

FOR IMMEDIATE RELEASE

NWC's 2022 Annual Price Adjustment Mechanism is Not a Rate Increase

(Kingston, Jamaica: 2022 May 2): The recent annual adjustment and resetting of base rates and indices used to determine the Price Adjustment Mechanism (PAM) for the National Water Commission (NWC), does not represent approval by the Office of Utilities Regulation (OUR) of an additional rate increase to the NWC, and will not have any new impact on customers' monthly bills.

The PAM is a rate applied to customers' monthly billing for water and sewerage services that captures the effects of movements in three indices associated with the NWC's major input costs.

These indices include inflation as measured by the consumer price index, the Jamaican dollar exchange rate relative to the United States Dollar, and electricity prices. Base rates for each of these indices are approved by the OUR at the time of setting the NWC's tariff for water and sewerage services. The PAM shown on bills each month reflects the variation between the OUR-approved base rates and the actual rates for these indices. The monthly adjustment to rates using the PAM ensures that NWC's revenue is preserved in real terms compensating monthly for movements in the costs of inputs over which it has no control.

The annual reset of the PAM, called ANPAM, is the process by which the OUR: (1) verifies and confirms the monthly PAM adjustments over the preceding period and (2) rolls the cumulative PAM adjustments since the last reset, into the base rates approved for each of the three indices. This effectively updates the base rates making them reflective of current costs. Going forward, the monthly PAM shown on bills will then reflect the differential between the newly reset base rates and what are the actual rates for the three indices at the time of billing.

The OUR, in its National Water Commission Annual Price Adjustment Mechanism 2022 Rate Adjustment Determination Notice, dated 2022 April 25, approved an ANPAM rate of 11.7% following the customary submission from the NWC for an annual adjustment. This figure reflects the cumulative PAM adjustment that has been applied to NWC bills for the preceding twelve months, and the percentage change to be made to the base rates for the three indices, which will then be applicable for the period 2022 April 1 to 2023 March 31. With the monthly application of the PAM, customers bills are already reflective of current rates and movements in each of the three indices.

The ANPAM therefore is merely a "true up" mechanism to ensure that the approved base rates for the indices going into the next year catch up with, and are more reflective of, the rates already being applied to customer billing.

The OUR's National Water Commission Annual Price Adjustment Mechanism 2022 Rate Adjustment Determination Notice can be found on its website: www.our.org.jm.