

Drax Hall Utilities Limited

Tariff Application for Water and Sewerage

For

Drax Hall Estate



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INTRODUCTION

Drax Hall Utilities Limited (DHUL) is a privately owned limited liability company incorporated in Jamaica, which was issued a water supply license in 2011 and is still awaiting on the Office of Utilities and Regulation (OUR) for approval for its sewerage license, to provide these services to the entirety of Drax Hall Estate, St. Ann.

DHUL's water production is derived from two (2) naturally occurring springs with an overall capacity of 2028 cubic meters (m³) of water a day. The company currently supplies 1,621 customers with water and sewerage for four hundred and five (405) customers sewerage services only to one thousand two and sixteen (1,216) customers with more customers expected to begin construction in Drax Hall Estate, St. Ann.

We currently provide potable water and sewerage services to the following developments: -

Name of the Development	Total Units to be Built
	.
Water and Sewerage Services	
Residential: -	
Drax Hall Phase One	147 Units
Marina Villas	100 Units
Fairway Estate	100 Units
Condominium: -	
Marina Village	32 Units
Commercial: -	
Drax Hall Commercial Properties	11 Units
Sewerage Services: -	
Drax Hall Country Club	358 Units
Drax Hall Manor	358 Units
Village Green	103 Units
Vista Del Mar	330 Units
Polo Villas	17 Units

With more proposed upcoming developments planned for the estate. In addition, DHUL provides sewerage services treated at its own Drax Hall Waste Treatment Plant which has a treatment capacity of 650m³ per a day. Currently the company's sewerage plant is operating at close to full capacity but an expansion has been approved by the required government agencies and should be implemented and completed by the end of 2025.

The current rates used by DHUL:

[illegible]

DHUL Proposed Rates

DHUL is submitting a request to the OUR for a rate increase of 30.8%, from its current rates to ensure that DHUL has a reasonable opportunity to generate an adequate profit after covering its costs:

Residential:		
<i>(In Metric)</i>	Water	Sewerage
	\$	\$
For up to 14,000 litres at a rate of	170.11	203.89
For the next 13,000 litres at a rate of	314.54	366.37
For the next 13,000 litres at a rate of	347.22	399.82
Over 41,000 litres at a rate of	596.32	667.02
Commercial:		
For up to 9,100,000 litres at a rate of	687.72	786.55
Over 9,100,000 litres at a rate of	394.78	449.09
Condominium:		
All quantities	334.28	388.16
Primary Schools:		
All quantities	264.92	307.45
Service Charges:		Cost
(Calculated on size of the meter)		(\$)
5/8 inch/15mm		1,216.53
¾ inch/20mm		2,661.04
1 inch/25mm		3,475.00
1 ¼ inch/30mm		6,543.04
1 ½ inch/30mm		6,543.04
2 inch/50mm		9,266.67
3 inch/75mm		16,827.14
4 inch/100mm		27,189.53
6 inch/150mm		41,418.23
Connection Fees:		(See Below)

Illegal Disconnection Fees:	Illegal Service (\$)	
Removal & Replacement or Disconnection of Service - 1/2 inch & 3/4inch	Varies 30,000 – 200,000	
Removal & Replacement or Disconnection of Service Replaced - 1 inch & over	Varies 60,000 – 240,000	
Commercial Removal & Replacement or Disconnection of Service	Varies 90,000 – 280,000	

Connection And Reconnection Fee

DHUL current is proposing a connection and reconnection fee structure as follows:

Reconnection Fee		Connection Fee	
Details	Cost (\$)	Details	Cost (\$)
Administrative Charges	1,000	Administrative Charges	1,000
Labour charges for disconnection/reconnection	1,000 – 10,000	Labour Charges	5,000 – 60,000
Materials (Caps, Fittings, Tangit, Pipe)	Varies 1,000 – 4,000	Materials (Water Meter, Lock Off, Fittings, Tangit, Pipe)	Varies 20,000 – 135,000
Transportation	500	Transportation	4,000
Total (Depending on Size of Connection)	Varies 3,500 – 15,500	Total (Depending on Size of Connection)	Varies 30,000 – 200,000

NWC Current Rates

The current rates used by the National Water Commission:

Residential:		
<i>(In Metric)</i>	Water	Sewerage
	\$	\$
For up to 14,000 litres at a rate of	154.96	178.97
For the next 13,000 litres at a rate of	275.78	318.54
For the next 13,000 litres at a rate of	300.60	347.19
Over 41,000 litres at a rate of	512.78	592.24
Commercial:		
For up to 9,100,000 litres at a rate of	592.16	683.95
Over 9,100,000 litres at a rate of	345.16	398.67
Condominium:		
All quantities	293.74	339.30
Primary Schools:		
All quantities	234.49	271.02
Service Charges:		Cost
(Calculated on size of the meter)		(\$)
5/8 inch/15mm		1,216.53
¾ inch/20mm		2,661.04
1 inch/25mm		3,475.00
1 ¼ inch/30mm		6,543.04
1 ½ inch/30mm		6,543.04
2 inch/50mm		9,266.67
3 inch/75mm		16,827.14
4 inch/100mm		27,189.53
6 inch/150mm		41,418.23
Connection Fee:		Fee
		(\$)
½ inch connection (supply not set up):		16,000
½ inch connection (supply already laid up): \$10,000.00		10,000
Larger than ½ inch:		<i>Estimated cost</i>

Disconnection & Reconnection Fees:		
Removal & Replacement of Service (Unmetered)		4,470.00
Meter Service Removed & Replaced - 1/2 inch & 3/4inch		9,000.00
Meter Service Removed & Replaced - 1 inch & over		13,000.00
Commercial Metered Service Removed & Replaced		13,000.00

Illegal Connections, Domestic and Commercial, will incur the actual cost of removing and restoring the service.

The company is requesting the above approvals in order to cover the capital costs, loan requirements and other operational costs.



BUSINESS OBJECTIVES

Mission Statement and Vision

Mission Statement

DHUL, is committed to enhance the quality of life for all of us here in Drax Hall Estate by providing high quality potable water and an effective sewerage service to all our residents and businesses through a competent and motivated team in a cost-effective and sustainable manner.

Vision

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

SCOPE OF DHUL'S SERVICES

DHUL'S Customers

DHUL provides potable water and/or sewerage services to around 1,600 customers with more and more customers moving into the Drax Hall Estate area.

DHUL does not provide water and sewerage services to all developments within Drax Hall Estate. Communities such as Marina Villas, Fairway Estate etc are provided with water and sewerage services whilst other communities within the estate such as Drax Hall Country Club, Drax Hall Manor etc are only provided with sewerage services.

Potable Water Services

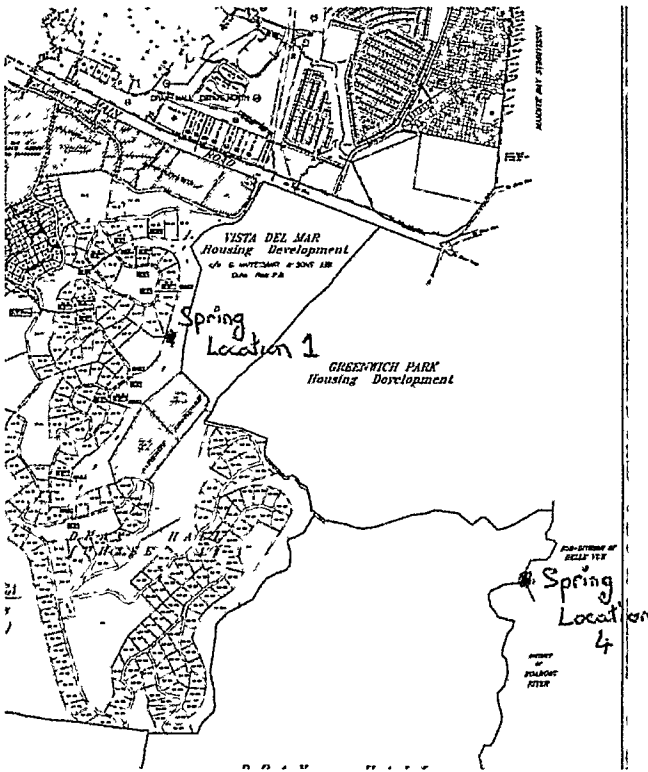
Potable water services are provided to the customers of DHUL via in house taps. DHUL currently has approval from the Water Resource Authority (WRA) for two (2) natural springs which produces approximately 2028 m3 of water per month.

Name of Water Source	Water Produced Per Month (Litres)
Spanish Lookout River	1050
Harbridge Gully	978

Of these two sources, due to their locations (See Below) only one, Spanish Lookout River is currently in use for the purpose of providing potable water to the developments within Drax Hall Estate whilst there are plans to utilize Harbridge Gully for the same purpose but currently is being used to provide water for the water trucks.

The harness water is collected and treated via a chlorination system, it is transmitted through a 4-inch line from the Spanish Lookout River catchment area to a concrete reservoir tank and then disturbed to the customers via a pump pressure system maintain 70 psi at source.

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



(Spring Location 1 – Spanish Lookout, Spring Location 4 – Harbridge Gully)

Sewerage Services

DHUL provides sewerage services to all communities that it also provides potable water and other communities that are provided by the NWC, who partnered with DHUL in this endeavour.

The sewerage treatment systems consist of lift stations equipped with Hydraulic piston pump and standby generators, treatment ponds and discharge points. Sewerage is collected from a system of 100mm - 200mm laterals and connected to a 200mm sewer main along the road. The sewage flows by gravity through a network of manholes and 200mm sewer lines to various lift stations and then discharged through 150mm force main to the Drax Hall Waste Treatment Plant.

DHUL OPERATIONAL FACILITIES

Potable Water Facilities

DHUL operates one water supply system abstracting water from a surface spring located on the estate, the treatment plant is well maintained and inspected regularly by NEPA and the Ministry of Health & Wellness. Plans are forthcoming for a second water production facility with works to be begin soon.

Sewerage Treatment Facilities

DHUL operates a waste treatment plant which is well maintained and inspected regularly by NEPA and the Ministry of Health & Wellness.

DHUL WATER PRODUCTION PLANT CAPITAL EXPENDITURE

In 2022, DHUL successfully secured a loan through an institution to support our ongoing strategic initiatives and business operations. The loan obtained from an investor has been structured in alignment with our long-term financial goals, offering favourable terms and conditions that will facilitate our continued expansion and development efforts. This capital injection was utilized in the planning, implementation and completion of the Spanish Lookout River water production facility.

Completed Projects

Spanish Lookout River Production Facility

In 2022, DHUL completed construction on the majority of the infrastructure works required to utilize the water being produced at Spanish Lookout River. Development was broken down into three phases as each phase was not contingent on the other phases being concluded before the others could begin. Therefore, all three phases could proceed concurrently and enable DHUL to shorten the overall development time frame.

Phase One

For this phase, a catchment area was constructed at the source of the spring used to capture the water produced at the source and funnelled into pre-treatment tanks. There were two pre-storage treatment tanks constructed, one 15,000 gallons concrete tank and one 15,000 gallons metal tank for precautionary measures. The method used for treatment is by adding chlorine to the raw water, the chlorine is introduced into the system in gas form and slowly added to the water via a pressure feed injector system. For this reason, chlorine is purchased on a continuous bases in its gas form in cylinders containers which is checked on a daily basis and replaced as needed. These cylinders are housed in a building that was constructed; the entire area was is secured with chain-link fencing for security reasons.

Phase Two

For this phase, a network of approximately 1,200ft of water pressure pipe was placed between the catchment area and the proposed area for the reservoir storage tank and pumping station. This network includes a number of pieces of equipment such as lock off valves, air-release mechanisms etc.

Phase Three

For this phase, a one hundred thousand (100,000) gallon concrete water storage tank and a pump housing was built to hold a reservoir of potable water which is then pumped under pressure into the main distribution water supply network of pipelines throughout Drax Hall Estate. The costs associated with the entire project were approximately \$16,000,000 not including the ongoing maintenance required to ensure that there is not a system failure.

INDUSTRY OVERVIEW

Industry Analysis

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 plants) and 147 springs, the other 10% is provided by private companies.

The NWC operates more than 1,000 water supplies and over 100 sewerage facilities island-wide. These vary from large raw water storage reservoirs and river treatment plants, to medium sized and small pumping installations serving rural areas 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 arrangements with some small sewerage systems, utilizing treatment plants, which are associated with housing developments in various locations throughout the country in joint venture agreements with the developers.

As the only other water and sewerage service supply provider in the area, NWC is the main competitor for DHUL in the St Ann's Bay area. With Jamaica's upcoming policies intended to encourage private participation in the sector by individuals or organisations devoted to delivering potable water and sewerage treatment facilities to communities around the island.

Private participation is in the country's best interest as it could improve economic efficiency in the sector in terms of operational performance and the use of capital investments, and accomplish productivity achievements in the sector by the use of technical and managerial expertise and new technologies.

National Water Commission Billing Structure

SERVICE NAME/ADDRESS
[REDACTED]

Customer # [REDACTED] **Premises #** [REDACTED]

Bill Date 10-JAN-2023
Rate [REDACTED]
Status Active
Due Date 31-JAN-2023

ACCOUNT SUMMARY

Balance Brought Forward \$503.75	Payment \$300.00	Overdue Amount -\$96.25	Current Charges \$3,300.17
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CONSUMPTION TREND
(Metric)

MISCELLANEOUS CHARGES

Early Payment Incentive	-\$250.00
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Service is liable for immediate disconnection for any balance that is overdue. Payments made after bill date are not included on this bill.

ADJUSTMENTS

TOTAL AMOUNT DUE \$2,953.92

Dear Valued Customer

In-keeping with the interim Tariff Determination 2019 granted by the OMR effective May 2022 there will be an increase in the Water, Sewerage and Service Charge Rates and Miscellaneous Fees charged by the NWC on its services.

The adjustment to the rates is due to the re-setting of the Base Rates of the components used in the calculation of the Price Adjustment Mechanism (PAM). Please note the K-factor and X-factor values will remain unchanged at 20% and -5% respectively.

We thank you for your support and we look forward to the continuation of quality service delivery to you our valued customer.

The NWC, Serving You in So Many Ways

Meter Serial Number	Deposit	Billing Cycle	No. of Days
[REDACTED]	\$0.00	05	34
From: 07-Dec-2022		To: 10-Jan-2023	
Meter Type	Reading Type	Current Reading '000	Previous Reading '000
Metric	Actual	90	85
		Current Consumption '000	
		5	

CURRENT CHARGES

Water Charge	\$700.40	PAM 5.05%	\$139.16
Sewerage Charge	\$808.95	X Factor -5.00%	-\$144.75
Service Charge	\$1,246.23	K Factor 20.00%	\$550.00
Total Current Charges			\$3,300.17

TOTAL AMOUNT DUE \$2,953.92

The image above shows an example of a standard NWC customer bill charged for both water and sewerage services. Factors included within a standard bill are:

- **Water Charge:** The charge for consumption of water usage.
- **Sewerage Services:** The charge for disposal of sewage into waste treatment plant.
- **Service Charge:** The service charge is a fixed charge applied to each bill depending on the size of the service connection.
- **Price Adjustment Mechanism (PAM):** This is a mechanism built into the water supply tariffs to essentially reflect changes in foreign exchange rates, fuel charges and an approved CPI (Consumer Price Index).
- **K-Factor:** K-factor is established to fund capital projects that will not generate any significant increase in revenues but are necessary for system reinforcement and reliability.
- **X-Factor:** The X-Factor is essentially an efficiency-gains calculation that is passed on to the customer.

Drax Hall Utilities Proposed Billing Structure

As the NWC is the main provider for most of the residents in Jamaica, DHUL is proposing to have a similar billing structure with the following factors included:

- **Water Charge:** The charge for consumption of water usage.
- **Sewerage Services:** The charge for disposal of sewage into waste treatment plant.
- **Service Charge:** The service charge is a fixed charge applied to each bill. depending on the size of the service connection.
- **Price Adjustment Mechanism (PAM):** This is a mechanism built into the water supply tariffs to essentially reflect changes in foreign exchange rates, fuel charges and an approved CPI (Consumer Price Index).
- **K-Factor:** K-factor is established to fund capital projects that will not generate any significant increase in revenues but are necessary for system reinforcement and reliability.

POLICY FRAMEWORK

DHUL has implemented a framework as a utility provider of water and sewerage services, policies that highlight the company's responsibilities to the relevant governing bodies and to its customers and strategies to achieve it.

DHUL Ownership and Private Participation

The infrastructure within Drax Hall Estate owned by Drax Hall Limited and maintained and operated by Drax Hall Utilities Limited. 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 tariff based on prescribed/agreed water quality and service standards, minimum standards of sewerage services and other appropriate parameters

The Environmental Control Division of Ministry of Health & Wellness will have responsibility for the monitoring water quality standards according to the WHO standards and the Jamaica government safety 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 the system improvements where exceptional circumstance dictate.

The service provider and the OUR will implement a public awareness announcement 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

The 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

DHUL was granted a license in 2011 for the operation to provide potable water services by the OUR for the north side of Drax Hall Estate.

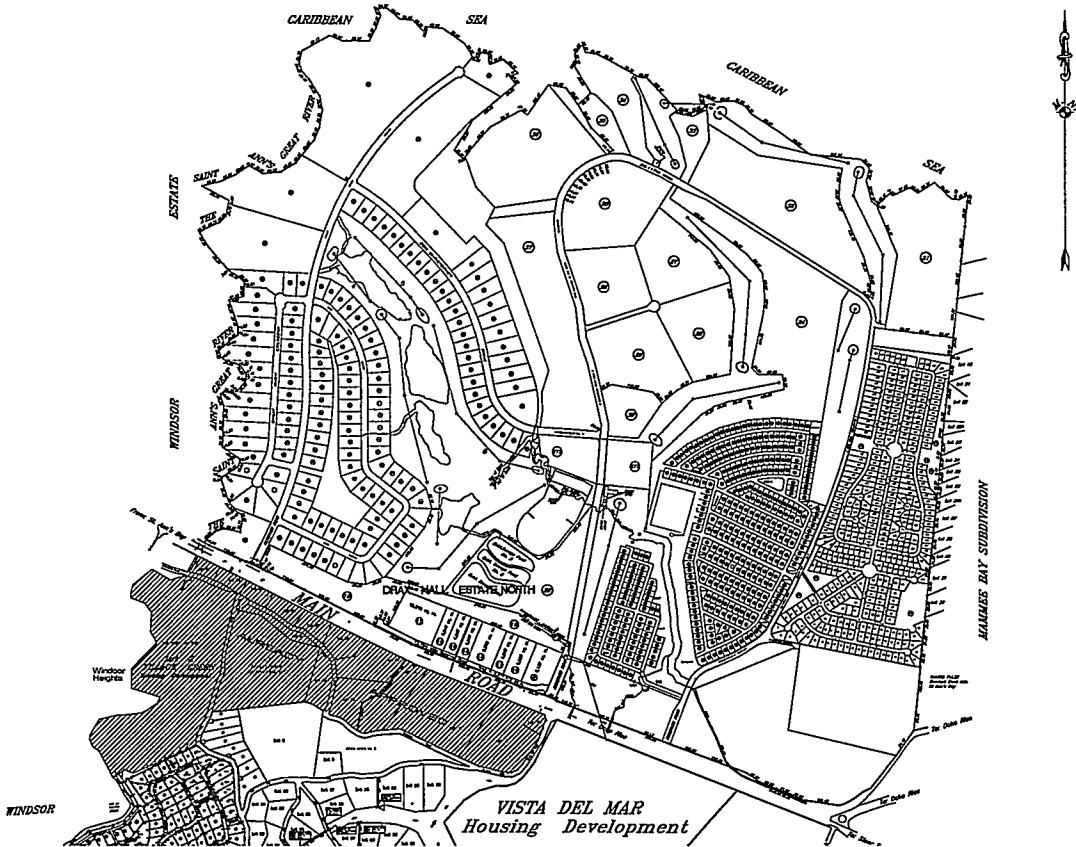
Serviced Developments

Water & Sewer Services will be provided to the following developments:

- Drax Hall Phase One Development
- Marina Village
- Marina Villas
- Fairway Estate
- Drax Hall Commercial Properties

And only sewer services will be provided to the following developments:

- Drax Hall Country Club
- Drax Hall Manor
- Drax Hall Polo Villas
- Vista Del Mar
- Village Green



Rate Review Process

In this application for a rate proposal, DHUL shall propose a rate schedule for the various rate categories that will generate the revenue requirement for the test year. The Office shall review this proposal and if found in order shall initiate a rate proceeding and conduct its formal review of the proposed rates.

DHUL Rate Schedule

Current Water & Sewer Charges Rate Schedule

DHUL current rates are as follows:

Water: -

Customer Type	Usage (Litres)	Rates Per 1,000 Litres (\$)
Residential	For up to 14,000	130.00
	For the next 13,000	240.38
	For the next 14,000	265.35
	Over 41,000	455.72
Commercial	For up to 9,100,000	525.57

	Over 9,100,000	301.70
Condominium	All quantities	255.46
Primary School	All quantities	202.46

Sewage: -

Customer Type	Usage (Litres)	Rates Per 1,000 Litres (\$)
Residential	For up to 14,000	155.82
	For the next 13,000	279.99
	For the next 14,000	305.55
	Over 41,000	509.75
Commercial	For up to 9,100,000	601.10
	Over 9,100,000	343.21
Condominium	All quantities	296.64
Primary School	All quantities	234.96

Current Service Charges Rate Schedule

DHUL current service charges are as follows:

Service Charges	
Size of the Water Meter	Cost (\$)
½ inch	1,050.25
¾ inch	1,050.25
1 inch	3,090.10
1 ½ inch	-
2 inch	8,229.01
3 inch	-
4 inch	24,310.79
6 inch	-

Reporting Requirements

As part of the monitoring process the OUR, DHUL shall keep a log reporting by DHUL on a quarterly basis to include:

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

DHUL also submits regular reports to the National Environmental Planning Agency (NEPA), Ministry of Health (MOH) and the Water Resources Authority (WRA) as part of the monitoring process.

DHUL PERFORMANCE REVIEW

General

DHUL's performance has not been as creditable as of late due to the many challenges that have arisen including illegal connections, theft, commercial rates charged by the National Water Commission passed on at a residential rate, on-going maintenance to underground infrastructure and steep increases in electricity rates.

Customer Service

DHUL currently shares an office with Drax Hall Limited; the construction firm located at The Guild Hall at Drax Hall Estate.

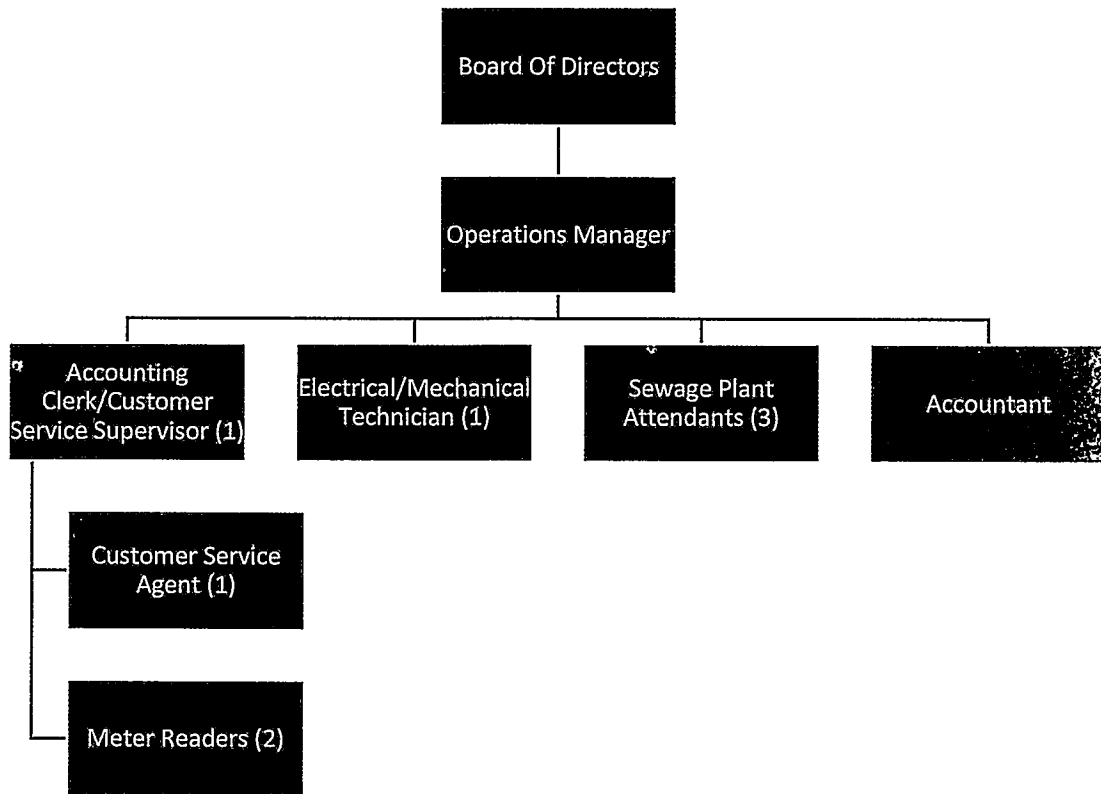
Recently DHUL customers have lodged complaints with the OUR as to the rates that we charge due to high water bills. After analysing the situation, it was determined that the high bills were due to many of these customers are renting their premises to third party individuals using Airbnb and many customers using water sprinklers once or twice a day which incurred a high-water bill but also a high sewage bill as the property has a centralised sewage system. Customers have raised the issue that water used at the premises by the sprinkler system does not go into the sewage system therefore being charged for both water and sewage in this instance is unreasonable. Unfortunately, as we are not able to ascertain whether the water was used by the sprinkler system or not, we must make our calculations based on the reading on the water meter.

Management and Staffing

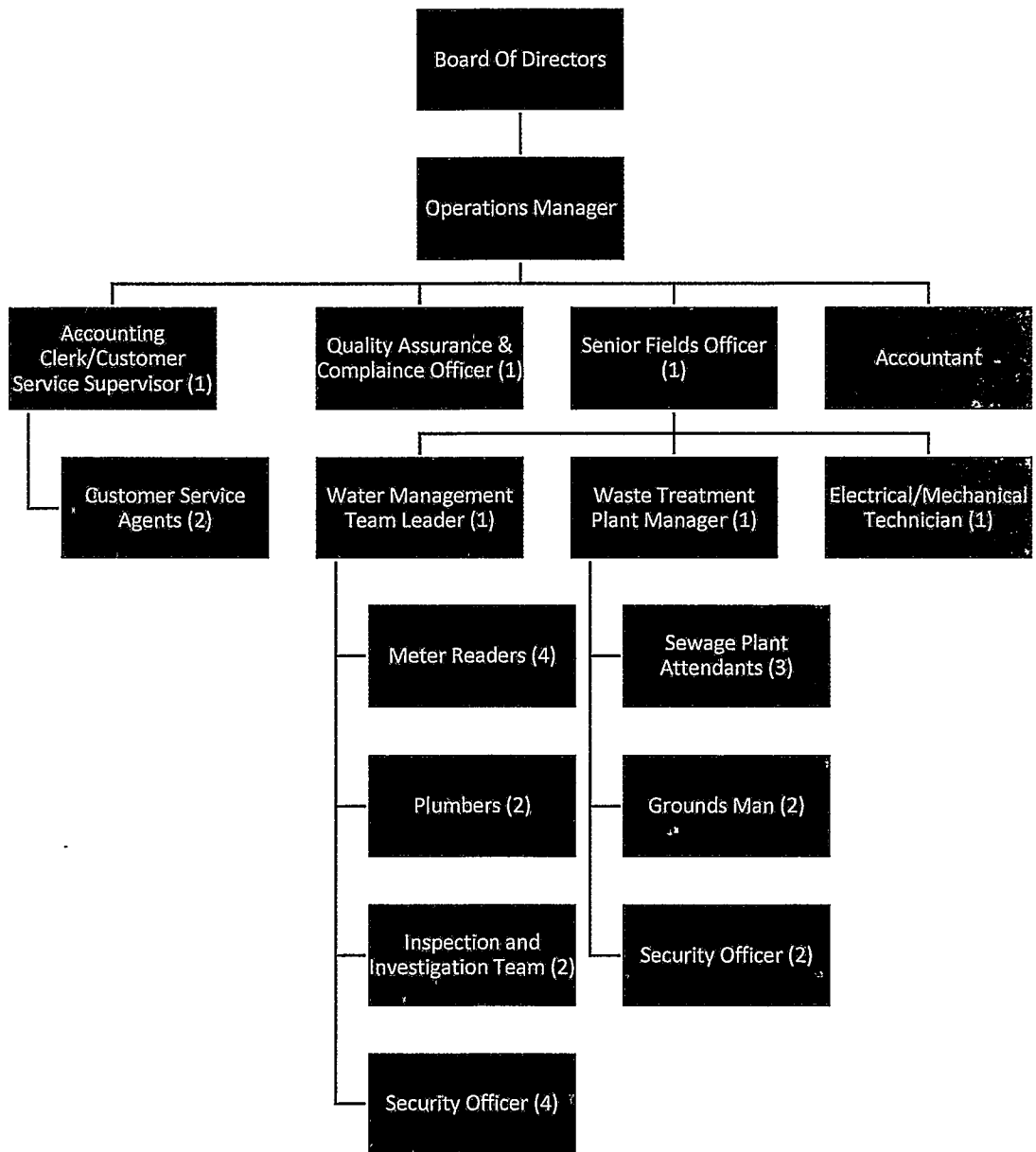
DHUL is led by a Board of Directors comprising of four (4) persons with the operations manager responsible for the day-to-day operations of the company. Within the past three years the development within Drax Hall Estate has increased significantly, as such the company's current staffing structure is inadequate and severely lacking. DHUL's insufficient structure is leading to the team being unable to keep up with the increased level of customers projected to be joining DHUL's services.

Organizational Charts

DHUL Current Structure Staffing Chart



DHUL Proposed Structure Staffing Chart



With the additional resources proposed above, DHUL believes that the performance of the company can be vastly improved.

FINANCIAL PERFORMANCE

The company has been operating at a loss of \$50,001,208 the current operating performance has been attributed to a number of factors:

- Repairs and maintenance
- Upgrade facilities to match government standard guidelines
- Payments to NWC - (Drax Hall Utilities is currently purchasing water from the NWC at a commercial rate, while charging its customers a pro-rata residential rate. This pricing disparity has resulted in sustained financial losses for the company, even with the support of the NWC)
- High electricity bills
- Loan repayments - (Drax Hall Utilities will reimburse Drax Hall Limited for the funds advanced to facilitate the development of the Spanish Lookout River Facility)
- Security - (Trespassing & theft has also been a concern; therefore, additional security measures will be needed to be implemented to safeguard the facilities)

YEAR	2023 (\$)	2022 (\$)
Revenue	55,628,440	44,848,319
Direct Operating Cost	47,509,816	42,892,431
Gross Profit/Loss	8,118,624	1,955,889
Administrative Expense	17,894,240	41,701,596
Finance & Policy	768,394	231,277
Net Profit / (Loss)	(10,544,010)	(39,976,984)

DHUL'S 2025 TARIFF APPLICATION

General

The proposal being submitted based on the regulatory framework specified by the OUR, DHUL will be making a tariff application for all the housing developments serviced.

Test Year (2023)

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 years is 2023.

Connection And Reconnection Fee

DHUL's current reconnection fee is a single payment of JMD\$2,000 and connection fee starting at JMD\$30,000 and goes up depending on the size of the water meter. The reason Drax Hall Utilities' connection fee is higher than what residents may expect when compared to the National Water Commission (NWC) is simply due to the fact that, as a much smaller private utility company, we cannot compete with NWC when it comes to the scale and pricing of materials and infrastructure required for water connections.

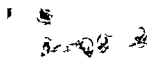
DHUL is proposing to restructure its connection and reconnection fees shown on Page 8.

Service Charges

DHUL is proposing a service charge matching the NWC's service charge with the following service charges fee structure:

Service Charges	
Size of the Water Meter	Cost (\$)
5/8 inch/15mm	1,216.53
¾ inch/20mm	2,661.04
1 inch/25mm	3,475.00
1 ¼ inch/30mm	6,543.04
1 ½ inch/30mm	6,543.04
2 inch/50mm	9,266.67
3 inch/75mm	16,827.14
4 inch/100mm	27,189.53
6 inch/150mm	41,418.23

These rates being proposed cover the fixed overheads incurred for the preparation of the bills inclusive of the meter reading.



Expenses

General

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

Direct Operational Cost

Direct operational cost's include the following:

1. **Production Facility Jamaica Public Utility Services Chargers**
The cost for electricity proposed by DHUL was based on the average consumption from the 12 months within the Test Year. These charges amounted to approximately \$177,905.92 monthly.
2. **Quality Testing (Lab Fees)**
This is the cost associated with the external testing of raw water, potable water and waste water effluent to ensure that quality standards are met. Raw water is tested every six months, whilst waste water effluent is tested every two weeks and potable water is tested for chlorine levels every day with a comprehensive test done each month.

Charges related to the NEPA monitoring requirements amount to approximately \$62,155.00 monthly. Raw water testing for the Water Resource Authority is approximately \$61,200 for each test and internal testing is done regularly for approximately \$7,850.
3. **Professional Fees**
This includes the wages for contractors and the cost for an independent water meter reader. These charges amounted to approximately \$558,516.58 monthly.
4. **Repairs & Maintenance**
The repairs and maintenance monthly costs may vary slightly due to factors such as weather conditions and unforeseen losses, however at lot more expenditure is needed in this area to cover a vast amount maintenance concern's that need constant inspection as to ensure that all processes throughout the cycle are performed correct and efficiently.

This includes the following:

- Materials used to repair leaks and to connect meters etc.
- 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 head works grit chamber and lift station wet wells
- Routine repairs – repairs to motors, seals, bolts, switches etc.
- Fuel – For generators, grass cutters and pumps
- Chlorine (Liquid, tablet and granular) - This includes the cost for regular testing of the water, the water is tested every day for the level of chlorine that is in the system at different location throughout the development with a more comprehensive report produced monthly. Chlorine is purchased at least six (6) times per year in the quantities of two hundred (200) tablets and Forty-Five pounds (45KG) per each purchase and at least three (3) times per year in cylinder of (150LB) (gas) form. These charges amounted to approximately \$34,662.09 and \$142,749.69 per each cylinder.
- The cost of cleaning supplies includes the sot for chlorine, disinfectant, anti-bacterial soap, all-purpose soap, garbage bags, gloves etc that is used by the sewage plant attendants and plumbers.

5. Security

This cost includes:

- Monitoring and response fee for Head Office, Water Supply locations, Pump Stations and Sewerage Plants.

6. National Water Commission Charges

The cost of water that is used by Drax Hall Utilities when levels in the reservoir tank are low and additional supply is required, this amount is approximately \$2,696,001.41 monthly

Administrative and Finance Expenses

The administrative and finance expenses are spent across all of the supply & distribution for all the water & sewage utilities within the Drax Hall Estate.

1. Accounting, Audit and Legal

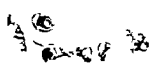
This includes the cost to audit the financial statements. As a result, we have made provisions for any further legal services that may be required. These charges amounted to approximately \$100,149.74 monthly and auditing done at \$160,000 a year.

2. 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. These charges amounted to approximately \$18,770.16 monthly.

3. Stationery, Supplies & Other

Supplies expense includes cleaning supplies, purchase of material, printing & stationary.



- Stationary includes envelopes, paper and ink for bills and receipts and books for daily recording.
- This includes stationery and office supplies, cleaning supplies, staff activities, water and refreshments for meetings etc, this amount is approximately \$38,937.25 monthly

4. Motor Vehicle Expense and Travelling

All cost associated with the ownership of a vehicle is taken into account. These include insurance, licensing, fitness fee, servicing and gas. This also includes travelling by field staff to the office, travelling to address emergencies and travelling by bearer. These charges amounted to approximately \$195,662.92 monthly.

5. Licenses and Permits

There are a few licenses and permits required to maintain and operate the various facilities monitored by Drax Hall Utilities. These include:

Applications and permits fees from the National Environmental Protection Agency of approximately \$450,000 on agreed stipulated conditions and a fee to be charged yearly based on the discharge volume of the waste treatment plant.

Applications and licensing fees from the Water Resource Authority of approximately \$165,000 annually and a fee to be charged yearly based on the volume of the water utilised by Drax Hall Utilities in the collection, treatment and supply of its potable water supply.

Permit fees from the Ministry of Health of approximately \$26,500 annually in the collection, treatment and supply of its potable water supply.

Also, an application and licensing fees from the Office of Utilities and Regulation of approximately \$130,000 per an application and regulatory fees of \$125,000 annually.

6. Wages & Employer Costs

This includes the permanent staff. These comprises of the current administrative officers & senior field staff. Also, this includes the employer's taxes on payroll.

7. Property And Utility Costs

This comprises of the following:

- Communication

Telephone includes the cost for landline, mobile phone, internet, texting service etc amounting to approximately \$37,986.66 monthly.

8. Insurance

This includes the cost to insure the equipment such as the generator, the pump, the chlorinator for both water production facilities and the waste treatment plant.

Employers Liability cost of approximately \$69,200.00 & a Public Liability cost of approximately \$86,450.00.



Banking And Other

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

1. Finance Charges

Finance Charges accounts for loan repayment and loan interest incurred at 10% per annum, this charge amounts to approximately \$567,454.43 monthly.

Other

1. Depreciation

Depreciation included is for the assets purchased by DHUL. This amounted to approximately \$63,984.75 monthly.

Return

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

Rate Increase Approval Required

The rate schedule proposed by DHUL on page 7 will be required for the continued delivery of reliable potable water and sewerage services on Drax Hall Estate.