

## **OUR Completes Review of NWC's Mid-Tariff Application**

**(KINGSTON, Jamaica; 2016 December 9):** The Office of Utilities Regulation (OUR) has completed its review of the Mid-Tariff Application submitted by the National Water Commission (NWC).

The OUR's Mid-Tariff Review Determination Notice on the application took effect 2016 December 5. However customers will see the impact in their bills due in 2017 January. Based on the decision taken by the OUR, customers will see an average increase of 2% in their bills.

The OUR has determined that the K-Factor will be increased from 14% to 16%. The NWC had requested that it be increased to 20% to allow it to service additional loans required to finance its non-Public Private Partnership capital works projects. The OUR indicated, however, that NWC did not provide sufficiently convincing information regarding the projects in question and the direct K-Factor benefits to justify this level of increase. The OUR has, however, left the door open for NWC to ask for a review of its decision on the K-Factor within the next six (6) months provided it is able to present better justification.

The K-Factor was established in the NWC's 2008 Tariff Determination Notice to provide the entity with funds to carry out capital projects intended to reduce non-revenue water, extend sewerage services, as well as to rehabilitate its existing sewerage treatment plants. Efforts to reduce non-revenue water include: repairing and/or replacing its current ageing and decaying infrastructure with a view to significantly reduce and over time, (possibly) eliminate leaks on its network.

The OUR has determined that the related Efficiency Factor (X-Factor) shall be kept at 5.5% for the remainder of the tariff period in order to assist the Commission in stabilising its fragile financial position. The X-Factor represents the efficiency gains made by the NWC that are passed on to its customers by way of a rate reduction. The following conditions regarding the X-Factor, which should incentivize the NWC, have been imposed:

- a) Using 68.5% as a reference point, for every 1% reduction in non-revenue water losses in a given year, the applied X-Factor will be reduced by 1% in the following year;
- b) Using 68.5% as the reference point, for every 1% increase in non-revenue water losses in a given year, the X-Factor will be increased by 1% in the following year.

The OUR has also determined that a deemed collection rate, or collection rate target of 88% is approved for the NWC, down from the 92% set in the 2013 Determination Notice.

The OUR has denied the NWC's request for a price escalator (Z-Factor) to be approved in this Mid-Tariff Review.

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The table below outlines two typical bill scenarios, adjusted to include the increased K-Factor amount:

	Details	Current bill	Details	New bill	Change
<b>14000 litres</b>					
Service Charge		\$758.18		\$758.18	
Water charge		\$1,330.56		\$1,330.56	
Sewerage charge		\$1,207.64		\$1,207.64	
PAM	Estimated	\$47.14	Estimated	\$47.14	
X- Factor	5.50%	(\$183.89)	5.50%	(\$183.89)	
K-Factor	14%	\$442.35	16%	\$505.54	
<b>Total bill</b>		<b>\$3,601.97</b>		<b>\$3,665.36</b>	<b>2%</b>
<b>32,000 litres</b>					
Service Charge		\$758.18		\$758.18	
Water charge		\$4,413.98		\$4,413.98	
Sewerage charge		\$4,005.96		\$4,005.96	
PAM	Estimated	\$47.14	Estimated	\$47.14	
X- Factor	5.50%	(\$507.39)	5.50%	(\$507.39)	
K-Factor	14%	\$1,220.50	16%	\$1,394.86	
<b>Total bill</b>		<b>\$9,938.37</b>		<b>\$10,112.73</b>	<b>2%</b>

The OUR’s Mid-Tariff Review Determination Notice on NWC’s Mid-Tariff Application can be viewed on the OUR’s website: [www.our.org.jm](http://www.our.org.jm).

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