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BEL Applies for 13.4 per cent Average Rate Increase Commencing Annual Rate Review Proceeding

Belize Electricity Limited (BEL) has submitted a tariff application to the Public Utilities Commission (PUC) for a 5.9 cents per kilowatt hour (kWh) or 13.4 per cent average increase in electricity rates, commencing the Annual Rate Review Proceeding (ARP).

BEL's tariff structure includes a Cost of Wholesale Power component (CWP), a Value Added of Delivery component (VAD) and a Rate Stabilization Account (RSA) component. The values for each of these components are combined to determine the mean electricity rate customers pay. Proposed changes are to the Cost of Power and Rate Stabilization Account components only.

On March 13, 2008, BEL had submitted a request to the PUC for a 6.5 cents per kWh average increase in rates under the Threshold Event Review Proceeding (TERP). With the PUC's disapproval of this request, the excess cost of power has now been deferred to the RSA, which is projected to reach \$35.5 million by the start of the next Tariff Period on July 1, 2008.¹ Consequently the RSA needs to be recovered faster to minimize long-term impact on customers.

To reduce the impact of the high cost of power, the Company is requesting that the RSA recovery component of the tariff be increased from 2 cent per kWh to 4.5 cent per kWh. By increasing the RSA component which is recovered over a longer period of time, the cost of power component was reduced to 28.7 cents per kWh compared to the 31.8 cents per kWh proposed under the TERP.

¹ In February 2008, RSA stood at approximately \$24 million.

TARIFF COMPONENT	CURRENT VALUE	TERP PROPOSAL (DISAPPROVED)	ARP PROPOSAL
Reference Cost of Power*	\$0.253	\$0.318	\$0.287
Value Added of Delivery	\$0.168	\$0.168	\$0.168
Rate Stabilization Account	\$0.020	\$0.020	\$0.045
Stabilized Mean Electricity Rate	\$0.441	\$0.506	\$0.50

**This is a direct pass through cost to customers.*

The proposed increase is being driven by high world oil prices which have resulted in a 100 per cent increase in cost of power from Mexico over the last five years.

During the 2007 ARP, the approved reference Cost of Power was based on a world oil price forecast of approximately US\$65 per barrel. Since the year began, the actual price per barrel has averaged around US\$95. Each US\$10 increase in the per barrel price of oil results in an annual increase in the cost of power by approximately BZ\$6 million, due to increases in the price of purchased power from Mexico, which is indexed to oil prices and the extra cost of diesel generation used for peaking.

In 2007, hydroelectricity helped to maintain stable rates, as savings of approximately \$14.3 million from hydro production was able to offset increasing costs from Mexico and from diesel generation. The cost of fuel for generating a kWh of electricity with diesel is now approximately 50 cents, which is significantly more than what customers are paying.

Mexican rates have increased to 30 cents per kWh, while hydro power has remained steady at 18.2 cents per kWh on an annual basis.

Interested parties are asked to submit comments on BEL's application to the PUC by April 22, 2008. The PUC will issue its initial decision on BEL's application no later than May 2, 2008. Thereafter, interested parties are invited to submit their comments to the PUC within 10 days of PUC's initial decision. The PUC's final decision will be issued no later than June 26, 2008 to take effect July 1, 2008.

END