



LESOTHO ELECTRICITY AND WATER AUTHORITY

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MEDIA STATEMENT

11 April 2014

LEWA'S DECISION ON LEC'S TARIFF APPLICATION FOR 2014-15

On 23 January 2014, the Lesotho Electricity and Water Authority (LEWA) received a Tariff Review Application from Lesotho Electricity Company (LEC) requesting an annual tariff increase of 26.8 % on both energy and maximum demand charges in order for the Company to generate the required revenue of M778.1 million. The Application did not request any changes in charges such as connection, wiring testing, wiring re-testing, survey, re-survey, meter testing, licensing for wiring and house extension.

In line with the Tariff Filing and Review Procedure, the Authority identified data gaps and communicated them in writing to LEC on 14 February, 2014 and the Company provided the required clarifications, together with additional information on 25 February, 2014.

The public consultation process included the publication of the application in local newspapers and radio programs and public hearings. At the hearings, LEC, consumers and representatives from the Consumer Protection Association, Transformation Resources Centre, Nien Hsing, Forum of Electrical Practitioners Industry, Maluti Mountain Brewery, Catholic Commission for Justice and Peace, Lesotho Chamber of Commerce and Industry made presentations before the LEWA Pricing and Tariffs Committee.

After duly considering the application, the written public submissions and oral presentations, reasons, facts and evidence provided, the Board of Lesotho Electricity and Water Authority, in its meeting held today, Friday, 11 April 2014 approved LEC's revenue requirement of M676.1 million for 2014/15. The approved revenue requirement will:

- Cover the costs of bulk purchases from Eskom, EDM and 'Muela hydropower plant;
- Allow the Company to carry out capital maintenance of its assets;
- Incentivize LEC to explore suitable alternative funding mechanisms for its infrastructure development;
- Encourage the Company to increase staff productivity through improved staff/customer ratio from 1:300 towards 1:400 and to control labour costs in line with inflation and an increase in customer numbers; and
- Provide improved operational efficiency by controlling operating expenses. The Company's operating expenses must be controlled in line with sales growth, increase in customer numbers and the annual inflation.

The approved revenue requirement for LEC, including levies, result in end-user tariff increase of:

- A. 12.1% for domestic customers;**
- B. 11.9% for street lighting;**
- C. 12.2% for general purpose (small businesses);**
- D. 11.8% and 11.9% for energy charges for High Voltage and Low Voltage Industrial/commercial customers respectively, and 12.4% for Maximum Demand (MD) charges for both High Voltage and Low Voltage Industrial/commercial customers.**

This effectively means, for example, that with M20.00, including VAT, a domestic customer currently gets 18 units. With the approved tariffs she/he will get 16 units for the same amount.

Detailed tariffs are as shown in tables 1 and 2 attached to this press release.

The approved tariffs will be effective from 01 May 2014.

Ends.

Table 1: Approved Electricity Tariff Levels for 2014/15

Customer Categories	Current Energy Charge (M/kWh)	Approved percentage change	Approved Energy Charges (M/kWh)	Adding Customer Levy @M0.030/kWh	Adding Rural Electrification Levy @M0.02/kWh large customers and @M0.035/kWh for others	Final Approved Energy Charge	Current Energy Charges including levies	Final Tariff Percentage increase
Industrial HV	0.1347	12.4%	0.1514	0.1814	0.2014	0.2014	0.1801	11.8%
Industrial LV	0.1491	12.4%	0.1676	0.1976	0.2176	0.2176	0.1945	11.9%
Commercial HV	0.1347	12.4%	0.1514	0.1814	0.2014	0.2014	0.1801	11.8%
Commercial LV	0.1491	12.4%	0.1676	0.1976	0.2176	0.2176	0.1945	11.9%
General Purpose	1.1011	12.4%	1.2378	1.2678	1.3028	1.3028	1.1615	12.2%
Domestic	0.9741	12.4%	1.0950	1.1250	1.1600	1.1600	1.0345	12.1%
Street Lighting	0.5530	12.4%	0.6216	0.6516	0.6866	0.6866	0.6134	11.9%

Table 2: Approved LEC MD Charges for 2014/15

Customer Categories	Current Maximum Demand Charge (M/kVA)	Approved Percentage Change	Approved Maximum Demand Charges (M/kVA)
Industrial HV	189.7000	12.4%	213.2433
Industrial LV	221.5700	12.4%	249.0686
Commercial HV	189.7000	12.4%	213.2433
Commercial LV	221.5700	12.4%	249.0686

The figures in tables 1 and 2 exclude VAT.

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