

June 6, 2002

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Guam Power Authority began operations in April 1969 when assets and liabilities with a net value of \$7.9 million were transferred to GPA from the power division of the Public Utility Agency of Guam. In the early 1990's the government of Guam converted a \$20 million loan as contributed capital. Today based on its financial statements as of September 30, 2001, audited by Ernst & Young, GPA has total assets of \$691 million with \$405 million in long-term debt, \$106 million in short term liabilities and capital accumulation of \$180 million.

Notes receivable from certain government of Guam agencies, which were re-negotiated in April 2002, amounted to \$24.7 million of which \$13.4 million is from the Department of Education, \$9.3 million from the Department of Public Works, and \$2 million from the Guam Memorial Hospital. Total receivables from the government of Guam including long term notes receivable increased by 7.6% from \$41.9 million to \$45.1 million. Receivables from private accounts remained virtually unchanged.

The Government of Guam represents 17% of total electricity sales while the U.S. Navy consumed 15% of electricity produced.

While GPA had operating earnings of \$16.9 million it ended the 2001 fiscal year with a net loss of \$8.3 million. This was the first loss in over five years. Operating earnings declined from \$32.4 million in 1997 to \$16.9 million in 2001. Fuel, other production and energy conversion costs were 66.6% or \$155 million of sales compared to only 62% or \$138 million in fiscal year 2000. Interest expense of \$25.8 million remained at 11% of revenues.

During the fiscal year, GPA expensed \$3.7 million in construction projects. In September 2000, GPA entered into a Bond Reserve Fund Forward Delivery Agreement. GPA then received net cash proceeds of \$13.5 million, which went to the Working Capital Fund, after incurring \$3.5 million and \$1.25 million in termination fees and closing costs.

On February 6, 2002, there was an explosion at the Cabras 3 plant, which is still under investigation. GPA is expected to incur significant costs, in the range of \$5 - 7 million for the repairs to the plant. It appears that the costs will be substantially covered by insurance.

In December 1997, GPA suffered extensive damage to its facilities as a result of super typhoon Paka. Typhoon costs were \$36.7 million of which the bulk were covered by insurance and FEMA recoveries. However at 2001, GPA still had a \$10.2 million in unpaid claims from FEMA, which was virtually unchanged from 2000.

In October 1997, GPA entered into a lease agreement for its office building for an initial term of three years with an option to extend for an additional two-year period. Upon extension of the lease on October 2000, monthly rent was increased from \$71,120 to \$78,231.

