

OUR reviews JPS' 2016 Tariff Adjustment Submission

(KINGSTON, Jamaica; 2016 May 19): The Office of Utilities Regulation (OUR) is reviewing the Jamaica Public Service Company Limited's (JPS') submission for its annual tariff adjustment for 2016. The request for tariff review was made on 2016 May 04 and the OUR is expected to complete its review and issue its Determination within 60 days, that is, by 2016 July 03.

The adjustment will be the first under the provisions of the new Electricity Licence, 2016. On 2016 January 27, a modified licence was issued by the Government of Jamaica (GOJ) to JPS. The provisions of the new licence fundamentally change the regulatory framework and the methodology for the calculation of the tariff. JPS' submission is in keeping with the provisions of the Electricity Licence, 2016 which allows it to make annual filings to the OUR.

A provision of the new licence gives JPS leave to now operate under a revenue cap regime, as opposed to the price cap regime which was in existence at the time of the 2014-2019 Five Year Rate Review. Under the revenue cap regime, JPS' profits are separated from its energy sales and at each annual adjustment period, the unit price of electricity will vary with energy sales so as to allow JPS to recover its allowed revenue target. In contrast, the price cap regime which previously obtained, capped real prices over the five years. The price cap period was subject to inflation and productivity considerations.

JPS' submission asks that its annual revenue target be increased to J\$45.07 billion up from a base year target of J\$40.6 billion, an increase of 9.53%. This increase includes fluctuations in the value of the Jamaican dollar against the United States dollar and the inflation in the cost of providing electricity products and services.

The requested adjustment will require the OUR to apply the amended provisions of the licence in respect of such matters as:

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- Adding a surcharge to the revenue requirement. This includes a surcharge from foreign exchange, interest rate and revenue. JPS is proposing to add on J\$526.6 million which represents the foreign exchange and interest surcharge. As a result of the amendments to the licence, JPS is now allowed to include the total net interest expense or income which is paid or earned in the revenue requirement. Additionally, JPS is now entitled to an adjustment on its revenue requirement for any foreign exchange loss which it may incur in the prior year in relation to working capital and debt service driven by Jamaican to US dollar exchange results.
- Adjustments to the 2014/2015 approved prepaid rates for the Residential Rate 10 and Commercial Rate 20 customers.
- The introduction of interests rates on outstanding balances owed by commercial and Government of Jamaica (GOJ) customers.

The full submission is available on the OUR's website at www.our.org.jm.

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