

JPS Asks for Extraordinary Rate Review

(KINGSTON, Jamaica; 2016 November 24): The Office of Utilities Regulation (OUR) has received an application from the Jamaica Public Service Company Limited (JPS) for an extraordinary rate review. The JPS is allowed to make such an application as a result of amendments to its licence which came into effect on 2016 January 27.

The new Electricity Licence, 2016 states that, *“the Licensee or the Minister may request the Office to conduct an extra-ordinary Rate Review owing to exceptional circumstances that have a significant impact on the electricity sector and/or the Licensee, but were not factors considered or known when the Rate Review was undertaken. The Office is empowered, to review the rates for this purpose outside of the five yearly Rate Review periods.”*

JPS, in its submission on 2016 October 25, maintains that the Electricity Licence, 2016 includes several changes which impact the calculation of its non-fuel rates.

It states that the amendment to depreciation schedules has effectively shortened the lives allowed for a number of assets in different categories. The company is therefore claiming asset impairment based on a re-computation of the lives of its asset amounting to US\$21.4 million over the period 2016 – 2018 (see Figure 1 below). However, the immediate application is for US\$13.4 million.

Figure 1

| Year | Depreciation Impairment Cost (US\$ M) | Proposed Recovery Period (Years) |
|-------------|---------------------------------------|----------------------------------|
| 2016 | 13.4 | 2 |
| 2017 | 4.20 | 2 |
| 2018 | 3.79 | 2 |

JPS Asks for Extraordinary Rate Review (cont'd)

JPS estimates that if its proposal is accepted, recovering these costs would result in an increase of approximately 1% on the average residential customer (Rate 10) bill, 0.8% on large commercial and industrial customer (Rates 40 & 50) bills, and 1.1% on small commercial customers (Rate 20) bills.

Under the terms of the Electricity Licence, 2016, the extraordinary rate review should be limited to the impact of the special circumstances that triggered the review and shall be completed within sixty (60) days, unless there is mutual agreement between the OUR and JPS. The OUR's team is currently in the process of undertaking the review and analysis of the application.

The JPS Extraordinary Rate Review application can be viewed on the OUR's website: www.our.org.jm. Members of the public who wish to make comments on JPS' application may do so on or before 2016 December 2, by email: jpsreview@our.org.jm.

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