
Office of Utilities Regulation

Can-Cara Development Limited Water and Sewerage Rates

Determination Notice



OFFICE OF UTILITIES REGULATION

2018 January 10

DOCUMENT TITLE AND APPROVAL PAGE

1. DOCUMENT NUMBER: 2018/WAS/003/DET.003

2. DOCUMENT TITLE: Can-Cara Development Limited Water and Sewerage Rates Determination Notice

3. PURPOSE OF DOCUMENT

This document examines Can-Cara Development Limited's Water and Sewerage Rates proposal and sets out the Office's decision on the rates to be charged for water and sewerage services by the company.

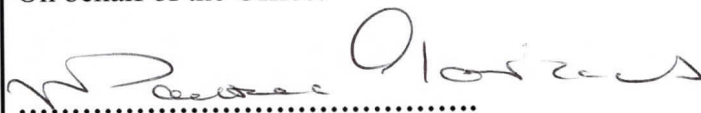
4. ANTECEDENT PUBLICATIONS

Publication Number	Publication Title	Publication Date
2014/WAS/001/DET.001	Can-Cara Development Limited Water and Sewerage Rates for Meadows of Irwin and Western Spanish Town	2014 March 12

5. Approval

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on **2018 February 1**

On behalf of the Office:



.....
Ansord E. Hewitt
Director General

2018 January 10

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Executive Summary

Can-Cara Development Limited (CDL) is a private company which operates under licences issued in 2004 and 2005 respectively for the provision of sewerage and water supply services in Western Spanish Town, St. Catherine, and licences issued in 2012, for the provision of water and sewerage services in Meadows of Irwin in Montego Bay, St. James.

CDL Tariff Proposal

On 2017 May 15, the company applied to the OUR for a non-objection to an increase in its rates and charges on the basis that the proposed rates were lower than those approved for the National Water Commission (NWC). In its submission CDL indicated that it had not received an increase in its rates since 2014 March. The company also pointed out that, based on its current tariff, it had been experiencing difficulties maintaining financial viability. The company posited that if the requested increases of approximately 27% in water rate and 15% in sewerage rate were granted, it would be able to cover increasing electricity costs, loan repayments and be placed in a position to finance planned capital improvements.

Table 1 below shows CDL's current and proposed rates, and the percentage increase requested by the company for its volumetric and fixed service charges.

Table 1: CDL's Current and Proposed Rate

Block (‘000 litres)	Current Rates (Water & Sewerage) (\$/m ³)	Proposed Rate		Proposed Change	
		Water (\$/m ³)	Sewerage (\$/m ³)	Water Rate (%)	Sewerage Rate (%)
0 to 14,000 litres	\$72.89	\$92.67	\$84.11	27.14	15.38
For the next 13,000 litres	\$128.53	\$163.41	\$148.30	27.14	15.38
For the next 14,000 litres	\$138.78	\$176.44	\$160.13	27.14	15.38
For the next 14,000 litres	\$177.14	\$225.22	\$204.39	27.14	15.38
For the next 36,000 litres	\$220.58	\$280.44	\$254.50	27.14	15.38
Over 91,000 litres	\$238.94	\$361.00	\$327.65	51.08	37.13
*Service (Fixed) Charge: 5/8inch /15mm	\$581.48	\$739.28	\$739.28	27.14	27.14

In addition to the request for its volumetric and fixed services charges, CDL proposed that its miscellaneous charges, which cover a number of connection and reconnection services, be adjusted (see Table 2 below).

Table 2: CDL’s Current and Proposed Unmetered, Reconnection Connection Charges

Service	Current Charge	Proposed Charge	% Change
Unmetered Water & Sewerage Service (incl. service charge)	\$2,622	\$3,077	17.4%
Unmetered Sewerage Service (incl. service charge)	\$1,602	\$1,879	17.4%
Reconnection Fees :			
-Water	\$1500	\$3,000 - \$6,000	100%-300%
-Sewerage	\$8000	\$10,000	25.0%
Other Charges:			
-Laid Connection	\$6,000	\$8,000	33.3%
-Unlaid Connection	\$15,000	\$15,000	0.0%

Office Determination on CDL Proposal

In light of the fact that CDL’s proposed rates were all within the existing rates and charges for comparable services offered by NWC, and in keeping with the Office’s current practice to grant a no-objection to such rates when proposed by small water providers, the Office has no objection to the proposed slate of increases presented by CDL. Further, even though the NWC has no formal rate structure for laid and unlaid connections, the Office considers CDL’s requested adjustment to these rates to be reasonable and therefore has no objection to the proposed increase for these service categories. In this regard, the OUR has no objection to the full slate of rate increases requested by CDL.

Notwithstanding, the OUR’s non-objection to CDL’s requested rate increases, the OUR has taken note of a number of quality of service issues raised by customers served by the company at two consultation meetings held in 2017 October. The Office also takes the view that enduring quality of service improvements are best addressed through the development and implementation of appropriate policies. Consequently, the Office has determined, after discussions with the company, that:

- CDL shall, within three (3) months of this Determination Notice, submit a comprehensive report on the reason for the nightly service disruptions in Magil Palms. The report shall indicate the measures and timeline(s) within which corrective action(s) will be taken to resolve the issue causing/resulting in the disruption but in event the timeline(s) so stipulated shall not exceed six (6) months of the effective date of this Determination Notice.
- CDL shall, within three (3) months of this Determination Notice, develop and submit to the Office a policy that governs the procedures and schedule for the efficient management of the lift stations at all locations. For clarity, this policy shall detail the activities to be carried out and the schedule of activities that will ensure the most efficient operations of the lift stations.

- CDL shall, within three (3) months of this Determination Notice, develop and submit to the Office a procedure outlining the activities to be undertaken to disconnect a sewer main. The policy shall also indicate how any material from the disconnection exercise is disposed of as well as measures to ensure that the area does not pose a hazard to residents.
- CDL shall, within six (6) months of this Determination Notice, develop and submit to the Office a policy which governs the process to repair leaks, replace mains and restore roads that are dug-up as a result of its activities. The policy shall include timelines within which repairs and replacement will be carried out, whether scheduled or unscheduled, as well as the period in which road surfaces will be restored following completion of repair/replacement works.
- CDL shall, within three (3) months of this Determination Notice develop and submit to the Office a Customer Service Charter outlining its service delivery commitments and customers' rights and responsibilities. This Charter shall also detail the activities and timelines of its complaints handling procedure.

The Office has also determined that the compensation payable for a breach of a guaranteed standard shall be the equivalent of four (4) times the service (fixed) charge, which is \$2,957.12.

Future Rate Reviews

Even though CDL's licences set out provisions regarding the methodology for tariff reviews and computations, the Office has to date granted rate increases to small water and sewerage providers on the basis of a "No Objection" principle, where the rates proposed by the providers do not exceed rates charged by the NWC for equivalent services. The Office takes the view, however, that it is necessary to create a framework that will allow for more effective economic regulation of small providers in the water and sewerage sector. In this regard the OUR will be engaging CDL and other stakeholders, by way of consultation, within the next twelve (12) months as it reviews its practice of automatic non-objection. In the circumstances, CDL could anticipate the possibility that its next rate review will be done on the basis of strict adherence to the provisions set out in its Licences. In light of this, the OUR encourages CDL to prepare and submit its financial statements in fulfilment of the information requirements specified in its licences, as this will facilitate greater transparency and efficiency in future ratemaking exercises.

Introduction

Can-Cara Development Limited (CDL) is a privately owned limited liability company incorporated in Jamaica, which was issued sewerage and water supply services licences in 2004 and 2005 respectively, to provide these services to Western Spanish Town, St. Catherine. The company was issued two additional licences for the treatment and distribution of water, and the provision of sewerage services to the Meadows of Irwin housing development in St. James in 2012.

CDL's water production in St. Catherine is derived from two (2) wells with an overall capacity of 7,476 cubic meters (m³) of water per day. The company supplies 1,329 customers in St. Catherine. These customers are located in the communities of Magil Palms, Chedwin Gardens, White Water Meadows and Jacaranda Homes. In St. James, the company serves 593 customers in Meadows of Irwin from a single well with a capacity of 1,200 m³ of water per day.

In addition, CDL provides sewerage services through its Spanish Town Sewerage Treatment Plant which has a treatment capacity of 6,668 m³ per day. It also provides sewerage services in St. James where its Meadows of Irwin Treatment Plant has the capacity to treat 1,200 m³ of sewage per day. Currently, the company's sewerage plants are operating below full capacity.

By letter dated 2017 May 15, CDL applied to the Office of Utilities Regulation (OUR) for an increase in its rates and charges on the basis that the proposed rates were lower than the National Water Commission's (NWC's) charges approved by the OUR in 2016 December (see Determination Notice – National Water Commission Mid-Tariff Review 2016, Document No. 2016/WAS/003/DET.001 dated 2016 December 5). The company stated that given that its tariff structure did not include an automatic price adjustment mechanism (PAM), its rates had not changed since they were last approved by the OUR in 2014 March (see Can-Cara Development Limited (Can-Cara) Water and Sewerage Rates for Meadows of Irwin and Western Spanish Town Determination Notice, Document No. 2014/WAS/001/DET.001 dated 2014 March 12). CDL posited that the 27% and 15% increase in water and sewerage rates requested were required to ensure that its revenues could cover increased costs experienced from inflation and exchange rate depreciation. The company further stated that if the increase was granted, it would allow for the implementation of planned capital improvement projects and loan repayments.

Legal Framework

The OUR is a multi-sector utility regulator established pursuant to the Office of Utilities Regulation Act (OUR Act), with regulatory oversight of the provision of certain prescribed utility services in Jamaica. Section 4(1) (a) of the OUR Act, indicates that it is a function of the OUR to “*regulate the provision of prescribed utility services by licensees or specified organizations*”. The provision of sewerage services and the supply and distribution of water are included among the prescribed utility services defined in section 2 and the First Schedule of the OUR Act.

Sections 4(4) of the OUR Act expressly authorises the Office to determine the rates charged for the provision of a prescribed utility service. The section reads:

“(4) The Office shall have power to determine, in accordance with the provisions of this Act, the rates or fares which may be charged in respect of the provisions of a prescribed utility service.”

The minister with portfolio responsibility for the water and sewerage sectors granted licences to CDL, pursuant to the OUR Act, to provide sewerage and water supply services at locations in:

- (i) Western Spanish Town, St. Catherine – the Can-Cara Development Limited Sewerage Services Licence, 2004 dated 2004 June 16 and the Can-Cara Development Limited Water Supply Licence, 2005 dated 2005 April 29 (both referred to as the Spanish Town Licences); and
- (ii) the Meadows of Irwin development in Irwin, St. James – the Can-Cara Development Limited Sewerage Services Provider Licence, 2011 and the Can-Cara Development Limited Water Supply Licence, 2011, both dated 2012 March 29 (both referred to as the Meadows of Irwin Licences).

CDL’s licence provisions re-enforce the OUR’s statutory powers to regulate the company’s licensed water supply and sewerage services businesses, where they say at clause 8.1 of the Spanish Town Licences and clause 6.4.1 of the Meadows of Irwin Licences:

The Licensee in carrying out the Licensed Business shall be subject to regulation by the Office pursuant to the OUR Act and any other applicable Act and all regulations and rules made pursuant thereto.

With respect to the OUR’s regulation of the company’s tariffs and rates, clause 18 sub-clause 2 of the Spanish Town Licences and Clause 6.17 sub-clause 2 of the Meadows of Irwin Licences provide as follows:

“The rates to be charged by the Licensee in respect of the prescribed utility services shall be subject to such limitation as may be imposed from time to time by the Office.”

Schedule 3 of all four of CDL’s licences, indicates that CDL is entitled to submit an application to the OUR for a tariff review, at such intervals as it may determine, although no more frequently than once in every two years. In making such an application it must *“file with the Office proposed rate schedules and shall demonstrate that the rates proposed for the various rate categories will generate the revenue requirement for the test year”*.

Notwithstanding this licence provision, the Office currently applies a principle of “non-objection” to rate applications by small water and sewerage service providers; which principle allows for the automatic approval of the rates proposed by small water and sewerage service providers, such as CDL, where the requested rates do not exceed the rates charged by the NWC for comparable services. However, in instances where the proposed rates are higher than those being charged by NWC, the small provider is required to provide the necessary cost data and audited financial statements in support of its application to facilitate a more detailed rate review by the OUR.

This automatic no-objection tariff setting methodology is to be reviewed by the OUR within the next twelve months. As part of the review the OUR will engage stakeholders in a consultation process on the issue.

CDL’s Spanish Town Licences and Meadows of Irwin Licences also expressly authorise the OUR to implement schemes that will encourage and facilitate minimum standards of customer and technical service. Clause 6.16.1 of the Meadows of Irwin Licences state as follows:

Clause 6.16.1: Can-Cara Development Limited Sewerage Services Provider Licence, 2011 & Clause 17 of the Spanish Town Licences:

“The Licensee shall comply with any schemes introduced by the Office from time to time to enhance customer service and Quality of Service generally.”

Clause 6.16.1: Can-Cara Development Limited Water Supply Licence, 2011

“The Licensee shall comply with the guaranteed standards in Schedule 2 and any other schemes introduced by “the Office” from time to time to enhance customer service and Quality of Service generally.”

One means of exercising this power has been through the OUR’s development and implementation of Overall and Guaranteed Standards that are to be complied with by CDL.

Can-Cara Development Limited Proposal

CDL has requested a 27% and 15% increase in its water and sewerage rates respectively for the first five (5) consumption tiers. In its submission CDL proposed that the increase be applied to the variable charge at each consumption tier, for each service, uniformly with the exception of the tier that exceeds 90,000 litres (see Table 3 below). It proposed that the rates for customers with monthly consumption in excess of 90,000 litres be increased by 51% and 37% for water and sewerage rates respectively.

With respect to its fixed service charge, CDL has requested an increase from \$581.48 to \$739.28 for both sewerage and water customers. Fixed charges are to allow the company to recover costs associated with billing and metering costs.

Table 3: CDL Rate Analysis

Consumption Tiers: Block (‘000 litres)	Current Rates (Water & Sewerage) (\$/m ³)	Proposed Rate		Proposed Change	
		Water (\$/m ³)	Sewerage (\$/m ³)	Water Rate (%)	Sewerage Rate (%)
0 - 14	\$72.89	\$92.67	\$84.11	27.14	15.38
>14 - 27	\$128.53	\$163.41	\$148.30	27.14	15.38
>27 - 41	\$138.78	\$176.44	\$160.13	27.14	15.38
>41 - 54	\$177.14	\$225.22	\$204.39	27.14	15.38
>54 - 90	\$220.58	\$280.44	\$254.50	27.14	15.38
> 90	\$238.94	\$361.00	\$327.65	51.08	37.13
*Service (Fixed) Charge: 5/8inch /15mm	\$581.48	\$739.28	\$739.28	27.14	27.14

In justifying its submission CDL argued that if its request is approved, its variable rates would be approximately 5% lower than that of the NWC for equivalent categories.

CDL also pointed out that 1,381 customers were currently billed on a flat rate regime. Of these customers 623 were both water and sewerage customers and the remainder 758 were sewerage only customers. Table 4 below shows the rates proposed by CDL for these two customer categories. If approved the proposed rates would translate to a 17.4% increase for customers using these services.

With respect to the reconnection of service, CDL proposed an increase in reconnection fee (for water customers) from \$1,500 to a range of \$3,000 to \$6,000. The precise amount charged would vary based on the method of disconnection done and the reconnection process to be used to connect

the customers. CDL proposed an increase of 33.33% for ‘laid connection’ fees and has asked that its ‘unlaid connection’ fee remain unchanged. A ‘laid connection’ refers to connecting a new customer to the main where the customer already has the infrastructure to allow for an easy tap in. An ‘unlaid connection’, on the other hand, refers to a new connection for which additional infrastructure has to be installed before the customer can be connected to the main. Table 4 below lists CDL’s current and its proposed miscellaneous charges.

Table 4: CDL Other Fixed Rates and Miscellaneous Charges

Service	Current Charge	Proposed Charge	% Change
Unmetered Water & Sewerage Service (incl. service charge)	\$2,622	\$3,077	17.4%
Unmetered Sewerage Service (incl. service charge)	\$1,602	\$1,879	17.4%
Reconnection Fees :			
-Water	\$1500	\$3,000 - \$6,000	100%-300%
-Sewerage	\$8000	\$10,000	25.0%
Other Charges:			
-Laid Connection	\$6,000	\$8,000	33.3%
-Unlaid Connection	\$15,000	\$15,000	0.0%

Public Consultation

Introduction

Consistent with its practice, the OUR conducted public consultations with CDL's customers and affected stakeholders as part of its review of CDL's tariff application. The public consultations provided an avenue through which the customers were made aware of their service provider's tariff application and for the OUR to obtain comments on the customers' quality of service experience. The consultation meetings were held on 2017 October 15 at Innswood High School for Western Spanish Town, St. Catherine customers and on 2017 October 22 at Irwin High School for customers in Meadows of Irwin in Montego Bay, St. James.

In its presentation to the customers, CDL indicated that the tariff application became necessary as the company is currently operating at a loss and has an energy bill of \$5 million per month. CDL also advised that it is unable to charge similar rates as the NWC, since it lacks pricing features such as a Price Adjustment Mechanism (PAM) and K-Factor, to offset its monthly changes in costs. The following are highlights of the concerns about quality of service raised by CDL customers at the consultation meetings hosted by the OUR.

Highlights of Customer Concerns in St. Catherine:

1. Request for reasons for alleged financial losses incurred by CDL

The company argued that a rate increase is required to ensure that its revenues cover higher input costs associated with inflation and the devaluation of the Jamaican Dollar against the United States Dollar. Customers of White Water Meadows enquired about CDL's imports and supplies inputs that are affected by the foreign exchange rate. Customers also argued, that the comparison with the NWC was unreasonable because the Commission has a larger customer base and more overheads than those of CDL. One customer also expressed the view that he was unable to afford an increase of 27% in water rates and 15% in sewerage charges.

2. Poor Management of Lift Stations, Disconnection of Sewer Main and High Sewerage Rates

Concerns were raised regarding the poor management of the lift station in the communities of White Water Meadows and Magil Palms. The customers complained that due to frequent pump failures, effluent overflowed into their backyards or into the nearby gully. The customers also complained about the stench permeating their communities owing to the faulty lift stations.

White Water Meadows customers said they were perturbed about how disconnection of sewerage service is carried out. They claimed that in disconnecting a supply, sewer mains are dug up, pipes are cut and open trenches are left along the sidewalk. These conditions pose a serious safety hazard to residents, especially children, and create an unhygienic environment.

Customers of White Water Meadows were also concerned about the high sewerage rates given the poor quality of service being offered by CDL. They noted that these rates were higher than the water charges billed by the NWC. They also enquired about the calculation of the sewerage charges and the basis on which these are applied as a fixed charge.

CDL's Response:

In response to the complaints about the sewerage overflow and stench in the communities, CDL advised that investigations will be conducted to ascertain the causes and take the necessary corrective actions.

Additionally, CDL indicated the circumstances under which an overflow of sewerage may occur including excess water from rainfall and pump failure. The company also stated that when a sewer main is disconnected for non-payment, all connections are blocked and covered. Therefore, where mains are unblocked, it would not have been done by any representative of CDL.

CDL did not provide a response to the issue raised that its rates are higher than that of the NWC. However, based on the current rates that exist for both companies, CDL's sewerage rates are in fact lower than that of the NWC.

3. Delay in repairing leaks and restoration of road surface after repairs

Customers of Magil Palms questioned CDL's purported losses and enquired whether a mechanism exists to capture how much water was being consumed by customers as opposed to the amounts being distributed. The customers opined that a large quantity of water is wasted as a result of leaks. Customers also gave specifics about the locations (Palm Circle, Palm Close and Golden Grove Crescent) of leaks. Customers were also concerned about the delay in repairing leaks or broken mains after it was reported. It was mentioned that it took six months to repair a leak at a meter.

Additionally, customers of Chedwin Gardens and Jacaranda expressed concern about the delay in restoring the roads after they were dug up to repair or replace pipelines.

CDL's Response:

CDL indicated that it was not aware of any wastage/leaks, as frequent checks were conducted. It was also highlighted that some of the leaks did not result from CDL's inaction but were as a result of theft. However, the company indicated that it was committed to carrying out investigations into the specific leaks reported by the customers.

As it relates to the delay in repairing leaks, CDL noted that customers were not using the proper channels to report their complaints.

The company's representative further noted that it is its usual practice to restore the road surface after carrying out repairs, but will investigate the complaints once it was provided with the specifics as to the areas that required repairs. Residents were also asked to bear in mind that CDL might not be the entity responsible for carrying out these road restoration works.

4. Interruption of Service

A major concern raised by Magil Palms customers related to interruption in their water supply every night between 11:00 p.m. and 4:00 a.m. Customers indicated that they were not pleased with this practice and said that they need a timeline within which this nightly service disruption will cease.

CDL's Response:

CDL indicated that for the past four (4) years, a timer was placed on the system to shut down the water supply to the customers between 11:00 p.m. and 4:00 a.m. This is done as a preventative measure to alleviate leaks attributed to broken pipelines due to heavy water pressure.

5. Metering

Customers of Magil Palms and Chedwin Gardens complained about the increase in charges following the installation of meters. Customers also voiced concerns about the vast number of un-metered supply and questioned CDL's ability to account for losses.

In addition to increased charges following meter installation, Chedwin Gardens customers also complained about not being notified about new meter installations. Further, they pointed out that the majority of the residences in the community were without meters and customers should not be tasked with the responsibility to contact CDL to confirm whether meters were installed.

CDL's Response:

CDL indicated that all premises in Magil Palm should be metered as it had secured the services of a contractor for meter installation. The company further advised that customers without a meter should contact CDL.

CDL committed to investigating the matter as it relates to meter installations in Chedwin Gardens.

6. Customer Service Issues

Jacaranda customers complained about poor customer service and delays in responding to complaints. It was also noted that there was no escalation process in place to amicably

resolve issues. Customers also asked if CDL had an emergency number where customers can call their provider. Customers also enquired about bill payment options as bills can only be paid in person at the Jacaranda office.

CDL's Response:

CDL indicated that it did not have an emergency number, given that it is a small organization. As it relates to bill payment options, customers were advised that bills can be settled at CDL's office or via NCB Online. However, other bill payment options such as Bank of Nova Scotia and Bill Express are being explored.

7. Submission of evidence to support claim of financial loss

The customers wanted to know whether CDL had submitted information to substantiate its claim of losses faced by the company to the OUR.

The general feedback from the St. Catherine customers was that CDL should not be granted an increase at this time; until most of the concerns raised were addressed. They were also of the view that the presentation made by CDL lacked substance. The residents reiterated that the company should not be rewarded for offering poor service.

OUR's Response:

OUR indicated that CDL had submitted its tariff application which is currently under review.

Highlights of Customer Concerns in Meadows of Irwin, St. James:

8. Poor management of treatment lift stations

Customers were concerned that the lift station in the community is not being properly maintained. They noted that it breaks down frequently leaving the community in an extremely unhygienic state. The grounds of the station are overgrown with bush and customers are unable to open their windows due to the unbearable odour and fly infestation.

CDL's Response:

CDL, in response to these concerns, explained that West Indies Home Contractors Limited (WIHCON) is responsible for the management and maintenance of the lift station. CDL further pointed out that WIHCON had taken over control of the development and changed the design to having just one lift station instead of two. The challenges being experienced with the only lift station is as a result of it being overworked.

9. Metering

Customers were concerned that some, if not all customers, are still being billed at a flat rate due to lack of meters.

CDL's Response:

CDL confirmed that most customers are still being billed at a flat rate and noted that one of the reasons for the rate increase request is to purchase more meters.

10. Poor Customer Service

Customers stated that the Montego Bay office does not have a customer service representative. Customers were concerned that they have had outstanding issues, some for several years, which have not been resolved.

Also, customers had concerns about the way the company communicated with them. They alluded to the fact that when routine lock-offs are scheduled, the timeframe in which they were informed was insufficient for them to make arrangements to alleviate the inconvenience caused by the disruption.

CDL's Response:

CDL advised that where customers are unable to have their issues resolved by the Montego Bay office, they are to call the Head Office in Kingston.

11. Bill payment options

The CDL office in Montego Bay is opened between 9:30 a.m. and 5:00 p.m. on weekdays. Customers had issues with these opening hours as most persons are at work and unable to get to the offices during office opening hours. They also pointed out that the only bill payment option is to go into the office.

CDL's response:

CDL advised that it will look into other bill payment options for its customers.

Further to the public meeting, CDL, via correspondence of 2017 November 2, advised that customers of Meadows of Irwin can make payments online through the National Commercial Bank (NCB).

12. Quality of the water

A number of customers indicated that the chlorine quantity in the water was too high.

CDL's response:

CDL advised that the chlorine in the water is within the accepted standards and guidelines as outlined by the law.

Evaluation of Application

The OUR has assessed the rates proposed by CDL for water supply and sewerage services in Western Spanish Town, St. Catherine and Meadows of Irwin, St. James, and have found them to be five percent (5%) lower than those charged by NWC for equivalent services and rate categories (see Table 5 below).

Table 5: Comparison of NWC Rates and CDL Proposed Water and Sewerage Rates

Consumption Block (‘000 litres)	Water Rates & Charge			Sewerage Rates & Charge		
	NWC (\$)	CDL (\$)	Variance (%)	NWC (\$)	CDL (\$)	Variance (%)
0 - 14	97.55	92.67	-5.0%	88.54	84.11	-5.0%
>14 - 27	172.01	163.41	-5.0%	156.11	148.30	-5.0%
>27 - 41	185.73	176.44	-5.0%	168.56	160.13	-5.0%
>41 - 54	237.07	225.22	-5.0%	215.15	204.39	-5.0%
>54 - 90	295.20	280.44	-5.0%	267.91	254.50	-5.0%
> 90	380.00	361.00	-5.0%	344.89	327.65	-5.0%
*Service (Fixed) Charge: 5/8inch /15mm	778.19	739.28	-5.0%	778.19	739.28	-5.0%

Volumetric Rate

The company’s variable rate structure for both services has six tiers and is based on an increasing consumption block rate format. The company’s block structure is a replica of NWC’s tier structure. In its proposal, CDL requested that a non-objection be granted to a 27% and 15% increase in its water and sewerage rates respectively for its first five tiers. Further, the company requested that rates for customers with monthly consumption in excess of 90,000 litres should be increased by 51% and 37% respectively for water and sewerage services.

In keeping with its non-objection policy for small water and sewerage providers described earlier, and in light of the OUR’s confirmation that the volumetric rates for water and sewerage services proposed by CDL for its St. Catherine and St. James operations are below the rates charged by NWC for equivalent services and rate categories (i.e. 5% lower), the OUR offers its no objection to the implementation of the increased rates requested by CDL.

Fixed Service Charge

The service charge is a fixed charge applied to customers’ bills on a monthly basis irrespective of the customer’s level of consumption. Conceptually, the service charge is to allow the company a revenue flow to cover the administrative costs associated with its billing and metering services. CDL has requested that both water and sewerage fixed service charges be increased by 27%. Such an increase would result in a movement of the charge from \$581.48 per month to \$739.28 per month. The OUR’s analysis has revealed that the NWC’s current service charge of \$778.19 is

approximately 5% higher than the increased charge requested by CDL. The OUR therefore has no objection to the increase in fixed service charge proposed by CDL (see Table 6).

Table 6: Can-Cara Rate Analysis

Details	Current Rates, Water & Sewerage	Proposed Water Rates	Proposed Sewerage Rates	% Change in Water Rates	% Change in Sewerage Rates
0 - 14	\$72.89	\$92.67	\$84.11	27.14%	15.39%
>14 - 27	\$128.53	\$163.41	\$148.30	27.14%	15.38%
>27 - 41	\$138.78	\$176.44	\$160.13	27.14%	15.38%
>41 - 54	\$177.14	\$225.22	\$204.39	27.14%	15.38%
>54 - 90	\$220.58	\$280.44	\$254.50	27.14%	15.38%
> 90	\$238.94	\$361.00	\$327.65	51.08%	37.13%
*Service (Fixed) Charge: 5/8inch /15mm	\$581.48	\$739.28	\$739.28	27.14%	27.14%

Unmetered Charges

CDL indicated that there are a number of customers with unmetered services. CDL proposed that the fixed rate charged to these customers be increased by 17%. Given that the proposed charges lie within the band charged by the NWC for various unmetered customers, the Office has no objection to the unmetered rates proposed by CDL (see Table 7 below).

Table 7: Comparison between NWC and CDL Miscellaneous Rates

Service	Current Rate	Proposed Rates	NWC Rates
Unmetered Water & Sewerage Service (incl. service charge)	\$2,622.40	\$3,077	\$2,974.21 - \$5,570.17
Unmetered Sewerage Service (incl. service charge)	\$1,601	\$1,879	\$1773.71 - \$3,008.78

Miscellaneous Charges

CDL proposed that the reconnection fee for water supply service be increased from a single charge of \$1,500 to a range of \$3,000 - \$6,000 depending on the nature of the reconnection. For sewerage, a 25% increase in the reconnection fee was requested by CDL. Such an increase would result in a fee change from \$8,000 to \$10,000. The Office has no objection to CDL's proposed

increases in reconnection fees given that they fall within the range of fees currently charged by NWC for comparable services (see Table 8 below).

With respect to ‘laid and unlaidd connection charges’, there are no comparable miscellaneous charges in NWC’s fee structure. Similar charges are determined by the NWC on a contractual basis between the applicant and the NWC. For laid connections a \$2,000 increase has been requested by CDL; and for ‘unlaidd connections’ no increase has been sought by the company. Given that CDL request for a rate increase was primarily driven by its concerns over the effects of inflation since the last Determination Notice was issued in 2014 March, the OUR takes the view that the adjustment to these charges should be based on general price movement over the period. General Price, as measured by the CPI, has moved by 15% over the period 2014 March to 2017 November therefore the OUR will only allow a commensurate in the ‘laid connection charge’. Consequently, the request to increase the ‘laid connection’ charge to \$8,000 has been denied and instead a charge of \$6,900 (or a 15% increase) has been approved. On the other hand, the OUR has no objection to CDL proposal to maintain its ‘unlaidd connection’ charge at the current level of \$15,000.

Table 8: CDL Miscellaneous Charges

Details	Current Charges	Proposed Charges	NWC Charges
Reconnection Fees :			
Water	\$1,500	\$3,000 - \$6000	\$3,547 - 10,652
Sewerage	\$8,000	\$10,000	\$3,547 - \$10,652
Other Charges:			
-Laid Connection	\$6,000	\$8,000	N/A
-Unlaidd Connection	\$15,000	\$15,000	N/A

Determination 1

- a) In keeping with the Office's current no-objection policy for small private water and sewerage providers where rates proposed by these providers are below that charged by the NWC for comparable services, and given that the rates proposed by CDL are lower than comparable rates and charges within NWC's tariff structure, the Office has no objection to the implementation of the volumetric, fixed and miscellaneous rates and charges proposed by CDL for its customers as follows:

Block (‘000 litres)	Approved Rates & Charges	
	Water (\$/m ³)	Sewerage (\$/m ³)
0 to 14,000 litres	\$92.67	\$84.11
For the next 13,000 litres	\$163.41	\$148.30
For the next 14,000 litres	\$176.44	\$160.13
For the next 14,000 litres	\$225.22	\$204.39
For the next 36,000 litres	\$280.44	\$254.50
Over 91,000 litres	\$361.00	\$327.65
*Service (Fixed) Charge: 5/8inch /15mm	\$739.28	\$739.28
Reconnection Fee:	\$3,000 - \$6000	\$10,000

- b) The Office also approves the following:
- Unmetered Water & Sewerage Service (inclusive of service charge) of \$3,077
 - Unmetered Sewerage Service (inclusive of service charge) of \$1,879
- c) The Office further approves the implementation of a laid connection fee of \$6,900 and the retention of the existing charge of \$15,000 for unlaidd connections.

Quality of Service Standards and Performance Criteria

After giving due consideration to the concerns expressed by the customers at the two CDL consultation forums, bearing in mind the OUR's mandate to protect the interest of consumers and the need to encourage improved efficiencies in the daily operations of utility providers, and taking account of the power of the OUR under CDL's licences to introduce customer and quality of service schemes, the Office has developed and approved quality of service standards and performance criteria for CDL. The Office has also identified areas which require policy development for implementation by CDL.

The quality of service standards that have been established for CDL comprises Overall Standards (see Table 10) and Guaranteed Standards (see Table 11). The Overall Standards outline several general performance criteria to be met by CDL, while the Guaranteed Standards set out specific service quality standards for which non-compliance by CDL will result in compensatory payments to the affected customer.

Table 10: Overall Standards

Category	Performance measure
Water Quality	<ul style="list-style-type: none"> <li data-bbox="743 982 1326 1098">- At least ninety-five percent (95%) of water samples must be collected from water production sources for testing*. <li data-bbox="792 1129 1326 1297">(*i.e. At least ninety-five percent (95%) of water samples collected for testing should be taken from the water production locations. However, up to five percent (5%) may be drawn from distribution sites, distribution storage sites etc.) <li data-bbox="743 1367 1326 1482">- At least ninety-five percent (95%) of water samples must be negative with coliform bacteria. <li data-bbox="743 1556 1326 1671">- The level of residual chlorine should be about 0.5mg/l and present in at least ninety-five percent (95%) of samples. <li data-bbox="743 1745 1326 1820">- Any other standards imposed by the Ministry of Health and such other

Category	Performance measure
	applicable regulatory agencies from time to time.
Water Pressure	CDL shall ensure that the pressure of water to customers is in the range of 20 – 60 psi and take all reasonable steps to ensure that customers receive an adequate supply of water at all times.
Water Supply	At least 24 hours' notice shall be given for at least ninety percent (90%) of planned interruptions. At least ninety percent (90%) of emergency lock offs should be restored within 24 hours.
Environmental	CDL shall conform to all and any standards that may be established by NEPA/NRCA. CDL shall provide the Office with copies of any licences, standards, special permits issued by NEPA/NRCA from time to time which shall form part of its licence.
Correction of sewerage problems	CDL shall clear ninety percent (90%) of all reported blocked sewerage mains within four (4) hours of the report being received.
Sewerage/odour	CDL shall maintain the plant in such a manner as to minimize complaints of odour. There shall be no more than five (5) complaints per one hundred (100) customers regarding odour in any month.
Sewerage effluent quality	CDL shall ensure that sewage effluent is within the standards specified by NEPA.

Table 11: Guaranteed Standards

Code	Guaranteed Standard	Mode of Compensation
GS1 – Connection of New Customers	CDL shall connect all new customers complete with working meters, where water supply is available at the property boundary, within three (3) working days after signing the contract for connection.	Automatic
GS2 – Issue of First Bill	CDL shall issue (print and mail/deliver) a bill to a customer based on a meter reading within thirty (30) working days after the account is opened.	New* Automatic
GS3(a) – Response to complaints - Acknowledgements	CDL shall acknowledge written customer complaints within three (3) working days of receipt.	Claim
GS3(b) – Response to Complaints - Investigations	Unless it is an investigation involving a 3 rd party, CDL shall, within fifteen (15) working days of receipt of a complaint, complete investigation and inform the customer of the results.	Claim
GS3(c) – Investigations involving 3rd party	CDL shall, within thirty (30) working days of receipt of a complaint, complete investigation involving 3 rd party and inform the customer of the results.	Claim
GS4 (a)– Wrongful Disconnection	CDL shall not disconnect the service of an account which is either not in arrears or is the subject of an investigation by CDL or by the OUR.	Automatic
GS4 (b) – Reconnection after Wrongful Disconnection	Where CDL has wrongfully disconnected a service account it shall be reconnected to the service within twelve (12) hours of being notified of the error.	Automatic
GS5 – Repair or Replacement of Faulty Meter	CDL shall, within ten (10) working days after it detects/discovers a malfunctioning meter, repair or replace the malfunctioning meter.	Automatic
GS6 – Meter Readings	Where the service is metered, CDL must issue to customers a bill based on a meter reading each month.	Automatic

Code	Guaranteed Standard	Mode of Compensation
GS7 – Reconnection after Payment of Overdue Amount	CDL shall, within twenty-four (24) hours of receipt of all applicable payments (outstanding amounts, reconnection fee etc.) reconnect customers disconnected for overdue amounts.	Automatic
GS8 – Payment of Compensation	<p>CDL shall credit a customer’s account with the applicable compensation payment within one (1) billing period after a breach of any of the Guaranteed Standards.</p> <p>For the avoidance of doubt, if CDL does not credit the customer’s account with the applicable compensation payment within the time specified herein, CDL would have breached this guaranteed standard GS8. Where applicable, customer must submit claims within one hundred and twenty (120) days after the breach.</p>	New* Automatic

The compensation payable for breach of a guaranteed standard is the equivalent of four (4) times the service (fixed) charge. Given that the service (fixed) charge is \$739.28 the compensation payment for a breach of the guaranteed standard is \$2,957.12.

Where applicable, customer must submit claims within one hundred and twenty (120) days after the breach.

The mode of compensation has been changed for two (2) of the Guaranteed Standards, namely GS2 – Issue of First Bill and GS8 – Payment of Compensation. With this change, customers will no longer be required to submit claim forms for breaches of these standards. This change shall take effect forty (40) working days from the date of this Determination Notice.

CDL shall comply with the Overall and Guaranteed Standards outlined in Tables 10 and 11 above, along with all the other standards in CDL’s set out in CDL’s water supply, sewerage service and environmental permits and licences and service contracts.

CDL shall submit quarterly reports to the Office on its performance against the Guaranteed Standards commencing with the first quarter of 2018. These reports are to be submitted to the Office within thirty (30) working days of the end of each reporting period and shall indicate the

number of breaches committed against each standard, and the potential and actual compensation pay out for each breach.

To ensure that water quality is maintained within the prescribed levels, CDL must also submit quarterly water quality test reports for all service areas commencing with the 2018 January – March quarter, within thirty (30) working days of the end of the reporting period.

Determination 2

- a) CDL shall comply with the revised Overall and Guaranteed Standards set out in Tables 10 & 11. In addition, the compensation payable for a breach of the guaranteed standard shall be equivalent to four (4) times the service (fixed) charge which is \$2,957.12.
- b) CDL shall submit quarterly reports to the Office on its performance against the Guaranteed Standards commencing with the 2018 January – March quarter. These reports are to be submitted to the Office within thirty (30) working days of the end of each reporting period and shall indicate the number of breaches committed against each standard, and the potential and actual compensation pay out for each breach.
- c) CDL shall also submit quarterly water quality test reports to the Office for all service areas commencing with the 2018 January – March quarter within thirty (30) working days of the end of each reporting period.

Issues for Policy Development

The Office is of the view that some of the concerns relating to service delivery that were highlighted by customers for improvement, are more appropriately addressed through the development and implementation of policies by CDL. In this regard, the OUR's technical team met with a representative of CDL on 2017 December 5 and discussed the critical service issues that emerged out of the public consultation meetings. Accordingly, CDL, under the guidance of the OUR, is required to develop and implement the following policies:

- **Elimination of Nightly Service Interruption in Magil Palms**

Customers of Magil Palms in St. Catherine, complained about nightly interruption in their service. In an effort to address this issue, CDL is required to submit a comprehensive report to the OUR on the reason for the nightly service disruptions in Magil Palms within three (3) months of this Determination Notice. The report must indicate the measures to be taken to address and eliminate the nightly interruptions, and the timeline(s) for implementation of these measures; which timeline(s) shall be within six (6) months of this Determination Notice.

Determination 3

CDL shall, within three (3) months of this Determination Notice, submit a comprehensive report on the reason for the nightly service disruptions in Magil Palms. The report shall indicate the measures to be taken to eliminate the service interruptions and the timeline(s) for implementation of these measures. The implementation of the corrective measures shall be within six (6) months of this Determination Notice.

- **Procedures and Schedule for Managing the Lift Stations**

In light of the overwhelming complaints made about the poor maintenance of the lift stations, CDL must develop a policy that governs the procedures and schedule for the efficient management of the lift stations at all locations within three (3) months of this Determination Notice. This policy must include details of the activities to be carried out that will ensure the most efficient operations of the lift stations and the schedule for implementation of those activities.

Determination 4

CDL shall, within three (3) months of this Determination Notice, develop a policy that governs the procedures and schedule for the efficient management of the lift stations at all locations. The policy shall include details of the activities to be carried out to ensure the most efficient operation of the lift stations, and the schedule for implementation of those activities.

- **Procedures to Disconnect Sewer Mains**

CDL must, within three (3) months of this Determination Notice, develop a procedure outlining the activities to be undertaken to disconnect a sewer main. The policy must also indicate how any material from the disconnection exercise is disposed of as well as measures to ensure that the area does not pose a hazard to residents. This is to ensure that: there is a documented procedure in place to which CDL can be held to account; and, that disconnection of sewer mains do not present a health risk or hazardous conditions to residents.

Determination 5

CDL shall, within three (3) months of this Determination Notice, develop a procedure outlining the activities to be undertaken to disconnect a sewer main. The policy shall also indicate how any material from the disconnection exercise is disposed of as well as measures to ensure that the area does not pose a hazard to residents.

- **Repairs, Replacements and Road Restoration Policy**

In an effort to ensure that steps are taken to address customers' concerns regarding works to repair or replace mains and restore road surfaces, CDL must, within six (6) months of this Determination Notice, develop a policy which governs the process to repair leaks, replace mains and restore roads that were dug-up as a result of its activities. The policy must include timelines within which repairs and replacement will be carried out, whether scheduled or unscheduled, as well as the period in which road surfaces will be restored following completion of repair/replacement works.

Determination 6

CDL shall, within six (6) months of this Determination Notice, develop a policy which governs the process to repair leaks, replace mains and restore roads that are dug-up as a result of its activities. The policy shall include timelines within which repairs and replacement will be carried out, whether scheduled or unscheduled, as well as the period within which road surfaces will be restored following completion of repair/replacement works.

- **Customer Service Charter and Complaints Handling Procedure**

Within three (3) months of this Determination Notice, CDL must develop a Customer Service Charter outlining its service delivery commitments and customers' rights and responsibilities. This Charter must also detail the activities and timelines of its complaints handling procedure. In light of customers' complaints, this procedure is intended to ensure that adequate provisions are made for customers to engage with CDL regarding having their concerns/complaints resolved.

Determination: 7

CDL shall, within three (3) months of this Determination Notice develop a Customer Service Charter outlining its service delivery commitments and customers' rights and responsibilities. This Charter shall also detail the activities and timelines of its complaints handling procedure.

Future Rate Reviews

Because of issues related to, among other things, poor quality of service and information asymmetries, the Office is of the view that it is necessary to review its current no-objection approach to rate setting for small private water and sewerage service providers who propose rates below that of the NWC. Consequently, the OUR will be engaging stakeholders by way of consultation within the next twelve (12) months, regarding its approach to tariff setting for this group of providers. It is intended that a framework for the more effective regulation of small providers in the sector will be created. In the circumstances CDL could anticipate the possibility that its next rate review will be consistent with the provisions in its Spanish Town Licences and Meadows of Irwin Licences. In light of this, the OUR encourages CDL to prepare and submit its financial statements in fulfilment of the information requirements specified in the Spanish Town Licences and Meadows of Irwin Licences, as this will facilitate greater transparency and efficiency in future ratemaking exercises.