



# RWANDA UTILITIES REGULATORY AGENCY ( RURA)

Thursday, October 28, 2004  
2:00

## FILING A RATE CASE

# 1. INTRODUCTION

- RURA is quite a nascent Institution and is now along with the Ministry of Infrastructure, working on drafting a legal framework (Acts on electricity, gas, and transport)
- RURA is also developing a comprehensive regulatory framework (tariff code regulations etc.).
- These are expected to be in place in the course of next year
- We are likely to use the same pattern as in other Regulatory Authorities in the region

# INTRODUCTION(cont.)

Generally Law requires :

- that rates of regulated utilities be reasonable
- The service they provide be safe and adequate
- The utilities be allowed to generate revenues
- The regulator must ensure that the needs of consumers and utility be balanced

## 2. WHY FILING RATE CASE ?

- There are several reasons for filing a rate:
  - increase growth of the system
  - Improvements (system reliability, stability,...) to the utility
  - General inflation
  - Acts of nature ( storms, flooding)
  - Emergencies (loss of big equipment)

# 3. HOW UTILITY RATES ARE DETERMINED?

- Regulated utilities/companies must file rate
- Companies must have adequate bookkeeping to justify their request
- Any change must be first filed with the Regulator
- Contents of the utility's filing
- The Utility must give reasons of change
- Within x days of rate filing the Regulator requires the utility/Company to notify its customers

# HOW UTILITY RATES ARE DETERMINED? (cont.)

- The notification is done through:
  - A newspaper, radio, Internet advertisement
  - An insert in Customer billing.
  - An announcement mailed to each customer

## 4. PROCESSING A RATE PROPOSAL

- Usually the rate case filing process goes as follows:
- Submission of tariff proposals ( written application)by utility to the Regulator, (RURA),
- Submission of tariff proposals ( intent notice) to key institutions (like Government as a major stakeholder

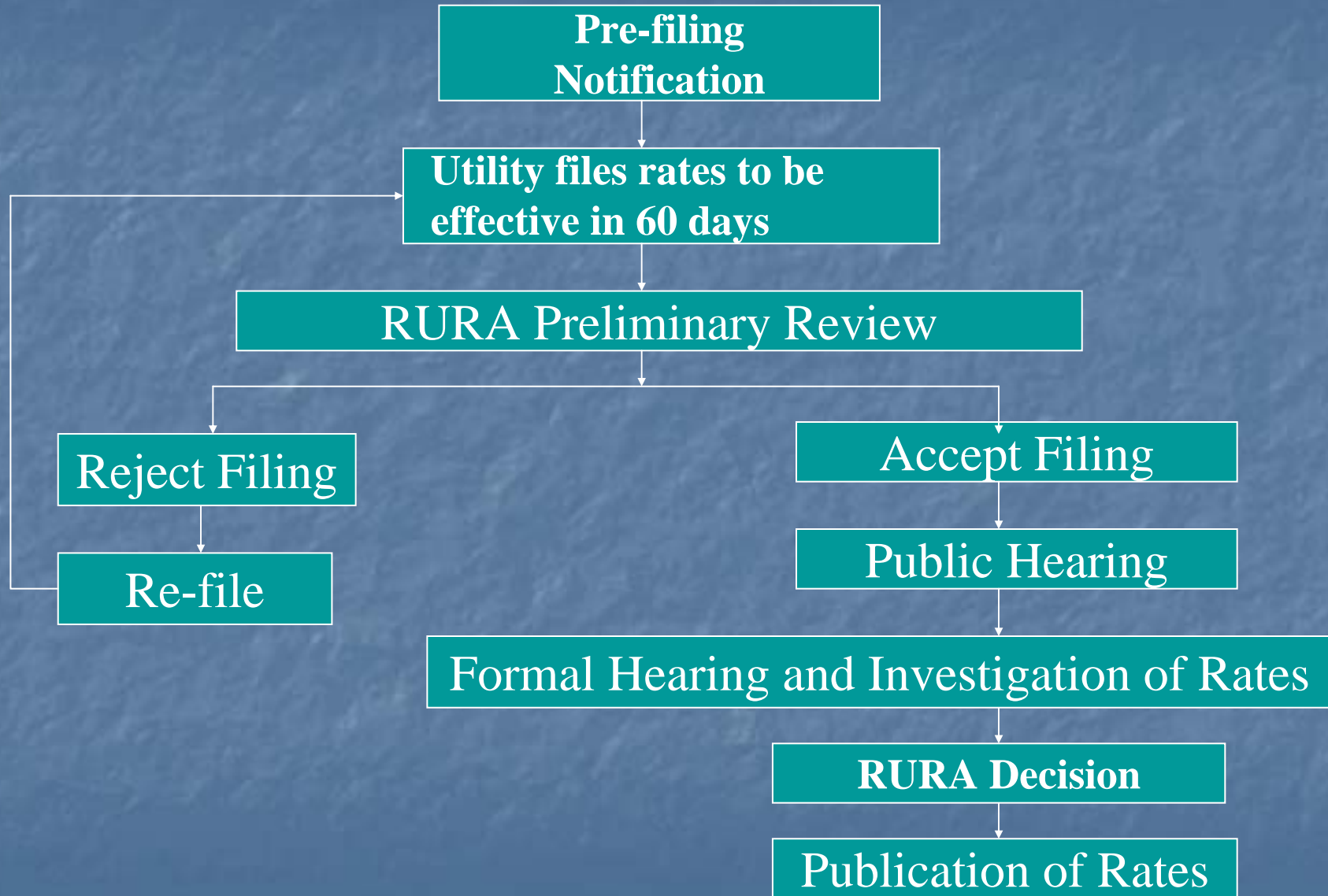
# PROCESSING A RATE PROPOSAL ( Cont.)

- Publicise proposals through electronic & print media,
- The regulator requires data to review utility's evidence and audit its books,
- Organisation of public hearing,

## ■ Consultation with key stakeholders

- Government
- Utilities
- Consumers- all major classes
- The Regulator issues a final determination on the company's rate request.

# PROPOSED RURA Rate Setting Process



# 5. HEARINGS

- Two types :
  - Public comment hearings
  - Evidentiary Hearings
- *Public Comment Hearings*
  - The Public hear the major details of the proposal
  - Freedom to comment
  - Hearing are held in communities affected by the proposal

# HEARINGS (cont.)

- *Evidentiary hearings*

- Restricted to the Company, the Commission staff, the interveners and the public counsel.

Testimony and evidence presented by Witness for each party

- Presentation of formal testimony by the Regulator's staff
- Testimony includes detailed analyses by experts

# HEARINGS (cont.)

- Regulator's staff and the utility/company may reach a settlement on the rate proposal
- Any settlement reached must be presented to the Commission for approval

## 6. COMMISSION DECISION

- After the hearing, the Judge recommends an action to the Commission/Agency
- Then, the Regulator will authorize rate increase
- Possibility of appealing the decision to the courts

## 8. ELECTRICITY KEY TARIFF CONSIDERATION

- So far no rate filing case in the Energy Sector but there is one looming ahead from ELECTROGAZ.

The objectives of the rate setting regulations( though not yet in place), in electricity specifically, should be:

- To provide consumers with fair and reasonable price structures consistent with the maintenance of a financially and operationally secure electricity supply system;
- To structure the costs reflected in the tariff in such a way as to encourage consumers to make efficient use of generating, transmission and distribution assets;
- To encourage operators towards efficient use of electrical plant and increased operational effectiveness based on financial benefits and penalties;
- To provide all licensed participants in the public electricity industry with a fair and reasonable return for their service and production, including a reasonable profit;

- To encourage consumers towards efficient and economical use of energy based on price signals;
- To provide a structure for the formulation of cost related tariffs for each section of the electricity industry, taking into account the limited scope for competition in the current market system configuration;
- To provide a tariff structure that accommodates future progress towards a commercially competitive market system;
- To provide for a tariff structure and regulatory environment that gives confidence to current and prospective investors in the Rwandan electricity industry; and
- To separate components of costs and tariffs that relate to natural monopolies from those components that could eventually become market based.

# 7. FILING TRANSPORTATION RATE CASE

- RURA has been involved in filing transportation rate case
- With the increase of fuel cost, transport rates are continually changing
- ATRACO and others stakeholders file the rate increase with the Ministry in charge of transport (MININFRA)
- MININFRA and RURA negotiate the price increase with all stakeholders in transport sector

# Transportation case (cont.)

- Negotiations are based on the cost price of transport
- Calculations are based on :
  - Variable cost ( maintenance, depreciation, spare part etc..)
  - Fixed cost (wages, taxes)
  - Benefit
  - Transport fare is fixed on basis of the above costs

# TRANSPORT REVENUE COST

	Intercity	Urban
<b>I. DATA BASIS</b>		
<b>1. Purchase Value</b>	<b>5 000 000</b>	<b>5 000 000</b>
<b>2. Capacity Rate</b>	<b>80</b>	<b>90</b>
<b>3. Life Expectancy</b>	<b>3</b>	<b>4</b>
<b>4. Mileage / year</b>	<b>86 400</b>	<b>57 600</b>
<b>5. Working days</b>	<b>18</b>	<b>18</b>
<b>II. FIXED COST</b>		
<b>1. Amortization</b>	<b>1 666 667</b>	<b>1 250 000</b>
<b>2. Insurance</b>	<b>240 000</b>	<b>240 000</b>
<b>3. Tax on Vehicle</b>	<b>21 600</b>	<b>21 600</b>
<b>4. Other Taxes</b>	<b>33 000</b>	<b>33 000</b>
<b>5. Authorizations</b>	<b>35 000</b>	<b>35 000</b>
<b>6. Parking Tax</b>	<b>288 000</b>	<b>288 000</b>
<b>7. Salaries</b>	<b>1 488 000</b>	<b>1 488 000</b>
<b>8. Value on Added Tax (R.R.A.)</b>	<b>144 000</b>	<b>144 000</b>
<b>Sub-total</b>	<b>3 916 267</b>	<b>3 499 600</b>
<b>III. VARIABLE COSTS</b>		
<b>1. Fuel</b>	<b>7 169 472</b>	<b>4 779 648</b>
<b>2. Tyres Replacement</b>	<b>928 000</b>	<b>516 000</b>
<b>3. Engine Maintenance</b>	<b>432 000</b>	<b>288 000</b>
<b>4. Spare parts</b>	<b>345 600</b>	<b>230 400</b>
<b>5. Garage Cost</b>	<b>500 000</b>	<b>500 000</b>
<b>6. Other Expences</b>	<b>288 000</b>	<b>288 000</b>
<b>7. Engine Replacement</b>	<b>200 000</b>	<b>160 000</b>
<b>Sub-total</b>	<b>9 863 072</b>	<b>6 762 048</b>
<b>Total</b>	<b>13 779 339</b>	<b>10 261 648</b>
<b>Profit 15%</b>	<b>15 846 239</b>	<b>11 800 895</b>
<b>IV. Cost/km</b>	<b>183</b>	<b>205</b>
<b>V. Cost/ passenger / KM</b>	<b>12,74</b>	<b>12,65</b>

# DRIVING SCHOOL REGULATION

- Setting Standards
- Setting Rates (Price cap regulation)
- Monitor how they operate
- Review of performance

## Reasons

- High Rate of accidents
- Quality of driving

## Aim

- Reduce car accidents
- Reduce costs of accidents

# Transportation case (Cont.)

- Once the settlement on price is reached, the rates are publicised
- Prices are subject to change on condition of fuel change
- Courts are not involved in this process
- No appeal