

**POLICY ACTION 3.2: PPUC’S Board approves PPUC statement of corporate intent and annual KPI targets (including gender diversity) to achieve corporate, operational, and financial sustainability.**

**PALAU PUBLIC UTILITIES CORPORATION**

**STATEMENT OF CORPORATE INTENT**

For the Period 2021 to 2024

**PALAU PUBLIC UTILITIES CORPORATION**

The Palau Public Utilities Corporation (PUC) was created on July 6, 1994 and mandated by law to plan, develop and execute an electrification plan for the entire Republic of Palau. On June 2013, the Utilities Consolidation Act was signed and consolidated two independent public corporations; the Palau Water & Sewer Corporation (PSWC) and the Palau Public Utilities Corporation into one statutory entity; The Palau Public Utilities Corporation (PPUC). PPUC is a State-owned Enterprise (SOE), 100% government owned.

The intent of the consolidation was to generate cost efficiencies through unifying the management, administration, and other operational support functions of the two separate corporations, while at the same time ensuring the finances of the entities remained free from cross-subsidization; cost-loading; intermingling of revenues or expenses; or other practices that might misleadingly affect the underlying financial or operational performance of either of the entities.

After the merger, about 112 employees from Palau Water and Sewer Corporation (PWSC) transitioned to the new PPUC. From an Electrical utility with 149 employees, PPUC expanded to a total workforce of over 250 employees, delivering both electricity and water and wastewater operations to the Republic of Palau.

Water and wastewater operations (WWO) are treated as a separate business segment from Electric power operations (EPO), and has its own organizational chart delineating a chain of management that is separate from EPO. Shared administrative and management costs and

expertise are allocated 58% for EPO and 42% for WWO<sup>1</sup>. Section 414(c) of the Utilities Consolidation Act (UC Act) prohibits any cross-subsidization between the two business segments and any surplus generated in one cannot be transferred to the other. However, section 414(d)(3) does allow the board to approve loans between EPO and WWO of any surplus funds generated by either EPO or WWO.

## **THIS STATEMENT OF CORPORATE INTENT**

Pursuant to PPUC's Bylaws, the Corporation must produce a strategic plan each year that includes five-year financial projections. PPUC has produced a corporate plan that contains three-year financial projections.

Executive Order 373, which was issued on August 2014, requires all SOEs to produce a statement of corporate intent (SCI), which is intended to be a public summary of the SOE's corporate plan and include operational and financial projections for three financial years. One of the policy actions that the board of PPUC and the government have agreed with the Asian development Bank (ADB) also requires PPUC to produce and adopt a SCI. This document has been developed to meet the requirements of Executive Order 373 and the ADB policy action. It would be usual for the SCI to be adopted by the first day of the first financial year covered by the SCI. PPUC's financial year commences on 1 October. This SCI is therefore an interim document and includes financial forecasts for Financial Year (FY) 2021 to FY2024.

## **OBJECTIVES**

The following is a summary of the objectives PPUC plan to achieve during the period covered by the statement of corporate intent. **Appendix 2** lists the objectives, outcomes, or outputs to be achieved or delivered, performance measures and identifies the party or parties that are responsible for their achievement.

### **Mission**

To provide essential utility services to foster growth, economic development, and improved quality of life for the people

### **Vision**

PPUC will be the most professional utility corporation in providing reliable, economical, sustainable, and quality services for its customers

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<sup>1</sup> PPUC audited annual accounts 2019

## **1. Primary Objective**

Primary objectives are contained in PPUC’s Bylaws and Executive Order 373. Executive Order 373 establishes policy guidelines for all SOEs. PPUC Bylaws state that the board “must, unless directed otherwise by the Olbiil Era Kelulau, ensure that the Corporation operates as an efficient, sustainable and successful business that recovers all of its costs including its costs of capital, as provided in the Act”.

Executive Order 373 states that “the primary objective of each SOE is to operate as a successful business and, to that end, to recover all of its costs, including its cost of capital”. The Executive Order goes on to state that “all decisions made by the Republic of Palau as owner, the board of the SOE, and management of the SOE shall be consistent with the Primary Objective”. Achieving the other objectives set out in this Statement of Corporate Intent will be required to enable PPUC achieve the primary objective.

## **2. Tariff Review**

The government has frozen PPUC’s electricity, water and wastewater tariffs at the rate that applied in 2018. The freeze was extended to expire on 1 October 2020. While a new electricity tariff has been approved by government, work has just commenced on the determination of a new tariff for water and wastewater.

The freeze on rates has had a significant adverse impact on PPUC’s financial position which has in turn adversely impacted operations. For example, Capital Improvement Projects (CIPs) and purchase of some fixed assets were suspended. due to lack of funds. As stipulated in Policy Principle 1 of Executive Order 373 - if government directs a SOE to provide goods or services to consumers at prices below their true cost it is a community service obligation (CSO). All CSOs delivered by SOEs must be transparently identified, costed, contracted, and funded by government. This process has not been followed.

PPUC has been working with the electricity regulator, the Palau Energy Administration, and government to develop new tariffs for electricity and a new tariff has been approved. Work has also commenced to develop a new water and wastewater tariff. The financial projections in this SCI assume that there will be an increase in tariffs over the period of the SCI. If tariffs are not increased and / or if government does not fully fund any shortfall between PPUC’s costs and revenue, that will adversely impact PPUC’s future financial and operation performance.

As the tariff determination is not under the control of PPUC the performance measures in this SCI do not contain a specific tariff target. PPUC has set performance measures on those matters that the Corporation is responsible for in any tariff setting process, such as providing the regulator with accurate and timely information.

## **3. Corporate Governance Objectives**

All board decisions will be consistent with the primary objective and the board will comply with their obligations under the Utilities Consolidation Act, PPUC Bylaws and Executive Order 373. In particular, the board will ensure that it adopts a 3-year forward-looking corporate plan no later than the last day of the current financial year that contains, amongst other reports

- An asset management plan,
- A capital expenditure plan,
- A disaster recovery plan,
- A human resource development plan including gender diversification initiatives, and
- A risk management plan.

The board will ensure staff receive training on the Corporate Governance Code and compliance with the Code is reported in the annual audited accounts.

#### ***4. Staff and Culture Objectives***

To develop and retain a competent and client focused workforce that has the skills, knowledge, and training to ensure the Corporation can meet its statutory responsibilities and commercial objectives.

To ensure that staff are appropriately informed about relevant matters in a timely manner.

To provide a healthy and safe workplace for all staff members

To encourage gender diversity and equality of opportunity.

#### ***5. Suppliers***

To ensure that PPUC has good relationships with key suppliers and up to date information on their financial and operational status so that PPUC and its customers are not exposed to supplier failure or unjustified price movements.

#### ***6. Customer relationship***

To provide a service that customers perceive to be high quality and priced fairly and to be responsive to customers' needs and expectations. To communicate with customers in a timely and meaningful manner, particularly around changes in services, prices and system outages or restrictions.

Section 405 of the UC Act requires that general and annual meetings of the board be open to the public and official documents shall be available for public inspection.

#### ***7. Communities of interest***

Proactively communicate with communities that are based close to PPUC’s areas of operation so that they are aware of what PPUC is doing in their community.

To meet regularly with the Minister of Finance as the responsible Minister to ensure he is kept current with PPUC’s financial and operational performance and to maintain a “no-surprises policy”. Regular briefings will also be held with other government stakeholders and the Energy Administration.

To communicate with the public as both customers and beneficial owners.

### ***8. Operational Objectives for Electricity, Water and Wastewater***

To ensure costs are within industry standards for comparable Pacific island power and water utilities and to participate in the Pacific Power Utilities and Pacific Water and Wastewater Association regular benchmarking reports.

PPUC will invest and maintain its operational assets, networks, and facilities to minimize disruptions, unplanned outages, and waste.

PPUC will progressively reduce the dependence of diesel to fuel generation. 45% of electricity generation will be fueled by renewal sources by 2025.

PPUC will publish water quality standards and will report against the standards on a quarterly basis.

PPUC will operate in an environmentally responsible manner.

## **NATURE AND SCOPE OF ACTIVITIES**

### **Electric Power Operations**

Electric Power Operations (EPO) provides power services through-out the Republic of Palau – generation, transmission, and distribution. EPO operates five (5) power stations. The two largest power stations are in Malakal and Aimeliik, feeding the Koror-Babeldaob (KB) grid that services roughly 95% of Palau’s population. The remaining three (3) smaller power systems are in Peleliu, Angaur and Kayangel servicing less than five hundred people.

The Renewable Energy Division (RED) is responsible for research, exploration, and development of PPUC’s renewable energy sector. The division is responsible for the maintenance of the Ngerulmud Capitol Solar System as well as management and maintenance of PPUC’s solar system installed at the Palau International Airport. In 2018, PPUC received a grant from the New Zealand government for the installation of a solar hybrid micro-grid in the state of Kayangel and 100kw solar panels at Palau Community College (PCC). In the contract signed by both PPUC and PCC, 65% of the solar energy generated will go to PPUC and 35% will go to PCC. PPUC intends to move

to 45% solar energy generation by 2025 through contracting with Independent Power Producers (IPPs).

Palau is one of the most energy intensive economies in the Pacific, with a per capita electricity consumption of about 4,300 kilowatt-hours (kWh) per year<sup>2</sup>. While the household electrification rate is close to 100%, the Corporation has identified a need to replace aging infrastructure and improve maintenance to overcome reliability and security of supply issues.

Installed power generation capacity is around 30 megawatts (MW) of which 93% is owned by PPUC and total peak demand is 12.5MW. Currently diesel fuels 92% of generation and accounts for 70% of PPUC’s annual generation expense. The electricity system is divided into four interconnected electricity grids. Network losses for transmission and distribution are around 16% and the collection rate for billed electricity is just 70%. Commercial customers account for 32% of total consumption, households 20% and government 16%.

## Water and Wastewater Operations

The main water treatment plant is located at Ngeruluobel, Airai State. The Koror-Airai Water Treatment Plant (KAWTP) feeds the five (5) water storage tanks in Airai, Ngermid, Ngerkesoaol, Ngerkebesang, and Malakai.

Table 1: Water tanks and areas of coverage<sup>3</sup>

Water Storage Tanks	Capacity	Coverage
Airai	1M Gallons	Whole state of Airai form Ordomei, Ngetkib to KB Bridge Airai side, Ochelochel
Ngermid	1M Gallons	Ngesaol, Ngermid, Ngerias, Ngerbodel, Ngerchemai, and Iyebukel
Ngerkesoaol	1M Gallons	Ngerkesoaol, Ikelau, Idid, Meketii, Dngeronger, Ngerbeched, M-Dock, Medalaii, including causeway store, Dr. Kuartej, WCTC Building, National Hospital, PNCC and all houses nearby to CIP Office, PC Club, Elilai
Ngerkebesang	0.5M Gallons	Ngerkebesang, PPR, Echang, Echol to Meyuns elementary school
Malakai	0.25m Gallons	Malakai area to Minatobashi Bridge

<sup>2</sup> Our World in Data <https://ourworldindata.org>

<sup>3</sup> PPUC audited accounts 2019

PPUC's water and wastewater operations (WWO) has 4,848 customers<sup>4</sup> providing water to 98.9% of the urban population and 86.2% of the rural population, while PPUC's two sewerage systems service about 60% of Palau's population. Non-revenue water is approximately 48%<sup>5</sup> of total water production.

## **Regulation and charges**

Current electricity, water and waste water charges have been frozen by government decree, issued in 2018, which expired on 1 October 2020. Through 2020 and 2021 PPUC worked with government, with the assistance of the Asian development Bank, to develop a commercially based tariffs for electricity. A revised tariff for water and wastewater is expected in the second half of 2021. The Palau Energy Administration (PEA) has the responsibility to approve any new tariffs for electricity. New Water and Wastewater tariffs would be set through the process established in the Utilities Consolidation Act<sup>6</sup> which requires PPUC to undertake a public consultation. It is possible that PEA will also regulate the water and wastewater tariff but that would require an amendment to PEA's establishing legislation.

PPUC's establishing legislation requires the corporation to design future electricity rates on an equitable basis of meeting PPUC's operational costs and recovering its cost of capital. Future water and wastewater rates are to be designed on the basis of achieving full cost recovery, meeting PPUC's operational costs, and recovering the cost of capital.

## **SUMMARY OF STRATEGIC ISSUES**

### **Impact of tariff freeze**

The most significant issue facing PPUC over the planning period is recovering from the tariff freeze. Revenue projections are based on the electricity tariff adjustment following the tariff review undertaken in FY2020/21 and an increase in tariffs for water wastewater is included in FY 2022 and beyond. As can be seen from Table 2, which shows the anticipated return on equity (ROE) and return on assets (ROA) over the period to FY2024, PPUC's financial performance has been under significant pressure. Forecast next operating income<sup>7</sup> has been divided by the total assets and shareholders' fund to arrive at the ROA and ROE<sup>8</sup>.

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<sup>4</sup> PPUC Audited accounts 2019

<sup>5</sup> PPUC Audited accounts 2019

<sup>6</sup> RPPL9-4, 2013. Section 412

<sup>7</sup> Calculated as net profit after depreciation and interest expense and debt servicing but before grants and non-operating income.

<sup>8</sup> Unaudited assets and shareholders' funds have been used for FY2020 and FY2021. The balance sheet for February 2021 has been used as the basis for the ROAs and ROEs calculated for the outer years. This is necessary as PPUC has not constructed balance sheets for each year of the plan. However, for the purposes of setting forward-looking targets using the February 2021 balance sheet is sufficient indicator of the likely out-turn.

The ROE for the electricity is forecast to decline from 12% in FY2020 to -12% in FY2021, due mainly to a budgeted increase in fuel costs (\$3.6 million) and an increase in maintenance expenditure.

It is forecast that the losses for the water and wastewater division will exceed the division’s net assets by the end of FY2022 and overall the Corporation is not expected to return to a profitable position until after FY2024. Accumulated consolidated losses will reduce shareholders’ funds by around 45% over the planning period. The financial strain has impacted operations with maintenance deferred and increased unplanned electricity outages.

Table 2: Return on Assets and Return on Equity for EPO, WWO and PPUC  
Return on Assets and Return on Equity: EPO

Financial Year	2020	2021	2022	2023	2024
ROE	12%	-12%	-27%	-15%	0%
ROA	3%	-7%	-16%	-10%	0%

Return on Assets and Return on Equity: WWO

Financial Year	2020	2021	2022	2023	2024
ROE	-20%	-61%	-105%	-18%	-19%
ROA	-5%	-13%	-23%	-4%	-4%

Return on Assets and Return on Equity : PPUC consolidated

Financial Year	2020	2021	2022	2023	2024
ROE	-2%	-24%	-34%	-16%	-5%
ROA	-1%	-11%	-15%	-7%	-2%

Key assumptions used in developing the financial forecasts are included in the financial forecasts in **Appendix 1**.

The impact of the tariff freeze can also be observed from the trends in the list of key performance indicators and performance targets in **Appendix B to D**. For example, PPUC’s debt servicing ratio is negative until 2024, which means that, due to low revenues caused by the tariff freeze, PPUC’s revenue does not cover debt servicing costs. For the water and wastewater division the cost recovery ratio is 0.53 – it should never fall below 1.0. It is also noted that Palau’s residential water tariff is the second lowest of the 18 Pacific island countries that participated in the Pacific Water and Wastewater Association 2020 Benchmarking Study. The only country with a tariff lower than Palau is Fiji.



It is noted that tariffs set below full cost recovery encourage over-consumption, which has environmental and economic consequences and, where the utility is a SOE, transfers value from the poor to the wealthy members of society. It is the more affluent who tend to consume greater levels of the outputs generated, be it water or power.

### **Renewable energy target**

As noted PPUC has a target of generating 45% of all electricity from renewable sources by 2025. While this an aggressive target, it is achievable. However, PPUC will not be able to finance the investment required to achieve this target and will require either additional capital or to invite private sector participation through a public private partnership or IPP. Further, the current low diesel fuel costs may mean that renewable energy is more expensive in the short-term. PPUC will need to work through these issues over the next few months with government, PEA and potential private sector partners.

### **Community service obligations**

Even after tariffs have been reviewed and increased the tariffs for electricity and water and wastewater will not fully cover costs. Where the shortfall is due to government direction it is by definition a community service obligation. Executive Order 373 states that “all community service obligations delivered by SOEs shall be transparently identified, costed, contracted and funded”. The Executive Oder also prescribes that “If SOEs are to fulfil their full cost recovery mandate, they cannot undertake CSOs without compensation”.

Over the next few months PPUC will work with government and PEA to identify and cost all CSOs and then will seek to put in place a contract with government covering the service terms and conditions are the amount government will pay PPUC in consideration for delivering those CSOs.

### **STATEMENT OF ANTICIPATED BORROWINGS**

The plan forecasts additional financial support from the Asian Development Bank amounting to \$11.16 million dollars allocated of which \$10 million is new funding. The funds will be provided by way of grant to the Ministry of Finance who will then advance them to PPUC in two tranches. The first tranche of \$5 million will be applied to revenue enhancement projects (\$2.8 million), \$1.8 million will be returned to Government, and \$0.4 million will be available for use by Water and Wastewater Operations. The second tranche of \$5 million will be fully allocated to WWO to fund further revenue enhancement projects. Over the period of the plan PPUC will expend \$9.5 million in loan servicing and repayments.

PPUC will only be able to service the borrowing if the tariffs for electricity, water and waste water are adjusted as provided in the financial forecasts contained in this statement of corporate intent. The timing for loan drawdowns and repayments are shown in the income and expenditure statements in **Appendix 1**.

## **COMMUNITY SERVICE OBLIGATIONS**

There are currently no formal CSO agreements in place between the Corporation and government. However, based on the definition of community services obligations contained in Executive Order 373, it is clear that the government's decision to freeze the electricity, water and wastewater tariffs since 2018 created a CSO and government should have compensated PPUC for the costs incurred in providing the CSO. According to government policy the difference between full cost recovery, including PPUC's cost of capital, and actual revenue generated during the period of the freeze would constitute a CSO cost and should be funded by government.

The performance objectives contained in this statement of corporate intent include an objective to identify any CSOs that arise during the period covered by the SCI and to seek appropriate compensation from government.

## **GOVERNANCE PRACTICES ADOPTED BY THE BOARD**

The governance practices under which the board must operate are found in the Utilities Corporation Act, PPUC's Bylaws, Executive Order 373 and board policies. In 2020 the board adopted a comprehensive Corporate Governance Code that included several linked policies – an Anti-Bribery and Anti-Corruption Policy, a Whistle-Blower Policy, a Related Party Transaction Policy, and a Disclosure Policy. The SCI includes performance measures linked with the board's progressive implementation of those policies and also an objective and measure to progressively publish governance policies and reports on the Corporation's website.

The Utilities Consolidation Act requires general and annual meetings of the board to be open to the public. The performance objectives and measures contain a measure relating to this requirement.

Executive Order 373 includes a primary objective that all SOEs operate as successful businesses and, to that end, to recover all of its costs, including its cost of capital. The Order also states all decisions made by the board and management of the SOE shall be consistent with that objective. Achieving the primary objective is the central focus of this statement of corporate intent.

## Appendix 1: Financial Projections:

### Income and Expenditure FY2020

Palau Public Utility Corporation	
Electric Power Operations	FY 2020
Unaudited	
Operating Revenues	22,069,762
Other revenues	287,314
<b>Total Revenues</b>	<b>22,357,076</b>
Expenses	
Bad debts	72,014
Personnel	3,733,875
Fuel	11,276,315
Services	423,960
Supplies	176,388
Travel & training	15,185
Maintenance	2,388,902
Miscellaneous	201,182
Depreciation	2,170,077
<b>Total</b>	<b>20,457,900</b>
Budgeted operating income (loss)	1,899,177
Depreciation expense - contributed capital-	799,652
Budgeted net operating income (loss)	1,099,525
NON-OPERATING REVENUE/(EXPENSES)	
US Federal Grants	26,100
Interest Income	1,308
Other Non-Operating Income	16,912
Interest Expense	(178,751)
Non-Operating Expenses	(27,659)
ROP Supplemental Appropriations	523,962
Other Grants	
<b>Total Non-Operating Revenue/(Expenses)</b>	<b>361,873</b>
<b>NET INCOME (LOSS)</b>	<b>1,461,398</b>

Palau Public Utility Corporation

Water and Wastewater Operations	FY2020
Unaudited	
Operating Revenues	4,633,294
Other revenues	60,898
<b>Total Revenues</b>	<b>4,694,191</b>
Expenses	
Bad debts	(14,088)
Personnel	2,744,082
Fuel / chemicals	410,177
Services	2,146,345
Supplies	105,796
Travel & training	701
Maintenance	753,466
Miscellaneous	44,021
Depreciation	1,259,846
<b>Total</b>	<b>7,450,345</b>
Budgeted operating income (loss)	(2,756,154)
Depreciation expense - contributed capital	980,879
Budgeted net operating income (loss)	(3,737,033)
NON-OPERATING REVENUE/(EXPENSES)	
US Federal Grants	18,900
Interest Income	443
Other Non-Operating Income	-
Interest Expense	(410,102)
Non-Operating Expenses	(41,967)
ROP Supplemental Appropriations	1,766,980
Other Grants	
<b>Total Non-Operating Revenue/(Expenses)</b>	<b>1,334,254</b>
<b>NET INCOME (LOSS)</b>	<b>(2,402,779)</b>

**Palau Public Utility Corporation****Consolidated Income and Expenditure****FY2020**

Unaudited

<b>Operating Revenues</b>	26,733,056
Other revenues	348,212

<b>Total Revenues</b>	<b>27,081,268</b>
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**Expenses**

Bad debts	57,926
Personnel	6,477,957
Fuel / chemicals	11,686,492
Services	2,570,305
Supplies	282,184
Travel & training	15,886
Maintenance	3,142,368
Miscellaneous	245,203
Depreciation	3,429,923

<b>Total</b>	<b>27,908,245</b>
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<b>Budgeted operating income (loss)</b>	<b>(826,977)</b>
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Depreciation expense - contributed capital	1,780,531
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<b>Budgeted net operating income (loss)</b>	<b>(2,607,507)</b>
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## NON-OPERATING REVENUE/(EXPENSES)

US Federal Grants	45,000
Interest Income	1,751
Other Non-Operating Income	16,912
Interest Expense	(588,853)
Non-Operating Expenses	(69,626)
ROP Supplemental Appropriations	2,290,942

<b>Other Grants</b>	-
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<b>Total Non-Operating Revenue/(Expenses)</b>	<b>1,696,127</b>
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<b>NET INCOME (LOSS)</b>	<b>(911,381)</b>
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Balance Sheets: FY 2020

**PALAU PUBLIC UTILITIES CORPORATION**  
**EPO COMPARATIVE BALANCE SHEET (Unaudited)**  
as of September 2020

	SEPTEMBER 2020	SEPTEMBER 2019
<b>ASSETS</b>		
Current Assets		
Cash	\$ 8,848,892.24	6,343,485.44
Accounts Receivable	8,756,072.55	6,645,291.37
Materials, Supplies & Fuel	6,489,304.90	8,006,470.72
Prepaid Expenses and Advances	325,349.81	165,875.02
Due From Other Fund	-	
<b>Total</b>	<b>24,419,619.50</b>	<b>21,161,122.55</b>
Plant Assets		
Utility Plant	42,964,236.72	42,867,649.74
All Other Assets	28,330,852.54	28,367,417.07
Less Accumulated Depreciation	(42,518,074.41)	(39,818,200.77)
<b>Total</b>	<b>28,777,014.85</b>	<b>31,416,866.04</b>
Capital Improvement Projects	5,359,609.77	5,222,117.27
<b>Total Assets</b>	<b>\$ 58,556,244.12</b>	<b>57,800,105.86</b>
<b>NET ASSETS &amp; LIABILITIES</b>		
Current Liabilities		
Short-Term Notes Payable	\$ 15,809,797.00	14,009,797.00
Accounts Payable	1,715,944.39	3,583,847.07
Accrued Payroll and Benefits	555,861.10	442,131.85
Unearned Revenues (Subsidy)	511,302.31	665,013.39
Customer Deposits	799,125.02	770,711.21
Due to Other Fund	-	
<b>Total</b>	<b>19,392,029.82</b>	<b>19,471,500.52</b>
Other Liabilities		
Notes Payable - Mega Bank	2,600,000.00	3,000,000.00
Notes Payable - NDBP	1,310,348.36	1,536,138.81
<b>Total</b>	<b>3,910,348.36</b>	<b>4,536,138.81</b>
Net Assets		
Contributed Capital	28,952,957.74	31,087,784.75
Retained Earnings	7,145,130.29	7,145,130.29
Current Profit /(Loss)	(844,222.09)	(4,440,448.51)
<b>Total</b>	<b>35,253,865.94</b>	<b>33,792,466.53</b>

<b>Total Net Assets &amp; Liabilities</b>	<b>\$</b>	<b>58,556,244.12</b>	<b>57,800,105.86</b>
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6.3 Million in the Accounts Receivable for EPO is the WWO unpaid electric dues

**PALAU PUBLIC UTILITIES CORPORATION**  
**WWO COMPARATIVE BALANCE SHEET (Unaudited)**

as of September 2020

**SEPTEMBER 2020**      **SEPTEMBER 2019**

<b>ASSETS</b>			
Current Assets			
Cash	\$	2,868,098.56	2,425,095.85
Accounts Receivable		926,332.87	724,704.85
Materials, Supplies & Fuel		1,111,823.84	1,018,913.70
Prepaid Expenses and Advances		91,889.14	144,579.12
Due From Other Fund		-	
<b>Total</b>		<b>4,998,144.41</b>	<b>4,313,293.52</b>
Plant Assets			
Utility Plant		60,810,834.74	60,802,394.74
All Other Assets		2,479,729.75	2,486,217.98
Less Accumulated Depreciation		(42,000,580.86)	(39,766,344.02)
<b>Total</b>		<b>21,289,983.63</b>	<b>23,522,268.70</b>
Capital Improvement Projects		23,612,479.63	22,566,399.60
<b>Total Assets</b>	<b>\$</b>	<b>49,900,607.67</b>	<b>50,401,961.82</b>

**NET ASSETS & LIABILITIES**

Current Liabilities			
Short-Term Notes Payable	\$	9,520,978.00	9,520,978.00
Accounts Payable		6,423,248.84	6,879,153.04
Accrued Payroll and Benefits		500,954.23	434,455.68
Unearned Revenues (Subsidy)		-	100,000.00
Customer Deposits		-	
Due to Other Fund		-	
<b>Total</b>		<b>16,445,181.07</b>	<b>16,934,586.72</b>
Other Liabilities			
Notes Payable - ADB Loan OCR: 3060		19,553,861.14	17,255,955.13
Notes Payable - ADB Loan SBR: 3061		1,716,000.14	1,623,075.53
<b>Total</b>		<b>21,269,861.28</b>	<b>18,879,030.66</b>

Net Assets

Contributed Capital	20,152,328.76	16,998,145.02
Retained Earnings	0.15	0.15
Current Profit /(Loss)	(7,966,763.59)	(2,409,800.73)
Total	12,185,565.32	14,588,344.44
<b>Total Net Assets &amp; Liabilities</b>	<b>\$ 49,900,607.67</b>	<b>50,401,961.82</b>

6.3 Million in the Accounts Payable of WWO is the unpaid electric dues

**PALAU PUBLIC UTILITIES CORPORATION**  
**Consolidated BALANCE SHEET (Unaudited)**  
**as of September 2020**

	Sep-20	Sep-19
<b>ASSETS</b>		
Current Assets		
Cash	\$ 11,716,990.80	8,768,581.29
Accounts Receivable	3,382,405.42	1,069,996.22
Materials, Supplies & Fuel	7,601,128.74	9,025,384.42
Prepaid Expenses and Advances	417,238.95	310,454.14
Due From Other Fund	0.00	0.00
Total	23,117,763.91	19,174,416.07
Plant Assets		
Utility Plant	103,775,071.46	103,670,044.48
All Other Assets	30,810,582.29	30,853,635.05
Less Accumulated Depreciation	(84,518,655.27)	(79,584,544.79)
Total	50,066,998.48	54,939,134.74
Capital Improvement Projects	28,972,089.40	27,788,516.87
<b>Total Assets</b>	<b>\$ 102,156,851.79</b>	<b>101,902,067.68</b>

**NET ASSETS & LIABILITIES**

Current Liabilities

Short-Term Notes Payable	\$ 25,330,775.00	23,530,775.00
Accounts Payable	1,839,193.23	4,163,000.11
Accrued Payroll and Benefits	1,056,815.33	876,587.53
Unearned Revenues (Subsidy)	511,302.31	765,013.39
Customer Deposits	799,125.02	770,711.21
Due to Other Fund	0.00	0.00
Total	29,537,210.89	30,106,087.24

Other Liabilities

Notes Payable - Mega Bank	22,153,861.14	20,255,955.13
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Notes Payable - NDBP	3,026,348.50	3,159,214.34
<b>Total</b>	<b>25,180,209.64</b>	<b>23,415,169.47</b>
<b>Net Assets</b>		
Contributed Capital	49,105,286.50	48,085,929.77
Retained Earnings	7,145,130.44	7,145,130.44
Current Profit /(Loss)	(8,810,985.68)	(6,850,249.24)
<b>Total</b>	<b>47,439,431.26</b>	<b>48,380,810.97</b>
<b>Total Net Assets &amp; Liabilities</b>	<b>\$ 102,156,851.79</b>	<b>101,902,067.68</b>

<b>Electric Power Operations</b>	<b>FY 2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
<b>Operating Revenues</b>	23,315,670	23,981,983	27,579,280	28,130,866
Other revenues	258,219	263,383	268,651	274,024
<b>Total Revenues</b>	<b>23,573,889</b>	<b>24,245,366</b>	<b>27,847,931</b>	<b>28,404,890</b>
<b>Expenses</b>				
Bad debts	20,300	20,706	21,120	21,543
Personnel	4,090,160	4,294,668	4,509,401	4,734,871
Fuel	14,876,304	15,173,831	15,477,307	15,786,853
Services	455,649	464,762	474,058	483,539
Supplies	239,568	244,359	249,247	254,232
Travel & training	53,422	54,490	55,580	56,692
Maintenance	4,057,328	4,138,474	3,921,244	3,499,669
Miscellaneous	213,212	217,476	221,826	226,262
Depreciation	2,908,514	2,966,684	3,026,018	3,086,538
<b>Total</b>	<b>26,914,457</b>	<b>27,575,450</b>	<b>27,955,801</b>	<b>28,150,199</b>
<b>Budgeted operating income (loss)</b>	<b>(3,340,568)</b>	<b>(3,330,084)</b>	<b>(107,870)</b>	<b>254,691</b>
Add back depreciation	2,908,514	2,966,684	3,026,018	3,086,538
<b>Budgeted net operating income (loss)</b>	<b>(432,054)</b>	<b>(363,400)</b>	<b>2,918,148</b>	<b>3,341,229</b>
Repayment of loans (principal & interest)	(800,000)	(800,000)	(350,000)	(350,000)
On-going CIPs and loan refinancing	(138,300)	(5,000,000)	(5,000,000)	
<b>Projected budget for operations</b>	<b>(1,370,354)</b>	<b>(6,163,400)</b>	<b>(2,431,852)</b>	<b>2,991,229</b>
RED grant for engineering	45,000			
ADB loan	1,161,621	5,000,000		
DOI Grant for Annual Audit	45,000	45,000	45,000	45,000
ROP Subsidy				
Payment of WWO electricity Bill			5,000,000	
<b>Projected budget after subsidies</b>	<b>(118,733)</b>	<b>(1,118,400)</b>	<b>2,613,148</b>	<b>3,036,229</b>

<b>Water and Wastewater Operations</b>	<b>FY 2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
<b>Operating Revenues</b>	4,995,669	5,095,583	9,936,386	10,035,750
Other revenues	60,609	61,822	63,058	64,319
<b>Total Revenues</b>	<b>5,056,278</b>	<b>5,157,405</b>	<b>9,999,444</b>	<b>10,100,069</b>
<b>Expenses</b>				
Bad debts	14,700	14,994	15,294	15,600
Personnel	3,014,040	3,164,742	3,322,979	3,489,128
Fuel / chemicals	463,480	472,750	482,205	491,849
Services	2,440,162	2,488,965	2,538,745	2,589,519
Supplies	192,132	195,975	199,894	203,892
Travel & training	23,478	23,947	24,427	24,915
Maintenance	1,132,672	1,155,325	1,078,432	900,001
Miscellaneous	60,778	61,994	63,233	64,498
Depreciation	2,195,800	2,239,716	2,284,510	2,330,201
<b>Total</b>	<b>9,537,242</b>	<b>9,818,408</b>	<b>10,009,719</b>	<b>10,109,603</b>
<b>Budgeted operating income (loss)</b>	<b>(4,480,964)</b>	<b>(4,661,003)</b>	<b>(10,275)</b>	<b>(9,534)</b>
Add back depreciation	2,195,800	2,239,716	2,284,510	2,330,201
<b>Budgeted net operating income (loss)</b>	<b>(2,285,164)</b>	<b>(2,421,287)</b>	<b>2,274,235</b>	<b>2,320,667</b>
Repayment of loans (principal & interest)	(1,500,000)	(1,700,000)	(1,900,000)	(2,100,000)
Payment of electricity dues to EPO		(5,000,000)		
On-going CIPs and loan refinancing	(581,558)			
<b>Projected budget for operations</b>	<b>(4,366,722)</b>	<b>(9,121,287)</b>	<b>374,235</b>	<b>220,667</b>
ROP subsidy	1,000,000	800,000	800,000	800,000
ROP for Ngerikill water pump	100,000			
ADB Loan		5,000,000		
<b>Projected budget after subsidies &amp; loans</b>	<b>(3,266,722)</b>	<b>(3,321,287)</b>	<b>1,174,235</b>	<b>1,020,667</b>

**Palau Public Utility Corporation**

<b>Consolidated Income and Expenditure</b>	<b>FY 2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
<b>Operating Revenues</b>	28,311,339	29,077,566	37,515,666	38,166,616
Other revenues	318,828	325,205	331,709	338,343
<b>Total Revenues</b>	<b>28,630,167</b>	29,402,771	37,847,375	38,504,959
<b>Expenses</b>				
Bad debts	35,000	35,700	36,414	37,143
Personnel	7,104,200	7,459,410	7,832,380	8,223,999
Fuel / chemicals	15,339,784	15,646,581	15,959,512	16,278,702
Services	2,895,811	2,953,727	3,012,803	3,073,058
Supplies	431,700	440,334	449,141	458,124
Travel & training	76,900	78,437	80,007	81,607
Maintenance	5,190,000	5,293,799	4,999,676	4,399,670
Miscellaneous	273,990	279,470	285,059	290,760
Depreciation	5,104,314	5,206,400	5,310,528	5,416,739
<b>Total</b>	<b>36,451,699</b>	<b>37,393,858</b>	<b>37,965,520</b>	<b>38,259,802</b>
<b>Budgeted operating income (loss)</b>	<b>(7,821,532)</b>	<b>(7,991,087)</b>	<b>(118,145)</b>	<b>245,157</b>
Add back depreciation	5,104,314	5,206,400	5,310,528	5,416,739
<b>Budgeted net operating income (loss)</b>	<b>(2,717,218)</b>	<b>(2,784,687)</b>	<b>5,192,383</b>	<b>5,661,896</b>
Repayment of loans (principal & interest)	(2,300,000)	(2,500,000)	(2,250,000)	(2,450,000)
On-going CIPs and loan refinancing	(719,858)	(5,000,000)	(5,000,000)	-
<b>Projected budget for operations</b>	<b>(5,737,076)</b>	<b>(10,284,687)</b>	<b>(2,057,617)</b>	<b>3,211,896</b>
RED grant for engineering	45,000	-	-	-
ADB loan	1,161,621	10,000,000	-	-
DOI Grant for Annual Audit	45,000	45,000	45,000	-
ROP Subsidy	1,600,000	800,000	800,000	800,000
ROP for NgeriKill water pump	100,000	-	-	-
<b>Projected budget after subsidies</b>	<b>(2,785,455)</b>	<b>560,313</b>	<b>(1,212,617)</b>	<b>4,011,896</b>

## **Notes to financial projections:**

### **EPO**

#### **Assumptions**

- Revenue increase includes savings from planned IPP and also includes tariff adjustment following FY2020/21 review and no further tariff freeze.
- Expenses are expected to increase 2% per year.
- ADB loan is approved with a fixed rate of 2% and five year grace period
- Personnel costs increase by 5% per annum
- Repayment of WWO electricity costs of \$5 million will be used to repay \$1 million loan and balance applied to CIPs.

### **WWO**

#### **Assumptions**

- Tariff is adjusted and no further freeze
- Expenses increase at 2% per year
- ADB loan is approved with a fixed rate of 2% with a five year grace period. Proceeds of loan used to repay EPO
- Personnel cost expected to increase 5% per annum.

### **Financial projections**

For financial forecasts and ratios that use balance sheet items, the unaudited balance sheet as at February 2021 has been used. This means that projections beyond 2021 that use balance sheet items are approximate only. The projections for PPUC consolidated are likely to be the more accurate compared to EPO and WWO. Financial projections that use only income and expenditure inputs are based on budgeted annual income and expenditure statements for the FYs 2021 to 2024 inclusive.

KPIs: PPUC Consolidated

Key Objective	Outputs / Outcomes	Key Performance Indicators	Prior Year 2020 Actual	FY2021 Targets	FY2022 Targets	FY2023 Targets	FY 2024 Targets	Responsible Party / ies
<b>Objective 1:</b> <i>Achieving the primary objective</i>	<i>Output 1: Financial Targets</i>	Return on Equity Net profit/Equity	-2%	-24%	-34%	-16%	-5%	Board
		Return on Assets Net profit/Total assets	-1%	-11%	-15%	-7%	-2%	Board
		Current Ratio Current assets/current liabilities	0.78	0.76	0.8	0.9	1.0	Board
		Quick Ratio Cash & Accounts receivable / current liabilities	0.51	0.46	0.5	0.7	0.9	Board
		Debt Ratio Total debt/Total assets	0.49	0.51	0.6	0.7	0.8	Board
		Debt Servicing Ratio Net operating income/debt servicing	-1.40	-3.40	-3.20	-0.05	0.10	Board
		Return on Invested Capital Net profits/Total debt + Total equity	-2.0%	-15%	-16%	0%	0%	Board
		EBIT Margin	-0.03	-0.27	-0.27	0.00	0.01	Board

KPIs: PPUC Consolidated

		EBIT/total revenue						
		Revenue to Total Assets Revenue/Total assets	0.27	0.29	0.29	0.38	0.38	Board
		Operating Ratio Total operating expenses (including depreciation and taxes) /total operating revenues	90%	-10%	-10%	14%	15%	Board
		Days in Receivables (Average accounts receivable/revenue) x 365	46	33	30	30	30	Board
	<i>Outputs 2: Recovering CSO costs</i>	Identify, cost, and contract all community service obligations and agree funding with government	N/A	Identify and cost all CSO in partnership with PEA and government	Contract and agree funding with governm ent by June 2022	Annual review of CSOs with government to confirm costing and report on service delivery	Annual review of CSOs with government to confirm costing and report on service delivery	Board and senior management
<b>Key Objectives</b>	<b>Outputs / Outcomes</b>	<b>Key Performance Indicators</b>	<b>Prior Year 2020 Actual</b>	<b>FY2021 Targets</b>	<b>FY2022 Target</b>	<b>FY2023 Targets</b>	<b>FY2024 Targets</b>	<b>Responsible Party / ies</b>

KPIs: PPUC Consolidated

<b>Objective 2: Tariff Review</b>	<i>Output 1: Support Palau Energy Administration (PEA) through tariff reviews</i>	Meet all requirements under Utilities Act and Palau Energy Act relating to tariff process and information	100%	100%	100%	100%	100%	Board and senior management
		Provide PEA with all information requested within 21 days of request being submitted in writing	100%	100%	100%	100%	100%	Board and senior management
<b>Key Objectives</b>	<b>Outputs / Outcomes</b>	<b>Key Performance Indicators</b>	<b>Prior Year 2020 Actual</b>	<b>FY2021 Targets</b>	<b>FY2022 Target</b>	<b>FY2023 Targets</b>	<b>FY2024 Targets</b>	<b>Responsible Party/ ies</b>
<b>Objective 3: Corporate Governance</b>	<i>Output 1: All board decisions are consistent with primary objective in EO 373</i>	Board includes certification in audited annual report that all decisions made by board are consistent with primary objective	N/A	100%	100%	100%	100%	Board
		Board will fully comply with board's requirements under EO 373	N/A	Board adopts audited accounts within 120 days of end of FY	Board adopts audited accounts within 120 days of end of FY	Board adopts audited accounts within 120 days of end of FY	Board adopts audited accounts within 120 days of end of FY	Board and Chief Executive



KPIs: PPUC Consolidated

	<i>Output 2: Annual corporate plan</i>		N/A	Board adopts SCI by June 2021	Board adopts annual SCI by 30/9/2022	Board adopts annual SCI by 30/9/2023	Board adopts annual SCI by 30/9/2024	Board
		Board adopts a corporate plan covering 3 FYs and including asset management plan; capex plan; gender inclusive HR management plan; gender-sensitive capacity building plan; risk management plan and business continuity plan	N/A	Board adopts plan by 30 September 2021	Board adopts annual update plan by 30 September 2022	Board adopts annual update plan by 30 September 2023	Board adopts annual update plan by 30 September 2024	Board
		Board to ensure staff receive training on Corporate Governance Code and compliance is reported in audited annual accounts	Corporate Governance Code adopted by board	All staff receive training on Code & compliance reported in annual report	Compliance with code reported in annual report	Staff receive follow-up training and compliance reported in annual report	Compliance with code reported in annual report	Board and chief executive
		Board to progressively publish key corporate governance policies on PPUC website	N/A	Board publishes SCI on PPUC website once adopted. Board publishes approved Corporate Gender	Board publishes Bylaws and Corporate Governance Code of conduct on PPUC website	Board includes audited annual report on list of governance documents on website	Board includes health and safety plan on website	Board

KPIs: PPUC Consolidated

				Strategy on website				
		Management develops staff succession plan including plan to increase number of women in managerial roles for board approval	N/A	Mgmt develops succession plan	Board approves succession plan by March 2022	Board reviews succession plan annually	Board reviews succession plan annually	Board and management
		Board meetings held in public. Reason for any board meetings not held in public must be explained in annual report	N/A	80% of board meetings held in public	80% of board meetings held in public	80% of board meetings held in public	80% of board meetings held in public	Board
		Directors' interest register updated at each board meeting	N/A	100%	100%	100%	100%	Board
<b>Key Objectives</b>	<b>Outputs / Outcomes</b>	<b>Key Performance Indicators</b>	<b>Prior Year 2020 Actual</b>	<b>FY2021 Targets</b>	<b>FY2022 Target</b>	<b>FY2023 Targets</b>	<b>FY2024 Targets</b>	<b>Responsible Party / ies</b>
<b>Objective 4: Human Resource Management, staff Safety and organizational culture</b>	<b>Output 1: Staff Training</b>	Develop medium-term gender-inclusive staff training program with annual budget allocation	N/A	Management prepares gender-inclusive training program for all staff	Board approves gender-inclusive training program and budget by 30/9/2022	Board reports on gender - inclusive training program implementation in annual report (sex disaggregated)	Board reviews training program and budget prior to 30 September 2024	Senior management and board

KPIs: PPUC Consolidated

	<i>Output 2: Staff retention</i>	Number of staff trainings per year, sex disaggregated	N/A					Chief Executive
		Percentage of staff, including gender, that leave during the preceding FY	N/A	Less than 20%	Less than 20%	Less than 20%	Less than 20%	Chief Executive
		Percentage of senior managers, including gender, (direct reports to Chief executive) that leave in the preceding FY	N/A	Less than 5%	Less than 4%	Less than 3%	Less than 2%	Chief executive
		Percentage of staff, including gender, that have performance reviews in preceding FY	N/A	80% (sex disaggregated)	90% (sex disaggregated)	95% (sex disaggregated)	100% (sex disaggregated)	Chief Executive
		Percentage of staff that have job description including performance measures	N/A	60%	70%	80%	100%	Chief Executive
		Number of staff meeting held over a twelve-month period	N/A	<10	<10	<10	<10	Chief Executive and board
	<i>Output 3: Health and Safety</i>	Loss time injury frequency rate (LTIFR) (number of lost time injuries per year/total hours worked) x 200,000						Chief Executive
		Lost time injury duration rate Days lost per FTE equivalent						Chief Executive

KPIs: PPUC Consolidated

		Board adopts a health and safety and reports outcomes in annual report	N/A	Health and safety plan prepared by management for board approval	Board approves plan and reports outcomes in annual report	Board reports outcomes and compliance in annual report.	Board reports outcomes in annual report. Compliance to health and safety policy 100%	Board, Chief Executive and senior management
		Number of fatalities per year	N/A	zero	zero	zero	zero	Board
		Percentage of workers who feel they are, or can be, involved in decisions relating to health & safety (measure by sex disaggregated survey)	N/A	Greater than 90%	Greater than 90%	Greater than 95%	Greater than 95%	Board and Chief Executive
	<i>Output 4: Gender diversification</i>	Develop a gender sensitive training plan supporting woman to develop technical & management skills	N/A	Management develops gender sensitive plan	Board adopts plan by March 2022, reports progress against plan in annual report	Board reports progress against plan in annual report	Board confirms full implementation of plan and targets.	Board and senior managers
		PPUC will meet all gender policies in Corporate Gender Strategy (CGS)	CGS approved by board 2020	Action plan prepared and at least 2 CGS policies implemented	Action plan prepared and at least 2 further CGS policies implemented	Action plan prepared and at least 2 further CGS policies implemented	Action plan prepared and at least 2 further CGS policies implemented	Board and senior management
		Formalization of life-work balance practices to encourage women to stay with PPUC,	Policy approved by the board under the	Management implements life-work balance (WLB)	Management implements LWB including	Management implements LWB including	Management continues to implement WLB and	Board and senior management

KPIs: PPUC Consolidated

		including implementation of maternity leave	Corporate Gender Strategy 2020	policy including maternity leave. Progress in annual report	work from home (WFH)	annual company day and unpaid leave policy Progress in annual report	progress in annual report	
		Percentage of female staff in management roles - direct reports to CEO (targets set in CGS)	Baseline 10% (1 out of 10). Target in CGS is 18% by 2023	At least 18%	At least 18%	At least 25%	27%	Chief Executive
		Percentage of female staff in technical roles (targets set in CGS)	Baseline 2.5% with target of 10% in 2023 (ref. CGS)	5%	7.5%	10%	12%	Chief Executive
	<i>Output 5: Labor productivity</i>	Measuring the productivity of labor: sales revenue / salary cost.	4.18	4.03	3.98	4.83	4.68	Board and Chief Executive
<b>Key Objectives</b>	<b>Outputs / Outcomes</b>	<b>Key Performance Indicators</b>	<b>Prior Year 2020 Actual</b>	<b>FY2021 Targets</b>	<b>FY2022 Target</b>	<b>FY2023 Targets</b>	<b>FY2024 Targets</b>	<b>Responsible Party / ies</b>
<b>Objective 5: Suppliers</b>	<i>Output 1: supplier relationships</i>	Contractors / consultant evaluations to be completed for all contracts over US\$50,000 so all are evaluated over 3-year period	N/A	33% of contractors / consultants evaluated	33% of contractors / consultants evaluated	33% of contractors / consultants evaluated	33% of contractors / consultants evaluated	Chief Executive

KPIs: PPUC Consolidated

		Top 5 multi-year suppliers (in \$ cost terms) to be on performance-based contracts	N/A	50% achieved	100% achieved	100% achieved	100% achieved	Chief Executive
		Management to meet (in person or via teleconference) top 10 multi-year suppliers (in \$ cost terms) at least once a year	N/A	50% achieved	100% achieved	100% achieved	100% achieved	Chief Executive
<b>Key Objectives</b>	<b>Outputs / Outcomes</b>	<b>Key Performance Indicators</b>	<b>Prior Year 2020 Actual</b>	<b>FY2021 Targets</b>	<b>FY2022 Target</b>	<b>FY2023 Targets</b>	<b>FY2024 Targets</b>	<b>Responsible Party / ies</b>
<b><i>Objective 7: Communities of Interest</i></b>	<b><i>Output 1: Improve engagement with key stakeholders</i></b>	Conduct awareness programs in schools and public to promote the employment of women in non-traditional areas	N/A	2 awareness programs run	2 awareness programs run, and summary of each program posted on PPUC website	2 awareness programs run, and summary of each program posted on PPUC website	2 awareness programs run, and summary of each program posted on PPUC website	Chief Executive
		Number of meetings per year with Minister of Finance as responsible minister including progress on all	N/A	Meeting at least every quarter	Meeting at least every quarter	Meeting at least every quarter	Meeting at least every quarter	Board and Chief Executive

KPIs: PPUC Consolidated

		corporate plan and SCI targets						
		PPUC provides all required information to PEA in a reasonable time-period (measured by confirmation from PEA)	N/A	100%	100%	100%	100%	Chief Executive
		PPUC to hold press conference at the end of each month to update public on programs and plans including progress on all SCI targets	N/A	100%	100%	100%	100%	Board / Chief Executive
	<i>Output 2: Meet environmental requirements</i>	PPUC to meet all environmental policies and laws in Palau and in particular the Environmental Quality Protection Act (Title 24), Air Pollution Control Regulations (Chapter 2401-71), Environmental Impact Statement Regulations (Chapter 2401-61), Ozone Layer Protection Regulations (Chapter 2401-81), Public Water Supply Systems Regulations (Chapter 2401-	N/A	100%	100%	100%	100%	Board and Chief Executive

KPIs: PPUC Consolidated

		51), and Wastewater Treatment and Disposal Regulations (Chapter 2401-13). PPUC will report compliance on PPUC website and update annually							
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KPIs: Electricity Power Operations

Key Objectives	Outputs / Outcomes	Key Performance Indicators	Prior Year 2020 Actual	FY2021 Targets	FY2022 Targets	FY2023 Targets	FY 2024 Targets	Responsibility
<b>Objective 1: Achieving the primary objective</b>	<i>Output 1: Financial Targets</i>	Return on Equity Net profit/Equity	12%	-12%	-27%	-16%	0%	Board / EPO
		Return on Assets Net profit/Total assets	3%	-7%	-16%	-10%	0%	Board / EPO
		Current Ratio Current assets/current liabilities	1.26	1.24	1.3	1.5	1.7	Board / EPO
		Quick Ratio Cash & Accounts receivable / current liabilities	0.91	0.86	1.0	1.3	1.5	Board / EPO
		Debt Ratio Total debt/Total assets	0.34	0.34	0.34	0.34	0.34	Board / EPO
		Debt Servicing Ratio Net operating income/debt servicing	10.79	-4.18	-4.16	-0.31	0.73	Board / EPO
		Return on Invested Capital Net profits/Total debt + Total equity	10%	-7%	-11%	-1%	1%	Board / EPO
		EBIT Margin	0.9	-0.14	-0.14	0.00	0.01	Board / EPO

KPIs: Electricity Power Operations

		EBIT/total revenue						
		Revenue to Total Assets Revenue/Total assets	0.38	0.41	0.42	0.49	0.50	Board / EPO
		Operating Ratio Total operating expenses (including depreciation and taxes) / total operating revenues	82%	-2%	-2%	11%	12%	Board / EPO
		Days in Receivables (Average accounts receivable/revenue) x 365	143	132	130	30	30	EPO / Board
		Overall labor productivity: total sales / total labor cost	6.00	5.76	5.65	6.18	6.00	EPO
		Average supply costs (US cents per kWh)	\$0.30					EPO
	<i>Output2: Generation – unless otherwise stated base year is 2018<sup>1</sup></i>	Load factor (higher number indicates more efficient use of generation). Base year 2018	80%	80%	80%	80%	80%	EPO

<sup>1</sup> Base Year data for Outputs 2,3 and 4 taken from Pacific Power Utilities Benchmarking Report FY2019 **unless otherwise stated. Base year is 2018 data unless otherwise stated.**

KPIs: Electricity Power Operations

		Availability factor (measures ability of power plant to generate)	95%	95%	98%	98%	100%	EPO
		Generation labor productivity (ratio of total energy generation to number of FTE equivalents)	1.3	2.5	4.0	4.5	5.0 <sup>2</sup>	EPO
		Specific fuel consumption (measures efficiency of use of fuel kWh/gallons)	3.8	4.0	4.5	5.0	5.0 <sup>3</sup>	EPO
		Forced outage	5.0%	5.0%	4.8%	4.6%	4.4%	EPO
		Planned outage (scheduled loss of generation as a percentage of installed capacity)	0.08%	0.08%	0.08%	0.06%	0.05%	EPO
		Generation Operation and Maintenance Costs (expenditure on O&M generation equipment per MWh generated)	54%	54%	60% <sup>4</sup>	50%	45%	EPO
		IPP generation: Percentage of total annual production						EPO / Board
		Renewable energy to total grid capacity	3%	10%	20%	25%	25%	EPO / Board
	<i>Output 3: Transmission</i>	Transmission reliability: outages per 100 kms						

<sup>2</sup> Pacific Power Producers' average in 2019

<sup>3</sup> Best in Pacific is PNG Power at 6.3

<sup>4</sup> Increase to catch up underspend in 2020 and 2021

KPIs: Electricity Power Operations

	<i>Output 4: Distribution</i>	Unplanned SAIDI <sup>5</sup> (base year 2020)	398.96	300	300	200	100	EPO
		Unplanned SAIFI <sup>6</sup> (base year 2020)	17.88	17	15	10	9	EPO
		Network Distribution Delivery losses	16% <sup>7</sup>	16%	14%	13%	11%	EPO
		Distribution reliability (forced outage events per 100km)	3%	3%	3%	2%	2%	EPO
		Labor productivity (customers per distribution employee)	110	110	110	100	100	EPO
		Distribution O&M Costs						
		Combined generation, transmission, and distribution SAIDI	615.7	600	500	400	200	EPO
		Combined SAIFI	8.9	8.5	8.0	8.0	7.8	EPO
	<i>Output 5: Health and safety</i>	Loss time injury frequency rate (LTIFR)						EPO
		Lost time injury duration rate						EPO
		Number of fatalities per year						EPO

<sup>5</sup> System Average Interruption Index. Data from PPUC Performance Appraisal August 2020 produced under subprogram 1.

<sup>6</sup> System Average Interruption Frequency Index. Data from PPUC Performance Appraisal August 2020 produced under subprogram 1

<sup>7</sup> FY2019

KPIs: Electricity Power Operations

		Percentage of workers that feel they are, or can be, involved in decisions relating to health and safety (measure by sex-disaggregation and survey)	N/A	<90%	<90%	<95%	<95%	EPO
	<i>Output 6: Achieve Objective 6 – customer relationships</i>	To provide a service that customers see as high quality and priced fairly and to be responsive to customer needs.	N/A	Develop a customer survey with sex disaggregating data covering service quality, cost, and EPO responsive ness for board approval	Conduct annual survey and publish results (including relevant sex disaggregating data) on PPUC website	Conduct annual survey and publish results (including relevant sex disaggregating data) on PPUC website. Results show improving trend	Conduct annual survey and publish results (including relevant sex disaggregating data) on PPUC website. Results show improving trend	EPO
	<i>Output 7: assess costs and services against Pacific peers</i>	Participate in Pacific Power Utilities Association benchmarking studies (usually bi-annual)	N/A	Participate in study when undertaken and link reports on PPUC website	Participate in study when undertaken and link reports on PPUC website	Participate in study when undertaken and link reports on PPUC website	Participate in study when undertaken and link reports on PPUC website	EPO

KPIs: Electricity Power Operations

	<i>Output 8: Environment</i>	EPO will meet all Palau environmental policies and regulations in particular Environmental Quality Protection Act (Title 24), Air Pollution Control Regulations (Chapter 2401-71), Environmental Impact Statement Regulations (Chapter 2401-61), and Ozone Layer Protection Regulations (Chapter 2401-82). PPUC (EPO) will report compliance on PPUC's website and update annually.	N/A	100%	100%	100%	100%	EPO
	<i>Output 9 Gender Diversification</i>	Percentage of women staff that participate in technical and management training activities		At least 33% (1 of 3 women)	At least 66%	At least 66% %	At least 100%	EPO
		Percentage of female staff in electrical management positions		At least 10%	At least 10%	At least 12%	At least 15%	EPO
		Percentage of female staff in electrical technical positions	2% (3 out of 121 women)	At least 4%	At least 6%	At least 8%	At least 10%	EPO

KPIs: Water and Wastewater Operations

Key Objective	Outputs / Outcomes	Key Performance Indicators	Prior Year 2020 Actual	FY2021 Targets	FY2022 Target	FY2023 Targets	FY2024 Targets	Responsible Party / ies	
<b>Objective 1: Achieving the Primary Objective</b>	<i>Output 1: Financial performance</i>	Return on Equity	-20%	-61%	-105%	-18%	-19%	Board / WWO	
		Return on Assets	-5%	-13%	-23%	-4%	-4%	Board / WWO	
		Current Ratio	0.30	0.30	0.30	0.30	0.30	Board / WWO	
		Quick Ratio							
		Debt Ratio	0.62	0.64	0.70	0.60	0.60	Board / WWO	
		Debt Service Ratio	-6.72	-2.99	-2.74	-0.01	0.00	Board / WWO	
		ROIC	-9%	-14%	-15%	0%	0%	Board / WWO	
		EBIT Margin	-0.59	-0.89	-0.90	0.00	0.00	Board / WWO	
		Revenue to Total Assets	0.09	0.10	0.10	0.20	0.20	Board / WWO	
		Operating Ratio	132%	-46%	-48%	23%	23%	Board / WWO	
		Days in Receivables	72	68	45	40	30	Board / WWO	
	<i>Outputs 2: Efficient, cost</i>	Non-revenue water as percentage of production (Base year PPWA data)	41%					Board / WWO	

KPIs: Water and Wastewater Operations

	<i>effective, safe, and reliable service<sup>1</sup></i>							
		NRW calculated on m <sup>3</sup> /km of the network (Base year PPWA data)	18					WWO
		Hours of operation (hours per day on average) (Base year PPWA data)	24	24	24	24	24	WWO
		Unit cost water and wastewater (US\$/m <sup>3</sup> ) (Base year PPWA data)	1.56					WWO and Board
		Revenue, water, and wastewater (US\$/m <sup>3</sup> ) (Base year PPWA data)	1.88					WWO and Board
		Cost recovery ratio: revenue/cost  Should be greater than 1 (Base year PPWA data)	0.63	0.57	0.53	1.0	1.0	Board / WWO
		Collection ratio (account receivables / average daily sales) (Base year PPWA data)	71.78% <sup>2</sup>					WWO
		Labor productivity	1.71	1.68	1.63	3.01	2.89	Board / WWO

<sup>1</sup> Unless otherwise stated base year is 2019. Data from Pacific Water and Wastewater Association Benchmark Study 2020 identified as 'Base year PWWA data'

<sup>2</sup> 2017 data



KPIs: Water and Wastewater Operations

		Water quality – percentage of failed water quality tests declines year on year	10%					WWO
		WWO meet all targets in Operations and Management plan	100%	100%	100%	100%	100%	WWO
		Meet all targets in the project implementation plan	100%	100%	100%	100%	100%	WWO
	<i>Output3: a safe working environment</i>	Loss time injury frequency rate (LTIFR)						WWO
		Lost time injury duration rate: days per FTE						WWO
		Number of fatalities per year	Zero	Zero	Zero	Zero	Zero	WWO
		Percentage of workers that feel they are, or can be, involved in decisions relating to health and safety (measure by sex disaggregated and survey)	N/A	Greater than 90%	Greater than 90%	Greater than 95%	Greater than 95%	WWO

KPIs: Water and Wastewater Operations

	<i>Output 6: Achieve Objective 6 – customer relationships</i>	To provide a service that customers see as high quality and priced fairly and to be responsive to customer needs.	N/A	Develop a customer survey with sex disaggregated data covering service quality, cost, and WWO responsiveness for board approval	Conduct annual survey and publish results (including sex disaggregated data) on PPUC website	Conduct annual survey and publish results (including sex disaggregated data) on PPUC website. Results show improving trend	Conduct annual survey and publish results (including sex disaggregated data) on PPUC website. Results show improving trend	WWO
	<i>Output 7: ensure costs and service quality is comparable to Pacific peers</i>	Participate in Pacific Water and Wastewater Association benchmark studies (bi-annual)	N/A	Participate in benchmark study when undertaken and provide link on PPUC website	Participate in benchmark study when undertaken and provide link on PPUC website	Participate in benchmark study when undertaken and provide link on PPUC website	Participate in benchmark study when undertaken and provide link on PPUC website	WWO
	<i>Output 8: Environment</i>	PPUC to meet all environmental policies and laws in Palau and in	N/A	100%	100%	100%	100%	WWO

KPIs: Water and Wastewater Operations

		<p>particular the Environmental Quality Protection Act (Title 24), Air Pollution Control Regulations (Chapter 2401-71), Environmental Impact Statement Regulations (Chapter 2401-61), Ozone Layer Protection Regulations (Chapter 2401-81), Public Water Supply Systems Regulations (Chapter 2401-51), and Wastewater Treatment and Disposal Regulations (Chapter 2401-13). PPIUC (WVO) will report compliance on PPUC's website and update annually.</p>						
	<p><i>Output 9 Gender Diversification</i></p>	<p>Percentage of women staff participate in technical and management training activities</p>	<p>100% (1 women out of 105 staff</p>	<p>At least 100%</p>	<p>At least 100%</p>	<p>At least 100%</p>	<p>100%</p>	<p>WVO</p>

KPIs: Water and Wastewater Operations

		Percentage of female staff in water and wastewater management positions		At least x%	At least x%	At least x%	At least x%	WWO
		Percentage of female staff in electrical technical positions		At least 2.0% (2 women out of 105 staff)	At least 5%	At least 7.5%	At least 10%	WWO