Office of Utilities Regulation

National Irrigation Commission

Review of Irrigation Rates for Hounslow

Determination Notice

OUR

OFFICE OF UTILITIES REGULATION

October 19, 2010

DOCUMENT TITLE AND APPROVAL PAGE

1. **DOCUMENT NUMBER: WAS2010001_DET001**

2. **DOCUMENT TITLE: National Irrigation Commission Review of Irrigation Rates for Hounslow - Determination Notice**

3. **PURPOSE OF DOCUMENT**

Sets out the Office's Decision on National Irrigation Commission's application for irrigation rates for Hounslow.

RECORD OF REVISIONS

Revision Number	Description	Date
-	-	-

4. **APPROVAL**

This Document is approved by the Office of Utilities Regulation and the Decisions therein become effective on **November 1, 2010**.

On behalf of the Office:

OFFICE OF UTILITIES REGULATION

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Ahmad Zia Mian
Director General

October 19, 2010
Date

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Chapter One: Executive Summary

1.1. The NIC has undertaken several programmes as part of the National Irrigation and Development Plan (NIDP) project, geared towards rehabilitating existing irrigation infrastructure and building new irrigation networks. Hounslow, in Pedro Plains in St. Elizabeth, is one of the projects that has been expanded. When fully expanded, this project will yield 617,000 cubic metres of irrigation water per month for 486 hectares of farm land. This will benefit 616 customers, since they will be able to access irrigation water for their crops all year instead of relying on seasonal rainfall.

1.2. The NIC will operate the systems in the initial stages of the project during which it will spearhead the training for members of the Water Users Association (WUA), so that the group can assume responsibility for the systems in the long term.

1.3. A significant portion of the cost of the project will be funded by the Government of Jamaica, but given that the project is independent of the NIC's existing operations, it is also the Government's policy that the rates charged for the service are reflective of at least operating costs.

1.4. The NIC submitted an updated rate application to the Office in June 2010 as a follow up to its application sent to us in 2007. In the irrigation sector there are two main types of rates that are normally calculated. There is an economic rate in which a tariff is set based on operating costs, depreciation and a fair return on investment. There is also the subsidized rate which is calculated after the declared subsidies from the Government are taken into consideration. The NIC estimated that the total annual operating and maintenance cost associated with this project is $46.77M. This amount was apportioned between direct and fixed costs of $39.25M and $7.52M respectively.

1.5. NIC proposed two tariff structures, the first being a service charge of $1,290.12 per hectare and a volumetric rate of $5.30 per cubic metre. The second proposed structure was a volumetric rate per cubic metre of $6.32 without a service charge.

1.6. Three public consultations were held with farmers, with the final being held on the 1st of July 2010. The farmers' main concern was what they say was a drastic increase in the rates in these harsh economic times. They say they are facing harsh economic times and any increase in rates will only add to this hardship. They cohesively agreed that a linear tariff structure is preferred, as opposed to a multi-part tariff structure. The NIC accepted the farmers request and said it had no objection to the elimination of the multi-part tariff.

1.7. In keeping with the request of the NIC and the Farmers to have a linear pricing methodology as opposed to a Multi-Part Pricing, the Office has determined that a volumetric charge per cubic metre should apply. This rate

is determined to be (a) $5.99 per cubic metre if a recovery rate is applied; $7.37 per cubic metre if an economic rate is applied; or $6.03 per cubic metre if the project is subsidized.

1.8 Table 1 outlines the applicable rates and charges.

Table 1: Office Determined Rates and Charges

Type	Office Determined Demand Charge
Economic rate	$7.37 M^3
Subsidized rate	$6.03/$M^3$

The rates are effective November1, 2010 and will be for a period of at least fifteen (15) months. NIC is required to submit at least one (1) set of audited financial statements prior to the Office's review of the rates.

Chapter Two: Overview

2.1 Background

Hounslow is situated in St. Elizabeth. The total hectare coverage of the project is 1038 hectares of which 486 are irrigable hectares.

2.1.1 The old irrigation system was constructed between the 1960's and 1970's. Water is extracted from 5 wells using 5 Pumping Plants. It is then conveyed using approximately 38.1km of varying diameter asbestos cement pipes. The irrigation system in Hounslow was constantly being altered by the addition of new hydrants. The addition of these hydrants led to a change in the structure of the system which resulted in a reduction in the overall efficiency of the system. Consequently, the NIC undertook to rehabilitate the Hounslow system under the NIDP project. This rehabilitation project was financed by the Caribbean Development Bank and the Government of Jamaica.

2.1.2 This project is expected to increase the efficiency and the effectiveness of the irrigation system while extending the system to new farmers. The Water Users Association (WUA) which is being sponsored by the NIC is expected to manage some aspects of the system in the near future.

2.1.3 The rehabilitation of the system includes: replacing one-third of the length of the existing asbestos cement pipes with plastic (PVC) pipes, rehabilitating the five existing wells and installing five new pumps, the construction of on-farm sprinkler irrigation systems to areas in need and providing services to implement and sustain the Water Users Association.

Chapter Three: NIC's Proposal

3.1 Introduction

On April 3rd 2007 the NIC submitted an application to the OUR requesting a determination of the recovery rate for agricultural customers. The processing of the application was however put on hold at the request of the NIC. In June 2010, the NIC provided the OUR with updated information and requested that the tariff review be resumed.

Similar to the Seven Rivers and Beacon/Little Park projects, the Hounslow project in the initial phase will be operated by the NIC but ownership will eventually be transferred to the Water Users Association (WUA). This will take place after the members have received adequate training on how to operate the irrigation system. At that time, the NIC will provide advisory and technical support. The NIC has indicated that the Commission has not yet obtained policy direction from the Government with regard to who will be responsible for the replacement of the fixed assets.

3.2 Projected Customer Base and Water Production

When the rehabilitation project is completed, the NIC expects to produce 617,000 cubic metres of water annually and will sell its services to 616 customers. Presently, the NIC has 466 customers at Hounslow. The total acreage that will receive service under this project is 486 hectares (ha).

3.3 Proposed Rates

Table 2 gives a summary of NIC's proposed annual operating and capital expenditures to support the Hounslow project.

Table 2: Annual Costs Proposed by the NIC

Category			
Volume of water to be produced monthly (cubic metres)	617,000		
Total irrigable area (hectares)	486		
Type of expenses:- (Variable)		**Amount ($)**	**Amount ($)**
Salaries (including 10 contractual workers)		6,029,280	
Repairs and maintenance – pipeline		3,648,000	
Electricity		29,042,052	
Other direct costs		528,000	
Total variable cost			**39,247,332**
Fixed Expenses			
Administrative and billing		3,960,000	
Office expenses		588,000	
Operating expenses		1,668,000	
Office utilities		156,000	
Rental Premises		60,000	
Operation supervision		624,000	
Licence fee		228,000	
Contribution to capital cost		240,000	
Total fixed cost			***7,524,000***
Total operating cost			**46,771,332**
Total capital cost			212,364,000
Proposed rate per cubic metre (demand charge)			**$5.30**
Proposed service charge per hectare			**$1,290.12**
Total Volumetric Charge/cubic meter			**$6.32**

3.3.1 The NIC proposed a demand charge of $\$5.30/m^3$ which is derived from dividing the total variable cost by the volume of water produced.

3.3.2. A monthly service charge of $1,290.12 is also proposed and is calculated by dividing the total fixed cost by the total irrigated area.

3.3.3 An alternative single tariff structure was also proposed, a volumetric charge of $6.32 per cubic metre; which is calculated by dividing the total Operating cost by Volume of water produced.

3.4 Total Variable Operating Expenses

The NIC estimated total variable operating expenses for the project to be $39,247,332 annually.

3.4.1 Employees Cost/Salaries

The employees' cost of $6,029,280 per annum is made up of salaries for System Operators, Work Supervisors, a manager as well as 10 contractual workers who may be employed to assist these individuals.

3.4.2 Repairs and Maintenance

Provisions were made for the repair and maintenance of pumps, pump houses and pipelines of $3.648M annually.

3.4.3 Electricity

The NIC has proposed electricity cost of $29.042M annually for operating all 5 pumps at Hounslow. The NIC has forecasted that its Energy cost per unit will continue to decline due to the efficiency improvement measures that it has put in place to conserve energy.

3.4.4 Other Direct Cost

Other direct costs include verges and are estimated at $528,000 annually.

3.5 Total Fixed Costs

The Commission proposed a fixed cost of $7,524,000. This includes Admin. Accounting and Billing expenses, office expenses, operating expenses, rental of the premises, operation supervision, licence fee and contribution to capital cost.

3.5.1 The NIC proposed $3.96M per annum for Admin. Accounting and Billing costs. From earlier data given by the Commission, the NIC stated that the Admin. Accounting and Billing cost attributed to Hounslow is 45% of the Total Admin. Accounting and billing cost per annum.

3.5.2 Contribution to Capital Cost

The NIC stated that the government may fund a significant portion of the capital cost but customers are also required to pay a portion of this cost over a period of time. A yearly contribution of $240,000 is proposed by the NIC. The total capital cost is stated as being J$212,364,000.

3.5.3 As part of its tariff review process, the Office conducts public consultations on all rate applications. The last consultation on the Hounslow tariff determination was held on July 1, 2010.

3.5.4 The farmers cohesively agreed that they would prefer a linear tariff structure. The NIC agreed to this.

Chapter Four: Public Consultations

The OUR consulted with the farmers of Hounslow to ascertain their views on the proposed tariff structure as well as the quality of service delivery by the NIC.

4.1 A total of three (3) public consultations were held with the farmers. Most farmers were not in attendance at the first meeting as it was inadvertently scheduled on a market day.

The second meeting which was held on February 8, 2010 was attended by eight (8) farmers. Notwithstanding the small representation from the farming community, the farmers aired the following concerns:

4.2 Asbestos Pipes

The farmers were concerned about the asbestos pipes which they say were still being used by the NIC. Although the water provided by the NIC is solely for irrigation purposes, it was noted that some farmers also use the water for domestic purposes and were therefore concerned about any health risk associated with the use of asbestos pipes.

Response: NIC advised the farmers that the Commission was mindful of the fact that there are concerns regarding the use of asbestos pipes. The farmers were however assured that the use of the asbestos pipes was not harmful as it is the inhalation of airborne asbestos that can cause serious illness. Notwithstanding, they were informed by the NIC that these pipes were being replaced on a phased basis.

4.3 Service Charge

The farmers were of the view that the service charge proposed by the NIC was too high, especially given that this charge will be applicable on a monthly basis whether or not water was used.

Although the NIC tried to explain the rationale for this cost, the farmers were adamant that it was too high and its monthly fixed application was unfair. Members of the OUR team then enquired of the farmers if they preferred that the service charge be rolled into the water rate thereby eliminating it as a fixed cost item. This move would result in a flat rate, which the farmers agreed would be better as they would only be charged based on their usage.

4.4 Other Concerns

The farmers were also concerned that being asked to pay the proposed rates for water would only add to their existing problems of high seed costs and the unavailability of a market to sell their produce, which results in spoilage in the fields.

Response: NIC advised the farmers that they will convey these concerns to RADA as that agency should be able to provide them with assistance regarding seeds as well as a market for their produce.

4.5 Final Public Consultation

Despite convening a second consultation in 2008, additional financial data from the NIC relevant to the tariff process was not received by the Office in a timely manner. As such, there was a significant lag between the consultation in 2008 and the Office's eventual receipt of the financial data to complete the process.

4.5.1 This third and final consultation occurred on July 1, 2010. There was remarkable improvement in attendance as approximately 35 farmers were present. The farmers expressed the view that they could not tolerate an increase in rates given their current economic situation.

4.5.2 In its presentation to the farmers, the NIC proposed a fixed service charge. Similar to the 2008 consultation, the farmers expressed the view that a single rate was preferred. It was therefore agreed by all parties, including the OUR, that water consumption by the farmers will be based on a single rate.

4.5.3 Having accepted that an increase was inevitable, the farmers shifted the focus to the absence of a market for their produce. For farmers who were able to sell their produce, there was the concern that the price at which their produce was sold was too low.

4.5.4 In its response to the foregoing, the NIC admitted that mistakes were made such as the late arrival of seeds, late planting and the under-pricing of produce.

A commitment was however made by the NIC to work with the farmers to provide the appropriate guidance. In particular, the NIC informed the farmers that after the harvest of its current research crop in Hounslow, the Commission will be able to determine and advise farmers of the total volume of water necessary to produce their crops.

4.5.5 The OUR enquired as to the status of the asbestos pipes which was a concern expressed at the previous consultation. The NIC informed that as promised, these pipes were replaced.

4.6 Quality of Service

The quality of service delivered by utility companies is of major importance to the OUR. The OUR therefore enquired of the farmers of the quality of the existing service delivered by the NIC, as well as their views on the proposed Guaranteed Standards. There was consensus from the farmers that they have had no problems with the level of the existing service. They were also in agreement with the Guaranteed Standards proposed.

Chapter Five: Office Evaluation of Application

5.1 Introduction

The National Irrigation Commission requested that the Office makes a determination on the recovery rate for farmers. This decision is to be made on the fact that the government will not subsidize the operational cost of the project; as such it is essential that these costs are fully recovered by the NIC. Therefore, the Office's rate decision provides for (1) an operational recovery rate to be charged to farmers using only operating expenses; (2) an economic rate in the event that the government will no longer continue to fund capital development, therefore a fair return on capital will be calculated as well as depreciation charges; and (3) a subsidized rate which is calculated based on the level of subsidies to be received from the government.

5.2 Cost Analysis

5.2.1 Employees Costs

The NIC proposed a total employee cost of $6.029M annually. This provision accounts for three (3) system operators, one (1) works supervisor and a regional manager.

5.2.1.1 The works supervisor is located on site in Hounslow and is responsible for the supervision of the Systems Operator and the distribution of water to farmers. The cost of this service is $2.07M annually. The Office has no objection to the proposed cost.

5.2.1.2 The NIC outlined that the Regional Manager will oversee the operations of the project and based on earlier statistics, his time will be shared among Beacon/Little Park (45%), Hounslow (45%) and Seven Rivers (10%). After reviewing the proposed cost for the manager, The Office has adjusted the annual cost of the Regional Manager so that 45% of his salary is apportioned to the Hounslow scheme. The Office has therefore determined that the annual manager fee is $898,668 to $1.997M as proposed.

5.2.1.3 The Office has no objection to the $1.96M proposed by the NIC as the salary for the Systems Operator.

When the above adjustments are made the total direct salary provision for Hounslow is $4,930,896.

5.2.2 Repairs and Maintenance Cost

The NIC stated that there will be repair and maintenance to the Pumps, Pump Houses and Pipelines amounting to $3.65M per year. It further explained that four casual workers are normally required to undertake these repairs. The Office accepts that there will be depreciation of the pipeline over time, but it is not expected that this will be every month since some pipes will be replaced and therefore will be fairly new.

5.2.2.1 The Office believes that it is more prudent to include an annual provision for routine repairs to and maintenance of the irrigation system inclusive of labour costs to be incurred.

5.2.2.2 The general provision that the Office has determined is calculated from historical data on repairs and maintenance for the fiscal year 2008 and 2009 and also current data for the ten months April 2009 – January 2010. The data indicated that during these years repair and maintenance contributed to an average 6% of total district operating cost. This ratio is adjusted by 10.2% since it is expected that as the assets degenerate the total amount spent for repairs and maintenance will increase. The total percentage allowed for repairs and maintenance is therefore revised upwards to 6.60%. Thus, with total operating costs projected to be $46.77M, the general provision for repairs and maintenance is calculated to be $3.27M[1].

5.2.3 Electricity

The NIC has proposed an estimated electricity cost of $29,042,052 to pump water using all five pumps at the Hounslow Project. The NIC in its latest Annual Report outlined that it has introduced an Energy Management System that has assisted it in monitoring its energy usage and has also assisted in lowering its unit Energy cost.

5.2.3.1 The Office believes that this decision is a good one, since it will lead to energy efficiency. The Office has no objection to the electricity expense proposed by the NIC.

5.2.4 Security Cost

A provision of $72,600 has been made for a security officer to be stationed at the Hounslow scheme.

5.2.5 Total Direct Costs

The Office has determined that the total direct cost incurred by the Hounslow Scheme is $37.84M per year. The composition of direct cost is shown in table 3 below.

Table 3: The Office's Determination of Total Direct Cost

Item	NIC Proposal ($)	Office Determined ($)
Salaries	6,029,280.00	4,930,896.00
Total Repair/maintenance	3,648,000.00	3,273,993.24
Electricity	29,042,052.00	29,042,052.00
Other direct costs	528,000.00	528,000.00
Security cost	0	72,600.00
Total direct costs	**39,247,332.00**	**37,847,541.24**

[1] The general provision made for repairs and maintenance includes both labour and material cost.

The Office has determined that the total direct cost incurred by the Hounslow Scheme is $37.84M per year. This cost is made up of employee costs, electricity, repair and maintenance, security costs, etc.

5.2.6 Overhead Costs

5.2.6.1 Administrative Accounting and Billing Cost

The Administrative Accounting and Billing expense proposed by the NIC relates to the development of accounting software that will facilitate the calculation, printing and distribution, and collection of bills. The NIC stated that this software will be used by their Hounslow, Beacon/Little Park and Seven Rivers Schemes. The NIC stated that the cost to be incurred by Hounslow is $3.96M. This was calculated on the assumption that Hounslow will face 45% of the total cost which is $8.80M. The Office has no objection to this cost.

5.2.6.2 Licensing fees

There is a provision of $228,000 per year for licensing fee in the fixed rate proposed. This is to account for the cost involved in NIC's licensing of the WUA. The Office is of the view that this is not yet applicable as the system is still being operated by the NIC.

The NIC has indicated that the Hounslow project is being prepared for transfer of ownership to WUA. The timeline in which this will be done will be dependent on the level of training and how quickly the WUA members can demonstrate their ability to efficiently manage the project.

The Office has disallowed this provision from the total fixed costs. At the time that this becomes relevant, the NIC can submit an application to the Office for a review of the rates.

5.2.6.3 Operation Supervision

The NIC included a provision of $624,000 for operations supervisor as part of its total fixed costs in addition to a works supervisor and part-time manager. NIC states that this position will provide technical expertise on the operation of the pump and the canal network. This supervision will be provided out of the operations centre located in Spanish Town. Normally, this amount would be excluded as the cost would have been accounted for in NIC's economic rates, and its inclusion in this project's cost would result in an over-recovery for NIC as a whole.

The Office is however of the view that it is important to develop rates for Hounslow that are cost-reflective and would send correct signals to the farmers. It has therefore allowed this provision.

5.2.6.4 Other Overhead Expenses

The Office has calculated the regulatory cost for rent, office utility, operating expenses and office expenses based on the actual costs outlined in the Income

Statement presented by the NIC. Table 4 outlines the Office determined expenses as mentioned above.

Table 4: Other Overhead Expenses

Detail	Cost
Operating Expenses	1,522,622.16
Office expenses	252,044.19
Office Utility	134,384.87
Office rent	30,000

5.2.6.5 After making the above adjustments the Office has determined that total overheads is $6.52M, exclusive of depreciation cost.

5.2.7 Contribution to Capital Cost/Depreciation

The NIC stated that in accordance with the Government's Water Sector Policy, the users of new systems are required to contribute to the capital cost of the project. As such, users will be required to pay a reasonable proportion of the capital cost. The NIC considered $240,000 per year (payable in equal monthly instalments of $20,000) as a reasonable amount and has included this as part of its fixed cost. It also stated that the capital contribution will be determined on a case by case basis.

5.2.7.1 The Office takes the view that in the case where the government is no longer responsible for capital expenditure, maintenance and replacement of fixed assets, then the applicable rate to be charged to farmers must include depreciation expenses as well as a rate-of-return on investment.

5.2.7.2 Given available benchmarking data, a water pipeline system has an average useful life of 25 – 30 years. Based on the construction cost of $235,620,000 and a useful life of 30 years, the annual depreciation expense derived by the Office using the straight line method of depreciation is $7.854M.

5.2.7.3 In the case where the government will provide the subsidy, the capital cost to be borne by the farmers is the actual depreciation charges less the subsidy.

5.2.8 Return on Investment

The rate-of-return on investment was benchmarked using that which was calculated for the NWC in its Determination Notice of April 2008. The determined figure for nominal cost of capital is 11.48%.

5.2.8.1 Therefore the calculated return on Hounslow's investment of $235.62M is $2.70M.

5.2.9 Total Operating Cost

The Office has determined that the projected total operational cost is $52.22M, while total revenue requirement is $54.93M.

5.3 Overall Economic Rate

The revenue requirement for the Hounslow Scheme based on total economic cost is the sum of the total operating cost plus depreciation and return on investment. Table 5 outlines the determined economic rate.

Table 5: OUR Determined Economic Rate

Details	OUR Determined Economic Cost
Direct Costs	37,847,541.24
Overhead Cost (including capital cost)	14,377,051.21
Total Operating COST	**52,224,592**
Return on Assets	2,704,918
Total Revenue Requirement	**54,929,510**
Total Volume of Water Sold	7,404,000.00
Economic rate	**7.42/M^3**

5.3.1 As shown in Table Five above, the true economic rate determined by the Office is $7.42/M^{3.}$

5.4 Subsidized Rate

In its rate application the NIC stated that a policy has not been developed between itself and the government to decide who will face the cost of replacing the assets at the Hounslow scheme after they are fully depreciated. Therefore, the Office has accepted that the $240,000 proposed by the NIC, represents the interim cost to be faced by the farmers as their contribution to capital cost, until an agreement is made with the government. Thus, the Office has decided to further calculate a rate base on the fact that the capital cost is partially subsidized.

Table 6: Subsidized Rate Calculation

Details	OUR Determined Recovery Rate	NIC Proposed Costs
Direct Costs	37,847,541.24	39,247,332.00
Fixed Cost (excluding dep.)	6,523,051.21	7,284,000
Total Operating COST	**44,370,592**	**46,531,332.00**
Depreciation	240,000	240,000.00
Total Revenue Requirement	**44,610,592.00**	**46,771,332.00**
Total Volume of Water Sold	7,404,000.00	7,404,000
Subsidized rate	**6.03M^3**	**6.32/M^3**

5.5 *Summary of Rates*

Table 7: Office Determined Rates

Details	NIC proposed subsidized rate	OUR Determined economic rate	OUR Determined subsidized rate
Volume of water / M^3	$6.32	$7.42	$6.03

Chapter Six: Office Determination

6.1 Rate Structure

The NIC proposed two rate designs. It proposed that the billing structure consisted of two parts: a service charge and a demand charge. The service charge is derived from dividing the total fixed costs by the total acreage, while the demand charge is calculated by dividing the total direct cost by the volume of water produced. The NIC also proposed that a single part tariff can also be applied. On July 1, 2010 at the last consultation held with farmers they agreed that a single part tariff is preferred. The NIC had no objection to this request.

6.1.1 Determination 1

The Office has determined that there will only be a one-part billing structure, known as the demand/volumetric charge. The volumetric charge to be applied by the NIC for the Hounslow scheme can either be the Economic rate for running the project, or the subsidized rate.

6.2 Economic Rate

The economic rate is determined to be \$7.42 per M^3, and is representative of the true economic cost of supplying water to the Hounslow scheme, in the case where the policy of the government is to no longer provide subsidies to the programme.

6.2.1 Determination 2

The Office has determined that the economic rate per cubic metre is \$7.42.

6.3 Subsidized Rate

This rate is derived based on the premise that the government will provide some level of subsidies to the farmers. In the calculation of this rate for the NIC, it is assumed that the government will provide some level of subsidy in respect to the replacement of assets. The Subsidized rate is determined to be \$6.03M^3

6.3.1 *Determination 3*

The Office has determined that the subsidized rate is \$6.03/M^3.

6.4 The Office has determined that these rates will become effective November 1, 2010, and will be in effect for a period of at least fifteen (15) months.

Chapter Seven: Quality of Service Standards

7.1 Introduction

It is important that NIC delivers an acceptable quality of service given that the customers have to pay the full cost of the service. During the public consultation, the farmers were concerned about the fixing of damaged pipes in an efficient manner so that services will not be disrupted.

7.1.1 The NIC has a Citizen's Charter which outlines service standards which the Commission commits to observe. Whilst the Office has no objection to this Charter, it has developed, as part of this determination, quality of service standards which will assist in NIC's service delivery. These standards are categorized as either Guaranteed or Overall Standards, and are discussed below.

7.2 Guaranteed Standards

The Guaranteed Standards are service level agreements to be honoured by the company. They affect individual customers and a breach of any standard will result in a compensatory payment. Table 8 summarizes these standards.

Table 8: Guaranteed Standards

Area of Focus	Office Determined Standard
Meter Reading	Customers' meters must be read monthly.
Meter Replacement	Maximum of 30 business days to replace faulty meters
Reconnection	Customers are to be reconnected within 48 hours after payment of overdue amounts inclusive of reconnection fees
Wrongful Disconnection	NIC must, within 12 hours, reconnect any supply that the company inadvertently disconnected.
Payment of Compensation	NIC must, within 30 working days of breach claim, process and make payment or inform customer that claim is denied (and upon what basis). Customers may make claims by telephone.

7.2.1 A breach of any Guaranteed Standard will result in a compensatory payment to customers. This payment will be equivalent to the applicable reconnection fee and should be credited by the NIC to the affected account.

7.2.2 The Guaranteed Standards may be suspended in circumstances where compliance is beyond the reasonable control of the NIC (hereinafter called force majeure conditions). In the event of any such conditions, NIC must notify the OUR within 24 hours indicating reasons for its application for suspension and its intended duration. Force majeure conditions include, strike, civil unrest and natural disasters.

7.2.3 The NIC must, within 60 days of the effective date of this determination, submit to the Office for approval, a disaster mitigation plan. This should include, *inter alia*, plans that will be implemented by the NIC in the event of natural disaster, or any other event that would result in greater than 24 hours disruption in service.

7.3 Overall Standards

Unlike Guaranteed Standards, Overall Standards are not customer specific and are there to guide the general delivery of service by the Commission. Although there is no compensation attached, the Office will take into consideration the NIC's performance against these Overall Standards whenever the Commission requests a rate review. Table 9 summarizes the applicable Overall Standards.

Table 9: Overall Standards

Area of Focus	Office Determined Standard
Reliability of Supply – Notification of intention to interrupt supply	Minimum notification of 12 hours for short interruptions (less than 4 hrs) and 24 hours for longer interruptions
Reliability of Supply – Restoration after emergency lock off	Maximum of 24 hours to restore supply
Response to Complaints	95% of all investigations are to be completed within 30 business days.

7.4 Reporting Requirements

NIC must submit bi-annual reports on its performance against the Guaranteed Standards. The report must be submitted within 30 business days of the end of each six month period of operation.

7.4.1 Recommendation

To ensure the sustainability of the farming sector, the Office recommends that the NIC engages RADA in meaningful dialogue to develop a programme which will assist the farmers in areas such as pricing and the identification of appropriate markets.

Chapter Eight: Summary of the Office's Decisions

The Office's Decisions can be summarized as follows:

1. The rate structure is a volumetric rate which will vary depending on the amount of water consumed by the farmers.

2. The Volumetric rate is determined to be (a) $7.42 per M^3 if an economic rate is applied, and (b) 6.03M^3$ if a subsidized rate is applicable.

3. The rates are set for a period of fifteen months.

4. NIC must submit at least one year of audited annual financial statements/data prior to the next review of the rates.

5. At the next rate review, the Office will determine if an indexation mechanism is necessary.

6. NIC must adhere to the Guaranteed and Overall Standards as outlined in Tables 8 and 9. Breach of any of the Guaranteed Standards will result in compensatory payments equivalent to the applicable reconnection fee.

7. The NIC must submit bi-annual reports to the Office outlining its performance against the Guaranteed Standards. These reports are due thirty days after the end of each six month period.

The rates become effective on November 1, 2010 and will remain effective for the fifteen months period or for such longer period as the Office may determine.