

PUBLIC NOTICE

Public Utilities Commission (PUC)

Pursuant to Decision 6(b) of the Final Decision issued by the PUC on June 26, 2008, in relation to the 2008 Annual Review Proceeding (ARP) for the Belize Electricity Limited (BEL), the PUC hereby notifies the general public that a new Rate Setting Methodology (RSM) has been implemented effective September 1, 2008.

The new RSM is intended to provide for more timely collection of the costs paid by BEL for wholesale power and to encourage more efficient consumption of electricity by consumers.

The entire RSM will be posted on the PUC's website and made public in due course. Following are the general principles and a summary of the methodology of the new RSM:

General Principles of new RSM:

- a) The new RSM contains amendments for sections dealing solely with the cost of power component of the approved Mean Electricity Rate (MER). There are no amendments for the Value Added of Delivery (VAD), Rate Stabilization Account (RSA) Recovery and Corrections components of the MER, and these will remain fixed over the course of the current Annual Tariff Period (ATP), which runs from July 1, 2008, to June 30, 2009.
- b) The Social Rate tariffs approved in Decision 10 of the Final Decision will remain fixed over the ATP.
- c) The new RSM will seek to allow BEL to recover the full cost of power over the ATP, save for any excess costs that may occur in the final month of the ATP, which naturally has to be recovered in the subsequent ATP.
- d) The forecasts for electricity sales and cost of power that were employed during the 2008 ARP to set the MER are those that will apply during the current period of the ATP, being July 1, 2008, to December 31, 2008.

Summary of Methodology:

- a) BEL will provide the PUC with Forecast Sale of Power (FSP) and Forecast Cost of Power (FCP) over the ATP, to be updated/revised over the period as required by the PUC.
- b) Based on approved demand and supply forecasts, the PUC will set the Reference Price of Power (RPP - the cost of power component of the MER) on two occasions over an ATP, which should allow BEL to recover the full cost of power over the period. The RPP for the period July 1, 2008, to December 31, 2008, is \$0.312/KWh as set in the Final Decision. In December, a new RPP will be set by the PUC, which is to be applied over the period January 1, 2009, to June 30, 2009.
- c) Based on the Reference Price of Power, the Forecast Sale of Power and the Forecast Cost of Power, the PUC shall determine on a monthly basis, the expected variance in the costs BEL incurs for its supply and the amount collected from consumers for delivering such supply (Forecast Cost of Power Variance - FCPV).
- d) The monthly Forecast Cost of Power Variance will be credited or debited to a Forecast Cost of Power Variance Account (FCPVA), as the case may be. Any positive balance in the FCPVA will indicate expected amounts owing to BEL while any negative balance will indicate expected amounts owing to consumers.
- e) On or about the tenth day of each month in the ATP, starting with the second month, BEL will provide the PUC with actual figures for Actual Sale of Power (ASP) and Actual Cost of Power (ACP) for the previous month.
- f) Based on the Reference Price of Power, the Actual Sale of Power and the Actual Cost of Power, the PUC will determine on a monthly basis, the actual variance in the costs BEL incurs for its supply and the amount collected from consumers for delivering such supply (Actual Cost of Power Variance - ACPV).
- g) The monthly Actual Cost of Power Variance will be credited or debited to an Actual Cost of Power Variance Account (ACPVA), as the case may be. Any positive balance in the ACPVA will indicate amounts owing to BEL while any negative balance will indicate amounts owing to consumers.
- h) On a monthly basis, the PUC will compare the forecast balance in the Forecast Cost of Power Variance Account with the actual balance in the Actual Cost of Power Variance Account, and determine if there is any need to apply a recovery rate (Cost of Power Recovery – CPR) to consumers' bills, based on the following criteria:
 - i) Where the actual balance is fairly equal to the forecast balance, there will be no need to apply any Cost of Power Recovery, subject to vi) below.

- ii) Where the actual balance is lower than the forecast balance, it will be the discretion of the PUC whether to apply a Cost of Power Recovery.
 - iii) Where the actual balance exceeds the forecast balance by 10% or more, there will be an automatic Cost of Power Recovery applied to consumers' bills to recover the excess above the forecast balance. Where the excess is less than 10%, it shall be the discretion of the PUC whether to apply an immediate Cost of Power Recovery.
 - iv) Any excess costs or payments to be addressed by the Cost of Power Recovery will be immediately subtracted from the actual balance, and distributed amongst the various classes of consumers according to the cost allocation formula applied to the Tariff Basket Revenue (TBR) contained in Decision 6(a) of the Final Decision.
 - v) The excess costs or payments allocated to each class of consumers will be shared amongst individual consumers based on actual consumption registered during the period of the ATP that applies to the excess costs or payments, and the appropriate amount will be posted directly to the consumer's bill as a credit to the consumer or as a receivable for BEL.
 - vi) Where the PUC is satisfied that some imminent event may materially affect the Forecast Cost of Power or the Forecast Sale of Power, it may apply a forward-looking Cost of Power Recovery to mitigate the expected effect of such an event.
- i) On or about the fifteenth day of each month, the PUC will make a determination whether any Cost of Power Recovery will be applied to consumers' bills, and will issue a Public Notice to notify consumers and stakeholders of the total amount to be recovered from or rebated to consumers. The new Reference Price of Power for the period January 1, 2009, to June 30, 2009, will be published on or about December 15, 2008.

The new RSM has been applied in September, 2008, and BEL has provided the Actual Cost of Power and Actual Sale of Power for the months of July and August, 2008. The result of applying the new RSM is presented below in the format that will be employed for future public notices.

Public Utilities Commission (PUC) Notice

Determination of Cost of Power Recovery for October, 2008

Mean Electricity Rate (MER) - July 1, 2008 to December 31, 2008:

Value Added of Delivery (VAD):	\$0.135
Rate Stabilization Account (RSA) Recovery:	\$0.080
Corrections:	-\$0.086
Reference Price of Power (RPP):	<u>\$0.312</u>
MER:	\$0.441

Forecast Cost of Power Variance Account Balance - \$'000:

Month:	Jul	Aug	Sep	Oct	Nov	Dec
Forecast Cost of Power (FCP):	12,545	12,181	10,223	10,423	9,125	8,870
Forecast Sale of Power (FSP):	10,961	11,009	11,198	10,658	10,316	9,921
Forecast Cost of Power Variance (FCPV):	1,584	1,172	-975	-236	-1,191	-1,051
Forecast Cost of Power Variance Account (FCPVA) balance:	1,584	2,756	1,781	1,545	354	-697

Actual Cost of Power Variance Account Balance - \$'000:

Month:	Jul	Aug	Sep	Oct	Nov	Dec
Actual Cost of Power (ACP):	12,664	10,635				
Actual Sale of Power (ASP):	11,101	11,724				
Actual Cost of Power Variance (ACPV):	1,563	-1,089				
Actual Cost of Power Variance Account (ACPVA) balance:	1,563	474				

Conclusions and Determination:

The balance in the ACPVA is (\$2,756,000 - \$474,000 =) \$2,282,000 lower than that for the FCPVA for August, 2008.

There is no indication of any imminent event likely to occur during the current period to reverse the current trend of actual energy costs being lower than forecast energy costs.

There will be no Cost of Power Recovery (CPR) rate applied for the month of October, 2008.

The approved tariffs contained in the Final Decision of June 26, 2008, continues to apply.

Issued September 16, 2008, by the Public Utilities Commission