

ST. JAGO HILLS DEVELOPMENT CO. LTD.

20 Hope Road, Kingston 10, Telephone: 929-1153 / 929 3475

March 14, 2022

Ambassador Peter Black
Office of Utilities Regulation
3rd Floor,
P.C.J. Resource Centre,
36 Trafalgar Road,
Kingston 10,
Jamaica W.I.



Dear Ambassador Black,

Re: Application for Tariff Increase

St. Jago Hills Development Company Limited (SJHW) is a privately owned limited liability company that provides potable water to lot owners within the community of St. Jago Hills as a separate cost centre in the company's accounts which is called the "Water Cost Centre & Project". The orientation of the water supply system depicts a typical small water service provider infrastructure configuration which is detailed in the Water Supply & Distribution System Engineering Report dated November 2010 already submitted to the OUR. SJHW has been providing water to the community for the past twenty (20) years and has incurred accumulated losses of *Thirty-Eight Million Six Hundred and Twenty-Eight Thousand One Hundred and Sixty-Five Dollars (\$38,628,165.00)* as at December 31, 2020. On July 8th, 2019 the OUR granted SJHW an interim tariff rate for the provision of the service, this rate does not cover the expenses incurred for the provision of water to the lot owners. We therefore now apply for a tariff increase from the OUR.

We are proposing a tariff increase that would cover our twelve (12) month revenue requirement of *Eleven Million Two Hundred and Fifty-Seven Thousand Five Hundred and Forty-Nine Dollars and Thirty-Three Cents (\$11,257,549.33)*, as per attached SJHW Revenue Requirement. All items presented in the Revenue Requirement are actual expenses incurred to operate this project and are supported as per attached Audited Financial Statements for the financial years ending December 31, 2019 & 2020. It should be noted that SJHW was unable to provide water to the development during January 2019 – February 2019 therefore expenses such as Fuel (Diesel), Electricity, Chlorine Gas, Lab Tests, Chlorine Testing/Chlorine Expenses, represented in the 2019 Audited Financial Statements, were prorated for a twelve (12) month period as those variable expenses would have only been represented for ten (10) months of full operation, March 2019 – December 2019. Additionally, expenses below were determined as follows:

1. Fuel Charge:

Estimated at two (2) trips per week per annum from our Kingston office to the location in St. Jago, St. Catherine. Each round trip is estimated to be forty-two (42) Kilometres. A rate of \$ 60.00 per kilometre is assigned as fuel charge & travelling.

2. Insurance:

As per estimate received from Billy Craig Insurance Brokers. No coverage for public liability insurance is in place as we cannot afford same.

3. Power Supply Cost (Generator):

As per attached Proforma Invoice from IMCA Jamaica Limited. The cost to acquire and install the generator is divided into sixty (60) equal monthly payments.

4. Repayment to Related Parties:

This represents repayment of loans we obtained from related parties to maintain the water project. The amount due to related parties as at December 31, 2020 is *Forty Million Seven-Hundred and Eighty-Five Thousand One Hundred and Thirty-Six Dollars (\$40,785,136.00)*. Our debtors have called upon us to settle the stated amount over a period of sixty (60) months.

5. Return:

A value of ten percent (10%) of the revenue requirement/operating expenses was assigned as a return for SJHW.

Each lot's average consumption was determined by observing their consumption for the twelve (12) billing periods of 2021 which is represented in the attached table SJHW Customer Base 2021 Consumption. Each lot's average consumption was then used to determine tariff required to meet the monthly revenue requirement of *Nine Hundred and Thirty-Eight Thousand One Hundred and Twenty-Nine Dollars and Eleven Cents (\$938,129.11)* as per attached SJHW Customer Base Tariff Required to Meet Revenue Requirement. No changes were made to the monthly service charge and all tiers of the monthly consumption charge were equally increased. The following rates were determined as the required tariff to achieve the revenue requirement:

Volumetric Service Blocks (Gallons)	Current Rates \$	Proposed New Rates \$
Service Charge	1,514.19	1,514.19
1st 3,000	421.29	1,422.69
2nd 3,000	742.88	2,508.69
3rd 3,000	802.11	2,708.70
4th 3,000	1,023.87	3,457.58
Next 8,000	1,274.91	4,305.34
Next 20,000	1,641.14	5,542.09

As requested we have also attached a copy of our Production and Consumption for the period January 2019 – December 2019.

Yours Respectfully,



.....
Michael Lake
Director
St. Jago Hills Development Company Limited

**SJHW
Revenue Requirement**

Expenses:	\$
Fuel (Diesel)	2,591,265.60
Electricity	478,426.80
Salaries, Wages & Related Expense	2,189,654.00
Repairs & Maintenance	897,021.00
Chlorine Gas	7,200.00
Lab Tests	812,401.20
Chlorine Testing/Chlorine	288,166.80
Rental Expense - Well	400,000.00
Fuel Charge	262,080.00
Water Abstraction Fee	30,048.00
Uniforms	17,526.00
Office & Administration Expense	460,897.00
Audit & Accounting Fee	298,896.00
Bank Charges	20,140.00
General & Office Expenses	63,506.00
Insurance	156,061.90
Health Insurance Expense	41,472.00
Annual Regulatory Fee	125,000.00
Telephone	46,931.00
Power Supply Cost (Generator)	155,852.98
Depreciation	211,837.20
Repayment to Related Parties	679,752.27
Return	1,023,413.58
Total Revenue Requirement	11,257,549.33