



A FORTIS COMPANY

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

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Contact: Dawn Sampson – Manager, Corporate Communications

E-mail: dawn.sampson@bel.com.bz

BEL Responds to PUC Allegations Regarding Mollejon Transmission Line and Power Dispatch

In an interview aired on Thursday, May 22, 2008, on Channel 5, the Public Utilities Commission (PUC) accused Belize Electricity Limited (BEL) of making a bad deal with respect to the Mollejon transmission line and also accused the Company of deliberately purchasing higher cost power from Mexico instead of purchasing cheaper hydro power in the earlier part of the year.

BEL clarifies that all decisions and actions it has taken with respect to the Mollejon transmission line and the dispatch of power from Mexico, were taken with the best interest of consumers in mind. The dispatch of power has resulted in the lowest possible cost to consumers, within the constraints under which the system is operated.

Power Dispatch

BEL has pointed out to the PUC that a certain reserve level of water must be kept in the Chalillo Reservoir to ensure that there is sufficient in-country capacity to keep the power on, should we lose supply from Mexico for an extended period of time. Accordingly, low cost hydro power is used conservatively in February, March and April.

Contrary to the information proffered by the PUC, data from the Meteorological Office along with actual river flow data shows that rainfall levels within the Mollejon and Chalillo areas and water flows along the Macal River during the first part of the year have not been above average resulting in a lower than average hydro production. In May and June, as much hydro power as can be generated is utilized to take the reservoir as low as possible in anticipation of the rainy season. This in fact minimized the cost of power since the

hydro power generated in April and May displaced higher cost firm power from Mexico which, in these latter months, was 14 per cent higher than in February.

The \$6.1 million deferral to the Rate Stabilization Account (RSA) in the first two months of the year is the result of high world oil prices and the cost of power from Mexico which averaged 28 per cent more than forecasted for the first two months of the year. In fact, Mexico's firm energy prices cost approximately 43 cents per kWh today, compared to a forecast of only 23 cents per kWh and an average price to consumers of 44 cents per kWh.

Mollejon Transmission Line

The PUC and the Government of Belize agreed that:

- a. The Mollejon transmission line would be paid for separately from the rates paid by BEL for hydro power.
- b. The capacity charge associated with the Mollejon agreement would be removed. (The capacity charge being a charge to the Company for power whether that power was taken or not).
- c. BECOL would proceed with the Chalillo Project and charge 10 cents per kWh for power in excess of 100 gigawatt (GWh) per year. This was approximately 50 per cent less than the rate being paid for hydro power at the time.

As a result of those changes, the price of hydro power was reduced from an average of 20 cents per kWh to less than 18 cents per kWh, resulting in savings that more than offset the amount paid for the line.

The PUC has audited BEL's records before and BEL welcomes the PUC to scrutinize the records of its energy purchase transactions and operations at any time in order to satisfy itself that BEL is committed to minimizing the cost of power and consequently the overall cost of electricity to customers now and over the long term.

END