



To: All News Editors

Friday, September 09, 2016

NWC SUBMITS MID-TARIFF REVIEW TO OUR

In keeping with the terms of the October 2013 Tariff Determination granted by the Office of Utilities Regulation (OUR), the National Water Commission (NWC) has submitted a detailed 78-page review for the consideration of the OUR.

In its report, the NWC identifies several challenges to operate under the existing tariff including:

- The crippling and historic droughts of 2014 and 2015 resulting in reduce revenues and significantly increased operating costs at the same time;
- The general sluggishness of the Jamaican economy which has impacted disposable incomes, forced increasing number of customers into delinquency and increased the cost of collecting revenues;
- The requirement of the NWC to pay General Consumption Tax (GCT) on NWC's electricity bill, which was not the case when the tariff determination was made in 2013;

Given that these situations have all negatively affected the operations, cash flow and overall financial performance of the enterprise, the NWC has requested that the OUR consider several changes to the existing 5-year tariff to remedy the current dire financial situation and facilitate the continued implementation of various improvement projects.

The OUR has been requested to:

- Reduce the X-Factor paid to customers to zero for the remainder of the tariff period.
- Reduce the deemed revenue to 87% of billing for the remainder of the tariff period.
- Allow a special increase in PAM to assist in redressing the financial losses experienced by NWC as a result of the extreme drought and other events that have affected NWC's cost.
- Increase the K-Factor from its current 14% to at least 20% and allow the K-Factor to finance other capital works projects other than those previously allowed.

According to the NWC, while some of these matters have been under discussion with the OUR before they have now been formally submitted for consideration during the mid-tariff review. With the exception of the requested changes in the rate of the K-Factor and the X-Factor, the changes requested will not impact charges to customers.

If granted, the K-Factor and the X-Factor changes will increase customer bills by approximately 11%, moving an average water-only residential customer bill for 14,000 litres of water from \$2,244.80 to \$2,500.47 for a month. Similarly, a customer who receives both water and sewerage services and now pays \$8,408.54 for using 24,000 litres of water will be asked to pay \$9,366.24 for a month's service, depending on PAM movements.

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**CONTACT: Corporate Public Relations Department
929-1128**