
Office of Utilities Regulation

TRYALL GOLF & BEACH CLUB LIMITED
Connection/Reconnection Fee

Determination Notice



OFFICE OF UTILITIES REGULATION

2020 August 31

DOCUMENT TITLE AND APPROVAL PAGE

1. DOCUMENT NUMBER: 2020/WAS/004/DET.004

2. DOCUMENT TITLE: TRYALL GOLF & BEACH CLUB LIMITED
CONNECTION/RECONNECTION FEE DETERMINATION NOTICE

3. PURPOSE OF DOCUMENT:

This document outlines the approved Connection/Reconnection fee that the Tryall Golf and Beach Club Limited should be charge its customers for the connection or reconnection of water supply service.

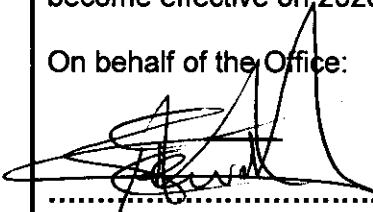
4. ANTECEDENT DOCUMENTS:

Document Number	Document Title	Publication Date
2019/WAS/003/DET.001	Tryall Golf & Beach Club Limited Interim Water Rates Determination Notice	2019 April 01

5. APPROVAL:

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on,2020 September 01

On behalf of the Office:



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Director - General
Ansord E. Hewitt

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Date: 2020 August 31

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1. Executive Summary

The Tryall Golf and Beach Club Limited (TGBC) is a privately owned company that is managed by the Proprietary Board, which is a group of homeowners elected by their peers to take care of the affairs of the property. The company provides water to the residents on the premises, which is situated between the towns of Sandy Bay and Orchard Community in the parish of Hanover.

TGBC is the holder of a Water Supply and Distribution Licence dated 2018 August 27 (Licence).

On 2020 May 12, TGBC submitted an Application to the Office of Utilities Regulation (OUR/Office) for approval of a Connection/Reconnection fee in relation to its water supply and distribution services. The requested Connection/Reconnection fee was \$5,040.

Arising from a previous Application for a water rate, the Office had approved an interim volumetric rate of J\$144/1,000 litres for TGBC which took effect on 2019 April 01. However, the company had not requested approval for a Connection/Reconnection fee. Hence, its 2020 May 12 Application was intended to close this gap in service charges.

2. Definitions, Acronyms and Abbreviations

CDL	-	Can-Cara Development Limited
DEML	-	Dynamic Environmental Management Limited
Government	-	Government of Jamaica
GS	-	Guaranteed Standards - Quality of Service
Licence	-	The Tryall Golf & Beach Club Limited Water Supply and Distribution Licence, 2018
Licensed Business	-	The supply and distribution of water as authorized by Licensee pursuant to the Licence
Licensee/ TGBC	-	Tryall Golf & Beach Club Limited
Minister	-	the Minister of Government with portfolio responsibility for water
NWC	-	National Water Commission
OUR Act	-	The Office of Utilities Regulation Act, 1995
OUR/Office	-	Office of Utilities Regulation

3. Introduction

- 3.1. Tryall Golf and Beach Club Limited (TGBC) is a privately owned company that was established on the Tryall Estate lands by the Tryall Corporation in 1976. In 1975, the Tryall homeowners purchased the bulk of the property and formed the Proprietary Board comprised of elected representatives. Each homeowner is a proprietary member of TGBC and the homeowners elect the Proprietary Board. The Proprietary Board makes all decisions regarding the development and management of the property, including infrastructure and the provision of basic utilities.
- 3.2. TGBC is the holder of a Water Supply and Distribution Licence dated 2018 August 27 (Licence) and supplies potable water to the TBGC homeowners and residents.
- 3.3. The water resources used in the provision of service are located on the TGBC property. The company is permitted to extract water from the property in accordance with a licence issued by the Water Resource Authority in 2004. To date, TGBC has been providing potable water services to the resident at TGBC at no cost to the homeowners. However, TGBC has advised that its future expansion plans suggest that there will be an increase in the demand for water, which will necessitate the imposition of a charge to the residents/property owners for the supply, to address the additional cost.
- 3.4. It was against this background that TGBC applied to the OUR for approval to charge a volumetric water rate of \$144.00 per 1,000 litres on 2018 October. The company's request was approved by the Office, and it took effect 2019 April 01. TGBC's Application, however, did not include a request for a Connection/Reconnection fee. In light of this gap in the charges it can apply to its customers, the company on 2020 May 12 applied to the OUR for a Connection/Reconnection fee of \$5,040.00.
- 3.5. Given that the company indicated that it had challenges, providing critical data for a cost-based assessment, the OUR opted to conduct a benchmarking analysis of comparable fees across the industry. This procedure is the approach employed under the OUR's "No-objection" policy.
- 3.6. The OUR conducted its review of the Application, and its analysis and determination are set out below.

4. Legal Framework

4.1. 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 prescribed utility services in Jamaica. 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.

4.2. Section 4 (4) of the OUR Act expressly provides for the authority of the OUR to determine the rates charged for the provision of a prescribed 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.”

4.3. In 2018, pursuant to the OUR Act, the Minister with portfolio responsibility for the water and sewerage sectors granted the Licence to TGBC to supply and distribute potable water to Tryall, Sandy Bay, Hanover. The provisions of the Licence reinforce the OUR’s statutory powers to regulate the Licensed Business.

4.4. In respect to price controls, Clauses 13.1 (1) & (2) of the Licence provide that:

“The Licensee is subject to the conditions and procedures set out in Schedule 3.

The rates to be charged by the Licensee in respect of the Prescribed Utility Service in relation to the Licensed Business shall be as determined by the Office from time to time.”

4.5. The Licence stipulates that the rates and charges as determined by the OUR should provide a reasonable opportunity for the Licensee to make a reasonable return on capital employed after taking into account all reasonable cost incurred in the provision of services. Extracts from Schedule 3 of the Licence, provide as follows:

“The rates for the supply of services by the Licensed Business shall be set such that the rates provide a reasonable opportunity for the Licensee to make a reasonable return on capital employed after taking into account all reasonable costs incurred in the provision of the services.”

“Return on Investment...The return on investment shall be calculated by multiplying the allowed rate-of-return by the Licensee’s total investment base (“Rate Base”) for the test year. The allowed rate of return is the Licensee’s Weighted Average Cost of Capital (WACC). The WACC (“K %”) will balance the interests of both consumers and investors and be commensurate with returns in other enterprises having corresponding risks which will assure confidence in the

financial integrity of the enterprise so as to maintain its credit and to attract capital...”

- 4.6. Notwithstanding provisions of Schedule 3 of the Licence, the Office currently applies a policy of “Non-objection” to rate Applications by private water and sewerage service providers, such as TGBC. The policy allows for the automatic approval of the proposed rates, if such 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 private 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.
- 4.7. The OUR’s analysis indicates that Connection fees in the industry range from \$2,700.00 to \$6,900, and Reconnection fees range from \$3,000.00 to \$12,500.00. Consequently, TBGC request to charge a Connection/Reconnection fee of \$5,040.00 was within the existing industry range. Therefore, the Office has approved TBGC’s request based on the “No-objection” policy.

5. Summary of the Tariff Proposal

- 5.1. TGBC, in its Application has requested approval to charge its customers \$5,040.00 for connecting or reconnecting customers to its water network. Normally, a reconnection fee is applicable to a customer for the return of service after being disconnected for the non-payment of bills to the utility.
- 5.2. TGBC currently serves ninety two (92) residential units, and implicit in its request is the notion that the proposed \$5,040.00 will allow the recovery all expenses related to connecting and disconnecting customers to the company's water supply system.

6. Evaluation of the Application

- 6.1. In its Application TGBC indicated that it was experiencing challenges to "submit all required documents in the time scheduled" for a review of its current volumetric rate. The documentations referred to by TGBC encompasses cost and consumption data, which would allow for the computation of the rates and charges to be applied in the provision of service to its customers.
- 6.2. In light of the absence of such data, which is not unusual for a small utility at the early stage of its development, the OUR took the view that the "Non-objection" policy should be applied in the evaluation of TGBC's request.
- 6.3. In assessing the reasonableness of the proposed reconnection and connection fee charge of \$5,040.00, the OUR performed a benchmark analysis on a sample of water providers that are operating in the jurisdiction. The benchmarked entities are the National Water Commission (NWC), Can-Cara Development Limited (CDL) and Dynamic Environmental Management Limited (DEML).
- 6.4. TGBC customers are connected by one (1) inch pipes. The reconnection fee for NWC customers with one (1) inch pipe connections is currently \$12,500.00. CDL and DEML both charge a general fee for the service. CDL fee ranges from \$3,000.00 - \$6,000.00 while DEML charge a fee of \$4,534.17 as shown in the table below.
- 6.5. In light of this comparison, TGBC's proposed Reconnection and Connection fee charge of \$5,040 has been deemed acceptable.
- 6.6. It is important to note that in the *Tryall Golf & Beach Club Limited Interim Water Rates Determination Notice* (Document Number: 2019/WAS/003/DET.001) the Office stipulated the Quality of Service Standards to which TGBC would be required to observe. These standards include GS4 (b) which addresses Reconnection after wrongful Disconnection.

Table 1: Benchmark Comparison for Water Sector Tariff and Reconnection/Connection Fee

Volumetric Service Blocks (*000 litres)	TGBC	NWC	CDL*	DEML
	Rate (\$/000*Litre)	Rate (\$/000*Litre)	Rate (\$/000*Litre)	Rate (\$/000*Litre)
0 - 14	-	103.67	92.67	-
>14 - 27	-	182.80	163.41	-
>27 - 41	-	197.38	176.44	-
>41 - 55	-	251.93	225.22	-
>55 - 91	-	313.71	280.44	-
> 91 - 116	-	403.83	361.00	-
Avg. Volumetric Charge	144.00	271.62	242.81	112.91
Volumetric Charge Avg. monthly consumption of 116,111 liters] [@	16,719.84	31,537.31	28,192.50	13,109.98
Service (Fixed) Charge (1inch meters)		2,220.00	739.28	641.82
Average Tariff (JS/month)	16,719.84	33,757.31	28,931.78	13,751.80
Reconnection Fee	5,040.00	12,500.00	3,000.00 to 6,000.00	4,534.17
Connection Fee	5,040.00		6,900.00	2,700.00
* CDL only has 5/8 inch meters				

Determination 1

In keeping with the Office's current "No-objection" policy for small private water and sewerage providers and given that the rate proposed by TBGC is lower than the comparable rate for NWC, the Office approves TGBC request to charge a Connection/Reconnection fee of \$5,040.00 to its customers.