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**Jamaica Public Service Company, Limited**

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**Application for Tariff Review 2000**

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**RATE DETERMINATION**

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**OFFICE OF UTILITIES REGULATION**

333.793 OUR(589)

## Chapter 1

### The JPS Tariff Application 2000

#### 1.1 Background

In June 2000 Jamaica Public Service Company (JPS), the monopoly supplier of electricity commercially in Jamaica submitted an application for a tariff review to the Hon. Minister of Mining and Energy, the regulator of electricity services under the legislation now in effect. The company wished to have the new tariffs become effective on 1<sup>st</sup> September 2000. The Minister requested the Office of Utilities Regulation (OUR) to evaluate the application and to advise him on the appropriate courses of action. During the course of discussions with the OUR, JPS revised its original submission, and the revised proposal is the basis on which this report has been prepared. In its submission the company argued that an increase in tariffs was necessary to:

- (a) ensure that the Company remains financially viable while undertaking the system maintenance and expansion necessary for a reliable service;
- (b) promote the efficient use of electricity by sending the correct price signals to consumers;
- (c) simplify the tariff structure which is critical to customer satisfaction.

The tariff schedule proposed by the company is included as Appendix 3 to this report.

The proposed new tariff schedule not only included new rates which would result in higher prices to the average consumer, but also significantly restructured the bases on which the rates in the individual tariff categories were calculated.

The rates proposed by JPS did not incorporate the effects of the capital restructuring which was a subsequent event. Any comparison of proposed and approved rates should be done with the understanding that the bases are different.

#### 1.2 Proposed Tariff

The JPS application proposes an increase of 9% on the average tariff, which would provide revenues of \$18,631 million and net profits before interest of J\$2,705 million for the test year. The following table shows the expected average tariff for the period.

