



Theewaterskloof LM

MTREF Budget 2024/25

Confirmation of Tariff Calculation Methodology



Prepared by
INCA Portfolio Managers

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Chief Financial Officer

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Dear Mr. Mabhena

Subject: Confirmation regarding tariff calculation methodology

Our meeting of 6 May with Mr. Riddles has reference.

We can confirm the following regarding the tariff calculations for TWK:

1. For the 2024 update of the long-term financial plan (LTFP) of TWK, our long-term financial model (LTFM) used an aggregate tariff (derived from 2023 actual data) for each trading service and adjusted that over the MTREF period with
 - o rates as projected in the MTREF, and
 - o for the 7 years after the MTREF period with an escalation rate + projected CPI.

Total revenue per trading service was then forecast based on these rates and the projected consumption based on the projected growth in population or households in TWK.

The results for each iteration of assumptions were analyzed and adjusted based on the impacts observed on key metrics, such as total accounting and operating surpluses, cash to be generated by operations, and liquidity.

The tariffs for each iteration of modeling were adjusted to eventually develop a base case LTFM that informed conclusions regarding total cost recovery, and financial sustainability of TWK over the longer term as presented in the 2024 updated LTFP.

In the 2024 LTFP base case TWK indeed achieves accounting and operating surpluses and generates sufficient cash after new investments to still maintain a liquidity ratio better than the NT benchmark over the next 10 years.

The exercise also included a calculation and analysis of the impact of the modeled tariffs on household bills, to ensure that affordability is also considered.

2. The average tariffs per trading service utilized in the LTFM compares as follows to the tabled budget proposed tariffs for 2024/25:

Service	LTFM	Average proposed tariff 2024/25	Notes on calculation from the proposed tariffs for 2024/25
Electricity – R/kWh for aggregate total	R2.66	R2.91	Average of all bulk, small, domestic customers, all seasons, time of use, and levels of usage
Water - R/kl for aggregate total	R22.46	R33.39	Average of domestic and commercial consumption, all levels of usage
Sanitation – average per household per month	R130.60	R213.04	Based on residential premises - minimum per month
Refuse – average per household per month	R133.39	R260.87	Based on domestic refuse (black bags and wheel bins) - minimum per month

- For all trading services the average tariffs used in the LTFM are lower compared to the proposed tariffs supporting the Tabled Budget. Both the LTFM and the Tabled Budget are however only forecasting accounting surpluses after capital transfers & contributions during the MTREF, inferring full cost recovery will only be achievable on this basis.

We trust that this will be of assistance in your deliberations regarding cost recovery for trading services.

Kind regards,



Attie van Zyl
Chief Executive Officer