

GOVERNMENT NOTICE NO. 490 published on 3/7/2020

THE ENERGY AND WATER UTILITIES REGULATORY AUTHORITY
ACT,
(CAP. 414)

RULES

(Made under section 40(1)(g))

THE ENERGY AND WATER UTILITIES REGULATORY AUTHORITY
(WATER TARIFF APPLICATION AND RATE SETTING) RULES, 2020

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THE ENERGY AND WATER UTILITIES REGULATORY
AUTHORITY ACT,
(CAP.414)

RULES

(Made under section 40(1)(g))

THE ENERGY AND WATER UTILITIES REGULATORY
AUTHORITY (WATER TARIFF APPLICATION AND RATE
SETTING) RULES, 2020

PART I
PRELIMINARY PROVISIONS

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|----------------|---|
| Citation | 1. These Rules may be cited as the Energy and Water Utilities Regulatory Authority (Water Tariff Application and Rate Setting) Rules, 2020. |
| Application | 2. These Rules shall apply to matters relating to tariff application and rate setting in water sector in Mainland Tanzania. |
| Interpretation | 3. In these Rules, unless the context otherwise requires: |
| Cap. 414 | “Act” means the Energy and Water Utilities Regulatory Authority Act; |
| | “applicable law” means any principal law, treaty, convention, proclamation, regulation, rule, order or by-law that is customarily treated in Tanzania as having legally binding force and which is relevant to matters pertaining to tariff regulation in water sector; |
| Cap. 414 | “Authority” means the Energy and Water Utilities Regulatory Authority established under Energy |

- and Water Utilities Regulatory Authority Act;
- “automatic tariff adjustment” means a tariff application by the applicant based on changes in non-controllable costs drivers that requires a partial tariff review;
- “capital cost” means actual costs prudently incurred by a licensee in connection with planning, development, financing, designing, engineering, procurement, supply, construction, installation, completion, commissioning, testing, insurance and ownership of licensed facility that is used and useful in relation to the provision of regulated service;
- “capital expenditure” means the actual costs prudently incurred by a utility in procuring and restoring assets and investment costs such as planning, development, financing, design, engineering, procurement, supply, construction, installation, completion, testing, commissioning and insurance;
- "Capital Work in Progress (CWIP)" means accumulated capital costs of an asset under construction or installation which shall be capitalized or transferred to Plant in Service after commercial operation date;
- "cost recovery tariff" means a tariff which is based on all conceivable costs necessary to install, operate and maintain the assets and provide reasonable return to the licensee for rendering regulated services;
- "cost reflective tariff" means tariffs which reflect the costs of providing regulated services to different customer classes based on the agreed level of services so that each customer class pays for the cost it imposes to the water authority.
- “cost of service study” means a study to establish cost reflective tariffs;
- “customer class” means a category of persons who

- purchase or receive regulated services and are classified according to the use or sale;
- “domestic purposes” includes the use of water solely for the purpose of meeting household and domestic needs and excludes any commercial activities.
- "extra ordinary tariff application" means a tariff review application emanating from events stated under rule 6 and shall require a full tariff review;
- “formal presentation” means a written presentation by an interested party who has registered for a public hearing;
- “full tariff review” means a review process involving prudency test of all components of revenue requirements, and may involve conducting of public hearing meeting;
- "grants" means financial support from the Government or donor agency to a licensee to meet operational or capital expenditure;
- "licensee" means a holder of a licence to conduct water supply and sanitation services;
- “Licensing and Order Transporation System (LOIS)” means an online electronic system maintained by the authority for submitting and processing of licenses, tariff applications and consumer complaints;
- “non-controllable cost” means costs associated with increase in electricity tariff, devaluation of currency or a change in tariff charged by a licensed bulk water supplier or a change in law that relate directly to taxes and levies charged to water and sanitation services or any other factors that are beyond the control of the Water Authority;
- “operating expenditure” means a category of expenditure that a business incurs as a result of performing its normal business operations;
- “partial tariff review” means a review process involving

prudence test for some components of revenue requirement and without conducting public hearing meeting;

“reasonable return” means the level of return that a licensee would seek for enterprises of similar risk;

“Rate Base” means net value of the Water Supply and Sanitation Authority’s regulated assets that are used for providing water and sanitation services;

“revenue requirement” means the total amount of money a utility must collect from customers to pay all costs which include operating and maintenance expenses, depreciation and a reasonable return on investment so as to properly operate and maintain its system and meet its financial obligations and shall be determined from time to time in accordance with rule 31;

"subsidy" means financial support from the Government or donor agency to meet operating expenses or investment costs;

“tariff” means any charge, fee or rate charged for the provision of water supply and sanitation services;

“tariff period” means a period in a designated number of years for which the approved tariffs shall apply;

“tariff schedule” means the detailed set of rates and charges to be applied by a Licensee to its customers;

"test year" means a period of measurement for a recent, consecutive twelve-month period consisting of a full year of operations where data is readily available;

“Tribunal” means the Fair Competition Tribunal established under the provisions of the Fair Competition Act; and

“WACC” means nominal rate of return per annum as determined by using nominal post-tax weighted average cost of capital;

“water authority” means a water supply and sanitation

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authority established under the Water Supply and Sanitation Act;
“water operator” means a registered person supplying water services in service area of the Water Authority.

PART II
TARIFF APPLICATION AND RATE REVIEW PROCEDURES

Preparation and
submission of tariff
application

4.-(1) A licensee that wants to oppose or review its water tariff shall apply to the Authority in the manner prescribed under these Rules.

(2) A licensee shall submit its tariff application accompanied with supporting documents and other information as may be required in accordance with these Rules.

(3) Without prejudice to the generality of sub rule (2), an application under subrule (1) shall be accompanied by the following -

(a) top sheet which shall comprise of-

- (i) registered name of the applicant;
- (ii) address of the applicant to which communications in the matter will be sent;
- (iii) name, title and contact information of the applicant’s chief executive officer or authorized person;
- (iv) verifiable reference of an applicant’s license by the Authority to provide a regulated service;
- (v) a succinct statement of the regulatory action being requested; and
- (vi) signature of the chief executive officer or a duly authorized officer of the applicant;

(b) minutes and attendance register of participants that the Water authority water authority has consulted a representatives of its customers on the intention to review its existing tariff;

- (c) minutes of the board of the licensee signed by the board chairman and secretary that the Water authority has submitted to its board proposed tariff that the applicant is requesting for approval;
 - (d) implementation status of conditions contained in the previous order issued to the applicant;
 - (e) approved business plan which provides in detail the applicant's strategic objectives and implementation plan;
 - (f) current approved budget of the Water authority;
 - (g) audited financial statements, covering the past three financial years and the most recent interim financial statements prior to the date of the application;
 - (h) statement explaining how customers will benefit from the proposed adjustment of the current tariff.
 - (i) Information on financial implications to the applicant if the requested changes in tariff are not approved, and includes ability of the applicant-
 - (aa) to pay for its creditors;
 - (bb) to meet contractual financial obligations;
 - (cc) to service its debt;
 - (dd) to cover all the fixed costs; and
 - (ee) to spend on capital investment projects;
 - (j) an affirmation that contractual agreements that may have impact on the proposed tariffs have been included in the application; and
 - (k) any other information as may be required by the Authority.
 - (l) a letter of no objection from the Minister responsible for water regarding the application for water tariff under subrule (1).
- (4) An application submitted in terms of subrule (1) shall be signed by the chief executive or an authorized representative of the applicant and the chairman of the

board of the applicant.

(5) An application that is not in compliance of the requirements of this rule shall be rejected by the Authority and returned to the applicant.

Multi-year tariff
application

5.-(1) A licensee may apply for multi-year tariff to cover a period of three years in line with the business plan period.

(2) An application under subrule (1) shall be made at least one hundred and fifty days prior to the applicability of the proposed tariff.

(3) An application under subrule (1) shall provide for the following-

- (a) the top sheet to be in the format as provided under rule 4(3)(a);
- (b) the historical background of the applicant showing the license of the applicant, legal mandate, ownership structure of the applicant and other entities in which the applicant has ownership interest and service area;
- (c) the requested regulatory action;
- (d) the justification of the requested regulatory action under paragraph (c);
- (e) statement explaining how the proposed adjustment of the current tariff will benefit the customers;
- (f) a summary table of current and proposed rates and charges in Form **No. 1(A)**, **1(B)** and **1(C)** as prescribed in the First Schedule;
- (g) a comprehensive information about assumptions used to project various costs and implementation status of key performance indicators in Form **No. 2** as prescribed in the First Schedule;
- (h) information regarding electricity consumption and billing for water supply and sewerage services for all infrastructural units showing the past twelve months actual records of consumption and billing in Form **No. 3** as set

- out in the First Schedule;
- (i) information regarding operating and maintenance costs for the past three years and the projected costs for the next three years in Form No. 4 as set out in the First Schedule;
 - (j) an analysis of test year operating and maintenance costs providing reasons for its variance with the audited income statements;
 - (k) information regarding depreciation for the past three years and an analysis of projected depreciation charge for the next three years which shall assume that the proposed tariff change will take effect and which shall be supported by the estimated useful life of assets;
 - (l) an analysis of the applicant's proposed rate of return or Weighted Average Cost of Capital (WACC) on its own invested capital, if applicable, supported by a cost of capital analysis, in this regard the applicant shall propose and justify a capital structure which will include a discussion on cost of debt and equity for the applicant;
 - (m) comprehensive information regarding Rate Base of an applicant covering the past three financial years prior to the date of the application and the projections for the next three years.
 - (n) an analysis of the proposed new investment, rehabilitation and replacement costs;
 - (o) information regarding the annual subsidies and grants received within the past three financial years prior to the date of the application as well as forecast of the same during the rate or charge period;
 - (p) the applicant's revenue requirements for the next three financial years in Form No. 5 as set out in the First Schedule;
 - (q) the current consumption pattern for each customer class reflecting the past twelve months

prior to the date of the application and the projected consumption pattern which reflects the proposed tariff structure in Form No. 6 as set out in the First Schedule.

- (r) in case of a proposed new customer class, provision of the projected consumption of the new customer class;
- (s) detailed explanatory statement with subordinate schedules that clearly indicate how the proposed rates and charges for each individual customer class were calculated in Form No. 7(A) and (B) as set out in the First Schedule;
- (t) total bills from proposed tariffs and other charges that would result if the application was approved as submitted, and for that purpose the estimated revenues shall be provided for each customer class and shall equal the total revenue requirement;
- (u) options other than a tariff change considered by the applicant and why each option was not selected;
- (v) the financial implications to the applicant if the requested changes in tariffs are not approved;
- (w) an affirmation stating that all contractual agreements that have impact on the proposed tariffs have been included in the application; and
- (x) any other information as the Authority may deem appropriate.

(4) Save as otherwise provided under this rule, the formality of determining cost projection on issues not stated in these Rules shall be as provided in Authority's Guidelines for preparing business plan for Water authorities water authorities.

(5) An application under subrule (1) shall be accompanied with the following -

- (a) minutes of the meeting of the Board of the applicant that approved the application;
- (b) attendance register of participants and minutes

- including comments from representative of the applicant customers on the intention to review its existing tariff;
- (c) letter of no objection from the Minister responsible for Water on the intention to review existing tariff;
 - (d) clearance certificate issued by the Authority and the implementation report of conditions imposed on the previous tariff order of the applicant;
 - (e) business plan which has been approved pursuant to the Authority's Guidelines for preparing Water authorities business plan for water authorities;
 - (f) audited financial statements including the opinion of the Controller and Auditor General, covering the past three financial years and the most recent interim financial statements prior to the date of the application;
 - (g) recent report on the valuation of assets, if any;
 - (h) a detailed summary cost for each customer class which was issued by an applicant to an existing customer for a new water or sewer customer connection;
 - (i) a contract between an applicant and a bulk consumer, if any;
 - (j) a public private partnership (PPP) agreement in accordance with applicable laws and guidelines on PPPs' for water authorities if any;
 - (k) the Memorandum of Understanding between the applicant and the Ministry for water; and
 - (l) client Service Charter approved by the Authority.

Extra ordinary tariff application

6. A licensee may apply to the Authority for extra tariff upon the occurrence of the following-

- (a) a change in law that relate directly to water or wastewater services, or change in the environment;

- (b) a change in the required service or performance standards;
- (c) a change in the service area;
- (d) an unforeseen drop-out of big customers; or
- (e) significant change in the underlying assumptions used in the determination of the existing multi-year tariff.

Provisional tariff application

7.-(1) A licensee who is unable to submit the historical financial and operational data in any application requirements under these Rules for reasons of either being newly established utility or for being established but could not operate may apply for provisional tariff.

(2) An applicant shall submit to the Authority a written request from the Minister responsible for Water and consequently the Authority shall expedite its procedures with the view of issuing a provisional order as provided for under these Rules.

(3) Notwithstanding the provision of subrule (2), the Minister responsible for water may submit to the Authority a written request for provisional tariff and the Authority shall treat such written request as a formal application to be dealt in a manner provided for under sub rule (2).

(4) An application under subrule (1) shall contain the following information-

- (a) top sheet in its entirety as described under rule (4)(3)(a); and
- (b) information stated under rule 4(3)(c) and rule 5(3)(c), (d) and (f); and
- (c) any other information as the Authority may require.

Automatic tariff

8.-(1) The Authority shall consider an application for tariff review as “automatic tariff application” where the applicant shows non-controllable costs drivers that results to decrease or increase of tariff by at least five percent.

(2) In determining the tariff under this rule, all assumptions used in the review of existing tariff shall

remain intact and only the pass through cost shall be considered.

(3) The application under subrule (1) shall be accompanied by the following-

- (a) a summary table of the current and proposed tariff;
- (b) a detailed analysis of the pass-through cost showing the actual trend-
 - (i) for the past twelve months prior to the date of occurrence of the unforeseen event; and
 - (ii) from the date of occurrence of the unforeseen event to the date of application;
- (c) evidence in the form of official letter, document or provision in the legislation that approves a change in pass-through costs and thereby affecting the financial situation of a Utility; and
- (d) any other information as the Authority may require.

Tariff application:
services charged
operators

9.-(1) Water operators operating in the service area of a water authority in accordance with the applicable Guidelines for operations of other operators business shall be required to apply for tariff.

(2) Water operators shall present, for onward submission, their tariff application to the respective water authority.

(3) Upon receipt of the application under subrule (1), the water authority shall, without undue delay, submit the water operator's application to the Authority on behalf of the water operators and it shall be accountable to justify the proposed tariff for water operators.

(4) An application under subrule (1) shall be accompanied by the following-

- (a) a top sheet described under rule 4(3)(a);
- (b) a summary table of current and proposed tariff in Form No.2 as set out in the First Schedule;

- (c) a detailed analysis of proposed tariff for operators of cesspit emptier services;
- (d) a detailed analysis of proposed tariff for water borehole;
- (e) a detailed analysis of proposed tariff for operators using water tankers for water supply services;
- (f) minutes of the meetings between the water authority, consumer representatives and other water operators regarding tariff review; and
- (g) any other information as the Authority may require.

Authority's own
to review tariff

10.-(1) The Authority may, on its own motion, initiate an inquiry to review a tariff of any licensee where it makes a finding that-

- (a) the water authority is recording huge surplus which makes tariff review a disincentive to customers;
- (b) there are changes in the circumstances that require tariff review; or
- (c) the applicable assumptions used to calculate the tariff have significantly changed.

(2) A water authority to which an application by a water authority relates shall be obliged to submit any information required by the Authority when exercising its power to review tariff on its own motion under subrule (1).

(3) A water authority shall, for the purpose of facilitating evaluation of tariff, be obliged to provide any information or document as may be required by the Authority.

(4) The Managing Director or the Executive Officer of the water authority who fails to provide the information requested under subrule (3) or who provides incorrect information commits an offence.

Submission of
application

11.-(1) An application for any type of tariff application shall be in the form and manner prescribed by

these Rules.

(2) All applications together with the required information and documents shall be electronically submitted through the Licensing and Order Information System (LOIS).

(3) Upon receipt of tariff applications under these Rules, the Authority shall publish the applications in the Authority's web site for public review and comments.

Confidentiality

12.-(1) A licensee may request the Authority not to circulate specific data or information that it has provided to the Authority;

Provided that, the Authority shall have powers to determine as to whether the information suffice to be treated as confidential or not.

(2) The Authority shall, where it determines that certain information is confidential, limit or prohibit the publication of any information to the public.

PART III REVIEW OF TARIFF APPLICATION

Sub - part I *Proceedings upon acceptance of an application*

Acceptance of an

13.-(1) The Authority shall, within three working days from the date of receipt of the application, acknowledge in writing the receipt of an application submitted to it.

(2) The Authority shall, within five working days from the date of receipt of the application-

- (a) identify any flaws or gaps;
- (b) review any additional information; and
- (c) issue a letter to the applicant accepting or rejecting the application.

(3) The Authority shall, where it rejects an application and sends back to the applicant, establish a data response deadline, not exceeding twenty one days from the

date of its determination, within which the applicant shall be required to provide any supplementary information required by the Authority.

(4) Where the information required under subrule (3) is not submitted within the period specified under subrule (2), the application shall be considered as withdrawn and the applicant may file a fresh application for tariff.

(5) Where an application for tariff is accepted, the date of acceptance letter shall be considered as the commencing date for processing the application.

Public inquiry

14.-(1) The Authority shall conduct an inquiry before exercising power to regulate any rate or charges.

(2) The inquiry under sub rule (1) shall involve publication of a notice of the application in the *Gazette* and in at least two newspapers of wide circulation in Tanzania, one in English and another in Kiswahili with a view to soliciting comments and representations on the reasonableness of the proposed tariff review.

(3) A public notice under subrule (2) shall state the purpose of inquiry, date, time and manner in which stakeholders will be required to submit their comments and representation.

(4) The costs of publication of notice under subrule (2) shall be borne by the Authority.

(5) A public notice issued in accordance with subrule (2) and (3) shall be deemed to be a notice inviting the general public to submit comments and representations to the Authority in connection with an application within fourteen days from the date of the notice or seven days after the public hearing meeting.

Service of public

15.-(1) The Authority may serve the public notice to any person, body, institution or organization by mail, inviting any person, body, institution or organization to provide their comments.

(2) Without prejudice to the generality of subrule

(1), the Authority shall serve a written notice together with a copy of the application and all supporting documents submitted to it by the applicant to the following-

- (a) service providers known to the Authority whose interests the Authority considers are likely to be affected by the outcome of the inquiry;
- (b) the EWURA Consumer Consultative Council (EWURA CCC);
- (c) the EWURA Government Consultative Council (EWURA GCC);
- (d) Industry and consumer or organizations which the Authority considers may have an interest in the matter; and
- (e) the Minister responsible for water.

(3) The Authority shall ensure that the public notice is posted at various strategic locations within its service area in the format prepared by it.

Objection

16.-(1) A person who intends to object the approval for a tariff application shall lodge his objection in writing within five working days from the date of the public notice.

(2) The objection shall clearly state the name and address of the person seeking objection and the reasons for that objection.

(3) The Authority shall, after reviewing an objection, grant or deny such objection.

(4) The Authority shall, where it rejects the objection, inform the objector and the applicant of such decision in writing, and the reasons thereof.

*Sub part II
Public hearing meeting*

Public hearing

17. The Authority may conduct a public hearing meeting as part of the inquiry prior to determining a tariff application.

Guest of honor

18. The Authority may invite a guest of honour to

officiate the opening of any public hearing meeting.

Presentation during
hearing meeting

19.-(1) The applicant, objector or persons mentioned under rule 16 (2) shall make a presentation with regard to the tariff application.

(2) The Authority shall ensure proper conduct and arrangement of presentation by person stated under subrule (1).

(3) Unless otherwise requested by consensus of the participants in the meeting and with consent of the Authority, presentation during the public hearing meeting shall be in Kiswahili.

(4) The applicant shall, before the closure of a public hearing meeting, be given an opportunity to answer questions raised and clarify on or correct any issue or matter raised during the public hearing meeting.

(5) Notwithstanding the provision of subrule (4), the applicant shall submit to the Authority the responses to all raised questions, issues or matters within three working days from the date of closure of the public hearing meeting.

Closing of public
meeting

20.-(1) The Authority shall, at the conclusion of public hearing meeting, require the applicant to share with its customers and other stakeholders all responses submitted under rule 20(5) and cause the responses be published on the Authority's website.

(2) The Authority may, for the purpose of verifying some of the information received from stakeholders during public hearing meeting, conduct site inspection.

Postponement of
hearing meeting

21.-(1) The Authority may, on its own motion or on application by the applicant, a key stakeholder or interested person listed under rule 16(2)(a),(b) and (c), at least seven days before the date of the public hearing meeting, postpone a public hearing meeting.

(2) Where the public hearing meeting is postponed, the Authority shall, issue another public hearing notice and such notice shall be issued at least seven days before the

date on which the hearing is to be conducted stating the date, time and place where the public hearing is to be conducted.

*Sub part III
Evaluation and approval of the tariff*

Commencement
evaluation

22.-(1) The evaluation of tariff shall commence after the closure of the public inquiry process.

(2) The evaluation process under subrule (1) shall take into consideration the following-

- (a) the views of stakeholders during the public inquiry process;
- (b) site inspection of water and sanitation infrastructure;
- (c) water and wastewater quality reports;
- (d) tariff setting methodology as stipulated in these Rules; and
- (e) any other information deemed appropriate.

(3) The authority may, in the cause of evaluating the application, request the applicant to clarify certain aspects of the application and to supply supplementary information.

(4) The need for clarification and supplementary information may evolve during the course of the evaluation and the time required for the applicant to respond to the Authority's requests and to schedule site inspections may necessitate extension of the time for the evaluation.

Evaluation criter

23.-(1) All tariff application filed under these Rules shall be evaluated by the Authority on the basis of and in accordance with the following criteria-

- (a) tariffs reflect the average cost of service of each licensee;
- (b) tariffs include a mechanism to allow licensee a benefit from and penalties for failure to achieve, benchmarks set by the Authority through

- yardstick regulations for, inter alia and without limiting the generality of such regulation, capacity utilization, operation and maintenance and unaccounted regulated services;
- (c) tariffs are determined in a manner which promotes continued reasonable investment in equipment, facilities and research and development for qualitative and quantitative improvement in the provision of regulated activities;
 - (d) tariffs are determined in a manner that protects consumers against monopolistic and oligopolistic pricing;
 - (e) tariffs are generally determined taking into account a reasonable rate of return, prudent operation and maintenance costs, depreciation, government levies and if applicable financial services and cost of regulated services;
 - (f) while determining the value of a licensee's fixed assets in operation, the value of assets funded wholly or partially, on a nonrefundable basis by a person other than a licensee are excluded to the extent of such contribution;
 - (g) only such capital expenditure is included in the rate base as is prudent, cost effective and economically efficient; and
 - (h) depreciation of a licensee's assets is computed based on their useful life and depreciation methods as may be determined from time to time by the Authority.
- (2) The Authority shall, when evaluating the tariff application, strike a balance in order to optimize the benefits to persons likely to be affected by the Authority's determination of tariffs.

Draft order

24.-(1) The Authority may, after it has evaluated the application, prepare a draft order for information and comments by representatives from EWURA Government

Consultative Council and EWURA Consumer Consultative Council.

(2) The Authority shall conduct an exit meeting with the management of the applicant to review the draft order in a manner that the Authority may deem fit.

(3) Without prejudice to the generality of subrule (1), the draft order and its consequential comments shall not bind the Authority in making decision, the Authority shall treat the comments submitted as genuine comments for consideration.

Decision of Aut

25.-(1) The Authority shall, after due consideration of all material facts to the application, issue a tariff order prescribing the approved tariff and charges to be applied by the licensee in providing regulated services.

(2) The tariff order under subrule (1) shall be made pursuant to Section 29(1)(d) of the Water Supply and Sanitation Act and gazette in the manner provided pursuant to the EWURA Act.

(3) A licensee shall not charge any customer a tariff exceeding that approved by the Authority pursuant to these Rules.

Duration of tariff

26. The duration of the tariff order shall -

(a) In the case of multi-year tariff application, be for a period of three years;

(b) In the case of provisional tariff application, be for a period not exceeding one year; and

(c) In the case of other tariff application other than those stated under sub S 17(3) rule (1)(a) and (b), be for a period of one year;

Provided, that the Authority may, on the written application by a Regulated Water Authority, extend the period of the order for the period not exceeding one year.

Notification to stakeholders of the Authority's decision

27.-(1) The applicant shall, within thirty days from the date of publication of the order or immediately before the order comes into force, notify its customers on Board's

decision, in a form and manner prescribed by the Authority.

(2) The applicant shall post the notice of Board's decision at various strategic locations within its service area showing therein the original tariff and the newly approved tariff.

(3) The Authority shall avail copies of the tariff order to the-

- (a) Permanent Secretary of the Ministry responsible for water;
- (b) applicant;
- (c) EWURA Consumer Consultative Council; and
- (d) Government Consultative Council.

Offences

28. A person who-

- (a) offers for sale or sells regulated services at a tariff that exceeds the approved tariff and charges;
- (b) either individually or jointly with another person creates an artificial shortage of the regulated services;
- (c) refuses or fails to conduct its licensed activity in the manner required to do so by the Authority; or
- (d) fails to implement conditions stated in the tariff order,

commits an offence and shall upon conviction, be liable to a fine of five hundred thousand shillings.

PART IV TARIFF SETTING METHODOLOGY

Sub part I Revenue Requirements

Determination of

29. The Authority shall, in the course of determining tariff, use a revenue requirement methodology.

Revenue requirement
formula

30. The revenue requirement methodology shall be

framed on the principles that revenues of the water authorities have to cover their operating and maintenance expenses, depreciation, taxes and shall ensure a fair return on assets employed in rendering regulated services.

Operation and
maintenance co

31.-(1) For purposes of rule 31, operating and maintenance expenses means all expenditure just and reasonably incurred wholly and exclusively for the provision of regulated activity including-

- (a) production costs;
- (b) distribution costs;
- (c) repair and maintenance costs;
- (d) sewerage disposal costs;
- (e) personnel costs;
- (f) administration costs;
- (g) business promotion expenses;
- (h) bulk water purchase costs;
- (i) events;
- (j) donation expenses; and
- (k) financial costs:

Provided that, , the operating and maintenance expenses meets the following qualification criteria-

- (a) expenses shall be incurred in an arm's length transactions;
- (b) expenses shall be incurred in the normal operation of the licensee including a reasonable level of refurbishment, repairs and maintenance costs; and
- (c) expenses shall be prudently incurred after careful consideration of available options and such consideration would entail a competitive bidding and transparency in the procurement process;

Production cost

32.-(1) The production cost incurred by a water authority in producing water shall include-

- (a) electricity costs;
- (b) chemical costs;
- (c) bulk water purchase cost in production costs outline;

- (d) laboratory costs;
- (e) water user fees, and the costs of water source protection; and
- (f) fuel and lubricants.

(2) Production costs shall be considered as production costs by the Authority if computed in a manner provided in the Authority's Guidelines for preparing business plan for water authorities.

Distribution costs

33.-(1) Distribution costs shall include-

- (a) electricity costs or fuel costs for water distribution pumps (booster pumps); and
- (b) customer survey.

(2) Distribution costs under subrule (1) shall be computed in a manner provided in the Authority's Guidelines for preparing business plan for water authorities.

Repair and maintenance cost

34. Repair and maintenance costs shall be projected based on the asset management plan prepared by the Water Authority and detailed in her business plan.

Personnel expenses

35. Personnel costs shall be projected based on targets set in water authority's business plan.

Administration

36.-(1) Administration cost shall include-

- (a) general administration costs;
- (b) expenses relating to a board of a respective water authority;
- (c) fees;
- (d) levies; and
- (e) any other related costs.

(2) Administration cost under subrule (1) shall be computed in a manner provided in Authority's Guidelines for preparing business plan for water authorities.

Business promotion expenses

37. Estimation and projections of business promotion expenses shall be based on past historical value.

- Events and don 38. Estimation and projections of events and donations expenses shall base on actual and projected fees charged per event in a year: Provided that, such donations amount is approved by the board of the respective water authority and is in accordance with the applicant's policy.
- Sanitation costs 39. Sanitation costs shall include-
- (a) plant electricity;
 - (b) sewerage laboratory and analysis;
 - (c) sewerage treatment expenses;
 - (d) sewer and manhole expenses;
 - (e) expense for up keeping of ponds;
 - (f) environmental expenses;
 - (g) cesspit emptying, customer survey; and
 - (h) new sewer connections.
- (2) Sanitation costs under subrule (1) shall be computed in a manner provided in the Authority's Guidelines for preparing business plan for water authorities.
- Financial costs 40. Financial costs shall include-
- (a) bank charges; and
 - (b) interest expenses estimated at actual amount charged and loan amortization schedule.
- Depreciation ch 41.-(1) The depreciation charge shall be computed on all assets in service, irrespective of the source of financing provided that the total projected depreciation expense shall be the aggregate of depreciation for three groups of existing assets, assets turned over from current work in progress balance and assets turned over from work in progress projected for the tariff period.
- (2) Funds allowed for depreciation shall be used for replacement or renewal of assets and may also be used for new investment as indicated in the Outline Investment Plan of the water authority's business plan.
- (3) The depreciation charge over assets that are revalued according to International Financial Reporting Standards (IFRS) or IPSAS for the public institutions or

International Valuation Standards (IVS) requirements shall be determined based on assets recorded in the existing Asset Register.

(4) Depreciation charge shall be determined by using straight line depreciation method based on the remaining useful life of the asset.

Taxes
Cap. 332

42. Subject to the requirements of the Income Tax Act, any taxes paid or to be paid by the licensee may be considered in the determination of revenue requirement:

Provided that, exempted taxes in the provision of regulated services shall not be included in the determination of revenue requirement.

Rate Base

43.-(1) The raw data for determination of the Rate Base shall be derived from water authority's business plan and the projected statement.

(2) The Rate Base shall cover all assets employed by the applicant in the provision of regulated activities;

Provided that grants or any third party contribution shall be excluded.

(3) The Authority may require a water authority to provide evidence that all assets constituting the Rate Base were prudently designed, competitively procured or constructed.

(4) The Authority shall, where regulated assets are used to produce unregulated revenues, have the power to impute some of the revenues into the revenues of the utility during the evaluation of the tariff filing.

Tariff setting fo

44. Calculation of tariff shall base on the formula and procedure prescribed in the Second Schedule.

Determination of
replacement,
rehabilitation and
investment cost

45.-(1) Determination of replacement, rehabilitation and new investment costs shall be limited by the estimated value of the sum of Return on Investment (ROI) and depreciation charge.

(2) The proposed replacement, rehabilitation and new

investment costs shall be consistent with those recorded in the business plan of the respective water authority.

(3) Notwithstanding the provision of subrule (2), the Authority may, where it is observed that the capital costs determined result in tariff shock or there is inadequate information to warrant proper estimation of return on investment and depreciation, use benchmarking method with other similar water authorities to determine the allowed capital costs in the revenue requirement

(4) The Authority may allow higher repair, rehabilitation and new investment costs for water authorities with low coverage and which suffer diseconomies of scale which exceeds the sum of return on investment and depreciation.

(5) The level of capital costs shall be determined by making reference to existing investments in water authorities having similar level of water demand.

Smoothing of revenue requirement over multi-year period

46. The Authority may, for the purpose of avoiding shocks or large tariff fluctuation to customers, adjust the proposed annual revenue requirement in the multi-year period by rescheduling the planned investments within the multi-year period.

Sub part II

Allocation of Revenue Requirement and Tariff Design

Customer categories

47.-(1) A water authority may have six or less number of customer categories for water supply and wastewater disposal depending on the nature of consumption of water.

(2) Customer categories under subrule (1) shall include-

- (a) domestic;
- (b) economically disadvantaged persons;
- (c) commercial;
- (d) institutional industrial;
- (e) kiosk (standpipe); and

(f) bulk customers.

(3) A water authority shall obtain approval from the Authority to provide services to any category of customers not mentioned in subrule (1).

Costs of service

48.-(1) The Authority may commission a third party to conduct a cost of service study particularly to those water authorities which have reached full cost recovery.

(2) The Authority may use the available cost of service study to support evaluation of a tariff application from the respective water authority.

Setting of rates
charges

49.-(1) A water authority shall set an individual tariff per customer categories chronologically.

(2) Setting of individual tariff under subrule (1) shall base on-

- (a) the customer related charges;
- (b) sanitation tariff related costs; and
- (c) subsidization from the Government.

New connection
GN. No.
828 of 2019

50. A water authority shall set new connection fees in accordance with regulation 26 of the Water Supply Regulations, 2019.

Reconnection fee

51.-(1) A reconnection fee set by a water authority shall be charged to recover the costs of reconnection after disconnection of a customer for failing to pay the bills on time.

(2) Reconnection fee under subrule (1) shall include-

- (a) costs of transportation;
- (b) material cost; and
- (c) labour charge.

Sewerage tariff

52.-(1) A water authority shall set sewerage tariff shall not exceed eighty percent of water tariff with an assumption that the quantity of water converted to sewerage does not exceed eighty percent of water consumption.

(2) Notwithstanding the provision of subrule (1), the

sewerage tariff for customer not using water from a water authority shall be set based on benchmarking with a similar customer using water from a water authority.

(3) Water authorities shall ensure that all customers who are under sewerage services and who receive water supply services are metered.

Determination of
emptying charges

53.-(1) A water authority shall set cesspit emptying charges based on expenses incurred in -

- (a) collecting sewerage from the customer premises;
- (b) transporting the sewerage; and
- (c) discharging the sewerage to the waste treatment facility operated by a water authority.

(2) The charges under subrule (1) shall recover the cost of depreciation, repair and maintenance of the related equipment and all investment related costs pertaining to cesspit emptier.

Sludge disposal

54. The revenue requirement or income associated with charges for disposing sewerage to the waste treatment facility operated by the water authority shall be calculated based on the formula stipulated in the Second Schedule.

Metered tariff

55.-(1) A water authority shall determine the average water tariff using the formula provided in the Second Schedule.

(2) Adjustment of individual tariffs per customer class and block shall be done using the formula shown in Form No. 7(A) set out in the First Schedule.

(3) Notwithstanding the provision of subrule (2), water authorities may propose different rate structure from the existing structure for different categories of customers;

Provided that the different rate structure is done on a reasonable basis and is approved by the Authority.

Flat rates

56.-(1) A water authority shall ensure all its customers are metered and the Authority shall not entertain an application for flat rate in utilities' tariff structures.

(2) Where a water authority is of the opinion that flat rates are needed, it shall be obliged to-

- (a) provide concrete reason for inclusion of flat rate in tariff structure; and
- (b) explain future strategies to meter all unmetered customers.

(3) Notwithstanding the provision of subrule (2), flat rates shall not be allowed for non-domestic customers.

Tariff design

57.-(1) A water authority's tariff design shall take into account-

- (a) sustainability of water supply services;
- (b) the affordability of basic water supply to customers; and
- (c) incentives to reduce the wasteful or inefficient water use.

(2) The tariff for domestic and non-domestic customers shall be structured in a way that will encourage the conservation of water and that would discourage the wasteful use of water.

(3) A water authority shall charge different tariff taking into consideration the use of water as a basic need in which industrial customers shall have the highest rate or charge, followed by commercial, institutional and lowest tariff group will be the domestic customers and kiosks.

(4) A water authority shall, for the purpose of encouraging water conservation, apply a progressive tariff to domestic customers with homogenous group of customers in such a way that a relatively high consumption shall be charged a relatively high tariff.

(5) Notwithstanding the provisions under sub-rule (4), a Water Authority may set a uniform volumetric tariff for all domestic customers as it deems appropriate.

(6) A water authority shall set uniform volumetric tariff for all customers in each category other than domestic.

Tariff design for sanitation services

58.-(1) A water authority's tariff for providing sanitation services for domestic customers shall be

structured by taking into account the following criteria-

- (a) the viability and sustainability of sanitation services;
- (b) the affordability of basic sanitation to poor households; and
- (c) incentives to reduce the wasteful or inefficient water use in conveying sewerage.

(2) Tariff for providing sanitation services for consumers who primarily discharge industrial effluent to a wastewater treatment works shall be structured by taking into account the following criteria-

- (a) the viability and sustainability of sanitation services;
- (b) incentives to reduce the wasteful or inefficient water use in conveying effluent;
- (c) the cost of treating specific chemical and physical properties of the effluent discharged;
- (d) the environmental harm caused by the effluent discharged; and
- (e) the need to encourage consumers that discharge industrial effluent to install primary treatment equipments on all wastewater discharge facilities.

Disallowable charges and fees

59. A water authority's tariff structure shall not include the following fees and charges-

- (a) application form fee;
- (b) meter rent charges;
- (c) penalties and fines;
- (d) minimum charge not based on consumption;
- (e) service charge; and
- (f) any other charge or fee that the Authority shall consider as disallowable.

Affordability test

60. The Authority shall, for the purpose of determining affordability of water supply and sanitation services by customer groups, regularly conduct affordability studies.

PART V

**MONITORING AND EVALUATION OF IMPLEMENTATION
OF TARIFF ORDER**

Monitoring of a
tariff

61. The Authority shall conduct inspections to monitor the compliance of the approved tariff and its conditions.

Description on
customer's invoice

62.-(1) A water authority shall, for charges related to water sales on every invoice, send to a customer-

- (a) the first and last date of the period for which the consumer is being billed;
- (b) the water meter reading, or estimated water meter reading, at the beginning and at the end of the period for which the consumer is being billed;
- (c) the water consumed for the period;
- (d) the approved tariff and the amount charged in respect of each unit of water consumed for the period being billed;
- (e) the amount charged in respect of fixed and other charges such as sewerage charges Authority levy for the period being billed;
- (f) amount unpaid in respect of previous periods;
- (g) interest accrued in respect of any unpaid amounts;
- (h) the total amount due;
- (i) the date by which the amount due shall be paid; and
- (j) the place or accounts and methods by which the payment may be made.

(2) A water authority shall, for charges related to new connection of services and reconnection of services that require uprooting the old network, on every cost estimates, send to a customer-

- (a) the list of all material and their respective costs;
- (b) the estimation of labor charge;
- (c) the Authority's connection or reconnection fee; and
- (d) the total estimated amount;

Monitoring of t
order condition:

63.-(1) A water authority shall provide an action plan for each condition of the tariff order not later than three months after the effective date of the tariff order.

(2) A water authority shall be required to provide reports of the implementation of each of the tariff order condition and each cost item of the revenue requirement quarterly or as may be required by the Authority:

Provided that inspection and performance audit may be done to validate the submitted reports.

Failure to imple
tariff order con

64.-(1) The water authority shall not be liable for failure to perform its obligations of the tariff order where such failure is caused by or due to change in legislation, severe weather, strike, epidemic, interruption or any other legitimate cause beyond the control of the water authority.

(2) A water authority shall, under the approval of the Authority, make appropriate reallocation of planned activities in order to implement activities which could not be implemented in the previous year of a multi-year period in accordance with the tariff order.

(3) The Authority may, where circumstances are such that there is no justification for failure to implement the order after the end of multi-year tariff period

- (a) reject the new application;
- (b) deduct the revenue requirement from the newly proposed revenue requirement in order to compensate customers for the denied services basing on the estimated value of projects which have not been implemented;
- (c) reinstate unimplemented tariff order conditions for implementation in the new tariff review period without setting aside any funds in the newly approved revenue requirement; or
- (d) impose special performance monitoring which includes increased performance reporting to the Authority if the regulated utility fails to attain any of the performance targets or continue to use the targeted performance indicators in the

determination of the new tariff.

Clearance letter

65.-(1) A water authority shall submit to the Authority its annual report describing the implementation of the conditions of the approved multi-year tariffs for each subsequent year.

(2) The Authority shall, upon evaluation of the report under subrule (1), proceed to issue-

- (a) a clearance certificate to a water authority that complies to more than eighty percent of the conditions prescribed in the tariff order;
- (b) a warning certificate to a water authority that its performance is below eighty percent and such certificate shall state conditions to be fulfilled within a certain period of time; or
- (c) a compliance order to the water authority in the event the Authority determines that the water authority has deviated from performing the investment stated in tariff order;

(3) The implementation report stated under subrule (1) shall be submitted not later than 31st July of each year:

Provided that, a water authority may, upon consent from the Director General, file the report after 31st July.

(4) An implementation report under sub rule (1) shall be accompanied by the following-

- (a) report on attainment of tariff order conditions;
- (b) actual operation and maintenance costs and revenues for the current year including the expected or forecast for the remaining period of twelve months of the tariff period submitted using the tariff model;
- (c) reasons for variances in the projected costs and revenues at time of application and actual costs and Revenues;
- (d) service improvement commitments being made for subsequent tariff year; and
- (e) implementation status of the stakeholders' comments submitted during public inquiry.

PART VII
GENERAL PROVISIONS

Clustering of W

66.-(1) Where a Water Supply and Sanitation Authority Service Area has changed either by operation of law or any event recognized by law, the following principles shall apply as to tariff to be applicable to the acquired service area-

- (a) the acquiring Regulated Water Supply and Sanitation Authority shall, within two months from the date of publication of the new service area, review its business plan to incorporate the newly added service area; and
- (b) upon review of the business plan as stated under paragraph (a), the acquiring Water Supply and Sanitation Authority, shall within two months from the date of approval of the Business Plan, submit application for tariff adjustment to the Authority for approval;

(2) Notwithstanding the provisions of subrule (1), where the acquired area had a tariff prior to its acquisition, such tariff shall continue to be applicable in that area for six months from the date of publication of its acquisition and the acquiring Authority shall be obliged to apply such tariff as it was intended prior to the acquisition.

(3) The authority shall, where an, acquiring Water Supply and Sanitation Authority has without any justifiable reasons failed to submit the application as prescribed under subrule (1), compel such Acquiring Authority to comply with the requirements stipulated herein.

Summoning pr

67(1) The Authority may summon any person whom in its opinion is capable of providing information necessary to assist in fulfilling its obligations.

(2) A summon made under subrule (1) may require a person to:

- (a) furnish information in writing;

- (b) produce any document to the Authority; or
- (c) appear before the Authority to give evidence.

(3) A person who contravenes this rule commits an offence and shall, on conviction, be liable to a fine not exceeding three hundred thousand shillings or imprisonment for a term not exceeding fifteen months or to both.

Appeals

68. A person who is aggrieved by the decision of the Authority made under these Rules may, within twenty one days from the date of decision, appeal to the Tribunal pursuant to the provisions of the Fair Competition Act.

Cap.285

General penalty

69. A person who contravenes any provision of these Rules for which no specific penalty is prescribed shall on conviction be liable to a fine not exceeding five hundred thousand shillings.

*Energy and Water Utilities Regulatory Authority (Water Tariff Application and
Rate Setting)*

GN. No 490 (contd.)

FIRST SCHEDULE

(Made under rule 5(3))

FORMS

FORM NO. 1 (A): CURRENT AND PROPOSED WATER RATES

CUSTOMER CLASS	CURRENT RATE	PROPOSED RATE (Unit of Measure)	PROPOSED RATE (Unit of Measure)	PROPOSED RATE (Unit of Measure)
Domestic				
Band 1				
Band 2				
Band 3				
Institution				
Commercial				
Industrial				
Kiosk/Standpipe				
Bulk Customers				
<i>Other categories (Mention)</i>				

FORM NO. 1 (B): CURRENT AND PROPOSED WATER SUPPLY
CONNECTION FEES

CUSTOMER CLASS	CURRENT FEES	PROPOSED FEES (Unit of Measure)	PROPOSED FEES (Unit of Measure)	PROPOSED FEES (Unit of Measure)
Domestic				
Institution				
Commercial				
Industrial				

**FORM NO. 1 (C): CURRENT AND PROPOSED WATER SUPPLY
RECONNECTION FEES**

CUSTOMER CLASS	CURRENT FEES	PROPOSED FEES (Unit of Measure)	PROPOSED FEES (Unit of Measure)	PROPOSED FEES (Unit of Measure)
Domestic				
Institution				
Commercial				
Industrial				

FORM NO. 2: ASSUMPTION DATA

Description	Units	Historic Data			Curr	Projected		
		Year 3	Year n	Year	Year	Year n+1	Year n	Year n+3
DETAILS	Units							
ECONOMIC DATA								
Inflation Rate (Most Recent Month)	%							
PRODUCTION SYSTEM								
Average Water Production	m3/yr							
INTERGRATED WATER RESOURCES MANAGEMENT								
Water User fee	TZS/r							
DEMAND AND CONSUMPTION								
Personnel expenditure as % of collection from water	%							
ADMINISTRATIVE COSTS								
INVESTMENT COSTS								
Contribution to investment % total investment	%							
EFFICIENCY INDICATORS								
Non-Revenue Water (NRW)	%							
Revenue Collection Efficiency	%							

**FORM NO. 3: ELECTRICITY CONSUMPTION FOR WATER AND
SEWERAGE SERVICES FOR THE PAST 12 MONTHS**

STATION 1	Month 1	Month 2	Month 12	Total
kWh used				
kVA used				
Energy charge				
kVA Charge				
Service Charge				
EWURA & REA				
TOTAL BILL				

STATION 2	Month 1	Month 2	Month 12	Total
kWh used				
kVA used				
Energy charge				
kVA Charge				
Service Charge				
EWURA & REA				
TOTAL BILL				

STATION 3	Month 1	Month 2	Month 12	Total
kWh used				
kVA used				
Energy charge				
kVA Charge				
Service Charge				
EWURA & REA				
TOTAL BILL				

STATION n+1	Month	Month	Month 12	Total
kWh used				
kVA used				
Energy charge				
kVA Charge				
Service Charge				
EWURA & REA				
TOTAL BILL				

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FORM NO. 4: TREND IN OPERATIONAL AND MAINTENANCE COSTS

Amount in TZS Millions									
Description	Historical			Current	Projections				
	Year	Year	Year	Current	Year	Year	Year	Year	Year
Water Production costs									
<i>Electricity for Water Production</i>									
<i>Chemicals</i>									
<i>Fuel & Lubricants (Generator)</i>									
<i>Water User Fee</i>									
<i>Laboratory</i>									
<i>Water Source Upkeep</i>									
<i>Other Water Production costs</i>									
<i>Bulk water purchase costs</i>									
Total Water Production costs									
Water Distribution costs									
<i>Electricity for Water Distribution</i>									
<i>Fuel & Lubricants (Generator)</i>									
<i>Pipelines - New connections</i>									

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<i>Water Meter Installation - Replacements/te sting</i>										
<i>Other Water Distribution costs</i>										
Total Distribution costs										
Sanitation costs										
<i>Sewerage Treatment</i>										
<i>Electricity for Sewerage and Sanitation</i>										
<i>Laboratory</i>										
<i>New Sewer Connections</i>										
<i>Cesspit Emptying</i>										
<i>On-site Sanitation Activities</i>										
<i>Other Sewerage Disposal costs</i>										
Total Sewerage Disposal costs										
Maintenance and Repair costs (as per Asset Management Plan)										
Personnel costs										
<i>Basic Salary</i>										
<i>Wages</i>										
<i>Employer's Pension Contribution</i>										

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<i>Travelling on leave</i>										
<i>Allowances</i>										
<i>Other staff costs</i>										
Total Personnel costs										
Administration costs										
<i>Insurance</i>										
<i>Electricity for Offices</i>										
<i>Audit Fees</i>										
<i>Staff Training</i>										
<i>Provision for doubtful debts</i>										
<i>Fuel for motor vehicles/cycles</i>										
<i>Other Administration costs</i>										
Total Administration costs										
Business Promotion										
<i>information, education, communication & publicity</i>										
<i>customer outreach</i>										
<i>customer survey</i>										
<i>research and feedback</i>										
<i>documentary and upkeep of audio visual</i>										
<i>newspaper and periodicals</i>										
<i>upkeep of public garden and monument</i>										

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Events and Donations										
<i>ATAWAS costs (If any)</i>										
<i>Maji week expenses</i>										
<i>Mazingira week</i>										
<i>Nanenane day</i>										
<i>Annual general meeting contribution</i>										
<i>donations</i>										
<i>May day expenses</i>										
<i>Other Events and Donation costs</i>										
Total Events and Donation costs										
Board Expenses										
<i>Directors Fees</i>										
<i>Meeting expenses</i>										
<i>Other costs</i>										
Financial costs										
<i>Interest on bank overdrafts</i>										
<i>Bank charges</i>										
<i>Interest on term loans</i>										
Total Financial costs										
Depreciation and Amortization										
Surplus/Loss										

**FORM NO. 5: REVENUE REQUIREMENT PROJECTIONS AND
PROPOSED AVERAGE TARIFF**

Description	Current year	Projected year 1	Projected year 2	Projected year 3
Operating and Maintenance (Million TZS)				
Depreciation & Amortization (Million TZS)				
Return on Investment (Million TZS)				
Total Revenue Requirement (Million TZS)				
Less: Other Income				
Less Government/LGA's Grants				
Revenue Requirement from Water Sales (Million TZS)				
Water Production (m ³)				
NRW (%)				
Billed Volume				
Average Tariff (TZS/m3)	W0	W1	W2	W3
Tariff Increase (%)				
Proposed Weighted Average Tariff (TZS/m3)				

FORM NO. 6: CONSUMPTION PA

Customer Class	Current Water Consumption (M ³)	Percentage Consumption	Average Consumption Per Customer Class Per Month (M ³)
Domestic			
Band 1			
Band 2			
Band 3			
Institution			
Commercial			
Industrial	V6V6		
Kiosk			
Bulk Customer			
Total Billed Amount			

*Energy and Water Utilities Regulatory Authority (Water Tariff Application and
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GN. No 490 (contd.)

FORM NO. 7(A): CALCULATION OF PROPOSED METERED TARIFF

CUSTOMER CLASS	CURRENT TARIFF	PROPOSED TARIFF (YEAR 1)	PROPOSED TARIFF (YEAR 2)	PROPOSED TARIFF (YEAR 3)
Domestic				
Band 1	A1	A1*(W1/B)	A1*(W2/B)	A1*(W3/B)
Band 2	A2	A2*(W1/B)	A2*(W2/B)	A2*(W3/B)
Band 3	A3	A3*(W1/B)	A3*(W2/B)	A3*(W3/B)
Institution	A4	A4*(W1/B)	A4*(W2/B)	A4*(W3/B)
Commercial	A5	A5*(W1/B)	A5*(W2/B)	A5*(W3/B)
Industrial	A6	A6*(W1/B)	A6*(W2/B)	A6*(W3/B)
Kiosk/Standpipe	A7	A7*(W1/B)	A7*(W2/B)	A7*(W3/B)
Bulk Customer	A8	A8*(W1/B)	A8*(W2/B)	A8*(W3/B)
WEIGHTED AVERAGE	$B = \sum P_i * A_i$			

FORM NO. 7(B): CALCULATION OF PROPOSED FLAT RATES

CUSTOMER CLASS	CURRENT FLAT RATE	PROPOSED TARIFF (YEAR 1)	PROPOSED T YEAR 2	PROPOSED T (YEAR 3)
Domestic	FR3	A3*(W1/B) *C3	A3*(W2/B)*C3	A3*(W3/B)*C3
Institution	FR4	A4*(W1/B) *C4	A4*(W2/B)*C4	A4*(W3/B)*C4
Commercial	FR5	A5*(W1/B)*C5	A5*(W2B)*C5	A5*(W3/B)*C5
Industrial	FR6	A6*(W1/B)*C6	A6*(W2/B)*C6	A6*(W3/B)*C6
Kiosk/Standpipe	FR7	A7*(W1/B)*C7	A7*(W2B)*C7	A7*(W3/B)*C7
Bulk Customer	FR8	A8*(W1/B)*C8	A8*(W2B)*C8	A8*(W3/B)*C8

SECOND SCHEDULE

(Made under rule 45 and 56 (1))

WATER SUPPLY AND SANITATION TARIFF SETTING METHOD

- Revenue requirement 1. The Revenue Requirement for a water utility for any Regulatory Year 't' shall be calculated in accordance with the formula:

$$RR_t = OM_t + D_t + T_t + WACC \times RAB_t$$

where:

- RR_t = Revenue Requirement for year t including all corrections that are carried over from the previous multiyear period;
 OM_t = Operation and Maintenance expenses in year t;
 D_t = Depreciation charge in year t;
 T_t = Corporate Taxes (if any) in year t;
 $WACC$ = Weighted Average Cost of Capital; and
 RAB_t = Rate Base in year t.

- Operation and maintenance cost 2. Operation and Maintenance expenses in the regulatory year 't' (OM_t) shall include prudently incurred production costs, distribution costs, repair and maintenance costs, sewerage disposal costs, personnel costs, administration costs, business promotion expenses, events and donation expenses and financial costs as described in the Guidelines for Preparing a Business Plan for Regulated Water Utilities (RWUs), 2016 as amended from time to time.

- Regulatory depreciation 3. Regulatory Depreciation (D_t) in respect of the Rate Base for any Regulatory Year 't', and shall be calculated using straight line depreciation method based upon the remaining useful life of the asset as indicated in the formula below:

$$D_t = \frac{C - RV}{EL}$$

Whereas:

- D_t = Regulatory depreciation for regulatory year t;
 C = Cost or revalued asset value;
 RV = Estimated residual value;
 EL = Estimated economic life.

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|--|--|--|---|---------------|-------|---|---------------------------------------|-----|---|---|-----|---|--|-------|---|---------------------|-----|---|--|
| Rate base | <p>4. Rate Base (RB) shall be computed as follows:
 $RB = NCA - Grants + AWC$
 <i>Whereas:</i>
 $NCA = \text{Non-current assets};$
 $Grants = \text{Grants or any third party contributions};$
 $AWC = \text{Allowable working capital}.$</p> | | | | | | | | | | | | | | | | | | |
| Allowable work capital | <p>5. Allowable working capital means that working capital shall not exceed 45 days per annum and this limit is calculated as the annual Operation and Maintenance Expenses divided by eight, i.e:</p> $\text{Allowable Working Capital} \leq \frac{\text{Annual O \& M Expenses}}{8}$ | | | | | | | | | | | | | | | | | | |
| Weighted average capital | <p>6. WACC shall be computed as described in the following formula:</p> $WACC = r_D \times (1-t) \times (D/V) + r_E \times (E/V)$ <p>Where:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>r_D</td> <td>=</td> <td>cost of debt;</td> </tr> <tr> <td>$1-t$</td> <td>=</td> <td>tax adjustment for interest expenses;</td> </tr> <tr> <td>D</td> <td>=</td> <td>Total value of debt as in the Applicant's recent Statement of Financial Position;</td> </tr> <tr> <td>V</td> <td>=</td> <td>total value of capital as in the Applicant's recent Statement of Financial Position;</td> </tr> <tr> <td>r_E</td> <td>=</td> <td>cost of equity; and</td> </tr> <tr> <td>E</td> <td>=</td> <td>Total value of equity as in the Applicant's Statement of Financial Position.</td> </tr> </table> | r_D | = | cost of debt; | $1-t$ | = | tax adjustment for interest expenses; | D | = | Total value of debt as in the Applicant's recent Statement of Financial Position; | V | = | total value of capital as in the Applicant's recent Statement of Financial Position; | r_E | = | cost of equity; and | E | = | Total value of equity as in the Applicant's Statement of Financial Position. |
| r_D | = | cost of debt; | | | | | | | | | | | | | | | | | |
| $1-t$ | = | tax adjustment for interest expenses; | | | | | | | | | | | | | | | | | |
| D | = | Total value of debt as in the Applicant's recent Statement of Financial Position; | | | | | | | | | | | | | | | | | |
| V | = | total value of capital as in the Applicant's recent Statement of Financial Position; | | | | | | | | | | | | | | | | | |
| r_E | = | cost of equity; and | | | | | | | | | | | | | | | | | |
| E | = | Total value of equity as in the Applicant's Statement of Financial Position. | | | | | | | | | | | | | | | | | |
| Estimation of Weighted Average Cost of Capital elements. | <p>7. In estimating the WACC, the applicant shall need to establish the following elements.</p> <ol style="list-style-type: none"> (a) capital Structure shall be determined by using regulated water Utilities Sheet; (b) equity shall constitute of own generated funds; (c) debt shall constitute of long term debt from commercial banks or government (sub-loan); (d) cost of Equity shall be computed as the average of 10-year Tanzanian bank rates (discount rates) provided by the Central Bank of Tanzania; (e) cost of Debt shall be computed as the weighted average of the nominal rates quoted in the loan instruments. The Return on Debt, therefore, is the average of the historical and current or new weighted average costs of debts. The Return on Debt shall be computed using the following formula: | | | | | | | | | | | | | | | | | | |

$$r_d = \sum_{i=1}^n w_i r_i$$

Where:

r_d = Cost of debt;
 r_i = Nominal interest rate on loan;
 w_i = Weights of the constituent debt.

Replacement, rehabilitation and investment costs 8. Determination of replacement, rehabilitation and new investment cost limited by the estimated value of the sum of Return on Investment (ROI) and depreciation charge.

$$CAPEX \leq D_t + ROI$$

Whereas:

CAPEX is the annual capital expenditures constituting replacement, rehabilitation, and new investment costs;

D_t is the regulatory depreciation; and

ROI is the return of investment or asset which is the product of RateBase and Weighted Average Cost of Capital.

Benchmarking method to determine the allowed capital costs 9. EWURA may use benchmarking method with other similar water Utilities to determine the allowed capital costs in the revenue requirement if it is observed that the estimated "CAPEX" results in tariff shock or there is inadequate information to warrant proper estimation of return on investment and depreciation.

Allowance in case of higher repair, rehabilitation and new investment costs 10. For Utilities with low coverage and which suffer diseconomies of scale, EWURA may allow higher repair, rehabilitation and new investment costs which exceeds the sum of return on investment and depreciation. The level of capital costs shall be determined by making reference to existing investments in water utilities having similar level of water demand.

Average Water Tariff 11. Water authorities shall determine Average Water Tariff (AT) using the following formula:

$$AT_{proposed} = \frac{RR_{water}}{Q*(1-NRW)}$$

Whereas:

RR_{water} = Water Related Revenue requirement ;
 Q = Annual water production as projected in the water authority's Business Plan;
 NRW = Non-Revenue Water target for the year as projected

in the Water authority's Business Plan.

Water related
revenue
requirement

12. Revenue Requirement for water sales shall be determined using the following formula:

$$RR_{water} = RR - OI$$

Where;

RR is the Total Revenue Requirement;

OI are "Other Incomes" which reflect the sum of revenue requirements associated with customer related charges (such as new connection fees and reconnection fees) as well as sewerage tariff and charges (such as cesspit emptying and sewer disposal charges).

Metered water
tariff for
individual
categories

13. Adjustment of individual tariffs per customer category and bands is done using the following formula.

$$T_{i,proposed} = T_{i,current} \times \frac{AT_{proposed}}{WAT_{current}}$$

Where:

$T_{i,proposed}$	=	Newly adjusted water tariff for consumer category i (TZS/m ³);
$T_{i,current}$	=	current water tariff for consumer category i (TZS/m ³);
$AT_{proposed}$	=	Computed Average Tariff (TZS/m ³);
$WAT_{current}$	=	Current weighted Average Tariff (TZS/m ³) calculated using the proposed consumption pattern (C_i) computed such that:

$$WAT_{current} = \sum (C_i \times T_{i,current})$$

WAT
proposed
definition

14. The Applicant shall ensure that $WAT_{proposed}$ defined in is approximately equal to $AT_{proposed}$

where;

$$WAT_{proposed} = \sum (C_i \times T_{i,proposed})$$

Tariff design

15. Tariff design among individual customer groups shall be based on:
- (a) water as a basic need. Therefore, industrial customers shall have the highest rate or charge, followed by commercial, then institutional and lowest tariff group will be the domestic customers including kiosks. Tariff spread among the customer groups shall be based on the average tariff spread in the Regional Water Authorities; and

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	(b) water conservation. With a homogenous group of customers such as domestic, a relatively high consumption shall be charged a relatively high tariff in order to encourage water conservation.
Tariff structure	16. The water supply and sanitation authority shall adopt a progressive tariff for domestic customer category with the aim of encouraging efficient consumption of water, and shall adopt a uniform volumetric tariff for non-domestic customers.
Types of consumption blocks for a domestic customer	17. EWURA recommends two consumption blocks for a domestic customer: (a) The first consumption block shall be set equal to the lifeline consumption for a household, which is up to 5 cubic meters and shall be charged the minimum of the domestic rate; (b) The second consumption block shall be in excess of the first block.
Bill computation under progressive tariff structure	18. In an progressive tariff structure, water bill shall be computed as follows: $(Q^*) T1 \text{ if } Q^* < Q1 \text{ or;}$ $T1Q1 + (Q^* - Q1)T2 \text{ if } Q^* > Q1$ Where: Q^*=amount of water sold to a specific consumer; $Q1$= maximum amount of water that can be sold in the first block (5 cubic meter) at tariff $T1$
Customer related revenue Requirement	19. Customer related Revenue Requirement shall include all the costs associated with customer services such as billing, accounting, meter services, and new connection costs and tends to vary with the number of customers involved. The associated fees shall be, but not limited to: (a) new Connection Fees; and (b) reconnection Fees.
New connection fee	20. New connection fees shall be intended to cover for costs incurred in surveying, supervision, and transportation and may be set as a percentage of total recoverable expenditure (material and labor) or a fixed charge approved by EWURA.
Calculation of new	21. If the new connection fees are calculated based on percentage determined by the Water Supply Regulations, 2013, then the associated revenue

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connection fees	requirement will be computed in accordance with the formula below:- $RRnwcon = \sum (20\% \times AvConCosts_i \times NonwCustomer_i)$ Where: RRnwcon = Revenue Requirement or Income related to new connection fees; AvConCosts_i = Average Costs for a Particular Customer; Category i NonwCustomer_i = Number of projected new connections per year for a particular customer category i.
Computation of fixed rate connection fees	22. If the new connection fees are set as fixed rates, either through a cost based method or benchmarking method, revenue requirement association with the new connection fees will be computed in accordance with the formula below:- $RRnwconw = \sum (BNFi \times NonwCustomer_i)$ Where:- RRnwconw = Revenue Requirement or Income related to new connection fees; BNFi= Benchmarked or cost based new connection fees; NonwCustomer_i = Number of projected new connections per year for a particular customer category i.
Reconnection fees	23. Reconnection fees that shall be intended to recover the costs of transport, materials (such as plugs and thread seals); and labour while disconnecting and reconnecting service.
Determination of reconnection fees	24. In case of insufficient cost information related to reconnection activities, benchmarking method with regional water Utilities may be used to determine reconnection fees.
Fixed rate for reconnection fee	25. In case the Authority considers that benchmarking method in rule 24 above is insufficient, a fixed rate of TZS 15,000 shall be set as reconnection fee for all customers categories
Revenue requirement on reconnection fees	26. The revenue requirement or income associated with reconnection fees shall be calculated based on the following formula. $RRreconw = \sum (BRFi \times NorCustomer_i)$ Where:- RRreconw= Revenue Requirement or Income related to reconnection fees;

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BRFi = Benchmarked/cost based reconnection fees;

NorCustomeri = Number of projected reconnections per year for a particular customer category i.

Sewerage tariff	27. Sewerage tariff shall be based on the recovery of part of sanitation costs bearing in mind users of sanitation facilities are not only those currently connected to sewerage system but also includes onsite sanitation customers.
Computation of sewerage tariff	28. Sewerage tariff shall be set at most 80% of water tariff with an assumption that the quantity of water converted to sewerage does not exceed 80% of water consumption.
Revenue requirement on sewerage tariff	29. The revenue requirement or income associated with sewerage tariff shall be calculated based on the following formula:- $RR_{swtariff} = \sum (BST_i \times \text{Sewerage Flow}_i)$ Where: <i>RRswtariff</i> = Revenue Requirement or Income related to sewerage tariff; <i>BSTi</i> = Benchmarked/cost based sewerage tariff; <i>Sewerage Flow_i</i> = Total volume of sewerage flow per year for a particular customer category i which is equivalent to a proposed percentage of monthly water consumption for that customer category i.
Cesspit emptying charges	30. Cesspit emptying charges are charges for emptying sewerage from the customer premises and transporting the sewerage to the waste treatment facility operated by a water authority.
Cesspit emptying charges includes costs of depreciation	31. Cesspit emptying charges also recover the costs of depreciation, repair and maintenance of the related equipment and all investment related costs pertaining to cesspit emptiers.
Benchmarking cesspit emptying charges	32. In case of insufficient cost information related to cesspit emptying activities, benchmarking method with regional water Utilities may be used to determine cesspit emptying charges.
Calculation of revenue associated with cesspit emptying charges	33. The revenue requirement or income associated with cesspit emptying charges shall be calculated based on the following formula:- $RR_{cecharge} = \sum (CEC_i \times \text{NoVolume} \times \text{NoTrips}_i)$ Where: <i>RRcecharge</i> = Revenue Requirement or Income related to cesspit emptying charges;

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CECi = Benchmarked/cost based cesspit emptying charges;

NoVolume = Number of specified volumes. That is, for example if cesspit emptying charge is charged per 10m³, then for a 30m³ tanker, *NoVolume* will be 3.

NoTripsi = Estimated number of trips associated with cesspit emptying per year for a particular customer category i.

Sludge disposal charges

34. Sludge disposal charges are charges for disposing sewerage to the waste treatment facility operated by the water authority.

Benchmarking sludge disposal charges

35. In case of insufficient cost information related to sludge disposal activities, benchmarking method with other water Utilities may be used to determine sludge disposal charges.

Calculation of revenue associated with sludge disposal

36. The revenue requirement or income associated with sludge disposal charges shall be calculated based on the following formula:-

$$RRsdcharge = \sum (SDCi \times NoVolume \times NoTripsi)$$

Where:

RRsdcharge = Revenue Requirement or Income related to sludge disposal charges;

SDCi = Benchmarked/cost based sludge disposal charges;

NoVolume = Number of specified volumes. That is, for example if cesspit emptying charge is charged per 10m³, then for a 30m³ tanker, *NoVolume* will be 3;

NoTripsi = Estimated number of trips associated with cesspit emptying per year for a particular customer category i.

Sewerage customers not using water services

37. Sewered Customer not using water from a water authority shall be set based on the average monthly water consumption in a specific location or the whole service area.

Determination of sewerage

38. The amount of water used for sewerage shall not exceed 80% of monthly water consumption

Sewerage customers not metered for water services

39. Water authorities shall ensure that all sewerage customers who also receive water supply services are metered.

Automatic tariff
adjustment

40. An Automatic Tariff Review shall be considered during a Multi-Year Tariff period if material changes to specified cost items occur. The average water tariff shall be determined by the formula below:-

$$AWT_t = \tilde{AWT}_t + \frac{C_t - \tilde{C}_t}{\tilde{Q}_{w_t}}$$

Where:

AWT_t = adjusted average weighted tariff for year t;

$\tilde{AWT}_t$ = existing average weighted tariff for year t;

C_t = actual total costs after the extraordinary event for year t;

$\tilde{C}_t$ = forecast total costs before the extraordinary event for year t;

$\tilde{Q}_{w_t}$ = Quantity of billed water for year t;

Dodoma,
16th June, 2020

GODFREY CHIBULUNJE,
Director General