



7th Floor
Moposo House
Kingsway Street
Maseru – Lesotho

Private Bag A315
Tel: (+266) 22312479
Fax: (+266) 22315094
E-mail: secretary@lewa.org.ls

MEDIA STATEMENT

18 April 2019

LESOTHO ELECTRICITY AND WATER AUTHORITY'S (LEWA) DECISION ON LESOTHO ELECTRICITY COMPANY'S (LEC) TARIFF REVIEW APPLICATION FOR 2019-20

A. BACKGROUND

The Authority received an application for a Tariff Review (Application for a Tariff Adjustment) from LEC on 15 January 2019. In line with the Tariff Filing and Review Procedure, the Authority identified data gaps in the Application and communicated them to LEC on 01 February 2019. The Company replied on 01 March 2019.

The Application requested an approval for a Revenue Requirement of M1.075 billion for the Financial Year 2019/20 which would be met by a proposed tariff increase of 14.2% for both Energy and Maximum Demand (MD) charges. Amongst the various tariff application drivers cited in the application, LEC stated that it had to cover:

- The Electricity Bulk Purchases costs (mostly imports);
- Operating Expenditure costs;
- Return on assets; and
- Depreciation costs.

A public notice was issued in both the print and electronic media from 04 February to 28 February 2019 for stakeholders to provide their comments. Stakeholders who had an interest in making oral presentations before the LEWA Board were requested to indicate in writing so that appropriate arrangements could be made. Six (6) public hearings were held on 13th, 14th, 20th and 21st February, 6th and 14th March, 2019 in Mokhotlong, Leribe (this included participants from Butha-Buthe), Qacha's Nek and Mohale's Hoek (this included participants from Quthing), Thaba-Tseka and Maseru

(this included participants from Berea and Mafeteng), respectively. LEC, stakeholders, Chief Bereng Sekhonyana of Khoiting, Lesotho Textile Exporters Association (LTEA) and Consumers Protection Association (CPA) made presentations before the Pricing and Tariffs Committee of the Authority. Summarily, the stakeholder presentations outlined some clarifications sought with respect to the information provided on LEC's application and during the presentation, and recommendations to both the Board and LEC.

B. DECISION:

The Lesotho Electricity and Water Authority (LEWA) Board at its meeting held today, Thursday 18 April, 2019 decided and approved that :-

- (1) LEC's Revenue Requirement for Financial Year 2019/20 will be M901.48 million (instead of M1.075 billion as requested by the Company);
- (2) There will be a Zero percent (0%) tariff increase on the Energy and Maximum Demand charges for all customer categories in 2019/20;
- (3) The current charges for connection, wiring testing, wiring re-testing, survey, re-survey, licensing for wiring, meter testing and house extension remain unchanged for the Financial Year 2019/20;
- (4) There will be a 2 level Block-increasing tariff with lifeline Tariff for domestic customers, The first Block is for consumers using between 0-30 units (kWh) which is priced at M0.7273/kWh .The second Block is for consumers consuming above 30 units (kWh) which is set at M 1.4782/ kWh; and
- (5) The new tariffs become effective from 01 May, 2019.

C. REASONS FOR THE DECISION

Based on the facts and evidence presented to the Authority by both the Company and the public, the Authority found the justification for a 14,2% tariff increase on both Energy and Maximum Demand (MD) charges not consistent with LEWA's Regulatory Principles and Guidelines. The Authority took into consideration, amongst other things, that:

(1) In order to meet its Revenue Requirement of M1.075 billion, energy and maximum demand charges would need to increase by 17.0654%;

(2) The LEC's Revenue Requirement for the Financial Year 2019/20 is M901.48 million and in order to meet it, the tariff will decrease by -1.9116% for both energy and maximum demand charges, without the introduction of lifeline tariff to cater for disadvantaged customers;

(3) Introducing pro-poor tariff is in line with Energy Policy approved in 2015 and it's within the LEWA mandate to do so, Lesotho Electricity Authority Act, 2002, as amended and LEA (Electricity Price Review and Structure) Regulations, 2009;

(4)When introducing the lifeline tariffs, the LEC's tariffs (for both energy and maximum demand charges) will not increaseThe Company will still be able to recover its Revenue Requirement of M901.48 million;

(5) LEC's operating expenses are set at M116.44 million instead of M120.98 million requested by the Company;

(6) LEC is allowed full depreciation charge of M109.04 million in line with its proposal;

(7)The Company is allowed M432.48 million for bulk supply cost. The Company's bulk supply costs are slightly inflated as they do not take into account energy from EDM resold to Eskom;

(8)LEC needs to migrate from "Megaflex Tariff" to "Nightsave Urban large Tariff" as it is cheaper;

In order to accurately determine Regulatory Asset Base (RAB), LEC needs to address the Authority's concern regarding its continued practice of receiving revenue (connection fees) from customers, and creating Company's assets (capitalising of customer financed assets) and LEC is allowed financing costs of M6.19 million instead

of M136.03 million return on assets as the Company has never declared dividends. In addition LEC has unilaterally used the proceeds to increase its staff remuneration.

As a way forward the Key Performance Indicators for LEC are being developed because they are an important tool to monitor LEC's performance.

Detailed and approved tariffs for electricity services are reflected in Tables 1, 2 and 3 attached to this press release.

A detailed document outlining the reasons for the decision and/ or determination on the 2018/19 charges for electricity services will be made available on the LEWA website at www.lewa.org.ls LEWA offices and District Administrators offices in due course.

Ends.

Issued by :

Lesotho Electricity and Water Authority

Private Bag A315, 7th Floor Moposo House,

Kingsway Street,

Maseru

Tel: (+266) 22 312 479 Fax: (+266) 22 315 094 E-mail: secretary@lewa.org.ls

Table 1: Approved LEC Tariff Levels for 2019/20

Customer Categories	2018/19 Energy Charges (M/kWh)	Approved percentage change	Approved Energy Charges (M/kWh)	Adding Customer Levy @M0.0423/kWh	Adding Rural Electrification Levy @M0.02/kWh large customers and @M0.035/kWh for others	Final Approved Energy Charges	Current Energy Charges including levies	Final Approved Tariff Percentage increase
Industrial HV	0.1936	0.0002%	0.1936	0.2359	0.2559	0.2559	0.2559	0.0001%
Industrial LV	0.2144	0.0002%	0.2144	0.2567	0.2767	0.2767	0.2767	0.0001%
Commercial HV	0.1936	0.0002%	0.1936	0.2359	0.2559	0.2559	0.2559	0.0001%
Commercial LV	0.2144	0.0002%	0.2144	0.2567	0.2767	0.2767	0.2767	0.0001%
General Purpose	1.5835	0.0002%	1.5835	1.6258	1.6608	1.6608	1.6608	0.0002%
Domestic	1.4009	0.0002%	1.4009	1.4432	1.4782	1.4782	1.4782	0.0002%
Street Lighting	0.7952	0.0002%	0.7952	0.8375	0.8725	0.8725	0.8725	0.0002%
Lifeline Domestic	0.6500	0.0002%	0.6500	0.6923	0.7273	0.7273	0.7273	0.0001%

Table 2: Approved LEC MD Charge for 2019/20

Customer Categories	2018/19 Maximum Demand Charge (M/kVA)	Percentage Change (%)	Approved Maximum Demand Charges (M/kVA)
Industrial HV	272.7953	0.0002%	272.7957
Industrial LV	318.6317	0.0002%	318.6322
Commercial HV	272.7953	0.0002%	272.7957
Commercial LV	318.6317	0.0002%	318.6322

(The figures in Tables 1 and 2 exclude VAT.)

Table 3: Approved New Tariff Structure for Domestic Customers

Tariff Category	LEWA Proposed Structure	Details	Proposed Energy Charge (M/kWh), inclusive of Levies
Domestic	2 Block-Increasing Block Tariff	Block 1: 0-30kWh	0.7273
		Block 2: above 30kWh	1.4782