

ERONGO RED PAYS N\$225,245,943.41 MILLION TO LOCAL AUTHORITIES OVER THE LAST FIVE (5) YEARS

Erongo RED has paid Local Authority surcharges of N\$225,245,943.41 to the Local Authorities over the last 5 years, while the company was faced with:

- High NamPower tariff increases annually between 15 % and 25 %;
- Starting and establishing a uniform service throughout the region with no financial support from government.
- High infrastructure investment required throughout the region.

The amounts paid to Local Authorities over the first 5 years of operation are:

Local Authority	Total Local Authority Surcharge N\$
Arandis	290,157.00
Henties Bay	11,622,823.76
Karibib	133,478.00
Omaruru	4,878,049.85
Swakopmund	67,363,182.69
Uis	49,462.00
Usakos	5,489,203.01
Walvis Bay	135,419,587.10
TOTAL	225,245,943.41

Erongo RED is obliged to pay over what is called a Local Authority Surcharge to local authorities in order to ensure that these are not financially worse off than before the establishment of Erongo RED. This Local Authority Surcharge was determined by the Electricity Control Board after all local authorities have submitted their written supporting documentation and financial statements of 2003/2004 to the Electricity Control Board (ECB). Inflationary adjustments were made to the financial information submitted to the ECB.

This Local Authority Surcharge (LAS) consists of the following components:

- A cost reflective Asset Compensation Charge to fairly compensate the local authority for its existing loan obligations.
- A Transitional Service Charge intended to cover some local authorities' expenses which cannot be stopped immediately when the REDs are formed.
- Determine a Local Authority Surcharge to ensure local authorities generate the same Surplus/Net Profit pre and post REDs.

Existing tariffs that Erongo RED took over from the Local Authorities included above costs, except for the transitional service charge.

As from July 2010 Erongo RED commenced paying a minimum of 5 cents/kWh sold to those local and regional authorities that applied therefore and are receiving less than 5 cents/kWh.

Issued by the Office of the Chief Executive Officer

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