



TARIFF GUIDELINES

FEBRUARY 2024



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Preamble

This tariff guideline is intended to guide water service providers, both bulk and retail at both National & County Governments in developing tariff applications for water supply and sanitation aligned to the applicable laws and regulations.

Compliance with these guidelines is a condition of the license for provision of water services granted to the WSPs by the Regulatory Board. The guidelines have been developed to be consistent with the model licenses developed by the Regulatory Board. The Regulatory Board recognizes that WSPs differ by category and operation and has developed different requirements accordingly.

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1 INTRODUCTION

1.1 About WASREB

The Water Services Regulatory Board (WASREB) is a regulatory state corporation established by the Water Act 2002; this law was repealed by the Water 2016 operationalized in April 2017. Section 70 (1) of the Water Act 2016 established WASREB with the principal object to protect the interests and rights of consumers in the provision of water services, while ensuring other stakeholders' interests are also safeguarded. Accordingly, WASREB sets standards and enforces regulations that guide the sector in not only ensuring that consumers are protected and have access to efficient, affordable, and sustainable services but also, providing for the financial sustainability of Water Service Providers (WSPs).

1.2 Legal & Regulatory Mandate

- i. The Water Act 2016, Section 72 (b) defines WASREB's statutory mandate on tariff determination as follows:

'to evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards.'

- ii. Sessional Paper No.1, 2021 on Water Policy, requires WASREB to ensure there is tariff differentiation to avoid exploitation of the poor and ensure the right to water is realized through pro-poor pricing models.

The tariffs charged for water & sanitation services supplied shall be just and reasonable to enable a licensee to balance commercial, social, and ecological interests by ensuring access to all Kenyans while allowing Water Service Providers (WSPs) to recover justified costs.

1.3 Principles of Tariff determination

The following five Principles will guide tariff setting for water supply and sanitation

1.3.1 Access to Safe Water and Adequate Sanitation as a Human Right

The tariff should protect the human right to safe water & reasonable sanitation as guaranteed in Article 43 of the Constitution. Therefore, the tariff structure shall be designed to ensure that all people regardless of their socio-economic status have access to clean and safe water in adequate quantities and reasonable standards of sanitation services. Further, the tariffs shall facilitate the progressive realization of this right through investments in underserved areas.

1.3.2 Financial Sustainability

The National Water Supply and Sanitation Strategy envisages that the sector should be self-financing. An integral part of this strategy is ensuring that WSPs operate on a commercially sustainable basis. Thus, ultimately, WSPs should recover the full cost of providing services to their customers through the tariff. The only exception to this is in rural and low-income areas where commercially viable water service provision is unviable.

1.3.3 Efficiency

The Water Act 2016 requires that WSPs ensure that water services are provided efficiently and that service levels are improved over time. This principle requires that water services are of the highest quality at the least cost. Therefore, the Tariffs will be linked to the improvement of key efficiency performance indicators.

1.3.4 Conservation

Tariffs should reflect the true cost of the water service and send the correct signals to consumer regarding the value of the water service consumed. Thus, the tariffs shall be structured in such a way that consumers pay more for higher volumes to encourage conservation of the scarce resource. To achieve this principle, all water consumers should be metered.

1.3.5 Simplicity

The tariff structure applied shall be both easily understood by the Customers and easily implemented by the WSP. This improves customers' willingness to pay and minimizes billing errors.

1.3.6 User Pays Principle

Water resources will be recognized as an economic and social good and the application of the most efficient pricing model to ensure that the tariff reflect the value derived from the use of water services. Thus, users shall pay according to the quantity used and the value derived from the service.

1.3.7 Ring-fencing

Revenues generated from tariffs in the water sector shall be applied to be used to propagate access in water and sanitation coverage.

1.3.8 Public Participation

Tariff adjustment reviews shall be subjected to public participation as per Article 10(2) of the constitution and Section 139 of the Water Act 2016.

Interaction of Principles:

The described principles might be perceived as conflictive in their simultaneous application. The use of this guideline should allow the achievement of multiple principles at the same time. The tariff structure can be designed to balance financial sustainability with affordability by including cross-subsidies between consumer groups and allowing for a lifeline tariff for the poor.

2 APPROACH TO TARIFF SETTING

WASREB will employ the **Cost - Recovery approach** where at a minimum, the WSPs cover their recurrent costs (Operations and Maintenance). Ultimately the WSPs' tariffs should reach full cost recovery to ensure long-term sustainability where in addition to covering O&M Costs, the tariffs cover debt service, investments and asset renewal in addition

2.1 Costs for Consideration in Tariff Determination

Operations	Maintenance	Debt Service	Investment	Asset Renewal
<ul style="list-style-type: none"> • Direct Costs (e.g. electricity, chemicals) • Staff Costs • Administration • Board of Directors • Regulator costs 	<ul style="list-style-type: none"> • <u>Periodic</u> ✓ <i>time-based/ Routine</i> • <u>Preventive</u> ✓ <i>Based on random insp.</i> • <u>Corrective</u> • <u>Predictive</u> ✓ <i>experience</i> • <u>Overhaul</u> 	<ul style="list-style-type: none"> • Principal • Interest <p>*on CAPEX</p>	<ul style="list-style-type: none"> • Infrastructure • Operational Assets • Administrative Assets • Software 	<ul style="list-style-type: none"> • Replacement of Ageing/ Obsolete Assets

2.2 Applicable Pricing Model

The tariff (T) (price) of water is based on a cost recovery model, whereby the tariff to be paid by consumers is adequate to cover the justified costs of the water service provider. The model for tariff determination is illustrated below: -

$$T = O + M + DS + I + AR$$

Where:

- i. O = Operations Component
- ii. M = Maintenance Component
- iii. DS = Debt Service Component
- iv. I = Investment Component
- v. AR = Asset Renewal Component

3 TYPES OF WSPS

3.1 CLASS A– Commercially Viable WSP

WSP Profile: O&M costs coverage at 150% and above

The water services provider in this category are able to meet their operation, and maintenance costs, meet debt repayment obligations, undertake new investments and asset renewal without recourse to public funds.

- The ideal O&M Cost coverage should be at least 150%
- An increase in tariffs for this category is linked to the attainment and expansion of service delivery performance levels.
- The approved tariff duration will be 5 years.

3.2 CLASS B - Commercially Viable WSP in the Medium term.

WSP Profile: O&M Cost Coverage between 100% and 149%

The water services provider in this category is able to cover all its O&M Costs, meet debt repayment obligations, and undertake new investments and/ or asset renewal but not in full.

- The increase of tariffs in this category is linked to attainment of service delivery improvement, increase the utility's capacity to service debt and carry out additional investments.
- The approved tariff duration will range between 3 to 5 years.

3.3 CLASS C - Not Commercially Viable WSP

Cost Structure: O& M Cost Coverage not achieved.

The water services provider in this category is not yet meeting its O&M Costs and there may be recourse to public funds in form of subsidy.

The tariff for this category aims a progressively attaining 100% O&M cost coverage while reducing dependence on O&M subsidy. At the same time minimum service delivery targets will be set by the Regulatory Board.

In this category, the commercial viability of the provider is a priority concern of WASREB, and consultative discussions may be necessary to secure performance linked subsidies from relevant governments.

- The approved tariff duration will be a maximum of 3 years.

3.4 CLASS D – Bulk Water Suppliers

The bulk water supplier in this category is required to meet the capital, operation, and maintenance costs of providing the licensed water services without recourse to public funds and to service debt obligations.

In this category, viability gap funding and operational subsidies may be recommended for supporting service provision that has a significant socio-economic impact but deemed financially unviable.

WASREB will prioritize the viability of the service provider and any viability gap funding & subsidy will also be aimed at ensuring downstream affordability of the tariff.

4 TYPES OF TARIFF ADJUSTMENTS

a) Initial Tariff Adjustment

This applies to newly incorporated WSPs that have been in operation for a period not more than 2 years. An Initial tariff application based on forecasts due to lack of adequate historical data. The business plan of the WSP shall form the basis for the evaluation of such an application. The application for an initial tariff will be made in the format prescribed by the regulatory Board.

The tariff period shall be for a maximum of 2 years.

b) Regular Tariff Adjustment (RTA)

A Regular Tariff Adjustment involves a comprehensive review of the historical performance of the WSP, its Strategic and Business plans, Capital Works Plan, and specific forms required by the Regulatory Board.

The application for an RTA tariff will be made in the format prescribed by the regulatory Board as revised from time to time (**Annex1**).

The tariff period shall be between 3-5 years.

c) Automatic Tariff Adjustment (ATA)

The ATA is a comprehensive review of the tariff undertaken no more frequently than five years where the tariff changes every twelve months, during the Tariff Period, in line with inflation (Consumer Price Index). The annual changes to the tariff are determined by an index that is linked to the performance of the Applicant.

WASREB will implement *an index as per the indexation criteria which shall be reviewed* from time to time.

All WSPs on Regular Tariffs in class A and are eligible for ATA. Bulk water tariffs in class D- not dependent on subsidy may also be eligible for ATA.

The indexation formula for tariffs is outlined in **Annex 2**.

d) Extra-Ordinary Tariff Adjustment (ETA)

At any time before the expiry of a regular tariff period, a water services provider may, for good cause shown to the Regulatory Board, apply for an extraordinary tariff review.

An application for an extraordinary tariff review shall, in addition to meeting the requirements for a regular tariff review, satisfy the Regulatory Board that, due to a change in circumstances which could not have been foreseen during the last regular tariff review or for some other justifiable reason, a tariff review is necessary to ensure a sustainable water service.

An extraordinary tariff review, shall if approved by the Regulatory Board, be gazetted, and apply only until the end of the regular tariff period.

e) Default Tariff Adjustment

A Default Tariff Adjustment is an assessment/review made by the regulatory board on a WSP that fails to apply for regular tariff adjustment within twelve (12) months immediately following the expiry of the previously approved tariff. This may also be carried out where the regulator determines that an existing regular tariff may result in consumer exploitation due to changes in the WSP's circumstances or material misstatement of facts during tariff evaluation.

A Default Tariff shall cover a period not less than twelve (12) months and shall not be more than thirty-six (36) months.

When determining this tariff, the regulator shall:

- 1) Decide based on historical technical and financial performance data in its possession.
- 2) Balance commercial and social interests in water service provision
- 3) Consider justified costs and eliminate any costs that may result from inefficiency, and which should not be borne by consumers.
- 4) Carry out public consultation on the assessed tariff.

Upon determination of a Default Tariff for a WSP: -

- i. The Regulatory Board shall communicate the outcome to the WSP, the relevant County, and the Water Works Development Agency in Writing and proceed to gazette the approved default tariff.
- ii. Upon gazettment of the default tariff, a one month's notice shall be issued to the WSP's customers.
- iii. WASREB shall enforce the implementation of this tariff.

5 TARIFF ADJUSTMENT / APPLICATION PROCESS

The process for Tariff adjustments is initiated by the WSP (applicant). It shall follow the following process:

- I. The Regulatory Board shall send written notification to each licensed water service provider, not less than (9) nine months prior to expiry of the current tariff including a copy to the respective County Government (where applicable)
- II. A licensed water service provider shall be required to lodge a tariff review application not less than six months prior to expiry of the current tariff.
- III. The WSP shall submit the "Tariff Adjustment Application ("the Proposal") to the Regulatory Board, in the prescribed format accompanied by documents listed in **Annex 1**
- IV. The timing for the submission of Proposals shall be all year round.
- V. Upon receipt at WASREB, the Application will be screened for completeness and sufficiency of the supporting documents. If complete & sufficient, the application shall move to the evaluation stage.
- VI. At the evaluation stage, the application will be assessed to determine:
 - a. whether the costs proposed are justified,
 - b. whether the projections made in the application are realistic and
 - c. whether the proposed tariff structure is affordable to the consumers and will ensure utility sustainability.

During evaluation, the applicant may be asked to revise the application or provide additional information.

WASREB may carry out a physical verification of the proposed investments by the WSP.

- VII. Following successful evaluation, the applicant and WASREB will hold a tariff negotiation meeting.
- VIII. After a successful tariff negotiation meeting, WASREB will inform the applicant with a copy to the County Government, the outcome of the tariff negotiation and the proposed tariff structure.
- IX. WASREB in collaboration with the WSP will carry out Public Consultation on the proposed tariff as per the requirements of Section 139 of the Water Act 2016.
- X. The public consultation feedback will be considered by WASREB, to determine whether it impacts on the proposal. Changes may be made to the proposal at this stage to incorporate the stakeholders' feedback.
- XI. The tariff is presented the Board of Directors (BoD) of the regulatory board for consideration and approval.

- XII. WASREB will within seven days communicate the outcome with the WSP in writing, indicating any modifications made by the board.
- XIII. The WSP will in writing communicate its agreement with the decision of the board or it can request that the Regulatory Board review the decision. This request must be made to the Regulatory Board within seven days.
- XIV. WASREB will publish the tariff in the Kenya gazette within fourteen days of receiving the WSP's agreement with the tariff, with a 30-day notice for implementation by the WSP. During this notice period, the WSP is responsible for informing their customers of the upcoming tariff adjustment.

This process shall take a maximum of six (6) months from the receipt of a complete application.

5.1 TARIFF STUDY

A proposed tariff application shall be supported by the findings of a tariff study whose report shall also be attached.

The tariff study contains an Affordability Analysis which should prove that households do not spend more than 3-5% of their monthly in-come for water and sanitation services of the WSP.

The regulatory board has prescribed the minimum required content that should be addressed by a tariff study as outlined in **Annex 5**

6 JUSTIFICATION OF COSTS FOR TARIFF

The Regulatory Board will determine the extent to which the proposed expenditure budget of WSP's are "reasonable and necessary" for the provision of efficient services. This will be done to ensure that consumers are only paying for justified costs and are protected against excessive tariffs. The current level as well as potential increases will be analyzed in detail, as personnel and general administration costs. The Regulatory Board will not only analyze the WSPs costs, but also compare the cost of WSPs with other similar WSPs. If the explanations given by the WSP are not satisfactory, the regulatory board may require adjustments in the projected costs.

6.1 Total Allowed Costs for various classes of WSPs

6.1.1 Total Allowed Costs for Class A

It is the aim of WASREB to allow tariffs to be set to reach full cost recovery after the WSPs have achieved 100% O&M cost coverage and are able to repay debts. The preconditions are that the ability to pay, as well as, that the O&M costs are within reasonable limits and performance is acceptable.

Following the assessment of costs, performance and debts, the Total Allowed Costs justified costs for WSP Class A are described below.



For simplicity, it is assumed that full cost recovery is reached when the revenue covers at least 150% of O&M cost. Full cost recovery means, that in addition to the coverage of O&M costs and the payment of debts, new investments (New Capital Works) and asset renewal are realized.

6.1.2 Total Allowed Costs for Class B

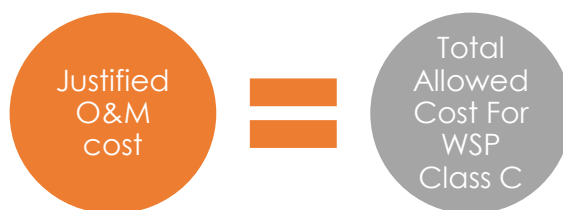
Depending on the amount of debts, repayment costs will be added to the Total Allowed Cost. The Regulatory Board will verify, if the level of repayment is appropriate and the burden on the tariff is affordable to the consumers. The level of repayment should on the other hand allow a quick repayment of debts in order to improve the liquidity situation of the WSP in the long run. The following formula applies for WSPs Class B:



6.1.3 Total Allowed Costs for Class C

The total allowed costs for WSP Type1 are calculated as follows:

Total Allowed Cost for WSP for WSP Class C



6.2 Determining Average Required Tariff

In the calculations for the average required tariff, both efficiency criteria, **“Collection Efficiency”** and **“Non-Revenue Water”** are considered. Higher collection efficiency lowers the average required tariff while high NRW results in higher average required tariff.

This relationship justifies the need to prioritize management of NRW including universal metering and maximizing collection efficiency.

7 TARIFF STRUCTURE

The regulatory board will employ the Increasing Block Tariff (IBT) for water and sewerage, where customers are charged progressively higher rates as their water consumption increases. Under the IBT, the rate per unit of water increases as the volume of consumption increases. Consumers will pay a lower rate in the first block of consumption and pay a higher price up to the limit of the subsequent block, until the highest block of consumption. At the highest block consumers can use as much water they desire, but for each additional water unit consumed they pay the highest price in the rate structures.

The IBT will be applied except for all consumer category except in Multi Dwelling Units (MDUs)/Gated Communities/ Standpipes, Bulk supply and water Kiosks.

Distinct Tariff Structure will be adopted for Water and Sewerage services based on the justified costs of each service.

The structure will consist of the following:

- I. Customer categories and consumption blocks as shown in **Annex 3**
- II. The rates applicable to each category and consumption block in Ksh.

The applicant will be required to meter all their customers. The WSP shall not bill any customer on zero consumption but only on actual volume consumed as per the conditions of the license.

Any miscellaneous charges shall be as approved by the regulatory board from time to time.

7.1 Considerations for Consumer Categorization

a. Domestic

The tariff structure will allow for the provision of a lifeline tariff to ensure that all households access water services. The first block shall be 1st 1-6M³ will be a “life - line tariff”, charging the lowest rate which may be lower than the cost of supplying a unit of water. This rate will be determined by the unit cost of a billed unit and the degree of cross subsidy available both within or among the various customer categories or percentage of the average tariff (e.g., 50-70%) for the consumption of up to 6M³.

b. Yard Taps

Private yard connections serving multiple households either within the compound or in neighboring compounds, a tariff may be prescribed at a uniform rate. The WSP will be required to provide information on any such connections including the No. of units & billed volumes by these units to facilitate development of a workable tariff.

c. Multi-Dwelling Units (MDUs)

To implement equity in pricing, on gated communities and multi-dwelling housing units served by a single connection, a tariff may be prescribed at a uniform rate. The WSP will

be required to provide information on any such connections including the Number of units served and billed volumes by these units to facilitate tariff determination.

d. Water Kiosks and Public Standpipes

For Informal settlements where a household connection may not be possible, Water Kiosks and Public Standpipes may be utilized. For these, the water price per cubic meter shall be at a uniform rate and not be higher than the life-line block of the tariff. The resale price shall include a reasonable margin for the operators but should not significantly differ from the social tariff for household connections.

Thee WSP has the obligation to ensure that the consumers are charged the approved resale. Other income generating activities of the kiosk operator should be promoted to enhance operational incentives, but not conflict with the core-business of provision of the water service.

e. Tariffs for Commercial/ Industrial/ Government/ Institutional Consumers

The water services tariffs applied to commercial, industrial, government and institutional customers shall be at full cost recovery. The lower block is wider than the domestic category to accommodate the nature of their activities. The subsequent blocks are incrementally priced to give an incentive for water conservation.

f. Bulk Supply to Other WSPs

This cost will be based on the Cost of Production adjusted for efficiencies as per the Bulk Supply Standards.

g. Miscellaneous Charges

These shall be prescribed by WASREB as issued from time to time.

7.2 Sanitation Levy

A WSP may submit a proposal for the imposition of a Sanitation Levy within its service area alongside its initial or regular tariff application.

The amount payable by consumers as sanitation levy shall be determined by the regulatory board from time to time.

The proceeds of the levy shall only be applied to the prescribed sanitation related activities approved by the regulatory board.

The Levy shall be applicable for the duration of the approved tariff and its implementation shall be monitored alongside the water and sewerage tariff implementation.

The levy shall not be applicable to tariffs a that were gazette before the gazettelement of this guideline.

The proposal for the imposition of the levy shall be submitted in the prescribed format in **Annex 4**

8 SERVICE DELIVERY ENHANCEMENT THROUGH TARIFF

The Regulatory Board will link the WSPs progress against Minimum Service Levels, agreed performance indicators in the license and performance targets agreed in the last Tariff Approval where applicable.

The following indicators are minimum requirements that will be considered in performance targets for WSPs during tariff evaluation.

1. O&M Cost Coverage
2. Hours of Supply
3. Volume supplied.
4. Revenue Collection efficiency
5. Metering Ratio
6. Revenue Collection Efficiency
7. Non-Revenue Water
8. Staff productivity
9. Personnel Expenditure as Percentage of O&M costs
10. Drinking Water Quality

The WSP Category Specific sector benchmarks will be applied as per the following table.

Table 11: Performance Indicators & Sector Benchmarks for Retail WSPs

KPI CLUSTER	INDICATORS		Sector Benchmarks			
			Good	Acceptable	Not Acceptable	
QUALITY OF SERVICE	1	Water Coverage %	>90%	80 - 90%	<80%	
	2	Sanitation Coverage %	>95%	90 - 95%	<90%	
	3	Hours of Supply, No.	Population >100,000 Population <100,000	21 - 24 17 - 24	16 - 20 12 - 16	<16 <12
ECONOMIC EFFICIENCY	4	Personnel Expenditure as Percentage of O&M Costs, %	Large and Very Large Companies Medium Companies Small Companies	<20% <30% <40%	20 - 30% 30 - 40% 40 - 45%	>30% >40% >45%
	5	O&M Cost Coverage %		≥150%	100 - 149%	≤99%
	6	Revenue Collection Efficiency %		>95%	95 - 85%	<85%
OPERATIONAL SUSTAINABILITY	7	Non-Revenue Water % (NRW) County owned WSP		<20%	20 - 25%	>25%
		Non-Revenue Water % (NRW) Bulk WSP		<5%	5 - 7%	>7%
	8	Staff Productivity (Staff per 1000 Connections), No.*	Large & Very Large WSP	<5	5 - 8	>8
			Medium & Small (less than 3 towns)	<7	7 - 11	>11
			Medium & Small (3 or more towns)	<9	9 - 14	>14
9	Metering Ratio %		100%	95-99%	>95%	

Table 2: Bulk WSPs KPI Benchmarks

Indicator	Unit of Measure	Acceptable Benchmark
Cost Coverage	%	100
Hours of Supply	No.	24
Volume supplied	M ³	As per Agreement
Reserve Capacity	M ³	As per design capacity
Revenue Collection Efficiency	%	95%
Metering Ratio	%	100
Non-Revenue Water as a share of water produced	%	7%
Staff productivity index	No./M ³	2 No. Staff per 1 Million M ³ water billed
Personnel Expenditure as Percentage of O&M Costs, %	%	Max 15% of O&M
Drinking Water Quality:	%	100%

Performance Targets

The WSP should have attained all the agreed performance improvement targets agreed in the license issued and the tariff gazette. The progress of the WSP on the KPI will be continuously monitored by the regulator. Non-compliance will attract the necessary enforcement action as stipulated in the Water Act 2016 and other relevant laws.

9 PUBLIC CONSULTATION

Section 139 of the Water Act 2016 imposes a requirement for public consultations in relation to any application made or action proposed to be taken under this Act. It also provides for the procedure of public consultations.

9.1 Pre-Consultation Process

- a) The applicant shall develop an appropriate tariff review application and obtain a 'No Objection' from the respective County Government
- b) The WSP shall submit the application to WASREB.
- c) WASREB reviews the application and gives guidance on the content of the application and areas that require review or adjustment. This guidance may be given in a meeting(s) between the WSP and WASREB where agreed action points are signed by all parties.
- d) Once a suitable date and venue has been agreed on, the regulatory board in collaboration with the WSP shall carry out the public consultation in the area where the WSP provides service.

9.2 Procedure of Public Consultation

1. The WSP shall publish a notice, in relation to the application:
 - I. In at least one daily newspaper of national circulation; and
 - II. In at least one Kenyan radio station broadcasting in the WSP's locality.

The notice shall—

- a) Set out a summary of the application or proposed action.
- b) State the premises at which the details of the application can be obtained.

- c) Invite written comments on or objections to the application.
 - d) Specify the person to whom any such comments are to be submitted; and
 - e) Specify a date not earlier than thirty days after publication of the notice by which any such comments are required to be received and specify a date not earlier than 20 days after the publication of the notice the date of the public consultation meeting. The publication/ notice inviting public comments on tariff application shall be run by WASREB.
2. The notice shall also be published in posters to be displayed prominently in the offices of the WSP and in strategic places such as markets and places of worship in the service area of the WSP.
 3. Letters shall be written to the key stakeholder groups inviting them to the public consultation meeting. Stakeholders are persons who have a relevant interest in the WSP's business. The following stakeholders shall be invited to the stakeholder meeting.
 - I. Consumers with or without connections but residing in the service area of the WSP.
 - II. Residents – through the relevant residents' associations and include the informal settlements.
 - III. Main consumers of water in commerce, industry, and agricultural sectors
 - IV. The County Government
 - V. The Relevant Water Works Development Agency
 - VI. The government administrative agencies including County Commissioners, and chiefs.
 - VII. Active civil society groups in the area
 - VIII. Women organizations in the area
 - IX. Churches / mosques in the area

The key management staff of the WSP must attend the consultation meeting.

9.3 Agenda of the Public Consultation Meeting

The agenda will include presentations on the following:

1. Introduction – where all presents are acknowledged, as well as the purpose of the meeting
2. WSP profile- shareholders, Board of Directors, staff, area of coverage, targets set.
3. Relationship with County Government and Other relevant WSPs
4. WSP performance in the last five years
5. WSPs costs and obligations under the Water Act 2016. Emphasis should be given on activities under the service needs plan and capital works plan of the WSP and the shortfalls experienced.
6. Necessity of tariff adjustment indicating what will be funded by the adjustment.
7. The proposed adjustment in tariff structure and level
8. Interactive session with stakeholders and questions answered. Stakeholders must understand that views are sought so that all concerns can be considered by WASREB in approving the proposed tariff for the WSP.

9.4 WSP Post Consultation Process

At the close of the thirty days, the WSP shall within fourteen (14) days submit a report on the entire public consultation, from the time of issuing the notice to the last day of the process.

This report is an integral portion of the tariff application. The report shall:

1. Include comments and questions received, before, during and after the public consultation meeting, with the responses given.
2. Contain the minutes of the public meeting
3. Have legible attendance list for the public consultation meeting, with the names, signatures and contacts of all attendees
4. Be signed by the managing director of the WSP as a true record of the public consultation process.

9.5 WASREB Post Consultation Process

On receipt of the Public Consultation report:

1. An integral condition of the tariff application process shall have been met.
2. WASREB shall perform analysis on the application received and consider the sentiments received at the WSP and WASREB in assessing the information submitted.
3. WASREB shall make a determination and if satisfied with the application, approve a suitable tariff and notify the WSP

9.6 Public Notification of Approved Tariff

WASREB shall publish the approved tariff and the reasons for the decision in the Kenya Gazette.

1. WASREB CEO shall sign the notice of tariff adjustment.
2. A One-month notice period shall be given for implementation.
3. The WSP shall make this gazette notice available on its website and prominently display it at their premises.

10 TARIFF IMPLEMENTATION AND MONITORING

10.1 Tariff Implementation

The WSP shall give Customers one month notice prior to tariff implementation.

The WSP shall post copies of the Tariffs in various locations to which the public has access to including, but not limited to the utility's website, pay stations, public affairs offices of the WSP, water kiosks, and may include SMS broadcasts and a notice in the Customer's water bill.

10.2 Notice of Tariff Correction

If the Regulatory Board identifies an error in the gazette notice, it shall immediately gazette a notice of tariff correction and send a Notice of Correction to the WSP. The notice will indicate the error and require the WSP to correct the error in the next billing cycle, or where the error has resulted in overcharging customers, to deduct the over charge from the customers' next water bill.

If the Regulatory Board identifies an error in the computation of the approved Tariff Adjustment, it shall send a Notice of Correction to the WSP. WASREB shall gazette the tariff correction and issue the WSP with a 30 days' notice for implementation by the WSP.

10.3 Tariff Monitoring

WASREB shall continuously monitor the implementation of Tariffs as described in this guideline and shall notify the WSP of any deviation. If the Regulatory Board finds that the WSP is implementing the tariff incorrectly, or not adhering to a tariff condition, it shall issue a cure Notice to the WSP and may impose the applicable penalties for non-compliance.

In case the WSP has overcharged customers, it shall correct the tariff in the next billing cycle and issue a refund for the amount overcharged to each customer affected by the incorrect application of the approved Tariff Adjustment. The WSP must also publish an apology to consumers and post copies on public notice boards and kiosks.

The Regulatory Board may undertake any other enforcement measures as deemed necessary when a WSP fails to correct the noted non-compliance.

Annex 1: Documents Required During a Tariff Application

Tariff Adjustment proposals shall be submitted in the prescribed formats in soft copies accompanied by the following documents:

INFORMATION REQUIRED FOR A TARIFF APPLICATION						
INFORMATION CATEGORY	TARIFF REQUIREMENTS	APPLICABLE REQUIREMENTS				
		Initial Application (Retail)	Initial Application (Bulk)	RTA	ETA	ATA
1) Preliminary details	Forwarding Letter Duly Signed by Accounting Officer	√	√	√	√	√
	Duly Filled Tariff Application Annexes	√	√	√	√	X
	Board Resolution to submit tariff proposal to WASREB	√	√	√	√	X
	A letter of Support from the respective County Government/s to the tariff review signed by the CECM – Water Affairs	√	√	√	√	X
	Summary Case on a change in circumstances which could not have been foreseen during the last regular tariff review or for some other justifiable reason, requiring a tariff review to ensure a sustainable water service	X	X	X	√	X
	Report of stakeholder consultations undertaken on the proposed tariff	√	√	√	√	X
	Economic Feasibility of the Project indicating whether the capital and operational costs of the bulk water supply shall be met with/without recourse to public funds;	X	√	X	X	X
	Socio- economic study The minimum requirements of the study are described below; a. Executive Summary b. Introduction c. Demand Forecast d. Cost Analysis and Total Revenue Requirement	√	√	√	√	X

INFORMATION REQUIRED FOR A TARIFF APPLICATION						
INFORMATION CATEGORY	TARIFF REQUIREMENTS	APPLICABLE REQUIREMENTS				
		Initial Application (Retail)	Initial Application (Bulk)	RTA	ETA	ATA
	e. Affordability Analysis f. Proposed Tariff Structure and Tariff Schedule					
	Approved strategic plan/ business plan	√	x	√	√	x
2) Utility Oversight	Calendar of Board activities for the Most recent year	√	√	√	√	x
	Critical positions to be filled within the tariff period and costed with proposed year of implementation	√	√	√	√	x
3) Information on financial/commercial management	Latest Audited Financial Statements & most recent Draft F/S as submitted to OAG.	Forecasted	Forecasted	√	√	√
	Financing agreement that is in force or will come in force within the proposed tariff period. This should include loan agreement and amortization schedule.	√	√	√	√	x
	Information of County support to the WSP. Annual Amounts with Items Financed.	√	√	√	√	√
4) Non-Revenue Water Management	NRW Budget for the tariff period in the prescribed format as per the NRW Management Guidelines	√	√	√	√	x
5) Investment Planning	Project concept layout plan of the proposed investments project in pdf and accompanied by georeferenced shapefile or kmz/kml	√	√	√	√	x
	Bills of Quantities (BoQ) in the standard format	√	√	√	√	x
	Asset renewal plan for WSPs with O&M cost coverage > 100%.	x	x	√	√	x
	Details of capital works projects within the service area of the WSP that are being undertaken, by other parties	√	x	√	√	x
6) Proposed Tariff	WSP to propose a tariff	√	√	√	√	√

Annex 2: Tariff Indexation

WASREB has developed an indexation formula for adjustment of water tariffs to be used by defined water service providers.

The formula is intended to achieve the following:

- a) Ensure uniform liquidity during a utility's tariff period.
- b) Avert steep tariff increases at subsequent tariff reviews thereby shielding consumers from steep price increases every other tariff period.
- c) Improve the credit worthiness of utilities to enable them access loans for improving service delivery, since potential debt repayment will be safeguarded from inflationary pressure on O&M

The prices determined using the formula shall be the prices of water services.

The determined prices are proposed to become effective on the 15th day of July every year and shall remain in force until the 14th day of July the following year.

The price in Kenya shillings per M³ of water is proposed to be determined as follows:

- I. Tariff (**T₀**) is composed of the following components.

$$T_0 = O\&M + DS + AR + I$$

Where:

O&M = Operations and Maintenance component

DS = Asset Debt Service Component

AR = Asset renewal Component

I = Investment Component

- II. New Tariff to be calculated as follows:

$$T_1 = O\&M (1 + IW_t) + AR + DS + I$$

Where:

T₁ = New Tariff

IW_t = Index for water services at time t

- III. The Index for water services at time **t** is calculated as follows:

$$IW_t = X(I_t)$$

Where:

I_t = Overall inflation rate at time t

X = Performance Adjustment on the overall inflation rate at time t

The performance Adjustment (**X**) is calculated as follows;

$$X = \left\{ \frac{TNRW_t}{NRW_t} + \frac{Tpe_t}{PE_t} \right\}$$

Where:

TNRW_t = Target for Non-revenue water for time t

NRW_t = Actual Non-revenue water at time t

Tpe_t = Target personnel costs to O&M for time t

PE_t = Actual Personnel costs to O&M at time t

WASREB will implement Iw_t at least 50% of the overall inflation rate I_t and not greater than the overall inflation rate;

$$0.5(I_t) \leq Iw_t \leq I_t$$

The formula is to be applied to: -

1. All water qualifying WSPs which have a regular tariff approved after 1st July 2017 for the duration of their tariff.
2. Have a forecasted O&M Cost Coverage $\geq 100\%$ for the duration of the validity of the tariff.

Upon attainment 150% O&M cost coverage, the WSP's tariff is capped, and the formula shall not apply on this WSP's tariff.

Annex 3 - Tariff Blocks

Typical Tariff Structure		
Customer Category	Consumption Block in M ³	Ksh.
Domestic	1-6	xx
	7-20	xx
	21-50	xx
	51-100	xx
	101-300	xx
	Above 300	xx
Multi- Dwelling Units	>0	xx
Commercial/Industrial/Government Institutions	1-50	xx
	51-100	xx
	101-300	xx
	Above 300	xx
Schools	1 - 600	xx
	601 - 1200	xx
	Above 1200	xx
Water Kiosks	>0	xx
Bulk Supply to Other WSP/Community Water Project	>0	xx

Annex 4: Sanitation Levy Application Template

PART I: EXPENDITURE

	Steps in Sanitation Value Chain	Nature of Intervention	CAPEX	Year 1, 2,.....n			
				OPERATIONAL EXPENDITURE			
		<i>Brief Description of the planned activities</i>	<i>Insert the initial capital cost associated with this activity(if Applicable)</i>	<i>Insert the cost associated with this activity(if Applicable)</i>			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
				Ksh.	Ksh.	Ksh.	Ksh.
1	Capture						
	Sub Total						
2	Containment						
	Sub Total						
3	Emptying						
	Sub Total						
4	Conveyance						
	Sub Total						
5	Treatment						
	Sub Total						
6	Reuse/ Recycling						
	Sub Total						
TOTAL EXPENDITURE							

PART II: REVENUE

	Steps in Sanitation Value Chain	Nature of Intervention	Year 1, 2,.....n			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
A	SANITATION LEVY (Maximum of 5% of Water Bill)					
B. Revenues from Sanitation Value Chain						
			REVENUE			
		<i>Brief Description of the planned activities</i>	<i>Insert the revenue generated from this activity(if Applicable)</i>			
			Ksh.	Ksh.	Ksh.	Ksh.
1	Capture					
	Sub Total					
2	Containment					
	Sub Total					
3	Emptying					
	Sub Total					
4	Conveyance					
	Sub Total					
5	Treatment					
	Sub Total					
6	Reuse/ Recycling					
	Sub Total					
TOTAL REVENUE						

Annex 5: Table of Contents of a Tariff Study

The minimum required content should address

1) Executive Summary

- Summarize the key findings from the tariff study

2) Introduction

- Purpose and scope of study
- Methodology
- Tariff period covered by study

3) Demand Forecast

- Historical demand, future demand assumptions, and demand projects by customer class (residential, commercial, industrial)
- Estimations of physical and commercial losses
- Comparison of production and demand forecasts

4) Cost Analysis and Total Revenue Requirement

- a) Operation and Maintenance, Costs Staffing levels and remuneration Fuels and Chemicals, Equipment, Transportation, Maintenance, other administrative and general expenses, Water abstraction and permitting/bulk water
- b) New Capital Works Costs Projected capital investments (timing, value, and financing arrangements) Debt serving requirements
- c) Capital Works Maintenance, Costs Residual asset value, Projected asset replacement requirements (timing and value)
- d) Regulatory Levy
- e) Calculation of O&M costs

5) Affordability Analysis

- a) Methodology (such as customer willingness and ability to pay survey)
- b) Findings

6) Proposed Tariff Structure and Tariff Schedule

- a. Proposed tariff structure (customer classes, rising blocks, fixed/variable charges, etc.)
- b. Treatment of Metered Versus Unmetered Customers
- c. Tariff Options
 - i. Proposed tariffs and revenue forecasts
 - ii. Comparison of options and preferred option
 - iii. Impact on customers and affordability



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