

Major Reform Critical as BL&P Secretly Gets New Licenses



The Ministry of Energy of Barbados has announced the awards of franchise licenses to the Barbados Light & Power Company (BL&P) to renew the 42-year license which expires in two years, with a new 30-year franchise. This multi-billion dollar business transaction will have direct and significant impact on every area of life in Barbados for the next generation.

It must be passing strange that virtually no details of these negotiations pertaining to a prime national good have been exposed to public scrutiny. This used to be mandatory under the Laws of Barbados up until 2024, when interested parties were permitted to closely scrutinize such license transactions as public representatives. The present government actually changed these Laws to eliminate such public representation, and in fact, did so after questions were raised by intervenors, including the Coalition of Cooperatives, about the proposed issue of the license to BL&P under its current 100% Emera ownership.

When this franchise was last issued to BL&P in 1976 for forty two (42) years, the company was a public entity. On establishment of the Barbados Stock Exchange (BSE) the shares of the company were listed and publicly traded. The Board of Directors represented a wide cross section of local and overseas interests, including government, the business community, employees, and the general public.

In 2010, after being granted a rate increase with a commitment to the country to invest in much needed equipment upgrades, as well as approval of significant sums to invest annually in a Self Insurance Fund (SIF), the company was taken over by Emera Caribbean Ltd, a wholly owned subsidiary of Emera of Halifax Canada. By 2013, Emera offered what appeared to be an attractive price per share which enticed many shareholders to redeem their shares, until all remaining investors were then forced to relinquish their shares. It then assumed 100% shareholding in BL&P, with a value of \$200 million, and proceeded to treat the utility as a wholly owned subsidiary of Emera Caribbean.

As a result of Emera's new exclusive position, no financial information was made available to the public on the company's performance between 2013 and 2023. However, following its 2021 Rate Review Application, the company had to make financial records available as part of the discovery process. Intervenors filed interrogatories in relation to the financial and operating performance of the Company. By this time, BL&P had managed to convince the Fair Trading Commission (FTC) to approve a rudimentary 37% 'interim' rate increase on the claim that the company's financial situation was so dire and it faced very serious existential challenges.

Upon our review of the actual audited non-consolidate financial reports from 2009 to 2021, a number of startling revelations became clear to intervenors:

1. Urgently needed capital investments in generation equipment that were contingent in the 2010 rate increase were not executed. A portion of the increased rates granted by the FTC were being collected from customers to fund these investments which according to BL&P would save consumers \$10m per month. It was only in 2023 when the new Clean Energy Bridge was installed at Tents, St. Lucy that customers realized savings. During the public hearings, BL&P advised that the CEB saved consumers \$10m per month.

2. This failure to upgrade to more efficient plant therefore resulted in customers having to pay over \$1 billion dollars more in fuel charges, than would have been incurred, had the more efficient generators been installed as agreed with the FTC in 2010.

3. Far from being in a difficult financial bind, its own records, summarized below, show that BL&P had earned net income of \$635 million and paid a total of \$538 million in dividends over the period. Such a decision meant that just \$97 million (\$635m - \$538m) was retained for actual electric utility operations during the period. This represents an annual average dividend return of 21% per year on its \$200 million in shares.

4. Prior to 2013, BL&P typically paid 15% of its net income in dividends to shareholders, while allocating over 70% into capital and operational expenses. However, since the Emera acquired 100% of BL&P, 85% of net income has been extracted as dividends to Emera, and only 15% allocated to BL&P as summarized in the table.

5. There has been a consequent dramatic decline in the quality of service provided to customers since 2013. There has also been a change in outlook from the previous total quality, customer-first, focus, to one of maximizing income and dividends, and minimizing costs wherever possible - without regard for long term consequences.

BLPC FINANCIAL SUMMARY	2009-2021	Average Annual
Total Revenues collected from customers	\$ 2.55 billion	\$ 196 million
Total Investments by Shareholders	\$0 dollars	\$ 0 dollars
Total Expenditure	\$ 1.9 billion	\$ 148 million
Net Income	\$ 635 million	\$ 48 million
Dividends Paid. (21% of net Revenue)	\$ 538 million	\$ 41 million
Retained Earnings for BLPC (3.8% of Revenue)	\$ 97 million	\$ 7 million

6. As noted above, in 2016 the company withdrew approximately \$100 million from a Self Insurance Fund (SIF), and paid the proceeds over to Emera as dividends in the same year. This was in clear violation of the Trust Law under which the Fund was established. After rigorous cross-examination of BL&P by intervenors and Commissioners, the FTC found the withdrawal to have been a breach, and ordered the funds to be restored. The Company has been contesting this FTC ruling in the High Court even though it was given 30 years to reimburse the SIF at an interest rate of 0% per annum.

7. The company also benefited from a reduction in corporate taxes to the amount of \$19 million when Government reduced the corporate tax rate from 15% to 2.34% in 2019. These funds were paid in by customers to cover this tax liability and therefore represent an over-recovery by the company. However, the company treated these funds like income, and appealed an order from the FTC to share the tax gain 50:50 with customers.

8. BL&P proposed 2020 as its Test Year, and the FTC accepted this proposal. BL&P made adjustments to its expenses as is normally done. Equally, adjustments should be made to revenue as appropriate. Obviously, BL&P's revenues in 2020 were depressed due to Covid-19, however the company did not propose any revisions. Intervenors pointed out that revenues should be adjusted as well to arrive at the overall Revenue Requirement. Without such a change, the actual revenues would be understated. FTC agreed and ordered BL&P to adjust its revenues in the Test Year. Aspects of this matter are also part of the appeal.

9. The role of the FTC is to balance the interests of consumers and utilities. In its 2010 decision, FTC agreed with BL&P's proposal to use a notional debt-equity ratio of 35:65 for rate making purposes when its actual debt-equity ratio was 4.0, (20:80). In making its proposal, BL&P advised that its proposal was in line with the regional debt-equity ratio. In its 2023 Decision the FTC used a similar regional debt-equity ratio which was now 1.2 (45:55) instead of the previous 1.85 (35:65) in 2010. BL&P disagreed and appealed the FTC's ruling. It should be noted that generally, a reasonable debt to equity ratio is in the region of 1.2, or 45:55.

10. Despite many concerns expressed by the FTC about the lack of a clear policy on the declaration of dividends by the BL&P, no such policy has ever been published. As a result, the company has been making inexplicable allocations of dividends payments to itself throughout the review period. The average dividend return to Emera for the review period was 21%. This occurred in a market where investment returns were in the range of 2% to 8%, and thus added nearly 20% to the energy component of the cost of production of almost everything in Barbados.

Flawed Structures and Processes

It is clear that the operating structure established by Emera has not been working in the interest of BL&P, of customers, or of Barbados. However, Emera has been able to extract from BL&P, phenomenal returns via dividends, management fees, consulting fees and technical resources since the 2010 rate ruling by FTC.

After transferring these excessive resources from BL&P to Emera under the guise of dividends, the company then sought an increase in rates. Customers are being asked to sustain and even increase these exorbitant dividend transfers, in addition to funding the utility's legitimate operations.

As part of the request for pre-approved capital to fund renewable energy projects, BL&P presented a proposal for a further \$685 million of investment which also included \$600 million for 90MW of BESS. The revenue requirement sought a further \$131.3 million from customers. Fortunately, only 15MW was approved, else customers would be unable to pay electricity bills.

BL&P is extracting millions in dividends as well and substantial recharges from consumers. Customers are being asked to pay higher rates as proposed by its 2021 Rate Review Application. Also, BL&P was granted a further increase to cover rental of 11 MW Agreeko generators which intervenors, particularly intervenor Went, recommended should have been included in its Rate Base at no charge to consumers. Further, BL&P has received a further increase to fund renewable energy transition.

Intervenors, including CoopEnergy, are concerned that with the interim rate increase, the additional sum to cover rental of the 11MW Agreeko generators plus the amount awarded for the renewable energy, BLPC could be making abnormal profits. It is therefore not surprising that both the BL&P and the FTC have so resolutely refused to allow sight of the company's 2022-2025 financials. Given this reluctance to provide these reports it is difficult not to conclude that substantial dividends continue to be transferred to Emera, and / or large retained earnings are being accumulated at the expense of electricity consumers.

Consumers of electricity are being asked to pay more and more while outrageous dividends are remitted to its sole shareholder, Emera. At the same time the quality of service has declined with consumers expressing frustration on the call-in programs even after the island-wide 'black-out' of 2019. At that time, not only did business and residential consumers suffer major loss, but the entire country was embarrassed internationally, to the point where the Government had to call BL&P to account. A major review is urgently overdue.

Too Many Unknown Issues

Against such a dismal background and record, should the license of any entity be secretly renewed without the public having an opportunity to:

- (1) review the terms and conditions under which the franchise will be extended for 30 years.
- (2) *prevent BL&P from given commitments to save customers millions, only to renege for over 10 years as they did last time?*
- (3) *compensate consumers, even in part for the \$1 billion in savings foregone by its imprudent action?*
- (4) *insist that Emera promptly reimburses \$99.5m of consumer monies which was taken from the SIF?*
- (5) *determine what safeguards are in place to prevent Emera from extracting inordinate dividends?*
- (6) *ensure stiff penalties are levied if the public grid is compromised again due to inadequate attention?*

Unless the public is provided with answers and assurances in relation to issues raised, then the new license should be immediately amended with major reform in the interest of natural justice.

Emera fooled us once - shame on them. Allowing them to fool us twice? - shame on us.

Conclusion

The electricity sector is fundamental to any possibility of a successful future for Barbados. Every effort must be taken to maximize the efficiency of this sector, and to minimize the cost of electricity. Our national productivity and international competitiveness depend heavily on such success.

The Cooperative movement is pleased to have participated in this current rate hearing as intervenors. However, we have come away from the experience with grave concerns about the structure, transparency, efficiency, and effectiveness of the existing national electricity framework, and especially of the regulatory authorities.

In another report coming shortly, we will outline the kinds of reforms that co-operatives have been proposing since 2022, but which have received no attention from authorities.

Trevor Browne

Coalition of Concerned Cooperatives

January 2026