



LESOTHO ELECTRICITY AND WATER AUTHORITY

**In the matter regarding a**

**DETERMINATION OF WATER AND SEWERAGE COMPANY'S**

**APPLICATION FOR A TARIFF INCREASE FOR 2016/17**

**1. Decision**

Based on the available information and analysis of the application, written and oral submissions from stakeholders during public consultation process, reasons, facts and evidence provided, the Lesotho Electricity and Water Authority (LEWA) Board, at its meeting held on 16 March, 2016, decided and resolved as follows:-

- a) That the Water and Sewerage Company (WASCO) be allowed a revenue of M234.18 million for 2016/17 Financial Year, comprising M201.40 million for water production and distribution services and M32.78 million for sewerage services;
- b) That the standing charge for Band A customers be abolished and only the approved volumetric charges be applicable;
- c) That the water and sewerage charges for all customer categories be increased as shown in Tables 1, 2 and 3 below;

**Table 1: Approved Water Services Charges for 2016/17**

Customer Categories	Old Unit Cost Excluding Levies (M/kl)	Approved Percentage Change (%)	Approved Unit Cost Excluding Levies (M/kl)	Adding Customer Levy @ M0.2311/kl (M/kl)	Final Approved unit cost (M/kl)	Old Approved unit cost (M/kl)	Final Approved Tariff Percentage Increase (%)
<b>Domestic Customers</b>							
Band A (0 - 5 kl)	4.3046	8.6%	4.673	4.9041	4.90	4.51	8.7%
Band B (>5 - 10 kl)	7.4346	8.6%	8.0765	8.3076	8.31	7.64	8.7%
Band C (>10 - 15 kl)	13.2146	8.7%	14.3615	14.5926	14.59	13.42	8.7%
Band D (>15 kl)	18.2946	8.7%	19.8854	20.1165	20.12	18.50	8.7%
<b>Non Domestic customers</b>							
Government	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
(Business, Industry)	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
Schools	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Religious Institutions	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Standpipes	5.9046	8.6%	6.4128	6.6439	6.64	6.11	8.7%

**The above approved charges exclude VAT**

**Table 2: Approved Water Services Standing Charges for 2016/17**

Customer Categories	Old Standing Charges (M/month)	Approved Standing Charges (M/month)
<b>Domestic Customers</b>		
Band A (0 – 5 kl)	21.93	0.00
Band B (>5 – 10 kl)	40.90	40.90
Band C (>10 – 15 kl)	40.90	40.90
Band D (>15 kl)	40.90	40.90

<b>Non Domestic Customers</b>		
Government	272.35	272.35
Business, Industry	393.39	393.39
Schools	272.35	272.35
Religious institutions	196.70	196.70
Standpipes	0.00	0.00

**The above approved charges exclude VAT**

**Table 3: Approved Sewer Services Charges for 2016/17**

<b>Customer Categories</b>	<b>Old unit Charges (M/kl)</b>	<b>Approved Percentage Change (%)</b>	<b>Approved unit Charge (M/kl)</b>
<b>Domestic Customers</b>			
Water borne sewerage customers 1	8.92	8.7%	9.70
Non Water borne sewerage customers 2	8.92	8.7%	9.70
<b>Non Domestic Customers</b>			
Standard Non-Domestic	8.92	8.7%	9.70
Lesotho Brewing Company	8.92	8.7%	9.70
Likotsi and Qoaling Clinics	44.94	8.7%	48.86
C and Y Sewer	0.93	8.7%	1.01

**The above approved charges exclude VAT**

d) The effective date for the approved tariffs is 1 April 2016.

## **2. The Applicant**

WASCO is a Government owned company issued with a Composite Water and Sewerage Services License in terms of Section 50 of the Lesotho Electricity Authority's Act as amended.

### **3. WASCO Tariff Application**

#### **3.1 Overview of the Application**

The Authority received an application for a Tariff Review (Tariff Filing Proposal) from WASCO on 06 January 2016. In line with the Tariff Filing and Review Procedure, the Authority identified data gaps in the application and communicated them in writing to WASCO on 29 January 2016. Subsequently, WASCO provided the required clarifications, together with additional information on 17 February 2016.

WASCO stated amongst others, the following issues, in support of its application:

- a) Recurrent budget is used to finance mostly routine activities which are heavily affected by the inflation rate of 5.7%<sup>1</sup>;
- b) Planned Annual Business Plan activities;
- c) Planned remedial actions based on findings of LEWA inspections; and
- d) Shortfall in revenues as it operated on a loss in the 2014/15 Financial Year and a loan it had acquired to provide vehicular support on its operations.

With regard to WASCO's Regulated Businesses, the Application mentioned that:-

- a) The company came into being through the Water and Sewerage Act No 13 of 2010 and thus making it a fully-fledged public company that reported functionally to the Ministry of Energy, Meteorology and Water Affairs
- b) The Company operates in 16 centres serving 90797 customers of which 6000 are connected to sewer lines, more than 4300 are prepaid domestic customers and more than 4400 communal pre-paid token holders;

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<sup>1</sup> WASCO confirmed during public hearing that it has used 6% as inflation.

- c) About 64.0% of water produced in Maseru was consumed by the commercial and industrial customers while the remaining 36.0% was consumed by domestic customers; and
- d) WASCO's business entails extraction of raw water from rivers and boreholes, and production of potable water for distribution and supply to households and entities. The company also collects wastewater for safe disposal into the environment. The company's regulated businesses are therefore water production, water distribution and sewage disposal.

### **3.2 Water and Sewerage Service Coverage**

The Application stated that for 2015/16, WASCO had projected 6000 and 400 new water and sewerage connections respectively. At the end of September 2015, actual water connections were 3197 while sewerage connections were 234. The application also highlighted that there was still a limited uptake of sewer connections in the districts outside Maseru due to limited infrastructure.

The Application stated that the quality of water produced and supplied to the public has been good during 2015/16. It also stated that all treatment plants maintained a turbidity record level above the 95 percent mark for the six months and 90 percent mark for almost a year up to September 2015 and March 2016 respectively. Samples passing bacteriology have been between 90% and 95%. Samples passing residual chlorine tests were above the 90 percent mark.

The Application also stated that the performance of waste water treatment works dropped substantially in the second quarter of financial year 2015/16, in that, samples passing both suspended solids and chemical oxygen demand recorded 25% in the second quarter. The Application stated that measures will be put in place to improve the performance.

### 3.3 Review of Outturn Regulatory Accounts and Budget Estimates

The Application presented the revenue, expenditure and operating profit outturn for the financial years 2010/11 to 2014/15. The application also stated that the generated revenue for 2014/15 was M198 666 000.00 and its main components were water and sewerage billing at M175 628 000.00 (88.4%), new service connections at M15 826 000.00 (7.96%) and other income registered M 7 212 000.00. Total revenue growth rates were 17%, 13%, 9% and 16% between financial years 2010/11 and 2011/12, 2011/12 and 2012/13, 2012/13 and 2013/14 and between 2013/14 and 2014/15 respectively. Thus the total revenue growth rate trend shows a decline from 2013/14 and a recovery in 2014/15.

Total expenditure recorded for the 2014/15 financial year is M 201 826 000.00. The main contributors to the expenditure were manpower costs at 40.59%, power at 9.15%, reticulation and plant maintenance at 4.75% and chemicals usage at 3.81%. The application explained that the increase in power expenditure has been high due to increase in LEC tariffs and increases in pumping demand as a result of increased coverage and population demand. Total expenditure growth rates were 25%, 8%, 7% and 17% between financial years 2010/11 and 2011/12, 2011/12 and 2012/13, 2012/13 and 2013/14 and between 2013/14 and 2014/15, respectively. Thus the total expenditure growth rate trend shows a decline from 2010/11 and a recovery in 2013/14.

The Application stated that for 2015/16, WASCO total expenditure for the period ending September 2015 was M86 786 483.00 against the budgeted expenditure of M 112 737 135.00. The short fall in expenditure is attributed to the slow implementation of several initiatives in the 2015/16 business plan.

It further stated that the projected 2015/16 revenue is M 236<sup>2</sup> million. For the period ending in September 2015, WASCO recorded total revenue of M 107 449 003.00 against the target of M 113 298 998.00. Water billing which is the main source of

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<sup>2</sup> This amount is inclusive of non-regulated businesses like tankering.

revenue was recorded as M 72 820 986.00 and fell below the set target of M 92 516 528.00. The operating profit recorded is M20 662 519.00 against the budgeted profit of M 5 556 863.00.

The Application mentioned that, following efforts undertaken by WASCO, revenue collection reached an average that is above the M18 million mark. It also stated that WASCO realised that with increased efforts towards making customers meet their bill obligations, it can start making profits in the near future.

The Application presented figures showing an increase of about 66% for total revenue and about 67% for expenditure when comparing 2010/11 to 2014/15 financial years.

The Application mentioned that the financial loss worsened in 2014/15 compared to 2013/14. The increase in operating loss is mainly attributed to a substantial increase in expenditure.

The Application stated that revenue is mainly driven by service charges (water and sewerage billing). It also described the rate of growth for new service connections as erratic due to slow implementation of reticulation extension initiatives and service coverage improvement projects.

The Application further stated that for 2014/15, WASCO realised actual (water and sewerage services) revenue of M 175.63 million against M 202.09 million revenue requirement allowed by LEWA. It also highlighted that there was a slight drop in consumption compared to the projected consumption. WASCO realised an operating loss of M 3.16 million instead of an operating profit of M 9.7 million set in the tariff determination.

### **3.4 Water Production, Consumption and Sales Data**

The Application stated that for 2014/15, total production and consumption recorded were 18.6 million kilolitres and 13.8 million kilolitres respectively, while average non-revenue water (NRW) for the period was 26.07 percent.

### **3.5 Costs of Water Production**

The Application stated that the expenditure of WASCO comprised costs of salaries including related emoluments, fees (including consultancies); chemical usage for water and sewage treatment, power and plant maintenance. Base salaries, and electricity and chemical usage constitute about 43% and 14% of the total expenditure respectively. The proposed increases for the 2014/15 Fiscal Year were approximately 30% for salaries and 48% for power expenditure. The application also stated that



manpower costs of the company were not expected to grow substantially but human resource expenditure would require augmentation as a new team would have to be deployed at the Metolong dam and implementation of the restructuring within WASCO might have implications on the expenditure. The chemical usage in treatment plants was expected to increase due to the operation of the Metolong treatment plant later in 2014/15 and operation of the new sewage treatment plant situated at the Agricultural College.

### **3.6 Forecasts of Capital Costs**

The Application stated that the 2016/17 budget estimates respond to the planned objectives, commensurate initiatives, activities laid out in WASCO's 2016/17 Annual Business Plan and the implementation of routine operational activities aimed at delivering improved service to customers. The main initiatives are reduction of debt by increasing cash collection, refurbishment of ailing reticulation system and reduction of non-revenue water (NRW) and others.

The Application mentioned that the organisational structure review will be implemented in phases and will result in an increase in the manpower expenditure of approximately M5.0 million in 2015-16 financial year. The Company also desires to make an upward adjustment of salaries by 6% in 2016/17 financial year.

The Application mentioned that Metolong dam operations (after being taken over by WASCO) will, for a period, run concurrently with the currently used infrastructure in TY, Morija, Roma and Maseru. It was envisaged that this would substantially increase treatment and conveyance costs for a short period during the year. Some of the facilities and infrastructure will then be mothballed. The Application stated 5.7% as the determined inflation rate for the forecast period. WASCO's required revenue for 2016/17 was stated as M250 352 636.00.

### 3.7 Proposed tariff requirements for 2016/17

The Application stated that the value of the company's assets as well as their depreciation have been factored in the determination of the tariff. Valuation of the assets will be conducted in the proposal year. It also stated that the determination of weighted average cost of capital does not form part of this filing proposal.

The Application mentioned that based on the highlighted performance on operations and finances and its desire to improve service delivery, the company envisages total optimal revenue should be M 250 352 636.00 made up of operating costs and profit of M 245 864 887.00 and M4 487 749.00 respectively.

The Application proposed 13% on volumetric charges and no increase on standing charges respectively. The proposed volumetric tariffs are as stated in Table 4 below:-

**Table 4: WASCO's 2016/17 Proposed Tariffs**

<b>Band</b>	<b>Current Tariffs M/kl</b>	<b>New tariffs M/kl</b>
<b>Domestic Customers</b>		
A: 0 – 5kl	4.51	5.10
B: >5 – 10kl	7.64	8.63
C: >10 – 15kl	13.42	15.16
D: > 15kl	18.5	20.91
<b>Non Domestic Customers</b>		
Industrial, business, government	12.21	13.80
Schools, churches	12.21	13.80
Other	12.21	13.80

<b>Waterborne sewerage customers</b>		
Sewerage to be charged on 85% of water consumed	8.92	10.08
Waterborne sewerage customers	8.92	10.08

#### **4. Public Consultation Process**

A public notice was issued on both the print and electronic media from 18 January 2016 to 1 February 2016 for stakeholders to provide their comments. Stakeholders were given until 5 February 2016 to submit their comments. It further requested stakeholders who had interest in making oral presentations before the LEWA Board to indicate in writing, so that appropriate arrangements could be made. At the close of that day (1 February 2016), comments had been received from Consumer Protection Association (CPA), Nien Hsing, Transformation Resource Centre (TRC), Mrs. M. V. Qheku and other individual domestic customers.

Three public hearings were held on 12 February 2016, 19 February 2016 and 26 February 2016 in Thaba-Tseka, Berea and Maseru respectively. WASCO and stakeholders, Transformation Resource Centre (TRC), CPA, Nien Hsing and Mrs. Qheku made presentations before the Pricing and Tariffs Committee of the Authority.

## **5. WASCO's Public Hearing Presentation**

### **5.1 WASCO's Presentation**

In its presentation WASCO stated that it is a regulated government company that was licenced by LEWA in April 2013. WASCO operates in the urban centres and currently provides services in 10 urban centres in Lesotho including Roma, Maputsoe, Mazenod, Morija, Semonkong, Peka and Mapoteng. WASCO does not receive subvention and its income is generated from the services it provides.

The presentation stated that WASCO has 550 employees and serves 408 586<sup>3</sup> customers of which 31 433 are connected to the sewerage system. About 37 350 customers are on prepaid meter system. It also emphasised that WASCO is paid for the services it provides not the actual commodity (water). It also stated that the energy costs have increased from M 14 297 949.00 in 2013/14 to M17 859 999.00 in 2014/15. Energy costs are projected to be M 21 361 322.00 in 2016/17. Water treatment costs (including chemical costs) increased from M 6 311 275.00 in 2013/14 to M 6 533 400.00 in 2015/16. The projected water treatment cost for 2016/17 is M7 928 283.00. Labour cost and maintenance cost projections for 2016/17 are M 130 295 025.00 and M 12 782 471.00 respectively. It was highlighted that an increase in labour costs comprises increment in salaries and additional salaries for newly employed staff.

WASCO mentioned the following as its operational challenges:

- Water leakages as a result of high water pressure and cold temperatures;
- High staff costs, bad debts in cases where bills are not paid;
- Vandalism;
- Drought (as it contributes to increased cost due to tankering);
- Illegal connections;

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<sup>3</sup> Numbers refer to the number of persons served assuming 4 persons per connection.

- Old infrastructure resulting in frequent breakdowns and increase in Non-Revenue Water (NRW);
- Increased demand as a result of rapid urbanisation; and
- Connection charges that are lower than the actual installation costs of connections.

The presentation stated that increases in electricity tariffs and urban centres population, cost of chemicals, cost of pumping mains pipes and spare parts, plans to improve water service provision, depreciation of Loti in financial markets, initiatives to reduce NRW, recent drought and others as reasons for the proposed tariff increase.

WASCO, in its presentation highlighted that about 80% of domestic customers consume at band A and band B. It costs WASCO M10.00 to provide 1000 litres while it collects only M4.51 per 1000 litres and M7.64 per 1000 litres from those bands, respectively.

WASCO advised its customers that delay or non- payment of bills in due time results in bills being unaffordable or expensive as, in addition to accumulated bill, interest is charged. WASCO also appealed to its customers to pay bills once they are received, to save water, to report on illegal connections and to report leakages.

For reporting WASCO provided the toll free number and for ease of payment it highlighted that bills can also be paid through cell phone services (M-Pesa and Eco cash) and through the bank, in addition to the payment facilities at the offices and post offices

## 5.2 Issues Raised by Various Stakeholders

Stakeholders that attended public hearings held in Thaba-Tseka, TY and Maseru raised the following issues that needed to be addressed:

- Quality of service regarding time to effect connections, repair of leakages and pipe bursts and meter reading among others;
- Sewerage plants that emit offensive smell;
- Delay in service provision;
- Need for extending services to other areas in the urban centres;
- Sewerage overflow in other centres (e.g. from hospital and mortuary in Thaba-Tseka);
- Dissemination of information regarding dates for the availability of sewerage tanker services; and
- Up keeping of the treatment plants surroundings.

Stakeholders highlighted that the urban centres were growing and water supply did not meet the demand. They further advised WASCO to protect water sources including springs that may be used to augment water supply. They further stated that WASCO failed to take advantage of the funding opportunities such as the funds availed for building of reservoir at Pitso House in Thaba-Tseka. WASCO was advised to install prepaid meters and introduce water usage education programmes.

About three (3) groups, out of eleven (11), agreed with an increase in the range between 5% and 13% on the bases that WASCO should improve its service provision and coverage. Other groups objected the increase and the reasons advanced for objecting the increase were as follows:

- Prevailing drought has caused water shortage and as a result the available water is shared with animals;
- Water is a basic need not a want;
- Prevalence of HIV and AIDS;

- WASCO should approach the government to finance its anticipated increase in costs through the Lesotho Highlands Water Project (LHWP) royalties and ask for subvention;
- An increase in unemployment may result in most people resorting to unclean water usage;
- WASCO takes too long to attend to leakages and bursts;
- WASCO does not need money but advices on running the utility;
- WASCO does not follow up to ensure that works are properly done and that results in increased tariffs;
- Old, orphaned and unemployed people cannot afford the proposed increase; and
- Lesotho is endowed with abundant water that is sold to other countries. The expectation is that the Government should subsidize part of the costs.

LCN in its presentation mentioned that water is price inelastic and because it has no perfect substitute people are unable to switch/shift to other goods. LCN referred WASCO to the water and sanitation policy. It also highlighted that the recent drought did not only result in reduction in water consumption but it also increased food cost.

LCN further stated that services need to be improved before the tariffs can be increased. It also mentioned that WASCO should not burden consumers with its costs as a result of high NRW. It also stated that in WASCO's income statement, the M16 million under budget item 'other expense' is not transparent as it does not clearly states what is contained in it.

LCN made the following recommendations:

- WASCO should make integrated planning its obligation;
- WASCO should have a website showing its infrastructure;
- WASCO should request funding from Government's drought mitigation plan funds as well as EU funding;
- WASCO should ensure that Government departments pay their bills;
- WASCO should cut on its wishful spending;

- Government intervention is necessary;
- WASCO should be innovative in reducing NRW; and
- 6% increase on staff cost is allowed and that will be sourced from the profits that WASCO will make after improving its efficiency.

Mrs Victoria 'Mamabusane Qheku stated that people have no money and unemployment is very high and will not be able to afford increased tariffs. She also pointed out that NRW has increased and that water loss should not be financed by consumers. She mentioned that the M16.7 million classified in the income statement as other expense is not transparent and cannot be allowed in the adjustment. She also pointed out that elderly people are charged high bills that cannot be explained. She requested WASCO to provide an update regarding usage of the funds allocated for Metolong employees. She recommended that:

- WASCO should pursue the government debt of M80 million;
- WASCO should put gender and HIV programmes in place;
- Subventions should be requested from the government;
- Overhead costs should be reduced;
- WASCO should introduce telemetry system (for monitoring leakages); and
- WASCO should appraise stakeholder on its challenges and achievements.

She concluded by stating that because of high unemployment rate and other afore mentioned reasons the increase in tariffs is not allowed.

The Consumer Protection Association (CPA), in its presentation mentioned that the economic conditions are not favourable to support tariff increase and the proposed increase will further erode the dwindling purchasing power. CPA further mentioned that even though affluent population demand and use water and sewerage services, the services need to be affordable to every one as all citizens need water to survive. It also highlighted that water is a need not a want. It further alluded to the fact that WASCO had been allowed increases but continue to register losses. CPA recommended WASCO to investigate the reasons for this trend and provided the following as some of the reasons that may have attributed to the trend:



- **High Prices:** higher prices drive consumers out or force them to reduce their consumption bundle;
- **Bottled water:** bottled water preferred instead of WASCO's water due to quality;
- **Increases in NRW:** the higher the NRW, the higher the production cost and less revenue on sales as most of water produced is lost; and
- Even though water is a merit good, consumption increase is not unlimited.

CPA also mentioned that water is an input to industrial production and an increase in production cost will result in WASCO losing consumers who are firms and individual firm workers. It further mentioned that it should be noted that Lesotho's affordability indicators such as Human Development Index (HDI) and Human Poverty Index are worsening. CPA recommended a zero increase in tariffs

Nien Hsing Group (C&Y and Formosa) in its presentation stated that C &Y is the biggest consumer of about 19% of the total WASCO water sales. The increase in tariffs (resulting in C & Y increased costs) may decrease its competitiveness in the international market and as a result more jobs will be lost. Currently, its production costs are higher than those in (other textile exporting countries such as) Ethiopia and Kenya. It should also be realised that the industries are highly mobile and if it becomes unprofitable to produce in Lesotho they will move to other countries with cheaper production costs. Because of the financial income statement item categorised as 'other' which constitutes M16.7 million of the cost and therefore, Nien Hsing recommended an increase not more than inflation.

### 5.3 Analysis of Public Hearings

In all three (3) public hearings conducted in Thaba-Tseka, TY and Maseru it was evident that most of the stakeholders were not satisfied with or in support of the proposed increase. The stakeholders stated that WASCO wants to burden consumers with costs of its inefficiencies as it has high NRW and does not follow up to ensure that its works ( e.g new connections) are efficiently and effectively implemented. They advised WASCO to first improve the quality of service and product it offers before it

can raise tariffs. They also mentioned that due to current droughts, high rate of unemployment, the fact that water is price inelastic and has no substitute, an increased tariff will not be affordable. The stakeholders were concerned that in its proposal, WASCO did not consider the poor, orphans, old aged, unemployed and the sick but only focused on those who can afford. It was emphasised that if WASCO can improve its efficiency there will be no need for tariffs to increase.

Finally, it appeared that most of the stakeholders opposed the tariff increase and recommended that for necessary cost increases government should also subsidise customers through subvention to WASCO. There was also a strong opposition to the standing charge as customers during the recent drought mostly had no water supply but had to pay monthly standing charges.

## **6. Analysis of WASCO'S Application**

### **6.1 WASCO's Revenue Requirement**

WASCO's revenue requirement is defined as follows:

$$RR = RAB (V-d) \times r + D + E$$

Where RR= Required Revenue (Average price x Sales volume)

RAB= Regulatory Asset Base

V = Nominal value of property, plant, equipment

d = accumulated depreciation

r = rate of return

D= Annual depreciation charge

E = operating expenses (staff cost, repair & maintenance & other expenses).

The above definition means the revenue generated by the utility should be sufficient to cover all prudently incurred costs, including interest charge. However, WASCO's required revenue was not sufficient to cover all costs and the shortfall was to be financed by interest<sup>4</sup> earned.

Based on WASCO's proposed budget of M200.40 million for water supply and distribution, the tariffs were going to increase by 8.1% instead of 13%. In order to finance the sewerage budget of M39.48 million, the sewer tariffs were going to increase by 30.9% as opposed to requested 13% by WASCO.

The WASCO's requested revenue for the financial year 2016/17 was mainly to cover the major costs items emanating from the following cost drivers.

#### **6.1.1 Implementation of the Organisational Structure Review (OSR) Project**

The OSR project entails recruitment of optimal staff at WASCO in areas of operations and maintenance (O&M) and customer service. The budgeted costs for this project is M5 million of the budgeted M13.7 million increase in staff costs. Based on this budget, WASCO stated that staff costs will increase by at least 14.03% due to 6%<sup>5</sup> salary adjustment and 8.03% resulting from new recruitment. Labour costs are essential in water and sewerage utilities as they are used to measure utilities' economic efficiency in respect of staff costs as a percentage of Operation and Maintenance (O & M). Based on international best practice, a utility with less than 30% costs on staff is considered to be performing well. A staff costs to O & M ratio of equal or more than 35% is poor and needs to be addressed.

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<sup>4</sup> The Company charges interest on all overdue accounts and it appears it generated sufficient money to cover shortfall in its budget.

<sup>5</sup> This is said to be an inflation factor. However, the annual inflation published by Bureau of Statistics is 3.2%.

WASCO's staff costs as a percentage of O & M is currently 47% and needs to be decreased to at least 35% over a specific period. WASCO's intention, through OSR project, to hire more staff will result in increase in the percentage of staff costs compared to O & M. The structuring of the Company should therefore focus on improving economic efficiencies of WASCO rather than increasing staff numbers and costs.

While maintaining the staff per 1000 connections ratio of 7, WASCO should strive for reducing staff costs ratio to an efficient level. This will improve its operational sustainability and the utility might meaningfully contribute to national development agenda through efficiencies that are necessary to ensure moderation in future tariff increases.

#### **6.1.2 Reduction in Non-Revenue Water (NRW)**

On average, the NRW ranges between 26% and 43%<sup>6</sup>. Maintaining the NRW at 26% is desirable and WASCO plans to do that through installations of overflow control valves and pressure control switches in the service reservoirs. If the proposed measures are managed well and succeed, the Company will be able to generate sufficient revenue in order to maintain and operate the water infrastructure. The issue of managing NRW is key in ensuring operational sustainability of water utilities like WASCO.

However, WASCO's efforts to manage NRW might be fruitless if the issue of unmetered connections along the Metolong conveyances pipelines is not addressed. These unmetered and unbilled connections might result in high water intensive users relocating to the villages that have access to the Metolong water services. It is therefore necessary, as required by the Law, that WASCO submit the NRW reduction programme to the Authority for approval and subsequent implementation

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<sup>6</sup> WASCO explained that these figure was due to roads construction in Maseru.

Furthermore the coming of Metolong water into a fairly old system necessitates increased routine maintenance as pipe bursts are likely to occur due to increased pressure. Whilst WASCO has not requested significantly more budget for this costs, only M9 million, it may be necessary that the Company uses capital maintenance budget in order to replace the old infrastructure instead of repair and maintenance budget. The Company will further be required to report on the use of capital budget on a quarterly basis.

### **6.1.3 Improvement in Billing**

Whilst WASCO was unable to provide information on its current collection status, efficient collection, at least 95%, is key for ensuring operational sustainability of any water and sewerage utility. WASCO intends procuring smart and pre-paid meters in order to enhance billing. However, the Company says its collection rate improved due to its efforts in reminding customers to pay their bills on time. The benefits associated with installing smart and pre-paid meters cannot be quantified and need to be investigated further in order to establish their likely impact on future tariffs, including access to water.

### **6.1.4 Staff Training**

The budgeted amount for this activity is only M1.6 million. Its effect on the budget is minimal and cannot be considered as one of key drivers for 13% tariff increase. The increase is only high (91%) when compared to last year's budget.

### **6.1.5 Provision of standby capacity**

The programme for provision of standby capacity, is aimed at ensuring adequate reliable supply of water to areas that could not receive water due to shortage of water.

Most of the standby projects are stated as capital in nature and as such the only immediate cost for the year is financing costs. Other costs will only be reflected in future tariffs when the standby facilities are completed and functional.

#### **6.1.6 Electricity expenses**

The electricity costs will increase by 7% mainly due to increase in the price of LEC to WASCO. The Metolong project is likely to reduce need for pumping as most reservoirs that were fed through pumping will be fed through gravity. The likely savings in energy are not known as the Company does not have energy use data. This is worrying because the benefits of the proposed energy savings programmes cannot be quantified. The Authority was therefore unable to assess the adequacy of the proposed budget for power.

#### **6.1.7 Other Costs**

Costs that form part of the WASCO's submission and have increased quite substantially include consultancy fees (413%), travelling (401%), vehicles (191%), meter and service maintenance (304%) and training and workshops (91%). Costs that have been reduced include financing costs (73%), non-vehicle insurance (85%) and overtime (43%).

### **6.2 Water quality**

The water quality compliance is stated as between 90% and 95%. While this may be within acceptable limits, WASCO must strive for 100% compliance in water quality as per the Quality of Supply and Service Standards (QOSSS).

### **6.3 Effluent quality**

Quality of wastewater remains low, below 30%, and this is a concern for safe disposal of treated wastewater to the environment. With the exception of Maseru, wastewater treatment plants in other districts are unable to treat the increasing loads as they were designed for treating wastewater from hospitals. WASCO's short-term measures, such as enforcement of standard operational procedure, are noted. However, on-site wastewater treatment options should be investigated and suitable ones be implemented by other role players in the water sector.

On the one hand, WASCO must improve its financial governance<sup>7</sup> and be efficient in executing capital maintenance programmes so that its Wastewater Masterplan Programme can easily attract donor funding.

## **7. LEWA's Review of WASCO's Costs**

In line with the Tariff Filing and Review Procedure, WASCO's costs were separated out into three regulated businesses (namely, Water Supply and Treatment, Water Distribution business and Sewerage and Wastewater treatment business) and non-regulated activities. The costs were further separated into controllable and non-controllable costs. Controllable costs are those that WASCO can manage or influence to some extent, while non-controllable are those that WASCO has a limited or no control over them such as license fee and customer levy, interest costs on loans, depreciation, electricity charges and a return on investment.

For water supply and treatment the unit costs used to analyse WASCO's costs since 2015/2016 are shown in Table 5 below.

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<sup>7</sup> WASCO's Financial Statements have been qualified for the past three years.

**Table 5: Unit Costs Used for Analysis of Water Supply and Treatment Controllable Costs**

<b>Cost of goods/ services related to Water Supply and Treatment</b>	<b>Items from the WASCO budget included in unit cost (M-Maloti)</b>	<b>Item that the costs are divided by to get the unit cost</b>	<b>Units</b>
Volume	Labour costs Chemical Costs Fuel Costs (other than transport) Operating Maintenance Costs (not capital maintenance) Payments for Raw Water (including abstraction licenses) Doubtful Debt Expense	Volume of water produced by treatment plants (kilolitres or kl)	M /kl
Volume and Power	Electricity	kWh used per kl of water produced	kWh / kl M / kWh
Number of sites WASCO needs to operate	Transport Costs (including fuel for transport) Rent, Security, Insurance ICT Costs	No. of sites producing water	M / site
Fixed costs	Audit and Compliance Costs Other Expenses Stock Adjustment	(nothing – fixed costs are not a unit cost)	M

Based on the parameters defined above, WASCO's unit costs for water supply and treatment are as shown in Table 6 below.



**Table 6: Unit cost Results for Water Production Business and approved efficient unit cost**

	<b>Approved Unit Costs for WASCO in 2015/16</b>	<b>2016/17 WASCO Tariff submission</b>	<b>Approved efficient Unit Cost for 2016/17</b>	<b>Justification for the Approved unit costs</b>
Volume Related unit cost (M/kl)	3.30	3.11	3.30	The allowed unit cost is kept the same as the one allowed last year. The allowed unit cost is more than what is requested by 6.3%
Power Intensity (kWh/kl)	1.00	1.24	1.00	The allowed unit cost was kept the same as the one allowed last year
Electricity price (M/kWh)	LEC Tariff	LEC Tariff	LEC tariff	The allowed LEC tariff for 2015/16 was increased by 9%.
Site Related Cost (M/site)	440 000	531 250	550 000	WASCO is allowed the unit cost it has requested because it was envisaged that the running costs of Semonkong may be high and complicated e.g. there is no fuel filling station
Fixed Cost (M)	6 140 000	10 520 000	6 336 480	The fixed cost has been increased by inflation only as WASCO has not provided justification for 71% increase requested.

WASCO's historical performance and 2016/17 budget, and LEWA's proposed efficient unit costs graphs are as shown below,

Regarding the water distribution, the Authority used the unit costs that are shown in Table 7 below.

**Table 7: Unit Costs Used for Analysis of Water Distribution**

Cost of goods/ services related to Water Distribution	Items from the WASCO budget included in unit cost (M)	Item that the costs are divided by to get the unit cost	Units
Volume	Chemicals Fuel Costs (other than transport) Doubtful Debts	Volume of water actually delivered to customers (kilolitres or kl)	M / kl
Volume and Power	Electricity	kWh used per kl of water produced	kWh / kl M / kWh
Number of customers WASCO needs to manage	Labour costs Transport Costs (incl. fuel for transport) Rent, Security, Insurance, Rates ICT Costs Laboratory and Testing	No. of customers in WASCO's billing system	M / customer
The length of network operated	Operating Maintenance Costs (not capital maintenance)	km of water mains	M/ km
The cost of water from the treatment plants	<i>(this value is brought forward from the Water Supply and Treatment Module)</i>	Volume of water produced	M / kl
Non-revenue Water	<i>The model allows the costs of water supply and treatment (above) to be passed through into the distribution model only for water which meets the non-revenue target in the distribution model. If WASCO has more leakage than the target, the costs of producing that water are not allowed in the total distribution budget.</i>	<i>(Volume of water produced – volume of water sold), divided by Volume of water produced</i>	%
Fixed costs	Audit and Compliance Costs Other Expenses	(nothing – fixed costs are not a unit cost)	M

The results emanating from the above table unit costs analysis are as shown in Table 8 below.

**Table 8: Unit cost Results for Water Distribution Business and approved efficient unit cost**

Cost item	YEARS			
	Approved Unit Costs for WASCO in 2015/16	2016/17 WASCO Tariff submission	Approved Unit Cost for 2016/17	Justification for the Approved unit costs
Volume Related unit cost (M/kl)	0.102	0.17	0.102	The unit cost is kept the same as the one allowed last year in order to give WASCO an incentive to reduce its doubtful debt
Power Intensity (kWh/kl)	1.13	1.26	1.13	The unit cost allowed is not changed as WASCO indicated that it planned to take advantage of a high level Metolong treatment plant and use gravity where possible. WASCO indicated that take off points have already been left for Qoaling and Tsautse.
Electricity price (M/kWh)	LEC Tariff	LEC Tariff	LEC tariff	The allowed LEC tariff for 2015/16 was increased by 9%.
Connections Related Cost (M/Connection)	685.00	727.58	705.00	WASCO's 2015/16 allowed costs was increased by 3% as there was no justification for 6.2% increase in connection costs compared 2015/16.
Network Related cost (M/km)	4000.00	2105.00	4128.00	A unit cost of M 4128 has been allowed to enable WASCO to repair and maintain the network. It is expected that with undertaking of Metolong the aging network will be exposed to high pressures and hence increased pipe burst.
Non-Revenue Water (NRW)	26%	27%	28%	WASCO is allowed an increase of two (2) percentage points in NRW from the set target of 26% to 28% to cover water losses from unmetered water supplied to villages along the Metolong conveyance main pipes.
Fixed Cost (M)	3 630 000	6 533 000	3 746 160	Fixed Cost is allowed to increase by Inflation as there was no justification for the requested increase of 80% from the last year's allowed unit cost.

WASCO's historical performance and 2016/17 budget, and LEWA's proposed efficient unit costs graphs are as shown below,

The sewerage and wastewater treatment unit costs used are shown in Table 9 below.

**Table 9: Unit Costs Used for Analysis of Sewerage and Wastewater Treatment Service**

<b>Cost of goods/ services related to Sewage and wastewater treatment</b>	<b>Items from the WASCO budget included in unit cost (M)</b>	<b>Item that the costs are divided by to get the unit cost</b>	<b>Units</b>
Volume	Chemical Costs Fuel Costs (other than transport) Payments to Bulk Waste Water Treatment providers Doubtful Debt Expense	Volume of water produced by treatment plants (kilolitres or kl)	M / kl
Volume and Power	Electricity	kWh used per m <sup>3</sup> of wastewater treated	kWh /kl M / kWh
Number of customers WASCO needs to manage	Labour costs Transport Costs (including fuel for transport) Rent, Security, Insurance ICT Costs Laboratory and Testing	Number of sewerage customers	M / customer
The length of network operated	Operating Maintenance Costs (not capital maintenance)	km length of sewer mains	M / km
Fixed costs	Audit and Compliance Costs Other Expenses	(nothing – fixed costs are not a unit cost)	M

Based on the above unit costs calculation method, the approved efficient unit costs for sewerage and wastewater treatment and the rationale are as reflected in table 10 below.

**Table 10: Unit cost Results for Sewerage and Wastewater Treatment and approved efficient unit cost**

Cost item	YEARS			
	Approved Unit Costs for WASCO in 2015/16	2016/17 WASCO Tariff submission	Approved efficient Unit Cost for 2016/17	Justification for the approved unit costs
Volume Related unit cost (M/kl)	0.16	0.12	0.16	The unit cost was kept the same as the one allowed last year.
Power Intensity (kWh/kl)	0.21	0.21	0.21	The unit cost was kept the same as the one allowed last year as WASCO provided no justification for the proposed increase
Electricity price (M/kWh)	1.02	2.32	1.02	The allowed unit cost has been reduced to 1.02 to maintain consistency in last years' electricity costs.
Connections Related Cost (M/Connection)	3900	3 800	2 700	Allowed a unit cost of M2700 as the number of customers has increased and hence an economies of scale advantage. WASCO has assumed an increase in the costs but has not provided a justification for the increase.
Network Related cost (M/km)	102 367	65 238	65 238	WASCO was allowed what it had requested
Fixed Cost (M)	1 043 122	1 740 000	1 076 502	The fixed unit cost was increased by inflation only because WASCO provided no justification for 67% increase requested

WASCO's historical performance and 2016/17 budget, and LEWA's proposed efficient unit costs graphs are as shown below,

## 8. Allowed Revenue for Water Supply and Treatment and Water Distribution

Using the unit cost analysis described above, the allowed budget for water distribution (including water supply and treatment) and sewerage and wastewater treatment are M201.40 million and M32.78 million, respectively as opposed to M200.40 million and M39.40 million requested by WASCO. The allowed revenue for WASCO's businesses is as reflected in Table 11 below.

**Table 11: Allowed WASCO's Revenue**

Cost Items	Allowed Revenue in Million Maloti (M) per regulated business			
	Water Supply and Treatment	Water Distribution	Sewerage and Wastewater Treatment	Total
<b>Controllable costs</b>				
Volume related costs	69.2	1.55	0.61	71.36
Volume Related (Power) costs	21.3	0.0	0.82	22.12
Site Related Costs	12.2	56.48	19.69	88.37
Customer related operating costs	0.0	8.59	1.39	9.98
Fixed Costs	6.3	3.75	1.74	11.79
Sub-Total	109	70.37	24.25	203.62
<b>Non controllable costs</b>				
Pass-through Costs (interest payment, License fee and Depreciation)	9.2	15.43	8.55	33.18
<b>Total</b>	<b>118.26</b>	<b>83.14</b>	<b>32.78</b>	<b>234.18</b>

## 9. The Approved Tariffs by the Authority

In order to meet M201.4 million and M32.78 million approved revenue for water distribution and sewerage and wastewater treatment, the tariffs would increase as stated in Tables 12, 13 and 15 below.

**Table 12: Approved Water Service Tariffs for 2016/17**

Customers Categories	Old Unit Cost Excluding Levies (M/kl)	Approved percentage change (%)	Approved Unit Cost Excluding Levies (M/kl)	Adding Customer Levy @ M0.2311/kl (M/kl)	Final Approved unit cost (M/kl)	Old Approved unit cost (M/kl)	Final Approved Tariff Percentage Increase (%)
<b>Domestic Customers</b>							
Band A (0 - 5 kl)	4.3046	8.6%	4.673	4.9041	4.90	4.51	8.7%
Band B (>5 - 10 kl)	7.4346	8.6%	8.0765	8.3076	8.31	7.64	8.7%
Band C (>10 - 15 kl)	13.2146	8.7%	14.3615	14.5926	14.59	13.42	8.7%
Band D (>15 kl)	18.2946	8.7%	19.8854	20.1165	20.12	18.50	8.7%
<b>Non Domestic customers</b>							
Government	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
(Business, Industry)	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
Schools	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Religious Institutions	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Standpipes	5.9046	8.6%	6.4128	6.6439	6.64	6.11	8.7%

**The above charges exclude VAT**

**Table 13: Approved Water Service Standing Charges for 2016/17**

Customer Categories	Old Standing Charges (M/month)	Approved Standing Charges (M/month)
<b>Domestic Customers</b>		
Band A (0 – 5 kl)	21.93	0.00
Band B (>5 – 10 kl)	40.90	40.90
Band C (>10 – 15 kl)	40.90	40.90
Band D (>15 kl)	40.90	40.90
<b>Non Domestic Customers</b>		
Government	272.35	272.35
Business, Industry	393.39	393.39
Schools	272.35	272.35
Religious institutions	196.70	196.70
Standpipes	0.00	0.00

**The above charges exclude VAT**

The approved tariffs will generate the revenue as shown in Table 14 below.

**Table 14: Total Revenue to be generated from water distribution business**

Customer Categories	Water Unit Costs (M/kl)	Standing Charge (M/month)	Annual Sales kl/Year	Number of Connections	Total Revenue (M)
<b>Domestic Customers</b>					
Band A (0 - 5 kl)	4.9041	0	3,439,207	42,192	16,866,107.34
Band B (>5 - 10 kl)	8.3076	40.90	1,266,686	21,115	20,886,308.89
Band C (>10 - 15 kl)	14.5926	40.90	512,567	7,313	11,068,902.84
Band D (>15 kl)	20.1165	40.90	948,838	6,500	22,277,469.25
<b>Non Domestic Customers</b>					
Government	13.2769	272.35	1,752,637	531	25,004,290.24
Non Domestic (Business, Industry)	13.2769	393.39	6,613,290	1,904	96,790,572.69
Schools	13.2769	272.35	463,557	262	7,011,311.23
Religious Institutions	13.1681	196.70	69,001	179	1,331,804.23
Standpipes	6.6439	0.00	24,569	119	163,233.27
<b>Total</b>			<b>15,090,352</b>	<b>80,115</b>	<b>201,400,000.00</b>



**Table 15: Approved Sewer Services Tariffs for 2016/17**

Customers Categories	Old unit charges (M/kl)	Approved percentage change (%)	Approved unit Charge (M/kl)
<b>Domestic Customers</b>			
Water borne sewerage customers 1	8.92	8.7%	9.70
Non Water borne sewerage customers 2	8.92	8.7%	9.70
<b>Non Domestic Customers</b>			
Standard Non-Domestic	8.92	8.7%	9.70
Lesotho Brewing Company	8.92	8.7%	9.70
Likotsi and Qoaling Clinics	44.94	8.7%	48.86
C and Y Sewer	0.93	8.7%	1.01

The above charges exclude VAT

The revenue to be generated by the approved tariffs is as shown in Table 16 Below.

**Table 16: Total Revenue to be generated from Sewerage Business**

Customer Categories	Water Unit Cost (M/kl)	Sales kl/year	Number of Customers	Total Revenue (M)
Water borne sewerage customers	9.70	217,868	2,011	2,112,948.68
Standard Non-Domestic	9.70	2,473,934	1,529	23,992,900.77
Lesotho Brewing Company	9.70	485,403	2	4,707,569.68
Likotsi and Qoaling Clinics	48.86	34,236	3	1,672,783.26
C & Y Sewer	1.01	290,560	2	293,797.61
<b>Total</b>		<b>3,502,000</b>	<b>3,546</b>	<b>32,780,000.00</b>

## **10. WASCO's Charges**

Currently WASCO uses two parts tariff in which it charges for water use and standing charge for all its customers, except public stand pipes. The standing charge was meant to cover costs related to customer billing and to a large extent fixed Company costs<sup>8</sup>. Where standing charge is meant to cover fixed costs (labour, interests, insurances, etc.), usage related charges are often related to variable costs, such as chemicals, fuel, electricity and other inputs costs that will only be incurred to produce water and provide sewerage services.

Therefore, standing charge has been maintained in most private utilities as a form of insurance in cases of severe disruption in service delivery. However, companies are nowadays required to have certain reserves in order to cover these fixed costs in case of service disruptions that last longer. This requirement is essential for properly managed companies because companies' financial sustainability is always a priority.

Since standing charge for WASCO is not seen as a surety for payment, it can be abolished at least for Band A customers due to difficulty in collecting it in cases of no-supply. In addition this will incentivise the Company to ensure reliable supply and further encourage the efficient use of water to ensure sustainable water supply. It is therefore approved that standing charge for Band A customers be removed.

## **11. Establishment of Emergency Fund**

For the past two years, WASCO has been urged to establish the Fund and to date, there is no proof that it has been established. WASCO's assertion that all necessary approvals have been obtained and funds are available as was allowed by the Authority will be monitored during the year.

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<sup>8</sup> For WASCO, standing charge covers costs of repairing and maintaining the meters.

## 12. Ring-fencing of Depreciation funds

In 2015/16 tariff determination, the Authority increased depreciation funds by 52% in order to allow the Company to undertake capital maintenance on its old infrastructure. However, WASCO's reporting on the use of these funds has been a challenge. For 2016/17, the depreciation allowances for the three businesses has been increased by 23% and is as stated in Table 17 below.

**Table 17: Depreciation allowances included in the tariffs for 2015/16 and 2016/17**

<b>Depreciation in million Maloti (M)</b>	<b>Water Production in million Maloti (M)</b>	<b>Water Distribution in million Maloti (M)</b>	<b>Sewerage in million Maloti (M)</b>	<b>Total in million Maloti (M)</b>
WASCO forecast for 2015/16	9.47	4.52	4.14	18.13
<b>Allowed Determination in 2015/16</b>	<b>9.47</b>	<b>4.52</b>	<b>13.48</b>	<b>27.47</b>
WASCO forecast for 2016/17	8.13	7.39	2.38	17.90
<b>Allowed amount in 2016/17 revenue requirement in million Maloti (M)</b>	<b>8.13</b>	<b>10.19</b>	<b>3.74</b>	<b>22.06</b>

## 13. WASCO's Annual Performance Review

For the past three years, the Authority has not set annual performance targets in which subsequent tariff reviews will be based on. Setting key performance targets for the utility will assist the Authority with generation of the information required for decision making, fostering improvements in the water and sewerage sector, assisting in identifying strengths and weakness within the utility and areas for improvements, and contributing to the attainment of set national and international targets.

For subsequent tariff reviews, it is decided that WASCO's tariff submissions will be assessed based on three main key performance indicators, namely: Quality of service (water and sewerage coverage, water quality and hours of supply), Economic efficiency (O & M coverage, collection efficiency and staff cost) and operational sustainability (staff per 1000 connections, NRW and metering ratio).

#### **14. Issues/Concerns Raised by Stakeholders**

During three public consultations meetings, a number of policy issues requiring consideration by relevant authorities have been raised. These includes the following:

- A. A funding model for WASCO:** Most stakeholders have requested clarity on how WASCO is funded for both operational and capital requirements of the utility. Clarity on this issue will assist in determining what WASCO is entitled to recover through tariffs. WASCO's entitlement in respect of facilities such as Metolong and others will be clarified in 2016/17.
- B. Free basic Water services:** In most cases, stakeholders have requested that water should be a free basic commodity to all.
- C. Social policy:** This needs to be considered in light of old aged, orphaned, disabled and unemployed persons.

The above policy issues will be channelled to the appropriate Government Ministries/Departments to ensure deliberation and direction where appropriate.

#### **15. Conclusions**

On the summary of the facts and evidence presented to the Authority, the LEWA Board has found justification for 13% volumetric tariff increase inadequate and has therefore concluded as follows:

- A.** WASCO's proposed tariff increase of 13% on volumetric and zero on standing charge would generate M219.20 million instead of M200.40 million on water distribution budget and M34.07 million as opposed to M39.48 million on sewerage and wastewater treatment budget, respectively;
- B.** The Authority will develop key performance indicators to use in reviewing WASCO's subsequent tariff applications;
- C.** WASCO's Organisational Structure Review (OSR) is not driven by the need to improve efficiency in service delivery but Company's ambition to increase staff;
- D.** There is a need for the Authority and or WASCO to seek clarity on some key policy issues that affect the operations of WASCO;
- E.** WASCO should submit the NRW reduction programme to the Authority for approval before its implementation;
- F.** WASCO's tariff application is not supported by complete technical and financial data in order to enable the Authority to review its materiality. Financial information to enable the Authority to do outturn adjustments is not provided. Consumption data by various customers in each band is also missing;
- G.** The wastewater infrastructure outside Maseru is overloaded and unable to treat the effluent to the acceptable quality. WASCO therefore needs capital assistance in order to address wastewater quality in these districts; and
- H.** WASCO's reporting on the use of depreciation funds and the establishment of Emergency Fund is inadequate.

## 16. Approval

A. The Board therefore approved that the WASCO's tariffs should be increased as shown in Tables 18, 19 and 20 below.

**Table 18: Approved Water Services Charges for 2016/17**

Customer Categories	Old Unit Cost Excluding Levies (M/kl)	Approved Percentage Change (%)	Approved Unit Cost Excluding Levies (M/kl)	Adding Customer Levy @ M0.2311/kl (M/kl)	Final Approved unit cost (M/kl)	Old Approved unit cost (M/kl)	Final Approved Tariff Percentage Increase (%)
<b>Domestic Customers</b>							
Band A (0 - 5 kl)	4.3046	8.6%	4.673	4.9041	4.90	4.51	8.7%
Band B (>5 - 10 kl)	7.4346	8.6%	8.0765	8.3076	8.31	7.64	8.7%
Band C (>10 - 15 kl)	13.2146	8.7%	14.3615	14.5926	14.59	13.42	8.7%
Band D (>15 kl)	18.2946	8.7%	19.8854	20.1165	20.12	18.50	8.7%
<b>Non Domestic customers</b>							
Government	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
(Business, Industry)	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
Schools	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Religious Institutions	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Standpipes	5.9046	8.6%	6.4128	6.6439	6.64	6.11	8.7%

The approved volumetric charges are inclusive of customer levy at M0.2311/kl, and exclude VAT.

**Table 19: Approved Water Standing Charges for 2016/17**

Customer Categories	Old Standing Charges (M/month)	Approved Standing Charges (M/month)
<b>Domestic Customers</b>		
Band A (0 – 5 kl)	21.93	0.00
Band B (>10 – 10 kl)	40.90	40.90
Band C (>10 – 15 kl)	40.90	40.90
Band D (>15 kl)	40.90	40.90
<b>Non Domestic Customers</b>		
Government	272.35	272.35
Business, Industry	393.39	393.39
Schools	272.35	272.35
Religious institutions	196.70	196.70
Standpipes	0.00	0.00

The above standing charges exclude VAT

**Table 20: Approved Sewer Services Charges for 2016/17**

Customer Categories	Old unit Charges (M/kl)	Approved Percentage Change (%)	Approved unit Charge (M/kl)
<b>Domestic Customers</b>			
Water borne sewerage customers 1	8.92	8.7%	9.70
Non Water borne sewerage customers 2	8.92	8.7%	9.70
<b>Non Domestic Customers</b>			
Standard Non-Domestic	8.92	8.7%	9.70
Lesotho Brewing Company	8.92	8.7%	9.70
Likotsi and Qoaling Clinics	44.94	8.7%	48.86
C and Y Sewer	0.93	8.7%	1.01

The approved charges exclude VAT

- B.** The standing charge for Band A customers has be abolished and only approved volumetric charges be applicable.

## 17. Effective Date

The effective date for the approved tariffs is 1 April 2016.

## 18. Communication

The decision of the LEWA Board has been communicated to the applicant, WASCO, by a letter dated 16 March 2016, and to the general public through press conference, press release and via print and electronic media on the same date.



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**CHAIRPERSON OF THE LEWA BOARD**

Date: 27/05/2016