
Office of Utilities Regulation

Richmond Environmental Services Limited
Annual Price Adjustment Mechanism
2024 Rate Adjustment

Determination Notice



2024 August

DOCUMENT TITLE AND APPROVAL PAGE

1. DOCUMENT NUMBER: 2024/WAS/012/DET.005

2. DOCUMENT TITLE: Richmond Environmental Services Limited Annual Price Adjustment Mechanism 2024 Rate Adjustment

3. PURPOSE OF DOCUMENT

This document sets out the Office's decision on the applicable Annual Price Adjustment Mechanism percentage to be applied to the RESL base rates and other charges.

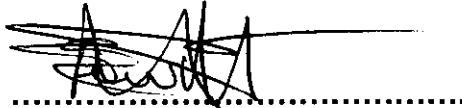
4. ANTECEDENT PUBLICATIONS

Publication Number	Publication Title	Publication Date
2023/WAS/002/DET.OO1	Richmond Environmental Services Limited Water and Sewerage Rates Determination Notice	2023 June 30

5. Approval

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on 2024 August 26

On behalf of the Office:



Director General
Ansord E. Hewitt

2024 August 26

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Abbreviation, Acronyms and Definitions

ANPAM	-	Annual Price Adjustment Mechanism
CPI	-	Consumer Price Index
Determination Notice	-	Richmond Environmental Services Limited – Water and Sewerage Rates Determination Notice, document number 2023/WAS/002/DET.001, issued on 2023 June 30.
FX	-	Foreign Exchange
J\$	-	Jamaican Dollars
kWh	-	Kilowatt Hour
Licences	-	Richmond Environmental Services Limited Water Supply Licence, 2013, and Richmond Environmental Services Limited Sewerage Services Licence, 2013
Licensee/RESL	-	Richmond Environmental Services Limited
NWC	-	National Water Commission
OUR/Office	-	Office of Utilities Regulation
OUR Act	-	Office of Utilities Regulation Act
PAM	-	Price Adjustment Mechanism
US\$	-	United States Dollars

1. Executive Summary

- 1.1. On 2024 July 8, Richmond Environmental Services Limited (RESL) made an application to the Office of Utilities Regulation (OUR) for an Annual Price Adjustment Mechanism (ANPAM) adjustment of 3.06 % to be applied to its base rates and charges.
- 1.2. The OUR has reviewed and examined the required ANPAM adjustment and has set out its findings in this Determination Notice.
- 1.3. The OUR has verified the information presented in RESL's submission and confirms the proposed ANPAM rate adjustment of 3.06%, which is to be applied to the approved water and sewerage rates. This adjustment is in keeping with the requirements specified in **Richmond Environmental Services Limited - Water and Sewerage Rates Determination Notice, document number 2023/WAS/002/DET.001**, which addresses the application of the Price Adjustment Mechanism.
- 1.4. The ANPAM rate adjustment is a rebasing of a specific set of indices only. The adjustment is applicable to customers' 2024 July consumption, which will be reflected in 2024 August billing cycle.
- 1.5. The new base indices for the Price Adjustment Mechanism (PAM) are as follows:
 - Foreign Exchange Rate: J\$156.97 to US\$1.00
 - Consumer Price Index: 134.90
 - Electricity Charge: \$56.54/kWh
- 1.6. The new base indices will remain in effect until the next programmed reset of the ANPAM in 2025 June or the implementation of new tariffs, whichever is earlier.
- 1.7. The new base rates and fees are displayed in Table 1.1 below and will become effective for the 2024 August billing cycle.

Table 1.1 RESL 2024 Rate Schedule

Rate Schedule Effective 2024 August	
Service Charge	
Description (Size)	JS/ Month
5/8 inch/ 15mm	736.88
2 inch/ 50mm	6,183.60
Reconnection Fee	
Customer Type	JS
Residential	4,606.78
Commercial	12,367.20
JS	
Illegal Connection	12,367.20
Water Rates	
Consumption Bands (Litres)	JS/1000 litres
Domestic	
0 to 14,000	77.88
14,001 to 27,000	109.04
27,001 to 41,000	135.75
41,001 and Over	135.75
Sewerage Rates	
Consumption Bands (Litre)	JS/1000 litres
Domestic	
0 to 14,000	38.95
14,001 to 27,000	54.52
27,001 to 41,000	67.89
41,001 and Over	67.89

2. Introduction

- 2.1. On 2024 July 8, Richmond Environmental Services Limited (RESL) made an application to the Office of Utilities Regulation (OUR) for an Annual Price Adjustment Mechanism (ANPAM) rate adjustment of 3.06%. The ANPAM rate adjustment request is consistent with the determinations made in the **Richmond Environmental Service Limited - Water and Sewerage Rates Determination Notice**, document number 2023/WAS/002/DET.001, issued 2023 June 30 (“Determination Notice”).
- 2.2. In the Determination Notice, RESL was granted approval to implement a monthly PAM, as a component of customers’ bills.
- 2.3. The Price Adjustment Mechanism (PAM) captures the effect of movements in three (3) indices associated with RESL’s major input costs, over which it has no control.
- 2.4. In particular, the mechanism is predicated on the assumption that RESL has no control over inflation, the movement of the Jamaican dollar relative to its United States Dollar counterpart, and electricity prices. The changes in RESL’s PAM are captured in the following three (3) indices:
 - Consumer Price Index (CPI),
 - Foreign exchange rate (FX): the Jamaican dollar (J\$) exchange rate relative to the United States Dollar (US\$); and
 - Electricity Prices expressed as \$/kWh).
- 2.5. The PAM rate adjustment is applied to customers’ bills monthly. The mechanism allows for an adjustment of base rates by rolling in the cumulative monthly PAM rate into the base rates and charges. This process generally occurs on an annual basis. The annual reset is referred to as the Annual Price Adjustment Mechanism (ANPAM).
- 2.6. The main objective of the annual reset is to minimize the monthly PAM differential adjustment, which accounts for the variation between the current and the base values for the three (3) indices on customers’ bills.

3. Legal Framework

3.1. RESL is regulated by the Office of Utilities Regulation Act and operates under the following licences (collectively referred to as the Licences):

- Richmond Environmental Services Limited Water Supply Licence, 2013
- Richmond Environmental Services Limited Sewerage Service Licence, 2013

3.2. The role and function of the OUR in the water and sewerage sector is governed by the provisions of the OUR Act. Section 4(1) (a) of the OUR Act, provides that the OUR is empowered to “*regulate the provision of prescribed utility services by licensees or specified organizations*”. The provision of sewerage services and the supply and distribution of water are included among the prescribed utility services defined in the First Schedule of the OUR Act.

3.3. Section 4(4) of the OUR Act expressly authorizes 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.”

3.4. In exercise of its powers to determine rates, the OUR issued the Determination Notice, which sets out the approved rates and charges for RESL’s services. The Determination Notice also makes allowance for an annual price adjustment.

3.5. In keeping with the determination regarding the annual reset of the PAM, RESL has now applied for an ANPAM rate adjustment to its base rates and charges.

4. The OUR’s Analysis

4.1. The OUR’s review and determination of rates is guided by the principle that rates should be sufficient to cover prudently incurred costs. In this regard, the monthly and annual price adjustment mechanisms are designed to align the rates with input prudently incurred cost.

The Price Adjustment Mechanism

4.2. The PAM allows RESL to adjust its rates, monthly to account for the effect of changes in input costs that are exogenous to its operations. It, therefore, seeks to preserve RESL rates in real terms against monthly fluctuations in its input costs, due to changes in inflation, foreign exchange rate movements and changes in electricity rates.

4.3. The mathematical computation of the PAM is as follows:

$$PAM = (w_{fx} * \Delta FX + w_{cpi} * \Delta CPI + w_{kWh} * \Delta kWh) * 100$$

Where:

- ΔFX is the monthly percentage change in the J\$/US\$ exchange rate,
- ΔCPI is the monthly percentage change in the CPI,
- ΔkWh is the monthly percentage in the kilowatt hour charge for electricity,
- w_{fx} is the approved weight for the J\$/US\$ exchange rate,
- w_{cpi} is the approved weight for the CPI, and
- w_{kWh} is the approved weight for the kilowatt hour charge for electricity.

4.4. The ANPAM normally allows for an adjustment of base rates and charges each year. This is achieved by the ‘rolling-in’ of the cumulative PAM rate from the time of last ANPAM adjustment into the base rates. The calculated ANPAM rate reflects the weighted change in the base values for the three (3) components in the mechanism, since the last ANPAM adjustment.

4.5. Mathematically, the new base rates may be expressed as follows:

$$\text{New Base Rate} = \text{Current Base Rate} * (1 + \text{ANPAM adjustment rate}).$$

4.6. RESL’s ANPAM adjustment rate, which is to be reflected on customers’ bills as of 2024 August is 3.06%. Table 4.1 below shows the details of the computation, which have been verified by the OUR.

4.7. The source of the input data is as follows:

- Statistical Institute of Jamaica (STATIN) for Consumer Price Index (CPI);
- Bank of Jamaica (BOJ) for foreign exchange (FX) rate (J\$:US\$); and
- RESL’s electricity bills for the month of 2024 May, to ascertain the electricity component.

Table 4.1: ANPAM Computation

Index	Units	Current Base Rate 2023	New Base Rate 2024	Weighting	Percentage Change	ANPAM
FX	US\$1 : J\$	155.10	156.97	0.08	1.21%	0.10%
CPI	-	128.20	134.90	0.64	5.23%	3.34%
Electricity	J\$/kWh	57.32	56.54	0.28	-1.36%	-0.38%
ANPAM						3.06%

- 4.8. Consistent with the base indices approved in Richmond Environmental Service Limited Water and Sewerage Rates Determination Notice, document number 2023/WAS/002/DET.001 issued 2023 June 30, the baseline data for FX, CPI and electricity, shall be adjusted to FX: US\$1: J\$156.97, CPI: 134.90 and Electricity: \$56.54/kWh. See Table 4.1 above for details.
- 4.9. The new base rates and charges for RESL are displayed in Table 4.2 below. These new rates become effective for 2024 August billing cycle.

Table 4.2 RESL 2024 Rate Schedule

Rate Schedule Effective 2024 August	
Service Charge	
Description (Size)	J\$/ Month
5/8 inch/ 15mm	736.88
2 inch/ 50mm	6,183.60
Reconnection Fee	
Customer Type	J\$
Residential	4,606.78
Commercial	12,367.20
JS	
Illegal Connection	12,367.20
Water Rates	
Consumption Bands (Litres)	J\$/1000 litres
Domestic	
0 to 14,000	77.88
14,001 to 27,000	109.04
27,001 to 41,000	135.75
41,001 and Over	135.75
Sewerage Rates	
Consumption Bands (Litre)	J\$/1000 litres
Domestic	
0 to 14,000	38.95
14,001 to 27,000	54.52
27,001 to 41,000	67.89
41,001 and Over	67.89

Determination 1

- a) The Office has approved the ANPAM rate adjustment of 3.06%, which shall apply to RESL's base rates and charges.
- b) The application of the ANPAM rate adjustment becomes effective for the 2024 August billing cycle.
- c) The new base indices for the monthly PAM rate adjustment are as follows:
 - Foreign Exchange Rate US\$1.00: J\$156.97.
 - Consumer Price Index: 134.90.
 - Electricity Charge: 56.54 J\$/kWh.
- d) RESL's new base rates will remain in effect until the next programmed reset of the ANPAM or the implementation of new tariffs, whichever is earlier.