

## **OUR determines customers to pay less for electricity**

**(KINGSTON, Jamaica; 2017 September 5):** Come September 1, Jamaica Public Service Company Limited (JPS) customers should see about a 2% drop in their bills as a result of the Office of Utilities Regulation's (OUR's) decision on the Annual Tariff Review application submitted by the light and power company on 2017 May 5.

JPS had asked that its 2017 annual non-fuel revenue target be set at \$50.8 billion. If JPS' request was granted, it would have translated to an estimated average increase of 4.5% on the non-fuel tariff across all rate classes. This would have seen the typical bill for residential and small commercial customer (Rates 10 & 20) (both non-fuel and fuel cost combined) increasing on average by about 2.8%. The typical bill for large commercial customers (Rates 40 & 50) would have seen increases in the range of 1%-2%.

The effect of the OUR's determination is that there will be a 1.8% overall reduction on the average customer bill. This reflects the net of:

- An effective increase of 1.64% in the 2014 base non-fuel Revenue Cap;
- The termination of the Electricity Efficiency Improvement Fund (EEIF) valued at US\$6.5 million annually;
- The resetting of JPS Heat Rate Target from 11,620 kJ/kWh to 11,450 kJ/kWh;
- A Z-factor adjustment of 4.89% for accelerated depreciation expenses in 2016;
- Surcharge adjustment of -4.06% associated with volumes, exchange rate recovery and system losses penalty;
- Adjustment to the Rate Base (2014) of 0.65% for inflation and exchange rate movement;
- An adjustment for the Current Portion of Long Term Debt (CPLTD) of 1.59% not previously included in the Rate Base.

The average bill impact across all rate classes is as follows for typical:

- Rate 10 customer = -1.6% (Decrease)
- Rate 20 customer = -1.6% (Decrease)
- Rate 40 customer = -2.0% (Decrease)
- Rate 50 customer = -2.0% (Decrease)
- Rate 70 customer = -10.0% (Decrease) - \*NEW

## **Customers to Pay Less for Electricity .../2**

The OUR has also approved the introduction of a new interim rate class (Rate 70) for customers whose peak demand at a single location is at, or above, 2MVA. JPS had proposed the introduction of this new wholesale rate class amidst concerns of grid defection, and the impact this would have on remaining customers. The company had asked for a 21% reduction in bills for this category of customers arguing that this would encourage them to remain on the grid and thereby prevent the resulting steep increase in the cost of electricity to other rate classes including smaller customers. While not accepting the proposed 21% reduction in the average rate for these customers, the OUR approved the establishment of an Interim Rate 70 class and a 10% reduction in the rates to customers who fall within this new rate class.

The OUR also approved a Community Renewal Rate to be charged for residential (Rate 10) service which will be a flat rate of J\$9.59/kWh for consumption up to 150kWh. This is a special tariff for persons who are on the Programme of Advancement Through Health and Education (PATH). Customers consuming more than 150kWh per month, will pay the regular prepaid or post-paid rate, whichever is applicable, for the incremental consumption above 150kWh per month.

JPS' claim for the retroactive recovery of returns of J\$336.7 million in respect of unrecovered Current Portion of Long Term Debt (CPLTD) in 2016 has been denied by the OUR. The claim for J\$636.7 million for 2017 has, however, been approved.

Arising from changes to the rate of return on investment and adjustment to JPS' depreciation expenditure based on the OUR determinations made in the 2017 Extraordinary Rate Review Determination Notice, the company's revenue cap expressed in 2014 Jamaican dollars has been revised to J\$41.8 billion which is an upward adjustment of J\$260.6 million.

The OUR has determined that JPS is to discontinue the collection of revenues through the EEIF, which was established in 2009 and collected through a separate line item on customers' bills. JPS had requested that the EEIF be disbanded and replaced with the System Benefit Fund (SBF), from which the proceeds would be used to fund house wiring in targeted communities. The OUR rejected this proposal.

However, consistent with Section 50 of the Electricity Act, 2015 and in compliance with the request of the Ministry of Science, Energy and Technology (MSET), the OUR approved the establishment of the SBF for the purposes contemplated in the Electricity Act, 2015 in the initial amount of US\$5.0 million in the first year. To start this Fund, JPS has been directed to transfer from existing outstanding obligations accruing to the EEIF, the amount of US\$500,000 each month over the next ten (10) months commencing 2017 September, to an account to be established by the OUR for the SBF.

### **Customers to Pay Less for Electricity .../3**

JPS submitted its application to the OUR for the annual review of Non-Fuel Base Revenue, and a request for an extraordinary rate review, in its document - Annual Tariff Adjustment Submission for 2017 & Extraordinary Rate Review dated 2017 May 05. This review marks the second annual adjustment being sought under the new Licence and the third since the issuance of the 2014 – 2019 Determination Notice.

Please see the OUR's full Determination Notice on JPS' application on our website: [www.our.org.jm](http://www.our.org.jm)

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