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**Sent:** Wednesday, February 28, 2018 1:33 PM  
**To:** Electricity <[Electricity@RAB.bm](mailto:Electricity@RAB.bm)>  
**Subject:** Energy Regulation

I agree that detail income statement and balance sheets should be provided to allow accurate measurement of profit margin and return on assets.

The details should be sufficient to allow a clear understanding of the significant components of cost that are incurred to generate the end user pricing. It is important to separate fixed costs and variable costs. The regulated supplier should also present industry comparatives to show, perhaps on a percentage basis, how costs for similar infrastructure/service in other countries compare. The service provider should attempt to show why they vary from industry standards perhaps because of import duties, other government fees, average labour costs etc.

Emphasis also needs to be placed on providers to ensure that investment is giving the best service as the least cost.

A regulated "cost plus" business is not encouraged to reduce cost, either operating or capital if the are guaranteed a return on investment or a profit margin.

By example I remember a discussion about 30 years ago as to why "insulation/energy standards" were not included in Bermuda commercial building code.

I was told that tenants(international business) paid the utility costs and the Bermudian landlords were shareholders of BELCO. Why would they insulate the building at their costs to effectively reduce their dividend from BELCO!

Many utilities have subsidized their customers to reduce energy consumption as it is cheaper than adding new capacity. Examples being assistance with insulation of building and hot water heaters, LED lightbulb conversion etc. These subsidies would be RA APPROVED expenses which would be recovered in customer charges.

Clearly the RA needs to encourage competitive provision of services and the more detailed the analysis of existing providers the more able a new competitor will be able to see if they can compete by providing cheaper service.

The hard part is how you handle the fact that existing providers may/will loose customers to new providers and if guaranteed an ROI/Profit will need to increase the charges to cover their fixed costs. The loss of customers should be a hit to shareholders not the customers. This makes sure shareholders are focused on low cost supply to avoid loosing customers.

This is why it is so difficult to see a single large LNG proposal being implemented as it could be a millstone on the island if in fact wind, wave and solar could provide a lower costs.

Lets bring in a cable from Canada with cheap hydro power!

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