

## DETAILS OF IMPLEMENTATION ARRANGEMENTS

### A. Contractual Structure

1. Sun Pacific Energy Limited (SPEL) is an independent power producer (IPP) that holds a valid business license in Samoa.<sup>1</sup> The IPP currently sells power to the Electric Power Corporation (EPC), Samoa's state-owned power utility, through a 20-year power purchase agreement (PPA) that was signed in June 2015. The existing obligation is for SPEL to generate 3.5 million kilowatt-hours (kWh) a year that are sold at ST0.55 per kWh.<sup>2</sup> The PPA allows for a shortfall in offtaking volume of 5% after which the IPP must pay a penalty to EPC for the shortfall volume. The charge for the shortfall is based on EPC's avoided diesel generation cost per kWh that is computed monthly. The penalty is capped at 20% of EPC's monthly Fuel Charge.<sup>3</sup> EPC is also committed to purchase up to 5% of the energy output in excess of the agreed 3.5 million kWh.

2. **PPA for the solar system expansion.** The project expansion will be covered by an addendum to the existing PPA that is expected to be signed in June 2017. The addendum increases the expected offtake volume from 3.5 million kWh to 6.1 million kWh. The minimum offtaking volume is 5.5 million kWh. The tariff applicable to the expanded offtake commitment is reduced [CONFIDENTIAL INFORMATION DELETED]. Both the existing PPA and proposed addendum have been approved by the Office of the Regulator on 18 May 2017.

3. CONFIDENTIAL INFORMATION DELETED

4. **Land lease.** Samoa Airport Authority (SAA) owns the plot of land where SPEL's system is located. The area hosts three solar PV systems, owned by different IPPs. EPC and SAA have entered a lease arrangement (head lease). [CONFIDENTIAL INFORMATION DELETED] The sub-lease will be signed together with the PPA addendum for the project expansion.

5. **ADB financing.** SPEL and its Australian sister company Jarcon are expected to enter a loan agreement with ADB as co-borrower. [CONFIDENTIAL INFORMATION DELETED]

### B. Management, Construction, and Operations and Maintenance Arrangements

6. **Management.** SPEL was created with the sole purpose of owning the Samoan IPP with the same structure as the Australian sister company, Jarcon. [CONFIDENTIAL INFORMATION DELETED]

7. **Construction.** The construction of SPEL's system has been modular and de facto continuous over the past 24 months. The existing solar farm started operations in April 2015 with 500 kW capacity. The expansion has continued and reached 2 MW by the end of 2015. SPEL kept using internally generated cashflows to expand the system to 2.2 MW and meet the PPA obligation in full.

8. The construction of the expansion is scheduled to start in July 2017 and be completed in

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<sup>1</sup> The business license is issued annually by the Ministry of Revenues. The license is for electric power generation, transmission and distribution.

<sup>2</sup> The price is exclusive of value added goods and services tax (VAGST). The VAGST is invoiced to EPC and paid by SPEL to the Ministry of Revenue.

<sup>3</sup> The Fuel Charge is one of the three tariff components charged by EPC to end users. See the linked document "Sector Overview"

6 months. Orders of solar panels and inverters to reach the expected 4MW have been placed and cargos are scheduled to reach Samoa by the end of July 2017. As in the past, SPEL is going to employ a local electrician as well as some members of the neighboring community to carry out the construction activities needed to complete the expansion of the system. Jarcon will also provide its full support to the Samoan business during the construction.

9. **Operations and maintenance.** SPEL oversees operation and maintenance of the system. [CONFIDENTIAL INFORMATION DELETED]. The neighboring community is employed to guarantee the system security and wash the panels regularly.

### **C. Project Performance Monitoring, Reporting and Evaluation**

10. The borrowers will regularly report their operational, financial, and environmental and social safeguards information to ADB. Jarcon agreed in having financial statements audited by an independent auditor approved by ADB. SPEL will also produce and provide financial statements annually according to Samoan law requirements. Information provided by the borrowers will be used to fulfill annual monitoring report needs for regularly assessing and evaluating the project's credit quality and monitoring the project's operational and financial performance and development impact.