

OUR to Conduct Management and Operational Audit of JPS

(KINGSTON, Jamaica; February 12, 2014): The Office of Utilities Regulation (OUR) intends to carry out a Management and Operational Audit of the Jamaica Public Service Company Limited (JPS). It is expected that this Audit will provide the OUR with a comprehensive view of the operation of the company as well as specific insights into the weaknesses and strengths of its policies and practices ahead of the scheduled 2014 rate review. JPS' current five year tariff price cap (2009 – 2014) comes to an end in June 2014.

The OUR had signalled in its 2013 annual rate adjustment decision '**Jamaica Public Service Company Limited Annual Tariff Adjustment for 2013- Determination Notice, Document No. 2013/ELE/007/DET.001**' that it was contemplating such an audit. The Audit also comes against the background of continued complaints of high electricity bills by consumers and claims by JPS of persistent financial under-performance.

The objectives of the Audit are to provide extensive and objective insights into how the utility operates, highlight any adverse performance consequences of its current approaches and practices, and inform the OUR's analysis in the upcoming tariff review. To this end, the Audit will examine practices and processes in such areas as: corporate governance, operations management, financial management, debt and asset management, human resources, and to the extent that they exist, related party transactions. It is also proposed to evaluate the extent to which the acquisition, management, deployment and financing of resources are done efficiently and the degree to which there are opportunities for fundamental improvement in the business of the company which will benefit the rate payers.

The OUR kick started the process this week with advertisements inviting expressions of interest for a qualified, experienced and competent Auditor to undertake the audit. Bidding for the Consulting Services will be conducted through an international competitive bidding process and is opened to all qualified bidders. Further details are available from these websites: www.our.org.jm and www.devbusiness.com.

OUR to Conduct Management and Operational Audit of JPS (cont'd).....

Background:

JPS is an integrated electric utility company and the sole distributor of electricity in Jamaica. The company is engaged in the generation, transmission and distribution of electricity, and also purchases power from five Independent Power Producers (“IPPs”). JPS accounts for approximately 68% or 634 MW of the total installed generating capacity in the system. The remaining 32% of the generating capacity is provided by IPPs.

In April 2011, Marubeni Corporation entered into a Purchase and Sale Agreement with Korea East-West Power (EWP), for joint ownership of majority shares (80%) in JPS. The Government of Jamaica and a small group of minority shareholders own the remaining shares.

A management and operational audit is a diagnostic examination of how well an organization is managed. Management and operational audits also offer the possibility of questioning in-depth the operating expense, capital costs, cost allocation and attribution, debt and asset management, financing policy, dividend policy and practice as well as other financial information submitted especially in the course of a rate review case.

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