



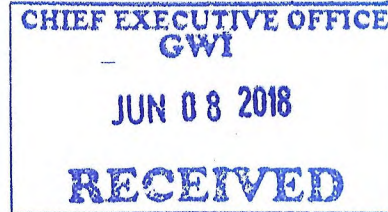
PUBLIC UTILITIES COMMISSION

Lot 106 New Garden Street, Queenstown, Georgetown

*Regulating utilities for efficient services
and protecting consumers' interests.*

3624

8th June, 2018



Dr Richard Van West Charles
Managing Director
Guyana Water Inc.
Bel Air
Georgetown.

Dear Sir,

Re: Guyana Water Inc. Application for Tariff Change

Please see attached herewith PUC Order No. 2/2018 as it relates to Guyana Water Inc.'s Application for a Change of Rates.

Submitted for your information and guidance.

Yours sincerely,

.....
Vidiahar Persaud
Secretary

BEFORE THE PUBLIC UTILITIES COMMISSION

In the matter of an Application by
the Guyana Water Inc. for a review
of tariffs.

PRESENT

Public Utilities Commission

Ms. Dela Britton	-	Chairman
Mr. Maurice Solomon	-	Commissioner
Mr. Rajendra Bisessar	-	Commissioner
Mr. Vidiayar Persaud	-	Secretary/Legal Officer
Mr. Moorsalene Sankar	-	Financial Analyst 1

Guyana Water Inc

Dr. Richard Van West Charles	-	Managing Director
Mr. Nigel Niles	-	Executive Director - Corporate Services
Mr. Jaigopaul Ram	-	Executive Director - Finance
Mr. Ramchand Jailall	-	Executive Director of Project Implementation and Partnership Building
Mr. Marlon Daniels	-	Executive Director - Customer Relations

Representatives – Consumers

Mr. Patrick Dial	-	Guyana Consumer Association
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On 9th January 2018 GWI submitted to the Commission an application in which it sought approval for:

- Adjustments to existing tariff bands.
- Introduction of new tariff bands.
- Introduction of a fixed charge.
- Reduced tariffs for pensioners over the age of 65 years.
- Increases in existing ancillary charges and the introduction of new ancillary charges.

The PUC's first public hearing on this application was held on February 12, 2018. At that hearing the Commission directed that the audited financial statement for the year ended 31st December 2016 must be submitted at the next hearing, which document would assist the Commission and consumers in arriving at an informed decision on the impact that the new rates would have on the Company and the consumers. The audited financial statement was submitted to the Commission at the hearing which was held on the 11th April 2018 and it confirmed the company's claim that it is operating at a significant loss.

The functions and duties of the Public Utilities Commission are provided for in the PUC Act and one of its main roles is to set tariffs and to ensure that the standards or quality of service of any public utility is met, whilst recognizing and adhering to the terms and conditions of any licence granted to the utility under its purview. The underlying function of the Commission is to balance the investors' interest with that of the consumers.

Schedule 1 of GWI's license prescribes as one of the company's objectives, that by the end of the financial year 2004 GWI's tariffs shall be sufficient to cover its operation and maintenance costs. The license also establishes several service standards which GWI was required to meet within prescribed time frames. None of these standards was achieved.

In the year 2005, there was an increase in GWI's tariffs, thereafter no further adjustments were made to the Company's tariffs. Notwithstanding Government's substantial subventions to the Company since 2005 to the present, the company has been unable to cover its operations, maintenance and depreciation charges. Further, lack of funds caused the mandated service standards as contained in its license to be unattainable and as a consequence resulted in poor quality of service in specific areas.

At the onset, the Commission wishes to note that the current application for an increase in rates would not return the company to profitability and Government subventions may still be required for the company to achieve its objectives as detailed in its 2017-2021 Strategic Plan. Ideally, should the Commission be amenable to granting the rates sought, such rates or a proportion thereof,

ought to assist the Company to grapple with the key overriding matters that impact negatively on the viability of the company. These are 1) non -revenue water and 2) metering which will be addressed later in this Order.

The Commission recognises that the supply of water to consumers, and that the quality varies in different areas in Guyana. This occurs mostly in areas which have untreated water, and the Commission recognises the lack of parity. Whilst GWI has affirmed that the it produces water that is 100% microbiologically safe for consumption, it is a well-known fact that a proportion of the population consume bottled water which is an added cost to the Consumer, whilst others may resort to individual ‘purifying’ methods such as boiling tap water. A positive consequence that should emerge from the granting of GWI's request for increased rates is heightened activities in metering and non-revenue water programs which will generate additional cash flows and/or reduce the operating cost to the company. It is hoped that this cycle would be progressive to the point where the consumer would receive water in compliance with WHO standards while placing the company on a stable financial base.

By virtue of its application, the Company requested a fixed charge to be paid by all residential and commercial consumers. According to GWI, the revenues from the fixed charges will be identifiable, specific and will be utilized to maintain the integrity of the company's capital infrastructure. A component of successful asset management is to ensure that the Company's revenue base allows it to maintain the integrity of its productive assets in a state that achieves output within the parameters of set standards in a cost -efficient manner and further ensures that at the end of the useful economic life of each asset, replacement would be automatic and seamless.

NON – REVENUE WATER AND METERING

Non –revenue water is water produced for which no revenue is received. Whilst non-revenue water cannot be definitively measured or quantified, it is generally concluded that more than 50% of water extracted for distribution to consumers in Guyana comprises of non – revenue water, i.e. earning no revenue for the entity.

Currently approximately half of the consumers' portfolio is un-metered. Our perception is that metered consumers exercise prudence in the use of water; the same may not be true of un-metered consumers, since the latter category of consumers pays a flat charge irrespective of the volume of water consumed. By the Company's own estimation, this class of consumers enjoys the cost-free use of millions of cubic meters of water.

Unmetered consumers and non-revenue water translate to several millions of dollars in losses annually to the Company, however, there must be a recognition that the resultant phenomenon was that the tariffs were well below the economic cost of its operations and thus led to a progressive deterioration of infrastructure and quality of service.

GWI has committed to the delivery of water which meets World Health Organization (WHO) standards however, this is yet to be achieved. According to GWI, the increased tariffs are *inter alia* intended to assist GWI to meet the WHO benchmark of potable water within a five-year time span. The Commission hopes that the company will work assiduously in making this a reality.

During his address at the hearing the Chief Executive Officer of the company reported that more than 25,000 inactive consumers are on its database, meaning that they are not billed. One of the reasons proffered was disconnection by the Company for non-payment and illegal reconnection by the recalcitrant consumer. The view was also expressed that many non-residential consumers on the consumer data base may have been erroneously classified as residential consumers thus affecting the financial interest of the company. The Commission wishes to signal to the Company that an updated consumer database is necessary to ensure the accuracy of charges and collections of all rates from its legitimate consumers which will in turn improve its revenue collections.

The Commission further wishes to place on record that the 2013 Order of the Commission was placed into abeyance and subsequently aborted by this present Application giving the Company an opportunity to regularize its Hi-Affinity software system.

METERED RESIDENTIAL CONSUMERS

The Commission recognises that the increase with respect to the proposed monthly consumption, charge will initially result in great hardship to the rural areas. As a result, the Commission has determined that there will be a graduated rate for consumers who are currently paying \$60.90 per m³.

PENSIONERS

In its filing GWI has requested a two- tiered rate tariff for its metered pensioners and a flat rate for its non-metered pensioners. The intent of this request is to offer a reduced tariff to this category of consumers. The Commission has favourably considered this request.

The Glossary of Terms (Appendix Two) to this Order explains the meaning of Pensioners in this Context.

There must be the recognition by the Company that the implementation of a system which would allow Pensioners to be added to its database may require a period of time beyond the GWI proposed 1st of September 2018 timeline. During his presentation the CEO of the Company assured the Commission of the readiness of the software by September 2018. However, in an effort to ensure effective operation, it was determined that an effective date of 1st October 2018 would afford the Company sufficient time to sanitize its database and create the necessary platforms.

CATEGORIES OF NON-RESIDENTIAL CONSUMERS -SIZE OF PROPERTIES

GWI in its application sought to differentiate between classes of non-residential consumers based on size of their properties. It is of the opinion of the Commission that the subjective nature of the proposed classifications does not lend itself to a workable format and suggests that the early metering of this class of consumers would alleviate any anomalies that are likely to occur in the implementation of the new tariffs.

SEWERAGE CATEGORIES

Sewerage is unmetered and as such it is difficult to implement the different tariff bands/ categories as proposed by GWI. The Commission therefore has set one charge for all non-residential consumers across the board in order to achieve parity.

GENERAL

This order is made assuming that GWI follows good governance practices and further that the company will ensure that effective procedures and controls operate within the entity.

DECISION

After careful consideration of the views expressed by the various stakeholders namely the GWI Officials, Consumers Association and the members of the public, the Commission hereby approves the following rates to be implemented in two phases. The first increase will be made effective from 1st October 2018 and the final increase will be made effective from 1st October 2019. The implementation of the increases in a graduated format is an attempt to alleviate the financial burden on the consumers when compared to the last implemented charges as awarded under Order 3/2005.

The new rates are contained in Appendix One and are hereto attached.

As a condition to the granting of the increased rates for the various categories of users GWI will be required to meet the following targets and to report its performance to the Commission bi-annually, commencing from the 1st January 2019.

- Non –revenue water should be reduced in ascending order as follows:

2018	2019	2020	2021 onwards
1.5%	2.5%	3%	4% onwards until non-revenue water accounts for less than 15% of total production

- GWI will be required to meter un-metered consumers in the following manner:

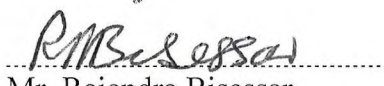
2018 commencing from 1 st October 2018 to 31 st December, 2018	1 st January 2019 to 31 st December, 2019	2020 and onwards
5,000 consumers	12,000 consumers	20,000 consumers each year thereafter until 100% of all services are metered

- Consumer database should be continuously sanitized to reflect legitimate debtors. This should be accomplished no later than 30th June 2019.
- Collection rates on annual billings should increase incrementally each year to a level of 96% by the end of December 2020.
- All disconnected consumers that have not been legitimately reconnected should be revisited at least within 60 (sixty) days of being disconnected, to ensure that these consumers are not illegally reconnected, and the collection of outstanding balances should be vigorously pursued.

In the tariff filing GWI has introduced definitions of the various categories of consumers that proved valuable in our deliberations. The Commission has accepted these terms and it has sought to recognise and include Industrial entities in the categories relevant as stated in the Glossary. The Commission directs that there should be strict compliance with the rates attached to each category. The aforementioned definitions are set out in Appendix Two and hereto attached.


 Ms. Dela Britton
 CHAIRMAN


 Mr. Maurice Solomon
 COMMISSIONER


 Mr. Rajendra Bisessar
 COMMISSIONER

APPENDIX ONE

(1) RESIDENTIAL CONSUMERS

Metered Residential Consumer

1 st October 2018		1 st October 2019	
Monthly Fixed Charge	Monthly Consumption Charge	Monthly Fixed Charge	Monthly Consumption Charge
\$250	(1) \$86 per m ³ for consumers in the \$60.90 category (2) All other consumers will pay \$112 per m ³ .	\$500	\$112 per m ³

Unmetered Residential Consumer

1 October, 2018		1 st October, 2019	
Monthly Fixed Charge	Monthly Consumption Charge	Monthly Fixed Charge	Monthly Consumption Charge
\$250	\$1,100	\$500	\$1,450

Metered Pensioner Consumer

Monthly Fixed Charge	Monthly Consumption Charge
\$0	\$74 per m ³ for the first 10 m ³ \$86 for each m ³ thereafter from 1 st October, 2018 \$112 for each m ³ thereafter from 1 st October, 2019

Unmetered Pensioner Consumer

Monthly Fixed Charge	Monthly Consumption Charge
\$0	\$740 per month

(2) NON-RESIDENTIAL CONSUMERS

Metered Non-Residential

1 st October, 2018		1 st October, 2019	
Monthly Fixed Charge	Monthly Consumption Charge	Monthly Fixed Charge	Monthly Consumption Charge
\$250	\$125 per m ³	\$500	\$150 per m ³

Unmetered Non-Residential

Categories	1 st October 2018		1 st October 2019	
	Monthly Fixed Charge	Monthly Charge	Monthly Fixed Charge	Monthly Charge
Small Commercial and Small Industrial	\$250	\$2,200	\$500	\$3,000
Medium Commercial and Medium Industrial	\$250	\$5,700	\$500	\$8,000
Large Commercial	\$250	\$13,000	\$500	\$15,000
Large Industrial	\$250	\$21,000	\$500	\$24,000

(3) SEWERAGE TARIFF

Category	Monthly Charges
Residential	\$417
Pensioner	\$417
Non-Residential	\$2,860

(4) ANCILLARY CHARGES

	DESCRIPTION	1st October, 2018
1	Non-Residential Connection Fee 3/4" or less	\$16,000
2	Residential Connection Fee 3/4" or less	\$10,000
3	Connection Fee for service connection >3/4"	Material and labour cost only based on engineer's estimate.
4	Connection Fee for service connection in areas where GWI does not have existing pipelines	Material and labour cost only based on engineer's estimate.
5	Residential Reconnection Non-Voluntary	\$7,500
6	Non-Residential Reconnection Non-Voluntary	\$ 16,000
7	Residential Disconnection Voluntary	\$ 4,000
8	Non-Residential Disconnection Voluntary	\$ 9,000
9	Residential Reconnection Voluntary	\$ 2,000
10	Non-Residential Reconnection Voluntary	\$ 4,000
11	Requested Stay of Disconnection	\$1,000
12	Residential Line Transfer Fee (3/4" or less)	\$10,000
13	Non-Residential Line Transfer Fee (3/4" or less)	\$16,000
14	Line Transfer Fee for service connection (>3/4")	Material and labour cost only based on engineer's estimate
15	Residential/Non-Residential replacement (reinstallation) service connection fee (3/4" or less)	\$20,000
16	Residential/Non-Residential replacement service connection Fee (3/4" or less)	Material and labour cost only based on engineer's estimate
17	Residential tamper fee	\$30,000
18	Non-Residential tamper fee	\$65,000
19	Damaged meter charge	Material and labour cost only based on engineer's estimate.
20	Unaccounted for water	Company's estimate.
21	Damage to infrastructure	Company's actual cost for replacement
22	Compliance charge	\$5,000
23	Request for an Audit	\$2,500
24	Returned Cheque	Subject to Bank Charges
25	Administrative fee (Name Change, Statement of Account and other administrative activities)	\$2,500
26	Residential inspection and processing fee - where a request for no objection for residential building plan for which no modification to an existing sewer chamber is required	\$10,000
27	Residential inspection and processing fee - where a request for no objection for residential building plan for which modification to an existing sewer chamber is required	\$25,000
28	Non-Residential inspection and processing fee - where a request for no objection for non-residential building plan for which no modification to an existing sewer chamber is required	\$20,000
29	Non-Residential inspection and processing fee - where a request for no objection for non-residential building plan for which modification to an existing sewer chamber is required	\$35,000

APPENDIX TWO

Glossary of terms:

1. Residential Consumer

This is a consumer where no commercial activity is ongoing on the premises; water is consumed for normal household activities.

2. Non-Residential Small (Commercial and Small Industrial) Consumer

This is a non-residential customer that uses water in the normal course of operation. It is defined by having a building with a floor area of 1,500 square feet maximum.

3. Non-Residential Medium (Commercial and Medium Industrial) Consumer

This is a non-residential consumer to whom water is necessary for the normal course of operation (for example, public wash room facilities, etc). It is defined by having a building with a floor area of between 1,501 and 3,000 Square feet maximum.

4. Non-Residential Large (Commercial and Large Industrial) Consumer

This is a non-residential consumer that uses water in normal course of operation of the business. Water is essential for the operation. It is defined by having a building with a floor area above 3000 square feet.

5. Pensioners

This describes a person who satisfies the following criteria:

- (a) Is over the age of 65 and receives old age pension from the Government of Guyana
- (b) Owns, rents, occupies the property at which he/she resides and has the address on their pension book.