



NWRB Regulations

**A Presentation for
“Public Dialogue on Bulk Water Meter Arrangements”
Quezon City, June 26, 2014**

**A presentation by:
National Water Resources Board**

The National Water Resources Board

**PD 424 creating the NWRC
(March 28, 1974)**

***Policy Formulation and
Coordination***

**EO 124-A renamed
NWRC to NWRB;
transferred technical
function to DPWH/BRS
(1987)**

**PD 1067 The Water
Code of the Philippines
(1976)**

Resource Regulation

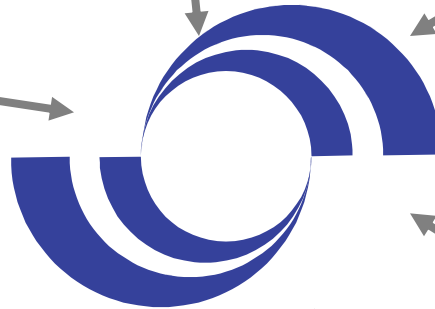
**EO 123 reconstituted the
NWRB Board; transferring
NWRB to DENR and
transferring regulatory
functions of LWUA to
NWRB (2002)**

**PD 1206 assigned the
residual functions of the
Board of Waterworks
and the defunct Public
Service Commission to
NWRC (1977)**

Economic Regulation

**National
coordinating and
regulating agency
on water resources
management and
development**

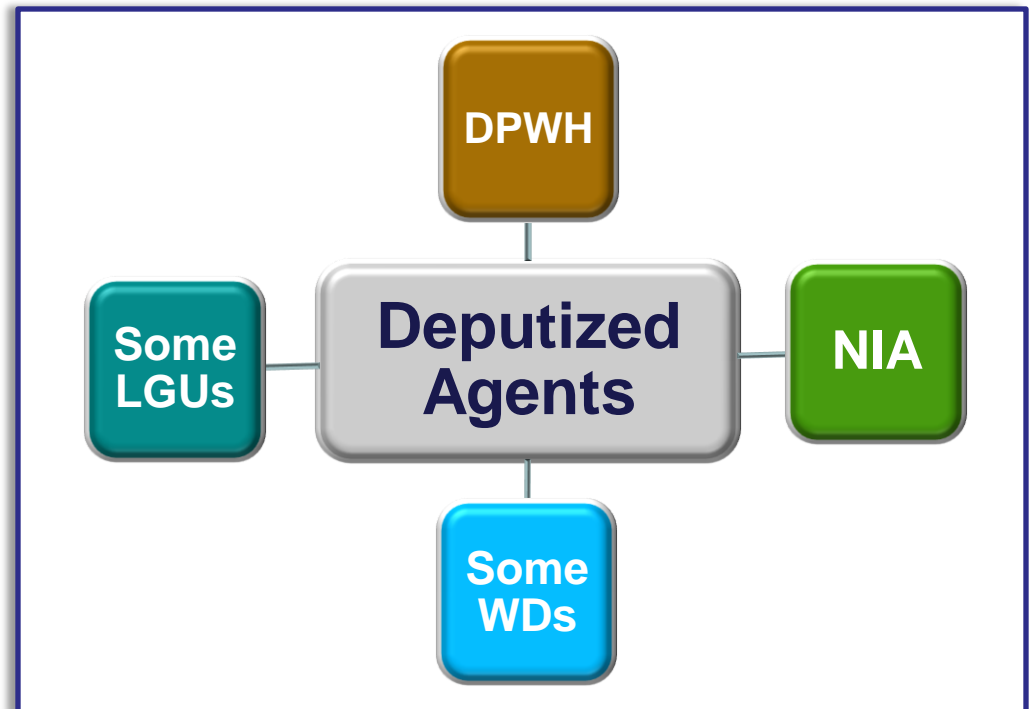
**EO 860 “Redefining the
Composition and Powers of
the NWRB”; Change the
membership of the NWRB
Board”; regulatory function of
WDS back to LWUA;
transferred NWRB to DENR
(2010)**



The NWRB Board

Chair	Secretary, Department of Environment and Natural Resources
Vice Chair	Director-General, National Economic and Development Authority
Members	Secretary, Department of Justice
	Secretary, Department of Science and Technology
	Executive Director, UP - National Hydraulics Research Center

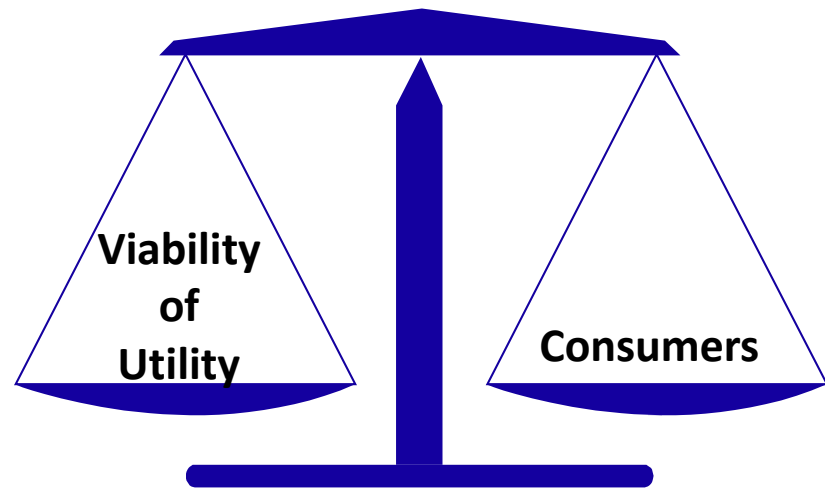
NWRB Staff



Economic Regulation

**Protects consumers and
safeguards the economic viability
of water utilities**

- **Issues CPC/CPCN**
- **Sets water tariffs of private water providers**



**RWSAs/BWSAs
Cooperatives
Private Enterprises
Property Developers
Homeowners Associations
Water Peddlers**

The Mandates

The NWRB is vested with the power to control, regulate and supervise waterworks systems, specifically to:

- adjudicate and grant **Certificates of Public Convenience (CPC)** to operators of waterworks utility system and services;
- **impose penalties for administrative violations** and promulgate rules and regulations relative thereto;
- **supervise and control waterworks utilities** and properties used in the operation thereof; **regulate and fix water rates** charged by waterworks operators, except those falling under the jurisdiction of the MWSS and LWUA;
- exercise original jurisdiction over all disputes relating to water rates of utility operators and has appellate jurisdiction **over decisions of water districts over issues relating to water tariffs**;
- **impose and collect Supervision Regulation Fees or Charges** from public services pursuant to Commonwealth Act No. 146.



Certificate of Public Convenience (CPC)

CPC is a formal written authority issued by the NWRB authorizing private water utilities to operate and maintain water supply system, provide water supply service and charge rates therefore.

Granting CPCs Approval Process

- Filing of Application
- Publication
- Initial Review
- Hearing
- Financial and Technical Evaluation
- Approval
- Issuance of CPC

**CPC validity – 5 years counted
from approval**

Granting CPCs

Documentary Requirements (1)

- Articles of Incorporation/Partnership/ DTI Registration
- Board resolution or special power of attorney authorizing the signatory to sign and file the application
- Approved Conditional / Water Permit(s) (copy)
- Official Receipt/s of Annual Water Charges (copy)
- Latest Certificate of Potability
- Plan of Water Distribution System
- Plan, Elevation of Cross-sectional Views of:
 - Tank/Reservoir
 - Pump House, Machinery & Equipment

Granting CPCs

Documentary Requirements (2)

- Latest Audited Financial Statements
- Actual Balance Sheet for Water Operations
- Actual Income Statement for Water Operations
- List of Existing Assets in Service Subject to Return
- Projected Financial Statements for Water Operations for 5 years Using the 5-Year Tariff Model
 - Business Plan
 - Income Statements
 - Balance Sheet
 - Assumptions used in projections
 - Itemized List of Required Investments for the Next 5 years
 - Proposed Tariff Schedule
 - Levels of service agreed with consumers commensurate with proposed rates
- Others



Instruments of Economic Regulation

- 5- Year Tariff Methodology
- Economic Regulatory Guidelines
 - Responsibilities of Water Service Providers
 - Use of Key Performance Indicators (Technical and Financial)
 - Customer Service Code

Mapping of Sheets

MODULE	INPUT SHEETS	COMPUTATION SHEETS	OUTPUT SHEETS
Performance Forecasting	Opening	Supply and Demand	Highlights
	Assumptions	OPEX	Reports
		Borrowings	
		Movements	
Proposed Investments	CPX Inv Constant	CPX Inv Current	
	CPX Inv No Return Constant	CPX Inv No Return Current	
	PIP	FIRR Details	FIRR
Return on Investments		CPX ROI Inv	
	CPX Depn Table	CPX ROI Cum. Assets	
	CPX Begin	CPX ROI Depn	
		CPX ROI Acc Depn	
		CPX ROI NBV	
Tariff Setting		Consumption	Tariff Proposal
		Tariff Computation	Evaluation
			Disallowances

5-Year Tariff Methodology

Main Components

- Revenue Requirement (RR)

Revenue Requirement	=	Operating Expenses	+	Depreciation	+	Maximum Allowable Net Income
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Where Maximum Allowable Net Income = 12% of net book value of
property and equipment entitled to return
+ 2 months working capital

Authorized Return on Investment – 12%

Tariff = revenue / volume sold



Water Tariff Parts

- Minimum Charge
- Commodity Charge



Minimum Charge

- Also known as service charge or demand charge
- Should cover all fixed costs not directly related to production and distribution
- Should be within low income users' ability to pay for 10 m³
 - Up to 5% of family income



Commodity Charge

- Amount charged for consumption beyond the minimum charge
- Amount varies according to volume consumed


Picture of Tariff Structure

Quantity Block (m3)	Public Tap	Residential/ Institutional	Commercial/ Industrial
First 10 m3	228.00	228.00	
11-20	24.00	24.00	
21-30	26.00	26.00	
31-40	29.00	29.00	
41-50	33.00	33.00	
Over 50	38.00	38.00	
First 25 m3			1150.00
26-1000			57.00
Over 1000			75.00
AFFORDABILITY CRITERIA			
Household Income of Low-Income Household			9,257
Ceiling, 5% of such Income			463
Monthly Revenue from Minimum Charge			230
RESULT			ACCEPTABLE

Affordability Test



minimum charge
for residential
consumers



5% of the
household
income of a low-
income
household.

- Adjust the **increment factor** in the Consumption sheet until the result becomes acceptable.

AFFORDABILITY TEST

Household Income of Low-Income Household	8,640
Ceiling, 5% of such Income	432
Monthly Revenue from Minimum Charge	200
RESULT	ACCEPTABLE



Advantages of having a CPC:

- CPC holders operate legally;
- CPC holders are assured of investment recovery through the 5-year tariff methodology
- Depreciation Reserve Fund will be set aside (improvement and rehabilitation of water system)
- Consumers' interest will be protected by regulation.



Thank you!!

NATIONAL WATER RESOURCES BOARD
8th Floor, NIA Building, EDSA, Quezon City,
Philippines

**Telefax Nos. 02-9202641 /02- 9202365 /02-
9202724**

Website: www.nwrb.gov.ph

Email add: nwrbphil@gmail.com