

DETERMINATION NOTICE

**TITLE: Runaway Bay Water Company Limited Annual
Price Adjustment Mechanism 2025 Rate Adjustment
Document Number: 2025/WAS/010/DET.003**

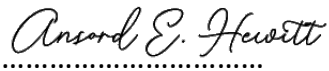
2025 JUNE 26

DOCUMENT TITLE AND APPROVAL PAGE		
1. DOCUMENT NUMBER: 2025/WAS/010/DET.003		
2. DOCUMENT TITLE: Determination Notice – Runaway Bay Water Company Limited Annual Price Adjustment Mechanism 2025 Rate Adjustment		
3. PURPOSE OF DOCUMENT: This document sets out the Office’s determination on the applicable Annual Price Adjustment Mechanism percentage to be applied to the Runaway Bay Water Company Limited’s base rates and charges.		
SUPERSEDES DOCUMENT(s):		
SECTOR WATER AND SEWERAGE	SUB-SECTOR:	APPLICABLE LICENCE:
4. ANTECEDENT DOCUMENTS:		
Number	Title	Date
2025/WAS/006/DET.001	NATIONAL WATER COMMISSION ANNUAL PRICE ADJUSTMENT MECHANISM 2025 RATE ADJUSTMENT DETERMINATION NOTICE	2025 APRIL 28
2024/WAS/010/DET.004	RUNAWAY BAY WATER COMPANY LIMITED ANNUAL PRICE ADJUSTMENT MECHANISM 2024 RATE ADJUSTMENT DETERMINATION NOTICE	2024 JULY 22
2021/WAS/001/DET.001	RUNAWAY BAY WATER COMPANY LIMITED WATER AND SEWERAGE RATES DETERMINATION NOTICE	2021 APRIL 27

5. APPROVAL:

This document is approved by the Office of Utilities Regulation and this Determination Notice becomes **effective 2025 June bills**.

On behalf of the Office:

Handwritten signature of Ansord E. Hewitt in cursive script.

.....
Ansord E. Hewitt
Director- General
2025 June 26

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II. Abbreviations, Acronyms, Definitions

ANPAM	Annual Price Adjustment Mechanism
CPI	Consumer Price Index
Determination Notice	Runaway Bay Water Company Limited – Water and Sewerage Rates Determination Notice, document number: 2021/WAS/001/DET.001, issued on 2021 April 27
FX	Foreign Exchange
J\$	Jamaican Dollars
kWh	Kilowatt Hour
Licences	Runaway Bay Water Company Limited Water Supply Licence 2004, Runaway Bay Water Company Limited Sewerage Service 2014, Runaway Bay Water Company Limited Water Supply and Distribution Licence 2017
Licensee/RBWC	Runaway Bay Water Company 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

Executive Summary

On 2025 May 27, Runaway Bay Water Company Limited (RBWC) made an application to the Office of Utilities Regulation (OUR), for an Annual Price Adjustment Mechanism (ANPAM) adjustment of 3.62%, to be applied to its base rates and other charges.

The OUR has reviewed and examined RBWC's application and has set out its findings in this Determination Notice.

The OUR has no objection to the ANPAM base rate adjustment of 3.62% as proposed by RBWC. This adjustment is in keeping with the requirements specified in Runaway Bay Water Company Limited - Water and Sewerage Rates Determination Notice, document number 2021/WAS/001/DET.001, which addresses the application of the Price Adjustment Mechanism, and its relationship to the National Water Commission's (NWC's) Price Adjustment Mechanism.

No proposal was submitted for an adjustment to the company's reconnection fee.

The ANPAM rate adjustment is a rebasing of a specific set of indices only and mirrors that of the NWC. The adjustment is applicable to customers' 2025 May consumption, which will be reflected in 2025 June bills.

The new base indices for the Price Adjustment Mechanism (PAM) are as follows:

- Foreign Exchange Rate: J\$158.11 to US\$1.00
- Consumer Price Index: 141.80
- Electricity Charge: J\$50.59/kWh.

The new base indices will remain in effect until the next programmed reset of the ANPAM in 2026 May, or the implementation of new tariffs, whichever is earlier.

1. Introduction

- 1.1. On 2025 May 27, Runaway Bay Water Company Limited (RBWC) made an application to the Office of Utilities Regulation (OUR) for an Annual Price Adjustment Mechanism (ANPAM) rate adjustment of 3.62%. The request is consistent with the determinations made in the **Runaway Bay Water Company Limited - Water and Sewerage Rates Determination Notice**, document number 2021/WAS/001/DET.001, issued 2021 April 27 (the “Determination Notice”).
- 1.2. In the Determination Notice, RBWC was granted approval to retain the PAM component of its’ rate structure. The aim of the mechanism is to correct for movements in the three indices namely, the Consumer Price Index (CPI), the Jamaican dollar exchange rate relative to the United States Dollar (FX) and Electricity Prices (kWh).
- 1.3. The PAM rate adjustment, which was granted to RBWC, is equivalent to that of the NWC’s PAM. However, the application has a one-month lag, to that of the NWC’s PAM. The PAM has a feature where there is a reset of the base rates on the anniversary date of the Determination Notice. In this case the anniversary date would be that of the NWC’s Tariff Determination Notice. This annual reset of the PAM is known as the Annual Price Adjustment Mechanism (ANPAM) rate adjustment.
- 1.4. The ANPAM allows for an adjustment of base rates by the rolling-in of the cumulative monthly PAM rate adjustments into the base rates. The main objective of the annual reset is to minimize the monthly PAM differential adjustment on customers’ bills, which accounts for the variance between the current and the base values for the three (3) PAM indices.

2. Legal and Regulatory Framework

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

- Runaway Bay Water Company Limited Water Supply Licence, 2004
- Runaway Bay Water Company Limited Sewerage Service Licence, 2014
- Runaway Bay Water Company Limited Water Supply and Distribution Licence, 2017

2.2. 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.

2.3. Section 4(4) of the OUR Act expressly authorizes the OUR to determine the rates charged for the provision of a prescribed utility 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.”

2.4. In exercise of its powers to determine rates, the OUR issued the Determination Notice, which sets out the approved rates and charges for RBWC’s services. The Determination Notice also makes allowance for an annual price adjustment, where RBWC’s ANPAM rates are tied to that of the NWC. On 2025 April 28 the Office issued its decision on the NWC’s application for an ANPAM rate adjustment.

2.5. In keeping with the determination regarding the annual reset of the PAM, RBWC has now applied for an ANPAM rate adjustment of its base rates.

3. OUR Analysis and Determinations

- 3.1. 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 prudently incurred input cost.

The Price Adjustment Mechanism

- 3.2. The PAM allows RBWC to adjust its rates monthly to account for the effect of changes in input cost that are exogenous to its operations. It therefore seeks to preserve RBWC 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.

- 3.3. The mathematical computation of the PAM is as follows:

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

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 change 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.

- 3.4. 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, since the last ANPAM adjustment, for the three (3) components in the mechanism.

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

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

- 3.6. In keeping with the Office's decision to apply an ANPAM rate equivalent to that of the NWC to the RBWC, the OUR verified the proposed 3.62% ANPAM against the ANPAM rate that was approved for the NWC.

- 3.7. The sources of the input data for the ANPAM granted to NWC are as follows:

1. Statistical Institute of Jamaica (STATIN) for Consumer Price Index (CPI)
2. Bank of Jamaica (BOJ) for foreign exchange (FX) rate (J\$:US\$); and

3. NWC's electricity bills for the month of 2025 February to ascertain the electricity component.

3.8. The details of the computation of the NWC's ANPAM rate of 3.62% are shown in Table 3.1 below.

Table 3.1 NWC's ANPAM Calculation

Index	Unit	Current Base Rates April 2024	New Base Rates April 2025	Weighting	Percentage Change	ANPAM
FX	J\$/US\$	157.21	158.11	0.18	0.572%	0.10%
CPI	-	135.8	141.8	0.62	4.418%	2.74%
Electricity	J\$/kWh	48.7	50.59	0.20	3.881%	0.78%
ANPAM						3.62%

3.9. On 2025 April 28, the Office issued the National Water Commission Annual Price Adjustment Mechanism 2025 Rate Adjustment Determination Notice, document number 2025/WAS/006/DET.001 in which it approved the ANPAM rate adjustment of 3.62%. The ANPAM rate adjustment was applied to bills issued by the Commission in 2025 May for services rendered in the month of 2025 April.

3.10. Considering the OUR's decision to align RBWC's ANPAM with that of the NWC, it implies that the approved ANPAM rate adjustment of 3.62% for the NWC is now applicable to RBWC. Accordingly, in keeping with the Determination Notice, the current baseline rates as shown in Table 3.1 above, shall be adjusted to reflect the new baseline parameters of FX: \$158.11, CPI: 141.80 and Electricity: \$50.59/kWh. This translates to the base rates adjustment of 3.62%.

3.11. No proposal was received for an adjustment to the company's miscellaneous/reconnection fees.

3.12. In its application RBWC submitted a proposed rate schedule, which inadvertently included its 2023 base rates instead of its 2024 base rates, on which the 3.62% adjustment rate is to be applied. The OUR recognised the error and applied the adjustment rate of 3.62% to the 2024 base rates which were approved in the RBWC ANPAM Determination Notice 2024 document number 2024/WAS/010/DET.004 dated 2024 July 24.

3.13. The new base rates and charges for RBWC are displayed in Table 3.2 below. The new rates will become effective on customers' 2025 June bills.

Determination 1

1. The Office approves the ANPAM rate adjustment of 3.62%, which shall apply to RBWC's base rates and charges.
2. The application of the ANPAM rate adjustment is effective on customers' 2025 June bills.
3. Miscellaneous/reconnection fee remains unchanged.
4. RBWC new base rates will remain in effect until the next programmed reset of the ANPAM or the implementation of new tariffs, whichever is earlier.

Table 3.2: RBWC 2025 Rate Schedule

Rate Schedule Effective 2025 June	
Service Charge	
Description (Size)	J\$/ Month
5/8 inch/ 15mm	904.65
1 inch/ 25mm	2,593.21
2 inch/ 50mm	6,915.17
3 inch/ 75mm	12,559.08
4 inch/ 100mm	20,288.05
8 inch/ 200mm (NWC by Contract)	14,200.17
Water Rates	
Consumption Bands (Litres)	J\$/1000 litres
Commercial	
0 to 9,100,000	441.78
Over 9,100,000	257.52
Condominiums	219.13
Bulk Supply Rate (NWC by Contract)	49.99
Domestic	
0 to 14,000	115.71
14,001 to 27,000	205.80
27,001 to 41,000	224.42
41,001 and Over	382.49
Sewerage Rates	
Consumption Bands (Litre)	J\$/1000 litres
Commercial	
0 to 9,100,000	514.56
Over 9,100,000	299.94
Condominiums	255.23
Domestic	
0 to 14,000	134.60
14,001 to 27,000	238.20
27,001 to 41,000	261.10
41,001 and Over	445.58
Miscellaneous Fees	
Fee Type	J\$
Reconnection	4,370.00

RBWC ANPAM Determination Notice 20250606

Final Audit Report

2025-06-26

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