



**Richmond Environmental Services Ltd.**

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

July 10, 2025

### **Application for Water Tariff Increase**

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

RESL hereby applies for an increase in its water and sewage tariffs and requests that the OUR approve the proposed rates submitted herein. In accordance with Schedule 3 of RESL’s licenses the company’s tariffs should be determined using a rate of return (or “cost plus”) methodology. RESL has experienced significant increases in its operating costs since the last determination notice and therefore seeks approval for revised tariff rates that reflect the current financial realities.

### **Rate Review Methodology**

As stipulated in the licenses, the tariff review process involves the following steps:

- Establishment of the test year defined as the latest twelve (12) month of operation for which there are audited accounts
- Adjustment to the test year cost as necessary so that the normal operating conditions are reflected
- Determination of the rate base
- Determination of the revenue requirement

RESL has used the audited financial statements for the financial year ended March 31, 2025 as the test year. In keeping with the licenses, adjustments have been made to the test year to reflect the normal operating conditions (See Appendix I).

**Directors: Elias Issa (Chairman), Alexander Issa, Frederick S. Bennett (Company Secretary)**

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## **Application for Water Tariff Increase (cont'd)**

### **Rate Review Methodology (cont'd)**

#### **Determination of rate base**

The license mandates that RESL's revenue requirement include a reasonable return on investment (ROI). For the financial year ended March 31, 2025, the average commercial lending rate published by the Bank of Jamaica (BOJ) was 10.87%, and this rate has been used to determine the allowable ROI (See Appendix II).

#### **Revenue Requirement**

The current revenue requirement has been calculated using the rate-of-return methodology, which allows RESL to recover operating expenses, taxes, depreciation, and a fair return on its investment.

- Previous Approved Revenue Requirement: \$36,265,984
- Current Revenue Requirement: Approximately 178% higher

**Table 1 – Revenue Requirement**

<b>Components</b>			<b>JMD</b>
Direct cost	Appendix I	36,764,813	
Administrative and general expenses	Appendix I	42,261,650	79,026,463
Depreciation	Appendix I		5,888,654
Interest expense	Appendix I		11,541,129
Return on Investment	Appendix II		3,977,096
<b>Revenue requirement</b>			<b>100,433,341</b>

Based on this, RESL proposes a revised tariff structure which is detailed in Table 2 below

**Table 2 – Proposed rates**

<b>Volumetric Blocks</b>	<b>Current</b>	<b>Proposed RESL</b>
<b>WATER</b>	<b>Rate</b>	<b>Rate</b>
0 to 14,000	75.57	141.27
For the next 13,000	105.80	197.77
For the next 14,000	131.72	246.24
Over 41,000	131.72	246.24
<b>Average volumetric rate</b>	<b>111.20</b>	<b>207.88</b>
<b>SEWAGE</b>		
0 to 14,000	37.79	172.66
For the next 13,000	52.90	241.72
For the next 14,000	65.87	300.96
Over 41,000	65.87	300.96
<b>Average volumetric rate</b>	<b>55.61</b>	<b>254.08</b>

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### Application for Water Tariff Increase (cont'd)

To ensure the proposed rates are competitive and within the sector norms, RESL conducted a benchmarking exercise comparing similar utilities see table 3 below. The analysis demonstrates that the proposed tariffs are in line with other providers offering comparable services.

**Table 3 – Rate Comparison for RESL proposed rates and other utilities**

<b>Volumetric Blocks</b>	<b>Proposed RESL</b>	<b>NWC</b>	<b>CDL</b>	<b>RWBC</b>
<b>WATER</b>	<b>Rate</b>	<b>Rate</b>	<b>Rate</b>	<b>Rate</b>
0 to 14,000	141.27	154.96	133.08	109.95
For the next 13,000	197.77	275.78	236.84	195.54
For the next 14,000	246.24	300.60	258.15	213.24
Over 41,000	246.24	512.78	440.37	363.43
<b>Average volumetric rate</b>	<b>207.88</b>	<b>311.03</b>	<b>267.11</b>	<b>220.54</b>
<b>SEWAGE</b>				
0 to 14,000	172.66	178.97	153.70	127.89
For the next 13,000	241.72	318.54	273.56	226.32
For the next 14,000	300.96	347.19	298.16	248.08
Over 41,000	300.96	592.24	508.61	423.36
<b>Average volumetric rate</b>	<b>254.08</b>	<b>359.24</b>	<b>308.51</b>	<b>256.41</b>

The proposed increase is essential for the following reasons:

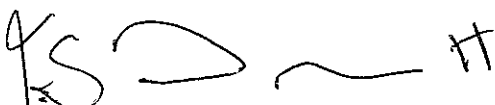
- Reduce and eliminate reliance on related party financial support;
- Curb the accumulation of operating losses;
- Fund planned capital improvements and invest in smart infrastructure;
- Meet debt obligations and enhance working capital;
- Improve operational efficiency and service delivery to consumers.

RESL respectfully requests the OUR's favorable consideration of this application for tariff adjustment. Approval of the proposed rates is vital to ensuring the financial viability of the company and sustaining quality service to customers.

Should any further information or clarification be required, we remain ready and willing to assist.

Yours sincerely,

**RICHMOND ENVIRONMENTAL SERVICES LIMITED**



Frederick Bennett  
Director

**Directors: Elias Issa (Chairman), Alexander Issa, Frederick S. Bennett (Company Secretary)**

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# APPENDIX

Richmond Environmental Services Limited  
Test Year and Adjustment

Appendix I

	Notes	Test Year	Adjustment	Adjusted Balance
Revenue		37,331,428	-	37,331,428
Cost of operating revenue				
Cost of water	1	12,981,473	4,684,651	17,666,124
Electricity - WTP	1	5,986,797	1,158,207	7,145,004
Electricity - STP	1	3,124,577	2,768,701	5,893,278
Generator Fuel		721,971		721,971
Water Purifying Agent		2,883,863		2,883,863
Septic Waste Disposal and Purification		1,489,800		1,489,800
Water Analysis		964,773		964,773
<b>Total cost of operating revenue</b>		<b>28,153,254</b>	<b>8,611,559</b>	<b>36,764,813</b>
<b>Gross profit</b>		<b>9,178,174</b>	<b>(8,611,559)</b>	<b>566,615</b>
Other income		490,928		490,928
		9,669,102	(8,611,559)	1,057,543
Administrative and general expenses				
Audit fee		400,000		
Bank charges		438,777		438,777
Cleaning and sanitation		86,050		86,050
Consultancy		210,375		210,375
Management fees	2		11,000,794	11,000,794
Delivery/ transportation of fuel		833,980		833,980
Garbage collection		40,000		40,000
Meter reading		666,000		666,000
Licensing		290,458		290,458
Motor vehicle expense		753,613		753,613
Office expense		179,974		179,974
Repairs and maintenance		5,749,902		5,749,902
Salaries, wages and related expense		9,794,527		9,794,527
Security expense		6,217,200		6,217,200
Lease expense	3		6,000,000	6,000,000
<b>Total administrative and general expenses</b>		<b>25,660,856</b>	<b>17,000,794</b>	<b>42,261,650</b>
Depreciation	4	4,138,654	1,750,000	5,888,654
Interest expense	5	426,858	11,114,271	11,541,129
<b>Net Losses</b>		<b>(20,557,266)</b>	<b>(38,476,624)</b>	<b>(58,633,890)</b>

**1. Cost of water/ Electricity – STP/ WTP**

Up to September 2024, electricity and water costs were split 45:55 between Richmond Development Company Limited (RDCL) and RESL. From September 2024 onward, RESL bears 100% of these costs. The test year has been adjusted to reflect a full year of this revised cost-sharing arrangement.

**2. Management fees**

Administrative and operational support currently provided by staff of RDCL will be reimbursed by RESL starting July 1, 2025. These costs have been reflected in the adjusted financials to capture the full cost of operations.

**3. Lease expense**

Effective July 1, 2025, RESL will incur a monthly lease expense of \$500,000 payable to RDCL for the use of water and sewerage system infrastructure within the Richmond Development.

**4. Depreciation**

RESL will begin installing smart meters in phases, starting with the community of Palms. Each meter costs approximately \$50,000 per household, and there are 350 units in Palms. With a 10-year useful life, the associated incremental depreciation has been incorporated in the financials.

**5. Interest expense**

Beginning July 1, 2025, RDCL will charge interest at 10.5% per annum on net advances made to RESL up to June 30, 2025, and on all new financing. This adjustment aligns with standard commercial lending rates and ensures transparency in financial obligations.

Richmond Environmental Services Limited  
Détermination of Rate Base

Appendix II

<b>RESL Calculated Rate Base</b>			
	<b>Balance Sheet Line Items</b>		<b>JMD</b>
A	Property, plant and equipment		25,072,551
	Working capital		
B	Current Assets	23,452,549	
C	Current liabilities	11,937,281	
D=B-C	Working capital		11,515,268
A+D	Rate base		36,587,819
	Return on investment	10.87%	3,977,096