

**IN THE MATTER OF** the *Electricity Act* (No. 13 of 1992) as amended by Act No. 40 of 1999 (the “Act”), and the *Electricity (Tariffs, Charges and Quality of Service Standards) ByeLaws, 2005* (the “Byelaws”); and

**IN THE MATTER OF** an Application by Belize Electricity Limited for an order, pursuant to Sections 28 and 29 of the Byelaws and all other enabling powers of the Act and orders of the Commission, approving regulated values, mean electricity rate, tariffs and rates to be charged by the Applicant including adjustments to tariffs and rates for the recovery of balances in the rate stabilization accounts.

**TO:** The Board of the Public Utilities Commission (the “Commission”)

**THE APPLICATION OF** Belize Electricity Limited (the “Applicant”) **SAYS THAT:**

1. The Applicant is a company duly organized and existing under the laws of Belize, and is a public utility provider within the meaning of the *Public Utilities Commission Act, 1999* (the “PUCA”), and is subject to the provisions of the PUCA.
2. Pursuant to Section 29 of the Byelaws, at least 90 days prior to the commencement of the Annual Tariff Period on July 1, 2007 (the “ATP”), the Applicant is required to file a tariff application proposing values for regulated values, mean electricity rate, tariffs and rates and report on quality of service standards (service reliability) for determination of mean electricity rate, tariffs and rates for the period July 1, 2007 to June 30, 2008.
3. Section 40 and 28 of the Byelaws requires the Applicant to establish an account known as the Cost of Power Rate Stabilization Account (the “CPRSA”) to regulate the manner in which increases or decreases in the cost of power are passed on to customers and propose rate adjustments so that any amounts in the CPRSA as of the commencement of the ATP shall be reduced to zero as of the termination of the Full Tariff Period (the “FTP”).
4. Pursuant to Section 28 (3) of the Byelaws, the Commission in determining the regulated values, tariffs and rates shall first accelerate the recovery of any outstanding balances in the rate stabilization accounts before effecting a reduction in consumer tariffs and rates.

5. The attached Schedule 1 summarizes the actual 2006 regulated values achieved and presents the forecast mean electricity rate and regulated values for the 2007 tariff period in accordance with the above sections of the Byelaws. Proposed reference Cost of Power (CWP) regulated value for the 2007 tariff period is closely matched to the forecast CWP. Proposed Value Added of Delivery (VAD) regulated value for the 2007 tariff period remains the same as that of the 2006 tariff period.
6. The attached Schedule 2 summarizes the total Quality of Service Standards (Service Reliability) achieved for the year 2006.
7. The attached Schedule 3 summarizes the balance in the CPRSA as of December 31, 2006 of \$18,396,195, and a calculation of the forecast balance of \$11,681,150 as of December 31, 2007, after inclusion of HCRSA balance as of January 1, 2007 as well as interest, deferrals and recoveries for the combined CPRSA and HCRSA accounts.
8. Pursuant to Section 41 of the Byelaws, Schedule 1 also summarizes the balance in the Hurricane Cost Rate Stabilization Account (HCRSA) as of December 31, 2006 of \$686,134, and a calculation of the forecasted balance of nil as of December 31, 2007, after balance of \$686,134 is transferred to the CPRSA account as of January 1, 2007 as recommended by the PUC.
9. The attached Schedule 4 details the rates for the different classes of customers to be in effect for the ATP pursuant to the target values in Schedule 1 of this Application.
10. The proposed regulated values and mean electricity rate is consistent with the Byelaws, and reflects an appropriate balance between the interests of the Applicant and its customers that is in accordance with the Act, the PUCA, and orders of the Commission made pursuant thereto.
11. Communications with respect to this Application should be sent to Lynn Young, President and Chief Executive Officer of the Applicant.

**THE APPLICANT REQUESTS**, pursuant to Sections 28 and 29 of the Byelaws and all other enabling powers of the Act and orders of the Commission, that the Commission approve that the proposed mean electricity rate and regulated values including the reference CWP, VAD, and CPRSA and HCRSA adjustments for the ATP July 1, 2007 to June 30, 2008 are as shown in Schedule 1 and that the tariffs proposed in Schedule 4 be approved for the ATP with effect from July 1, 2007.

DATED at Belize City, Belize, this 2<sup>nd</sup> day of April, 2007.

**BELIZE ELECTRICITY LIMITED**

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Schedule 1					
Belize Electricity Limited ("Licensee") Target Regulated Values					
Table 1: Average Unit Revenue Annual Tariff Review Proceeding					
	2006		2007	2008	2009
	Actual Jan - Jun	Actual Jul - Dec	Forecast Jan - Dec	Forecast Jan - Dec	Forecast Jan - Dec
<b>Assumptions used</b>					
Rate Adjustment Date	January 1, 2006	July 1, 2006	Jul 1, 2007	Jul 1, 2008	Jul 1, 2009
Sales (KWh)	173,113,561	186,479,793	380,937,852	401,959,446	423,249,333
<b>A. Cost of Power (Pass Through Component in \$/kWh)</b>					
1. Projected	0.253	0.230	0.255	0.263	0.259
2. Reference	0.255	0.253	0.255	0.263	0.259
3. Deferred (A1-A2)	-0.002	-0.023	0.000	0.000	0.000
<b>B. Value Added of Delivery (Regulated Value in \$/kWh) (inclusive of Capacity Support)</b>	0.162	0.162	0.162	0.162	0.162
<b>C. True Mean Electricity Rate (A1 + B)</b>	0.415	0.392	0.417	0.425	0.421
<b>D. Stabilized Mean Electricity Rate (A2 + B + E + H + K)</b>	0.441	0.441	0.441	0.441	0.436
<b>Cost of Power Rate Stabilization Account (CPRSA)*</b>					
<b>E. CPRSA Adjustment in Stabilized Mean Electricity Rate</b>	0.021	0.025	0.024	0.016	0.015
<b>F. Cost of Power Rate Stabilization Account (CPRSA)</b>	(2,853,279)	(4,987,345)	(9,142,508)	(6,543,545)	(6,494,761)
Interest @ 12%	1,520,285	1,007,318	2,064,811	1,009,125	347,922
<b>G. Cumulative CPRSA</b>	25,071,902	21,091,875	14,700,311	6,146,731	(108)
<b>CPRSA (Threshold Event)</b>					
<b>H. CPRSA (Threshold Event) Adjustment in Stabilized Mean Electricity Rate</b>	-	-	-	-	-
<b>I. Cost of Power Rate Stabilization Account (CPRSA) (Threshold Event)</b>	(315,332)	(4,274,902)	-	-	-
Interest @ 12%	76,063	33,295	(323,482)	-	-
<b>J. Cumulative CPRSA (Threshold Event)</b>	1,545,927	(2,695,680)	(3,019,161)	-	-
<b>Hurricane Cost Rate Stabilization Account (HCRSA)</b>					
<b>K. HCRSA Adjustment in Stabilized Mean Electricity Rate</b>	0.003	0.001			
<b>L. Beginning Balance HCRSA</b>	\$ 1,015,006	\$ 830,063			
<b>M. HCRSA Deferrals</b>	-	-			
<b>N. Less: HCRSA Recoveries</b>	(238,683)	(186,480)			
Interest @ 12.0%	776,323	643,583			
<b>O. Cumulative HCRSA</b>	830,063	686,135			
<b>P. Cumulative RSA</b>	27,447,893	19,082,330	11,681,150	6,146,731	(108)

\* Includes Annual Correction (AC) amount determined by PUC

**Schedule 2**

**Belize Electricity Limited**

**("Licensee")**

**Quality of Service Standards (Service Reliability)**

**Reliability Indices**

**System Average Interruption Frequency Index ("SAIFI")**

**System Average Interruption Duration Index ("SAIDI")**

**Actual 2006**

Total System

System Average Interruption Frequency Index ("SAIFI") 9.28

System Average Interruption Duration Index ("SAIDI") 9.08

## Schedule 3

**Belize Electricity Limited**  
 ("Licensee")  
**Target Regulated Values**

**Table 1: Cost of Power Rate Stabilization Account (CPRSA)**  
**Annual Tariff Review Proceeding**

Gross Production Expenses - Cost of Power -	2006		2007	2008	2009
	Actual Jan - Jun	Actual Jul - Dec	Forecast Jan - Dec	Forecast Jan - Dec	Forecast Jan - Dec
Power Purchased	\$ 31,865,901	\$ 32,429,991	\$ 78,530,393	\$ 90,095,652	\$ 96,362,444
Diesel Generation Operations & Maintenance Costs	11,962,725	10,474,495	18,644,895	15,507,488	13,191,782
<b>Total CWP</b>	<b>\$ 43,828,626</b>	<b>\$ 42,904,486</b>	<b>\$ 97,175,288</b>	<b>\$ 105,603,141</b>	<b>\$ 109,554,225</b>
Electricity Sales (KWh)	173,113,561	186,479,793	380,937,852	401,959,446	423,249,333
Cost per KWh	0.253	0.230	0.255	0.263	0.259
CWP Base	0.255	0.253	0.255	0.263	0.259
Difference	(0.002)	(0.023)	0.000	0.000	0.000
Deferred CWP	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Deferred CWP (Threshold)</b>	<b>\$ (315,332)</b>	<b>\$ (4,274,902)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
CPRSA Beginning Balance	26,404,897	25,071,902	21,778,009	11,681,150	6,146,731
Interest @ 12% per annum	1,520,285	1,007,318	2,064,811	1,009,125	347,922
Recoveries	(2,853,279)	(4,987,345)	(9,142,508)	(6,543,545)	(6,494,761)
<b>CPRSA Ending Balance*</b>	<b>\$ 25,071,902</b>	<b>\$ 21,091,875</b>	<b>\$ 14,700,311</b>	<b>\$ 6,146,731</b>	<b>\$ (108)</b>
<b>CPRSA (Threshold) Beginning Balance</b>	<b>1,785,196</b>	<b>1,545,927</b>	<b>(2,695,680)</b>	<b>-</b>	<b>-</b>
Interest @ 12% per annum	76,063	33,295	(323,482)	-	-
Recoveries	-	-	-	-	-
<b>CPRSA (Threshold) Ending Balance</b>	<b>\$ 1,545,927</b>	<b>\$ (2,695,680)</b>	<b>\$ (3,019,161)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CPRSA Grand Total</b>	<b>\$ 26,617,830</b>	<b>\$ 18,396,195</b>	<b>\$ 11,681,150</b>	<b>\$ 6,146,731</b>	<b>\$ (108)</b>

\* Includes Annual Correction (AC) amount determined by PUC

<b>Schedule 4</b>		
<b>Belize Electricity Limited ("Licensee")</b>		
<b>Table 1: Proposed Rates for Tariff Classes ATP 07/08</b>		
Tariff Class	Current Tariff	Proposed Tariff
<b>Social</b>		
Flat Rate	\$ 4.00	\$ 4.00
0000 - 0050 kWh (minimum \$4.00)	0.26	0.26
<b>Residential (Include small commercial less than 2,500 kWh/month)</b>		
Service Charge	\$ 10.00	\$ -
Flat Rate	-	5.00
0000 - 0050 kWh	0.29	0.35
0051 - 0200 kWh	0.41	0.44
Above 0200 kWh	0.46	0.47
<b>Commercial (Commercial greater than 2,500 kWh/month)</b>		
Service Charge	\$ 100.00	\$ 100.00
00,000 - 10,000kWh	0.44	0.45
10,000 - 20,000 kWh	0.43	0.44
Above 20,000 kWh	0.42	0.43
<b>Industrial 1 (Using greater than 30,000 kWh/month)</b>		
Service Charge	\$ 100.00	\$ 100.00
Demand Charge per kVA/month	35.00	35.00
Off - peak energy	0.32	0.33
Peak energy (6 p.m. 9 p.m. Mon to Fri)	0.46	0.33
<b>Industrial 2 (Avg Peak Load of 1.5 MW &amp; greater)</b>		
Service Charge	\$ 100.00	\$ 100.00
Demand Charge per kVA/month	21.00	21.00
Off - peak energy	0.26	0.28
Peak energy (6 p.m. 9 p.m. Mon to Fri)	0.46	0.28
<b>Street Lighting</b>	\$ 0.52	\$ 0.55

## **Belize Electricity Limited Proposed Increase in Reconnection Fees March 2007**

In 2005 Belize Electricity Limited (BEL) was granted an increase in its reconnection fee for residential customers from \$5.00 to \$10.00 and \$25.00 for pole mount or pad mount disconnections respectively. At present however, BEL costs for each disconnection/reconnection done when all costs incurred are factored is approximately \$23.15 per disconnection/reconnection. A recent survey of other utility companies also shows that BEL's reconnection fee is below what the two other utilities are charging. Belize Telecommunications Limited and Belize Water Services Limited currently charge "disconnection/reconnection fees" of \$27.00 inclusive of tax and \$25.00, respectively.

It is our position that the reconnection fee should be applied on the basis of User Pay concept - a key principle of the "cost of service" study. BEL proposes to increase its disconnection/reconnection **fee to \$25.00 for residential customers and \$100.00 for commercial and industrial customers.** In addition to reflect the reality of overtime cost, we propose to **increase the Residential and Commercial Reconnection Fees to \$40 and \$150 respectively for reconnections outside of normal work hours, i.e. outside of 8:00 a.m. to 5:00 p.m on a working day.** The new fee will be a much needed deterrent to those repeat customers who are disconnected monthly for non payment.

Currently customers are given two working days grace on their bills after the due date. On the third working day after the due date of a bill, a customer is selected for disconnection. At that time, service orders are issued. Disconnection personnel, either disconnects the service to the premise or issue a verbal warning to the customer if the customer is at home, giving them time to pay the bill and avoid disruption of service. Should the customer fail to settle their bill by mid-afternoon of that day despite the warning, the disconnection personnel will return to the premise and proceed with the actual disconnection of the service. Whether a customer is given a warning or disconnected, the Company incurs a cost and the disconnection fee is charged regardless of whether the premise is actually disconnected.

This fee increase will improve timely collection of revenues by the Company and serve as a deterrent to delinquent customers who wait until disconnection personnel are at their premises before they pay their bills. Additionally it will serve to reduce the number of disconnections, reduce payment delinquency, improve cash flow, and improve operational efficiencies since with the reduction of the number of disconnections these efforts can be refocused on our efficient services to our customers and/or loss reduction initiatives. Most importantly it will be provide equity for good paying customers who are subsidizing delinquent customers since this cost is incorporated in the current rate structure.

BEL strives to constantly provide excellent service to its customers, but we recognize that provision of excellent customer service can only be done by an efficiently operating company whose outstanding receivables are collected on a timely basis. Put differently, a disconnection fee that acts as a deterrent will also allow the Company to focus its resources in addressing all other customer service needs in a timely and efficient manner.

**Belize Electricity Limited**  
**Proposed Liquidated Damages for Tampering Policy**  
**March 2007**

**OBJECTIVE: To levy penalties on customers who are caught stealing power in an effort to minimize the increasing incidents and to deter repeat cases of customer tampering thereby reducing commercial losses.**

In the letter to BEL dated June 22, 2006, the PUC reminded BEL of the NEI Study recommendation with respect to Commercial Losses and pointed out that “more accurate metering and more zealous policing of theft should make possible the reduction of Commercial Losses to the PUC required levels”.

Belize Electricity Limited is taking those recommendations very seriously and we have initiated a Loss Reduction Initiative to look at more accurate metering and reduction of theft. While we have made progress in the both areas, we feel there is an opportunity to improve further in the area of reducing theft.

Belize Electricity Limited is currently faced with commercial losses of more than 2.5% which is largely attributed to power theft and diversions by customers. Because customers do not face any significant penalty when power theft is discovered, this practice has become the norm for many customers. While more accurate reading and bill editing along with better policing of power theft are crucial in making an impact on commercial losses a key enhancement to achieving the desired results in respect to theft is levying a fee (Liquidated Damages) that is sufficiently stiff to serve as a deterrent for initial and repeat offenders.

Our recent countrywide field inspections of meters has highlighted that tampering among our residential customers is as high as 3.8% in some load centers (an average of 1.0% countrywide), with some instances of tampering by commercial customers. As of year end 2006, over \$425,000 was recovered thru the Loss Reduction efforts .Currently, a \$100.00 fee is levied on customers found tampering with their electric service meter, this however, has little or no impact on habitual power theft by some customers who treat the fee as little more than the price of several

months of credit at worst and the tempting possibly free electricity. The law allows for fines up to \$1,000.00 to be levied, though this is not revenue for BEL and is only levied after summary conviction in a court of law. A separate civil suit has to be filed against individual customer for BEL to recover lost revenues and other expenses as it relates to the power theft. Given the time and cost implication of legal fees it is not practical to take this avenue with each and every customer.

We have received legal advice that states that BEL should utilize an expression for this policy such as “Liquidated Damages for Tampering” instead of “Tampering Penalties”. The legal advice in essence notes, “In the law of contract, provisions in the contract which amount to “penalties” are struck down by a Court of law, whereas “liquidated damages” is permissible... In the vein of the proposal, ... BEL [should] set different levels of “liquidated damages” for the four categories – Social, Residential, Commercial and Industrial... the policy needs to make [it] clear that the damages will be collected for both (a) physical tampering with the meter and (b) tampering with the workings of the meter through some external material or device. Furthermore it should make clear that these damages will be in addition to and without prejudice to BEL’s right to assess and collect on the true amount of electricity which was utilized.”

Therefore in an effort to cooperate with the PUC in their mandate to us to reduce losses it is imperative that BEL charge “Liquidated Damages for Tampering” that will firstly be a deterrent to customers and by default have an impact on the commercial losses of the company. With this objective, we seek the support and approval of the PUC to effect these charges as a “condition for the supply of electricity” to customers irrespective of back bills to be assessed and of the company’s decision to take or not to take legal action on any given case.

<b>Customer Category</b>	<b>Liquidated Damages for Tampering</b>
Social Customer	\$100.00
Residential (self-reconnect)	\$100.00
Residential (Tampering)	\$250.00
Residential (Tampering) over 2,000 Kwh/m	\$500.00 plus interest of 16% on back bills

Commercial (Tampering)	\$1,000.00 plus interest of 16% p.a. on back bills
Commercial (Tampering)over 20,000 Kwh/m	\$2,500.00 plus interest of 16% p.a. on back bills
Industrial (Tampering)	\$5,000.00 plus interest of 16% p.a. on back bills

Note: Current commercial bank's interest rates in Belize for a standard overdraft facility (which in effect is what the customer is making free use of when stealing power) is in the range of 16-17% p.a.