

FOR IMMEDIATE RELEASE

OUR's Determination on JPS's Annual Tariff application effective October

(KINGSTON, Jamaica; 2018 October 10): Customers of Jamaica Public Company Service Limited (JPS) will see marginal movements in their electricity bills effective 2018 October.

Rate 10 (residential) and Rate 20 (small and medium business) customers will see a less than 0.5% increase in their bills, while Rate 40 and 50 customers (medium to large high-volume consumption businesses) will see a 0.5% or less decrease in their bills. This is inclusive of fuel and Independent Power Producers' (IPP) charges.

The new rates took effect 2018 October 1 and will therefore be reflected in customers' bills issued for consumption after that date.

The projected bill impact follows the approval of the Office of Utilities Regulation (OUR) of a 2.8% average increase in non-fuel tariff and a 0.4% average increase in the overall tariff in its Determination in response to JPS's 2018 Annual Review and Extraordinary Rate Review application. Notably, the actual non-fuel impact on the average bill resulting from the OUR's decision is 0.7% and the remaining 2.1% (of the approved 2.8% non-fuel rate) is attributable to the changes in the base exchange rate for tariff computation and exchange rate movement subsequent to the submission of the application.

The OUR notes that had it accepted JPS's 2018 tariff proposal without amendment, the result would have been an overall increase in the average tariff (fuel and IPP charges included) of 1.4% rather than 0.4%.

The fuel rate component of the bill will see a marginal decrease as JPS is to refund JAD\$1.1 billion through the fuel rate adjustment mechanism, over the 2018-2019 tariff period. This refund flows predominantly from a Directive previously issued to JPS by the OUR, to refund unapproved foreign exchange adjustments that were made by JPS in the fuel rate in prior periods.

The annual revenue target approved for JPS in this Determination is J\$48,863.1M using a base exchange rate of J\$128: US\$1. Of this, J\$47,744.4M relates to the 2018 Annual Review submission and the remaining J\$1,118.7M is as a result of items approved under the Extraordinary Rate Review application.

As part of its tariff Determination, the OUR has developed the Accelerated Loss Reduction Mechanism (ALRIM) a special loss reduction initiative to help incentivize JPS in its loss reduction efforts. The ALRIM is to provide JPS with capital to expedite the installation of smart meters to manage losses and with a reward for achieving positive results. ALRIM is programmed to span two years and under this mechanism, JPS will be required to reduce system losses by at least 1.2 percentage points.

Additionally, the OUR accepted JPS's proposal for the setting-off of capital expenditures incurred under its Smart Streetlight Programme (SSP) against its liabilities to the Electricity Efficiency Improvement Fund (EEIF) in an estimated amount of US\$16.1 million that will have accrued to the Fund as at the end of 2018.

OUR's Determination on JPS's Annual Tariff application.../2

JPS will be required to provide the OUR with additional information to facilitate a precise determination of any residual liability to the EEIF and also to conduct an audit of its SSP expenditure in order to validate the US\$16.1 million set-off.

As part of its Extraordinary Rate Review application, JPS also proposed to refinance US\$179.2M (J\$22,925M) of its existing long term debt to reduce the interest rate from 11% per annum to approximately 8% per annum. JPS posited that this refinancing would translate into savings of US\$5.37M (J\$687M) per annum for the remaining three years of the life of this debt or US\$16.1M (J\$2,062M) in total.

Given the clear benefits to customers, the OUR agreed to approve the refinancing initiative under a 'Refinancing Initiative Mechanism' under which it is allowed US\$2.7M, or half of the amount requested by the company to cover refinancing costs provided that it pursues its refinancing plan. The benefits accrued from the refinancing will be channeled to customers through an expected lowering of JPS's annual revenue target in the next two annual reviews by at least US\$3.4M per annum.

The Determination Notice can be viewed on the OUR's website at www.our.org.jm.

BACKGROUND

On 2018 May 2, JPS submitted a request to the OUR for the adjustment of its rates in the Annual Review. Also included in the same submission was a request for an Extraordinary Rate Review in relation, inter alia, to debt cost refinancing recovery. Given the gravity and complexity of the issues involved, the prescribed three month review period to conduct such reviews was deemed inadequate and both parties agreed to a four month review period. The time period was again extended at JPS's request, to allow for further discussions and clarifications.

This is the third annual review conducted under the Electricity Licence, 2016. In addition to annual reviews, the Licence also makes provision for the conduct of Extraordinary Rate Reviews owing to exceptional circumstances that have a significant impact on the electricity sector and/or JPS.

-30-

Contact: Elizabeth Bennett Marsh – Public Education Specialist: 876-968-6053