



Retail Tariff Review – Retail Tariffs

Decision & Order

Order #20191217

Date: 17 December 2019

TABLE OF CONTENTS

I. BACKGROUND	3
II. ORDER.....	5

I. BACKGROUND

Section 35 of the Electricity Act 2016 (the “EA”) requires the Regulatory Authority of Bermuda (the “RA”) to determine the Retail Tariff in accordance with the methodology which was set by the RA in the Regulatory Authority (Retail Tariff Methodology) General Determination dated 19th October 2018 (the “Methodology GD”) and the principles set out in part 6 of the EA; and allows the Transmission, Distribution & Retail (“TD&R”) Licensee to recover reasonable costs.

In particular, sections 35(5) and 35(6) provide that

“A licensee may not charge an end-user any other tariff or make use of provisions in agreements other than that determined or approved by the Authority pursuant to this Act and the regulations and rules; and no licensee shall vary the tariff or any published schedule of prices or charges for electricity unless notice in writing of the intention to vary the tariff, and the amount of the variation, has been approved by the Authority.”

In April 2019, the RA received an initial application from the Bermuda Electric Light Company Limited (“BELCO”) for a review and amendment of retail tariffs for three years (2020-2023). An iterative process followed, and BELCO submitted its final application for amendment of its retail tariffs on 29 November 2019. In order to ensure an effective transition to the Retail Tariff Methodology, the RA limited the retail tariff review period to twelve months only and amended certain assumptions made by BELCO in its application.

As the review involved the implementation of a new Retail Tariff Methodology, the RA determined that the 2020 retail tariff structures would remain the same as for current tariffs, while being scaled to achieve the new Allowed Revenue, except for all fuel-related costs being removed from the different retail tariff components of the retail tariff design; and that during 2020 a more substantive review of the retail tariff design will take place. The nature of retail tariff component charges include the facilities charge, the energy charge, and the demand charge.

Order #20191125, which was issued to BELCO on 25 November 2019, set BELCO’s Allowed Revenue for the twelve (12) month period beginning from the effective date of the Retail Tariffs. BELCO was requested to submit the final Retail Tariffs calculation that will achieve the Allowed Revenue of a maximum of BMD 211,023,798 set in Order #20191125.

Further assessment of the treatment of Regulatory Authority Fees (“RAF”) led to an amendment to their treatment and a subsequent revision of the Allowed Revenue. Therefore, this Order #20191217 amends Order #20191125 to (i) remove the RAF from the Allowed Revenue; (ii) set the Operating Cost Allowance at BMD 100,659,100; and (iii) set the Allowed Revenue of a maximum of BMD 207,020,413. This Order also sets the Retail Tariffs for the 2020 period.

The process of adjusting the retail tariffs to achieve the Allowed Revenue has drawn on actual consumption and billing data provided by BELCO for the 21-month period from January 2018 to September 2019.

The selected methodology:

- delivers a reduction in average tariff to all customer groups;
- retains the current ratios between the different rates within the tariff (such as the facility charge, the energy charge, and the demand charge), which will limit the range of impacts on customers with different consumption levels;
- allows for the transparent reflection of all fuel costs in the Fuel Adjustment Rate (“FAR”); and
- further encourages energy efficiency across all customer groups.

Based on information provided by BELCO, new Retail Tariffs are expected to yield a weighted average reduction in retail tariffs (across all customer groups) of 4.7%. Residential customers can expect 4.4% reduction in their retail tariffs on average, while commercial customers can expect 4.5% reduction on average, and demand customers 5.5% reduction on average.

It is also worth noting that under the Retail Tariff Methodology, all fuel-related costs are removed from the different retail tariff components of the retail tariff design (previously, fuel costs below the \$30/bbl threshold were recovered through the energy charges). These costs will now be recovered through the FAR, which will be reviewed for potential adjustment on a quarterly basis.

The FAR may subsequently be adjusted during the 2020 period, as a result of changes in BELCO's fuel costs. The Regulatory Authority Fee may subsequently be adjusted during the 2020 period, as a result of legislative changes to the relevant regulations.

II. ORDER

1. The Regulatory Authority of Bermuda (“RA”) hereby approves the Facilities Charge, Energy Charges and Fuel Adjustment Rate (“FAR”) components of the Retail Tariffs for 2020 as represented in the table below.
2. The RA hereby confirms that the FAR and the Regulatory Authority Fee (“RAF”) remain as shown below in the table, subject to subsequent RA approval, Order or government regulation, as applicable.
3. Further, this Order #20191217 requires the Bermuda Electric Light Company Limited (“BELCO”), in its capacity as the Transmission, Distribution, and Retail Licensee, to implement the approved Retail Tariffs for meters read commencing January 1, 2020.

So ordered this 17 December 2019.

Approved 1st January 2020							
	Unit	Existing	Approved Rates	Difference Relative to Existing			
				Difference \$	Difference %		
Schedule A - Residential							
<u>Facilities Charge - Residential</u>							
GFC Tier One	0-10 kWh per day	\$/month	\$ 20.00	\$ 19.75	\$ (0.25)	-1.2%	
GFC Tier Two	10-15 kWh per day	\$/month	\$ 30.00	\$ 29.63	\$ (0.37)	-1.2%	
GFC Tier Three	15-25 kWh per day	\$/month	\$ 39.95	\$ 39.46	\$ (0.49)	-1.2%	
GFC Tier Four	25-50 kWh per day	\$/month	\$ 62.50	\$ 61.73	\$ (0.77)	-1.2%	
GFC Tier Five	50+ kWh per day	\$/month	\$ 95.00	\$ 93.83	\$ (1.17)	-1.2%	
<u>Energy Charges</u>							
0-250 KWh	First Block	\$/kWh	\$ 0.1575	\$ 0.1281	\$ (0.0294)	-18.7%	
251-700 KWh	Second Block	\$/kWh	\$ 0.2400	\$ 0.2172	\$ (0.0228)	-9.5%	
700+ KWh	Tail Block	\$/kWh	\$ 0.3362	\$ 0.3209	\$ (0.0153)	-4.6%	
Schedule B - Small Commercial							
<u>Facilities Charge - Small Commercial</u>							
		\$/month	\$ 40.00	\$ 41.76	\$ 1.76	4.4%	
<u>Energy Charges</u>							
0-1000 KWh	First Block	\$/kWh	\$ 0.2500	\$ 0.2271	\$ (0.0229)	-9.1%	
1001-5000 KWh	Second Block	\$/kWh	\$ 0.2797	\$ 0.2620	\$ (0.0177)	-6.3%	
5001+KWh	Tail Block	\$/kWh	\$ 0.3252	\$ 0.3165	\$ (0.0087)	-2.7%	
Schedule C - Demand Service							
<u>Facilities Charge - Demand Service</u>							
		\$/month	\$ 100.00	\$ 103.15	\$ 3.15	3.1%	
<u>Demand Charges</u>							
A) 1st 50 KW		\$/kW	\$ 12.00	\$ 12.23	\$ 0.23	1.9%	
remaining KW -A		\$/kW	\$ 12.00	\$ 12.23	\$ 0.23	1.9%	
B) 1st 50KW		\$/kW	\$ 13.00	\$ 13.17	\$ 0.17	1.3%	
remaining KW - B		\$/kW	\$ 13.00	\$ 13.17	\$ 0.17	1.3%	
C) 1st 50 KW		\$/kW	\$ 13.50	\$ 13.75	\$ 0.25	1.8%	
remaining KW - C		\$/kW	\$ 13.50	\$ 13.75	\$ 0.25	1.8%	
<u>Energy Charges</u>							
1st 200 x Demand		\$/kWh	\$ 0.2846	\$ 0.2700	\$ (0.0146)	-5.1%	
2nd 200 x Demand		\$/kWh	\$ 0.1629	\$ 0.1363	\$ (0.0266)	-16.3%	
remaining KW -energy		\$/kWh	\$ 0.0862	\$ 0.0521	\$ (0.0341)	-39.6%	
Schedule D - Miscellaneous Commercial							
<u>Energy Charges</u>							
Street Lighting		\$/kWh	\$ 0.2063	\$ 0.1765	\$ (0.0298)	-14.4%	
Codes 4308, 4408		\$/kWh	\$ 0.2295	\$ 0.2007	\$ (0.0288)	-12.6%	
Code 4309		\$/kWh	\$ 0.2596	\$ 0.2320	\$ (0.0276)	-10.6%	
Code 4417		\$/kWh	\$ 0.2750	\$ 0.2480	\$ (0.0270)	-9.8%	
TD&R Regulatory Authority Fee (RAF)							
		\$/kWh	\$ 0.00475	\$ 0.00475	\$ -	0.0%	
Fuel Adjustment Rate (FAR)							
		\$/kWh	\$ 0.12207	\$ 0.12741	\$ 0.0053	4.4%	