



## **Retail Tariff Review - Allowed Revenue**

### **Decision & Order**

**Order #20251103**

Date: 03 November 2025

## **Background**

Section 35(1) of the Electricity Act 2016 (the **EA**) requires the Regulatory Authority of Bermuda (the **RA**) to determine the Retail Tariff according to the methodology which was set by the RA in the Regulatory Authority (Retail Tariff Methodology) General Determination 2025 dated 22 January 2025 (GD) and the principles set out in section 35 of the EA.

Section 35(2) of the EA requires the methodology set by the RA to enable the Transmission, Distribution & Retail (**TD&R**) Licensee to generate a total maximum revenue (the **Allowed Revenue**) that recovers the reasonable costs of service incurred in achieving the service standards. These costs include 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, and other statutory fees. This Order sets forth the RA's decisions regarding the Allowed Revenue for 2026 and 2027, underpinning the retail tariffs to be applied by the Bermuda Electric Light Company Ltd (**BELCO**), as the TD&R Licensee.

Although the RA sets the level of Allowed Revenue that BELCO can recover from retail tariffs for a given tariff review period, the Allowed Revenue may be altered during the period. This may result from differences in fuel costs between those forecasts and those actually incurred and is handled by an automatic "trueing-up" mechanism. Allowed Revenue in respect of the particular year can also be impacted by an incentive mechanism (which compares actual technical performance against targets), whilst changes in sales volume can mean that actual revenue for the year varies from that forecast. Any resulting mismatches between Allowed Revenue and actual revenue resulting from these factors may be adjusted for in subsequent tariff periods.

Key inputs to determining the level of the Allowed Revenue are the regulatory asset base (including additions resulting from BELCO's capital expenditure), the rate of return, the operating cost allowance together with fuel and other pass-through costs, factors resulting from "trueing-up" mechanisms (such as the Energy Sales Adjustment and the Energy Purchase Adjustment), and adjustments resulting from the implementation of performance and efficiency regimes described in the GD. Another important factor is the sales forecast.

Finally, the deferred revenue allowance from the 2021 Allowed Revenue represents a share of the Allowed Revenue whose recovery was deferred to the years 2022-2025.

Table 1 and Table 2, below, indicate for several of these key inputs, the values assumed by BELCO in its Retail Tariff Filing for 2026 and 2027 respectively. These key inputs were reviewed by the RA. In several cases, the RA determined that the assumptions made were not fully justified or adequate. As a result, the RA has revised BELCO's figures to those shown in Table 1 and Table 2 below, to calculate the Allowed Revenue.

Table 1		
Key Input	BELCO Retail Tariff Filing	RA Decision
2026 Rate of Return	9.86%	7.85%
Total 2026 Capital Budget <sup>1</sup>	BMD 52.81 million	BMD 42.01 million
2026 Revenue Allowance (excluding Pass-through Cost)	BMD 183.23 million	BMD 166.51 million
2026 Total Revenue Allowance	BMD 256.77 million	BMD 240.06 million

Table 2		
Key Input	BELCO Retail Tariff Filing	RA Decision
2027 Rate of Return	9.97%	7.85%
Total 2027 Capital Budget	BMD 55.86 million	BMD 43.90 million
2027 Revenue Allowance (excluding Pass-through Cost)	BMD 186.13 million	BMD 168.37 million
2027 Total Revenue Allowance	BMD 260.23 million	BMD 242.47 million

Table 3 below compares the level of Allowed Revenue sought by BELCO in its Retail Tariff Filing with that resulting from RA decisions on key inputs.

<sup>1</sup> Including both generation, transmission, distribution, and general plant investments

Table 3		
	BELCO Retail Tariff Filing	RA Decision
2026 Allowed Revenue <sup>2</sup>	BMD 256.77 million	BMD 240.06 million
2027 Allowed Revenue <sup>3</sup>	BMD 260.23 million	BMD 242.47 million

The RA determined that the level of Allowed Revenue set forth in Table 3 applies for the twelve (12) month period starting on 1<sup>st</sup> January 2026 and ending on 31<sup>st</sup> December 2026.

<sup>2</sup> After deducting allowance for “other revenues” such as payments for new connections

<sup>3</sup> After deducting allowance for “other revenues” such as payments for new connections

**Order**

1. The RA determines that the Allowed Revenue that BELCO may collect through tariffs from electricity end-users starting on the effective date of the Retail Tariff, 1 January 2026, for the twelve (12) month period, 1<sup>st</sup> January 2026 to 31<sup>st</sup> December 2026, will be:
  - a) a maximum of BMD 236,913,997;
  - b) at a rate of return of approximately 7.85%;
2. The Allowed Revenue may subsequently be adjusted during the period, as a result of changes in BELCO's fuel costs.
3. Subsequent to this Order, the RA requires BELCO to file detailed end-user tariffs that align with the above conditions and the Retail Tariff Design Instructions.
4. This Order becomes effective on the day it is published on the RA's website.

So ordered this 3<sup>rd</sup> day of November 2025.

Mark Fields

Chairman