



# **BAKERS BAY UTILITY LIMITED PROPOSED TARIFF AMENDMENT**

## **Statement of Results and Final Decision**

**ES 05/2023**

**Issue Date: 30 May 2023**

## **ABSTRACT**

On 21 December 2020, Bakers Bay Utility Limited (BBUC) was issued an Authorised Public Electricity Licence, APESL-20-0002 by the Utilities Regulation and Competition Authority (URCA).

The BBUC's APESL includes Price Controls Mechanism relative to the tariff which BBUC may charge. The APESL states that URCA shall determine rates for electric power pursuant to URCA's powers under the Electricity Act, 2015 ('EA') as amended and on the principles set out in its APESL.

BBUC has made an application to URCA to amend its existing tariff pursuant to the relevant sections of the EA, its APESL, and the regulatory guidelines.

The Consultation Document presenting URCA's analysis of BBUC's tariff amendment proposal in accordance with the principles, methodologies and procedures outlined in URCA's tariff regulatory framework (ES 07/2021)<sup>1</sup> was issued to invite responses from and receive input from all stakeholders. Additionally, BBUC conducted its Town Hall meeting presenting its proposal to its community of customers while recording comments and feedback.

This document represents the statement of Results and Final Decision arising from URCA'S consultation and BBUC town hall presentation and feedback.

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<sup>1</sup> See Guidelines and Procedure at <https://www.urbahamas.bs/wp-content/uploads/2021/07/Tariff-Review-Framework-Guidelines-and-Procedures-for-Public-Electricity-Suppliers-ES-07-2021.pdf>

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## ACRONYMS, ABBREVIATIONS AND DEFINITIONS

APESL	Authorised Public Electricity Supplier
Base Year	The latest twelve months of operation of the Licensed Business for which there are audited accounts adjusted to reflect:  1) Normal operation conditions, if necessary; and  2) Such changes in revenues and costs as are known and measurable with reasonable accuracy at the time of filing and are demonstrated as part of the Business Plan.  The Base Year shall represent the first year of the Business Plan
EA	Electricity Act, 2015
PESL	Public Electricity Suppliers Licence
PES	Public Electricity Supplier
GoB	Government of The Bahamas
kWh	Kilowatt-hour
NEP	National Energy Policy
O&M	Operating and Maintenance
OPEX	Operating Expenses (prudently incurred)
PPE	Property Plant and Equipment
RAB	Regulatory Asset Base
RE -	Renewable Energy
ROE	Return on Equity
ROI	Return on Investment
ROR	Rate of Return
T&D	Transmission & Distribution
WACC	Weighted Average Cost of Capital
URCA	Utilities Regulation and Competition Authority

# 1 INTRODUCTION

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The Utilities Regulation and Competition Authority (“URCA”) issues this Statement of Results and Final Decision (SoR) further to its “Consultation on Bakers Bay Utility Limited Proposed Tariff Amendment” (ES 02/2023) (“the Consultation Document”), published on the 13 March 2023.

BBUC sought approval:

- (a) To modify BBUC’s electrical rate structure by splitting the electrical rate and method of billing into two parts, including a pass-through fuel rate and a non-fuel / tariff rate, and
- (b) To set the non-fuel / tariff rate at \$0.36 per kWh in accordance with the Tariff Review Framework, Guidelines and Procedures for Public Electricity Suppliers document issued by URCA on July 1, 2021.

The essence of BBUC’s application is that it proposes the disaggregation of the current unitary tariff rate into a fuel component and non-fuel component.

Section 38(a) of the EA states that the functions and powers of URCA are to-

“(a) review and determine that the rates and scale of charges comprising the tariff rate for electricity supply services proposed by a public electricity supplier are reasonable, reflect efficiently incurred costs and are not inconsistent with or in contravention of the Act or any other law and allow an opportunity for public input.”

URCA is issuing this SoR in accordance with condition 52 of BBUC’s Authorized Public Electricity Supplier License (APESL), URCA’s position is that rates are to be based on, among other things, revenue, and demand and where necessary, a detailed plan and justification for investment in necessary systems upgrades.

## 1.1 CONSULTATION PROCESS

URCA considers BBUC proposed tariff amendment to be of public significance, with potentially far-reaching impact on the electricity supplier and its customers. Consequently, URCA initiated the public consultation process by way of a published Consultation Document on 13 March 2023 and a town hall consultation meeting on 14 April 2023. URCA invited interested parties to provide written responses on the Consultation Document on or before 14 April 2023, while simultaneously, requesting that BBUC present its proposal in a town hall meeting with the customers in the Bakers Bay community and provide URCA with the recorded feedback and comments from the Town Hall Meeting. The Consultation Document sought respondents’ views on several questions relating to BBUC’s proposed amendments and URCA’s analysis of the proposed tariff amendments.

URCA allowed extra time to respond to the Consultation Document and for BBUC to submit its recording of the town hall consultation. The submission period was extended to 21 April 2023. URCA received comments from the customers of the Baker’s Bay Community stakeholders. URCA recognizes the importance of an open and robust consultation process and is satisfied that it has discharged its statutory duty under the EA 2015 by permitting all stakeholders with interest in the subject matter of the Consultation Document a reasonable opportunity to make submissions.

## 1.2 RESPONSES TO THE CONSULTATION

The period for submission of written responses and comments to the consultation document closed on 21 April 2023. During the consultation period, URCA received written responses from:

- Gary Kosinski
- Responses/Comments from the BBUC town Hall Consultation

URCA extends thanks to all the Respondents for their participation in this public consultation process and the submissions proffered.

URCA has summarized the comments submitted by the Respondents in this Statement of Results and issued its Final Position. Interested parties can obtain the full text of the Respondents' comments from URCA's website at [www.urbahamas.bs](http://www.urbahamas.bs).

In this document, URCA has sought to provide a summary of the responses considered and a discussion of URCA's position on those responses.

## 1.3 PURPOSE OF THIS STATEMENT OF RESULTS AND FINAL DECISION

In this Statement of Results and Final Decision, URCA:

- (i) Outlines the legal and regulatory framework
- (ii) Summarizes the written submissions received in response to the Public Consultation Document However, URCA may not have reproduced all matters considered. The lack of direct response to a comment or any issue raised by a Respondent does not signify URCA's agreement in whole or in part with the comment, nor should it be taken to mean that URCA has not considered the comment or that the comment was considered and dismissed;
- (iii) Provides URCA's analysis of the submissions made by the respondents; and
- (iv) Sets forth URCA's review and Final Decision after the Public Consultation.

## 1.4 STRUCTURE OF THE REMAINDER OF THIS DOCUMENT

- Section 2: Outlines URCA's authority to conduct BBUC's Rate Review Process.
- Section 3: Summarizes the general comments received and outlines URCA's responses.
- Section 4: Summarizes the comments received to the consultation questions and outlines URCA's responses and Final Decisions.
- Section 5: Outlines URCA's conclusions and next steps.

## 2 LEGAL AND REGULATORY FRAMEWORK

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This section outlines URCA’s authority to conduct BBUC Tariff amendment Review Process

The EA empowers URCA with the function as the Regulator for the ES in The Bahamas, with implementing the ES regulatory framework and enforcing provisions of the EA and/or a licensee’s license. As a public body, URCA must exercise this regulatory function within the remit of and consistent with its statutory authority.

### 2.1 THE ELECTRICITY ACT, 2015

Section 6(1) of the EA establishes that *“the main goal and objective of the electricity sector policy shall be the creation of a regime for the supply of safe, least cost, reliable and environmentally sustainable electricity throughout The Bahamas”*.

Furthermore, section 6(2) of the EA establishes that the principles and objectives governing the sector policy and electricity supply regime, in accordance with the aims and goals of the national energy policy include the provision of safe, least-cost electricity supplies to all consumers<sup>2</sup> and the provision of a regulatory structure that balance the interest of and affords opportunities for input from all stakeholders, honours contractual commitments and encourages investment.<sup>3</sup>

Section 37(2)(m) outlines that one of URCA’s roles in the regulation of the ES shall be to *“provide for and carry out periodic rate reviews.”*

Section 38 of the EA empowers URCA to give effect to the electricity sector policy objectives. Section 38 (1)(a) of the EA provides URCA with the function and power to *“review and determine that the rates and scale of charges comprising the tariff rate for electricity supply services proposed by a public electricity supplier are reasonable, reflect efficiently incurred costs and are not inconsistent with or in contravention of the Act or any other law and allow an opportunity for public input.”*

Subsection 38(3)(i) and(j) states that URCA may issue regulatory and other measures, including without limitations, as follows: –

- (i) *“requiring any licensee to furnish such information and submit such returns in relation to the operations at such intervals as it may require;*
- (j) *conducting market investigations and market reviews and publishing regular information and reports.”*

Section 64 of the EA gives URCA the remit to make determinations where URCA sees it necessary relating to the terms and conditions of a licence, including obligations in licence conditions, regulatory and other measures, standards or technical rules.

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<sup>2</sup> EA section 6(2)(a)

<sup>3</sup> EA section 6(2)(l)

## 2.2 REGULATORY MEASURES ISSUED BY URCA

### 2.2.1 Rates and Scales of Charges for Electricity by Public Electricity Providers (PES)

With respect to the powers, functions and roles issued by URCA aforesaid under the EA, URCA has consulted on and subsequently issued a Tariff Review Framework for Electricity Suppliers (ES: 07/2021).<sup>4</sup> This framework outlines the rationale, procedure, and factors that URCA may consider in relation to a tariff review application.

## 2.3 LICENCE CONDITIONS

### 2.3.1 General Conditions

The general conditions of the PESL further states that *“the Licensees shall comply with regulatory and other measures including any directive, order, rule, decision or approval issued, made or granted by URCA in accordance with their duties and functions under the Act or their Licence”*.

Condition 5.1 of the PESL and APESL outline the role and duties of URCA. It states that the Licensee shall be subjected to the regulatory supervision of URCA. URCA shall perform its functions and carry out its duties pursuant to the URCA Act, the EA and any other relevant laws, the licence and have regard to relevant Government policy.

### 2.3.2 Reporting Obligations

Condition 23 of the APESL outlines BBUC’s reporting obligations. Conditions 23.2, 23.3 and 23.8 respectively state:

23.2 “URCA may require the Licensee to maintain separate Regulatory Accounts for regulatory reporting and tariff analysis.”

23.3 “The Licensee shall furnish to URCA without delay such information, documents and details related to the Licensed Business, as URCA may reasonably require in order for it to fulfil its functions and discharge its obligations under the Act.”

23.8 “The Licensee shall, annually, provide URCA with its capital investment plan and updated five-year capital investment plan.”

### 2.3.3 Engaging in Other Business

25.1 “The licensee may engage in other business activities and shall keep separate accounts for its different activities. The licensee’s profits and losses from such other business activities shall not be considered for the purpose of setting tariffs.”

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<sup>4</sup> See Guidelines and Procedure at <https://www.urbahamas.bs/wp-content/uploads/2021/07/Tariff-Review-Framework-Guidelines-and-Procedures-for-Public-Electricity-Suppliers-ES-07-2021.pdf>



#### 2.3.4 Price Controls Mechanism and Tariffs

Part G, Condition 51.1 outlines the Tariff Principles - "URCA shall determine the Licensee's rates for electric power pursuant to URCA's powers under the Act as amended from time to time and on the principles set out therein."

Conditions 52.1 and 52.2 of the APESL licence stipulates the respective tariff reviews as follows:

"52.1 URCA shall conduct a tariff review for the Licensee in accordance with the procedure set out under section 20 of the Act," and

"52.2 The Licensee shall comply with the process and timelines established by URCA for tariff reviews."

The cumulative effect of the foregoing statutory, regulatory and license provisions provides the framework under which URCA has exercised its statutory mandate to make a determination on BBUC's tariff amendment application.

## 3 URCA'S SUMMARY OF RESPONSES TO COMMENTS RECEIVED ON THE CONSULTATION

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This section summarizes the general comments received and outlines URCA's responses.

URCA sought the views from all interested parties in relation to BBUC Tariff Amendment Proposal. URCA hereby publishes a summary of the responses to the Consultation Document, its analysis and comments on the responses and its final decision. URCA has duly considered all written submissions proffered. However, URCA has not included every consideration in this Statement of Result and Final Decision. The absence of a response by URCA to any comment raised by a Respondent does not indicate URCA's agreement in whole or in part with the comment, nor does it suggest URCA's lack of consideration or finding that the comment was without merit.

### 3.1 GENERAL COMMENTS ON THE CONSULTATION

URCA thanks BBUC, Gary Kosinski, and the residents of Bakers Bay for the responses they provided on the Consultation.

#### 3.1.1 Comments

In this section, URCA itemised Gary Kosinski's comments received on the consultation and provide URCA's response to the specific Comments and to BBUC's responses to Gary Kosinski's comments.

##### **Gary Kosinski**

1. *The residents of Baker's Bay pay among the highest rates in the Bahamas and the Caribbean. Before approving the increase, please explain why BBUC costs are higher than most utilities in the Western Hemisphere and significantly higher than BPL?*

##### **BBUC Response**

In its response, BBUC argued that the largest factor impacting its electric rates is the operation of a fully licensed and regulated electric provider operating over a relatively small number of customers, which results in a higher cost rate to achieve the level of performance and reliability that the members require. Comparatively, BPL can gain scale efficiencies in its costs (notably in fuel volume pricing and non-fuel operating expenses) while applying those costs over a very large customer base.

##### **URCA Response**

Electric utility costs are determined by a site's and/or location load magnitude and shape and its utility bill structure. Most utilities in the Caribbean and The Bahamas, electricity charges are based on monthly usage and sometimes on peak demand. The load magnitude and shape are the main driver of cost to deliver electricity in the most cost-effective way. To the extent that the load magnitude and shape that BBUC must contend with is distinctly different from other utilities in the Bahamas and the Caribbean, then the prices to be charged to recover operating expenses will be different. Additionally, the size and scope of the electricity investment infrastructure relative to its customer base, will result in different average electricity rates per customer. Bahamas Power and Light Limited (BPL) and other comparable utilities in the Caribbean can leverage economies of scale relative to their customer base, while smaller utilities like BBUC are constrained to do so and consequently, the average price per customer is likely to be higher in the case of BBUC.

**Gary Kosinski**

- 2. Did the Developer submit requests for proposals (“RFPs”) for Power Purchase Agreements (“PPA”) from the various 3rd party power providers? If so, what were the responses from these RFP’s? Please have Baker’s Bay publish the documentation on the 3rd party PPA alternatives? These 3rd party providers should be able to provide power at a lower competitive price. If not, before approving this proposed increase, please have the Developer request 3rd party PPA proposals.*

**BBUC Response**

BBUC posited that the company has received PPA proposals from three international firms that have previously and successfully delivered power plants. BBUC without providing the names of these firms, posited that the international firms met the BBUC selection team’s six key areas of expectation (resiliency, redundancy, efficiency, expandability, providing the highest level of maintenance, and location within a hurricane-protected enclosure). BBUC has indicated that the team is conducting diligence on the benefits of a PPA versus in-house operations. Based on a preliminary review of the PPA’s BBUC posited that the proposed operating costs are consistent with the numbers BBUC submitted in the rate case.

BBUC posited that the proposed tariff increase is necessary to support the rising price of fuel, and a 10.4% ROE to the developer on investments for existing power plant equipment and new equipment necessary to support the generation of electricity expected by Baker’s Bay homeowners and the Club.

**URCA Response**

URCA agrees with Gary Kosinski comments that Baker’s Bay publish the documentation on the 3rd party PPA alternatives. However, URCA in applying the “known and measurable” principle is of the view that the operating costs proposed by BBUC are consistent with its historical operating costs and the usual spike in cost profile when new and or additional capital investment are made. URCA believes these additional capital costs are justified to improve efficiency and meet the service demand of the community. Additionally, BBUC have posited that they have requested best and final terms from the providers and are conducting final diligence. BBUC have submitted that the process will be completed in mid-May 2023. URCA does not see the merit in withholding BBUC proposed request and is of the view that URCA proceeds with the determination.

**Gary Kosinski**

- 3. The Developer has a mistake in their calculations. We request correction and recalculation on the “Equity Return on Investment”. According to the Developer, the Equity Investment is \$8,578,000. The Developer’s requested Equity Return charged to the residents is \$1,163,000.  $8.578/1.163$  is a 13.6% return on the Equity Investment. Not the 9.62% ROE claim made on the Conference Call. Their calculations inaccurately include the loan as equity while at the same time they charge the customer for the loan interest. This further miscalculates the returns and the customer costs. This is an inadvertent misrepresentation and should be corrected before approval. Before approving, please have the Developer correct the mistake and properly calculate a 9.62% return on equity and reflect that in a reduced rate.*

### **BBUC Response**

BBUC further explained the \$1.162M return on investment. Based on URCA methodology the ROI is calculated based on a total rate base of \$12.077M at a WACC of 9.62%. The rate base includes the current in place capital investment, as well as the planned future capital investment of approximately \$5.4M. The WACC is based on the referenced \$8.578M of invested equity at a required equity return of 10.4%, plus \$3.5M of debt used to partially fund the \$5.4M planned capital investment at a weighted average debt cost of 7.71% over the life of the loan.

### **URCA's Response**

URCA notes Gary Kosinski comments and is mindful of his concerns for lower rates. The return on investment was calculated in accordance with URCA's "Tariff Review Framework, Guidelines and Procedure for Public Electricity Suppliers" document dated 1 July 2021 and the method of calculation is consistent with conventional regulatory practice. The ROI is calculated based on a total proposed rate base of \$12.077M at a WACC of 9.62%. The WACC of 9.62% was derived from the weighted cost of debt and equity financing the operations of BBUC.

The rate base includes the used and useful capital investment, as well as the planned future capital investment of approximately \$5.4M. The WACC is based on the proposed \$8.578M of invested equity at a required equity return of 10.4%, plus \$3.5M of debt used to partially fund the \$5.4M planned capital investment at a weighted average debt cost of 7.71% over the life of the loan. URCA is of the view that the calculation of the return on investment is consistent with the methodology and good regulatory practice.

### **Gary Kosinski**

4. *We also would like clarification and more detail on the operating expense and capital expenditures. At 36 cents, the operating expense for this utility is among the highest in the Western Hemisphere. Why?*

### **BBUC Response**

BBUC has maintained that the driving force behind the operational expenses that drive the tariff rate is the lack of scale that Baker's Bay is able to achieve with its existing customer base.

### **URCA's Response**

BBUC proposed operational expenses of \$4,037,819. Under the general framework and guidelines, BBUC has the responsibility of proving to URCA's satisfaction that each proposed element of the revenue requirement is prudently incurred and is fair. With these criteria therefore, URCA has assessed that fuel oil/lubricant which BBUC posited has incurred as non-Fuel operating expense was removed from operating expense as this cost was deemed not to be a non-fuel cost component and the operational expense was further adjusted by \$1,169. Table 1 shows URCA's adjustment to BBUC proposed operational expenses.

Table 1: BBUC Operational Expenses

Components of Operating Expenses	BBUC Proposed based on latest Data	URCA's adjustment based on known & measurable	URCA's assessed Operational Expenses
<b>Operational Expenses (\$)</b>	<b>4,037,819</b>	<b>(1,169)</b>	<b>4,036,650</b>
<b>Debt obligations in respect of Interest or Principal (DI&amp;P)</b>	<b>157,289</b>		<b>157,289</b>
<b>Non-fuel operating expenses (OPEX)</b>	<b>2,369,433</b>	<b>(1,169)</b>	<b>2,368,264</b>
Payroll Expense	951,839		951,839
Operating Expense	1,144,004	(1,169)	1,142,835
Cost of Sales	15,772		15,772
Insurance	257,817		257,817
<b>Depreciation</b>	<b>1,511,097</b>	<b>-</b>	<b>1,511,097</b>

**Gary Kosinski**

5. *The Developer's cap-ex reflects the purchase of 5 x 750 KW generators (3.75MW) which is more than the 384 residences plus amenities require.*

**BBUC Response**

BBUC posited that the Developer's new cap-ex of \$5,423,580 reflects the purchase of three new high efficiency LNG units (a total of 3MW of prime power rated LNG), new switchgear with microgrid controls, all housed within a concrete building. BBUC contended that the cap-ex referenced in **Gary Kosinski** question is referring the BBUC existing equipment. BBUC reiterated that it is their intention to keep the existing diesel generators to support the dynamic load of Baker's Bay and to provide additional fuel options in the event of supply issues with LNG or in the event pricing were to favour diesel. BBUC posited that the existing LNG generators were purchased soon after Hurricane Dorian and while not suitable for daily use, may be maintained as additional backup capacity. BBUC asserted that there was over 12 MW of rated capacity prior to the storm.

BBUC asserted that its total Capital Expenditure of \$12, 077, 689 reflects the cost of the total equipment including new generators/equipment, transformers, ring mains and retained legacy generators for backup/redundancy.

**URCA's Response**

URCA notes that BBUC's statutory audited account has combined all its operations of water, wastewater, electricity generation, telecommunication services, internet services and fuel station services within the Baker's Bay community. The accounts for the electricity business are not granularly separated enough to compute the Asset base attributable to its capital investment components from the statutory accounts.

As such, to break out the capital investment attributable to the production of electricity, URCA relied on the BBUC current insurable value of electricity production assets, plus near-term capital investment in microgrid systems of US\$5.5 million.

In the absence of the regulations for Accounts Separation Guidelines, URCA accepts BBUC's method of allocation of costs for its electricity assets. URCA also acknowledge that the planned expenditure on the acquisition of

microgrid should be added to reflect the total Capital Expenditure that forms the Asset Base. URCA’s computation of the Capital Expenditures which form the Asset (Rate) Base shall be \$12, 077,680 break down as follows:

<b>BBUC Proposed Rate Base for Electricity Assets based on Actual Insurance Coverage</b>		<b>URCA Proposed Rate Base</b>
<b>Asset Category</b>	<b>Estimated Insurance Coverage US\$</b>	<b>URCA Assessed Rate Base</b>
Revised transformers estimate	2,144,100	2,144,100
3 Siemens 750 Gas Generators, 2 750W Caterpillar Diesel Generators, Ring Main Unit	4,510,000	4,510,000
<b>Subtotal</b>	<b>6,654,100</b>	<b>6,654,100</b>
Original microgrid estimate	3,500,000	3,500,000
<b>Subtotal</b>	<b>10,154,100</b>	<b>10,154,100</b>
Additional Capital Expenditure for Equipment/Buildings	1,923,580	1,923,580
<b>Subtotal</b>	<b>12,077,680</b>	<b>12,077,680</b>
(rounded)	12,100,000	-

**Gary Kosinski**

6. *The Developer’s cap-ex reflects the purchase of 3.75 MW at cost of \$6.65 million which is more than a MW should cost. Why?*

**BBUC Response**

The cap-ex noted in the question references equipment currently in use, and it reflects our depreciated value. There is a misprint in the URCA Consultation Document that incorrectly identifies the diesel gensets as 750kW units, when they are in fact 1,750kW units. As a result, the total generation capacity is 5.75 MW at a cost of \$4.15M.

**URCA’s Response**

URCA acknowledge that BBUC gensets are of 1,750 kW and not 750kW as previously stated. Additionally, URCA is of the view that BBUC capital cost at \$750/kW for the Gensets is reasonable and within the benchmark price range for Genset of similar technologies.

**Gary Kosinski**

7. *Is it possible that a 3rd party provider could be more efficient and provide a more competitive rate?*

**BBUC Response**

BBUC stated that a consultant was hired, and they have been running a competitive bid process to ensure the lowest possible cost of energy as outlined in the URCA rate case. BBUC proffered that 16 cents of the overall rate increase from the current 51 cent rate is the result of a 13 cent fuel price increases and an 11 cent capital reserve, which will be segregated and used for the benefit of future BBUC capital/replacement needs.

**URCA's Response**

URCA's remit is to assess that BBUC cost of operation are prudently incurred and to ensure that as a going concern BBUC be allowed to recover all its prudently incurred costs.

**Gary Kosinski**

8. *Alternatively, should BBUC start from scratch (file for bankruptcy, eliminate the legacy issues, have competitive rate)*

**BBUC Response**

The proposed rate is based on future equipment purchases and current equipment to be used under the new configuration, the operating costs of the plant, a 10.4% ROI, and the capital reserve. The total dollars invested in the utility plant and related infrastructure total over \$6,654,100 prior to the new add on investment of \$5.4 million. The investment used to formulate the rate case relates to equipment used in the proposed new plant. Consequently, bankruptcy solves nothing, and investment dollars used in support of the rate case do not include the legacy issues (i.e. the \$9 million dollar investment for the failed connection to BPL, add any other significant investments that we did not include in rate case, etc.)

**URCA's Response**

URCA reiterates that its remit is to assess that BBUC's cost of operation are prudently incurred and to ensure that as a going concern BBUC be allowed to recover all its prudently incurred costs.

## 4 URCA COMMENTS ON RESPONSES TO CONSULTATION QUESTIONS AND FINAL DECISION

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This section summarizes the comments received on the consultation questions and outlines URCA's responses and Final Decisions.

### 4.1 RESPONSES TO THE CONSULTATION QUESTIONS

There were no specific written responses to the consultation question. However, responses of a general nature were submitted and URCA provided comments in Section 3 herein. URCA is of the view that the responses provided, when assessed, was not sufficiently at variance with URCA's position to materially change the proposed Tariff Adjustment for BBUC.

Additionally, the questions and answers feedback from the Townhall consultation was recorded and transcribed by BBUC. The transcribed Townhall transcript is outlined in Annex A.

#### 4.1.1 Overview of URCA's Decision

BBUC's average non-fuel electricity price is among the highest in the Caribbean. BBUC is constrained by geography and the size of its customer base which does not allow for leveraging economies of scale. Also, URCA is mindful of the potential for BBUC to misallocate the cost of its related business which could have an impact on the cost of electricity. However, in the absence of the regulations for Accounts Separation Guidelines, URCA accepts BBUC's method of allocation of costs for its electricity assets.

URCA notes that BBUC 2020/2021 statutory audited accounts has combined all its operations, water, wastewater, electricity generation, telecommunication services, internet services and fuel station services within the Baker's Bay community. The accounts for the electricity business are not granularly separated enough to compute the Asset base attributable to its capital investment components from the statutory accounts. Neither do the audited accounts allow for the separation of the operational expenses. If this was the case, URCA would use the statutory accounts as the basis on which adjustments would have been made for known and measurable costs. Consequently, to break out the operation expenses and capital investment attributable to the production of electricity, URCA relied on the BBUC submitted deemed electricity costs. URCA assessment of the BBUC costs was done in accordance with *Tariff-Review-Framework-Guidelines-and-Procedures-for-Public-Electricity-Suppliers-ES-07-2021*, where URCA applied the known and measurable principle to validate BBUC costs. On this basis, URCA accepted the current insurable value of electricity production assets, plus near-term capital investment in microgrid systems of US\$5.5 million as a known and measurable cost item to be recovered by BBUC in the Non-fuel tariff.

### 4.2 URCA'S FINAL DECISION ON BBUC PROPOSED TARIFF ADJUSTMENTS

In making the final decision on BBUC application for the tariff adjustments, URCA has applied due diligence in assessing the written general comments provided by interested parties and have taken note of the responses from the residents of Bakers Bay at the town hall consultation held on 14 April 2023.

1. URCA determines that BBUC Rate Base shall be \$12,077,680 and is disaggregated in Table 2.



**Table 2: Rate Base assessment**

BBUC Proposed Rate Base for Electricity Assets based on Actual Insurance Coverage		URCA Proposed Rate Base
Asset Category	Estimated Insurance Coverage US\$	URCA Assessed Rate Base
Revised transformers estimate	2,144,100	2,144,100
3 Siemens 750 Gas Generators, 2 750W Caterpillar Diesel Generators, Ring Main Unit	4,510,000	4,510,000
<b>Subtotal</b>	6,654,100	6,654,100
Original microgrid estimate	3,500,000	3,500,000
<b>Subtotal</b>	<b>10,154,100</b>	10,154,100
Additional Capital Expenditure for Equipment/Buildings	1,923,580	1,923,580
<b>Subtotal</b>	<b>12,077,680</b>	12,077,680
(rounded)	12,100,000	-

2. URCA determines BBUC cost of Debt to be recovered through its Revenue Requirement shall be 7.7% derived as follows:

**Bakers Bay Utility Company Debt Summary**

Debt Assumptions		Loan Fees - Total and Allocation	
Origination Date	4/30/2022	Collateral appraisal	17,057
Loan Amount	3,500,000	Lender set-up fees	108,900
Index	Term SOFR	Quantity surveyor fees	11,514
Current index rate	0.80%	Lender legal fees	63,207
Spread (bps)	435	Stamp duty	141,020
All-in floor	3.72%	Borrower legal fees	79,009
Term	5 years	<b>Total Fees</b>	<b>420,706</b>
Maturity (end of month)	4/30/2027	<b>BBUC Allocated Fees</b>	<b>111,551</b>
Amortization	5 years	<b>BBUC Allocated Fees</b>	<b>3.19%</b>
<b>7.71%</b>			

3. URCA determines BBUC allowed return on Equity capital, the Weighted Average Cost of Capital (WACC) shall be 10.4 % and 9.92% respectively. Return on Investment (ROI) shall be \$1,161,860 as outlined in Table 3

**Table 3: Calculation on the Return on Investment (rate base) (ROI)**

		BBUC Proposed	URCA's Determination
Cost of Debt (%)	A	7.71%	7.71%
Return on Equity (%)	B	10.40%	10.40%
Tax Rate(%)	C	0.00%	0.00%
Gearing Ratio(%)	D=E/G	40.80%	40.80%
Long Term Debt (\$'000)	E	3,500	3,500
Shareholders Equity(\$'000)	F	8,578	8,578
Total Capitalization (\$'000)	G=E+F	12,078	12,078
Rate Base (\$'000)	H (see section on Rate Base)	12,100	12,078
Weighted Average Cost of Capital (WACC) (%)	$I = (F/G*B)+(E/G*A)*(1-C)$	9.62%	9.62%
Return on Investment (\$'000)	J=H*I	1,163.98	1,161.86

4. URCA determines BBUC Operational Expenses shall be \$4,036,650. Table 4 outlines the breakdown of BBUC operational Expenses.

Table 4: Operational Expenses

Components of Operating Expenses	BBUC Proposed based on latest Data	URCA's adjustment based on known & measurable	URCA's assessed Operational Expenses
<b>Operational Expenses (\$)</b>	<b>4,037,819</b>	<b>(1,169)</b>	<b>4,036,650</b>
<b>Debt obligations in respect of Interest or Principal (DI&amp;P)</b>	<b>157,289</b>		<b>157,289</b>
<b>Non-fuel operating expenses (OPEX)</b>	<b>2,369,433</b>	<b>(1,169)</b>	<b>2,368,264</b>
Payroll Expense	951,839		951,839
Operating Expense	1,144,004	(1,169)	1,142,835
Cost of Sales	15,772		15,772
Insurance	257,817		257,817
<b>Depreciation</b>	<b>1,511,097</b>	<b>-</b>	<b>1,511,097</b>

#### 4.2.1 Revenue Requirement

5. URCA determines BBUC Revenue Requirement (RR) shall be \$5,198,513. Table 5 outlined the breakdown.

**Table 5: Revenue Requirement Derivation**

	BBUC proposed	adjustment for known and measurable	URCA's Review
Components of Revenue Requirement	US\$	US\$	US\$
<b>Operational Expenses</b>	<b>4,037,819</b>	<b>(1,169)</b>	<b>4,036,650</b>
Debt obligations in respect of Interest or Principal (DI&P)	157,289	-	157,289
Non-fuel operating expenses (OPEX)	2,369,433	(1,169)	2,368,264
Payroll Expense	951,839	-	951,839
Operating Expense	1,144,004	(1,169)	1,142,835
Cost of Sales	15,772	-	15,772
Insurance	257,817	-	257,817
Depreciation	1,511,097	-	1,511,097
<b>Return on Investment</b>	<b>1,163,979</b>		<b>1,161,863</b>
<b>Taxation</b>	<b>-</b>		
<b>Revenue Requirement (US\$)</b>	<b>5,201,798</b>	<b>(1,169)</b>	<b>5,198,513</b>

6. URCA has determined that the Average Price of Electricity that BBUC is allowed to charge its customers shall be US\$0.3685/kWh

**Table 6: Average Price of Electricity based on required Revenue Requirement**

	BBUC proposed	adjustment for known and measurable	URCA's Review
<b>Revenue Requirement (US\$)</b>	<b>5,201,798</b>	<b>(3,285)</b>	<b>5,198,513</b>
Billed Sales (kWh)	14,107,103	-	14,107,103
<b>Average Price of Electricity</b>	<b>0.3687</b>	<b>(0.0002)</b>	<b>0.3685</b>

#### 4.2.2 Rate Design

7. URCA in accepting BBUC proposal has determined a unitary non-fuel rate design for BBUC.

### 4.3 URCA'S DECISION -FUEL COST SPLIT

URCA has determined that significant variable costs such as fuel costs that are subject to changes monthly and these changes are outside the control of the utility, shall be pass-through.

URCA is of the view that BBUC pass-through fuel rate shall conform to the following regulatory guidelines:

#### **REGULATORY FUEL ADJUSTMENT CHARGE**

1. The fuel adjustment charge shall be applicable to each of the basic rates proposed in this rate adjustment review and shall be a monthly amount per kilowatt-hour representing the total cost of fuel required to produce and deliver each kilowatt-hour of electricity to consumers.
2. The fuel adjustment charge shall be the total cost of fuel consumed in the previous month's billing period divided by the total amount of units billed for that corresponding period.
3. The total cost of fuel shall include:—
  - a) the cost of fuels used to produce electricity;
  - b) the cost of upper cylinder lube oil;
  - c) the cost of fuel additives as mandated by the Original Engine Manufacturer or as may be contained in equipment warranties;
  - d) the costs associated with throughput fees;
  - e) any applicable reasonably incurred foreign exchange and bank fees associated with fuel payments;
  - f) relevant and reasonably incurred variable fuel costs associated with the purchase of electricity by an Independent Power Producer through a Power Purchase agreement;
  - g) relevant and reasonably incurred costs and fees associated with any fuel hedging transactions such as cost of premiums and professional fees incurred to support the Fuel Hedge Program;
  - h) any additional costs, including reasonably incurred demurrage, laboratory tests, inspection fees, and interest.
4. The fuel adjustment charge may be held constant for a period of up to twelve months to provide price stability to the consumer. An over or under-recovery account shall be created to monitor the movement of this account.
5. A reconciliation adjustment shall be made to the fuel adjustment charge either —
  - a) at the end of the period to remediate any adjustments as may be necessary to the billing or fuel costs; or
  - b) the over or under-recovery account exceeds  $\pm 5\%$  of the estimated annual fuel cost.

The total of any adjustment to be made shall be prorated over the ensuing twelve months."

## 5 CONCLUSION AND NEXT STEPS

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BBUC proposed \$0.3686/kWh for non-fuel tariff rate and modification of BBUC tariff structure by splitting the electrical rate and method of billing into two parts, including a pass-through fuel rate and a non-fuel/tariff rate, was reviewed, and assessed by URCA guided by the procedures outlined in the Tariff Review Framework, Guidelines and Procedures for Public Electricity Suppliers document issued by URCA on July 1, 2021.

Based on the information submitted by BBUC, URCA determines that:

- BBUC decouple its existing pricing structure and method of billing into two parts, including a pass-through **fuel rate** and a **non-fuel/tariff rate**
- BBUC non-fuel tariff rate is **\$0.3685/kWh** predicated on an assessed Revenue Requirement of **\$ 5,201,798** and billed sales of **14,107, 103 kWh**
- BBUC fuel rate shall be a pass-through and should conform to the regulatory method outlined in Section 4.

### 5.1 REPORTING REQUIREMENTS

URCA determines that BBUC shall submit to URCA on a quarterly basis a Fuel Adjustment Report in accordance with the URCA regulation sets out in Section 4.2.3.

BBUC shall establish a system Heat Rate target for its Gensets in the next six months, thereafter, submit reports to URCA on targeted heat rate and monthly heat rate measurements.

### 5.2 Non-Fuel Tariff Setting – Price Cap and Efficiency.

URCA undertook a cost-based ‘base year’ adjustment of BBUC Revenue at the end of the 2020-2021 audited financial period reflecting an updated “building blocks” analysis of the most recently available actual costs and revenue data. This will allow BBUC the flexibility to align its price structures with the structure of its costs.

URCA determines that the revenue BBUC derives from its tariff shall be sufficient to cover its costs including a reasonable return on capital. In addition, BBUC should be incentivized to improve its efficiency. URCA gives notice that the weighted average tariffs derived from expected sales shall be adjusted annually, at a time to be determined in the future, using the adjustment mechanism set out in E 1 below. This will allow the BBUC tariff to escalate based on movements in inflation with an offset for efficiency.

$$\text{Equation 1: } \% \text{ adj.} \leq I - X;^5$$

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<sup>5</sup> where % adj is the average percentage change in prices allowed in a year, I is the inflation index, and X is the offset or efficiency factor.

URCA believes that setting an appropriate Heat rate and losses target (heat rate factor) within a hybrid regime will provide the right incentives for efficiency. The X-factor adjustment shall be determined around the magnitude of the variance of actual heat rate factor and targeted heat rate factor.

Additionally, URCA believes that the offset, X which represent the X-factor in price cap regimes remain zero until a comprehensive study on X factor is established. By implication also adjustment for inflation will be postponed until the X-factor is established.

# Annex A. BAKER'S BAY UTILITY COMPANY REVISED FAQ'S AS OF APRIL 19, 2023

## ADDITIONAL QUESTIONS SUBMITTED AT THE APRIL 14 BBUC/URCA TOWN HALL

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### **Baker's Bay Utility Company** **Revised FAQ's as of April 19, 2023**

#### **Additional Questions submitted at the April 14 BBUC/URCA Town Hall**

#### **FINANCIAL**

- 1. Did you consider a co-op structure where the utility is owned by the homeowners and managed/run by the developer?**

The Developer has invested over \$30m, which includes a failed attempt to connect to BPL, in the electric infrastructure. In a co-op structure, the homeowners would have received Capital Assessments, but these costs were absorbed by the Developer, not the Members. In addition, up until 2021, the Developer provided substantial subsidies on the utility plant operating costs that benefited the homeowners and the Club. Total subsidies were in excess of \$20M (in addition to the \$30m infrastructure). In the future the Developer is open to a dialogue with the Members to purchase the utility company.

- 2. ROI is listed as \$1,162,080. Is that annually? What was the original investment and where does that money go?**

Yes, the ROI (Return on Investment) is \$1.16M annually. The annual ROI is based on \$12.1 million in equipment which includes an imminent \$5.4 million dollar investment to upgrade the power plant and the prior investments in equipment that will be utilized in the new plant configuration. The \$5.4 million investment will be undertaken after approval of the rate case and the completion of our diligence process in late April.

- 3. Isn't the additional \$5.4MM coming from the utility customers?**

The developer is funding the additional \$5.4m investment and will receive a return on investment over time. The return of capital and the ROI is factored in the fixed portion of the bifurcated rate case.

- 4. I don't think anyone has an issue with a 9.65% ROI for the developer, but it would be nice to see the financials as this could easily be viewed as a cash cow for the developer/financier since about 20% of the annual revenue goes to ROI. More transparency would be great... I don't think any members have an issue with developer/financier making a reasonable ROI.**

The Developer's ROE (Return on Equity) is 10.4%, and the Weighted Average Cost of Capital (WACC) of 9.62% factors in the debt at 7.71%. Pro Forma Financials to follow.

- 5. Is the 9.65% a return on equity or a return on total investment? What is the equity investment by Discovery?**

The Developer, which is a partnership between Farallon Capital and Discovery has proposed a 10.4% ROE in its rate case to URCA. The 9.62% WACC is applied to a \$12.1 million Rate Base which includes the current equipment in use now plus the projected plant investment of \$5.4 million. Over the life of the project, the Developer has funded over \$30M in electric plant and plant related infrastructure.

**6. Is there any way to leverage our formal utility designation to purchase diesel through the Government?**

When BBUC became a licensed utility provider VAT or Duty are not charged by the Bahamian government on Diesel and LNG fuel purchases. For BBUC, the variable portion of the bifurcated rate case (fuel/and related shipping costs) is a direct pass through with no markup. There is no way to purchase fuel through the government. The Bahamian Government does not purchase and/or sell fuel. Bahamas Power and Light (BPL) is the primary electricity supplier in The Bahamas and it purchases fuel for its operating entity for its customers. We are not a customer of BPL.

**7. The new energy price, 66.85 cents per kWh, is comprised of 2 components – 36.85 cents per kWh non-fuel rate and an estimated 30 cents per kWh based on current fuel rates? Assuming that is correct, how frequently will the fuel rate change.**

Reset quarterly based on a three-month look-back.

**8. Will proforma financials for the utility with this new rate be provided to homeowners?**

Yes, please see the provided proforma exhibit (separate attachment).

**SOLAR**

**1. How does solar look as an option to lower homeowner costs?**

Yes, solar is an option to lower peak daytime costs to homeowners. However, solar must be approved by Design Review, BBUC, URCA and the Bahamian Government (Ministry of Works). We have a Small Scale Renewable Energy Policy that we are submitting to URCA that limits individual homeowner solar to 1.5 times annual average connected load.

Due to the current equipment and configuration of the power plant, we must limit homeowner solar to a total of 300kW being fed into the grid to avoid any destabilization. BBUC will not be paying for power fed into the grid and reserves the right to disconnect homes sending excessive power to the grid if it appears destabilizing. This amount of solar per home is considerably more generous than BPL's policy.

Solar can reduce cost during a limited portion of the daytime. National Renewable Energy Labs (NREL) estimates 5.5 hours of annual average sun hours in Abaco. Please note this is based on an ideal orientation of due south and a near 6/12 tilt angle. This means for the other average of 18.5 hours/day the homeowner will be dependent on grid power. Many roofs will get less than 5.5 hours based on a non-ideal orientation.

**2. What happens if many homeowners choose to install solar? Will the rates only get higher for the remaining BBUC customers? What about homeowners who are not interested in exporting to the grid but mainly covering their own costs?**

The new bifurcated rate includes a tariff for the ongoing operation of the plant and a pass thru fuel rate. The tariff is a fixed rate to cover the cost of running the plant. If a significant portion of homeowners were allowed to install large solar arrays, the tariff rate would need to be increased to cover the fixed costs of the utility because the kWh billed across the BBUC customers would be lower. This, in addition to the destabilization concern, is why our policy limits the amount of individual solar. We are also reviewing the possibility of utility scale solar. However, large amounts of solar require batteries for stability and battery equipment is expensive.

We are in the process of evaluating the overall costs and benefits of utility scale solar and battery with our consultant and third-party providers.

### **BPL/BBUC COMPARISON**

- 1. What do people pay on Abaco or in Guana (outside of BBUC) per kWh? And we now pay 51 cents per kWh and it is going to 67 cents per kWh?**

The government-operated supplier of electricity in The Bahamas is Bahamas Power and Light (BPL). BPL's rate throughout The Bahamas is 38.25 cents per kWh, increasing to 42.55 cents kWh on June 1, 2023.

BPL has a larger customer base creating economies of scale not available for BBUC, and it has the ability to purchase fuel and ship the fuel in bulk, both allowing for lower rates than BBUC. See links on subsidy.

See Original FAQs 4.a.3 below which shows:

- a. Total Rate After URCA Approval: estimated 67 cents per kWh.
- b. Total Rate After New Equipment is Operational: 61 cents per kWh (latest estimate).

- 2. Is Bahamas Power and Light government subsidized?**

See link below.

<https://ewnews.com/govt-spent-tens-of-millions-of-dollars-subsidizing-bpl-fuel-costs>

### **ORIGINAL FAQs**

- 1. What is the reason for the URCA Town Hall Meeting on April 14, and what is being considered?**

BBUC applied for approval to URCA in February 2023 to modify its electrical rate structure by bifurcating the electrical rate and method of billing into two parts, including a pass-through fuel rate and a non-fuel / tariff rate.

Following are the primary reasons that drove the need for a bifurcated rate structure:

- a. To come into compliance with URCA's rate structure which bifurcates the variable rate fuel component from the fixed operating and investment costs.
- b. To provide a funding source for a resilient cost-effective power generation plant. The new non-fuel tariff rate covers operating costs and an URCA authorized weighted average cost of capital of 9.62% on plant investment.
- c. To ensure BBUC is a sustainable entity regardless of fuel prices.

- 2. What is "URCA" and what is the oversight of the Baker's Bay power plant?**

- a. The Baker's Bay electricity generation plant is currently operated and managed by Baker's Bay Utility Ltd. ("BBUL", or "BBUC"), and owned by Passerine at Abaco Holdings Limited (the "Developer", a partnership of Discovery Land Company and Farallon Capital Management). BBUC is a licensed "Public Electricity Supplier (PES)" with an "Authorized Public Electricity Suppliers License (APESL)", issued in December 2020 by the Bahamian Utilities Regulation and Competition Authority (URCA).



**3. What will be the significant benefits to the BBUC customers of this rate adjustment?**

- a. Reliability: The new plant is being designed to provide multiple avenues of redundancy to significantly reduce the potential for loss of power. This is accomplished by:
  - i. Replacement of all LNG generators specifically designed to operate in the elements experienced on island,
  - ii. Automation embedded in the equipment to minimize electrical outages,
  - iii. Investigation of battery backup up to eliminate short duration outages, and
  - iv. Build a concrete permanent structure to house and protect the generators and switch gear.
- b. Fuel Efficiency: The primary fuel source with new equipment will be Liquid Natural Gas (LNG), as compared to the 2022 mix of 61% Diesel and 39% LNG. Solar is also being investigated to determine if rate can be economically reduced through the implementation of a solar field on Baker's Bay.
- c. Carbon Footprint Reduction: The utilization of LNG as Baker's Bay's primary fuel source will reduce Baker's Bay's carbon footprint which can be further reduced if solar proves to be a cost-effective energy source.
- d. Future Fuel Sources Designed into Backbone of Current System: The backbone of the power plant (switch gear) is being designed to handle future alternative fuel sources without significant modification.

**4. What is the impact of this rate change for Baker's Bay Residents?**

- a. Electric rates which are priced per kilowatt hour (kWh) will change monthly with the increase or decrease in fuel prices. Residents' electricity bill will be comprised of:
  1. A Fixed Charge: 36.85 cents per kWh. The fixed rate is essentially the revenue required to cover the operating and capital costs of BBUC, comprised of the following elements, which have been reviewed in detail by URCA:
    - a. Return on Investment – 9.62% weighted average cost of capital as authorized by URCA.
    - b. Debt Obligations.
    - c. Non-Fuel Operating Costs/Expenses.
    - d. Building a Capital Reserve through Depreciation.
  2. A Variable Pass-Through Fuel Rate: After approval of the rate case, we estimate the current variable price to be 30 cents per kWh given the estimated use of LNG and Diesel. After the new equipment is purchased and installed, we estimate the fuel price to be 21 cents per kWh assuming rates for LNG remained at today's rate. This pass-through rate does not include any markups or profit to BBUC.
  3. Total Electric Rate: Given the current price of fuel the total rate paid by BBUC customers is estimated to be as follows:
    - a. Total Rate After URCA Approval: 67 cents per kWh.
    - b. Total Rate After New Equipment is Operational: 61 cents per kWh (latest estimate).
  4. This compares to the existing rate of 51 cents per kWh that was authorized by URCA when fuel rates for LNG were 36% less and Diesel were 72% lower.

**5. How does the new bifurcated rate compare with the local Bahamian provider of electricity?**

- a. The government-operated supplier of electricity in The Bahamas is Bahamas Power and Light (BPL). BPL's rates throughout The Bahamas are 38.25 cents per kWh, increasing to 42.55 cents kWh on June 1, 2023.
- b. BPL has a larger customer base creating economies of scale not available for BBUC, and it has the ability to purchase fuel and ship the fuel in bulk, both allowing for lower rates than BBUC.

**6. Is it a viable option for BPL to provide electricity to Baker's Bay?**

a. No, for the following reasons:

i. Reliability:

1. The original vision for the Baker's Bay primary power supply was to connect to the BPL Marsh Harbour electrical grid via subsea cable (consistent with the power supplied to the Guana Cay Settlement). Baker's Bay would build a small backup plant in case of outages from the BPL supply.
  2. After a series of failed attempts by BPL to add Baker's Bay to the Marsh Harbour grid, out of necessity and as provided for in the Baker's Bay executed Heads of Agreement (HOA) with the Bahamian government, the Developer stepped in and assumed the role of the primary and now sole provider of electricity to Baker's Bay.
  3. BPL customers in The Abacos experience more frequent and longer-duration power outages as compared to Baker's Bay.
- ii. Subsequently, BBUC applied to URCA and received approval to become a fully licensed and regulated utility to operate within the laws of The Bahamas with the goal of delivering high quality reliable electric power to Baker's Bay Residents, the Club and Marina facilities.
- iii. BBUC finished replacing all the switches on the electrical grid in October 2021 (repairing latent damage from the hurricane). The uptime since that replacement is currently 99.62%. Prior to the problems caused by Tropical Storm Nicole in November 2022 the uptime was 99.92%.
1. To date, Passerine, through BBUC, has invested over \$30 million in its electric plant and related infrastructure, and current proposals under evaluation include a minimum of \$5 million in additional capital expenditures in 2023.

**7. Has BBUC and the Developer engaged in sufficient due diligence for making the proposed decisions?**

a. The Developer has engaged in efforts to ensure that the 2023 capital investment planned by BBUC meets our goals and delivers electricity at a reasonable price to BBUC customers, including:

i. Hired a consultant to assist in the process.

ii. Embarked on a six-month due diligence effort:

1. Identified BBUC needs.
  2. Researched best in breed providers/equipment given needs.
  3. Conducted five site visits to comparable micro grid power plants around the Caribbean. Additionally, BBUC conducted reference checks on vendors and ensured customer equipment in use performed as specified.
- iii. Sourced equipment that could integrate with solar, battery, and future fuel sources while using traditional fuels (diesel/LNG).
- iv. Conducted a comprehensive bidding process, including best and final pricing with qualified equipment suppliers and operators.

b. Bids are currently being reviewed to determine the best fit for BBUC and its customer base.

c. Timeline for new improved electric power plant;

- i. May 2, 2023, Target approval of URCA rate case.
- ii. Q2 2023 – New equipment ordered.
- iii. Equipment installed and operational Q3 2024.