

## News Release

### **Umeme Limited has not defaulted on payments to Government**

*The power distributor has fully complied with its lease payment obligations under the Lease and Assignment Agreement*

**Kampala, Uganda, August 19, 2016** - Umeme Limited has not defaulted on payments to Government, as erroneously reported in the New Vision article in the edition of 19 August 2016.

The New Vision edition of 19th August 2016 erroneously reported, with a headline, that Umeme Ltd had defaulted in the payment of Government fees in the amount of Shs 245 billion.

Contrary to what has been reported in the above article, Umeme has fully complied with its lease payment obligations under the Lease and Assignment Agreement, entered into between Umeme Limited and Uganda Electricity Distribution Company Limited (UEDCL), which agreement governs the payment of these fees.

Commenting on the story, Umeme Limited Managing Director Mr. Selestino Babungi said: “I would like to clarify that the Lease and Assignment Agreement provides for the Company to make lease payments to UEDCL, and for these costs to be approved by the Electricity Regulatory Authority (“the Authority” or “ERA”) as allowable costs for tariff determinations.” He further clarified that the contracted Lease payments, which amount to around, US \$ 1.5 million per month, comprise two main components:

- Component to cover UEDCL’s administration costs – US\$ 130,000 per month
- Component to cover UEDCL’s debt servicing obligations – US\$ 1.370 million per month.

“This latter component is meant to service historic debt obligations owed by UEDCL to the Government of Uganda (GoU) in connection with GoU’s funding of original electricity sector reforms,” said Mr. Babungi.

He explained that on receipt of this element of the tariff, Umeme is obliged to pay these costs to UEDCL so that it replenishes the Escrow Account and maintain it at the prescribed amounts stipulated in the Lease and Assignment Agreement.

“However, in 2011 ERA excluded the debt service component of the lease payments from the retail tariff on grounds that the Government of Uganda (GoU) had converted the historic UEDCL debt owed to the GoU into equity. Accordingly, since this time, the Regulator has only allowed Umeme Ltd to recover the administration component of the Lease payment in setting the retail tariff.

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Umeme has fully complied with ERA’s ruling in this regard and has made the Lease payment component covering the administration costs of UEDCL in compliance with the provisions of the Lease and Assignment Agreement,” Mr. Babungi disclosed.

The Managing Director also clarified that the Authority’s actions to disallow the Lease payment component relating to UEDCL’s debt servicing obligation, negated the obligation for Umeme to make this payment to UEDCL.

He said since ERA’s action to exclude the debt servicing component from the retail tariff, there have been numerous meetings with ERA, UEDCL and GoU seeking the Authority’s reinstatement of the lease payments (debt servicing component) as required under the Tariff Methodology.

“We understand that the Authority has sought guidance from the Ministry of Finance on the matter and that this matter is currently being addressed at the highest levels within the Ministry of Finance, Planning and Economic Development and the Ministry of Energy and Mineral Development,” Mr. Babungi said.

He, however, explained that notwithstanding the disallowance by ERA of the debt servicing component of the lease payments, UEDCL is nevertheless obligated to fund the Escrow Account to the required minimum balance, in accordance with its obligations under the Lease and Assignment Agreement.

**Ends**

### **About Umeme Ltd**

Umeme is the largest electricity distribution company in Uganda. Umeme is mandated to operate, maintain, upgrade and expand the distribution network, retail electricity to its customers; improve efficiency within the electricity distribution system.

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