

BELIZE ELECTRICITY LIMITED

Questions and Answers on Electricity Rates JANUARY 2006

By how much will the electricity bill go up for an average residential customer on a monthly basis?

The average residential customer, who uses about 100 kWh per month, will see an increase of about \$8.50.

Does BEL anticipate it will need another rate increase in the near future?

Should fuel prices remain as is or take a downward trend, we should not see an increase in rates in the near future. However, if the prices continue to go up, it may trigger another increase as the rates from Mexico are indexed to fuel prices and Mexico will continue to supply as much as 45% of our energy supply. BEL continues to pursue other sources of energy that are cost competitive and environmentally sound. Such sources include the Hydro Maya Project which is scheduled to come on-line later this year and the Baggasse Cogeneration Project in 2008.

How does BEL justify rate increases when it continues to make a profit each year?

The tariff setting mechanism for electricity rates is divided into three components:

- 1) Cost of Wholesale Power
- 2) Value Added of Delivery
- 3) Rate Stabilization Account

The Cost of Wholesale Power component is a direct pass through to customers. When the cost of power exceeds forecasts, BEL does not pass these increases onto customers immediately. Instead, it is deferred to the Rate Stabilization Account (RSA). When the cost of power goes below forecasts, BEL recovers the amounts previously deferred to the RSA.

This effectively should stabilize rates for customers. However, BEL has had to request rate increases because the cost of power kept increasing rapidly due to rising fuel prices. At the end of December 2005 the balance in the RSA stood at \$29.2 million.

In terms of BEL's earnings, the tariff setting mechanism allows the Company to make a just and reasonable return in order to finance service improvement and expansion and service its loans.

Why has Chalillo not reduced rates?

While the full impact of Chalillo has not yet been realized, already it has saved Belizean consumers about \$0.8 million in energy cost since it was commissioned in November 2005. The per kWh cost of power from Chalillo and Mollejon is 17.5 cents compared to an average of 45 cents for diesel only. Without Chalillo and Mollejon the cost of power would have been increased by a further 22% in addition to the current increase.

With the discovery of oil in Belize, is BEL looking into this as a possible source of cheap energy?

BEL is currently in discussions with Belize Natural Energy (BNE), the company carrying out the drilling for oil. The oil needs to be processed before it can be used for power generation. BEL understands that BNE is seeking ways to do this at a competitive price locally.



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