



August 17, 2022

Ms. Diana Cummings
 Manager- Licensing and Regulatory Affairs
 Office of Utilities Regulation
 36 Trafalgar Road, Kingston 10

Application for Water Tariff Increase

Richmond Environmental Services Limited (RESL) is a limited liability company with registered office on Montego Bay, St. James. It is the holder of two separate licenses for the supply of water and sewerage services to Richmond Development and its immediate environs in Richmond, St. Ann (see schedule 1 of both licenses).

RESL hereby apply for an increase in its water and sewerage rates and the introduction of necessary charges for the provision of services supplied by its Richmond, St. Ann facilities. In April 2020 the OUR approved the proposed water and sewerage rates submitted by RESL by using the principle of the “No Objection Policy”, as the rates then were below those charged by the National Water Commission (NWC) for comparable services.

For ease of reference, note below the benchmark analysis for water and sewerage services in the April 2020 determination notice (document no. 2020/WAS/002/DET.002):

Water						
Bill Amounts for 21,000 Litres (J\$)						
Consumption ('000 Litres)	NWC	TGBC	RBWC	CDL	DEML	RESL
14	1,451.10	2,016.00	1,176.00	1,297.38	1,642.34	700.00
6	1,096.80	864.00	888.66	980.46	703.86	300.00
1	182.80	144.00	148.11	163.41	117.31	87.15
Service Charge	830.00	-	670.23	739.28	666.82	-
Total Charge (J\$/month)	3,560.70	3,024.00	2,883.00	3,180.53	3,130.33	\$1,087.15
RESL relative to other providers	-69%	-64%	-62%	-66%	-65%	-

Sewerage						
Bill Amounts for 21,000 Litres (J\$)						
Consumption ('000 Litres)	NWC	Landmark	RBWC	CDL	DEML	RESL
14	1,317.26	1,177.54	1,076.46	1,177.54	1,642.34	350.00
6	995.40	889.80	813.36	889.80	703.86	150.00
1	165.90	148.30	135.56	148.30	117.31	43.58
Service Charge	830.00	739.28	670.23	739.28	666.82	-
Total Charge (J\$/month)	3,308.56	2,954.92	2,695.61	2,954.92	3,130.33	543.58
RESL relative to other providers	-84%	-82%	-80%	-82%	-83%	-

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Water Supply Infrastructure

Richmond Development Company Limited (RDCL) made significant investments in the water and sewerage system to service the communities it developed in Richmond, St. Ann. Below are the historical cost of the major assets making up the distribution network.

Infrastructure	Cost US\$	Year Commissioned
Water Treatment Plant	\$818,643	2010
Sewerage Treatment Plant	\$858,736	2013
Water Tank	\$444,627	2010
Water Tank	\$425,000	2019
Note: Several other significant input costs to bring the above assets into use were not included		

While RDCL maintains ownership of the network as a whole, RESL has the responsibility for the maintenance and general upkeep of the entire system including all its associated parts, fixtures and fittings. It should be noted that RDCL or RESL has never directly recovered any of the above infrastructure costs from purchasers of residential lots within its development. The current replacement costs of any of these above infrastructure is more than 1.5 times the historical cost. RESL is now, for the first time, seeking to introduce a service charge based on service connection to provide for maintenance costs of the current water distribution and sewerage treatment system.

While RDCL subsidized many of RESL's repairs and maintenance costs it will be noted from the audited financial statements and the unaudited management accounts that the repairs and maintenance cost is among the three highest administrative costs for the company. As a related company RDCL has shared many of the operational, maintenance and improvement costs of the water distribution and sewerage treatment systems costs from inception to current date. RDCL is not poised to focus on development beyond Richmond St. Ann therefore many of the once shared costs will now be fully borne by RESL.

As a private water and sewerage service provider RESL now requests the OUR's approval for the implementation of the proposed rates under the "No Objection Policy" seeing that said rates are below the National Water Commission's charges for comparable services.



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Proposed rates for Water and Sewerage at Richmond, St. Ann

Below are the categories and rates that the being proposed by RESL

Table 1 -Residential Metric Metered

Usage	NWC		RESL New rates per \$1,000 Litres		RESL Current rates per \$1,000 Litres	
	Water	Sewerage	Water	Sewerage	Water	Sewerage
For up to 16,000 litres	140.08	161.79	130.00	65.00	50.00	25.00
For the next 13,000 litres	249.31	287.96	232.00	116.00	70.00	35.00
For the next 14,000 litres	271.74	313.86	253.00	126.50	87.15	43.58
Over 41,000 litres	463.55	535.38	431.00	215.50	87.15	43.58

Table 2 –Service Charges

Size of Meter or Service Connection- Imperial (inch)/ Metric (mm)	NWC	RESL-Proposed	RESL- Current
5/8 inch / 15mm	\$1,099.75	\$715.00	Nil
3/4 inch / 20mm	\$2,405.58	\$1,600.00	Nil
1 inch / 25mm	\$3,141.40	\$2,200.00	Nil
1 ¼ inch / 30mm	\$5,914.90	\$4,000.00	Nil
1 ½ inch / 40mm	\$5,914.90	\$4,000.00	Nil
2 inch / 50mm	\$8,377.07	\$6,000.00	Nil

Table 3 –Miscellaneous Fees

Details	NWC	RESL-Proposed	RESL- Current
Reconnection fees:			
Domestic	\$4,470	\$6,000	\$6,000
Commercial	\$13,000	\$12,000	Nil
Illegal Connection- all customer types	\$13,000	\$12,000	\$10,000



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Price Adjustment Mechanism (PAM)

RESL plans to adopt the Price Adjustment Mechanism model used by the National Water Commission and approved by the OUR within any applicable period. Like the NWC, RESL has no control over inflation, the foreign exchange and electricity prices. Therefore the relevant indices used by the NWC in the PAM to reflect changes in these factors would also be applicable to RESL.

The overall increase in rates being sought by the RESL is required to ensure that the business carry on as a going concern. Improved revenues will allow to company:

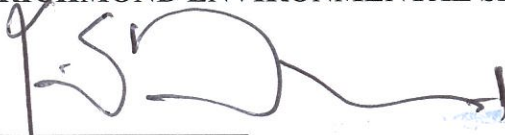
- to reverse years of accumulated losses
- stop the growth of year to date losses due to consistent increase in input costs. For the first quarter of 2022 electricity costs has increased by 23% compared to the similar quarter in 2021. Further analysis revealed significant increases in our electricity costs from 2017 to 2021; 24% for the water treatment plant and 50% for the sewerage treatment plant.
- planned capital improvements and investment in better technologies
- repay debt and improve working capital
- improve operating effectiveness and efficiencies.

We are eagerly anticipating your prompt and favourable response to our application.

We thank you for your kind support and service.

Yours sincerely,

RICHMOND ENVIRONMENTAL SERVICES LIMITED



Frederick S. Bennett
Director

**RICHMOND ENVIRONMENTAL
SERVICES LIMITED**