

1 October 2021

Dear Valued Customer,

Bermuda Electric Light Company Limited (BELCO) customers can expect to see an increase in their energy bills beginning with the October billing cycle.

This increase is as a result of rising fuel prices and a consequential adjustment made to the Fuel Adjustment Rate (FAR).

The FAR for the quarter commencing on October 1, 2021 will be 16.61 cents per kilowatt hour which is a substantial increase from the previous FAR of 13.486 cents per kilowatt-hour sold for the July to September 2021 quarter.

The FAR, which is approved by the Bermuda Regulatory Authority (RA), reflects the total cost to deliver fuel to BELCO's central plant and is comprised of two parts – the fuel adjustment and Bermuda Government taxes.

The fuel adjustment is based on the total cost of procuring fuel and includes shipping cost, supplier profit margin, local receipt, handling, storage, and transport via pipeline from Ferry Reach to the BELCO Central Plant.

It is important to note that the prices at which BELCO can procure fuel are greatly influenced by global oil prices. BELCO uses Heavy Fuel Oil (HFO) and no.2 diesel to power its engines to produce electricity.

During the past nine months, the price of oil has steadily increased from a low of approximately \$35.50 per barrel to above \$75.00 today, or an approximately 110 per cent increase. Refined fuels consequently are also exhibiting similar price increases.

It is important to note that BELCO periodically carries out competitive bidding processes in order to establish reliable sources of fuel at the most competitive prices. The Company may also from time to time take advantage of any favourable market prices through fuel hedging with 100% of any opportunistic savings or reductions in fuel costs being passed onto consumers.



Like other businesses that purchase fuel our customers are exposed to the market fluctuations in fuel prices. BELCO will continue to act in the best interests of its customers and may enter into future contracts for the procurement of fuel in order to secure reliable supply at competitive prices or take advantage of any market dislocation in the price of fuel (as BELCO did in early 2020).

The second part of the FAR is comprised of two separate Government taxes. Currently the Government charges \$31.79 per barrel of fuel in addition to a tax of \$0.40 per barrel of fuel which provides funding for the St. George's UNESCO World Heritage Site.

Once the total cost of fuel is determined, considering the various costs outlined above, the FAR is calculated by dividing the forecasted total fuel consumption by the cost of fuel. The fuel adjustment charge is calculated by multiplying the FAR with a consumer's total kilowatt-hour (kWh) energy usage.

The FAR is calculated quarterly and rises and falls as the purchase price of BELCO's fuel rises and falls. The quarterly adjustment in the FAR is published by the RA and reflected in customers' bills in the next billing cycle.

The FAR is a cost recovery mechanism and all cost increases as well as any savings due to a reduction in BELCO fuel costs are passed on to customers.

We remain committed to transitioning to a renewable energy company and are working diligently towards integrating alternative power generating technologies, including solar, and exploring the efficacy of integrating offshore wind turbines into our energy mix. Longer term, this will reduce our dependency on fossil fuel and will reduce our exposure to price shocks in the oil market. Whilst this isn't possible at the present time, we at BELCO are focused on and have made great progress on improving efficiencies, it is unfortunate that this will be negatively impacted by the substantial increase in fuel costs this year.

To learn more about the FAR as well as tips on energy efficiency and ways to reduce your bill visit www.belco.bm.

Michelle Leman

Managing Director

Transmission Distribution & Retail