



A small price for a big service

NEWS

In order to better serve our valued customers, we wish to remind everyone of the following definitions/explanations of items on their bill:-

What is the Price Adjustment Mechanism (PAM)?

The Price Adjustment Mechanism (PAM) is the approved formula by which a portion of the changes – positive as well as negative - in the Foreign Exchange Rates, Electricity Rates, and Consumer Price Index (CPI) are reflected on customers' bills. These are all variable costs over which the Commission has absolutely no control, but which greatly affect our ability to provide service to our valued customers. The PAM is reflected on customers' monthly bills as a percentage, negative or positive, after the application of a complex approved mathematical formula. It is an indexation mechanism that is applied to the base rates for water and sewerage services to reduce any mis-alignment between NWC's operating costs and NWC's revenues. The Price Adjustment Mechanism (PAM) is not new and is re-set and zeroed again every year, allowing for easier and cleaner calculations and bill presentation.

What is the K-Factor?

The K-Factor is an approved mechanism for the NWC to acquire a pre-determined amount of funding to do an approved set of capital projects in order to improve service to customers. These improvement works NWC would not be able to undertake otherwise. It appears on customers' bills as percentage charge and the actual percentage will vary from year to year. Funds collected from the K-factor are used specifically for capital rehabilitation programmes to meet regulatory requirements and to effect mains replacement and other Non-Revenue Water (NRW) reduction activities under the monitoring of the OUR.

This too is not new and it is used in many countries and in many different utility services, under a variety of names.

The K-Factor for 2009-2010 is 14%.

What is the X-Factor?

The X-Factor is essentially an efficiency-gains calculation that is passed on to the customer. These efficiency gains are the expected result of the investments in projects done using the K-Factor funds. The X-Factor represents a credit on customers' bills reducing the billed amount monthly. The X-Factor for 2009-2010 is 5% and this is the first year it is being applied.

All of these factors are parts of the calculation of the cost of providing water service. They also existed before the new-look water bill and are not created by the new bill. However, they are now presented in greater detail and with greater prominence on the new bill.

Furthermore, water bills remain heavily subsidized, among the cheapest in the hemisphere and are about 1/2 the other utility bills, despite the high costs involved in harnessing, treating and pumping water across Jamaica's hilly terrain.