

Concerned about your electricity rates?

WE ARE TOO!

The proposed solutions provided in BELCO's Capital Plan [replacement generation, transmission & distribution upgrades and conversion to liquefied natural gas] will provide the rate stability for Bermuda that is very much needed.

How does the new rate regulation for electricity work?

Rate regulation is a process that the Regulatory Authority (RA) will use to set BELCO's rates charged for electricity to all customers. The system is designed to protect customers from being charged higher than necessary rates, while ensuring BELCO can cover its costs to produce electricity and earn a fair return. If a regulated company's costs go up or down, in theory, its profit would remain the same and rates would increase or decrease accordingly. It should be noted that the RA will review BELCO's costs to determine if they are reasonable.

Who is responsible for regulating BELCO?

As defined within the Electricity Act 2016, the RA is currently responsible for regulating BELCO. The RA will approve BELCO's operating costs, capital costs and the electricity rates that BELCO can charge customers. Prior to October 2016, the responsibility rested with the Energy Commission (EC). Unless directed otherwise by the RA, BELCO's rates are determined in accordance with the EC March 2016 Directive.

What goes into setting BELCO's electricity rate?

In determining BELCO's electricity rate, the Regulator must consider the necessary revenue requirements that are equal to the recovery of BELCO's operating costs, fuel costs, depreciation of assets, taxes and a profit. This allows BELCO to maintain reliable service to the Country.

Can you explain the components of a BELCO Bill?

If you look on your BELCO bill, you will see a section called CHARGES, which breaks out the individual components of your bill. **SEE THE BILLING CHARGES CHART BELOW.**

Is BELCO going to raise my rates to pay for the three projects it is proposing?

BELCO will be submitting a request to increase rates for the short-term. We need to recover the costs of financing the upgrades and replacement of aged assets. Once those costs have been recovered, it is anticipated that the electricity rates will, at the very least stabilize, if not decrease, given the substantially lower operating and fuel costs associated with the new infrastructure.

How much will the rate increase be?

If all three projects are implemented (replacement generation, transmission & distribution upgrades and conversion to liquefied natural gas), and depending upon the rate methodology that the RA chooses to employ, a 2-4 cent per kWh increase is projected to recover the investment made by BELCO to bring these projects to fruition. For the average residential customer in Bermuda who uses approximately 650 kWh per month, this would equate to an additional \$13/month during the recovery period.

Is this an opportunity for BELCO to implement a long-term rate increase?

The entire intention of implementing the proposed Capital Plan projects is to stabilize rates over the long-term. Our ultimate goal is lower electricity rates.

What is going to happen to my electricity rate if BELCO's proposal is not accepted?

If BELCO does not receive the necessary permissions from the RA, we estimate that we will continue to spend a minimum of \$26 million in extra costs every year on fuel, maintenance and repairs for an aging plant and infrastructure. We will continue to plan the retirement of 50% of BELCO's generation capacity by 2020 for safety, environmental and economic reasons. In short, your rates will increase at an even higher level if nothing is done.

We have 2 options

OPTION 1	PROCEED	OPTION 2	DO NOTHING
	Proceed with the Capital Plan, which will result in a 2 - 4 cent kWh increase in rates to recover the costs of the three projects, ultimately resulting in more stabilized, and potentially lower rates beyond 2021.		Continue to spend an estimated \$26 million+ per year in extra costs on deteriorating systems and deploy more expensive temporary options for generation when the current generators reach end of life. This will result in skyrocketing electricity rates and increased outages.

We believe the best option for our customers is to proceed with the three projects recommended in the Capital Plan. In addition to ensuring that Bermuda has a reliable supply of electricity with substantial environmental benefits, it is also the choice that will stabilize your rates over the long-term.

If you have additional questions go to: www.yourenergyfuture.bm/contact-us

BILL CHARGES

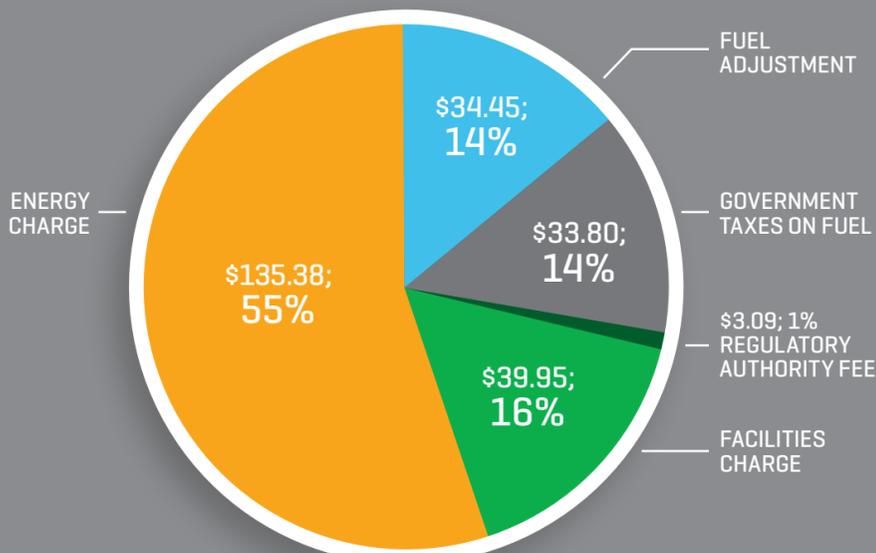
Energy Charge	Facilities Charge	Fuel Adjustment Rate (FAR) is variable, changes monthly and is made up of three components:	Regulatory Authority Fee
covers the cost to generate, transmit and distribute electricity, and includes the first \$30 of cost per barrel of fuel.	covers the cost of retail operations to service a customer's account (i.e. customer care, connections to the electricity grid, meters, meter reading, customer information system, etc.)	<ol style="list-style-type: none"> The recovery of the additional cost of fuel (above the first \$30 cost per barrel) and the cost to ship fuel, and pump it from storage tanks at Ferry Reach in St. George's to BELCO's Central Plant in Pembroke. There is no BELCO mark up on these actual costs; Government's Custom Duty on fuel (currently \$31.79/barrel or 5.9 cents per kWh); and Government's UNESCO World Heritage Site Tax (currently 0.40 cents/barrel or .001 cents per kWh) 	is currently 0.475 cents/kWh and is used to fund the operations of the RA.

Breakdown of Charges for the Average Residential Customer Using 650 kWhs

[June 2017]

TOTAL BILL

\$246.67



Government tax on fuel

