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BEL Applies to PUC for a 15 per cent Average Rate Increase Following Threshold Event

Belize Electricity Limited (BEL) has submitted a tariff application to the Public Utilities Commission (PUC) for a 6.5 cents per kilowatt hour (kWh) or 15 per cent average increase in electricity rates following a “Threshold Event”.

As part of the Full Tariff Review Proceeding in 2005, the PUC established a “Threshold Event” for future deferrals to the Rate Stabilization Account (RSA). Once the additional amount deferred to the RSA reaches \$3 million, further tariff adjustments would be triggered.

Since January 2008, the amount deferred to the RSA is approximately \$6 million resulting in a total of \$24.5 million in the RSA. This increase is due to high world oil prices which have driven up the cost of power from Mexico. Over the last five years, power cost from Mexico has increased by more than 100 per cent.

During the 2007 Annual Review Proceeding, 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.

“We are acutely aware of the tremendous difficulty these increasing costs are causing,” said President and Chief Executive Officer Lynn Young. “Over the years, we have been proactively pursuing sources of energy that are not dependent on oil. Today, 40 per cent of our energy supply is sourced from hydroelectricity, which is currently our cheapest source of power. However, with 60 per cent remained tied to world oil prices, we are unable to escape the impacts of rising oil costs.”

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.

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 (MER) customers pay.

The below table summarizes the values BEL is proposing in its application:

TARIFF COMPONENT	CURRENT VALUE	PROPOSED VALUE
Reference Cost of Power*	\$0.253	\$0.318
Value Added of Delivery	\$0.168	\$0.168
Rate Stabilization Account	\$0.020	\$0.020
Stabilized Mean Electricity Rate	\$0.441	\$0.506

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

BEL will continue to explore options to reduce dependence on oil based sources of energy and in 2009 plans to bring on line the Vaca Hydroelectric Facility and Belize Cogeneration Energy Limited's cogeneration plant. These sources will add a total of 34 megawatts of renewable energy to Belize's energy supply.

Interested parties are asked to submit comments on BEL's application to the PUC by March 25, 2008. The PUC will issue a final decision no later than 15 days from the commencement of the TERP. Any adjustment to the reference cost of power, MER and customer tariffs approved by the PUC will become effective on the first day of the month following the date of issuance of the final decision.

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