



**NAKURU RURAL WATER AND SANITATION COMPANY LIMITED**

**TERMS OF REFERENCE (TOR):**

- **TARIFF STUDY AND FILING A TARIFF APPLICATION WITH WASREB**

**APRIL, 2021**

## **1. Background Information**

### **1.1 Introduction**

Nakuru Rural Water and Sanitation Company Limited (NARUWASCO) is a Water Service Provider (WSP) wholly owned by the County Government of Nakuru and licensed by Water Services Regulatory Board (WASREB) to provide water services within the larger area of Nakuru County except Nakuru Municipality and Naivasha Sub-County. NARUWASCO is a Private Company Limited by Shares under the Companies Act (Chapter 486, Laws of Kenya).

#### **Vision**

*To be the leading water and sanitation services provider in the country*

#### **Mission**

*To provide adequate quality water and sanitation services in a commercially, environmentally sustainable manner to the delight of our esteemed customers.*

#### **Core values**

- Integrity
- Good corporate governance
- Customer satisfaction
- Professionalism
- Continuous Improvement
- Innovation and creativity
- Team work
- Commitment to environment conservation

The objectives of the Company cover a wide range of activities directly related to or associated with the provision of water and sanitation services. Sanitation services offered by NARUWASCO are not limited to the collection and treatment of wastewater, but also include the collection, transportation and disposal of solid waste at designated sites. Arising from the objective, the core functions of the company are sourcing of water, treatment and conservation of water, distribution of water, billing and revenue collection.

Currently NARUWASCO operates its services in seven sub-counties namely; Subukia, Gilgil, Bahati, Kuresoi (North & South), Njoro and Rongai. Our service has been divided into five regions namely, Eastern, Northern, Western, Central and Southern. Water is used mainly for

domestic, commercial, Industrial and Institutional purposes. The Company strives to ensure that the water and sewerage treatment plants operate efficiently and meet quality standards.

NARUWASCO Water Supplies are obtained from types of water water sources, namely:

- a) Surface source- Constitutes 74% of the total water supply in NARUWASCO area of jurisdiction.
- b) Sub-surface source- This constitutes 26% of the total water supply.

## **2. Purpose of The Study**

### **2.1 Project Background**

In ensuring economic viability of WSPs business operations, WASREB provides for tariff review by the WSPs under the set guidelines to enable them to develop tariffs that balance commercial, social and environmental demands. Due to ever changing rates of inflation trends, tariff review becomes a necessary evil for WSPs in order for them to cover their Operations and maintenance costs and even achieve full cost recovery including investments. However, it is against this background that NARUWASCO opt for a tariff review. The current tariff is set to expire shortly hence the need to initiate a tariff review process.

### **2.2 Objective of the Assignment**

The main objective of the assignment is to carry out a tariff study and file a water and sewerage tariff application proposal/structure with Water Service Regulatory Board (WASREB).

### **2.3 Scope of the Assignment**

The specific objectives of the assignment will include the following;

- i. Reviewing the current NARUWASCO Water and Sewerage tariff for viability,
- ii. Benchmark on best practices on water and sewer tariff particularly in other water service providers in Kenya and other towns where service delivery has been exemplary and cost recovery has been achieved.
- iii. Carrying out an analysis of the financial statements for the past three years of NARUWASCO and outline any financial gaps or margins that exist as of today.
- iv. Reviewing existing water production efficiency and distribution, billing, revenue collection and staff productivity, possible progress that can reasonably be integrated in the current financial model and make corrections if necessary

- v. Reviewing the existing and future levels of business size in terms of capacity for water supply, coverage etc. in the existing financial model, their relevance with the master plan and make corrections if necessary
- vi. Making a comprehensive assessment of the current and future financial obligations of NARUWASCO including the expansion of water services to informal settlement and the envisaged new customer enrolments.
- vii. Carrying out a detailed analysis of the operations and financial forecasts of NARUWASCO and identifying any gaps that may exist as a result of the current tariff structure and rates regarding the principle of cost recovery defended by WASREB.
- viii. Arranging and organizing public hearings of the proposed tariff adjustments in line with the WASREB guidelines
- ix. Carrying out customers' Willingness and Ability to Pay for Water and Sanitation services at NARUWASCO's area of jurisdiction. The investigation shall include, among other things, any particularities with respect to water supply and sanitation situation, e.g., societal and religious factors as well as the assessment of needs for hygiene promotion.
- x. Adopting a pro-poor approach with a clear emphasis on the population of the urban poor (in the informal settlements).
- xi. Making recommendations on how tariff reform proposals should be considered in light of challenges facing the water sector. These challenges include escalating cost of treated water production inputs, expansion and maintenance of the water and sewerage infrastructure, and the growing demand on conservation of the catchments, increased government taxes on water and sewerage consumables.
- xii. Recommending, after consultations with stakeholders, the most appropriate tariff structure and rates for NARUWASCO.
- xiii. Assisting NARUWASCO present the tariff review application to WASREB.

### **3. Output and Deliverables**

The following reports shall be submitted at the end of assignment:

- a) Inception report,
- b) Draft Tariff Study Report,
- c) Final Tariff Study Report,
- d) Final RTA Application and approval by WASREB report.

#### 4. Duration

The Consultant will undertake this assignment within twelve (12) weeks.

#### 5. Team Composition

The consultant shall provide a team of well-qualified and experienced professionals as required and appropriate for completion of the services. The key professionals shall personally carry out (with any assistance of junior staff deemed appropriate) the services as described in this TOR.

The consultant's key professional staffing schedule for the project shall be in accordance with the accepted proposal which forms the basis of the contract. However, the consultant shall provide the following staff as minimum.

- a) Team Leader/ Utility management expert;
- b) Financial/ Commercial analyst;
- c) Social-Economic Expert.

#### 6. Inputs by the Consultant

The Consultant shall be responsible for the provision of all the necessary resources to carry out the Services.

#### 7. Terms of Payment

Payment of services rendered shall be made in Kenya shillings as follows:

<b>Deliverable</b>	<b>Submittal date</b>	<b>Payment %</b>
1. Inception Report	Two (2) weeks after contract signing	10%
2. Draft Tariff Study Report	Eight (8) weeks after contract signing	40%
3. Final Tariff Study Report	Ten (10) weeks after contract signing	50%
3. Final RTA Report	Twelve (12) weeks after contract signing	

The payments shall be made after submission of the reports