



December 10, 2023

Mr. Dean Molina  
 Chairman  
 Public Utilities Commission  
 4 Princess Margaret Drive  
 Marina Towers  
 Belize City, Belize

Dear Chairman Molina,

**Re: BEL’s Submission for the ARP 2023 Amendment**

In accordance with Section 33(2) of the Electricity (Tariffs, Fees and Charges Standards) Byelaws, S.I. 145 of 2005 as amended by S.I. 116 of 2009 and S.I. 21 of 2012, Belize Electricity Limited (BEL) hereby submits an analysis of the variance between the actual cost of power incurred and the Public Utilities Commission’s (PUC) Reference Cost of Power (RCOP) during the period July 1, 2022, to October 31, 2023, as well as the forecasted variance for the period November 1, 2023, to December 31, 2023. These variances are calculated monthly and are annexed to this letter (Annex I); the variances are summarized below by half-years.

**TABLE I: COP Variances July 2022 through to December 2023**

Period	Actuals		PUC Approvals		Difference
	COP	Sales kWh	RCOP/kWh	RCOP	Actuals-RCOP
Jul - Dec 2022	\$ 80,039,840	315,389,542	\$ 0.2446	\$ 77,144,282	\$ 2,895,558
Jan - Jun 2023	\$ 92,625,576	310,446,631	\$ 0.2446	\$ 75,935,246	\$ 16,690,331
Jul - Dec 2023	\$ 103,549,670	352,484,213	\$ 0.2422	\$ 85,371,676	\$ 18,177,993
<b>COP overspent by BEL in ATP 22 23</b>					<b>\$ 19,585,889</b>
<i>Forecasted COP overspent by BEL Jul 22 thru Dec 2023</i>					<i>\$ 37,763,882</i>

BEL submits to the PUC that there is an estimated \$19.6 MN revenue shortfall due to the cost of power being higher than provided for in electricity tariffs during the period under review. BEL hereby registers this sum with the PUC as recoverable in the Regulatory Account Balance (Annex II) in future tariff adjustments.

BEL also takes this opportunity to encourage the PUC to complete its review of BEL’s strategic pricing recommendations included in the Company’s ARP 2023 filing and re-engage the Company to finalize the proposed pricing structure and rates for implementation in the first quarter of 2024. We are confident that the proposals will help with cost recovery efforts over the remainder and through to the upcoming full tariff period.

Finally, we hereby give notice that CFE – our Qualified Supplier in the Mexican Wholesale Energy Market (MWEM) – has indicated that the network node they have been using since 2018 to invoice BEL for energy purchases is erroneous. CFE claims that while they have been billing BEL using prices at the 08XUL-115 network node they have incurred higher prices from CENACE – the system operator in the MWEM – which uses prices at the 08BEL-115 node. The 08XUL-115 node is a physical node in Xul-ha, Mexico whereas...

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...08BEL-115 is virtual node; the price differential is being ascribed to energy losses at the physical node, a cost they are expected to pass onto BEL. The Company has resisted attempts for retroactive payment to correct the supposed underpricing by CFE given that the mistake was not BEL's own. Furthermore, the opportunity contract existing between BEL and CFE references the 08XUL-115 node as the pricing node for energy purchases. CFE has requested an amendment to correct the contract and as a proactive measure and show of good faith, BEL has agreed, effective July 2023, to receive invoices for energy purchases based on prices at the 08XUL-115 node.

Sincerely,  
Belize Electricity Limited

Leon Westby  
Manager - Strategy, Innovation, and Regulatory Affairs



## ANNEX 1

BEL's submission comparing actual COP with PUC's RCOP for the period 1 July 2022 to 30 June 2023 and forecasted variance for 1 July 2023 through 31 December 2023. The variance is shown for each six-month block over the period under consideration.

Cost of Power Variance								
BEL Actuals Cost of Power vs PUC Reference Cost of Power								
Month	BEL Cost of Power Sold \$'000	Control Center \$'000	BEL COP Sold (excl CC) \$'000	MWH Sold Actuals	PUC Unit Reference Cost of Power	PUC Reference Cost of Wholesale Power \$'000	Variance (BEL CoP - PUC RCoP) \$'000	Total Variance \$'000
Jul-22	\$16,201	\$89	\$16,111	54,179	0.2446	\$13,252	\$2,859	\$2,896
Aug-22	\$15,951	\$57	\$15,894	54,568		\$13,347	\$2,546	
Sep-22	\$14,996	\$132	\$14,864	54,866		\$13,420	\$1,444	
Oct-22	\$11,039	\$76	\$10,963	52,359		\$12,807	-\$1,844	
Nov-22	\$10,603	\$84	\$10,519	50,156		\$12,268	-\$1,749	
Dec-22	\$11,787	\$98	\$11,689	49,262		\$12,050	-\$361	
Jan-23	\$10,145	\$57	\$10,088	45,680	0.2446	\$11,173	-\$1,086	\$16,690
Feb-23	\$10,736	\$78	\$10,659	46,418		\$11,354	-\$695	
Mar-23	\$15,851	\$96	\$15,755	48,035		\$11,749	\$4,006	
Apr-23	\$13,426	\$88	\$13,339	52,766		\$12,906	\$432	
May-23	\$17,609	\$81	\$17,527	57,504		\$14,066	\$3,462	
Jun-23	\$25,370	\$112	\$25,258	60,044		\$14,687	\$10,571	
Jul-23	\$20,628	\$64	\$20,564	62,606	0.2422	\$15,163	\$5,401	\$18,178
Aug-23	\$17,734	\$72	\$17,662	61,578		\$14,914	\$2,748	
Sep-23	\$17,986	\$100	\$17,887	58,616		\$14,197	\$3,690	
Oct-23	\$19,714	\$94	\$19,620	58,045		\$14,058	\$5,562	
Nov-23	\$16,449	\$77	\$16,372	58,626		\$14,199	\$2,173	
Dec-23	\$11,497	\$52	\$11,445	53,014		\$12,840	-\$1,395	

## ANNEX 2

BEL hereby amends and restates its estimate of the Regulatory Account Balance previously submitted in its response, in May 2023, to the PUC’s Initial Decision on the 2023 ARP. Note that the corrections pertain to the way in which correction balances were being carried forward which resulted in double counting in some instances. The assertions relating to the variances between all other revenue components and other elements of the response remain the same.

# 1 REVIEW OF PUC FINAL DECISIONS VERSUS RATE CASE SUBMISSIONS OF *Ex Post* REVENUE REQUIREMENTS AS OF 2020

## 1.1 FULL TARIFF REVIEW PROCEEDING 2020

The PUC issued its Final Decision in respect of the 2020 Full Tariff Review Proceeding (“FTRP 2020”) on October 28, 2020. This decision finalized the *ex post* approved revenue requirements as well as the ending Regulated Account Balance (RAB) for the ATP 2018-2019; and was accepted by BEL.

**Table A: 2018-2019 PUC Final Decision vs BEL Submission**

ATP Reviewed	BEL Submission 2018 2019	PUC Final Decision 2018 2019	BEL vs PUC Variance
VAD Components			
OPEX	29,798,691	29,798,691	-
Return	36,964,096	36,964,096	-
Depreciation	15,712,634	15,712,634	-
Net annual Corrections	(105,800)	(105,800)	-
Taxes/License fees	6,053,089	5,963,382	89,708
<b>Sub-total (VAD)</b>	<b>88,422,710</b>	<b>88,333,002</b>	<b>89,708</b>
<b>Ref Cost of Power</b>	<b>184,271,942</b>	<b>179,959,419</b>	<b>4,312,523</b>
Less: Other Income	3,668,456	3,253,225	415,231
<b>Revenue Requirements</b>	<b>269,026,197</b>	<b>265,039,196</b>	<b>3,987,001</b>
<b>Actual Revenues</b>	<b>233,156,016</b>	<b>233,156,016</b>	-
<b>General Correction</b>	<b>\$ 35,870,181</b>	<b>31,883,180</b>	<b>3,987,001</b>
Deficit in Corrections for 2017 2018		3,485,471	
<b>Total Corrections c/f</b>		<b>35,368,651</b>	
<b>Regulated Account Balance</b>		<b>35,368,651</b>	

## 1.2 ANNUAL TARIFF REVIEW PROCEEDING 2021

The PUC issued its Final Decision in respect of the 2021 Annual Tariff Review Proceeding (“ARP 2021”) on June 24, 2021. This decision finalized the *ex post* approved revenue requirements for the ATP 2019-2020 resulting in a difference of \$3.73 M in corrections applied by the PUC versus BEL’s submission (due to the penalty for the delay in completing the Caye Caulker Interconnection) and hence in the RAB<sup>1</sup>.

BEL had earlier agreed to not formally object to the PUC’s Initial Decision but rather to state its concerns/objections in writing as ‘Comments’ to the PUC on the understanding that they would be addressed at a later point in time by a bi-partisan committee of the PUC and BEL. BEL therefore principally stated its objection to the penalty applied for the delay with the Caye Caulker interconnection project on the grounds that they were arbitrary and disproportional to the anticipated performance outcome and did not fully consider factors outside of BEL’s control.

**Table B: 2019-2020 PUC Final Decision vs BEL Submission**

ATP Reviewed	BEL Submission 2019 2020	PUC Final Decision 2019 2020	BEL vs PUC Variance
VAD Components			
OPEX	30,245,671	30,245,671	-
Return	37,325,637	37,325,637	-
Depreciation	17,458,394	17,458,394	-
Net annual Corrections - FTRP	12,574,255	12,574,255	-
ARP 21			
ARP 22			
ARP 23			
Taxes/License fees	5,715,999	5,536,778	179,222
<b>Sub-total (VAD)</b>	<b>103,319,956</b>	<b>103,140,735</b>	<b>179,222</b>
Ref Cost of Power	146,831,364	146,831,364	-
Less: Other Income	3,893,097	3,893,097	-
<b>Revenue Requirements</b>	<b>246,258,223</b>	<b>246,079,002</b>	<b>179,221</b>
<b>Actual Revenues</b>	<b>243,410,139</b>	<b>243,410,139</b>	-
<b>General Correction</b>	<b>2,848,083</b>	<b>2,668,862</b>	<b>179,222</b>
<i>Add: IE for 2020 FTRP</i>	<i>48,245</i>	<i>48,245</i>	
<i>Disallowed Costs (CCK Penalty)</i>	<i>-</i>	<i>(3,732,564)</i>	<i>3,732,564</i>
<i>Taxes &amp; License Fees Correction</i>	<i>(179,222)</i>	<i>-</i>	<i>(179,222)</i>
<b>Total Corrections c/f</b>	<b>2,717,106</b>	<b>(1,015,457)</b>	<b>3,732,564</b>
<b>Regulated Account Balance</b>	<b>38,085,757</b>	<b>34,353,194</b>	<b>3,732,564</b>

<sup>1</sup> It should be noted that the RAB under BEL’s submission reflects BEL’s objections throughout the current FTP of the penalty for the delay in completing the Caye Caulker Interconnection and the disallowance of certain COP charges and RAV recovery. These objections were presented to the PUC by way of Comments on the understanding and promise by the PUC that a bi-partisan committee would be formed to address the differences at a later point in time.

### 1.3 ANNUAL TARIFF REVIEW PROCEEDING 2022

On June 30, 2022, the PUC issued its Final Decision in respect of the 2022 Annual Tariff Review Proceeding (“ARP 2022”). This decision finalized the *ex post* approved revenue requirements for the ATP 2020-2021<sup>2</sup> resulting in a difference of \$6.1 M in corrections applied by the PUC versus BEL’s submission which further added to the difference in the RAB.

Once again, BEL had chosen to not formally object to the PUC’s Initial Decision but rather to state its concerns/objections as ‘Comments’ in writing to the PUC. These concerns/objections surrounded the continued imposition of the penalty for the delay in the completion of the Caye Caulker interconnection and disallowance of \$2.03 M in cost of power charges.

**Table C: 2020-2021 PUC Final Decision vs BEL Submission**

ATP Reviewed	BEL Submission 2020 2021	PUC Final Decision 2020 2021	BEL vs PUC Variance
VAD Components			
OPEX	32,524,967	32,524,967	-
Return	38,765,031	38,606,111	158,920
Depreciation	17,492,707	17,492,707	-
Net annual Corrections - FTRP	8,842,163	8,842,163	-
ARP 21	-	-	-
ARP 22	-	-	-
ARP 23	-	-	-
Taxes/License fees	4,913,482	4,863,197	50,285
<b>Sub-total (VAD)</b>	<b>102,538,350</b>	<b>102,329,145</b>	<b>209,205</b>
<b>Ref Cost of Power</b>	<b>120,093,293</b>	<b>118,067,620</b>	<b>2,025,673</b>
Less: Other Income	4,254,659	4,254,659	-
<b>Revenue Requirements</b>	<b>218,376,984</b>	<b>216,142,106</b>	<b>2,234,878</b>
<b>Actual Revenues</b>	<b>222,913,189</b>	<b>222,913,189</b>	<b>-</b>
<b>General Correction</b>	<b>(4,536,205)</b>	<b>(6,771,083)</b>	<b>2,234,878</b>
<i>Disallowed Costs (CCK Penalty)</i>	-	<i>(3,860,611)</i>	<i>3,860,611</i>
<b>Total Corrections c/f</b>	<b>(4,536,205)</b>	<b>(10,631,694)</b>	<b>6,095,489</b>
<b>Regulated Account Balance</b>	<b>24,707,389</b>	<b>14,879,337</b>	<b>9,828,052</b>

<sup>2</sup> Ibid note 1.

## 1.4 ANNUAL TARIFF REVIEW PROCEEDING 2023

On June 30, 2023, the PUC issued its Final Decision in respect of the 2023 Annual Tariff Review Proceeding (“ARP 2023”). This decision finalized the *ex post* approved revenue requirements for the ATP 2021-2022<sup>3</sup> resulting in a difference of \$11.4 M in corrections applied by the PUC versus BEL’s submission which further added to the difference in the RAB.

Once again, BEL had chosen to not formally object to the PUC’s Initial Decision but rather to state its concerns/objections as ‘Comments’ in writing to the PUC. These concerns/objections surrounded the continued imposition of the penalty for the delay in the completion of the Caye Caulker interconnection and downward adjustments to the return and cost of power by \$1.43 million and \$3.81 million respectively; and revision of the actual revenues downwards by \$0.92 million due to a perceived reporting error.

**Table D: 2021-2022 PUC Final Decision vs BEL Submission**

ATP Reviewed	BEL Submission 2021-2022	PUC Final Decision 2021-2022	BEL vs PUC Variance
VAD Components			
OPEX	33,012,258	33,012,258	-
Return	39,232,153	37,803,242	1,428,911
Depreciation	18,220,765	18,195,859	24,906
Net annual Corrections - FTRP	8,842,163	8,842,163	-
ARP 21	905,702	(338,486)	1,244,188
ARP 22	-	-	-
ARP 23	-	-	-
Taxes/License fees	5,854,316	5,704,429	149,887
<b>Sub-total (VAD)</b>	<b>106,067,357</b>	<b>103,219,465</b>	<b>2,847,892</b>
Ref Cost of Power	158,424,419	154,610,675	3,813,744
Less: Other Income	4,299,949	4,299,949	-
<b>Revenue Requirements</b>	<b>260,191,827</b>	<b>253,530,191</b>	<b>6,661,636</b>
<b>Actual Revenues</b>	<b>235,332,346</b>	<b>236,251,598</b>	<b>(919,252)</b>
<b>General Correction</b>	<b>24,859,481</b>	<b>17,278,593</b>	<b>7,580,888</b>
<i>Disallowed Costs (CCK Penalty)</i>	-	(3,780,324)	3,780,324
<b>Total Corrections c/f</b>	<b>24,859,481</b>	<b>13,498,269</b>	<b>11,361,212</b>
<b>Regulated Account Balance</b>	<b>39,819,005</b>	<b>19,873,930</b>	<b>19,945,076</b>

<sup>3</sup> Ibid note 1.

## 1.5 ANNUAL TARIFF REVIEW PROCEEDING 2024 (SIMULATED)

The PUC is expected to issue an Initial Decision in respect of the 2024 Annual Tariff Review Proceeding (“ARP 2023”) sometime in May of 2024 will finalize the *ex post* approved revenue requirements for the ATP 2022-2023. Currently, preliminary data is available to approximate this decision. BEL anticipates a difference of \$8.4 M in corrections applied by the PUC versus BEL’s submission which would further add to the difference in the RAB.

**Table D: 2022-2023 PUC Initial Decision (Simulated) vs BEL Submission (Preliminary)**

ATP Reviewed	BEL Submission 2022-2023	PUC Initial Decision 2022-2023	BEL vs PUC Variance
VAD Components			
OPEX	33,506,842	33,506,842	-
Return	32,324,821	32,324,821	-
Depreciation	16,988,749	16,988,749	-
Net annual Corrections - FTRP	8,842,163	8,842,163	-
ARP 21	905,702	(338,486)	1,244,188
ARP 22	(2,268,102)	(5,315,848)	3,047,746
ARP 23	-	-	-
Taxes/License fees	6,618,226	6,508,176	110,050
<b>Sub-total (VAD)</b>	<b>96,918,401</b>	<b>92,516,418</b>	<b>4,401,983</b>
Ref Cost of Power	172,665,417	172,665,417	-
Less: Other Income	4,854,782	4,854,782	-
<b>Revenue Requirements</b>	<b>264,729,036</b>	<b>260,327,052</b>	<b>4,401,983</b>
<b>Actual Revenues</b>	<b>251,243,157</b>	<b>251,243,157</b>	<b>-</b>
<b>General Correction</b>	<b>13,485,879</b>	<b>9,083,896</b>	<b>4,401,983</b>
<i>Disallowed Costs (CCK Penalty)</i>	-	<i>(4,040,603)</i>	<i>4,040,603</i>
<b>Total Corrections c/f</b>	<b>13,485,879</b>	<b>5,043,293</b>	<b>8,442,586</b>
<b>Regulated Account Balance</b>	<b>45,825,122</b>	<b>21,729,394</b>	<b>24,095,728</b>