

Jamaica Public Service Company Ltd.
Annual Report 1978

In 1978, the Jamaica Public Service Company Ltd. recorded revenues of \$132.1 million. The increase of \$32.6 million over the previous year was due to rate increases and higher recoveries from customers arising from increases in the price of oil. Operating expenses, excluding interest and other charges also rose sharply and totalled \$111.5 million, which is \$37.5 million above the amount in 1977. Interest and other financing charges increased by \$3.9 million to \$16.1 million.

The overall performance of the Company in 1978 reflected, in large measure, the depressed state of the economy and the shortage of foreign exchange to purchase essential materials. Kilowatt-hour sales remained virtually constant despite a 7.6% increase in the number of customers.

The service provided by the Company was not as reliable as planned, due primarily to the unavailability of materials as noted above, but also to a number of industrial disputes.

Loans of US\$20 million from the World Bank and US\$31.5 million from the Canadian Export Development Corporation are now in place but their real impact in the areas where they are applicable is unlikely to be shown until 1980.

In view of the present situation of scarce foreign exchange and high fuel prices, the Company has been encouraging energy conservation, re-examining its rates and seeking alternative fuels. The effects of the energy conservation drive may be seen to some extent in the decrease in electricity consumption. Energy sales declined in all categories of customers.

A review of the Company's rates is being undertaken to determine whether these rates should be restructured to encourage further conservation without discouraging industry and commerce, and also to insure that small consumers in the system receive the greatest benefits possible in today's circumstances.

Studies are being conducted by the Ministry of Mining and Natural Resources with a view to identifying water resources with the potential for producing electricity. Research is also being done into the economics of utilizing local peat deposit as fuel for steam generation. So far, however, these studies do not indicate any alternative to our continued dependence on imported oil as the main fuel for generating electricity.

It may be noted that fuel oil prices accounted for 45% of the Company's operating expenses including depreciation. In addition to the increases set by the OPEC countries, devaluations of the Jamaican dollar and the removal of a Government subsidy on fuel oil contributed to the higher price of oil. At the end of 1978, fuel oil prices were an average of \$22 per barrel, compared to \$17 per barrel at the end of 1977. Prices continued to rise in 1979 and by October 1979, the cost of Bunker 'C' fuel oil was approximately \$30 per barrel. (In 1973 the price was \$2.85 per barrel).

FINANCES

A new licence granted to the Company on 31st August, 1978 provides for revaluations of the Company's plant and equipment. Accordingly the 1978 financial statements reflect new plant values and a restatement of the comparative figures for 1977.

After providing for significantly higher levels of depreciation on revalued plant, the Company recorded net revenues of \$5.6 million, an increase of \$3 million over the adjusted net revenues for 1977.

Maintenance expenses increased by 29.6% to \$11.3 million as the Company carried out increased maintenance on its power plants and distribution facilities.

CONSTRUCTION

The construction programme was adversely affected during the year by the shortage of material due to restrictions on foreign exchange.

The main feature of the programme during 1978 was the continuation of the Kendal-Duncans 138 kV line which is the largest project ever undertaken by the Company outside of generating plant.

This section of line will complete the third stage of the Company's 138 kV transmission tie between the generating stations of the south coast and the resort areas on the north coast of Jamaica. The first two stages, from Old Harbour to Parnassus and Parnassus to Kendal, are already in service, providing support for the 69 kV system in the central part of the island.

A new sub-station at Queen's Drive in Montego Bay, was started near the end of 1978. It will be the first phase of a programme to completely upgrade and rebuild the distribution system in the town of Montego Bay.

Significant progress was made in the re-lighting of the metropolitan area of Kingston and St. Andrew during 1978. Of the thirteen zones into which the Corporate Area has been divided for the street lighting programme, zones one to six and eight have been completed. Work started on the remaining zones on 11th February, 1980 and it is expected that the entire programme should be completed by May 1980.

Despite the problems in obtaining materials, the Company managed to continue, at a somewhat reduced rate, its programme of reconstruction and revamping of the distribution system.

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The Company is now embarking on programmes to improve and re-construct its transmission and generating facilities funded by the loans made available by the World Bank and the Export Development Corporation of Canada.

Carlyle Dunkley
Minister of Public Utilities
and Transport
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