



Retail Tariff Review Public Report

Date: 7 January 2025

TABLE OF CONTENTS

I. Acronyms	3
II. Introduction	4
III. How the RA Reviews Electricity Rates	4
IV. 2025 Approved Allowed Revenue	5
V. Calculating Updated Retail Tariffs	8
VI. 2025 Approved Rates	12

I. Acronyms

Acronym	Definition
BELCO	Bermuda Electric Light Company Ltd
BG	Bulk Generation
BMD	Bermuda Dollar
CAPEX	Capital Expenses
DG	Distributed Generation
EA	Electricity Act
EPA	Energy Purchase Adjustment
ERA	Efficiency Regime Adjustment
ESA	Energy Sales Adjustment
FAR	Fuel Adjustment Rate
GD	General Determination
IPP	Independent Power Producer
kWh	Kilowatt-hour
OPEX	Operating Expenses
PRA	Performance Regime Adjustment
RA	Regulatory Authority of Bermuda
RAB	Regulatory Asset Base
RAF	Regulatory Authority Fee
TD&R	Transmission, Distribution, and Retail
WACC	Weighted Average Cost of Capital

II. Introduction

This report provides an update to the public on the 2024/2025 Retail Tariff Review completed by the Regulatory Authority of Bermuda (RA), the results of that review and its impact on electricity rates for the years 2025.

Section 35(1) of the Electricity Act 2016 (EA) requires the RA to determine the Retail Tariff in accordance with a methodology set by general determination. The principles set out in part 6 of the EA also govern this exercise.

Section 35(2) of the EA requires the methodology set by the RA to seek to enable the Transmission, Distribution & Retail (TD&R) Licensee to seek to generate a total revenue (Allowed Revenue) that recovers reasonable costs of service incurred in achieving the service standards, including investment costs (and an appropriate return on such investments), operating expenses, fuel procured for generation, generation procured, and other expenses including Government authorisation fees, the Regulatory Authority fee (RAF), and other statutory fees. The purpose of this report is to support decisions regarding the Allowed Revenue for 2024 and 2025, which will underpin the rates to be applied for both years by the Bermuda Electric Light Company Ltd (BELCO) as the TD&R Licensee. Other Allowed Revenue inputs include “trueing-up” mechanisms, plus performance and efficiency regime adjustments. The Retail Tariffs for 2024 were approved in Order #20240708¹.

III. How the RA Reviews Electricity Rates

The Retail Tariff Review is a regulatory process designed to independently examine BELCO's Retail Tariff proposal. The process to adjust electricity rates, began with the RA requesting BELCO to apply for an Allowed Revenue, detailing their proposed activities and associated costs for the 2024 and 2025 review period. The RA reviews and adjusts their application, seeking to balance consumer and industry stakeholder needs. The approved Allowed Revenue is then used to derive new electricity rates.

BELCO's Bulk Generation (BG) and Transmission, Distribution, and Retail (TD&R) Business Areas are financially segregated and have distinct Allowed Revenues.

Key Steps in the review process:

- 1) RA requests BELCO to submit its initial Allowed Revenue application.
- 2) BELCO submits its application.
- 3) RA conducts its review, including additional information requests and site visits.
- 4) BELCO submits additional information requested.
- 5) RA conducts its final review and adjustments to BELCO's Allowed Revenue.

¹ <https://www.ra.bm/legal-documents/retail-tariff-rates-2024-decision-order>

- 6) RA makes Order setting BELCO's 2025 Allowed Revenue.
- 7) RA requests BELCO to propose Retail Tariffs in alignment with the approved Allowed Revenue.
- 8) BELCO submits Retail Tariffs for approval.
- 9) RA reviews BELCO's proposed Retail Tariffs.
- 10) RA approves and publishes an Order, setting BELCO's Retail Tariffs for 2025.

IV. 2025 Approved Allowed Revenue

BELCO's final tariff application proposed Allowed Revenue of BMD **\$289,037,410** for 2025. However, following an exhaustive and prudent review, the RA approved the calendar year 2025 Allowed Revenue from Order #20240530 at BMD \$264,066,055. The updated Allowed Revenue for 2025 is BMD **\$276,155,419**. Together the Allowed Revenue which BELCO applied for decreased by approximately BMD **\$12.88 million**. The main observations leading to this conclusion were:

- Following an independent review, the proposed rate of return which BELCO applied for – **10.13%** – was reduced to **7.79%**. (This compares with a rate return of 7.17% which the RA approved in 2023).
- The RA concluded that many of the projects which BELCO included in its initial Allowed Revenue Application: were prudent and cost-effective; provided benefit to customers; and demonstrated appropriate planning and due process. However, a significant number of BELCO's proposed capital budget justifications *did not* provide evidence of these combined attributes and therefore *non-critical projects were rejected*. Some capital projects were either excluded completely or had their values significantly reduced.
- After reviewing BELCO's proposed 2024/25 OPEX Allowance, the RA decreased the requested allowance, due to efficiency adjustments and fair value for consumers.
- The revenue allowance is increased by a further \$12.09 million in 2025 as a result of adjustments related to ESA and EPA. The majority of the adjustment is due to the ESA resulting from a delayed implementation of rates in August 2024, rather than in January 2024 as previously envisaged.

Table 4. Summary of adjustments to the total revenue allowance

	2024	2025
<i>Revenue allowance – as applied by BELCO</i>	289,483,785	289,037,410
Total revenue allowance adjustments	-22,621,199	-24,971,355
ESA. EPA, PRA	-1,332,279	12,089,365
Adjusted Revenue allowance	265,540,307	276,155,419

Table 5. Adjustments to the total revenue allowance 2025 (all values in BMD)

	2025 (Applied)	2025 (Initially approved)	2025 (Adjusted)
Allowable rate of return (%)	10.13%	7.79%	7.79%
Sales forecast (MWh)	511,565	511,565	511,565
Total losses	10%	10%	10%

<i>All in BMD</i>	2025 (Applied)	2025 (Initially approved)	2025 (Adjusted)
Total rate base	567,362,529	544,498,554	544,498,554

<i>All in BMD</i>	2025 (Applied)	2025 (Initially approved)	2025 (Adjusted)
Capital costs (RAB x WACC)	57,473,824	42,416,437	42,416,437
Total OPEX excl. Pass-through	137,656,547	127,742,578	127,742,578
Total RA excl. Pass-through	195,130,371	170,159,015	170,159,015
Fuel costs	90,153,264	90,153,264	90,153,264
IPP & DG Purchase	4,777,505	4,777,505	4,777,505
Other revenues	-1,023,730	-1,023,730	-1,023,730
Total RA incl. Pass-through before adjustments	289,037,410	264,066,055	264,066,055
ESA	0	0	11,590,940
EPA	0	0	498,425
ERA	0	0	0
PRA	0	0	0
Total Revenue Allowance incl. Fuel costs	289,037,410	264,066,055	276,155,419
Total Revenue Allowance excl. Fuel costs	198,884,146	173,912,790	186,002,155

<i>in BMD/MWh</i>	2025 (Applied)	2025 (Initially approved)	2025 (Adjusted)
NFABR after adjustments - including IPP/DG purchase	388.78	339.96	363.59
NFABR after adjustments - excluding IPP/DG purchase	379.44	330.62	354.26

V. Calculating the New Retail Tariffs

The current retail tariff structure remains unchanged from previous years and consists of three main tariff consumer categories - residential, commercial, and demand. There are also dedicated retail tariffs for specific customer groups such as street lighting, quarry, government, and churches. Within each key customer category, the current retail tariffs consist of:

- a facilities charge (different tiers for residential customers) (\$/customer);
- energy charges, for different blocks of consumption (\$/kWh);
- demand charges (only for demand customers) (\$/kW);
- a fuel adjustment rate – the FAR (\$/kWh); and
- a regulatory authority fee – the RAF (\$/kWh).

BELCO submitted the retail tariffs in line with the Retail Tariff Filing Instructions issued by the RA on 6 November 2024 to achieve the Allowed Revenue set by Order#20241106.

As seen in Figure 1 below, the average change in retail rates would decrease by **1.26%** on the implementation date in 2025.

The base rate (which is exclusive of fuel costs) which is the subject of the RA's review, would increase by **10.79%** on the 1 January 2025.

Figure 2 compares the December 2024 average overall retail rates to the newly implemented rates for January 2025. While the average impacts are shown in Figure 1, the full range of impacts to customers are shown in Figure 3.

Figure 1: Change in the retail rates (%) for 2025

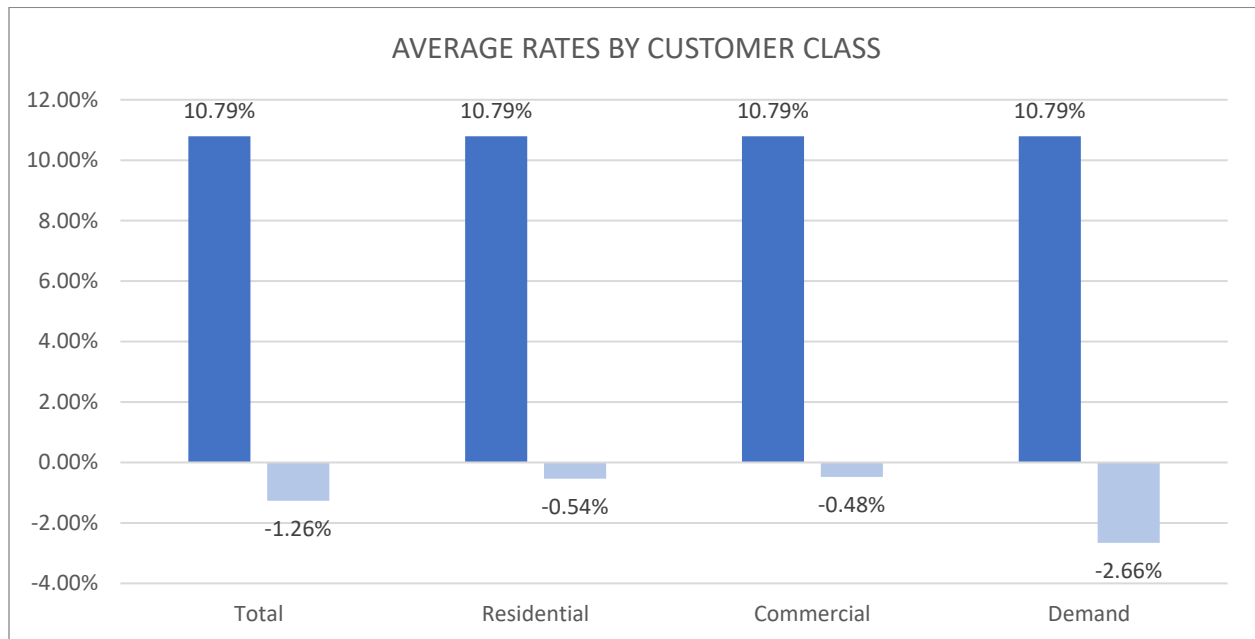


Figure 2: Average overall retail rates (\$) for 2025

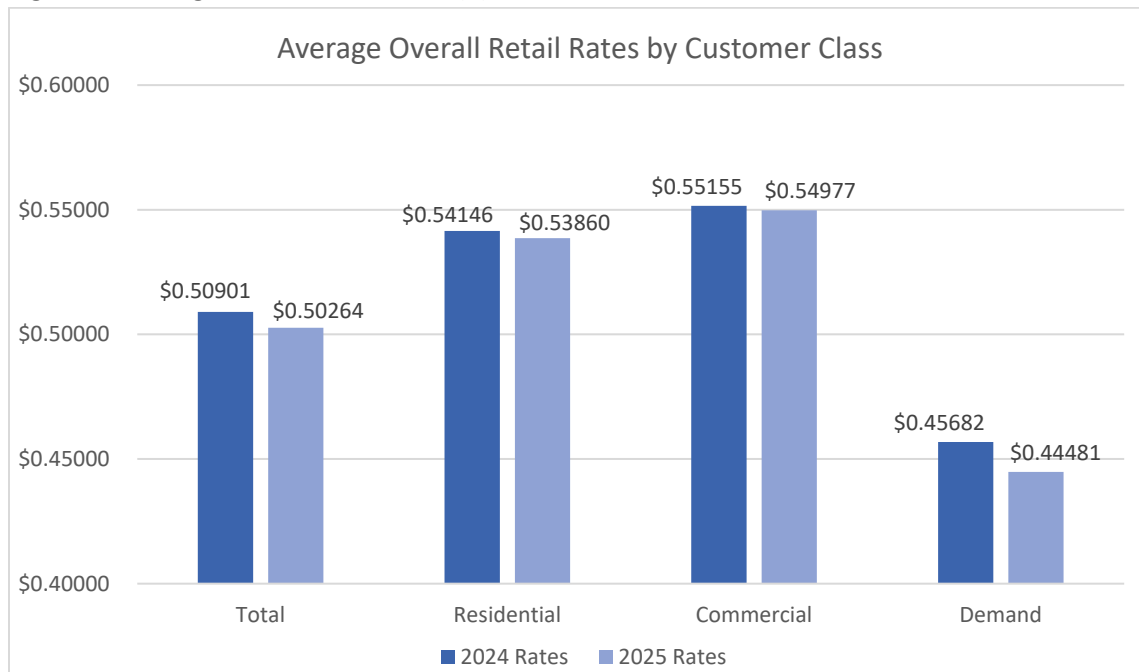
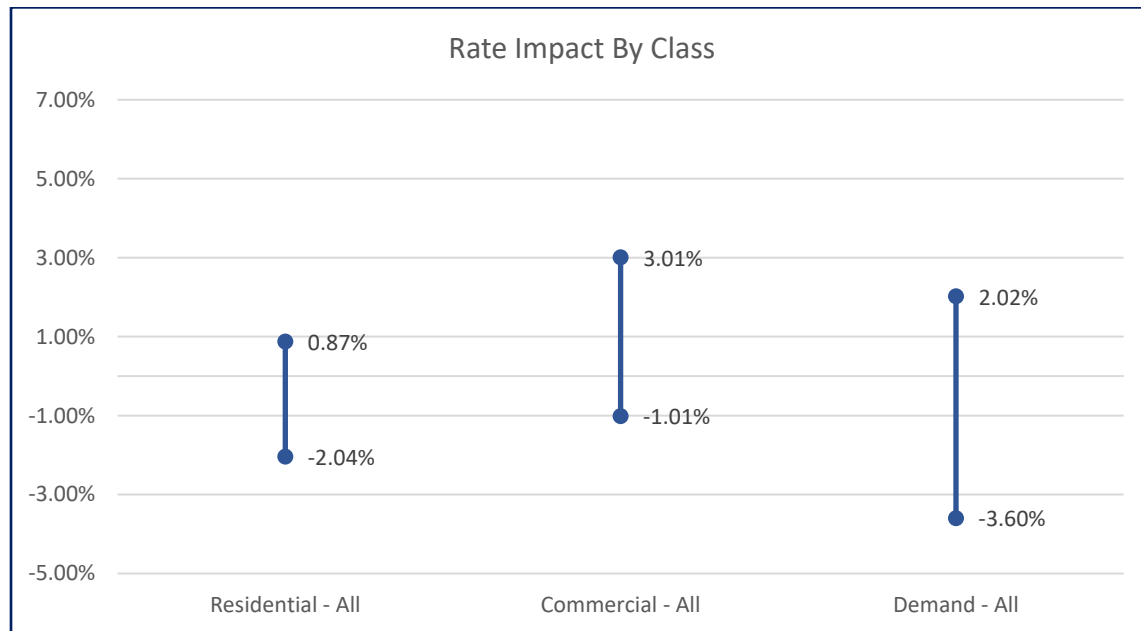


Figure 3: Range of rate impact (%) by class



VI. Key drivers underpinning rate changes

There are two key drivers underpinning the base rate increases, which are described and illustrated below.

1. Increase in ESA due to the late implementation of rates.

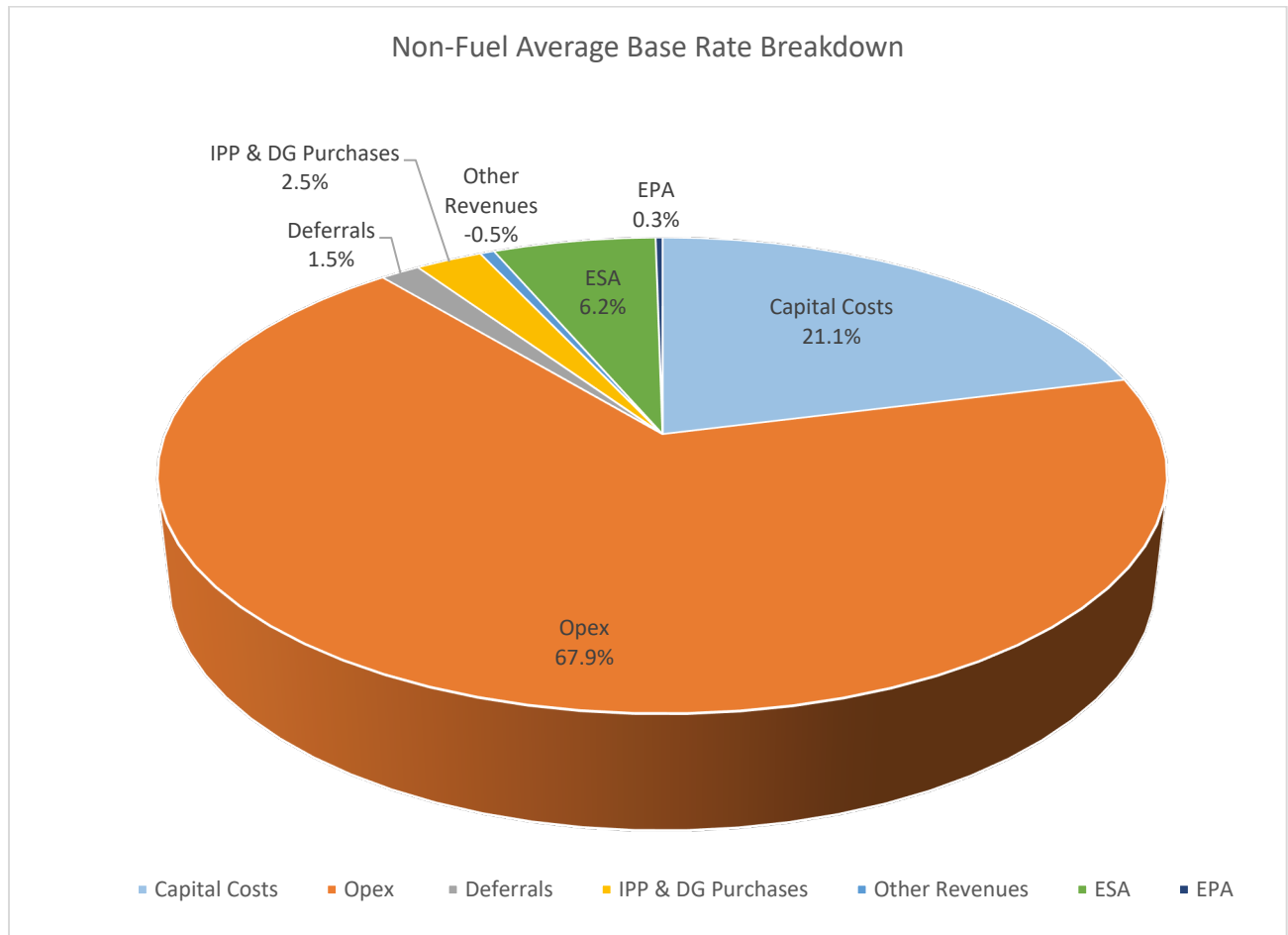
- As mentioned in section IV, \$11.59 million is accounted for in 2025 due to ESA – a result of unrecovered revenue from the late implementation of 2024 rates.

2. Lower electricity sales attributed to increased solar customers with self-consumption.

- The upward trajectory in electricity sales following the impact of Covid-19 ended in 2022. Post 2022, sales have been trending downward.
- As of 2023, the decrease in electricity sales is attributed to the increase in solar PV systems and self-consumption.
- The increase in self-consumption has put upward pressure on rates.

BELCO's operational costs, which are all directly passed through to customers at no mark-up or losses, is the largest contributor to the base rate. Figure 4 below shows the breakdown of key factors driving the rates.

Figure 4: Breakdown of the Base Rate costs



VII. 2025 Approved Rates

2025 Approved Rates						
Unit		Existing	RD-1: Across the Board Approved Rates	Difference Relative to Existing		
				Difference \$		Difference %
Schedule A - Residential						
Average Facilities Charge -Residential		\$ 53.10	\$ 58.73	\$ 5.63		10.6%
GFC Tier 1	0-10 kWh per day	\$/month \$ 25.74	\$ 28.47	\$ 2.73		10.6%
GFC Tier 2	10-15 kWh per day	\$/month \$ 38.61	\$ 42.71	\$ 4.10		10.6%
GFC Tier 3	15-25 kWh per day	\$/month \$ 51.42	\$ 56.88	\$ 5.46		10.6%
GFC Tier 4	25-50 kWh per day	\$/month \$ 80.44	\$ 88.98	\$ 8.54		10.6%
GFC Tier 5	50+ kWh per day	\$/month \$ 122.27	\$ 135.25	\$ 12.98		10.6%
<u>Energy Charges</u>						
0-250 kWh	First Block	\$/kWh \$ 0.15509	\$ 0.17193	\$ 0.01684		10.9%
251-700 kWh	Second Block	\$/kWh \$ 0.27692	\$ 0.30698	\$ 0.03006		10.9%
700+ kWh	Tail Block	\$/kWh \$ 0.43616	\$ 0.48350	\$ 0.04734		10.9%
Schedule B - Small Commercial						
Facilities Charge - Small Commercial		\$ 51.35	\$ 55.25	\$ 3.90		7.6%
<u>Energy Charges</u>						
0-1000 kWh	First Block	\$/kWh \$ 0.29376	\$ 0.32633	\$ 0.03257		11.1%
1001-5000 kWh	Second Block	\$/kWh \$ 0.33219	\$ 0.36888	\$ 0.03669		11.0%
5001+kWh	Tail Block	\$/kWh \$ 0.39514	\$ 0.43857	\$ 0.04343		11.0%
Schedule C - Demand Service						
Facilities Charge - Demand Service		\$/month \$ 130.92	\$ 143.09	\$ 12.17		9.3%
<u>Demand Charges</u>						
A) All kW		\$/kW \$ 15.69	\$ 17.39	\$ 1.70		10.8%
B) All kW		\$/kW \$ 16.05	\$ 17.78	\$ 1.73		10.8%
C) All kW		\$/kW \$ 16.18	\$ 17.93	\$ 1.75		10.8%
<u>Energy Charges</u>						
1st 200 x Demand		\$/kWh \$ 0.33395	\$ 0.37002	\$ 0.03607		10.8%
2nd 200 x Demand		\$/kWh \$ 0.16795	\$ 0.18609	\$ 0.01814		10.8%
remaining kW - energy		\$/kWh \$ 0.06374	\$ 0.07062	\$ 0.00688		10.8%
Schedule D - Miscellaneous Commercial						
<u>Energy Charges</u>						
Street Lighting		\$/kWh \$ 0.22286	\$ 0.24691	\$ 0.02405		10.8%
Codes 4308, 4408		\$/kWh \$ 0.25341	\$ 0.28076	\$ 0.02735		10.8%
Code 4309		\$/kWh \$ 0.29293	\$ 0.32455	\$ 0.03162		10.8%
Code 4417		\$/kWh \$ 0.31313	\$ 0.34693	\$ 0.03380		10.8%
TD&R RAF		\$/kWh \$ 0.00545	\$ 0.00545	\$ -		0.0%
FAR		\$/kWh \$ 0.17539	\$ 0.13360	\$ (0.04179)		-23.8%