



PUBLIC UTILITIES REGULATORY COMMISSION

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PRESS RELEASE

PURC ISSUE ORDER AGAINST GHANA WATER COMPANY LIMITED (GWCL) FOR BREACH OF SECTION 11 OF THE PUBLIC UTILITIES REGULATORY COMMISSION ACT 1997, (ACT 538)

The Public Utilities Regulatory Commission (PURC) has served an Order on the Ghana Water Company Limited (GWCL) for breach of section 11 of the Public Utilities Regulatory Commission Act 1997, (Act 538). The order leads to **10.08%** tariff reduction on the prevailing rates, for all customers of GWCL.

The Company has recently been notified by the Commission for its non-compliance with tariff decision and regulatory directives in relation to the Teshie Desalination Plant operated by Befesa Desalination Developments Ghana Limited.

The Order is based on the following facts:

- In 2011 GWCL entered into a 25-year Build, Own, Operate, Transfer (BOOT) Water Purchase Agreement (WPA) with Befesa Desalination Development Ghana Limited (Befesa). By the WPA, GWCL agreed to buy all water produced from the 60,000m³ Befesa sea water desalination plant for supply to Teshie, Nungua and surrounding areas. The desalination plant commenced production in February 2015. Since the Major Tariff Review of December 2015, water tariffs approved by the Public Utilities Regulatory Commission have included the contracted cost of the plant.
- Between January and July 2018 the Commission undertook a number of measures aimed at giving GWCL a hearing and clarifying the tariff implications associated with GWCL's operational decisions in respect of the desalination plant. The Commission subsequently issued an enforcement notification which the company failed to comply with.
- In July 2018 the Commission published new water tariffs effective July 15, 2018 which maintained costs related to the desalination plant in the weighted average water production tariff. The Commission's decision to maintain costs relating to the plant in the tariff was informed by GWCL's own decision to operate the desalination plant, which the company communicated to the Commission in their letter dated 16th May 2018.

- Monitoring exercises undertaken by the Commission including its recent monitoring on August 23, 2018 established that to date GWCL has failed or refused to allow the desalination plant to operate, contrary to the Commission's tariff decision.

In consideration of the above facts, the Commission makes the following determinations under Section 12 of Act 538:

I. Forfeiture of tariffs related to the Desalination Plant

With effect from 16th September, 2018, the water tariff chargeable by GWCL shall be reduced by **8.64%**. This reduction represents the component of costs related to the desalination plant approved as part of the July 2018 water tariff decision.

II. Refund of over-recovered tariff income to GWCL customers

GWCL shall refund an amount totaling **Fourteen Million and Ninety-seven Thousand, One Hundred and Forty-six Ghana Cedis (GHs14,097,146.00) only** to all its customers. The amount represents five months' tariff income unfairly over-recovered by GWCL between March 15, 2018 and September 15, 2018. This refund results in a further **1.41%** tariff reduction which shall be applied from 16th September 2018 to December 31, 2018.

III. Compensation

In addition to items (I) and (II), GWCL shall pay an amount totaling **Five Hundred and Forty-two Thousand, Nine Hundred and Thirty-eight Ghana Cedis, Forty-eight pesewas (GHs542,938.48) only** as compensation to all its customers. This compensation represents **8.627%** of the annual capacity charge of the desalination plant, pro-rated for one month. In tariff revenue terms the compensation amounts to **0.03%** and is imposed on GWCL as a result of the company's non-compliance with regulatory directives.

- IV.** The tariff forfeiture in item (I), refund in item (II) and compensation in item (III) shall be summed up culminating in a **10.08%** tariff reduction on the prevailing water tariff rates for all customers of GWCL.

The tariff reduction is effective September 16, 2018 and shall remain in effect until the desalination plant is put back into operation or until otherwise decided by the Commission. The refund and compensation to customers shall be reflected in customer bills from September to December 2018 billing cycles.

Signed



MRS. MAMI DUFIE OFORI

EXECUTIVE SECRETARY, PUBLIC UTILITIES REGULATORY COMMISSION