>	<u>356.6</u>
Operating earnings	33.0	28.4	37.0
Interest income	2.2	2.8	1.8
Other revenues and (expenses), net	<u>(38.4)</u>	<u>(40.9)</u>	<u>(43.1)</u>
Loss before capital contributions	(3.2)	(9.7)	(4.3)
Capital contributions	<u>8.1</u>	<u>7.2</u>	<u>1.3</u>
Increase (decrease) in net position	\$ <u><u>4.9</u></u>	\$ <u><u>(2.5)</u></u>	\$ <u><u>(3.0)</u></u>

Explanations of Variances

The change in current assets is attributed to the decrease in the Construction Fund which has been drawn down as bond projects are being completed and the Capitalized Interest Fund as capitalized interest has been paid. Another factor is normal timing fluctuations in the Fuel Inventory Account.

Non-current investments changed as a result of the 2012 bond refinancing and restructuring.

Other non-current assets have been declining as the last note receivable from the Government of Guam (the Department of Education) is being paid down. The note was fully paid off during Fiscal Year 2013.

Utility Plant has been growing as bond projects have been completed and moved into this account.

Current liabilities are moderately impacted by lower debt service requirements as a result of the refinancing and restructuring. The remaining significant changes are the result of some timing related fluctuations in other accounts.

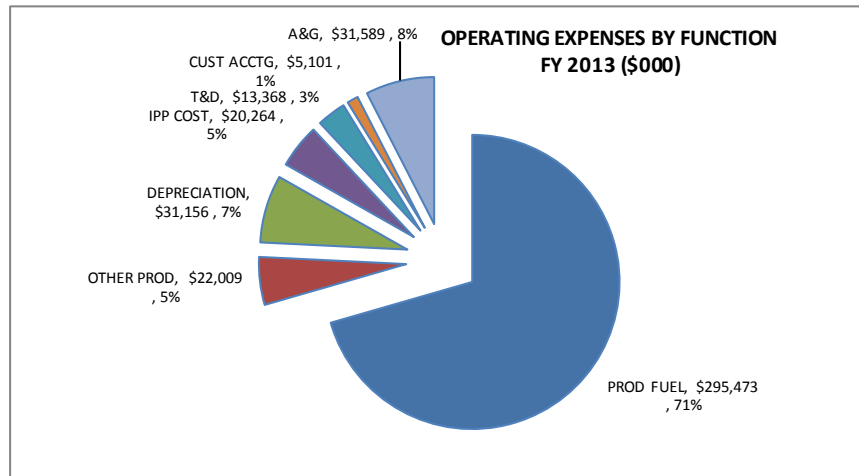
Non-current liabilities have been declining as bond principal payments are made and as the capital lease liability decreases over time. These reductions were offset in FY13 by an increase in bond debt as a result of the refinancing and restructuring plan.

The major factor in the Results of Operations is the impact of fuel. The cost of fuel increased by \$45 million from FY11 to FY12 followed by a more moderate increase of \$7 million in FY13. The recognition of income from the Smart Grid grant (capital contributions) helped improve the bottom line in FY12 and FY13.

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A breakdown of expenses by function is shown in the chart below:



Capital Asset Activities

The largest project of the 2010 bond issuance was the construction of a consolidated office building. The design for the building was substantially completed during FY12. The project was budgeted at \$35 million and construction has begun in the summer of 2013. There was significant progress on the smart grid project during the year – approximately \$30 million of the \$33 million project costs had been incurred as of September 30, 2013. Refer to note 14 to the financial statements for details on GPA's capital asset activities.

Commitments for Capital Expenditures

The \$33.6 million in Smart Grid Funds has been substantially obligated. The last remaining contract was obligated in March 2013. The \$35 million project for the construction of the new consolidated facility has also been fully committed. The remaining commitments are for small projects.

Contacting GPA's Financial Management

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

Management's Discussion and Analysis for the years ended September 30, 2012 and 2011 is set forth in GPA's report on the audit of financial statements which is dated April 8, 2013. That Discussion and Analysis explains in more detail major factors impacting the 2012 and 2011 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.

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Statements of Net Position
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	2013	2012 As Restated (Note 1)
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents:		
Held by trustee for restricted purposes:		
Interest and principal funds	\$ 27,161,855	\$ 36,454,297
Bond indenture funds	105,639,047	135,340,758
Held by Guam Power Authority:		
Bond indenture funds	17,708,196	17,761,703
Self-insurance fund - restricted	13,514,022	14,912,430
Total cash and cash equivalents	<u>164,023,120</u>	<u>204,469,188</u>
Investments held by trustee for restricted purposes	<u>4,845,762</u>	<u>-</u>
Accounts receivable, net	49,939,244	53,415,430
Long-term receivables, net	<u>390,377</u>	<u>2,430,120</u>
Total current receivables	<u>50,329,621</u>	<u>55,845,550</u>
Materials and supplies inventory	19,585,471	18,887,646
Fuel inventory	42,390,454	54,478,801
Prepaid expenses	<u>537,109</u>	<u>501,402</u>
Total current assets	<u>281,711,537</u>	<u>334,182,587</u>
Regulatory assets:		
Cancelled unit, net of amortization	<u>13,479</u>	<u>135,655</u>
Total regulatory assets	<u>13,479</u>	<u>135,655</u>
Utility plant, at cost:		
Depreciable utility plant, net of accumulated depreciation	484,334,813	462,108,109
Non-depreciable utility plant	<u>42,400,142</u>	<u>39,580,837</u>
Total utility plant	<u>526,734,955</u>	<u>501,688,946</u>
Other non-current assets:		
Investments - bond reserve funds held by trustee	49,278,574	45,342,829
Unamortized debt issuance costs	9,492,061	6,851,771
Other assets	<u>417,629</u>	<u>567,935</u>
Total other non-current assets	<u>59,188,264</u>	<u>52,762,535</u>
Total assets	<u>867,648,235</u>	<u>888,769,723</u>
Deferred outflows of resources:		
Unamortized loss on debt refunding	16,084,264	10,701,777
Unamortized forward delivery contract costs	<u>1,274,798</u>	<u>1,434,158</u>
Total deferred outflows of resources	<u>17,359,062</u>	<u>12,135,935</u>
	<u>\$ 885,007,297</u>	<u>\$ 900,905,658</u>

See accompanying notes to financial statements.

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Statements of Net Position, Continued
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<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>	<u>2013</u>	<u>2012 As Restated (Note 1)</u>
Current liabilities:		
Current maturities of long-term debt	\$ 12,310,000	\$ 20,815,000
Current obligations under capital leases	13,064,559	11,562,495
Accounts payable:		
Operations	22,688,570	25,995,634
Fuel	1,513,311	11,644,467
Forward delivery agreement	-	3,574,285
Self-insurance claim	448,480	1,142,970
Accrued payroll and employees' benefits	1,077,440	1,023,252
Current portion of employees' annual leave	2,078,481	2,263,391
Interest payable	14,689,852	16,007,423
Customer deposits	8,041,970	6,638,156
Total current liabilities	<u>75,912,663</u>	<u>100,667,073</u>
Regulatory liabilities:		
Provision for self-insurance	<u>12,980,814</u>	<u>13,887,062</u>
Total regulatory liabilities	<u>12,980,814</u>	<u>13,887,062</u>
Long-term debt, net of current maturities	545,937,741	538,485,569
Obligations under capital leases, net of current portion	73,203,679	86,267,770
DCRS sick leave liability	2,582,611	2,274,481
Employees' annual leave, net of current portion	1,112,489	619,029
Customer advances for construction	<u>3,149,507</u>	<u>3,100,295</u>
Total liabilities	<u>714,879,504</u>	<u>745,301,279</u>
Deferred inflows of resources:		
Unearned fuel revenue, net	25,208,323	15,195,623
Unearned forward delivery contract revenue	4,672,141	5,256,159
Other unearned revenues	<u>357,000</u>	<u>142,800</u>
Total deferred inflows of resources	<u>30,237,464</u>	<u>20,594,582</u>
Commitments and contingencies		
Net Position:		
Net investment in capital assets	32,028,800	31,683,250
Restricted	28,147,598	37,851,489
Unrestricted	<u>79,713,931</u>	<u>65,475,058</u>
Total net position	<u>139,890,329</u>	<u>135,009,797</u>
	<u>\$ 885,007,297</u>	<u>\$ 900,905,658</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013 and 2012

	2013	2012 As Restated (Note 1)
Revenues:		
Sales of electricity	\$ 449,029,377	\$ 438,111,537
Miscellaneous	2,926,573	1,915,786
	451,955,950	440,027,323
Bad debt expense	(1,222,905)	(1,354,894)
Total revenues	450,733,045	438,672,429
Operating and maintenance expenses:		
Production fuel	295,472,656	288,602,256
Other production	22,009,288	24,990,683
	317,481,944	313,592,939
Administrative and general	31,589,477	31,377,717
Depreciation and amortization	31,155,714	28,954,754
Energy conversion costs	20,263,958	19,937,105
Transmission and distribution	13,367,775	12,716,911
Customer accounting	3,878,455	3,675,895
Total operating and maintenance expenses	417,737,323	410,255,321
Operating earnings	32,995,722	28,417,108
Non-operating revenues (expense):		
Allowance for funds used during construction	4,671,155	4,987,676
Interest revenue	2,150,244	2,775,819
Grants from the United States (U.S.) Government for GovGuam related projects	3,218,460	8,425,572
Cost of GovGuam related projects funded by grants from the U.S. Government	(3,218,460)	(8,425,572)
Interest expense	(41,254,435)	(45,272,108)
Bond issuance costs	(1,594,168)	(262,516)
Other expense	(220,504)	(299,204)
Total non-operating revenues (expense), net	(36,247,708)	(38,070,333)
Loss before capital contributions	(3,251,986)	(9,653,225)
Capital contributions:		
Grants from the U.S. Government	8,132,518	7,208,246
Change in net position	4,880,532	(2,444,979)
Net position at beginning of year	135,009,797	137,454,776
Net position at end of year	\$ 139,890,329	\$ 135,009,797

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2013 and 2012

<u>Increase (decrease) in cash and cash equivalents</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 486,924,532	\$ 455,247,907
Cash payments to suppliers for goods and services	(369,580,391)	(341,368,136)
Cash payments to employees for services	(38,023,871)	(34,314,554)
Cash payments for retiree benefits	(2,748,420)	(2,797,254)
Net cash provided by operating activities	<u>76,571,850</u>	<u>76,767,963</u>
Cash flows from investing activities:		
Interest and dividends on investments and bank accounts	1,413,749	1,843,340
Payment of forward delivery agreement	(3,574,285)	-
Deposits to escrow fund	(8,781,507)	-
Net cash (used in) provided by investing activities	<u>(10,942,043)</u>	<u>1,843,340</u>
Cash flows from non-capital financing activities:		
Receipts from the federal government	3,926,819	8,425,572
Self insurance fund receipts net of disbursements	(906,248)	3,741,355
Proceeds from issuance of 2012 bonds	3,574,285	-
Interest paid on forward delivery agreement and deposits	(122,942)	(143,587)
Payment of self-insurance claim	(694,490)	-
Cost of GovGuam related projects funded by grants from the U.S. Government	(3,171,270)	(8,425,572)
Net cash provided by non-capital financing activities	<u>2,606,154</u>	<u>3,597,768</u>
Cash flows from capital and related financing activities:		
Receipts from the federal government	11,142,025	2,844,509
Proceeds from issuance of 2012 bonds	14,514,421	-
Cost of issuance of 2012 bonds	(7,778,590)	(262,516)
Interest paid on capital leases	(11,522,276)	(12,848,830)
Principal paid on capital leases	(11,562,027)	(10,235,475)
Principal paid on long-term debt	(20,815,000)	(12,640,000)
Interest paid on long-term debt	(26,261,162)	(25,960,200)
Additions to utility plant	(56,399,420)	(46,336,933)
Net cash used in capital and related financing activities	<u>(108,682,029)</u>	<u>(105,439,445)</u>
Net change in cash and cash equivalents	(40,446,068)	(23,230,374)
Cash and cash equivalents at beginning of year	<u>204,469,188</u>	<u>227,699,562</u>
Cash and cash equivalents at end of year	<u>\$ 164,023,120</u>	<u>\$ 204,469,188</u>
Supplemental information on noncash activities:		
Proceeds from the issuance of 2012 bonds	\$ 358,502,697	\$ -
Refunding of the 1993 and 1999 bonds	(358,502,697)	-
	<u>\$ -</u>	<u>\$ -</u>
Accounts payable - forward delivery agreement	\$ -	\$ (3,574,285)
Unamortized forward delivery contract costs	-	(1,434,159)
Unearned forward delivery contract revenue	-	5,256,159
Interest revenue	-	(247,715)
	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows, Continued
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Reconciliation of operating earnings to net cash provided by operating activities:</u>		
Operating earnings	\$ 32,995,722	\$ 28,417,108
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	31,155,714	28,954,754
Bad debts	1,222,905	1,354,894
(Increase) decrease in assets:		
Accounts receivable	(1,042,936)	(2,985,532)
Long-term receivables	1,822,750	2,262,958
Materials and supplies inventory	(697,825)	(4,025,913)
Fuel inventory	12,088,347	2,653,442
Prepaid expenses	(35,707)	285,679
Other assets	150,306	154,648
Increase (decrease) in liabilities:		
Accounts payable - fuel	(10,131,156)	10,117,559
Accounts payable - operations	(3,307,064)	13,390,779
Customer deposits	1,403,814	453,154
Customer advances for construction	49,212	7,269
Unearned fuel revenue	10,012,700	(5,283,591)
Other unearned revenues	214,200	142,800
Accrued payroll and employees' benefits	54,188	650,661
Employees' annual and sick leave	616,680	217,294
Net cash provided by operating activities	<u>\$ 76,571,850</u>	<u>\$ 76,767,963</u>

See accompanying notes to financial statements.

GUAM POWER AUTHORITY
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Notes to Financial Statements
September 30, 2013 and 2012

(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 (CSA). 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.

Accounting Estimates

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

Taxes

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents 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.

GPA carries its investments at fair values. 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.

GUAM POWER AUTHORITY
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Notes to Financial Statements
September 30, 2013 and 2012

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

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 has a rating in the highest classification by S&P and Moody's; and money market funds rated AAAM or better by S&P.

Allowance for Doubtful Receivables

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

Inventory Valuation

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

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.

GUAM POWER AUTHORITY
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Notes to Financial Statements
September 30, 2013 and 2012

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

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. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement.

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

Forward Delivery Contract Costs and Revenues

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

Unamortized Debt Issuance Costs

Unamortized debt issuance costs mainly include insurance costs related to the issuance of the Series 2010 and 2012 bonds and the Series 1993, 1999 and 2010 bonds as of September 30, 2013 and 2012, respectively. These costs are being amortized using the effective interest method over the life of the applicable debt.

Net Position

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

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

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

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

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

All of GPA's restricted net position is expendable.

GUAM POWER AUTHORITY
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Notes to Financial Statements
September 30, 2013 and 2012

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

Sales of Electricity

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

Operating and Non-Operating Revenue and Expenses

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Levelized Energy Adjustment Clause

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

GPA also bills customers fuel surcharges to recover the cost difference between fuel inventory on hand against a base year. The under or over recovery of the fuel inventory cost difference is included as part of unrecovered fuel cost or unearned fuel revenue, in the accompanying statements of net position.

Derivative Instruments

GPA is exposed to market price fluctuations on its purchases of fuel oil. GPA uses derivatives such as commodity swaps to protect itself from increases in market prices. GPA records commodity swap agreements associated with its fuel oil hedging activities at fair value with gains and losses recognized in operations in the statement of revenues, expenses and changes in net position. The fair value of outstanding commodity swaps at year-end is included as a component of the LEAC and is recorded as part of unrecovered fuel cost or unearned fuel revenue, respectively, in the accompanying statements of net position.

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Notes to Financial Statements
September 30, 2013 and 2012

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

Derivative Instruments, Continued

GPA's power purchase agreements are considered "normal purchases and normal sales" and accordingly, the operations and maintenance portions of GPA's energy conversion agreements (see note 6) are not recognized in the statements of net position. Operations and maintenance costs associated with the power purchase agreements are expensed as incurred with the independent power producers.

Allowance for Funds Used During Construction

The allowance for funds used during construction (AFUDC) is provided only for construction projects of more than \$50,000, which require a minimum of 90 days to complete. AFUDC is computed using the interest expense on directly assignable borrowings to finance the projects less interest income on the related unused borrowings which have been invested. AFUDC is provided only during the period in which such projects are undergoing activities to prepare them for their intended use. AFUDC of \$4,671,155 and \$4,987,676 was recognized during the years ended September 30, 2013 and 2012, respectively.

New Accounting Standards

During the year ended September 30, 2013, GPA implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved 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 implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced 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 issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The implementation of this statement did not have a material effect on the accompanying financial statements.

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Notes to Financial Statements
September 30, 2013 and 2012

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

New Accounting Standards, Continued

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

The effect on the financial statements of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is as follows:

Net position as of September 30, 2011, as originally reported	\$ 139,599,884
Reversal of deferred bond issuance cost	(1,985,905)
Reversal of amortization of deferred bond issuance cost	<u>(159,203)</u>
Net position as of September 30, 2011, as restated	\$ <u>137,454,776</u>
 Change in net position for the year ended September 30, 2012, as originally reported	 \$ (2,341,666)
Reversal of deferred bond issuance cost	(262,516)
Reversal of amortization of deferred bond issuance cost	<u>159,203</u>
Change in net position for the year ended September 30, 2012, as restated	\$ <u>(2,444,979)</u>
 Long-term debt, net of current maturities for the year ended September 30, 2012, as originally reported	 \$ 527,783,792
Unamortized loss on debt refunding for the year ended September 30, 2012	<u>10,701,777</u>
Long-term debt as of September 30, 2012, as restated	\$ <u>538,485,569</u>

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of GPA.

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Notes to Financial Statements
September 30, 2013 and 2012

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

New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements, but is of the opinion that Statement No. 68 will materially impact GPA's financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of GPA.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of GPA.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to correspond to the 2013 presentation.

(2) Cash, Cash Equivalents and Investments

The bond indenture agreements for the 1993, 1999, 2010, and 2012 series revenue bonds (note 9) 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.

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Notes to Financial Statements
September 30, 2013 and 2012

(2) Cash, Cash Equivalents and Investments, Continued

At September 30, 2013 and 2012, cash and cash equivalents and short-term investments held by trustees and by GPA in these funds and accounts are as follows:

	2013				
	Held By Trustees		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Self Insurance Fund	Bond Indenture Funds	Total
Construction funds	\$ -	\$ 75,560,736	\$ -	\$ -	\$ 75,560,736
Interest and principal funds	27,161,855	-	-	-	27,161,855
Bond funds	-	541,185	-	-	541,185
Working capital funds	-	29,537,126	-	-	29,537,126
Self-insurance fund	-	-	13,514,022	-	13,514,022
Revenue funds	-	-	-	6,086,427	6,086,427
Operating funds	-	-	-	10,843,457	10,843,457
Surplus funds	-	-	-	778,312	778,312
	\$ 27,161,855	\$ 105,639,047	\$ 13,514,022	\$ 17,708,196	\$ 164,023,120

	2012				
	Held By Trustees		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Self Insurance Fund	Bond Indenture Funds	Total
Construction funds	\$ -	\$ 99,062,970	\$ -	\$ -	\$ 99,062,970
Interest and principal funds	36,454,297	-	-	-	36,454,297
Bond funds	-	5,543,818	-	-	5,543,818
Working capital funds	-	30,733,970	-	-	30,733,970
Self-insurance fund	-	-	14,912,430	-	14,912,430
Revenue funds	-	-	-	7,698,429	7,698,429
Operating funds	-	-	-	9,583,062	9,583,062
Surplus funds	-	-	-	480,212	480,212
	\$ 36,454,297	\$ 135,340,758	\$ 14,912,430	\$ 17,761,703	\$ 204,469,188

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

A. Cash and Cash Equivalents

As of September 30, 2013 and 2012, the carrying amount of GPA's total cash and cash equivalents and time certificates of deposit was \$164,023,120 and \$204,469,188, respectively, and the corresponding bank balances were \$165,023,906 and \$203,842,561, respectively. Of the bank balance amount as of September 30, 2013 and 2012, \$22,197,324 and \$15,256,596 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance.

GUAM POWER AUTHORITY
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Notes to Financial Statements
September 30, 2013 and 2012

(2) Cash, Cash Equivalents and Investments, Continued

A. Cash and Cash Equivalents, Continued

As of September 30, 2013 and 2012, bank deposits in the amount of \$950,535 and \$1,221,124, respectively, were FDIC insured. Bank balances as of September 30, 2013 and 2012, also include \$142,826,582 and \$188,585,965, 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, 2013 and 2012, \$21,246,789 and \$14,035,472, respectively, of cash and cash equivalents are subject to custodial credit risk.

B. Investments

As of September 30, 2013, GPA's investments were as follows:

	<u>Amount</u>	<u>Maturity</u>	<u>S&P or Moody's Rating</u>
Bond Reserve Funds:			
Natixis Funding Corp. Guaranteed Investment Certificate (GIC)	\$ 12,028,872	October 1, 2015	A2
Fortis Funding LLC (GIC)	13,742,000	October 1, 2013	P-1
US Bank Money Market Account (cash equivalents)	<u>23,507,702</u>	-	-
	<u>\$ 49,278,574</u>		
Bond Fund:			
Federated Government Ultrashort Duration Fund (mutual fund)	\$ <u>4,845,762</u>	-	-

As of September 30, 2012, GPA's investments were as follows:

	<u>Amount</u>	<u>Maturity</u>	<u>S&P or Moody's Rating</u>
Bond Reserve Funds:			
General Electric Capital Corporation Commercial Paper (CP)	\$ 13,743,000	October 1, 2012	A1
Natixis U.S. Finance Company, LLC (CP)	13,742,000	October 1, 2012	P-1
Natixis Funding Corp. Guaranteed Investment Certificate	12,028,872	October 1, 2015	A2
First American Treasury (cash equivalents)	3,269	-	-
US Bank Money Market Account (cash equivalents)	<u>5,825,688</u>	-	-
	<u>\$ 45,342,829</u>		

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

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(2) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

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

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investment in any one issuer that represents five percent (5%) or more of total of investments for GPA. As of September 30, 2013, GPA's investments that exceeded 5% of total investments are as follows: US Bank (43.43%), Fortis Funding LLC (25.39%), and Natixis Funding Corp. (22.22%). As of September 30, 2012, GPA's investments that exceeded 5% of total investments are as follows: General Electric Capital Corporation (30.31%), Natixis U.S. Finance Company, LLC CP (30.31%), Natixis Funding Corp. (26.53%), and US Bank (12.85%).

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.

(3) Receivables

Accounts receivable at September 30, 2013 and 2012, are summarized as follows:

	<u>2013</u>	<u>2012</u>
Customers:		
Private	\$ 37,429,523	\$ 36,576,672
Government	<u>9,282,086</u>	<u>6,906,764</u>
	46,711,609	43,483,436
U.S. Navy	5,480,577	6,839,697
U.S. Federal Government	979,948	4,745,004
Interest	343,392	190,914
Others	<u>2,508,198</u>	<u>2,939,329</u>
	56,023,724	58,198,380
Less allowance for doubtful receivables	<u>(6,084,480)</u>	<u>(4,782,950)</u>
	<u>\$ 49,939,244</u>	<u>\$ 53,415,430</u>

Unbilled accounts receivable included above amounted to \$10,200,524 and \$10,009,988 at September 30, 2013 and 2012, respectively.

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(3) Receivables, Continued

Long-Term Receivables

As of September 30, 2013, long-term receivables include an uncollateralized note receivable from the GovGuam Department of Public Works (DPW), due in 60 monthly installments of \$75,000, beginning May 2002. The note bears interest at 4.35%, per annum with the final installment payment due in April 2007. Long-term receivables also include a non-interest bearing receivable due from Guam Waterworks Authority (GWA) under a memorandum of understanding (see note 12), with monthly installments of \$25,688 starting October 2009. As of September 30, 2013 and 2012, receivables from DPW and GWA are \$390,377 and \$216,993, respectively, with the balance with GWA fully provided with an allowance as of September 30, 2013.

In 2004, GPA entered into an installment payment agreement with Guam Department of Education resulting from conversion of past due receivables payable in varying amounts starting in July 2004 with interest at 4.47% per annum. The note had a balance of \$1,822,750 at September 30, 2012 that was fully collected in July 2013.

(4) Levelized Energy Adjustment Clause

The under or over recoveries of fuel oil costs including the fair value of outstanding commodity swap agreements at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Unrecovered fuel costs:		
Under recovery of fuel costs during the year	\$ <u> -</u>	\$ <u>5,427,903</u>
Unearned fuel revenue:		
Over recovery of fuel costs during the year	2,699,481	-
Cumulative effect of inventory cost change	<u>22,508,842</u>	<u>20,623,526</u>
Total unearned fuel revenue	<u>25,208,323</u>	<u>20,623,526</u>
Unearned fuel revenue, net	\$ <u>25,208,323</u>	\$ <u>15,195,623</u>

The cumulative effect of inventory cost change resulting from the difference between fuel inventory on hand against a base year is as follows:

	<u>2013</u>	<u>2012</u>
Cumulative effect of inventory cost change, beginning of year	\$ 20,623,526	\$ 24,040,065
Inventory cost change during the year	<u>1,885,316</u>	<u>(3,416,539)</u>
Cumulative effect of inventory cost change	\$ <u>22,508,842</u>	\$ <u>20,623,526</u>

(5) Derivatives

At September 30, 2012, GPA has outstanding commodity swaps of notional amounts of 90,000 metric tons of low sulfur and high sulfur fuel oil. Payment is based on current spot prices at the settlement date.

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(5) Derivatives, Continued

At September 30, 2012, the commodity swaps had a net positive fair value of approximately \$1,112,000 which is recorded as a component of under or over recoveries of fuel costs as discussed in note 4. At September 30, 2012, there are four counterparties, rated as P-2, A1, A3, and Baa1 by Moody's. GPA did not have outstanding commodity swap agreements at September 30, 2013.

(6) 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, 2013 and 2012, 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 (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 5, GPA enters into commodity swaps only with highly rated counterparties.

(7) 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 and purchase fuel for the plants.

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

At September 30, 2013 and 2012, the costs of the plant and plant improvements are \$171,382,727 and accumulated depreciation is \$70,444,342 and \$65,759,774, respectively, which are presented as part of depreciable utility plant in the accompanying statements of net position. The leases have effective interest rates ranging from 8.6% to 14.2%. Future capacity payments under these agreements are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amount</u>
2014	\$ 13,064,559	\$ 10,019,745	\$ 23,084,304
2015	14,765,627	8,318,677	23,084,304
2016	16,692,419	6,391,885	23,084,304
2017	18,875,274	4,209,030	23,084,304
2018	16,950,423	1,934,418	18,884,841
2019	<u>5,919,936</u>	<u>159,673</u>	<u>6,079,609</u>
	\$ <u>86,268,238</u>	\$ <u>31,033,428</u>	\$ <u>117,301,666</u>

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(8) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

GPA participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, required 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.

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, 2011, 2010, and 2009, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2013, 2012 and 2011, respectively, have been determined as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal costs (% of DB Plan payroll)	17.52%	17.07%	17.00%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>8.02%</u>	<u>7.57%</u>	<u>7.50%</u>
Employer portion of normal costs (% of total payroll)	3.00%	3.03%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.33%</u>	<u>23.75%</u>	<u>21.75%</u>
Government contribution as a % of total payroll	<u>27.33%</u>	<u>26.78%</u>	<u>24.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.09%</u>	<u>28.30%</u>	<u>27.46%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GPA's contributions to the DB Plan for the years ended September 30, 2013, 2012 and 2011 were \$3,311,501, \$3,142,095 and \$3,001,267, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Retirement System (DCRS)

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.

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(8) Employees' Retirement Plan, Continued

Defined Contribution Retirement System (DCRS), Continued

Statutory employer contributions for participants in the DCRS plan for the years ended September 30, 2013, 2012 and 2011 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only an amount equivalent to 5% of the member's regular pay is deposited into the member's individual investment account in the DCRS. The remaining amount is contributed towards the unfunded liability of the DB Plan.

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

GPA's contributions for participants in the DCRS plan for the years ended September 30, 2013, 2012 and 2011 were \$5,052,969, \$4,576,734, and \$4,141,724, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$4,240,804, \$3,798,237 and \$3,415,577 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2013, 2012 and 2011, respectively.

GPA has accrued an estimated liability of \$2,582,611 and \$2,274,481 at September 30, 2013 and 2012, respectively, for potential future sick leave payments pursuant to Public Law 26-86 (note 1). However, this amount is an estimate and actual payout may be materially different than estimated.

Other Post-Employment Benefits

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, 2013, 2012 and 2011, GPA reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Supplemental benefits	\$ 864,907	\$ 861,618	\$ 746,609
Medical and dental	<u>1,883,513</u>	<u>1,935,636</u>	<u>2,010,978</u>
	<u>\$ 2,748,420</u>	<u>\$ 2,797,254</u>	<u>\$ 2,757,587</u>

Contributions to the OPEB plan for the years ended September 30, 2013, 2012 and 2011 were equivalent to the statutorily required contributions for those years.

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Notes to Financial Statements
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(9) Noncurrent Liabilities

A. Long-term debt

Long-term debt at September 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
2012 Series Senior Revenue Bonds, initial face value of \$340,620,000, interest at varying rates from 2.98% to 5.0% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$110,000 in October 2014, increasing to a maximum payment of \$25,630,000 in October 2031, with a final payment of \$24,485,000 in October 2034.	\$ 340,620,000	\$ -
2010 Series Senior Revenue Bonds, initial face value of \$150,440,000, interest at varying rates from 5.0% to 5.5% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$225,000 in October 2022, increasing to \$17,215,000 in October 2040.	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 semi-annually 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.	39,500,000	51,680,000
1999 Series Revenue Bonds, initial face value of \$349,178,601, interest at varying rates from 5.0% to 5.25% per annum payable semi-annually 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.	-	304,595,000
1993 Series Revenue Bonds, initial face value of \$100,000,000, interest at 5.25% per annum payable semi-annually in October and April, principal and mandatory sinking fund payments payable in varying annual installments commencing with a payment of \$1,725,000 in October 1996, increasing to \$6,535,000 in October 2023.	-	60,090,000
	530,560,000	566,805,000
Less current maturities	<u>(12,310,000)</u>	<u>(20,815,000)</u>
	518,250,000	545,990,000
Add premium on 2012 bonds at September 30, 2013	31,497,387	-
Less discount on 2010 Senior and Subordinate bonds and 2010 Senior and Subordinate, 1999 Senior, and 1993 Senior bonds at September 30, 2013 and 2012, respectively	<u>(3,809,646)</u>	<u>(7,504,431)</u>
Total bonds	\$ <u>545,937,741</u>	\$ <u>538,485,569</u>

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Notes to Financial Statements
September 30, 2013 and 2012

(9) Noncurrent Liabilities, Continued

A. Long-term debt, Continued

Proceeds of the 1993 Series Revenue Bonds 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 were used to finance 1999 projects; to retire \$45 million in tax exempt commercial paper notes; to retire GPA's 1992 and 1994 series bonds; and to pay the amount due on the 1993 bonds totaling \$1,950,000.

Proceeds of the 2010 Series Senior Revenue Bonds 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 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.

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

As of September 30, 2013, future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 12,310,000	\$ 27,962,900	\$ 40,272,900
2015	13,600,000	27,039,975	40,639,975
2016	14,265,000	26,045,630	40,310,630
2017	115,000	24,980,630	25,095,630
2018	470,000	24,971,850	25,441,850
2019 through 2023	74,535,000	117,881,300	192,416,300
2024 through 2028	122,865,000	91,792,075	214,657,075
2029 through 2033	145,670,000	57,081,900	202,751,900
2034 through 2038	97,735,000	24,710,375	122,445,375
2039 through 2041	<u>48,995,000</u>	<u>5,485,700</u>	<u>54,480,700</u>
	<u>\$ 530,560,000</u>	<u>\$ 427,952,335</u>	<u>\$ 958,512,335</u>

All gross revenues of GPA have been pledged to repay the 2010 and 2012 series bond principal and interest and the 1993, 1999 and 2010 series bond principal and interest at September 30, 2013 and 2012, respectively. The debt service for the 2010 and 2012 series bonds and the 1993, 1999 and 2010 series bonds was \$39,471,114 and \$39,072,313 or approximately 8.7% and 8.9% of pledged gross revenues, for the years ended September 30, 2013 and 2012, respectively.

Premium and discounts associated with the 2010 and 2012 bond series and the 1993, 1999 and 2010 bond series at September 30, 2013 and 2012, respectively, are being amortized on the effective interest method over the life of the applicable debt.

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Notes to Financial Statements
September 30, 2013 and 2012

(9) Noncurrent Liabilities, Continued

A. Long-term debt, Continued

Debt Refunding

Part of the proceeds of the 1999 Series bonds were used to retire the 1992 and 1994 series bonds with a total principal outstanding of \$143,660,000 and \$99,820,000, respectively. 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.

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

The loss on refunding of the 1993 and 1999 Series bonds has been amortized using the effective interest method over the average remaining life of the 1993 and 1999 bonds which approximated the average life of the 2012 Series bonds. The loss on refunding of the 1992 and 1994 Series bonds has been amortized on a straight line basis, which approximates the effective interest method, over the remaining life of the 1992 and 1994 bonds. The unamortized balance of the loss refunding of the 1993 and 1999 Series bonds and the 1992 and 1994 Series bonds is \$16,084,264 and \$10,701,777 as of September 30, 2013 and 2012, respectively.

Forward Delivery Contract

On September 28, 2000, GPA entered into Bond Reserve Fund Forward Delivery Agreements (the agreements) with Lehman Brothers and Bank of America. In connection with the agreements, GPA received cash of \$13.5 million in October 2000, representing the present value of interest income on certain invested bond proceeds. Based on the terms of the agreements, gross proceeds totaled \$17,521,029 while GPA incurred termination fees and closing costs totaling \$3,530,000 and \$1,250,000, respectively. The \$13.5 million in net proceeds included \$759,500 of interest income earned as of the closing dates of the agreements. The gross proceeds, termination fees and closing costs have been deferred and amortized on a straight line basis over the average remaining life of the 1993 and 1999 bonds. The gross proceeds, net of amortization, are reflected as unearned forward delivery contract revenue in the accompanying statements of net position.

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Notes to Financial Statements
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(9) Noncurrent Liabilities, Continued

A. Long-term debt, Continued

The termination fees and closing costs amortization are reflected as unamortized forward delivery contract costs in the accompanying statements of net position. The amortization of forward delivery contract revenues and costs is reflected as components of interest income and interest expense, respectively, in the accompanying statements of revenues, expenses and changes in net position.

On September 26, 2012, GPA entered into an agreement to terminate the portion of the Bond Reserve Fund Forward Delivery Agreement attributable to Lehman Brothers. As a result of the termination, GPA wrote off \$1,434,159 and \$5,256,159 in unamortized costs and unearned revenues, respectively, and recognized a liability of \$3,574,285 for the settlement amount presented as accounts payable – forward delivery agreement in the accompanying statements of net position. The transaction also resulted in a gain of \$247,715 which is recorded as part of interest revenue in the accompanying statements of revenues, expenses and changes in net position for the year ended September 30, 2012.

The following summarizes the unamortized costs and unearned revenues on the forward delivery contract at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unearned forward delivery contract revenues	\$ 8,760,514	\$ 8,760,514
Accumulated amortization	<u>(4,088,373)</u>	<u>(3,504,355)</u>
	<u>\$ 4,672,141</u>	<u>\$ 5,256,159</u>
Unamortized forward delivery contract costs	\$ 2,390,265	\$ 2,390,265
Accumulated amortization	<u>(1,115,467)</u>	<u>(956,107)</u>
	<u>\$ 1,274,798</u>	<u>\$ 1,434,158</u>

B. Long-term liabilities

Changes in long-term liabilities are as follows:

	<u>Outstanding</u> <u>October 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding</u> <u>September 30, 2013</u>	<u>Current</u>
1993 Series bonds	\$ 60,090,000	\$ -	\$ (60,090,000)	\$ -	\$ -
1999 Series bonds	304,595,000	-	(304,595,000)	-	-
2010 Series Senior bonds	150,440,000	-	-	150,440,000	-
2010 Series Subordinate bonds	51,680,000	-	(12,180,000)	39,500,000	12,200,000
2012 Series Senior bonds	-	340,620,000	-	340,620,000	110,000
Unamortized premium on bonds	-	33,518,707	(2,021,320)	31,497,387	-
Unamortized discount on bonds	(7,504,431)	-	3,694,785	(3,809,646)	-
Obligations under capital leases	97,830,265	-	(11,562,027)	86,268,238	13,064,559
DCRS sick leave liability	2,274,481	308,130	-	2,582,611	-
Employees annual leave	2,882,420	1,898,207	(1,589,657)	3,190,970	2,078,481
Customer advances for construction	<u>3,100,295</u>	<u>49,212</u>	<u>-</u>	<u>3,149,507</u>	<u>-</u>
	<u>\$ 665,388,030</u>	<u>\$ 376,394,256</u>	<u>\$ (388,343,219)</u>	<u>\$ 653,439,067</u>	<u>\$ 27,453,040</u>

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(9) Noncurrent Liabilities, Continued

Long-term liabilities, Continued

	Outstanding October 1, 2011	Increases	Decreases	Outstanding September 30, 2012	Current
1993 Series bonds	\$ 63,625,000	\$ -	\$ (3,535,000)	\$ 60,090,000	\$ 3,720,000
1999 Series bonds	309,265,000	-	(4,670,000)	304,595,000	4,915,000
2010 Series Senior bonds	150,440,000	-	-	150,440,000	-
2010 Series Subordinate bonds	56,115,000	-	(4,435,000)	51,680,000	12,180,000
Unamortized discount on bonds	(7,757,396)	-	252,965	(7,504,431)	-
Obligations under capital leases	108,065,740	-	(10,235,475)	97,830,265	11,562,495
DCRS sick leave liability	2,012,318	262,163	-	2,274,481	-
Employees annual leave	2,927,289	2,125,894	(2,170,763)	2,882,420	2,263,391
Customer advances for construction	3,093,026	9,338	(2,069)	3,100,295	-
	<u>\$ 687,785,977</u>	<u>\$ 2,397,395</u>	<u>\$ (24,795,342)</u>	<u>\$ 665,388,030</u>	<u>\$ 34,640,886</u>

(10) Agreements with the United States Navy

On September 15, 1996, a lease agreement was entered into between GPA and the 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.

In July 2012, the CSA was revised to cover the proposed military buildup, rate setting methodology, and the inclusion of real estate assets as part of the transfer of facilities. The agreement is for ten years with no option for renewal. Salient components of the CSA include maintaining GPA as the only service provider to the Navy, continuation of asset transfers under the terms and conditions previously set in the CSA, calculation of rates in accordance with the methodology approved by the PUC, GPA's continued use of the Navy's assets and real property and allowable use of Navy easements and facilities to serve GPA's customers when necessary, continuance of weekly fuel payments by the Navy, maintenance of a minimum contract demand with no maximum demand provision, and payment within fifteen days of electric billing by the Navy, subject to late payment charges, among others.

During the years ended September 30, 2013 and 2012, GPA billed the Navy \$84,898,982 and \$86,032,520, respectively, for sales of electricity under the CSA. Receivables from the Navy were \$5,480,577 and \$6,839,697 at September 30, 2013 and 2012, respectively (see note 3).

(11) Commitments and Contingencies

Fuel Purchase Contracts

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

In 2009, GPA entered into two contracts to purchase diesel fuel oil. The agreements are for three years ended September 30, 2012 with an option to extend for two additional one-year terms, renewable annually. In February, 2012, GPA renewed the two contracts through November 30, 2014.

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

Notes to Financial Statements
September 30, 2013 and 2012

(11) Commitments and Contingencies, Continued

Performance Management Contracts

During the year ended September 30, 2010, GPA entered into Performance Management Contracts (PMC) with two companies for the operation and maintenance of Cabras 1 and 2 and Cabras 3 and 4 generators, which became effective on October 1, 2010 and July 1, 2010, respectively. The PMCs are for a period of five years with an option to extend for another five-year term. At September 30, 2013, the minimum future management fees for the years ending September 30, 2014 and 2015 are \$2,734,177 and \$2,526,743, respectively.

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

Fuel Bulk Storage Facility Contract

In June 2012, GPA entered into an agreement for the management and operations of its fuel bulk storage facility. The agreement is for three years ending May 31, 2015 with an option to extend the contract for two additional one-year terms with the mutual consent of both parties. Mandatory management fees are \$675,273 annually with optional additional insurance fees of \$41,750 annually. At September 30, 2013, the minimum future management fees for the years ending September 30, 2014 and 2015 are \$675,273 and \$450,182, respectively.

Operating Leases

On January 1, 2008, GPA renewed the lease agreement for its office building 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. GPA extended the lease agreement from January 1, 2013 to December 31, 2014 at a monthly rental of \$45,110.

GPA entered into a sublease agreement for vehicle, equipment, and material storage and for a power substation beginning November 2002 with annual rental of \$61,261. The sublease has an option to exercise for a period of ten years which GPA exercised in November 2012.

On February 8, 2008, GPA renewed a lease agreement of fuel storage tanks for five year term from March 1, 2008 to February 28, 2013 at \$115,560 per month and month-to-month thereafter until a new contract was entered into effective September 1, 2013. The new contract includes fixed annual fees escalating 4% every year until August 2018.

GPA entered into a commercial space lease beginning July 1, 2010, with monthly rentals of \$4,495 through June 30, 2015. The lease has an option to renew for an additional term of five years.

At September 30, 2013, future minimum lease payments for operating leases are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2014	\$ 2,074,250
2015	1,711,485
2016	1,594,682
2017	1,656,018
2018	1,576,545
2019 through 2023	<u>250,149</u>
	\$ <u>8,863,129</u>

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Notes to Financial Statements
September 30, 2013 and 2012

(11) Commitments and Contingencies, Continued

Operating Leases, Continued

Rent expense under the aforementioned agreements totaled \$2,044,798 and \$2,041,916 during the years ended September 30, 2013 and 2012, respectively.

Renewable Energy Contracts

In 2012 and 2013, GPA entered into three renewable energy purchase agreements to purchase 20 Megawatt hour (MWh) solar renewable energy, 5.65 MWh solar renewable energy, and 9.35 MWh wind renewable energy with expected commercial operations to commence in June 2014, March 2015, and August 2014, respectively. The agreements include escalating contract prices per MWh until 2039 with a total minimum renewable energy purchase commitment of 1.7 million MWh.

At September 30, 2013, the minimum future renewable energy purchases are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2014	\$ 2,913,270
2015	14,438,490
2016	15,444,504
2017	15,523,617
2018	15,588,509
2019 through 2023	79,110,242
2024 through 2028	81,094,540
2029 through 2033	79,371,102
2034 through 2038	50,016,726
2039	<u>6,860,619</u>
	\$ <u>360,361,619</u>

Capital Commitments

The 2014 capital improvement project budget is approximately \$61 million.

Letters of Credit

As of September 30, 2013, GPA has a \$35 million uncollateralized revolving documentary letter of credit for purchases of fuel. Commitments under the standby letter of credit at September 30, 2013 totaled \$25 million.

Self-Insurance

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

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Notes to Financial Statements
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(11) Commitments and Contingencies, Continued

Self-Insurance, Continued

As the result of a PUC Decision and Order, GPA adds an insurance charge of \$0.00290 per kWh for civilian ratepayers and from \$0.00035 per kWh to \$0.00070 per kWh for the U.S. Navy until a self-insurance fund balance of \$10 million is achieved. In May 2013, PUC approved raising the cap from \$10 million to \$20 million with the insurance surcharge remaining the same for civilian customers and 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 which exceed \$50,000 per occurrence. Further, any federal or territorial funds or other recovery against third parties received on account of such losses should be deposited in the self-insurance fund.

The self-insurance fund, included in cash and cash equivalents held by GPA, is \$13,514,022 and \$14,912,430 at September 30, 2013 and 2012, respectively.

Litigation

GPA has several asserted and unasserted claims outstanding as of September 30, 2013. 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.

Autonomous Agency Collections Fund

On March 31, 2011, GPA received an invoice from the Government of Guam Department of Administration (GovGuam DOA) of \$12,250,000 representing an annual assessment of \$875,000 for each of the fiscal years 1998 to 2011 pursuant to 5 GCA Chapter 22 Section 22421, *Transfer of Autonomous Agency Revenues To Autonomous Agency Collections Fund*. Further, in September 2013, GPA received another invoice for \$875,000 from the Chamorro Land Trust Commission referring to the same annual assessment aforementioned. 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, 2013 and therefore, no liability or other impact has been recognized in the accompanying financial statements.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning 1991 but was suspended by law for the years 1996, 2002, 2003 and 2004. Between 1991 and 2008, GPA did not calculate or pay any bonuses. In 2010, the Guam Legislature authorized GPA to implement a Pay for Performance program, similar to the GovGuam unified pay systems for certified, technical and professional positions, covering the evaluation period of 2009. As of September 30, 2013, GPA recognized and paid \$55,000 in merit bonus to approximately 27 employees not covered under the new pay system for the period October 2008 through September 2013. The CCU determined that there was no liability for employees covered in the new pay system. Therefore, no liability has been recognized in the accompanying financial statements.

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Notes to Financial Statements
September 30, 2013 and 2012

(11) Commitments and Contingencies, Continued

Hazardous Waste Assessment

Guam Public Law 20-110 requires certain entities to remit payments to a hazardous substance expense fund. There are questions as to the enforceability of the law; accordingly, no provision has been made in the accompanying financial statements for payments to be made under this law.

Environmental Protection Agency

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

In February 2011, EPA, under the Clean Air Act, established new rules under National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engine Maximum Achievable Control Technology (RICE MACT). These new rules require stack emissions control and continuous monitoring system equipment to be installed on all GPA peaking and baseload diesel generators including its Cabras 3&4 and MEC 8&9 slow speed diesel units. Compliance under the diesel MACT was due May 3, 2013. Non-compliance under the diesel MACT could result in penalty fees of \$37,000 per unit per day. GPA applied for and received a one year extension for complying with the rules with respect to its small diesel peaking units and a project is ongoing to bring these units into compliance with the rules. GPA believes the installation will be completed in advance of the deadline. As to compliance with the other units subjected to RICE MACT, GPA has engaged the assistance of EPA along with the US Department of Justice (USDOJ) to negotiate a consent decree that will allow sufficient time to implement recommendations in its Integrated Resource Plan. GPA believes ongoing negotiations with USEPA and USDOJ will defer potential fines post RICE MACT deadlines for the slow speed diesel units. No liability that may result from potential noncompliance has been recorded in the accompanying financial statements.

Integrated Resource Plan

In 2012, GPA developed its Integrated Resource Plan (IRP) which was approved by the CCU and the PUC on December 12, 2012 and July 30, 2013, respectively. The objectives of the IRP are primarily to identify the timing, size, technology of future power generating units, and to address issues such as fuel diversification and the renewable portfolio standards. Specifically, the IRP recommendations include the replacement of older generation equipment with combined cycle combustion turbine generators which can utilize either Liquefied Natural Gas (LNG) or Ultra-Low Sulfur (ULS) diesel fuel oil; adding 40-45 MWh of generation from renewable energy sources; and diversification of its fuel source to LNG and ULS diesel fuel oil.

The replacement of older generation equipment and the additional renewable energy sources are planned to take place as soon as feasible while the plan to develop LNG facilities is expected to take place in 2020 or 2021 with full LNG implementation expected to be completed by 2022.

As of September 30, 2013, GPA has not analyzed the effect implementation of the IRP may have on its utility plant operating units and related inventory. As such, no adjustments have been considered in the accompanying financial statements.

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Notes to Financial Statements
September 30, 2013 and 2012

(12) Related Party Transactions and Balances

During the years ended September 30, 2013 and 2012, GPA billed GovGuam agencies \$64,072,281 and \$63,893,223, respectively, for sales of electricity. Receivables (excluding long-term receivables) from GovGuam agencies were \$9,282,086 and \$6,906,764 at September 30, 2013 and 2012, respectively (see note 3).

GPA provides electrical and administrative services to GWA, a component unit of the GovGuam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2013 and 2012 were \$17,508,372 and \$17,008,972, respectively. Outstanding receivables for electricity billings are \$4,016,853 and \$1,527,044 at September 30, 2013 and 2012, respectively, and are included in GovGuam agencies receivable mentioned above.

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 were \$291,062 and \$404,554 in 2013 and 2012, respectively. Outstanding receivables for administrative expenses and cost reimbursements totaled \$189,356 and \$197,443 as of September 30, 2013 and 2012, respectively, and are included in other receivables (see note 3).

Beginning in January 2012, GWA billed GPA for water and sewer charges on the facilities transferred by the Navy to GPA under the new CSA (see note 10) totaling \$1,508,942 and \$1,192,900 for the years ended September 30, 2013 and 2012, respectively. The amount due to GWA as of September 30, 2013 and 2012 is \$960,195 and \$753,513, respectively, which is included in accounts payable - operations in the accompanying statements of net position.

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.

In October 2011, U.S. Federal Emergency Management Agency (FEMA) reimbursed GPA for certain typhoon related costs incurred in 2002 of approximately \$1,800,000. The reimbursement was received by GovGuam DOA which plans to offset such amount against billings to GPA related to the Autonomous Agency Collections Fund (see note 11). Due to uncertainty of receipt, GPA has not recorded the reimbursement in the accompanying financial statements.

(13) Restricted Net Position

At September 30, 2013 and 2012, net position is restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Debt Service	\$ 18,793,414	\$ 26,767,388
Capital Projects	<u>9,354,184</u>	<u>11,084,100</u>
	\$ <u>28,147,598</u>	\$ <u>37,851,488</u>

Notes to Financial Statements
September 30, 2013 and 2012

A summary of changes in capital assets for the years ended September 30, 2013 and 2012 is as follows:

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

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Guam Power Authority's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
October 1, 2007	\$ -	\$ 38,089,000	\$ 38,089,000	0.0%	\$ 17,568,918	216.8%
October 1, 2009	\$ -	\$ 51,730,000 *	\$ 51,730,000 *	0.0%	\$ 18,669,362	277.1%
October 1, 2011	\$ -	\$ 58,314,000	\$ 58,314,000	0.0%	\$ 20,572,185	283.5%

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is only for GPA's active employees. It does not include the actuarial accrued liability for GPA's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

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Schedule of Sales of Electricity
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Commercial	\$ 174,126,172	\$ 165,924,493
Residential	125,931,942	122,261,301
Government of Guam	64,072,281	63,893,223
U.S. Navy	<u>84,898,982</u>	<u>86,032,520</u>
	<u>\$ 449,029,377</u>	<u>\$ 438,111,537</u>

See accompanying independent auditors' report.

GUAM POWER AUTHORITY
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Schedule of Operating and Maintenance Expenses
Years Ended September 30, 2013 and 2012

	2013	2012
Administrative and General:		
Salaries and wages:		
Regular pay	\$ 4,633,643	\$ 4,472,860
Overtime	56,615	98,955
Premium pay	4,112	4,142
Benefits	11,117,132	10,380,923
Total salaries and wages	15,811,502	14,956,880
Insurance	6,011,317	5,787,743
Contract	5,125,965	4,971,309
Retiree COLA/supplemental benefits	2,748,420	2,797,254
Utilities	1,520,271	1,751,919
Training	252,879	376,526
Travel	279,149	203,604
Other administrative expenses	84,914	396,027
Operating supplies	162,586	142,823
Trustee fee	62,005	101,963
Overhead allocations	18,609	54,536
Office supplies	79,292	84,929
Completed work orders	(1,052,625)	(919,307)
Miscellaneous	485,193	671,511
Total administrative and general	\$ 31,589,477	\$ 31,377,717
Customer Accounting:		
Salaries and wages:		
Regular pay	\$ 1,578,395	\$ 1,575,369
Overtime	188,624	163,542
Premium pay	4,544	3,346
Benefits	131,972	139,421
Total salaries and wages	1,903,535	1,881,678
Collection fee	1,470,277	1,328,184
Communications	371,284	314,540
Completed work orders	9,393	-
Overhead allocations	54,438	77,414
Office supplies	45,073	49,573
Operating supplies	22,580	20,856
Miscellaneous	1,875	3,650
Total customer accounting	\$ 3,878,455	\$ 3,675,895

See accompanying independent auditors' report.

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Schedule of Operating and Maintenance Expenses, Continued
Years Ended September 30, 2013 and 2012

Fuel:

Salaries and wages:		
Regular pay	\$ 86,564	\$ 66,486
Overtime	11,753	5,663
Premium pay	453	796
Total salaries and wages	<u>98,770</u>	<u>72,945</u>
Fuel	293,494,653	301,684,191
Unearned fuel costs	<u>1,879,233</u>	<u>(13,154,880)</u>
Total fuel costs	<u>\$ 295,472,656</u>	<u>\$ 288,602,256</u>

Other Production:

Salaries and wages:		
Regular pay	\$ 9,267,016	\$ 8,928,730
Overtime	1,218,148	1,492,260
Premium pay	195,460	188,605
Benefits	<u>737,307</u>	<u>745,184</u>
Total salaries and wages	<u>11,417,931</u>	<u>11,354,779</u>
Contract	9,168,604	12,190,332
Completed work orders	655,312	566,114
Operating supplies	501,925	581,664
Overhead allocations	83,511	112,539
Office supplies	14,898	18,148
Miscellaneous	<u>167,107</u>	<u>167,107</u>
Total other production	<u>\$ 22,009,288</u>	<u>\$ 24,990,683</u>

Transmission and Distribution:

Salaries and wages:		
Regular pay	\$ 6,332,777	\$ 5,528,740
Overtime	831,754	913,993
Premium pay	77,477	71,178
Benefits	<u>345,263</u>	<u>402,316</u>
Total salaries and wages	<u>7,587,271</u>	<u>6,916,227</u>
Overhead allocations	1,988,061	2,125,083
Completed work orders	1,411,004	1,293,365
Contract	1,544,000	1,350,243
Operating supplies	820,293	1,001,410
Office supplies	<u>17,146</u>	<u>30,583</u>
Total transmission and distribution	<u>\$ 13,367,775</u>	<u>\$ 12,716,911</u>

See accompanying independent auditors' report.

GUAM POWER AUTHORITY
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Schedule of Salaries and Wages
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Salaries and wages:		
Regular pay	\$ 21,898,395	\$ 20,572,185
Overtime	2,306,894	2,674,413
Premium pay	282,046	268,067
Benefits	<u>12,331,674</u>	<u>11,667,844</u>
Total salaries and wages	<u>\$ 36,819,009</u>	<u>\$ 35,182,509</u>

See accompanying independent auditors' report.

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Employees by Department
Years Ended September 30, 2013 and 2012

		2013	
		PL 28-150 Section 45b	
		Full Time	Category
		Employees (b)	Personnel
Department:			Services (a)
Board	2	\$	227,131
Executive	13		952,089
Administration	33		2,911,500
Finance	23		2,105,041
Planning and Regulatory	7		615,121
Property and Facilities	8		486,797
Purchasing and Supply Management	17		713,994
Customer Service	58		2,788,666
Engineering	36		1,894,038
Generation	173		14,039,902
Strategic Planning and Operation Research and Development	7		625,441
Power System Control Center	27		2,157,604
Transportation	13		258,985
Transmission and Distribution	107		6,624,707
Total full time employees	524		36,401,016
Apprentice and summer engineering			417,993
		\$	36,819,009
		2012	
		PL 28-150 Section 45b	
		Full Time	Category
		Employees (b)	Personnel
Department:			Services (a)
Board	2	\$	211,590
Executive	18		1,273,557
Administration	24		2,419,440
Finance	25		1,983,840
Planning and Regulatory	7		574,224
Property and Facilities	9		487,625
Purchasing and Supply Management	20		656,719
Customer Service	59		2,905,313
Engineering	36		1,481,578
Generation	183		14,197,835
Strategic Planning and Operation Research and Development	7		544,840
Power System Control Center	27		1,934,775
Transportation	14		222,384
Transmission and Distribution	112		6,219,761
Total full time employees	543		35,113,481
Apprentice and summer engineering			69,028
		\$	35,182,509

Note:

(a) The amounts consist of total payroll charge to O & M for the year end funded by revenues.

(b) Filled positions at the end of the year, excluding apprentices.

See accompanying independent auditors' report.