
Office of Utilities Regulation

TRYALL GOLF & BEACH CLUB LIMITED
INTERIM WATER RATE

Determination Notice



2019 April 1

DOCUMENT TITLE AND APPROVAL PAGE

1. DOCUMENT NUMBER: 2019/WAS/003/DET.001

2. DOCUMENT TITLE: TRYALL GOLF & BEACH CLUB LIMITED INTERIM WATER RATE

3. PURPOSE OF DOCUMENT:

This document outlines the approved rates that should be charged to the customers of Tryall Golf and Beach Club Limited.

4. ANTECEDENT DOCUMENTS:

Document Number	Document Title	Publication Date

5. APPROVAL:

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on 2019 April 01.

On behalf of the Office:



Director - General

Ansord E. Hewitt

.....
Date: 2019 April 01

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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 2018 October 16, TGBC submitted an application to the Office of Utilities Regulation (OUR/Office) for approval of a rate for the water supply and distribution services. In its application, TGBC states that it provides potable water to ninety two (92) metered homeowners with villas and condominiums and one (1) commercial customer that is not billed for water services. TGBC has proposed a rate of \$144 per 1,000 litres for water services during a 2019 test year.

TGBC has provided evidence that the Proprietary Board consulted with and has received the approval of its members, to proceed with this application. TGBC states in its application that homeowners were sent a Revised Master Plan document, which was approved by its membership by means of proxy votes exceeding the required 51%.

In its application, TGBC also indicated that the company expects to begin its test year in 2019 January and thereafter, it will be in a position to separate the Licensed Business from the resort/residential operations and provide the requisite financial records, operational data and performance results specific to the supply and distribution of water to facilitate a full tariff review.

The Office, having reviewed TGBC's request for interim water tariff, has 'no objection' to TGBC charging an interim rate of \$144 per 1,000 litres effective 2019 March 31. This rate will remain in effect until 2020 September 30. At the end of this period, TGBC is expected to submit an application for a review of its tariff based on comprehensive evaluation of its actual costs and performance.

In the interim, TGBC will be held accountable to the Quality of Service Standards outlined in Schedule 2, paragraph 1 of the Licence. Additionally, TGBC shall be required to submit quarterly reports on its performance against the standards. These reports shall be submitted to the OUR within forty-five (45) days of the ending of each quarter.

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

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.

TGBC is the holder of a Water Supply and Distribution Licence dated 2018 August 27 (Licence) and supplies potable water to the TGBC homeowners and residents.

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.

Accordingly, on 2018 October 16, TGBC submitted an application to the Office of Utilities Regulation (OUR/Office) for approval of initial rates for its water supply and distribution services (Application). In the Application, TGBC states that it provides potable water to ninety two (92) metered homeowners with villas and condominiums and one (1) commercial customer that is not billed for water services. TGBC has proposed a rate of \$144 per 1,000 litres for water services during a 2019 test year.

The OUR has conducted its review of the Application and its analyses and conclusions 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. With regard to the application for an initial tariff, Schedule 3 of the Licence provides:

“On the granting of this License, 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 that once in every two (2) years. Schedule 3 of the Licence provides:

“At such intervals as the Licensee may determine, but not more often that once in every two 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 provisions of Schedule 3 of the Licence, the Office currently applies a policy of “non-objection” to rate applications by small water and sewerage service providers, such as TGBC. The policy allows for the automatic approval of the proposed rates provided that 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 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 by the OUR.

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 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. TGBC, in its Application for an initial tariff, has requested a rate of J\$144.00 per 1,000 litres with no additional charges (one tier billing) to be applied for the test year beginning 2019 January. The proposed tariff is predicated on a Base Revenue Requirement of \$30,000,000 per annum for six (6) years.
- 5.2. Currently, the company supplies ninety two (92) residential units and all the units are metered¹. TGBC states that in less than a decade, the average daily consumption rose from 835,603 litres back in 2011 to a range of 1,078,407 – 1,082,235 litres currently. The average monthly consumption for a villa is approximately 116,111 litres with most of the villas having five (5) bedrooms with laundry room and gardens.
- 5.3. TGBC has indicated that there are future plans for the expansion of the property. The company anticipates that several new residences will be added to the existing ninety two (92) residential units. There is also a planned expansion of the Club's commercial operations to create an office block and additional recreational areas. With this expansion, TGBC projects that at peak water demand for the Club's operations will increase from 366,000 gallons/day to 479,014 gallons/day (i.e. 1.39 million litres/day to 1.81 million litres/day) by 2020.
- 5.4. Therefore, there is a need to upgrade the water supply system to meet the demands of its current and future customers and to meet the required service standards. The company is planning to replace and retrofit some of the existing piping as well as to replace the main trunk lines of the Barnes Hill piping system. TGBC states that a booster pump will be added to a new Little Hill substation to ensure the required head flow meets the OUR stipulated 20 – 60 psi range. These improvements are estimated to cost US\$1.9 million and are to be completed before 2020 January.
- 5.5. TGBC is seeking to recover all expenses that will be incurred in the operation and expansion of the water supply system occasioned by the expansion of the property.

¹ The meters used were purchased from Automatic Control Engineering Ltd.

6. Consultation

- 6.1. The OUR, in keeping with its mandate, conducts consultations as part of its tariff making process. Accordingly, on 2019 January 11, the members of TGBC, by way of a notice through TGBC, were invited to submit their comments on the Application by 2019 January 25.
- 6.2. The comments received from the members of TGBC indicated, inter alia that:
- the asset base is not supported by a current valuation;
 - the administrative and overhead expenses are not proportionate to the volume and value of the water generated;
 - TGBC is wholly owned by the members, not 75% shareholders equity and 25% management as stated in the Application;
 - a return on investment cannot be contemplated; and
 - the Application lacks a proposal to meter the water output at the source.
- 6.3. The OUR takes note of the comments and concerns of the members and has sought to address them in the evaluation of the Application.
- 6.4. However, in light of the fact that this is TGBC's initial tariff and the company does not possess historic information on its operations, the OUR considers that in keeping with its practice, it would be prudent at this time to apply the non-objection principle in setting the rate.
- 6.5. Given that TGBC is owned by the homeowners, the OUR recommends that for the next tariff review, the Proprietary Board in preparing its application, should solicit the input and comments from the homeowners/proprietary members prior to making its submission to the OUR.

7. Evaluation of the Application

- 7.1. TGBC's proposal is for a single volumetric charge of \$144 per 1,000 litres without a monthly service charge. The rate design therefore consists of a single tier billing, which is in contrast to the multiple tiered billing design that obtains for other water suppliers. Currently, National Water Commission's (NWC's) tariff design is based on six (6) tiers of volumetric charges.
- 7.2. In assessing the reasonableness of the proposed rate, in the absence of costs data, the OUR performed a benchmark analysis on a sample of water providers that are operating in the jurisdiction. The companies benchmarked are the NWC, Can-Cara Development Limited (CDL) and Dynamic Environmental Management Limited (DEML).
- 7.3. TGBC advises that the average monthly consumption for its customers is approximately 116,111 litres. The meters for TGBC are connected with one (1) inch pipes, similar to those for the NWC and DEML. CDL meters are connected with the use of 5/8 inch pipes.
- 7.4. Table 7.1 below shows that for an average monthly consumption of 116,111 litres, the volumetric rate that is charged by NWC, CDL and DEML is \$271.62, \$242.81 and \$112.91 respectively.

Table 7.1: Benchmark for Volumetric Service Charge

Volumetric Service Blocks (¹ 000 litres)	TGBC	NWC	CDL*	DEML
	Rate (\$/000 ¹ Litre)	Rate (\$/000 ¹ Litre)	Rate (\$/000 ¹ Litre)	Rate (\$/000 ¹ 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
* CDL only has 5/8 inch meters				

- 7.5. The computations show that TGBC's proposed volumetric rate of \$144 per 1,000 litres at an average consumption of 116,000 litres per month, is 47% lower than the rate that is charged by the NWC. A comparison of TGBC's proposed rate with the average rate of private water providers CDL and DEML shows that TGBC's proposed volumetric rate is

41% lower than that of CDL and 28% higher than the volumetric rate that is being charged by DEML.

- 7.6. In TGBC's case, the proposed rate of \$144 per 1,000 litres is below the \$271.62 per 1,000 litres currently charged by the NWC. Unlike other water providers used in benchmark exercise (see Table 7.1 above), TGBC's proposal did not include a fixed service charge.
- 7.7. Therefore, TGBC's proposed rate satisfies non-objection criterion. The non-objection policy allows the Office to approval the proposed tariff by a small private water and sewerage service suppliers, provided that the proposed rate is lower than the comparable rate within NWC's tariff structure.

Determination 1

In keeping with the Office's current no-objection policy for small private water and sewerage service providers and given that the rate proposed by TGBC is lower than the comparable rate within NWC's tariff structure, the Office has no objection for TGBC to charge an interim volumetric rate of J\$144/1,000 litres per month.

- 7.8. The OUR, even in the application of the non-objection principle, wishes to ascertain the extent to which the rate being charged to TGBC's customers reflects cost-based pricing. TGBC, in its Application, has indicated that the company expects to begin its test year in 2019 January and thereafter, it will be in a position to separate the Licensed Business from the resort/residential operations and provide the requisite financial records, operational data and performance results specific to the supply and distribution of water to facilitate a full tariff review. Therefore, considering the comments received from homeowners and in order to facilitate the OUR's assessment of the requisite cost data relating to the provision of water supply services, the OUR prescribes the period of validity of the initial rate.

Determination 2

The Office has determined that the approved volumetric rate of J\$144/1,000 litres per month will become effective on 2019 April 01 and shall remain in effect until 2020 September 30.

- 7.9. The OUR notes that meters have already been installed for the customers of TGBC. In this regard, TGBC should be guided by the Meter Testing Administrative and Operational Protocol for the Electricity and Water Sectors in Jamaica; document number 2016/GEN/004/RUL.001, the document which is available on OUR's website: (www.our.org)

7.10. As provided for in Schedule 2, paragraph 2 of the Licence, TGBC is being reminded that Annual Reports are to be submitted to the OUR within four (4) months after the end of each fiscal year. Additionally, the data requirements listed in Table 6.2 below should accompany the annual submission.

Table 6.2 Additional Data Requirements

General Data	Description
Employee Cost	<i>The cost of all the persons employed to the company</i>
Billing Collection Rate	<i>Percentage of the revenue that is collected</i>
Percentage of Active Customers Billed	<i>The percentage of the active customers that are billed each month</i>
Bad Debt	<i>Percentage of the bad debt provision</i>
Average condition of Fixed Asset	<i>The average condition of the fixed assets of the company with 1 being the lowest and 10 being the highest</i>

7.11. TGBC is also required to submit to the OUR, no later than forty five (45) days after the end of each quarter, a performance report on its monthly water production and consumption for the quarter.

8. Quality of Service Standards

8.1. As outlined in its Licence, TGBC is required to adhere to the established Quality of Service Standards, which is comprised of the Overall and Guaranteed Standards. The Overall Standards represent several general performance targets to be met by TGBC but will not result in compensatory payments being made to customers where the targets are not met. The Overall Standards to be met by TGBC, as outlined in Table 7.1, are as follows:

Table 7.1: 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	TGBC 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.
Water Supply	<ul style="list-style-type: none"> - At least twenty-four (24) hours' notice shall be given for at least ninety percent (90%) of planned service interruptions. - At least ninety percent (90%) of emergency lock offs should be restored within twenty-four (24) hours.
Environmental	TGBC shall conform to all and any standards that may be established by NEPA/NRCA. TGBC 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.

8.2. The Guaranteed Standards prescribe service levels in the areas of: Service Connection, Billing, Complaint Investigation, Metering, Disconnection, Reconnection and Compensation Payment, which are to be met by TGBC. Failure of TGBC to adhere to any individual Guaranteed Standard can result in compensatory payment to the affected customer.

8.3. The Guaranteed Standards to be met are outlined in Table 7.2 below.

Table 7.2: Guaranteed Standards (GS)

Code	Guaranteed Standard	Mode of Compensation
GS1 – Connection of New Customers	TGBC shall 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.	Claim
GS2 – Issue of First Bill	TGBC shall 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	TGBC shall acknowledge customer written complaints within three (3) working days of receipt.	Claim
GS3(b) – Response to Complaints - Investigations	Unless it is an investigation involving a 3 rd party, TGBC shall, 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	TGBC shall, within thirty (30) working days of receipt of a complaint, complete investigation involving 3 rd party and inform the customer of the results.	Claim
GS4(a) – Wrongful Disconnection	TGBC shall not disconnect the service of an account which is either not in arrears or is the subject of an investigation by TGBC or by the OUR.	Automatic
GS4 (b) – Reconnection after wrongful Disconnection	Where TGBC has wrongfully disconnected a service account, it shall be reconnected to service within twelve (12) hours of being notified of the error.	Automatic
GS5 – Repair or Replacement of Faulty Meter	TGBC shall, within ten (10) working days after it detects/discovers a malfunctioning meter, repair or replace the malfunctioning meter.	Claim
GS6 – Meter Readings	TGBC must render a bill based on a meter reading each month.	Claim
GS7 – Reconnection after Payment of Overdue Amount	TGBC shall, within twenty-four (24) hours of receipt of all applicable payments (outstanding amounts, reconnection fee etc.) reconnect customers disconnected for overdue amounts.	Automatic
GS8 – Payment of Compensation	TGBC shall credit a customer’s account with the applicable compensation payment within one (1) billing period after a breach of any of the Guaranteed Standards.	Automatic

	<p>For the avoidance of doubt, if TGBC does not credit the customer's account with the applicable compensation payment within the time specified herein, TGBC would have breached the Guaranteed Standard GS8. Where applicable, customer must submit claims within one hundred and twenty (120) days after the breach.</p>	
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Guaranteed Standards Compensation

Determination 3

The compensation mechanism for a breach of a Guaranteed Standard is applicable to 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 4

The compensation for breach of a Guaranteed Standard is equivalent to the usage of 35,000 litres/month which amounts to \$5,040.

Determination 5

TGBC is required to submit quarterly reports on its performance against the Quality of Service standards to the OUR within forty-five (45) days of the end of each quarter.