



State of Kosrae
Federated States of Micronesia
KOSRAE UTILITIES AUTHORITY

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*Honorable Tulensa Palik
Governor, Kosrae State Government
Kosrae State, FM 96944*

Dear Governor Palik,

I am honored to submit to you on behalf of the KUA Board of Directors and staff the KUA Annual Reports for Fiscal Year 2023 as mandated by Section 7.1212 (2) of the Kosrae State Law 5-38. The submission includes an Operation Summary Reports with unaudited Financial Statement Summary Reports for the fiscal year ending September 30, 2023.

The power services to the island during FY2023 were mainly stable with occasional interruptions due to island demand mostly from fishing operation and natural causes of weather conditions with strong wind and heavy rains. There were no critical challenges experienced or faced during the fiscal year. Routine tasks were carried on to provide power services to customers and required maintenances of the power system were being performed. With the relaxed border restriction during the fiscal year, the progress to prepare the approved Energy Improvement projects funded by ADB, WB and JICA have picked up pace to allow visits to assess the project sites by bidders and to finalize selection of contractor and progress in completing most of the design works and scheduling procurement before actual implementation which is tentatively target in mid-year, 2024.

The management had continued collaborating with the approved Energy Improvement Projects funded by World Bank, ADB and JICA during the fiscal year. After issuance of project bids, re-negotiating and selection of bids, the

Vergnet Inc. Firm from French was awarded the Contract to implement the four energy projects for Kosrae after series of virtual zoom conferences between R&D Dept., Nat'l Gov't, World Bank, ADB, Consultants and KUA to finalize agreement to proceed with these approved Projects.

The above mentioned Energy Development Projects that were contracted are the 1.20 Mw capacity Grid-connected Solar PV system to increase renewable energy into the power system and Mini-Hybrid System for Walung Community. The other pending projects funded by World Bank are the Battery Storage System to store the excess solar energies and the Energy Information System (Scada) to integrate and control energy sources and to monitor engine performances and distribution line faults. The schedule to commence construction of these projects is planned on mid-year, 2024.

The financial situation is summarized in the attached unaudited Financial Statements Reports for Fiscal Year 2023. These unaudited figures represented the results of operation during FY2023. The operating revenues were \$3,477,027 from energy sales, rental lights, service orders and others with non-operating income of \$79,901 from mainly investment and interest income resulted in total revenues of \$3,556,929 and total operating expenses of \$3,445,782 resulting in net income of \$111,146. The bulk of the operating revenues, approximately 61.5% were spent on fuel and the remaining were Personnel Cost at 17%, Depreciation expenses at 9%, Operational and Administrative expenses at 8%, Maintenances at 3% and 1.5% for capital projects. The actual revenues were 79% of the FY2023 approved budget due mainly to over-projection on fuel adjustment charges and actual revenues were slightly increased by .064% compared to the previous fiscal year. The total expenditures were slightly increased by .03% due mostly to operational and administrative expenses, and personal cost. The net income shown in the Financial Statements were resulted from the non-operating revenues from the KUA investments at Raimond James Associates and TCD's from FSM Bank. The management has continued to control and monitor expenditures to ensure that the expenses are justified and operation is within the approved budget. The attached summary Financial Statements are provided for your review and information.

The number of active customers served during FY2023 were slightly increased by approximately 1.7% from 1,869 from previous fiscal year to 1,902 numbers of customers. The customers based is comprised of approximately 73% residentials with total energy sales of 44%, 16% commercial customers with kwh sales of 30%, 4% Kosrae State Government cutomers with sales representing 17%, 6% non-state government customers with kwh sales of 6% and 1% industrial with 3% kwh sales.

All customer sectors had shown slight increases in sales except industrial customer. The total energy sales to all customer sectors were 5,894,332 kwh, approximately 7% increase in total energy sales from the previous year. The Cash Power Meter customers consisting of approximately 87% and had contributed 52% revenue collection which had maintained a steady cash flow to support the daily needs of the operation.

Major Projects and activities undertaken during FY2023 with support from the Kosrae State Gov't, FSM National Gov't and Donor Countries were as follows:

- 1. The Structural Inspection of the new Power Plant were undertaken with several visits by Toshiba to KUA to monitor the ground movement and possible dipping of the building structure. Both the contractor and consultant, NBK, Yachiyo Engineering and Toshiba visited KUA to observe and making measures and produced final reports that structure is stable with no movement issues to warrant further inspection. Both Engine units at the new Power Plant are the main suppliers of power need to the island.*
- 2. The four approved Energy Improvement Projects, both funded by World Bank and ADB were the main focus of work activities during fiscal year 2023. Series of virtual zoom conference by all stakeholders to discuss and finalize project terms and technical specs with the selected contractor. These will support the strategic energy targets in achieving at least 30% of renewable energies into the power system.*
- 3. The staff have worked with Suprima Billing Software supplier, ADRiley Co., New Zealand to upgrade the existing software since the system will be phasing out and no longer used starting in mid-2024 as instructed by the supplier. The IT has continued to search other billing software from other suppliers that is less cost and provide better services to the customers.*
- 7. The last two sessions of the Hybrid Power Generation System Training Programs provided by JICA to five Pacific Countries for the Diesel Generation and Renewable Energy were concluded during the fiscal year, 2023. Four participants from KUA attended this training program, two for Engine Generation System and two on Renewable Energy System and were conducted mostly on online virtual training. Evaluation were made to each participants and grants for further trainings were requested to JICA.*

8. *The Water Specialist from Srilanka funded by ADB visited Kosrae to assess the Utwe Water System and had made reports on the Water Treatment Plant conditions and issues and list of recommendation for improvements. This water report was submitted to state government for funding to improve the system. KUA staff has continued to perform its role of billing and collection of the water usage. The fund to operate and maintain the system is an issue after the injunction from state court to set the maximum rate of \$2.00 per one thousand gallon was ordered. This Treatment Plant Facility needs immediate attention for improvements and if delay, the run-down condition will be worsen. KUA has assisted with the minimal maintenance task pending actions to improve.*

9. *The power supply had encountered frequent island outages which burned up one of the new WB engine unit due to overloaded energy usage by fishing operation at the Dock. The burned engine stator was shipped out for repairs in Singapore and anticipated to be delivered late this year. Engine part for #8 old engine unit was also ordered from Hawthorne Co. to fix this unit to supplement the running engine units. This will alleviate the scheduled power outages for Malem/Utwe feeder.*

10. *KUA has continued to provide street/yard lights services to customers and has become a service that is highly demanded by customers to provide safety and security to the public as well as the families. KUA had received funding assistance from the FSM Congress and considered less priority that caused the assistance to be discontinued. The KUA Board has prioritized the services and approved funding for procurement of more street lights to service customers and power usage picked up by users. Both LED and Solar lights are provided and installed to customers.*

10. *Capacity Building and Trainings have continued to be priority focus for the operation. The Energy Master Plan has stated out the road map for KUA to pursue and develop during the next 20 years. Training areas that need to be focused on are the renewable energy developments, Hybrid Power System, Maintenances and Repairs of these Power System and also management and operation of these new power technologies. Several trainings in these areas were undertaken during the current fiscal year thru online virtual conference.*

The KUA Board of Directors and staff have highlighted main activities and projects that were undertaken and in progress during FY2023 to support the goals and objectives stated in the Kosrae Strategic Development Plan and the Energy

Master Plan and to achieve at least 30% of renewable energies and 50% system efficiency improvements by Year 2025..

I would like to conclude this report by expressing our appreciation to you and the Leaders of the Kosrae State Government for the continued support and assistance rendered during fiscal year 2023. We are looking forward to continue working with you, the Kosrae State Legislature and the respective Kosrae State Leaders to ensure that KUA continues to provide safe, reliable and satisfactory power services to the people of Kosrae and to support the developmental goal of the Kosrae State Government.

Thank you and should you have any questions concerning other aspects of the KUA operation, please let us know.

Respectfully Submitted,

*Fred N. Skilling, General Manager
Kosrae Utilities Authority*

*Cc: Speaker Semeon Philip, Kosrae State Legislature
Lt. Gov. Arthy Nena
Members of the KUA Board of Directors*