

NWC RESPONSE TO 'K' FACTOR ISSUE

Recent statements and discussions in the public media regarding the NWC and particularly regarding the 'K' Factor have been mired in misunderstandings, errors and innuendo. While the National Water Commission (NWC will not respond to all these, the NWC is constrained to correct certain glaring errors.

Generally, it should be noted that providing water supply and wastewater services to the people of Jamaica is a costly undertaking, which the existing rate structure does not adequately cover. This has been acknowledged by the Office of Utilities Regulation (OUR). Any request to the OUR by the NWC is within this context and in keeping with the existing regulatory framework. The OUR is expected to process such requests in a professional manner, consistent with its mission and mandate.

Additionally, suffice it to say that the National Water Commission is governed by National Water Commission Act (1980); regulated and monitored by the Office of Utilities Regulation; audited by external auditors and the Auditor General's Office and undertakes its business in a prudent manner. As always, we remain open to review by any proper authority.

The 'K' Factor is a special mechanism to provide funding for identified and monitored projects over a specified time period. The 'K' Factor, which ended last year, had a charge of 4% and was first implemented as part of the Interim Rate Adjustment, which became effective in 1999.

A 'K' Factor has been built into the tariff of other utilities (including JPS) cost of capital investments. It is, therefore, not unreasonable to ask that such a factor be included in the NWC tariff structure.

The 'K' Factor was in effect for two years and was used exclusively to finance the Metering and Pump Replacement Programmes. The use of revenue from this fund was closely monitored by the Office of Utilities Regulation. These represent priority capital projects at the time. The targets for their implementation in terms of schedule and cost were achieved.

In fact, contrary to allegations, the programmes were intended to procure and install 54,800 new meters by March 2000 and a further 48,000 by March 2001. The Commission procured and installed 72,838 new meters in the first year and 38,608 in the second year utilizing 'K' Factor funds to cover a proportion of this expenditure and exceeding the two-year target.

In the case of the Pump Replacement Programmed, a target of 120 pumps were to be installed and over the two year period 191 pumps were purchased and installed by the Commission using its own revenues to supplement the 'K' Factor funds.

In fact, as a result of these and other programmes funded from revenue, the NWC has significantly improved the service to its customers to such a dramatic extent that it has become the number one ranked utility service provider monitored by the OUR. This after having been "the most complained against" utility for years.