

November 03, 2022

Mr. Ansford Hewitt

Director General

Office of Utilities Regulation

3<sup>rd</sup> Floor, PCJ Resource Centre

36 Trafalgar Road

Kingston 10.



Dear Sirs,

**Re: CAN-CARA Development Limited Tariff Review Application for Water and Sewerage**

Enclosed please find our application for a tariff review.

Our last approval was January 10, 2018

If there are any concerns, please do not hesitate to contact the undersigned.

Yours truly,

CAN-CARA Development Limited

  
Sandra Williams (Mrs.)

Director

# CAN-CARA DEVELOPMENT LIMITED

TARIFF REVIEW APPLICATION FOR WATER AND SEWERAGE

FOR

MEADOWS OF IRWIN MONTEGO BAY, ST. JAMES

WESTERN SPANISH TOWN, ST. CATHERINE

SOUTH-EAST, ST. CATHERINE

SOUTH-WEST, ST. CATHERINE

SOUTH, ST. CATHERINE

SUBMITTED TO:

Office of Utilities Regulation

3<sup>rd</sup> Floor, PCJ Resource Centre

36 Trafalgar Road

Kingston 10

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## **INTRODUCTION**

Can-Cara Development Limited (CCDL) is a privately owned limited liability company incorporated in Jamaica, which was issued sewerage and water supply licences in 2004 and 2005 respectively, to provide these services to Western Spanish Town, St. Catherine. The company was issued two additional licences for the treatment and distribution of water, and the provision of sewerage services to the Meadows of Irwin Housing Development in St. James in 2012.

CCDL's water production in St. Catherine is derived from three (3) wells with an overall capacity of 7,476 cubic meters (m<sup>3</sup>) of water per day. The company supplies 2,155 customers in St. Catherine. These customers are located in the Communities of Magil Palms, Chedwin Gardens, White Water Meadows, Jacaranda Homes and Dolly 'B' Meadows. In St. James, the company serves 732 customers in Meadows of Irwin from a single well with a capacity of 1,200 cubic meters (m<sup>3</sup>) of water per day.

We expect to start providing water and sewerage services to the following developments in St. Catherine which we are applying for an extension to our license.

- 1. Catherine Estate**
- 2. Greater Bernard Lodge Development**
- 3. Innswood Development**
- 4. St. Johns Road Development**
- 5. Old Harbour Development**

In addition, CCDL provides sewerage services through its Spanish Town Sewerage Treatment Plant which has a treatment capacity of 6,668 m<sup>3</sup> per day. It also provides sewerage services in St. James where its Meadow of Irwin Treatment Plant has the capacity to treat 1,200 m<sup>3</sup> of sewage per day. Currently the company's sewerage plants are operating below full capacity.

## CCDL TARIFF PROPOSAL

CCDL is applying to the OUR for a tariff review of:

Residential:

	Water \$	Sewerage \$
Metric Metered		
For up to 14,000 litres at a rate of	133.08	153.70
For the next 13,000 litres at a rate of	236.84	273.56
For the next 14,000 litres at a rate of	258.15	298.16
Over 41,000 litres at a rate of	440.37	508.61
Service Fixed Charge	1,044.76	1,044.76
Unmetered Water and Sewerage Service (include service charge)	5,107.82	
Unmetered Sewerage Service (include service charge)	2,936.70	
Connection fee	11,000.00	
Reconnection Fees:		
Water	4,500 - 8000	
Sewerage	15,000	
Water meter connection:		
Laid Connection	15,000.00	
Unlaid Connection	20,000.00	
Commercial (Metric Metered)		
For up to 9,100,000	508.55	587.38
Over 9,100,000	296.42	342.38

The company is requesting the above increases in order to cover increasing electricity costs, loan repayment and other operational costs.

## **MISSION, VALUES AND VISION**

### **MISSION**

CCDL, is committed to provide high quality water and sewerage services in a timely, efficient and reliable way to the satisfaction of our customers.

### **VALUES**

Our core purpose is to provide our customer with safe and reliable water and sewerage services, in compliance with regulatory requirements.

### **VISION**

To manage our organisation and water resources to meet evolving regulatory requirements, water supply needs and customer expectations in the future.

We recognise and take seriously the responsibility of managing limited and precious environmental resources that are vital to human life, and the economic health of our community. We are committed to safely complying with all applicable regulations to preserve the environment and economy in and around our area.

## **SCOPE OF CCDL'S SERVICES**

### **CCDL CUSTOMERS**

CCDL provides potable water to 2,887 contracted active customers and sewerage services to customers in the parish of St. Catherine and St. James as follows:

### **POTABLE WATER SERVICES**

Potable water services are provided to the customer of CCDL via in house taps. CCDL produces approximately 1,733,833 liters of water per month through a network of pipelines in the various housing developments.

<b>Name of Housing Development</b>	<b>Water Produced Per Month (Litres)</b>
Magil Palms	445,987
Chedwin Gardens	193,051
Dolly 'B'	9,212
Jacaranda Homes	472,927
Meadows of Irwin	612,656

The source of water for the 2,887 customers are from wells leased and located at Lime Walk #1 and # 3 and Craigallachie for St. Catherine and Irwin Well in Montego Bay, St. James which is owned by CCDL.

The extracted water is transmitted through 10 inch line from the well to the respective sites. Water is then treated via a chlorination system and for Jacaranda it is stored in steel bolted water tank and then distributed to the residents via duplex pump pressure systems maintaining 65 psi at source. This distribution trunk lines are SCH. 40 PVC with laterals of ½ inch.

CCDL provides water that consistently meets the water quality standard of the Water Resource Authority (WRA) and Ministry of Health & Wellness (MOHW).

### **SEWERAGE SERVICES**

CCDL provides sewerage services to one hundred percent (100%) of its customers.



The sewerage treatment systems consist of lift stations equipped with submersible pumps and standby generators, treatment ponds and discharge points. Sewerage is collected from individual houses through 100mm lateral and connected to a 200mm sewer main along the roads. The sewage flows by gravity through a network of manholes and 200mm lines and is discharged through 200mm trunk main to the various lift stations and then to the western Spanish Town Sewerage Plant and St. James Sewerage plant.

**CCDL FACILITIES**

**Potable Water Facilities**

CCDL operates two water supply system comprising of wells, steel bolted tanks (Jacaranda and Meadows of Irwin), chlorinators, booster pumps, trunk mains and standby generators.

**Sewerage Treatment Facilities**

All the treatment plants are well maintained and inspected regularly by NEPA and the Ministry of Health & Wellness.

**INDUSTRY OVERVIEW**

**Size of the Industry**

The National Water Commission produces more than 90% of Jamaica’s total potable water supply from a network of more than 160 underground wells, over 116 river sources (via water treatment plant) and 147 springs. The other 10% is provided by private companies, while The National Irrigation Commission provides irrigation services. Approximately 30% of the water abstracted in Jamaica is used to meet the demand for potable water and the remaining 70% is used for irrigation.

**Other Entities Providing Water and Sewerage Services Other than NWC**

<b>Name of Entity</b>	<b>Category of Service</b>	<b>Area Served</b>
Dynamic Environment Management Limited	Water & Sewerage	Vineyards Estate, Bushy Park, Caribbean Estate, Morris Meadows. St. Catherine
Central Waste Water	Sewerage	Kingston & St. Andrew
Dairy Spring Limited	Water	Shaw Park, St. Ann
Four Rivers Development Company Limited	Water	Shaw Park, St. Ann
Hampstead Citizen Association Benevolent Society	Water	Hampstead District
Runaway Bay Water Company	Water	Cardiff Hall, Runaway Bay
Rose Hall Development	Sewerage	Rose Hall, Montego Bay

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The NWC operates more than 1,000 water supplies and over 100 sewerage facilities island wide. These vary from large raw water storage reservoirs at Hermitage and Mona in St. Andrew and the Great River treatment plant in St. James, to medium sized and small diesel-driven pumping installations serving rural towns and villages across Jamaica. It is estimated that approximately 70% of Jamaica's population is supplied via house connections and the remaining 30% obtains water from standpipes, water trucks, wayside tanks, community catchment tanks and direct access to rivers and streams.

Approximately 25% of Jamaica's population is served by sewerage facilities operated by the NWC. The Commission also has responsibility for some small sewerage systems, utilizing package plants, which are associated with housing developments in various locations throughout the country. The disposal of the sewage generated in the remainder of the population is done through various types of on-site systems such as septic tanks, soak-away pits and pit latrines.

### **Industry Trends**

The National Water Sector Policy (NWSP) was intended in particular to provide a framework to encourage private participation in the sector by large investors as well as community based organization devoted to delivering potable water and sewerage treatment facilities to discrete communities.

Private participation should therefore be in the country's best interest, improve economic efficiency in the sector in terms of operational performance and the use of capital investments, and achieve productivity achievements in the sector by the use of technical and managerial expertise and new technology.

In a panel discussion in May 2021 Jamaica National (JN) Climate Change, Sustainability & Innovation Water Summit the general manager of Jamaica Wells and Services shared that the issue of privatization has been a "hotly contested debate" locally.

The NWSP has still not been implemented.

### **Policy, Legal and Regulatory Framework**

#### **Policy Framework**

The NWSP sets out the framework for the water and sewerage services. It sets out the government objectives for the sector as well as institutional responsibilities and strategies to achieve them. It also sets out the principles for the establishment of tariffs for water and sewerage.

#### **Ownership and Private Participation**

A key aspect of the NWSP is the encouragement of private participation in the provision of water and sewerage. It is expected that private investment in new infrastructure and private operation will relieve the Government of the burden of financing the sector and provide economic benefits for Jamaica. It is therefore expected to bring improvements in the availability, quality and cost effectiveness of the service being delivered.

### **Institutional Responsibilities**

The OUR will have responsibility for the approval of fees and tariffs based on prescribed/agreed water quality and service standards, minimum standards of sewerage services and other appropriate parameters.

The Environmental Control Division of the Ministry of Health & Wellness will have responsibility for the monitoring water quality standards according to WHO standards and the Jamaica Interim Guidelines.

NEPA will have responsibility for monitoring and enforcing compliance to environmental standards.

### **Tariff Regulation**

The OUR is responsible for setting tariffs at a level which allows service providers to fully recover efficient cost levels. The service provider will be responsible for increasing efficiency of operations, in order to reduce cost to the lowest efficient level.

In setting tariff, the OUR will take into account the need for additional funds for system improvements where exceptional circumstances dictate.

The service provider and the OUR will implement a public awareness campaign whenever tariffs are adjusted.

### **Tariff Structure**

The rate for the supply service shall be set such that it provides a reasonable opportunity to make a reasonable return on capital employed after taking into account all reasonable costs incurred in the provision of the services.

### **Legal Framework**

#### **OUR Act**

The OUR has the responsibility to regulate the provision of prescribe utility services including water and sewerage services pursuant to the Section 4 (1) (a) of the OUR Act.

## **Water Act**

This Act provides for the management and conservation of water resources in Jamaica.

## **The Public Utility Protection Act**

Section 3 of the Public Utility Protection Act makes it an offence for any person to trespass on the work on property of a public utility provider.

### **Regulatory Framework**

#### **General**

CCDL was granted licences for the operation of water and sewerage services by the OUR for the following housing developments:

Magil Palms  
Chedwin Gardens  
White Water Meadows  
Jacaranda Homes  
Meadows of Irwin  
Dolly 'B' Meadows

The licences speak to the following provisions;

- The statutory role of the OUR to regulate CCDL
- Performance standards and benchmarks with regards to water and sewerage
- Reporting relationships and requirements
- Billing

#### **Rate Review Process**

In an application for rate review, CCDL shall file with the OUR, proposed rate schedules and shall demonstrate that the rates proposed for the various rate categories will generate the revenue requirement for the test year. The Office shall accept such filings and if found in order shall initiate a rate proceeding and conduct its review of the proposed rates. The licence also speaks to the right of the CCDL to appeal the decision of the Office.

#### **Previous Rate Determination**

Determination Notices was granted by the OUR to CCDL as follows:

<b>Category</b>	<b>All Schemes</b>
Volumetric Rate for water & sewerage	Varies \$84.11 to \$361 per 1,000 litres
Service Charge	\$739.28
Connection Fee	\$6900 - \$15000
Reconnection Fee	\$3000 – \$10,000
Determination Notice Document No.	2018/WAS/003/DET.003
Date of Notice	January 10, 2018
Effective Date of Rates	February 1, 2018

Overall and guaranteed standards were also developed and imposed by the Office to regulate the general service delivered by CCDL. The Overall Standards are general in nature and the performance of CCDL against these standards is taken into account during a tariff review. The Guaranteed Standards on the other hand address specific areas of service delivery in relationship between the company and its customers. A compensatory payment of four (4) times the service charge must be credited to the customer's account if any of these standards are breached.

CCDL must also submit at least one year of audited financial statement to the Office prior to the next review of the rates and bi-annual reports on its performance against the Standards to the Office.

### **Reporting Requirement**

As part of the monitoring process the OUR specified a numbered reports to be presented by CCDL on a quarterly basis with monthly breakout:

- Quality of Service Standards
- Statistical information on operations and customer service
- Financial Reports

CCDL also submitted monthly reports to the Ministry of Health, National Environmental Planning Agency (NEPA) and the Water Resources Authority (WRA) as part of the monitoring process.

## **CCDL PERFORMANCE REVIEW**

### **General**

CCDL's performance throughout the period has been creditable despite the many challenges faced in connections, theft, and the steep increase in electricity rates.

### **Customer Service**

CCDL currently has an office at Old Harbour Road, Spanish Town St. Catherine and Meadows of Irwin, St. James in addition to its Head Office at Constant Spring Road, St. Catherine.

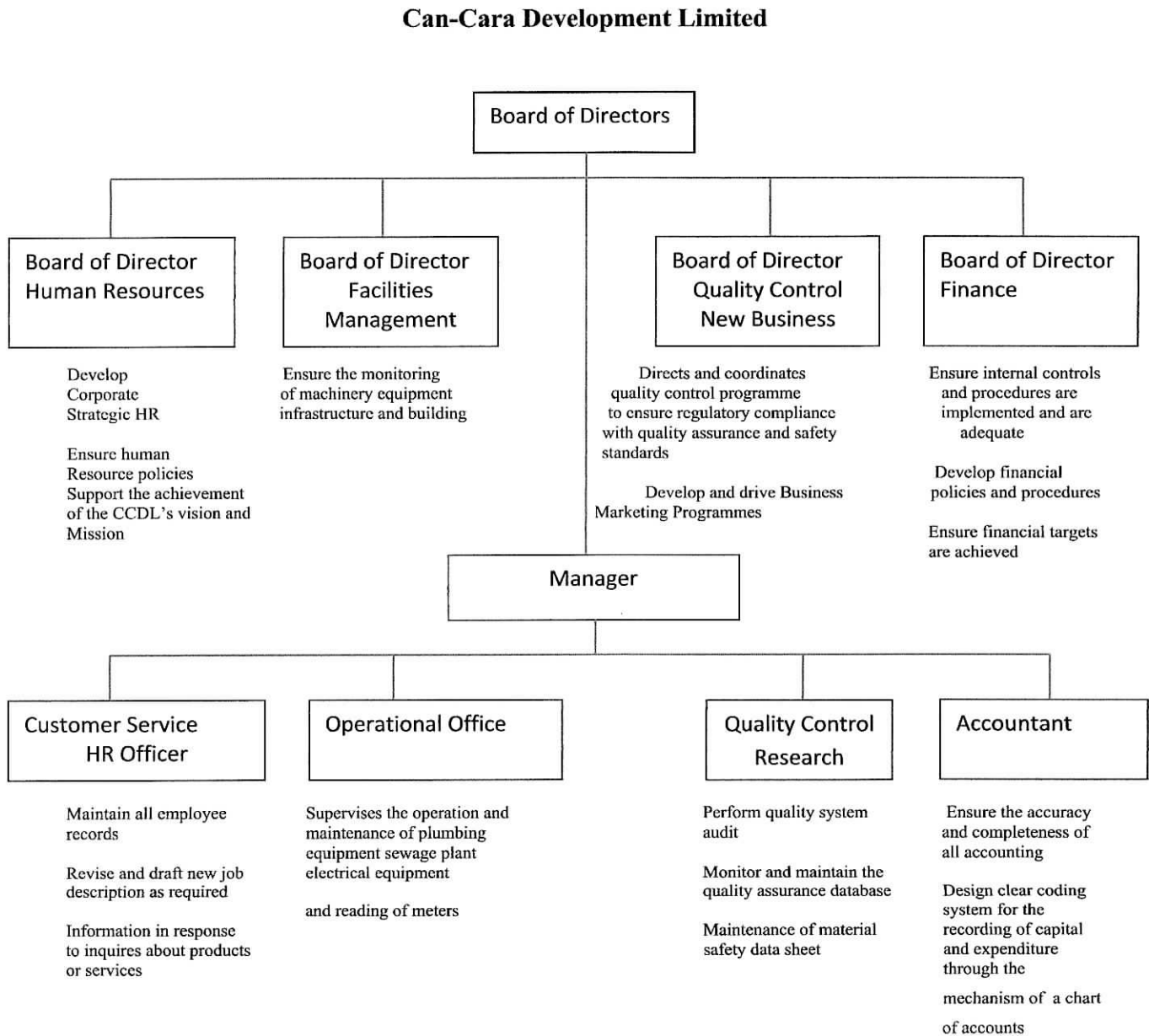
Other bill payment means were established through direct deposit and bank transfers to their bank accounts.

### **Management and Staffing**

CCDL is led by a Board of Directors comprising six (6) persons with each assigned specific responsibility to oversee; Human Resources, Facilities Management, Quality Control, New Business and Commercial Operations and Accounts (See Figure 1 for CCDL Functional Chart). The Operations Manager is responsible for the day to day operations of the company.

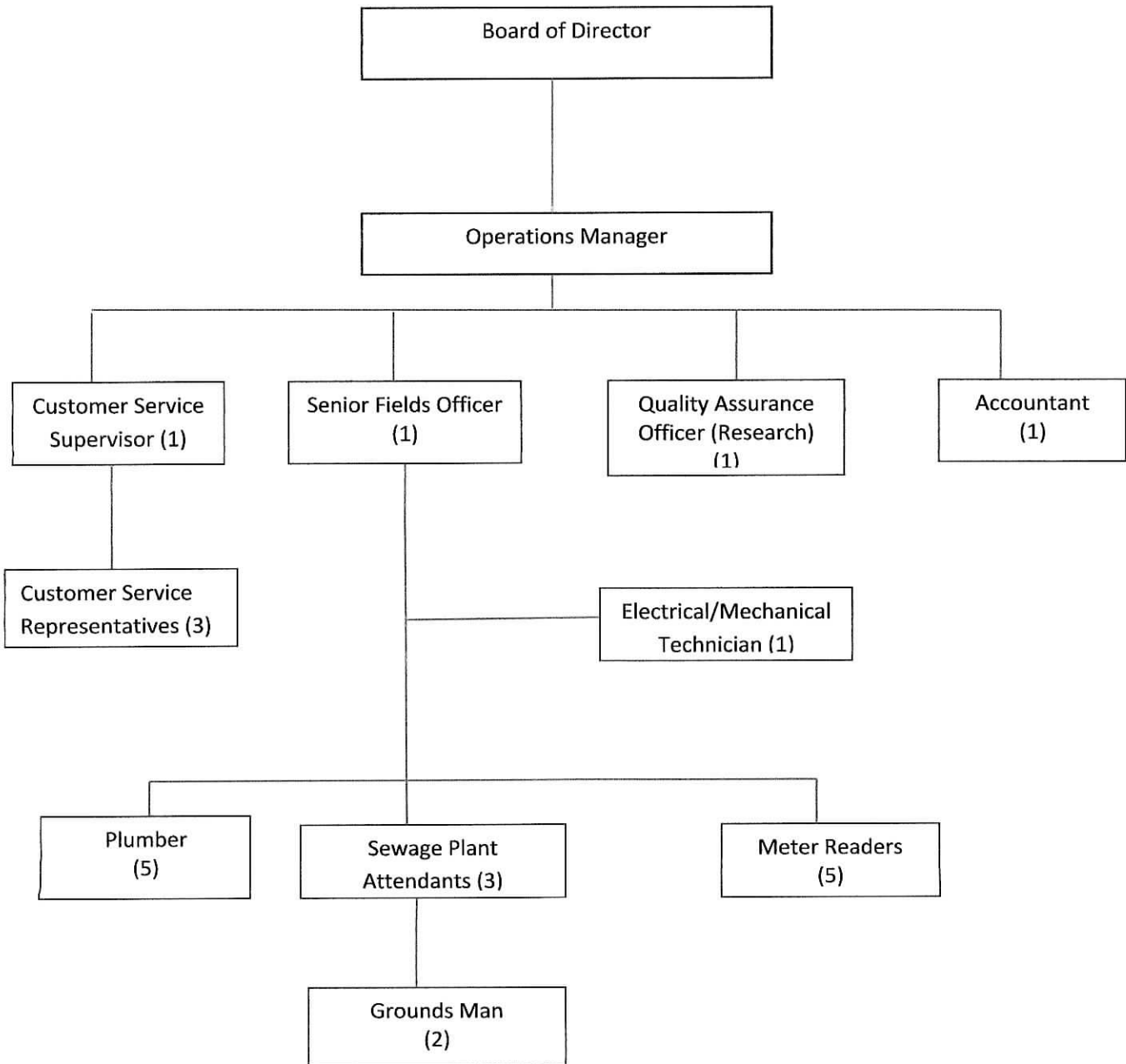
CCDL believes that the quality of the product it provides the customers is paramount and has conducted several training programs for the operations and some office staff in potable water management and waste water treatment.

Figure 1 CCDL Functional Chart



**Figure 2 CCDL Staffing Chart**

**Can-Cara Development Limited**



## Financial Performance

The company has been operating at a loss of \$66,724,954, CCDL has seen a drastic decline in its profit in 2020. The decline was due to a number of factors:

- The project expenses determinant by OUR in the last tariff review was underestimated.
- High Electricity bill
- Loan interest
- Security
- Repairs and maintenance

**Table 1**

<b>YEAR</b>	<b>2020</b>	<b>2019</b>
Revenue	\$92,270,978	\$102,819,097
Direct Operating Cost	\$86,262,846	\$ 95,306,240
Profit/(Loss) before taxation	\$ 6,008,132	\$ 7,512,857

As shown in table 1, the revenue decreased by 10 % in 2020 and, the direct cost decreased by 9.4% the same period. In 2019 CCDL sold water to customers that were not supplied by them but the revenue stream was not continued in 2020. An increase in the customer base will see an increase in the direct expenditure in the future months. The revenue position will improved in future months because of the elimination of flat rate and customers will be billed based on actual consumption.

CCDL's ability to meet its short term obligation has improved by 14% mainly due to the reduction in payables and repayment of a short term loan.

A rigorous collection drive has been engaged by CCDL to ensure that the liabilities are met in a timely manner.

## CCDL's 2022 Tariff Application

### General



This application is being submitted based on the regulatory framework specified by the OUR and consistent with previous Determination Notices granted. CCDL will be making a single tariff application for all the housing developments serviced.

**Test Year 2020**

The test year is based on the year for which the last audited financial statements are available with adjustments made for such changes in revenue and costs as are known and measurable with reasonable accuracy. The effective test year is 2020

**Connection and Reconnection Fee**

CCDL is proposing a connection fee of Eleven Thousand Dollars (\$11,000.00) and a reconnection fee of Four Thousand Five Hundred Dollars (\$4,500.00).

Breakdown is as follows:

<b>Reconnection Fee</b>		<b>Connection Fee</b>	
<b>Details</b>	<b>Cost</b>	<b>Details</b>	<b>Cost</b>
Administrative Charges	1,200	Administrative charges	1,200
Labour charges for disconnection/reconnection	1,600	Labour charges	4,000
Material (2 cap, 1 elbow, 2coupling, tangit, pipe)	600	Material (2 female adapter, 4 elbow, tangit, pipe)	3,700
Transportation	1,100	Transportation	2,100
<b>Total</b>	<b>4,500</b>	<b>Total</b>	<b>11,000</b>

**Service Charge**

A service charge of One Thousand and Forty Four Dollars and Seventy Six Cents (\$1,044.76) is being proposed. This flat rate covers fixed overheads incurred for the preparation of the bills inclusive of the meter reading.

**Expenses**

**General**

Operational expenses includes administrative cost, cost of sales, banking and financial and maintenance costs. These costs form the basis for determining the appropriate rates to be charged as they represent actual costs adjusted to reflect normal operating conditions and such changes that are known and measurable.

## **Operation and Maintenance Expenses**

It is projected that operations and maintenance expenses will be spent across all the housing developments.

### 1. Supplies

Supplies expense includes cleaning supplies, purchase of material, printing & stationery and postage.

- The cost of cleaning supplies includes the cost for bleach, disinfectant, anti-bacterial soap, all purpose soap, garbage bags, gloves etc that is used by the sewage plant attendants and plumbers.
- Stationery includes envelopes, paper and ink for the bills and receipts and books for daily recording.
- Postage is for stamps for the mailing of bills.

### 2. Security

This cost includes:

- Monitoring and response fee for Head Office, Spanish Town ,Montego Bay, Well sites and Sewerage Plants.
- Armoured fee for lodgement picked up.

### 3. Repairs & Maintenance

This includes the following:

- Pipe cutters
- Materials used to repair leaks and to connect meters etc.
- Sewage removal
- Equipment maintenance-scheduled maintenance
- Sewage Pond Maintenance-Bushing, removal of weeds etc.
- Equipment rental-repairing of major leaks and for the removal of slit from the reed beds
- Routine repairs-repairs to motor, purchase of bolts, switches etc.
- Fuel-for the generators, mowers and pumps
- Chlorine (liquid and granular)

### 4. Motor Vehicle Expense and Travelling

All cost associated with the ownership of a vehicle is taken into account. These includes insurance, licencing, fitness fee, servicing and gas. This area also includes travelling by field staff to the office, travelling to address emergencies and travelling by the bearer.

### 5. Licenses and Permit

This includes:

- Renewal of licence for the sewage ponds at WSTP and MOI
- NEPA fee was increased to \$3,873,593.75 for both sewage pond.
- Well Licence to WRA

6. Quality Testing

This is the cost associated with the external testing of raw water, potable water and effluent to ensure that the quality standards are met. Raw water is tested quarterly, while potable water and effluent is tested three times per week.

**Property and Utility Costs**

This comprise the following:

1. Rental Cost

Rent includes the monthly cost of \$245,125.00

2. Office Utility

Electricity for all the schemes are projected to be over Five Million Dollars (\$5,000,000.00) monthly (see last three months bill).

3. Telephone

Telephone includes the cost for landline, internet, texting service, closed user group and emergency telephone line cost amounting to approximately \$95,000.00 monthly.

3. Stationery, Supplies & other

This includes stationery and office supplies, cleaning supplies, staff activities, water and refreshment for meeting etc. This amount is approximately

**Cost of Sales**

Cost of sales includes the following:

1. Production wages

This includes the wages for the current field staff, senior operations Officer and the cost for an independent meter reader. (\$850,000.00)

2. Utility

The cost for electricity proposed by CCDL was based on the average consumption from January to October 2022 for all schemes.

3. Chlorine

This includes the cost for reagents used to test the water. The water is tested three times per week at each scheme and at three different point. Chlorine is purchased at least nine (9) times per year and ten 5 gallon buckets granular per annum.

### **Banking and other**

This is attributed to insurance expenses, audit and legal fee as well as bank charges.

1. **Bank Charges**

Bank Charges includes charges occurring from the use of direct deposits, transfers from customers, cards and other day to day banking transaction charges.

2. **Audit and Legal**

This includes the cost to audit the financial statements. As a result, we have made provisions for any further legal services that may be required.

3. **Finance Charges**

Finance Charges accounts for loan interest.

4. **Insurance**

This includes the cost to insure the equipment such as the generator, the pump, the chlorinator for both water sewage at all sites.

### **Other**

1. **Depreciation**

Depreciation included is for the assets purchased by CCDL.

2. **Property Tax**

Property tax, this tax is for the properties owned by CCDL which are used in the company's operation.

### **Rate Increase Required**

The rate increase CCDL will require for the delivery of reliable potable and sewerage service is shown on page 5. CCDL is requesting a single rate for all sites.