

## ANNEX 2

### DETAILS OF PUBLIC CONSULTATION FOR COAST BULK WATER SUPPLY SYSTEM

#### REGULAR TARIFF APPLICATION (2023/2024 to 2025/2026)

#### 1.0 Cost and Revenue Structure for the Tariff Period

##### 1.0 Water Tariff Structure for the period 2022/23 to 2025/2026

	Current Tariff (Ksh/M <sup>3</sup> )	Approved Tariff (Ksh/M <sup>3</sup> )
Sale per M <sup>3</sup>	20	34

#### 2.0 Approved Cost Structure

Below is a summary of the approved cost structure of Coast Water Bulk Supply

Expenditure Item	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Direct Operating Costs	544,969,500	599,466,450	793,893,669	870,958,036	951,755,576
Personnel Costs	78,359,358	80,318,342	82,326,300	84,384,458	86,494,069
Training Expenditure	2,037,246	2,139,108	2,192,586	2,247,400	2,303,585
General Administration expenses	32,131,142	33,737,699	34,581,141	35,445,670	36,331,812
Board of Directors Expenses	3,362,343	9,000,000	9,000,000	9,000,000	9,000,000
Maintenance Expenses	86,976,029	91,324,831	95,891,072	100,685,626	105,719,907
<b>Total O&amp;M Costs</b>	<b>747,835,617</b>	<b>815,986,430</b>	<b>1,017,884,768</b>	<b>1,102,721,189</b>	<b>1,191,604,949</b>
Loan Repayment	368,086,160	362,367,298	356,549,012	350,629,296	190,635,742
Minor Investments	0	0	15,000,000	17,000,000	39,300,000
<b>Total Costs</b>	<b>1,115,921,777</b>	<b>1,178,353,728</b>	<b>1,389,433,781</b>	<b>1,470,350,486</b>	<b>1,421,540,691</b>
<b>Total Billing. (Ksh)</b>	<b>782,380,095</b>	<b>1,081,664,046</b>	<b>1,442,931,824</b>	<b>1,492,122,681</b>	<b>1,524,916,586</b>
<b>Collection Efficiency (%)</b>	<b>75%</b>	<b>85%</b>	<b>95%</b>	<b>95%</b>	<b>95%</b>
<b>Projected Rev. (Kshs)</b>	<b>586,785,071</b>	<b>919,414,439</b>	<b>1,370,785,232</b>	<b>1,417,516,547</b>	<b>1,448,670,757</b>
<b>O&amp;M Cost Coverage (%)</b>	<b>78%</b>	<b>113%</b>	<b>135%</b>	<b>129%</b>	<b>122%</b>
<b>Total Cost Coverage</b>	<b>53%</b>	<b>78%</b>	<b>99%</b>	<b>96%</b>	<b>102%</b>

#### 3.0 Conditions attached to the tariff approval.

- i. **Strengthen the bulk water unit to operate as an autonomous cost centre** with the following competencies.
  - a) Separation and ring-fencing of the bulk water sales to safeguard the bulk water supply system. Thus, all billing, revenue collection activities and expenditure will be undertaken at the unit.
  - b) Branding of the unit complete with own logo reflecting its central role in bulk water supply within the coast region.
  - c) Bulk meters shall be placed at all off take points to all the WSPs/ licensed community water projects and the readings shall be shared with the Regulator and the WSPs on a quarterly basis.
  - d) All other off takes on the bulk lines shall be documented and shared with the regulator. Meters shall be installed at all these off takes these shall be billed to CWWDA and deemed to be part of the Corporate Social responsibility of the CWWDA and reported as such to give an accurate picture of the current bulk operations. The report of these off takes shall be shared with the regulator on quarterly basis.

- e) Water quality of the water supplied shall be as per the acceptable standards in the Coast Water Services Board licence conditions and the report of water quality from the bulk supply shall be submitted to the Regulator as per the Water Quality and Effluent Monitoring Guideline.
  - f) The Incomes and Expenditures of the bulk cost centre shall be administered in such a manner by the Manager-in-Charge that it will expedite the smooth running of operations without undue interference from the other operations of the off-takers.
- ii. The bulk water operations meet the abstraction fees to WARMA, arrears on abstraction fees have not been factored in the current tariff and SHALL not be passed on to the agents (WSPs).
  - iii. The bulk water operations meet the direct production power costs to KPLC, arrears on power bills have not been factored in the current tariff and SHALL not be passed on to the agents (WSPs).
  - iv. The bulk water operations meet the direct production chemical costs , arrears on chemicals & re-agents have not been factored in the current tariff and SHALL not be passed on to the agents (WSPs).

**v. Performance Targets**

The tariff adjustment is approved for three years, and during which all the assumptions made in the tariff projections will be monitored and bulk water system will be expected to meet the targets below:

Target	Baseline 2022/2023	2023/2024	2024/2025	2025/2026
Non-Revenue water	15%	12%	9%	7%
Water Quality Standards	100% Compliance with all standards			
Hours of Supply	10	24	24	24
Metering ratio	100%	100%	100%	100%
Staff Per 1Million M <sup>3</sup> billed (No.)	117	96	96	96
Collection Efficiency (%)	85%	95%	95%	95%
O&M Cost Coverage (%)	113%	135%	129%	122%
Total Cost Coverage	78%	99%	96%	102%

**vi. Performance Evaluation**

Performance targets to be met and ascertained by WASREB, at the end of the 1<sup>st</sup> year of the tariff period. Non achievement of the set targets without justifiable cause shall lead to reduction of the approved tariffs as a penalty.

**vii. Annual Budgets**

The approved cost structure shall form the annual budget for the Bulk Water Supply for each of the financial years of the tariff period.

**viii. Ring-Fencing of Capital Expenditure**

The WSP to open a separate account for capital component of the tariff, to deposit the appropriate share of revenue into this account which is only to be used for capital expenditure and repayment of loans as provided for in the approved tariff.

**ix. Tariff Assessment**

WASREB will carry out a tariff implementation review within the first 12 months of approval and implementation during which a joint assessment with the utility on the trend in Billing (Ksh) shall be carried out and status of implementation of the tariff evaluated.

x. **Loan Repayment**

CWWDA shall immediately open a separate bank account where it shall deposit monthly equal instalments for the semi-annual loan repayments.

	2023/2024	2024/2025	2025/2026
Loan Repayment Amount (Ksh)	356,549,012	350,629,296	190,635,742

i. **Investments:** The utility shall undertake the investments below:

<b>Intervention 1: Non - Revenue Water Management - Smart Bulk Meters</b>	
<b>WSP Name</b>	<b>Amount (Kshs)</b>
1. Malindi Water	2,510,000
2. Tavevo	2,195,000
3. Kilifi - Mariakani	2,680,000
4. Kwale	2,790,000
5. Mombasa	5,000,000
<b>Total Proposed Budget (Kshs)</b>	<b>15,175,000</b>

<b>Intervention 2: Rehabilitation of Bulk System Infrastructure</b>	
<b>Kwale &amp; Kilifi WSPs</b>	<b>TOTAL(KES)</b>
1. Repair of leaking Magodzoni Reservoir tank	1,000,000
2. Harmonisation of off-takes i.e., Kwale WSPs; Tavevo WSPs; Kilifi - Mariakani WSPs; Mombasa WSPs	800,000
3. Repair of leaks of main service from Tiwi Boreholes to Kaya Bombo	2,000,000
<b>Malindi WSP</b>	
1. Rehabilitation of Baricho-Kakuyuni raising main – KES	25,000,000
2. Solar Energy Meter - Baricho	1,500,000
<b>Total Costs</b>	<b>30,300,000</b>

<b>Intervention 3: Measures for Protection of Critical Infrastructure along the Bulk System</b>			
<b>Details</b>	<b>No.</b>	<b>Name of WSP</b>	<b>Amount (Kshs)</b>
Protection/securing of off-takes - Chambers	100	Kwale WSP	20,000,000
	30	Tavevo WSP	6,000,000
<b>Total Cost</b>			<b>26,000,000</b>