
Office of Utilities Regulation

**Jamaica Public Service Company Limited
Annual Tariff Adjustment 2007**


Determination Notice



OFFICE OF UTILITIES REGULATION

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*Jamaica Public Service Company Limited
Annual Tariff Adjustment 2007
Determination Notice
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1. PURPOSE OF DOCUMENT: This document sets out the Office's decisions on issues related to the annual price adjustment (2007) under the price control regime that became effective under the 2004 Tariff review. See Decision Ele 2004/1
APPROVAL This document is approved by the Office of Utilities Regulation and becomes effective as of June 1, 2007. On behalf of the Office:  J Paul Morgan Director General June 1, 2007

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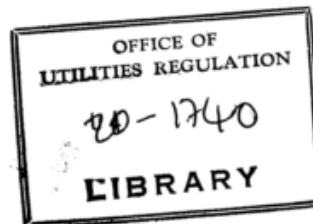


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Introduction

This is the third annual tariff adjustment under the current price cap control mechanism which was implemented on June 1, 2004 in compliance with Schedule 3 of the Jamaica Public Service Company Limited (JPS) All-Island Electricity Licence ('the Licence'), (OUR Document Ele 2004/2.1). In that Tariff Determination, the Office set the average non-fuel rate at J\$5.627/kWh. It also directed that the price cap be applied on a global basis. Specifically, the annual adjustment resulting from changes in the inflation offset index including efficiency gains and changes in quality of service is to be applied to the tariff basket instead of the individual tariffs. JPS is allowed to adjust the tariffs for each rate class on such a basis that the weighted average increase of the tariff basket does not exceed the price adjustment.

The annual adjustment calculates the movement in the base rates charged by JPS. The Company is allowed to make interim monthly adjustments to take into account movements in the foreign exchange rate. The effective change in rate at the annual adjustment for the average customer would therefore be the value of the annual adjustment of the base less the accumulated value of the foreign exchange adjustments over the preceding year.

Under normal circumstances, the consideration of the annual adjustment would be a simple exercise as it would only be for the OUR to verify the adjustment factors to be applied by JPS – the decision already having been handed down in the 2004 tariff. JPS, however, has included in the submission, as is its right, other considerations which require the Office's specific attention.

In this 2007 annual tariff filing, JPS has proposed that the Q-factor be set at zero and that the Office utilize the 2005 performance data for SAIDI, SAIFI and CAIDI in the determination of the benchmark values for the 2007 tariff.

JPS did not experience any hurricane storm damage during 2006, and consequently the company has proposed to commence the process of recovering the undisputed amount of the 2004 Hurricane Ivan claim approved by the Office, while awaiting the decision of the Appeals Tribunal to which the Company had appealed pursuant to Condition 32 of the Licence.

1.0 Summary of the Office's Decision

The Licence stipulates that the annual PBRM filing follow the general framework where the **annual rate of change in non-fuel base electricity prices (dPCI)** is determined through the following formula:

$$dPCI = dI \pm X \pm Q \pm Z$$

where

dPCI = annual rate of change in non-fuel base electricity prices;

dI = the annual growth rate in an inflation and devaluation measure;

X = the offset to inflation (annual real price increase or decrease) resulting from productivity changes in the electricity industry;

Q = allowed price adjustment to reflect changes in the quality of service provided to the customers; and

Z = the allowed rate of price adjustment for special reasons not captured by the other elements of the formula.

The Price Index (PCI) is therefore to be adjusted as follows:

$$PCI_t = PCI_{t-1}(1 + dPCI)$$

The price cap is to be applied on a global basis. Specifically, the annual adjustment factor (1 + dPCI) is to be applied to the tariff basket instead of the individual tariffs for each rate class. While each rate class attracts a specific weighting the weighted average increase of the tariff basket must not exceed the global price adjustment factor (1 + dPCI).

At any time the actual price index (API) must be less than PCI

$$dI = [0.76 * e + 0.76 * 0.922 * e * i_{US} + 0.76 * 0.922 * i_{US} + 0.24 * i_j]$$

where:

e = Percentage change in the Base Exchange Rate

i_{US} = US inflation rate (as defined in the Licence)

i_j = Jamaican inflation rate (as defined in the Licence)

0.76 = US factor

0.24 = Local (Jamaica) factor

1.1 Annual Inflation and Devaluation Growth Rate (dI)

- From the application of the following factors (submitted by JPS and verified to be correct):
- The Jamaican twelve-month point-to-point inflation rate to February 28, 2007 of 6.19%, derived from the most recent CPI data¹ (i_j);
- The U.S. twelve-month point-to-point inflation rate to February 28, 2007 of 2.42%, derived from the US Department of Labour statistical data² (i_{US}); and
- The change in the base exchange rate from J\$65:US\$1 to J\$68:US\$1

dI is determined to be 6.76%

This is to be offset by the 3.51% for the cumulative monthly adjustment due to foreign exchange movements during the year

1.2 Annual X - Factor Offset to Inflation (X)

X = 2.72% as previously determined in 2004 (Ele2004/2.1) is applicable for the 2007 annual tariff adjustment

1.3 Allowed Q-Factor Price Escalation reflecting Changes in Service Quality (Q)

The Q-factor adjusts the annual escalation rate to reflect changes in quality of service provided to customers by JPS.

Based on its review and the analysis of the prevailing issues the Office has determined that for the 2007 adjustment, Q = 0

1.4 Allowed (Z-Factor) Price Escalation reflecting Special Circumstances (Z)

The Z-factor is the allowed rate of price adjustment to compensate the Company for the impact of events that:

- Affect JPS costs;
- Are not captured by the other elements of the formula; and
- Are not due to managerial decisions

In its filing, JPS has made a request to recover Hurricane Ivan costs based on the OUR Z-factor Determination (Ele 2005/05).

In 2005 a Claim was made by JPS to recover J\$1,465.6 million under the Z-component of PBRM in relation to (i) hurricane restoration costs, (ii) loss of revenue and (iii) opportunity costs. In its Determination on the matter (Ele 2005/05) the Office determined that the

¹ Obtained from the Statistical Institute of Jamaica, CPI Statistical Bulletin February 2007)

² Obtained from US Bureau of Labour Statistics website, <http://data.bls.gov/cgi-bin/surveymost>

Company could recover costs incurred of J\$457.5 million through the tariff over a period of 24 months and as such an additional charge of J\$0.0729/kWh was allowed in the tariff commencing with bills prepared on October 1, 2005.

The company filed an Appeal of this Decision with the Appeals Tribunal pursuant to Condition 32 of the All-Island Electricity Licence 2001 and as a consequence did not implement the Decision.

In the current application JPS has requested the Office's consent to recover J\$433.0 million without prejudice to the ongoing appeal. It also proposes that the amount be recovered over 12 months rather the 24 months prescribed by the Office in its Determination Ele 2005/05.

The Office has noted the Company's request that the allowed costs be recovered over 12 months, but it is of the view that any amendment to the Decision would be tantamount to a Reconsideration and it would therefore not be prudent to vary any aspect of the decision while the matter is on Appeal. Accordingly, the Office has no objection to the Company implementing its Decision Ele 2005/05, noting that this is without prejudice to the Company's Appeal. This will result in an additional charge to the non-fuel rates of 7.41¢ per kilowatt hour which will have a total bill impact of approximately 0.5% for the typical residential customer commencing with bills prepared on June 1, 2007 and will continue for a period of 24 months.

1.5 Total non-fuel Adjustment

The annual Adjustment of the base non-fuel tariffs approved by the Office effective **June 1, 2007** are –

dI	6.76%
X	(2.72%)
Q	0%
Z	0%
<i>Subtotal dPCI</i>	<i>4.04%</i>
Total change in non fuel base rates	4.04%
Less foreign exchange base rate movement	3.51%
Effective change in non-fuel rates	0.53%

Additional 2005 determined Z-factor charge of J\$0.0741/kWh representing 1.24% increase in non-fuel tariff

It is estimated that this will reflect in a 0.92% increase in the overall bill resulting from an average non-fuel increase of approximately 1.78% in the June electricity bill over the May bill for the typical residential customer.

As provided for in the Licence, this increase is applied to the basket of tariffs and JPS may adjust rate schedule individually, so long as the average does not exceed the average total adjustment.

Inflation Adjusted Base Non-Fuel Tariffs (dI ± X ± Q+Z)

Class	Block/ Rate Option	Customer Charge JS/ kWh	Energy JS/kWh	Demand JS/KVA			
				Std.	Off-Peak	Part-Peak	On-Peak
Rate 10	LV	0-100 kWh	82	5.249			
Rate 10	LV	>100 kWh	82	9.225			
Rate 20	LV		188	8.160			
Rate 40A	LV		2,610	5.261	328		
Rate 40	LV - Std		2,610	2.152	839		
Rate 40	LV - TOU		2,610	2.152		34	366
Rate 50	MV - Std		2,610	1.940	755		468
Rate 50	MV - TOU		2,610	1.940		31	329
Rate 60	STREET-LIGHTS		684	9.687			

The Z- factor which represents hurricane Ivan recovery charge shall be \$0.0741 per kilowatt-hour for all kilowatt-hours. This charge will remain in force for a period of 24 months commencing with bills prepared as of July 1, 2007. The per kilowatt hour charge is to be clearly identifiable on all customer bills and will be removed once the full recovery has been attained.

2.0 Summary of JPS' Proposal for Rate Adjustment

In compliance with the All-Island Electric Licence 2001 ("the License"), JPS filed an application, dated 2nd April 2007, for the annual rate adjustment with the Office. The Company, in its submission, sought approval for the following:

- A weighted average annual adjustment factor (dI) of 6.76% on the June 2006 non-fuel base rates in keeping with the annual adjustment clause contained in the rate schedule. This inflation adjustment does not take into account the movement in the foreign exchange component of the index during the year. This year also represents the second year in which the 2.72% productivity factor will be applied in accordance with the Office's June 25, 2004 Determination (Ele 2004/2.1). The weighted average increase in inflation will be offset by the 2.72% productivity factor, resulting in an increase of 4.04% in the non-fuel base tariffs of June 2006. The fuel portion of the bill now accounts for approximately 48.5% - 50% of the average bill.
- JPS has proposed to commence the process of recovering the undisputed amount of the 2004 Hurricane Ivan claim approved by the OUR (Office Decision Ele 2005/05), while awaiting the hearing of the matter by the Appeals Tribunal. This would result in an additional charge to the non-fuel rate of 14.6¢ per kWh which would have a total bill impact of approximately 1% for the typical residential customer.

In 2005 a Claim was made by JPS to recover J\$1,465.6 million under the Z-component of PBRM in relation to (i) hurricane restoration costs, (ii) loss of revenue and (iii) opportunity costs. The OUR made its determination in Office Decision Ele 2005/05 allowing recovery of J\$457.5 million

Since the OUR's Z-factor Determination, JPS has not attempted to recover the J\$457.5 million award. This was due primarily to the fact that JPS is disputing the basis and quantum of the amount awarded for under the Z-factor:

JPS now requests the Office's consent to recover the amount over 12 months without prejudice to the ongoing Appeal.

JPS has proposed that, given that the original award of J\$457.5 million was based on an assumed 24 month recovery period, it included J\$91.7 million as the opportunity cost of capital using an interest rate of 11.38% but in changing to a recovery period of 12 months the quantum recovered would be J\$433.0 million.

2.1 JPS' Proposals on the Q-Factor

In its filing for the Q-factor to be set at zero in this 2007 annual tariff submission JPS has proposed that the OUR utilizes JPS' 2005 performance data on SAIDI, SAIFI and CAIDI as the benchmark quality indices in the determination of the Q-factor. JPS has compiled and submitted the performance data for the calendar year 2006. JPS proposed that the submitted data be used to form the basis of determining the Q-Factor along with the previously established benchmark for 2005.

JPS' performance for 2006 in the three main quality-of-service measures: SAIDI, SAIFI and CAIDI are shown in the table below. The data shown here is for the complete system performance and includes interruptions due to generation, transmission and distribution outages. Additionally, the distribution interruptions include both feeder level and sub-feeder level outages. All the computations are based on the 2005 customer base of 555,548. JPS posited that it shows a peak in SAIDI and SAIFI in July, which is the month when JPS experienced a total system shutdown.

Table 2.1: JPS 2006 Performance on SAIDI, SAIFI and CAIDI

<i>Month</i>	<i>JPS Outage Data</i>		
	<i>SAIDI</i>	<i>SAIFI</i>	<i>CAIDI</i>
<i>January</i>	130.01	1.49	87.26
<i>February</i>	116.23	1.10	105.66
<i>March</i>	118.70	1.35	87.93
<i>April</i>	181.82	2.03	89.57
<i>May</i>	314.15	3.70	84.91
<i>June</i>	412.53	3.34	123.51
<i>July</i>	638.12	5.96	107.07
<i>August</i>	287.48	2.57	111.86
<i>September</i>	334.96	3.42	97.94
<i>October</i>	462.90	5.09	90.94
<i>November</i>	289.52	2.14	135.29
<i>December</i>	149.89	1.69	88.69
<i>Grand Total</i>	3,436	33.88	101.43

JPS has proposed that the target for 2006 be based on the data supplied in the 2006 Annual tariff adjustment submission, which was 3,428 for SAIDI; 36.65 for SAIFI; and 93.52 for CAIDI.

JPS' performance in 2006 would be classified into the dead band performance range when compared to the benchmark target, as noted in table 2.2 below:

Table 2.2: Actual 2006 Q-factor Performance vs. the 2006 Target

SAIDI	worsened by	0.24%	equaling	0 Quality Points
SAIFI	improved by	7.56%	equaling	0 Quality Points
CAIDI	worsened by	8.46%	equaling	0 Quality Points

JPS proposed that since the sum of the quality points on SAIDI, SAIFI and CAIDI is 0, then 'Q' = 0 would apply for the 2007 annual tariff adjustment submission.

JPS proposed that the performance targets for 2007 shall be based on the 2006 benchmark adjusted for 2% improvement for each of the indices (SAIDI, SAIFI and CAIDI) as noted previously in Table 2.1. The actual performance targets for 2007 are shown in table 2.3 below:

Table 2.3: Setting the 2007 Q-factor Performance Benchmark

2006	Target	Adjustment factor	2007 Target
SAIDI	3,428	* (1- 0.02) =	3,359
SAIFI	36.65	* (1- 0.02) =	35.92
CAIDI	93.52	* (1- 0.02) =	91.65

Additionally, JPS proposed that the 2006 customer-count, reflecting a customer base of 572,086, be used as the basis for the calculation of the 2007 indices.

Performance Measurement 2006 – 2009

Planned Improvements in Data Collection

In the 2007 submission JPS has advised that it has commenced a geographic information system (GIS) project to establish and maintain a more accurate customer count on each distribution feeder, and in particular, the customer count on each branch circuit. This will be achieved by the GPS mapping of all the customer meters, which will be superimposed on the GIS feeder route and the GPS position of the line switches, fuses and pole-mounted transformers will be recorded and mapped in a similar way. The project is divided into three phases as described below:

Phase I involved the **GPS mapping of all customer meters**. This phase was completed in the fourth quarter of 2005.

Phase II – Map All Line Switches (Isolating and Interrupting Device) Locations. Phase II involved the GPS mapping of all switch locations, with the exception of transformer switches, on each feeder. This phase was completed in the fourth quarter of 2006.

Phase III – Map All Transformer Locations Including Secondary Dead-End Points. Phase III commenced February 2007 and is expected to be completed during the third quarter of 2007. This phase involves the GPS mapping of all pole-mounted and pad-mounted transformer locations and their associated secondary dead-end points.

As a result of the above, JPS does not anticipate being able to improve the current measurement process until 2008 and thus does not anticipate being able to reset the benchmark for 2007 as was suggested as one possibility last year. Additionally, it is noted that JPS will not be able to automatically measure the duration of outages at the sub-feeder

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level. This would require a significant investment in distribution automation equipment across approximately 36,000 secondary circuits. The end and start times for outages at the sub-feeder level will be determined in accordance with the methodology for data collection and storage previously outlined by JPS. The Office has noted the significant capital costs of approximately US\$9 million involved in providing appropriate technologies to improve its data collection and outage monitoring capabilities.

JPS' Response on Force Majeure

JPS proposed that the network be divided into electrical/operational areas as opposed to geographical areas. Each network element can be associated with a specific number of customers downstream based on the cause and effect principle. JPS would seek exclusion from the calculation of reliability indices in relation to the customer set associated with the electrical/operational failure only. JPS would apply for exclusion based on the primary network element and the associated affected customers and indicate the beginning and ending time of the event.

JPS proposes that the 2005 baseline data be examined to ascertain the extent to which *Force Majeure* type events have contributed. To the extent that these events have been incorporated in the baseline data, JPS proposes that any application for *Force Majeure* exclusion must be evaluated against this baseline norm taking into consideration the number of customers and the impact of the event.

3.0 Office's Analysis of the Performance Base Ratemaking Mechanism (PBRM)

Effective June 1, 2005 and annually thereafter, JPS is permitted to make an adjustment to the non-fuel base rate on the basis of the formulae below:

$$\text{ABNF}_y = \text{ABNF}_{y-1} (1 + \text{dPCI})$$

Where:

ABNF _y	= Adjusted Non-Fuel Base Rate for Year "y"
ABNF _{y-1}	= Non-Fuel Base Rate prior to adjustment
dPCI	= Annual rate of change in the non-fuel electricity prices as defined below
PCI	= Non-fuel Electricity Pricing Index

Additionally, the annual PBRM filing should follow the general framework where the annual rate of change in non-fuel electricity prices (dPCI) is determined through the following formula:

$$\text{dPCI} = \text{dI} \pm \text{X} \pm \text{Q} \pm \text{Z}$$

where

dCPI	=	annual rate of change in non-fuel electricity prices;
dI	=	the annual growth rate in an inflation and devaluation measure;
X	=	the offset to inflation (annual real price increase or decrease) resulting from productivity changes in the electricity industry;
Q	=	allowed price adjustment to reflect changes in the quality of service provided to the customers; and
Z	=	the allowed rate of price adjustment for special reasons not captured by the other elements of the formula.

The price cap is to be applied on a global basis. Specifically, the annual adjustment factor (1 + dPCI) is to be applied to the tariff basket instead of the individual tariffs for each rate class. While each rate class attracts a specific weighting the weighted average increase of the tariff basket must not exceed the global price adjustment factor (1 + dPCI).

3.1 Annual growth rate in inflation and devaluation

The annual growth rate in inflation and devaluation factor dI is calculated by the formula -

$$dI = [0.76 * e + 0.76 * 0.922 * e * i_{US} + 0.76 * 0.922 * i_{US} + 0.24 * i_j]$$

where:

- e = Percentage change in the Base Exchange Rate
- i_{US} = US inflation rate (as defined in the Licence)
- i_j = Jamaican inflation rate (as defined in the Licence)
- 0.76 = US factor
- 0.24 = Local (Jamaica) factor

The application of the above formula results in an annual adjustment factor of **6.76%** derived using the following factors:

- The Jamaican twelve-month point-to-point inflation rate to February 28, 2006 of **6.19%**, derived from the most recent CPI data³;
- The U.S. twelve-month point-to-point inflation rate to February 28, 2006 of **2.42%**, derived from the US Department of Labour statistical data⁴; and
- The change in the base exchange rate from J\$65:US\$1 to J\$68:US\$1

Annual inflation adjustment (dI) calculation

Escalation Factor

Table 2.1

Line	Description	Formula	Value
Base Exchange Rate			
L1	Current		65
L2	Proposed		68
Jamaica Inflation Index			
L3	CPI @ Feb 2006		2,437.2
L4	CPI @ Feb 2005		2,295.1
US Inflation Index³			
L5	CPI @ Feb 2006		203.5
L6	CPI @ Feb 2005		198.7
L7	Exchange Rate Factor	$(L2-L1)/L1$	4.62%
L8	Jamaican Inflation Factor	$(L3-L4)/L4$	6.19%
L9	US Inflation Factor	$(L5-L6)/L6$	2.42%
Escalation Factor		$0.76 * L7 * (1 + 0.922 * L9) + 0.76 * 0.922 * L9 + 0.24 * L8$	6.76%

³ Obtained from the Statistical Institute of Jamaica, CPI Statistical Bulletin February 2007)

⁴ Obtained from US Bureau of Labour Statistics website, <http://data.bls.gov/cgi-bin/survey/most>

3.2 X – Factor Component of PBRM

The X-Factor is based on the expected productivity gains of JPS. The X-Factor is to equal the difference in the expected total factor productivity growth of the Licensed Business and the general total factor productivity growth of firms whose price index of outputs reflect the escalation measure 'dI'.

The X-Factor was determined by the Office to be 2.72% to be applicable in 2006. The effect on the 2006 annual tariff adjustment is outlined in Tables 2.1 – 2.4 below.

3.3 Q-Factor Component of PBRM

Another factor under the PBRM is the Q-factor, the allowed price adjustment to account for changes in the quality of service provided to customers.

The Office is of the view that the Q-factor should meet the following criteria:

- Provide the proper financial incentive to encourage JPS to continually improve service quality. It is important that variations should not be rewarded or punished if the probability of them occurring without the action of management is large.
- Measurement and calculation should be accurate and transparent without undue cost of compliance.
- It should provide fair treatment for factors affecting performance that are outside of JPS' control, such as those due to disruptions by the independent power producers; natural disasters; and other Force Majeure events, as defined in the Licence.
- It should be symmetrical in application, as stipulated in the Licence.

In the 2004 Tariff Review Determination the Office stipulated that the Q-Factor be based on three quality indices:

- System average interruption frequency index (SAIFI)

$$\text{SAIFI} = \frac{\text{Total number of customer interruptions}}{\text{Total number of customer served}}$$

- System average interruption duration index (SAIDI)

$$\text{SAIDI} = \frac{(\sum \text{Customer interruption durations})}{\text{Total number of customer served}}$$

- CAIDI (customer average interruption duration index) is an industry-defined term that is the result of dividing the duration of the average customer's sustained outages by the frequency of outages for that average customer.

$$\text{CAIDI} = \frac{(\Sigma \text{ Customer interruption durations})}{\text{Total number of interruptions}}$$

The Office's June 2004 Determination Notice required JPS to implement a mechanism to collect the data on forced outages at both the feeder and sub-feeder levels and to have the data audited and analyzed. Baseline data on System Average Interruption Duration Index (SAIDI)⁵, the System Average Interruption Frequency Index (SAIFI)⁶ and Customer Average Interruption Duration Index (CAIDI)⁷ should have been included with the 2005 annual adjustment filing in order that the Q-Factor can be applied as part of the PBRM. The Office posited at the time that should JPS not provide the supporting data, it would apply international benchmarks to inform the derivation of 'Q' with effect from June 2006.

When JPS put forward its tariff submission in June 1, 2004, the system to capture the information on forced outages at the sub-feeder level was not yet in place. As a result, the Office decided that the Q-Factor would remain at zero until June 2005 when the data on forced outages at both the feeder and sub-feeder levels should have been collected, audited and analyzed by the OUR.

The proposal submitted was to set the baseline for JPS' performance on one-year data from June 2004 to June 2005. JPS implemented the system in June 2004 and data capture for computation of SAIDI, SAIFI and CAIDI on forced outages at the sub-feeder level began in July 2004. As a result of the above, and the *Force Majeure* period September 10 to October 31 due to Hurricane Ivan, the one-year data was not available at the time of the previous annual filing in March 2005. As a consequence, the Office delayed the implementation of the Q-Factor adjustment to the 2005/6 tariffs. Finally, having regard to the timing of the annual submission (i.e. March of each year) and the need to compile the Q-factor data, JPS proposed that going forward it would be more practical to submit the annual performance data on a calendar-year basis. Accordingly, JPS has resubmitted the actual indices for the calendar year 2005 to be utilized to establish the base line performance data set.

In the 2006 tariff adjustment notice the Office stated that until the next price review the verified set of SAIFI, SAIDI and CAIDI indices for 2005 will be used as the benchmark quality level. Furthermore, the OUR determined that SAIFI, SAIDI and CAIDI should be improving by 2% in 2006 relative to the 2005 performance level and by 3%, relative to the 2005 performance level, in each subsequent year until 2009. Accordingly, the target set by the OUR is shown below.

⁵ This index is commonly referred to as customer minutes of interruption or customer hours, and is designed to provide information about the average time that customers are interrupted.

⁶ This index is designed to give information about the average frequency of sustained interruptions per customer over a pre-defined area.

⁷ This index represents the average time required to restore service to the average customer per sustained interruption.

The Office targets for the Q-Factor 2006 – 2009

Year	Target SAIDI	Target SAIFI	Target CAIDI
2006	SAIDI ₂₀₀₅	SAIFI ₂₀₀₅	CAIDI _{2004/5}
2007	SAIDI ₂₀₀₅ *(1 – 0.02)	SAIFI ₂₀₀₅ *(1 – 0.02)	CAIDI ₂₀₀₅ *(1 – 0.02)
2008	SAIDI ₂₀₀₅ *(1 – 0.05)	SAIFI ₂₀₀₅ *(1 – 0.05)	CAIDI ₂₀₀₅ *(1 – 0.05)
2009	SAIDI ₂₀₀₅ *(1 – 0.08)	SAIFI ₂₀₀₅ *(1 – 0.08)	CAIDI ₂₀₀₅ *(1 – 0.08)

Force Majeure and Major Events

The OUR agrees with JPS that Force Majeure and major events outside of the reasonable control of JPS should be excluded from the reliability indices calculation. However, in order to ensure proper treatment of the Force Majeure and major events, the Office also determines that JPS should:

- divide the entire T&D system into operational areas and should report reliability indices for each defined area as well as for the total system;
- formally request exclusion of service interruptions for reporting purposes by proving that an outage qualifies as a *Force Majeure* event in a particular area; and
- in its application to the OUR for the declaration that an event can be classified as *Force Majeure* should indicate the actual timeframe in which the major event began and ended.

The above requirements are geared to complement the following safeguards from which JPS is prohibited:

- Combining of separate events as a major event.
- Excluding outage data from all geographical or operational areas when the major event that has occurred is localized to one geographical or operational area.
- Excluding all outages that took place on any day in which a major event took place, regardless of the actual timeframe in which the major event began and ended.

3.32 Office's Position on the Q-Factor Proposal

The table below gives an indication of the variability of the monthly indices as per the 2007 submission for the annual adjustment.

Table 2.3 - Variability of Monthly Indices for 2006

	SAIDI	SAIFI	CAIDI
Mean	277	2.72	94.37
Standard Deviation	161	1.53	16.15

The Q-factor performance versus the 2006 target is outlined below. It is based on the data submitted by JPS to evaluate the performance indices and on the 2006 Determination that the trigger point for calculation of reward or penalties is a 10% variance of the various indices.

Actual 2006 Q-factor performance vs. the 2006 Target

SAIDI	worsened by	0.24%	equaling	0 Quality Points
SAIFI	improved by	7.56%	equaling	0 Quality Points
CAIDI	worsened by	8.46%	equaling	0 Quality Points

Based on the risk-reward scenario that the available data presented, the Office agrees that the Q-Factor should be Zero for this adjustment period.

3.4 Z-Factor Component

In September 2004, Hurricane Ivan passed in close proximity to Jamaica and affected the island with hurricane force winds.

Against this background, JPS included in its submission for its Annual Rate Adjustment in April 2005 a claim for the recovery of costs incurred for the restoration of service in the aftermath of the hurricane. The claim, which was for J\$1,465.6 million, identified three distinct components of costs (i) hurricane restoration costs, (ii) loss of revenue, and (iii) the opportunity costs of funds associated with the restoration effort and revenues losses.

OUR Z-factor Determination (Ele 2005/05)

In respect of the Claim made by JPS to recovery J\$1,465.6 million under the 'Z' component of PBRM in relation to (i) hurricane restoration costs, (ii) loss of revenue, and (iii) opportunity costs, the OUR determined in Document Ele 2005/05 that:

The company may recover costs incurred of J\$457.5 million through the tariff and as such an additional charge of J\$0.0729/kWh will be allowed in the tariff to enable recovery over 24 months commencing with bills prepared on October 1, 2005. The charge which is to be clearly identifiable on the monthly statements issued to customers will be removed once full recovery has been attained.

Request to Recover Hurricane Ivan Costs

JPS has represented that it did not implement the recovery of the hurricane costs as directed primarily because (i) it had appealed the Office's Decision to the Appeals Tribunal pursuant to Condition 32 of the All-Island Electric Licence 2001; and (ii) its concern about the timing of the implementation of the award in light of the significant increase in oil prices during 2004-5 and the economic shock which it created for Jamaica. However, the Company has now argued that it does not believe it prudent to delay the implementation of the recovery any further given that:

- the economy has now recovered from the economic shock of the increase in world oil prices, as evidenced by the relatively low inflation in 2006;
- oil prices have stabilized somewhat in the last twelve months and there is little expectation of any significant reduction in the near future;
- the delay in implementing the J\$457.5 million Z-factor recovery creates undue financial distress for JPS; and
- the implementation by JPS of the amount awarded by the OUR would in no way affect the outcome of the Company's appeal.

Given that the original award of J\$457.5 million was based on an assumed 24-month recovery period, it included J\$91.7 million as the opportunity cost of capital using an interest rate of 11.38%. JPS now proposes to recover this award over 12 months and accordingly has reduced the opportunity cost from J\$91.7 million to J\$67.2 million using the same financial principles applied by the OUR in its Determination. This results in a reduction to the OUR award from J\$457.5 million to J\$433.0 million.

Accordingly, JPS requested the Office's consent to recover J\$433.0 million without prejudice to the ongoing Appeal.

JPS Proposed Recovery Mode

The Z-factor claim may be recovered through the non-fuel tariffs in a manner similar to the current treatment for IPP costs (as per page 14 of the OUR's Determination Notice). This methodology would require that:

- The Z-factor claim is embedded in the non-fuel energy charge only;
- The actual energy rate per kWh will be derived based on forecast sales for the Twelve-month period June 1, 2007 to May 31, 2008 of 3,245,000 kWh;
- The amount to be recovered will be based on Base Exchange rate at the time of the award (J\$62:US\$1) and appropriately adjusted for foreign currency movements;

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- The amount to be recovered will be based on Base Exchange rate at the time of the award (J\$62:US\$1) and appropriately adjusted for foreign currency movements;

- A monthly computation would be done similar to the IPP surcharge, where any Under- or over-recovery is adjusted through the fuel rate each month; and
- A Reconciliation would be done at the end of the twelve-month period to show that JPS has adequately recovered its costs through the embedded energy rate and refunded or recovered the difference, if any, through the monthly fuel & IPP rates.

JPS further posited that given that the adjusted award by the OUR is J\$432,989,353 (or US\$6,983,699 at a Base Exchange rate of J\$62:US\$1), the appropriate amount to be recovered as of June 1, 2007 translates into a Z-factor adjustment of 14.635¢ per kWh at a Base Exchange rate of J\$68:US\$1 (or 0.2152 US ¢/kWh), i.e.

$$\text{Z-factor} = \frac{\text{Allowed Recovery Cost}}{\text{Projected Sales}}$$

$$= \frac{\text{US\$6,983,699}}{3,245,000 \text{ kWh}}$$

$$= \text{US } 0.2152\text{¢ per kWh}$$

or 14.635¢ per kWh (at the proposed billing exchange rate of J\$68:US\$1)

JPS proposed that the recovery of the Z-factor award (US\$6.98 million) over a twelve-month period is appropriate in light of the 2006 non-fuel tariff basket of J\$19.4 billion and the 4.04% 2007/8 annual tariff adjustment factor. JPS posited that the Z-factor adjustment would result in an average increase in non-fuel tariffs of 2.35% and the 14.635¢ per kWh amount is included in Table 1.8. Considering the current fuel rates, which account for approximately 48.5% of residential customers' bills, the total bill impact from this increase would be approximately 0.95% for the typical residential customer. A typical residential customer consuming 250 kWh of energy would see an increase of approximately J\$36.59 per month in their bill due to the recovery of the Z- factor costs over twelve months.

3.41 The Office's Position on JPS' Z-Factor Proposal

The Office is of the view that while it is reasonable that the Company should expect to recover costs such as these relatively quickly it is equally important that the impact on consumers be minimized. It notes the Company's request that the allowed costs be recovered over 12 months. The Office is of the view that any amendment to the Decision would be tantamount to a Reconsideration and it would therefore not be prudent to vary any aspect of the Decision while the matter is on Appeal. Accordingly, the Office has no objection to the Company implementing its Decision Ele2005/05 noting that this is without prejudice to the Company's Appeal.

Accordingly, the Office is of the opinion that the recovery should be done over 24 months. This will result in an additional charge to the non-fuel rates of 7.41¢ per kilowatt hour which will have a total bill impact of approximately 0.87% for the typical residential customer commencing with bills prepared on July 1, 2007.

3.42 Method of Recovery of Z-Factor

JPS projects sales of 3,245,000 MWh over the 12-month period June 2007 to May 2008. Additionally, the OUR has assumed that over the 12-month period June 2008 to May 2009 sales will grow by 4%. The total sales over the 24-month period is projected as 6,619,800 MWh.

The total allowed restoration cost and opportunity cost is \$457,471,762 (or US\$7,378,577 at the Base Exchange Rate of J\$62:US\$1).

Recovering total allowed cost over the 24-months period would therefore translate into a Z-Factor of \$0.0741 kWh at an average exchange rate of J\$66.11:US\$1, covering the period October 2005 to April 2007 and a base exchange rate of J\$68:US\$1 for the remaining five months up to October 2007. These two periods represent the 24 months that JPS should have implemented the Z-factor adjustment for Hurricane Ivan recovery costs.

The revenue that JPS is entitled to in Jamaican denominated currency is

$$\begin{aligned} \frac{19}{24} \times (7,378,577) \times 66.11 &= \text{J\$ } 386,177,596 \\ \frac{5}{24} \times (7,378,577) \times 68 &= \text{J\$ } 104,529,841 \\ \text{Allowed recovery costs} &= \text{J\$ } 490,707,437 \end{aligned}$$

$$\begin{aligned} \text{Z-Factor} &= \frac{\text{Allowed Recovery Cost}}{\text{Projected Sales}} \\ &= \frac{\text{\$490,707,437}}{6,619,800 \text{ Mwh}} \\ &= \$0.0741/\text{kWh} \end{aligned}$$

A 100% foreign exchange adjustment factor shall be applied in the recovery of the Z-Factor on customer bills since it is assumed that the restoration cost was met by a US-denominated loan.

In addition, JPS shall be required to provide the Office with:

1. A forecast of the monthly break-out of the first 12-month sales and the associated revenue to be derived from the Z-Factor within 10 working days of receiving this Determination.

2. Monthly variance reports comparing the actual revenues derived from the Z-Factor versus the projections within 10 working-days of each month of the recovery period.
3. A note by its Auditors in its annual financial statements expressing the revenues attributed to the hurricane cost recovery.

At May/June 2009 an assessment shall be made to determine the extent and direction of the residual from the recovery exercise. At that time it will be determined whether any remedies are necessary to secure full recovery in the shortest possible time.

4.0 Inclusion of MAIFI as a Reliability Index

JPS has claimed that additional resources are likely to be required as it relates to measuring MAIFI as determined by the OUR and that JPS and the OUR will have to discuss in much further detail.

MAIFI is an industry-defined term that attempts to identify the frequency of all momentary outages that a customer will experience during a given time-frame. It is calculated by summing all customer interruptions for momentary outages (those of durations of 5 minutes or less) and dividing by all customers served within the affected area.

$$\text{MAIFI} = \frac{\text{Total Number of Customers Served}}{\text{Total Number of Momentary Customer Interruptions}}$$

This index represents the frequency of momentary interruptions seen by the customer.

Momentary interruptions are defined in IEEE Std. 1366 as those that result from each single operation of an interrupting device such as a recloser. MAIFI measures data on momentary interruptions that result in a zero voltage. For example, two circuit-breaker-open operations equals two momentary interruptions. In JPS, obtaining the momentary information accurately will sometimes be quite difficult because some reclosers and distribution breakers are not equipped with SCADA and during times when there is communication failure to that recloser no data will be captured.

Current Data Collection Systems for MAIFI

JPS collects all interruptions due to permanent trips in the Outage Database at the System Control Centre. These include interruptions due to under-frequency, planned and forced transmission and distribution outages. Some of these interruptions are less than 5 minutes in duration and will be added to MAIFI. JPS also stores on the SCADA historian, all the recloser cycling for substations that are monitored. This data will also be used to compute MAIFI. However, not all the substations are on SCADA and recloser cycling for such substations will not be available for MAIFI computation. Similarly, whenever there is a break in communication to a substation the recloser cycling operation is not captured. JPS

requires the OUR to state whether recloser cycling operation is to be included in MAIFI. JPS would then be required to invest in communication equipment and relay/breaker upgrades to equip the substations that are not currently monitored. Likewise, ongoing investment in the communication infrastructure will be required to ensure 100% availability and no data loss. JPS also requires the OUR to state how far downstream into the distribution system they require the collection of momentary interruptions; specifically to fuse cutout switches. This will guide the assessment as to additional infrastructure equipment required by JPS to ensure compliance with the OUR's request and the resulting additional capital requirements.

Challenges for JPS with MAIFI

Recognizing that less sensitive time measurement systems are required for the computation of SAIFI, SAIDI, and CAIDI, as compared to MAIFI, and that it was not originally included in the determination of Q, JPS' primary focus has been in relation to improving the customer count information and that project will be completed in 2007 as mentioned previously.

Generally, the primary industry cause of momentary outages is classified as unknown. This is typically the nature of intermittent faults, as they are difficult to detect and without classification it makes analysis and strategies to attack the problem resource intensive which may not necessarily lead to a reduction of MAIFI.

The other major contributor to recloser cycling is inclement weather (lightning, heavy wind and/or rain) and because JPS' distribution system is overhead it is exposed to the elements. These momentary interruptions will generally pass with the weather system and efforts to reduce MAIFI prove resource-intensive and may not result in a permanent solution.

If these two conditions continue to be the main drivers of MAIFI for JPS then improvement in MAIFI may not be feasible and JPS may not be properly incentivised under a Q-factor type adjustment for MAIFI.

4.1 Office's Response to MAIFI Concerns

The Office is of the opinion that with the increasing vulnerability of critical machinery and systems to temporary loss of power, there should be incentives to direct the Company along the path of improved quality in this area.

The Office takes note of the following concerns raised by JPS in the 2007 submission;

Generally, the primary industry cause of momentary outages is classified as unknown. This is typically the nature of intermittent faults, as they are difficult to detect and without classification it makes analysis and strategies to attack the problem resource-intensive which may not necessarily lead to a reduction of MAIFI.

The other major contributor to recloser cycling is inclement weather (lightning, heavy wind and/or rain) and because JPS' distribution system is overhead it is exposed to the elements. These momentary interruptions will generally pass with the weather system and efforts to reduce MAIFI prove resource intensive and may not result in a permanent solution.

The overwhelming majority of momentary outages on most electric system surveyed by OUR, are breaker operations, which restore service automatically. As a result, such outages are temporary in nature and require less operational and repair resources. Due to their temporary nature, it is quite common not be able to determine the cause. Hence the OUR does not share the view that to correct these momentary outages will result in additional resources over and above what is required to operate an efficient system that JPS is required to operate. Additionally, recloser cycling operation is to be included in MAIFI.

Furthermore, OUR is cognizant of the fact that information can vary across countries due to:

- The capability of different utility businesses to collect different data on the network.
- The costs of gathering some information compared with the benefits of having detailed data.
- Historical availability of data.
- Policy decisions on the appropriateness of including different extreme events.

Recognising the difficulties that have been experienced in the measurement of the other indices, the Office refers to the 2006 Determination (Ele 2006/2) which directs that MAIFI be computed annually over the period 2006 – 2009 and the index used as the baseline for incorporating MAIFI in the computation of the value of 'Q' in the 2009 rate review. The Office will make itself available to discuss the implementation strategy as necessary in the context of the service standard information outlined in bullet points above. The OUR will then assess and determine how far downstream into the distribution system it will require for the collection of momentary interruptions.

5.0 Tariff Basket Compliance

The company is required to increase the weighted average of prices by less than or equal to the increase in the electricity price escalation index PCI. The PCI sets the limits for movements in the base tariffs. On a monthly basis adjustments are made for the effects of movements in the Foreign Exchange rate. It is to be noted that the effective change in the non-fuel rates is the dPCI less the cumulative movements due to Foreign Exchange rate changes.

The weights used are the 2006 revenue shares.

The tariff basket compliance must satisfy the following formulae:

$PCI \geq API$; where

API is the weighted average price of the actual tariff basket prices

The annual adjustment factor for the non-fuel base rates of 4.04% derived from $dPCI = (dI = 6.76, -X = 2.72, -Q = 0)$ is applied to the total basket. The adjustment in each tariff is weighted and hence the adjustment across rates is dependent on the relative weights in relation to the total tariff basket.

Table 2.6 - Total Non-Fuel Tariff Basket

Class	Block/ Rate Option	Customer Charge Revenue (JS'000)	Energy Revenue (JS'000)	Demand (KVA) Revenue (JS'000)				Total Demand Revenue (JS'000)	Total Revenues (JS'000)
				Std.	Off-Peak	Part-Peak	On-Peak		
Rate 10 LV	0-100 kWh	13,962	1,930,664						1,944,626
Rate 10 LV	> 100 kWh	25,997	8,317,527						8,343,524
Rate 20 LV		10,212	5,238,861						5,249,074
Rate 40A LV		956	304,381	115,606				115,606	420,941
Rate 40 LV	STD	2,391	1,051,759	1,455,034				1,455,034	2,509,184
Rate 40 LV	TOU	330	324,371		15,447	160,924	173,007	349,378	674,079
Rate 50 MV	STD	180	505,543	597,820				597,820	1,103,543
Rate 50 MV	TOU	66	218,622		14,817	148,204	145,534	308,654	527,324
Rate 60 LV		200	628,517						628,717
Total		54,293	16,520,246	2,168,461	30,364	309,128	318,541	2,826,493	19,401,031

Table 2.7 below shows the annual adjustment factor that JPS proposes to apply to each individual tariff.

Table 2.7 - Annual Non-Fuel Inflation Adjustment per Tariff

Class	Block/ Rate Option	Customer Charge (J\$/kWh)	Energy (J\$/kWh)	Demand (J\$/KVA)			
				Std.	Off- Peak	Part- Peak	On- Peak
Rate 10	0-100 kWh	5.0%	3.275%				
Rate 10	>100 kWh	5.0%	3.275%				
Rate 20	LV	5.0%	4.044%				
Rate 40A	LV	5.0%	7.500%	3.500%			
Rate 40	LV - Std	5.0%	7.500%	3.500%			
Rate 40	LV - TOU	5.0%	7.500%		3.500%	3.500%	3.500%
Rate 50	MV - Std	5.0%	7.500%	3.500%			
Rate 50	MV - TOU	5.0%	7.500%		3.500%	3.500%	3.500%
Rate 60	STREET- LIGHTS	5.0%	7.500%				
Rate 60	TRAFFIC- LIGHTS	5.0%	7.500%				

It is a requirement that when aggregated the weighted adjustment proposed by JPS should equate to the annual adjustment factor (4.04%). Confirmation of this is shown below in Table 2.8.

Table 2.8 - Weighted Non-Fuel Inflation Adjustment (dI – X)

Class	Block/ Rate Option	Customer Charge (J\$/kWh)	Energy (J\$/kWh)	Demand (J\$/KVA)				Total
				Std.	Off-Peak	Part Peak	On-Peak	
Rate 100-100 kWh		0.00%	0.33%					0.33%
Rate 10>100 kWh		0.01%	1.07%					1.07%
Rate 20LV		0.00%	1.09%					1.09%
Rate 40A	LV	0.00%	0.12%	0.02%				0.14%
Rate 40LV - Std		0.00%	0.41%	0.26%				0.67%
Rate 40LV - TOU		0.00%	0.13%	0.00%	0.01%	0.03%	0.03%	0.19%
Rate 50MV - Std		0.00%	0.20%	0.11%	0.00%	0.00%	0.00%	0.30%
Rate 50MV - TOU		0.00%	0.08%	0.00%	0.00%	0.03%	0.03%	0.14%
Rate 60LV		0.00%	0.11%					0.11%
Total		0.01%	3.52%	0.39%	0.01%	0.06%	0.06%	4.04%

The current non-fuel base rates approved by the Office in the 2006 Decision are shown below.

Table 2.9 - Approved Non-Fuel Tariffs for 2006

Class		Block/ Rate Option	Customer Charge JS/ kWh	Energy JS/kWh	Demand JS/KVA			
					Std.	Off- Peak	Part- Peak	On- Peak
Rate 10	LV	0-100 kWh	78	5.083				
Rate 10	LV	>100 kWh	78	8.932				
Rate 20	LV		179	7.843				
Rate 40A	LV		2,486	4.894	317			
Rate 40	LV - Std		2,486	2.002	811			
Rate 40	LV - TOU		2,486	2.002		33	353	452
Rate 50	MV - Std		2,486	1.804	729			
Rate 50	MV - TOU		2,486	1.804		30	318	407
Rate 60	STREET- LIGHTS		651	9.379				
Rate 60	TRAFFIC- LIGHTS		651	6.321				

Table 2.10 shows the inflation adjusted rates after applying the individual tariff increases determined by tariff basket weights. This essentially captures the annual inflationary and efficiency change (dI - X) in the non-fuel electricity prices prior to the application of the Z-Factor. Accordingly, this represents dI - Q - X, where Q = 0 and X = -2.72 as at June 2006 (but this does not take into account the effect of Z. The rates shown in Table 2.10 below is consistent with the price cap tariff compliance constraint and is the maximum allowed under the cap, that is, the weighted average increase of the tariff basket is exactly equal to the price adjustment factor, (1+ dPCI), hence there is no unused portion of the adjustment to be carried forward to the following year.

Table 2.10 - Inflation Adjusted Non-Fuel Tariffs based on (dI ± X ± Q ± Z)

Class		Block/ Rate Option	Customer Charge JS/ kWh	Energy JS/kWh	Demand JS/KVA			
					Std.	Off- Peak	Part- Peak	On- Peak
Rate 10	LV	0-100 kWh	82	5.241				
Rate 10	LV	>100 kWh	82	9.225				
Rate 20	LV		188	8.160				
Rate 40A	LV		2,610	5,261	328			
Rate 40	LV - Std		2,610	2,152	839			
Rate 40	LV - TOU		2,610	2,152		34	366	468
Rate 50	MV - Std		2,610	1,940	755			
Rate 50	MV - TOU		2,610	1,940		31	329	421
Rate 60	STREET- LIGHTS		684	9,687				

6.0 The Office Determination

The following is an overall summary of the Office's Determination to the JPS rate adjustments proposals:

1. The 2007 annual non-fuel tariff adjustment incorporates changes in relation to inflation, foreign exchange movement and adjustments for the X, Q and Z factors. This represents the penultimate annual tariff adjustment under the new regulatory framework which became effective June 1, 2004 and ends 2009. This year has been marked by relatively modest inflation, with U.S. and Jamaica inflation rates of 2.42% and 6.19% respectively. The 2.72% productivity gain, determined by the Office in the June 1, 2004 Determination, will be passed on to customers. Additionally, the recovery of the Z-factor award of \$457.5 million over a twenty four-month period will also be passed on to consumers as per the OUR's Z-factor determination in 2005 (Ele2005/5). JPS has not attempted to recover any portion until this year. The Z-factor adjustment will result in an average increase of 1.24% and the 0.0741 c/kWh amount is included in the non-fuel rates. Accordingly, the result is that, while there is a 6.76% weighted average increase in inflation and foreign exchange rate under the annual tariff adjustment mechanism, this will be offset by the 2.72% productivity factor, and 3.51% for the cumulative monthly adjustment due to foreign exchange movements resulting in an effective increase of 1.78% in the non-fuel tariffs in June 2007. Given current fuel prices, which account for approximately 48.5% of customers total bills, the total bill impact from this increase is expected to be approximately 0.92%.

Inflation Adjusted Base Non-Fuel Tariffs (dI ± X ± Q± Z)

Class		Block/ Rate Option	Customer Charge JS/ kWh	Energy JS/kWh	Demand JS/KVA			
					Std.	Off- Peak	Part- Peak	On- Peak
Rate 10	LV	0-100 kWh	82	5.241				
Rate 10	LV	>100 kWh	82	9.225				
Rate 20	LV		188	8.160				
Rate 40A	LV		2,610	5.261	328			
Rate 40	LV - Std		2,610	2.152	839			
Rate 40	LV - TOU		2,610	2.152		34	366	468
Rate 50	MV - Std		2,610	1.940	755			
Rate 50	MV - TOU		2,610	1.940		31	329	421
Rate 60	STREET- LIGHTS		684	9.687				

2. The Office determines that the Q-factor should remain at zero for this adjustment period.
3. The Office determines that Forced Majeure and major events outside of the reasonable control of JPS should be excluded from the reliability indices calculation. However, in order to ensure proper treatment of the Force Majeure and major events, the Office requires that:
 - JPS should divide up the entire distribution system into operational areas and should report reliability indices for each defined area and for the system.
 - JPS should formally request exclusion of service interruptions for reporting purposes by proving that an outage qualifies as a major event.
 - JPS, in the application to the Office for a declaration that the event can be classified as Force Majeure or major event, should indicate the actual timeframe in which the major event began and ended.

The above requirements are geared to complement the following safeguards from which the Company is prohibited:

- Combining of separate events as a major events.
 - Excluding outage data from all geographical areas when the major event that has occurred is localized to one geographical area.
 - Excluding all outages that took place on any day in which a major event took place, regardless of the actual timeframes in which the major event began and ended.
4. The Office reiterates its decision of last year (Ele2006/2) of the directive to JPS that MAIFI should be computed annually over the period 2006 – 2009 and the index used as the baseline for incorporating MAIFI in the computation of the value of 'Q' in the 2009 rate review. Accordingly, the value of 'Q' will be based upon actual values of SAIDI, SAIFI, MAIFI and CAIDI for each year of the PBRM as compared to a new benchmark quality of service level in 2009.

Hurricane Ivan Recovery Charge (Z-factor)

5. With respect to the request made by JPS to recover US\$7,378,577 million under the Z-factor allowed in 2005, the Office has determined that JPS is entitled to collect US\$7,378,577 million, based on a 24-month recovery period. This will result in an additional charge to the non-fuel rates of 7.41¢ per kilowatt hour which will have a

total bill impact of approximately 0.4% for the typical residential customer commencing with bills prepared on July 1, 2007.

The per kilowatt hour charge is to be clearly identifiable on all customer bills and will be removed once the full recovery has been attained.

Glossary

ABNF	-	Adjusted Non-fuel base rate
CAIDI	-	Customer Average Interruption Duration Index
CIS	-	Customer Information System
CPI	-	Consumer Price Index
CRP	-	Country Risk Premium
CT	-	Current Transformer
GDP	-	Gross Domestic Product
GOJ	-	Government of Jamaica
IPP	-	Independent Power Purchase
kVA	-	Kilo Volt Amperes
kWh	-	Kilowatt-hours
Licence	-	The All Island Electric Licence 2001
MVA	-	Mega Volt Amperes
MW	-	Megawatt
MWh	-	Megawatt-hours
O&M	-	Operating and Maintenance
PBRM	-	Performance Based Rate-Making Mechanism
SAIDI	-	System Average Interruption Duration Index
SAIFI	-	System Average Interruption Frequency Index
T&D	-	Transmission & Distribution
TFP	-	Total Factor Productivity
TOU	-	Time of Use
WACC	-	Weighted Average Cost of Capital

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