

Summary of the National Water Commission Tariff Application 2019-2021

The National Water Commission (NWC) applied to the Office of Utilities Regulation (OUR) on 2018 October 02, for a review of its rates and service standards. In its application, the NWC states that its tariff submission supports its objectives of improving and expanding potable water and sewerage services, encouraging and improving operating efficiencies and creating the financial viability necessary to sustain its operations.

NWC'S Major Tariff Request

NWC submitted the following proposals:

1. A reduction in the price cap tariff period from five (5) years to three (3) years (2019-2021).
2. Total revenue requirement of \$33.9 billion (\$26.1 billion for water charges and \$7.8 billion for sewerage charges). This compares with its 2018 total revenue of J\$26.9 billion (\$21.2 billion for water charges and \$5.7 billion for sewerage charges).
3. A 23% average increase in revenues for water charges, and a 38% average increase in revenues for sewerage charges. In addition, the NWC is proposing to, among other things, make the following changes to its rate structure:
 - a. Consolidate its residential tariff structure to three (3) blocks from the existing six (6). The first block in this arrangement (which represents a typical household consumption) would see a 5% increase in rates.
 - b. Introduce a decreasing block tariff for commercial customers with consumption above 2 Million IG/month (9.1 Million Liters).
 - c. Increase the first block of commercial, condominiums and schools rate categories by 36% for water and 46% for sewerage.
 - d. Implement a standby charge for major commercial customers who only retain NWC service connection as backup supply.
 - e. Introduce a sewerage service charge to reflect NWC's fixed cost of providing customers with sewerage services.
4. The K- Factor component of the bill approved in its 2013-2018 Tariff Determination be kept at the existing level of 16%. The K-Factor is designed to finance OUR approved capital infrastructure projects.
5. The X-Factor to be set to 0% until 2021 at which time the NWC is proposing that efficiency gains be reviewed.
6. A new Z-Factor component to be included as a special adjustment to the Price Adjustment Mechanism (PAM) to account for exogenous events that affect NWC costs.

7. The continuation of the monthly PAM indexation to the tariff. This mechanism allows NWC's rates to capture changes in Consumer Price Index (CPI), Electricity Prices, and Foreign Exchange.

Purchase Water Services Charge

8. A request that the company be allowed to pass through 'purchase water service charge' from entities for which the OUR approved their rates. These third party providers' services include bulk water supply, wastewater collection and NRW reduction services.

Charge for Reduce Sewerage Volumes

9. The elimination of the Economic Development Wastewater Tariff (EDWT), and the introduction of a charge applicable to customers that can prove to the NWC that their sewerage volume has reduced.

Charges for Inactive and Delinquent Accounts

10. An estimated sewerage service bill for customers that have been disconnected from the water supply system for non-payment of water bills but continue to benefit from sewerage services provided by the NWC.
11. A late payment interest charge for commercial accounts that remain unpaid for 7 days after the due date.
12. Continuation of the late payment fee of \$250 and an early payment incentive of \$250.

Guaranteed Standards

13. Retention of the existing Guaranteed Standards.