



Belize Electricity Limited  
2 ½ Miles Northern Highway  
P.O. Box 327  
Belize City, Belize  
Corporate Tel.: 501-227-0954  
Customer Care: 0-800-235-2273  
Fax: 501-223-0891  
Email: pr@bel.com.bz  
Website: www.bel.com.bz

Immediate Release: **Tuesday, May 13, 2008**  
Contact: Dawn Sampson – Manager, Corporate Communications  
E-mail: dawn.sampson@bel.com.bz

## **As Cost of Power Continues to Increase with Rising World Oil Prices** **BEL Submits Objection to PUC's Initial Decision**

Belize Electricity Limited (BEL) has submitted its objection to the Public Utilities Commission's (PUC) Initial Decision under the Annual Tariff Review Proceeding. BEL's submission to the PUC includes the following points:

### **Rate Setting Methodology**

The rate setting methodology was changed during the review process after the Company submitted its application. The revised methodology has not been promulgated by law and was applied retroactively to previous years, dishonouring agreements and reversing decisions previously made.

### **Cost of Power**

As of May 9, 2008 the price of oil has surpassed US\$126 per barrel<sup>1</sup>. Based on this, the Wholesale Cost of Power in 2008 will significantly exceed the value in BEL's submission and will even exceed the PUC's determination.

The Company's cash flows are even more strained than projected and it is very likely that another Threshold Event will be triggered shortly after the implementation of the Final 2008 decision. The Company is now in violation of its cash flow covenants with three of its lenders, two of which are loans that were lent to the Government of Belize and on-lent to the Company when the Company was majority owned by the Government.

---

<sup>1</sup> The earlier Threshold Event Review Proceeding (TERP) and the Annual Tariff Review Proceeding (ARP) were based on the Energy Information Administration forecast of approximately US\$95 per barrel for West Texas Intermediate (WTI) crude in 2008.

**Value Added of Delivery**

One of the key principles enshrined in the Electricity Act is that the Utility must be allowed to earn a fair return. The Central Bank's average annual interest rate on low-risk 90-day deposits in 2007 was 8.4 per cent. The 2008 decision lowered the Company's allowed return to 8.5 per cent, which is lower than the prime lending rate. The Company's Return on Assets, net of contributed capital in 2007, was 10.3 per cent.

**Rate Stabilization Account**

The \$0.004 RSA recovery component of the tariff cannot reduce the balance in the Rate Stabilization Account to zero by the end of the Full Tariff Period as required by the law.

In its submission, BEL points out that the decision is contradictory in numerous areas and does not promote a stable regulatory and financial environment for the operation of a capital intensive operation such as BEL's.

A detailed copy of BEL's submission can be reviewed on the Company's website at [www.bel.com.bz](http://www.bel.com.bz).

END