OFFICE OF UTILITIES REGULATION

Regulating Utilities for the Benefit of All

OUR to assess JPS' 2017 annual rate review application

(KINGSTON, Jamaica; 2017 May 25): The Jamaica Public Service Company Limited (JPS) has submitted its 2017 Annual Review of Rates application which includes a request for an Extra-ordinary Rate Review, to the Office of Utilities Regulation (OUR). The application is dated 2017 May 5 and the OUR is expected to issue its Determination within 90 days, that is, by 2017 August 4.

In its submission, JPS has requested that its 2017 annual non-fuel revenue target be set at $50.8 billion. This would translate to an estimated average increase of 4.5% on the non-fuel tariff across all rate classes. If fully accepted by the OUR, JPS' proposals would see the typical residential and small commercial customer bill increasing on average by approximately 2.8%, while the typical bill for large commercial customers (Rate 40 & Rate 50) would register increases in the range of 1%-2%.

JPS asserts in its analysis that the best alternative option for its larger customers in terms of self-generation is lower than the current cost of electricity supplied from the national grid, and there is therefore a real threat of significant grid defection. In the event that this threat is realised, the remaining rate classes who remain on the grid will see significant increases in fixed charges. JPS has proposed as a response, the introduction of a new wholesale rate class, which it refers to in its application as Rate 70. This Rate 70 class would apply to very large customers who have a peak demand of at least 2MVA at a single location. JPS argues that this lower-priced tariff will encourage these customers to remain on the grid and thereby prevent the resulting steep increase in the cost of electricity to other rate classes including smaller customers. If the wholesale rate proposed for the new rate class is approved, qualifying customers could see on average, a 21% reduction in bills.

With respect to the requested Extraordinary Rate Review, JPS is asking that an additional amount of $973.4 million be included in the revenue requirement representing a return on the Current Portion of Long-term Debt (CPLTD) which was excluded from the Rate Base determined in the 2014-2019 Rate Review. The company argues that its Electricity Licence, 2016 now recognises CPLTD as a legitimate component of the capital structure of its business. Additionally, JPS has indicated that a 5% Z-Factor adjustment should be applied to its 2017 revenue cap adjustment to reflect the Office's earlier recognition of its entitlement to recover asset impairment costs incurred in 2016.

JPS' Annual Review Submission for 2017 can be viewed on our website: www.our.org.jm.

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