

PUBLIC UTILITIES BOARD



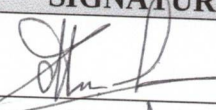
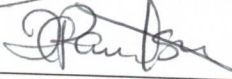
PUBLIC UTILITIES BOARD

STATEMENT OF INTENT

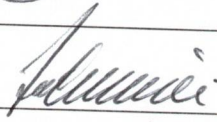
CONFIDENTIAL

For the 3-Year Period FY2026 to FY 2028

AUTHORISATION

DRAFT SOI	NAME	SIGNATURE	DATE
APPROVED BY THE BOARD	Mitafeti M Tira		15/12/25
TO SOEMAU	lotita loane		11/2/26

- Draft SOI to be submitted to SOEMAU
- SOEMAU undertake assessment

DRAFT SOI	NAME	SIGNATURE	DATE
SOEMAU TO RESPONSIBLE MINISTERS	Lisa Igam Moanila		20/04/26
REVIEW BY MINISTER	Tekeena Taraki		10/02/26
REVIEW BY MINISTER	Teuea Teatu		21/04/26

- SOEMAU assessment and SOI to be reviewed by Responsible Ministers
- Comments from Responsible Ministers to be considered by Board

FINAL SOI	NAME	SIGNATURE	DATE
APPROVED BY THE BOARD			
TO SOEMAU			

- Final SOI submitted to SOEMAU and Responsible Ministers before commencement of Fiscal Year

1 EXECUTIVE SUMMARY

Conforming to the requirements of the State-Owned Enterprise Act, 2013 (as amended), Section 19, Public Utilities Board PUB hereby submits its Statement of Intent, for the period FY2025 to FY2027.

The Public Utilities Board (PUB) in Kiribati operates as a State-Owned Enterprise (SOE) responsible for the generation, distribution, and retail of power, and the management of water supply and sewerage services in South Tarawa. However, over the past decade, PUB has faced significant financial and operational challenges.

To address these challenges, PUB has diligently worked to maintain operational continuity despite rising diesel prices and declining service standards. However, the root causes of the ongoing difficulties include neglect in asset refurbishment, flawed financial management, insufficient funding for operations and maintenance, and weak governance. PUB has operated with a heavy reliance on government subsidies (CSO), which have historically been well below the cost-of-service delivery. In 2024 no CSO subsidy has been provided.

To address the above situation PUB has committed to major reforms, driven hard under the MFAT funded KURP program. The last 12 months have seen the full implementation of the IMS, to address financial management issues, and to provide reliable and timely financial information and reports. An upgrade to the billing system and its interface to the IMS has helped improve debtor collections. There have been over 3,000 man-hours of capacity building since late 2022, organisational and pay grade reforms, and new safety initiatives. A new CEO commenced in July 2024 to lead institutional strengthening and prepare PUB for its future role, as the major projects in renewable energy (STREP) water desalination (STWSP) and sanitation services (STSP), progress towards their completion, and PUB will manage 10 times the value in physical assets, significantly higher operating costs, new facilities and will need to be stronger in its support services, finance, HRM, fleet management etc.,.

These projects, alongside the institutional strengthening underway will see PUB finally be able to meet expected electricity demand with a significant input from RE, while moving towards 24/7 drinking water quality throughout South Tarawa. But we are not there yet! And there are 2 – 3 more years of challenges, vulnerability and potential pain in service delivery until the projects are completed and PUB reforms are having full impact.

These reforms must be closely integrated with changes in energy regulation to achieve a comprehensive approach to effective service delivery in the utilities sector.

Transitioning to renewable energy and reducing reliance on fossil fuels is crucial for Kiribati and PUB's long-term sustainability. However, grid limitations and increasing power demand present challenges. PUB asserts its right to operate as an independent State-Owned Enterprise (SOE) and urges stakeholders to prevent price manipulation and circumvent existing legislation.

PUB remains committed to addressing the important issues outlined in this report and working towards a sustainable future. Development Partners are called upon to support the proper functioning of State-Owned Enterprises, uphold good corporate governance principles, and ensure reliable utility services while securing financial stability and integrity for the people of Kiribati. Through collaboration and concerted efforts, PUB aims to overcome its challenges and provide sustainable utility services to the community.

1. THE OBJECTIVES OF PUBLIC UTILITIES BOARD

Objectives for the Planning Period	
Systems and procedural restoration	
A	Revisit and design Operating Procedures to strengthen work tasks and increase effectiveness
B	Elevate safety as the cornerstone of everything that we do
C	Promote Customer Service as the platform for PUB's performance
Compliance and Environmental Impact	
D	Strengthen adherence to the legal and compliance environment
E	Support development of the regulatory environment (Update to laws)
F	Implement effective safety and hazards management
Asset management Plans and Projects	
G	Create a plan/model for all Electricity and Water Assets, to control maintenance, upgrades/overhauls and replacement
H	Support capacity developments commensurate with new technologies, new operating mechanisms and systems
I	PUB active involvement in major utility projects
J	Take ownership of core generator requirements for the future
K	Improved transparency and communications around asset management, asset and service issues
Building for the Future	
L	Develop robust financial management systems to comply with international standards and best practices
M	Build Revenue Protection for all services, through tariff transparency, effective models and funding sources
N	Support re-branding of the business

2. THE NATURE AND SCOPE OF THE ACTIVITY TO BE UNDERTAKEN

PUB is committed to activities and strategic actions as detailed in the following sections that aims to deliver the stated objectives for the planning period.

PUB will continue in the operation of its core business activities as follows:

- 1) **Electricity**- supplying and distributing electricity to customers from Betio to Nabeina.
- 2) **Water**- supplying and distributing water to its customers at Betio to Buota through the water distribution system and the delivery by hired water tanker trucks.

- 3) **Sanitation or Sewerage** Disposal services- operating and maintaining the sewerage system existing at the major villages Betio, Bairiki and Bikenibeu only. The rest of the customers having Septic tanks are serviced by a Vacuum Truck.

towards enhancing earnings and performance and to satisfy the principal objective under section 5, SOE Act, 2013.

3. THE PERFORMANCE TARGETS AND OTHER MEASURES BY WHICH THE PERFORMANCE OF THE SOE MAY BE JUDGED IN RELATION TO ITS OBJECTIVES

	STRATEGIC ACTIONS	MEASURE	WHEN
A	Revisit and design Operating Procedures to strengthen work tasks and increase effectiveness		
1	Revisit, update and design relevant Operating Procedures to strengthen work tasks and increase effectiveness	80% of P&P being reviewed by	By Apr'26
		Revised SOPs drafted and approved by CEO	By Jun'26
		95% SOP's operational	By Oct'26
2	Train staff on new Operating Procedures	Training implemented & ongoing	By Jul'26
		Company-wide survey to determine level of competence and confidence among staff following training	By Jun'27
3	Implement a feedback loop for ongoing enhancements to Operating Procedures	SOP 'owner' established	By Dec'26
		Management Meeting Resolutions for Change	By Jun'27
B	Elevate safety as the cornerstone of everything that we do		
4	Continuous safety training and compliance	Intermittent updates	Ongoing through 2026
5	Safety compliance to become a part of every Management & Board Report	Monthly Reports	By Jun'26
6	Ensure full compliance with safety PPE, signage, and security around all PUB facilities	Requirements logged in SOP	By Jun'26
		Notices and training provided	By Jun'26
		Incidents logged and reported	By Jun'26
C	Promote Customer Service as the platform for PUB's performance		
7	Customer Call Centre fully operational with all customer issues and feedback recorded	All customer feedback logged into system	By Feb'26
		Baseline service levels published	By Mar'26
		Targets for improved responses developed	By Jun'26
		Comparison to Regional benchmarks	By Oct'26
8	Establish customer service benchmarks	All services addressed within 5 days	By Jun'27
		Targets for each service type	By Jun'27

9	Launch public education and community events supporting PUB and efficient use of water and electricity	2 events in 2026	By Dec'26
		3 events in 2027	By Dec'27
		3 events in 2028	By Dec'28
D Strengthen adherence to the legal and compliance environment			
10	Implement a compliance register for all legal and regulatory obligations	Establish a Register of all laws and Policies for PUB compliance	By Dec'26
		Develop a summary/list of such compliances and check compliance	By Jun'27
		Achieve 100% Compliance	By Dec'27
11	Implement the Risk & O,H,S sub-committees of the Board	ToRs & Committee members agreed	By Jun'26
		First Meeting	By Jun'26
12	Implement the Internal Audit function in PUB	Develop a plan for implementation	By Apr'26
		Staff identified and trained	By Dec'26
		Commence Operations	By Jun'27
E Support development of the regulatory environment (Update to laws)			
13	Be proactive in the development of a suitable Grid Code for South Tarawa	PUB team to present draft Grid Code	By Mar'26
		Following consultations, Code agreed	By Sep'26
14	Support policy development in electricity, water and sanitation [Energy Roadmap, Energy Act Regulations, W&S Policy]	Relevant Policies reviewed and PUB inputs	By Jun'26
		PUB agrees with formal Policies issued	By Jul'26
15	Improve relations with MISE and other agencies in the implementation of an effective regulatory environment	GMs having MISE meetings with HOD's every 3 months	By Jul'26
		Report on meetings and regulatory issues	By Oct'26
F Implement effective safety and hazards management			
16	SOPs to include Job Risk Assessments (or task/procedure) so that everything is safely undertaken	JRA's for every job/task undertaken	By Mar'26
17	Develop management mechanisms for safe handling of Waste Oils	Dispose existing 1000 drums	By Mar'26
		Implement effective storage/handling procedures	By Sep'26
		Never > 50 drums on sites	By Sep'26
G Create a plan/model for all Electricity and Water Assets, to control maintenance, upgrades/overhauls and replacement			
18	Implement full Asset Management Plans for all PUB assets	All PE assets on life cycle Plans	By Mar'26
		All WS assets on life cycle Plans	By Sep'26
1	Strengthen in-house capacity on asset	3 senior staff fully trained	By Sep'26

9	management software, including ArcGIS, DigSilent		
2	Reduce Grid losses through identification of areas of System loss	LV metering equipment in operation	By Jun'26
0		Electricity losses recorded by area	By Sep'26
		Remedial actions implemented	By Sep'26
		System losses less than 12% by	By Mar'27
2	Ensure Water reticulation system is upgraded, NRW is minimized for improved Water supply	STWSP network contract is executed	By Jun'26
1		Measurably improved water supply	By Sep'27
		NRW is less than 8%	By Sep'27
2	Commitment to keep clean and operational the sewer network systems	Effective Sewer Maintenance procedures in place	By Sep'27
2		Schedule of cleaning	By Sep'27
H	Support capacity developments commensurate with new technologies, new operating mechanisms and systems		
2	Use operating data as the key to effective management and future developments	Ensure Projects SCADA is synced to PUB needs	By Mar'27
3		Rent dedicated FOC	By Mar'27
		Design overall Data/SCADA needs	By Sep'27
2	Invest in staff capacities and in new systems and processes	Training and development ongoing	By Mar'27
4			
I	PUB active involvement in major utility projects		
2	Ensure PUB active participation in each Project [STREP, STWSP and STSP] at meetings, reviewing reports & recommendations and in decision-making	Relevant GMs to attend meetings and monitor minutes/reports	By Mar'26
5			
2	Strengthen commitment to the PUB-led community engagement functions,	PUB led community engagements ongoing	By Jun'26
6		PUB led meetings with Councils – Bi-annually	By Mar'26
2	Ensure project budgets and forecasts are managed effectively	Quarterly Updates inc. project forecasts	By Mar'26
7	Ensure that PUB W&S business is reformed via O&M inputs from STWSP and STSP	O&M TAs in place	By Mar'26
2		SOPs, operations reformed	By Mar'28
8			
J	Take ownership of core generator requirements for the future		
2	PUB to lead a proposal for replacement of baseload generators accompanied by a financing plan	Negotiate support from JICA for delivery by	By Jun'26
9		Source, propose and plan for up to 4MW of replacement baseload by	By Jun'26
3	Ensure replacement parts for all generators are identified and ordered in a timely manner to improve stock management	Detailed Parts list available for inventory	By Feb'26
0		Inventory levels of PED requirements at 95% by	By Jun'26
K	Improved transparency and communications around asset management, asset and service issues		

3 1	Develop physical and IMS systems for effective parts and stores management in Electricity and W&S	Training for Stores men	By Jun'26
		Inventory levels of PED requirements at 95% by	By Jun'26
3 2	Ensure any electricity tariff model is transparent and reflects all PUB operating, salary, fuel, maintenance and capital requirements and is based on Full Cost Recovery (FCR) as a minimum	Tariff models developed for multiyear and regulatory compliance	By Jun'27
3 3	Establish business KPIs for monitoring internal management and performance progress	Management KPIs established	By Jan'26
		KPIs monitored for performance	By Jun'26
3 4	Achieve acceptable business targets	NOPAT > \$250k	By Dec'26
		Cash Flow > \$500k	By Dec'26
		DSO less than 60	By Dec'26
		RE mix in operations >25%	By Dec'26
L	Develop robust financial management systems to comply with international standards and best practices		
3 5	Establish financial policies and procedures to align with IFRS	All finance procedures completed	By Jun'26
3 6	Continue to develop NetSuite and Telstream to maximise automation and efficiency in our financial management	Updates and validations by TeqSuite and Datelstream under service contracts	By Dec'26
3 7	Develop a risk management framework for managing and mitigating financial risks	Risks identified	By Dec'26
		Risk framework and mitigation measures in place	By Dec'27
M	Build Revenue Protection for all services, through tariff transparency, effective models and funding sources		
3 8	Secure supply agreements with major suppliers to improve supply efficiency	Seek evidence that KOIL fuel prices are reflective of market conditions	By Jan'26
		Engage in formal supply agreement with fuel vendor	By Jun'26
		Engage in formal supply agreement with other major suppliers	By Jul'27
3 9	Develop tariff models to manage multi-year fluctuations (when security of supply of electricity and water is stabilized)	Tariff models developed for multiyear and regulatory compliance	By Jun'27
4 0	Be sure any funding gap in any services, is transparent and clearly articulated	Gap is evident from tariff models	By Jun'27
N	Support re-branding of the business		
4 1	Develop a program of works to rename and rebrand PUB	Develop a plan for rebranding	By Jun'28
		Get plan approved at Cabinet	By Dec'28

4. A STATEMENT OF FINANCIAL PERFORMANCE

PUB has improved its financial performance following government support, which included a fixed diesel price of \$1 per litre until a reversion to market prices in early 2025. This was accompanied by a corresponding increase in electricity tariffs, the first significant tariff review in 17 years.

PUBLIC UTILITIES BOARD							
STATEMENT OF COMPREHENSIVE INCOME							
FOR THE YEAR TO DATE ENDED 31 DECEMBER	Audited 31-Dec-22 \$	Draft 31-Dec-23 \$	Draft 31-Dec-24 \$	Estimate 31-Dec-25 \$	Forecast 31-Dec-26 \$	Forecast 31-Dec-27 \$	Forecast 31-Dec-28 \$
INCOME							
Operating Income	16,503,123	16,429,267	16,420,463	28,004,779	29,546,943	34,453,383	34,154,578
EXPENDITURE							
Operating Expenditure	16,729,653	16,119,206	17,004,716	26,515,862	28,733,186	33,625,339	33,177,059
Net Profit/(Loss) after tax	(226,530)	310,061	(584,253)	1,488,917	813,757	828,044	977,519
Accumulated Profits/(Losses) at(Openir	5,838,401	5,611,871	5,921,932	5,337,679	6,826,596	7,640,353	8,468,397
Accumulated Profits/(Losses) at(Clos	5,611,871	5,921,932	5,337,679	6,826,596	7,640,353	8,468,397	9,445,916
ELECTRICITY BUSINESS							
INCOME							
Electricity Sales	12,891,392	13,492,458	14,849,015	26,362,664	27,004,393	27,694,612	26,154,343
Internal Electricity Sales	365,576	139,351	172,957	271,027	962,160	1,106,484	1,272,456
Other Income	225,808	284,417	481,102	320,240	320,240	336,252	353,065
Total Income	13,482,776	13,916,226	15,503,074	26,953,931	28,286,793	29,137,348	27,779,864
EXPENDITURE							
Power Generation	11,997,794	11,097,910	12,243,240	20,303,154	20,153,136	21,219,769	19,438,945
Power Distribution	682,928	835,639	1,185,850	1,768,761	1,563,326	1,744,559	2,093,792
Corporate Services	1,363,715	1,689,681	1,425,729	1,770,818	3,105,111	3,297,344	3,686,000
Other Expenditure	-	-	-	-	-	-	-
Total Expenditure	14,044,437	13,623,230	14,854,819	23,842,733	24,821,573	26,261,672	25,218,737
Operating Profit/(Loss) before tax	(561,661)	292,996	648,255	3,111,198	3,465,220	2,875,676	2,561,127
Bad & Doubtful Electricity & Water Debts	-	-	-	-	-	-	-
Amortisation - Aid Reserve	-	-	-	-	-	-	-
Net Profit/(Loss) before tax	(561,661)	292,996	648,255	3,111,198	3,465,220	2,875,676	2,561,127
Taxation							
Net Profit/(Loss) after tax	(561,661)	292,996	648,255	3,111,198	3,465,220	2,875,676	2,561,127

5. A STATEMENT OF FINANCIAL POSITION

PUBLIC UTILITIES BOARD							
STATEMENT OF FINANCIAL POSITION							
FOR THE YEAR TO DATE ENDED 31 DECEMBER							
	Audited	Draft	Draft	Estimate	Forecast	Forecast	Forecast
	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28
	\$	\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and Cash Equivalents	1,242,705	2,336,537	3,331,155	2,534,302	1,466,303	1,323,208	1,180,115
Trade Debtors	2,412,695	4,599,435	3,458,314	6,200,000	2,200,000	450,000	450,000
Prepayments	-	1,103,130	2,974,965	1,300,000	1,200,000	900,000	900,000
Stock	972,228	1,081,257	1,143,779	1,200,000	1,600,000	1,600,000	1,600,000
Other current assets	-	-	-	-	-	-	-
Total Current Assets	4,627,628	9,120,359	10,908,213	11,234,302	6,466,303	4,273,208	4,130,115
CURRENT LIABILITIES							
Trade Creditors	(362,000)	(2,934,177)	(2,711,572)	(2,011,395)	(900,000)	(900,000)	(1,200,000)
Other Creditors	(141,170)	(101,919)	(90,419)	(580,000)	(780,000)	(980,000)	(1,180,000)
Total Current Liabilities	(503,170)	(3,036,096)	(2,801,991)	(2,591,395)	(1,680,000)	(1,880,000)	(2,380,000)
NON-CURRENT ASSETS							
Buildings	802,541	3,518,617	3,438,520	3,818,520	4,624,002	4,822,378	4,958,300
Plant & Machinery	19,791,002	19,344,768	18,422,927	35,514,764	39,327,667	42,336,396	58,806,772
Furniture, Fittings & Equipment	50,000	57,539	58,414	120,414	130,047	132,648	135,301
Motor Vehicles	61,424	132,340	310,895	529,290	571,633	583,066	594,727
Total Non-Current Assets	20,704,967	23,053,264	22,230,756	39,982,988	44,653,349	47,874,488	64,495,100
NON-CURRENT LIABILITIES							
ADB Loan	-	-	-	-	-	-	-
Total Non-Current Liabilities	-	-	-	-	-	-	-
NET ASSETS	24,829,425	29,137,527	30,336,978	48,625,895	49,439,652	50,267,696	66,245,215
EQUITY							
Capital Reserve	21,206,829	24,535,634	26,319,339	43,119,339	43,119,339	43,119,339	58,119,339
Accumulated Profits/(Losses)	3,622,596	4,601,892	4,017,639	5,506,556	6,320,313	7,148,357	8,125,876
TOTAL EQUITY	24,829,425	29,137,526	30,336,978	48,625,895	49,439,652	50,267,696	66,245,215

6. A STATEMENT OF ANTICIPATED BORROWING

Long outstanding debt to the Government and KOIL are in the process of debt forgiveness.

In time, PUB will seek new borrowing if it considers a strategic advantage in borrowing for important capital investment.

7. THE ACCOUNTING POLICIES

Currently, to the best of PUB's knowledge, the financial statements have been prepared and drafted in accordance with Generally Accepted Accounting Principles and the requirements of the Law of the Republic of Kiribati. They have been prepared using the Historical Cost Convention, and the Accrual Basis of Accounting has been applied. PUB aims to achieve full compliance with international financial reporting standards within two years.

8. WHETHER PUB ANTICIPATE IT WILL GENERATE A RETURN THAT COVERS THE COST OF CAPITAL, AND IF NOT, WHY NOT

PUB electricity tariffs are set to achieve full cost recovery (FCR), based on cost estimates for the year(s) ahead and appropriate replacement of major spare parts and assets. Margins are very tight and arguably cover the cost of capital as there is still dependency on development partners for major infrastructure development.

PUB policy will focus on FCR inclusive of necessary spares, while limiting margins to ensure tariffs remain within community-responsible levels. Tariffs for water and sanitation will be reviewed during this planning period, and a similar policy will follow.

9. A STATEMENT OF THE PRINCIPLES TO BE ADOPTED IN DETERMINING ANY ANNUAL DIVIDEND

PUB's current position is to ensure FCR for business sustainability and growth, but to ensure tariffs remain affordable to the community. No excess profits are expected or dividends payable planned.

10. ANY ACTIVITY WHICH PUB REQUESTS OR HAS AGREED TO BE TREATED AS A CSO

PUB's water and sanitation CSO submissions for 2024 and 2025, although credible and based on solid financial forecasting, have not been paid, and only shrewd cash flow management has maintained a basic level of W&S service. A reduced and poorly determined amount of \$470k was paid in November for 2025.

Additional support, especially in operations and maintenance for W&S, is expected via the projects, and currently, there are no plans for further CSO claims. However, given project delays impacting the timing of relevant interventions, PUB may re-evaluate requests or claims in 2026 or 2027 depending on need.

11. ANY OTHER MATTER AS AGREED BY THE RESPONSIBLE MINISTERS AND THE BOARD

The PUB acknowledges the Responsible Minister(s) ' support and approval on matters pertaining to the selection and appointment of the Board of Directors, the direction on policy decision and approval, the support of technical assistance and financial commitment, and the review of this SOI, which is required under Kiribati law.

2 MANDATE AND POLICIES GOVERNING THE DEVELOPMENT OF THE STATEMENT OF INTENT

2.1 Ownership Guidelines

PUB is owned through shareholdings held by the Republic of Kiribati, and these shares are under the control of the responsible Ministers (the Minister of Finance and the Minister of MISE), who jointly have the rights and powers of shareholders.

The shareholders of PUB (The Republic) have the power to appoint the Board of Directors.

2.2 Obligations under the Kiribati Development Plan/KDV or similar

The role and function of PUB support all government services and underpin a healthy, prosperous community. Safe, reliable drinking water, a steady power supply, and sustainable sanitation services are vital for human health and well-being. PUB commits to effective energy and water/wastewater strategies and asset management planning for the next 20 years based on real and observed data.

2.3 Mandate

PUB is a State-Owned Enterprise and has a clear mandate to:

Do all acts and things necessary for developing, controlling, generating, transforming and transmitting, distributing and selling electricity for public and private purposes, Undertake electrical wiring installation and servicing of electrical equipment and to provide electricity to commercial and residential premises,

Do all acts and things necessary for the collection, production, distribution, supply and sale of water to the public for domestic and commercial use in water supply areas,

Establish, operate, and maintain a sewage system,

Control, manage, maintain, operate, and supervise waterworks and provide in water supply areas (so far as is practicable) an adequate supply of water for the use of the public,

Provide these services in the area of South Tarawa (only).

2.4 Purpose of the State-Owned Enterprise

This Statement of Intent outlines how PUB has assessed its operating environment and primary challenges. PUB has established its planning period objectives, activities, performance metrics, and financial forecasts to achieve its main goals under the SOE Act.

The Public Utilities Board was formed in 1977 under the Public Utilities Ordinance Cap 83 and in 2013 was listed as a State-Owned Enterprise. As such PUB has principal objectives as:

The principal objective of every SOE is to operate as a successful and sustainable business,

For the purposes of this section, a “successful and sustainable business” is a business that:

- Is as efficient and effective as a comparable business that is not owned by the Government, and
- Services its debts incurred in the ordinary course of business without payments from the Government, except those in respect of CSOs as contemplated by section 6 (of the SOE Act).

Every SOE must also be a good employer and exhibit corporate social responsibility, For the above purposes “a good employer” is an employer that provides:

- A safe working environment
- Equal opportunities for all staff
- An impartial selection process for employing suitably qualified employees, and
- Opportunities for individual employees to enhance their abilities.

OUR VISION

To be the most professional SOE in sustainable, quality service provision for Kiribati.

OUR MISSION

To contribute to community growth in health and prosperity, through the provision of quality electricity, water and sewerage disposal services in a commercial manner

OUR VALUES

Customer Satisfaction

Customers and stakeholders are central to our growth, so they are the priority in our daily innovative business. PUB will strive for excellence in operation and service delivery to exceed customers' expectations and satisfaction. The PUB will conduct business ethically and decently.

Economic Viability

As a commercial entity entrusted with the large scale of assets, the PUB values believing in economic viability as a sustainable economic growth. The PUB will deliver services through the use of advance technology

Team spirit with a Conducive and Safe Working Environment

The PUB values teamwork and encourages a collaborative culture, sharing of limited resources across all divisions, sharing knowledge and skills, synchronizing the approach to achieve common objectives. The PUB will provide a safe working environment together with training opportunities and good code of conduct and remuneration packages to employees to allow for efficiency and high productivity.

Social Responsibility

The PUB values work in serving the nation's people in the three essential services, Electricity, Water and Sewerage disposal services while building and upholding good governance and corporate credibility. Inclusive and equal employment opportunities underpin the PUB's approach to attracting and retaining personnel.

2.5 CORE business

PUB's core business is the delivery of Electricity, Water and Sanitation Services to the South Tarawa designated service zone.

The prime function of PUB is to carry out the general business of:

- 1) **Electricity**- supplying and distributing electricity to customers from Betio to Nabeina
- 2) **Water**- supplying and distributing water to its customers at Betio to Buota through the water distribution system and the delivery by hired water tanker trucks.
- 3) **Sanitation or Sewerage Disposal services**- operating and maintaining the sewerage system existing at the major villages Betio, Bairiki and Bikenibeu only. The rest of the customers having Septic tanks are serviced by a Vacuum Truck.

3 PLANNING INPUTS

3.1 Profile / Overview of the Business & Assessment of Recent Results

Until 2021/22, the Public Utilities Board (PUB), the utility provider in South Tarawa, faced serious financial problems and the risk of insolvency. This led to declining service quality, neglect of ageing assets, weakened support systems, and increased reliance on government and donor aid. Despite these issues, the management teams kept operations running. Recently, the crisis has worsened further due to local drought conditions and rising diesel prices.

PUB's longstanding problems originate from a rigid tariff system that doesn't cover the full cost of service. This has led to delays in asset upgrades, poor financial management, and insufficient funding for operations and maintenance. Dependence on government subsidies below the true cost of service has further worsened PUB's structural insolvency.

PUB recognised that broad reforms were needed in all areas, especially in finance, governance, asset management, organisational structure, and capacity development. Since 2022, PUB has been addressing these issues through significant sector investments via STREP, STWSP, and KURP. Improvements in financial management, supported by donors and rising diesel prices, have helped boost stability.

Notably, in 2025, PUB increased its generation capacity and introduced a new tariff, measures that help PUB fully invest in its operations and asset maintenance. PUB has also focused on strengthening revenue collection systems to sustain services and continues to seek Government CSO support for water and sanitation services.

This Statement of Intent (SOI) aims to build upon these reforms and further improve finance, governance, asset management, and capacity building. Investments in new generation capacity and major donor-supported projects are strengthening PUB's foundation for long-term sustainability.

Core challenges remain:

- The high risk of generator failure.
- Increasing electricity demand.
- Water quality concerns.
- Inadequate asset monitoring capacity.
- High generation (fuel) costs.
- Fragmented data systems.

PUB reaffirms its right to operate as an independent State-Owned Enterprise (SOE) and urges stakeholders to refrain from manipulating diesel or utility prices. Reforms must occur within the bounds of existing legislation, ensuring accountability and preventing circumvention. PUB remains dedicated to addressing the issues outlined in this SOI while working towards a sustainable future.

Recent Results

Financial data prior to 2022 is unreliable and includes many audit qualifications. Asset revaluations and adjustments are reflected in the 2022 and 2023 financial statements. While qualifications might persist, PUB is on the right track and aims to fully adopt IFRS reporting, striving to obtain unqualified audit reports within this SOL period.

Financial Highlights (\$ '000)	2024 draft	2023 draft	2022	3-yr Average
Revenue	16,420	16,429	16,503	16,451
Net Profit After Tax	(584)	310	(226)	(167)
CSO payments / subsidies / grants	-	1,399	1,449	949
Total Assets	31,837	32,173	25,333	29,781
Total Liabilities	3,431	3,036	503	2,323
Shareholders' Equity	28,406	29,138	24,829	27,458
ROE %	(2%)	1%	(1%)	(2%)
ROA %	(2%)	1%	(1%)	(2%)
Debt / Equity	neg	neg	neg	neg
Current Assets / Current liabilities	2.5:1	3.0:1	9.2:1	4.9:1

Traditionally, the electricity sector has subsidised water and sewerage services. Collecting water charges remains challenging due to a high-leakage network and inconsistent supply. PUB and the Government have agreed to prioritise strengthening water supply and infrastructure before reviewing tariffs further. The tariff cut in 2016/17 significantly limited PUB's performance.

By 2023, PUB began to see improved results, reporting profits in the half-year to 30 June. This turnaround was supported by KOIL's extended credit terms for fuel supply and a more favourable fuel price under a government-supported CSO scheme. PUB resumed advance payments for fuel purchases from KOIL during 2024, and although the new government abandoned the CSO scheme in 2025, an electricity tariff review has led to improved and stabilised results, with some timing benefits for PUB. By mid-2025, opportunities for fully servicing diesel engines have arisen, and efforts continue to catch up and acquire the necessary parts for maintenance.

PUB's dedicated staff remain committed to serving their communities and contributing to national development. The success of this Strategic Plan will help PUB transform into a sustainable, commercially viable, and customer-focused organisation that delivers long-term value for the people of Kiribati.

3.2 Current Situational Analysis

Despite progress in recent years, PUB continues to face significant challenges that require fundamental reforms across multiple business areas. These include:

- **Policy and Management reforms:** PUB recognises the need for fundamental reforms in business processes and asset management. Collaboration with development partners—most notably through the Kiribati Utilities Reform Project (KURP) supported by the New Zealand Government—has created opportunities to

strengthen utility management. Reforms concentrate on governance, workforce development, energy generation, distribution, and maintenance practices.

- **Asset Condition:** Years of underinvestment have caused asset deterioration and deferred refurbishment. Systematic assessments of asset condition are vital to determine suitable strategies—whether repair, refurbishment, or replacement—to optimise resources and maintain service quality. Comprehensive asset management plans must be created to oversee asset replacement or refurbishment, including managing expected costs and timelines.
- **People Capability and Capacity Building:** PUB recognises the vital role of a skilled and capable workforce. A comprehensive HRM policy and training program is in progress, focusing on developing core business skills, technical expertise, and operational competencies. This will enable staff to deliver efficient services, enhance customer satisfaction, and support PUB's long-term growth.
- **Governance and Government Interference:** Weak governance, worsened by political interference, has compromised commercial decision-making and financial stability. Strengthening governance frameworks that focus on independence, accountability, and transparency is vital to protect PUB's viability and efficiency.
- **Revenue, Expenditure, and Cash Flow:** The new electricity tariff has helped stabilise and improve PUB's position, but PUB continues to face pressure in managing operational costs and cash flow, with much work on water and sanitation revenues and improved collections needed to support a sustainable business.

In conclusion, PUB's ongoing challenges include governance, financial sustainability, asset management, and workforce capability. Effectively implementing reforms in these areas is vital to transforming PUB into a commercially viable, sustainable, and resilient organisation capable of meeting the needs of the people of Kiribati.

3.2.1 Legal and environmental issues

PUB is dedicated to being a responsible corporate citizen, fully adhering to legal requirements and actively promoting a positive environmental impact.

Kiribati's reliance on diesel fuel for electricity remains a challenge because renewable energy sources are still expensive to develop at a scale that can meet medium-term energy needs. Although PUB supports the government's renewable energy policy, it will continue to depend on diesel generation for years to come. Consequently, replacing generators and refurbishing existing ones is a critical issue for the business, while we actively participate in STREP and other programs to promote renewable energy solutions.

Achieving this necessitates a coordinated effort to secure funding for renewable energy projects while prioritising the maintenance and refurbishment of generators. PUB stores nearly 1000 drums of waste oils that are environmentally hazardous and challenging to dispose of. These have become a significant hazard and obstacle to progress and are therefore a high priority for immediate disposal.

PUB will then focus on processes for improved waste management in the future, including oil storage and disposal. It aims to mitigate operational risks by removing old, unusable equipment and machinery from the main sites at Betio and Bikenibeu. Transformers contain

valuable metals, but also oils, and once again, we are seeking the export of unusable transformers in a safe manner. New environmental laws and the requirement for regular testing must be adhered to, and PUB needs to attend to its licensing requirements. Meanwhile, ensuring that new projects, including the rental units at Takaronga, the new PowerHouse, Betio, and solar roofing works, are all carried out with building permits, environmental licences, and full compliance with legal requirements.

The Energy Act, 2022 establishes a framework for structured regulatory oversight through MISE, including tariff reviews. Over time, this is beneficial for the electricity industry as it will stabilise government intervention and reduce reliance on ad hoc price controls. However, there is still significant work for PUB and MISE to become fully capable of compliance in a practical and value-adding way. In the short term, potential changes in electricity generation, uncertainties around tariff cross-subsidies, and PUB's need to determine its full maintenance requirements mean that any tariff rigidity or medium-term model is unsuitable.

However, under STREP, there is momentum to continue with legislative reforms, including amendments to the Act and a new grid code. PUB must proactively develop new legislative mechanisms and policies, as the long-term sustainability of the business model will rely heavily on the regulatory regime.

Additionally, Kiribati faces serious water supply problems. Many areas receive only a few hours of water every 48 hours, and the water from PUB's network is often contaminated with E-coli. The World Bank has warned that South Tarawa is at imminent risk of a cholera outbreak. While the South Tarawa Water Supply Project (STWSP) attempts to address some of these issues, it will take another 3-5 years to complete. The current water network requires extensive repairs, including rebuilding over 180 km of subsidiary pipes. Without these repairs, the water from the new desalination plants might be wasted. Currently, leakage is high, estimated at 80%. The Betio desalination plant has a hydrogen sulphide (H₂S) problem that will require up to 12 months of costly treatment to fix, making the water suitable for reverse osmosis treatment at the plant.

STWSP faces multiple challenges, including budget pressures, and some de-scoping may be necessary to ensure it does not disrupt essential supply, as PUB intends.

The new Betio water reservoir and the smaller Bairiki desalination plant are expected to become operational within 12 months, and PUB must also ensure full environmental compliance. At Bairiki, the plant located next to the new Australian High Commission has already faced criticism over chemicals, concerns about discharges, bad odours, and PUB is very aware of its obligations and requirements to meet international standards and keep the entire community safe while working with donors to expand services and create more opportunities for increased supply.

Sanitation and sewerage treatment also face significant challenges, with the main disposal method being untreated ocean outfalls, which are expected to persist until at least 2030. Although the existing sewerage system only services a small part of the population, all untreated wastewater pollutes groundwater and nearby marine environments. The STSP investment includes plans to install new septic tanks, clean existing ones, and use saltwater

for toilet flushing. However, concerns still remain about whether these measures will be sufficient given the projected population growth in South Tarawa.

In the water and sanitation sector, MISE is very active in developing new policies and legislative mechanisms to improve overall service conditions and to regulate necessary minimum service standards. Once again, PUB must engage and participate in such legislative initiatives to the extent that the outcomes will significantly impact business moving forward.

PUB is also a crucial part of the nation's emergency and disaster management framework and must work with government agencies to improve its response systems and support national initiatives. Efforts to enhance communication, expand the website, and advance Call Centre technology are vital steps in this process.

PUB remains committed to meeting legal requirements and reducing its environmental footprint while delivering essential services to the people of Kiribati. Working together with development partners, governments, and stakeholders will be crucial in overcoming these obstacles and securing long-term sustainability and prosperity for the community.

3.2.2 Marketing and Customer Service Strategy

As the sole provider of essential utilities, PUB's marketing focus is on delivering reliable electricity, water, and sanitation services at fair and affordable prices. Government policy supports this goal by prioritising community access at reasonable cost, with major donor investments—such as STREP and STWSP—funding sector growth. PUB must ensure that service expansion is managed sustainably and economically, balancing tariffs, CSO support, and dedicated funds to achieve full cost recovery (FCR).

Significant progress has been achieved in 2025 with a new electricity tariff and the roll-out of pre-paid meters, which is likely to enhance accuracy and collections in billing. The IMS provides more reliable data, positioning PUB strongly to manage revenue, costs, and cash flow.

PUB has launched a dedicated Call Centre as part of its wider customer service strategy, marking a key milestone in PUB's shift towards a more responsive, customer-focused utility. Ultimately, the call centre aims to collect all communications—positive or negative—about PUB and its services, assign work orders for service requests, and oversee customer interactions, including the nature of interactions and response times.

The Call Centre will:

- Provide a single point of contact for all general business, electricity, water, and sanitation inquiries.
- Enable real-time fault reporting integrated with PUB's IMS and GIS systems.
- Support proactive engagement through awareness campaigns on water conservation and energy efficiency.
- Restore customer trust by ensuring timely resolution of queries, complaints, and service requests.

This call centre functions as an online form linked through the IMS and GIS systems to dedicated PUB officers for their attention and response. Staff in our offices are now required to assist customers in logging in and registering their concerns via the call centre form online.

This is an important initiative that has been a long time coming, and staff continue to adapt. Due to numerous alternative communication channels, including emails directly to senior officers, it is challenging to capture all customer issues at the call centre. Therefore, PUB sees this development as a two-part initiative: firstly, to gather and record all known and notified issues. This requires all staff, especially management, to stay vigilant and ensure the call centre is regularly updated. Secondly, after issues are collated, PUB needs to improve response times to address common concerns. For example, enabling online acknowledgment of a billing issue and resolving it within a standard timeframe of two working days would improve service quality and foster greater community trust. PUB aims to rebuild trust and its reputation as a community-leading organisation. These developments will take time and will likely occur over one or two stages to progressively reach service delivery targets.

Beyond providing service, the Call Centre will also act as a marketing platform to promote responsible usage, share essential information during outages or maintenance, and reinforce PUB's role in protecting community well-being.

Looking ahead, PUB is expanding its outreach through youth engagement initiatives. A new Career Fair program will connect with senior secondary students, showcasing career opportunities within PUB and establishing the organisation as an employer of choice. Simultaneously, a Youth Ambassador program will select young leaders from schools and church groups to promote responsible electricity and water use, environmental stewardship, and positive community engagement.

PUB will also boost its visibility and community presence through murals and signboards in public spaces, displaying its services and encouraging responsible utility use.

While government policy aims to expand household connections for all services, and current projects [STREP, STWSP, and STSP] support this goal, PUB is also working to improve access to these essential services. Gradually, we are regaining the capacity to increase electricity metering and will soon, through STWSP, focus on water access. PUB is proactively engaging with project officers to raise community awareness and involvement in these programs, highlighting benefits and responsible use of power and water as well.

By combining transparent tariff communication, enhanced customer service, and innovative youth and community engagement, PUB is integrating marketing as a strategic factor for both service excellence and long-term sustainability.

Marketing and customer service are about messaging, and PUB needs to improve its overall ability to get key messages disseminated. This is partly about the message and mainly about the medium of exchange. To this end, PUB is seeking TA support to help identify the best operating procedures and policies for PUB to communicate with its employees, customers,

and key stakeholders. By the end of 2026, significant improvements should be visible in both the Call Centre and Communications efforts.

3.2.3 People and Organisational reform

With support from the Kiribati Utilities Reform Program (KURP), PUB is implementing significant reforms to its organisational structure, pay and grading systems, and operational policies. The program’s emphasis on institutional strengthening is improving governance, workforce capability, and operational systems, laying the groundwork for a resilient, performance-driven utility.

PUB currently employs 172 staff members with a total wage expense of about \$4 million, including costs for shift work, overtime, and other employee benefits. A new organisational structure and employee handbook came into effect in early 2025, with recruitment underway to boost efficiency and support operations.

As PUB prepares to incorporate new assets in solar farms, desalination plants, and upgraded network facilities, it is likely that the overall figures will increase during this SOI period. Thoughtfully planned recruitment aimed at boosting the number of qualified personnel in engineering, accounting, IT, and other fields will help create a more balanced staff profile as we expand our renewable energy and water management capabilities, with overall support services becoming more automated.

No.	Department
3	Office of CEO
40	Corporate Service
14	Finance
49	Power
52	Water & Sanitation
14	Casual Project workers
158	

2024/5 has seen significant shifts in organisational restructure, but PUB acknowledges this is only the beginning, providing a solid foundation upon which the organisation can progress, attract skilled staff, and readily adopt new assets and operational activities as they become available.

During this planning period, further organisational reform is likely needed, especially in areas such as renewables, water and sanitation, fleet, facilities, and communications. It is expected that several additional management positions will be recruited in response to these needs. However, we must be cautious and align our response with our capacity to support key roles. Considering delays in all major projects, it is clear that the current approach of reform and review remains the right one.

PUB has also conducted extensive training and capacity building with staff, mainly through the KURP program. KURP concludes in 2025, with some courses still ongoing to completion. Over the past 3–4 years, more than 3000 man-hours of training and development have been

delivered, covering management, soft skills, project management, finance, IT, and technical skills, especially related to the electricity sector.

As KURP concludes, other opportunities arise, and PUB anticipates support in water and sanitation to develop essential new skills and continue addressing management needs. Training is not a 'one size fits all' solution, and PUB must enhance opportunities for staff to apply and refresh their skills. Often, knowledge transfer is enthusiastically received, but it takes time for changes in work habits to materialise. Old habits 'die hard,' and without proper support, new techniques and approaches to work are slow to take hold. We need to balance skills and theory in classroom settings with practical on-the-job training, and this planning period aims to improve that, particularly in the renewable energy, water, and sanitation sectors.

PUB is committed to inclusive employment, gender equality, and recognising employee achievements. Training is aligned with performance agreements, and annual staff celebrations help boost morale. Clean and safe workplaces are prioritised through hygiene and safety initiatives, reinforcing PUB's role as a responsible corporate citizen.

PUB must prepare itself, and the current reforms aim to establish a strong foundation for subsequent development, reform, or evolution when the time is right. PUB needs to take responsibility for its additional skills, resources, and training needs, working closely with the projects and consistently pushing for accountability and successful delivery.

In this SOI, all General Managers have contributed to and take ownership of their respective departmental budgets. These budgets include allocations for training and capacity building, as well as for overtime costs and other staff-related expenses. The ultimate test is managers' decisions in spending against the budget, aiming to add value and benefits to their staff and work outputs.

Key staff must view conference attendance and training, whether locally or internationally, as an opportunity rather than an entitlement. They should identify the expectations and benefits to PUB from such participation. This way, with key managers being more accountable for the costs and commitments, they can also hold subordinate staff accountable for changing behaviours and applying the skills learned.

It is expected that up to 15–20 new positions may open in the next 12 to 24 months, at an additional cost of \$400k–\$450k.

The project impact, the new Energy Act requirements, and the plans within this SOI necessitate PUB to recruit, develop, and retain quality staff.

3.2.4 Assets, Production and Productivity

PUB has experienced significant asset degradation over the past decade. The baseload generation fleet is aging and has suffered from years of insufficient maintenance, increasing the risk of failure. The network endures stresses on cables, RMUs, and transformers due to overcapacity. The water network is losing water at a rate exceeding 50%, and most of the sewer pumps are barely operational.

PUB has depended on donations of office furniture, computers, and other equipment, and has an ageing fleet of service vehicles.

However, in recent months, PUB has made progress in addressing some of these issues through key development projects and is shifting from reactive response to proactive asset management planning.

3.2.4.1 Electricity Generation

PUB's baseload generators are Daihatsu's and are all over 20 years old. DG2 was decommissioned in 2021, followed by DG1 in 2023. During that period, the fleet was boosted with four new high-speed generators, although one quickly failed and has been inoperable for over a year.

Several factors, including the age of the generators, local temperature conditions, operational speed, and fuel quality, influence the available power generation capacity. Recent additions to the generation fleet mean that the existing capacity of approximately 6.700 MW is just sufficient to meet the average demand. Any operational issues or maintenance shutdowns would result in an inability to meet the demand.

Previous studies, funded by MFAT and conducted by ITPower, indicated that the entire PUB generator fleet was scheduled for retirement in 2020. However, due to a lack of alternatives, PUB is compelled to continue costly maintenance on a generation fleet that should have already been replaced. Recent overhauls of older generators (G3, G4, and G5) have improved performance and extended their operational lives. With a refurbishment cost of AUD 1 million each, these Daihatsu generators can reliably operate for at least another 10 years, with better fuel efficiency. Routine major overhauls, costing around AUD 350,000, are expected to keep these units in service for approximately another four years.

With ongoing support from MFAT and suppliers Penske/CBS and MTU, as well as TidePower from China and Daikai, suppliers for Daihatsu, PUB has recently been able to carry out maintenance and repairs at a more advanced level. Following the introduction of the Aggreko rental units (2 x 1MW), PUB has been able to rest units for maintenance while avoiding any load shedding. Electricity supply from February to September 2025 has been the strongest in years.

Currently, the Chinese unit G7 remains inoperable, but we have improved our production capacity significantly since January 2025. PUB also recognises that delays to STREP 2 and the proposed new transmission line extend the time until we can benefit from the 7.5MW of solar capacity that will soon be available at Bonriki. Therefore, effective updates, maintenance, and management of all diesel units are crucial.

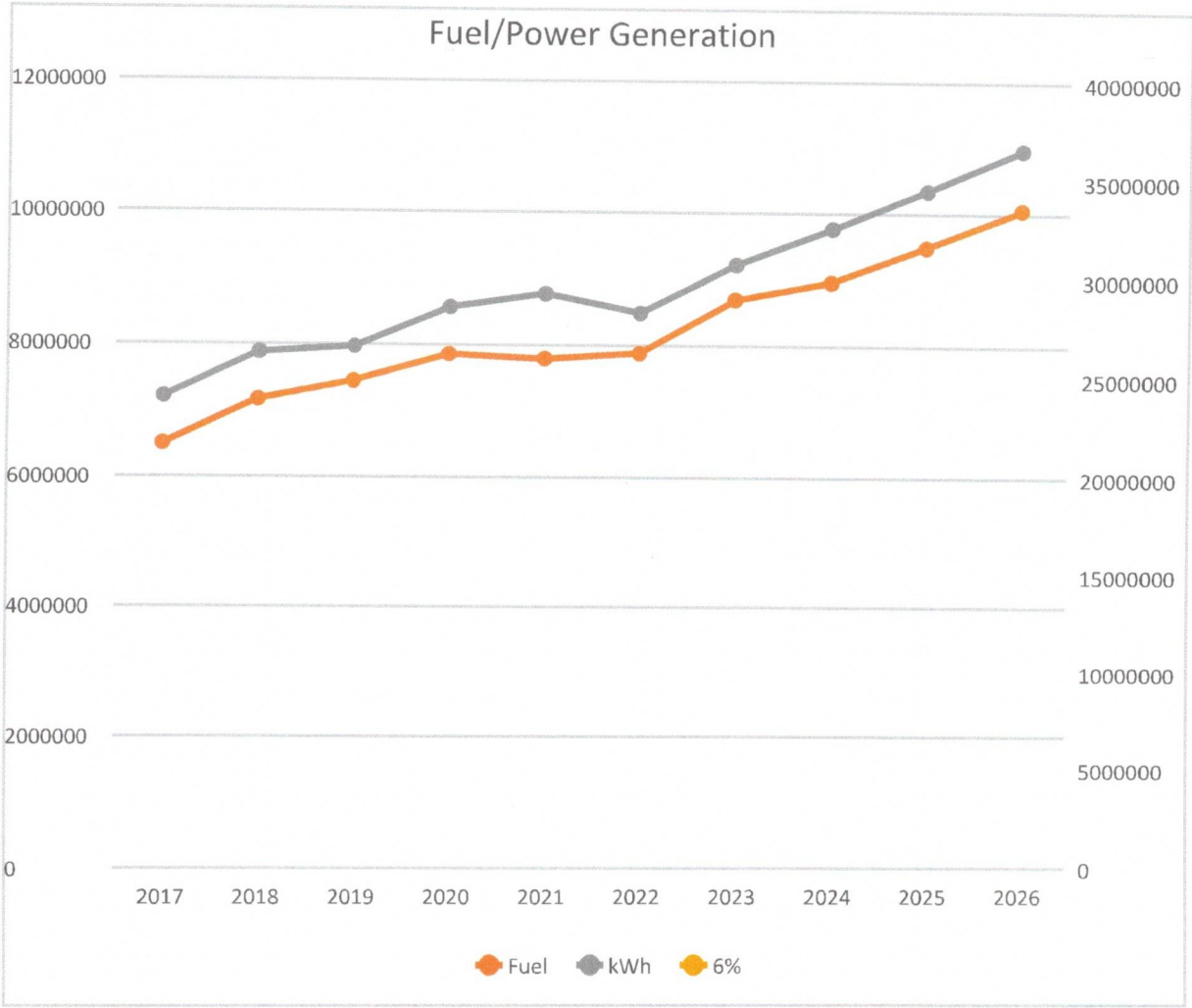
The PUB engineering team has diligently planned maintenance and reduced outage pressures. Major overhauls of DG3, DG4, DG6, DG8, and DG9 have been completed in the past 9 months.

The status of the existing generators remains perilous as indicated below.

No.	Make	MW	24hr safe operating capacity	Installed	Status
DG1	Failed and decommissioned in the last 3 years				
DG2	Some parts salvage for potential use on DG3, 4 and 5				
DG3	Daihatsu (Medium speed)	1400	1200	2002	20 yr life Last major overhaul October 2021
DG4	Daihatsu (Medium speed)	1400	1100	2002	20 yr life Last major overhaul April 2022
DG5	Daihatsu (Medium speed)	1400	1200	2005	20 yr life Last major overhaul October 2023
DG6	TidePower China (High speed)	1200	1000	2023	Stator and Fans failed after less than 500 hours. PUB purchased parts and it is now in operation
DG7	TidePower China (High speed)	1200	1000	2023	Down due to stator winding issue
DG8	PRAMAC (High speed)	1000	700	2023	High-Speed works to manage load to max of 70% 11,000 hr service completed in Sep'25
DG9	PRAMAC (High speed)	1000	700	2023	
RG1	Aggreko (High speed)	1200	800	2024	Commissioned 24 December 2024
RG2	Aggreko (High speed)	1200	800	2024	

PUB recognises the urgency of the situation and is dedicated to taking the necessary steps to address the power supply challenges.

Besides replacing the generator fleet, PUB is actively reviewing its maintenance practices, fiscal allocations, and conducting condition assessments to tackle the high-risk situation. PUB is also working with the Government of Kiribati and partner agencies to seek support and funding for necessary upgrades and replacements. Stakeholder cooperation and assistance are vital for resolving current power system constraints and ensuring uninterrupted power supply to the community.



Current fuel efficiency targets for optimal operation are 0.27 L/kWh, equivalent to 3.7 kWh/L, which is typically achievable with new high-speed diesel engines such as MTU. As of August 2025, our Daihatsu generators (G3, G4, and G5), despite 20 years of service, are achieving a fuel efficiency of 3.4–3.5 kWh/L. While this is a solid performance, ongoing monitoring and optimisation of fuel efficiency remain essential.

One key strategy used by the power generation team is economy dispatch, where generator output is carefully matched to demand to prevent running excess capacity unnecessarily. This ensures fuel savings while maintaining a reliable power supply.

3.2.4.2 Electricity Distribution

The underground cabling network presents substantial challenges, as faults are more difficult to detect and routine maintenance proves more expensive.

The power network from Nabeina to Betio experiences imbalance issues and RMU failures, causing frequent outages that threaten service reliability. These issues are made worse by overworked, derated diesel generators and small “no-storage” PV plants, resulting in an unpredictable power supply environment.

However, PUB has worked diligently in 2024/5 to reduce certain risks, including the decision to expedite additional RMUs from CBS in Q4 2024, the receipt of new transformers via MFAT funding, and to repair and reallocate transformers based on review and assessment. They also aim to finalise specifications for the STREP 1 sponsored LV upgrade, with major components expected in Q4 2025, to improve our equipment inventory and support further important upgrade works.

The stabilisation of generation has also contributed to grid stability. Additional concerns remain about high temperatures affecting relatively new transformers. Some mitigation methods, including protective paint and roofing at selected RMUs, have shown positive results, and this program will continue as needed.

Power demand has surpassed previous forecasts, with growth rates over 5% and peak demand nearing 8MW. As noted, this demand can be met, provided the generators are operating positively and the network effectively manages the load.

PUB experienced major outages and frequent load shedding until late 2023, when the addition of high-speed generators improved the situation. Network and cable issues persisted into early 2024, as the baseload generators still awaited necessary maintenance. Later in 2024, several problems with different generators led to load shedding, but the decision to add capacity with 2MW rental units has stabilised and improved the situation in 2025.

PUB remains prone to generation and network problems, but has recently made notable improvements, and once these are fully operational, major risks related to electricity supply are expected to be manageable. The recent service enhancements should not be mistaken for long-term security, and there is still plenty to accomplish, especially in the coming years.

Despite these challenges, PUB remains dedicated to improving power reliability by tackling derating factors, increasing generation capacity, and securing essential spare parts. This path to improvement will be gradual but aims to provide a dependable power supply for all customers, including critical projects such as the STWSP.

3.2.4.3 Renewable Energy

PUB has several small solar schemes acquired through funding support over the past 8 years. These range from 500kw at Bonriki to 100kw rooftop schemes. Maintaining these has proven difficult with limited resources, and the total capacity of these schemes, which is about 1.2MW, is derated to around 0.8MW.

Renewable solar has contributed about 5–6% of the energy mix in recent years. In 2024, PUB acquired a \$400k panel scheme from SinoSaur and proposed to install it on our Betio office and the rooftops of five government ministries. Several ministries confirmed interest, their roofs were tested, and we are now in the final stages of completing this small-scale solar project. This doubles PUB's existing total capacity and provides a good opportunity for our small renewable engineering team to install panels and monitor battery systems.

The main focus is on the pending completion of STREP 1 and the GDW-3 component, which together will supply 7.5MW of solar supported by 13.5 MWh of BESS. Although the current LV transmission system has a 2MW restrictor, limiting the capacity of this solar farm until the new overhead 33kv grid is constructed under STREP 2, in about two years, it will still allow for a significant increase in renewable capacity for PUB. This will boost the total renewable share beyond 20% and impact tariffs.

However, the period for O&M of STREP 1 must be a significant learning opportunity for PUB. Until March 2027, PUB can benefit from the solar capacity, test the BESS and solar farm operations, ensure our staff are fully trained, and reorganise to support a substantial solar footprint. This phase presents new opportunities and a platform to maximise the benefits of the solar farm and the floating solar promised under STREP 2.

STREP 2 will be implemented during the later stages of this planning period. Depending on any unforeseen factors, it is expected to raise the electricity mix above 60% and will result in permanent changes to operations and tariff structures. STREP 2 is not the final step, but PUB has significant planning and updates to the grid study to undertake over the next three years to be fully prepared for the next phase of renewables, BESS increases, and further institutional reforms.

3.2.4.4 Water & Sanitation services

PUB's current water and sewerage (W&S) operations face significant challenges. Leakage in the existing network exceeds 50%, and neither the water nor sewerage systems cover all of South Tarawa. As a result, many residents rely on alternative sources for water—such as local wells, PUB access points, or washing in the sea—and use different waste disposal methods, including septic tanks and local solutions.

The STWSP and STSP projects aim to address this issue. Meanwhile, PUB has been working diligently to improve water supply in Betio through the MFAT-funded drought relief project. This involved installing pipes from new 200KL small desalination plants (Osmoflo and Avonale) to the main reservoir tank. During 2022–2023, these plants served as the primary water source in the reservoir. Since then, rainfall has returned, but the Avonale plant has failed.

PUB continues to address leaks and enhance water supply. Most businesses receive water via trucks that refill their tanks. The current system also includes 17 additional supply tanks serving specific water zones. These tanks are refilled through valve control in the main trunk and supply drinking water for two hours every 48 hours.

PUB's water division has approximately 38 staff managing the Bonriki reserve supply, the main reservoir, and the supply zones, while a further 14 staff focus on sewer access, pump maintenance, and related tasks. Collectively, these 52 staff members constitute one-third of PUB's total workforce, yet the W&S business produces very little revenue.

Domestic water and sewerage users have not been charged fees for nearly 10 years, with operations relying on a government Community Service Obligation (CSO) to cover the revenue shortfall. Chronic underfunding of CSOs has forced PUB to cross-subsidise from the

electricity sector, hampering maintenance and progress in that area and creating an unsustainable model. The decision to waive charges was a response to operational difficulties, network constraints, and the historically low service levels. PUB staff have spent nearly a decade managing this depleted network, making minor improvements to sustain minimum service standards under difficult conditions.

The STWSP and STSP projects provide a complete overhaul: a nearly new network system, advanced desalination plants, an upgraded sanitation network with new pumps and outfalls, and improved access for village communities. No upgrades are planned for the Bonriki water galleries, but the overall upgrades will ensure a reliable and modern water and sanitation service for South Tarawa.

3.2.5 Major Projects to influence change at PUB

Since 2018, major project interventions from key development partners have aimed to enhance PUB's overall supply of electricity and water services. Under STREP, this involves significant renewable photovoltaic energy to double energy output. STWSP has the ambitious goal of providing drinking water to every household in South Tarawa.

Planning and design work was carried out, but the initial construction plans were delayed due to the long-term border closures between 2020 and 2022. Since late 2022, these projects have started to gain momentum, with major developments expected in 2024. There may be further delays and challenges, but positive impacts could begin in 2025.

3.2.5.1 South Tarawa Renewable Energy Project (STREP) Phase 1 & Phase 2

This project will deliver 5MW of PV, along with an additional 2.5MW supplied under STWSP and managed through this project, constructed on adjacent property. Photovoltaics convert light into electricity using semiconducting materials that exhibit the photovoltaic effect, a phenomenon studied in physics, photochemistry, and electrochemistry. The photovoltaic effect is used commercially for electricity generation and as photosensors. Additionally, the project involves 13.5 MWh of BESS (Battery Energy Storage System), which stores energy from the electricity grid or renewable sources such as solar and wind. The batteries can discharge and release energy when needed—during peak demands, power outages, and other applications. The existing PUB network grid is constrained, and full discharge of the BESS will not be possible under STREP 1. However, grid upgrades planned for STREP 2 will optimise this potential, and as tender documents are soon ready for the market, it is expected that this value could start to be realised within 2–3 years.

Given the rising demand for electricity and the need for more baseload supply, PUB must continually review, forecast, and plan ahead. While it is anticipated that the 7.5MW of solar and 4MW of floating solar through STREP 1 and 2 will achieve a significant renewable footprint, it is likely that another phase of investment will eventually be required.

Construction of the solar arrays began in Q4 2024 and has made good progress during 2025. Although the programme is behind schedule, it has developed well, and with a one-year extension, it will be ready for commissioning in Q1 2026, followed by a one-year O&M period.

STREP 2 has experienced delays, initially in the project compilation after MFAT withdrew funding. With ADB reducing scope and adding some finance, a revised \$22m package was provided, maintaining the plan for regional procurement with Tuvalu and a decision to go to market for the turnkey package in October 2024, before finalising the grant agreement with the respective countries. The inception mission was completed late in 2024, and all documentation was eventually completed in 2025.

Recently, the tender failed after two of three bids were disqualified, and the third bid did not meet a technical standard. Decisions have been made to split the package into four separate components (Kiribati transmission line, Tuvalu floating solar, Kiribati floating solar, and the combined Biorock contract), with the first package scheduled for tender in October 2025. Unfortunately, PUB has lost at least a year in this scenario, and another year will pass before we face power supply and cost challenges. We proceed, but this planning period will conclude with this project's completion.

3.2.5.2 South Tarawa Water Supply Project (STWSP)

Previous reports observed that the **current water supply is inadequate** and provides less than half the internationally accepted minimum for daily human needs. Most households only receive water for 2 hours every 48 hours. The distribution system loss is estimated at over 50%.

The water supply system only reaches two-thirds of the population and is delivered at very low pressure, mainly in public areas. This means many residents have to carry water from public taps to their homes. A large portion of the population relies on multiple sources, including collected rainwater and groundwater from household wells.

Currently, with an estimated safe water need of 75 litres per person daily, water demand is about 4.5 million litres per day (ML/day) and is expected to increase to 8 ML/day by 2030. The Bonriki and Buota lenses can only supply up to 2 ML/day, assuming measures are implemented to maximise sustainable yield. This is significantly below what is needed in the future, as the population of South Tarawa is projected to reach 80,000 and continue growing.

In addressing this scenario and considering the potential increase in drought frequency, it was concluded that desalination is the feasible water source. The Asian Development Bank, the Green Climate Fund, and the World Bank established the South Tarawa Water Supply Project in 2018, aiming to provide over 10,000 households (70,000 people) with fresh water around the clock. The project has two main components. The first involves constructing two seawater desalination plants, each with a capacity of 4,000 m³ per day (expandable to 6,000 m³), one in Betio and the other in McKenzie. The second focuses on the comprehensive rehabilitation and upgrading of the water distribution system to achieve universal coverage in South Tarawa through a gradual rollout of household connections.

Construction of the desalination plants began in 2022 and is mostly finished. The Betio plant has been delayed by a resident H₂S (hydrogen sulphide) issue that will now require more time and expense to resolve. Project delays and changes have increased costs to up to \$110 million. Recently, a memorandum of cooperation between MISE, the legal implementing agency, and PUB has facilitated more consultation as the project approaches operational status.

However, the second major contract (GDW-2) under the project failed to secure a conforming bidder and was therefore scrapped. It has now been substantially reworked for the upcoming tender of the network construction, but this has delayed progress by a further 12 months, while still not fully addressing the Operations & Maintenance commitments within the project scope. Currently, PUB is providing leading input with the project design team and donors to determine a satisfactory outcome regarding the Operations and Maintenance requirements.

PUB remains concerned about the long-term financial viability of the project. Once operational, a revised water tariff and/or tariff and CSO arrangement will be necessary and could be impacted if carrying costs are inflated. The 2019 ADB-commissioned study on water and sewerage tariffs identified significant CSO implications if the water tariff stays within broad “affordability” criteria. Additionally, PUB’s capacity to absorb inflated asset values will create operational challenges and hinder value-for-money and return on capital metrics, jeopardising progress in the electricity sector.

Following the recent 2021/22 drought, PUB management has secured \$1 million in funding from MFAT and acquired pipes, materials, and excavators to start work in Betio. MFAT is also supporting a 200kl desalination unit to boost Betio’s water supply.

Recent developments in the project are positive, with successful testing and commissioning of the McKenzie plant, which is now the primary source of water for the PUB network. However, this water is costly and currently benefits PUB as it is a major electricity consumer, but this arrangement is not sustainable. A contract extension under the ADB (but not the World Bank) has been granted until 2029 to complete the project, although this extension is based on time rather than cost. Recently, attention has been focused on the high costs of supporting McKenzie's operations during its O&M period, and the recent closure of the GDW-2 networks contract (its second tender) has led to bids approximately three times higher than the original estimates.

Overall, the project faces significant pressure due to budget constraints, to the extent that even meeting existing contractual obligations will result in overruns without a proper network or suitable distribution system. The Technical Project Steering Committee (TPSS) must examine project delivery options, identify de-scoping opportunities, and negotiate supply and delivery. It is unacceptable to have desalination plants without the necessary network capacity or to proceed with major network infrastructure without adequate O&M, so PUB can effectively manage the networks.

Although PUB has been active in community outreach and has promoted the benefits of the water project, a new risk has emerged that, in its current form, the project may not be able to deliver on its promises. Of course, additional funding could be a solution, but it now seems unlikely that the required amount will be available.

The next 2–3 months into Q4 2025 will be crucial for decision-making on the project as daily costs are incurred, including the mothballing costs associated with the Betio plant.

3.2.5.3 South Tarawa Sanitation Project (STSP)

In 2014, ADB and the Government of Kiribati funded the South Tarawa Sanitation Improvement Sector Project (STSP) at a cost of approximately AUD \$35 million. This led to

the rehabilitation of sewerage collection lines and the treatment plant between 2014 and 2018. A survey indicates that only 40% of South Tarawa's population has access to improved sanitation. The STSISP project rehabilitated the existing sewer systems, providing services to about 50% of the population by 2017.

The investment proposals for the South Tarawa Sanitation Project (STSP) focus on rehabilitating and restoring the existing sewer and saltwater flushing systems in the 3B's (Betio, Bairiki, and Bikenibeu). The project will gradually connect households within the 3B's areas using a 'bubble' approach, combining sewer and saltwater connections where possible. Outside these areas, the project will provide improved on-site sanitation solutions. These efforts aim to increase household connections, enhance system functionality, and deliver sustainable sanitation services for South Tarawa.

During the recent mid-term review mission, the client submitted a revised strategy for delivering the project, aiming to manage cost overruns, delays, and achieve the overall project goals. The WB team supports these changes, with a key initiative being the need to clean the sewer network as a priority and prerequisite before adding new connections. The network in the 3 B's is considered functional but clogged, following neglect of maintenance and due to PUB's lack of financial capacity.

Effective sewer cleaning, including outfalls and pump stations, supported by photographic evidence of clearing, will enable PUB to implement a learning and structured maintenance programme moving forward. This will utilise new equipment provided under the project (jetting machines, vacuum trucks, and pumps) and include a tariff or subsidy fund to be provided in due course, which is a covenant under the project grant.

STSP has made significant progress since Q4 2024, thanks to the hard work of the PMU, international advisors, and the WB team. PUB will benefit from its implementation and completion during this planning period, leading to an overall improvement in sanitation services and standards to be managed moving forward.

3.2.5.4 Kiribati Utilities Reform Program (KURP)

KURP is a program providing infrastructure and institutional support to PUB and other ministries over five years. It began in 2021 with remote preparatory services and has been implementing projects from 2022 to 2025. Much of PUB's development during this time results from the contributions of advisors and vendors supplied through the program, and much credit is due to the key leaders involved.

As the program concludes, a few final activities are planned for the coming months. The program has provided support to PUB across its six pillars of institutional strength.

The Information Management System is now operational for accounting, transactional recording and financial reporting. The budget module is available, and PUB will engage HoDs to input into departmental budgets for 2026. The fixed asset module is also operational, and the payroll is now conducted via the IMS MyPay module.

There is full interface between the Telstream billing system and NetSuite, as well as an automated payments system with ANZ Bank. The inventory and projects modules are operational, but more time is needed with projects to fully utilise and benefit from them,

while the Call Centre and work order features are new and will require more time to embed.

Systems security has been updated, additional reports and features to enhance our billing system have been added and all is now saved on the cloud.

PUB continues to develop its overall financial management capacity.

The Human Resource Module has been highly successful, with over 3,000 man-hours of training delivered and a variety of technical and institutional skills being developed and reinforced. These include skills in finance, project management, LV and HV cable-joining, GIS, Hydrogen mixing, O, H & S, network management, governance, drafting SOPS, and management.

Some programs are ongoing, leading to competency accreditation. PUB should build on the good work done by the KURP team, and overall, we need to strengthen accountability for lessons learned and training undertaken.

The two Generators are fully installed and operational and are subject to a 2-year maintenance period and final payments. This contract expires in October 2025, with the final 11,000-hour service completed successfully in September. PUB Engineers have undertaken in-house training and supported the Penske engineers, and moving forward, we are “on our own”.

The pre-paid metering program has been slow. It was delayed for several months and only started with an international project manager in November 2024. Nearly nine months later, only about half of the meters are installed and energised. There have been numerous challenges, including issues with materials supply, access to sites, voltage problems, and organisational and staffing hurdles.

While this is disappointing and has affected collections, cash flow, and operations, we must proceed and keep moving forward. The PUB team is now ready to take over, and the completion of 3-phase installations is expected within one month. As more commercial and government agencies adopt the pre-paid system, led by the Ministry of Finance, the transition becomes more acceptable in the community and will deliver the intended benefits to all parties, including PUB. The next three to four months will be critical in achieving overall success, and PUB will strive to finance more meters to increase coverage from the planned 50% to a higher 60% to 70%.

The assistance provided to MLPID on Kiritimati Island has been successful, and additional support in meters, transformers, and network upgrades has been organised. Much of this work will be carried out in Q4 2025.

The Personal Protective Equipment program is mostly finished, with the final delivery of equipment expected to Kiritimati Island and PUB.

3.2.5.5 Other significant projects

The **Betio Powerhouse** assembly project started in July 2025, following some delays and months of negotiation. The sub-structure is finished, and progress is steady. It is anticipated that the Powerhouse will be completed by December 2025.

Small-scale solar work is in its final stages, with rooftop solar now at PUB and across five ministries, adding over 1 MW of additional PV capacity.

The **Fibre Optic Cable** (FOC) proposal has been extensively discussed, designed, and debated, particularly regarding funding. PUB has commissioned a study to identify common platforms, with an FOC backbone across all main projects, ensuring PUB's data management is optimised after project completion. This will guide each project to make targeted savings on data and SCADA.

Beyond the major issues affecting the power and water networks mentioned above, there are also concerns about aging infrastructure, illegal connections, and unacceptably high “losses” of both energy and water. Operating inefficiencies, a lack of maintenance, and ineffective procedures have led to some losses, while deliberate public sabotage has contributed to others.

PUB will work diligently to address such deficiencies and maximise the opportunities and benefits provided by multiple projects and investments.

3.2.6 Finances and Business systems

PUB's operational integrity has declined over recent years, raising doubts about the stability of all key processes. Consequently, with the support of KURP, PUB has upgraded its information management systems (IMS), including financial management, human resources systems and processes, and the mechanisms used to manage and connect power and water generation operations to transactional and reporting systems.

PUB remains focused on key areas for institutional improvements, especially safety and updating standard operating procedures. However, notable progress in these fields deserves recognition, and it is crucial to update the narrative among key stakeholders.

The government is a major customer of PUB. Improving PUB's cash collection would be helped if the Government agreed to be a reliable customer that always pays bills on time. PUB recognises the Government's efforts in supporting the PUB reforms and notes the Government's agreement to move onto the prepaid metering programme.

Electricity tariffs have been revised for the first time in many years. This carefully calculated adjustment aims to fully recover the increase in diesel price from \$1/litre in 2024 to \$1.64/litre in 2025. Due to the timing between the tariff implementation and PUB paying the new diesel price, and since this was all agreed upon after 2–3 months of the fiscal year starting, PUB is experiencing a surplus. This timing difference (a benefit) arises from these adjustments, along with the decision to defer or postpone relevant budgeted expenditures because of the delays in these changes and their impact on cash flow.

The increase is tough on standard rate consumers, and PUB is now working to raise the number of lifeline consumers and aims to lower the domestic tariff as soon as possible. We are tracking consumption patterns, efficiencies, and reductions in losses, while also considering the potential for additional PV.

The deployment of prepaid meters and the integration of PUB's IMS are expected to enhance billing accuracy and boost collections.

Currently, residential customers are not charged for water or sewerage services; revenues are generated only from government and non-domestic users served by tankers. This will change soon as the McKenzie desalination plant becomes the main source of supply and network upgrades are set to begin. Water tariffs must balance sustainability with affordability, with any shortfall in FCR covered by government CSO agreements or special purpose funds.

Sanitation services also incur significant costs, and a form of tariff or user-pay will likely be introduced following sewer system upgrades and additional connections under STSP.

PUB welcomes a stronger regulatory regime, as long as it is based on evidence and flexible. A clear tariff structure will support PUB's customer service goals, improve community understanding of utility prices, and foster trust through open communication.

The financial statements have been effectively revised since 2022, with updated balance sheet figures and a shift towards IFRS reporting.

Asset management plans should be developed for all three service activities, including identification of all assets, their condition and remaining useful life, the risks and consequences of failure, feasible renewal options (repair, refurbish, replace), the costs of those options, and formal checklists for maintenance.

PUB commenced work on developing and updating standard operating procedures. This process proved to be challenging and time-consuming, with evidence showing that SOPs drafting and actual task execution often differ significantly. While the work done was useful, another effort in 2026 is necessary to complete and formalise this work, and external assistance is required to address this.

A concerted effort to identify and eliminate illegal power connections, along with a focus on reducing water losses and increasing water pressure in the network. Likewise, the sewerage department needs to campaign to identify and remove illegal connections or illegal stormwater discharge into the sewerage system.

3.3 Summary, Business Risks and SWOT Analysis

PUB has been an organisation in reform mode for at least two years. While change and improvement take time, with some minor setbacks, positive developments are happening. There is still much to be done, as change is slow and responds to circumstances and opportunities. As projects progress, they are certain to significantly alter PUB's overall size and outlook. Consequently, PUB faces challenges on multiple fronts. Although these are

separate and complex issues, performance improvement requires a substantial shift across several areas simultaneously.

- Finances, funding and effective financial management
- Dealing with asset bankruptcy
- People capability and capacity building
- Policy and governance requirements,

The first of these issues is being addressed through tariff reform and improved cash and financial management, along with support from donors via KURP and infrastructure projects (STREP, STWSP, and STSP). These initiatives, combined with donations from China, have increased generation capacity, allowed for major maintenance on old generators, and facilitated proper planning for parts, scheduling, and management of each generator and the network. This has led to an improvement in generation risk. However, vulnerabilities still exist, particularly due to delays in the delivery of the STREP 2 program. Asset issues persist in the W&S business, with reliance on STWSP and STSP to deliver significant improvements.

KURP has enabled PUB to deliver a structured and robust capacity building program, and many staff have benefited. More work is needed to ensure skills gains are effectively channelled to improve operational performance.

Areas of policy and governance require further development both within PUB and the enabling environment, but MISE is actively working to develop relevant policies and strengthen their capacity as oversight sector managers.

PUB's role is to persist with essential changes in business processes and asset management, while ongoing support from the development partner helps the projects to succeed.

PUB is committed to prioritising the welfare and satisfaction of its customers by taking immediate action to enhance the infrastructure and improve the stability and reliability of the power and water supply. However, after years of asset degradation, it will take some time to restore that stability and regain the community's confidence. As stated, the projects will play a vital role in this overall outcome.

PUB is on a path to recovery and improvement, but many challenges remain, most of which are emerging simultaneously. For Kiribati and PUB, many activities involve uncharted territory (major PV and BESS, large desalination systems), and PUB now needs to take a leading role in completing these projects. If PUB and the projects choose the wrong course now, it could increase risk and vulnerability instead of offering mitigation. Indeed, it is a challenging time.

PUB assesses risks in evaluating the financial, H, S&E, operational (time impact), and regulatory impacts of proposed activities.

PUB recognises the numerous operational challenges and has taken steps to inform government stakeholders about them and to engage with donors for urgent support and solutions.

The key risks identified to date, along with comments and mitigation plans, are outlined in the following table.

Risk	Comments / Mitigation
Long-term plans for the funding gap expected once the new desalination plants are commissioned.	PUB is unlikely to generate tariff revenues sufficient to meet the additional costs of operating the new desalination plants. ANY TIME lapsed without sufficient funding where PUB is providing power and operating activity puts both the W&S and the power businesses at great risk.
Cross-subsidy of W&S business	PUB cannot abandon the W&S business and is forced to operate it at a loss with cross subsidy of cash from the electricity revenues. The lack of CSO is business critical and puts, not just W&S services, but the electricity business at risk. As above, GoK and donors, under STWSP, must find a funding solution for the medium to long term distribution of drinkable water.
Cable Fault detecting capability	Cable faults were taking too long to detect without operable fault testing equipment. PUB has partly addressed this through repair, but back up parts, a backup machine and trained staff in the operation of specialist equipment provide significant risk.
Power demand and stresses on the network	PUB has generation and distribution limitations between Bikenbeu and Betio due to a 3 MW voltage regulator. Significant network upgrade is planned with the ordering of new RMUs and transformers, the Earthing transformer and the overhead 33kva grid under STREP 2. However, these assets will be implemented incrementally over the next 2 -3 years, with high risk while parts stocks remain low and long delivery times.
Cash always demanded in advance, with customers late in payments	Cash flow is constantly under stress as suppliers demand advance payments, while customers are late payers. The pending roll-out of PrePaid meters will alter this scenario, but PUB has had delays and needs to carefully manage cashflow until most major customers are paying in advance.
Safety protocols	PUB is working on safety training and initiatives and to improve overall safety across its operations. This is ongoing work but until a higher standard is reached and is institutionalised in day-to-day work, PUB continues with a high risk of a safety incident. Safe management of waste oil is problematic and high risk and a solution for the disposal of excess waste must be found.
KOIL is now back to demanding advance payments	PUB enjoyed extended credit with KOIL, and due to general cash flow shortage took too much advantage, such that recently directive was made to prepay fuel requirements. This adds administrative burden and poses risks of supply, as evidence last week with KOIL non-deliveries until the payment account was topped-up
PUB Water Supply	Drought conditions expected to emerge in late 2024. Water supplies are expected to be threatened and major supply issues are expected. Extraction from Water reserve at Bonriki will likely have to be reduced to reduce salinity intrusion meaning further reliance on the new desalination plants will be required to provide adequate water.
Service and communication issues	PUB has plans for improvements to its broad communications efforts and its customer service. Yet, until such issues are firmly embedded in institutional operations, PUB remains vulnerable to problems and process violations.

Please note, the above are only the major business risks, there are other general and specific risks across the business, including the many new laws and policies being developed and the risk of non-compliance or the impact of compliance/non-compliance on matters where PUB is not given sufficiency of input.

PUB is addressing these risks, and the addition of 2MW of rental generation capacity has significantly improved operations, lowered outages, and facilitated overdue and much-needed maintenance. These measures help reduce supply side risks, but there is still more to do to protect supply and use any reserve capacity more efficiently.

There are limited options for electricity investment due to technical requirements. For example, solar power lowers diesel fuel costs for generation but cannot be fully relied upon during peak demand as it depends on weather conditions.

The water network requires upgrading to minimise system losses and ensure the output of proposed new desalination investments. This work is urgent under the STWSP project,

PUB also needs to implement new standard operating procedures and ensure policies and procedures accurately reflect what needs to be done, including which staff members can be held accountable for completing necessary activities as required.

SWOT Analysis

Strength	Weakness
• New leadership bringing energy, focus, and renewed commitment to reform. • Essential service mandate — demand is guaranteed and non-substitutable. • Strong institutional knowledge of local context and operational challenges. • Direct access to government, donors, and regulators due to strategic importance. • Skilled and experienced technical staff base, with potential to build capacity further. • Firmer platform for financial stability following 2025 tariff reform	• Constrained financial capacity due to price controls and affordability issues. • Ageing, inefficient, and unreliable infrastructure assets. • Inconsistent ability to meet required power and water quality/quantity standards. • Weak corporate governance, accountability, and compliance frameworks. • Declining public reputation and customer trust. • Over-dependence on donor-funded projects rather than internally generated capacity. • Limited data systems for planning, monitoring, and decision-making. • Lack of redundancy and backup systems, increasing vulnerability to outages. • Absence of CSO for many years now Those in blue are improving following specific interventions in 2024/25
Opportunity	Threats
• Strong donor and development partner support for sector improvement. • Adoption of renewable energy, battery storage, and smart-grid technologies. • Support from major projects (KURP, STREP, STWSP) with long-term transformational potential. • Growing demand for electricity as the economy and population expand. • Roll-out of pre-paid meters to strengthen	• Critical equipment breakdowns and prolonged service outages. • High network losses, water leaks, and system inefficiencies. • Market resistance to tariff adjustments and inability to achieve cost recovery. • Risk of inadequate Community Service Obligation (CSO) funding. • Unfavourable or unclear legislative/regulatory changes (e.g., Energy Act, new regulator).



cash flow and customer discipline. • Improved financial and HRM systems • Extensive governance, leadership, and technical training programs available. • Rebranding and proactive communication strategy to restore reputation. • Opportunity to integrate climate resilience funding into PUB's capital projects. • Stronger association with PPA, PWWA and other regional opportunities for leverage, skills transfer and support	• Non-commercial viability of desalination plants under STWSP. • Rising fuel prices and global supply chain disruptions increasing operating costs. • Continued dependence on donor financing — risk of funding shortfalls or delays. • Climate change impacts: rising sea levels, saltwater intrusion, droughts, and extreme weather events. • Potential “brain drain” as skilled staff move abroad for better opportunities. • Cybersecurity risks as PUB digitises its systems and expands IT infrastructure. • Customer dissatisfaction leading to reputational damage and political pressure
--	---

3.4 Additional Risk Review

Need for a CSO

In 2026/17, when PUB’s water and sanitation services worsened for domestic users and water was consistently rationed to only 2 hours every 2 days, the government's policy was to reduce the domestic tariff to NIL.

Funds for operating the network, including the water galleries, the main trunk distribution pipe, the village tanks and take-off points, as well as the leaking network and sewerage systems, were based on commercial tariffs, which include fees for water truck delivery and CSOs.

In recent years, the modest costs of the W&S department, with little investment or repairs and maintenance, have been around \$2m, mainly covering salaries for up to 50 staff, a share of PUB’s corporate service overheads, and expenses for chlorine, chemicals, and sundry items. Equipment has broken down, and pumps have not been repaired.

Commercial revenues have varied around \$700k to \$900k, with some of this coming from sanitation tariffs to commercial users that are non-collectable. Therefore, a CSO of over \$1 million was required, and this was received in some years, but nothing was granted in 2024. We understood our claim of \$2.2 million for CSO in 2025 would also be rejected. However, on 3 November, an amount of \$0.47 million was remitted.

PUB has maintained W&S at a minimal level and recognises the potential benefits that could result from STWSP and STSP. The latter has already arranged equipment for PUB. These benefits should include substantial capacity development and operational redesign aligned with the network construction and desalination plant operations. As a result, while PUB will remain vulnerable in 2026 due to weak revenue in W&S, other operational improvements are anticipated.

These projects (STWSP and STSP) also require, under covenant, that the tariffs are restored so that ongoing, post-project operations and maintenance can be funded and the networks

do not easily degrade. It is therefore expected that PUB will not need CSOs in the future, but some assistance in 2026—although not currently budgeted—will be helpful for W&S operations, given recent revenue receipts.

Risks with projects – STWSP

As major infrastructure projects (STREP 1 & 2, STWSP, and STSP) progress, PUB needs to align its activities and operations with these initiatives since they represent the future. We are already dependent on the McKenzie desalination plant for water production from Q2 2025. By Q3 2026 (delayed by six months), we will incorporate over 20% renewable energy into our grid and will become increasingly reliant on PV input.

During 2026 and 2027, major refurbishment of the sewer network, along with additional household access under STSP, will significantly enhance the operation of effective sanitation facilities in the three B's (Betio, Bairiki, and Bikenibeu).

Also, during 2026 and 2027, it is expected that the water networks will be replaced, with accessibility to the villages increased to a standpipe connection for every household. Meanwhile, the new overhead 33kVa transmission line will enable all 7.5MW (plus another 4MW of floating solar at Betio) to access the grid. PUB will most likely operate on 60% renewable energy and, by then (end of 2027, early 2028), will have a reliable water distribution network and, most likely, a fully operational Betio desalination plant to enhance water quality, accessibility, and effective use.

Thus, within 2–3 years, PUB's operations and infrastructure assets will be significantly improved, and PUB's responsibility to deliver better service, at affordable tariffs, and to operate, manage, and maintain its operations will increase compared to recent times.

With this exciting opportunity for improved services comes risk. We have already faced notable delays in these projects, both in delivering contracted work and in tendering and procurement. Delays increase project costs, while completion dates and benefits don't materialise as expected. PUB and the community bear most of these costs.

But the greater risk involves post-project issues linked to an expanded asset base and the necessity for enhanced skills and competencies in managing assets, delivering services, investing in networks and asset management, and safeguarding revenues for full cost recovery, all to ensure sustainable improved services. When stakes are higher, risks tend to increase, meaning any revenue shortfall, pressure to lower tariffs, or supply chain problems could have more severe impacts than usual, as weaknesses in one business area are more likely to affect others.

PUB needs to focus on identifying and managing these risks during this planning period by implementing effective planning, mitigation measures, and enhancing consultations and cooperation with project experts and stakeholders. When PUB takes ownership and operational control of the assets, effective risk registers, detailed operating procedures and internal audit need to be in place to help manage associated risks.

3.5 Leading to Specific Challenges and Focus of Planning Period



PUB management recognises that the business potential and current support from development partners are significant. Therefore, it is crucial to maintain the right focus and implement reforms in the existing core businesses.

The ‘future PUB’ will be a larger, improved version of today’s business, featuring enhanced processes to oversee a network worth over \$200m. This SOI must reflect the transition of PUB, where we stabilise the electricity supply, significantly boost water availability, and ensure staff structures and operational procedures support safe and efficient service delivery.

4 PLANNING PERIOD OBJECTIVES

4.1 Key Challenges Statement

It is challenging for PUB to achieve a balance between economic sustainability and serving the community with reliable and safe utility services, particularly following a period of asset degradation. Improvements are visible, especially in the electricity side of the business.

However, investments from ADB/World Bank/JICA/DFAT/MFAT(NZ) and others offer opportunities to establish high-performing assets and reliable services. The ability of PUB to sustain these assets into the future, as well as fund annual operating expenses, although a challenge, will remain a goal for the PUB.

Replacing baseload generators remains difficult if we depend only on development partner support, whose policies are all committed to renewable energy. JICA has been flexible and indicated they will support up to AU\$5m for new generation capacity. No other donors show interest at this stage. However, JICA has recently updated that a 1.4MW generator, sourced through Japanese supply chains, costs over AU\$6m. It is therefore, likely that PUB will take ownership of sourcing and financing its own needs.

The theme of reform at PUB needs to continue throughout this SOI period and, as stated, while significant progress has been made, there is much work remaining.

- The key objectives for this period can be grouped under relevant reform themes, as follows:
- Systems and procedural restoration
 - Compliance and environmental impact
 - Asset Management Plans
 - Building for the Future

4.2 Clear Statement of Objectives to accomplish by the end of the Planning Period

	Objectives for the Planning Period
	Systems and procedural restoration
A	Revisit and design Operating Procedures to strengthen work tasks and increase

	effectiveness
B	Elevate safety as the cornerstone of everything that we do
C	Promote Customer Service as the platform for PUB's performance
	Compliance and Environmental Impact
D	Strengthen adherence to the legal and compliance environment
E	Support development of the regulatory environment (Update to laws)
F	Implement effective safety and hazards management
	Asset management Plans and Projects
G	Create a plan/model for all Electricity and Water Assets, to control maintenance, upgrades/overhauls and replacement
H	Support capacity developments commensurate with new technologies, new operating mechanisms and systems
I	PUB active involvement in major utility projects
J	Take ownership of core generator requirements for the future
K	Improved transparency and communications around asset management, asset and service issues
	Building for the Future
L	Develop robust financial management systems to comply with international standards and best practices
M	Build Revenue Protection for all services, through tariff transparency, effective models and funding sources
N	Support re-branding of the business

5 STRATEGIC ACTIONS TO SATISFY OBJECTIVES

5.1 Strategic Actions to accomplish Objectives by the end of the Planning Period

	STRATEGIC ACTIONS	WHO	RESOURCES
A	Revisit and design Operating Procedures to strengthen work tasks and increase effectiveness		
1	Revisit, update and design relevant Operating Procedures to strengthen work tasks and increase effectiveness	All / CEO	TA support
2	Train staff on new Operating Procedures	CEO	TA support
3	Implement a feedback loop for ongoing enhancements to Operating Procedures	CEO	TA support
B	Elevate safety as the cornerstone of everything that we do		
4	Continuous safety training and compliance	Safety Officer	External Training
5	Safety compliance to become a part of every Management & Board Report	Safety Officer / CEO	
6	Ensure full compliance with safety PPE, signage, and security around all PUB facilities	Safety Officer	
C	Promote Customer Service as the platform for PUB's performance		
7	Customer Call Centre fully operational with all customer issues and feedback recorded	GM CS	
8	Establish customer service benchmarks	CEO / GM CS	
9	Launch public education and community events supporting PUB and efficient use of water and electricity	GM CS	Cooperate with other Agencies
D	Strengthen adherence to the legal and compliance environment		
1	Implement a compliance register for all legal and regulatory	GM LS	

0	obligations		
1	Implement the Risk & O,H,S sub-committees of the Board	Board	
1			
1	Implement the Internal Audit function in PUB	CEO / GM LS	TA Support
2			
E	Support development of the regulatory environment (Update to laws)		
1	Be proactive in the development of a suitable Grid Code for South Tarawa	CEO / GM PC	Cooperation with GoK agencies, specifically MISE
3			
1	Support policy development in electricity, water and sanitation	CEO /GM PC /GM PE / GM WS	
4			
1	Improve relations with MISE and other agencies in the implementation of an effective regulatory environment	CEO	
5			
F	Implement effective safety and hazards management		
1	SOPs to include Job Risk Assessments (or task/procedure) so that everything is safely undertaken	GM PC	
6			
1	Develop management mechanisms for safe handling of Waste Oils	GM LS / GM PE	
7			
G	Create a plan/model for all Electricity and Water Assets, to control maintenance, upgrades/overhauls and replacement		
1	Implement full Asset Management Plans for all PUB assets	GM PC	
8			
1	Strengthen in-house capacity on asset management software, including ArcGIS, DigSilent	GM PC	Specific Training needed
9			
2	Reduce Grid losses through identification of areas of System loss	GM PC / GM PE	
0			
2	Ensure Water reticulation system is upgraded, NRW is minimized for improved Water supply	GM WS	
1			
2	Commitment to keep clean and operational the sewer network systems	GM WS	
2			
H	Support capacity developments commensurate with new technologies, new operating mechanisms and systems		
2	Use operating data as the key to effective management and future developments	CEO / GM PC / GM PE	
3			
2	Invest in staff capacities and in new systems and processes	CEO / HRM	
4			
I	PUB active involvement in major utility projects		
2	Ensure PUB active participation in each Project [STREP, STWSP and STSP] at meetings, reviewing reports & recommendations and in decision-making	CEO / GM CS / GM PC / GM WS	Cooperation with project stakeholders including donors, PMU, PIAC teams
5			
2	Strengthen commitment to the PUB-led community engagement functions,	GM LS	
6			
2	Ensure project budgets and forecasts are managed effectively	CEO	
7			
2	Ensure that PUB W&S business is reformed via O&M inputs from STWSP and STSP	CEO / GM WS	
8			
J	Take ownership of core generator requirements for the future		
2	PUB to lead a proposal for replacement of baseload generators accompanied by a financing plan	CEO / GM PC	
9			
3	Ensure replacement parts for all generators are identified and ordered in a timely manner to improve stock management	GM PC / GM PE	
0			

K	Improved transparency and communications around asset management, asset and service issues		
3 1	Develop physical and IMS systems for effective parts and stores management in Electricity and W&S	GM Fin / GM WS	Support from STWSP/STSP
3 2	Ensure any electricity tariff model is transparent and reflects all PUB operating, salary, fuel, maintenance and capital requirements and is based on Full Cost Recovery (FCR) as a minimum	CEO	
3 3	Establish business KPIs for monitoring internal management and performance progress	CEO	PPA / PWWA benchmarking
3 4	Achieve acceptable business targets	CEO	
L	Develop robust financial management systems to comply with international standards and best practices		
3 5	Establish financial policies and procedures to align with IFRS	GM Fin	
3 6	Continue to develop NetSuite and Telstream to maximise automation and efficiency in our financial management	GM Fin	Vendor support
3 7	Develop a risk management framework for managing and mitigating financial risks	GM Fin / GM PC	
M	Build Revenue Protection for all services, through tariff transparency, effective models and funding sources		
3 8	Secure supply agreements with major suppliers to improve supply efficiency	GM Fin / GM LS	
3 9	Develop tariff models to manage multi-year fluctuations (when security of supply of electricity and water is stabilized)	CEO	
4 0	Be sure any funding gap in any services, is transparent and clearly articulated	CEO	
N	Support re-branding of the business		
4 1	Develop a program of works to rename and rebrand PUB	GM CS	

5.2 Business as Usual

PUB is now fully engaged in its institutional and infrastructure reforms, making significant progress each month. PUB's old mechanisms and outdated procedures are gradually being upgraded to establish a new 'business as usual'. Looking ahead to 2026, the focus will be on debtor management, completing the PrePaid meter rollout, and strengthening cash flows and customer service.

PUB faces significant production and distribution challenges, with many projects and activities planned. As we work towards improvements and change, we continue to do our best to provide the essential, mandated services.

6.0 PERFORMANCE MEASURES

6.1 Identify 1 – 5 SMART KPI's that relate specifically to each strategy

	STRATEGIC ACTIONS	MEASURE	WHEN
A	Revisit and design Operating Procedures to strengthen work tasks and increase effectiveness		
1	Revisit, update and design relevant Operating Procedures to strengthen work tasks and increase effectiveness	80% of P&P being reviewed by	By Apr'26
		Revised SOPs drafted and approved by CEO	By Jun'26
		95% SOP's operational	By Oct'26
2	Train staff on new Operating Procedures	Training implemented & ongoing	By Jul'26
		Company-wide survey to determine level of competence and confidence among staff following training	By Jun'27
3	Implement a feedback loop for ongoing enhancements to Operating Procedures	SOP 'owner' established	By Dec'26
		Management Meeting Resolutions for Change	By Jun'27
B	Elevate safety as the cornerstone of everything that we do		
4	Continuous safety training and compliance	Intermittent updates	Ongoing through 2026
5	Safety compliance to become a part of every Management & Board Report	Monthly Reports	By Jun'26
6	Ensure full compliance with safety PPE, signage, and security around all PUB facilities	Requirements logged in SOP	By Jun'26
		Notices and training provided	By Jun'26
		Incidents logged and reported	By Jun'26
C	Promote Customer Service as the platform for PUB's performance		
7	Customer Call Centre fully operational with all customer issues and feedback recorded	All customer feedback logged into system	By Feb'26
		Baseline service levels published	By Mar'26
		Targets for improved responses developed	By Jun'26
		Comparison to Regional benchmarks	By Oct'26
8	Establish customer service benchmarks	All services addressed within 5 days	By Jun'27
		Targets for each service type	By Jun'27
9	Launch public education and community events supporting PUB and efficient use of water and electricity	2 events in 2026	By Dec'26
		3 events in 2027	By Dec'27
		3 events in 2028	By Dec'28
D	Strengthen adherence to the legal and compliance environment		

10	Implement a compliance register for all legal and regulatory obligations	Establish a Register of all laws and Policies for PUB compliance	By Dec'26
		Develop a summary/list of such compliances and check compliance	By Jun'27
		Achieve 100% Compliance	By Dec'27
11	Implement the Risk & O,H,S sub-committees of the Board	ToRs & Committee members agreed	By Jun'26
		First Meeting	By Jun'26
12	Implement the Internal Audit function in PUB	Develop a plan for implementation	By Apr'26
		Staff identified and trained	By Dec'26
		Commence Operations	By Jun'27
E Support development of the regulatory environment (Update to laws)			
13	Be proactive in the development of a suitable Grid Code for South Tarawa	PUB team to present draft Grid Code	By Mar'26
		Following consultations, Code agreed	By Sep'26
14	Support policy development in electricity, water and sanitation [Energy Roadmap, Energy Act Regulations, W&S Policy]	Relevant Policies reviewed and PUB inputs	By Jun'26
		PUB agrees with formal Policies issued	By Jul'26
15	Improve relations with MISE and other agencies in the implementation of an effective regulatory environment	GMs having MISE meetings with HOD's every 3 months	By Jul'26
		Report on meetings and regulatory issues	By Oct'26
F Implement effective safety and hazards management			
16	SOPs to include Job Risk Assessments (or task/procedure) so that everything is safely undertaken	JRA's for every job/task undertaken	By Mar'26
17	Develop management mechanisms for safe handling of Waste Oils	Dispose existing 1000 drums	By Mar'26
		Implement effective storage/handling procedures	By Sep'26
		Never > 50 drums on sites	By Sep'26
G Create a plan/model for all Electricity and Water Assets, to control maintenance, upgrades/overhauls and replacement			
18	Implement full Asset Management Plans for all PUB assets	All PE assets on life cycle Plans	By Mar'26
		All WS assets on life cycle Plans	By Sep'26
19	Strengthen in-house capacity on asset management software, including ArcGIS, DigSilent	3 senior staff fully trained	By Sep'26
20	Reduce Grid losses through identification of areas of System loss	LV metering equipment in operation	By Jun'26
		Electricity losses	By Sep'26

		recorded by area	
		Remedial actions implemented	By Sep'26
		System losses less than 12% by	By Mar'27
2 1	Ensure Water reticulation system is upgraded, NRW is minimized for improved Water supply	STWSP network contract is executed	By Jun'26
		Measurably improved water supply	By Sep'27
		NRW is less than 8%	By Sep'27
2 2	Commitment to keep clean and operational the sewer network systems	Effective Sewer Maintenance procedures in place	By Sep'27
		Schedule of cleaning	By Sep'27
H	Support capacity developments commensurate with new technologies, new operating mechanisms and systems		
2 3	Use operating data as the key to effective management and future developments	Ensure Projects SCADA is synced to PUB needs	By Mar'27
		Rent dedicated FOC	By Mar'27
		Design overall Data/SCADA needs	By Sep'27
2 4	Invest in staff capacities and in new systems and processes	Training and development ongoing	By Mar'27
I	PUB active involvement in major utility projects		
2 5	Ensure PUB active participation in each Project [STREP, STWSP and STSP] at meetings, reviewing reports & recommendations and in decision-making	Relevant GMs to attend meetings and monitor minutes/reports	By Mar'26
2 6	Strengthen commitment to the PUB-led community engagement functions,	PUB led community engagements ongoing	By Jun'26
		PUB led meetings with Councils – Bi-annually	By Mar'26
2 7	Ensure project budgets and forecasts are managed effectively	Quarterly Updates inc. project forecasts	By Mar'26
2 8	Ensure that PUB W&S business is reformed via O&M inputs from STWSP and STSP	O&M TAs in place	By Mar'26
		SOPs, operations reformed	By Mar'28
J	Take ownership of core generator requirements for the future		
2 9	PUB to lead a proposal for replacement of baseload generators accompanied by a financing plan	Negotiate support from JICA for delivery by	By Jun'26
		Source, propose and plan for up to 4MW of replacement baseload by	By Jun'26
3 0	Ensure replacement parts for all generators are identified and ordered in a timely manner to improve stock management	Detailed Parts list available for inventory	By Feb'26
		Inventory levels of PED requirements at 95% by	By Jun'26
K	Improved transparency and communications around asset management, asset and service issues		
3 1	Develop physical and IMS systems for effective parts and stores management in Electricity and W&S	Training for Stores men	By Jun'26
		Inventory levels of PED requirements at 95% by	By Jun'26

3 2	Ensure any electricity tariff model is transparent and reflects all PUB operating, salary, fuel, maintenance and capital requirements and is based on Full Cost Recovery (FCR) as a minimum	Tariff models developed for multiyear and regulatory compliance	By Jun'27
3 3	Establish business KPIs for monitoring internal management and performance progress	Management KPIs established	By Jan'26
		KPIs monitored for performance	By Jun'26
3 4	Achieve acceptable business targets	NOPAT > \$250k	By Dec'26
		Cash Flow > \$500k	By Dec'26
		DSO less than 60	By Dec'26
		RE mix in operations >25%	By Dec'26
L	Develop robust financial management systems to comply with international standards and best practices		
3 5	Establish financial policies and procedures to align with IFRS	All finance procedures completed	By Jun'26
3 6	Continue to develop NetSuite and Telstream to maximise automation and efficiency in our financial management	Updates and validations by TeqSuite and Datelstream under service contracts	By Dec'26
3 7	Develop a risk management framework for managing and mitigating financial risks	Risks identified	By Dec'26
		Risk framework and mitigation measures in place	By Dec'27
M	Build Revenue Protection for all services, through tariff transparency, effective models and funding sources		
3 8	Secure supply agreements with major suppliers to improve supply efficiency	Seek evidence that KOIL fuel prices are reflective of market conditions	By Jan'26
		Engage in formal supply agreement with fuel vendor	By Jun'26
		Engage in formal supply agreement with other major suppliers	By Jul'27
3 9	Develop tariff models to manage multi-year fluctuations (when security of supply of electricity and water is stabilized)	Tariff models developed for multiyear and regulatory compliance	By Jun'27
4 0	Be sure any funding gap in any services, is transparent and clearly articulated	Gap is evident from tariff models	By Jun'27
N	Support re-branding of the business		
4 1	Develop a program of works to rename and rebrand PUB	Develop a plan for rebranding	By Jun'28
		Get plan approved at Cabinet	By Dec'28

14 Objectives, 41 Strategic Actions, 85 KPIs. (59 for 2026)

7.0 SUPPORT FOR GOVERNMENT POLICIES

7.1 Statement of compliance with relevant Government Policies

PUB provides essential services to the community. In undertaking these tasks PUB complies with all Government Policies and Legislation.

7.2 Statement of Community Services

PUB's CSO submission for 2025 was based on the key assumptions underpinning the financial forecast, including diesel at market prices (av. of \$1.50/litre) and a revised electricity tariff to support the required level of operating expenditures to effectively manage maintenance and generator rehabilitation.

Based on these assumptions, PUB's submission was

- For Water & Sewerage support a total of \$2.0m
- For urgent capital requirements a total of \$1.7m

Once a new diesel price (\$1.64/litre) was submitted for PUB, the first months of the year proved challenging to secure a revised tariff, manage the transition to the new diesel price, and handle the cash flow issues caused by higher advance payments for diesel, while up to 90 days' receipts for billed electricity. By May, these issues began to settle. In March, the CSO for the W&S business was agreed in principle, with MFED/SOEMAU seeking further clarifications. Support for Capital was off the table but was reconsidered following a decision to procure two new high-speed generators to replace the rental units, with the government providing funds of up to \$1m.

By September, despite follow-ups with SOEMAU and providing extensive information, along with an admission that they would recommend \$1m as a W&S CSO, no commitment or funding has been secured, and PUB has accepted that, as with 2024, it won't materialise.

Therefore, PUB is taking a more cautious approach to the 2026 forecasts. It was assumed that the STWSP and STSP projects would start to positively impact the W&S business during this period. While they won't generate cash for salaries, chlorine, or pipe fittings, they will offer valuable benefits in operations, training, know-how, equipment, and related costs. Plans for the O&M support under these projects need to ensure a strong W&S operation for PUB during the remaining planning period (2026–2028). Some uncertainty remains, as project budget constraints could restrict the level of O&M inputs.

Currently, PUB is not expected to claim any CSO funding for 2026.

7.3 Statement of Support/Obligations from GoK and Development Partners

PUB as implementing Agency for the South Tarawa Renewable Energy Project (STREP) is required to oversee the obligations that were agreed between GoK and the ADB in the Grant Funding Agreement.

Compliance (or otherwise) under the STREP agreement is superseded by the following financial covenants in the grant agreement for STREP 2, which extends this project.

Financial Covenants

The Government will cause the Implementing Agency to achieve an operating expense ratio for its electricity operations of no greater than 1.0 for the financial year ending 31 December 2024 and each financial year thereafter.

For the purpose of subparagraph (a) hereinabove, “operating expense ratio” means the ratio of total operating expense to total operating revenues; “operating revenue” means revenues from sales of electricity; and “operating expense” means operating expenses including expenses attributable to operation and maintenance, depreciation and, to the extent possible, debt service requirements in excess of depreciation.

The Government will cause the Implementing Agency to achieve day sales outstanding of no more than 50 for the financial year ending 31 December 2024 and each financial year thereafter.

For the purpose of subparagraph (a) hereinabove, “day sales outstanding” means the average number of days required for collection of payment following sale of electricity, calculated by dividing the amount of accounts receivable for each financial year by the total value of credit sales during the same financial year, and multiplying the result by the number of days in the period measured.

The Government will, by no later than 31 December 2024, finalize a plan for the payment of direct subsidies to the Implementing Agency to promote its self-sustainability and ensure its ability to meet core cash flow needs. Such a plan will provide the framework for the allocation of annual subsidies to the Implementing Agency to enable it to achieve an annual ratio of operating expenses to revenue of no greater than 1.0.

The Government will cause the Implementing Agency, by no later than 31 December 2024, to establish an audit committee of its board of directors, with formal terms of reference developed in accordance with internationally accepted corporate governance practices, and to which the internal audit function of the Implementing Agency will report.

The Government will ensure that (a) payments to the Implementing Agency for duly invoiced services are paid in a timely manner, and (b) arrears in payments by the Government to the Implementing Agency do not exceed 1 year.

Tariff Adjustments

For the financial year ending 31 December 2024 and each financial year thereafter, the Government will cause the Implementing Agency to submit annual petitions for tariff revisions, in accordance with national tariff policies and regulations, and ensure such tariff petitions take into consideration (a) the minimum tariff level to cover basic operating costs, debt service and capital replacement; (b) available data

concerning affordability to users and users' willingness to pay; (c) recent tariff escalations; and (d) the outcome of public consultations undertaken by the Implementing Agency as part of its tariff assessment and application process.

The Government will ensure that the tariffs determined for the Implementing Agency are adequate to cover its operating costs, maintenance, depreciation and financing costs. The Government will, and will cause the Implementing Agency to, (a) make continuous efforts to rationalize tariffs to achieve full cost recovery, in accordance with national tariff policies and regulations; and (b) undertake a periodic review of tariffs and fees, including an assessment of their impact on poor and vulnerable populations.

7.4 Statements of Financial capacity and details of any external borrowings.

Nil

7.5 Dividend Statement

PUB is not expecting to make a significant Profit during the period of this Statement of Intent without receiving a CSO from the GoK, therefore, it is also difficult to decide on establishing a dividend policy while operating on a loss and overdraft. The Dividend Policy therefore will be considered prudently once the organisation become profitable.

7.6 Any other matters as agreed with the Responsible Ministers

Nil

8.0 FINANCIAL FORECASTS

8.1 Financial Performance (Profit & Loss statement)

PUBLIC UTILITIES BOARD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO DATE ENDED 31 DECEMBER	Audited 31-Dec-22 \$	Draft 31-Dec-23 \$	Draft 31-Dec-24 \$	Estimate 31-Dec-25 \$	Forecast 31-Dec-26 \$	Forecast 31-Dec-27 \$	Forecast 31-Dec-28 \$
INCOME							
Operating Income	16,503,123	16,429,267	16,420,463	28,004,779	29,546,943	34,453,383	34,154,578
EXPENDITURE							
Operating Expenditure	16,729,653	16,119,206	17,004,716	26,515,862	28,733,186	33,625,339	33,177,059
Net Profit/(Loss) after tax	(226,530)	310,061	(584,253)	1,488,917	813,757	828,044	977,519
Accumulated Profits/(Losses) at(Openir	5,838,401	5,611,871	5,921,932	5,337,679	6,826,596	7,640,353	8,468,397
Accumulated Profits/(Losses) at(Clos	5,611,871	5,921,932	5,337,679	6,826,596	7,640,353	8,468,397	9,445,916

ELECTRICITY BUSINESS

INCOME

Electricity Sales	12,891,392	13,492,458	14,849,015	26,362,664	27,004,393	27,694,612	26,154,343
Internal Electricity Sales	365,576	139,351	172,957	271,027	962,160	1,106,484	1,272,456
Other Income	225,808	284,417	481,102	320,240	320,240	336,252	353,065
Total Income	13,482,776	13,916,226	15,503,074	26,953,931	28,286,793	29,137,348	27,779,864

EXPENDITURE

Power Generation	11,997,794	11,097,910	12,243,240	20,303,154	20,153,136	21,219,769	19,438,945
Power Distribution	682,928	835,639	1,185,850	1,768,761	1,563,326	1,744,559	2,093,792
Corporate Services	1,363,715	1,689,681	1,425,729	1,770,818	3,105,111	3,297,344	3,686,000
Other Expenditure	-	-	-	-	-	-	-
Total Expenditure	14,044,437	13,623,230	14,854,819	23,842,733	24,821,573	26,261,672	25,218,737

Operating Profit/(Loss) before tax	(561,661)	292,996	648,255	3,111,198	3,465,220	2,875,676	2,561,127
Bad & Doubtful Electricity & Water Debts	-	-	-	-	-	-	-
Amortisation - Aid Reserve	-	-	-	-	-	-	-
Net Profit/(Loss) before tax	(561,661)	292,996	648,255	3,111,198	3,465,220	2,875,676	2,561,127
Taxation							
Net Profit/(Loss) after tax	(561,661)	292,996	648,255	3,111,198	3,465,220	2,875,676	2,561,127

WATER & SEWERAGE BUSINESS**INCOME**

Water Sales	1,571,319	1,113,452	745,033	918,096	1,117,701	5,173,586	5,232,265
Sewerage Revenue	-	-	172,356	132,752	142,449	142,449	1,142,449
Gov CSO	1,449,028	1,399,589	-	-	-	-	-
Other Income	-	-	-	-	-	-	-
Total Income	3,020,347	2,513,041	917,389	1,050,848	1,260,150	5,316,035	6,374,714

EXPENDITURE

Water	1,545,028	1,245,648	1,362,123	1,641,031	2,037,205	5,330,829	5,680,081
Sewerage	622,917	609,414	246,980	360,408	696,607	782,121	880,103
Corporate Services	517,271	640,914	540,794	671,690	1,177,801	1,250,717	1,398,138
Other Expenditure	-	-	-	-	-	-	-
Total Expenditure	2,685,216	2,495,976	2,149,897	2,673,129	3,911,613	7,363,667	7,958,322

Operating Profit/(Loss) before tax	335,131	17,065	(1,232,508)	(1,622,281)	(2,651,463)	(2,047,632)	(1,583,608)
Bad & Doubtful Electricity & Water Debts	-	-	-	-	-	-	-
Amortisation - Aid Reserve	-	-	-	-	-	-	-
Net Profit/(Loss) before tax	335,131	17,065	(1,232,508)	(1,622,281)	(2,651,463)	(2,047,632)	(1,583,608)
Taxation							
Net Profit/(Loss) after tax	335,131	17,065	(1,232,508)	(1,622,281)	(2,651,463)	(2,047,632)	(1,583,608)

OVERALL INCOME

Electricity Sales	12,891,392	13,492,458	14,849,015	26,362,664	27,004,393	27,694,612	26,154,343
Internal Electricity Sales	365,576	139,351	172,957	271,027	962,160	1,106,484	1,272,456
Water Sales	1,571,319	1,113,452	745,033	918,096	1,117,701	5,173,586	5,232,265
Sewerage Revenue	-	-	172,356	132,752	142,449	142,449	1,142,449
Gov CSO	1,449,028	1,399,589	-	-	-	-	-
Other Income	225,808	284,417	481,102	320,240	320,240	336,252	353,065
	16,503,123	16,429,267	16,420,463	28,004,779	29,546,943	34,453,383	34,154,578

OVERALL EXPENDITURE

Fuel, Lubes and Operating Costs	9,924,859	9,809,822	10,602,837	17,938,152	17,438,053	21,151,147	18,969,480
Staff Costs	3,042,168	3,257,111	3,501,110	3,924,276	4,460,357	4,675,984	4,885,017
Repairs & Maintenance	210,973	521,772	160,123	1,059,099	2,132,784	2,380,556	2,809,104
Depreciation	2,623,456	980,362	1,679,153	2,161,816	2,588,198	3,099,020	3,711,051
Office & Administration	240,949	324,330	197,670	235,581	329,716	353,678	431,750
Corporate Costs	25,999	240,802	50,665	165,990	177,173	153,104	321,538
Travel Related Costs	75,656	535,223	258,361	429,839	497,138	557,405	628,291
Utilities - Internal Electricity consumption	365,576	137,714	172,957	271,027	962,160	1,106,484	1,272,456
Marketing & Selling Costs	25,000	34,325	2,296	20,000	20,000	20,000	20,000
Professional Fees & Other Costs	156,583	293,129	200,800	310,084	127,607	127,960	128,373
Other Expenditure	38,434	(15,385)	178,743	-	-	-	-
	16,729,653	16,119,205	17,004,715	26,515,864	28,733,186	33,625,338	33,177,060

8.2 Cash Flow statement 2026

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers,	13,034,493	12,726,999	13,026,009	24,749,487	31,966,946	32,056,905	30,556,905
Receipts from CSOs	1,449,028	1,399,589	-	-	-	-	-
Payments to Suppliers and Employees	(14,839,789)	(12,109,575)	(12,139,909)	(23,939,909)	(27,500,000)	(28,100,000)	(26,600,000)
Income Tax paid							
Net Cash Flows from Operating Activities	(356,268)	2,017,013	886,100	809,578	4,466,946	3,956,905	3,956,905

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds on sale of Property, Plant & Equipment							
Acquisition of Property, Plant & Equipment	(646,793)	(186,431)	(276,011)	(1,606,431)	(3,734,945)	(4,100,000)	(4,099,998)
Net Cash Flows from Investing Activities	(646,793)	(186,431)	(276,011)	(1,606,431)	(3,734,945)	(4,100,000)	(4,099,998)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Special Project Funding	3,781,064	7,621,029	3,192,140	2,200,000	-	-	-
Payments from Special Project Funding	(2,311,385)	(8,357,780)	(2,807,611)	(2,200,000)	(1,800,000)	-	-
Repayment of borrowings							
Dividends paid							
Net Cash Flows from financing Activities	1,469,679	(736,751)	384,529	-	(1,800,000)	-	-

Net Increase/(Decrease) in Cash & Cash equivalents	466,618	1,093,831	994,618	(796,853)	(1,067,999)	(143,095)	(143,093)
Add: Cash & Cash Equivalents at beginning of Year	776,088	1,242,706	2,336,537	3,331,155	2,534,302	1,466,303	1,323,208
Cash & Cash Equivalents at end of Year	1,242,706	2,336,537	3,331,155	2,534,302	1,466,303	1,323,208	1,180,115

8.3. Financial Position (Balance Sheet) 2026

PUBLIC UTILITIES BOARD

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR TO DATE ENDED 31 DECEMBER

	Audited 31-Dec-22 \$	Draft 31-Dec-23 \$	Draft 31-Dec-24 \$	Estimate 31-Dec-25 \$	Forecast 31-Dec-26 \$	Forecast 31-Dec-27 \$	Forecast 31-Dec-28 \$
CURRENT ASSETS							
Cash and Cash Equivalents	1,242,705	2,336,537	3,331,155	2,534,302	1,466,303	1,323,208	1,180,100
Trade Debtors	2,412,695	4,599,435	3,458,314	6,200,000	2,200,000	450,000	450,000
Prepayments	-	1,103,130	2,974,965	1,300,000	1,200,000	900,000	900,000
Stock	972,228	1,081,257	1,143,779	1,200,000	1,600,000	1,600,000	1,600,000
Other current assets	-	-	-	-	-	-	-
Total Current Assets	4,627,628	9,120,359	10,908,213	11,234,302	6,466,303	4,273,208	4,130,100
CURRENT LIABILITIES							
Trade Creditors	(362,000)	(2,934,177)	(2,711,572)	(2,011,395)	(900,000)	(900,000)	(1,200,000)
Other Creditors	(141,170)	(101,919)	(90,419)	(580,000)	(780,000)	(980,000)	(1,180,000)
Total Current Liabilities	(503,170)	(3,036,096)	(2,801,991)	(2,591,395)	(1,680,000)	(1,880,000)	(2,380,000)
NON-CURRENT ASSETS							
Buildings	802,541	3,518,617	3,438,520	3,818,520	4,624,002	4,822,378	4,958,000
Plant & Machinery	19,791,002	19,344,768	18,422,927	35,514,764	39,327,667	42,336,396	58,806,000
Furniture, Fittings & Equipment	50,000	57,539	58,414	120,414	130,047	132,648	135,000
Motor Vehicles	61,424	132,340	310,895	529,290	571,633	583,066	594,000
Total Non-Current Assets	20,704,967	23,053,264	22,230,756	39,982,988	44,653,349	47,874,488	64,493,000
NON-CURRENT LIABILITIES							
ADB Loan	-	-	-	-	-	-	-
Total Non-Current Liabilities	-	-	-	-	-	-	-
NET ASSETS	24,829,425	29,137,527	30,336,978	48,625,895	49,439,652	50,267,696	66,245,000
EQUITY							
Capital Reserve	21,206,829	24,535,634	26,319,339	43,119,339	43,119,339	43,119,339	58,119,000
Accumulated Profits/(Losses)	3,622,596	4,601,892	4,017,639	5,506,556	6,320,313	7,148,357	8,125,000
TOTAL EQUITY	24,829,425	29,137,526	30,336,978	48,625,895	49,439,652	50,267,696	66,245,000

PUBLIC UTILITIES BOARD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR TO DATE ENDED 31 DECEMBER

	Audited 31-Dec-22	Draft 31-Dec-23	Draft 31-Dec-24	Estimate 31-Dec-25	Forecast 31-Dec-26	Forecast 31-Dec-27	Forecast 31-Dec-28
	\$	\$	\$	\$	\$	\$	\$
Capital at 1 January 2023	42,856,505	21,206,829	24,535,634	26,319,339	43,119,339	43,119,339	43,119,339
Special Cash Injection	3,781,064						
Revaluation of Statement of Financial Position	(26,846,567)	-	-	-	-	-	-
Reconciliation of / Transfer from Project Funds		541,655	(616,295)	15,000,000	-	-	15,000,000
Less Amortisation	-	-	-	-	-	-	-
Reserves for Project Funds	1,415,827	2,787,150	2,400,000	1,800,000	-	-	-
Share Capital at 31 December 2023	21,206,829	24,535,634	26,319,339	43,119,339	43,119,339	43,119,339	58,119,339
Retained Earnings at 1 January 2023	(5,997,158)	3,622,596	4,601,892	4,017,639	5,506,556	6,320,313	7,148,357
Net Profit / (Loss)	(226,529)	310,061	(584,253)	1,488,917	813,757	828,044	977,500
Dividends Payable	-	-	-	-	-	-	-
Prior Period Items	9,846,283	669,235	-	-	-	-	-
Retained Earnings at 31 December 2023	3,622,596	4,601,892	4,017,639	5,506,556	6,320,313	7,148,357	8,125,857

Financial KPIs

	Actual	Draft	Estimate	Forecast	Forecast	Forecast	Forecast
RoE	-2%	1%	2%	6%	7%	6%	4%
RoA	-2%	1%	2%	6%	7%	6%	4%
Current Ratio	9.20	3.00	3.89	4.34	3.85	2.27	1.00
Debt / Equity Ratio	n/a	n/a	n/a	n/a	n/a	n/a	n/a

8.4 Key assumptions

- Electricity tariffs will be revised to reflect full operating costs and the market price of diesel
- It is estimated that there will be up to 7MW of power supplied at an average tariff of \$0.72/kWh inclusive of a diesel price, at an average of \$1.50 / litre and a consumption of 3.77kWh / litre
- The depreciation calculated is based upon a straight-line-method for the economic life of the assets. Capex, to be funded by PUB is estimated to be roughly equivalent to the annual depreciation charge.
- High-Value technical assets are often gifted, these are amortised as released income under an abnormal item to offset the depreciation. Note that the depreciation period varies for differing assets and ranges from 5 years for plant and machinery to 30 years for stationary electrical assets.
- Projections of donated capital items (if any) are only based upon known projects with assets that have been identified as passing through to the PUB. It should be noted that the actual donated assets could vary substantially from year-to-year based upon revision of Development Partner Support.
- The full impact of STWSP and STREP are not taken to account as the timing of the grid upgrade will be the major factor and with current delays neither project will be complete and fully operational during this planning period

- g) There is nominal accounting for the introduction of water and sanitation tariffs during 2027 and 2028 and the exclusion of W&S CSO as this has not been received in 2024 or 2025 (to date) despite financial covenants to this effect*
- h) Full determination of tariffs on water and sanitation are yet to be determined and the timing of introduction will depend in part on the timing of effective services and operations*
- i) Contrary to the SOE Act, PUB recognises its community obligation to keep tariffs as low as possible, as affordable as possible, and the tariff projections do not consider more than 1% profit margin*

8.5 Statement of the accounting policies in use.

Currently, to the best of PUB's knowledge, the financial statements have been prepared and drafted in accordance with Generally Accepted Accounting Principles and the requirements of the Law of the Republic of Kiribati. They have been prepared using the Historical Cost Convention, and the Accrual Basis of Accounting has been applied. PUB aims to achieve full compliance with international financial reporting standards within two years.