

In the matter of an Application by the
**KIGOMA URBAN WATER SUPPLY AND SEWERAGE AUTHORITY
(KUWASA)**
For a Tariff and Charges Adjustment

Background

1. On 17th May 2011 KUWASA submitted an application for review and approval of the following regulatory actions:

- (a) increase in the current water tariff for metered customers ranging between 100% and 433%;
- (b) increase in the current flat rates ranging between 233% and 2,200%;
- (c) increase in meter rent by 66.67% from TZS 300 to TZS 500 per month;
- (d) increase in new connection fees ranging between 75% and 100%;
- (e) increase in reconnection fees ranging between 200% and 400%;
- (f) introduce service charges ranging between TZS 1,000 per month to TZS 5,000 per month;
- (g) introduce meter deposit charge of TZS 150,000 per new connection; and
- (h) the requested tariff, if approved, take effect from 1st July 2011.

Stakeholders'
Consultation

2. Pursuant to section 19(2) (h) of the Energy and Water Utilities Regulatory Authority Act, Cap. 414, EWURA conducted an Inquiry into the reasonableness of the proposed tariff as well as charges. This Inquiry included an economic and a technical evaluation of the Application and a public hearing that was held in Kigoma/Ujiji Municipality on 8th September 2011 to hear the views of stakeholders.

3. During the public hearing, KUWASA made presentations explaining the basis of the Application and the justification of the

proposed tariff and charges increase. All stakeholders including the Public, Government Consultative Council (“GCC”), and EWURA Consumers Consultative Council (“EWURA CCC”) were given an opportunity to examine and comment on the reasonableness of the KUWASA Tariff Application. KUWASA had a chance to respond to stakeholders’ comments in the meeting and later by submitting written responses to EWURA.

4. EWURA CCC was concerned, among other things, with high tariff rates compared to other Lake zones water utilities’ tariffs, discriminatory tariff where Expatriates are considered as a unique customer category, high connection charges, low operational efficiency, and sudden increase in personnel and maintenance costs in the year 2011/12.

5. GCC was concerned, among other things, with high debts, lack of sewerage services, low collection efficiency, high water losses, lack of regular tariff reviews as a result there was a high proposed tariff increase in one application, and unrealistic asset values resulting into high depreciation charge.

6. The Public was concerned with high water tariffs and that the tariffs were illegally increased well before KUWASA submitted to EWURA for approval, low service coverage, and shortage of water coupled with unreliable rationing schedule.

7. At the closure of the Inquiry process on 22nd September 2011, KUWASA had reasonably responded to stakeholders’ comments and EWURA had gathered satisfactory and adequate information to prudently determine the application. During the review, KUWASA was requested to provide supplementary information in support of its application.

Analysis and
Adjustment

8. As a result of the Inquiry and Evaluation process, EWURA concluded that KUWASA’s proposed tariff was reasonable except for:

- (a) high estimates of Operational and Maintenance costs (O&M) for 2011/12 which include
 - i. high estimation of electricity expenses for water production arising from computational error which was corrected;
 - ii. huge increase in distribution costs mainly due to the high budget on water meter installation costs amounting TZS 525 million per year. This was adjusted to reflect the installation cost per meter

which is TZS 20,000 and the 2,000 meters planned to be installed in the FY 2011/12;

- iii. high repair and maintenance costs which were adjusted to take into account the huge repair and maintenance activities conducted during 2009/10 amounting to TZS 687,866,785 which renewed the system and minimizing immediate future repair cost; and
 - iv. personnel expenses that was benchmarked with category B water authorities; and
- (b) low estimate of NRW which was adjusted from 35% to 30% to reflect the current achievement level.

9. The proposed and adjusted Revenue Requirement is as shown in the table below.

Table 1: Revenue Requirement (RR)

	Proposed RR 2011/12	Adjusted RR 2011/12
	TZS	TZS
OPERATION AND MAINTENANCE EXPENSES		
Production	950,977,320	602,716,280
Distribution	871,023,720	337,523,720
Repair & Maintenance	359,200,000	98,760,000
Administration	577,416,144	410,765,005
Personnel	1,013,957,360	444,000,000
Financial	14,400,000	6,000,000
Events and Donation	36,280,000	26,200,000
Business Promotion	24,400,000	24,400,000
Sub-Total	3,847,654,544	1,977,865,005
CAPITAL INVESTMENT		
Depreciation	248,706,904	248,706,904
Contribution to Investment	198,263,010	198,263,010
Sub-Total	446,969,914	446,969,914
TOTAL REVENUE REQUIREMENT (RR)	4,294,624,458	2,424,834,919

Decision

1. The Board of Directors of EWURA having met on 16th December, 2011 to consider this matter decided as per the Order below:

THE WATER SUPPLY AND SANITATION ACT

(CAP. 272)

ORDER

No. 11-

019

(Made under section 28(d))

**THE KIGOMA URBAN WATER SUPPLY AND SEWERAGE AUTHORITY
("KUWASA") TARIFF ADJUSTMENT ORDER, 2011**

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| Citation | 1. This Order may be cited as the Kigoma Urban Water Supply and Sewerage Authority ("KUWASA") Tariff Adjustment Order, 2011 and shall come into force on the 1 st January, 2012. |
| Tariff adjustment | 2. The water supply tariff within the Kigoma Urban Water Supply and Sewerage Authority (KUWASA) are hereby adjusted as specified in the Schedule to this Order. |
| Conditions | 3. The approved tariffs shall be subject to the following conditions:

(a) on or before 30 th March 2012, KUWASA shall submit to EWURA its plan to:

(i). increase revenue collection efficiency from the current 80.1% to 90% by June 2012;
(ii). reduce Non Revenue Water from the current 35% to 30% by June 2012; and
(iii). pay all its electricity debts;

(b) on or before 30 th March 2012, KUWASA shall purchase and install 2000 domestic water meters;

(c) on or before 30 th April 2012, KUWASA shall purchase a 250m ³ /hr new pump;

(d) on or before 30 th June 2012, KUWASA shall improve service coverage through extending water distribution network from Vamia to Mji Mpya areas (4km of length) and from Mlole to Gungu (4km of length) areas;

(e) on or before 30 th June 2012, KUWASA shall submit to EWURA an elaborate plan/strategy of identifying the poor and |

providing free water services pursuant to the National Water Policy;

- (f) on or before 30th June 2012, KUWASA shall submit to EWURA a status report on the implementation of customer outreach programme. A status report on the implementation of that programme shall be included in all future Applications for tariff and charges adjustment and considered by EWURA in evaluating the reasonableness thereof; and
- (g) KUWASA shall continue to provide EWURA with information about its financial and operating condition in accordance with the requirements of EWURA. This information will be used by EWURA to evaluate KUWASA's performance in comparison with other utilities and the improvement of its performance over time. This evaluation will be considered by EWURA in evaluating the reasonableness of all future requests for tariff adjustment.

Revocation 4. The water supply and sanitation tariffs set in the year 2004 currently in use are hereby revoked.

SCHEDULES

Table 1: Current and Approved Water Supply Tariff (Metered Customers)

Category	Current Tariff (TZS/m ³)	Approved Tariff (TZS/m ³)
Domestic	300	630
Institutional	450	940
Commercial	500	980
Industrial	600	1,020
Kiosks	250	TZS10/20lts
Expatriates	600	Re-categorised as domestic

Table 2: Current and Approved Flat Rate

Category	Consumption Bracket (Pressure Zones)	Current Charge (TZS/ Month)	Approved Charge (TZS/ Month)
Domestic	Low	5,200	15,750
	Medium	6,400	15,750
	High	7,500	15,750
Institutional		10,000	No flat rate customers
Commercial		15,000	No flat rate customers
Industrial		20,000	No flat rate customers
Expatriates		15,000	Re-categorised as domestic

Table 3: Current and Approved New Connection Fee

Category	Current Fee (TZS)	Approved Fee (TZS)
Domestic	40,000	20% of connection cost
Institutional	50,000	20% of connection cost
Commercial	60,000	20% of connection cost
Industrial	60,000	20% of connection cost
Expatriates	60,000	Re-categorized as domestic

Table 4: Current and Approved Reconnection Fee

Category	Current Fee (TZS)	Approved Fee (TZS)
Domestic	5,000	10,000
Institutional	10,000	15,000
Commercial	15,000	15,000
Industrial	15,000	20,000
Expatriates	15,000	Re-categorized as

Category	Current Fee (TZS)	Approved Fee (TZS)
		domestic

Table 5: Current and Approved Meter Rent

Category	Current Charge (TZS/Month)	Approved Charge (TZS/Month)
All Customers	300	500

Table 6: Current and Approved Meter Deposit Charge

Category	Current Charge (TZS/New Connection)	Approved Charge (TZS/New Connection)
All Customers	-	-

Table 7: Current and Approved Service Charge

Category	Current Charge (TZS/Month)	Approved Charge (TZS/Month)
Domestic	-	1,500
Institutional	-	2,200
Commercial	-	2,300
Industrial	-	3,300
Kiosks	-	-
Expatriates	-	Re-categorized as domestic

HARUNA MASEBU
Director General
 EWURA
 Dar es Salaam

16th December 2011