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BEL Responds to PUC's Derogatory Statements against the Company

Belize Electricity Limited (BEL) finds statements released by the Public Utilities Commission (PUC) to the media on November 27, 2008, to be derogatory and even appalling. BEL considers that the statements are particularly disturbing since it is issued by the very regulatory body of the industry in which BEL operates.

In its statements, the PUC is accusing BEL of deliberately misrepresenting its financial position. In so doing the PUC is questioning the integrity of the Company's executive and financial officers and also its independent auditors and bankers that have reviewed the Company's financial statements.

It is a serious charge for a Regulator to accuse a Company of misrepresenting its financial statements. It is alarming that the charge would be made without reviewing the accounting standards and without consulting the Company or its independent auditors. BEL would like to clarify as follows:

1. BEL's financial statements are prepared in accordance with internationally recognized General Accounting Standards.
2. BEL's financials are audited annually and reviewed quarterly by an independent, internationally affiliated accounting firm.
3. External auditors also audit financial statements of BEL's parent Company, Fortis Inc.
4. In its Final Decision, the PUC ignored the advice of its Independent Expert, decided that it did not agree with decisions made in previous years and ordered that BEL should refund the sum of \$36 million to customers. Since these charges relate to revenues that were legally collected in accordance with the laws that existed at that

- time, the Company must book the \$36 million charge in the current period. BEL followed Canadian accounting standards 1506, which is in agreement with International Accounting Standard 8 in booking this unusual charge.
5. BEL's accounting treatment of the **cost of power, revenue recognition transactions and related regulatory accounts** has been consistent since the inception of regulatory accounting in 2000.
 6. The PUC has always accepted this same accounting treatment over the years, including the historical financial statements recently submitted to the PUC in April of this year, for the 2008 Annual Tariff Review Proceeding (ARP).
 7. Up until November 27, 2008, the PUC had never questioned the financial statements, not even during this year's ARP.
 8. Consequent upon the Final Decision in the ARP, BEL is in breach of several covenants related to its loans and banking facilities, and as a result is prevented from paying dividends and raising capital and cannot finance its operations.
 9. Being in breach of its covenants, BEL could not put the required security in place to enable it to maintain power supply from Mexico and the Government of Belize has assisted by providing the security.
 10. First Caribbean International Bank recently withdrew its credit facilities from the Company and Scotia Bank has put the Company on notice that they may do the same.

As to the PUC's charge that:

“BEL has embarked upon a negative campaign seemingly designed to create a perception of instability in the electricity utility sector, to undermine confidence in the PUC and in fact the Government and Country of Belize , and to present itself as a utility company in a severe financial crisis...”

Nothing could be further from the truth. Before the Final Decision was made BEL itself and through its attorneys consistently proposed that the disputes and differences be resolved through consultation and perhaps with the assistance of an Independent Expert or Experts. This was for the reason that BEL, for the benefit of all parties and the industry itself, considered that this was a more constructive route in addressing a matter of public importance and one which inevitably involved complexities and technical issues. This call was specially repeated in a letter from BEL's attorneys of June 23, 2008 [just three days before the Final Decision was due].

By this letter, BEL, whilst reserving its legal rights, invited the PUC to: *“address the issues raised in this letter and other major matters of difference and importance through a process of consultation...”* and that *“the parties can feel free to engage such Independent Expert advice as they may see necessary”*. These invitations are totally inconsistent with the charge that the Company designed to create a perception of instability in the electricity industry, and

undermine confidence in the PUC and the Government. These invitations were entirely ignored by the PUC and it is the PUC who took to the airwaves when the dispute on new connections arose [through a public release in late August 2008].

In fact, BEL's own position is that it has been repeatedly attacked by the PUC in the public media and has sought to defend itself against these allegations which it considers to be as unjustified and unwarranted as they are serious. For its part, BEL has done what is appropriate and is entitled to do – it has challenged the Final Decision in Court. The negative public campaign is of the PUC's making. It is not good for the industry or for the investment climate.

As to the charges made in the recent notice by the PUC, again, BEL categorically denies these accusations, and is considering its options in consultation with its attorneys.

END