
Office of Utilities Regulation

DAIRY SPRING LIMITED

Water Rate Determination

Determination Notice



OFFICE OF UTILITIES REGULATION

January 17, 2011

DOCUMENT TITLE AND APPROVAL PAGE

DOCUMENT NUMBER: WAS2011001_DET001

DOCUMENT TITLE: Dairy Spring Limited (DSL) Water Rate Determination

1. PURPOSE OF DOCUMENT

This Document outlines the Office's decision on the rates to be charged by DSL for water services.

2. RECORD OF REVISIONS

Revision Number	Description	Date
-	-	-

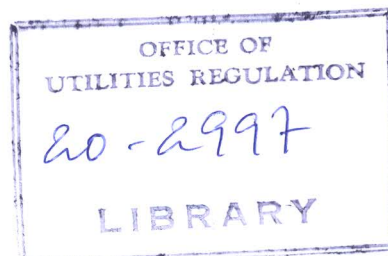
3. APPROVAL

This Document is approved by the Office of Utilities Regulation and the decisions therein become effective on **February 01, 2011**.

On behalf of the Office



Ahmad Zia Mian
Director General
January 17, 2011
Date



Introduction

Dairy Spring Limited (DSL) is a Limited Liability Company incorporated in 2001. The Company was issued a 10-year non-exclusive Water Supply Licence in 2002. DSL supplies water to seven (7) commercial customers, who are billed monthly according to their metered consumption.

DSL Water Supply Facilities

Currently, the water supply for DSL is sourced from a reinforced concrete entombment of a naturally occurring spring that sits at an elevation of 57.12m (187 ft). The water is treated via a Duty Break-Point Chlorinator and a Standby Drip Chlorination Facility housed in a reinforced concrete building. Transmission of the water is done through a 102mm ID, galvanized-iron pipe, 931.4m in length, connecting the Spring Diversion Chlorinator System and the client's meter and transmitting water by gravity. An ABB Turbine Bulk 4" Flow meter is used to measure water production and individual meters are used to register water sales.

Dairy Spring Limited's Proposal

Dairy Spring provided the Office with the following proposal:

Supply Category	Present			Proposed		
	Effective Date	Rate JS per 1000 gallon	Rate JS per 1000 liters	Effective Date	Rate \$J per 1000 gallon	Rate JS per 1000 liters
Commercial	2010.01.11	525.00	115.51	2010.01.11	700.00	154.00
Export	2010.01.11	750.00	165.02	2010.01.11	1000.00	220.00

The company outlined that their proposal is made in the following context:

- (i) DSL initiated a major expansion/upgrading of its water supply system in February 2009. Phase 1 was, completed in December 2009. It has resulted in a reduction in unaccounted for water from 42% to about 5%, has allowed full utilization of the capacity of the existing 4" transmission main and increased supply/revenue. Total Investment — J\$21 million.
 - Phase 2 commenced in March 2010, which was 4-months late because of a change of contractors. The completion has been re-scheduled to March 2011. The delay in completion has resulted from changes in pipeline design and recently, a cash-flow gap resulting from an un-programmed shortfall in revenue. Phase 2 of the expansion will result in an upgrade in production to full capacity and a likely increase in revenue. Investment: J\$16 - J\$28 million to date.

- The scheduling of Phase 3 will be determined after the completion of Phase 2. Phase 3 includes the upgrading of the road, lighting and security infrastructure and construction of a Caretaker's Cottage. Investment: J\$20 million. The company further explained that this system upgrade which was initially priced at J\$44 million in 2008, increased by J\$17 million (39%) to J\$61 million in 2010, with a further estimated J\$8 million (13%) increase to J\$69 million to project completion in 2011/12.
- (ii) The 33.33% increase in rates being sought is intended to increase revenues necessary to cover loan repayments while the company works toward re-building its revenue base and allow project implementation, albeit at a slower pace.

Office Evaluation of Application

Further to the application dated November 01, 2010, for an increase in water rates for all customer categories, the Office hereby indicates that it has no objection to the proposed rates of \$700 per 1000 gallons for commercial customers and \$1000 per 1000 gallons for export customers (sale of water to cruise ships). This is consistent with the OUR's policy of non-objection to rates proposed by small private water and sewerage providers where such rates are below or equal to those being charged by the National Water Commission for equivalent services and rate categories.

The Office further advises that subject to providing appropriate notice, its non-objection is effective as of **February 1, 2011** and the rates to which it applies shall be in effect for a period of at least one year. Any application for adjustments to these rates should be filed with the Office sixty (60) days prior to the date on which it is intended that these rates are to become effective.

The revised Quality of Service Standards and performance criteria as outlined in Tables 1 & 2 in the annex (attached hereto) should be adhered to along with all the other standards that obtain in the existing licence and service contracts.

Annex

Table 1: Overall Standards

FOCUS	DESCRIPTION	PERFORMANCE MEASURE
Water Quality	Testing Samples for impurities	<ul style="list-style-type: none"> • The level of bacteria must be 2.2 MPN/100ml (MFO/100ml). • Level of residual chlorine should be 0.2 to 0.5 mg/l throughout the distribution System. • Must comply with any water quality standards set by MOH.
Water Pressure	Minimum/maximum water pressure	<ul style="list-style-type: none"> • Must maintain a pressure ranging from 20 – 60 psi. • All reasonable steps must be taken to ensure that customers receive an adequate supply at all times.
Reliability of Supply	Notify customers of intention to interrupt supply — planned interruptions	<ul style="list-style-type: none"> • must give 24 hours' notification for at least 90% of planned outages.
Reliability of Supply	Restoration after unscheduled or emergency lock off	<ul style="list-style-type: none"> • Must endeavour to restore supply within 24 hours. At least 90% of emergency lock-off must be restored within 24 hours.
Complaints	Response time to billing complaints	<ul style="list-style-type: none"> • 95% of all billing related complaints must be resolved within 30 business Days.

Table 2: Guaranteed Standards

FOCUS	DESCRIPTION	PERFORMANCE MEASURE
Water Meters	Meter Readings	Meters must be read monthly
Water Meters	Meter Replacement	Maximum of 20 working days to verify and replace defective meters
Disconnection	Wrongful Disconnection	Should not disconnect a supply for an account with no arrears or where a disputed sum is actively being investigated and all other charges are paid
Reconnection	Reconnection after Wrongful Disconnection	Maximum of 5 hours to restore supply after notification of error
Reconnection	Reconnection after payment of overdue amount	Maximum of 24 hours to restore supply
Compensation	Payment of Compensation	Compensation must be automatically credited to the affected customer's account within 30 days in all instances of breach

Compensation for breach of a standard is equivalent to the reconnection fee charged by the NWC for commercial customers. However, in the case of “Wrongful Disconnection” the compensation is two (2) times the applicable reconnection fee charged to NWC’s commercial customers. NWC’s reconnection charge is set at \$ 9,062.