

## ORDER NO 2/ 2013

### BEFORE THE PUBLIC UTILITIES COMMISSION

In the matter of an Application by GUYANA WATER INC for Tariff Harmonisation.

Justice Prem Persaud, CCH	-	Chairman
Mr. Badrie Persaud	-	Commissioner
Mr. Maurice Solomon	-	Commissioner
Mr. Vidiahar Persaud	-	Secretary/Legal Officer
Mr. Moorsalene Sankar	-	Financial Analyst 1

#### Representatives of the Guyana Water Inc.

Mr. Ramesh Dookhoo	-	Chairman
Mr. Shaik Baksh	-	Chief Executive Officer
Mr. Jaigopaul Ram	-	Finance Director
Ms. Jeanette Thomas Manager	-	Customer Services

On October 31<sup>st</sup> 2012 GWI submitted to the Commission a Tariff Harmonization Proposal seeking approval for:

- Adjustments to existing tariff bands
- Introduction of new tariff bands
- Introduction of a fixed charge
- Increase in existing ancillary charges and the introduction of new ancillary charges
- Introduction of a security deposit

The PUC's public hearing on this application was held on November 23<sup>rd</sup> 2012. At that hearing the Commission advised the company that additional information on its application was required on the company's financials so that an informed decision may be made on the impact the new rates would have on the company and the consumers.

The Company submitted the information in December, 2012.

In January 2013 GWI submitted a further request for an amendment to its original application with respect to the fixed charges. It cited an approximate 35% increase in the price of water meters since the date of its original submission. And it also sought an increase in fixed charge considering it necessary for the company to maintain the integrity of its strategic programme.

The hearing reconvened on the 20<sup>th</sup> March 2013:

The Public Utilities Commission has its duties set out in the PUC Act, and among its functions are to oversee tariffs and quality of service of any public utility, taking into account also the terms and conditions of any licence granted to it. Underlying our duties is that we function in the public interest.

The licence prescribes that GWI shall have a tariff that covers its operation and maintenance costs through tariffs by ending of year 2004, but this has not been achieved, and regrettably, compliance with the licence seems to be elusive.

There is, of course, the usual quid pro quo where GWI was required to provide 90% of the coastal population with safe water by whatever means by year 2007, and shall also ensure that water is available to 80% of all settlements in the Hinterland through sustainable and cost effective locally appropriate measures to be developed by GWI.

We offer no comment now except to say that it is a known fact that such standards have not been met. Another non-achieved condition is providing a twenty-four (24) hour continuous service of pressurised water supply at a minimum of five meters of consumers' premises in coastal Guyana, including, of course, Georgetown.

We, however, take note of the efforts in which the utility has been involved to improve the service to the various communities, and over the past few years the percentage of consumers with access to potable water in the coastal communities has increased from approximately 70 percent to nearing 100 percent.

Substantial rehabilitation of the Sewer System has been undertaken, and the Georgetown Sanitation Improvement System is currently being undertaken. The Commission is much concerned with the regular influx of high rise buildings and structures in and around Georgetown, and expects the Utility Company to be very proactive to ensure the sewerage system is not compromised to affect its effective disposal of effluent.

The Chief Executive Officer of GWI has advised the Commission that they are conducting a Data Verification Exercise to enhance the accuracy of the Customer Information Data base. It is expected that this project will be completed by December 31, 2013.

We look forward to this as it is a necessity to have an accurate Consumers Data Base to ensure the accuracy of charges and collection of all rates from legitimate consumers. As a consequence there shall be an improvement in the collection of rates.

In our deliberations we must be objective and in fixing rates we shall not show undue preference for or unduly discriminate against any consumer or class of consumers similarly treated, provided of course that different rates may be prescribed for different classes of consumers by reference to the different areas of supply or different parts of such areas, or to any other relevant circumstance. An example, for instance, of different classes of consumers is of those who are metered and those who are not.

In our day to day dealings with consumers and staff of GWI we are tending to the view that employees of this utility company need to be more competent, conscious and concerned of their obligation to deal with the public in a humane manner, rather than seek to rely on the fact that they are employed in a monopoly institution and need not properly address the concerns of consumers.

Mr. Shaik Baksh, Chief Executive Officer, of GWI in his presentation to the Commission noted that there had been no adjustments to the tariff structure for nearly eight (8) years. We agree and at the time the increase was granted the PUC had noted that *the tariff table had in excess of twenty different rate schedules, none of which had apparently been developed with the objective of making consumer prices reflect the cost of supply.*

We are aware that one of the major problems facing GWI is NON REVENUE WATER. As the term suggests non revenue water is water produced by GWI for which it is receiving no income. It is also not unknown that not all consumers are served by meters. By an earlier Order the Commission had granted a higher tariff for unmetered consumers. Our perception was that metered consumers will exercise prudence in the use of water and will tend to conserve. But then, there are reports that meters are bypassed and or tampered to the benefit of consumers. Management of GWI is not unaware of this state of affair and it must take urgent action to arrest these happenings.

Mr. J Ram, Finance Director of GWI, reported that the increases the company is seeking will not return the company to a position of profitability and even if the increases were granted in full the company would still incur a loss of approximately \$4.2 billion for the period 2013-2016.

We accept that in order to maintain its momentum in improving access to potable water, improve the level of service and the provision of safe as well as clean water, it is necessary for the Company to generate adequate income which can be utilized in satisfying its operational, capital and expansion costs.

We accept that the existing tariff structure does not provide an adequate revenue base from which GWI can cover its total costs.

After careful consideration and taking into account the views expressed by the various stakeholders the Commission approves the following rates effective from July 1<sup>st</sup> 2013, and these are contained in Appendix One hereto attached.

As a condition in granting 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 14<sup>th</sup> January 2014:**

- Consumer data base should be sanitized to reflect legitimate debtors. This should be accomplished no later than 31<sup>st</sup> December 2013.
- Meters would be read once per quarter and estimated billings would cease.
- Collection rates should increase incrementally each year to 2016; correspondingly bad debt provision should be reduced.
- Non revenue water should be reduced by 3-4 percentage points annually to 2016.
- GWI by 2016 will maintain the level of at least 95% of services having functioning meters.
- All disconnected consumers that have not been legitimately reconnected should be revisited within 60 days of being disconnected, to ensure that these customers are not illegally reconnected and outstanding balances should be pursued to the full extent of the law.

In the tariff filing, GWI has introduced definitions that are integral in identifying various categories of consumers. The Commission has accepted the terms suggested by GWI, and there should be strict compliance with the rates attached to each category. These definitions are set out in Appendix Two, hereto attached.

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Prem Persaud : Chairman.

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Badrie Persaud : Commissioner.

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Maurice Solomon: Commissioner.

Dated this 10th day of June, 2013.

**APPENDIX ONE**

**NEW WATER TARIFFS**

**A. Residential Metered Consumers Receiving Treated Water:**

Fixed Charge	Monthly Consumption Charge		
	0-12 (m3)	13-20 (m3)	21 (m3) and over
\$	\$	\$	\$
300	76	95	112

**B. Residential Metered Consumers Receiving Un-Treated Water:**

Fixed Charge	Monthly Consumption Charge		
	0-12 (m3)	13-20 (m3)	21 (m3) and over
\$	\$	\$	\$
300	61	73	101

**C. Residential 1 (One) Un-Metered Consumers Receiving Treated Water:**

Fixed Charge	Monthly Consumption Charge
\$	\$
300	1,500

**D. Residential 2 (Two) Un-Metered Consumers Receiving Treated Water:**

Fixed Charge	Monthly Consumption Charge
\$	\$
300	2,225

**E. Residential 1 (One) Un-Metered Consumers Receiving Untreated Water:**

Fixed Charge	Monthly Consumption Charge
\$	\$
300	1,000

**F. Residential 2 (Two) Un-Metered Consumers Receiving Untreated Water:**

<b>Fixed Charge</b>	<b>Monthly Consumption Charge</b>
\$	\$
300	1,425

**G. Hinterland (Small Towns) Residential:**

<b>Fixed Charge</b>	<b>Monthly Consumption Charge</b>
\$	\$
300	700

**H. Non-Residential Metered Consumers Receiving Treated Water:**

<b>Fixed Charge</b>	<b>Monthly Consumption Charge</b>		
	<b>0-20 (m3)</b>	<b>21-30 (m3)</b>	<b>31 (m3) and over</b>
\$	\$	\$	\$
2,000	112	140	189

**I. Non-Residential Metered Consumers Receiving Untreated Water:**

<b>Fixed Charge</b>	<b>Monthly Consumption Charge</b>		
	<b>0-20 (m3)</b>	<b>21-30 (m3)</b>	<b>31 (m3) and over</b>
\$	\$	\$	\$
2,000	101	126	170

**J. Non-Residential Unmetered Consumers Receiving Untreated Water:**

<b>Classification</b>	<b>Fixed Charge</b>	<b>Monthly Consumption Charge</b>
	\$	\$
Non-residential Band One	500	1,890
Non-residential Band Two	1,000	3,150
Non-residential Band Three	2,500	8,505
Non-residential Band Four	5,000	12,758

Non-residential Band Five	9,500	21,263
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**K. Non-Residential Unmetered Consumers Receiving Treated Water:**

Classification	Fixed Charge	Monthly Consumption Charge
	\$	\$
Non-residential Band One	500	2,100
Non-residential Band Two	1,000	3,500
Non-residential Band Three	2,500	9,450
Non-residential Band Four	5,000	14,175
Non-residential Band Five	9,500	23,625

**L. Non-Residential Hinterland Consumers:**

Classification	Fixed Charge	Monthly Consumption Charge
	\$	\$
Non-residential Band One	300	1,500
Non-residential Band Two	500	3,000
Non-residential Band Three	2,000	5,000

**SEWAGE TARIFFS:**

**M. Metered Residential Sewage Consumers:**

Metered residential Sewer Consumers will pay a monthly sewer charge of \$40 per m<sup>3</sup> for every cubic meter of water consumed for domestic purposes up to a maximum consumption of 30m<sup>3</sup>; thereafter consumers will pay \$53 per cubic meter.

For avoidance of doubt the two examples below explain the mechanism of the charge.

1. A consumer uses 20 cubic meter of water for the month of January for domestic purposes. The consumer would be billed a consumption charge for the 20 cubic meters at the PUC approved rate together with a sewer charge of \$800 (20 \* \$40).
2. If the consumer were to use 40 cubic meters of water for the month of January, the consumer would be billed a consumption charge for the 40 cubic meters at the PUC approved rates and would be billed a further \$2,120 (40 \* \$53) for the sewer service.

**N. Metered Non-Residential Sewage Consumers:**

Metered Non-residential consumers will pay a monthly charge of \$65 per m3 for every cubic meter of water consumed for commercial purposes up to a maximum consumption of 30 m3; thereafter the Non-residential consumer will pay \$75 per m3.

**O. Un-Metered Residential 1 (One) Consumer:**

Un-metered Residential 1 (one) Consumer will pay a flat service rate of \$700 per month.

**P. Un-Metered Residential 2 (Two) Consumer:**

Un-metered Residential 2 (two) Consumer will pay a flat service rate of \$1,200 per month.

**Q. Un-Metered Non-Residential Sewer Users:**

Un-metered Non-residential sewer tariff will be applied on a flat rate as set out below:

<b>Classification</b>	<b>Monthly Consumption Charge</b>
	<b>\$</b>
Non-residential Band One	2,200
Non-residential Band Two	2,860
Non-residential Band Three	3,825
Non-residential Band Four	4,875
Non-residential Band Five	6,375

**SECURITY DEPOSIT**

**1. Residential Consumers:**

From 1<sup>st</sup> July, 2013 residential consumers applying for a service will be required to pay a security deposit of \$6,000.



## 2. Non-Residential Consumers:

From 1<sup>st</sup> July, 2013 non-residential consumers applying for a service will be required to pay a security deposit of \$25,000 or six (6) months equivalent of bills whichever is greater.

3. Consumers already on the data base will not be required to pay a security deposit but in the event of a consumer's payment default GWI may exercise its option to demand a security deposit.
4. GWI will credit each deposit account with interest at 2.4 percent per annum.

## ANCILLARY CHARGES

1.	<b>Residential Connection Fee</b> for a ¾ inch or less connection - new service applications for residential/domestic purposes in a location that falls within the current service coverage.	\$10,000
2.	<b>Non -Residential Connection Fee</b> for a ¾ inch or less connection - new service applications for commercial/industrial activities in a location that falls within the current service coverage.	\$16,000
3.	<b>All Connection Fee for Services</b> in areas where GWI does not have existing pipelines and where the request is made by a Developer to interconnect with the GWI network.	Material and labour cost only
4.	<b>Connection Fee for Services</b> less than ¾ of an inch	Material and labour cost only
5.	<b>Residential Reconnect Non-Voluntary</b> – Where the residential customer service has been disconnected due to non- payment or any act of illegality; and a request is made for reconnection.	\$7,500

6.	<b>Non-Residential Reconnect Non-Voluntary</b> - Where the non-residential customer's service has been disconnected due to non- payment or any act of illegality; and request is made for reconnection.	\$16,000
7.	<b>Residential Disconnect Voluntary</b> – The residential customer requests temporary disconnection.	\$4,000
8.	<b>Non-Residential Disconnect Voluntary</b> –The non-residential customer requests temporary disconnection.	\$9,000
9.	<b>Residential Reconnect Voluntary</b> –where the service of the residential customer has been disconnected voluntarily; and a request is made to reconnect the service.	\$2,000
10.	<b>Non-Residential Reconnect Voluntary</b> - where the service of the non-residential customer has been disconnected voluntarily; and a request is made to reconnect the service.	\$4,000
11.	<b>Requested Stay of Disconnection</b> –Where a customer has been delinquent in servicing its debt and at the point of disconnection, the customer commits to liquidate the debt within one working day, the company may stay the disconnection, but the customer would nevertheless be fined for late payment.	\$1,000
12.	<b>Residential Line Transfer Fee</b> (3/4 inches or less) – Where the residential customer is requesting GWI to relocate their service to another area on the same property.	\$10,000
13.	<b>Non-Residential Line Transfer Fee</b> (3/4 inches or less) - Where the non-residential customer is requesting GWI to relocate their service to another area on the same property.	\$16,000
14.	<b>Line Transfer Fee for Service</b> - where a customer with a service connection greater than ¾ of an inch is requesting the relocation of their service connection to another area on the same property.	Material and labour cost only
15.	<b>Residential Tamper Charge</b> - where a Residential customer tampers with the connection and fixtures inclusive of water meters in the absence of filed criminal charges.	\$10,000 - 1 <sup>st</sup> offence \$20,000 - 2 <sup>nd</sup> offence \$35,000 - 3 <sup>rd</sup> offence
16.	<b>Non-Residential Tamper Charge</b> - where a Non-Residential customer tampers with the connection and fixtures inclusive of water meters in the absence of filed criminal charges.	\$15,000 - 1 <sup>st</sup> offence \$25,000 - 2 <sup>nd</sup> offence \$40,000 - 3 <sup>rd</sup> offence
17.	<b>Damaged Meter Charge</b> - where a customer through accident damages a water meter	Material and labour cost only
18.	<b>Unaccounted for Water</b> - where the customer would have used water that may have by-passed any measuring device, used water not for the required purpose in a manner which is not registered on a measuring mechanism or benefited from a supply of	Company's estimate of water utilized illegally

	service from an unregistered service connection.	
19.	<b>Damaged Infrastructure</b> - where a person or organization deliberately or through negligence cause damage to any infrastructure.	Company's actual cost for replacement
20.	<b>Compliance Charge</b> – Where a customer requires a statement of indebtedness for the purpose of complying with a legal requirement	\$5,000
21.	<b>Request for an Audit</b> –At the request of the customer for a reconciled statement of Payments, Billings and or any Financial Adjustments for a period not exceeding 5 years.	\$2,500
22.	<b>Return Cheques</b> - Where a customer would have made a payment to GWI via Cheque and that payment is not honored by the Bank.	\$1,500
<b>Sewerage Inspection and Processing Fee:</b>		
23.	<b>Residential Sewerage Inspection &amp; Processing Fee</b> – where a request for no objection for residential Building Plans for Sewerage areas for which no modification to an existing Sewer Chamber is required.	\$5,000
24.	<b>Residential Sewerage Inspection &amp; Processing Fee</b> – where a request for no objection for residential Building Plans for Sewerage areas for which modification to an existing Sewer Chamber is required.	\$10,000
25.	<b>Non Residential Sewerage Inspection &amp; Processing Fee</b> – where a request for no objection for non-residential Building Plans for Sewerage areas for which no modification to an existing Sewer Chamber is required.	\$15,000
26.	<b>Non Residential Sewerage Inspection &amp; Processing Fee</b> – where a request for no objection for non-residential Building Plans for Sewerage areas for which modification to an existing Sewer Chamber is required.	\$20,000

## APPENDIX TWO

### GLOSSARY OF TERMS

#### 1. Residential Un-metered Consumer 1: (one)

This is an account that has a single service connection with a bore not greater than ¾ of an inch and serves only one (1) dwelling, apartment or building.

#### 2. Residential Un-metered Consumer 2: (two)

This is an account where there is a single service connection not greater than 3/4 of an inch but serves more than one (1) but not more than three (3) dwellings, apartments or buildings on a single property.

**3. Un-treated Water:**

A customer that receives a service that comes from a borehole, through the distribution mains directly to the tap but without the water being channeled through a water treatment plant for further purification.

**4. Treated Water:**

A customer that receives a service that comes from a borehole, through the distribution mains but with the water being channeled through a water treatment plant for further purification before distribution to the consumer's service connection.

**5. Residential Metered Consumer:**

This is a customer occupying a private dwelling and whose usage of water is measured.

**6. Fixed Charge:**

This is a fixed recurring monthly charge that all consumers will pay whether or not they use the service but continue to have an active service connection.

**7. Hinterland (Small Town) Communities:**

Hinterland (Small Town) Communities are made up of un-metered Residential and Non-residential consumers residing in a number of outlying regions, and where a specific identifiable area in each of the regions receives an un-metered service.

**8. Hinterland (Small Town) Unmetered Non-Residential Consumers:**

Band 1 (One) - Customers residing in the environs of Mabaruma, Port Kaituma, Matthews Ridge, Mahadia, Lethem or Ituni engaged in trading but do not use water in normal course of operation. The size of the Service Connection must be  $\frac{3}{4}$  inch or less e.g. Grocery Shops, Mom & Pop stores, Stationery, Drug Stores, Clothing Stores etc. The location should not allow public access to their washroom facilities.

Band 2 (two) - Customers residing in the environs of Mabaruma, Port Kaituma, Matthews Ridge, Mahadia, Lethem or Ituni to whom water is necessary for the normal course of operations e.g. restaurants, beer gardens, discos, construction (Commercial), private schools & offices, hair dressing salons, supermarkets with public washroom facilities etc.

Band 3 (three) - Customers residing in the environs of Mabaruma, Port Kaituma, Matthews Ridge, Mahadia, Lethem or Ituni who are heavy users of water in the normal course of operations. e.g. large hotels/guest houses, large restaurants, laundries, Construction (Industrial), Ready-mix Operations, Car Washes, Water Vendors, Block Making etc.

#### **9. Unmetered Non-Residential:**

These are unmetered commercial and industrial consumers that are sub-divided into five categories:

Band 1 (one) - This category is made up of customers engaged in trading but do not use water in the normal course of operations. The size of the Service Connection must be no more than  $\frac{3}{4}$  of an inch. Examples of such businesses are Grocery Shops, Stationery, Drug Stores and Clothing Stores etc. The location should not allow public access to their washroom facilities.

Band 2 (two) - This category is made up of Non-Residential customers that use water in the normal course of operations and whose service connections are no more than  $\frac{3}{4}$  of an inch. Examples are private schools, offices, supermarkets with public washroom facilities etc. where water is used for basic/hygiene needs. The enterprise must have not more than twenty five employees.

Band 3 (three) - This category is made up of non-residential customers for which water is necessary in the normal course of operations. Examples are restaurants, hotels/guest houses with less than 10 rooms, beer gardens, discos, construction (Commercial), private schools & offices with no more than sixty occupants.

Band 4 (four) - This category is made up of Non-Residential customers that are heavy users of water  
In the normal course of operations e.g. hotels/guest houses with more than 10 rooms, large restaurants, laundries, construction (Industrial), ready-mix operations, private schools and offices with more than 60 employees.

Band 5 (five) - This category is made up of Non-Residential consumers where water is essential for the operation of the business. Examples are water vending, car washing and block making.

#### **10. Metered Residential Sewer Consumers:**

This is a consumer occupying a private dwelling and whose usage of water is measured.

#### **11. Un-metered Residential Sewer Consumer 1: (one)**

This is an account where there is a single service connection not greater than  $\frac{3}{4}$  of an inch that serves only one (1) dwelling, apartment or building on a property.

#### **Un-metered Residential Sewer Consumer 2: (two)**

This is an account where there is a single service connection not greater than  $\frac{3}{4}$  inch that serves more than one (1) but not more than three (3) dwellings, apartments or buildings on a single property.

**12. Un-metered Non-Residential Sewer Consumer:**

These are un-metered commercial and industrial consumers that are sub-divided into five categories; and have the same definition as un-metered non residential consumers.

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