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Office of Utilities Regulation

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**Rose Hall Utilities Company  
Limited**

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**Sewerage Rate Determination**

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OFFICE OF UTILITIES REGULATION

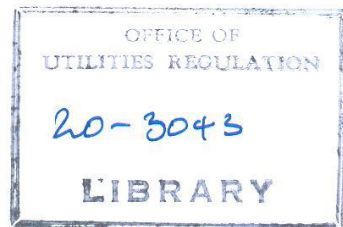
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DOCUMENT TITLE AND APPROVAL PAGE		
<b>DOCUMENT NUMBER:</b>		
<b>DOCUMENT TITLE: Rose Hall Utilities Company Limited (RHUCL) Sewerage Rate Determination</b>		
<p><b>1. PURPOSE OF DOCUMENT</b></p> <p>This document outlines the Office's decision on the rates to be charged by RHUCL for sewage services.</p>		
<b>RECORD OF REVISIONS</b>		
<b>Revision Number</b>	<b>Description</b>	<b>Date</b>
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<p><b>APPROVAL</b></p> <p>This document is approved by the Office of Utilities Regulation and the decisions therein become effective on April 1, 2011</p> <p>On behalf of the Office:</p> <p></p> <p>.....</p> <p><b>Zia Mian</b> <b>Director General</b></p> <p><u>March 4, 2010</u> Date</p>		

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Rose Hall Utilities Company Limited  
Sewage Rate Determination  
Document No. WAS2011002\_DET002  
Office of Utilities Regulation



## **Chapter 1: Introduction**

Rose Hall Utilities Company Limited (RHUCL) is a limited liability company which was issued with a sewerage service licence in 2004 to collect, treat and dispose of sewage. The company serves an eight-mile stretch of beachfront on the Caribbean Sea along the Northern Coastal Highway of Lilliput in St. James. Currently, Rose Hall's wastewater collection, treatment & distribution system serves a total of six commercial customers including the Ritz Carlton, Iberostar and RIU Mahoe Bay.

Sections 4 (4), 11 and 12 of the Office of Utilities Regulation Act (as amended) ("the OUR Act") gives the Office of Utilities Regulation ("the OUR") the power to set rates for prescribed utility services, including water and sewerage services. In April 2010, the company (RHUCL) applied to the OUR to formalize a sewerage service rate for its operations and also to establish an approved rate for reclaimed water.

## **Chapter 2: Rose Hall Utilities Company Limited Proposal**

In its tariff application to the OUR, the company indicated that its main intention is to formalize a sewerage service rate. It stated that based on a required Net Asset Return of 15%; its revenue requirement shows a shortfall of \$49.76M or 22%. The company proposed to continue with its existing rate structure, but specified that a new tariff formula would be applied to its current rates resulting in a 22% increase in its revenue requirement.

Further consultations with the company over the tariff review period lead the company to re-examine its previously proposed tariff request and on January 4, 2011 the company formally requested that its sewerage service rates be tied to the NWC's sewerage rates.

### **Chapter 3: Office Evaluation of Application**

The Office is guided by the policy whereby if basic rates proposed by a small water or sewerage service provider are below or equivalent to those rates approved for the National Water Commission (NWC) for equivalent rate categories, then the Office would have no objection to these rates coming into effect as of the effective date specified.

This decision was taken by the Office following consultations to develop new regulatory procedures for Small Investor-Owned Water Companies as well as Community Providers/Benevolent Societies.

The Office has no objection to RHUCL meeting its shortfall in revenue requirement by increasing existing tariffs to a point that is up to but no greater than the NWC's sewerage rates. The NWC's sewerage rates are also the same as its water rate since sewage is billed at 100% of water charges.

RHUCL should note however that NWC's tariff structure consists of a number of variables, some of which are unique to the Commission's operations. The NWC's tariff is inclusive of a base rate per 1000 gallons/litres, service charge, PAM, K-factor and X-factor. The K-factor and X-factor are special variables that were developed for the NWC in order to improve its operational efficiency. Therefore, RHUCL should not include K-factor and X-factor rates when calculating its sewerage bills.

In the alternative, the sewerage rate structure to be applied to customers' bills by RHUCL should be no greater than NWC's base sewerage charges, service charge and PAM. Details of NWC's rates are shown below.

Details	Current Rates
Base Rates per 1000 gallons	1,023.23
*Service charge (4 inch/100 mm)	10,050.85
**PAM	-5.55%

\*The applicable service charge is dependent on the size of the meter that is located at the premises.

\*\* The PAM percentage fluctuates monthly.

Notwithstanding the OUR's non-objection to the proposed tariff changes, the Office hereby directs that RHUCL shall ensure that all invoices/bills issued to customers show a detailed tariff structure and are quoted in Jamaican dollars.



## Chapter 4: Office Determined Rates

### Rate structure

In its application RHUCL requested to have its rates tied to that of the NWC. The applicable rate structure to be applied by the company consists of the following:

#### Service Charge

A service charge is a fixed amount charged to customers regardless of consumption. The service charge for commercial customers is dependent on the size of the meter that is located at the premises and should correspond with the service charge rate applied by the NWC.

#### *Determination 1*

*The Office has determined that a monthly service charge equivalent to that of the NWC should be applied by RHUCL.*

#### Volumetric Rate

The volumetric rate varies with the amount of water consumed.

#### *Determination 2*

*The Office has determined that the volumetric rate is equivalent to that charged by the NWC for commercial customers. The base tariff is \$1,023.23 per 1000 gallons or \$224.99 per 1000 litres. This base tariff will change with the annual adjustments of NWC's base rates,*

#### Price Adjustment Mechanism

The PAM is an indexation mechanism that is applied to the base rate of water and/or sewerage services to preserve the real revenue of the company. The PAM captures changes in foreign exchange, consumer price index and electricity charges. Given the fact that the rates approved for RHUCL will always be below that of the NWC, the Office gives its assent to the proposed PAM methodology. The Office stipulates, however



that a month lag be applied to the PAM used by RHUCL, that is and by way of example, the NWC's PAM rates for March should be reflected on April's bills. This will give the Office time to clearly check the PAM rate calculated by the NWC and also allows for transparency in the data that is used to calculate the PAM for RHUCL.

***Determination 3***

***The Office has decided that there will be a PAM that will be applied to the monthly charges approved for RHUCL.***

In addition to these determinations, RHUCL should provide the Office with quarterly statements (with monthly breakouts) showing the PAM rates charged over the period.

## **Chapter 5: Quality of Service Standards**

To ensure that service delivery to customers does not fall below the minimum level, the following standards must be adhered to by RHUCL.

### **Sewerage Service Standards**

RHUCL must comply with the following standards listed below as well as any other standards set by National Environmental and Planning Agency, the Ministry of Health and the Environment and Interim Jamaica standards.

*Objective:* To ensure acceptable effluent quality and minimize flooding from sewers.

#### **WOS 1- Correction of Sewerage Problems**

*Definition:* RHUCL must correct all problems which result in flooding from sewers within 24 hours of being informed.

The Company must achieve a 95% target of correcting problems which result in flooding from sewers within 24 hours of being informed.

#### **WOS2 – Sewerage Effluent Quality**

*Definition:* RHUCL is required to periodically test effluent samples to verify that the plant is operating within the standards specified by the National Environment and Planning Agency (NEPA).

99% of all samples tested must meet the required NEPA standards.

Please note that these new rates become effective April 1, 2011 and should be in effect for a period of at least 15 months. An application for an adjustment to these rates should be filed with the Office at least 60 days prior to the proposed effective date.

## **Chapter 6 Summary of Decisions**

**In summary, the Office has made the following determinations:**

1. The sewage rate is based on a two tiered rate structure comprising a fixed component and a volumetric rate.
2. The applicable service charge is dependent on the size of the meter that is located at the premises.
3. The variable component is a volumetric rate of \$1,023.23 per 1000 gallons.
4. A monthly PAM will be applied to the rates charged by RHUCL.
5. RHUCL must adhere to the sewerage service standards as outlined above.