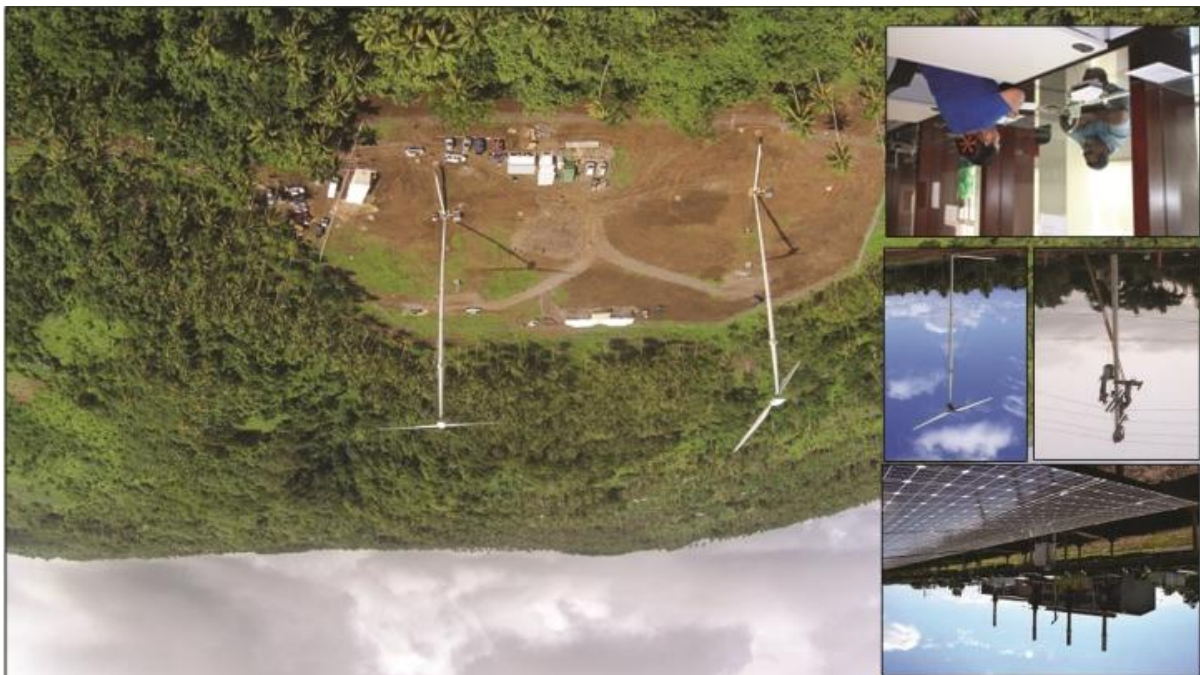


STATEMENT OF CORPORATE OBJECTIVES 2017 – 2020



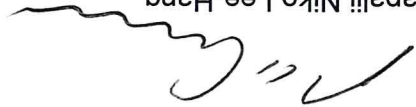
"The Power of a Nation"



ELECTRIC POWER CORPORATION

MINISTER OF WORKS, TRANSPORT AND INFRASTRUCTURE

Papalii Niko Lee-Hang



As per Cabinet Directive FK (16) 27 of 27 July 2016, I present to the Legislative Assembly, the Electric Power Corporation's 'Statement of Corporate Objectives 2017-2020', to be discussed in its next session.

EPC STATEMENT OF CORPORATE OBJECTIVES 2017-2020

Sir,

The Honorable Speaker
Legislative Assembly
TUANAIMATO

01 August 2016

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

MINISTRY OF WORKS, TRANSPORT AND INFRASTRUCTURE

OFFICE OF THE MINISTER

Government of Samoa



In 1972, the Corporation was legally mandated and endowed with the necessary powers to generate, transmit, distribute and sell electricity to the people of Samoa at the lowest possible cost, with a view to the overall development of the country. The Corporation is to also deliver optimum energy solutions in a customer-friendly manner through innovative use of all types of energy sources in Samoa. Therefore, the Corporation needs to ensure that adequate new power capacity is planned for and built, to meet the expected future demand for electricity in Samoa at minimum cost. From its simple beginnings 44 years ago in supplying electricity exclusively to the Apia township, the Corporation as the major provider of electricity now provides power to 99

2.1 CONTEXT OF THE ELECTRIC POWER CORPORATION

2. ORIGIN AND RATIONALE

The Corporation has the necessary legislations and powers to carry out its functions as the entity responsible for the generation, transmission and selling of electricity in Samoa. As part of its obligation under the Community Service Obligation program, to provide rural electrification for all of Samoa, the Corporation during the financial year 2015 completed a total of 421 applications for Low Voltage Network extension and 269 new streetlights in Upolu and Savaii, which totaled to \$2.2 million tala.

1. Strategy for the Development of Samoa 2017-2020
2. Energy Sector Policy
3. Community Service Obligation Policy 2007
4. Dividend Policy
5. Procurement Policy & Guidelines
6. Climate Change Programs

Government Policies

1. Rural Electrification, December 1988
2. AS.NZS 2000-3000 Wiring Regulation
3. Electric Power Corporation Practice Directions 1981

Regulations

1. Electric Power Corporation Act 1980 (currently in review)
2. Electricity Act 2010
3. Public Bodies (Performance and Accountability) Act 2001
4. Public Finance Management Act 2001
5. Companies Act 2007
6. Labor and Employment Relations Act 2013
7. Occupational Safety and Health Act 2002
8. Diesel Power Station Act 1965
9. Taking of Lands Act 1964

Legislations

In addition to the directions given by the Board of Directors, the Corporation has the following mandates to govern and manage its daily business:

autonomous government owned corporation.

The Electric Power Corporation (EPC) was established on 19 December 1972 under the EPC Act 1972. The above Act was superseded by the EPC Act 1980 with amendments made in 1984, 1986, 1989 and 1992-1993, under the EPC Amendment Act 1981 and further amendment for Electricity Act 2010 which established the Office of the Regulator subject to these Acts. The EPC is an

1. MANDATE

This Corporate Plan 2017-2020 articulates the Corporation's strategic results and priorities for the next four years and its vision for the foreseeable future. The Corporation's strategic results are designed to improve the quality of life of Samoan citizens through the effective, efficient, sustainable and quality supply of electricity.

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

And our Mission in the next four years is:

Clean energy sources for sustainable and affordable electricity supply for Samoa

Our Immediate Vision:

To be the cheapest electricity provider in the Pacific Region

In alignment with this challenge, our Long Term Vision 2025 is:

The Corporation's operation plays a vital role in the development of Samoa's economy – *the power of a nation*, has a significant impact on all sectors of the community. Therefore, it is crucial that the reliability and quality of electricity is achieved at high standards but at minimum cost.

2.2 VISION AND MISSION STATEMENT

The Corporation is committed to introducing and implementing coherent actions aimed at improving productivity, quality management practices and customer service and ultimately, reducing costs and system losses from the generation, transmission, distribution and utilization of electricity supply.

- Ulumalautea Papalii J Ryan (Chairman)
 - Fiu Peni Asi
 - Fiu Tali'igil Bentley
 - Pepe Christian Fruan
 - Fanene Mark Betham
 - Matamu James Moeono
 - Chief Executive Officer - Ministry of Finance (ex-officio Director)
 - General Manager – EPC(ex-officio Director)
- (7) members:
- The general policies of the Corporation are determined by a Board of Directors, consisting of seven

percent of the population of Samoa. Amidst many challenges, controversies and constraints, the Corporation continually strives to improve its overall performance to fulfill its core functions and strategic results to all its stakeholders in Samoa.

KEY PERFORMANCE INDICATORS		TIME FRAME
1	Approved Corporate Plan 2017-2020	June 2016
2	Table SCO 2017-2020 to Parliament	Mid June 2016
3	Audited Annual Report to MPE	31 st October every year
4	Quarterly Reports to MPE	End of following month after every quarter
5	100% of electricity produced from renewable energy sources	June 2017
6	SAIFI – System Average Interruption Frequency Index	June 2020

The below key performance indicators (KPI's) further details the extent in which the major objectives will be measured by throughout the Corporate Plan period July 2017 – June 2020. This includes the first four KPI's which EPC is obligated under the Public Bodies (Performance & Accountability) Act 2001, while the other KPI's are strategic in enabling EPC to achieve its Vision.

4. SUMMARY OF KEY PERFORMANCE INDICATORS

Key Output 7: **Effective and efficient internal support services through improved Human Resources Management and Development, Information Communication & Technology and Financial Management Systems, Legal, Audit and Investigation services.**

Key Output 6: **Effective strategic advice, leadership and monitoring and evaluation of all strategic results,**

Key Output 5: **Effective monitoring of generation, distribution and utilization services through quality assurance systems & continuous research on potential renewable energy technologies,**

Key Output 4: **Three support internally focused results consisting of the 'executive and business services' which enable and support the delivery and implementation of the five external results streams to the external stakeholders. The aim of the business services/outputs are the efficient and effective functioning and operation of EPC.**

Key Output 3: **Improved financial stability through effective commercial management activities,**

Key Output 2: **Reliable and sustainable transmission, distribution and utilization network performance of renewable energy generating sources,**

Key Output 1: **Sufficient generation capacity available at all times (24/7) and optimum**

1. **Three core and one support, externally focused results or Key Outputs (KOs)' driven by clear identification of the services or Sub-Outputs (SOS) delivered to customers:**

In pursuit and critical to achieving of EPC mission and vision, the following **Strategic Results (Key and Sub-Outputs)** are to be implemented in the 2017-2020 period:

3. STRATEGIC OUTCOMES

Activity Implementation	Budget (Million US\$)	Completion Date	Current Status
<i>EPC counterpart in capital Projects</i>			
Refurbishment of Tanugamanono diesel generators 5A, 9A	\$1.5m	Jun 2017	July – Aug 2015 Tender process complete
Refurbishment of Tanugamanono diesel generator No.12A	\$ 0.07m	Jan 2017	50% complete with Tenders Board approval pending
2 nd Customer Satisfaction Survey	\$ 0.50m	Jun 2018	Not yet started
EPC's Headquarters	\$1.5m	Jun 2018	Not yet started
<i>ADB/JICA/NZ/AUS Aid funded Projects (Power Sector Expansion Project)</i>			
Smart Meters Project	\$1.0m	Mar 2017	Bids evaluation
Refurbishment of governor control system for Lalomauga hydro plant	\$0.4m	Dec 2016	Awaiting ADB & EPC Board approval
Energy Storage and Smart Systems Project (Upolu & Savaii)	\$9m	Jul 2017	Feasibility Study completed and submitted to ADB for approval, before tender is issued
Rehabilitation of Lalomauga Hydro Plant Project	\$1.5m	Jun 2017	Submitted to ADB & EPC Board for approval
Taelaaga 3 rd 2MW hydro generator and upgrade of 33kv transmission line Project	\$2.8m	Oct 2017	Submitted to ADB & EPC Board for approval

5.

SPECIFIC PROJECTS

In alignment with its Vision and Corporate Plan strategic results, some of the major development projects projected for the next four years are as follows, including project funded under PSEF, donors, Renewable Energy Development & Power Sector Rehabilitation Project as well as projects funded and implemented by Independent Power Producers.

7	SAIDI – System Average Interruption Duration Index	reduced to 2000 minutes	June 2020
8	Generation and Transmission Losses reduced to 3%		June 2020
9	Distribution System Losses reduced to 10%		June 2020
10	Reduce Accounts Receivable Days to 40 days		June 2020
11	Revenue Collection improved and targeted 90% to be collected from expected revenue		June 2020
12	Return on Equity (ROE) by 7% (to be waived in order to make electricity tariff cheap)		June 2020
13	Dividend payment to Government in line with Dividend Policy (to be waived in order to make electricity tariff cheap)		Annually

The Corporation's involvement in these CSO projects has realized the SDS's Vision of "Quality life for all". The total Rural Electrification Project cost from December 1989 to June 2011 was over \$50 million.

- Construction of distribution lines in the rural areas,
- Installation, repair and maintenance and consumption of streetlights around the country,
- Upgrading of distribution lines for construction of some new hotel projects.

Economic Infrastructure

The Corporation has supported the overall national plan, the Strategy for the Development of Samoa (SDS) through the Community Service Obligation (CSO) projects, previously known as the Rural Electrification Project. Since the commencement of this project from December 1989, the Corporation has performed its support for Government policies through:

6. SUPPORT FOR GOVERNMENT POLICIES

Donor Government Funded (ADB/EU/GOVNZ grants)			
Cabinet approved contract award for total price of SAT\$20,713,810.	Jun 2017	\$ 8.0m	New Hydro plants at Faleaseela 190kw, Fausaga-Taitoala 460kw, and Faleata 160 kw (ADB)
Tender closed and is with Tenders Board for evaluation	Oct 2017	\$ 4.23m	New Fulusou Hydro Project 680kw (ADB/EU/NZ Govt)
Contract awarded to Pernix MAP JV and works started	Oct 2017	\$ 9.6m	Hydro Rehabilitation Project – Samasoni, Fale ole Fee & Alaoa Hydro plants (ADB/EPC Insurance)
Independent Power Producers (IPP) Funded			
Contract awarded to IPP company Solar Samoa continues with installation works	Dec 2016	-	Upolu 2MWac/3.5 mi units p.a Solar System
Power Purchase Agreement signed but have not secured finance	Not certain	-	BIOGEN3 - 4MW plant
Power Purchase Agreement signed but have not secured finance	Not certain	-	Village Life Energy 4MW waste to energy plant
	Not certain	-	Samoa Tyre Recycle 4MW
<i>It is the anticipation, that if additional donor funds should come on board, the following projects are and will be some that requires funding to complete their implementation within the 4 year planning period.</i>			
Savaii Submarine Cable	Not yet started	-	
Geo-thermal Project	Not yet started	-	
Digital Filing System	Not yet started	-	
Power line connect to IPP's & Hydros	-	-	Some already constructed and connected

- The Corporation is fully aware of risks posed by natural disasters on its operations and its infrastructure. In this regard, a Risk Management Policy is in its development phase forming part of the Risk Management Strategy, which is inclusive but not limited to the following \:
- a **Service Continuity and Emergency Response Plan 2015** is in place to ensure that necessary actions are taken to not only for the safety of its staff but to safeguard and minimize any damages to its assets and in ensuring the continuity of electricity supply to the whole country before, during and after a natural disaster.
 - An approved **Disaster Recovery Plan** safeguarding all of the Corporation's ICT Hardware and software data in the event of a natural and/or man-made disaster
1. Government strategies remain the same irrespective of the government in power.
 2. The Corporation will become financially viable.
 3. The Corporation will maintain critical, experienced and essential staff.
 4. Sales demand growth is two percent.
 5. National economy will maintain current status quo.
 6. Services offered by the Corporation will continue to improve.
 7. Board will be accountable for its decisions.
- The following are the main assumptions and risks which are crucial to the efficient utilization of resources in ensuring the effective delivery of electricity services to the people of Samoa.

7 ASSUMPTIONS AND RISKS

Note: *EPC is not charging diesel fuel VAGST in its tariff and this is not fully recovered from CSO.

Community Service Obligation	Actuals CSO + estimates FY 2016	Proposed Budget FY 2017	Proposed Budget FY 2018	Proposed Budget FY 2019	Proposed Budget FY 2020
Rural Electrification Project					
Distribution Line Construction	2,312,222.10	3,000,000.00	2,700,000.00	2,500,000.00	3,000,000.00
Installation of Streetlights	406,764.58	420,000.00	700,000.00	500,000.00	500,000.00
Repair & Maintenance of Street lights	303,361.86	290,000.00	500,000.00	1,500,000.00	1,000,000.00
Consumption Street Lights	2,519,901.59	2,490,955.62	3,000,000.00	3,200,000.00	3,500,000.00
Other line construction partially funded by EPC	236,007.53	500,000.00	500,000.00	700,000.00	300,000.00
Others					
VAGST Fuel Subsidy (shortfall from previous years)	4,100,000.00	6,720,597.41	-	-	-
Electricity Consumption of Mapufagalele	90,000.00	120,000.00	120,000.00	120,000.00	150,000.00
Yazaki Samoa Fuel Surcharge Electricity Bill	141,796.80	141,796.80	100,000.00	100,000.00	100,000.00
Total	10,110,054.46	13,683,349.83	7,620,000.00	8,620,000.00	8,550,000.00

We outline hereunder Project costs incurred relating to the Corporation's current support to the Government under the CSO for the years ended 2013/2014 and 2014/2015:

**8. EPC DIVIDEND FORECAST
FIVE YEAR PERIOD
FROM 1ST JULY 2014 TO 30TH JUNE 2020**

(in thousands of currency units)	Actual 2014 - 2015 (\$)	Projected 2015 - 2016 (\$)	Projected 2016 - 2017 (\$)	Projected 2017 - 2018 (\$)	Projected 2018 - 2019 (\$)	Projected 2019 - 2020 (\$)
EQUITY						
Capital and Reserves	120,756	126,240	131,514	135,002	138,595	142,296
Issued Capital						
Reserves	86,634	86,634	86,634	86,634	86,634	86,634
Self insurance reserves	5,000	7,500	10,000	12,500	15,000	17,500
Retained Earnings / (Accumulated Losses)	1,122	6,907	13,669	20,709	28,035	35,656
Dividend paid to Government	(1,000)					
Net Profit for the year	11,785	9,262	9,540	9,826	10,121	10,424
Transfer to self insurance reserves	(5,000)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Retained Earnings / (Accumulated Losses) at the end	6,907	13,669	20,709	28,035	35,656	43,580
Total Equity	219,297	234,043	248,857	262,171	275,885	290,010
Adjusted Net Profit for the year	(9,026)	(24,955)	(24,292)		0	0
Dividend based on 50% of Adjusted Net Profit	0	0	0	4,913	5,060	5,212

Please note that Dividend is calculated on Adjusted Net Profit Amount as approved by Cabinet in July 2010. The treatment of Adjusted Net Profit After Tax following the nine years, will be as per before. i.e. 50% dividend on the NPAT