

**FOR IMMEDIATE RELEASE**

**OUR Makes Decision on NWC’s Tariff Application**

**(KINGSTON, Jamaica; 2019 December 10):** Residential and commercial customers, schools and condominiums will see an overall increase of about 4% in water rates as a result of the Office of Utilities Regulation’s (OUR) decision on the National Water Commission’s (NWC’s) 2018 Tariff Application which becomes effective on 2019 December 09.

On average, customers paying water as well as sewerage rates will see an overall increase of between 15.5% and 17.8%. Most of NWC’s customers do not pay for sewerage.

The new rates will be reflected in customers’ bills starting 2020 January.

This is an interim tariff for twenty four (24) months as the NWC did not supply all the information requested by the OUR, including a cost of service study and an asset valuation report, needed for a full tariff assessment. The OUR, in its assessment of the NWC’s Tariff Application, found weaknesses and major data gaps in the submission. Consequently, it has concluded that it would not now be prudent to establish the normal five (5) year tariff.

The NWC will be expected to formally apply for a full tariff review twenty (20) months after the effective date of this Determination Notice. That is, by 2021 August. **Table 1** below provides a breakdown of the bill impact on the various customer classes.

**Table 1: Summary of the Bill Impact: NWC Proposed vs. OUR’s Approved Rates (IG-Imperial Gallon)**

Customer Type	Avg. Consumption per Month (IG)	BILL IMPACT			
		WATER		WATER & SEWERAGE	
		NWC Proposal	OUR Approved	NWC Proposal	OUR Approved
Residential	3,303	29.2%	4.3%	42.1%	16.6%
Commercial	15,874	31.5%	4.4%	45.6%	17.8%
Condominiums	88,571	33.1%	4.3%	41.1%	17.3%
Schools	67,525	32.6%	3.7%	39.8%	15.5%

Based on the NWC’s objective to hasten the pace of non-revenue water (NRW) reduction, the OUR has approved its request to increase the K-Factor from 16% to 20%. However, the OUR has mandated that the NWC refines the priority and the sequencing of its projects and present a revised slate of NRW projects to the OUR for approval within 3 months of the Determination Notice issue date. The K-factor, which appears as a line item on customers’ bills, is used to finance capital projects.

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The OUR also made other decisions pertaining to the NWC's application, including the following:

- 1) The consolidation of residential tariff structure from six (6) blocks to four (4). The NWC had requested a reduction to three (3) blocks. However, the OUR determined that in the absence of more detailed information it would be more prudent to consolidate to four (4) blocks, based on usage.

**Table 2: Customer Categories and Blocks**

<b>Customer Category and Block</b>	<b>Volumetric Rate \$/1000IG Water</b>
Residential	
0 - 3,000	495.06
For the next 3000	881.08
For the next 3000	960.31
Over 9000	1,638.11

- 2) The OUR has approved the introduction of a 'standby charge' for major commercial customers that retain NWC's service connection only as backup supply. The OUR recognises that NWC incurs a cost in making additional capacity available for these occasional consumers, therefore it is only fair that these customers should pay the incremental cost commensurate with the convenience.

Among the requests the OUR did not approve are:

- 1) The introduction of a sewerage service charge to reflect NWC's fixed cost of providing customers with sewerage services. The NWC had proposed the introduction of this new charge for customers who have been disconnected from the NWC'S water supply for non-payment of bills, but still benefit from sewerage services. The OUR takes the view that while the proposal is in principle reasonable, the NWC's proposal has not passed the concept stage and requires further development.
- 2) The introduction of a new regime for charging commercial customers who use water as an input to their operations, but who do not return all water as wastewater to the NWC's sewerage network. NWC wanted this charge to replace the Economic Development Wastewater Tariff (EDWT), which allows a lower sewerage rate for these customers. The OUR takes the view that the proposed methodology which places the emphasis on volumes instead of the rate is feasible but the NWC did not present an implementation strategy. Accordingly, the EDWT shall remain in effect.
- 3) The NWC's proposal to apply a late payment interest charge to commercial accounts that remain unpaid seven (7) days after the due date of the bill. The OUR took the view that the proposal was not presented in sufficient detail, and has asked the NWC to develop and present a proposal to the OUR within six (6) months of the effective date of this Determination Notice for the OUR to take a final decision regarding this issue.

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The NWC's Determination Notice can be found on the OUR's website: [www.our.org.jm](http://www.our.org.jm).

### **BACKGROUND**

On 2018 October 02, the NWC submitted its Tariff Application to the OUR for a review to its water and sewerage rates and quality of service standards. Based on convention, the OUR sets the NWC tariff on a five (5) year review cycle. However, the NWC requested in its Tariff Application that the OUR consider a three (3) year tariff period, 2019 January to 2021 December, instead of the usual five (5) years. The proposed tariff was predicated on a revenue requirement of \$33.9 B. This translated to an average increase of 23% for revenue from water charges and 38% for revenue from sewerage charges, relative to NWC's 2017 test-year revenues. The overall requested increase for the 2017 test-year revenues was 26%.

In addition to its original Tariff Application, the NWC in 2019 July submitted a Revised Tariff Proposal which essentially retained all the elements of its earlier submission, but requested an acceleration in its K-Factor programme through an increase in its K-Factor allotment from 16% to 20%.

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