Driselle Ramjohn

From: Adam Raffoul <adamraffoul@hotmail.com>
Sent: Thursday, 2 March 2023 6:59 AM
To: consultation; ricconsultatiom@ric.org.tt

Subject: T&TEC Price Review

Dear RIC,

I would like to give the following feedback regarding the proposed T&TEC rate increase

1) After reading through your report I agree on the need for a rate increase .
2) I believe your team, tried your best, to spread the increase equitably across residential, commercial and industrial customers , with particular focus on protecting the most vulnerable.

The above being said , my concern is in particular, with the proposed rate increase for commercial customers . Our country's national goal is to diversify our economy and grow our non energy sector. This includes, in the fields of manufacturing , tourism ,agriculture such as hydroponics and vertical farming and in business process outsourcing, such as call centres.

Now all these fields of businesses, on a small scale basis fall under commercial rates and not industrial rates. My concern is the extent of the proposed rate increase for B1 customers from $0.415 kWh to the proposed $0.62 kWH and the proposed increase for B2 customers from $0.61 kWh to $0.67 kWh will affect our global competitiveness. I particularly note global competitiveness, because while the RIC does a good job in terms of comparing their proposed electricity rates, compared to other Caribbean countries , we are not only competing with the Caribbean, but rather the rest of the world. In terms of commercial rates , the proposed rates are in line with what is seen in Canada and China . And in these countries, unlike our businesses , businesses benefit from economies of scale and in certain industries subsidies. They also face lower corporation tax than our 30% rate.

I must note that while I agree with an increase in the rates for industrial customers, the proposed increases are significant, with some tariffs, more than doubling in per kWh pricing. No matter how cheap rates are currently, this is significant for any company to absorb in one year. I understand based on media reports that investors are trying to reopen the steel mill. This will create hundreds of jobs and use 240 megawatts a day or 17% of what the country currently uses. RIC should continue to engage the TTMA as the proposed increase in industrial rates must not scare away investments such as these. It is vital that we attract investments, so that we can diversify our economy.

Now while I understand the need to increase rates in order to have T&TEC profitable, a position I fully support, I would like to make the following cost saving suggestions. According to Page 83 of your draft determination report T&TEC has 2888 employees or 176 customers per employee. As stated in your report this is unfavorable to other similar utilities. In Jamaica for example JPS has 526 customers per employee, the Hawaiian Electric Companies has 187 customer per employee, Scottish and Southern Energy has 304 customers per employee, Lucelec in St Lucia has 256 customers per employee. My suggestion therefore from 2023-2027, is to have T&TEC institute a hiring freeze of non essential staff. This will allow for natural attrition of its labour force as people leave or retire , and a gradual reduction in staff. This policy can be reviewed yearly based on the operational needs of the utility. As stated in page 71 of your report T&TEC estimates by 2027 its employee count should be 2592, this should be strictly adhered to.

On page 51 of your report I note that in 2021 T&TEC's total revenue was 3.25566 billion. It's operating expenditure was 3.16722 billion. It's depreciation was 542.65 million and its interest payments were 609.42 million. This worked out to total expenditure of 4.31929 billion or a deficit of 1.06363 billion. My recommendation is that when interest rates start to fall in the next 12-18 months, T&TEC should approach the multilateral lending institutions such as the Inter-American

Development Bank, the Caribbean Development Bank and the CAF Development Bank of Latin America to refinance its debt burden, in the hope of reducing its interest payments. Given the ongoing debt owed to NGC by T&TEC and also the debt owed by T&TEC by statutory authorities owned by the government, I suggest at the earliest possible time a net off, where the government will pay T&TEC for the electricity tariffs owed, T&TEC will pay NGC for the gas owed and NGC in turn will declare a special dividend to its shareholder, the government.

Any cost savings that should accrue based on the above suggestions should be applied for a small reduction in the proposed rates for commercial customers .

My final suggestion is that, the proposed rate increase for industrial customers be applied over a 24-30 month period given the increase is in the vicinity of 72%-126%. In my humble view, given the increase cost of raw materials and the fallout of Covid-19 with regards to sales, this is too much for industrial customers to swallow in one year.

Thank you for the opportunity to contribute.

Sincerely,
Adam Raffoul