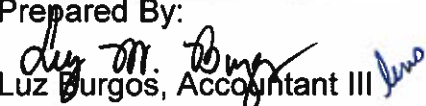
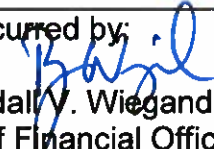



GUAM POWER AUTHORITY STANDARD OPERATING PROCEDURE	No.: *SOP-147 Issued: 6/16/11
	Prepared By:  Luz Burgos, Accountant III
TITLE: ALLOWANCE FOR OBSOLETE INVENTORY ITEMS	Concurred by:  Randall V. Wiegand, Chief Financial Officer Approved By:  JOAQUIN C. FLORES, P.E. General Manager
Effective Date: 6/16/11 Supersedes No. Page 1 of 3	

1.0 Purpose:

To establish a written procedure to determine a reasonable allowance for "Stock" items that has remained unusable for several periods.

2.0 Definition

Materials and Supply Inventory

- Stock items purchased as "Inventory" and stored at the Authority designated warehouse.

Business Units

- A five digit numeric character which represents the location of the stock items. The following are the Business units established by the Authority related to inventory:

32100	T & D
55000	Cabras
55600	Piti
56900	Dededo Diesel
56400	MDI
57000	Tenjo
57700	Cabras 3 & 4
58100	Dededo CT

Business Units (Continued)

58300	Macheche
58500	Water System Diesel
51000	Meter Relay
59800	Marbo
154100	FERC Account Number for Inventory

3.0 Determination of Allowance for Obsolescence-Materials and Supplies Inventory

- Inventory Management Officer (IMO) shall run Aging Reports bi-annually (March 31st & Sept. 30th) for stock items at various locations with the assistance of Plant Accounting, Finance Division. Reconciliation of reports with the General Ledger will be done by Plant Accounting.
- IMO shall provide copies of the Aging report(s) to end users of each respective business unit to determine the usability of stock items. From the Inventory Subsidiary of Non-useable items, each are removed through inventory adjustments and thereafter charged to each appropriate expense account.
- Segregation of all unusable items, monitoring and disposal of stock items shall be the responsibility of the IMO.
- All documentation relative to the disposal of the stock items is provided to Plant Accounting by the IMO.
- Plant Accounting shall prepare the journal entry for each stock item proceeds relative to the disposal as "Debit Cash / Credit other Income".
- A 2% allowance provision is provided for obsolescence annually for useable items (with no movement) for the period of five (5) years and over.
- Plant Accounting shall prepare journal entries for allowance as follows:

Debit "Operation and Maintenance" Expenses
Credit allowances for Obsolescence (1000.154900)

- The schedule of Allowance for Obsolete items shall be monitored by Plant Accounting. In the event, stock items are removed from the subsidiary through Inventory adjustments (which are part of allowance), the following journal entry shall be prepared:

Debit Allowance for Obsolete Items
Credit Store Clearing