



CONSULTATIVE DOCUMENT

Document Reference: 2026/001/CD-01

Cost-of-Service and Revised Rate Proposal for Dominica Electricity Services LTD (DOMLEC)

April 2026

CONSULTATION PROCESS

Individuals who wish to participate in this consultation and express opinions on this Document are invited to submit comments in writing to the IRC. **Reponses/Comments should be sent to:**

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Responses, clearly showing the Document Reference identification, may be sent by mail to the address above or by e-mail to: admin@ircdominica.org.

Confidential information provided with responses should be submitted as a separate document and clearly identified as such.

In order to stimulate debate, the IRC will place any responses received on its website at www.ircdominica.org immediately following the last date for receipt of responses. Comments on the responses will also be entertained by the IRC which should, likewise, be submitted by the date indicated.

The references and proposed timetable for this consultation are:

Document Ref No: *2026/001/CD-01 of April 2026*

Document Title: *DOMLEC's Cost-of-Service/Revised Rate Proposal*

EVENT	PROPOSED DATES
Publication of First Issue of Document	2 nd April 2026
Public Consultation and Outreach Programs (In-person AND virtual)	13 th to 24 th April 2026
Responses Closed – <i>End of Phase 1 of Consultation</i>	8 th May 2026
Comments on First Response and Publication of Second Issue of Document	18 th May 2026
Responses Closed - <i>End of Phase 2 of Consultation</i>	29 th May 2026
Statement of Results and Commission's Decision	5 th to 12 th June 2026

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Introduction and Background

DOMLEC informed the Commission of its need to initiate a tariff review in 2021, and the process of the tariff review was initiated later that year.

The Commission upholds that the timely completion of any tariff application from DOMLEC, should be preceded by addressing and validating certain key issues in separate proceedings before the final decision. These issues are important inputs for determining the tariff:

- Depreciation Study
- The Weighted Average Cost of Capital (WACC)
- The Revenue Requirement and Rate Base
- Review and Approval of 5-Year Investment Plan

DOMLEC submitted its letter of Intent-to-File to the Commission on March 6th, 2026, on the presumption and condition that the Commission's Decisions on these issues will be final.

Consequently, DOMLEC submitted its revised tariff proposal for the Commission's consideration. This *Consultation Document* sets out the Commission's thinking in response to DOMLEC's submissions.

The Commission's objective in this proceeding is to consider and decide on the revised tariff proposal that appropriately recovers the required revenue, considering energy kilowatt hour (kWh) sales level across all customer categories.

The Commission is interested in receiving stakeholders' views in this regard.

Policy and Legal Framework

Legal Framework

The Commission's duties and functions related to setting tariffs are outlined in three main legal instruments:

- (i) the Electricity Supply Act #10 of 2006 referred to as the Act or ESA
- (ii) the Licence and;
- (iii) Commission's Determination as per its Decision Document *i.e.* "**Tariff Regime for Dominica Electricity Services Ltd Document; Ref: 2009/004/D**" referred to as "**The Determination**".

The Act provides:

At Section 18

The Commission shall be independent in the performance of its functions and duties under this Act and shall not be subject to the direction and control of the Government or of any person, corporation or authority, except that the Commission shall have due regard to the public interest and overall Government policy, as embodied in legislation.

At Section 19

The Commission shall have sole and exclusive authority to regulate all electricity entities that are subject to this Act and shall have full powers to regulate all licensee with regard to all economic and technical aspects of regulation in accordance with this Act especially with regard to the determination of tariff or electricity charges.

At Section 20

(1). The Commission shall, without limiting the generality of this section, have a duty to perform and exercise its functions and powers under this Act in the manner which it considers best calculated to:

- a) Encourage the expansion of electricity supply in Dominica where this is economic and cost effective and in the public interest;*
- b) Encourage the operation and development of a safe, efficient and economic electricity sector in Dominica.*
- c) Facilitate the promotion of sustainable and fair competition in the electricity sector where it is efficient to do so.*

- d) *Protect the interests of all classes of consumers of electricity as to the terms and conditions and price of supply; ensure that the financial viability of efficient regulated electricity undertakings is not undermined.*

The Procedure for the setting and review of tariffs for electricity supply is provided at *Sections 23 and 24 of the ESA.*

Section 23:

- (1) *An electricity service provider shall not –*

(a) Offer service unless it has, prior to offering such services, filed its proposed tariffs with the Commission and such tariff rates and charges have come into effect pursuant to section 24;

And

(b) Make changes on tariffs, or other terms of the service after proposed tariffs have been filed with the Commission, except as authorized under this section.

- (2) *An electricity service provider shall submit tariff proposals in conformity with this section in writing to the Commission with respect to the tariffs it intends to apply for the use of its systems, facilities and services.*

- (3) *Proposed tariffs filed under subsection (2) shall contain all relevant information concerning rates and charges for services, including deposits, nonrecurring charges and monthly charges as well as terms and conditions applicable to the provision of services, including disputes or claims over billing or provision of services.*

- (4) *A Licencee shall make tariffs available to the public by publishing such tariff in the Gazette and two local newspapers.*

- (5) *All proposed tariffs filed with the Commission shall be kept complete, accurate and up to date.*

- (6) *After a proposed tariff has been filed with the Commission and has come into force and effect, no changes may be made in the rates, charges or other terms of service relating to all the services provided under the tariff, except upon the filing and review of tariffs as provided in this Act.*

- (7) *Proposed Tariffs shall:*

(a) Be accompanied by all accounting and cost information as the Commission may require;

and

(b) Comply with all the other requirements and conditions as shall be applicable to the licensee concerned.

Section 24:

- (1) All tariffs proposed by a licensee shall conform with the principles and provisions governing tariff formulation established by the Commission pursuant to the legislation for the time being and shall be submitted to the Commission for review as to their conformity with such principles and provisions.*
- (2) The Commission shall within 60 days of the submission of the tariff proposed under subsection (1), make a determination to:*
 - (a) approve the tariff without amendment.*
 - (b) conditionally approve the tariff subject to amendments specifically proposed by the Commission being accepted by the licensee; or*
 - (c) reject the tariff proposal outright, stating clearly in writing the reasons for such rejection, which reasons may include a determination that the tariff is not ripe for review.*
- (3) In the event that the Commission makes a determination under subsection (2) (b) the licensee may submit a revised tariff within thirty (30) days of the determination; and the Commission shall make a new determination in accordance with one of the three options specified in subsection (2) within 30 days of such submission.*
- (4) In the event of an outright rejection of the proposed tariff under subsection 2 (c), the Licensee may file a new tariff at any time; or may file a petition to the Commission for reconsideration of such rejection.*
- (5) A petition shall be filed within thirty (30) days of the rejection and shall state the Licensee's basis for reconsideration, which may include fundamental change in circumstances from the conditions that prevailed when the tariff was originally rejected by the Commission.*
- (6) In the event that the Licensee files a petition for reconsideration under subsection (4), the Commission shall act upon such petition within thirty (30) days and make a determination in accordance with one of the three options set forth in subsection (2).*
- (7) If the Commission fails to act on a tariff submission pursuant to this section within the timeframes for determination specified in subsections (2), (3) and (6), the tariff shall be deemed approved until such time as the Commission makes a determination.*

The Act gives the **Commission full authority to act independently** in the performance of its duties – specifically having regard to public interest considerations and government policy, as embodied in legislation.

In providing for its functions, *the ESA (S20)* mandates the Commission to act in a manner which it considers best calculated to achieve several policy objectives and in this regard clauses (a), (b), (d), (e) and (g) of S20, reproduced above, are instructive.

Furthermore, *Section 20. (1) (c) of the Act* provides a duty for the Commission to “*ensure the security and efficiency of the supply of electricity in Dominica, through the conduct of an efficient long term planning process with due regard for future potential generation sources such as geothermal and wind energy*”.

The determination sets out in detail the methodology and process for determining the tariff for DOMLEC.

Regulatory Policy Objectives

*The Commission’s regulatory policy is to establish a tariff which balances the interests of the consumers and investors alike where the investors have the opportunity to realize a fair return on investment while customers can expect an efficient, responsive and economic service in an environment where the rights of all stakeholders are preserved. The Commission will not guarantee a rate of return to investors but will seek to create a regulatory environment where the incentives are such that the company, through **efficient operational practices and continual efficiency improvements**, will have the opportunity to achieve the desired rate of return during any tariff period.*

Tariff Principles

There are basically two models for a tariff structure which could apply in the Dominica situation:

- 1. A tariff which includes all the costs including the costs of fuel, based on a projected cost of fuel over the tariff period; or*
- 2. A two-part tariff comprises (i) a non-fuel base rate and (ii) a fuel charge, which fully recovers the cost of fuel (subject to efficiency factors) and no more.*

Both methods use the same techniques and parameters for estimating revenue requirements, the exception being that in the first case fuel is included in the revenue requirements while it is not in the second case. The options for dealing with fuel costs are discussed separately.

The Commission has accepted option No. 2 and will allow a 100% pass-through of fuel costs.

The average tariff that will be in effect from time to time shall be consistent with the following:

$$RR = OC + FC + GO$$

Where:

RR = Revenue Requirement

OC = Operating Cost

FC = Financing Cost

GO = Government Obligations- A provision to recover or return the cost of obligations imposed by government, which were not known or anticipated at the tariff review.

The “Average Rate” then becomes the Revenue Requirement (\$) divided by the forecast sales (kWh).

$$\text{Average Rate} = \text{Revenue Requirement (\$)} / \text{Sales (kWh)}$$

Revenue Requirements

The Utility’s revenue requirement is calculated as the sum of its estimated costs of providing service, where a fair return is included as one of those costs. These forecasted funding levels have to be sufficient to get the required work done without adversely impacting quality of service, or compromising reliability, customer service or safety: any disallowance resulting in a deferral of projects or work activities must be carefully considered and weighed against these criteria.

The Revenue Requirement consists of the sum of Operating Costs and Financing Costs required for providing electricity services.

$$RR = \text{Operating Costs} + \text{Financing Costs}$$

Where:

$$RR = \text{Revenue Requirement}$$

Operating Costs = Costs of labour, non-generation fuel, depreciation, income taxes, deferred costs

Financing Costs = Cost of capital which includes cost of debt and equity.

The critical exercise is to determine the forecast of the Revenue Requirements based on a sustainable and defensible estimate of the expenses for the base year. One approach is where the base year is the year for which the most recent published annual reports and audited financial statements are available and from which the Test Year (the forecasted year), representing a forecasted statement of expenses and costs that are known and measurable is derived.

In any event, in all cases, the expenses that are ultimately approved for inclusion will

be those that are determined by the Commission to be prudent.

The Non-Fuel Revenue Requirement is developed based on a combination of demonstrated historic costs and forecast costs. The Fuel Revenue Requirement is a 100% pass-through of actual cost and will change monthly according to an agreed-to formula.

The Revenue Requirement for the Base Rate is then:

$$\text{Base Rate } RR = NFOC + FC + GO + RF$$

Where:

RR = Revenue Requirement
NFOC = Non-Fuel Operating Costs (this includes non-generation fuel)
FC = Financing Costs
GO = Government Obligations, and
RF = Regulatory Fees

DOMLEC has completed its work on the proposed tariff design as part of the tariff review process initiated in 2021. The company has submitted the application and supporting schedules for the final tariff design to the Commission for consideration.

The completed tariff design with supporting schedules is now available to the public and relevant stakeholders for review and comment for the consultation period, from March 16th, 2026.

DOMLEC’s Cost of Service Study and Tariff Design for Review

DOMLEC’s proposals were submitted under the cover of a document titled “*Cost-of-Service Study*” and “*Final Tariff for Review*” along with supporting shared dataset for – Dominica Electricity Services Ltd”.

The Cost-of-Service Study is a well-established framework commonly used by regulators to ensure that costs are allocated in a cost-reflective, transparent, and consistently applied across all customer classes. It plays a critical role in ensuring that electricity rates are fair and aligned with the actual costs of providing service. The Cost-of-Service Study helps in identifying and optimizing cross-subsidization between customer categories. In essence, the Cost-of-Service Study disaggregates the utility’s total Revenue Requirement and allocates costs to each customer class based on their energy usage.

The Tariff Decision Document supports that the Rate Design be based on the Cost-of-Service Study. It includes, among other elements, the functionalization, classification, and allocation of costs, as well as the allocation of revenues and the restructuring of customer classes.

In its submission, DOMLEC provided a Cost-of-Service Study, including soft copies of detailed cost breakdowns. These included the functionalization of costs into generation, transmission, distribution, and customer-related components, as well as the classification of customers into categories of domestic (standard), domestic (Time-of-Use), commercial, industrial, hotel, and

streetlight. The submission also outlined DOMLEC’s cost allocation methodology as presented in the Revenue Requirement, Rate Base, and Load Research data.

DOMLEC’s Cost of Service Study was conducted against historical financial data from the 2023 test (reference) year. The study indicated that an increase in non- fuel revenue to include electricity sales would be required for DOMLEC to achieve financial sustainability. However, delays in the tariff process necessitated a reassessment of DOMLEC’s projected financial performance that now considers the purchase of geothermal energy in 2026 and the associated financial implication for the proposed tariff design.

Accordingly, DOMLEC’s projected 2026 financial report was evaluated, incorporating geothermal and fuel charges as pass-through components within the revenue stream. An analysis of the 2026 projected financials under the current tariff, together with projections for the 2026–2028 tariff period, indicates an 80% reduction in fuel.

The analysis also reflects inflation rates of 2.1% and 2.0% applied to the utility’s operating, maintenance, and administrative (OMA) costs, capital expenditure (CAPEX), debt obligations, and working capital over the period 2026 to 2028. The resulting financial impact supports a lower tariff that results in a 4% increase over DOMLEC’s revenue over the test-year 2023, that resulted in the derivation of the proposed revised tariff which would enable DOMLEC to maintain financial sustainability at a minimum acceptable level throughout the 3-year period that the same tariff is applied.

Bill Impact Assessment Review

The *Bill Impact Assessment* compares the current electricity rates with the newly proposed tariff structures, which include the standard tariff for domestic and small business and the Time-of-Use (TOU) Tariff for the various customer groups. The proposed changes are aimed at improving cost recovery, enhanced energy efficiency, and supporting effective demand management. Under the new framework, all existing tariff components—such as the minimum bill, fixed charge, and energy demand charges are being restructured or replaced.

The bill simulation is based on usage patterns identified in the *Load Research Study*. It considers the proportion of **peak** and **off-peak** energy consumption in kWh and metered maximum demand in kW. These factors are applied using the applicable proposed energy rates for both the standard and TOU tariffs across customer groups. With geothermal, the fuel charge is assumed to be \$0.0677/kWh (for calculation purposes only) and remains unchanged for all customer categories.

For this simulation, *the Value Added Tax* (VAT) under the TOU tariff is applied only to energy usage exceeding the first 150 kWh during peak and additional usage in the off-peak periods. This results in a lower VAT being applied to customers’ bills. Key proposed changes include the removal of the \$2.50 minimum bill and demand charge of \$4.32/kVA which will be replaced by a new demand charge of \$12.50 per metered kW. Additionally, a fixed monthly customer charge of \$5.00 will apply to domestic and small business customers, while TOU customers will see a fixed

customer charge of \$50.00, along with separate peak and off-peak energy rates. Domestic Standard and Small Business customers will be billed based on a fixed energy charge.

The tables below illustrate the bill impact with the highest and lowest proportional increases among the various customer groups.

Table 1: Proposed Tariff Bill Impact with Geothermal Energy and 4% increase in DOMLEC’s revenue over the Test-Year

Customer Class	Customer Size (kWh)	Existing Tariff	Customer Bill calculated from Proposed New Rates with Geothermal on the Grid	Dollar Savings from Proposed Rates compared to Current Rates	Percentage Savings from Proposed Revised Rates
Domestic	100	\$ 113.05	\$ 93.45	\$ (19.60)	-17.33%
Domestic/ Domestic TOU	250	\$ 299.58	\$ 265.44	\$ (34.14)	-11.40%
Small Business/ Commercial	500	\$ 666.21	\$ 568.35	\$ (97.85)	-14.69%
Commercial (large)	2,416	\$ 3,254.38	\$ 2,913.79	\$ (340.60)	-10.47%
Hotel (large)	8,609	\$ 10,821.13	\$ 9,553.60	\$ (1,267.53)	-11.71%
Industrial (large)	14,402	\$ 17,898.13	\$ 16,203.67	\$ (1,694.46)	-9.47%
High Voltage (large)	72,372	\$ 88,998.82	\$ 78,657.95	\$ (10,340.88)	-11.62%

The bill impact assessment associated with the proposed 4% revenue increase with Geothermal energy on the grid; when compared to the current tariff structure, results in **reductions** in electricity bills across all customer classes, ranging from 9.47% to 17.33%, as illustrated in *Table 1* above.

Customers under the Time-of-Use (TOU) categories, including commercial, hotel, industrial, and high-voltage customers, are expected to benefit from economies of scales, resulting in higher bill savings in absolute dollar terms as fixed costs are distributed across larger volumes of energy consumption. In contrast, customers with lower consumption such as domestic (standard) and small business customers, are projected to realize greater percentage reductions in their electricity bills.

Furthermore, through implementing effective energy load management, TOU customers may achieve additional cost savings by shifting electricity consumption to off-peak periods, where lower rates apply.

Table 2: Projected Tariff without Geothermal: Business-as-Usual (BAU) with revised rates for a 4% increase in DOMLEC’s revenue.

Customer Class	Customer Size (kWh)	4% Projected Tariff without Geothermal	Current Tariff	Difference	Percentage Difference
Domestic	100	118.00	\$ 113.05	\$ 4.95	4.37%
Domestic	150	175.97	\$ 171.88	\$ 4.09	2.38%
Commercial	2416	3530.70	\$ 3,254.38	\$ 276.32	8.49%
Hotel	8609	11751.86	\$ 10,821.13	\$ 930.73	8.60%
Industrial	14402	19881.15	\$ 17,898.13	\$ 1,983.02	11.08%

Table 2 above on the other hand depicts the Business-as-Usual (BAU) tariff with the 4% increase in DOMLEC’s revenue over the Test-Year. As can be seen, the projected revised tariff under this scenario increases for all customer categories.

Consequently, this BAU scenario incorporating the revised rates (without geothermal) indicates **significant** increases in the bills for all existing customer classes.

Overall, the Commission notes that the reduction in electricity bills across all customer classes as shown in *Table 1* is largely attributed to the integration of Geothermal energy into the electricity generation mix. Moreover, the introduction of lower tariff during off-peak hours if applied pragmatically will contribute to the further reduction in electricity bills for all TOU customers.

Consultation Questions

The Commission would be interested in receiving stakeholders' views in this regard.

Consultation Question No 1:

Do respondents understand and agree to the reclassification of the customer categories to include domestic standard, domestic Time-of-Use (TOU), and small business, hotel, commercial, industrial (all considered to be large consumers), as well as High Voltage (HV) customers?

Consultation Question No 2:

Do respondents understand and agree that the proposed tariff should adopt the Time-of-Use (TOU) approach that applies different electricity rates for peak and off-peak hours for domestic, commercial and hotel customers?

Consultation Question No 3:

Do respondents agree that the 4% proposed revenue increase over the chosen Test-Year is reasonable and strikes a fair balance between what customers pay and what the company needs to remain financially viable?

Consultation Question No 4:

Do respondents consider that it is important to implement the proposed DOMLEC Standard tariff, designed to protect vulnerable or low-income households consuming less than < 50 kWh?

NB: The Commission is mindful that energy affordability may pose challenges, particularly for small businesses and low-income domestic customers, in light of Dominica's current economic conditions to include Gross Domestic Product (GDP) performance, declining growth rates, and inflation levels; as outlined in DOMLEC's tariff design submission.

Consultation Question No 5:

The proposed tariff design is based on the methodology that is practicable and in accordance with the best international practices, with a Cost-of-Service Study to ensure fairness across the different customer categories.

What are your thoughts on this approach?

Consultation Question No 6:

Do respondents believe that the tariff process that led to the final tariff design was undertaken in a transparent manner? If not, what suggestions do you have to make the tariffs process clearer and more transparent in a future review period?

Conclusion

The rationale for these questions stems from DOMLEC's application for a tariff review as introduced in its submission for the Commission's consideration. The Commission firmly believes that disaggregating the domestic customer class into "Domestic Standard" and "Time-of-Use (TOU)," along with the reclassification of commercial customers into a "Small Business" category and the implementation of a TOU tariff in the proposed structure will provide added benefits to both customers and DOMLEC.

1. Time-of-Use (TOU) Large Customers

The Commission recognizes that TOU tariffs encourage positive behavioral changes and contribute to enhanced grid stability. Under this approach, the TOU Large customers, referring to Commercial and Industrial, will be better positioned to manage their demand profiles, leading to potential cost savings during off-peak hours. Research has shown that TOU tariffs can improve grid stability by reducing peak demand. DOMLEC can take advantage of the TOU tariff to lower their operating costs and minimize the need for additional investments in key operational areas, including generation, transmission, and distribution, and customer service assets.

2. Small Business Customers

The Commission also acknowledges small businesses that utilize up to 150 kWh - commercial, hotel, and industrial customers stand to benefit from reduced tariffs. This approach may help mitigate the risk of service disconnection due to affordability issues. The Commission anticipates that, as the economy improves over the medium to long term, energy consumption among these small businesses is likely to grow, improving the financial viability of the utility according to *Section 20, 1 (e) and (g)*.

3. Low-Income Domestic Customers

Further, the Commission recognizes that implementing lower tariffs for standard domestic customers is in accordance with the regulatory requirements and that it proposes that utilities should assist vulnerable customer groups. Providing a lower tariff to low-income domestic (standard) customers results in a fairer allocation of costs to this customer category.

Additionally, the Commission strongly believes that the tariff restructuring will benefit customers through:

1. Fairer pricing for customers in all categories.
2. Adjustments in pricing distributed amongst customers in a manner to achieve fairer cost allocation and sustainability.
3. Time-of-Use (TOU) pricing for customers in the residential, large commercial, large industrial and large hotel customers will allow these customers to shift certain loads to off-peak periods facilitating consumption efficiency, while easing the strain on the grid.
4. Demand charges introduced for large consumers to balance grid load distribution.

Attached in the Appendix are DOMLEC’s submissions of the:

- Cost-of-Service Study; and
- Rate Proposal.

These are for review by the public and strategic stakeholders.

APPENDIX

- (i) DOMLEC's Cost-of-Service Study
- (ii) Rate Proposal

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