

**Utilities
Regulatory
Authority**

Commission Order

In the matter of UNELCO requesting Commission approval to transfer operations and maintenance of Street Lighting service in Port Vila from the Municipality to Unelco

Case U-0010-14

April 2014



Case information

Table 1: Case information

Case number	U-0010-14
Applicant	UNELCO
In the matter of	Approval for transfer of Street Lighting operations from Port Vila Municipal Council to Unelco
Date commenced	25 th March 2014

Introduction

On March 25th Unelco filed an application requesting the Utilities Regulatory Authority (URA) Commission approval to assume the responsibility for operation and maintenance of the Street Lighting (SL) Service in the City of Port Vila and approval to treat the SL operating costs as cost of its overall operations for rate making purpose. Further Unelco requests that during the interim period until the next tariff review it may be allowed to incur and accumulate costs in a special account termed ‘Regulatory Asset’ account, which costs shall be includable in the tariff determination in the next review expected in March 2015. Unelco requests approval to establish the regulatory asset account consistent with its current chart of accounts.

Background

Unelco is the supplier of electricity services in the Municipality of Port Vila. The Municipality is in charge of SL services and a customer of Unelco for supply of electricity for the SL. Currently the Municipality pays for SL at a rate set by the Commission and charged about half (54%) of the average base rate. In January 2014, Unelco received a request from the Lord Mayor of Port Vila for assistance in mitigation of its utility costs which it finds burdensome and unable to pay. According to Unelco substantial arrears have accumulated from unpaid utility bills to Unelco by the Municipality. Unelco states that Street Lighting is contributing towards a large portion of the outstanding bills. According to the Lord Mayor’s office the Municipality is struggling to afford the services and cannot properly maintain the SL. As a result, an increasing number of Street Lights have deteriorated and are no longer in operating conditions. URA believes that SL is an essential service to ensure safe and well lit streets in Port Vila. It aids in improving businesses, tourism and commerce in the City.

In September 2011 the Municipality signed a contract with Unelco for maintenance and servicing of SL within the municipal boundaries. It was limited to 166 candelabra installed on two main roads due to financial constraints and part of services outsourced by the Municipality to Unelco. The contract expires in December 2014.

In November 2013, Unelco received VUV 7,750,000 from the Government of Vanuatu for the rehabilitation of the SL system in Port Vila. As a result, 572 Street lights have been repaired or replaced and the residual funds should cover for an additional 30 lights.

In February 2014, the URA, Unelco and the Lord Mayor met to discuss the issue of payments and responsibility for SL. During the discussions, the Municipality proposed imposing a tax for municipal services to Unelco citing bye-law No.19 of 2000. URA rejected this proposal as it believes that Unelco, a private

utility, cannot be used as a vehicle for tax collection on behalf of the Municipality. However, URA was interested in assisting the Municipality to resolve its utility payment issues and improve street lighting services in the Capital. URA proposed that in the best interest of the public and for the provision of safe and reliable SL service, Unelco should assume responsibility for operation and maintenance of SL in the city of Port Vila. As part of the URA proposal the cost of SL services may be allowed as part of Unelco's expenses for rate making purposes. Both Unelco and the Municipality agreed that the transfer of SL responsibility to Unelco is in the best public interest. Consequently, Unelco has submitted an application to the URA requesting the approvals as stated above.

URA staff was assigned to review and investigate the issues raised by the Lord Mayor and the request submitted by Unelco in its Application of March 25. The Staff has conducted the investigation and provided its recommendations.

Upon review of the Staff investigation and recommendations, the Commission has decided the matter as discussed and described in this Order.

Discussion and Findings

After review of the Application, Staff analysis and investigation, the Commission finds that the proposal submitted by Unelco assuming the responsibility of SL operating and maintenance from the Municipality is appropriate and in the public interest. Commission believes that the proper maintenance and provision of street lighting is an essential part of civic amenities to which Port Vila citizens are entitled. Well-lit and functioning SL service promotes public safety, security and commerce in the area. It acts as spur for tourism, night-life and retail activities. The SL services should not be allowed to deteriorate due to inadequate resources and capacity of the Municipality to maintain it. Commission notes that in a recent case the SL services for the City of Luganville were allowed to be transferred to VUI, the utility serving Luganville, under similar circumstances.

Therefore the agreement between Unelco and the Port Vila municipality to transfer the SL responsibility is a positive step.

Further Commission finds that Unelco may request to include the cost for SL operations, maintenance and energy supply as part of their operating expenses in the next rate review as discussed below. During the interim period until the next rate review, the SL related costs incurred by Unelco may be accrued and recorded in a regulatory asset account recoverable in the rate case.

As a result of the Commission decision, the Municipality will save an average of approximately VUV 9,000,000 per year as explained here:

- Annual service and maintenance costs: VUV 3,000,000
- Annual energy costs: VUV 6,000,000

The responsibility of operating and maintaining Street Lighting in Port Vila shall remain with Unelco under the conditions described in the contract established with the Municipality and as referred to in this Order. Existing customer agreements between UNELCO and the Municipality for the provision of electricity for SL services shall apply excluding the clause related to the payment for the service provided, which will now be accrued by Unelco in its Regulatory Asset Account as directed in this Order.

The transfer of SL to Unelco should obviate the need for the City to consider any imposition of taxes on the Utility. Therefore the URA Approval is predicated on the assurance by the City that it will not impose any tax on the utility.

URA understands that Unelco and the Municipality have appropriately amended the contract for the provision of SL incorporating the provisions discussed herein which amendment is attached to this Order.

Service area

Unelco will operate and maintain SL within the perimeter of the Municipality of Port Vila.

Number of lights

The number of candelabra recorded in the area as of march 2014 is 572. Following implementation of the donor funded project by Asian Development Bank, the total number of candelabra in the area should reach 667. Any SL service outside of the Municipality boundaries is excluded from this order.

Table 2: Projection of number of street lights in the service area

Type/Month	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sept 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15
Classic SL	572	602	602	602	602	602	522	442	507	507	507	507	507
LED SL							80	160	160	160	160	160	160
Total	572	602	667	667	667	667	667						

If Unelco believes that additional lights are required in the Port Vila municipal service area during the interim period, Unelco shall request approval from the URA.

Operating hours

Unelco will operate SL from dawn to 2am on a daily basis for the main thoroughfares of Lini Highway. All other lights shall operate from dawn to midnight (12am). URA may adjust this provision in consultation with Unelco and the City

Maintenance and repair services

Unelco shall provide maintenance services for the provision of SL in Port Vila and repair and/or replace any damaged equipment within reasonable period:

Table 3: Response time for service interruption

Service interruption	Response time
Isolated candelabrum	5 days
Service loop interruption (several candelabra on the loop)	24h
Damage to SL installation resulting in safety issue	Immediate

Failure to meet above requirements may result in appropriate action by the URA.

In the event of a service interruption due to Force majeure, Unelco shall be responsive and advise the URA and the City of its planned actions to resume SL service within reasonable time.

Unelco shall perform regular night inspections of the SL equipment to verify every candelabrum is safe and in good operating condition. Inspections shall be run so as to cover each section at least every two weeks. Unelco should keep records of issues identified during the inspection and submit a quarterly report to URA with a copy to the Municipality.

Service disconnection

Unelco shall not disconnect SL service as a result of outstanding bills and arrears accrued by the Municipality predating this Order or for any subsequent arrears by the City for other services provided by Unelco.

Cost of service

SL Tariff

The energy charges applicable to SL service shall be booked at the current tariff of $0.54 \times P$ or as revised by the Commission in future.

Regular maintenance and inspections

The maximum charges applying for regular maintenance and inspections is set at VUV 417 per operating light per month.

Other repair and replacement work

Other repair and replacement work should be charged according to the SL costs index annexed to this order. Upon receipt of the LED SL equipment expected to be donated by the ADB, Unelco will proceed with the installation and book the installation costs in the regulatory asset account according to the cost index.

Interim period

Interim Period is defined as the period between April 1st 2014 and the date of implementation of the next approved tariffs by the Commission.

Regulatory asset account

Unelco is authorized to create a special account called “Regulatory Asset Account” and appropriate subaccounts to record and book accrued expenses related to operating and maintaining SL services in Port Vila according to the allowed charges, during the interim period.

At the next tariff review, Unelco shall provide the URA full details of the costs incurred for each category for the transfer of account balances in corresponding income or asset accounts for tariff making at the end of the interim period.

At the time Unelco may request the transfer of the SL assets from the Municipality for inclusion in its Asset Base. The URA will favorably consider the request with the aim of finding a long term solution for the provision of efficient SL.

Chart of account

UNELCO shall provide the URA with a chart of accounts and subaccounts created under the approved Regulatory Asset Account. The chart of accounts shall allow for the following subaccounts:

- Energy cost
- Regular maintenance and inspection
- Replacement and upgrades less any salvage

- Any third party or donor funds for the SL maintenance
- Any in kind equipment or services donated by third party
- Any stock of equipment transferred from the Municipality to Unelco

Any payments received for previously rendered services or prior arrears shall not be included in this Account. If Unelco deems necessary to establish an additional subaccount it may do so by pre-advising the Commission staff

Exclusions

Outstanding bills

Outstanding bills and arrears accumulated by the Municipality for services rendered by Unelco prior to the day of this order shall not be booked under the regulatory asset account. Outstanding bills and arrears payable by the Municipality are not cancelled by this order. Unelco and the Municipality may negotiate a workout payment arrangement.

Auditing

Prior to the next tariff review for electricity services in Port Vila, the URA team shall perform a review of the costs booked in the regulatory asset account. The URA team may call for an independent audit of this account should it prove necessary. Unelco shall provide all information the URA or the appointed auditors.

Extension to other service area

Before the end of the interim period, Unelco shall submit a report detailing a development plan for SL services extended to the concession area with a detailed costs and implementation plan. The material submitted will be reviewed by the URA to consider SL service extended to the entire concession.

Execution

Commission Order is effective on the date this Order is signed.

CEO and Commissioner

Chairman

Hasso C. Bhatia, PhD

Johnson Naviti Matarulapa Marakipule



Date 4/22/2014

Date 22/04/14

Seal of the Utilities Regulatory Authority

Figure 1: Addendum to SL contract between UNELCO and the Municipality

**AVENANT n°1
AU
PROTOCOLE D'ACCORD
Pour l'entretien de l'Eclairage Public de
La Municipalité de PORT VILA**

Entre :

La **MUNICIPALITE de PORT VILA**, représentée par Le Maire de la Ville de Port Vila,
Monsieur *Ulrich Sumpton*..... et désignée dans ce qui suit par le terme « **Le Client** »,

D'une part, et :

La Société **UNION ELECTRIQUE DU VANUATU LTD**, représentée par son Directeur,
Monsieur Philippe **MEHREBERGER**, et désignée dans ce qui suit par le terme « **L'Entrepreneur** », ou
« **UNELCO** »,

D'autre part,

1 | *PH* *US* *SM*

Etant entendu que :

Dans le cadre de l'entente entre la Municipalité de Port Vila, UNELCO et l'Office de Régulation des Services Publics (URA), les modifications suivantes sont apportées au Protocole d'Accord Pour l'Entretien de l'Eclairage Public de la Municipalité de Port-Vila en date du 30 Septembre 2011.

ARTICLE 1 : DUREE ET FIN DE CONTRAT

(Annule et remplace ARTICLE 2: DATE D'EFFET ET DUREE ET FIN DU CONTRAT du protocole signé le 30 septembre 2011)

Les conditions décrites ci dessous entreront en vigueur à l'issue de la période initiale et jusqu'au plus tard des deux dates suivantes : le 31 Mars 2015 ou la mise en application du nouveau tarif de l'Energie pour la période 2015/2020.

En cas de non-respect de l'une des conditions du présent contrat, le contrat sera résilié de plein droit, trente (30) jours après une mise en demeure d'exécuter, adressée par lettre avec accusé de réception et restée sans effet.

L'une ou l'autre partie pourra, malgré cette résiliation anticipée, demander des dommages-intérêts auxquels elle a droit en vertu du présent contrat.

ARTICLE 2 : AUTRES TRAVAUX

(Annule et remplace l'ARTICLE 9 : AUTRES TRAVAUX du protocole signé le 30 septembre 2011)

Tous les travaux qui n'entrent pas dans le cadre des prestations décrites dans le présent contrat feront l'objet d'un devis établi aux conditions du bordereau de prix figurant en annexe 2.

Chaque devis précisera les conditions techniques et financières de la réalisation des travaux.

L'Entrepreneur s'engage à ne réaliser aucun travaux sans l'accord préalable de l'Office de Régulation et la signature du devis et des ses conditions de réalisation.

ARTICLE 3 : MODALITES ET CONDITIONS DE REGLEMENT

(Annule et remplace l'ARTICLE 15 : MODALITES ET CONDITIONS DE REGLEMENT du protocole signé le 30 septembre 2011)

A la suite des discussions entre UNELCO, la Municipalité de Port Vila et l'URA, il est entendu que l'ensemble des dépenses relatives aux prestations d'entretien du présent contrat seront avancées par UNELCO et portées sur un compte dénommé « Regulatory Asset Account » sous la supervision de l'URA et dont les montants seront recouverts par UNELCO au travers du tarif au cours de la période suivant la prochaine révision tarifaire.

La Municipalité de Port Vila se trouve ainsi déchargée de son obligation vis-à-vis du règlement des sommes correspondantes aux prestations fournies par UNELCO conformément au contrat a daté de la signature de cet avenant et jusqu'au terme du présent contrat.

Les autres clauses du contrat demeurent inchangées.

En foi de quoi, les parties contractantes ont apposé leur signature ci-dessous à PORT-VILA,

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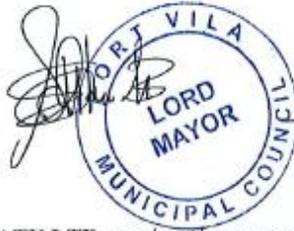
US

M

Le ... 16 Avril 2014

La MUNICIPALITE de PORT VILA, représentée par Le Maire de la Ville,

Monsieur



La Société UNELCO VANUATU LTD, représentée par son Directeur,

A handwritten signature in black ink, appearing to be "P. Mehrenberger", written over a horizontal line.

Monsieur Philippe MEHREMBERGER



Figure 2 : O&M Costs index

BORDEREAU DES PRIX UNITAIRES			
CODE	DESIGNATION	UNITE	PRIX UNITAIRE HT
01	Forfait de cout de prestation complet comprenant main d'œuvre, véhicule, engin	H	3820 VT
735055	Barette de connection	U	172 VT
632002	Cable BT sout. 3x16+16 alu	ML	332 VT
630000	Cable Torsadé 2x16 Alu	ML	118 VT
610000	Cable Cu nu 25mm ²	U	240 VT
724020	Cadenas THIRARD	U	4 944 VT
673170	Capuchon Thermo 10-25mm ²	U	44 VT
685037	Chape feuillard 20mm 4/10e	U	25 VT
161000	Ciment	U	948 VT
713242	Coffret Contrôle E. P. 60A	U	80 040VT
685030	Collier Colson 9x357	U	47 VT
675089	Connecteur E.P. 95-16mm ²	U	327 VT
675 90	Connecteur de Branchement	U	283 VT
413060	Contacteur Modulaire	U	19 802 VT
673305	Cosse à brides	U	357 VT
682027	Crochet boulon queue de cochon	U	546 VT
740005	Crosse E.P.	U	3 148 VT
690008	Poteau bois D9m	U	21 925 VT
694070	Distripôle A1 / 8m	U	71448 VT
694061	Distripôle B1 / 9m	U	51 556 VT
694060	Distripôle B7 / 9m	U	100 436 VT
680097	Ens. De suspension aligné & angle	U	792 VT
673162	Extrémité thermo 4x10-35mm ²	U	522 VT
680326	Feuillard 20mm 4/10	ML	84 VT
680325	Feuillard 20mm 7/10	ML	120 VT
680108	Fixation console E.P. pour pot. Bois	U	986 VT
680109	Fixation console E.P. pour poutrelle	U	564 VT
413050	Inter Crépusculaire IC 2000	U	43 939 VT
670030	Jonction BT 3X16+16 92A2F	U	4 531 VT
778122	Lampe BTC 125W	U	1 001 VT
778003	Lampe MAF 125W	U	1 874 VT
778004	Lampe MAF 250W	U	1 754 VT
778005	Lampe MAF 400 W	U	3 195 VT
741090	Luminaire Eco 65W	U	13 900 VT
741076	Luminaire JUNIOR PF M125	U	19 815 VT
741077	Luminaire JUNIOR GF M250	U	23 323 VT
741080	Luminaire MACADAM 400W	U	43 080 VT
673122	Manchon jonction Pré-isolé 16mm ²	U	127 VT
682023	Pince d'Ancrage de Branchement	U	210 VT
685478	Protecteur alu 35x35	U	2 469 VT
685016	Rondelle M6 14mm Galv.	U	32 VT
678058	Résin N°4	U	7371 VT
678061	Scotch 23	U	2 851 VT
678060	Scotch 33	U	923 VT
AL	Sable noir	M3	3 900VT

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Utilities Regulatory Authority

Vanuatu

You can access the U-0010-14 Order, April 2014 on our website www.ura.gov.vu, or by contacting us by telephone (+678) 23335, email: breuben@ura.gov.vu or regular mail at U-0010-14, Utilities Regulatory Authority, PMB 9093, Port Vila, Vanuatu.