



**Office of Utilities Regulation**  
Regulating Utilities For The Benefit Of All

# OUR's Determination Notice on JPS Tariff Application

The Office of Utilities Regulation's determination in the application for a tariff review submitted by the Jamaica Public Service Company became effective on January 7, 2015.

JPS, consistent with the conditions of the Amended and Restated All-Island Electric Licence, 2011 (the "Licence"), submitted an application for a tariff review in April 2014, after which ensued a period of public consultation, clarification and intensive analytical work by the Office of Utilities Regulation's (Office/OUR) technical staff. JPS was also provided with a preview of the draft Determination Notice on which it submitted extensive comments and further engaged the Office's technical staff. The OUR has now concluded its review of the application, considered JPS' comments and has issued its Determination Notice.

### Highlights of the OUR's decision:

#### Non-Fuel Rates

Effective January 07, 2015 the Average Base Non-Fuel Rate to be charged to customers by JPS shall be US\$0.1288/kWh (J\$14.42/kWh at a base exchange rate of J\$112.00:US\$) compared with US\$0.1295/kWh (J\$12.76/kWh at a base exchange rate of J\$98.50:US\$) which was approved by the Office in the Jamaica Public Service Company Limited Annual Tariff Adjustment for 2013 – Determination Notice.

JPS requested a 37.35% increase in the average non-fuel rate expressed in J\$ per kilowatt hour (a 20.8% increase expressed in US\$ per kilowatt hour terms as presented in its submission). The Office's Determination will result in a 13.0% change in the average non-fuel rate in J\$ per kilowatt hour, (a -0.6% change expressed in US\$ per kilowatt hour terms) compared to the 2013 rates. When the 2014 Annual Inflation and F/X Adjustment to date are taken into account, the effective change in J\$ terms will be - 0.96% as shown in the table below.

#### Change in Non-Fuel Rate (2014 over 2013)

Year	Approved Revenue		Sales (MWh)	Price		J\$: US\$
	J\$'000	US\$'000		J\$/kWh	US\$/kWh	
2013	38,483,434	390,695	3,015,791	12.76	0.1295	98.50
2014	42,969,198	383,654	2,979,803	14.42	0.1288	112.00
<b>Change in Base Rate 2014 over 2013</b>				<b>13.00%</b>	<b>-0.6%</b>	
<b>2014 Annual Inflation and F/X Adjustment to Date</b>				<b>13.96%</b>		
<b>Effective Change in Non-Fuel Rate</b>				<b>-0.96%</b>		

The proposed rates by JPS would have resulted in an increase in non-fuel rates in excess of 20%.



## THE IMPACT ON CUSTOMERS' BILLS

The impact on customers' bills will vary depending on a number of factors including rate class, consumption levels and prevailing fuel prices.

The table below indicates what the impact would have been on bills using the billing data for November 2014 and representative consumption levels.

#### Estimated Bill Impact of the Office's Determination using November 2014 Billing Data

Customer Class	Overall Bill Impact of the OUR Approved Rates			
	Typical Usage (kWh)	Demand (kVA)	Total Bill Impact (%)	Average Change (%)
RT 10 LV Res. Service < 100 kWh	90	n/a	-3.9%	-1.9%
RT 10 LV Res. Service 100 500 kWh	200	n/a	-1.5%	
RT 10 LV Res. Service > 500 kWh	600	n/a	-0.2%	
RT 20 LV Gen. Service < 100 kWh	90	n/a	-6.2%	-5.0%
RT 20 LV Gen. Service 100 1000 kWh	1,000	n/a	-4.7%	
RT 20 LV Gen. Service 1000 7500 kWh	5,000	n/a	-4.5%	
RT 20 LV Gen. Service > 7500 kWh	8,000	n/a	-4.5%	
RT 40 LV Power Service (Std)	35,000	100	-0.8%	-1.1%
RT 50 MV Power Service (Std)	500,000	1,500	-1.3%	
RT 50 MV Power Service (TOU <sub>(on-peak)</sub> )	500,000	1,500	-1.3%	
<b>Efficiency Targets:</b>	<b>System Losses Target</b>		<b>JPS Thermal Heat Rate Target</b>	
	19.20%		12,010 kJ/kWh	

## OTHER DECISIONS

- The OUR did not approve a change from the price cap to a revenue cap regime as requested by the JPS.
- The JPS' request to charge interest on commercial customers' accounts was not approved. The JPS had proposed to charge an interest rate of 15% on outstanding debt by commercial customers.
- The OUR granted the JPS' request for the continuation of an Electricity Efficiency Improvement Fund (EEIF). The EEIF was introduced in the last rate case filing in 2009 to fund loss reduction activities, and is already included in customers' bills. However, it will now be more visible as a separate line item on bills.
- The OUR has approved the implementation of, and has specified the rates for **pre-paid metering** for residential customers who agree to opt for this service.

## JPS BOGUE PLANT Reconfiguration Fund (BPRF)

To ensure optimal operation of the electricity System and the minimization of the total variable cost of electricity production by JPS, the Office considers it an imperative that JPS' Bogue Combined Cycle Gas Turbine (CCGT) unit be reconfigured to accommodate the utilization of gas-based fuels such as natural gas (NG) or alternatives, which are cheaper than automotive diesel oil (ADO). In this regard the Office APPROVED the establishment of a BPRF with the following conditions:

- The amount for the BPRF shall be US\$15M which shall be accumulated over a 12-month period commencing on the effective date of this Determination Notice.
- The revenues for the BPRF shall be collected through a separate line item in the monthly FUEL RATE CALCULATION. This means that JPS shall apply equal amounts of US\$1.25M to the fuel rate on a monthly basis over the stated 12-month accumulation period.
- For the avoidance of doubt, the BPRF collection as specified above shall terminate after the designated 12-month period when the fund has accumulated to the amount of U\$15M.
- The BPRF shall be used firstly and primarily for the reconfiguration of the Bogue CCGT to accommodate the use of gas-based fuels.
- JPS shall be required to submit to the Office by February 28, 2015 a complete proposal for the implementation of this project, which shall include, inter alia, a credible feasibility study, procurement strategy, project costs and a project implementation schedule.
- Any portion of the BPRF remaining after the execution of the reconfiguration of the Bogue CCGT may be used to support capital projects aimed at improving the efficiency of other JPS-owned generating facilities. However, in pursuance of such projects, JPS shall be required to submit proposal(s) to the Office for review and approval before such funds are committed.
- The Office will prescribe the rules that will govern the administration and utilization of the BPRF after the effective date of this Determination Notice.

## JPS GUARANTEED STANDARDS

The Office has determined that all breaches of the JPS' Guaranteed Standards shall attract an automatic compensation by June 2016.

The OUR recognizes that JPS may need to put the necessary systems in place to apply automatic compensation to all breaches. Accordingly, the mechanism for all standards to attract automatic compensation will be implemented on a phased basis. In the first phase, which takes effect on **June 1, 2015**, the number of standards attracting automatic compensation shall increase to eight (8) with the inclusion of the following four (4) standards:

- EGS 1: Connection to Supply – New and Simple Connections
- EGS 8: Estimation of Consumption
- EGS 10: Billing Adjustments
- EGS 14: Compensation

At the second phase, which shall take effect on January 1, 2016, the following four (4) standards will attract automatic compensation thereby bringing the total automatic compensation standards to twelve (12):

- EGS 2a: Connection to supply - within 30 and 100 meters of the existing distribution line
- EGS 2b: Connection to Supply - within 101 and 250 meters of the existing distribution line
- EGS 4: First bill
- EGS 15: Transitioning of existing customers to RAMI System

The final phase shall take effect on June 1, 2016 at which time all Guaranteed Standards shall attract automatic compensation.

The Guaranteed Standards shall become effective on January 7, 2015.

YOU CAN ACCESS THE FULL DETERMINATION NOTICE ON OUR WEBSITE AT WWW.OUR.ORG.JM

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ADVT.