



# **CONSULTATIVE DOCUMENT**

**Document Reference No.: 2024/003/CD-02**

## **Five-Year Investment Plan**

**For**

## **DOMINICA ELECTRICITY SERVICES (DOMLEC) LTD**

**SECOND ISSUE OF CONSULTATIVE DOCUMENT, WITH COMMENTS  
ON RESPONSES TO THE FIRST CONSULTATIVE DOCUMENT**

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***DECEMBER 2024***

## 5-Year Investment Plan for Dominica Electricity Services Limited

### CONSULTATION PROCESS

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

**Executive Director  
Independent Regulatory Commission  
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P.O. Box 1687  
Roseau  
Commonwealth of Dominica**

**Tel No: 767-440-6635**

Responses, clearly showing the Document Reference identification, may also be sent by e-mail to: [admin@ircdominica.org](mailto: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](http://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 Title: DOMLEC's Five-Year Investment Plan (*Comments on First Response and Second Issue of Consultative Document*)**
- **Document Reference No.: 2024/003/CD-02**

EVENT	DATES
Publication of First Issue of Document	October 8 <sup>th</sup> , 2024
Public Consultations	October 8 <sup>th</sup> to November 28 <sup>th</sup> , 2024
Responses Closed – <i>End of Phase 1 of Consultation</i>	November 29 <sup>th</sup> , 2024
Comments on First Response and Publication of Second Issue of Document	December 18 <sup>th</sup> , 2024
Responses close - <i>End of Phase 2<sup>of</sup> Consultation</i>	January 3 <sup>rd</sup> , 2025
Statement of Results and Commission's Decision	January 6 <sup>th</sup> to 15 <sup>th</sup> , 2024

# 5-Year Investment Plan for Dominica Electricity Services Limited

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## 5-Year Investment Plan for Dominica Electricity Services Limited

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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 commenced later that year.

The Commission is of the view that to ensure timely completion of its review of any application for a tariff review submitted by DOMLEC, it would consider certain critical issues in separate proceedings leading up to the tariff review itself.

These issues, which are critical inputs to the tariff determination, are:

- Depreciation Policy (*Completed – April 2024*)
- Weighted Average Cost of Capital (WACC) (*Completed – October 2024*)
- Revenue Requirement and Rate Base
- Approval of 5-Year Investment Programme
- Cost-of-Service Study with Load Research
- Rate Proposal

The Commission will make determinations on these issues prior to the formal submission of the *Notice of Intent-to-File* on the presumption and condition that the Commission's Decisions on these issues will feed into the approval of the new structure with accompanying rates proposed by the Dominica Electricity Services (DOMLEC) Ltd.

The *Depreciation Policy* was addressed and completed in April 2024, as per the Commission's 'Decision Document Ref: 2024/001/D – Depreciation Policy for Dominica Electricity Services Ltd'. The *Weighted Average Cost of Capital (WACC)* Study was completed in October 2024 as per the Commission's *Decision Document Ref 2024/002/CD-02/D*.

DOMLEC submitted its proposed *5-year Capital Investment Plan* for the Commission's consideration on November 29<sup>th</sup>, 2022.

This consultation document sets out the Commission's thinking in response to DOMLEC's proposal

The Commission's objective in this proceeding is to consider and decide on the proposed *Capital Investment Plan for DOMLEC* for the 3-Year tariff period ending 2027. The Commission issued its first Consultative Document (CD) on October 8<sup>th</sup>, 2024, and held a hybrid public consultation to include virtual and in-person representation on November 19<sup>th</sup>, 2024.

This document represents Comments on the First Response which ended on November 29<sup>th</sup>, 2024, and Publication on the Second Issue of the Consultative Document. This new document sets out the Commission's response to the stakeholders' feedback, responses and comments received from the first round of consultation and the Commission's proposed Decisions that flowed from this consideration. The proposed decisions will replace those, if and where appropriate, that were indicated in the previous consultative document.

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The Commission's key objective in this proceeding is to consider and decide on DOMLEC's proposed Capital Investment Plan for the 3 years, that is 2025, 2026 and 2027, to meet demand levels, the maintenance of facilities to supply reliable and efficient energy, and to serve the needs of customers.

### Policy and Legal Framework

#### Government Policy

The Government ratified the *National Energy Policy (NEP)*; the Commission is of the view that the principles in this document should guide its thinking regarding the development of and approval of *DOMLEC's Investment Plan*. The salient features of the policy (at Section 4) are highlighted below:

On '*Electricity Supply*', the Government's policy objectives are as follows: –

*It is the Government's policy to foster a safe, efficient, affordable, and low-carbon national electricity supply that meets international quality standards by promoting the efficient use of imported fossil fuels, and the development of Dominica's domestic renewable energy resources. To achieve these policy goals, it will be necessary for Government to:*

- *Ensure that the energy resources available to the island are fully assessed in terms of their potential to economically contribute to the island's electricity supplies.*
- *Evaluate the effect of their exploitation for electricity production on the local environment and on the island's carbon footprint.*
- *Maintain an inventory of the available resources with potential to contribute to the country's electricity demand and update this inventory at regular intervals in line with changing economic conditions.*
- *Ensure the implementation of demand-side-management (DSM) programmes to reduce the long-term demand for increased generating capacity.*
- *Ensure that electricity supplies are generated and used as efficiently as possible and that losses are reduced to an economic minimum.*

### Legal Framework

The Commission's duties and functions regarding tariff making are provided for, pursuant to provisions in three principal instruments:

- (i) the Act;
- (ii) the Licence; and
- (iii) the Commission's Determination as per its "*Tariff Regime for Dominica Electricity Services Ltd Document Ref: 2009/004/D*" (herein referred to as 'the Determination').

#### ***The Act at Section 18, provides that:***

*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.*
- (d) facilitate the promotion of sustainable and fair competition in the electricity sector where it is efficient to do so;*
- (e) protect the interests of all classes of consumers of electricity as to the terms and conditions and price of supply;*
- (g) ensure that the financial viability of efficient regulated electricity undertakings is not undermined.*

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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 (Section 20) 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 *Section 20*, 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*”.

### Determinations for DOMLEC’s 5-Year Investment Plan

The Commission must be mindful of the implications that the approval of an investment plan will have on DOMLEC’s operations, where, on the one hand, shortfalls in investment to meet demand or maintenance of facilities can impact on the quality of supply while, on the other hand, over or ill-timed investment can result in excessive rates and less than efficient utilization of capital invested. So, while the Commission will tend to be conservative in its consideration of the investment plan, it remains conscious of the importance of balancing the two consequences in the consumers’ interest.

Any conclusions represented in this document will be ultimately conditioned by the outcome of the feedback from the consultation.

In this regard, the Commission’s consideration of projects will be two-fold:

1. Those projects or capital sums that will be brought into the Rate Base during the tariff period,
- and
2. Those projects which, although started during the tariff period, will be completed and brought into the Rate Base in the subsequent tariff period.

***For the avoidance of doubt, the Commission reminds all stakeholders that the outcome of this proceeding will determine DOMLEC’s investing activities for the ensuing planning period and thus, the values that will be absorbed in the company’s Regulated Rate Base.***

The *Regulated Rate Base* is a term used to define the Rate Base to which the WACC is applied for rate making purposes. The Determination provides the following guidance regarding adjustments to the “Rate Base” to derive the regulated Rate Base.

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### Adjustments

*Adjustments are also referred to as “No Cost Capital.” These are funds received by a utility to which it is **not entitled** to earn a Rate of Return and as **such these amounts are not included in the Rate Base.***

*These adjustments consist of customer advances, which are funds paid by customers for the construction of facilities required to service those customers, or to finance future payments, such as non-current liabilities, deferred credits, etc.*

*For the Revenue Requirement estimate, the following would be identified as adjustments and excluded from Rate Base:*

- *Customer Advances for Construction (= referred as “Deferred Revenue” in DOMLEC’s financials)*
- *Consumer Deposits (i.e. for connections)*
- *Capital Grants*
- *Other Revenue (= interest income)*
- *Deferred Tax*

*Ideally, a weighted average of balances for each of these adjustments would be calculated and subtracted from the Rate Base.*

### Regulatory Policy Objectives

The Determination sets out the overriding principles which guide the Commission’s philosophy and approach to tariff making. For emphasis, this is repeated below:

Reference is made to *Schedule 1: page 27 & 28, of the Commission’s Rules of Practice and Procedures 2008; Decision Document Ref: 2008/004/D:*

*“The views and analysis set out by the Commission in the said Consultative document shall be for discussion purposes only and are not final. The purpose of the consultative document is to invite comments and evidence to be supplied, which may assist the Commission in the formulation, and, if need be, revision of its views.*

*The Consultative document may include a series of specific questions upon which the Commission is seeking particular comments. In the event that the Commission considers it appropriate, respondents may wish to address other aspects of the document for which the Commission has not prepared any specific question or respondents may only wish to answer some of the questions posed – failure to provide answers to all questions will in no way reduce the considerations given to the response.*



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*Following careful consideration of the responses and, if necessary, undertaking additional analysis and evidence gathering, the Commission shall publish a further document in which it provides comments on the responses. On major and/or complex issues, this may be another Consultative document with a view to inviting comments on matters not fully explored in the first Consultative document. Once the Commission has gathered all responses on all relevant aspects of the issue and has completed its analysis, it shall publish a decision/statement or policy position paper with the basis for its judgement.....”*

Therefore, in compliance with its core corporate values of professionalism, predictability, integrity, responsiveness, teamwork and transparency, the Commission is always guided by the principle to garner the widest possible range of views on the matter under consideration.

The Commission will explain the basis for its decisions and factors influencing its position on any given matter through its published documents.

### Filing Requirements

The Determination provides that *“DOMLEC is required to file its capital budget and updated 5-Year Capital Investment Plan annually with the Commission. While the Commission does not expect to manage the company’s capital budget, it wishes to satisfy itself that the company is pursuing investments in accordance with its short to medium term business plan and the associated capital investment programme.”*

The Tariff Decision Document connotes *“once the utility has justified the need for each capital project on the basis of performance objectives, then it has to explain its prioritization criteria in the selection of critical projects: for example, the reason for including or excluding a needed project in meeting reliability performance.”*

**The Determination provides the “Application for Approval of the Five-Year Capital Investment Plan with supporting worksheets containing justification forms for each project to be met by DOMLEC in submitting its proposals to be considered in the Cost-of-Service Study.**

**Following comprehensive review of the shared data, the Commission has determined that DOMLEC has satisfied the filing requirement as contained in the Application for Approval of the 5-Year Capital Investment Plan.**

### Expert Resources

As part of regulatory proceedings, the Commission engaged the services of a regulatory consultant with the necessary competencies to provide expert assistance in this rate making exercise.

Mrs. Lamis Aljounaidi, Regulatory Consultant from Paris Infrastructure Advisory (PIA), is a recognized expert in energy economics, tariff setting and financing. She has sixteen years of experience in energy infrastructure development and economics focused on renewables and

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networks. The regulatory consultant supported over fifty (50) projects through different development and financing stages including regulation, WACC calculations, pricing and market design for investment incentives. She has experience working in Dominica, by providing support to the regulator through the development of a Geothermal IPP (2018-2020) during which she evaluated DOMLEC and the Dominica Geothermal Development Company (DGDC) Limited Power Purchase Agreement, conducted Electricity Demand Forecasts, and reviewed the Project's Financial Model.

*The Commission advised participants that the Regulatory Consultant has professional competence and expertise to assist the IRC in conducting a comprehensive review and analysis of DOMLEC's Application for the 5-Year Capital Investment Plan and shared datasets containing worksheets for justification forms for each capital project.*

### Summary of DOMLEC's Proposals

DOMLEC's submitted its 5-year *Capital Investment Plan* to the Commission for approval as presented in **Table 1** below. The Commission requires stakeholders' feedback on budgetary estimates for 2025, 2026 and 2027 solely. The capital budgets for 2023 and 2024, as some of the projects were expensed in prior year(s).

**Table 1. DOMLEC Capital Investment Requirements over the Five-Year Period**

<b>Year</b>	<b>Estimated Capital Requirement Amount in EC\$</b>
2023	16.3 M
2024	28.4 M
2025	23.2 M
2026	10.5 M
2027	9.7 M
<b>Total</b>	<b>88.1 M</b>

*The major capital items by departments within DOMLEC for the 5-Year period are:*

- **Generation** - \$44.9 million including \$ 24.7 million for a 4.5 MW Utility Scale Solar System, \$10.4 million on major overhauls of thirteen generating units, \$3 million for the rehabilitation of the PADU Diversion Weir.

- **Transmission and Distribution** - \$20.7 million including \$4.4 million on New Services, \$4.2 million on Suspense Jobs, \$3.3 million on vehicle replacement which includes an

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*electric vehicle and truck, \$2.5 million on Pole and Hardware Replacement and \$1.4 million on Low Voltage Distribution Upgrade.*

- **Engineering** - \$9.4 million including \$2.5 million for the Stadium Microgrid, \$1.4 million for Radio Communication Upgrade, \$1.4 million for Geothermal Interconnection Upgrade and \$1.3 million for Renewable Energy Utilization thrust. Also, \$0.4 million has also been included for works to facilitate the Battery Energy Storage System at Fond Cole which DOMLEC will lease from the Government of Dominica.

- **Administration** - \$5.3 million including \$0.9 million for Morne Bruce Backup Control Centre, \$0.68 million for completion of Stores Storage Facility, \$0.45 million for a Retaining Wall at Morne Bruce. Amounts have been included for various other property upgrades and security systems upgrades.

- **Information Technology** - \$3.7 million comprising the replacement and upgrading of hardware and software. \$0.3 million has been included for Virtual Infrastructure Hardware.

- **Accounts & Finance** - \$2.4 million is made up of \$1.9 million in General contingency and \$0.25 million as contingency for Information Technology Project Financing.

- **Commercial** - \$1.7 million comprising \$0.45 million for Meter Test Bench to ensure compliance with the IRC's regulations and Meter Upgrades and Replacements of \$0.44 million.

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*Table 2. Summary of DOMLEC's proposed Capital Investment Plan over the 5-year period.*

<b>Dominica Electricity Limited</b> <b>Capex Summary</b> <b>5 Year Forecast ending December 31, 2027</b>						
	<b>Forecast 2023</b>	<b>Forecast 2024</b>	<b>Forecast 2025</b>	<b>Forecast 2026</b>	<b>Forecast 2027</b>	<b>Total</b>
<b>Summary per Department</b>						
Generation	6,535,174	17,211,050	14,987,050	3,001,000	3,141,000	44,875,274
Commercial	238,307	746,304	242,011	252,011	202,011	1,680,644
Transmission & Distribution	4,620,361	4,347,739	3,902,386	3,920,236	3,883,686	20,674,408
Engineering	2,112,283	3,615,501	1,590,212	1,538,569	544,173	9,400,738
Administration	1,236,524	1,502,020	1,112,500	537,500	957,500	5,346,044
Finance	641,300	450,000	450,000	450,000	450,000	2,441,300
Information Technology	879,000	550,000	912,000	830,000	520,000	3,691,000
	<b>16,262,949</b>	<b>28,422,614</b>	<b>23,196,159</b>	<b>10,529,316</b>	<b>9,698,370</b>	<b>88,109,408</b>
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
Growth Capital Items	2,959,264	16,968,995	15,375,276	2,613,316	2,484,950	40,401,801
Sustaining Capital Items	13,303,685	11,453,619	7,820,883	7,916,000	7,213,420	47,713,607
	<b>16,262,949</b>	<b>28,422,614</b>	<b>23,196,159</b>	<b>10,529,316</b>	<b>9,698,370</b>	<b>88,109,408</b>

### The Commission's Considerations

Respondents commented at the public consultation that the *Capital Investment Plan* basis objectives should aim **to reduce system losses, transmission and distribution costs, cost of production, management costs and administrative costs**. There's also an obligation for the utility to undertake competitive bidding to reduce costs and improve efficiency overall.

Respondents questioned the delay in the development of the 4.5 MW Solar Plant over the past years. Concerns were raised that suggest that the solar plant could aim at reducing fuel surcharge significantly.

Respondents also commented on the targeted key performance indicators to be set and how the Capital Investment Plan will address the challenges in satisfying consumers including reduced costs, improving reliability and efficiency. Also, concerns were raised about DOMLEC's ability and capacity to achieve the stated projects and expected outcomes in their investment plan.

The Commission noted the comments from stakeholders and has taken them into account appropriately in its deliberations that followed as per each of the consultation questions raised for each proposed decision by the Commission.

The Commission also accepted other concerns expressed by the respondents during stakeholder engagements.

### The Commission's Proposed Decisions

#### **PROPOSED DECISION NO. 1**

***The Commission proposes that DOMLEC' capital investment plan should be aligned to its implementation capabilities which ranged historically between EC\$12 million to EC\$18 million per annum.***

#### **Consultative Question No. 1:**

**Do respondents agree with the methodology utilized by the IRC in reviewing DOMLEC's 5-year capital investment plan for the period 2025 – 2027 that allows the investment plan to be aligned with its implementation capabilities, ranging from EC\$12 million to ED\$18 million or an average of EC\$15 million per annum? If not, can respondents recommend other options that could be employed to further assess DOMLEC's capital investment plan?**

#### **Respondents' Comments and Responses:**

This question seeks to evaluate whether stakeholders are of the view that the approach to factor the utility's implementation capability to undertake capital investment is justifiable and is in sync with established best practices for review of DOMLEC's capital investment plan.

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The Commission informed participants that a comprehensive review and analysis were conducted on DOMLEC's shared dataset containing budgetary allocations and accompanied justification forms for each capital project by departments. The justification forms were reconciled against the budgetary allocations by departments.

The methodology for reviewing and analyzing the dataset is set out in the *Tariff Regime Decision Document*. The statement is repeated for emphasis:

*The methodology for reviewing Fixed Capital Cost consists of determining the historic spending pattern and then adding any specific plant budget item for the Test Period. Some utilities use a project-by-project review of the actual capital work that needs to be performed.*

*It is incumbent on the utility to determine and quantify whether there will be O&M savings resulting from capital investment. These O&M savings fall into two categories (1) estimated reductions in the future year and (2) avoided increases in future years. The Commission can require a utility to show cost savings for ratepayers."*

*Once the utility has justified the need for each capital project based on performance objectives, then it has to explain its prioritization criteria in the selection of critical projects: for example, the reason for including or excluding a needed project in meeting set reliability and efficiency performance targets."*

The Commission is mindful that DOMLEC has direct oversight of its day-to-day operations that facilitates the provision of efficient and reliable services to customers at affordable prices. That DOMLEC will incur capital expenditure associated with its strategic business plan and will authorize the associated capital expenditure once agreed upon as part of the capital investments.

DOMLEC explained to stakeholders that the implementation of the Capital Investment Plan is determined by its strategic objectives. These strategic objectives should drive the company's mission for a period of 3 to 5 years. These objectives set must be closely monitored and delivered by the departments.

A respondent commented that the demand forecast should inform the capital investment plan, that the focus should not be based solely on its implementation capabilities.

### **PROPOSED DECISION NO. 2**

***DOMLEC's proposed Capital Investment shall be EC \$18million in 2025, EC\$8 million in 2026 and EC\$8 million in 2027, rather than DOMLEC's proposed value of EC\$25.1 million in 2025, \$10.4 million in 2026 and EC \$10.4 million in 2027.***

### **Consultation Question No. 2:**

***Do respondents agree with the Commission's proposed Capital Investment Plan for DOMLEC of EC \$18 million in 2025, EC \$8 million in 2026 and EC \$8 million in 2027, rather than***

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***DOMLEC's proposed values of EC \$25.1 million in 2025, EC \$10.4 million in 2026 and EC \$10.4 million in 2027? If not, give reasons.***

### Respondents' Comments and Responses:

The Commission informed stakeholders that DOMLEC's shared datasets were reviewed and analyzed based on their prioritization needs to include critical priority areas, projects needed to be upgraded, cost savings and other benefits to be derived and projects implementation capabilities. Collaborative discussions were held with DOMLEC to assess its prioritization needs. DOMLEC's Capital Investment Plan for 2023 to the fourth quarter of 2024 were not deliberated on as the associated expenses were incurred.

The Commission advised that upon reviewing DOMLEC's historical spending pattern from 2015 to 2023 as denoted in its financial reports, the company implementation capabilities ranged between \$12 million to \$18 million or averaging \$15 million. It was noted that 2016 and 2018 were excluded from the analysis as major investments were undertaken to restore the network in the aftermath of Tropical Storm Ericka in 2015 and Hurricane Maria in 2017.

DOMLEC informed stakeholders that based on its strategic plan and discussions with departmental managers including Generation, Transmission and Distribution, Information Technology, Finance among others, the proposed Capital Investment Plan for 2025, 2026 and 2027 as shown in **Table 3** below were determined. DOMLEC stated that all the capital projects can be implemented immediately. However, some projects can be extended for a longer duration.

***Table 3. DOMLEC Capital Investment Plan 2025 to 2026***

Capital Investment Plan - Years	DOMLEC's Proposal
2025	\$25.1 million
2026	\$10.4 million
2027	\$10.4 million
<b>Total</b>	<b>\$45.9 million</b>

A respondent questioned whether as part of costs reduction, the IRC compared DOMLEC's historical budgetary estimates against the actual projects' costs incurred in the past. The Commission explained during the comprehensive review and analysis, that the Capital Investment Plan from 2015 to 2019 were compared to determine the percentage of projects completed.

This analogy was one approach that enabled the IRC to determine DOMLEC's implementation capability. The analysis undertaken by the Commission denoted that on average between 60% to 70% of the capital projects named by DOMLEC were completed between 2015 and 2019.



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### **PROPOSED DECISION NO. 3**

**The 4.5% Solar PV should be suspended to the later stage when there is a need for added capacity after the completion of the 10MW Geothermal power project and the possible expected growth in demand.**

### ***Consultative Question No.3:***

***Do respondents believe whether the project costs of EC\$24.7 million for the 4.5 MW solar PV should be included in this rate base at this time or that the rate should be reopened at a later stage if the timeline is confirmed, or alternative funding be considered for the investment in the 4.5 Solar PV? Give reasons?***

### **Respondents' Comments and Responses:**

The Commission noted that the Solar Project was included in DOMLEC's Capital Investment for 2023 and 2024 but has been deferred to a later stage due to ongoing work on the Geothermal power plant which should be commissioned and in operation for early 2026.

The Commission explained to participants that the focus is on the development of the geothermal plant. It is a more formidable form of renewable energy in terms of providing baseload. The geothermal project is a huge investment undertaken by the Government of Dominica. The Commission states: *"DOMLEC does not have the financial capacity right now to pursue any renewable project directly. The geothermal project is modeled as an IPP which is an independent power producer. The Company (IPP) will construct the plant and sell the energy to DOMLEC. DOMLEC will then sell the power to its customers."*

DOMLEC re-iterated that its budgetary estimate for 2023 and 2024 included the development of the Solar Plant; however, the construction of the Geothermal plant has taken precedent over the Solar Plant.

A respondent questioned whether there is demand forecast data that is expected by the time the geothermal plant is commissioned. *The Commission mentioned: "based on our assessments there are several infrastructural projects going on at this time to include the International Airport. That some of the projects are expected to be completed by the time the geothermal plant comes on stream by the end of 2025. The aim is to have all electricity from renewable sources by 2030. The solar generation project has been delayed but remained at the top of the agenda in the renewable energy mix"*.

DOMLEC explained that there are a number of generators that are due to be retired. Some of the generators are not operating efficiently and the company is undertaking load-shedding, and the maintenance costs of these generators are extremely high. Upon final commissioning of the 10MW Geothermal plant, some of DOMLEC's old thermal generators will be retired.



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### **PROPOSED DECISION NO. 4**

#### **DOMLEC Capital Investment Plan is considered sustainable**

##### **Consultation Question No. 4:**

*Do respondents believe that DOMLEC's capital investment project for the years 2025, 2026, and 2027 are considered sustainable and achievable? If not, please give reasons.*

##### **Consultation Question No.5:**

*Do respondents believe that the costs of the investment in DOMLEC's proposed capital investment plan will negatively impact its cash flow in the medium term? If yes, do respondents believe that the costs of investment outweigh the benefit that could be derived from his investment or vice versa? Please explain.*

##### **Consultation Question No. 6:**

*Do respondents believe that DOMLEC's proposed capital investment plan will result in efficient and reliable service to customers if implemented? If not, please explain?*

#### **Respondents' Comments and Responses:**

The rational for consultation questions for 4, 5 and 6 are based on the IRC's recommended adjustments to DOMLEC's Capital Investment Plan for the year 2025 to 2027. *Table 4* below presents the Commission's proposed Capital Investment Plan for DOMLEC.

***Table 4. The IRC's Proposed Capital Investment Plan for DOMLEC***

Capital Investment Plan - Years	IRC's Proposal – XCD\$
2025	\$18 million
2026	\$8 million
2027	\$8 million
Total	\$34 million

The Commission argued that a comprehensive review and analysis of DOMLEC 5-Year Capital Investment Plan with accompanied worksheets containing 128 justification forms for each capital projects were conducted. The approach undertaken is cited in the Commission's Tariff Determination. The Commission evaluated DOMLEC's implementation capability averaging EC\$15 million utilizing data from 2015 to 2023. Collaborative discussions were held with DOMLEC to determine priority needs assessments for each capital project. The Commission

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Recommended Capital Investment Plan comprises 70% of DOMLEC budgetary estimate for 2025 and 80% respectively for 2026 and 2027. The Commission held that its proposed budgetary allocations for DOMLEC are considered sustainable and achievable.

A respondent commented whether the IRC's Proposed Capital Investment Plan for DOMLEC of \$34M for 2025, 2026 and 2027 would be sufficient for DOMLEC to operate effectively and make a reasonable profit on their investment.

DOMLEC informed respondents of its proposed capital investment plan of \$45.9 for the 3 years was higher than the IRC's recommended amount of \$34 million. DOMLEC states: - *"the IRC's proposed values does not give us the type of latitude that is needed to improve profitability to the maximum and undertake all the investments that we need. I do think it has improved DOMLEC's financial position and liquidity. However, a figure closer to the values that the company proposed would be the more realistic."*

### **Consultation Question No.7:**

***Do respondents have any other (related) comments or recommendations?***

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#### **Respondents Comments and Responses:**

Respondents did not provide any additional comments or recommendations.

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### Conclusion

The Commission recognizes that DOMLEC has direct oversight into its day-to-day operation that facilitates the provision of efficient and reliable services to customers at affordable prices. The Commission understands that DOMLEC will incur capital expenditure associated with its strategic plan and will authorize the associated capital expenditure once agreed upon as part of capital investments. Moreover, the Commission is cognizant that the 5-year Capital Investment Plan is vital to ensure that DOMLEC implements its short to medium term goals as enshrined in its strategic plan.

Therefore, in compliance with its core corporate values of professionalism, predictability, integrity, responsiveness, teamwork and transparency, the Commission is always guided by the principle to garner the widest possible range of views on the matter under consideration.

The Commission will explain the basis for its decisions and factors influencing its position on any given matter through its published documents.



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