27 July 2013

Lord Dalgety
Electricity Commission
Tu’atakilangi
Nuku’alofa

Dear Lord Dalgety

Compliance Reporting for the Month of July 2013

In accordance with the reporting requirements of the Electricity Concession Contract and in response to your request for additional information as specified in the suggested MOU dated May, 2012, TPL submits the following reports for the month of July, 2013.

5. RAV Update – 2012/13
6. Capex Expenditure Proposal – 2013/14
7. Fuel Tariff Review Proposal

The above report items are described in detail below.

1. System Loss Report

The following graph illustrates that the past 12 months moving average (smoothed) of systems losses for all four islands for the period July 2007 – May 2013. The graph indicates that the total losses for all four islands have slightly decreased from 13.54% (April, 2013) to 13.05% (May, 2013). However, on a real time basis (disregarding 12 months moving average), total systems losses have decreased from 16.54% (April, 2013) to 3.66% (May, 2013) for all four islands. This is mainly due to significant decrease in real time losses in Tongatapu and Vava’u whilst in Ha’apai and ‘Eua real time losses have slightly increased. Whilst Tongatapu 12 months moving average losses have slightly increased from 12.46% (April, 2013) to 12.94% (May, 2013), Vava’u, Ha’apai and ‘Eua moving average losses have slightly decreased.

Fuel efficiency for all four islands has decreased from 4.38 Kwh/litre (April, 2013) to 4.17 Kwh/litre (May, 2013).

Please refer to the attached excel file ‘System Loss Report June 2013’ for further details.
2. Reliability Measures

SAIDI minutes (measuring average total duration of interruption per connected customer) for the month of June, 2013 have significantly decreased from 122.31 (May, 2013) to 2.36 (June, 2013) minutes (see the table below).

<table>
<thead>
<tr>
<th>Reliability Measures</th>
<th>CAIDI Monthly Performance</th>
<th>SAIFI Monthly Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>7.74</td>
<td>4.74</td>
</tr>
<tr>
<td>Aug</td>
<td>935.29</td>
<td>4.51</td>
</tr>
<tr>
<td>Sep</td>
<td>933.55</td>
<td>59.19</td>
</tr>
<tr>
<td>Oct</td>
<td>9.35</td>
<td>253.89</td>
</tr>
<tr>
<td>Nov</td>
<td>4.35</td>
<td>25.49</td>
</tr>
<tr>
<td>Dec</td>
<td>20.42</td>
<td>15.19</td>
</tr>
<tr>
<td>Jan</td>
<td>984.8</td>
<td>622.62</td>
</tr>
<tr>
<td>Feb</td>
<td>162.32</td>
<td>3010.76</td>
</tr>
<tr>
<td>Mar</td>
<td>296.37</td>
<td>23.32</td>
</tr>
<tr>
<td>Apr</td>
<td>157.89</td>
<td>336.9</td>
</tr>
<tr>
<td>May</td>
<td>8.22</td>
<td>294.55</td>
</tr>
<tr>
<td>Jun</td>
<td>62.22</td>
<td>14.72</td>
</tr>
</tbody>
</table>

The major HV faults contributed to the SAIDI minutes for the June, 2013 were described below:
CAIDI minutes (measuring average total duration of interruption per interrupted customer) for the month of June 2013 however have increased from 31.29 minutes (May, 2013) to 71.86 (June, 2013) minutes.

SAIFI (measuring average number of interruptions per customer) have also decreased from 3.91 (May, 2013) to 0.03 (June, 2013). Refer to the table above.

### 3. Monthly Outage Events

<table>
<thead>
<tr>
<th>Report_Date</th>
<th>Fault_Description</th>
<th>Repair_Comment</th>
<th>No_of_Customers_Off</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/06/2013</td>
<td>HV Lines burnt and pole broken</td>
<td>Power shut down at 'UMUSI - HOU Makekinki-KO due to HV lines burnt causing a broken pole. Needed to replace broken pole.</td>
<td>30</td>
</tr>
<tr>
<td>27/06/2013</td>
<td>power off</td>
<td>Partly off due to fuse on transformer was blown</td>
<td>25</td>
</tr>
<tr>
<td>01/06/2013</td>
<td>power off</td>
<td>Power off due to HV transformer fuse blown</td>
<td>20</td>
</tr>
<tr>
<td>18/06/2013</td>
<td>power off</td>
<td>Power off due to blown fuse HV so they replace it with</td>
<td>20</td>
</tr>
<tr>
<td>27/06/2013</td>
<td>power off</td>
<td>Power off due to fuse blown phase blue loose from transformer</td>
<td>19</td>
</tr>
<tr>
<td>05/06/2013</td>
<td>partly off</td>
<td>Materials; HV fuse link 15A x 2</td>
<td>10</td>
</tr>
<tr>
<td>05/06/2013</td>
<td>partly off</td>
<td>Power off due to HV fuse link was blown</td>
<td>10</td>
</tr>
</tbody>
</table>

There were total of 587 unplanned fault events for the month of June, 2013 affecting 582 customers. As per the table above, the number of fault events has significantly decreased from 828 events in May, 2013 to 587 events in June, 2013. The faults were mostly constituted of customer premises (228 faults) and service lines (268 faults). In June, 2013, both service line and customer premises faults have decreased due to better weather conditions. Most of the customer premises faults include fuses at the service line tap off point for a premise. Street lights faults have increased slightly.

### 4. Capex Update

The table and the graph below show the capital expenditure for all the four quarters and the complete year 2012/13. It can be noticed that generation budget have not yet realised in actual terms. The new generator (2.88MW MAK Generator No. 8) installation project has incurred only $4.2 million to date. The balance of $5.6 million expenditure is yet to be incurred in the next financial year 2013/14.
The above graph shows the Budget vs. Actual comparison for the year 2012/13. Except for the generation capex expenditure, all the other capex categories show over expenditures. The actual distribution capex exceeded the budget by about $3.2 million. The main contributor to the over expenditure for distribution is the Village Network Upgrade Project. This aid funded project requires a significant contribution from TPL in associated transformer, metering, and HV network upgrade. The delayed start of this project meant that much of the programmed work was moved into the 2012/13 financial year.

As mentioned above, the generation budget was under achieved, due to TPL being able to delay the purchase of the second Mak generator, and the balance of $5.6 million generation capex expenditure is postponed to the next financial year.

The above graph shows the actual Capex Expenditure for the 2009-2013 period and budgeted Capex for the 2014-2015 for the complete regulatory period. It has been budgeted $12.5 million Capex expenditure for the ended 2014 and $5.5 million Capex expenditure for the year ended 2015.
At the start of the regulatory period, the regulator allowed $55 million Capex budget. However, as shown in the above graph, TPL has only spent $31 million on Capex. There is still $24 million Capex budget left to be spent. However, according to budget forecast, TPL has only $18 million Capex to spend for the next two years.


5. Annual RAV Update

With the addition of $6,073,410 new capital expenditure for the fourth quarter, the new RAV as at June, 2013 was recorded as $48,302,535.

As shown in the above graph, at the end of the regulatory period, actual cumulative RAV ($56 million) is much lower than the cumulative proposed RAV ($65 million) by the Regulator.
6. Capex Expenditure Proposal – 2013/14

Tonga Power Limited wishes to submit the Capex Proposal 2013/14 to the Electricity Commission for approval. The summary of the Capex Proposal is below.

<table>
<thead>
<tr>
<th>Capex Category</th>
<th>Eua</th>
<th>Ha'apai</th>
<th>Tongatapu</th>
<th>Vava'u</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>$162,128</td>
<td>$163,479</td>
<td>$3,483,367</td>
<td>$435,994</td>
<td>$4,244,969</td>
</tr>
<tr>
<td>BUILDING</td>
<td>$185,000</td>
<td>$80,000</td>
<td>$215,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GROWTH</td>
<td>$8,072</td>
<td>$8,118</td>
<td>$1,065,390</td>
<td>$23,569</td>
<td>$1,105,149</td>
</tr>
<tr>
<td>Improvements</td>
<td>$85,597</td>
<td>$86,078</td>
<td>$1,046,372</td>
<td>$336,586</td>
<td>$1,354,633</td>
</tr>
<tr>
<td>Office Furniture</td>
<td>$2,009</td>
<td>$2,009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Protection</td>
<td>$8,437</td>
<td>$8,039</td>
<td>$190,303</td>
<td>$33,857</td>
<td>$240,636</td>
</tr>
<tr>
<td>Safety</td>
<td>$489,10</td>
<td>$50,644</td>
<td>$588,293</td>
<td>$76,982</td>
<td>$765,429</td>
</tr>
<tr>
<td>Tools and Equipment</td>
<td>$10,513</td>
<td>$10,600</td>
<td>$51,000</td>
<td>$15,000</td>
<td>$87,113</td>
</tr>
<tr>
<td>Vehicle</td>
<td>$855,000</td>
<td>$120,000</td>
<td>$475,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation</td>
<td>$223,000</td>
<td>$118,000</td>
<td>$6,902,000</td>
<td>$90,500</td>
<td>$1,233,500</td>
</tr>
<tr>
<td>ANCILLARY</td>
<td>$149,000</td>
<td>$50,000</td>
<td>$190,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GROWTH</td>
<td>$120,000</td>
<td>$200,000</td>
<td>$320,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REPLACEMENT</td>
<td>$103,000</td>
<td>$118,000</td>
<td>$6,453,000</td>
<td>$40,500</td>
<td>$6,714,500</td>
</tr>
<tr>
<td>Indirect</td>
<td>$872,991</td>
<td>$872,991</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUILDING</td>
<td>$22,350</td>
<td>$22,350</td>
<td></td>
<td></td>
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<tr>
<td>INFORMATION TECHNOLOGY</td>
<td>$197,000</td>
<td>$197,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFFICE AND COMPUTER EQUIPMENT</td>
<td>$139,233</td>
<td>$139,233</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Furniture</td>
<td>$6,792</td>
<td>$6,792</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tools and Equipment</td>
<td>$507,615</td>
<td>$507,615</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>$2,000</td>
<td>$45,000</td>
<td>$79,000</td>
<td>$5,000</td>
<td>$131,000</td>
</tr>
<tr>
<td>OFFICE AND COMPUTER EQUIPMENT</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Furniture</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>TOOLS</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Tools and Equipment</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td></td>
</tr>
<tr>
<td>Vehicle</td>
<td>$40,000</td>
<td>$75,000</td>
<td>$115,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>$387,128</td>
<td>$326,479</td>
<td>$11,237,358</td>
<td>$531,494</td>
<td>$12,482,460</td>
</tr>
</tbody>
</table>

The attached file ‘TPL Capex Budget 2013-14’ lists out Capex Proposal in detail.

7. Fuel Tariff Review

In accordance with the requirements of the Electricity Concession Contract, an increase of 3.49 Seniti/KWh fuel tariff component was estimated as a result of increase in fuel prices in Tonga. The new electricity price of 92.74 Seniti/KWh will be effective for all consumtion metered from 1 August 2013. The supporting documents together with the Castalia Model spread sheet were submitted to the EC on the 17th July, 2013 by the Finance Manager.

Should you have any queries with the information provided, please do not hesitate to contact me.

Yours Faithfully,
Ajith Fernando
Risk & Compliance Manager
Tonga Power Limited
Attachments:
- System Loss Report June 2013
- Reliability Measures June 2013
- Faults Events June 2013
- Capex Reconciliation July 2012 – June 2013
- Capex Summary for Regulatory Period
- TPL Capex Proposal 2013-2014