



LESOTHO ELECTRICITY AND WATER AUTHORITY

**LEWA'S ANALYSIS OF LESOTHO ELECTRICITY COMPANY'S  
(LEC'S) TARIFF APPLICATION FOR 2018/19 FINANCIAL YEAR**

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## **IN THE MATTER REGARDING A**

### **DETERMINATION OF LESOTHO ELECTRICITY COMPANY'S (LEC'S) (Pty) Ltd**

#### **APPLICATION FOR A TARIFF INCREASE FOR 2018/19 FINANCIAL YEAR**

## **1. DECISION**

Based on the available information from the written and oral submissions by various stakeholders during public consultation process, reasons, facts and evidence provided, and LEC's response to both LEWA and public comments, the Lesotho Electricity and Water Authority (LEWA) Board, having met on 27 July, 2018 decided as follows:

- a) That the Lesotho Electricity Company (LEC) be allowed revenue of M 918.85 million for the 2018/19 Financial Year;
- b) That the energy and maximum demand charges for all customer categories be increased as shown in table 1-1 and Table 1-2 below

**Table 1-1: Approved LEC Energy Charge for 2018/19**

Customer Category	2017/18 (old) 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 (M/kWh)	Final Approved Energy Charges (M/kWh)	2017/18(old) Energy Charges including levies (M/kWh)	Final Tariff Percentage increase
Industrial HV	0.1861	4.0254%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0158%
Industrial LV	0.2061	4.0254%	0.2144	0.2567	0.2767	0.2767	0.2684	3.0910%
Commercial	0.1861	4.0254%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0158%
Commercial	0.2061	4.0254%	0.2144	0.2567	0.2767	0.2767	0.2684	3.0910%
General	1.5222	4.0254%	1.5835	1.6258	1.6608	1.6608	1.5995	3.8308%
Domestic	1.3467	4.0254%	1.4009	1.4432	1.4782	1.4782	1.4240	3.8069%
Street Lighting	0.7644	4.0254%	0.7952	0.8375	0.8725	0.8725	0.8417	3.6557%

**Table 1-2: Approved LEC Maximum Demand (MD) Charge for 2018/19**

Customer Category	2017/18 (old) Maximum Demand Charges (M/kVA)	Approved Percentage Change	Approved Maximum Demand Charges (M/kVA)
Industrial HV	262.2392	4.0254%	272.7953
Industrial LV	306.3019	4.0254%	318.6317
Commercial HV	262.2392	4.0254%	272.7953
Commercial LV	306.3019	4.0254%	318.6317

- c) The 2017/18 charges for connection, wiring testing, wiring re-testing, survey, re-survey, licensing for wiring, meter testing and house extension must remain the same for the Financial Year 2018/19.

## **2. INTRODUCTION**

The Lesotho Electricity and Water Authority (LEWA) is a statutory body established to regulate the Electricity Supply Industry (ESI) and Urban Water and Sewerage Services (UWSS). Amongst other things, LEWA is empowered to regulate prices charged to consumers of electricity, urban water and sewerage services. Consequently, every service provider licensed to carry out a regulated activity is obliged to lodge an application to LEWA for any proposals for electricity, urban water and sewerage services prices. Such an application becomes effective three (3) months after filing unless the Authority issues a notice of modification or a counter proposal. Consistent with international best practices on regulation, an application filed with the Authority is subjected to public participation processes so that inputs from consumers and interested stakeholders can also be considered when assessing the application. In line with the requirements of the law, LEC has been submitting its applications for tariff reviews over the years and assessment thereof has consistently included consideration of the application, evidence, facts and public input.

## **3. LEC TARIFF APPLICATION - OVERVIEW**

The Authority received an application (the Application) for a Tariff Review from LEC (the Company or the Applicant) on 03 May, 2018. In line with the Lesotho Electricity Authority Tariff Filing and Review Procedure for Electricity and Water Tariff Applications, the Authority identified data gaps.

The Application tabled revenue requirement alongside the tariff levels proposed per customer category, sufficient to manage daily errands in an efficient and reliable manner and to meet the Company's performance obligations. It further stated that the application was necessitated by the Eskom's tariff increase and inherent increase in the Company's operational costs.

### **3.1. LEC Annual Performance Review**

The Application mentioned the following as key areas of achievement in 2017/18:

- a. Number of Connections:** 9694 customers were connected as at October 2017, increasing total connections to 215 698;
- b. Systems availability:** The Company recorded 99% of system availability for the transmission network;
- c. A more reliable network:** Reduction in the average number of customer interruptions and the average length of the interruptions;
- d. Improved customer satisfaction:** LEC call centre that was in its fourth year of operation resulted in significant improvements in customer engagement; and
- e. More transmitted and distributed electricity:** Consumption recorded in 2017/18 was approximately 474GWh which represents a 6.5% increase compared to 2016/17 consumption.

#### **3.1.1. Financial Performance**

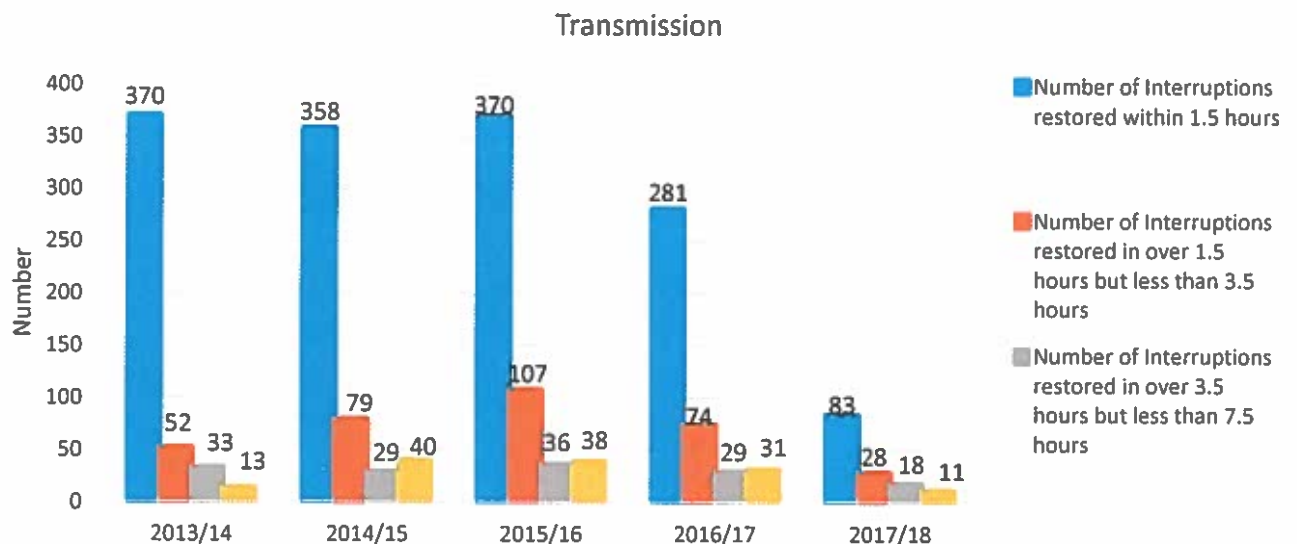
The Application mentioned that the financial performance of the Company had been above expectations. The Application indicated that LEC was maintaining a tight control and monitoring of operational costs. In the Financial Year under review, it was mentioned that LEC recorded positive figures both on current (1.8) and quick (1.6) ratios. The ratios provide justification that the company had enough current assets that gave a promise of 'cash to come' to meet future commitments to pay-off its current liabilities. The Company recorded a gearing ratio of 2.2% and this ratio reflects the amount of existing equity that would be required to pay off all outstanding debts.

#### **3.1.2. System Performance (Response time to system outages)**

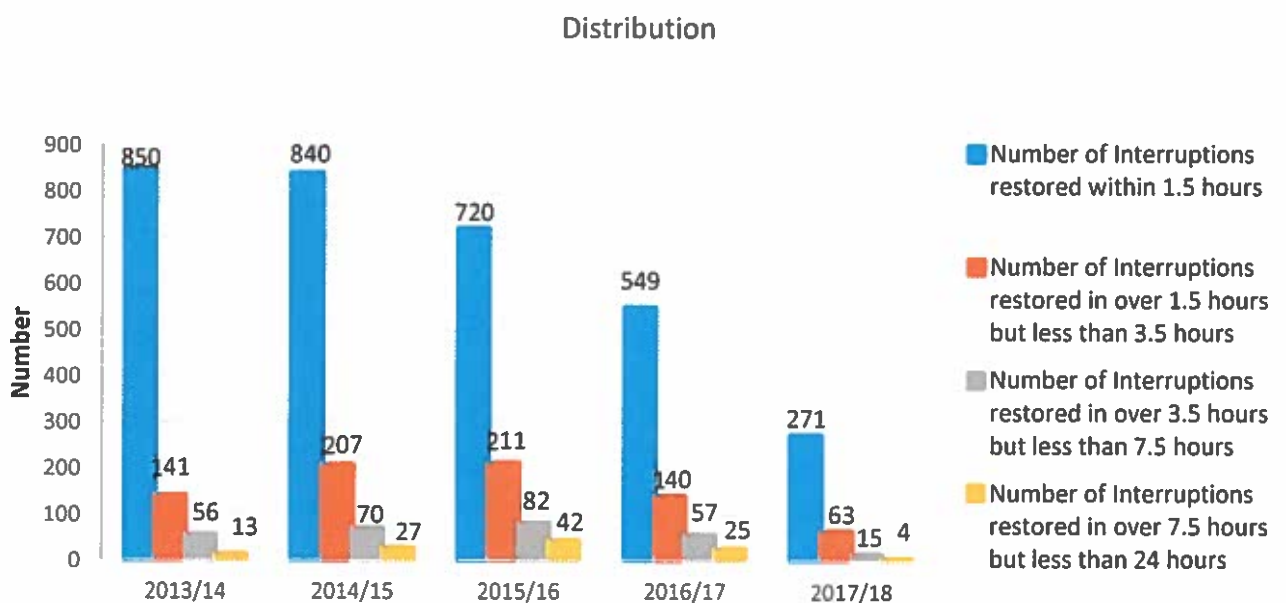
The Application mentioned that the faults at power stations, the damage to transmission lines, substations or other parts of the distribution system, and the overloading of electricity mains are the main causes of the power failures. LEC stated

that institutions such as hospitals, sewage treatment plants and mines were advised to have backup power sources. In the Financial Year under review, it is mentioned that a significant success in the restoration of power supply interruptions was registered. The graphs 3-1 and 3-2 below illustrate response times to the interruptions that took place in the transmission and distribution networks:

**Graph 3-1: Interruptions Restored in Transmission<sup>1</sup>**



**Graph 3-2: Interruptions Restored in Distribution**



<sup>1</sup> Restoration of both transmission and distribution interruption depicts a falling trend

### **3.2. Achievements**

The Application highlighted the Company's 2017/18 operationally and strategically significant achievements as mentioned below.

#### **3.2.1 *Ring-fencing***

The Application indicated that LEC had not complied with the Regulatory Accounting Guidelines (RAGs) issued by the Authority and licence conditions of ring-fencing. It also stated that to be compliant, LEC had drafted the terms of reference to engage a Consultant planned to ring-fence the businesses. The Consultant will have to ensure that the ring-fencing and reallocation of other resources were commensurate with the organisation structure.

#### **3.2.2 *LEWA charging principles***

The Application cited that the Regulator has in the last tariff determination, advised the Company to adopt a multi-year tariff application approach for the future tariff applications. In order to effect that, the company was awaiting completion of Cost of Supply Study. The Company was anticipating its use of the Cost of Service Study as the foundation for the future charging principles that would provide the Regulator and the public with a transparent and consistent view of the costs of providing service to customers.

#### **3.2.3 *Customer Satisfaction Survey Study***

The Application mentioned that LEC was preparing for the undertaking of the Customer Satisfaction Survey (CSS) study whose objectives are:

- a. To establish the current level of customer satisfaction and to identify areas for improvement;
- b. To assess customers perceptions and attitudes towards the company and its offerings; and
- c. To establish the overall quality of service delivery, providing a CSS index for each service provided by the company.

#### **3.2.4 *Countrywide Awareness Campaign***

The Application stated that LEC embarked on a campaign to engage with a target audience at district level in all districts of the country. LEC officials educated the participants on how LEC operates, highlighting all the essential components that were



key and critical for the customer to know and comprehend with the view to strive for customer satisfaction as stated in the Company Strategy.

#### **3.2.5      *Enterprise Resource Planning System***

LEC was going to implement an Enterprise Resource Planning System namely System Application Products) SAP in 2018/19. Its implementation would bring about process efficiency and timely completion of tasks. This would also result in improved business and financial reporting. The system was envisaged to replace five (5) systems which were currently operating in silos/independently of one another.

#### **3.2.6      *Safety and Risk Management***

The Application stated that workshops were convened in three regions of the country in order to create awareness and enhance knowledge on Safety, Occupational Health, Environment and Quality (SHEQ), attitudes and practices in the workplace and on the necessary insurances for contractors should Occupational Safety and Health incidents occur. The workshops also covered enhancement of relations and handling of LEC customers.

### 3.2.7 Network upgrading and system improvement

The Table 3-1 below shows the achieved progress in implementing system improvement and upgrading projects in 2017/18

Table 3-1: Network upgrading information

Project	Purpose	Status as at January 2018	Estimated Cost (in Maloti)
Upgrading of Lit'soeneng Substation from 132/33kV to 132/33/11kV	To relieve Mphahle's Hoek substation as electrification has intensified	on going	13,330,607.40
Refurbishment of the SW12 switching station that supplies Leretholi Polytechnic, Limpokweng University and some loads nearby.	To replace dilapidated switchgear panels that were imposing risk of electrocution to system operators and loss of supply to all loads supplied from the station	Completed	4,747,424.66
System improvements	To replace dilapidated low voltage lines and transformers at Maputsoe Ha Mapele Koorring, St. Monica's, Thoteng, Sebothoane and Mohobollo in Leribe; Khukhune Ha 'Maseretse, Shepeseli 'Mamohololi, Qaphaulane in Botha Bothe	Completed	1,560,000.00
Replacing 5MVA Mazenod Distribution Substation transformer with 2 x 10MVA transformers	To boost stability of supply in Maseru. This initiative addressed load growth and also provides capacity for new connections	Completed	6,691,456.48
Installation of additional 5MVA 66/11kV transformer at Pitseng substation.	To address a problem of frequent power outages at Pitseng Leribe. It will also arrest frequent power trips to the area	Completed	4,480,388.22

<b>Project</b>	<b>Purpose</b>	<b>Status as at January 2018</b>	<b>Estimated Cost (in Maloti)</b>
Installation of fibre optic cable between St Agnes substation in Teyateyaneng and Mabote substation in Maseru	To allow remote operating of the network between the two substations.	Completed	17,536,797.03
A study for a line route from Mazenod to Thetsane	To determine 132kV line route from Mazenod to Thetsane	Completed	623,212.92
Helicopter patrolling of the transmission lines traversing challenging terrains	To identify and address the defects	Completed	1,688,555.00
<b>Total</b>			<b>50,658,441.71</b>

### **3.3. Challenges**

The Application also highlighted the Company's challenges as follows:

#### **3.3.1. Network Vandalism**

The Application mentioned that vandalism threatened the operations and supply of electricity in the country. It also indicated that for the consecutive past five financial years, vandalism cases showed an increasing trend. For 2015/16 and 2016/17, the cost associated with vandalism was estimated at M 1.3 Million. Vandalism was reported to have resulted in the loss of services, which among other things, adversely impacted on the Company's image and customer satisfaction. Areas around Maseru city appear to be more prone to vandalism. It stated that in order to address vandalism, the company has strengthened its collaboration with the Police, Chiefs, Community Policing (Mahokela) and LEC. LEC had also implemented technical strategies such as shortening a service cable and using a bundle conductor in effecting connections, substituting copper 3 phase service cable with aluminium and replacing a yellow alloy by a black one. The Application mentioned that LEC would continue hosting Workshops to develop strategies to curb vandalism.

#### **3.3.2. Security of Supply**

The Application mentioned that the local electricity production (from 'Muela Hydropower Plant) covered 66% of the energy requirement while 44%<sup>2</sup> was imported from Eskom (South Africa) and EDM (Mozambique). The document also mentioned that the imported electricity hiked the electricity prices. The Application also highlighted that there was an urgent need to embark on local generation to protect Lesotho from high imported energy costs<sup>3</sup>.

### **3.4. Way forward**

The Application presented a summary of strategic projects with an estimated cost of M 63,588,850 which were envisaged to be covered by the tariff increase in 2018/19 Financial Year. It mentioned that these projects and others were meant to arrest network challenges in the medium to long term.

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<sup>2</sup> This should have been 34% in order to add up to 100% if 'Muela production is 66% of the country's demand.

<sup>3</sup> To ascertain that local generation will protect Lesotho from high imported energy cost, studies (among others cost benefit analysis) need to be undertaken as a basis may solely be 'Muela Hydropower current charges

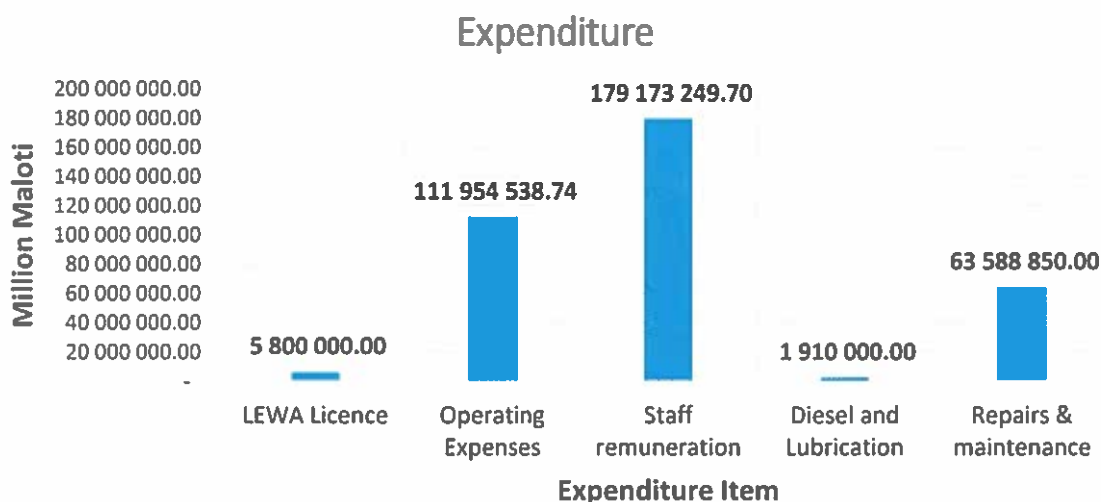
### 3.5. Tariff Methodology

The Application stated that the tariff setting is based on revenue requirement for a single year. The revenue requirement encompassed the relevant costs incurred by the business, plus an allowed investment return and depreciation. The projected costs were based on a forecast for the Financial Year under review. The following were mentioned as some of the main cost drivers:

#### 3.5.1. Expenditure

The graph 3-3 below shows the components of the expenditure<sup>4</sup> category and their costs as outlined in the application.

**Graph 3-3: Expenditure Costs and Components**



Operating expenses, maintenance and repairs, were cited in the Application as mostly driven by sales, inflation, increased number of customers and network expansion. Staff remuneration has been adjusted by an increase in number of customers and half the inflation figure as per regulation. LEWA license fee as had been determined by the Authority in accordance with Lesotho Electricity Authority (Licence Fees and Customer Levies) Regulations, 2009.

<sup>4</sup> In the application, LEC presented different total expenditures figures, M 297 million in the proposed budget and M 303 million in the write up.

### 3.5.2. Return on Assets

The Application mentioned that as of March 2017, the asset schedule had been derived as per the depreciation rates. LEC total asset base for 2017/18 being valued at M 2.9 billion compared to the value of M 2.6 billion for the previous year. Regulated Asset Base (calculated from assets financed solely by LEC) amounted to M 1.12 billion. The Application stated that, based on the Weighted Average Cost of Capital (WACC) estimated at 10.5%, the return due to LEC amounted to M 135<sup>5</sup> million.

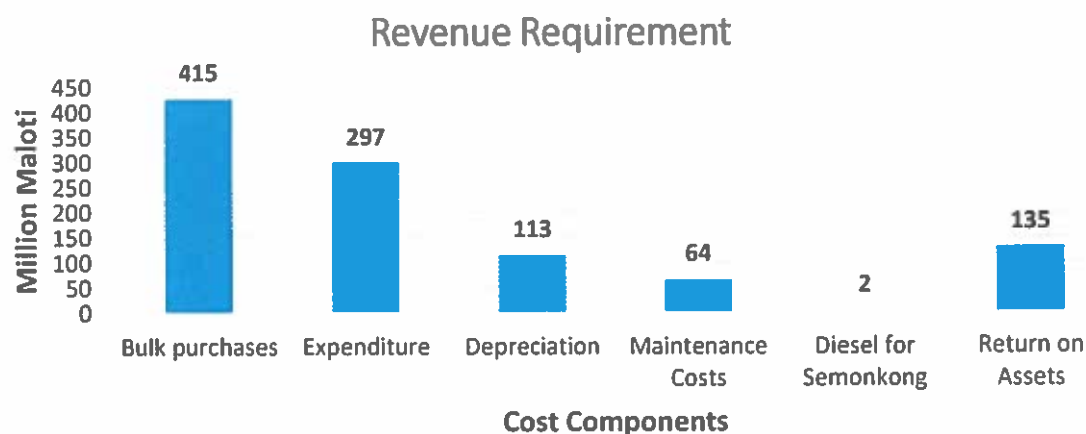
### 3.5.3. Depreciation

The Application estimated the depreciation cost to the value of M 113 million<sup>6</sup>, which translated into a 2.6% reduction compared to the figure of M116 million that was estimated for 2017/18. The reduction was attributed to the fact that, contrary to 2017/18, for 2018/19 the estimates were based on assets that were already on site at the beginning of the Financial Year.

## 3.6. Revenue Requirement

The Application stated that the estimated revenue requirement for 2018/19 is estimated at M 1.03 Billion. The graph 3-4 below shows the cost components and their estimated costs.

**Graph 3-4: Costs per Component of Revenue Requirement**



<sup>5</sup> This number should be M117 600 000.00 based on proposed calculations.

<sup>6</sup> M 113 million translates into 2.7% increase compared to actual depreciation expenditure of M 110 million

The Application stated that the revenue requirement was expected to be financed by a nominal increase of 22.1% on both energy and maximum demand charges. The proposed new tariffs are as shown in table 3-2 and 3-3 below:

**Table 3-2: Proposed Energy Charges**

Customer Category	Proposed M/kWh	Tariff
Industrial HV	0.2273	
Industrial LV	0.2517	
Commercial HV	0.2273	
Commercial LV	0.2517	
General Purpose	1.8589	
Domestic	1.6694	
Lighting	0.9335	

**Table 3-3: Proposed Maximum Demand Charges**

Customer Category	Proposed Tariff M/kVA
Industrial HV	320.2506
Industrial LV	374.0607
Commercial HV	320.2506
Commercial LV	374.0607

### **3.7. Other Provided information**

The Application also included the following information:

- a. Sales Revenue and Demand Forecasts;
- b. Audited accounts with Auditor General opinion;
- c. Management Accounts;
- d. Projected Maximum Demand;
- e. Bulk Supply Forecasts;
- f. Cost Allocation Basis; and
- g. Asset Register.

## **4. PUBLIC CONSULTATION SESSIONS**

Three public hearings were held on 3<sup>rd</sup>, 6<sup>th</sup> and 10<sup>th</sup> July 2018 in Quthing (this included representatives from Mohale's Hoek and Qacha's Nek), Butha-Buthe (this included representatives from Mokhotlong and Leribe) and Maseru (this included representatives from Mafeteng, Berea and Thaba-Tseka) respectively. LEC, stakeholders, Butha-Buthe Business forum (BBF), Consumer Protection Association (CPA), and Lesotho Textile Exporters

Association (LTEA) made presentations before the Pricing and Tariffs Committee of the Authority. Summarily, the 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.

#### **4.1 LEC's Presentation**

In its presentation, LEC stated that it is a regulated state owned entity that receives no subventions from the Government except that it undertakes electrification projects for the Government. LEC highlighted that it has presence in all the regions of the country (in ten districts). The Company stated that small scale generation was undertaken in Mant'sonyane and Semonkong. The regulated entity's composite licence covers transmission, distribution and supply of electricity.

LEC pointed out that its capital costs were not financed from tariffs. The presentation stated, among other things, the following as LEC's business characteristics:-

- a. Business with long term focus; and
- b. It is a vertically integrated network energy business.

##### **4.1.1 Challenges**

LEC stated the following as its challenges:

- a. **Third Party Contracts:-** Third party contracts (of which LEC was a price taker) for the provision of the following goods and services increase service fee:
  - Stock materials (copper or aluminium price volatility); and
  - Fuel increases (OPEC output reduction).
- b. **Antiquated equipment:-** Old infrastructure needed to be replaced as finding its spare parts was becoming almost impossible;
- b. **Theft and Corruption:-** Theft and corruption was on the rise and LEC staff was also involved;
- c. **Exchange rate exposure:-** EDM bulk purchases exposed LEC to foreign exchange risk; and
- d. **Vandalism and Damage on Equipment:-** This resulted in loss of material, business and lives. The presentation showed that vandalism has been increasing and the most stolen items are air dac copper cables and transmission tower members.



#### 4.1.2 Future Planned Works

As a way forward, LEC future planned works are presented in Table 4-1 below:

**Table 4-1: LEC Future Planned works**

Planned Activity	Amount
Replace rotten poles & x-arms on Roma - Molimo Nthuse 11kv line	5,250,000
Remove silt and make silt traps in Mantsonyane to allow for accumulation of water for generation	4,000,000
Replace rotten poles & x-arms on Roma - Makhalaneng [Moitsupeli] 11kv line	3,400,000
Replace rotten poles & x-arms on Mantsebo - Majane 11kv line	2,500,000
Replace rotten poles & x-arms on 11kv line (Ha Legele)	2,400,000
Replace rotten poles & x-arms on Morija - Motsekuoa 11kv line	1,300,000
Procure critical spare relays (4* MICOM P542 & 2* Argus)	1,250,000
Rewind Semonkong Hydro generator	1,200,000
Replace old faulty protection relays on identified critical feeders (30 Siemens 7SJ80 & 10 Micom)	1,200,000
Ring connection between New state house & Mini-Sub to Caledon ring circuit.	1,200,000
Replace rotten poles & x-arms on 11kV Mazenod to Masianokeng	1,150,000
Replace rotten poles & x-arms on Majane - Masite 11kv line	800,000
Address leakages on transformers at Maseru CBD and surrounding areas	200,000
Refurbishment of Piller-Boxes in HQ (15), Mabote(10) & TY (5).	150,000
Mabote system Improvements (replacement of rotten line structures & transformers) (Lancers Gap, Koalabata, & Foso).	3,200,000

#### 4.1.3 Revenue requirement

In its presentation, LEC mentioned that the tariff must recover the required revenue for the year 2018/19. The revenue requirement components were as captured under 2.1.6 above.

#### 4.2 Issues Raised by various Stakeholders

During all the public hearings that were held, the stakeholders, through group discussions and individual presentations, raised a number of issues that needed to be addressed by the Company. These included:-

- Ensuring consistent supply that is resilient to wind and rain as unreliable supply adversely affects all customers;
- Putting in place measures to prevent illegal connections;
- Ensuring that its infrastructure is protected against vandalism;
- Ensuring that the emergency number is answered;
- Ensuring service access by vulnerable groups such as the poor, orphans, old aged, unemployed and low income earners;

- f) Improving on information dissemination strategies especially on planned interruptions of supply;
- g) Embarking on feasibility studies regarding renewable energy generation;
- h) Increasing customer base by reducing connection fees and connecting more people to the existing infrastructure, which will result in increased revenue;
- i) Ensuring that pioneer developers are compensated;
- j) Undertake studies for technology innovation;
- k) LEC to improve quality of its service to match period of LEC's existence;
- l) Ensuring that industrial action (strikes) in South Africa (Matatiele) do not adversely affect the electricity supply in Qacha's Nek; and
- m) Connecting Semonkong to the grid to avoid the high costs of the running of the local generation plant.

Highlights of the presentations made by the various Stakeholders are given below, followed by an analysis of the inputs given during the public hearings.

#### **4.2.1 Butha-Buthe Business Forum**

Butha-Buthe Business Forum in its presentation stated that LEC is a Government-owned entity and its financial requirements should be financed by the owner not customers. It mentioned that it discovered that LEC could not account for M11 million, and that this reflected that LEC did not need a tariff increase but good financial management. The Business Forum indicated that LEC should use profits to finance increased costs instead of requesting increases. It stated that business connections are very expensive compared to the M 2,000 that LEC charge for individual connections. It highlighted that since LEC has no competitor, businesses are bound to accept the ever increasing tariffs and that results in high business electricity running costs. It also pointed out that LEC should consider selling electricity to businesses at retail prices as is done for other commodities.

#### **4.2.2 Lesotho Textile Exporters Association (LTEA)**

LTEA in its presentation highlighted that it is faced with possible minimum wage increase and 22.1% electricity increase. The high increase of tariffs would not sustain the 55 Lesotho industries and when they close shop, about 55 000 employees would lose jobs. Lesotho used to be a lead exporter to the USA in the sub-Saharan region but Kenya took over because of the subsidies (including lower utility tariffs) offered in that country. Industries are price-takers in the

international markets and high cost of inputs (including electricity) render them not competitive in the international market. LTEA highlighted that granting LEC a tariff above the prevailing inflation rate will put pressure on its members who are struggling to maintain orders in a highly competitive global environment. It further mentioned that high input costs are an inhibitor to foreign investor attraction. It recommended that LEC should consider adopting recommendations of the LEWA Cost of Service Study.

#### **4.2.3 Consumer Protection Association (CPA)**

In its presentation CPA observed that 59% of the bulk supply purchases is highly subsidized. It went further to state that 73% of the remaining 41% was purchased from ESKOM which was allowed only 5.23% tariff increase this financial year. It also highlighted that even though ESKOM tariffs have increased, the EDM tariffs were reduced. CPA pointed out that even though the costs have increased LEC should not over inflate the increase as that was an unfair burden that is passed on to the customers. It also pointed out that LEC's inefficiencies and corruption should not translate into tariff increase. It also advised LEC to insure its assets to avoid burdening consumers with tariff increase for their losses. It also stated that as a result of spiralling costs of services provided by LEC, the country may experience reduction in current employment. According to CPA, poor economic performance and the growth that does not translate into welfare improvement of the lower class of the society, would result in the poor not affording the increase. CPA stated that over-recoveries should be a pass-through benefit to curb tariff increases. It also highlighted that LEC should consider an off-set done by electricity VAT increase on public servants salary increase.

According to CPA, considering prevailing unemployment rate, instead of an increase, LEC should at least reduce its tariffs by one to two percentage points. CPA recommended that the LEC tariff increase proposal should be denied, and if any increase is allowed, it should be equivalent to inflation.

#### **4.3 Analysis of Public Hearings**

In all three (3) public hearings that were conducted, the stakeholders generally opposed an increase in tariffs. Stakeholders recommended, on the average an increase between 0% and 4.8%. They proposed that the increase should at least be consistent with the inflation rate and applicable public salary increases. They further urged that unemployment rate was likely to increase with proposed hikes as some industries could be forced to close down. The reasons

that were given for denying LEC's proposed tariff increases included a 5.23 % tariff increase allowed to ESKOM, reduction in EDM tariffs, requested increase would result in industries closing down, increasing unemployment rate, high number of poor people, efforts to attract and retain investors and inefficient operation of LEC. Stakeholders expect that to increase its revenue, among others things, LEC should reduce its connection fees to enable more people to connect to their system and hence benefit from economies of scale.

It was noted and duly conceded by the Applicant that rampant corruption at LEC precipitated by its employees in some instances, contributed to the huge financial losses. Such losses should not be recovered from proposed tariff increase request. Stakeholders were concerned about LEC's mismanagement and inefficiencies. Specifically, LEC's failure to make necessary provisions for the lost court case should not be burdened on consumers and customers. It has also been noted that LEC's mismanagement and inefficiencies should not be catered for through a tariff increase.

## **5. ANALYSIS OF LEC'S APPLICATION**

### **5.1. LEC's Costs and Required Revenues**

The LEC's revenue requirement is made up of the following major costs items:

- a. Bulk Supply Purchases;
- b. Repair and Maintenance (including fuel and oil for generation);
- c. Operating Expenses;
- d. Labour Costs;
- e. Depreciation; and
- f. Return on Assets

#### **5.1.1 Bulk Supply Purchases**

As illustrated in Table 5-1 below, the LEC's bulk supply costs for 2018/19 are set to decline mainly due to a 40% reduction in costs for the EDM new contract. However, other costs, associated with the EDM contract such as wheeling charges, incremental loss, EDM's energy resold to Eskom and control area charges have not been addressed by LEC as directed by the Authority. In addition, LEC is directed to negotiate new long term power purchase agreements with Eskom for the three intake points in order to ensure the country's security of power supply.

LEC should further explore possible costs savings by considering conversion of Eskom Megaflex tariff to Nightsave Urban Large tariff and provide cost comparison thereof. Furthermore, LEC should provide the Authority with detailed analysis of the EDM contract and other relevant documents that enabled its participation in the Southern African Power Pool (SAPP) energy trading market.

LEC should further provide the Authority with the wheeling agreement between EDM-ESKOM and LEC, respectively.

**Table 5-1: Evolution of Bulk Supply Costs in Maloti per kilowatt-hours (M/kWh) Since 2013/14**

Entry Points or supply Sources	Audited Data in 2013/14 (M/kWh)	Audited Data in 2014/15 (M/kWh)	Audited Data in 2015/16 (M/kWh)	Audited data in 2016/17 (M/kWh)	Revised Average Costs in 2017/18 (M/kWh)	Projected Average Costs in 2018/19 (M/kWh)	2018/19 Price Compared to 2017/18 Percentage (%)	Average Change to in
'Muela	0.11	0.12	0.12	0.11	0.11	0.11		1
EDM	0.68	0.81	1.36	1.33	1.41	0.85		-40
Clarens	0.56	0.61	0.68	0.74	0.73	0.79		8
Maseru Bulk Supply	0.80	0.81	0.95	0.84	0.94	1.06		13
Qacha's Nek	0.92	0.99	1.11	1.21	1.20	1.30		9
ESKOM (Clarens+Maseru+ Qacha's Nek)	0.71	0.75	0.85	0.82	0.88	0.99		12
Total Imported Supply	0.70	0.76	0.99	0.97	1.02	0.95		-7
Total	0.32	0.34	0.42	0.47	0.49	0.47		-5

While LEC was not implementing the “Pass-Through Charging Principle for Bulk Supply Tariffs and Procedure for Implementation Mechanism” as it should, it was likely to over-recover in bulk supply costs due to decreased EDM contract price. The likely over-recovery of about M17 million has not been factored-in and the Authority was of the view that the LEC’s detailed bulk supply information has not included the costs associated with EDM contract.

### **5.1.2 Repair and Maintenance (including fuel and oil for generation)**

The LEC’s proposed budget of M64 million for repair and maintenance appeared to be adequate when compared to the audited expenditure of M50.81 million for the Financial Year 2016/17. Again, in 2017/18, only M16.86<sup>7</sup> million was allowed and the Company was expected

<sup>7</sup> LEC had not included the repair and maintenance in its tariff application for 2017/18.

to spend M30.01 million. The requested budget was allowed in full with the expectation that it will assist the utility in restoring interruptions expeditiously, in less than 1.5 hours, which is currently a challenge. Again, the Company would have sufficient budget to respond to the high level of infrastructure vandalism it was currently experiencing. Just like in the previous tariff determinations, LEC is urged to submit its preventative maintenance programme to the Authority for consideration and approval, including implementation monitoring. Furthermore, the repair and maintenance budget must be closely monitored in order to ensure that it does not finance new capital projects (which are later capitalized) and or projects to be financed through depreciation funds.

### 5.1.3 Operating Expenses

As shown in Table 5-2 below, the Company had performed relatively well in controlling its operating expenses. The LEC's proposed budget of M112 million was in line with the agreed principles for the adjustment of operating expenses. The approved budget was based on half increase in connection growth of 6%, half increase in sales of 3%, and average inflation rate of 5.2% as shown in Table 5-3 below. The LEC proposed budget was therefore allowed in full.

**Table 5-2: Actual and Forecasted Operational Expenses included in the tariffs from 2012/13 to 2018/19**

Operating Expenses	Financial years						
	2012/13 Audited in Million Maloti (M)	2013/14 Audited in Million Maloti (M)	2014/15 Audited in Million Maloti (M)	2015/16 Audited in Million Maloti (M)	2016/17 Audited in Million Maloti (M)	2017/18 Forecasted in Million Maloti (M)	2018/19 Forecasted in Million Maloti (M)
Actual	70,710,529.00	51,651,687.00		86,338,581.00		107,203,145.00	111,954,539.00
Allowed	60,842,366.59	67,900,081.11		82,381,135.97		101,687,633.26	111,229,468.85
Variance Between Allowed and Actual	(9,868,162.41)	16,248,394.11	(5,073,758.37)	(3,957,445.03)	33,169,822.00	(5,515,511.74)	(725,070.15)
LEC's Actual		-27.0%	55.1%	7.8%	-36.5%	95.5%	4.4%
LEWA's Approved		11.6%	10.5%	9.8%	6.8%	15.54%	9.38%

**Table 5-3: Energy Sales (kWh), Connections and Revenue per kWh**

Item	Projected 2017-18 in Maloti (M)	Actuals in 2017-18 in Maloti (M)	Projected in 2018-19 in Maloti (M)	Increase in Percentage
Energy Sales (kWh)	775,160,651.20		796,411,429.19	2.74%
Connections	234,781			5.63%
Total Revenue (M)	886,623,282.00		918,847,906.38	3.63%
Revenue (M)		1.1438	1.1537	0.87%

Based on Table 4-3 above, the average tariff increase is 1% and the LEC's revenue will increase by 4% for the Financial Year 2018/19.

#### 5.1.4 LEC's Labour Costs

As shown in Table 5-4, LEC's labour costs, since 2012/13, have not adhered to the approved budget ceiling set by the Authority compared to the audited costs. Consequently, for 2018/19, LEC proposed labour costs of M179.17 million which were not in line with approved labour costs indexation formulae which consists of half growth in connection and average annual inflation rate. Based on these two variables (average annual inflation rate of 5.2% and half growth in connection of 3.63%), LEC's labour costs will be increased by 8.02% compared to 2017/18 to M174.36 million for 2018/19.

**Table 5-4: Actual and Forecasted labour expenses included in the Tariffs from 2012/13 until 2018/19**

Labour Expenses	Financial years								
	2012/13 Audited in Million Maloti (M)	2013/14 Audited in Million Maloti (M)	2014/15 Audited in Million Maloti (M)	2015/16 Audited in Million Maloti (M)	2016/17 Audited in Million Maloti (M)	2017/18 Forecasted in Million Maloti (M)	Revised in Million Maloti (M)	2018/19 Forecasted in Million Maloti (M)	
Actual	109,558,415.00	119,636,783.00		143,635,564.00	159,453,861.00	163,486,969.00		179,173,250.00	
Allowed	107,302,327.77	117,066,839.60		139,973,259.76	147,951,504.43	161,417,342.08		174,355,571.03	
Variance	(2,256,087.23)	(2,569,943.40)	(8,698,571.00)	(3,662,304.24)	(11,502,356.57)	(2,069,626.92)		(4,817,678.97)	
LEC's Actual		11.5%	16.9%	12.1%	13.9%		2.5%		9.6%
LEWA's		9.1%	9.5%	9.2%	5.7%		9.1%		8.0%

The Company should maintain improved staff productivity, which increased from one staff per 389 connections in 2017/18 to approximately one staff per 496 connections in 2018/19. This is a commendable achievement as the Company had exceeded the set target of one staff per 400 connections.



### 5.1.5 Depreciation Charge

**Table 5-5: Actual and Forecasted labour expenses included in the Tariffs from 2012/13 until 2018/19**

	Financial years						
Depreciation Charges	2012/13 Audited Million Maloti (M)	2013/14 Audited Million Maloti (M)	2014/15 Audited Million Maloti (M)	2015/16 Audited Million Maloti (M)	2016/17 Audited in Million Maloti (M)	2017/18 Revised Forecasted in Million Maloti (M)	2018/19 Forecasted in Million Maloti (M)
Actual	69,015,358.00	76,800,822.00	82,802,882.00	82,057,086.00	105,649,609.00	112,741,663.00	112,741,663.00
Allowed	73,398,105.00	69,767,031.60	85,621,213.00	95,708,516.00	100,005,205.00	100,005,205.00	112,741,663.00
Variance Between Allowed and Actual	4,382,747.00	- 7,033,790.40	2,818,331.00	13,651,430.00	- 5,644,404.00	- 12,736,458.00	-

The depreciation charge proposed by LEC was M112.74 million and this is 13% higher than the figure approved in 2017/18. Contrary to LEWA's Regulatory Accounting Guidelines, approved in September 2012, LEC's proposed figure included depreciation charges for assets to be developed in 2018/19 financial year.

LEC had since established the 'Depreciation Account' and provided the Authority with the detailed use of its proceeds for the financial year 2016/17. The Company is yet to fully<sup>8</sup> account for the funds into the account for the financial year 2017/18. The proposed depreciation charge, by LEC, was therefore reasonable and allowed in full.

<sup>8</sup> LEC has only accounted for M26.45 million of the depreciation funds and is yet to account for the remaining M73.55 million.

### 5.1.6 LEC's Return on Assets

The current practice in which LEC receives revenue from customers, and utilise it for creating Company's assets makes it difficult to identify assets financed by customers from LEC's Statement of Financial Position. In line with best practice, LEC should have not included these assets in its asset base that is later used for determining regulatory asset base (RAB). Furthermore, its continuous unilateral use of the return on assets for labour costs makes it difficult for the Authority to consider the inclusion of M135 million return in its revenue requirement. However, due to the progress the Company has made in complying with regulatory instruments, the Authority allows the Company 28% of M117.60 million stated as the required return on assets. This is to ensure that the Company complies with regulatory prescripts and improve customer services performance.

### 5.2. LEC's Adjusted Revenue Requirement

Adjustments made in 5.1 above lead to the revenue requirement shown in Table 5-6 below.

**Table 5-6: LEC Revenue Requirement in 2018/19 Financial Year**

Cost Items	Approved in 2017/18 (M)	Revised forecast 2017/18 (M)	Variance between Approved and actual in 2017/18 (M)	Projected LEC Costs for 2018/19 (M)	Adjusted Costs for 2018/19 based on the approved costs in 2017/18 (M)
Cost of Sales	471,376,753.53	470,857,235.93	519,517.60	481,366,782.49	481,366,782.49
Bulk Purchases	452,792,158.00	439,631,229.93	13,160,928.07	415,777,932.49	415,777,932.49
Repairs and maintenance	16,858,595.53	30,012,827.00	-13,154,231.47	63,588,850.00	63,588,850.00
Diesel and oil	1,726,000.00	1,213,179.00	512,821.00	2,000,000.00	2,000,000.00
<b>Operating Expenditures</b>	<b>368,480,547.07</b>	<b>379,674,883.00</b>	<b>- 11,194,335.93</b>	<b>410,042,371.00</b>	<b>404,499,621.89</b>
Labour	161,417,342.08	164,504,792.00	-3,087,449.92	179,173,250.00	174,355,571.03
Depreciation	100,005,205.00	102,594,119.00	-2,588,914.00	112,741,663.00	112,741,663.00
Other expenses <sup>9</sup>	101,685,172.98	107,203,145.00	-5,517,972.02	111,954,539.00	111,229,468.85
LEWA License	5,372,827.00	5,372,827.00	-	6,172,919.00	6,172,919.00
<b>Sub-total (Cost of sales and operating expenditures)</b>	<b>839,857,300.60</b>	<b>850,532,118.93</b>	<b>-10,674,818.33</b>	<b>891,409,153.49</b>	<b>885,866,404.38</b>
Return on Asset		30,450,891.00	-30,450,891.00	135,000,000.00	32,981,502.00
Financing costs	16,430,355.30				
<b>LEC's Total Required</b>	<b>856,287,655.90</b>	<b>880,983,009.93</b>	<b>-41,125,709.33</b>	<b>1,026,409,153.49</b>	<b>918,847,906.38</b>

<sup>9</sup> This is day-to-day expenses, other than labour and depreciation costs, that LEC incurs to run its regulated businesses.

### 5.2.1 Tariff increase

In order to achieve the adjusted required revenue indicated in Table 5-6 above, the increase in tariffs would be 4% and the tariffs would be increased as indicated in Tables 5-7 and 5-8 below.

**Table 5-7: Approved LEC Tariff Levels for 2018/19 by the LEWA Board**

Customer Category	Current Energy Charges (M/kWh)	Approved percentage change	Approved Energy Charges (M/kWh)	Adding Customer Levy <sup>9</sup> @M0.0423/kWh	Adding Universal Access Fund Levy <sup>10</sup> @M0.02/kWh large customers and @M0.035/kWh for others (M/kWh)	Final Approved Energy Charge (M/kWh)	Current Energy Charges including levies (M/kWh)	Final Tariff Percentage increase
Industrial HV	0.1861	4.0254%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0158%
Industrial LV	0.2061	4.0254%	0.2144	0.2567	0.2767	0.2767	0.2684	3.0910%
Commercial	0.1861	4.0254%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0158%
Commercial	0.2061	4.0254%	0.2144	0.2567	0.2767	0.2767	0.2684	3.0910%
General	1.5222	4.0254%	1.5835	1.6258	1.6608	1.6608	1.5995	3.8308%
Domestic	1.3467	4.0254%	1.4009	1.4432	1.4782	1.4782	1.4240	3.8069%
Street	0.7644	4.0254%	0.7952	0.8375	0.8725	0.8725	0.8417	3.6557%

**Table 5-8: Approved LEC MD Charge for 2018/19 by the LEWA Board**

Customer Category	Current Maximum Demand Charge (M/kVA)	Approved Percentage Change	Approved Maximum Demand Charges (M/kVA)
Industrial HV	262.2392	4.0254%	272.7953
Industrial LV	306.3019	4.0254%	318.6317
Commercial HV	262.2392	4.0254%	272.7953
Commercial LV	306.3019	4.0254%	318.6317

The figures in Tables 5-7 and 5-8 exclude VAT<sup>11</sup>.

The above tariffs would enable the utility to generate M918.85 million from its customers. This is shown in Table 5-9 below.

<sup>9</sup> This levy is paid by customers to sustain the operations of the Authority.

<sup>10</sup> This levy is meant for expansion of electricity infrastructure to rural areas where there is no service.

<sup>11</sup> VAT is charged by Government and payable to Lesotho Revenue Authority

**Table 5-9: LEC 2018/19 Total Revenue Based on the Approved Tariffs**

Customer Category	Old LEC Energy Charge (M/kWh)	Approved Maximum Demand Charges (M/kVA)	Forecasted Energy Sales (kWh)	Forecasted Maximum Demand (kVA)	Total Revenue to LEC (M)
Industrial HV	0.1936	272.7953	257,885,683.72	499,662.00	186,229,854
Industrial LV	0.2144	318.6317	39,906,899.67	196,640.00	71,211,628
Commercial HV	0.1936	272.7953	87,130,492.67	233,829.00	80,655,153
Commercial LV	0.2144	318.6317	58,715,028.80	181,843.00	70,529,228
General Purpose	1.5835		94,889,908.66		150,255,726
Domestic	1.4009		255,728,917.32		358,253,124
Lighting	0.7952		2,154,498.35		1,713,192
<b>Total</b>			<b>796,411,429</b>		<b>918,847,906.38</b>

## 6. LEC'S ANNUAL PERFORMANCE REVIEW

While LEC's annual compliance will be reviewed at the end of the year, based on information gathered during inspections and monthly reporting formats, there are incidences of unreliable power supply reported during public consultations. In some cases, the power cuts are unannounced and that affects both economic and social activities of the consumers.

Furthermore, LEC had not been able to comply with the following regulatory instruments and tariff decision directives of the Authority:

- A. The LEA Act, 2002, as amended, in respect of providing regulated accounts for its businesses.** This is despite the Company establishing a telecommunication Company that it claimed has been properly ring-fenced from the electricity supply businesses;
- B. Lesotho Electricity and Water Regulatory Accounting Guidelines:-** The guidelines stipulate how a company/licensee should treat RAB, depreciation and construction capital work in progress;
- C. Lesotho Electricity and Water Charging Principles for Electricity and Water and Sewerage Services:-** The principles guide the licensee on the preparation and submission of tariffs to the Authority. These principles allow for multi-year tariffs that many stakeholders have requested to be considered moving forward. The Principles are supplemented by the Tariff filing and Review Procedure which

stipulates the minimum and the type of information that should accompany tariff application to the Authority;

**D. Lesotho Electricity and Water and Sewerage Services Revised Pass-through Principle for Bulk Supply Tariffs and Procedure for Implementation**

**Mechanism:-** This principle is aimed at ensuring that LEC is constantly monitoring its bulk supply costs so as to ensure that any necessary interventions are known and acted upon timeously. LEC's inability to comply with this principle makes it hard for the Authority to do necessary adjustments to its bulk supply costs; and

**E. LEC's Composite license:-** In terms of the its license, LEC is tasked with procuring power in an economic and competitive manner. However, there is still no long-term PPA with Eskom for the three supply intakes to Lesotho.

## **7. LEC'S FINANCIAL PERFORMANCE**

Major ratio analysis is detailed below. The information used is for 2015/2016 and 2016/2017 (audited financial statements) as well as the management accounts for the period ended 31 October 2017

### **7.1 Profitability**

According to the Audited Financial Statements for the year ended 31<sup>st</sup> March 2017, LEC's gross profit was M347 million which represents 46% of the sales. This sufficiently covered all the operating costs amounting to M320 million and a profit after tax of M87 million was realized as compared to a profit of M56 million in 2016. The sales for 2018 have increased by 11.75% while the operating expenses increased by 28% (M90 million) as compared to 2016. Management accounts for the period ended 31 October 2017 show a profit of M19 million while the projected year end operating profit is M21 million. The projections for 2018/19 show a profit of M5 million.

### **7.2 Liquidity**

The idea behind this is that a company should have enough current assets that give a promise of 'cash to come' to meet future commitments to pay off its current liabilities. Obviously, a ratio in excess of one (1) is ideal. Both the current and quick ratio shows are an indication of the company's liquidity position.

### **7.3 Current ratio (Current Assets/Current Liabilities)**

The current ratio of LEC as at March 2017 was 1.8 while March 2018 projections stand at 1.85. The ratio for 2018/19 projections also show a figure of 1.8. Those are all above the recommended threshold. It suggests that LEC may not have a problem in settling its short-term obligations.

### **7.4 Quick ratio (Current Assets less Inventory/Current Liabilities)**

The quick ratio as at 31 March 2017 stands at 1.6 as compared to projections for the year ended 31 March 2018 at 1.5. While On the other hand the projections for 2018/19 show a deteriorated figure of 0.73. Those imply that with the exclusion of inventories which is considered to be less liquid LEC's ability to settle its short term liabilities may be impaired.

### **7.6 Cash Generated from Operations**

The Cash Generated from Operations measures the company's ability to finance its long term investing obligations. LEC had only been able to raise/ generate partial cash flows to finance its long term obligations while the other portion were financed from the Governments grants and loans from commercial banks. The projections for the year ending March 2019 shows the same results as in the previous years. Furthermore the estimated cash flows for 2018/19 shows that the net cash would decrease from M162 million to M85 million.

### **7.7 Gearing Ratio**

The capital gearing is a measure of the proportion of the company's capital that is debt. The LEC's gearing for 2017 has increased by M9 million compared to 2016. That means long – term debt is 2.2% of Equity. The projections for the year ending 31 March 2018 show a gearing of 7% (increase of M124 million from March 2017). The degree of borrowing may have a negative impact on the liquidity and the return on investment of an entity. The gearing ratio for LEC is considered to be low as it is less than the recommended threshold of 50%.

### **7.8 Interest Cover**

In a healthy financial situation interest cover (**Profit before tax / interest costs**) is expected to be more than 3 times. In the case of LEC the interest cover in March 2017 was 48 times as compared to projections for 2018/19 which stood at 1.5 times. This is

far below the recommended threshold, it suggests that LEC may have a problem in servicing its debt obligations.

The Auditor General has issued a statement on irregularities in relation to Trade and Other payables and Property, Plant and Equipment which means there were issues relating to a limitation of scope where the Auditors were unable to find sufficient appropriate audit evidence to verify some transaction on those items. Reliability on this financial statements may be impaired to a certain extent.

## **8. CONCLUSIONS**

Based on the available information from the written and oral submissions by various Stakeholders during public consultation process, reasons, facts and evidence provided, and LEC's response to both LEWA and public comments, the LEWA Board has found justification for M1.03 billion revenue requirement not in line with LEWA's Regulatory Principles and Guidelines. The LEWA Board therefore concluded as follows:

- A.** In order to meet its revenue requirement of M1.03 billion, energy and maximum demand charges would need to increase by 16.6%.
- B.** The LEC's revenue requirement for the Financial Year 2018/19 is M918.85 million and in order to meet it, the tariff increase is 4% for both energy and maximum demand charges;
- C.** EDM costs have decreased by 40% for the financial year 2018/19 and this has resulted in an overall 5% decrease in bulk supply costs. LEC should negotiate a long-term PPA with Eskom and explore conversion of Eskom Megaflex tariff to the Nightsave Urban Large tariff.
- D.** LEC's operating expenses have been maintained at the levels approved by the Authority. The Company is therefore adhering to the principle approved by the Authority in adjusting its operating expenses.
- E.** Despite LEC's achievement of staff ratio of one staff per 400 connections, the Company has not been able to maintain its staff costs at the level approved by the Authority. The staff costs have not been increasing in line with inflation and half increase in connections. The allowed LEC's staff costs for 2018/19 is therefore M174.36 million instead of M179.17 million proposed by LEC.

F. The Company's proposed depreciation charge of M112 million was reasonable and therefore allowed by the Authority.

G. LEC's proposed return on its assets of M117.60 million was not justified as the Company had never declared dividends and had unilaterally used the proceeds to increase its staff remuneration. The Authority has therefore allowed the Company to earn M32.98 million as return on its assets in order to encourage the Company to comply with regulatory prescripts.

## 9. APPROVAL

d) Therefore, the Board approved that the LEC tariffs should be increased as shown in Tables 9-1 and 9-2 below.

**Table 9-1: Approved LEC Tariff Levels for 2018/19**

Customer Category	2017/18 (old) 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 (M/kWh)	Final Approved Energy Charges (M/kWh)	2017/18(old) Energy Charges including levies (M/kWh)	Final Tariff Percentage increase
Industrial HV	0.1861	4.0254%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0158%
Industrial LV	0.2061	4.0254%	0.2144	0.2567	0.2767	0.2767	0.2684	3.0910%
Commercial	0.1861	4.0254%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0158%
Commercial	0.2061	4.0254%	0.2144	0.2567	0.2767	0.2767	0.2684	3.0910%
General	1.5222	4.0254%	1.5835	1.6258	1.6608	1.6608	1.5995	3.8308%
Domestic	1.3467	4.0254%	1.4009	1.4432	1.4782	1.4782	1.4240	3.8069%
Street	0.7644	4.0254%	0.7952	0.8375	0.8725	0.8725	0.8417	3.6557%

**Table 9-2: Approved LEC MD Charge for 2018/19**

Customer Category	2017/18 (old) Maximum Demand Charges (M/kVA)	Approved Percentage Change	Approved Maximum Demand Charges (M/kVA)
Industrial HV	262.2392	4.0254%	272.7953
Industrial LV	306.3019	4.0254%	318.6317
Commercial HV	262.2392	4.0254%	272.7953
Commercial LV	306.3019	4.0254%	318.6317

The figures in Tables 9-1 and 9-2 exclude VAT.

e) The 2017/18 charges for connection, wiring testing, wiring re-testing, survey, re-survey, licensing for wiring, meter testing and house extension must remain the same for the Financial Year 2018/19.



## 10. EFFECTIVE DATE

The effective date for the proposed tariffs is 01 August 2018.

## 11. COMMUNICATION

The decision of the LEWA Board has been communicated to the applicant, LEC, by a letter dated 30<sup>th</sup> July 2018, and to the general public through press conference, press release and via print and electronic media on 27<sup>th</sup> July 2018.



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**CHAIRPERSON OF THE LEWA BOARD**

Date: 31 August 2018  
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