

Office of Utilities Regulation

ST. JAGO HILLS DEVELOPMENT
COMPANY LIMITED
INTERIM WATER RATES

Determination Notice



OFFICE OF UTILITIES REGULATION

2019 July 05

DOCUMENT TITLE AND APPROVAL PAGE

1. DOCUMENT NUMBER: 2019/WAS/004/DET.002

2. DOCUMENT TITLE: ST. JAGO HILLS DEVELOPMENT COMPANY LIMITED INTERIM WATER RATES DETERMINATION NOTICE

3. PURPOSE OF DOCUMENT

This document outlines the Office's decisions on St. Jago Hills Development Limited's first tariff application since the issuance of its water supply and distribution licence in 2014 and the interim approved rates that should be charged to its customers.

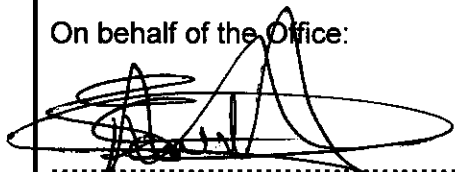
4. ANTECEDENT PUBLICATIONS

Publication Number	Publication Title	Publication Date

5. Approval

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on 2019 July 05

On behalf of the Office:



.....
Director - General
Ansord E. Hewitt

2019 July 05

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1. Executive Summary

- 1.1. The St. Jago Hills Development Company Limited (SJHDC) is a privately owned company and holder of a Water Supply Licence dated 2014 July 8 (Licence). The company provides potable water to its residential development of lots in the St. Jago Hills area in eastern St. Catherine.
- 1.2. On 2018 November 16, SJHDC submitted an application to the Office of Utilities Regulation (OUR/Office) for a rate increase. It is important to note that since the issuance of the Licence, the company did not receive approval from the OUR for the rate it currently charges its customers. Consequently, the application represents an effort on the part of the company to regularize the economic side of its operations.
- 1.3. Currently, SJHDC's fixed monthly charge is \$2,977.35 and it has proposed that it be increased to \$5,842.42 per month.
- 1.4. The variable rate is based on a six (6) block structure. The first block covers consumption of up to 3,000 gallons, the second to the fourth blocks goes up by incremental consumption of 3,000 gallons per block, the fifth block covers consumption between 12,000 gallons to 20,000 gallons and the sixth block is for incremental consumption in excess of 20,000 gallons.
- 1.5. As shown in Table 1.1 below, the SJHDC's proposed increase in the rate for the typical customer, who is assumed to use 6,000 gallons of water per month, would be 341%.
- 1.6. In addition, SJHDC has proposed that households in the community that are not connected to its water supply system be required to pay a monthly fixed charge of \$ 5,842.42. SJHDC estimates that there are presently 144 homeowners in the community (whether connected to the water supply system or not). Of these 144 homeowners, only 97 are active SJHDC customers.
- 1.7. In its analysis of the SJHDC proposal, the OUR found that the financials presented in support of the application reflect inconsistencies and were less than credible for some items. This include its treatment of depreciation in its financial accounts and the proposed use of funds identified for capital injection to be used in the maintenance of its plants.

Table 1.1 – Bill Impact Based on SJHDC Proposed Rates

SJDC Proposed Rates						
Consumption: 6,000 Gals.	Existing Unapproved Rates		Proposed Rates		Bill Change	
Description	Rate (J\$/1000 gallons)	Bill Charge (J\$)	Rate (J\$/1000 gallons)	Bill Charge (J\$)	J\$	%
1st 3,000 gallons	32.78	98.34	1,333.33	4,000.00	3,901.66	
2nd 3,000 gallons	57.79	173.37	1,500.00	4,500.00	4,326.63	
Total Volumetric Charge		271.71		8,500.00	8,228.29	
Capital Reserve Charge	286.67	286.67	Operational Cost	5,842.42		
Recoverable Charge	2,690.68	2,690.68	Recovery			
Total Fixed Charge	2,977.35	2,977.35		5,842.42	2,865.07	
Total Bill Charges		3,249.06		14,342.42	11,093.36	341%

- 1.8. Even though the Licence allows for the computation of the company’s tariffs on rate of return (or ‘cost plus’) methodology, given the deficiencies in the financial statements presented, the OUR considered that benchmarking was a more appropriate approach for the rate review.
- 1.9. The benchmark analysis conducted involved a comparison of SJHDC’s current rates against those now being offered by the National Water Commission (NWC), the dominant provider and two other independent providers, Dynamic Environmental Management Limited (DEML) and CanCara Development Limited (CDL).
- 1.10. The analysis revealed that the typical NWC, DEML and CDL customer would see their respective bills at the 6,000 gallon consumption level, 61%, 74% and 70% lower than what the typical SJHDC customer would pay, if the proposed rates were allowed (see Table 1.2 below). This suggests that the rates proposed by SJHDC are significantly higher than the levels that exist in the market.
- 1.11. In light of the above analyses and given that the evolution and construct of SJHDC is similar to CDL, the OUR takes the view that SJHDC rates should be set equal to those in the CDL’s rate schedule, with one adjustment.

Table 1.2 – Benchmark Analysis: Typical Bill (at 6,000 gallons)

Volumetric Service Blocks	SJHDC	NWC	DEML	CDL (5/8" service connection)	CDL (3/4" service connection)
('000 Gallon)	(\$/000'Gallon)	(\$/000'Gallon)	(\$/000'Gallon)	(\$/000'Gallon)	(\$/000'Gallon)
0 - 3	1,333.33	471.49	513.30	421.29	421.29
>3 - 6	1,500.00	831.21	513.30	742.88	742.88
>6 - 9		897.49	513.30	802.11	802.11
>9 - 12		1,145.53	513.30	1,023.87	1,023.87
>12 - 20		1,426.67	513.30	1,274.91	1,274.91
> 20		1,836.41	513.30	1,641.14	1,641.14
Volumetric Charge					
[Consumption = 6,000 gallons]	\$ 8,499.99	\$ 3,908.10	\$ 3,079.80	\$ 3,492.49	\$ 3,492.49
Service (Fixed) Charge	\$ 5,842.42	\$ 1,700.00	\$ 641.82	\$ 739.28	\$ 1,514.19
Total Charge(J\$/month)	\$ 14,342.41	\$ 5,608.10	\$ 3,721.62	\$ 4,231.77	\$ 5,006.68
Variance Relative to SJHD Bill	-	-61%	-74%	-70%	-65%

1.12. Accordingly, the Office has determined that the following interim charges and rates shall be charged by SJHDC to its customers:

- *Fixed Charge (monthly):* \$1,514.19
- *Variable Charge:*
 - 1st 3,000 gallons: \$ 421.29
 - 2nd 3,000 gallons: \$ 742.88
 - 3rd 3,000 gallons: \$ 802.11
 - 4th 3,000 gallons: \$ 1,023.87
 - 12,000 - 20,000 gallons: \$ 1274.91
 - Over 20,000 gallons: \$ 1,641.14

1.13. It is estimated that with the determinants set out herein, the typical residential customer with an average water consumption of 6,000 gallons/month bill will move from \$3,249.06 to \$5,006.68. This represents an increase of 54%. (See Table 1.3 below).

Table1.3 – Bill Impact Based on OUR Approved Rates

OUR Approved Rates						
Consumption: 6,000 Gals.	Existing Unapproved Rates		OUR Approved Rates		Bill Change	
Description	Rate (J\$/1000 gallons)	Bill Charge (J\$)	Rate (J\$/1000 gallons)	Bill Charge (J\$)	J\$	%
1st 3,000 gallons	32.78	98.34	421.29	1,263.86	1,165.52	
2nd 3,000 gallons	57.79	173.37	742.88	2,228.63	2,055.26	
Total Volumetric Charge		271.71		3,492.49	3,220.78	
Capital Reserve Charge	286.67	286.67	Service Charge	1,514.19		
Recoverable Charge	2,690.68	2,690.68				
Total Fixed Charge	2,977.35	2,977.35			1,514.19	(1,463.16)
Total Bill Charges		3,249.06		5,006.68	1,757.62	54%

1.14. Subject to the fulfillment of certain obligations by SJHDC, the interim rates are valid for an eighteen (18) month period. This allows SJHDC a one (1) year period to accurately compile its cost and operational data. The additional six (6) months would facilitate the submission, review and implementation of the new tariff.

Technical and Quality of Service Review

1.15. The OUR, as a part of the rate review exercise undertook a technical review of SJHDC plant, which involved an engineering field visit to the plant. The review reveals that there are prevailing design limitations to SJHDC’s water supply system that impose constraints on SJHDC’s water supply operations.

1.16. Based on SJHDC performance data, the technical conditions have severely impacted the reliability and quality of water supply delivered to its customers. This is demonstrated, among other things, in the irregularity of water supply, low water pressure and reported turbidity in the water.

1.17. The Office has therefore determined that in order to correct the technical deficiencies exhibited by SJHDC, the company:

- Will be subject to a tight regulatory monitoring regime
- Produce within six (6) months of the effective date of this Determination Notice, an Action Plan to address the weaknesses in its infrastructure that is largely responsible for its poor reliability of service;
- Produce an Operation Procedure Manual to guide its staff on operational matters.

1.18. With regard to the submission of the Action Plan, within three (3) months of the effective date of this Determination Notice, SJHDC shall submit to the OUR a Preliminary Action Plan. Following on discussions with the OUR and based on the formal feedback received on its

- 1.19. If SJHDC fails to submit its Final Action Plan as stipulated, or submits a Final Action Plan that is deemed unsatisfactory, or fails to implement the Final Action Plan in accordance with the provisions thereof, the Office reserves the right to immediately review the approved rates set out in this Determination Notice to reduce same until the Final Action Plan is filed, satisfactorily completed or being implemented.
- 1.20. Arising from the a public consultation meeting with SJHDC's stakeholders, as well as the OUR's assessment of the service provided by the utility to its customers, the Office has also developed a set of Overall and Guaranteed Standards to bring the company into alignment with service levels acceptable within the industry. Further, SJHDC shall undertake the following and submit same for the Office's approval:
- As part of the Action Plan, develop measures to supply water on a regular (daily) basis to customers in order to eliminate the existing water supply schedule over time.
 - Within six (6) months of the effective date of this Determination Notice, develop a policy which will govern the process to repair leaks, replace mains and other equipment and restore areas that were disturbed as a result of its activities.
 - Within three (3) months of the effective date of this Determination Notice develop a Customer Service Charter outlining its service delivery commitments and customers' rights and responsibilities.
 - Within three (3) months of the effective date of this Determination Notice, review and revise its bill format.

2. Definitions, Acronyms and Abbreviations

CDL	-	CanCara Development Limited
DEML	-	Dynamic Environmental Management Limited
Government	-	Government of Jamaica
GS	-	Guaranteed Standards - Quality of Service
IG	-	Imperial Gallon
Licence	-	The St. Jago Hills Development Company Limited Water Supply Licence, 2014
Licensed Business	-	The supply of water as authorized by Licensee pursuant to the Licence
Licensee/SJHDC	-	St. Jago Hills Development Company Limited.
Minister	-	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. St. Jago Hills Development Company Limited (SJHDC), a subsidiary of Island Homes Limited, is a privately owned company licensed to provide potable water to residents of a small community in eastern St. Catherine. The service zone, which is located in the St. Jago Hills area, consists of a development of residential lots, bounded on the north by Patton Park and to the south by part of Beckford Farm and Spencer's Run; also the Spanish Town to Sligoville main road runs to the east and Cross Pen lies to the west.
- 3.2. SJHDC holds a Water Abstraction Licence from the Water Resource Authority (WRA), which allows it to abstract an estimated 3,250 cubic meter of water per day from the subterranean well, which is located on its property. Raw water abstracted from the Well is treated via a gas chlorinator system before it is stored and distributed to the company's customers.
- 3.3. Currently, SJHDC operates under the St. Jago Hills Development Company Limited Water Supply Licence issued on 2014 July 8 (Licence), which allows the company to provide water services to the St. Jago Hills area. The SJHDC water distribution network is primarily comprised of 4" PVC pipes, fire hydrants and lock off valves.
- 3.4. According to SJHDC, the community has 144 homeowners. Of this number, 97 are active customers and 20 are inactive customers.
- 3.5. On 2018 November 16, SJHDC submitted a rate application to the OUR for a rate increase (Application). Currently, the company charges consumers of its water services, but the rates being charged were not approved by the OUR. Consequently, the Application represents an effort on the company's part to regularize its charges in keeping with the provisions of the Licence.
- 3.6. This Determination Notice outlines SJHDC's Application and sets out the OUR's analyses and determinations. It also summarizes customers' feedback from the consultation with residents of the St. Jago Hills development community held on 2019 January 20, as well as delineates the service and guaranteed standards that SJHDC is required to observe as a water service provider.

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 empowers the OUR to determine the rates charged for the provision of a prescribed utility service. This 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 2014, pursuant to the OUR Act, the Minister with portfolio responsibility for the water and sewerage sectors granted the Licence to SJHDC to supply and distribute potable water to the specified service area of St. Jago Hills located in the parish of St. Catherine. 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 costs incurred in the provision of services. Extracts from Schedule 3 of the Licence, provide for:

“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.

Revenue Requirement = operating costs + depreciation + taxes + return on investment, with each component defined as follows:

“Operating costs”: All prudently incurred costs which are not directly associated with investment in capital plant...

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. With regard to the application for an initial tariff, Schedule 3 of the Licence provides that:

“On the granting of this Licence, the Licensee shall submit a proposal for the initial tariffs to be charged in respect of services and the Rate Review Process as set out herein under shall be applicable.”

4.7. Further, the Licensee is permitted to apply to the OUR for a tariff review as needed, but no more frequently than once in every two (2) years. Schedule 3 of the Licence provides that:

“At such intervals as the Licensee may determine but no more often than once in every two (2) years, the Licensee may submit an application for a tariff review. The Application must be supported with data and information as the Office will determine.”

4.8. Notwithstanding the provisions of Schedule 3 of the Licence, the Office currently applies a policy of “non-objection” to rate applications from small water and sewerage service providers, such as SJHDC. The policy allows for the automatic approval of the proposed rates provided that such rates do not exceed those rates of the National Water Commission (NWC) for comparable services. However, in instances where the proposed rates are higher than those of the NWC, the small 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.

4.9. This automatic non-objection tariff setting methodology is being reviewed by the OUR. As part of the review, the OUR will engage stakeholders in a consultation process on the issue.

4.10. The Licence expressly states in Schedule 2 that the Licensee shall observe prescribed service standards and it also authorizes the OUR to introduce new or vary existing guaranteed standards that will encourage and facilitate minimum standards of customer service.

5. Summary of the Tariff Proposal

5.1. SJHDC's current tariff is comprised of a fixed monthly charge and a variable charge based on a volumetric rate. SJHDC has requested that the two-part tariff should continue to be applicable. The fixed monthly charge and a volumetric rate are separately discussed below.

The Proposed Fixed Monthly Charge

5.2. Currently, the fixed monthly charge consists of a Capital Reserve Charge of \$286.67 and a Recoverable Charge of \$2,690.68 totaling, \$2,977.35.

5.3. SJHDC is requesting a fixed charge of \$5,842.42/month to cover annual operating costs which it puts at \$10.1 million. Additionally, it is proposing that the fixed charge should be applied to all 144 homeowners in the development, even if they are not connected to the company's water supply system (see Table 5.1 below)

Table 5.1 - Proposed Operating Expenses for SJHDC

Proposed Operating Expenses	
Bank Charges	\$ 40,000.00
Office Supplies	\$ 38,500.00
Electricity	\$ 300,000.00
Regulatory Fees	\$ 125,000.00
Insurance	\$ 88,423.50
Chlorine Testing	\$ 180,000.00
Lab Testing	\$ 700,000.00
Maintenance Expenses	\$ 1,200,000.00
Audit Fees	\$ 480,000.00
Manager	\$ 788,000.00
Commission on Collection	\$ 750,000.00
Salaries (Fortnightly)	\$ 1,520,088.00
Education Tax	\$ 51,873.08
Heart	\$ 45,602.70
NHT	\$ 45,602.70
NIS	\$ 38,002.26
Casual Labour	\$ 288,000.00
Uniform	\$ 75,000.00
Diesel Expense	\$ 1,896,704.92
Depreciation	\$ 1,444,908.00
Total	\$ 10,095,705.16
Estimated Homeowners	144
Monthly Fixed Charge	\$ 5,842.42

Source: SJHDC Tariff Application

Proposed Variable Charge

5.4. The variable charge is currently based on a six (6) block structure, which is comprised as follows:

- *1st Block (0 - 3,000 gallons): \$32.78 per 1,000 gallons*
- *2nd Block (>3,000 - 6,000 gallons): \$57.79 per 1,000 gallons*
- *3rd Block (>6,000 - 9,000 gallons): \$62.40 per 1,000 gallons*
- *4th Block (>9,000 -12,000 gallons): \$79.64 per 1,000 gallons*
- *5th Block (>12,000 -20,000 gallons): \$99.19 per 1,000 gallons*
- *6th Block (over 20,000 gallons): \$127.67 per 1,000 gallons*

5.5. SJHDC is requesting a two-tier volumetric tariff, which would be structured as follows and would result in an increase of 1,185% for each block:

- *1st Block (0 -3,000 gallons): \$1,333.33 per 1,000 gallons*
- *2nd Block (over 3,000 gallons): \$1,500.00 per 1,000 gallons*

Proposed Capital Costs

5.6. The company is seeking to recover investment costs amounting to \$44.8 million. SJHDC indicated that of the total investment cost, \$33.8 million was injected into the business, and this was necessary in order to maintain the supply of water to its customers. The balance of \$11 million represents the initial capital investment in equipment and machinery. SJHDC has requested that the total investment costs be recovered over a twenty (20) year period (i.e. 2019-2039).

5.7. The company has indicated that it intends to develop a capital reserve fund of \$10 million over the next five (5) years, which would be set aside for future equipment changes. SJHDC proposes that monthly contributions of \$166,666.67 for five (5) years be made to its capital reserve fund.

6. Evaluation of the Application

6.1. The revenue requirement applicable to the rate application process is predicated on the Rate of Return (ROR) methodology. Under this approach, the utility may be allowed to recover all prudently incurred costs plus a rate of return on its investment. Consistent with the provisions of the Licence, the revenue requirement is expressed as:

“Revenue Requirement = operating costs + depreciation + taxes + return on investment...”

6.2. In assessing the reasonableness of SJHDC’s Application, the OUR is mindful of the rate-making principles outlined in the Licence, the non-objection policy and the availability of costs data. In the absence of costs data, the OUR has performed benchmark analysis on a sample of water providers who are operating in the jurisdiction. The companies benchmarked are the National Water Commission (NWC), CanCara Development Limited (CDL) and Dynamic Environmental Management Limited (DEML).

Analysis of Unapproved Rate Structure and Impact of Proposed Rates

- 6.3. The consumption data presented by SJHDC for the period of 2016 November through to 2018 October was analyzed. The analysis shows that the average consumption per month, was 5,482 gallons of water. However, in estimating the bill impact of the proposed rates on existing rates, the average monthly consumption was rounded up to 6,000 gallons.
- 6.4. Based on the estimated average consumption of 6,000 gallons per month, under the existing arrangements, the typical customer’s overall bill would amount to \$3,249.06. The total bill amount is comprised of a total variable cost of \$271.71 and a total fixed cost of \$2,977.35. When compared to the proposed rates, the bill would increase to a total of \$14,342.41 with variable charges amounting to \$8,500.00 and a fixed charge of \$5,842.42. The result would be a 341% increase. Table 6.1 below shows the details of the comparison.

Table 6.1 - Comparison between the existing and proposed rates

St. Jago Hills Development Company Limited (J\$)				
	Existing Structure	Existing Bill Payment (consumption of 6,000 gallons)	Proposed Structure	Proposed Bill Payment (consumption of 6,000 gallons)
Variable Charges ('000 Gals.):				
0 - 3	32.78	98.34	1,333.33	3,999.99
>3 - 6	57.79	173.37	1,500.00	4,500.00
>6 - 9	62.40			
>9 - 12	79.64			
>12 - 20	99.19			
> 20	127.67			
Monthly Fixed Charges:				
Capital Reserve Charge	286.67	286.67		
Recoverable Charge	2,690.68	2,690.68	5,842.42	5,842.42
Total		3,249.06		14,342.41

6.5. On examining SJHDC’s current rate structure, with an average consumption of 6,000 gallons, the fixed portion and the variable portion of a customer’s bill is 91.6% and 8.4% respectively. The ratio of fixed to variable charge that is billed by SJHDC to its customers is relatively high. Based on benchmarking for other water providers with comparable services, the typical fixed portion of customers’ bills ranges from 17.2% to 30.3%. Table 6.2 below shows the details of the benchmark analysis.

Table 6.2– Benchmark Analysis: Ratio of Fixed and Variable Charges for Water Companies

Volumetric Service Blocks (^c 000 Gallon)	SJHDC	NWC	DEML	CDL
	Rate (\$/000 ^c Gallon)	Rate (\$/000 ^c Gallon)	Rate (\$/000 ^c Gallon)	Rate (\$/000 ^c Gallon)
0 - 3	32.78	471.49	-	421.29
>3 - 6	57.79	831.21	-	742.88
>6 - 9	62.40	897.49	-	802.11
>9 - 12	79.64	1,145.53	-	1,023.87
>12 - 20	99.19	1,426.67	-	1,274.91
> 20	127.67	1,836.41	-	1,641.14
Fixed Volumetric Charge		641.82	513.30	
Volumetric Charge [^a @ Avg. monthly consumption of 6,000 gallons]	271.71	3,908.10	3,079.79	3,492.49
Service (Fixed) Charge	2,977.35	1,700.00	641.82	739.28
Total Charge(JS/month)	3,249.06	5,608.10	3,721.61	4,231.77
Fixed Charge Percentage	91.6%	30.3%	17.2%	17.5%
Variable Charge Percentage	8.4%	69.7%	82.8%	82.5%

*DEML's and CDL's litre charges were converted to gallon charges.

Investment Recovery and Capital Reserves

- 6.6. In the financial statement presented by SJHDC, as at 2017 December 31, the company’s total fixed assets is shown as \$2 million. However, the company also reported a 10-month depreciation expense of \$1.2 million on its fixed assets. Such representation is not credible, since it suggests that in the five (5) years that the company has been in operation, all of its capital assets are almost fully depreciated. Typically, the depreciable lives of assets in the water/sewerage industry range between twenty (20) to thirty (30) years.
- 6.7. In the rate-making process, the capital investment costs are recovered over the depreciable life of the asset but not on a one-off basis. Notwithstanding, Schedule 3 of the Licence makes provision for the rates to be set at a level which should allow the utility the opportunity to make a reasonable return on its capital employed, after taking into account all prudently incurred costs in the provision of the service. In this regard, while the Office recognizes the

importance of SJHDC making a reasonable return on its investment, the company will not be allowed to recover its investment cost in the manner proposed for reasons discussed below.

6.8. The OUR finds SJHDC's proposals regarding the recovery of investment questionable or inconsistent with the rate making process stipulated in its Licence. The proposals are discussed as follows:

- a) An investment recovery in the amount of \$44.8 million was requested. This amount includes \$34.0 million for "Capital Injection to maintain the system" and the remaining \$10.8 million for initial capital investment for construction of the water supply system. The \$34.0 million represents investments that the company intends to make and not capital injections already made. Consequently, this request is not consistent with the provisions of the Licence which stipulates that rate setting should be historically basis rather than on a forward-looking methodology.
- b) The request for tariff support for a capital injection of \$34.0 million to be used to maintain the water supply system deviates from the norm in utility accounting. It is standard practice for capital injections to be used to expand or improve the company's operations rather than for maintenance purposes.
- c) SJHDC claims that the \$10.8 million of the "investment recovery" cost represents the initial capital investment used to install all machinery, equipment and other infrastructure required to supply water to the lots sold by SJHDC, the land developer. This claim is however questionable. Conventionally, this type of development costs, is borne by the land developer and is recovered in the selling price of the lots. Therefore it would be reasonable to assume that this applied in the instant case, unless evidence to the contrary is shown.
- d) Even though the company's current fixed charge includes a component for capital reserves, the OUR observes that there is no such corresponding item listed in the company's audited financial statements. Furthermore, the company is proposing to introduce a capital reserve fund totaling \$10 million to be accumulated over the next five (5) years with a monthly contribution of \$166,666.67.

Operating Expense

6.9. SJHDC is proposing to recover operating expenses of \$10.1 million. This, according to SJHDC represents 'water abstraction' costs (this was inadvertently omitted from the budget). One noticeable variance that was identified is the increase in the salaries and wages expense; previously in the 2017 audited financials the sum was \$791,070.00, whereas the proposed budget had an overall salaries and wage expense of \$3,602,168.74. The increase, however, was unsubstantiated. It is quite unusual for there to be a budgeted increase of 3.5 times the

amount spent on salaries and wage expenses without any justification or evidence of a corresponding change in the operations of the company.

Financial Audits

- 6.10. SJHDC submitted two sets of ‘audited’ financials for 2012 to 2017. With respect to the first set, which was presented with the Application, the following were observed:
- a) The 2016 financial statements did not possess the auditor’s stamp of authentication.
 - b) The 2017 audited financial statements were not submitted.
- 6.11. The verified 2016 audited financials and a copy of the 2017 audited financials were then requested from SJHDC. The company later made a submission of the audited financials for 2012-2017, which were all signed by the auditor and all dated 2019 January 17. However, on examination, inconsistencies were found between the contents of initial and second submissions.
- 6.12. For instance, the second set of the financials showed increases in relation to administrative expenses, accumulated losses brought forward, non-current assets and non-current liabilities over the period 2012-2017. Additionally, within the notes for the ‘machinery and equipment’ there was the addition of a ‘well asset’ which was not included in the first submission. There were also changes to the figures of the assets listed. This raises questions regarding the credibility of the financials.
- 6.13. In light of the changes that were made to the audited financial statements, and in the absence of an explanation, along with the other inconsistencies and weakness in the Application, the Office takes the view that SJHDC’s financial statements cannot be relied on to compute the company’s revenue requirement/water rates.

Benchmarking

- 6.14. In the practice of rate-making, the regulator wishes to ascertain the extent to which the rates whether those being charged or proposed reflects cost-based pricing. When cost information is absent, ambiguous or questionable, regulators often invoke the instrument of benchmarking to arrive at their decisions. In this case, given the reasons discussed above, the OUR takes the view that benchmarking is necessary in order to establish an interim tariff for SJHDC.
- 6.15. In performing the benchmarking analysis, as previously mentioned, the OUR decided that it would be appropriate to reference SJHDC’s proposal against three (3) other local water service providers, NWC, CDL and DEML (see Table 6.3 below).

Table 6.3 – Rate comparison among SJHDC, NWC, DEML and CDL

Volumetric Service Blocks	SJHDC	NWC	DEML	CDL (5/8" service connection)	CDL (3/4" service connection)
('000 Gallon)	(\$/000'Gallon)	(\$/000'Gallon)	(\$/000'Gallon)	(\$/000'Gallon)	(\$/000'Gallon)
0 - 3	1,333.33	471.49	513.30	421.29	421.29
>3 - 6	1,500.00	831.21	513.30	742.88	742.88
>6 - 9		897.49	513.30	802.11	802.11
>9 - 12		1,145.53	513.30	1,023.87	1,023.87
>12 - 20		1,426.67	513.30	1,274.91	1,274.91
> 20		1,836.41	513.30	1,641.14	1,641.14
Volumetric Charge					
Volumetric Charge [Consumption = 6,000 gallons]	\$ 8,499.99	\$ 3,908.10	\$ 3,079.80	\$ 3,492.49	\$ 3,492.49
Service (Fixed) Charge	\$ 5,842.42	\$ 1,700.00	\$ 641.82	\$ 739.28	\$ 1,514.19
Total Charge(J\$/month)	\$ 14,342.41	\$ 5,608.10	\$ 3,721.62	\$ 4,231.77	\$ 5,006.68
Variance Relative to SJHD Bill	-	-61%	-74%	-70%	-65%

- 6.16. Of the three (3) entities compared with SJHDC, CDL is closest to SJHDC because of its size, evolution and customer type. CDL like SJHDC evolved from a land development initiative. Unlike DEML, which is involved in bulk water sales, both CDL and SJHDC provide service to residential customers. Additionally, both SJHDC and CDL are comparable in terms of the scale of their operation relative to the NWC, the national water provider.
- 6.17. Given that CDL’s service charge is based on a 5/8” service connection and the customers of SJHDC are serviced by a 3/4” service connection, the charges for the CDL and SJHDC are not directly comparable. In order to do the benchmark comparison, the OUR opted to simulate the charge for CDL if its supply were based on 3/4” service connections. CDL volumetric charges are 89% of those charged by the NWC. Further, given that NWC’s standard residential service is based on 3/4” service connections, to derive a comparable “service (fixed) charge” for CDL, the factor of 89% was applied to NWC’s “service (fixed) charge”. On this basis, the OUR calculated CDL’s service charge for a 3/4” service connection to be \$1,514.19.
- 6.18. The comparison of SJHDC’s proposed increase against the current monthly bill for the typical NWC, DEML and CDL customer, whose consumption usage is an average of 6,000 gallons was also done. The analysis revealed that the typical NWC, DEML and CDL customers would see respective bills of 61%, 74% and 70% less than what the typical SJHDC customer would pay, if the proposed rates were allowed (see Table 6.3 above). This suggests that the rates proposed by SJHDC are significantly higher than those in the market.

- 6.19. Based on the OUR's benchmarking analysis, it would be prudent to set SJHDC's interim rates equal to the rates established for CDL using the ¾" service connection scenario.
- 6.20. The interim rates determined by the Office are to remain in effect for a period of eighteen (18) months from the effective date of the Determination Notice. This should allow SJHDC sufficient time to prepare credible accounts and a coherent cost structure.
- 6.21. In addition, SJHDC shall submit a tariff application within eighteen (18) months of the effective date of this Determination Notice. The tariff application should include, among other things, the monthly customer and consumption data for the period, audited financials that present a true and fair view of the financial position of the company for the year prior to the application, with all relevant notes to financial statements and a capital investment plan indicating any upgrade or expansion required to the water supply system.

Determination 1

- a) Having assessed SJHDC's Application, the Office, in the absence of credible data, has concluded that benchmarking SJHDC's rates to comparable approved rates in the water industry is a reasonable basis for establishing the company's tariffs. Consequently, the Office has determined that the interim rates and charges applicable to SJHDC's customers shall be as follows:

Approved Rates (J\$)	
Service Charge	\$1,514.19
1st 3,000 gallons	\$421.29
2nd 3,000 gallons	\$742.88
3rd 3,000 gallons	\$802.11
4th 3,000 gallons	\$1,023.87
12,000 - 20,000 gallons	\$1,274.91
Over 20,000 gallons	\$1,641.14

- b) Subject to Determination 2, the above rates and charges shall remain in effect for at least eighteen (18) months of the effective date of this Determination Notice, during which time, SJHDC shall be required to prepare credible financial statements and capital investment plan which shall be included in tariff application to the OUR.

Bill Impact of Approved Rates

6.22. Using the average consumption of 6,000 gallons, the typical customer will see a 54% increase in the total of her/his bill. The change in the rate structure shows that the fixed charges now represent 30% of the total bill, compared to what currently exists, that is, 92% of the total bill. Customers will now benefit from their conservation efforts, as a larger portion of their bill will vary with the amount they consume. Hence, they will have greater control over the amount paid for water. The details of the bill impact are shown in Table 6.4 below.

Table 6.4 – SJHDC’s Bill Impact with OUR Approved Rates

Consumption Blocks (000' Gallons)	Existing Bill Payment @ 6,000 Gallons	Approved Bill Payment @ 6,000 Gallons	Percentage Increase
0 - 3	\$98.34	\$1,263.86	1185%
>3 - 6	\$173.37	\$2,228.63	1185%
>6 - 9			
>9 - 12			
>12 - 20			
> 20			
Volumetric Charge	\$271.71	\$3,492.49	1185%
Total Fixed Charge	\$2,977.35	\$1,514.19	-49%
Overall Charge	\$3,249.06	\$5,006.68	54%

7. Technical Review of Water Supply System

Overview of SJHDC's Water Supply System

7.1 The orientation of SJHDC's water supply system depicts a typical small water service provider infrastructure configuration. The major components of the system include water production and treatment facilities, storage facilities and distribution network. However, there are prevailing design limitations to SJHDC's water supply system that impose constraints on SJHDC's water supply operations. Based on SJHDC's performance data, these conditions have severely impacted the reliability and quality of water services delivered to its customers.

Water Source and Production

7.2 According to SJHDC's system information, raw water is abstracted from an underground well (650 ft.) at St. Jago Hills, using a submersible well pump (maximum flow rate – 180 m³/h), driven by a 5Hp, 415V, 3-phase motor.

7.3 Due to the unavailability of a three-phase power supply from the Jamaica Public Service Company Limited's (JPS') electricity distribution circuit to the community, the power requirements for the well pump motor are met by a stand-alone diesel generator set. SJHDC has reported that this generating unit is started manually when pumping operation is required.

7.4 The facility has an existing fuel oil storage capacity of 130 gallons, which has to be replenished every two (2) weeks based on its existing electricity production requirements. Based on system operating data, well pumping is done three (3) times per week with a duration of three (3) to four (4) hours for each pumping operation. This limited scope of operation compounded by insufficient storage capacity has resulted in significant unserved demand and undesirable service levels.

Water Treatment

7.5 Treatment of the abstracted well water is mainly done using a chlorination system, which injects chlorine gas into the extracted raw water to meet the standards for potable water, prior to distribution and storage. Verification of water quality is facilitated by three (3) sampling points located at designated locations within the water distribution network.

SJHDC Technical Reports

7.6 Since the commencement of commercial operations of its water supply system, SJHDC has been found to be largely non-compliant with the reporting requirements outlined in the

Licence. In the OUR's view, this lack of conformance has impeded its ability to perform the requisite regulatory assessments and monitoring activities.

7.7 In light of this, while giving due consideration to customers' prevailing water supply challenges, the Office has determined that SJHDC shall submit quarterly reports for the parameters/requirements set out under Schedule 2 of the Licence, prior to the submission of the full annual reports. Consequently, the following monthly data should be provided to the OUR on a quarterly basis, no later than thirty (30) days after the ending of each quarter:

- a) Volume of water produced;
- b) Volume of water sold;
- c) Assessment of unaccounted-for-water;
- d) Consumption per customer category;
- e) Water quality reports;
- f) Schedules of maintenance reports;
- g) Reliability of supply report for relevant detailing:
 - i. Number of planned outages; and
 - ii. Number of unplanned outages.

Service Standards

7.8 The level of service delivered by SJHDC should reflect the required standards as viewed from the perspective of the individual customer. While SJHDC is required by the Licence to meet prescribed minimum standards of service, it is not clear as to the extent to which such a threshold has been sufficiently quantified, documented and communicated to the customers. Nevertheless, it should be recognized that without appropriate levels of service, the planning and operation of the system may not achieve the defined objectives.

7.9 According to the provisions of the Licence, the service standards to be observed by SJHDC involve five (5) main dimensions:

• **(1) Availability of Supply:**

- a) This involves the duration, frequency and severity of water restrictions, daily peak demand/capacity, and supply interruptions (planned and unplanned), etc. Although SJHDC has a relatively small customer base, there is reasonable access to the water network. However, there are widespread complaints among its customers regarding deficiencies linked to the availability and reliability of water supply services.
- b) The unsatisfactory service delivery outcomes based on the OUR's assessment may be ascribed to inadequate infrastructure investment, poor design configuration, and

staff constraints. The existing management approach in conjunction with repeated remedial actions have not resulted in better service outcomes but rather a short-lived performance improvements.

- c) From these indications, it appears that the existing arrangements and accountability measures do not sufficiently incentivize SJHDC to consistently improve its performance. To that end, the Office has determined that in accordance with the requirements of the Licence, SJHDC shall develop an Action Plan, which should include among other things, strategies and initiatives to ensure the provision of an adequate and consistent supply of water at all times.

- **(2) Water Quality:**

- d) This covers microbiological parameters, turbidity, colour, PH, etc. According to Schedule 2 of the Licence, the potable water supplied to the customer should meet prescribed water quality standards.
- e) Based on numerous water quality concerns raised by customers during the tariff consultation process, SJHDC shall, in addition to the normal regulatory reporting requirements, submit the results of all water quality test results and the relevant reports to the OUR on a quarterly basis. In addition, SJHDC should make these reports accessible to customers, on an ongoing basis.

- **(3) Water Pressure:**

- f) Customers also complained about the low water pressure levels being experienced from the SJHDC supply. It is worth pointing out that the Licence explicitly specifies that SJHDC shall ensure that the pressure of the water supplied to customers is in the range of 20-60 PSI.
- g) The OUR also notes that the system performance information from SJHDC does not provide any specific details on this parameter. Therefore, going forward, SJHDC shall report water pressure information as part of the quarterly technical reports to be submitted to the OUR. Pressure measurements to be reported should be recorded by SJHDC at least at the frequency of the well pumping operations. Additionally, SJHDC shall implement appropriate measures to improve water flow and pressure regulation in the distribution network, to meet the prescribed specifications. These corrective measures should be captured in the Action Plan to be submitted to the OUR.

- **(4) Planned and Unplanned Interruptions:**

h) As set out under Schedule 2 of the Licence, SJHDC shall keep records of all planned and unplanned interruptions detailing: dates, start times, duration, affected area, number of affected customers and notices provided to them. The Overall Standards (see Table 9.1) require SJHDC to provide notification time for at least (90%) of planned interruptions. Additionally, it stipulates that at least (90%) of unplanned interruptions of water supply should be restored within the time period communicated to customers. As part of the regulatory reporting requirements, SJHDC shall report to the OUR on these performance items on a quarterly basis.

- **(5) Revenue Metering:**

i) In order to ensure billing accuracy, SJHDC should ensure that all revenue meters already installed and those scheduled for future installment are in conformance with the requirements of the Licence and the Meter Testing Administrative and Operational Protocol, 2017 issued by the Office.

System Operation

7.10 The characterization of SJHDC as a relatively small water provider with limited staff resources, should reinforce the need for optimal system operations at all times to ensure the minimization of system operating costs and efficiency improvements. Based on SJHDC's current operating regime, it appears that there is no structured approach for the operation of the system's facilities, which to some degree, may explain its inefficient operations.

7.11 At present, most, if not all the required operational tasks, ranging from basic grounds man activities to meter reading are carried out by a single individual. This approach is clearly not consistent with prudent utility practice, as it can restrict the allocation and utilization of human resources for critical operating functions and priorities, resulting in sub-optimal operations and diminished service reliability. Having considered this issue, the Office has determined that SJHDC shall develop a prudent operational strategy for the water supply system, including operating procedures, which shall be submitted as part of the Action Plan requested above.

Maintenance

7.12 As set out under Clause 8 of the Licence, SJHDC shall maintain and keep in good repair all equipment used in carrying out the Licensed Business, to enable it to meet its Licence obligations. Prudent industry practice also encourages a maintenance framework that

assures efficient and cost-effective water infrastructure operations and water service reliability. However, outage reports from SJHDC indicate that faults and defects attributable to inadequate maintenance may have contributed to several service disruptions experienced by customers. In recognition of these deficiencies, the Office has determined that SJHDC shall develop a comprehensive maintenance plan for its water supply infrastructure, including major maintenance/replacement of critical system components and equipment. This maintenance plan shall be submitted as part of the Action Plan.

Electric Power Supply Considerations

7.13 The power supply option (stand-alone diesel generator) being used by SJHDC to provide electricity to the water production equipment has presented a major constraint to the operations process. The lack of three-phase grid power or alternative power options to supply the well pump/motor assembly creates a significant vulnerability that has adversely impacted water service continuity and reliability. While the OUR recognizes the challenges, there are practicable options that SJHDC can consider to alleviate this situation, such as:

- 1) Pursuing discussions with JPS in collaboration with the customers regarding the possibility of an extension of a primary distribution three-phase circuit to the service area;
- 2) The deployment of a single-phase to three-phase converter drive system to facilitate the supply of three-phase power to the well pump motor assembly;
- 3) The use of a redundant portable diesel standby generator set that operates on both natural gas (NG) and automotive diesel oil (ADO) for reliability enhancement; and
- 4) Evaluation of the merits of deploying a solar PV plus battery system at the location as an alternative option.

Risk Management Measures

7.14 The OUR's technical review also found that SJHDC currently has no contingency plans or risk management measures in place to address exceptional circumstances such as the following:

- Chlorination plant failure;
- Forced outage of storage facilities due to major leaks or contamination;
- Major power supply failure;
- Major forced outage of submersible well pump and/or drive motor; and
- Raw water well contamination.

7.15 Given the potential consequence of these risk conditions, SJHDC shall develop appropriate strategies and procedures to manage these risks and to limit the potential impact. These requirements should also be submitted as part of the Action Plan

Submission of Action Plan

7.16 With respect to the improvement of SJHDC system operations and plant maintenance, the OUR is mindful that it will not occur by happenstance. It will inevitably be the outcome of careful planning and proper execution. Additionally, capital injection is required to put the necessary measures in place to lift the current level of quality of service to an acceptable standard. It is in this regard that the OUR takes the position that an increase in the existing rates is warranted.

7.17 Notwithstanding, the OUR is of the view that with the increase in rates SJHDC should be held accountable for bringing about positive and significant quality of service changes over the short to medium term. Accordingly, SJHDC shall be required to:

- a) Within three (3) months of the effective date of this Determination Notice submit a Preliminary Action Plan that addresses the deficiencies in its system design, maintenance practices and risk management of the plant;
- b) Within three (3) months after receiving formal feedback from the OUR on its Preliminary Action Plan, SJHDC shall submit the Final Action Plan to the OUR for approval. Thereafter, the company shall proceed to implement same and it will be held accountable against the provisions of the Final Action Plan.

7.18 Further, if SJHDC fails to submit its Final Action Plan as stipulated herein, or submits a Final Action Plan that is deemed unsatisfactory, or fails to implement the Final Action Plan in accordance with the provisions thereof, the Office reserves the right to immediately review the approved rates set out in this Determination Notice to reduce same until the Final Action Plan is filed, satisfactorily completed or being implemented.

Determination 2

Arising from the SJHDC's poor system design, weak maintenance practice, lack of management's commitment and inattentiveness to customer service its operations have been, *inter alia*, characterized by irregularity in the supply, complaints of poor water quality, low water pressure and issues such as billing accuracy. Against this background, the Office has determined that:

- a) Greater monitoring of SJHDC is required and as such, the company shall submit the following information to the OUR on a quarterly basis, no later than thirty (30) days following the end of each quarter:
 - i. The information set out in Schedule 2, section 2, items 3 - 11 of the Licence.
 - ii. All water quality test results.
 - iii. Report on its compliance with the Overall Standards in relation to Planned and Unplanned Interruptions.
- b) No later than three (3) months after the effective date of this Determination Notice, SJHDC shall submit to the OUR a Preliminary Action Plan that effectively addresses the following:
 - i. Strategies and initiatives it will implement within a twelve (12)-month period to ensure the provision of an adequate and consistent supply of water at all times.
 - ii. The measures it will implement over a twelve (12)-month period to improve water flow and pressure regulation in the distribution network, to meet the prescribed specifications.
 - iii. The maintenance strategy for its water supply infrastructure, including major maintenance/replacement of critical system components and equipment.
 - iv. Strategies and procedures it will implement to manage these risks and to limit the potential impact.
- c) Following discussions with OUR and based on the formal feedback received on its Preliminary Action Plan, SJHDC shall, no later than three (3) months thereafter, submit to the OUR a robust and comprehensive Final Action Plan that addresses the items outlined in b) above.

Determination 2 (Continued)

- d) If SJHDC fails to submit its Final Action Plan as stipulated, or submits a Final Action Plan that is deemed unsatisfactory, or fails to implement the Final Action Plan in accordance with the provisions thereof, then the Office reserves the right to immediately review the approved rates set out in this Determination Notice to reduce same until the Final Action Plan is filed, satisfactorily completed or being implemented.
- e) No later than six (6) months after the effective date of this Determination Notice, SJHDC shall submit its operating procedures that will guide its staff in the handling of technical and customer service issues.

8 Consultation

8.1. Arising from SJHDC's Application, the OUR in keeping with its practice and mandate, conducted a public consultation with the residents and other affected stakeholders. The public consultation, which was held on Sunday, 2019 January 20 in the community, was intended to:

- (a) provide an avenue through which the residents were made aware of their service provider's requests;
- (b) receive comments from the residents on SJHDC's Application; and
- (c) allow the OUR to obtain comments on the quality of service experience of the customers.

8.2. In its presentation to the residents, SJHDC indicated that the Application became necessary as the company requires the determination of an economic rate that will allow it to carry out the necessary activities required to improve service delivery. SJHDC indicated that the current rates being charged are not sufficient to cover the cost to operate the water supply system.

Highlights of Customers' Concerns:

Reasonableness of proposed rate increase

8.3. Generally, residents accepted that the current rates may not be sufficient to efficiently operate the water supply system. However, the main concern related to the reasonableness of the proposed rate increase, which includes the requirement to pay a monthly fixed charge of \$5,842.42, regardless of whether their residence is connected to the water supply system. The residents stated that the level of increase being requested is unreasonably excessive.

8.4. To support their claim, they highlighted the significant difference between the current rates for the NWC and the proposed rates. One resident indicated that at his current consumption level of 9,000 gallons per month, his monthly charges at the proposed rate, would exceed \$17,000 monthly, which is an increase of approximately \$14,000 on the amount he currently pays.

SJHDC Response

8.5. In response, SJHDC stated that the proposed rates are necessary to provide financing for the operations of the water supply system, as well as to carry-out needed improvement works.

8.6. SJHDC also indicated that it is unreasonable for the residents to compare the proposed rates to those charged by the NWC, given the vast difference in, for example, operating costs and customer base for each entity. The company further advised that its proposed rates were based on the costs incurred to supply the service over the preceding years. This information, it

mentioned, was included in the audited financial statement submitted to the OUR as part of its Application.

Interruption of Service

- 8.7. Residents expressed concerns about the service interruptions they have experienced. They highlighted and complained about two such significant interruptions, which commenced in 2017 October and in 2018 October; resulting in them being without water for several months. For the 2018 October occurrence, the customers reported that they had no water supply throughout the Christmas period.
- 8.8. At the time of the public consultation, water supply was still not restored since the 2018 service interruption. The residents therefore queried when service would be restored.

SJHDC Response

- 8.9. SJHDC explained that the current service interruption was as a result of issues with the generator. SJHDC further advised that a new generator was being purchased, and every effort was being made to complete the works and restore service by 2019 January 31.

Energy Source and Efficiency of the Operations

- 8.10. Residents queried whether the water supply system is being operated in the most efficient manner, with a single generator as the sole source of energy. They also requested the basis for the water supply system not being connected to the JPS' electricity supply.
- 8.11. The residents' queries about the energy source arose because of their experience with lengthy service interruptions, due to issues with the generator/pump. Additionally, they were of the view that their inability to receive water more frequently than the scheduled three (3) hours per day, three (3) times per week, was due to the existing inadequate and inefficient energy source.

SJHDC Response

- 8.12. In response, SJHDC advised that it was more cost effective to operate the water supply system using the generator as the only source of energy. The service provider stated that currently, the power supply from JPS (which is a 2-phase supply) is not adequate to operate the water supply system and thus, would need to be upgraded to a 3-phase system. SJHDC further explained that while discussion commenced with JPS regarding the 3-phase upgrade, same has not been actioned as the cost for doing so is prohibitive.
- 8.13. The JPS representative, who was at the meeting, confirmed that discussions had commenced some years ago with SJHDC and an estimate of the cost to upgrade the system, based on the

provisions of its Line Extension Policy, was provided to SJHDC. However, there has been no further communication since that initial contact.

- 8.14. In the end, SJHDC stated that given the recent costs incurred to replace the generator, no consideration is being given to upgrading the electricity supply.

Bill Concerns

- 8.15. Residents also raised concerns regarding the structure and legitimacy of the bills received from SJHDC. In their view, particularly in relation to the billed charges, the bills do not provide sufficient details. In some instances, the amount due did not correlate with the consumption charges for the month, despite there being no previous balance. Additionally, residents complained that they have had challenges using the bills provided by SJHDC as a means to prove their address.

SJHDC Response

- 8.16. SJHDC indicated that it was not aware of any inaccuracies and/or deficiencies in its bills and asked whether the OUR could provide any further guidance.

OUR Response

- 8.17. In response, the OUR representative (while examining a bill) gave a few suggestions that could assist with the legitimacy of the bill, such as, including the company's logo and itemizing the applicable charges. The OUR was, however, unable to address the accuracy of the charges, as that would require further investigation.

9 Quality of Service Standards and Performance Criteria

- 9.1. Taking into consideration the aforementioned customer concerns, the OUR's mandate to protect the interest of consumers and encourage improved efficiencies in the daily operations of the utility providers, the quality of service standards and performance criteria for SJHDC has been developed and approved. The OUR has also identified areas which require policy development for implementation by SJHDC.
- 9.2. The quality of service standards established for SJHDC is comprised of the Overall Standards and Guaranteed Standards. The Overall Standards represent several general performance criteria to be met by SJHDC, which do not result in compensatory payments being made to customers when the targets are not met. However, SJHDC will be required to submit quarterly reports on its performance against these standards. The Overall Standards to be met by SJHDC, are outlined in Table 9.1 below.

Table 9.1: Overall Standards

Category	Performance measure
Water Quality	<ul style="list-style-type: none"> - At least ninety-five percent (95%) of water samples must be collected from water production sources for testing. - At least ninety-five percent (95%) of water samples must be negative with coliform bacteria. - The level of residual chlorine should be about 0.5mg/l and present in at least ninety-five percent (95%) of samples. - Any other standards imposed by the Ministry of Health from time to time.
Water Pressure	<p>SJHDC shall ensure that the pressure of water to customers is in the range 20 – 60 psi and take all reasonable steps to ensure that customers receive an adequate supply of water at all times.</p>
Water Supply	<p>At least twenty-four (24) hours' notice shall be given for at least ninety percent (90%) of planned service interruptions.</p> <p>At least ninety percent (90%) of emergency lock offs should be restored within twenty-four (24) hours.</p>
Environmental	<p>SJHDC shall conform to all and any standards that may be established by NEPA/NRCA. SJHDC shall provide the Office with copies of any licences, standards, special permits issued by NEPA/NRCA from time to time which shall form part of its licence.</p>

9.3. The Guaranteed Standards prescribe service levels such as: Service Connection, Billing, Complaint Investigation, Metering, Disconnection, Reconnection and Compensation Payment to be met by SJHDC. Any failure by SJHDC to adhere to any individual Guaranteed Standard can result in compensatory payment to the affected customer. The Guaranteed Standards to be met by SJHDC, are outlined in Table 9.2 below.

Table 9.2: Guaranteed Standards

Code	Guaranteed Standard	Mode of Compensation
GS1 – Connection of New Customers	SJHDC is required to connect all new customers complete with working meters, where water supply is available at the property boundary, within three (3) working days after signing the contract for connection.	Automatic
GS2 – Issue of First Bill	SJHDC must issue (print and mail/deliver) a bill to a customer based on a meter reading within thirty (30) working days after the account is opened.	Claim
GS3(a) – Response to complaints - Acknowledgements	SJHDC must acknowledge written customer complaints within three (3) working days of receipt.	Claim
GS3(b) – Response to Complaints - Investigations	SJHDC must, within fifteen (15) working days of receipt of complaint, complete investigation and inform the customer of the results.	Claim
GS3(c) – Investigations involving 3rd party	SJHDC must, within thirty (30) working days, complete investigation involving 3 rd party.	Claim
GS4 (a)– Wrongful Disconnection	SJHDC shall not disconnect the service of an account which is either not in arrears or is the subject of an investigation internally or by the OUR.	Automatic
GS4 (b) – Reconnection after Wrongful Disconnection	Where SJHDC has wrongfully disconnected a service account, it shall be reconnected within twelve (12) hours.	Automatic
GS5 – Repair or Replacement of Faulty Meter	SJHDC must, within ten (10) working days after detection, repair or replace any malfunctioning meter.	Automatic

Code	Guaranteed Standard	Mode of Compensation
GS6 – Meter Readings	SJHDC must render a bill based on a meter reading each month.	Automatic
GS7 – Reconnection after Payment of Overdue Amount	SJHDC must, within twenty-four (24) hours of receipt of all applicable payments (reconnection fee etc.), reconnect customers disconnected for debt.	Automatic
GS8 – Payment of Compensation	<p>SJHDC must credit customers’ accounts within one (1) billing period after a breach of any of the prescribed Guaranteed Standards.</p> <p>For the avoidance of doubt, if SJHDC does not compensate the customer within the specified time, this results in another breach. Where applicable, customer must submit claims within one hundred and twenty (120) days after the breach.</p>	Automatic

9.1 Guaranteed Standards Compensation

9.4. The compensation mechanism for a breach of a Guaranteed Standard shall include breaches which will require the submission of a claim form as well as breaches that will attract automatic compensation. Where applicable, customers must submit claims within one hundred and twenty (120) days after the date of the occurrence of the breach.

Determination 3

The Office has determined that compensation for breach of a Guaranteed Standard is \$2,272.00.

9.2 Special Compensation

9.5. Special Compensation is determined for breaches in relation to Reconnection after Payment of Overdue Amounts, Wrongful Disconnection and Reconnection after Wrongful Disconnection.

Determination 4

The Office has determined that compensation for breaches in relation to Reconnection after Payment of Overdue Amounts, Wrongful Disconnection and Reconnection after Wrongful Disconnection will attract compensation of \$3,028.00.

9.6. SJHDC shall adhere to the performance criteria stipulated in the Overall and Quality of Service Standards, outlined in Tables 9.1 and 9.2 above, along with all the other standards in the Licence and service contracts.

9.7. SJHDC shall, within thirty (30) working days of the end of the reporting period, submit quarterly reports to the OUR on its performance against the Guaranteed Standards. These reports shall indicate the number of breaches committed against each standard and the potential and actual payout for each breach.

9.8. Additionally, SJHDC must submit, on a quarterly basis, its water quality test reports within thirty (30) working days of the end of the reporting period.

9.3 Issues for Policy Development

9.9. The OUR is of the view that some of the concerns relating to service delivery that were highlighted by customers for improvement, are more appropriately addressed through the development of policies. Accordingly, SJHDC, under the guidance of the OUR, is required to develop and implement the policies outlined below.

Elimination of Existing Scheduled Water Supply

9.10. SJHDC shall in the Action Plan outline comprehensive measures it will be undertaking in order to supply water on a regular (daily) basis to its customers; thereby eliminating the existing water supply schedule over time. SJHDC shall provide details of the activities to be carried out along with the timeline/s within which same will be implemented.

Equipment Repairs/Replacements and Restoration Policy

9.11. As part of the operating procedures required pursuant to Determination 2 (d) above, SJHDC shall, within six (6) months of the effective date of this Determination Notice, develop and submit to the OUR, a policy which will govern the process to repair leaks, replace mains and other equipment and restore areas that were disturbed as a result of its activities. The policy must include timelines within which repairs and replacement works will be carried out, whether scheduled or unscheduled, as well as the period within which disturbed areas will be restored following completion of repair/replacement works. It should also indicate the timelines within which service will be restored due to the work being undertaken, where necessary.

Customer Service Charter and Complaints Handling Procedure

9.12. Within three (3) months of the effective date of this Determination Notice, SJHDC shall develop and submit to the OUR for approval, a Customer Service Charter outlines its service delivery commitments and customers’ rights and responsibilities. This Charter shall also show the details of the activities and timelines in its Complaints Handling Procedure.

Review and Revision of Bill Format

9.13. Within three (3) months of the effective date of this Determination Notice, SJHDC shall review and revise its bill format with a view to ensuring that it includes:

- 1) The company’s registered name and logo (if one exists); and
- 2) Itemized details of the charges indicating the amount due to be paid.

Determination 5		
The policies to be developed or activities to be completed by SJHDC are outlined as follows:		
Policies/Activities to be Developed/Completed by SJHDC		
Policies/Activities	Details	Completion and Submission Timeline
Scheduled Water Supply	Develop a comprehensive plan on the measures to supply water on a regular (daily) basis to customers in order to eliminate the existing water	Preliminary plan within three (3) months of the effective date of this Determination Notice.

	supply schedule over time, as part of the Action Plan.	Final plan within six (6) months of the receipt of feedback from the OUR.
Equipment Repairs/Replacements and Restoration Policy	Develop a policy to govern the process to repair leaks, replace mains and other equipment and restore supply to areas that were disturbed as a result of these activities.	Within six (6) months of the effective date of this Determination Notice.
Customer Service Charter and Complaints Handling Procedure	Develop a Customer Service Charter outlining service delivery commitments and customers' rights and responsibilities.	Within three (3) months of the effective date of this Determination Notice.
Bill Format	Review and revise bill format.	Within three (3) months of the effective date of this Determination Notice.