



STATEMENT OF CORPORATE INTENT

Financial Year 2025



Contents

1.0	INTRODUCTION	3
1.1	Organisational Structure	4
1.2	Stakeholder's Expectation	4
2.0	OBJECTIVES & BUSINESS GOALS	6
2.1	Business Goals and Activities	6
2.2	Strategic Approach	7
3.0	(6) MEGAWATT SOLAR FARM	8
4.0	SALES FORECAST	9
4.1	Energy Sales Forecast.....	9
4.2	Water Sales Forecast	10
4.3	Water Delivery Sales Forecast.....	10
4.4	Wastewater Sales Forecast	11
5.0	KEY PERFORMANCE INDICATORS.....	12
6.0	FINANCIAL POLICY COMPLIANCE & ACCOUNT UPDATE	14
8.0	FINANCIAL STATEMENTS.....	16
8.1	Profit & Loss	16
8.2	Balance Sheet	17
8.3	Cash Flow.....	18
9.0	CONCLUSION	19
10.	APPENDICES	20
10.1	Appendices Network Rehabilitation Project.....	20
10.2	Appendices 2 Capital Expenditure and NPP	23
10.3	Appendices 3: Tarriff Assessment Matrix	25
10.4	Appendices 4: Proposed Tariff.....	27

1.0 INTRODUCTION

The Statement of Corporate Intent (SCI) for the Nauru Utilities Corporation (NUC) for FY 2025/26 sets out the organisation's strategic direction, priorities, and anticipated risks and challenges, framing how NUC will operate to achieve sustainable growth, enhanced service delivery, and long-term financial stability. It serves as a guiding framework for current and future operations, outlining the key actions and management responses planned to address risks and ensure resilience within the regulatory environment.

Central to NUC's strategic approach is a strong commitment to renewable energy initiatives, with particular emphasis on reducing reliance on imported fuels and decreasing greenhouse gas emissions. A significant milestone in this regard is the anticipated commissioning of a 6-megawatt solar power plant scheduled for September 2025. This solar project is expected to contribute substantially to the organization's energy mix, enabling an estimated fuel savings of 22%. These savings are projected to amount to approximately \$3,676,645, thus reducing operational costs and enhancing overall efficiency.

The financial projections outlined in this SCI indicate a positive outlook, driven by an expected increase in revenue resulting from heightened demand from new customers and expanded service offerings. However, the organization also faces several notable challenges that could impact its operational and financial performance. These include volatile fuel prices, potential delays in the solar project's implementation, weather-related disruptions that could temporarily reduce the energy output of solar facilities; and tariff-related risks.

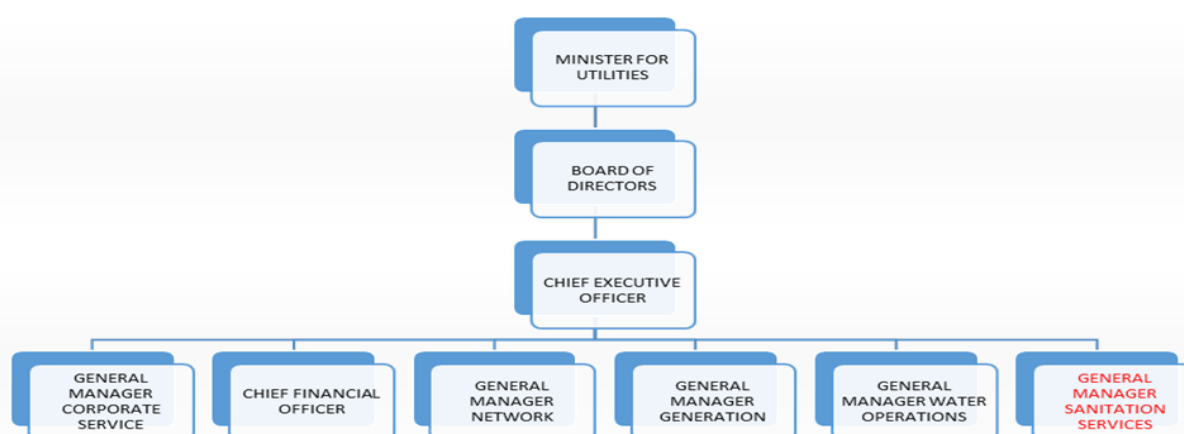
A critical risk component of this SCI is the current tariff, which reveals that NUC's current financial viability is compromised by an estimated shortfall of \$2.5 million, despite the reduction in fuel costs. The organization faces a \$2.5 million shortfall that hampers its ability to fully pursue strategic objectives and maintain consistent service delivery. To address this, the document outlines the impacts on the current tariff structure and proposes a government soft loan of \$2.5 million, with a three-year repayment schedule. The Government would need to consider and accept the proposed tariff adjustment as a condition of the debt service at the start of the next fiscal year.

This document outlines four overarching business objectives: (1) achieving financial sustainability, (2) improving service delivery to customers, (3) aligning business processes for greater efficiency and effectiveness, and (4) strengthening the corporate culture to foster a motivated, innovative, and accountable workforce. To realize these objectives, NUC has identified 19 specific activities designed to drive progress and deliver measurable results, supported by the \$2.5 million loan agreement.

Furthermore, progressing toward these objectives will be closely monitored through a Balanced Scorecard framework, which provides a structured approach to evaluating performance across these overall objectives. This framework will enable NUC's leadership to track key performance indicators, assess the effectiveness of initiatives, and make informed decisions to steer the organization toward its strategic goals.

Any changes to this document will be brought to the Board of Directors attention, and the responsible Minister's approval.

1.1 Organisational Structure



Board of Directors	
Chairman	Mr. Abraham Aremwa
Deputy Chairman	Mr. Rocky Olsson
Director	Mr. Kenneth Dowedia
Director	Mr. Ruswell Engar
Director	Mr. Leo Scotty
CEO & Executive Management Team	
Chief Executive Officer	Mr. Anthony Dimapilis
General Manager Generation (GMG)	Vacant
General Manager Network (GMN)	Mr. Jonpeal Rodiben
General Manager Water Operations (GMWO)	Mr. Mark Hiram
General Manager Sanitation Service (GMS)	Mr. Nasio Jeremiah
General Manager Corporate Services (Acting)	Mrs. Sinderina Simon Adeang
Chief Financial Controller (CFC)	Semaema Kunavore

1.2 Stakeholder's Expectation

Part 5 Division 1 of the Public Enterprises Act 2019 requires each Public Enterprise to have a SCI at the start of each financial year. The Act also establishes two measures for the NUC to demonstrate its achievement of the objective:

- it is at least as profitable and efficient as comparable businesses in the private sector; and
- it generates, for each financial year, a net operating profit after tax that is not less than its weighted average cost of capital prescribed as a percentage.

The Nauru Utilities Corporation was established under the Nauru Utilities Act, (the Act), sets out the functions of the Corporation with respect to electricity, and water. NUC has been awarded by the GoN an additional responsibility (Sanitation Service) that is to be included and maintained at the same level of its ongoing operations.

Mandate	Functions
Electricity	• to generate, acquire, exchange, transport, distribute, market and otherwise supply electricity; • to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any function mentioned in paragraph (a); and • to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).
Water	• to acquire, store, treat, distribute, market and otherwise supply water for any purpose; • to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any purpose mentioned in paragraph (a); and • to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).
Sanitation	• to collect, store, treat and safely dispose of wastewater and sludge • to undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any purpose mentioned in paragraph (a); and • to do anything that the Corporation determines to be conducive or incidental to the performance of a function mentioned in paragraph (a) or (b).
Added Business	• Hiring out equipment to customers that NUC has the capacity to facilitate.

2.0 OBJECTIVES & BUSINESS GOALS

Nauru Utilities Corporation aims to deliver its mandate based on four objectives to ensure Safe, Reliable, Affordable and Sustainable services is delivered to the community.

These four overarching business objectives are derived from four distinct perspectives, which serve as the foundational framework for the Balanced Scorecard. This strategic tool will be employed to systematically monitor and evaluate NUC's overall performance across various key areas. By aligning activities and initiatives with these perspectives, the organization aims to ensure a balanced approach to growth, efficiency, innovation, and stakeholder satisfaction. The key objectives associated with each perspective are designed to guide decision-making, measure progress, and drive continuous improvement throughout the organization. The specific objectives are outlined below:

Financial Perspective	Customer Perspective	Process Perspective	Learning & Growth Perspective
Business Goal 1: To be financially sustainable.	Business Goal 2: To improve service delivery and responsiveness, engaging the community as partners.	Business Goal 3: To align business processes with BG1 and BG2 while meeting all statutory obligations	Business Goal 4: To strengthen the desired business culture based on NUCs core values and principled leadership and truth-based communication.

2.1 Business Goals and Activities

Under each overarching business objective are sub objectives that specify in detail what needs to be achieved. The activities under each business objectives are list below.

Business Goal	Activities
1: To be financially sustainable	1. Increase revenue from new customers namely, RPC 2 and RPC 3. 2. Improve productivity through improve utilization of HR and assets and cost control 3. Strengthen NUC's financial processes, and reporting standards 4. Review all tariffs and rates for all services to identify the true costs and associated tariffs for each service, any cross subsidies between services and customer categories and where possible map out a strategy to match as closely as possible the actual tariff with the true.
2: To improve service delivery and	5. Reduce the number and impact of power outages affecting customers.

responsiveness, engaging community support.	6. Improve the delivery of water to customers. 7. Improve the response of request for sanitation services.
3: To align business processes with BG1 and BG2 while meeting all statutory obligations	8. Improve maintenance, reliability and availability of the diesel generators. 9. Improve the reliability and availability of the RO Plants. 10. Strengthen Internal Efficiency Management 11. Improve the reliability of the power network. 12. Complete the network rehabilitation program. 13. Complete the network extension to RPC2 and RPC3. 14. Improve the operational efficiency of production and delivery assets. 15. Increase renewable energy production.
4: To strengthen the desired business culture based on NUCs core values and principled leadership and truth-based communication.	16. Implement the training plan associated with the budget. 17. Review Gender Balance Strategic Plan 18. Review Succession Plan 19. Establish, implement, monitor, and evaluate Performance Management System 20. Improve the management reporting systems.

2.2 Strategic Approach

Strategy maps the journey from the current state to the desired goals, emphasizing decisive execution while remaining adaptable to black-swan events and changing circumstances. The overarching goals are interlinked, with the achievement of one contributing to the others. For example, BG4 enhances human, information, and organizational capital, which in turn strengthens BG3 by ensuring processes align to deliver BG1 and BG2 and to meet statutory obligations. Consequently, strategic initiatives are not confined to a single overarching goal.

Strategy
1. Extension of the electricity grid through a 11 kV overhead line to connect RPC 2 and RPC 3 to increase new revenue. 2. Implement the Performance Management System to improve productivity, asset utilization and cost control and align the corporate work culture with high performance. 3. Implement the 360-degree appraisal to improve the leadership quality. 4. Commission a tariff review to better understand tariff impacts and improve the balancing of the tariffs. 5. Improve reliability, availability of assets, and maintenance of assets to improve customer service as follows: a. reduce power outages affecting customers. b. Improve water delivery services.

- c. Improve wastewater and sludge removal services.
- 6. Restoration of the electricity generator fleet to improve stability and reliability.
- 7. Increase renewable energy contribution to:
 - a. Lessen the impact of diesel fuel and the volatility of fuel prices on expenses.
 - b. Reduce greenhouse gas emissions.
- 8. Complete the rehabilitation of the electric distribution network to improve the reliability of the network and supply of power to customers.
- 9. Implement the training program as proposed in the budget to equip employees to better perform their roles.
- 10. Improve the management reporting system to assist the leadership team with identifying areas of improvement in the operations and improve strategic planning for NUC.
- 11. Work towards gender balance of the workforce.

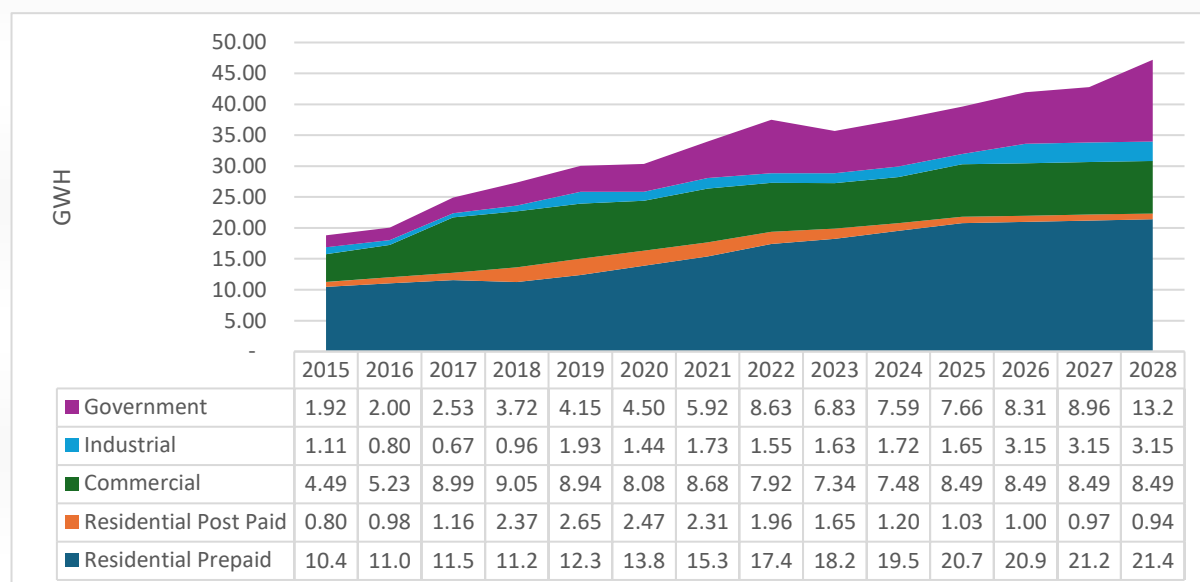
3.0 (6) MEGAWATT SOLAR FARM

It is anticipated that the 6-Megawatt Solar Plant will be fully operational in September 2025. Notably, the fuel savings from renewable energy initiatives indicate a proactive approach to cost management and relaxes NUC's dependency on fuel cost. The fuel reduction is projected to decrease fuel costs by 22%, an equivalent of \$3,676,645. The team are making every effort to ensure this latest schedule is met, and ensuring that the liquidated damages is secured.

4.0 SALES FORECAST

4.1 Energy Sales Forecast

Assuming the above and an average rainfall year, the demand forecast for each service is shown in Graph 1.



Graph 1: Energy Sales Forecast in GWH

New Connections

In addition to an organic load growth of 1%, the new sales demand estimated over the years 2026 to 2028 is shown in Table 1.

Table 1: New Sales Demand

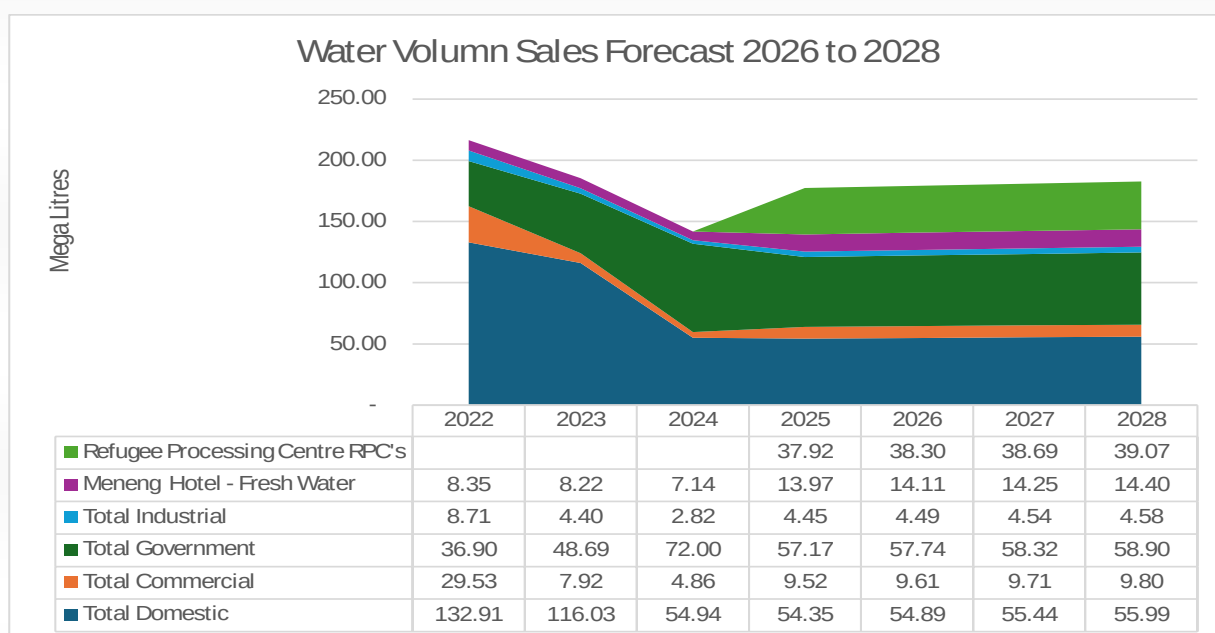
New Customers	Year	Sales Category	Avg Load kW	Yearly Demand kWh
Nauru Ports	2025	Industrial	300	1,500,871
RPC 3	2026	G	60	525,600
RPC 2	2026	G	5	43,800
Smart Village	2028	G	10	87,600
Stadium	2026	G	100	876,000
Higher Ground Initiative	2028	G	300	2,628,000
New Aiwo Water Pump	2026	NUC water	60	525,600
New Aiwo Tank Pump station	2026	NUC water	2	17,520
New Anabar Booster Pump	2030	NUC water		
New Anabar Tank Pump station	2030	NUC water	2	17,520
New Meneng Water Pump	2028	NUC water	7	61,320
Meneng Tank Pump Station	2028	NUC water	3	26,280
Command Ridge Tank	2027	NUC water	0.5	4,380
Sanitation Facilities	2026	NUC San	10	87,600
		Grand Total		6,402,091

The sales categories to which these demands will contribute to are:

Government Total	4,161,000
Industrial Total	1,500,871
NUC Water Total	652,620
NUC San Total	87,600
Grand Total	6,402,091

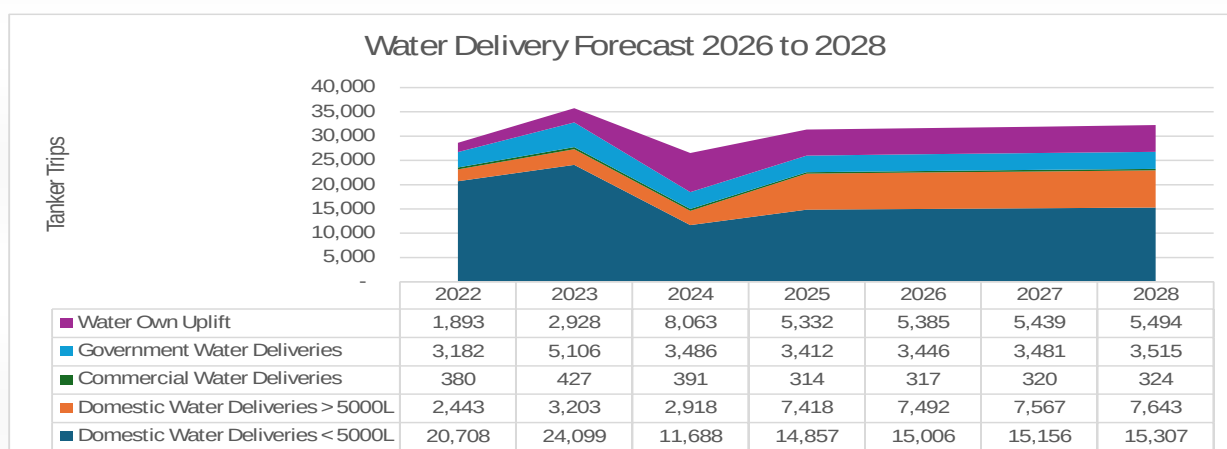
The Government sales forecast incorporates RPC 1 and 2 fully from 2027, while the Games Village, Stadium, and Higher Ground Initiative contribute to the 2028 sales demand.

4.2 Water Sales Forecast



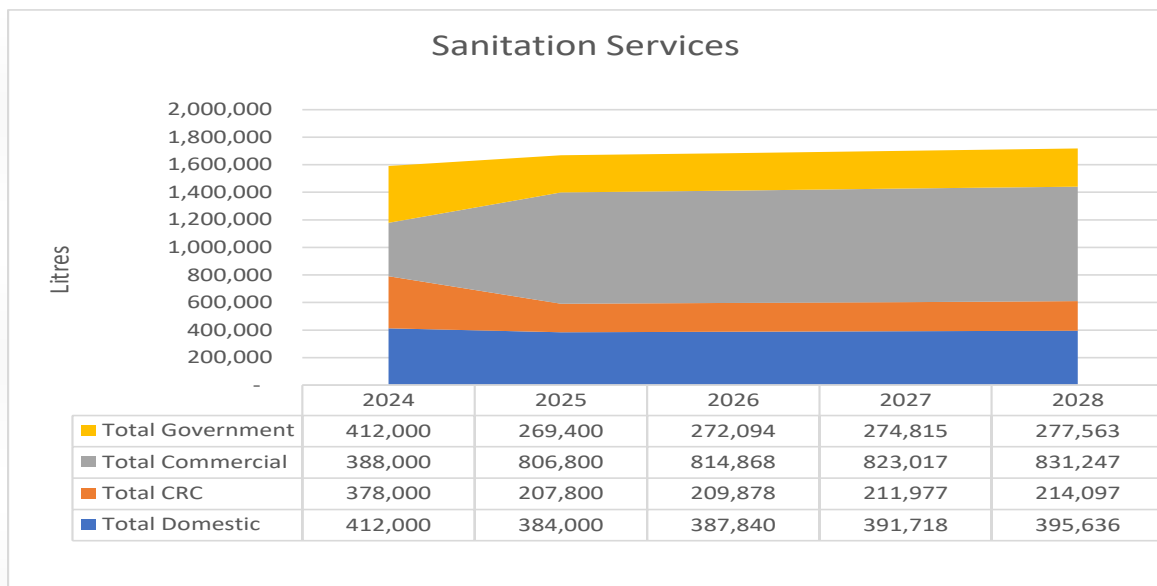
Graph 2: Water Volume Sales Forecast in Mega Litres

4.3 Water Delivery Sales Forecast



Graph 3: Water Delivery Tanker Trips Demand

4.4 Wastewater Sales Forecast



Graph 4: Sanitation Services Litres Waste Water Uplifted

5.0 KEY PERFORMANCE INDICATORS

The Balanced scorecard contains the KPIs that shall be used to monitor the implementation of the business strategy and assess the performance of employees.

Perspective	Strategic Intent	Business Objectives	Measures
Finance	To be financially sustainable.	Achieve the financial results required in the Public Enterprise Act 2019.	ROA > 5%
			ROE > 0.4%
			PAT > 5%
			QR > 1.05
			DD < 30
	Control Expenses	Reduce Fuel Expenses	FE < 55 %
Customers	Improve reliability of service to customers	Reduce power outage frequency and duration.	SAIFI < 15
			SAIDI < 1500 minutes
		Improve water delivery	D2D > 80%
		Improve sanitation requests to empty septic tanks.	S2D. > 80%
Process	Improve availability of production assets.	Improve maintenance compliance of generators	GMC > 90%
		Increase generation availability.	GAG > 90%
		Improve generator reliability	GFR < 10
		Improve RO Availability	ROA > 90%
	Improve reliability and availability of delivery assets.	Improve power network reliability	DFAHV < 2
			DFALV < 2
		Improve Availability of water tankers.	WTA > 65%
	Improve and maintain efficiency of production.	Improve availability of Waste collection tanker.	WaTA > 70%
		Increase renewable energy contribution. (Reduce fuel for power generation)	REC > 40%
		optimizing fuel efficiency &	SFC > 3.8 kwh/L
		Improving RO production efficiency	ROEF > 190 L / kwh
		Efficiency of treatment plant	WTP > 150L / kwh
	Improve the procurement process.	Reduce processing time of orders	ODL < 3 day
			ODOS < 20 days
	Be environmentally responsible.	Increase renewable energy contribution.	REC %
Learning & Growth	Improve human capital	Execute the training plan	complete
		Improve productivity	WHC
			PHC
	Gender balance	Recruit more females	GB > 40%

Key for Indicators:

ACRONYM	Expression
Finance	
ROA	Return on Assets: PAT/ Total Assets
ROE	Return on Equity = Return on Net Assets: PAT / Net Assets
PAT	Profit After Tax:
QR	Quick Ratio: Cash & Cash Equivalents / Current Liabilities
DD	Debtor Days: (Average Accounts Receivable / Annual Credit Sales) * 365
FE	Fuel Expenditure - % of total expenditure
Customer	
SAIFI	System Average Interruption Frequency Indicator
SAIDI	System Average Interruption Duration Indicator
D2D	Delivery within 2 days: % delivery within 2 days of order
S2D	Sanitation service: % service within 2 days of order.
Process	
GMC	Generator Maintenance Compliance ⁱ
GAG	Generator Availability ⁱⁱ
GFO	Generator forced outage ⁱⁱⁱ Average trips / generator
ROA	RO Availability ^{iv}
DFAHV	Distribution forced outage HV lines: number of forced outage/ KM lines ^v
DFALV	Distribution forced outage LV lines: number of forced outage/ KM lines
WTA	Water Tanker Availability ^{vi}
WaTA	Waste Water Tanker Availability
REC	Renewable Energy Contribution ^{vii}
SFC	Specific Fuel Consumption for diesel Generators ^{viii}
ROEF	RO Efficiency in Litres/ kWh ^{ix}
OPD	Average Order processing time in days ^x
DT	Average Delivery Time of items or services in days ^{xi}
WHC	Worked Hours per customer ^{xii}
PHC	Paid Hours per customer.

6.0 FINANCIAL POLICY COMPLIANCE & ACCOUNT UPDATE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements have been prepared on a historical cost basis and on the assumption of going concern.

Activity	Progress Update
AEFS FY Ending June 2022	Completed
AEFS FY Ending June 2023	Completed
APFS FY Ending June 2024	Completed
AEFS FY Ending June 2024	Auditors on Island for field work. Target Date for signing is 30 September 2025
AEFS FY Ending June 2025	Will commence once above is finalised.
APFS FY Ending June	Field work in progress. Target date for signing is 30 September 2025

7.0 POTENTIAL RISKS

7.1 Tariff Risk Analysis

In 2016, under technical assistance funded by the ADB, a business model was developed to allocate expenses between electricity and water services, as well as between tariff categories. This analysis applies the model to NUC's budget for fiscal year 2025/26, extracting findings and implications regarding its operations as shown in the table below.

ELECTRICITY MODEL						
Electricity	MWH	Desired Tariff	Current Tariff	Current Revenue	Desired Rev	Diff.
Domestic	21,984	\$ 0.7400	\$ 0.3645	8,012,816	16,268,182	- 8,255,366
Commercial	10,701	\$ 0.4988	\$ 0.71	7,597,935	5,338,058	2,259,877
Industrial	3,151	\$ 0.5239	\$ 0.70	2,205,610	1,650,668	554,942
Government	8,310	\$ 0.4720	\$ 0.74	6,149,573	3,922,288	2,227,285
TOTAL	44,147			23,965,933	27,179,196	- 3,213,262
			Add : Other Revenue - Meter Connections & NUC pole usage			\$ 714,400.00
			Overall Net Shortfall			-\$ 2,498,862.45

Notably, the data show a significant disparity between the desired tariffs and current tariffs across all sectors, affecting NUC's financial viability and highlighting opportunities for revenue enhancement. The study concludes that revenue under the current tariff is substantially below the desired level, resulting in a shortfall of approximately \$2.5 million. The model underscores the need for strategic adjustments as outlined in [Appendix 3](#) to ensure financial viability. The Government has agreed to a loan to cover the \$2.5 million shortfall, with a three-year repayment schedule, contingent on the acceptance of the proposed tariff adjustments outlined in the [Appendices 4](#) to take effect in the next fiscal year.

7.2 Solar Project

An anticipated 22% fuel cost reduction from the solar project once its fully operational on September 2025. The 22% reduction in fuel cost is projected in this planned document where further delays on the commissioning could have negative impact on NUC's financial health, and service deliver. In the event the delay becomes evident, the \$2.5 million shortfall from the tariff risk is likely to increase.

7.3 Weather

An El Nino or La Nina event can result in rainfall ranging from a minimum of 500 mm to a maximum of 4,500 mm per annum. The actual amount received will depend on the intensity of the event. This will impact both solar energy production (less production during rainfall and cloudy periods) and water demand (due to customers who harvest rainfall off their roofs). During an El Nino event more rainfall is received in Nauru and this will decrease solar production and reduce water demand. During a La Nina event, less rainfall will be received, and this will increase solar production and increase water demand. The budget proposal assumes an average year of rainfall. Cost cutting measures will apply if La Nina is in effect as stated in the business plan

8.0 FINANCIAL STATEMENTS

The financial statements for the years 2026 to 2028 based on the budget proposal for the FY 2026 and projections for 2027 and 2028 are shown in the Tables below. The desired tariff is projected to determine Nauru Utilities financial health and service delivery moving forward.

8.1 Profit & Loss

BUDGET COMPONENTS	2026	2027	2028
Revenue	Bud	Bud	Bud
Operating Revenue			
Electricity Income	\$ 23,965,933	\$ 27,805,807	\$ 28,286,902
Water Income	\$ 5,426,306	\$ 5,453,963	\$ 5,508,502
Sanitation Income	\$ 336,839	\$ 340,207	\$ 343,610
Other Operating Income	\$ 714,400	\$ 721,544	\$ 728,759
Total Operating Revenue	\$ 30,443,478	\$ 34,321,521	\$ 34,867,773
Release of Deferred Income	\$ 1,987,695	\$ 2,358,597	\$ 2,358,597
Total Revenue	\$ 32,431,173	\$ 36,680,118	\$ 37,226,370
Expenses			
Fuel	\$ 16,392,748	\$ 17,117,610	\$ 19,653,247
Fuel savings 40% RE Solar	-\$ 3,676,645	-\$ 4,524,301	-\$ 4,496,032
Employees	\$ 6,795,190	\$ 6,795,870	\$ 6,796,550
Land lease/ Interest expenses IFRS16	\$ 1,208,698	\$ 1,208,698	\$ 1,208,698
Repair and Maintenance	\$ 1,691,460	\$ 1,353,303	\$ 947,407
Other operating costs	\$ 6,024,149	\$ 6,042,222	\$ 6,060,349
Total Expenses	\$ 28,435,601	\$ 27,993,403	\$ 30,170,218
Profit Before Depreciation (EBITDA)	\$ 3,995,571	\$ 8,686,715	\$ 7,056,152
Less Depreciation - Fixed Assets	\$ 3,109,438	\$ 3,532,736	\$ 3,339,459
Less Depreciation - Right of Use Assets	\$ 719,471	\$ 719,471	\$ 719,471
Profit before Tax	\$ 166,662	\$ 4,434,509	\$ 2,997,222
Income Tax Expense/(Benefit)	\$ 41,666	\$ 1,108,627	\$ 749,306
Net Profit	\$ 124,997	\$ 3,325,881	\$ 2,247,917

- Revenue growth is due to growth in demand especially for electricity caused in large part by the connection of RPC2 and RPC3 to the grid in 2026 to 2028.
- This growth causes an increase in fuel expenses as the new growth is provided for by the operation of the diesel generators.
- Fuel expenses increases not because of more kwh's produced by the renewable sources but because of the increased fuel price.
- Tariff remains the same for fiscal year 2025/26, but its likely to increase in 2026 to 2028.
- Other categories such as Industrial, commercial, and government tariff will increase of an average of 31 cents per kilowatt hour in which will take effect in the next fiscal year

8.2 Balance Sheet

Nauru Utilities Corporation			
	Forecast years		
	2026	2027	2028
Current Assets			
Cash/Bank	128,862	1,430,326	1,009,466
Receivables	1,122,624	1,179,714	1,205,456
Inventory	1,521,826	917,281	926,782
DTA	893,014	893,014	893,014
Current Tax Asset	125,362	125,362	125,362
Restricted Cash - Solar Savings	-	2,306,189	4,612,379
Cash - Capital Reserve Fund*	-	-	500,000
Other	709,204	709,204	709,204
Total Current Assets	4,500,891	7,561,091	9,981,663
Non-Current Assets			
Property, plant and equipment	57,990,483	58,181,237	54,731,307
Right of use asset	9,706,064	8,986,593	8,267,122
Total Non-Current Assets	67,696,547	67,167,830	62,998,429
Total Assets	72,197,438	74,728,921	72,980,092
Current Liabilities			
Payables	1,361,345	1,339,235	1,448,076
Deferred income	1,987,695	2,358,597	2,358,597
Contract Liabilities	97,185	97,185	97,185
Lease liability	291,299	291,299	291,299
Loan Liability	-	833,333	833,333
Employee entitlements	116,319	117,482	118,657
Total Current Liabilities	3,853,842	5,037,131	5,147,146
Non-Current Liabilities			
Employee entitlements	254,375	256,919	259,488
Lease liability	10,470,255	9,552,856	8,635,456
Loan Liability	-	1,666,667	833,333
Deferred Income	41,872,830	39,143,331	36,784,734
Total Non-Current Liabilities	52,597,460	50,619,772	46,513,011
Total Liabilities	56,451,302	55,656,903	51,660,158
Net Asset	15,746,136	19,072,018	21,319,935
Equity			
Contributed capital	8,941,138	8,941,138	8,941,138
Retained Earnings	6,804,998	10,130,880	12,378,797
Total Equity	15,746,136	19,072,018	21,319,935

Nauru Utilities Corporation displays a solid financial performance characterized by stable asset growth, reduced liabilities, and increasing net assets. The organization is effectively managing its current obligations and moving towards a healthier debt-to-equity ratio, which bodes well for its future financial stability and growth potential.

8.3 Cash Flow

Nauru Utilities Corporation			
Forecasted Cash Flow	2026	2027	2028
Cash flow from Operating activities			
Inflows	27,351,395	33,291,876	33,821,740
Outflows	(24,023,379)	(25,981,163)	(28,092,674)
Income tax paid	(41,666)	(1,108,627)	(749,306)
Net Cash flow from operations	3,286,350	6,202,086	4,979,761
Cash flow from Investing activities			
Acquisition of PPE - funded by NUC	(2,966,672)	(552,400)	(552,400)
Acquisition of PPE - funded by loan	(2,500,000)	-	-
Capital reserve fund contribution		-	(500,000)
Funds to park for the BESS		(920,391)	(920,391)
Funds to park for the PVs		(1,385,799)	(1,385,799)
Net Cash flow from investing	(5,466,672)	(2,858,589)	(3,358,589)
Cash flow from financing activities			
Payment of lease liability	(1,208,698)	(1,208,698)	(1,208,698)
Loan - GON	2,500,000	-	-
Payment of loan liability	-	(833,333)	(833,333)
Net cash flow from Financing	1,291,302	(2,042,032)	(2,042,032)
Increase/(Decrease) in cash	(889,020)	1,301,465	(420,861)
Cash at beginning of year	1,017,882	128,862	1,430,326
Cash at end of year	128,862	1,430,326	1,009,466

The table above indicates strong operational performance. Investing activities are expected to result in cash outflows due to significant expenditures on property and equipment, replacement of solar PVs, Battery Energy Storage System and payment of the soft loan agreement. Nevertheless, the overall cash flow projections suggest a stable financial trajectory in the forthcoming years.

Currently NUC is providing the energy for the streetlights. This service is currently funded from NUC's cashflow, and is registered as a non-revenue component. The estimated annual bill is \$57,912.00 which NUC is willing to absorb. While this expense is not as significant, it nevertheless is not aligned with NUC's mandate to operate commercially. As it is a community obligation it rightly so should be paid for by Government on behalf of the

community. While this is not proposed in this budget, it is flagged here as an item to be considered sometime in the near future.

9.0 CONCLUSION

The tariff risk analysis presented in this planned document highlights a critical aspect of the Nauru Utilities Corporation's financial viability. The identified shortfall of approximately \$2.5 million underscores the urgent need for strategic adjustments to align current tariffs with desired revenue levels. This analysis not only emphasizes the disparities between existing and optimal tariff structures but also reveals the potential for revenue enhancement that could significantly bolster NUC's capacity to achieve its strategic goals. Addressing tariff risks is essential for ensuring financial sustainability, maintaining service delivery standards, and enabling the Corporation to invest in necessary infrastructure upgrades and renewable energy initiatives as outlined in this planned document.

Achieving NUC's full potential critically hinges on its tariff structure, which currently shows a \$2.5 million shortfall due to disparities, and effect of increased fuel price. The tariff assessment matrix outlines the strategic adjustments is required and informs NUC's future investment planning. It is agreed that the shortfall of \$2.5 million will be recovered by a means of loaning the government, and will be repaid within 3 years with conditions that the tariff will be reviewed and accepted by the Government. This planned document suggests that the lifeline of 200kwh will be omitted, but will reduce the residential tariff by an average of 3 cents per kilowatt hours, and increase other categories by an average of 31 cents kilowatts per kilowatt hour. The proposed tariff adjustment will take effect on the next year.

This document also indicates that NUC needs to aggressively pursue the strategy of increasing the contribution from renewable sources to keep ahead of demand growth and achieve the renewable energy targets of 70% contribution by 2030 and 100% soon thereafter. NUC has requested ADB to fund a study to determine the pathway to achieving these targets and implementing the recommended projects without delays and proposes a 3 MW solar farm with a 2MW/16MWH battery as the next milestone.



10. APPENDICES

10.1 Appendices Network Rehabilitation Project

Network Rehabilitation Project:				
Project Name	Project Overview	Area	Objectives	Expected Outcomes
MQ OVERHEAD LINE REFURBISHMENT WORK	This proposal outlines the plan for refurbishing and upgrading overhead power lines to enhance reliability, safety, and efficiency. The project includes inspection, replacement of aging infrastructure, and the implementation of modern technology to improve performance.	MQ	- Improve the reliability and safety of the overhead power lines. - Replace deteriorated poles, conductors, and insulators - Upgrade existing infrastructure to support increased electrical loads. - Minimize power outages and improve service continuity. - Ensure compliance with industry standards and regulations.	- Improved power distribution reliability - Enhanced safety for workers and the public - Reduced maintenance costs over time
TRANSFORMER REPLACEMENT WORKS	This proposal outlines the plan for replacing aging transformers to enhance efficiency, safety, and reliability. The project involves the removal of outdated transformers, installation of new units, and testing to ensure optimal performance.	Buada, Basti, Meneng Hotel, Anibare	- Improve power distribution reliability. - Reduce maintenance costs and energy losses. - Upgrade transformers to meet increasing load demands. - Ensure compliance with regulatory and safety standards. - Minimize service disruptions during the replacement process.	- Increased efficiency and reduced energy losses. - Enhanced reliability of power distribution. - Compliance with updated safety and industry standards. - Extended lifespan of power infrastructure.
Oden Aiwo Relocation Project	This project proposal Relocation of the existing Ring Main Unit (RMU) and high-voltage underground cable to the roadside	Aiwo	- To facilitate back-feeding of power from Ring Main East to Ring Main South and vice-versa. - Replace the existing overhead low voltage circuit and put Aiwo north customers and Town Ace store to Ring main east.	- Increased efficiency and reduced energy losses. - Enhanced reliability of power distribution.

BUADA UNDERGROUND CABLE UPGRADE	The Buada Underground Cable Infrastructure Upgrade and Transformer Enhancement project aims to modernize and improve the existing underground electrical distribution system. This initiative will enhance reliability, reduce outages, and support the growing energy demands of the area.	BUADA	- Upgrade existing underground cables to improve efficiency and safety. - Replace or enhance aging transformers to support increased load capacity. - Minimize electrical outages and improve power distribution reliability. - Ensure compliance with modern electrical safety standards. - Reduce maintenance costs and increase system lifespan.	- Increased reliability and efficiency of the power distribution system. - Enhanced safety and reduced risk of electrical hazards. - Lower long-term maintenance and operational costs. - Greater capacity to support future growth and development. - Improved Energy Efficiency: Reducing energy losses - Environmental Benefits: Minimizing deforestation and preserving landscapes. - Better Climate Resilience: Protection from extreme weather events like king tide - Reduction in Power Theft and Vandalism: Underground cables are less prone to tampering. - Economic Growth: Attracting new businesses and investments due to reliable power infrastructure. - Smart Grid Integration: Supporting future advancements such as smart meters and automated fault detection.
REHAB & LOAD BRIDGE UPGRADE	This project aims to upgrade the existing weighing bridge single phase transformer and 3.3kV/550V to a new system of 11kV/415V. The upgrade is essential to improve efficiency, and ensure compliance with modern electrical standards. The rehabilitation will involve replacing outdated transformer components, enhancing safety features, and improving operational reliability.	Top site	- Upgrade transformer voltage levels from 3.3kV/550V to 11kV/415V - Improve electrical efficiency and system reliability - Enhance safety and compliance with modern industry standards - Reduce downtime and maintenance costs - Ensure seamless integration with existing infrastructure	- Improved electrical safety and compliance with industry standards.
LOCATION SUBSTATION UPGRADE	This proposed project aims to urgently upgrade six aging substations that are critical to the electrical grid's reliability and efficiency. These substations are	Location (Denig)	- Replace outdated equipment with advanced technology to improve performance and reduce operational risks.	- The successful completion of this substation upgrade project will result in:

	experiencing performance issues due to outdated equipment, increasing the risk of power failures, inefficiencies, and safety hazards. Upgrading them with modern infrastructure will enhance capacity, improve operational stability, and ensure compliance with industry standards.		- Minimize the risk of power failures by strengthening substation resilience.	- Reduced risk of power outages and improved overall stability of the electrical grid. - Modernized substations will support higher energy loads, accommodating future demand growth. - Upgraded infrastructure will minimize energy losses, leading to optimized performance and cost savings. - New equipment will meet the latest industry standards, reducing hazards and ensuring regulatory compliance. - Modern technology will lower the frequency of repairs and maintenance, improving long-term cost-effectiveness. - Enhanced substations will better integrate renewable energy sources, supporting clean energy initiatives. - These outcomes will significantly contribute to a more resilient, efficient, and future-ready power grid.
--	---	--	---	--

10.2 Appendices 2 Capital Expenditure and NPP

Adden 2: Augmentation Programmes			
NUC CAPITAL EXPENDITURES			
Department	Purpose	Expected Outcome	Amount
Power Generation	To expand and upgrade Nauru Utilities Corporation's Energy Sector	Improve the reliability, safety, and security of power supply to the growing population, including attaining operational efficiency by utilizing renewable energy penetration which responds to the business goals	\$ 2,978,212
Power Distribution and Metering	Replacing aging transformers to enhance efficiency, safety, and reliability. The project involves the removal of outdated transformers, installation of new units, and testing to ensure optimal performance.	In responds to NUC's overall objective, NUC intends to meet increasing load demands, and the solar integration, we will upgrade transformers while ensuring compliance, and minimising power disruptions.	\$ 306,200
Water Operations	Expanding and upgrading Water Sector.	Improve the reliability, safety, and security of water in responds to the business goals	\$574,260.00
Sanitation Services	Enhancing wastewater collection, treatment and disposal.	Ensure water collection, treatment, and disposal complies with regulatory frameworks through achieving NUC's business goals.	\$312,000.00
Corporate	Strengthen processes, capacity building, and enhancing reporting systems	Align with NUC's Business Goals by enhancing communication, corporate culture, gender balance, transparency, and attaining financial sustainability.	\$556,000
			\$4,866,672
NEW PROJECT PROPOSAL			
Rehabilitation of the Distribution Network	Upgrade Network Elements as identified in the list below: 1. replace the RMN and RMS 3.3/11kv transformers at the Power Station. 2. Replace and install 5 pole mounted transformers including the Odin Aiwo transformer. 3. Replace and 5 ground mounted transformers	Reliability/Efficiency/Sustainability, Power Supply	\$1,542,592.00

	4. Replace the 3.3 kV feeders such as Domestic and Field Feeders with 11 kV line circuits and upgrade transformers. 5. Rehabilitate LV circuits such as the domestic lv feeders. 6. Replacement of cross arms on the RMN feeder around the Ijuw district.		
Solar Integration Upgrade	1. Replacement of switchgears comprising, 6 generator CBs, 3 transformer C/Bs, 2 feeder CBs and 2 spare CBs and 1 Bus section CB. 2. All protection relays, alarms, controls, metering both locally and remotely via SCADA 3. Reinforcement of the foundation and cable pit.	Ensuring power reliability and effective integration is achieved.	\$2,000,000.00
Water Harvest Project	The solar panels are used for harvesting rainfall for water supplies.	Improve water supply to the growing population and enhance efficiency.	\$484,808.00
3 Megawatt Solar and Battery Storage	Additional PV's and Battery Storage. This will save an average of 1,471,680 litres of fuel per annum which at the price of \$1.36 per litre provide a saving in fuel expenditure of \$2 million per annum.	Aligning with Nauru Energy Road Map	\$10,000,000.00

10.3 Appendices 3: Tarriff Assessment Matrix

Desired Vs Current Tariff		Impact			
		Operational Performance	Governance Compliance	Financial Viability	Tariff Affordability
Scenario	Meaning	1-5	1-5	1-5	1-5
Current Tariff	- This scenario assumes the current tariff projection. - Inclusion of 22% fuel cost reduction from solar plant as of September 2025 - NUC absorbs the fuel subsidy as of September - CSO Absorbed by NUC as of July 2025. - The tariff stays the same	4	5	4	2
2) Desired Tariff	- This scenario assumes the desired tariff projection. - Inclusion of 22% fuel cost reduction from solar plant as of September 2025 - NUC absorbs fuel subsidy as of September. - CSO Absorbed by NUC as of July 2025. - The tariff is increased	1	1	1	5
3) Cost Recovery/ Subsidize	- This scenario assumes the current tariff projection. - Inclusion of 22% fuel cost reduction from solar plant as of September 2025 - NUC absorbs fuel subsidy as of September. - NUC absorbs the CSO as of July 2025	1	1	1	2

	• The government grants the shortfall • The tariff stays the same				
4) Soft Loan Agreement	• This scenario assumes the current tariff. • Inclusion of 22% fuel cost reduction from solar plant as of September 2025 • CSO Absorbed by NUC as of July 2025. • NUC seeks a soft loan to cover the shortfall. • The tariff stays the same	1	1	2	2

10.4 Appendices 4: Proposed Tariff

ELECTRICITY MODEL: Comparison of the Desired Revenue and the Proposed Tariff (agreed tariff for FY 26/27 which supports the NUC Loan from GON)

Electricity	MWH	Capacity	Energy	Customer	Total	Desired Tariff	Fuel Surcharge	Desired Tariff	Proposed Tariff	Proposed Revenue
Domestic - Lifeline	7,766								\$ 0.1700	1,320,165
Domestic - Standard	13,223	\$5,418,458.66	\$ 464,317.62	\$ 4,991,734.35	\$10,874,510.63	\$ 0.49	\$ 0.29	\$ 0.78	\$ 0.5000	6,611,320
Domestic - Postpaid	996								\$ 0.5000	497,927
Commercial	10,701	\$1,161,098.29	\$ 226,017.63	\$ 1,069,657.36	\$ 2,456,773.27	\$ 0.23	\$ 0.29	\$ 0.5176	\$ 0.77	8,240,014
Industrial	3,151	\$ 387,032.76	\$ 66,548.11	\$ 356,552.45	\$ 810,133.33	\$ 0.26	\$ 0.29	\$ 0.5452	\$ 0.81	2,552,206
Government	8,310	\$ 774,065.52	\$ 175,516.64	\$ 713,104.91	\$ 1,662,687.07	\$ 0.20	\$ 0.29	\$ 0.4881	\$ 1.03	8,584,176
TOTAL	44,147	\$ 7,740,655	\$ 932,400	\$ 7,131,049	\$ 15,804,104					27,805,807
								Other Revenue		\$ 714,400.00
								POWER REVENUE		\$ 28,520,207.41

ELECTRICITY MODEL : Revenue comparisons using proposed tariff rates and desired tariff rates

Electricity	Desired Tariff	Proposed Tariff	Desired Revenue (A)	Proposed Revenue (B)	Difference (B-A)
Domestic - Lifeline		\$ 0.1700		1,320,165	
Domestic - Standard	\$ 0.78	\$ 0.5000	\$ 17,206,890.21	6,611,320	-\$ 8,777,478.36
Domestic - Postpaid		\$ 0.5000		497,927	
Commercial	\$ 0.5176	\$ 0.77	\$ 5,539,209.41	8,240,014	\$ 2,700,804.71
Industrial	\$ 0.5452	\$ 0.81	\$ 1,717,718.74	2,552,206	\$ 834,486.93
Government	\$ 0.4881	\$ 1.03	\$ 4,056,389.05	8,584,176	\$ 4,527,786.72
TOTAL			\$ 28,520,207	27,805,807	-\$ 714,400
				Add Other Revenue	\$ 714,400
				Overall Shortfall	\$ -

NUCs proposed tariff rate has been calculated to ensure that NUC maintains a sound liquidity position while meeting its repayment obligations on the Government of Nauru's \$2.5M loan.

Electricity	Proposed Tariff
Domestic - Lifeline	\$ 0.1700
Domestic - Standard	\$ 0.5000
Domestic - Postpaid	\$ 0.5000
Commercial	\$ 0.77
Industrial	\$ 0.81
Government	\$ 1.03

-
- ⁱ GMC is determined by the number of maintenance events planned in the annual maintenance schedule for diesel generators carried out within $\pm 10\%$ of the running hours.
- ⁱⁱ GA is determined by $100\% - (\text{number of hours the diesel generator is not available} \times 100 / \text{total hours in the period})$
- ⁱⁱⁱ GFO is determined by the number of Generator trips divided by the number of generators.
- ^{iv} ROA is determined by $100\% - (\text{number of hours the diesel generator is not available} \times 100 / \text{total hours in the period})$
- ^v Number of faults on the high voltage network / Total kilometres of lines and cables
- ^{vi} Determined by the $100\% - (\text{number of days a truck is not available} / \text{total days in the period})$
- ^{vii} REC is the % of renewable energy generated for the grid/ Total energy generated for the grid.
- ^{viii} SFC is the energy generated by diesel generators / total diesel used to generated the energy
- ^{ix} ROEF is the litres water produced by the RO plant / kwh hours used by the RO plant
- ^x Average Number of days it takes to process an order
- ^{xi} Average number of days it takes to delivery an item or service begin with the placement of an order to the date of delivery.
- ^{xii} Customer is defined as the total number of electricity connections and water tanks registered.