Paper laid
By the chairperson of the Departmental Committee on Energy Communication & Information on Thursday 12.08.2010

KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION (2010)

THE DEPARTMENTAL COMMITTEE
ON
ENERGY, COMMUNICATIONS AND INFORMATION

REPORT ON
OWNERSHIP AND STATUS OF THE KENYA POWER AND LIGHTING COMPANY LTD (KPLC)

Clerk's Chambers
Parliament Buildings
NAIROBI

July, 2010

Table of Contents

1. PREFACE 2

2. EXECUTIVE SUMMARY 3

3. KENYA'S ELECTRICITY SUB-SECTOR OVERVIEW 6

4.0 ELECTRICITY SUB-SECTOR PLAYERS 7

- 4.1 Ministry of Energy (MoE) 7
- 4.2 Energy Regulatory Commission (ERC) 7
- 4.3 Kenya Electricity Generation Company (KenGen) 7
- 4.4 Geothermal Development Company (GDC) 8
- 4.5 Kenya Electricity Transmission Company Ltd (KETRACO) 9
- 4.6 Rural Electrification Authority (REA) 9
- 4.7 Kenya Power and Lighting Company Ltd (KPLC) 10
- 4.8 Other Players 11

5.0 OWNERSHIP OF KPLC 11
- 5.1 History 11
- 5.2 Share Capital 12
- 5.3 KPLC as a State Corporation 13

6.0 WORKING RELATIONSHIPS AMONG THE SUB-SECTOR PLAYERS 16
- 6.1 Working relationship between KPLC and REA 16
- 6.2 Working relationship between KPLC and KETRACO 17
- 6.3 Working relationship between KENGEN and GDC 18
- 6.4 Pricing of Electricity Energy in Kenya 18

7. CONCLUSIONS AND RECOMMENDATIONS 20

8. APPENDIXES 23

1. PREFACE

Mr. Speaker, Sir,

1. The Committee on Energy, Communications and Information was constituted on June 17th 2009 and its membership is as follows:-

1. The Hon. (Eng.) James Rege, M.P. — **Chairman**
2. The Hon. Maina Kamau, M.P — **Vice Chairman**
3. The Hon. Danson Mwazo Mwakulegwa, M.P
4. The Hon. Mohamed Hussein Ali, M.P
5. The Hon. (Eng.) Nicholas Gumbo, M.P
6. The Hon. Edwin O. Yinda, M.P
7. The Hon. Emilio Kathuri, M.P
8. The Hon. Ekwee Ethuro ,M.P
9. The Hon. (Prof.) Phillip Kaloki, M.P
10. The Hon. Cyprian Omolo, M.P

* The Hon. Wilfred Ombui, MP ceased to be a member of the Committee on 21st April, 2010, when he was appointed Assistant Minister in the Ministry of State for National Heritage and Culture. The Committee congratulates the Hon. Wilfred Ombui for his appointment and wishes him well in his duties.

Mandate of the Committee

2. The Committee is mandated to consider:-

- Development, production, maintenance and regulation of Energy.
- Communication.
- Information.
- Broadcasting, and
- Information Communications Technology (ICT) development.

The Committee executes its mandate in accordance with the provisions of Standing Order 198 (3), which is -

a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;

b) to Study the programme and policy objectives on Ministries and Departments and the effectiveness of the implementation;

c) to Study and review all legislation referred to it;

d) to study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;

e) to investigate and enquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister; and

f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

Further, Standing Order No. 152 provide that:-

(1) Upon being laid before the National Assembly, the Annual Estimates shall stand committed to the respective Departmental Committees according to their mandates.

(2) Each Departmental Committee shall consider, discuss and review the Estimates committed to it under this standing order and submit its report thereon to the House within twenty one days after they were first laid before the House.

Ministries assigned

In executing its oversight mandate the Committee oversees the following Ministries:-

i) Ministry of Energy

ii) Ministry of Information and Communications.

2. EXECUTIVE SUMMARY

Mr. Speaker Sir,

3. On Wednesday14th April, 2010 during the Afternoon Sitting, the Member of Parliament for Mumias Constituency, Hon. Benjamin Washiali asked the Ministry of Energy the following Question by Private Notice.
   a. *What is the relationship between Kenya Power and Lighting Company (KPLC) and Rural Electrification Authority (REA)?*
   b. *How much money has the Ministry paid to KPLC through REA since its inception to date?*
   c. *Could the Minister provide details of the amount paid as dividends to the major shareholders of KPLC since its privatization?*

4. In addition to this Question, the Member for Yatta, Hon. Charles Kilonzo had on Tuesday 16th March, 2010 asked a Question on overcharging of electricity consumers by KPLC.

5. The two questions elicited a lot of interest from Members who sought to know whether KPLC is a parastatal or a private company, its shareholders, whether it receives funding or financial support from the Government, its working relationship with REA, the amount of dividends it had paid to its shareholders over time and other issues surrounding its ownership and management. As a result, on 14th April, 2010, the Speaker directed that the Departmental Committee on Energy, Communication and Information should take up this matter and file a report in the House.

6. The Committee took up the matter and held meetings with the Minister for Energy and the Chief Executive Officers of the following Companies – the Kenya Power and Lighting Company (KPLC), Rural Electrification Authority (REA), Kenya Electricity Transmission Company (KETRACO), Geothermal Development Company (GDC), Kenya Electricity Generating Company (KenGen) and Energy Regulatory Commission (ERC). The Committee looked into all issues surrounding the ownership and management of KPLC and its working relationship with other players in the electricity sub-sector.

7. The Committee found out that the working relationship of KPLC with other players in the sector is largely tilted in favour of KPLC which as of now is not a parastatal. This situation needs to be rectified.

8. The Committee, based on the submission, presentations and evidence adduced, recommends that:-

   i) The Government converts some of its non-cumulative preference shares in KPLC to ordinary shares so as to control at least 51% stake in the Company to make it a parastatal.

   ii) The Government should ensure equitable distribution of assets previously owned by KPLC to other parastatals which have been established as a result of unbundling of the electricity sub-sector.

   iii) ERC should step up efforts to safeguard electricity consumers from the ever rising prices.

Mr. Speaker Sir,

9. The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the necessary support extended to it in the execution of its mandate. The Committee further wishes to thank the Minister for Energy, the Permanent Secretary in the Ministry and the Chief Executive Officers of the relevant State Corporations under the Ministry for responding promptly to issues raised by the Committee during the examination of the matter. As Chairman, I take this opportunity to thank all the Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours which enabled us to complete the task. The Committee also wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee. Their efforts made the work of the Committee and the production of this Report possible.

Mr. Speaker Sir,

10. On behalf of the Departmental Committee on Energy, Communications and Information, I now have the honour and pleasure to present its Report and Recommendations relating to the ownership and status of the Kenya Power and Lighting Ltd, to the House for debate and adoption.

Thank You.

Signed ....

Chairman
Hon. (Eng.) James Rege, MP

Date: 12.08.2010

3.0 KENYA'S ELECTRICITY SUB-SECTOR OVERVIEW

11. Commercial energy in Kenya is dominated by petroleum and electricity which are the prime movers of the modern sector economy, while wood fuel provides energy needs of the traditional sector including rural communities and urban poor. At the national level, wood fuel and other biomass account for about 68% of the total primary energy consumption followed by petroleum at 22%, electricity at 9% and others including coal at about less than 1%. Solar energy is extensively used for drying and to some extent for heating and lighting.

12. Kenya's Vision 2030 aspires to pursue a macro-economic framework anchored on the availability of adequate, reliable and affordable energy. The Vision 2030 acknowledges that Kenya's energy costs are currently higher than those of her African competitors. Thus in order to spur growth and encourage investors into the country, Kenya must choose to generate cost effective electricity and increase efficiency in energy consumption.

13. The current effective installed electric power capacity during normal hydrology is about 1360 MW against a suppressed peak demand of about 1113 MW. The major sources are:-

Hydro	748 MW
Geothermal	167 MW
Oil Fired Thermal	401 MW
Co-generation (Mumias)	26 MW
Wind	5 MW
Off Grid	13 MW

14. The existing transmission and distribution network of electric power in the country is as follows:-

Voltage (kV)	Length (KM)
220	1,331 (transmission)
132	2,112 (transmission)
66	649 (distribution)
40	29 (distribution)
33	13,031 (distribution)
11	24,334 (distribution)

15. The electricity supply industry in Kenya is currently operating as single buyer model whereby KPLC purchases power in bulk from KenGen and the six Independent Power Producers (IPPs) in operation, through Power Purchase Agreements (PPAs) approved by Energy Regulatory Commission (ERC).

4.0 ELECTRICITY SUB-SECTOR PLAYERS

4.1 Ministry of Energy (MoE)

16. The Ministry is charged with energy policy and development; hydropower development; geothermal exploration and development; thermal power development; petroleum products, import/export/marketing policy; renewable energy development; energy regulation, security and conservation; fossil fuel exploration and development; rural electrification programme; expanding and upgrading of energy infrastructure; promoting energy efficiency and conservation; protecting the environment; mobilizing requisite financial resources for operation and expansion of energy services consistent with rising demand; ensuring security of supply through diversification of sources and mixes in a cost effective manner; increasing accessibility to all segments of the population; enhance legal, regulatory and institutional frameworks to create both consumer and investor confidence; and enhancing and achieving economic competitiveness and efficiency in energy production, supply and delivery.

17. The Ministry has also an oversight role over the service delivery by the parastatals under it such as Kenya Power & Lighting Company (KPLC), Kenya Electricity Generating Company (KENGEN), National Oil Corporation of Kenya (NOCK), Kenya Pipeline Company (KPC), Rural Electrification Authority (REA), Energy Regulatory Commission (ERC), Kenya Petroleum Refineries Ltd, Kenya Electricity Transmission Company (KETRACO) and Geothermal Development Company (GDC).

4.2 Energy Regulatory Commission (ERC)

18. The Energy Regulatory Commission (ERC) was established in 2007 under the Energy Act as an autonomous, independent energy sector regulator with powers to, inter alia, formulate licensing procedures, issue licenses and permits, make recommendations for the necessary regulations to be issued by the Minister, formulate, enforce and review environmental, health, safety and quality codes and standards, set, review and adjust electric power tariffs, approve power purchase and network service contracts, examine and approve meters, investigate complaints between parties, accredit energy auditors, ensure competition, collect and maintain energy data, protect stakeholders interests, and prepare an indicative national energy plan.

19. With the enactment of the Energy Act (2006), ERC replaced the Energy Regulatory Board (ERB) to enforce regulations and protect the consumers.

20. The Sessional Paper No.4 of 2004 on Energy *(sec.6.6.5)* and the Energy Act (*Sec.6, 43 & 45*) provides for energy pricing and mandates ERC to determine electricity retail tariffs.

4.3 Kenya Electricity Generation Company (KenGen)

21. Before 1998, KPLC was charged with generation, transmission and distribution of electricity in Kenya. The Electric Power Act of 1997 saw the separation of generation from transmission and distribution functions.

22. KenGen is charged with managing all public power generation facilities in the country. The company generates about 80% of the total country power output and sells power to KPLC. It operates in a liberalized market and is in direct competition with six Independent Power Producers (IPPs) who account for the supply balance. These IPPs are Aggreko, Iberafrica Power (EA) Ltd, Tsavo Power Company Ltd, OrPower4 Inc, Mumias Sugar Company Ltd and Rabai Power Ltd.

23. KenGen has an installed capacity of 1005 MW and utilizes various primary sources of energy to generate electricity ranging from hydro, geothermal, thermal and wind.

24. KenGen was fully Government of Kenya(GOK) owned until May 2006 when the government off-loaded 30% of its stake in the company through an Initial Public Offering (IPO) which attracted a historic 236% oversubscription. Its shares were listed on the Nairobi Stock Exchange (NSE) on 17th May 2006.

25. As at 30th June 2009 the ten largest shareholders were as follows:-

i)	Permanent Secretary, Treasury	1,538,853,019	70.00%
ii)	National Social Security Fund	17,334,800	0.79%
iii)	Barclays (K) Nominees Limited A/C 9230	10,175,300	0.46%
iv)	Prime Capital Holdings Limited	9,000,000	0.41%
v)	Kenya Commercial Bank Nominees Ltd A/C769G	6,878,392	0.31%
vi)	Jennid Trading Limited	5,455,794	0.25%
vii)	Barclays (K) Nominees Limited A/C 1853	5,046,204	0.23%
viii)	Kensington Developers Limited	4,148,427	0.19%
ix)	Barclays (K) Nominees Limited A/C 9187	4,052,002	0.18%
x)	Kenya Commercial Bank Nominees Ltd A/C744B	4,021,900	0.18%
		1,604,965,838	**73.00%**
xi)	216,718 other shareholders	593,395,618	27.00%
	Total Shares	**2,198,361,456**	**100.00%**

26. The Company made pretax profits of Kshs. 4.6 billion in the financial year, ending 30th June, 2009. Its average share price then was Kshs.19.

4.4 Geothermal Development Company (GDC)

27. GDC is a 100% state-owned company, formed by the Government of Kenya in 2008, under the Companies Act, as a special purpose vehicle to fast track the development of geothermal resources. The creation of GDC was based on Sessional paper No. 4 of 2004, and the Energy Act which un-bundled the key players in the electricity sector to ensure efficiency.

28. GDC's core activities include exploration, drilling, assessing and development of geothermal steam for power generation and alternative uses. It is mandated to promote rapid development of geothermal resources in Kenya through surface exploration and drilling for steam; avail steam to power plant developers (who include KenGen and IPPs) for electricity generation; manage the geothermal reservoirs (where steam has been harnessed) to ensure constant supply of steam and; promote alternative uses of geothermal resources other than electricity generation(including green house heating, drying of grains, pasteurizing milk, cooling and heating of rooms, among others).

29. For a long time, Kenya has relied on hydroelectricity with perennial power outages forcing the government to invite emergency power producers who use diesel to generate electricity. The government has identified the country's untapped geothermal potential as the most suitable indigenous source of electricity. Currently, GDC is in the process of drilling 40 geothermal wells to provide steam to KenGen for a 280MW geothermal power plant.

30. The expansion of existing geothermal operations offers the least cost, environmentally clean source of energy (green) and highest potential to the country. Kenya is one of the leading countries globally with significant geothermal resources (in excess of 7000 MW, spread in more than 14 locations). The Government through the Ministry of Energy has already undertaken significant investment in developing this sector. This includes supporting scientific research, drilling and generation of electricity. However, geothermal development has stalled in recent years because of limited funding and lack of private sector participation in this sub sector due to high risks associated with exploration and development of geothermal sites. GDC was established to fast track this.

4.5 Kenya Electricity Transmission Company Ltd (KETRACO)

31. KETRACO, which is wholly owned by the Government, was incorporated on 2nd December, 2008 under the Companies Act, pursuant to the reforms in Sessional Paper No. 4 of 2004 on Energy and the Energy Act. Its mandate is to design, construct, operate and maintain new high voltage electricity transmission lines which will form the backbone of the National Electricity Grid.

32. In carrying out its mandate, the Company is expected to develop a new robust grid system in order to improve quality and reliability of electricity supply throughout the country; transmit electricity to areas not covered by the national grid; evacuate power from generation plants; provide a link for power trade with neighbouring countries; reduce transmission losses and; reduce the cost of electricity to the consumer by absorbing the capital cost of transmission infrastructure.

33. The Company has identified for implementation on priority basis over 4,500 km of transmission lines (132kV, 220kV, 400kV and 500kV HVDC) to be implemented in the next 3-4 years.

4.6 Rural Electrification Authority (REA)

34. REA was established under the provisions of the Energy Act for the purposes of enhancing rural electrification in the country. However, the Rural Electrification Programme (REP) was set up in 1973 for the purposes of subsidizing electricity supply in the rural areas. This was upon the realization that many parts of the country could not get electricity on commercial basis.

35. The Government entered into an agreement with the then East African Power and Lighting Company (EAPL), now KPLC. Under the agreement, KPLC was appointed as a contractor for planning, implementation, operation and maintenance of rural electrification schemes. The Government is responsible for sourcing of funds for rural electrification and identifying projects to be implemented by KPLC.

36. Despite the REP having been in place for more than 35 years, it is estimated that only about 10% of the rural population in Kenya have electricity supply in their homes. It was as a result of this low connectivity that the Government, through the Sessional Paper No.4 of 2004 undertook to accelerate the pace of rural electrification through the creation of REA to increase provision of electricity as a means to promote sustainable socio-economic development of rural communities. By 2012, REA targets to have connected at least 22% of the rural population.

37. In managing REP, REA has rolled out the Rural Electrification Programme Master Plan which presents least-cost electrification options for target areas. The master plan prioritizes list of projects for implementation based on economic and social factors. The first master plan was developed in 1997 and is being updated to show what has been done so far and to come up with new load centres.

38. During the 2008/09 Financial Year, a total of 307 projects were completed with additional 25,072 customers connected. As at the end of February, 2010, an additional 18,776 customers had been connected since July 2009 with 1,100 projects expected to be complete by the end of the financial year.

39. After the commissioning of these projects, they are handed over to KPLC for maintenance and management. However the ownership of assets remains with REA.

4.7 Kenya Power and Lighting Company Ltd (KPLC)

40. KPLC is a public company that was incorporated in 1922 as a private company and was later listed in the NSE in 1954. On diverse dates between 1960 and 1975, the government bought KPLC shares totaling to 32,853,268 which represents 40.4% of the voting shares of the Company. It is responsible for transmission, distribution and retail supply of electrical energy to end users. It purchases power in bulk from KenGen and the IPPs through bilateral contracts or Power Purchase Agreements (PPAs) approved by ERC.

41. KPLC is responsible for ensuring that there is adequate line capacity to maintain supply and quality of electricity across the country. The interconnected network of transmission and distribution lines covers about 41,486 kilometers. It has more than 1,500,000 customers who consumed over 5,432 Gigawatt hours of electricity in the financial year 2008/9. During the year, the maximum daily electricity peak demand recorded was 1,072 MW.

42. The Energy Act and the Sessional Paper No. 4 of 2004 on Energy widely liberalized the energy sector in the country which was started in 1997 when KenGen was formed out of KPLC. The Policy Paper among others established a single energy regulator and unbundled KPLC to form KETRACO, REA and GDC.

43. KPLC is the only licensed supplier, distributor and retailer of electrical energy in Kenya.

4.8 Other Players

44. Other players in the electricity sub-sector in Kenya include the following:-

i) **Independent Power Producers (IPPs)** which are private sector power generation companies that sell bulk power to KPLC. They include Aggreko, Iberafrica Power (EA) Ltd, Tsavo Power Company Ltd, OrPower4 Inc, Mumias Sugar Company Ltd and Rabai Power Ltd.

ii) **Uganda Electricity Transmission Company Ltd (UETCL)** is an external power trader interconnected to Kenya by a 132kV transmission line which imports from and exports power to Kenya.

iii) **Tanzania Electricity Supply Company (TANESCO)** which is an external power trader currently supplying electricity to KPLC at the border town of Lunga Lunga and buying electricity from KPLC at Namanga, both supplies at 33kV.

5.0 OWNERSHIP OF KPLC

5.1 History

45. The Kenya Power and Lighting Company Limited (KPLC) was incorporated as a public limited liability company under the Companies Act on 6th January, 1922 as the *East African Power & Lighting Company (EAP&L)*. On diverse dates between 1960 and 1975, the government bought KPLC shares totaling to 32,853,268 which represents 40.4% of the voting shares of the Company.

46. The brief history of the Company is as follows:-

- **1875**: Seyyied Bargash, the Sultan of Zanzibar, acquires a generator to light his palace and nearby streets.
- **1908**: Harrali Esmailjee Jeevanjee, a wealthy merchant in Mombasa, acquires the generator and transfers it to the Mombasa Electric Power & Lighting Company.
- **1908**: An engineer, Mr Clement Hertzel, is granted the exclusive right to supply electricity to the then district and town of Nairobi. This led to the formation of the Nairobi Power & Lighting Syndicate.
- **1922**: The two utilities in Nairobi and Mombasa are merged under a new company incorporated as the East African Power & Lighting Company (EAP&L).
- **1932**: EAP&L acquires a controlling interest in the Tanganyika Electricity Supply Company Ltd. (TANESCO).
- **1936**: EAP&L obtains generating and distribution licenses for Uganda, thereby entrenching its presence in the East African region.

- **1948**: The Uganda Electricity Board (UEB) is established by the Ugandan Government to take over distribution of electricity in the country.

- **1954**: The Kenya Power Company (KPC) is created - to be managed by EAP&L - for the purpose of transmitting power from Uganda through the Tororo-Juja line.

- **1964**: EAP&L sells its majority stockholding in TANESCO to the Government of Tanzania.

- **1983**: With its operations confined only to Kenya, EAP&L is renamed The Kenya Power & Lighting Company Ltd. (KPLC).

- **1997**: The functions of generation are split from transmission and distribution. The Kenya Power Company, which has been under the management of KPLC since 1954, becomes a separate entity responsible for public-funded power generation projects.

- **1998**: The Kenya Power Company is re-launched as the Kenya Electricity Generating Company (KenGen).

- **2004**: The Energy Sector Recovery Project (ESRP) is started to rehabilitate and reinforce the transmission and distribution network in order to improve the quality and reliability of supply, reduce system losses and increase access to electricity. *(through the Sessional Paper no.4)*

- **2007**: Rural Electrification Authority (REA) is established to speed up the implementation pace of the rural electrification programme.

- **2008**: Kenya Electricity Transmission Company (KETRACO) is incorporated by the government to accelerate transmission infrastructure development.

- **2008**: The government incorporates the Geothermal Development Company (GDC) tasked with developing steam fields to reduce upstream power development risks so as to promote rapid development of geothermal electric power.

5.2 Share Capital

47. The authorized share capital is KShs 18,000,000,000 divided into; 97,850,000 Ordinary Stock Units of KShs 20/=each; 1,800,000 4% Cumulative Preference Stock Units of KShs 20/= each; 350,000 7% Cumulative Preference Stock Units of KShs 20/= each, and 800,000,000 7.85% Redeemable Non-Cumulative Preference Shares of KShs. 20/= each. Out of the Kshs. 18,000,000,000/= authorised share capital, 18,722,000 Ordinary shares of Kshs.20/= each and 5,037,509- 7.85% Redeemable Non-Cumulative Preference Shares of Ksh.20/= each, constituting Kshs. 475,190,180 are un-issued shares leaving Kshs. 17,524,809,820 as the issued share capital.

48. The 7.85% redeemable non-cumulative preference shares were created in 2003 under a debt-equity conversion arrangement approved by cabinet in order to strengthen the capital base of the Company following four (4) consecutive years of massive loss

making amounting to Kshs. 13.64 billion. The losses eroded the Company's capital base to a negative position and it was unable to pay its major creditors (Government and KenGen) within the respective contractual credit periods.

49. Treasury has approved plans by KPLC to convert some (87,120,000) of the 7.85% redeemable non-cumulative preference shares into ordinary shares at a ratio of 1:1. This conversion will raise the government stake to 75%. However, the government will float rignts issue and renounce its right so as to maintain its current stake, at 40.4%.

5.3 KPLC as a State Corporation

50. On diverse dates between 1960 and 1975, the government bought KPLC shares totaling to 32,853,268 which represents 40.4% of the voting shares of the Company. The government has never sold its shares in KPLC.

51. In 2003 the Government also acquired 794,962,491 (7.85%) redeemable non-cumulative preference shares worth Ksh.15.9 billion under debt-equity conversion. However, these shares have no voting rights and are not traded in the NSE.

52. As at September 2005 the stock disposition was as follows:-

Category of Shareholders	ORDINARY STOCK UNITS	4%CUM. PREF. STOCK UNITS	7%CUM. PREF. STOCK UNITS	GRAND TOTAL IN UNITS	(%)GRAND TOTAL UNITS	7.85%Redeemable Non-Cumulative Preference Shares
Permanent Secretary, Treasury	32,002,929	656,808	193,531	32,853,268	**40.42%**	181,954,541
P.S. Ministry of Energy	1,035	-	-	1,035	**0.001%**	
KenGen						613,007,950
Board of Trustees N.S.S.F	8,533,168	3,550	750	8,557,468	**10.53%**	
Kenya Re-Insurance	50,000	16,156	-	66,156	0.08%	
Total Govt. & Parastatals	**40,587,132**	**676,514**	**194,281**	**41,477**	51.03%	
Residents	36,484,125	1,038,532	139,246	37,661,903	**46.34%**	
Non-residents	2,036,743	84,954	16,473	2,138,170	**2.63%**	
Grand Total	**79,108,000**	**1,800,000**	**350,000**	**81,278,000**	100.00%	**794,962,491**

53. In October 2005, the National Social Security Fund (NSSF) sold 2,139,367 of its shares at the Nairobi Stock Exchange to Transcentury Ltd. This reduced the voting equity shareholding of NSSF from 10.53% to 7.90% and the combined Government and

parastatals voting shareholding from 51.03% to 48.40%. This is the current position as regards Government and parastatals shareholding. The stock disposition as at 31st March 2010 is as follows:-

CATEGORY OF SHAREHOLDERS	ORDINARY STOCK UNITS	4%CUM. PREF. STOCK UNITS	7%CUM. PREF. STOCK UNITS	GRAND TOTAL IN UNITS	(%)GRAND TOTAL UNITS	7.85% REDEEMABLE NON-CUM. PREF. SHARES
Permanent Secretary, Treasury	32,002,929	656,808	193,531	32,853,268	40.42	794,962,491
P.S. Ministry of Energy	1,035	-	-	1,035	0.001	
Board of Trustees N.S.S.F	6,413,801	3,550	750	6,418,101	7.90	
Kenya Re-Insurance	50,000	16,156	-	66.156	0.08	
Total Govt.& Parastatals	**38,467,765**	**676,514**	**194,281**	**39,338,560**	48.40	
Residents & East African Community Countries	37,536,781	1,046,937	140,301	38,724,019	47.64	
Non-residents	3,123,454	76,549	15,418	3,215,421	3.96	
Grand Total	**79,128,000**	**1,800,000**	**350,000**	**81,278,000**	100.00	**794,962,491**

54. As at 31st March, 2010, the top twenty shareholders of KPLC were as follows:-

NO.	NAME OF SHAREHOLDER	ORDINARY (Sh.20)	4% PREF. (Sh.20)	7% PREF(Sh.20)	TOTAL (sh.20)	%-AGE
1	P.S. TREASURY	32,002,929	656,808	193,531	32,853,268	40.421
2.	BARCLAYS(KENYA) NOMINEES LTD.	9,458,258	5,127	250	9,463,635	11.644
3	BOARD OF TRUSTEES N.S.S.F	6,413,801	3,550	750	6,418,101	7.896
4.	CFCSTANBIC NOMINEES KENYA LTD.	2,144,727	48,308		2,193,035	2.698
5.	KCB NOMINEES LTD.	2,178,470	69,584	800	2,229,656	2.764
6.	JUBILEE INSURANCE CO. LTD.	1,613,435	59,828	17,160	1,690,4 23	2.08
7	NIC BANK LIMITED	1,571,774	-	-	1,488,674	1.934
8.	CFC LIFE ASSURANCE LIMITED	871,475	-	-	871,475	1.072
9.	ALIMOHAMED ADAM	529,169	277,264	57,617	864,050	1.063
10	CO-OP CUSTODY	647,482	-	-	647,482	0.797
11.	PHOENIX OF E.A ASSURANCE CO. LTD.	630,168	-	-	630,186	0.775
12.	BRITISH AMERICAN INSURANCE CO. (K) LTD	482,600	-	-	482,600	0.594
13.	K.P.L.C. LTD. STAFF RETIREMENT BENEFIT SCHEME TRUSTEES	450,000	-	-	450,000	0.554

14.	THE HERITAGE ALL INSURANCE CO. LTD.	419,408	-	-	419,408	0.516
15.	KENINDIA ASSURANCE CO. LTD	389,300	-	-	389,300	0.478
16.	TRANSCENTURY	381,100			381,100	0.468
17.	MADISON INSURANCE CO. (K) LTD	334,044			334,044	0.411
18.	OLD MUTUAL INSURANCE	263,000	-	-	263,000	0. 324
19.	JENNID TRADING CO. LTD	245,012	-	-	245,012	0.301
20.	GANDHI SMARAK NIDHI	234,963	-	-	234,963	0.301
	SUB TOTALS	**61,261,115**	**1,120,469**	**270,108**	**60,858,989**	**76.767**
	OTHER SHAREHOLDERS	**18,803,431**	**679,531**	**79,892**	**19,562,854**	**24.069**
	TOTAL ISSUED SHARES	**79,128,000**	**1,800,000**	**350,000**	**81,278,000**	**100**

55. Section 2 of the State Corporations Act, CAP 446 defines a State Corporation as follows:-

(a) a state corporation established under section 3;

(b) a body corporate established before or after the commencement of this Act by or under an Act of Parliament or other written law but not -
- *(i) the Permanent Secretary to the Treasury incorporated under the Permanent Secretary to the Treasury (Incorporation) Act;*
- *(ii) a local authority established under the Local Government Act;*
- *(iii) a co-operative society established under the Co-operative Societies Act;*
- *(iv) a building society established in accordance with the Building Societies Act;*
- *(v) a company incorporated under the Companies Act which is not wholly owned or controlled by the Government or by a state corporation;*
- *(vi) the Central Bank of Kenya established under the Central Bank of Kenya Act;*

(c) a bank or a financial institution licensed under the Banking Act or other company incorporated under the Companies Act, the whole or the controlling majority of the shares or stock of which is owned by the Government or by another state corporation;

(d) a subsidiary of a state corporation.

56. Following the amendments to the State Corporations Act in 2002, a State Corporation generally requires Government authority to transact the following business, including those corporations which are exempt from the Act:-
- i) Staff engagement, salaries and pension schemes;
- ii) Control of finances and approval of the annual budget;
- iii) Disposal and acquisition of assets;
- iv) Audit by the Controller and Auditor General;
- v) Inspections by the Inspector of State Corporations;

vi) Approval of any intended business venture;
vii) Composition of Board of Directors;
viii) Procurement regulated by the Public Procurement and Disposal Act.

57. Part III of the Public Audit, CAP12 provides for the audit of state corporations by the Controller and Auditor General who submits the audit report to Parliament where under Standing Order 188, the Public Investments Committee shall examine such reports and accounts.

6.0 WORKING RELATIONSHIPS AMONG THE SUB-SECTOR PLAYERS

6.1 Working relationship between KPLC and REA

58. By an agreement signed on 26th September, 1973 between the Government and East African Power & Lighting Company Limited (EAPL), the predecessor to KPLC, the Government contracted EAPL to implement sub-economic rural electrification projects. The agreement established a Rural Electrification Fund to be used to finance the capital cost. In 2006, the Energy Act placed these arrangements on a statutory footing by establishing the Rural Electrification Programme Fund and REA to among other responsibilities, manage the fund.

59. Since its establishment, REA has implemented several REP schemes directly through private contractors while KPLC has implemented some other schemes on behalf of the Government, mainly those that were in progress at formation of REA. Regardless of whichever organization has implemented the schemes, all have been handed over to KPLC upon completion for operation and maintenance, but the ownership of the assets has remained with REA.

60. On construction of projects, REA selects projects on the basis of its annual plans and is responsible for design, survey, obtaining wayleaves, consents and approvals. It is also responsible for construction of all projects, procurement of all goods, works and services for construction. Upon completion, REA hands over the projects and associated documents to KPLC. On the other hand, KPLC plans for the impact of the projects on its network and is free to visit construction sites and carry out inspections and recommendations, if any, to REA.

61. On marketing of the projects, REA is responsible for all marketing activities prior to commissioning, send quotations to customers, receive capital contributions and compile a list of paid-up customers and forward the list to KPLC. KPLC is responsible for supply of electricity to all projects, collection and storage of revenues. KPLC also operates and maintains handed-over projects at its own cost up to the level of compensation allowed from time to time by ERC in KPLC's retail tariff.

62. REA marks all works, equipment and capital assets that are part of a project which it hands over to KPLC to differentiate them from works, assets and equipment which belong to KPLC. However, all assets developed under the REP prior to the formation of REA are owned by the Government but under KPLC.

63. On 30th April, 2010 KPLC and REA entered into a formal Service Level Agreement that describes each party's roles with respect to REP projects. They have also established a joint liaison committee chaired by the Chief Executive Officers (CEOs) of the parties to ensure proper implementation of the agreement.

64. In the Printed Estimates for the financial year 2010/2011, Treasury allocated REA Kshs.6.13 billion for both its recurrent and development expenditures.

6.2 Working relationship between KPLC and KETRACO

65. The Sessional Paper No.4 of 2004 on energy recommended the 'unbundling of KPLC into two entities, one for transmission which will be state owned and the other for distribution which will be private sector owned.' KETRACO was formed in 2008 to develop new transmission lines so as to relieve the customers from paying for the capital amortization costs of the lines and only pay for operations and maintenance costs. KPLC retained ownership of its existing transmission lines prior to the formation of KETRACO.

66. KETRACO is not meant to trade in power but to facilitate open access in exchange for a wheeling charge that will be adequate to cover the company's operations and maintenance costs. Its mandate includes planning, designing, constructing, operating and maintaining high voltage electricity transmission lines and sub-stations.

67. As it is still in its formative stage, KETRACO does not yet have a full complement of staff and before recruiting its own staff, it has relied on some staff seconded to it by KPLC. The two institutions have entered into a mutual co-operation and provision of service agreement whereby KPLC provides technical and support services such as supervision, construction of lines and sub-stations, commissioning, operations and maintenance, training, environmental and social impact assessment and resettlement action plans.

68. For every project executed by KPLC on behalf of KETRACO, the project implementation team shall include at least four (4) KETRACO staff who are competent in various fields for the purpose of training and capacity building.

69. KPLC shall compute and invoice KETRACO, on a monthly basis, for expenses incurred in fulfilling its obligations as contained in the agreement.

70. In the Printed Estimates for the financial year 2010/2011, Treasury allocated KETRACO Kshs.8.23 billion for both its recurrent and development expenditures.

6.3 Working relationship between KENGEN and GDC

71. The search for geothermal energy in Kenya started way back in 1957but has not been successful as it has so far yielded only 202MW against a massive potential estimated at 7000MW to 10,000MW. Evidently, the speed of harnessing geothermal resources has been too low necessitating the creation of GDC. GDC is mandated to explore, drill, manage resource reservoirs and promote alternative uses and facilitate investor entry into the geothermal energy sector.

72. Sessional Paper No.4 of 2004 established ' *a State owned Geothermal Development Company (GDC) to be in charge of geothemal resource assessments and sale of steam to future IPPs and KenGen for electricity generation.*' GDC was created out of KenGen so as to concentrate on geothermal exploration.

73. KenGen, prior to the formation of GDC, has been involved in geothermal exploration. Currently KenGen operates two (2) geothermal power plants – OlKaria I which was commissioned in 1981 and produces 45MW from 33 wells and Olkaria II which produces 70 MW.

74. For a long time, Kenya has relied on hydroelectricity with perennial power outages forcing the government to invite emergency power producers who use diesel to generate electricity. This stop-gap measure increases the cost of electricity and causes massive pollution. Thus, the government has identified the country's untapped geothermal potential as the most suitable indigenous source of electricity. GDC plans to drill 1,400 steam wells to provide steam for the generation of 4,000MW to 5,000MW of geothermal power by 2030. GDC has identified fourteen (14) potential geothermal sites in the country and is currently in the process of drilling 40 geothermal wells to provide steam to KenGen for a 280MW geothermal power plant.

75. In the Printed Estimates for the financial year 2010/2011, Treasury allocated GDC Kshs.12.3 billion for both its recurrent and development expenditures.

6.4 Pricing of Electricity Energy in Kenya

76. The Energy Act establishes the ERC as a single independent energy regulator with adequate mandate to regulate all sector players. It has powers to, among others, formulate licensing procedures, issue licenses and permits, make recommendations for the necessary regulations to be issued by the Minister, formulate, enforce and review environmental, health, safety and quality codes and standards, set, review and adjust electric power tariffs, approve power purchase and network service contracts, examine and approve meters, investigate complaints between parties, accredit energy auditors, ensure competition, collect and maintain energy data, protect stakeholders interests, and prepare an indicative national energy plan.

77. Sessional Paper no.4 of 2004 on Energy *(Sec. 6.6.5)* provides the background to energy pricing in Kenya while the Energy Act, 2006 and attendant rules and regulations provide the ultimate guide to the determination of retail tariffs. Section 43 of the Energy Act states that:-

43. (1) All contracts for the sale of electrical energy, transmission or distribution services, between and among licensees, and between licensees and large retail consumers shall be submitted to the Commission for approval before execution.

(2) An application for approval of a contract under subsection (1) shall be in such form and submitted to the Commission in such manner, as the Minister may, in regulations prescribe.

(3) In considering a contract under subsection (1), the Commission shall -

(a) ensure that the rates or tariffs established in the contract are just and reasonable;

(b) satisfy itself that the application meets the minimum requirements as prescribed by the Minister in the regulations under this Act; and

(c) take into account any other issues which may have a bearing on the operations of the undertakings.

(4) In this section, a just and reasonable tariff shall mean a rate that enables a licensee to, inter alia -

(a) maintain a financial integrity;
(b) attract capital;
(c) operate efficiently; and
(d) fully compensate investors for the risks assumed.

78. KPLC is a single buyer for all the power generated in Kenya and injected into the inter-connected grid for sale to the consumers. The trading arrangements between KPLC and each of the generators are governed by a long-term Power Purchase Agreement (PPA) approved by ERC. Such PPAs comprise capacity charge, energy charge, fuel pass through and inflation indexed clauses. The retail tariff structure comprises of a fixed charge, energy charge and capacity charge.

7. CONCLUSIONS AND RECOMMENDATIONS

79. On Wednesday 14th April, 2010, while answering a Question by Private Notice by Hon. B. Washiali, the Assistant Minister for Energy, Hon. M.M. Mohamud was not clear on whether KPLC is a parastatal or not. At one point he informed the House that KPLC was a private company with the Government as one of the shareholders. At another point, he informed the House that '*...**KPLC is a Government parastatal, but a different parastatal from other parastatals. It is in a different category with other parastatals. There are parastatals which are not listed at the NSE. So this is different to that extent**.*' The Government needs to be clear on whether KPLC is a Government Parastatal or a private company.

80. The Committee notes the importance of KPLC to service delivery in the country and that the achievement of Vision 2030 depends on the success of the electricity sector. It is evident that the Government largely supports KPLC through guaranteed loans and profit plough-backs and also appoints a majority of directors to the company's Board of Directors. Further, the Company's vehicles have blue registration number plates, a preserve of parastatals contributing to the uncertainty as to whether KPLC is a parastatal or a private company. Due to the importance of the electricity sector in the country and the regular support offered to KPLC, the Government should not allow KPLC to be in the control of business people who are motivated by profits at the expense of the citizens.

81. KPLC could be termed a State Corporation if it was '*wholly owned or controlled by the government or by a state corporation*' in accordance with the definition proffered in the State Corporations Act. Following the disposal of shares by NSSF, the Company does not meet the requirements stipulated for it to qualify as a state corporation. Furthermore, KPLC has not submitted fully to the provisions of the Public Audit Act, by having its accounts audited by the Controller and Auditor General and submitted to the National Assembly for examination by the Public Investments Committee (PIC).

82. The Controller and Auditor General last submitted audited accounts for KPLC for the year 2001/2002. PIC queried the non submission of KPLC accounts for the subsequent years in its 12th Report of 2004. Thereafter, accounts for the financial year 2007/2008 were tabled in December 2009. That notwithstanding, in 2004 PIC examined the following non accounting issues:-

i) KPLC's pension's scheme,
ii) Contracts between KPLC and IPPs,
iii) The general financial status of the company and
iv) Supply of treated poles during the Financial year 2004/2005 (13th Report).

83. The Committee therefore **recommends** that:-

i) The Government proceeds with the conversion of some of its 7.85% redeemable non-cumulative preference shares (87.12 million shares which Treasury has approved) into ordinary shares at a ratio of 1:1 and retains the ordinary shares so as to raise its stake in KPLC to 75% thus qualifying the company as a parastatal.

ii) The Government's shareholding in KPLC be determined by the shares held in the name of the Permanent Secretary, Treasury and not other state agencies who might later on dispose their shares without approval from the Treasury.

84. Before unbundling of electricity generation from transmission and distribution in the 1990s, there were 5 major players in the power sector, namely Kenya Power Company (KPC), Tana River Development Company (TRDC), Tana and Athi Rivers Development Authority (TARDA), Kerio Valley Development Authority (KVDA) and KPLC. The initial unbundling comprised first merging TRDC and KPC in 1996 to KPC which changed its name to KenGen in 1998. The second step comprised consolidating all the power generation assets, owned by the five (5) parastatals under KenGen and the transmission and distribution assets under KPLC. By October 1999, all power generation assets from KPLC, TRDC, KPC, TARDA and KVDA were transferred to KenGen at 'depreciated replacement costs'. Similarly, transmission and distribution assets owned by other entities were transferred to KPLC at depreciated replacement costs.

85. The Committee **recommends** that, like the previous unbundling:-

i) All assets under the REP since 1973 should be tracked and taken over and reflected in the books of REA. Currently such assets are owned by the Government but under KPLC.

ii) All transmission assets should be tracked and taken over and reflected in the books of KETRACO. Currently such assets acquired before the formation of KETRACO in 2008, are owned by KPLC while KETRACO will own new assets that it will develop. KPLC should surrender all transmission assets to KETRACO.

iii) All assets under geothermal exploration and extraction held by KenGen (including Olkaria I & II) should be taken over by GDC to avoid the Government competing with itself.

86. The Committee notes that ERC has failed to deliver on its mandate especially with regards to protecting energy consumers. This is reflected in the high costs of electricity in Kenya as compared to its neighbours which is a key factor in driving investors out of the country. Further, the high electricity costs cause most Kenyans to resort to traditional sources of energy such as charcoal and firewood, further depleting our environment. While unbundling the electricity sub-sector, the Government intended to make the electricity clean, quality and affordable which is evidently not the case.

87. The Committee also notes with concern that under the Energy Act, ERC is expected to ensure that the industry players such as KenGen remain profitable and viable which impacts negatively on the consumers despite the PPAs guaranteeing reasonable profits. The Committee therefore **recommends** that the Energy Act be amended and that ERC puts in place feedback mechanisms to ensure that demand is met with reliable, cost effective and high quality energy services in an environmentally friendly manner.

88. The Committee further **recommends** that the Government increase its subsidies for the transmission and operation costs so that they are not reflected in the tariffs and the consumer bills.

89. The Committee notes that the public is misinformed on the operations of the various players in the power sector and recommends that the Government carry out public education to inform the public on the various initiatives and power players which will promote transparency in the energy sector. Further, the price variations reflected on the consumer bills should be demystified to the public.

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

8. APPENDIXES

Appendix i: A letter by the Permanent Secretary, Treasury to the Permanent Secretary Ministry of Energy approving the restructuring of the KPLC's capital base.

Appendix ii: The yearly average share price for KPLC shares from 2003 to 2009.

Appendix iii: List of Government guaranteed loans to KPLC (1996 to 2004)

Appendix iv: Amount of dividends paid by KPLC for the last 15 years.

Appendix v: Amount of dividends paid to each of the top twenty shareholders (1998-2009)

Appendix vi: Amount of dividends paid to each shareholder from December 2007 to December 2009.

Appendix vii: A list of all shareholders of KPLC as at 31st March 2010.

XXXXXXXXXXXXXXXXXXXXXXXXXXXXX

APPENDIX I

REPUBLIC OF KENYA

OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF FINANCE

Telegraphic Address: 22921
FINANCE-NAIROBI
FAX NO. 2219365
Telephone: 2252299
When replying please quote

THE TREASURY

P.O. Box 30007

NAIROBI

Ref No: ZZ.388/01 "L" (19)

Date: November 6, 2009

Mr Patrick Nyoike, CBS
Permanent Secretary
Minister for Energy
NAIROBI

Dear Mr. Nyoike,

RE: GOK'S 7.85% PREFERENCE SHARES REDEMPTION BY KPLC: KSH.15,899,249,820

Reference is made to KPLC's letter Ref. KPLC 1/1/I/3/8/JKN/MWK dated 19th October, 2009 addressed to you and copied to us requesting approval for:

i) Conversion of some (87.12) of the 7.85% Preference shares into ordinary stock;
ii) Floatation of a rights issue where GoK will renounce its rights and trade the same in the Stock Market; and
iii) . Carry out a share split to facilitate ease of trading of KPLC's shares.

We have reviewed the proposal for restructuring of the capital base of KPLC and noted that it will resolve the challenges the company has had with the preferences shares. We have also noted that the proposed restructuring is beneficial to all stakeholders and will lead to the long term sustainability of KPLC.

We are particularly happy to note that the preference shares will be converted at market price and therefore it will not impact the tax payer negatively.

Against this background, Treasury approval is granted for KPLC to proceed with the process of seeking the required approvals for the proposed restructuring. The company may therefore proceed to issue the necessary notification for shareholder and regulatory approvals as required by law.

Yours Sincerely,

Joseph K. Kinyua, CBS
PERMANENT SECRETARY/TREASURY

cc. **Dr. Crowther Pepela**
Chairman
Kenya Power & Lighting Co.
Stima Plaza
NAIROBI

Eng Joseph Njoroge
Managing Director & CEO
KPLC
NAIROBI

APPENDIX II

YEARLY AVERAGE SHARE PRICE OF KPLC SHARES FROM MAY, 2002 TO 31 ST DECEMBER, 2009

	YEAR						
MONTH	2003	2004	2005	2006	2007	2008	2009
JANUARY	28.50	83.50	88.00	139.50	310.31	213.73	129.49
FEBRUARY	30.35	132.00	90.00	128.00	279.08	204.97	112.21
MARCH	26.35	105.50	87.25	126.00	188.00	211.62	111.00
APRIL	28.10	97.50	84.00	131.00	206.48	202.63	116.51
MAY	40.25	88.75	85.50	156.50	209.87	208.37	112.00
JUNE	34.50	92.50	104.50	163.50	208.31	213.00	133.35
JULY	32.50	90.00	119.50	157.00	219.69	199.37	142.33
AUGUST	33.00	90.50	127.00	179.50	226.05	185.32	128.93
SEPT	37.50	89.00	130.00	255.00	261.68	171.07	123.12
OCT	39.50	87.00	150.50	259.64	218.09	146.99	131.45
NOV	46.50	83.00	137.50	277.50	214.78	153.63	147.88
DECEMBER	50.85	87.25	138.50	273.00	217.51	129.84	138.34
TOTAL	427.90	1,126.50	1,342.25	2,246.14	2,759.85	2,240.54	1,526.61
YEARLY AVERAGE	**35.66**	**93.88**	**111.85**	**187.18**	**229.99**	**186.71**	**127.22**

APPENDIX III

THE KENYA POWER AND LIGHTING COMPANY LIMITED

GOVERNMENT GUARANTEED/ONLENT LOANS

YEAR	FINANCIER		AMOUNT	
		Currency	Foreign currency	KShs. Equivalent
1996	Swiss Mixed Credit	CHF	5,168,110	190,936,000.00
1996	KBC Bank of Belgium	BEF	25,000,000	30,454,000.00
1998	International Development Association Credit no. 2966	USD	2,385,846	186,096,000.00
2000	European Investment Bank	Euro	28,253,504	3,560,144,017.00
2001	Kenya Government (EPP Escrow Account)	USD	3,000,000	237,075,000.00
2004	International Development Association Credit no. 3958 (ESRP)	Euro	28,700,000	3,128,300,000.00
2004	Agence Francaise de Development (AFD) - (ESRP)	Euro	20,000,000	2,180,000,000.00
2004	Nordic Development Fund (NDF) - (ESRP)	Euro	10,000,000	1,090,000,000.00
2004	European Investment Bank - (ESRP)	Euro	43,000,000	4,687,000,000.00
	TOTAL			**15,290,005,017.00**

APPENDIX IV

ORDINARY DIVIDENDS PAID IN THE LAST 15 YEARS

ISSUE NO.	DATE OF PAYMENT	STOCK	RATE (KSHS)	GROSS DIVIDEND(KSHS)	TAX (KSHS)	NET (KSHS)
124	28/04/1995	8,792,000	3.60	31,651,200.00	1,274,636.15	30,376,563.85
125	31/07/1996	8,792,000	4.00	35,168,000.00	965,963.10	34,202,036.90
126	07/03/1997	17,584,000	8.00	140,672,000.00	2,775,799.20	137,896,200.80
127	31/07/1997	52,752,000	3.00	158,256,000.00	3,627,593.40	154,628,406.60
128	23/12/1997	52,752,000	5.00	263,760,000.00	6,065,667.00	257,694,333.00
129	30/04/1998	52,752,000	3.00	158,256,000.00	3,875,988.15	154,380,011.85
130	22/12/1998	52,752,000	5.00	263,760,000.00	6,074,736.25	257,685,263.75
131	15/04/1999	79,128,000	3.00	237,384,000.00	5,277,845.70	232,106,154.30
132	26/11/1999	79,128,000	5.00	395,640,000.00	7,826,875.00	387,813,125.00
133	15/05/2000	79,128,000	2.00	158,256,000.00	2,949,032.60	155,306,967.40
134	05/12/2005	79,128,000	1.50	118,692,000.00	1,584,786.70	117,107,213.30
135	15/12/2006	79,128,000	1.50	118,692,000.00	2,189,586.65	116,502,413.35
136	30/04/2007	79,128,000	0.60	47,476,800.00	824,053.55	46,652,746.45
137	10/01/2008	79,128,000	2.40	189,907,200.00	3,164,947.70	186,742,252.30
138	30/04/2008	79,128,000	1.00	79,128,000.00	1,312,676.90	77,815,323.10
139	20/12/2008	79,128,000	3.00	237,384,000.00	3,708,945.00	233,675,055.00
140	30/04/2009	79,128,000	2.00	158,256,000.00	2,362,955.20	155,893,044.80
141	25/01/2010	79,128,000	6.00	474,768,000.00	7,313,643.00	467,454,357.00
TOTALS				**3,059,616,000.00**	**58,159,332.80**	**3,001,456,667.20**

APPENDIX IV

DIVIDENDS PAID FOR THE LAST 15 YEARS

4 % PREFERENCE PAID HALF YEARLY AT A RATE OF KSHS.0.40 ON 1,800,000 STOCK UNITS

ISSUE NO.	DATE OF PAYMENT	GROSS DIVIDEND(K	TAX (KSHS)	NET (KSHS)
92	30/06/1994	720,000.00	35,035.60	684,964.40
93	31/12/1994	720,000.00	35,920.80	684,079.20
94	30/06/1995	720,000.00	36,057.00	683,943.00
95	31/12/1995	720,000.00	36,387.40	683,612.60
96	30/06/1996	720,000.00	26,184.65	693,815.35
97	31/12/1996	720,000.00	26,565.75	693,434.25
98	30/06/1997	720,000.00	18,973.55	701,026.45
99	31/12/1997	720,000.00	14,425.52	705,574.48
100	30/06/1998	720,000.00	15,371.50	704,628.50
101	31/12/1998	720,000.00	15,272.18	704,727.82
102	30/06/1999	720,000.00	15,334.20	704,665.80
103	31/12/1999	720,000.00	14,952.20	705,047.80
104	30/06/2000	720,000.00	15,158.05	704,841.95
105	31/12/2000	720,000.00	15,131.40	704,868.60
106	30/06/2001	720,000.00	15,066.10	704,933.90
107	31/12/2001	720,000.00	15,419.80	704,580.20
108	30/06/2002	720,000.00	15,379.65	704,620.35
109	31/12/2002	720,000.00	15,549.65	704,450.35
110	30/06/2003	720,000.00	15,545.30	704,454.70
111	31/12/2003	720,000.00	15,525.30	704,474.70
112	30/06/2004	720,000.00	15,525.30	704,474.70
113	31/12/2004	720,000.00	15,525.30	704,474.70
114	30/06/2005	720,000.00	15,525.30	704,474.70
115	31/12/2005	720,000.00	15,739.30	704,260.70
116	30/06/2006	720,000.00	16,311.95	703,688.05
117	31/12/2006	720,000.00	16,559.55	703,440.45
118	30/06/2007	720,000.00	16,325.55	703,674.45
119	31/12/2007	720,000.00	16,200.15	703,799.85
120	30/06/2008	720,000.00	16,176.65	703,823.35
121	31/12/2008	720,000.00	16,174.65	703,825.35
122	30/06/2009	720,000.00	16,174.45	703,825.55
123	31/12/2009	720,000.00	16,174.45	703,825.55
TOTALS		**23,040,000.00**	**605,668.20**	**22,434,331.80**

APPENDIX IV

DIVIDENDS PAID FOR THE LAST 15 YEARS

7 % PREF. PAID HALF YEARLY AT A RATE OF KSHS.0.70 PER SHARE ON 350,000 STOCK UNITS

ISSUE NO.	DATE OF PAYMENT	GROSS DIVIDEND(KSHS)	TAX (KSHS)	NET (KSHS)
133	30/06/1994	245,000.00	9,030.00	235,970.00
134	31/12/1994	245,000.00	9,275.70	235,724.30
135	30/06/1995	245,000.00	9,346.75	235,653.25
136	31/12/1995	245,000.00	9,457.00	235,543.00
137	30/06/1996	245,000.00	6,513.95	238,486.05
138	31/12/1996	245,000.00	6,599.30	238,400.70
139	30/06/1997	245,000.00	4,916.45	240,083.55
140	31/12/1997	245,000.00	4,886.59	240,113.41
141	30/06/1998	245,000.00	4,911.45	240,088.55
142	31/12/1998	245,000.00	4,905.50	240,094.50
143	30/06/1999	245,000.00	4,846.00	240,154.00
144	31/12/1999	245,000.00	4,735.80	240,264.20
145	30/06/2000	245,000.00	4,744.85	240,255.15
146	31/12/2000	245,000.00	4,744.85	240,255.15
147	30/06/2001	245,000.00	4,824.50	240,175.50
148	31/12/2001	245,000.00	4,824.50	240,175.50
149	30/06/2002	245,000.00	4,804.45	240,195.55
150	31/12/2002	245,000.00	4,804.45	240,195.55
151	30/06/2003	245,000.00	4,804.45	240,195.55
152	31/12/2003	245,000.00	4,804.45	240,195.55
153	30/06/2004	245,000.00	4,804.45	240,195.55
154	31/12/2004	245,000.00	4,804.45	240,195.55
155	30/06/2005	245,000.00	4,804.45	240,195.55
156	31/12/2005	245,000.00	4,734.45	240,265.55
157	30/06/2006	245,000.00	4,734.45	240,265.55
158	31/12/2006	245,000.00	4,734.45	240,265.55
159	30/06/2007	245,000.00	4,734.45	240,265.55
160	31/12/2007	245,000.00	4,715.05	240,284.95
161	30/06/2008	245,000.00	4,715.05	240,284.95
162	31/12/2008	245,000.00	4,715.05	240,284.95
163	30/06/2009	245,000.00	4,715.05	240,284.95
164	31/12/2009	245,000.00	4,715.05	240,284.95
TOTALS		**7,840,000.00**	**174,707.39**	**7,665,292.61**

Appendix V

MMARY OF DIVIDENDS PAID TO CURRENT
JOR TWENTY SHAREHOLDERS FROM 1998 TO JANUARY, 2010

JOR TOP TWENTY (20) SHAREHOLDERS(AS AT 31/03/2010)

		CURRENT HOLDINGS				
)	NAME OF SHAREHOLDER	ORDINARY SHARES	4% PREF.	7% PREF.	TOTAL	DIVIDEND PAID FROM 1998 TO JANUARY 2010 (KSHS)
	Permanent Secretary to the Treasury (various accounts)	32,002,929	656,808	193,531	32,853,268	1,076,318,146.80
	Barclays (Kenya) Nominees	9,183,758	5,127	250	9,189,135	159,187,275.00
	Board of Trustees, N.S.S.F.	6,413,801	3,550	750	6,418,101	246,643,674.00
	Stanbic Nominees (K) Ltd.(various	2,269,717	48,308	-	2,318,025	54,585,302.05
	enya Commercial Bank Nominees	2,114,370	69,584	800	2,184,754	44,773,378.20
	Jubilee Insurance(various	1,613,435	59,828	17,160	1,690,423	59,062,599.30
	Nic Custodial Services(various	1,227,948	-	-	1,227,948	15,783,962.00
	CFC LIFE ASSURANCE	871,475			871,475	9,530,738.75
	ALIMOHAMED ADAM	529,169	277,264	57,617	864,050	20,122,419.95
	CO-OP CUSTODY	647,482				13,757,409.20
	PHOENIX OF E.A.	630,168				15,154,990.00
	BRITISH AMERICAN	482,600				6,740,950.00
	K.P.L.C. LTD. STAFF	450,000				14,100,000.00
	THE HERITAGE ALL	419,408				14,058,524.00
	KENINDIA ASSURANCE CO.	389,300				4,807,300.00
	TRANSCENTURY	381,100				8,271,650.45
	MADISON INSURANCE CO. (K)	334,044				7,937,685.80
	OLD MUTUAL INSURANCE	263,000				14,360,934.00
	JENNID TRADING CO. LTD	245,012				4,188,991.70
	GANDHI SMARAK NIDHI	234,963				8,015,344.80

DIVIDENDS PAID TO CURRENT TOP 20 SHAREHOLDERS FROM 1998 TO-DATE

1) PERMANENT SECRETARY TO THE TREASURY (VARIOUS ACCOUNTS)

YEAR	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	21,335,286	170,682,288.00	193,531	270,943.40	656,808	525,446.40	171,478,677.80
1999	32,002,929	256,023,432.00	193,531	270,943.40	656,808	522,615.60	256,816,991.00
2000	32,002,929	64,005,858.00	193,531	270,943.40	656,808	525,446.40	64,802,247.80
2001	32,002,929	-	193,531	270,943.40	656,808	525,446.40	796,389.80
2002	32,002,929	-	193,531	270,943.40	656,808	525,446.40	796,389.80
2003	32,002,929	-	193,531	270,943.40	656,808	525,446.40	796,389.80
2004	32,002,929	-	193,531	270,943.40	656,808	525,446.40	796,389.80
2005	32,002,929	48,004,393.50	193,531	270,943.40	656,808	525,446.40	48,800,783.30
2006	32,002,929	48,004,393.50	193,531	270,943.40	656,808	525,446.40	48,800,783.30
2007	32,002,929	96,008,787.00	193,531	270,943.40	656,808	525,446.40	96,805,176.80
2008	32,002,929	128,011,716.00	193,531	270,943.40	656,808	525,446.40	128,808,105.80
2009	32,002,929	256,023,432.00	193,531	270,943.40	656,808	525,446.40	256,819,821.80
TOTAL DIVIDENDS		1,066,764,300.00		3,251,320.80		6,302,526.00	1,076,318,146.80

2) BARCLAYS (KENYA) NOMINEES LTD.(VARIOUS ACCOUNTS)

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	59,676	443,870.40	250	332.50	5,127	3,691.40	447,894.30
1999	89,514	665,805.60	250	332.50	5,127	3,691.40	669,829.50
2000	89,514	166,451.40	250	332.50	5,127	3,691.40	170,475.30
2001		-	250	332.50	5,757	4,157.60	4,490.10
2002		-	250	332.50	5,127	3,691.40	4,023.90
2003		-	250	332.50	5,127	3,691.40	4,023.90
2004		-	250	332.50	5,682	3,891.20	4,223.70
2005	8,429,828	12,597,744.60	250	332.50	5,127	3,691.40	12,601,768.50
2006	6,060,632	9,041,518.30	250	332.50	5,127	3,691.40	9,045,542.20
2007	6,980,959	25,740,827.65	250	332.50	5,127	3,691.40	25,744,851.55
2008	9,396,727	37,006,173.85	250	332.50	5,127	3,691.40	37,010,197.75
2009	9,472,527	73,475,930.40	250	332.50	5,127	3,691.40	73,479,954.30
TOTAL DIVIDENDS		159,138,322.20		3,990.00		44,962.80	159,187,275.00

3) BOARD OF TRUSTEES - NSSF (VARIOUS ACCOUNTS)

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	5,702,112	45,616,896.00	750	1,050.00	3,550	2,840.00	45,620,786.00
1999	8,553,168	68,425,344.00	750	1,050.00	3,550	2,840.00	68,429,234.00
2000	8,553,168	17,106,336.00	750	1,050.00	3,550	2,840.00	17,110,226.00
2001	8,553,168	-	750	1,050.00	3,550	2,840.00	3,890.00
2002	8,553,168	-	750	1,050.00	3,550	2,840.00	3,890.00
2003	8,553,168	-	750	1,050.00	3,550	2,840.00	3,890.00
2004	8,553,168	-	750	1,050.00	3,550	2,840.00	3,890.00
2005	6,413,801	9,620,701.50	750	1,050.00	3,550	2,840.00	9,624,591.50
2006	6,413,801	9,620,701.50	750	1,050.00	3,550	2,840.00	9,624,591.50
2007	6,413,801	19,241,403.00	750	1,050.00	3,550	2,840.00	19,245,293.00
2008	6,413,801	25,655,204.00	750	1,050.00	3,550	2,840.00	25,659,094.00
2009	6,413,801	51,310,408.00	750	1,050.00	3,550	2,840.00	51,314,298.00
TOTAL DIVIDENDS		246,596,994.00		12,600.00		34,080.00	246,643,674.00

4) CFC STANBIC NOMINEES LTD. (VARIOUS ACCOUNTS)

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	823,303	4,041,150.60	630	226.80		-	4,041,377.40
1999	1,484,186	10,303,354.95	630	453.60		-	10,303,808.55
2000	1,304,376	2,447,073.00		-		-	2,447,073.00
2001		-		-		-	-
2002		-		-		-	-
2003		-		-		-	-
2004		-		-		-	-
2005	4,296,871	6,444,091.05		-	36,608	33,732.40	6,477,823.45
2006	1,265,039	1,894,761.00		-	48,308	38,178.40	1,932,939.40
2007	1,789,808	5,076,423.60		-	48,308	38,646.40	5,115,070.00
2008	1,879,428	7,320,697.85		-	48,308	38,646.40	7,359,344.25
2009	1,879,428	16,869,219.60		-	48,308	38,646.40	16,907,866.00
TOTAL DIVIDENDS		54,396,771.65		680.40		187,850.00	54,585,302.05

5) KENYA COMMERCIAL BANK NOMINEES LTD. (VARIOUS ACCOUNTS)

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	575,126	4,534,616.90	-	-	85,264	67,103.20	4,601,720.10
1999	863,897	6,813,975.80		-	81,964	64,479.20	6,878,455.00
2000	863,897	1,708,837.70		-	81,964	64,479.20	1,773,316.90
2001		-		-	81,964	64,479.20	64,479.20
2002		-		-	81,964	64,479.20	64,479.20
2003		-		-	81,964	64,479.20	64,479.20
2004		-		-	81,964	64,479.20	64,479.20
2005	908,981	1,351,722.15		-	81,964	64,479.20	1,416,201.35
2006	846,370	1,258,291.05		-	75,774	59,527.20	1,317,818.25
2007	1,536,047	4,527,147.65		-	69,584	54,575.20	4,581,722.85
2008	1,796,247	6,944,939.75		-	69,584	54,575.20	6,999,514.95
2009	2,146,170	16,892,136.80		-	69,584	54,575.20	16,946,712.00
TOTAL DIVIDENDS		44,031,667.80				741,710.40	44,773,378.20

6) JUBILEE INSURANCE COMPANY OF KENYA LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	1,471,152	11,769,216.00	17,160	24,024.00	59,828	47,862.40	11,841,102.40
1999	2,070,729	15,897,332.00	17,160	24,024.00	59,828	47,862.40	15,969,218.40
2000	1,937,029	3,874,058.00	17,160	24,024.00	59,828	47,862.40	3,945,944.40
2001		-	17,160	24,024.00	59,828	47,862.40	71,886.40
2002		-	17,160	24,024.00	59,828	47,862.40	71,886.40
2003		-	17,160	24,024.00	59,828	47,862.40	71,886.40
2004		-	17,160	24,024.00	59,828	47,862.40	71,886.40
2005	1,410,766	2,116,149.00	17,160	24,024.00	59,828	47,862.40	2,188,035.40
2006	1,231,535	1,847,302.50	17,160	24,024.00	59,828	47,862.40	1,919,188.90
2007	1,408,735	4,209,285.00	17,160	24,024.00	59,828	47,862.40	4,281,171.40
2008	1,471,835	5,862,340.00	17,160	24,024.00	59,828	47,862.40	5,934,226.40
2009	1,613,435	12,624,280.00	17,160	24,024.00	59,828	47,862.40	12,696,166.40
TOTAL DIVIDENDS		58,199,962.50		288,288.00		574,348.80	59,062,599.30

7) NIC CUSTODIAL SERVICES (VARIOUS ACCOUNTS)

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998		-					-
1999		-					
2000		-					
2001		-					
2002		-					
2003		-					
2004		-					
2005		-					
2006	39,892	59,838.00		-		-	59,838.00
2007	169,492	480,438.00		-		-	480,438.00
2008	1,313,623	5,106,612.00		-		-	5,106,612.00
2009	1,391,223	10,137,074.00		-		-	10,137,074.00
TOTAL DIVIDENDS		15,783,962.00				-	15,783,962.00

8) CFC LIFE ASSURANCE LIMITED

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998							-
1999							-
2000							-
2001							-
2002							-
2003							-
2004							-
2005							-
2006							-
2007							-
2008	718,475	2,939,388.75					2,939,388.75
2009	871,475	6,591,350.00					6,591,350.00
TOTAL DIVIDENDS		9,530,738.75		-		-	9,530,738.75

9) ALIMOHAMED ADAM

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	352,746	2,680,869.60	27,668	36,798.40	259,992	197,517.90	2,915,185.90
1999	529,119	4,021,304.40	46,545	61,904.80	260,417	197,916.90	4,281,126.10
2000	529,119	1,005,326.10	57,617	76,630.60	275,264	209,200.60	1,291,157.30
2001		-	57,617	76,630.60	277,264	210,720.60	287,351.20
2002		-	57,617	76,630.60	277,264	210,720.60	287,351.20
2003		-	57,617	76,630.60	277,264	210,720.60	287,351.20
2004		-	57,617	76,630.60	277,264	210,720.60	287,351.20
2005	529,169	754,065.80	57,617	76,630.60	277,264	210,720.60	1,041,417.00
2006	529,169	754,065.80	57,617	76,630.60	277,264	210,720.60	1,041,417.00
2007	529,169	1,508,131.65	57,617	76,630.60	277,264	210,720.60	1,795,482.85
2008	529,169	2,010,842.20	57,617	76,630.60	277,264	210,720.60	2,298,193.40
2009	529,169	4,021,684.40	57,617	76,630.60	277,264	210,720.60	4,309,035.60
TOTAL DIVIDENDS		16,756,289.95		865,009.20		2,501,120.80	20,122,419.95

10) CO-OP BANK CUSTODIAL SERVICES

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	12,336	95,429.40					95,429.40

1999	904,930	5,990,636.35	4,649	5,857.70	8,050	5,796.00	6,002,290.05
2000	910,371	1,729,704.90	4,649	5,857.70	8,050	5,796.00	1,741,358.60
2001			4,649	5,857.70	8,050	5,796.00	11,653.70
2002			4,649	5,857.70	8,100	5,815.00	11,672.70
2003			4,649	5,857.70	8,100	5,834.00	11,691.70
2004			4,649	5,857.70	8,100	5,834.00	11,691.70
2005	1,238,806	1,847,352.35	4,649	5,857.70	8,300	5,986.00	1,859,196.05
2006	122,337	180,965.20	4,649	5,857.70	8,300	5,986.00	192,808.90
2007	96,285	237,405.80	4,649	5,857.70	8,300	5,986.00	249,249.50
2008	68,785	262,657.40	4,649	5,857.70	8,100	5,834.00	274,349.10
2009	528,237	3,284,326.10	4,649	5,857.70	8,100	5,834.00	3,296,017.80
TOTAL DIVIDENDS		13,628,477.50		64,434.70		64,497.00	13,757,409.20

11) PHOENIX OF EAST AFRICA ASSURANCE CO. LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	75,128	601,024.00	-	-	-	-	601,024.00
1999	112,692	1,031,766.00	-	-	-	-	1,031,766.00
2000	138,738	277,476.00	-	-	-	-	277,476.00
2001		-	-	-	-	-	-
2002		-	-	-	-	-	-
2003		-	-	-	-	-	-
2004		-	-	-	-	-	-
2005	764,068	1,146,102.00	-	-	-	-	1,146,102.00
2006	764,068	1,146,102.00	-	-	-	-	1,146,102.00
2007	730,168	2,190,504.00	-	-	-	-	2,190,504.00
2008	730,168	2,920,672.00	-	-	-	-	2,920,672.00
2009	730,168	5,841,344.00	-	-	-	-	5,841,344.00
TOTAL DIVIDENDS		15,154,990.00		-		-	15,154,990.00

12) BRITISH AMERICAN INSURANCE CO. KENYA LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998		-	-	-	-	-	-
1999	70,000	350,000.00	-	-	-	-	350,000.00
2000	88,000	176,000.00	-	-	-	-	176,000.00
2001		-	-	-	-	-	-
2002		-	-	-	-	-	-
2003		-	-	-	-	-	-
2004		-	-	-	-	-	-
2005	321,400	482,100.00	-	-	-	-	482,100.00
2006	266,900	400,350.00	-	-	-	-	400,350.00
2007	371,500	984,300.00	-	-	-	-	984,300.00
2008	371,500	1,331,200.00	-	-	-	-	1,331,200.00
2009	482,600	3,017,000.00	-	-	-	-	3,017,000.00
TOTAL DIVIDENDS		6,740,950.00		-		-	6,740,950.00

13) K.P.LC. STAFF RETEREMENT BENEFIT SCHEME TRUSTEES

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	300,000	1,500,000.00					1,500,000.00
1999	450,000	3,600,000.00					3,600,000.00

2000	450,000	900,000.00					900,000.00
2001		-					-
2002		-					-
2003		-					-
2004		-					-
2005	450,000	675,000.00					675,000.00
2006	450,000	675,000.00					675,000.00
2007	450,000	1,350,000.00					1,350,000.00
2008	450,000	1,800,000.00					1,800,000.00
2009	450,000	3,600,000.00					3,600,000.00
TOTAL DIVIDENDS		14,100,000.00		-		-	14,100,000.00

14) HERITAGE ALL INSURANCE CO. LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	339,382	2,715,056.00					2,715,056.00
1999	509,073	4,072,584.00					4,072,584.00
2000	509,073	1,018,146.00					1,018,146.00
2001		-					-
2002		-					-
2003		-					-
2004		-					-
2005	40,104	60,156.00					60,156.00
2006	334,708	502,062.00					502,062.00
2007	360,708	933,324.00					933,324.00
2008	384,408	1,471,932.00					1,471,932.00
2009	419,408	3,285,264.00					3,285,264.00
TOTAL DIVIDENDS		14,058,524.00		-		-	14,058,524.00

15) KENINDIA ASSURANCE CO. LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
2005	350,000	525,000.00					525,000.00
2006	-	-					-
2007	-	-					-
2008	389,300	1,167,900.00					1,167,900.00
2009	389,300	3,114,400.00					3,114,400.00
TOTAL DIVIDENDS		4,807,300.00		-		-	4,807,300.00

16) TRANS-CENTURY LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
2005	140,836	200,691.30	-	-	-	-	200,691.30
2006	1,093,303	1,557,956.75	-	-	-	-	1,557,956.75
2007	1,093,303	1,969,529.55	-	-	-	-	1,969,529.55
2008	590,503	1,647,112.85	-	-	-	-	1,647,112.85
2009	381,100	2,896,360.00	-	-	-	-	2,896,360.00
TOTAL DIVIDENDS		8,271,650.45		-		-	8,271,650.45

17) MADISON INSURANCE CO. LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS

	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	20,000	100,000.00					100,000.00
1999	175,000	1,400,000.00					1,400,000.00
2000	175,000	350,000.00					350,000.00
2001		-					-
2002		-					-
2003		-					-
2004		-					-
2005	443,176	631,525.80					631,525.80
2006	315,000	472,500.00					472,500.00
2007	334,044	975,132.00					975,132.00
2008	334,044	1,336,176.00					1,336,176.00
2009	334,044	2,672,352.00					2,672,352.00
TOTAL DIVIDENDS		7,937,685.80		-		-	7,937,685.80

18) OLD MUTUAL INSURANCE

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	447,858	3,582,864.00					3,582,864.00
1999	671,787	5,374,296.00					5,374,296.00
2000	671,787	1,343,574.00					1,343,574.00
2001		-					-
2002		-					-
2003		-					-
2004		-					-
2005		-					-
2006	130,000	195,000.00					195,000.00
2007	130,000	709,200.00					709,200.00
2008	263,000	1,052,000.00					1,052,000.00
2009	263,000	2,104,000.00					2,104,000.00
TOTAL DIVIDENDS		14,360,934.00		-		-	14,360,934.00

19) JENNID TRADING CO. LTD.

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
2005	244,512	348,429.60					348,429.60
2006	245,012	349,141.10					349,141.10
2007	245,012	698,284.20					698,284.20
2008	245,012	931,045.60					931,045.60
2009	245,012	1,862,091.20					1,862,091.20
TOTAL DIVIDENDS		4,188,991.70		-		-	4,188,991.70

20) GANDHI SMARAK NIDHI

	ORDINARY		7 % PREFERENCE		4 % PREFERENCE		TOTAL DIVIDENDS
	SHARES	DIVIDEND	SHARES	DIVIDEND	SHARES	DIVIDEND	
1998	156,642	1,253,136.00		-	28,632	22,905.60	1,276,041.60
1999	234,963	1,879,704.00		-	28,632	22,905.60	1,902,609.60
2000	234,963	469,926.00		-	28,632	22,905.60	492,831.60
2001		-		-	28,632	22,905.60	22,905.60
2002		-		-	28,632	22,905.60	22,905.60
2003		-		-	28,632	22,905.60	22,905.60
2004		-		-	28,632	22,905.60	22,905.60
2005	234,963	352,444.50		-	28,632	22,905.60	375,350.10

2006	234,963	352,444.50		-		-	352,444.50
2007	234,963	704,889.00		-		-	704,889.00
2008	234,963	939,852.00		-		-	939,852.00
2009	234,963	1,879,704.00		-		-	1,879,704.00
TOTAL DIVIDENDS		7,832,100.00		-		183,244.80	8,015,344.80

MINUTES OF THE TWENTY SECOND SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON THURSDAY 22ND APRIL, 2010 IN THE COMMITTEE ROOM, 5TH FLOOR, CONTINENTAL BUILDING, AT 10.10 A.M.

PRESENT

1. The Hon. (Eng) James Rege, M.P — **Chairperson**
2. The Hon. Edwin O. Yinda, M.P
3. The Hon. Danson Mwazo Mwakulegwa, M.P

ABSENT WITH APOLOGY

1. The Hon. Maina Kamau, M.P — **Vice Chairperson**
2. The Hon. Cyprian Omolo, M.P
3. The Hon. Emilio Kathuri, M.P
4. The Hon. (Eng.) Nicholas Gumbo, M.P
5. The Hon. Mohamed Hussein Ali, M.P
6. The Hon. (Prof.) Phillip Kaloki, MP
7. The Hon. Ekwee Ethuro, M.P

IN ATTENDANCE: **NATIONAL ASSEMBLY**

1. Mr. Zakayo Mogere — Second Clerk Assistant.
2. Mr. Jacob Ngwele — Third Clerk Assistant.

MIN.NO.32/2010 **PRELIMINARIES**

The Chairperson called the meeting to order at 10.10 a.m. and proceedings were opened with a word of prayer.

MIN. NO. 033/2010: **CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

Minutes of the 17th Sitting held on 25th February 2010 were confirmed as a true record of the deliberations and signed by the Chairperson after being proposed by Hon. E. Yinda and seconded by Hon. D. Mwazo.

Confirmation of Minutes of the 6th, 8th, 11th, 14th, 15th, 16th and 19th Sittings held on 16th July, 7th August, 20th November, 1st December, 2009, 16th, 17th, 18th February and 15th March, 2010, respectively, was deferred to a later sitting.

MIN. NO. 034/2010: MATTERS ARISING.

Under Min. No. 018/2010: Meeting with the Managing Director, GDC

Members noted with concern that the Committee was not invited by GDC to a visit they made to Indonesia despite an undertaking by the Managing Director.

The Committee directed the Secretariat to hasten the proposed visits including local visits to geothermal fields, oil exploration site in Isiolo and the proposed ICT Park at Malili in Machakos.

MIN. NO. 035/2010: OWNERSHIP AND MANAGEMENT OF K.P.L.C LTD.

The Committee was informed that two (2) Questions by Private Notice had been asked in the House touching on the ownership and management of the Kenya Power and Lighting Company Ltd (KPLC) including its relationship with other parastatals in the energy sector such as the Rural Electrification Authority (REA) and Kenya Electricity Transmission Company Ltd (KETRACO). On 14th April, 2010 the Speaker directed the Committee to look into the matter and report to the House.

Members deliberated at length on the matter of ownership and management of K.P.L.C and the direction by the Chair of April 14, 2010 and resolved to invite the following persons to meetings of the Committee to deliberate on the matter:-

i. the Managing Directors of Kenya Power and Lighting Company Ltd (KPLC) – to appear on Wednesday 5th May, 2010 at 10.00 am.

ii. The Managing Directors/ Chief Executives of Rural Electrification Authority (REA), Energy Regulatory Commission (ERC) and Kenya Electricity Transmission Company Ltd (KETRACO) – to appear jointly on Wednesday 5th May, 2010 at 2.30 pm.

iii. The Deputy Prime Minister and Minister for Finance – to appear on Thursday 6th May, 2010 at 10.00 am.

iv. The Minister for Energy – to appear on Thursday 6th May, 2010 at 2.30 pm.

The Committee also outlined the following as broad issues to be deliberated on during the said meetings:-

i) The working relationship and handling of projects between KPLC, REA and KETRACO and their financial implications;

ii) The change of ownership in KPLC since the Government ceased to be a majority shareholder (provide yearly share registers to support the same);

iii) The ownership status of KPLC.

iv) The amount of financing received from the Government including loans guaranteed by the government in the last 15 years.

v) The Directors and senior managers of the company for the last 15 years;

vi) The amount of dividends paid to each shareholder for the last 15 years;

vii) The yearly average share price of the company for the last 15 years.

viii) What informed the decision by the government to reduce its majority stake in the company?

ix) Who did the government sell part of its shares in KPLC to and what was the process that was used?

x) The costing of electricity tariffs from generation to the final consumer.

MIN. NO. 036/2010: ADJOURNMENT

The Chairperson adjourned the meeting at Ten minutes past Eleven O'clock until Wednesday 5th May 2010 at 9.30 a.m.

Hon.(Eng.) James Rege, MP

SIGNED:..

CHAIRPERSON

10th August, 2010

DATE:..

MINUTES OF THE TWENTY THIRD SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON WEDNESDAY 5TH MAY, 2010 IN THE COMMITTEE ROOM, 2ND FLOOR, CONTINENTAL BUILDING, AT 9.30 A.M.

PRESENT

1. The Hon. (Eng) James Rege, M.P — **Chairperson**
2. The Hon. Maina Kamau, M.P — **Vice Chairperson**
3. The Hon. Edwin O. Yinda, M.P
4. The Hon. Danson Mwazo Mwakulegwa, M.P
5. The Hon. Emilio Kathuri, M,P
6. The Hon. (Eng.) Nicholas Gumbo, M.P

ABSENT WITH APOLOGY

1. The Hon. Cyprian Omolo, M.P
2. The Hon. Mohamed Hussein Ali, M.P
3. The Hon. (Prof.) Phillip Kaloki, MP
4. The Hon. Ekwee Ethuro, M.P

IN ATTENDANCE: KENYA POWER & LIGHTING COMPANY (KPLC)

1.	Eng. Joseph Njoroge	MD & CEO
2.	Mr. Harun Mwangi	Coordinator, REP
3.	Ms. Laurencia Njagi	Company Secretary
4.	Ms. Rose Gachimu	Asst. Shares Registrar
5.	Mr. Ben Chumo	Chief Manager, HR & Admin.
6.	Mr. Lawrence Yego	Chief Manager, Finance
7.	Eng. David Mwangi	Chief Manager, CP& PM

IN ATTENDANCE: NATIONAL ASSEMBLY

1.	Hon. Charles Kilonzo,	MP
2.	Hon. Benjamin Washiali,	MP
3.	Mr. Zakayo Mogere	Second Clerk Assistant.
4.	Ms. Veronicah Kibati	Research Officer.

MIN. NO. 037/2010: PRAYER

The proceedings were opened with a word of prayer.

MIN. NO. 038/2010: MEETING WITH THE MANAGING DIRECTOR, KPLC.

The Chairman welcomed the Managing Director to the meeting and informed him that House had raised questions regarding the high cost of electricity and the working relationship between the Kenya Power and Lighting Co. Ltd (KPLC) and Rural Electrification Authority (REA) and Kenya Electricity Transmission Company (KETRACO). Members then sought to know the following:-

i) The working relationship and handling of projects between KPLC, REA and KETRACO.
ii) The ownership status of KPLC (since inception and as at December 2009)
iii) The amount of financing received from the Government including loans guaranteed by the government in the last 15 years.
iv) The Directors and senior managers of the company for the last 15 years.
v) The amount of dividends paid to each shareholder for the last 15 years.
vi) The yearly average share price of the company for the last 15 years.
vii) What informed the decision to divest its majority stake at K.P.L.C
viii) Who bought those shares, how many shares and at what price
ix) What is the identity of the KCB, NIC, Barclays and other nominees who own KPLC?
x) How many preference shares does the government (and its related institutions) hold at K.P.L.C?
xi) Can the Government convert its preference shares at K.P.L.C into ordinary shares in order to regain its majority stake at the company?
xii) Is KPLC management aware that Kenyans are complaining about the high electricity costs? What mechanisms have been put in place to address these grievances?

The Managing Director gave a brief history of KPLC and informed the Committee that KPLC was incorporated in 1922 as a private company which was listed in the Nairobi Stock Exchange in 1954. On diverse dates between 1960 and 1975, the government bought KPLC shares totaling to 32,853,268 which represents 40.4% of the voting shares of the Company. The Government has not sold its shares in KPLC to date. He further informed the Committee that:-

a) Prior to October 2005, the combined shareholding of the Government and the National Social Security Fund (NSSF) amounted to 41,477,927 shares representing 51.03% of the Company. However, during October 2005, NSSF sold 2,139,367 shares to Trans-Century Ltd thereby reducing the government stake to 48.4%.

b) The Government owns a further 794,962,491 shares being 7.85% Redeemable Non-Cumulative Preference shares. These shares are redeemable at the option of KPLC and have no voting rights. They are basically a debt.

c) Treasury has approved plans by KPLC to convert the 795 million redeemable non-cumulative preference shares to ordinary shares at a ratio of 1:1. This conversion will raise the government stake to 92%. However, the government will float rights issue and renounce its right so as to maintain its current stake, at 40%.

d) KPLC operates like a class 'A' parastatal even if the government does not control more than 50+1%. The government appoints most of the directors of the company and exercises grater control on the company, being the single largest shareholder.

e) Rural Electrification Programme (REP) was established in 1973 and operated by KPLC prior to the formation of Rural Electrification Authority (REA) in 2007. The Programme finances capital costs and operating losses of new sub-economic rural electrification projects.

f) All REA assets belong to the government. However, upon completion of its projects, REA hands them over to KPLC for operation and maintenance.

g) On 30th April, 2010 KPLC and REA entered into a formal Service Level Agreement that describes each party's roles with respect to REP projects.

h) Pursuant to the Sessional Paper No. 4 of 2004 on Energy and the Energy Act, 2006, the Government established the Kenya Electricity Transmission Company (KETRACO) in December, 2008 to develop new transmission lines using government funds and/or concessional loans from development partners, with electricity consumers paying only operations and maintenance costs and not capital amortization costs of the lines.

i) KPLC retained ownership of the existing transmission lines.

j) KETRACO is not meant to trade in power but to facilitate opening access. Its mandate include planning, designing, constructing, operating and maintain high-voltage electricity transmission lines and sub-stations.

k) As it is still in its formative stage, KETRACO does not yet have a full complement of staff and before recruiting its current staff, it has relied on some staff seconded to it by KPLC.

l) On 30th April, 2010, KETRACO entered into a Mutual Co-operation and provision of Services Agreement with KPLC. Under the Agreement, KETRACO appoints KPLC to provide technical, operational and support services.

m) Electricity tariffs are set by the Energy Regulatory Commission and that KPLC is not fleecing consumers despite its recent profitability.

Papers Laid

The Managing Director laid the following papers:-

i) Stock Disposition summary as at 30th September, 2005, 31st October, 2005 and 31st March, 2010.
ii) List of top 20 shareholders as at 5th December, 2005, 30th June, 2006, 30th June, 2007, 30th June, 2008, 30th June, 2009 and 31st March, 2010.
iii) List of Government guaranteed loans to KPLC totaling to Kshs.15.3 billion (1996-2004).
iv) List of company Directors since 1995 to date.
v) Amount of dividends paid to each shareholder from 1995 to date.
vi) Monthly average share price of KPLC shares from 2003 to 2009.
vii) Share register for all categories of shares as at 31st December 1997 and 31st March, 2010.

The Managing Director urged the Committee to introduce legislations aimed at protecting consumers and the energy sector especially increasing penalties for transformer vandalism.

The Committee urged the Managing Director to engage in publicity campaign on the affairs of KPLC especially on its working relationship with REA and KETRACO.

MIN. 039/2010 ADJOURNMENT

And there being no other business the Chairman adjourned the sitting at thirty minutes past One O'clock, until 2.30 pm in the afternoon.

Hon.(Eng.) James Rege, MP

SIGNED:...

CHAIRPERSON

10th August, 2010

DATE:...

MINUTES OF THE TWENTY FOURTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON WEDNESDAY 5TH MAY, 2010 IN THE COMMITTEE ROOM, 2ND FLOOR, CONTINENTAL BUILDING, AT 3.00 P.M.

PRESENT

1. The Hon. (Eng) James Rege, M.P — **Chairperson**
2. The Hon. Edwin O. Yinda, M.P
3. The Hon. Danson Mwazo Mwakulegwa, M.P
4. The Hon. Emilio Kathuri, M,P

ABSENT WITH APOLOGY

1. The Hon. Maina Kamau, M.P — **Vice Chairperson**
2. The Hon. (Eng.) Nicholas Gumbo, M.P
3. The Hon. Cyprian Omolo, M.P
4. The Hon. Mohamed Hussein Ali, M.P
5. The Hon. (Prof.) Phillip Kaloki, MP
6. The Hon. Ekwee Ethuro, M.P

IN ATTENDANCE: **KENYA TRANSMISSION COMPANY (KETRACO)**

1. Mr. Joel M. Kiilu - MD and CEO
2. Mr. Duncan K. Macharia - Company Secretary

ENERGY REGULATORY COMMISSION (ERC)

1. Dr. Frederick Nyang - Director, Economic Regulation
2. Mr. Joe Ng'ang'a - Director, Electricity
3. Mr. Peter Nduru - Director, Petroleum
4. Ms. Mueni Mutung'a - Commission Secretary

RURAL ELECTRIFICATION AUTHORITY (REA)

1. Mr. Zachary O. Ayiecho - CEO
2. Mr. Ng'ang'a Munyu - General Manager
3. Mr. Edward Gakunju - Senior economist

IN ATTENDANCE: **NATIONAL ASSEMBLY**

1. Hon. Benjamin Washiali, MP
2. Mr. Zakayo Mogere Second Clerk Assistant.
3. Ms. Veronicah Kibati Research Officer.

MIN. NO. 040/2010: **PRAYER**

The proceedings were opened with a word of prayer.

MIN. NO. 041/2010: **MEETING WITH THE MANAGING DIRECTORS OF REA, KETRACO & ERC.**

The Chairman welcomed the Managing Directors to the meeting and informed them that House had raised questions regarding the high cost of electricity and the working relationship between the Kenya Power and Lighting Co. Ltd (KPLC), Rural Electrification Authority (REA) and Kenya Electricity Transmission Company (KETRACO). Members then sought clarification on the following:-

i) The working relationship and handling of projects between KPLC, REA and KETRACO and their financial implications.
ii) How does REA/KETRACO benefit from the working relationship with KPLC?
iii) Who takes ownership of the assets involved in the handing over of projects, including CDF funds (matching fund)?
iv) Did KETRACO/REA receive any assets from KPLC; what was the cost of the assets received?
v) Has REA given any funds to KPLC? How much money did they give and for what purpose?
vi) The costing of electricity tariffs from generation to the final consumer.
vii) The reason behind the rising cost of electricity; why electricity costs did not reduce even with the increased rains and previous drop in fuel costs
viii) Explain the increase in fuel costs and what measures they are taking to regulate the market
ix) What measures have they put in place to address the high cost of electricity and aggrieved Kenyans complaining of the high costs

The **Managing Director, Rural Electrification Authority** (REA) informed the Committee that REA is established under section 66 of the Energy Act to enhance electricity access and connectivity levels within the rural areas by extending the grid network and off-grid supply in areas far away from the grid. He further informed the Committee that:-

a) All rural electrification projects implemented by REA are handed over to KPLC for maintenance upon completion and that a Service Level Agreement had been recently signed to formalize this agreement.
b) Prior to the establishment of REA (1973-2007), all the assets developed under the rural electrification programme are owned by the Government under KPLC.
c) KPLC is responsible for all operations and management of the projects handed over to them including all necessary operational repairs and maintenance at its own costs.
d) All capital works and installations for the projects handed over to KPLC remain the property of REA and shall be reflected in REA's books as assets.
e) REA does not pay KPLC any funds for management of the projects since it was covered through the electricity retail tariff.

Paper Laid

The Managing Director laid the following paper:-

Service Level Agreement between KPLC and REA on the implementation, operation and maintenance of rural electrification projects.

The **Managing Director, Kenya Electricity Transmission Company (KETRACO)** informed the Committee that the Company is 100% government owned and was incorporated in December 2008 in line with the Sessional Paper No. 4 of 2004 which had recommended for the unbundling of KPLC into two entities, one for transmission and the other for distribution. He further informed the Committee that:-

a) KETRACO's mandate include planning, designing, constructing, operating and maintain high-voltage electricity transmission lines and sub-stations. These new lines will include 132KV, 220KV, 400 KV and 500HVDC.
b) KPLC will keep its current stock of existing 132KV and 220 KV transmission lines.
c) For a long time there has not been sufficient investment in transmission lines meaning that the power grid did not expand at the same rate as the increase in electricity demand.
d) KETRACO benefited from the relationship with KPLC because KPLC took over management and operations of transmission lines, seconded and trained staff to KETRACO.

The Committee asked the Managing Director to explore ways of taking over all high voltage transmission lines that were constructed prior to the formation of KETRACO. The Managing Director informed the Committee that that was the initial intention of KETRACO but the plan was shelved because of fears of litigation by private shareholders of KPLC.

Paper Laid

The Managing Director laid the following paper:-

A list of 34 projects that KETRACO is undertaking for the period 2008-2013.

Directors of the Energy Regulatory Commission (ERC) informed the Committee that ERC is a single regulatory agency with responsibility for economic and technical regulation of electric power, renewable energy and downstream petroleum sub-sectors including preparation of indicative national energy plans, tariff setting and review, licensing, dispute settlement and approval of power purchase and network service contracts. The Committee was further informed that:-

a) KPLC was the single buyer for all the power generated and that trading arrangements between KPLC and power generators were governed by a long-term Power Purchase Agreement (PPA).
b) The pass-through terms in the tariff structure include the fuel cost charge (FCC), the foreign exchange rate fluctuations adjustment and the inflation adjustment and that with increase in customers, the costs were spread and therefore reduced.
c) In coming up with power tariffs, profitability of industry players such as Kengen and KPLC, is taken into consideration.
d) There is need for the government to give more subsidies to reduce overheads that are passed on to the consumers.
e) Various stakeholders including consumers are consulted during the revision of power tariffs.
f) Even with the recent rains, the change in power tariffs is not immediate as the water resources needed to be managed over a period of time.
g) ERC cannot control the price of petroleum as the Minister for Energy had not gazette the draft regulations forwarded to him.

The committee emphasized on the need for ERC to publicize petroleum price variations so that the consumers may always be informed.

Paper Laid.

The Director of Electricity laid the following paper:-

Breakdown of retail electricity tariffs 2008/09 – 2010/11.

MIN. 042/2010 ADJOURNMENT

And there being no other business the Chairman adjourned the sitting at Fifteen minutes past Six O'clock until Wednesday 12th May, 2010 at 9.30 a.m.

Hon.(Eng.) James Rege, MP

SIGNED:..

CHAIRPERSON

10th August, 2010

DATE:...

MINUTES OF THE TWENTY FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON WEDNESDAY 12TH MAY, 2010 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDING AT 9.30 A.M.

PRESENT

1. The Hon. (Eng) James Rege, M.P	**Chairperson**
2. The Hon. Maina Kamau, M.P	**Vice Chairperson**
3. The Hon. Edwin O. Yinda, M.P	
4. The Hon. Ekwee Ethuro, M.P	
5. The Hon. Mohamed Hussein Ali, M.P	
6. The Hon. Emilio Kathuri, M.P	
7. The Hon. Cyprian Omolo, M.P	
8. The Hon. (Eng.) Nicholas Gumbo, M.P	

ABSENT WITH APOLOGY

The Hon. Danson Mwazo Mwakulegwa, M.P

ABSENT

The Hon. (Prof.) Phillip Kaloki, MP

IN ATTENDANCE:	MINISTRY OF ENERGY
1. Hon. Kiraitu Murungi	Minister for Energy
2. Hon. (Amb.) Mohamed Maalim, MP	Assistant Minister for Energy
3. Mr. Patrick M. Nyoike, CBS	Permanent Secretary for Energy (MOE)
4. Eng. Joel M.Kiilu	MD, KETRACO
5. Eng. Joseph K. Njoroge	MD, K.P.L.C
6. Eng. Kaburu Mwirichia	Director General, ERC
7. Mr. Zachary O. Ayieko	CEO, R.E.A
8. Mr. Eddy Njoroge	MD, KenGen
9. Mr. Martin Heya	Commissioner Petroleum- MOE
10. Mr.Peter Nyakundi	P.A to P.S MOE
11. Mr.Peter Nduru	Director Petroleum E.R.C
12. Ms. Agnes Ongandi	Head Admin & Corp -KETRACO

IN ATTENDANCE:	NATIONAL ASSEMBLY
1. Mr. Zakayo Mogere	Second Clerk Assistant
2. Mr. Jacob Ngwele	Third Clerk Assistant

MIN. NO. 043/2010: PRAYER

The proceedings were opened with a word of prayer.

MIN. NO. 044/2010: MEETING WITH THE MINISTER FOR ENERGY ON THE OWNERSHIP AND MANAGEMENT OF K.P.L.C.

The Chairman welcomed the Minister for Energy, the Permanent Secretary and senior Ministry officials to the meeting and informed them that House had raised questions regarding the high cost of electricity and the working relationship between the Kenya Power and Lighting Co. Ltd (KPLC), Rural Electrification Authority (REA) and Kenya Electricity Transmission Company (KETRACO). Members then sought clarification from the Minister on the following:-

i) Why is R.E.A giving funds to K.P.L.C;
ii) Why K.P.L.C is not paying R.E.A and KETRACO for services rendered by both;
iii) What is the Government doing to increase its majority shares at K.P.LC to 50+1%;
iv) Why are the prices of petroleum still going up despite the Ministers assurance that there is going to be regulation of petroleum prices,

a. On the **Working relationship between K.P.L.C; R.E.A and KETRACO** Minister informed the Committee that:-

i) KETRACO deals with high voltage lines and does not deal with individual lines and that it is owned and funded 100% by the public.
ii) When KETRACO was formed, the government decided that all new high voltage transmission lines should be owned by KETRACO while the old existing ones will continue to be operated by K.P.L.C.
iii) R.E.A does not bill any customer since their work is only confined to construction of power lines which it then hands them over to K.P.L.C to bill the customer.
iv) K.P.L.C is only operating existing stocks of high voltage KV lines
v) R.E.A does not give any funds to K.P.L.C and conversely there is no direct cash transfer from K.P.L.C to R.E.A.
vi) The assets installed by R.E.A are handed over by the government to K.P.L.C who manages them in trust of the government and therefore K.P.L.C is not making unjust profit in benefiting from the government through R.E.A.
vii) The main reason why KETRACO was formed was to bring down the cost of power by eliminating K.P.L.C from making returns on the lines which had already been put up by R.E.A and KETRACO and therefore K.P.L.C claims only costs of maintaining the network and thereby keeping the power tariff's down.
viii) The wisdom in establishing both R.E.A and KETRACO was to insulate the customer from paying returns on investment.
ix) Rural power lines are unable to generate enough money to sustain the lines themselves and therefore R.E.A has to compensate K.P.L.C for maintaining the rural lines through a service level agreement which defines the relationship between K.P.L.C and R.E.A.
x) The profit that K.P.L.C makes is based on tariffs' set up by the E.R.C and it is in the interest of the country that K.P.L.C makes profits since the bulk of K.P.L.C's profit is ploughed back towards infrastructure development.
xi) The electricity bill are about to come down in the near future.

b. On the **Ownership Structure of K.P.L.C**, the Minister informed the Committee that:-

i) The government has 40.4% shares in K.P.L.C

ii) Technically K.P.L.C does not qualify to be a Parastatal since the government does not have a majority representation at the Board level.

iii) In 2003, K.P.L.C was totally insolvent and the government was forced to underwrite K.P.L.C's debt to the tune of Kshs. 16 billion that was secured against preferential shares worth Kshs. 16 billion. The government has influence over K.P.L.C due to the preferential shares it holds.

iv) The minister would like the government to have a say in the management of K.P.L.C and to this end the government is trying to convert its preferential shares into Ordinary shares of 75% of the total share holding with the government eventually retaining over 50% of the shareholding.

v) The government sought and was granted approval by the N.S.E & CMA to convert and off load to the shareholders the difference between 75% and 50% so that the government should own 50%+ 1% thereby making K.P.L.C a fully fledged parastatal giving the government a say and clout in its board.

vi) The difference between 75% and 50% will go to the treasury to be used by the government in other projects.

vii) The timetable for the conversion will be announced once the decision is ratified by the A.G.M.

viii) There are no plans for privatization of the management of K.P.L.C at the moment since already there is a performance contract in place and the present management has met the set targets.

c. On why the **petroleum Regulations have not been gazette**, the Minister informed the Committee that:-

i) In October 2008, the minister requested E.R.C to advice the Minister within the purview of the Energy Act, on the way forward with respect to the skyrocketing fuel prices.

ii) Thereafter E.R.C gazatted proposed Petroleum Regulations for 40 days and in November 2008, it received comments from the stakeholders in a stakeholders forums attended by 55 stakeholders.

iii) The Regulations were thereafter reviewed and brought to the Minister on 14th April 2009, and given that the regulations had far Reaching economic implications, the Minister decided to consult the Economic & Social Council and by then the prices had come down.

iv) The National Economic & Social Council opposed the proposals from the point of unsuitability of price controls and advised the Minister against promulgating the same. Thereafter, the Minister consulted the Minister for Energy of Tanzania who advised him that the system of price control had been inefficient.

v) It was the Ministers opinion that the best way to curb the run-away fuel prices was by strengthening N.O.C.K which presently has 70 petrol pumps by increasing the numbers to 150 pumps however, the treasury has refused to fund the proposed expansion which leaves the Minister with the option of looking for alternative financing.

vi) The Minister was looking for ways to streghetthng N.O.CK given that other countries have achieved success by state control of petro pumps.

vii) The Minister was in a fix on the best way to curb the run-away fuel prices either through Price controls or by strengthening NO.C.K given that the oil sector is a very sensitive industry and the government must tread cautiously due to the economic impact of price controls.

viii) The Minister was however exploring for other options of strengthening N.O.C.K and was in particular keen to allocate N.O.C.K a share of 30% in importation of oil in order to push the fuel prices down.

d. On the cause of **High Power Tariffs** the Minister informed the Committee that:-

i) Power tariffs' are calculated through the weighted average cost which takes into account the aspect of taxation, depreciation and other revenues.

ii) The last thorough review of power tariffs was done in 2008 and the same is done after 3 years and the methodology of computing power tariffs is gazette.

iii) E.R.C audits the operations of K.P.L.C regularly to confirm compliance with the power tariffs regulations.

iv) With respect to I.P.P's, this are private investors and the commission does not know whether there are vested interest in I.P.P's however some of them are old players and most of them are foreigners however Kenyans are getting a good deal from the I.P.P's.

v) The I.P.P's are generally expensive but since the market was liberalized the government is forced to buy power from them due to constraint in power supply however recently the government was able to re-negotiate the power tariffs with one I.P.P's downwards by 50%.

MIN. NO. 045/2010: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at fifty minutes past One O'clock, until Thursday 8th July 2010 at 9.30 a.m.

Hon.(Eng.) James Rege, MP

SIGNED:..

CHAIRPERSON

10th August, 2010

DATE:...

MINUTES OF THE THIRTY FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON TUESDAY, AUGUST 10, 2010 IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS AT 9.30 A.M.

PRESENT

1. The Hon. (Eng.) James Rege, M.P.	**Chairman**
2. The Hon. Maina Kamau, M.P	**Vice Chairman**
3. The Hon. Emilio Kathuri, M.P	
4. The Hon. Ekwee Ethuro, M.P	
5. The Hon. Danson Mwazo Mwakulegwa, M.P	
6. The Hon. Edwin O. Yinda, M.P	
7. The Hon. (Eng.) Nicholas Gumbo, M.P	
8. The Hon. Mohamed Hussein Ali, M.P	

ABSENT WITH APOLOGY

1. The Hon. Cyprian Omolo, M.P
2. The Hon. (Prof) Phillip Kaloki, M.P

IN ATTENDANCE:	NATIONAL ASSEMBLY
1. Mr. Zakayo Mogere	Second Clerk Assistant
2. Mr. Jacob Ngwele	Third Clerk Assistant

MIN. NO.078/2010: PRAYER

The proceedings were opened with a word of prayer.

MIN. NO. 079/2010: CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS

i) Minutes of the 22nd Sitting held on 22nd April, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

ii) Minutes of the 23rd Sitting held on 5th May, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

iii) Minutes of the 24th Sitting held on 5th May, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

iv) Minutes of the 25th Sitting held on 12th May, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

v) Minutes of the 26th Sitting held on 8th June, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

vi) Minutes of the 27th Sitting held on 24th June, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

vii) Minutes of the 28th Sitting held on 29th June, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

viii) Minutes of the 29th Sitting held on 1st July, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

ix) Minutes of the 30th Sitting held on 6th July, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

x) Minutes of the 31st Sitting held on 8th July, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

xi) Minutes of the 32nd Sitting held on 13th July, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

xii) Minutes of the 33rd Sitting held on 15th July, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

xiii) Minutes of the 34th Sitting held on 20th July, 2010 were confirmed as a true record of the deliberations and signed by the Chairperson.

MIN. NO.080/2010: CONSIDERATION OF THE DRAFT REPORT ON THE 2010/2011 ESTIMATES FOR THE MINISTRIES OF ENERGY AND INFORMATION & COMMUNICATIONS

The Committee went though the draft report on the 2010/2011 Annual Estimates for the Ministries of Energy and Information and Communication and adopted it. The Committee further mandated the Chairperson to Table the report in the House.

MIN. NO.081/2010: CONSIDERATION OF THE DRAFT REPORT ON THE OWNERSHIP AND STATUS OF THE KENYA POWER AND LIGHTING COMPANY LTD (KPLC)

The Committee went though the draft report on the ownership and status of the Kenya Power and Lighting Company Ltd and adopted it. The Committee further mandated the Chairperson to Table the report in the House.

MIN. NO.082/2010: ADJOURNMENT.

There being no other business for discussion, the Chair adjourned the meeting at Thirty minutes past Eleven O'clock until Tuesday 17th August, 2010.

Hon.(Eng.) James Rege, MP

SIGNED:..

CHAIRPERSON

10th August, 2010

DATE:..