

ELECTRIC POWER CORPORATION



"The Power of a Nation"



ANNUAL REPORT 2013 - 2014



Government of Samoa

OFFICE OF THE MINISTER

MINISTRY OF WORKS, TRANSPORT AND INFRASTRUCTURE

(ELECTRIC POWER CORPORATION, SAMOA WATER AUTHORITY,
SAMOA AIRPORT AUTHORITY, SAMOA PORTS AUTHORITY,
SAMOA SHIPPING CORPORATION, LAND TRANSPORT AUTHORITY, HOUSING COMMITTEE)

16 December 2015

The Honourable Speaker
Legislative Assembly
MULINUU

Sir,

In accordance with Cabinet Directive FK (15) 39 of 09 December 2015, I am pleased to present you the Electric Power Corporation's Annual Report for the year ended 30 June 2014, for presentation to the Legislative Assembly of Samoa.

A handwritten signature in blue ink, appearing to read 'Manu'alesagalala Enokati Posala'.

Manu'alesagalala Enokati Posala

**MINISTER OF WORKS TRANSPORT AND INFRASTRUCTURE
& RESPONSIBLE MINISTER FOR THE ELECTRIC POWER CORPORATION**

VISION STATEMENT

"Clean energy sources for affordable and sustainable electricity supply for Samoa"

MISSION

"To provide and maintain quality electricity services through innovative, sustainable and environmentally sound practices in developing renewable energy sources, generation and distribution infrastructure network, in partnership with customers and stakeholders, to support the development of Samoa"

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COVER CAPTION

546kWp Grid-Connected Solar Photovoltaic (PV) systems at EPC compounds at Tanugamanono, Vaitele and Salelologa and Tuanaimato Race Course.

EPC EXECUTIVE for Financial Year 2013 – 2014

BOARD OF DIRECTORS

Fa'aolesā Seiuli Katopau T.Ainu'u

CHAIRMAN

Chairman - Working Committee

Ulumalautea Papalii J Ryan

DIRECTOR

Chairman - Finance & Audit Committee

Member - Working Committee

Fiu Peni Asi

DIRECTOR

Member - Finance & Audit Committee

Member - Working Committee

Leiataua Darryl Clarke

DIRECTOR

Member – Finance & Audit Committee

Fiu Taligi

DIRECTOR

Ale Vena Ale

DIRECTOR

Member – Finance & Audit Committee

Member – Working Committee

Fanene Mark Betham

DIRECTOR

LaveaTupaimatuna Iulai Lavea

Chief Executive Officer Ministry of Finance

Ex-Officio DIRECTOR

MANAGEMENT

Tologatā Galumalemana Lupematasila Tagaloatele Tile Lei'a Tuimalealiifano

GENERAL MANAGER

Taule'ale'ausumai Funefeai Mālolo Aumalaga Tiotio

DEPUTY GENERAL MANAGER OPERATIONS

Vui Sailimalo Loau Tusa Laniselota Lameko

MANAGER CORPORATE SERVICES

Tolefoa Toni Atilua

MANAGER GENERATION

Faumuina Iese Toimoana

MANAGER DISTRIBUTION & UTILIZATION

Vagana Stephanie Ela Lomitusi

MANAGER SAVAII OPERATIONS

Masoe Leilua Iosefa Tautua

MANAGER SALES & MARKETING

Tagaloa Patricia Fruean

MANAGER HUMAN RESOURCES

(April 2012 – May 2014)

'Amelia P Faasau

MANAGER LEGAL SERVICES & POLICY

(March 2012 – March 2014)

Samuela Kava

MANAGER INFORMATION COMMUNICATIONS TECHNOLOGY

Fonoti Afamasaga Perelini S. Perelini

PROJECT MANAGER

POWER SECTOR EXPANSION PROJECT

Amituanai Tausisi Faimanu

MANAGER INTERNAL AUDIT

(July 2012 – October 2013)

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CHAIRMAN'S OVERVIEW

It is a privilege for me to present the Electric Power Corporation's (EPC) 32nd Annual Report for fiscal year ending June 2014 which highlights its performance in accordance with its Corporate Plan 2013-2015 under the Public Bodies (Performance & Accountability) Act 2001.

During the third quarter of the financial year, the Board of Directors approved to restructure the EPC to operate as a business and to become financially self-sufficient, competitive in product price and efficient operation following deregulation and technological innovations in the electricity generation sector. The contract was awarded to Paradise Consulting following the Government's competitive bidding process.

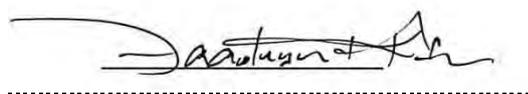
In its efforts to increase the capacity of electricity generated from renewable energy sources, the EPC continued to promote partnerships with international organizations, as well as Independent Power Producers (IPPs) and other innovative means to produce electricity to reduce dependency on imported fossil fuel. This vision is realized through the commissioning of Samoa's first grid connected Solar Project, in both Upolu and Savaii with a total generation output of 600kWp, and opening of the new Salelologa substation and final completion of works for the improvement of the distribution and transmission network. In February 2014, the Samoa Bureau of Statistics (SBS) conducted the first Customer Satisfaction Survey to identify a baseline on the level of customer satisfaction of EPC services.

The Corporation's end of year financial results, has recorded a Net Operating Loss of \$0.85 million compared to a Net Operating Profit of \$0.37 million in the previous year. Total Income was at \$119.76 million compared to \$102.46 million in the previous period, an increase of 16.88%. Total Expenditure was recorded at \$120.61 million compared to \$102.09 million in the previous period. EPC's Net Assets stands at \$207.46 million compared to \$183.40 million in the previous year. The EPC implemented a new modified rate structure and tariff adjustment in May 2014 following approval by the Regulator.

The Corporation continues to support the Government developments under its Strategy for the Development of Samoa (SDS) through the Community Service Obligation (CSO) projects. Notably during this period, the Corporation continued with the construction of distribution network for new consumers, upgrading of existing distribution network, installation of street-lights as well as supporting the Home of the Aged at Mapuifagalele.

On behalf of the Board of Directors, I wish to convey my sincere appreciation to the General Manager, Management and staff of EPC for the hard work and commitment to provide reliable and efficient electricity services to its customers and stakeholders.

Soifua



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Fa'aolesā Seiuli Katopau T. Ainuu

CHAIRMAN

Board of Directors

GENERAL MANAGER'S REPORT

This 32nd annual report covers the major activities of EPC's development projects and financial performance for the fiscal year, July 2013 to June 2014.

The Corporation has faced many challenges during the year that include its continuing efforts to restore its generation and electrical infrastructure in response to aftermath effects of Cyclone Evan, as well as adjusting its electricity tariff rates in May 2014, in order to offset the escalating world oil prices to its local economy. Despite its efforts, the Corporation recorded a Net Operating Loss of \$0.85 million for the financial year ended 30 June 2014.

In the light of this loss, financially, the Corporation is fully committed to realizing its vision of developing renewable energy sources for power generation in order to provide affordable and sustainable electricity supply to its customers and at the same time relieve its dependency on fossil fuel. Thus, the Corporation managed to complete some of its development projects during this period, under the Samoa Power Sector Expansion Project (PSEP) and donor funded projects as detailed further in this report.

1. PROJECTS COMPLETED DURING FISCAL YEAR 2013 –2014

1.1 Salelologa Sub-station

The new Salelologa Sub-station was officially dedicated in April 2014, as part of the Vaiaata Power Plant Subproject, implemented under the Samoa Power Sector Expansion Project (PSEP). This project was separated from Vaiaata Power Plant subproject, as it was given priority due to its urgent need. The existing substation at Salelologa is deteriorating, consequently impacting on the reliability of electricity supply.

Contractor North Power NZ Limited and civil sub-contractor Fletcher Construction Company Limited implemented this project within eight (8) months. The substation includes the 22kV switchgears, 415 volts local supply, 110 DC volts supply, standby generator, control and conference rooms as well as an office. This substation is providing backup for our National Control Centre at Fuluasou through the SCADA system. The total cost for this project is NZD \$ 2,201,232.98.



1.2 Samoa's First Large Scale Grid-Connected Solar Photovoltaic (PV) Project

Samoa commissioned its first grid connected solar project in April 2014 and was the first country of the Pacific region that was awarded with this PV system for implementation. It was funded by JICA under the Pacific Environment Committee (PEC) through the Pacific Islands Forum Secretariat.

Preparatory works were carried out with financial assistance from the Pacific Islands Greenhouse Gas Abatement through Renewable Energy Projects (PIGGAREP) Project. Initially estimated at 400kWp, the winning bidder provided a higher capacity system of 546kWp for the same amount of money.

The total system size is 546kWp (plus 100kWp spare PV modules and inverters) supplied from PV systems installed at the Corporation's compound at Tanugamanono (150kWp), Vaitele (246 kWp) and Salelologa (150 kWp). Contractor SunWize Technologies Ltd of the United States of America with its sub-contractor from Samoa - Young Energy Solutions completed the installation of the solar panels. The total contract is valued at USD \$3,475,396.39. It is expected that its annual output will be 800,000kWh per annum. This translates to around 190,000 litres of diesel saved per annum or SAT\$570, 000 per annum. The expected lifespan of the project is estimated at 20 years and over. The remaining funds from this project are now used to construct a PV system to assist the Home of the Aged at Mapuifagalele.

Samoa was the first country in the Pacific to achieve 100% renewable for one of its islands when Apolima Island was entirely powered by a 15kWp stand-alone PV system way back in 2006. Other countries of the Pacific are now using the Apolima Island PV model for the development of their solar systems.



SALELOLOGA SAVAII:

A 150kWp ground mount system at the EPC's Salelologa Station which feeds electricity into the grid via the newly built Salelologa substation.



TANUGAMANONO UPOLU:

A 150 kWp ground mounted PV system is installed at this site and power is fed directly into the Tanugamanono substation via the Alaoa/Samasoni tie line.



VAITELE, UPOLU :

The EPC Vaitele Depot is the location of the 246kWp PV system. This site consists of a 150kWp ground mounted system and a 96kWp roof mounted system. Electricity from this site is fed into the grid via the Vaitele feeder.

1.3 New Tariff Structure

At the initial stages of the Power Sector Expansion Project in 2007, it was recommended by the Asian Development Bank for EPC to implement an incremental increase of the tariff, to assist with its loan repayments. Unfortunately, this was not implemented and it resulted in its inability to meet its loan repayments. Thus, the Corporation finally implemented a new electricity tariff and rate structure in May 2014, following the approval of its proposal by the Regulator in March of the same year. The cost of service and tariff rate study was conducted by an independent US Consultant, Economist.com.

The new tariff structure is more transparent with the introduction of three separate components in kilowatt hour (kwh) namely the (i) Usage Charge, (ii) PSEP Debt Service Charge and (iii) Fuel Charge, replacing the monthly fuel surcharge. The usage charge covers all of the Corporation's non fuel operating costs and locally funded capital works, while the debt servicing charge is to provide a specific volume charge per kwh for repayment of the PSEP Debt Service. The fuel charge is the recovery of costs towards the purchase of diesel fuel and lubricating oil for generating electricity. Before this new tariff structure was implemented, part of fuel cost was included in the usage charge hence fuel surcharge did not capture complete fuel cost.

The Usage Charge is divided into three (3) tiers for domestic consumers only which are; (i) 1 - 50 kwh, (ii) 51 - 100 kwh and (iii) 101 and over kwh. For non-domestic consumers, the charges are charged in one tier starting from one (1) and above. This applies to both prepaid and post-paid (induction) meter consumers. The 2% discount for advance payment of electricity bills and prepaid still applies on the usage charge only.

1.4 Customer Satisfaction Survey 2014

As part of the EPC's key outputs in its Corporate Plan 2013 – 2015, to improve customer service, the Corporation is obligated to conduct a Customer Satisfaction Survey in measuring how well it is delivering its services based on the perception and satisfaction of the public and its consumers. As this would be the first time since its inception that EPC has to conduct this survey, it is imperative that sourcing the most qualified and adopting the most independent of tools is required to ensure an objective and independent outcome.

In February 2014, a Memorandum of Understanding between the Samoa Bureau of Statistics (SBS) and the EPC was signed for the SBS to conduct the Customer Satisfaction Survey 2014. This is to identify a baseline on the level of customer satisfaction of EPC services. The survey interviewed a sample size of 250 which included 150 from household or domestic consumers, and 100 from other types of consumers. The summary of findings indicated that 86 % of respondents are satisfied towards services rendered by the Corporation.

The customers' perceptions were based on questions designed on their response to reliability of electricity supply, complaint management, public awareness for scheduled and unscheduled works, electricity rates or tariff, the accuracy

of billing and its timely receipt, the availability and convenience of its cashiering and vending services and lastly the efficiency and the provision of quality service of its twenty four (24) hours fault service.

1.5 System Loss Inspection

In an effort to achieve its objectives on delivering electricity supply that is economic and at an optimum price, the Corporation was tasked with an assignment to obtain, assess and report on the losses incurred from electricity consumption. This resulted in a door to door inspection of the distribution network for all consumers in Upolu and Manono from February to March 2014. It required the inspection of low voltage distribution lines, service lines, post and pre-paid power meters and streetlights for the consistency and accuracy of data relating to its physical location, actual state, readings versus the data presently on computerized systems employed by the Corporation to store these information.

The outcome of this survey has prompted the need for the Corporation to closely and strictly assess its standard operating procedures when dealing with consumers who are illegally obtaining electricity by means of meter and electric household wire tampering. It is also striving towards a more stringent approach in aligning its resources both human and capacity to its systems to ensure a lesser percentage of electricity is lost from generation to utilization in the households.

The Corporation surveyed a total of 22,017 consumers in both Upolu and Manono. About 232 consumers were suspected of meter tampering, 822 cash power blanked screen, 275 faulty streetlights and 71 confirmed meter tampering cases. These have been referred to the Ministry of Police for prosecution. A similar inspection for the island of Savaii is scheduled for the next fiscal year 2015.

2. OVERVIEW OF OPERATING PERFORMANCE

2.1 Financial Performance

The recorded Net Operating Loss for the period as at 30 June 2014 is \$ 0.85 million compared to \$0.37 million Net Operating Profit in the previous period. However, with our commitment to the reform and restructuring we can foresee improvements in our financial position and efficiency in our operation.

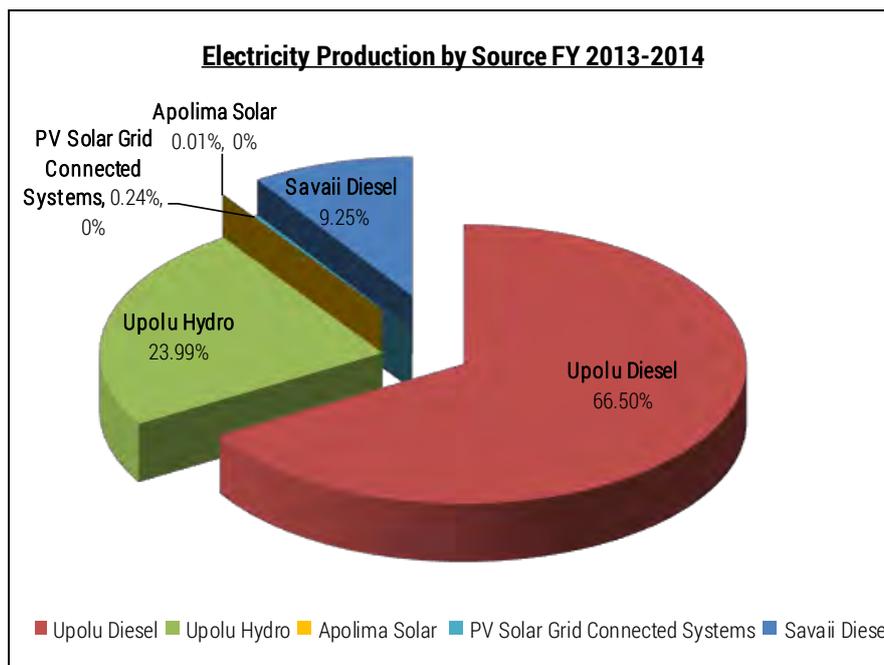
Electricity Sales of \$106.35 million represents 88.80% of Total Income for the period, compared to \$90.78 million in 2012/2013 an increase of 17.15%. Imported diesel fuel of \$ 70.39 million is accounted for the majority of Total Expenditure for this period or 66.19% against the Total Electricity Sales of \$106.35 million.

2.2 Production

In addition to the usual composition on the sources available for the production of electricity, the Corporation this fiscal year has successfully added electricity produced from three (3) photovoltaic solar connected system, since December 2013.

Electricity supply generated from hydro dropped significantly contributing 24% to the generation of electricity while diesel contributed 76% in Upolu and Savaii. Contribution from the Apolima solar plant and new PV solar connected systems at EPC Vaitele, Tanugamanono and Salelologa totaled to 0.22%. For this period, a total of 124,985,632 kWh was produced on all islands. This is detailed in the table below;

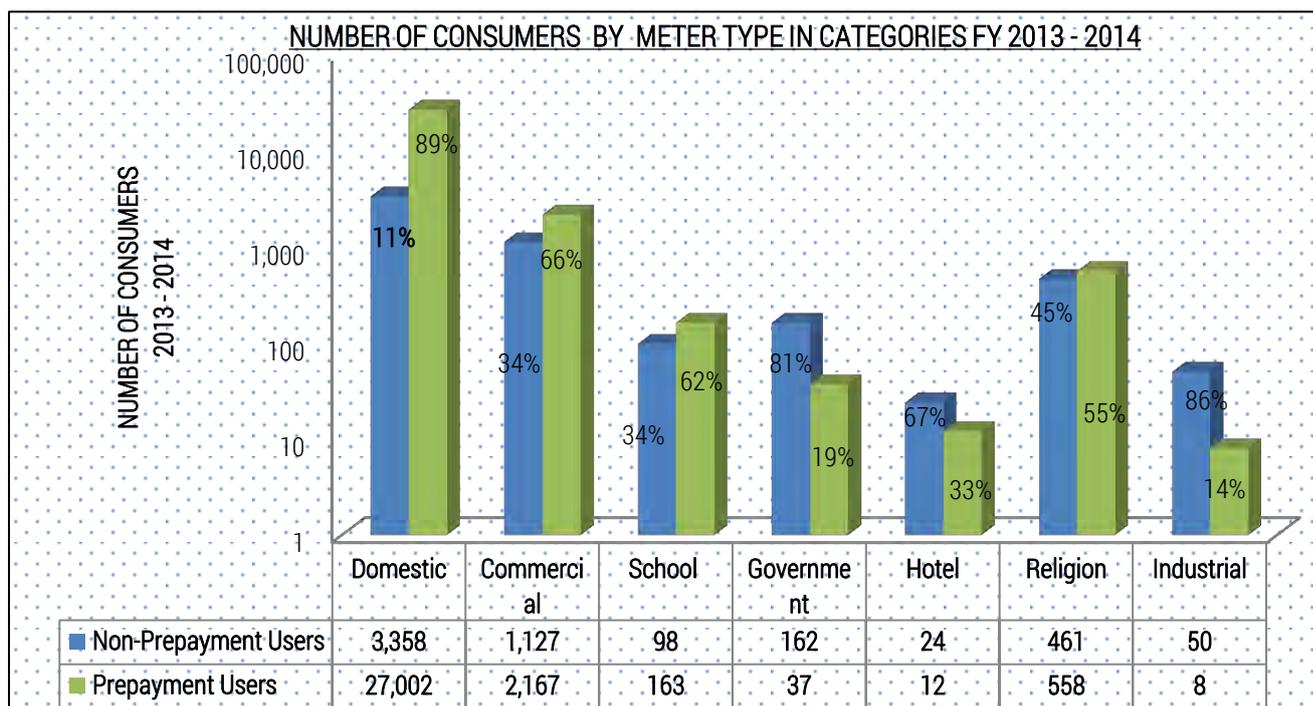
LOCATION / SOURCE	kWh	Contribution in %
Upolu Hydro	29,989,133	23.99%
Upolu Diesel	83,146,948	66.53%
ApolimaSolar	10,624	0.01%
PV Solar Connected System	272,337	0.24%
Savaii Diesel	11,566,590	9.25%
Total	124,985,632	100%



2.3 Consumer Base and Consumption

The total number of electricity users as at the end of this period is 35,227. About 29,947 or 85% of which are prepayment meter (cash power) users and 5,280 or 15% of this total are induction meter users. This is summarized in table below by category;

CATEGORY	Users by Meter type		Total Users per Category
Domestic	Prepayment Users	27,002	30,360
	Non-Prepayment Users	3,358	
Commercial	Prepayment Users	2,167	3,294
	Non-Prepayment Users	1,127	
School	Prepayment Users	163	261
	Non-Prepayment Users	98	
Government	Prepayment Users	37	199
	Non-Prepayment Users	162	
Hotel	Prepayment Users	12	36
	Non-Prepayment Users	24	
Religion	Prepayment Users	558	1,019
	Non-Prepayment Users	461	
Industrial	Prepayment Users	8	58
	Non-Prepayment Users	50	
Total number of users (Apolima, Upolu, Manono & Savaii)			35,227
TOTAL CONSUMPTION in kWh			106,280,682



3. OUTLOOK FOR NEXT YEAR

The overall expected outcome for the Corporation in the coming period is the continuation of its renewable energy developments and power sector expansion, including the completion of the Supervisory Control And Data Acquisition (SCADA) System and National Control Centre at Fuluasou Substation, 2.5mW solar funded through the New Zealand Government and European Union, 500kW wind power funded by Abu Dhabi, other Independent Power Producers (IPPs) for 4mW solar project and a 4mW biomass plant. Other major works include the refurbishment of damaged hydro plants caused by Cyclone Evan, development of other hydro potential plants as well as preparation for the small island developing states (SIDS) conference in September 2014.

Some of the potential threats which may hinder further developments on major projects expected for the following period include but is not limited to, the effect of natural disasters, and changes in regulations governing EPC.

4. COMMUNITY SERVICE OBLIGATION IMPLEMENTATION

The Corporation during this period continues with its support for the Government through its Community Service Obligation (CSO) program. Under this program, the Corporation is obligated to provide rural electrification to ensure accessibility of electricity services by all, as well as installation, repair, maintenance and electricity bills for streetlights, to ensure public security and safety along road networks.

Currently, 75% of materials for high and low voltage transmission line extensions and installation are funded under the CSO Program whilst the remaining 25% of cost inclusive of labor, transport and use of heavy machinery for domestic consumers are paid for by the Corporation.

During this fiscal year, the CSO Committee held six (6) meetings to approve CSO applications. The following table details the total of CSO applications submitted for approval, total of approved applications, and total of applications installed and connected for both Upolu and Savaii.

SUMMARY			
POWER LINE EXTENSION / TRANSFORMER / POLE SHIFT			
ISLAND	CSO applications submitted	CSO applications approved	CSO applications connected
UPOLU	223	223	194
SAVAII	55	55	50
TOTAL	278	278	244
SUMMARY – NEW STREETLIGHTS			
ISLAND	Streetlight applications submitted	Streetlights approved	Streetlights connected
UPOLU	185	178	134
SAVAII	55	53	53
TOTAL	239	231	187

The total amount that the Corporation spent on this Program totaled to \$1.09 million during this fiscal year.

5. HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT

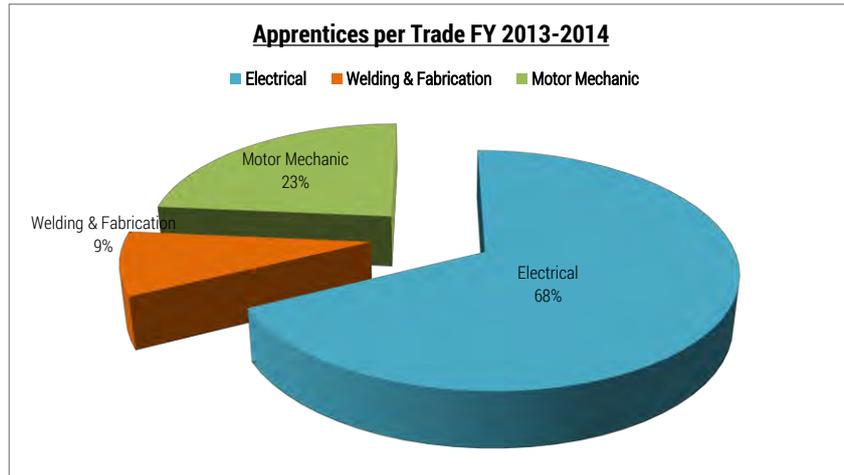
The Corporation employed a total of 423 employees as at 30 June 2014. This is a reduction of 27% compared to the 565 total employees in the previous year. The composition of staff leaving is due to staff reaching retirement age, impact of the organizational restructure and other staff leaving due to migration and employment opportunities offered elsewhere.

5.1 *Organizational Restructure*

The Corporation engaged the services of Paradise Consulting in March 2014 as approved by the Board with funding assistance from the Australian Government. The purpose of this technical assistance is to reduce EPC's manpower and re-align its focus on the effective and efficient delivery of its services. The contract was signed in late March 2014 and will continue until April 2015. It is expected that following completion of this contract, the total amount of employees will be reduced.

5.2 *Apprenticeship Scheme*

In addition to permanent employment, the Corporation continues its support for the Ministry of Commerce, Industry and Labor's initiative under its Apprenticeship Scheme for the advancement of the trades in which part time or existing staff can undertake in this program for the duration of three years. Three (3) of its employees graduated during this period with Certificate of Due Completion (CDC) in the trades of welding, mechanic and electrical. A total of thirty four (34) apprentices are doing their work attachments with the Corporation. This is shown below;



ACKNOWLEDGEMENT

I would like to commend the EPC Board of Directors, Management and staff for the hard work and commitment in this year's work, despite the unfavorable financial outcome. I would also like to acknowledge the support of our valued customers and stakeholders, international and regional aid agencies, the Government as well as its various Ministries.

It has been a challenging year despite adverse impact of climate change and other factors outside of the Corporation's control impacting the operations of the Corporation.

Soifua

Tologatā Galumalemana Lupematasila Tagaloatele Tile Leʻa Tuimalealiʻifano

GENERAL MANAGER