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February 25, 2011

The Board of Commissioners
Consolidated Commission on Utilities

Dear Members of the Board of Commissioners:

We have performed an audit of the financial statements of Guam Power Authority (GPA) as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated February 25, 2011.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of GPA is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated October 6, 2010. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of GPA's basic financial statements and the accompanying supplementary information, and to disclaim an opinion on the required supplementary information for the year ended September 30, 2010 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects;

- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole; and

- To report on GPA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2010 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Consolidated Commission on Utilities (CCU) are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the CCU of their responsibilities.

We considered GPA's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GPA's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in GPA's 2010 financial statements include management's estimate of the allowance for doubtful accounts, which is determined based upon past collection experience and aging of the accounts, management's estimate of inventory obsolescence, which is based on management's evaluation of the inventory's realizable value, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2010, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe either individually or in the aggregate with others have had a significant effect on GPA's financial reporting process. Such adjustments, listed in Appendix A to Attachment I, have been recorded in the accounting records and are reflected in the 2010 financial statements.

In addition, attached to Attachment I as Appendices B and C, summaries of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest and prior period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

GPA's significant accounting policies are set forth in Note 1 to GPA's 2010 financial statements. During the year ended September 30, 2010, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by GPA:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

- GASB Technical Bulletin No. 2008-1, Determining the Annual Required Contribution Adjustment for Postemployment Benefits, which clarifies the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for calculating the annual required contribution (ARC) adjustment.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

Management does not believe that the implementation of these statements had a material effect on the financial statements of GPA.

For the year ended September 30, 2011, the following pronouncements will be adopted by GPA:

- In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010.

- In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

- In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010.

Management has not evaluated the effect that the implementation of these statements will have a material effect on the financial statements of GPA.

CRITICAL ACCOUNTING POLICIES AND PRACTICES

Critical accounting policies are those that are both most important to the portrayal of GPA's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We had no oral discussions with management regarding critical accounting policies and practices related to the year ended September 30, 2010.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within generally accepted accounting principles for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the year ended September 30, 2010.

OTHER INFORMATION IN THE ANNUAL REPORTS OF GPA

When audited financial statements are included in documents containing other information, such as Annual Reports, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. In the event that GPA issues an Annual Report or other documentation that includes the audited financial statements, we will be required to read the other information in GPA's 2010 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the CCU.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to GPA's 2010 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2010.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of GPA's management and staff and had unrestricted access to GPA's senior management in the performance of our audit.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of GPA's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations GPA is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment I, a copy of the representation letter we obtained from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, dated February 25, 2011, on GPA's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*. Within that report, we noted a certain matter that was considered to be a significant deficiency under standards established by the American Institute of Certified Public Accountants. Although we have included management's written response to our comment contained in the report, such response has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described therein. We have communicated to management, in separate letters also dated February 25, 2011, other matters that we identified during our audit, including matters associated with GPA's computer processing environment.

This report is intended solely for the information and use of the Consolidated Commission on Utilities, the management of Guam Power Authority and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

Very truly yours,

Deloitte & Touche LLP

GUAM POWER AUTHORITY
ATURIDAT ILEKTRESEDAT GUAHAN
P O BOX 2977, AGANA, GUAM 96932-2977

February 25, 2011

Deloitte & Touche LLP
361 South Marine Drive
Tamuning, Guam 96913

Gentlemen:

We are providing this letter in connection with your audits of the statements of net assets of the Guam Power Authority (GPA), a component unit of the Government of Guam, as of September 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended, which collectively comprise GPA's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of GPA in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the following:

a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows, in conformity with accounting principles generally accepted in the United States of America (GAAP).

b. The fair presentation of the required supplementary information, including the Management's Discussion and Analysis, and supplemental schedules accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.

c. The design and implementation of programs and controls to prevent and detect fraud.

d. Establishing and maintaining effective internal control over financial reporting.

e. The review and approval of the financial statements, accompanying schedules and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the stand-alone business-type activities checklist by the Government Finance Officers Association. Additionally, we agreed with the adjusting and reclassification entries included in Appendix A.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:

   a. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.

   b. Deposits and investment securities are properly classified in the category of custodial credit risk.

   c. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

   d. Required supplementary information is measured and presented within prescribed guidelines.

2. GPA has made available to you all:

   a. Financial records and related data

   b. Summaries of actions of the Consolidated Commission on Utilities which are dated as follows:

Name	Date
Regular Meeting	October 20, 2009
Regular Meeting	November 24, 2009
Regular Meeting	December 15, 2009
Regular Meeting	January 12, 2010
Regular Meeting	February 9, 2010
Regular Meeting	March 9, 2010
Regular Meeting	April 6, 2010
Regular Meeting	May 11, 2010
Regular Meeting	June 8, 2010
Regular Meeting	July 13, 2010
Regular Meeting	August 10, 2010
Regular Meeting	September 14, 2010
Regular Meeting	October 10, 2010
Regular Meeting	November 9, 2010
Regular Meeting	December 14, 2010
Special Meeting	January 4, 2011
Regular Meeting	January 11, 2011

3. There have been no: (1) action taken by GPA management that contravenes the provisions of federal laws and Guam laws and regulations, or of contracts and grants applicable to GPA; and (2) communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.

4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix B.

5. We believe the effects of the uncorrected financial statement misstatements detected in the current year that relate to the prior year presented, when combined with those misstatements aggregated by you during the prior year audit engagement and pertaining to the prior year presented, are immaterial, both individually and in the aggregate, to the financial statements for the year ended September 30, 2010 taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix C.

6. GPA has not performed a formal risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you its understanding about the risks of fraud in GPA and does not believe that the financial statements are materially misstated as a result of fraud.

7. We have no knowledge of any fraud or suspected fraud affecting GPA involving:

    a. Management.

    b. Employees who have significant roles in internal control over financial reporting.

    c. Others if the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting GPA received in communications from employees, former employees, analysts, regulators, or others.

9. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) Topic No. 450 Contingencies (formerly FASB Statement No. 5, *Accounting for Contingencies*.)

10. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.

11. No changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses, have occurred subsequent to September 30, 2010.

12. We have resolved all significant deficiencies and material weaknesses identified and communicated to the Consolidated Commission on Utilities (CCU) during the previous audit of internal control over financial reporting.

Except where otherwise stated below, matters less than $718,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

13. Except as listed in Appendices B and C, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

14. GPA has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

15. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:

    a. Related party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

       During the years ended September 30, 2010 and 2009, GPA billed Government of Guam agencies $54,466,058 and $55,005,422, respectively, for sales of electricity. Receivables (excluding long-term receivables) from Government of Guam agencies were $5,004,039 and $5,403,926 at September 30, 2010 and 2009, respectively.

       GPA provides electrical and administrative services to GWA, a component unit of the Government of Guam, which is also governed by the CCU. Electricity sales to GWA for the years ended September 30, 2010 and 2009 were $14,169,237 and $14,935,862, respectively.

       On June 23, 2009, GPA and GWA entered into a Memorandum of Understanding (MOU) where each agency agrees to provide administrative, operational, maintenance, repair and other specified services on behalf of the other agency and each will reimburse the other for their actual costs for providing said services. The MOU also covers the repayment period for prior services rendered by GPA. Total amounts billed by GPA to GWA for administrative expenses and cost reimbursements amounted to $818,616 and $567,991 in 2010 and 2009, respectively. Outstanding receivables for administrative expenses and cost reimbursements billed by GPA to GWA amounted to $310,264 and $1,549,355 as of September 30, 2010 and 2009, respectively. Additionally, at September 30, 2010 and 2009, GPA has long-term receivables due from GWA totaling $1,764,811 and $5,232,629, respectively, under the MOU and for a prior water surcharge.

    b. Guarantees, whether written or oral, under which GPA is contingently liable.

16. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

    b. The effect of the change would be material to the financial statements.

17. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

    a. The concentration exists at the date of the financial statements.

b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

18. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC Topic No. 450 *Contingencies*.

19. GPA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the financial statements.

20. GPA has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance, including all requirements associated with the 1993, 1999 and 2010 Series bonds.

21. No events have occurred after September 30, 2010, but before February 25, 2011, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in the financial statements.

22. No department or agency of the Federal Government or the Government of Guam has reported a material instance of noncompliance to us.

23. With regard to the fair value measurements and disclosures of certain assets, we believe that:

    a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied in accordance with GAAP.

    b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP.

    c. No events have occurred subsequent to September 30, 2010 that require adjustment to the fair value measurements and disclosures included in the financial statements.

24. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.

25. Financial instruments with significant individual or group concentration of credit risk have been appropriately identified, properly recorded, and disclosed in the financial statements.

26. GPA has properly identified all derivative instruments and any financial instruments that contain embedded derivatives. GPA's hedging activities are in accordance with its documented and approved hedging and risk management policies, and all appropriate hedge documentation was in place at the inception of the hedge in accordance with GASB Statement No. 53, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*. Specifically, we have appropriately designated all hedging instruments as either fair value or cash flow hedges. The timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives for which GPA has elected to measure the financial instruments at fair value in their entirety (pursuant to the provisions of GASB Statement No. 53), and hedged items have been determined based on GAAP, using prevailing market prices or by using financial models that are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at September 30, 2010.

27. During fiscal year 2010, GPA implemented the following pronouncements:

    - GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.

    - GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.

    - GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for calculating the annual required contribution (ARC) adjustment.

    - GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

    In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of GPA.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GPA.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of GPA.

28. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.

29. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of GPA and do not include any items consigned to it.

30. We believe that all expenditures that have been deferred to future periods are recoverable.

31. We have no intention of terminating our participation in the Government of Guam Retirement plans or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension plans to which we contribute.

32. We represent to you that, subsequent to September 30, 2010, there were no changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses).

33. No evidence of fraud or dishonesty in fiscal operations of programs administered by GPA has been discovered.

34. All additions to GPA's property accounts consist of replacements or additions that are properly capitalizable.

35. There were no items of physical property contained in the property accounts of GPA that were either (a) abandoned or (b) out of service and not regarded as either

(i) standby property or equipment or (ii) property held for use only temporarily out of service, as that term is commonly understood in the public utility business.

36. GPA's provisions for depreciation and decommissioning have been determined in accordance with the orders of and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and the Public Utilities Commission. Based on the present operating conditions and probable useful lives of the properties, we believe that the provisions being made using the depreciation and decommissioning rates in effect will be adequate to depreciate and decommission the properties over their respective useful lives.

37. All regulatory assets and liabilities have been recorded in accordance with the orders or other guidance of GPA's regulatory commission and in accordance with the provisions of FASB ASC 980, *Regulated Operations*. Regulatory assets represent incurred costs that are probable of recovery from future revenues. Regulatory liabilities represent amounts imposed by rate actions of GPA's regulators that may require refunds to customers, represent amounts provided in current rates that are intended to recover costs that are expected to be incurred in the future for which GPA remains accountable, or represent a gain or other reduction of allowable costs to be given to customers over future periods. All expenditures that have been deferred to future periods are recoverable.

38. Management of GPA is of the opinion that accounts and notes receivable from the Guam Department of Education and the Guam Waterworks Authority are fully collectible.

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

Very truly yours,

Simon Sanchez
Chairman, Consolidated Commission on Utilities

3/2/11
Date

Joaquin Flores
General Manager

3/3/11
Date

Randall Wiegand
Chief Financial Officer

3/2/11
Date

Cora Montellano
Asst. Chief Financial Officer

2/28/11
Date

Lenora Sanz
Controller

2/28/11
Date

SUMMARY

Number	Type	Description	Assets	Liabilities	Net Assets	(Increase) Decrease in Net Assets
1	AJE	Entity AJE - to adjust 2010 bonds COI	(2,097)	-	-	2,097
2	AJE	Entity AJE - to adjust unamortized debt discount	(17,886)	-	-	17,886
3	AJE	Entity AJE - to adjust accounts payable	10,800	(87,686)	-	76,886
4	AJE	Entity AJE - to adjust accts payable	(6,380)	(33,024)	-	39,404
5	AJE	Entity AJE - To adjust acc dep	2,772,764	-	-	(2,772,764)
6	AJE	To adjust FEMA grants related adjustment	-	-	759,585	(759,585)
7	AJE	To adjust allowance for doubtful accounts	1,061,678	-	-	(1,061,678)
8	AJE	To adjust annual leave accrual	46,434	(714,064)	-	667,630
9	AJE	to adjust sick leave accrual	-	(221,038)	-	221,038
10	AJE	To adjust accum depr	(5,506,065)	-	-	5,506,065
		Total Posted	(1,640,751)	(1,055,812)	759,585	1,936,979

DETAILS OF ADJUSTING JOURNAL ENTRIES

#	Name	Debit	Credit
	1 AJE Entity AJE - to adjust 2010 bonds COI		
990428	Amortization of Debt Expense	2,097	-
181000.150	2010 Sr. Rev Bonds-COI	-	648
181000.151	2010 Sub Rev Bonds-COI	-	1,448
		2,097	2,097
	2 AJE Entity AJE - to adjust unamortized debt discount		
190000	Unamortized Debt Discount	-	2,146,309
990428	Amortization of Debt Expense	17,886	-
226000.32	2010 Senior Bond orig issue discount	2,128,423	-
		2,146,309	2,146,309
	3 AJE Entity AJE - to adjust accounts payable		
107100	CWIP - Work Orders	10,800	-
570000	Maint. of Station Equipt	24,000	-
921000	Office supplies & expense	1,540	-
923000	Closing	45,787	-
923000	Closing	1,135	-
931000	Rents	732	-
932000	A&G Maint-General Plant	-	1,036
932000	A&G Maint-General Plant	880	-
932000	A&G Maint-General Plant	3,848	-
232000.20	Operation	-	87,686
		88,723	88,723
	4 AJE Entity AJE - to adjust accts payable		
107200	Labor	-	10,753
189000	Garage - Clearing	4,373	-
583000	Closing/Others	3,000	-
923000	Closing	36,404	-
232000.20	Operation	-	33,024
		43,777	43,777

#	Name	Debit	Credit
	5 AJE Entity AJE - To adjust accumulated depreciation based on recon of SL and GL of distribution plant.		
108361	DB - Structures and Improv	26,894	-
108362	DB - Station Equipment	2,471,074	-
108364	DB - Poles Towers & Fixtures	-	631,834
108365	DB - Overhead Cond. & Device	-	868,314
108366	DB - Underground Conduit	526,349	-
108367	DB - Underground Cond. & Dev	427,765	-
108368	DB - Line Transformer	-	1,533,917
108369	DB - Services	665,593	-
108370	DB - Meters	619,228	-
108373	DB - Street Lighting & Sig.	1,069,927	-
970361	Structures & Improvements	-	26,894
970362	Station Equipment	-	2,471,074
970364	Poles Towers & Fixtures	631,834	-
970365	Overhead Cond. & Dev.	868,314	-
970366	Underground Conduit	-	526,349
970367	Underground Cond & Dev.	-	427,765
970368	Line Transformer	1,533,917	-
970369	Services	-	665,593
970370	Meters	-	619,228
970373	Street Light & Signal System	-	1,069,927
		8,840,893	8,840,893
	6 AJE To adjust FEMA grants related adjustment		
201100	Grant by DOI	759,585	-
DT410000	Other income	-	759,585
		759,585	759,585
	7 AJE To adjust allowance for doubtful accounts		
904000	Provision for Bad Debts	-	1,061,678
144000.10	Allowance for Doubtful Acct	1,061,678	-
		1,061,678	1,061,678
	8 AJE To adjust annual leave accrual		
107100	CWIP - Work Orders	46,434	-
233020	Accrued Annual Leave & Hol.	-	714,064
506000	Misc. Steam Power Exp.	156,684	-
514000	Maint of misc steam plant	156,684	-
588000	Closings/others	87,246	-
903010	Customer records & collectio	50,024	-
920000	Others	129,747	-
598000	Closings/others	87,246	-
		714,064	714,064
	9 AJE to adjust sick leave accrual		
228000.10	Accum Prov for Pension/Ben	-	221,038
926650	DC	221,038	-
		221,038	221,038

Appendix A

#	Name	Debit	Credit
	10 AJE To adjust depreciation for change in estimated useful lives of general plant assets.		
108390	GP - Structures and Improve	-	117,407
108391	GP - Office Furniture & Eq.	-	2,585,308
108392	GP - Transportion Equipment	-	532,395
108393	GP - Stores Equipment	-	51,592
108394	GP - Tools, Shop, Gar. Equip	-	382,865
108395	GP - Laboratory Equipment	-	360,141
108396	GP - Power Oper. Equipment	-	92,043
108397	GP - Communication Equip	-	1,191,650
108398	GP - Misc. Equipment	-	192,665
970390	Structure and Improvements	117,407	-
970391	Office Furniture & Equipment	2,585,308	-
970392	Transportation Equipment	532,395	-
970393	Stores Equipment	51,592	-
970394	Tools, Shop, Garage Equip.	382,865	-
970395	Laboratory Equipment	360,141	-
970396	Power operated equipment	92,043	-
970397	Communication Equipment	1,191,650	-
970398	Misc. Equipment	192,665	-
		5,506,065	5,506,065

RECLASSIFYING JOURNAL ENTRIES

#	Name	Debit	Credit
	1 RJE To reclass non-AP operations accounts		
232000.10	Oil	-	209,017
232000.20	Operation	1,019,159	-
DT232000.:	Payable to federal government	-	554,350
DT232000.:	Deferred payment agreement	-	255,792
		1,019,159	1,019,159
	2 RJE To reclass short-term investments		
111000.67	Excess Bond Fund-Merrill Lyn	-	99,916
DT-111000.	Short-term investments held by trustee	99,916	-
		99,916	99,916
	3 RJE To reclass current portion of capital lease obligation		
227000	Obligation under cap lease	9,064,045	-
227000.01	Obligation under Capital lease, current	-	9,064,045
		9,064,045	9,064,045
	4 RJE Entity provided RJE to reclass GWA MOU account.		
143000.10	Job Orders & Misc.	244,833	-
142000.90	Current portion-Long term AR	-	244,833
		244,833	244,833
	5 RJE To reclass DPW and GWA MOU receivables		
141000.10	Notes-Receivable Current	607,370	-
142000.10	Customers Billed - Private	-	216,993
142000.20	Customer Billed - Government	-	390,377
		607,370	607,370
	6 RJE To reclass sick leave accrual		
228000.10	Accum Prov for Pension/Ben	1,722,649	-
DT-228000.	DCRS sick leave liability	-	1,722,649
		1,722,649	1,722,649
	7 RJE To reclass current portion of accrued annual leave		
228000.10	Accum Prov for Pension/Ben	639,265	-
233020	Accrued Annual Leave & Hol.	-	639,265
		639,265	639,265
	8 RJE To reclass COLA		
DT410001	COLA (reimbursement to GovGuam)	1,178,100	-
992433	COLA/ Supplemental annuities	-	1,178,100
		1,178,100	1,178,100

Appendix B

Description	Assets	Liabilities	Net Assets	(Increase) Decrease in Net Assets
<1> To adjust credit balances in AR				
AR-trade	286,317			
Accts payable		(286,317)		
<2> To adjust provision for doubtful accounts.				
Provision for doubtful accounts				507,000
Allowance for doubtful accounts	(507,000)			
<3> To adjust debit balance in misc. accrued and current liab account				
Misc accrued and current liability		(341,020)		
Expenses				341,020
<4> To adjust differences in fixed assets GL vs. SL				
Fixed assets	37,996			
Depreciation				422,447
Expense				(37,996)
Accumulated depreciation	(422,447)			
	(605,134)	(627,337)	0	1,232,471

Appendix C

Description	Assets	Liabilities	Net Assets	(Increase) Decrease in Net Assets
<1> To adjust bad debts expense related to accts directly written off ("wake" accounts)				
Revenues				259,928
Receivables	(259,928)			
<2> To adjust LEAC related to Navy account				
LEAC over/under	3,008,751			
Accts Payable - Navy		(3,008,751)		
<3> To adjust overaccrual of interest income in PY				
Interest income				278,339
Accrued interest	(278,339)			
	2,470,484	(3,008,751)	0	538,267