

BEFORE THE PUBLIC UTILITIES COMMISSION

In the matter of a Review of Residential Reconnection Non-Voluntary Fees approved under Order 2 of 2018 for the Guyana Water Inc.

PRESENT

Public Utilities Commission

Ms. Dela Britton - Chairman
Dr. Nanda K. Gopaul - Commissioner
Ms. Verlyn Klass - Commissioner
Mr. Rajendra Bisessar - Commissioner (Absent)

In attendance:

Mr. Vidiahar Persaud - Secretary/Legal Officer

Guyana Water Inc

Mr. Shaik Baksh - Chief Executive Officer
Mr. Nigel Niles - Executive Director, Corporate Services
Mr. Mark David - Finance Director
Mr. Marlon Daniels - Executive Director, Projects
Ms. Andrea Khan - Executive Director, Commercial Services and
Customer Relations (ag)

The Guyana Consumers Association

Mr. Patrick Dial - Chairman
Dr. Yog Mahadeo - Consultant

By way of letter dated August 22, 2022, the Guyana Consumers Association (the “Association”) raised concerns regarding the quantum of the reconnection charge levied on consumers by the Guyana Water Inc. (GWI). This charge is applied to consumers who had experienced disconnection as a result of non-payment on their accounts. The Association in its letter indicated *inter alia* that the current reconnection fees \$7,500 and \$16,600 for residential and business consumers respectively are at a “*perplexingly high penal rate for consumers.*” The Association

further informed the Commission that reconnection charges should not be a vehicle for “*penal sanction against consumers*” and lastly that the consequential disconnection will result in the loss of revenue to GWI as desperate consumers are likely to resort to illegal reconnections which could potentially lead to damage of GWI’s infrastructure.

The GWI in its response to the correspondence from the Association indicated that the reconnection rates currently in place were approved by the Commission by virtue of Order 2 of 2018, namely “*In the matter of an Application by the Guyana Water Inc. for a review of tariffs*”.

GWI has noted that the usual procedures of public hearing as enshrined in the PUC Act 2016 were followed and that a Guyana Consumers Association’s Representative made submissions on behalf of the Association.

Additionally, the Commission had received a complaint from Mr. Wazir Latiff, who echoed the Association’s sentiments regarding the reconnection fees. Mr. Latiff in his complaint to the Commission opined that the act of reconnection involves a simple key turning process which requires minimal manpower. According to Mr. Latiff, his suggested desired reconnection fee is the sum of \$2,000.

Mr. Latiff’s name and signature were part of a class of concerned consumers, which included Bibi Ally, V. Sitaram, N. Puran and N. Hussien who had similarly petitioned the Commission regarding GWI’s reconnection fees.

In light of the foregoing complaints regarding the GWI’s extant reconnection fee of \$7,500, the Commission served notice on GWI fixing a Public Hearing to review PUC’s **Order 2 of 2018** as it relates to the residential reconnection non voluntary fees as charged by the Guyana Water Inc. (GWI) and other matters connected with and /or incidental thereto.

The Public Hearing was held on the 21st day of September 2022 under section 77 of the Public Utilities Commission Act No. 19 of 2016, which empowers the Commission to “*suspend, review, vary or rescind any decision or order made by it*” following a public hearing.

GUYANA CONSUMERS ASSOCIATION

The Association during its presentation at the Hearing informed the Commission that the Government of Guyana has a number of policies which provide subsidized assistance to citizens. Therefore, according to the Association’s representative it was “*alarming*” that a government-owned monopoly such as GWI would be allowed to charge high tariffs. The Association was therefore of the view that the reconnection charge is punitive in nature. Further, during his

presentation, the Association's representative advocated for a complete review of the current tariff and reconnection fees in an effort to remove any notion of "profiteering".

Further, the Association's representative posited that consumers are concerned with the actual cost incurred by GWI for reconnections and whether the reconnection fee has a profit element. As such, the Association submitted that the reconnection fee ought to be disaggregated from the determination of any reconnection fee in order to ascertain the actual cost incurred by the company during the reconnection process for a consumer. The Association opined that the reconnection fees should not include any element of disconnection as the Association believes that the cost for disconnection is contained in the tariff and should be borne solely by the company.

The Association's representative in his presentation highlighted that he was of the view that there are some geographical areas in Guyana where consumers are obligated to pay for a service, notwithstanding the poor quality of service coupled with unreliable and non-potable water. According to him, to satisfy any outstanding amounts to the water company consumers are required to pay a high reconnection fee and they are also required to wait 48 hours before reconnection of their services. The Association based their submissions on a 2018 survey of GWI's consumers, where it was found that approximately 60% of the consumers had illegally reconnected their services after disconnection. It was posited that the high tariffs and reconnection fees appear to be the main contributory factor which would cause consumers to resort to illegal reconnection. During its presentation, the Association noted that consumers do not actively seek the disconnection of their water supply but that economic constraints may be a factor. The Association emphasized that the removal of water connections in its entirety is to remove the human right to portable water which would contravene United Nations Resolution 64/ 292 to which the Government of Guyana is a signatory. It was noted that in some countries, there is a policy to not impose the sanction of disconnection for non-payments, however, as an alternative to monetary sanctions the practice of permitting limited access to the use of water is imposed.

It is the contention of the Association that a reassessment of the removal of the "*draconian reconnection rate*" should be considered and further that should the Commission in its analysis determine that there is a need for a reconnection fee, it should be set at a rate of \$100.

GUYANA WATER INC.

GWI in its presentation to the Commission highlighted the fact that since the year 2020 the company implemented several strategies to encourage and facilitate delinquent consumers, which

afforded them the opportunity to satisfy their indebtedness to the company within a reasonable timeframe. The strategies included, but were not limited to, reminders to delinquent consumers and payment contracts which could be extended up to a period of twelve (12) months. The company indicated that only when all attempts to liquidate outstanding payments have been exhausted, GWI then dispatches the crews to execute the necessary disconnections. At that stage, the delinquent consumer is again afforded a further opportunity to effect payment within a four-hour window.

Additionally, GWI has sought to implement a ceiling of \$30,000. In instances where a consumer exceeds that quantum then the foregoing mechanisms to encourage payment are accelerated.

In the year 2022, GWI, after its internal review and in an effort to ensure fluid revenue sought to reduce this ceiling to \$10,000, which has proven to be beneficial to both unmetered and metered customers as they now enjoy grace periods of approximately (5) five months and (3) three months respectively before the disconnection process is initiated.

The company noted the concerns raised by the GCA on the cost for reconnection and informed the Commission that the current reconnection fees are fixed below the disconnection and reconnection costs incurred by the company. Further the company informed that there is no profit element on the existing reconnection fee of \$7,500. The company noted that there is a resultant cost for disconnection and reconnection and to do otherwise, the GWI's liabilities would increase exponentially.

The company stated that the GCA's proposal of a G\$100 a reconnection fee is without any basis.

At this stage of the Hearing, the Commission requested that GWI provides *inter alia*, the costs associated with the disconnection and reconnection of consumers.

COMMISSION'S REVIEW OF THE SUBMISSIONS:

In keeping with the request at the Public Hearing, the Commission dispatched a letter to GWI on 21st September 2022 inviting the company to supply to the Commission with the following information:

- (1) the current disconnection programmes/initiatives of the company;
- (2) any data on the illegal reconnections for both metered and unmetered consumers;
- (3) the number of customers, both metered and unmetered, disconnected in the month of July or August 2022, and

(4) a detailed breakdown of the costs incurred by the company for disconnection and reconnection in the month of July or August 2022.

On 30th September 2022, GWI provided the requested information.

In its analysis of the GWI's submissions as it relates to the costs incurred for the disconnection and reconnection of consumers, the Commission focused on the following modes of disconnection and the costs associated with GWI's operations:

Disconnection/ Reconnection Method	Disconnection Cost	Reconnection Cost	Total Cost
Disconnection by regulating Cutter (Saddle)	5,800	3,800	9,600
Disconnection by regulating Cutter and Removal of polyhose and stopcock	5,800	8,300	14,100
Disconnection by way of cut and plug	6,460	5,300	11,760
Disconnection by way of turn off meter	3,800	2,800	6,600

As reflected in the foregoing table, the 'turn off' meter method of disconnection is the most economical mode of disconnection to the company. The saddle method, although not tamper-proof, presents insurmountable obstacles to consumers who attempt to reconnect illegally and it is the most widely used method of disconnection by the company. The cost of the disconnection and reconnection by way of regulating cutter (saddle) is \$9,600, which is 28% or \$2,100 more than the current reconnection fee, a deficit which is offset by the company's cashflows.

DECISION

In order to arrive at its decision, the Commission sought to balance the foregoing considerations against that of the Association's proposition of no reconnection fee or in the alternative a reconnection fee of \$100. After considering the cost attributed to the disconnection and reconnection of a consumer as proffered by GWI against that of the Association's proposition, the Commission finds that the sum of \$100 is insufficient and cannot compensate the company for the cost associated with its disconnection and reconnection of consumers. This proposed quantum would be an additional financial burden to GWI.

Further, whilst the Commission recognises the suggestion by the Association for the GWI to offer limited access to water in the event of a default by a consumer on their billing obligations to the company, the Commission is cognizant that not all of GWI's consumers are metered and the proposal would be impractical.

The Commission recognises that the reconnection cost of \$7,500 as set by the PUC in Order 2 of 2018 is steep, however at the same time the Commission is conscious that the actual costs relating to disconnections and reconnections are in most instances above that of the rate set by the Commission and that the ‘turn off’ option which costs the company \$6,600 is not a viable option by the company for repeated/delinquent consumers. The Commission also recognises that the fee of \$7,500 is inclusive of the costs associated with both the disconnection and reconnection of consumers.

Therefore, in the circumstances, it is hereby ordered that the rate of \$7,500 as approved for the residential reconnection non-voluntary disconnection of consumers and as stated on page 10 of Order 2 of 2018 shall remain in place.

During the Public Hearing no representation was made as it relates to the fee of \$16,000 for commercial consumers and therefore the extant fees remain in place.

The Commission hereby orders with effect from January 1, 2023 that the company shall:

- i) Increase its credit limit from \$10,000 to \$12,500 to allow consumers an extended grace period for payments.
- ii) Extend the 4 hour disconnection notice given to consumers to 24 hours in order to further facilitate payments by consumers.
- iii) Include in consumers’ payment contracts, which are entered into with the company for any outstanding arrears by consumers, the reconnection fees of \$7,500 for residential consumers and \$16,000 for commercial consumers.
- iv) Review the costs associated with the disconnection and reconnection of consumers with a view to implementing cost effective disconnection methods in an effort to decrease any deficit to the company as a result of disconnections and reconnections of consumers.

Further, the Commission mandates that with effect from November 1, 2022, GWI submits on or before the 15th day of every month:

- (1) A list of the disconnected consumers and their outstanding balances at the time of disconnection.
- (2) The method of disconnection employed by the company for each consumer.
- (3) The total costs incurred by the company as it relates to each method of disconnection.
- (4) The total number of consumers reconnected and the costs associated with same.

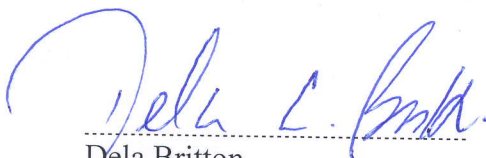
(5) The number of consumers who have entered into payment contracts; the quantum of the arrears and the contract period.

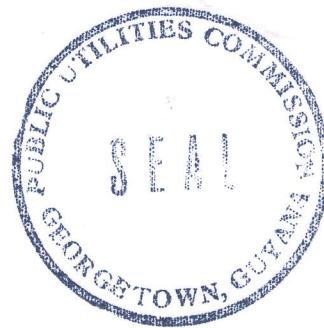
(6) Total revenue received by the company as it relates to reconnection fees.


The Commission is of the view that the reduction of the non-revenue water and the continuous metering of unmetered consumers should have the consequential effect of resulting in the increased cash inflows to the company. The Commission is committed to a subsequent review of company's tariff structure in the future and therefore, the Commission at this time wishes to reiterate the following:


- (1) That its position as stipulated in Order 2 of 2018 which determined that non-revenue water should be reduced on an incremental basis as set out on page 6 of the said Order and that the company reports to the Commission its performance as it relates to the reduction of non-revenue water on a bi-annual basis.
- 2) That as per Order 2 of 2021, *In the matter of a Notice of Change of Tariff for the Guyana Water Inc.* (page 3) that the company submits to the Commission on a quarterly basis its progress reports on its achievements as it relates to the metering of all unmetered consumers, with a view to achieving 100% metering across its consumer database by December 31, 2024, or such time as may be practicable to do so.

Dated this the 21st day of October 2022.


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Dela Britton
CHAIRMAN




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Verlyn Klass
COMMISSIONER


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Dr. Nanda K. Gopaul
COMMISSIONER