

The RA Cautions BELCO About Purposely Misleading the Public

August 8, 2022, Hamilton, Bermuda: In response to public outcries regarding ongoing soot emissions in the local community, the Regulatory Authority of Bermuda ('the RA') cautions BELCO about purposely misleading the public.

The RA is aware that senior representatives of BELCO have made concerted public relations efforts to misinform the public about its North Power Station ('NPS' or 'the plant') and that a senior BELCO representative has been selective with the information that was shared with the public. The representative openly stated that their plant was supposed to burn natural gas, not what it is burning today. They further assert that this is the genesis of the problems they are facing with respect to the plant and soot emissions.

As the RA is an independent body which regulates BELCO, we feel it is imperative to provide a summary of facts.

1. In December 2017, BELCO made representations to the RA that they had a dire need to build the North Power Station. Their proposal included a design for a dual-fuel power plant, which can operate on either oil or liquified natural gas (LNG). **BELCO suggested that oil would be deployed in the first instance and IF at some point in the future the country decided to go toward liquified natural gas (LNG), the plant could then be readily updated to switch to the liquified natural gas.**
2. The RA requested further information from BELCO, and based on all the information received from BELCO, the RA approved BELCO's proposal in its entirety for \$118 million dollars to build the NPS and their battery system. No modifications were made to their proposal, and therefore, the RA expected that BELCO would deliver what it promised.
3. Yet, after receiving permission from the RA, BELCO built the North Power Station to optimize Liquified Natural Gas *first*. It made the decision based on its assumption that the public and the RA would readily accept liquified natural gas for energy generation at that time.
4. **However, when the RA conducted several public consultations on the Integrated Resource Plan (IRP) Proposal, which BELCO created and several alternative generation proposals from the public, there was little support for liquified natural gas.**
5. The RA took no position regarding the safety aspects of natural gas in the local residential area. Any representations that the RA provided erroneous information to the public regarding the safety aspects of natural gas are incorrect.

The RA advises that if the issue is that the BELCO plant was configured for natural gas and now has been retrofitted for liquid fuels, which is still problematic, BELCO should address technical issues and mechanical issues with the vendor and hold them accountable to make the necessary repairs as a matter of urgency.

Finally, the RA cautions BELCO about making any further misleading statements to the public regarding the North Power Station. If it continues to do so, the RA will consider all options available to it.

- END -

For further details regarding the communication between the BELCO and the RA regarding the North Power Station, please see the following:

Timeline of BELCO’s communication to the RA regarding the North Power Station

Date	Activity
26 October 2011	BELCO submission to the Energy Commission to increase tariff rates to support a North Power Station (NPS) was filed.
February 2012	Energy Commission rejected the increase in rates to support NPS.
17 November 2017	RA issues Request for Integrated Resource Plan (IRP) Proposal from BELCO
22 December 2017	BELCO submits Proposal for Replacement Generation i.e.: NPS)
25 February 2018	BELCO submits IRP Proposal with a focus on transition to Liquefied Natural Gas (LNG) as one of several options.
6 March 2018	RA approves the North Power Station via Order 2018 03 06, thereby approving BELCO’s Proposal.
30 June 2019	RA issued Bermuda’s first IRP with a transition to 100% renewables. The RA determined that a switch to natural gas would mean a multi-decade commitment for Bermuda, which conflicts with the RA’s mandate to reduce the island’s dependency on reduce fossil fuels. See the Electricity Act (2016) Section 6c
18 March, 2022	<p>RA rejects BELCO’s retroactive application to recover \$2.2m in capital costs from customers for retrofitting piston crowns better suited to burning liquid fuel.</p> <p>The RAs believes that the initial project costs as represented to the RA by BELCO should be sufficient to cover these costs.</p>

Please see following document, “Order Approving BELCO Proposal”.¹

<https://www.ra.bm/documents/2018-03-06-order-approving-belco-proposal>

ORDER

1. THIS ORDER is issued by the Regulatory Authority (the “Authority”) in accordance with section 63(1)(a) of the Regulatory Act 2011 (the “RAA”) and pursuant to sections 12 and 13(z) of the RAA and section 14 of the Electricity Act 2016 (the “EA”), in relation to the request from the Bermuda Electric Light Company Limited (“BELCO”) to the Authority dated 22 December 2017 (the “Proposal”) in which BELCO, in its capacity as a holder of a bulk generation licence, submitted its proposal to replace certain generating assets with replacement generation assets pursuant to Condition 20 of BELCO’s bulk generation licence granted on 27 October 2017.
2. In the Proposal, BELCO propose four new dual-fuel engines totaling 56 MW (burning a combination of light fuel oil and heavy fuel oil) to be known as the North Power Station (“NPS”) and a utility scale battery energy storage system (“BESS”) with an output capacity of 10MW and storage of 5MW/hr (the NPS and BESS are collectively referred to as the “Replacement Generation”) with a proposed budget of US\$118,801,000 (the “Proposed Budget”).
3. The Authority has reviewed (i) the Proposal; (ii) further information provided by BELCO in response to the Authority’s information requests in relation to the Proposal (the “Responses”); and (iii) the letter submitted to the Authority by BELCO on 4 March 2018 (Ref B-R73) (the “Commitment Letter”). The Proposal, the Responses and the Commitment Letter are collectively referred to as the “Information”.
4. Pursuant to section 14(2)(a) of the EA, the Authority’s functions include those required to carry out the purposes of the EA set forth in section 6 of the EA, including, inter alia,:
 - “To ensure the adequacy, safety, sustainability and reliability of electricity supply in Bermuda so that Bermuda continues to be well positioned to compete in the international business and global tourism markets;” **[6(a)]** and
 - “To protect the interests of end-users with respect to prices and affordability, and the adequacy, reliability and quality of service” **[6(e)]**.
5. In furtherance of the Authority’s functions, and strictly in reliance on the Information, and specifically subject always to BELCO’s acknowledgement and agreement of those matters set out in the Commitment Letter, the Authority hereby makes this Order approving the Proposal. Recovery of the costs in connection with the Replacement Generation shall be in accordance with the retail tariff methodology set pursuant to section 35 of the EA. Any costs of Replacement Generation shall not in any event exceed the Proposed Budget without obtaining prior written approval from the Authority.

So ordered this 6th day of March 2018.