

# Business Planning as a Requirement for Application of Certificate of Public Convenience (CPC)

## Climate-Resilient Business Planning for Small Scale Water Service Providers (SSWSPs)

Virtual Learning Event

10 June 2021

A presentation by:

Ms. Crisanta I. Martelino

National Water Resources Board



# **Outline of Presentation :**

**I. The NWRB Mandate**

**II. Issuance of Certificate of Public Convenience**

**III. Revised Tariff Methodology (2018)**

**IV. Water Utilities Category**

**V. Business Plan**

# **The NWRB Mandate**

The NWRB is the government agency which manages and regulates all water resources and services in the Philippines. It integrates and coordinates all water related activities that have social, environmental and economic impacts in the country.

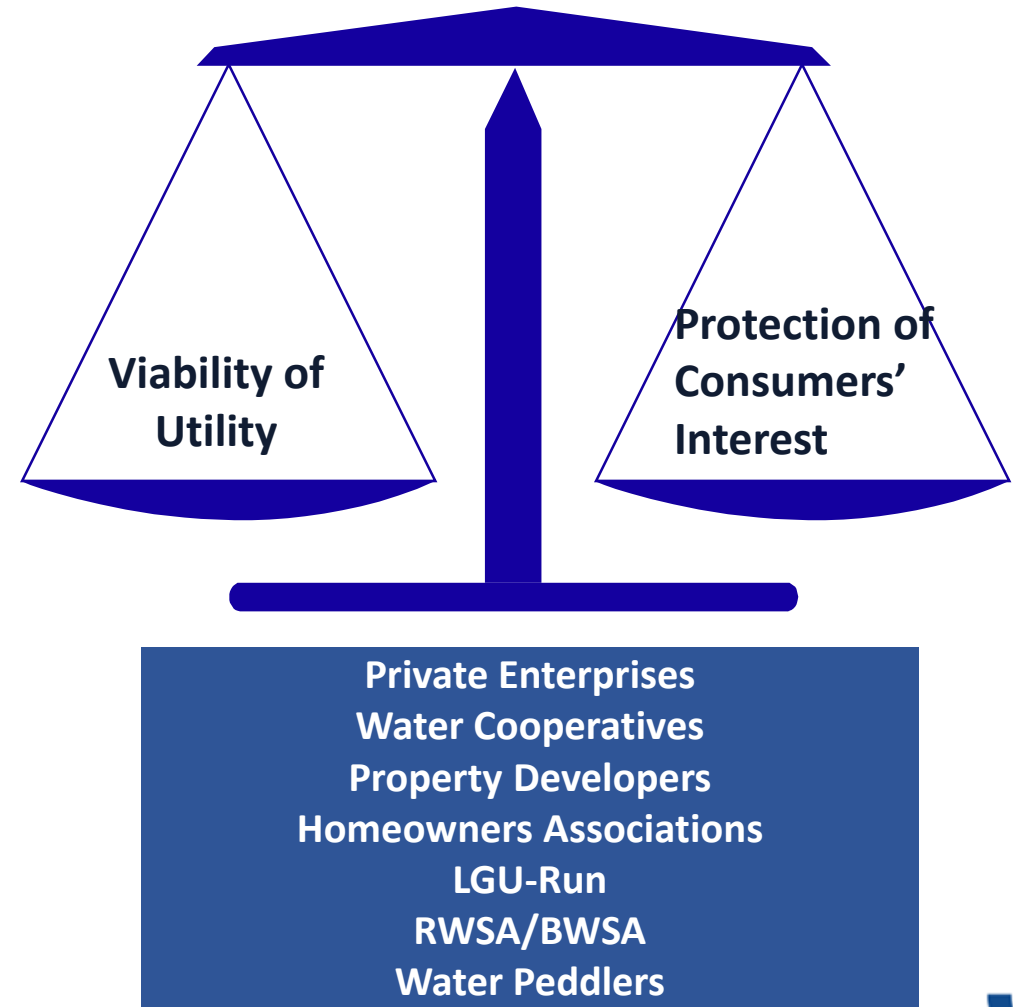
**It has three mandated functions as follows:**

1. Policy Formulation and coordination
2. Water resource regulation
3. Regulation of water service providers through the issuance of Certificate of Public Convenience (CPC)/ Certificate of Public Convenience and Necessity (CPCN) and setting of water tariffs.

# Economic Regulation

Economic regulation is the simulation of competition in an inherently monopolistic environment. It aims to protect consumers and at the same time ensure economic viability of water utilities by:

- establishing service standards and targets and ensuring that these are met
- setting tariff levels and structures
- monitoring and measuring company performance
- enforcing compliance through imposition of sanctions



# **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**
- **Hearing**
- **Desk Review/Evaluation of the Proposed Rates**
- **Issuance of Provisional Authority**
- **Inspection/Financial and Technical Evaluation**
- **Approval of the Board**
- **Issuance of CPC**

# Computation of Tariff

- Based on NWRB Board Resolution No. 25-0818 dated August 28, 2018 entitled “Adoption of the NWRB Economic Regulatory Framework (Revised Tariff Methodology 2018)”

## Tariff Model

- Tariff Model for regulated water utilities and the Tariff User’s Manual are downloadable at [www.nwrb.gov.ph](http://www.nwrb.gov.ph)

# Categorization of Water Utilities (WUs)

Category "A"	Category "B"	Category "C"
WUs operating for profit:		
<ol style="list-style-type: none"> <li>Privately-owned or privately run WUs; or</li> <li>Government-owned and government-run WUs that opted to be classified or NWRB has classified as Category "A"; or</li> <li>Community based WUs that: <ol style="list-style-type: none"> <li>Have expanded/ are expanding outside original area of jurisdiction, or</li> <li>Opted to be classified or NWRB has classified it as Category "A"</li> </ol> </li> </ol>	<p>Government-owned or controlled and government-run WUs that do not opt to be classified as Category "A" or NWRB has classified as Category "B"</p>	<p>Community-based WUs that:</p> <ol style="list-style-type: none"> <li>Are not operating for profit;</li> <li>Have not expanded, / are not expanding outside their original area of jurisdiction, or</li> <li>Do not opt to be classified as Category "A/B" or NWRB has not classified as Category "A"</li> </ol>



## Regulation Structure

Characteristics	Category A	Category B	Category C
CPC Validity	10 years	Certificate (Optional on the part of the WU)	5 years
Tariff Model	Tariff Model A/B	Tariff Model A/B	Simplified long-hand calculation or Tariff Model C
Tariff Review	Mandatory every five years (part of operations and financial review) or <i>motu proprio</i>	Mandatory every five years (part of operations and financial review) or <i>motu proprio</i>	Every five years or as necessary
Review of business plan	Upon application	Upon application	Upon application (To submit sustainability plan instead of business plan)

# Cash Flow Method for Category “A/B” Utilities

## Inflow:

- ✓ Water sales; connection fees; other revenues
- ✓ Existing and New Assets

## Outflow:

- ✓ Operating expenses
- ✓ New investments
- ✓ Unrecovered investments on existing assets

**Net flow** = Inflow - Outflow

Base Tariff: Tariff that will result to

Rate of Return = **12%** for Category A

= **0%** for Category B

# Simple Tariff Computation for Category “C” Utilities

$$\begin{array}{|c|} \hline \text{Average} \\ \hline \text{Tariff} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Required} \\ \hline \text{Revenue} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Volume} \\ \hline \text{Sold} \\ \hline \end{array}$$

# Regulation of Category “A/B” Utilities

All Category A/B applicants shall submit a bankable business plan which includes the following:

- Service Quality Standards and Yearly Service Level Target (current and proposed)
  - a. Water quality
  - b. Service connections
  - c. Non-revenue water
- Water Demand and Supply Analysis (current and proposed)
  - a. Population, growth and density for area currently served and proposed expansion areas
  - b. Demand projections based on service coverage targets

# Regulation of Category “A/B” Utilities (con’t.)

- c. Water production requirement
  - d. Water sources
- Revenue (current and proposed)
  - a. Billed volume
  - b. Basic water revenue
  - c. Other operating revenue
- Operating Expenses (current and proposed)
  - a. Direct expenses
    - Labor
    - Power

# Regulation of Category “A/B” Utilities (con’t.)

- Chemical
- Bulk water
- Repairs and maintenance of property used in service

## b. Indirect Expenses

- General and administrative expense
- Management fee
- Taxes
- Others

## Regulation of Category “A/B” Utilities (cont.)

- Capital Expenditures (CAPEX) (current and proposed)
  - a. Details and condition of property used in service, their replacement costs and their useful lives
  - b. Nature of the proposed CAPEX
  - b. Impact of proposed CAPEX on service levels
  - c. Impact of proposed CAPEX on tariff
- Loan Details
  - a. Loan amortization schedule
  - b. Loan agreements
- Audited Financial Statement

# Regulation of Category “C” Utilities

- Determination of Annual Revenue Requirements
  - a. Annual operating expenses (projected)
  - b. Loan amortizations
  - c. Provision for depreciation reserve



# Tariff Model – Consumption Block

## Public Taps, Residential and Institutional Consumers (Regardless of Meter Size):

Consumption Block	Proposed Tariff
0 - 5 cu.m.	P57.50 (Minimum Charge)
6 – 10 cu.m.	12.60 per cu.m.
11 – 20 cu.m.	13.60 per cu.m.
21 – 30 cu.m.	17.70 per cu.m.
31 – 40 cu.m.	19.80 per cu.m.
Over 40 cu.m.	21.90 per cu.m.

## Commercial and Industrial (Regardless of Meter Size):

Consumption Block	Proposed Tariff
0 - 15 cu.m.	P328.50 (Minimum Charge)
16 – 30 cu.m.	27.40 per cu.m.
30 – 500 cu.m.	32.90 per cu.m.
501 – 1000 cu.m.	32.90 per cu.m.
Over 1000 cu.m.	32.90 per cu.m.

Republic of the Philippines <b>NATIONAL WATER RESOURCES BOARD</b> 8 <sup>th</sup> Floor NIA Building, EDSA, Quezon City Telefax (02) 8920-2714		APPLICATION FOR <b>CERTIFICATE OF PUBLIC CONVENIENCE</b>			
Accomplish this form in six (6) copies. Attach separate sheet if more space is required.		Water Utility (WU) Category <sup>1</sup>		Case Number	
Name of Applicant		Mailing Address		Email Address	
				Contact No.	
Citizenship		TIN		Year Operations Started	
Provisional Authority Required? <input type="radio"/> Yes <input type="radio"/> No		Filing Fee Amount		OK No.	Date Paid
Location of Service Area					
Subdivision					
Barangay					
Municipality					
Province					
Type of Utility <input type="radio"/> Subdivision / Homeowners' Association <input type="radio"/> Rural Waterworks and Sanitation Association <input type="radio"/> Cooperative <input type="radio"/> Bulk Water Seller / Peddler <input type="radio"/> Others, specify:		Number of Connections With water meters _____ Without water meters _____ Meters tested? <input type="radio"/> Yes <input type="radio"/> No If tested, Tested by _____ Date tested _____		Kind of Water System <input type="radio"/> Draw and Fill <input type="radio"/> Float <input type="radio"/> Direct Pumping For Bulk Water Seller/Peddler, Average volume of water delivered per day (in cu. m.) _____	
Water Permit Information					
CWP/ Water Permit No.	Source	Latitude		Longitude	
		Deg.	Min.	Sec.	Deg.
Barangay Location of Source					
If water is bulk supplied, copy of agreement/contract/receipt					
See back page for pertinent requirements.					
I hereby certify that the information given above and the documents submitted are true and correct to the best of my knowledge and belief.		Subscribed and sworn to before me on this date:			
Signature over printed name of Water Utility Representative		Notary Public / Administering Officer Date			
<sup>1</sup> How to Determine the Water Utility Category					
Category A		Category B		Category C	
Water utilities operating for profit: 1. Privately-owned or privately run WUs; or 2. Government-owned and government-run WUs that opted to be classified or NWRB has classified as Category A; or 3. Community based WUs that: a) Have expanded/ are expanding outside original area of jurisdiction, or b) Opted to be classified or NWRB has classified as Category A		Government-owned or controlled, and government-run WUs that do not opt to be classified as Category "A" or NWRB has classified as Category B		Community based WUs that: 1) Are not operating for profit; 2) Have not expanded/ are not expanding outside their original area of jurisdiction; or 3) Do not opt to be classified as Category "A"/"B" or NWRB has classified as Category "A"	

**National Water Resources Board**  
**APPLICATION FOR**  
**CERTIFICATE OF PUBLIC CONVENIENCE**

Name of Applicant		Water Utility Category		Case Number	
Requirements				Cat. A	Cat. B
1	Articles of Incorporation/Partnership or DTI/CDA Registration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2	Authority to sign and file the application • Board Resolution for corporations and partnerships, or Board Secretary's Certificate • For single proprietorship, signed by owner or Special Power of Attorney	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3	Copy of approved Conditional /Water Permit/s If water is bulk supplied, copy of agreement/contract/receipt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4	Copy of latest Official Receipts of Annual Water Charge/s	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5	Copy of recent (within 1 year) Certificate of Potability issued by the City/ Municipal Health Officer where the source is located, with results of bacteriological, physical and chemical impurity tests conducted by a Department of Health accredited laboratory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6	Plan duly signed by a licensed Engineer <ul style="list-style-type: none"> <li>Water distribution system</li> <li>Elevation and cross-sectional views of tank/reservoir</li> <li>Elevation and cross-sectional views of pump house, machinery and equipment</li> </ul> for Category C, only sketch plan is required	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7	Latest audited financial statements for the waterworks operation only, if already operational for 1 year; for Category C: Income Statement and Balance Sheet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8	Simplified Financial Projection Model for Category C (hard/soft copy) with the following data: <ul style="list-style-type: none"> <li>Revenue requirements for one year, composed of:             <ul style="list-style-type: none"> <li>Operating expenses, with breakdown</li> <li>Depreciation</li> <li>Loan amortization due (interest and principal) per year</li> </ul> </li> <li>Estimated total consumption for one year (cu.m.)</li> </ul>			<input type="checkbox"/>	
9	Business Plan containing: <ul style="list-style-type: none"> <li>List of existing/required investments consistent with the 10-year business plan</li> <li>Proposed Tariff Schedule (Required for Category A, B, and C)</li> <li>Levels of service (e.g. water quality, water pressure, non-revenue water, number of hours of water supply per day)</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10	Financial Projection Model for Category A/Category B (hard and soft copy)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**“Yamang tubig pangalagaan,  
para sa kinabukasan”**

*THANK YOU AND STAY SAFE*

**National Water Resources Board**

8/F NIA Building, Diliman, Quezon City

Telephone (02)89202793/ (02) 8920-2714/ (02)9202834

Telefax Nos. (02)8920 2641

Website: [www.nwrp.gov.ph](http://www.nwrp.gov.ph)

Email address: [nwrpphil@gmail.com](mailto:nwrpphil@gmail.com)

