



# OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagatna, Guam 96910  
Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)  
www.opaguam.org

## Guam Power Authority – FY 2021 Financial Highlights

April 1, 2022

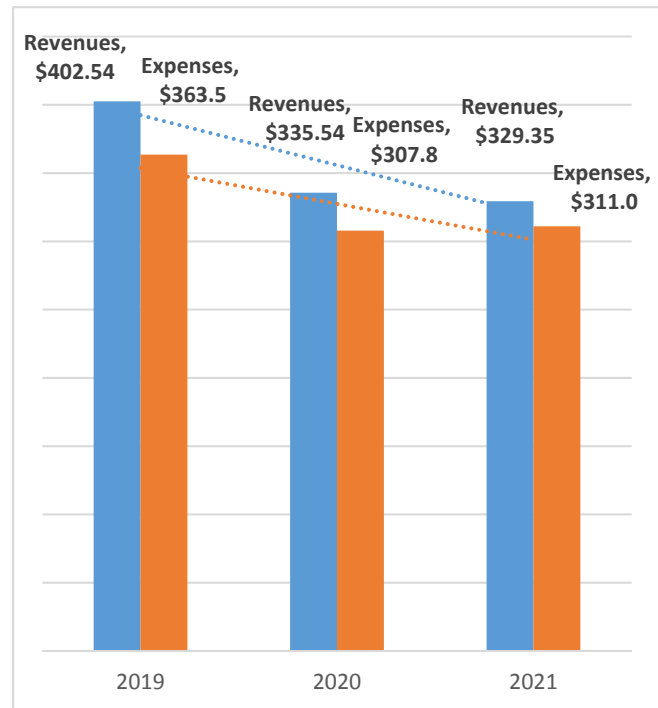
Hagåtña, Guam – The Office of Public Accountability (OPA) released the Guam Power Authority (GPA) financial statements, report on compliance and internal control, management letter, and auditor’s communication with those charged with governance for fiscal year (FY) 2021. GPA closed FY 2021 with an increase in net position (net income) of \$8.2 million (M) from the prior year’s net position of \$4.7M, an increase of \$3.5M. This is mainly due to the \$15M American Rescue Plan Act grant GPA received in FY 2021.

Independent auditors, Deloitte & Touche, LLP (D&T), rendered an unmodified “clean” opinion on GPA’s financial statements and did not identify any material weaknesses or significant deficiencies in its compliance report. GPA is commended for being a low-risk auditee for the sixth year in row. D&T, however, issued a separate management letter that identified twelve comments.

### Revenues Continue to Decrease and Expenses Increase

GPA’s total operating revenues decreased by 1.8%, or \$6M, from \$335.5M in FY 2020 to \$329.3M in FY 2021. This decrease is mostly due to the under-recovery of fuel charges, and purchase of fuel in the amount of \$15 million through the American Rescue Plan Act grant of 2021. Miscellaneous revenues increased by \$3.1M, from \$3.1M in FY 2020 to \$6.2M in FY 2021. This was due to a demand-side management fee charged to customers approved by the PUC in late May 2020.

Total operating and maintenance expenses also increased slightly by 1%, or \$3.2M, going from \$307.8M in FY 2020 to \$311M in FY 2021. The increase was primarily due to increases in production fuel expense, other production expenses, administration and general expenses, and customer accounting expenses, which increased in aggregate by 2.33%, or \$5.7M. Operating and maintenance expenses increased due to higher fuel cost in 2021. Station use increased from 65,487 megawatt hour (mWh) in 2020 to 67,030 mWh in 2021.



These increases were slightly offset by decreases in depreciation and amortization expense, energy conversion costs, and transmission and distribution expense, which decreased in aggregate by 4.06%, or \$2.6M. Transmission and distribution line loss decreased to 89,880 mWh in 2021 compared to 93,613 mWh in 2020.

### Future Capital Activities

GPA is committed to renewable energy and the reduction of greenhouse gas emissions. GPA invested in an industry scale solar farm of 25 megawatt (MW), which became operational in 2015. GPA will be adding 120MW of solar photovoltaics as part of phase II of a renewable project. 60 MW of the 120 MW is expected to be operational in June 2022. Phase III project is in the works and is expected to add 35MW of renewable energy with an Energy Storage System, shifting 100% of the energy to evening load.

### GPA's Long Term Debt

GPA has three bonds as of FY 2021 with total debt service of \$785.9M for future maturities of long-term debt: (1) 2012 Series Senior Revenue Bonds, with the initial face value of \$340.6M and interest at varying rates from 2.98% to 5.0% per annum payable semi-annually in October and April; (2) 2014 Series Senior Revenue Bonds, with an initial face value of \$76.5M and interest to varying rates from 4.0% and 5.0% per annum payable semi-annually in October and April; and (3) 2017 Series Revenue Bonds, with an initial face value of \$148.7M and interest at varying rates from 4.0% to 5.0% per annum payable semi-annually in October and April.

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	\$ 21,540,000	\$ 25,657,250	\$ 47,197,250
2023	22,705,000	24,551,125	47,256,125
2024	24,020,000	23,383,000	47,403,000
2025	25,210,000	22,152,250	47,362,250
2026	26,475,000	20,860,125	47,335,125
2027 through 2031	153,630,000	82,537,000	236,167,000
2032 through 2036	138,535,000	43,496,375	182,031,375
2037 through 2041	94,675,000	16,581,725	111,256,725
2042 through 2045	<u>18,125,000</u>	<u>1,781,775</u>	<u>19,906,775</u>
	<u>\$ 524,915,000</u>	<u>\$ 261,000,625</u>	<u>\$ 785,915,625</u>

### Management Letter

Although there were no material weaknesses or significant deficiencies in its compliance report, D&T issued a separate management letter that identified 10 deficiencies regarding GPA's internal controls over financial reporting, they are as follows: (1) billing customers on estimated consumption beyond the allowed three months, (2) allowance for doubtful accounts, (3) untimely recording of operating grant, (4) improper presentation of capital asset retirement transactions, (5) lack of policy and procedure regarding tampering chargers collections, (6) untimely updates to replacement of defective meter schedule, (7) ceased sending billing statements to customers with no current period charges, (8) inconsistent application of depreciation policy, (9) lack of rationale regarding the classification of certain expenses, (10) and untimely review of nonmoving inventory for revaluation.

D&T also included other matters related to their observations concerning operations, compliance with laws and regulations, and best practices involving GPA's internal control over financial reporting. They are as follows: (1) noncompliance with Guam PUC self-insurance program protocols, and (2) noncompliance with the Working Capital Fund requirement.

For more details, refer to the Management Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) and [www.guampowerauthority.com](http://www.guampowerauthority.com).