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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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.

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 9 as well as the Schedule of Funding Progress on page 39 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 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 30, 2015 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.

Deloitte & Touche LLP

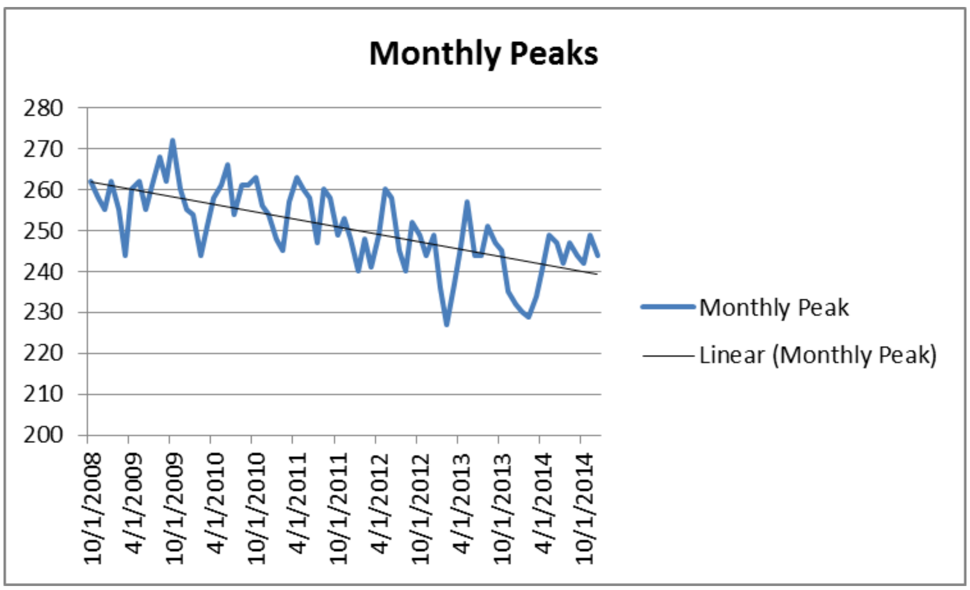
March 30, 2015

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, 2014.

Sales

The biggest issue for the Authority remains sales. As the chart below shows, sales continued the general decline in Fiscal Year 2014 over Fiscal Year 2013. As a result, the overall trend remains negative and the sales growth remains one of the most significant issues facing the Authority. In the past, GPA faced pressure from high fuel prices which was passed onto consumers through the Levelized Energy Adjustment Clause (LEAC). This caused many GPA customers to take aggressive measures to conserve energy through reduced use, purchases of energy efficient equipment and exploration of alternatives to GPA power. We will be addressing that issue later in the report.

The decline in sales is also translating to declining annual peak loads. The graph below depicts the annual peak loads for the last six fiscal years. The declines have been fairly consistent over the period.



The declining loads have led the Authority to re-evaluate the number of units required to meet GPA's reliability standards. GPA determined it would be appropriate to attempt to reduce costs by reducing the number of units maintained by the Authority.

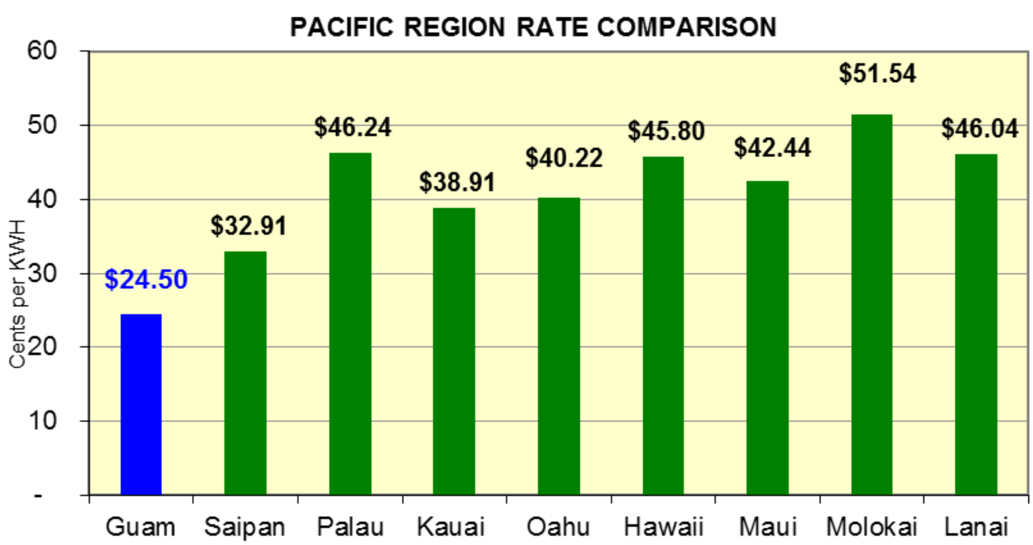
During the year, GPA entered into negotiations with Pruvient for the termination of the Energy Conversion Agreement governing the operation of the Tanguisson Power Plant. The plant was the oldest plant in the island-wide power system, was the least efficient base load plant, had been running consistently few hours in recent years, and was expected to run even less once GPA's first utility scale solar plant comes on line. On December 31, 2014, the contract was terminated for a payment of $8.1 million. The estimated costs foregone from cancelling the contract exceeded $28 million. GPA determined that the plant should be deactivated. GPA wants to keep the plant reasonably available should there be an event at the Cabras 1&2 power plants which renders the units unusable. GPA desires to keep the option open to utilize the Tanguisson plants at some point in the future.

Also, as the fiscal year was coming to a close, GPA started evaluating whether or not it made sense to continue to invest in its Dededo CT 1&2 power plants. GPA had made a considerable investment but it was determined that the estimate to restore the unit was higher than anticipated. GPA took the matter to the Consolidated Commission on Utilities (CCU) and a resolution was passed on November 12, 2014 to deactivate the plant for the time being. GPA is uncertain of the impact of the military buildup which is scheduled to be completed in 2020. Until plans are finalized, GPA will not know if it would be appropriate to reactivate the plants.

Affordability

Affordability remains a key concern of the Consolidated Commission on Utilities. The high energy costs over the last few years have made it very challenging for a significant segment of the population on Guam to pay their power bills.

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.



Notes:
1. Rates for Guam effective Nov. 1, 2014
2. Rates for Kauai, Oahu, Hawaii, Maui, Molokai, Lanai effective Nov.1, 2014.

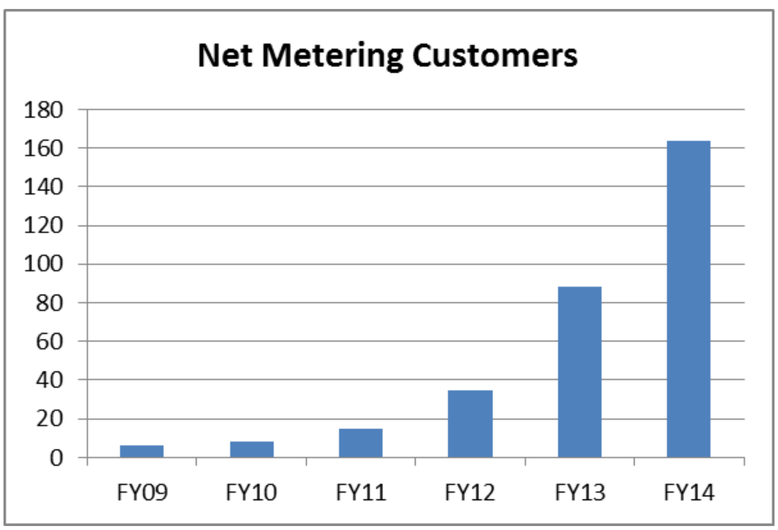
The chart below reflects sales by customer class for the last three years:

Annual Electric Sales
Kilowatt hours

Rate Class	**FY 2014**	**FY 2013**	**FY 2012**	**2014 to 2013 Comparison** Increase/ (Decrease)	% Change
Residential	457,812,488	462,163,297	459,499,094	(4,350,809)	-0.94%
Government	175,879,034	179,117,942	187,376,166	(3,238,908)	-1.81%
Commercial	563,405,442	564,977,723	560,879,948	(1,572,281)	-0.28%
Navy	324,228,110	346,849,967	343,031,043	(22,621,857)	-6.52%
Other	11,997,927	12,000,492	12,008,640	(2,565)	-0.02%
Total	1,533,323,001	1,565,109,421	1,562,794,891	(31,786,420)	-2.03%

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. Over the next three years, the number of net metering customers more than doubled each year. This was due primarily to the increased availability of solar photovoltaic systems in the market and competitive pricing and plans for these systems. This exponential growth is another factor chipping away at GPA sales.



Like many utilities, GPA is struggling with issues related to the subsidization of net metering customers by non-net metering customers. GPA has been exploring changes to its rate structure that might be more appropriate in an environment with heavy solar penetration.

GPA also has a power purchase agreement for a utility scale solar farm (25 MW) located in southern Guam. The solar farm is expected to be available in FY15. A 10 MW wind farm is expected to come on line in FY16. GPA currently has a bid out for an additional 40 MW of utility scale solar capacity and is developing a bid for a 45 MW solar farm to be located on a military property.

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 base load 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. The required stack emission equipment was installed within the extension period.

With regards to the slow speed diesel units, GPA has engaged the assistance of USEPA 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 (IRP). The IRP was approved by the CCU and the PUC. The recommendations in the IRP include new and much more efficient generation; 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. If the consent decree is not reached, the maximum liability to GPA would exceed $100 million as of March 1, 2015. GPA anticipates a consent decree with the USEPA to be issued later in 2015 that will determine if additional time will be allowed for the utility to comply with the RICE MACT and Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) rules.

Liquefied Natural Gas (LNG)

During the year, GPA continued to develop implementation plans of the IRP in order to put GPA in compliance with the USEPA rules mentioned above. In its filing with the Public Utilities Commission (PUC), GPA indicated that this can be achieved by replacing some of its older generation equipment with combined cycle combustion turbine generators. These units are far more efficient than older fuel oil steam units on the island. Moreover, these combined cycle combustion turbine units can utilize either LNG or Ultra-Low Sulfur Diesel fuel oil (ULSD) and provide fuel savings that can pay for the debt service associated with these new units. New combined cycle facilities are planned to be constructed as soon as feasible to achieve fuel savings and improve system reliability. GPA's target for completing the new facilities, as proposed to USEPA in January, is no later than September 30, 2019. The cost of the generating unit has been estimated at approximately $250 million. The new generation units would be designed to be dual-fuel plants capable of burning either ULSD or LNG. At the end of the fiscal year, the cost of residual fuel oil (RFO) and diesel began to drop dramatically. This led GPA to rework its cost projections for the new generation plants and the regasification plant at reduced costs of RFO and ULSD. The results of the analysis indicated that LNG remains the low cost option at current price levels as well as higher price levels. However, LNG becomes more attractive as the cost of diesel increases. If the cost of RFO were to normalize at $100 per barrel, the savings from burning LNG could exceed $1 billion over a 30 year period.

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 two-thirds 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 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. GPA has completed installation of the nearly 49,000 smart meters. Some of the projects were deferred or reduced due to budget constraints. Work on the smart grid project was essentially completed during the year. Some activities are continuing to take full advantage of the benefits from the new systems. 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. GPA is developing a Smart Grid Phase II project to attempt to complete some of the projects that were deferred or reduced during the main smart grid project.

Customer Care & Billing (CC&B)

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. 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 JDEdwards 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 JDEdwards 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. GPA successfully converted to the CC&B system on March 9, 2015.

Energy Storage

The major project from GPA's 2014 bond issuance was for an energy storage solution (ESS). GPA has been working for a number of years to reduce the number of generation related outages. Recently, GPA has concluded that its steam units and slow speed diesel units are not technically capable of responding quickly to events in the system. This has caused GPA to shift its focus to short burst ESS. ESS would allow GPA to maintain less spinning reserve on the system thereby saving fuel costs. If a system event occurs, the ESS would provide up to 40 MW to offset the shortfall in energy generated. The ESS would provide between 15-30 minutes of energy. This would provide time for generation personnel to bring on additional units to meet the shortfall without causing an interruption in the system. The ESS will be located within the Hagåtña Substation and estimates have ranged from $45-60 million but have been dropping rapidly. GPA was authorized to borrow $35 million for this purpose.

Borrowing Activities

During the year, GPA completed the issuance of a $76.5 million bond issuance to pay for a variety of projects – the most significant of which is an energy storage system. The bonds were sold at a rate of 4.34% - the lowest rate ever achieved by the Authority. The issuance also marked a transition to a new layer of the bond market. Historically, GPA's bonds have been attractive to high yield bond funds. With this bond issuance, GPA found that many of the high yield investors were not participating and lower yield investors were viewing GPA as a stable investment grade utility. GPA's improving credit profile has moved it into a different investor category. This reduced the spread between the interest rates paid by GPA and the Municipal Market Data curve.

Refer to note 8 to the financial statements for details on GPA's borrowing activities.

Future Borrowing

As has been described earlier, GPA is planning a financing to fund the combined cycle combustion turbine plants. Upon completion of the PUC's review and approval, this financing will likely take place in FY16. The amount of the financing will be between $250-400 million based on whether or not the Authority opts to build a third 60 MW unit at the same time as the first two. This borrowing may also include a component to complete the energy storage solution.

GPA is also anticipating a borrowing in FY19 or FY20. The borrowing may include the LNG regasification plant. GPA is also exploring load leveling battery storage to minimize the use of peaking units. At the current time, the cost of load leveling energy storage makes it unfeasible for the GPA system, however, many market analysts are forecasting price reductions for this technology over the next five years.

Military Buildup

The planned military buildup has been downsized from 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. Estimates for the impact of the buildup have been between 3-7 MW. 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 2012 through 2014. Increases in revenues and operating expenses are indicative of increased fuel charges and costs.

Table 1. Financial Data (in millions)

	2014	2013	2012
Assets			
Current assets	$ 345.0	$ 281.7	$ 334.2
Non-current investments	49.3	49.3	45.3
Other non-current assets	5.7	9.9	7.6
Utility plant	552.7	526.7	501.7
Deferred outflows of resources	15.9	17.4	12.1
	$ 968.6	$ 885.0	$ 900.9
Liabilities			
Current liabilities	$ 110.1	$ 75.9	$ 100.7
Non-current liabilities	692.4	639.0	644.6
	802.5	714.9	745.3
Deferred inflows of resources	21.9	30.2	20.6
Net Position			
Net investment in capital assets	28.0	32.0	31.6
Restricted	20.1	28.2	38.0
Unrestricted	96.1	79.7	65.4
	144.2	139.9	135.0
	$ 968.6	$ 885.0	$ 900.9

Results of Operations (in millions)

	2014	2013	2012
Revenues	$436.4	$450.7	$438.7
Total operating and maintenance expense	395.5	417.7	410.3
Operating earnings	40.9	33.0	28.4
Interest income	1.4	2.2	2.8
Other revenues and (expense), net	(39.8)	(38.4)	(40.7)
Income (loss) before capital contributions	2.5	(3.3)	(9.5)
Capital contributions	1.8	8.1	7.2
Increase (decrease) in net position	$4.3	$4.9	$(2.3)

Explanations of Variances

The change in current assets reflects the net effect of new bond proceeds received at the end of the fiscal year and funds drawn down for current year bond-funded projects and payments of capitalized interest. 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 primarily consist of unamortized debt issuance costs related to the 2010, 2012 and 2014 bond issuances. In addition, another component of this account has been declining as the Government of Guam (the Department of Public Works) paid down the last note receivable. The note was fully paid during Fiscal Year 2014.

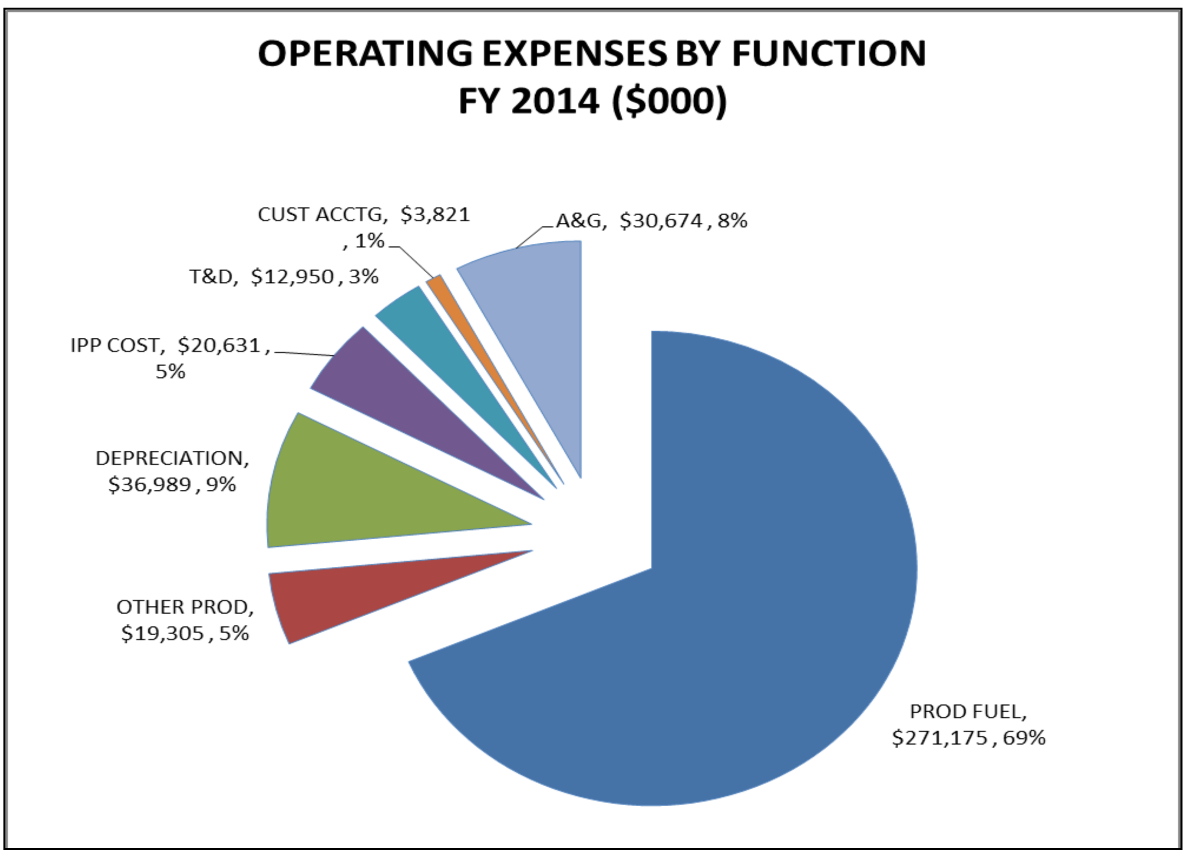
Utility Plant has been growing as bond projects have been completed, most notably the costs incurred for the construction of the Gloria B. Nelson Public Service Building.

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 related to fuel.

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 increase is also attributed to a new bond issuance at the end of FY14.

The largest component in the Results of Operations is fuel. However, during the current year, the average cost per barrel consumed dropped from $112/barrel to $109/barrel. The increase in net position is mainly due to reduction in operating and maintenance expenses as a result of cost cutting measures Authority wide.

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. On December 2, 2014, GPA received a Certificate of Occupancy from the Government of Guam Department of Public Works for the Gloria B. Nelson Public Service Building and the following week, GPA employees from the former offices in Harmon moved in. On January 28, 2015, the building was formally dedicated to the former CCU commissioner.

Refer to note 14 to the financial statements for details on GPA's capital assets activities.

During FY14, the substantially completed smart grid projects incurred an additional $1.8 million in project costs. Approximately $32 million of the $33 million project costs had been incurred as of September 30, 2014. The last significant uncompleted project is for substation automation.

Commitments for Capital Expenditures

The $33.6 million in Smart Grid Funds has been completely obligated. The last remaining contract was obligated in 2013. The $30 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, 2013 and 2012 is set forth in GPA's report on the audit of financial statements which is dated March 11, 2014. That Discussion and Analysis explains in more detail major factors impacting the 2013 and 2012 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 Ms. Corazon Montellano, Acting Chief Financial Officer, Guam Power Authority, P.O. Box 2977, Hagåtña, Guam 96932-2977 or visit the website at www.guampowerauthority.com.

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

Statements of Net Position
September 30, 2014 and 2013

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2014	2013
Current assets:		
Cash and cash equivalents:		
Held by trustee for restricted purposes:		
Interest and principal funds	$ 27,962,569	$ 27,161,855
Bond indenture funds	136,147,087	105,639,047
Held by Guam Power Authority:		
Bond indenture funds	38,117,737	17,708,196
Self-insurance fund - restricted	16,913,041	13,514,022
Total cash and cash equivalents	219,140,434	164,023,120
Investments held by trustee for restricted purposes	4,855,561	4,845,762
Accounts receivable, net	44,388,260	49,939,244
Long-term receivables, net	-	390,377
Total current receivables	44,388,260	50,329,621
Materials and supplies inventory	18,044,145	19,585,471
Fuel inventory	58,035,227	42,390,454
Prepaid expenses	509,259	537,109
Total current assets	344,972,886	281,711,537
Regulatory assets:		
Cancelled unit, net of amortization	-	13,479
Total regulatory assets	-	13,479
Utility plant, at cost:		
Depreciable utility plant, net of accumulated depreciation	482,785,341	484,334,813
Non-depreciable utility plant	69,906,892	42,400,142
Total utility plant	552,692,233	526,734,955
Other non-current assets:		
Investments - bond reserve funds held by trustee	49,272,328	49,278,574
Unamortized debt issuance costs	5,490,556	9,492,061
Other assets	262,193	417,629
Total other non-current assets	55,025,077	59,188,264
Total assets	952,690,196	867,648,235
Deferred outflows of resources:		
Unamortized loss on debt refunding	14,826,028	16,084,264
Unamortized forward delivery contract costs	1,115,438	1,274,798
Total deferred outflows of resources	15,941,466	17,359,062
	$ 968,631,662	$ 885,007,297

See accompanying notes to financial statements.

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

Statements of Net Position, Continued
September 30, 2014 and 2013

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2014	2013
Current liabilities:		
Current maturities of long-term debt	$ 13,600,000	$ 12,310,000
Current obligations under capital leases	18,774,245	13,064,559
Accounts payable:		
Operations	24,546,682	22,688,570
Fuel	25,595,070	1,513,311
Bond issuance costs	1,111,969	-
Self-insurance claim	-	448,480
Accrued payroll and employees' benefits	1,332,009	1,077,440
Current portion of employees' annual leave	2,440,368	2,078,481
Interest payable	14,235,177	14,689,852
Customer deposits	8,458,744	8,041,970
Total current liabilities	110,094,264	75,912,663
Regulatory liabilities:		
Provision for self-insurance	16,688,373	12,980,814
Total regulatory liabilities	16,688,373	12,980,814
Long-term debt, net of current maturities	614,543,460	545,937,741
Obligations under capital leases, net of current portion	54,429,945	73,203,679
DCRS sick leave liability	2,842,985	2,582,611
Employees' annual leave, net of current portion	741,191	1,112,489
Customer advances for construction	3,170,746	3,149,507
Total liabilities	802,510,964	714,879,504
Deferred inflows of resources:		
Unearned fuel revenue, net	17,486,278	25,208,323
Unearned forward delivery contract revenue	4,088,123	4,672,141
Other unearned revenues	357,000	357,000
Total deferred inflows of resources	21,931,401	30,237,464
Commitments and contingencies		
Net position:		
Net investment in capital assets	28,014,763	32,028,800
Restricted	20,052,215	28,147,598
Unrestricted	96,122,319	79,713,931
Total net position	144,189,297	139,890,329
	$ 968,631,662	$ 885,007,297

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, 2014 and 2013

	2014	2013
Revenues:		
Sales of electricity	$ 434,462,425	$ 449,029,377
Miscellaneous	2,155,627	2,926,573
	436,618,052	451,955,950
Bad debt expense	(178,000)	(1,222,905)
Net operating revenues	436,440,052	450,733,045
Operating and maintenance expenses:		
Production fuel	271,174,711	295,472,656
Other production	19,305,418	22,009,288
	290,480,129	317,481,944
Administrative and general	30,673,972	31,589,477
Depreciation and amortization	36,988,988	31,155,714
Energy conversion costs	20,631,503	20,263,958
Transmission and distribution	12,949,940	13,367,775
Customer accounting	3,820,549	3,878,455
Total operating and maintenance expenses	395,545,081	417,737,323
Operating earnings	40,894,971	32,995,722
Non-operating revenues (expense):		
Allowance for funds used during construction	3,976,129	4,671,155
Interest revenue	1,371,518	2,150,244
Grants from the United States (U.S.) Government for GovGuam related projects	138,290	3,218,460
Cost of GovGuam related projects funded by grants from the U.S. Government	(138,290)	(3,218,460)
Interest expense	(37,196,138)	(41,254,435)
Bond issuance costs	(6,318,884)	(1,594,168)
Other expense	(241,485)	(220,504)
Total non-operating revenues (expense), net	(38,408,860)	(36,247,708)
Income (loss) before capital contributions	2,486,111	(3,251,986)
Capital contributions:		
Grants from the U.S. Government	1,812,857	8,132,518
Change in net position	4,298,968	4,880,532
Net position at beginning of year	139,890,329	135,009,797
Net position at end of year	$ 144,189,297	$ 139,890,329

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, 2014 and 2013

Increase (decrease) in cash and cash equivalents	2014	2013
Cash flows from operating activities:		
Cash received from customers	$ 453,780,219	$ 486,924,532
Cash payments to suppliers for goods and services	(322,178,348)	(369,580,391)
Cash payments to employees for services	(40,160,174)	(38,023,871)
Cash payments for retiree benefits	(3,057,199)	(2,748,420)
Net cash provided by operating activities	88,384,498	76,571,850
Cash flows from investing activities:		
Interest and dividends on investments and bank accounts	827,857	1,413,749
Payment of forward delivery agreement	-	(3,574,285)
Deposits to escrow fund	-	(8,781,507)
Net cash provided by (used in) investing activities	827,857	(10,942,043)
Cash flows from non-capital financing activities:		
Self insurance fund receipts net of disbursements	3,707,559	(906,248)
Receipts from the federal government	-	3,926,819
Proceeds from issuance of 2012 bonds	-	3,574,285
Payment of self-insurance claim	(448,480)	(694,490)
Cost of GovGuam related projects funded by grants from the U.S. Government	(138,290)	(3,171,270)
Interest paid on forward delivery agreement and deposits	(125,156)	(122,942)
Net cash provided by non-capital financing activities	2,995,633	2,606,154
Cash flows from capital and related financing activities:		
Proceeds from issuance of 2014 bonds	84,301,290	-
Proceeds from issuance of 2012 bonds	-	14,514,421
Cost of issuance of 2014 bonds	(1,883,385)	-
Cost of issuance of 2012 bonds	-	(7,778,590)
Receipts from the federal government	2,589,269	11,142,025
Interest paid on capital leases	(10,020,257)	(11,522,276)
Principal paid on capital leases	(13,064,048)	(11,562,027)
Principal paid on long-term debt	(12,310,000)	(20,815,000)
Interest paid on long-term debt	(23,529,271)	(26,261,162)
Additions to utility plant	(63,174,272)	(56,399,420)
Net cash used in capital and related financing activities	(37,090,674)	(108,682,029)
Net change in cash and cash equivalents	55,117,314	(40,446,068)
Cash and cash equivalents at beginning of year	164,023,120	204,469,188
Cash and cash equivalents at end of year	$ 219,140,434	$ 164,023,120
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)
	$ -	$ -

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, 2014 and 2013

	2014	2013
Reconciliation of operating earnings to net cash provided by operating activities:		
Operating earnings	$ 40,894,971	$ 32,995,722
Adjustments to reconcile operating earnings to net cash provided by operating activities:		
Depreciation and amortization	36,988,988	31,155,714
Bad debts	178,000	1,222,905
(Increase) decrease in assets:		
Accounts receivable	4,473,959	(1,042,936)
Long-term receivables	607,370	1,822,750
Materials and supplies inventory	1,541,326	(697,825)
Fuel inventory	(15,644,773)	12,088,347
Prepaid expenses	27,850	(35,707)
Other assets	155,436	150,306
Increase (decrease) in liabilities:		
Accounts payable - fuel	24,081,759	(10,131,156)
Accounts payable - operations	1,858,112	(3,307,064)
Customer deposits	416,774	1,403,814
Customer advances for construction	21,239	49,212
Unearned fuel revenue	(7,722,045)	10,012,700
Other unearned revenues	-	214,200
Accrued payroll and employees' benefits	254,569	54,188
Employees' annual and sick leave	250,963	616,680
Net cash provided by operating activities	$ 88,384,498	$ 76,571,850

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

Guam Power Authority (GPA) is a component unit of the Government of Guam (GovGuam). GPA provides electrical services on Guam to residential, commercial and GovGuam customers and to the U.S. Navy under a utility services contract (USC). 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.

(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.

(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 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, 2012 and 2014 bonds and the Series 2010 and 2012 bonds as of September 30, 2014 and 2013, 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.

(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 in the accompanying statements of net position. GPA did not have outstanding commodity swap agreements at September 30, 2014 and 2013.

(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 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 $3,976,129 and $4,671,155 was recognized during the years ended September 30, 2014 and 2013, respectively.

New Accounting Standards

During the year ended September 30, 2014, GPA implemented the following pronouncements:

- GASB 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 implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB Statement No. 67, *Financial Reporting for Pension Plans,* which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

- GASB 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 implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued 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 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of GPA and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that GPA will record upon implementation of Statement 68 is anticipated to be $79,419,290.

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

New Accounting Standards, Continued

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, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of GPA.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of this statement on the financial statements of GPA.

(2) Cash, Cash Equivalents and Investments

The bond indenture agreements for the 2010, 2012 and 2014 series revenue bonds (note 8) require the establishment of special funds to be held and administered by trustees and by GPA. In addition, proceeds from borrowings to finance generation and transmission facility construction are maintained by GPA in construction accounts. Funds in these accounts are required by loan agreement or public law to be used for generation and transmission facility construction.

At September 30, 2014 and 2013, cash and cash equivalents and short-term investments held by trustees and by GPA in these funds and accounts are as follows:

	2014				
	Held By Trustees		Held By GPA		
	Interest and Principal Funds	Bond Indenture Funds	Self Insurance Fund	Bond Indenture Funds	Total
Construction funds	$ -	$ 103,796,644	$ -	$ -	$ 103,796,644
Interest and principal funds	27,962,569	-	-	-	27,962,569
Bond funds	-	541,235	-	-	541,235
Working capital funds	-	18,065,239	-	-	18,065,239
Capitalized interest fund	-	7,547,000*	-	-	7,547,000
Costs of issuance fund	-	1,111,969*	-	-	1,111,969
Bond reserve fund	-	5,085,000*	-	-	5,085,000
Self-insurance fund	-	-	16,913,041	-	16,913,041
Revenue funds	-	-	-	27,215,344	27,215,344
Operating funds	-	-	-	10,297,697	10,297,697
Surplus funds	-	-	-	604,696	604,696
	$ 27,962,569	$ 136,147,087	$ 16,913,041	$ 38,117,737	$ 219,140,434

** funds in-transit as at September 30, 2014*

(2) Cash, Cash Equivalents and Investments, Continued

	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

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, 2014 and 2013, the carrying amount of GPA's total cash and cash equivalents and time certificates of deposit was $219,140,434 and $164,023,120, respectively, and the corresponding bank balances were $137,504,647 and $165,023,906, respectively. Of the bank balance amount as of September 30, 2014 and 2013, $20,233,353 and $22,197,324 is maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance.

As of September 30, 2014 and 2013, bank deposits in the amount of $959,054 and $950,535, respectively, were FDIC insured. Bank balances as of September 30, 2014 and 2013, also include $117,271,294 and $142,826,582, 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, 2014 and 2013, $19,274,299 and $21,246,789, respectively, of cash and cash equivalents are subject to custodial credit risk.

B. Investments

As of September 30, 2014, GPA's investments were as follows:

	Amount	Maturity	S&P or Moody's Rating
Bond Reserve Funds:			
Natixis Funding Corp. Guaranteed Investment Certificate (GIC)	$ 12,028,872	October 1, 2015	A2
Fortis Funding LLC (commercial paper)	13,742,000	October 1, 2014	P-1
US Bank Money Market Account (cash equivalents)	23,501,456	-	-
	$ 49,272,328		

(2) Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

	Amount	Maturity	S&P or Moody's Rating
Bond Fund:			
Federated Government Ultrashort Duration Fund (mutual fund)	$ 4,855,561	-	-

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

	Amount	Maturity	S&P or Moody's Rating
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)	23,507,702	-	-
	$ 49,278,574		
Bond Fund:			
Federated Government Ultrashort Duration Fund (mutual fund)	$ 4,845,762	-	-

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.

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, 2014, GPA's investments that exceeded 5% of total investments are as follows: US Bank (43.42%), Fortis Funding LLC (25.39%), and Natixis Funding Corp. (22.22%). 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%).

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, 2014 and 2013, are summarized as follows:

	2014	2013
Customers:		
Private	$ 37,833,374	$ 37,429,523
Government	7,740,973	9,282,086
	45,574,347	46,711,609
U.S. Navy	955,986	5,480,577
U.S. Federal Government	439,485	979,948
Interest	299,483	343,392
Others	2,713,793	2,508,198
	49,983,094	56,023,724
Less allowance for doubtful receivables	(5,594,834)	(6,084,480)
	$ 44,388,260	$ 49,939,244

Unbilled accounts receivable included above amounted to $11,327,065 and $10,200,524 at September 30, 2014 and 2013, respectively.

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 11), with monthly installments of $25,688 starting October 2009. As of September 30, 2013, receivables from DPW and GWA are $390,377 and $216,993, respectively. Receivable from DPW was fully collected in February 2014 and the balance with GWA was fully provided with an allowance as of September 30, 2013 and written off as of September 30, 2014.

(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, 2014 and 2013 consist of the following:

	2014	2013
Unrecovered fuel costs:		
Under recovery of fuel costs during the year	$ 1,878,592	$ -
Unearned fuel revenue:		
Over recovery of fuel costs during the year	-	2,699,481
Cumulative effect of inventory cost change	19,364,870	22,508,842
Total unearned fuel revenue	19,364,870	25,208,323
Unearned fuel revenue, net	$ 17,486,278	$ 25,208,323

(4) Levelized Energy Adjustment Clause, Continued

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

	2014	2013
Cumulative effect of inventory cost change, beginning of year	$ 22,508,842	$ 20,623,526
Inventory cost change during the year	(3,143,972)	1,885,316
Cumulative effect of inventory cost change	$ 19,364,870	$ 22,508,842

(5) Concentrations of Credit Risk

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

At September 30, 2014 and 2013, 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 receivable from GovGuam agencies and the U.S. Navy. Management assesses the risk of loss and provides for an allowance for doubtful accounts to compensate for known credit risks.

(6) Obligations Under Capital Leases

In September 1996, GPA entered into energy conversion 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 purchases 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, 2014 and 2013, the costs of the plant and plant improvements are $171,382,727 and accumulated depreciation is $75,128,910 and $70,444,342, 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%.

On December 29, 2014, GPA obtained PUC approval to early terminate one of the energy conversion agreements effective January 2, 2015 for a payment of $8.1 million (see note 13). The agreement originally expires in September 2017. The outstanding capital lease obligation associated with the terminated agreement has been classified as current liability in the accompanying financial statements.

(6) Obligations Under Capital Leases, Continued

Future capacity payments under these agreements are as follows:

Year ending September 30,	Principal	Interest	Amount
2015	$ 18,774,245	$ 8,899,699	$ 27,673,944
2016	14,820,776	5,968,708	20,789,484
2017	16,738,299	4,051,185	20,789,484
2018	16,950,423	1,934,418	18,884,841
2019	5,920,447	159,673	6,080,120
	$ 73,204,190	$ 21,013,683	$ 94,217,873

(7) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

GPA participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, 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. 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, 2012, 2011, and 2010, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined as follows:

	2014	2013	2012
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
Employee contributions (DB Plan employees)	9.50%	9.50%	9.50%
Employer portion of normal costs (% of DB Plan payroll)	7.11%	8.02%	7.57%
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	24.01%	24.33%	23.75%
Government contribution as a % of total payroll	26.40%	27.33%	26.78%

(7) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

	2014	2013	2012
Statutory contribution rates as a % of DB Plan payroll:			
Employer	30.03%	30.09%	28.30%
Employee	9.50%	9.50%	9.50%

GPA's contributions to the DB Plan for the years ended September 30, 2014, 2013 and 2012 were $3,046,347, $3,311,501 and $3,142,095, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Retirement System

Contributions into the Defined Contribution Retirement System (DCRS) plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

Statutory employer contributions for participants in the DCRS plan for the years ended September 30, 2014, 2013 and 2012 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, 2014, 2013 and 2012 were $5,219,217, $5,052,969, and $4,576,734, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $4,379,771, $4,240,804 and $3,798,237 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2014, 2013 and 2013, respectively.

GPA has accrued an estimated liability of $2,842,985 and $2,582,611 at September 30, 2014 and 2013, 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 employee 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.

(7) Employees' Retirement Plan, Continued

Other Post-Employment Benefits, Continued

For the years ended September 30, 2014 , 2013 and 2012, GPA reimbursed GovGuam for certain supplemental benefits for retirees, including contributions for the abovementioned Plan, as follows:

	2014	2013	2012
Supplemental benefits	$ 1,137,620	$ 864,907	$ 861,618
Medical and dental	1,919,579	1,883,513	1,935,636
	$ 3,057,199	$ 2,748,420	$ 2,797,254

Contributions to the OPEB plan for the years ended September 30, 2014, 2013 and 2012 were equivalent to the statutorily required contributions for those years.

(8) Noncurrent Liabilities

A. Long-term Debt

Long-term debt at September 30, 2014 and 2013 is as follows:

	2014	2013
2014 Series Senior Revenue Bonds, initial face value of $76,470,000, interest at varying rates from 4.0% 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 $1,310,000 in October 2017, increasing to a final payment of $4,855,000 in October 2044.	$ 76,470,000	$ -
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 2013, increasing to a maximum payment of $25,630,000 in October 2031, with a final payment of $24,485,000 in October 2034.	340,510,000	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.	27,300,000	39,500,000

(8) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

	2014	2013
Total long-term debt	$ 594,720,000	$ 530,560,000
Less current maturities	(13,600,000)	(12,310,000)
	581,120,000	518,250,000
Add premium on 2014 and 2012 bonds at September 30, 2014 and 2012 bonds at September 30, 2013	37,137,418	31,497,387
Less discount on 2010 Senior and Subordinate bonds at September 30, 2014 and 2013	(3,713,958)	(3,809,646)
Total bonds	$ 614,543,460	$ 545,937,741

Proceeds of the 2010 Series Senior Revenue Bonds were used to finance capital projects, generally consisting of a new administration building and various generation, transmission and distribution facilities, make a deposit to the Bond Reserve Fund, provide capitalized interest through October 1, 2013, and 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, provide capitalized interest through April 1, 2011, and 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 costs of issuance.

Proceeds of the 2014 Series Revenue Bonds will be used to finance a variety of generation, transmission and distribution improvements and systems and information technology upgrades, make a deposit to the Senior Bond Reserve Fund, provide capitalized interest through September 30, 2016, and pay costs of issuance.

As of September 30, 2014, future maturities of long-term debt are as follows:

Year ending September 30,	Principal	Interest	Total Debt Service
2015	$ 13,600,000	$ 28,937,207	$ 42,537,207
2016	14,265,000	29,819,130	44,084,130
2017	115,000	28,754,130	28,869,130
2018	1,780,000	28,712,600	30,492,600
2019	1,495,000	28,636,625	30,131,625
2020 through 2024	104,605,000	130,938,350	235,543,350
2025 through 2029	139,310,000	100,386,300	239,696,300
2030 through 2034	160,285,000	61,801,675	222,086,675
2035 through 2039	99,750,000	28,773,050	128,523,050
2040 through 2044	54,660,000	6,571,625	61,231,625
2045	4,855,000	115,975	4,970,975
	$ 594,720,000	$ 473,446,667	$ 1,068,166,667

(8) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

All gross revenues of GPA have been pledged to repay the 2010, 2012 and 2014 series bond principal and interest and 2010 and 2012 series bond principal and interest at September 30, 2014 and 2013, respectively. The debt service for the 2010 and 2012 series bonds was $40,646,800 and $39,471,114 or approximately 9.3% and 8.7% of pledged gross revenues, for the years ended September 30, 2014 and 2013, respectively. The 2014 series bonds has no required debt service for the year ended September 30, 2014.

Premium and discount associated with the 2010 and 2012 series bonds at September 30, 2014 and 2013 are being amortized on the effective interest method over the life of the applicable debt. No amortization was recognized on the premium associated with the 2014 series bonds for the year ended September 30, 2014.

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 $14,826,028 and $16,084,264 as of September 30, 2014 and 2013, respectively.

(8) Noncurrent Liabilities, Continued

A. Long-term Debt, Continued

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. The termination fees and closing costs 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.

The following summarizes the unearned revenues and unamortized costs on the forward delivery contract at September 30, 2014 and 2013:

	2014	2013
Unearned forward delivery contract revenues	$ 8,760,514	$ 8,760,514
Accumulated amortization	(4,672,391)	(4,088,373)
	$ 4,088,123	$ 4,672,141
Unamortized forward delivery contract costs	$ 2,390,265	$ 2,390,265
Accumulated amortization	(1,274,827)	(1,115,467)
	$ 1,115,438	$ 1,274,798

(8) Noncurrent Liabilities, Continued

B. Long-term Liabilities

Changes in long-term liabilities are as follows:

	Outstanding October 1, 2013	Increases	Decreases	Outstanding September 30, 2014	Current
2010 Series Senior bonds	$ 150,440,000	$ -	$ -	$ 150,440,000	$ -
2010 Series Subordinate bonds	39,500,000	-	(12,200,000)	27,300,000	13,145,000
2012 Series Senior bonds	340,620,000	-	(110,000)	340,510,000	455,000
2014 Series Senior bonds	-	76,470,000	-	76,470,000	-
Unamortized premium on bonds	31,497,387	7,831,290	(2,191,259)	37,137,418	-
Unamortized discount on bonds	(3,809,646)	-	95,688	(3,713,958)	-
Obligations under capital leases	86,268,238	-	(13,064,048)	73,204,190	18,774,245
DCRS sick leave liability	2,582,611	260,374	-	2,842,985	-
Employees' annual leave	3,190,970	2,647,972	(2,657,383)	3,181,559	2,440,368
Customer advances for construction	3,149,507	21,239	-	3,170,746	-
	$ 653,439,067	$ 87,230,875	$ (30,127,002)	$ 710,542,940	$ 34,814,613

	Outstanding October 1, 2012	Increases	Decreases	Outstanding September 30, 2013	Current
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	3,100,295	49,212	-	3,149,507	-
	$ 665,388,030	$ 376,394,256	$ (388,343,219)	$ 653,439,067	$ 27,453,040

(9) Agreements with the U.S. Navy

On September 15, 1996, a lease agreement was entered into between GPA and the U.S. Navy (Navy) to transfer to GPA the operations, maintenance, and custody of certain Navy-owned electrical transmission and distribution lines, electric power generation facilities, related structures and equipment, together with the associated land interest. The facilities are leased to GPA at no cost for a period of 50 years.

On August 1, 2012, GPA and the Navy entered into a USC for a period of ten years, unless terminated early at the option of the Navy, with no option for extension. Key features of the USC include transfer of certain Navy facilities to GPA at no charge, calculation of power rates charged to the Navy in accordance with the methodology approved by the PUC, GPA's continued use of the Navy's assets and associated real estate assets at no charge, compensation by GPA to the Navy for energy supplied to GPA's customers from Navy dedicated facilities, weekly fuel payments by the Navy, supply of water to GWA by the Navy for power generation facilities, 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.

(9) Agreements with the U.S. Navy, Continued

During the years ended September 30, 2014 and 2013, GPA billed the Navy $75,323,422 and $84,898,982, respectively, for sales of electricity under the USC. Receivables from the Navy were $955,986 and $5,480,577 at September 30, 2014 and 2013, respectively (see note 3).

As of September 30, 2014, GPA owes the Navy $2,194,600 representing the electricity supplied to GPA's customers from Navy dedicated facilitates from September 1, 2012 through February 28, 2014, payable through September 30, 2015.

(10) 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 February 2012, GPA renewed two contracts with IP&E Guam, Inc. to purchase diesel fuel oil through November 30, 2014. On January 1, 2015, GPA entered into diesel fuel supply contracts with IP&E Guam, Inc. and Mobil Oil Guam, Inc. The agreements are for three years ending December 31, 2017 with an option to extend for two additional one-year terms, renewable annually.

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, 2014, the minimum future management fees for the year ending September 30, 2015 are $2,526,743.

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. Mandatory management fees are $675,273 annually with optional additional insurance fees of $41,750 annually. At September 30, 2014, the minimum future management fees for the year ending September 30, 2015 are $450,182.

Operating Leases

GPA is leasing its office building for $45,110 monthly through December 31, 2014.

(10) Commitments and Contingencies, Continued

Operating Leases, Continued

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 extend 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, 2014, future minimum lease payments for operating leases are as follows:

Year ending September 30,	Amount
2015	$ 1,711,485
2016	1,594,682
2017	1,656,018
2018	1,576,545
2019	61,261
2020 through 2023	188,888
	$ 6,788,879

Rent expense under the aforementioned agreements totaled $2,074,250 and $2,044,798 during the years ended September 30, 2014 and 2013, respectively.

Renewable Energy Contracts

GPA entered into three renewable energy purchase agreements to purchase 20 Megawatts (MW) of solar renewable energy, 5.65 MW of solar renewable energy, and 9.35 MW of wind renewable energy with expected commercial operations to commence in September 2015 for the solar renewable energy and March 2016 for the wind renewable energy. The agreements include escalating contract prices per MW hour until 2041 with a total minimum renewable energy purchase commitment of 1.7 million MW hour.

At September 30, 2014, the minimum future renewable energy purchases are as follows:

Year ending September 30,	Amount
2016	$ 13,482,113
2017	15,402,557
2018	15,502,492
2019	15,552,844
2020 through 2024	78,924,453
2025 through 2029	80,909,874
2030 through 2034	78,169,713
2035 through 2039	53,155,542
2040 through 2041	9,262,031
	$ 360,361,619

(10) Commitments and Contingencies, Continued

Capital Commitments

As of September 30, 2014, GPA has various on-going construction contracts with a total contract price of $43 million, of which $38 million has been paid and recorded as construction work in progress.

Letters of Credit

As of September 30, 2014, GPA has a $35 million uncollaterized revolving documentary letter of credit for purchases of fuel. Commitments under the standby letter of credit at September 30, 2014 totaled $25 million.

Self-Insurance

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

As the result of a PUC Decision and Order, GPA 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 $16,913,041 and $13,514,022 at September 30, 2014 and 2013, respectively.

Litigation

GPA has several asserted and unasserted claims outstanding as of September 30, 2014. 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*. In September 2013, GPA received another invoice for $875,000 from the Chamorro Land Trust Commission referring to the same annual assessment aforementioned. There was no invoice received for the year ended September 30, 2014. GPA obtained 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, 2014 and therefore, no liability or other impact has been recognized in the accompanying financial statements.

(10) Commitments and Contingencies, Continued

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.

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. GPA is covered by its self-insurance and worker's compensation insurance in case of accidents due to hazardous substance.

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. The required stack emission equipment was installed within the extension period. 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.

(10) Commitments and Contingencies, Continued

Environmental Protection Agency, Continued

EPA also established rules for Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) which applies to Cabras 1&2 and Tanguisson steam boiler units. Compliance under the EGU MACT is due in April 2015. Non-compliance could result in penalty fees of $37,000 per unit per day. GPA obtained PUC approval to early terminate the associated energy conversion agreement of the Tanguisson unit (see notes 6 and 13). By deactivating the Tanguisson unit prior to May 2015, GPA will not have to incur compliance costs for this unit. As to compliance for Cabras 1&2, a consent decree currently being negotiated with EPA and USDOJ for compliance with RICE MACT is also expected to cover the EGU MACT compliance.

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 MW of generation from renewable energy sources; and diversification of its fuel source to LNG and ULS diesel fuel oil.

In October 2014, CCU decided to postpone LNG implementation as Guam does not have the seaport facility to offload and process LNG from ships for use at GPA's power plant. CCU approved instead to build a new power plant by 2020 to meet tougher federal air emission standards. The new power plant will be powered by ultra-low-sulfur diesel. GPA intends for new units to be capable of dual fuel firing if LNG is made available on Guam. GPA presented this for PUC approval but was denied as the information provided by GPA is not sufficient to justify procuring a new power plant. PUC ordered GPA to submit a revised analysis and Resource Implementation Plan before September 30, 2015. GPA continues to work with the PUC and its consultants in evaluating the need and capacity requirements of a new power plant.

GPA reassessed the estimated useful lives of its Cabras 1&2 and Cabras 3&4 power plants based on the expected retirement of these plants when a new power plant becomes operational by 2020. The estimated useful life of Tanguission plant was reassessed to end in line with the expiration of the associated energy conversion agreement. GPA recorded additional depreciation expense due to the revised estimated useful lives which was included in the accompanying statements of revenues, expenses, and changes in net position.

Dededo Combustion Turbine 1 & 2

In November 2014, CCU approved the deactivation of Dededo Combustion Turbine 1 & 2 due it its inefficiencies and high operating costs. GPA has not yet completed a plan of action and analyzed the effect of deactivation on the power plants. No adjustment to the estimated useful life of the assets has been made to the financial statements. The power plants have a net book value of $11.6 million at September 30, 2014.

(11) Related Party Transactions and Balances

During the years ended September 30, 2014 and 2013, GPA billed GovGuam agencies $62,311,432 and $64,072,281, respectively, for sales of electricity. Receivables (excluding long-term receivables) from GovGuam agencies were $7,740,973 and $9,282,086 at September 30, 2014 and 2013, 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, 2014 and 2013 were $16,439,681 and $17,508,372, respectively. Outstanding receivables for electricity billings are $2,777,902 and $4,016,853 at September 30, 2014 and 2013, 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 $229,321 and $291,062 in 2014 and 2013, respectively. Outstanding receivables for administrative expenses and cost reimbursements totaled $241,355 and $189,356 as of September 30, 2014 and 2013, respectively, and are included in other receivables (see note 3).

GWA billed GPA for water and sewer charges on the facilities transferred by the Navy to GPA under the USC (see note 9) totaling $1,250,747 and $1,179,630 for the years ended September 30, 2014 and 2013, respectively. The amount due to GWA as of September 30, 2014 and 2013 is $1,466,885 and $960,195, respectively, which is included in accounts payable - operations in the accompanying statements of net position.

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 10). Due to uncertainty of receipt, GPA has not recorded the reimbursement in the accompanying financial statements.

(12) Restricted Net Position

At September 30, 2014 and 2013, net position is restricted for the following purposes:

	2014	2013
Debt Service	$ 20,052,215	$ 18,793,414
Capital Projects	-	9,354,184
	$ 20,052,215	$ 28,147,598

(13) Subsequent Events

On December 29, 2014, PUC approved early termination of the associated energy conversion agreement of the Tanguisson power plant effective January 2, 2015 for $8.1 million (see note 6). The agreement originally expires in September 2017. GPA incurred a $2.8 million loss due to early termination of the agreement. GPA will deactivate the Tanguisson plant no later than May 2015.

(14) Utility Plant

A summary of changes in capital assets for the years ended September 30, 2014 and 2013 is as follows:

2014	Estimated Useful Lives in Years	Beginning Balance October 1, 2013	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2014
Depreciable:					
Intangible plant	30	$ 4,353,988	$ -	$ (4,353,988)	$ -
Steam production plant	25 - 50	95,884,691	5,201,695	(961,400)	100,124,986
Other production plant	25	260,764,177	8,614,342	(3,652,460)	265,726,059
Transmission plant	30 - 45	157,990,173	3,410,425	-	161,400,598
Distribution plant	25 - 45	198,278,306	14,359,810	(786,867)	211,851,249
General plant	3 - 60	41,378,990	4,550,082	(3,651,310)	42,277,762
Production plant under capital lease	20 - 40	171,382,727	-	-	171,382,727
		930,033,052	36,136,354	(13,406,025)	952,763,381
Accumulated depreciation		(445,698,239)	(36,988,988)	12,709,187	(469,978,040)
		484,334,813	(852,634)	(696,838)	482,785,341
Non-depreciable:					
Land and land rights		1,072,236	-	-	1,072,236
Construction work in progress		41,327,906	64,824,520	(37,317,770)	68,834,656
		42,400,142	64,824,520	(37,317,770)	69,906,892
		$ 526,734,955	$ 63,971,886	$ (38,014,608)	$ 552,692,233

2013	Estimated Useful Lives in Years	Beginning Balance October 1, 2012	Transfers and Additions	Transfers and Deletions	Ending Balance September 30, 2013
Depreciable:					
Intangible plant	30	$ 4,353,988	$ -	$ -	$ 4,353,988
Steam production plant	25 - 50	94,452,024	1,924,053	(491,386)	95,884,691
Other production plant	25	255,703,693	6,090,281	(1,029,797)	260,764,177
Transmission plant	30 - 45	150,714,631	7,306,924	(31,382)	157,990,173
Distribution plant	25 - 45	185,792,862	23,163,905	(10,678,461)	198,278,306
General plant	3 - 60	31,828,287	15,997,499	(6,446,796)	41,378,990
Production plant under capital lease	20 - 40	171,382,727	-	-	171,382,727
		894,228,212	54,482,662	(18,677,822)	930,033,052
Accumulated depreciation		(432,120,103)	(31,155,714)	17,577,578	(445,698,239)
		462,108,109	23,326,948	(1,100,244)	484,334,813
Non-depreciable:					
Land and land rights		1,072,236	-	-	1,072,236
Construction work in progress		38,508,601	61,728,014	(58,908,709)	41,327,906
		39,580,837	61,728,014	(58,908,709)	42,400,142
		$ 501,688,946	$ 85,054,962	$ (60,008,953)	$ 526,734,955

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.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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.

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

Schedule of Sales of Electricity
Years Ended September 30, 2014 and 2013

	2014	2013
Commercial	$ 171,804,557	$ 174,126,172
Residential	125,023,014	125,931,942
Government of Guam	62,311,432	64,072,281
U.S. Navy	75,323,422	84,898,982
	$ 434,462,425	$ 449,029,377

See accompanying independent auditors' report.

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

Schedule of Operating and Maintenance Expenses
Years Ended September 30, 2014 and 2013

	2014	2013
Administrative and General:		
Salaries and wages:		
Regular pay	$ 4,660,058	$ 4,633,643
Overtime	20,982	56,615
Premium pay	2,446	4,112
Benefits	10,968,583	11,117,132
Total salaries and wages	15,652,069	15,811,502
Insurance	6,130,117	6,011,317
Contract	3,822,093	5,125,965
Retiree COLA/supplemental benefits	3,057,199	2,748,420
Utilities	1,688,838	1,520,271
Travel	243,641	279,149
Training	175,430	252,879
Operating supplies	134,407	162,586
Other administrative expenses	121,325	84,914
Trustee fee	86,598	62,005
Office supplies	56,340	79,292
Overhead allocations	17,800	18,609
Completed work orders	(1,020,183)	(1,052,625)
Miscellaneous	508,298	485,193
Total administrative and general	$ 30,673,972	$ 31,589,477
Customer Accounting:		
Salaries and wages:		
Regular pay	$ 1,578,761	$ 1,578,395
Overtime	23,742	188,624
Premium pay	1,910	4,544
Benefits	125,191	131,972
Total salaries and wages	1,729,604	1,903,535
Collection fee	1,627,504	1,470,277
Communications	344,257	343,796
Office supplies	51,855	45,073
Overhead allocations	26,500	54,438
Contracts	18,710	27,738
Operating supplies	13,213	22,580
Completed work orders	3,248	9,393
Miscellaneous	5,658	1,625
Total customer accounting	$ 3,820,549	$ 3,878,455

See accompanying independent auditors' report.

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

Schedule of Operating and Maintenance Expenses, Continued
Years Ended September 30, 2014 and 2013

	2014	2013
Fuel:		
Salaries and wages:		
Regular pay	$ 82,591	$ 86,564
Overtime	6,557	11,753
Premium pay	270	453
Benefits	3	-
Total salaries and wages	89,421	98,770
Fuel	275,038,732	293,494,653
Unearned fuel costs	(3,953,442)	1,879,233
Total fuel costs	$ 271,174,711	$ 295,472,656
Other Production:		
Salaries and wages:		
Regular pay	$ 9,335,878	$ 9,267,016
Overtime	644,658	1,218,148
Premium pay	183,781	195,460
Benefits	743,170	737,307
Total salaries and wages	10,907,487	11,417,931
Contract	7,015,683	9,168,604
Completed work orders	630,807	655,312
Operating supplies	472,048	501,925
Overhead allocations	102,347	83,511
Office supplies	9,935	14,898
Miscellaneous	167,111	167,107
Total other production	$ 19,305,418	$ 22,009,288
Transmission and Distribution:		
Salaries and wages:		
Regular pay	$ 6,432,166	$ 6,332,777
Overtime	377,404	831,754
Premium pay	64,262	77,477
Benefits	412,619	345,263
Total salaries and wages	7,286,451	7,587,271
Overhead allocations	2,057,250	1,988,061
Completed work orders	1,738,451	1,411,004
Contract	1,150,528	1,544,000
Operating supplies	692,126	820,293
Office supplies	25,134	17,146
Total transmission and distribution	$ 12,949,940	$ 13,367,775

See accompanying independent auditors' report.

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

Schedule of Salaries and Wages
Years Ended September 30, 2014 and 2013

	2014	2013
Salaries and wages:		
Regular pay	$ 22,089,454	$ 21,898,395
Overtime	1,073,343	2,306,894
Premium pay	252,669	282,046
Benefits	12,249,566	12,331,674
Total salaries and wages	$ 35,665,032	$ 36,819,009

See accompanying independent auditors' report.

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

Employees by Department
Years Ended September 30, 2014 and 2013

	2014	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel Services (a)
Department:		
Board	2	$ 232,858
Executive	18	1,111,878
Administration	28	2,834,767
Finance	23	1,938,832
Planning and Regulatory	7	650,399
Property and Facilities	8	466,630
Purchasing and Supply Management	20	674,468
Customer Service	53	2,596,156
Engineering	36	2,080,875
Generation	167	13,431,104
Strategic Planning and Operation Research and Development	7	690,416
Power System Control Center	23	1,961,532
Transportation	13	237,520
Transmission and Distribution	107	6,318,957
Total full time employees	512	35,226,392
Apprentice and summer engineering		438,640
		$ 35,665,032

	2013	
	Full Time Employees (b)	PL 28-150 Section 45b Category Personnel Services (a)
Department:		
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

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.