BELIZE ELECTRICITY LIMITED

2024 Full Tariff Review Proceedings

Objection to the Initial Decision of the Public Utilities Commission in respect of BEL's Rate Case Submission for the FTP 2024-2028

July 20, 2024

1 BACKGROUND

1.1 THE FTRP PROCESS

The Electricity Act, Chapter 221 of the Laws of Belize, and its subsidiary legislations, provides for the regulation of electricity services in Belize, specifically empowering the Public Utilities Commission (PUC) to govern the energy sector through, *inter alia*, the setting of tariffs, and charges, and quality of service standards. Statutory Instrument No. 145 of 2005, and its subsequent amendments, governs the tariffs, rates, charges, and fees for the transmission and supply of electricity and for existing and new services to be charged by the Company to consumers in Belize and the mechanisms, formulas, and procedures whereby such tariffs, rates, charges, and fees are calculated and determined.

The Company undergoes Full-Tariff Review Proceedings (FTRP), every four years, as well as Annual Tariff Review Proceedings (ARPs). These tariff review proceedings determine the Mean Electricity Rate (MER), and Tariffs and Fees based on three major cost components comprising BEL's Revenue Requirement, also known as the Tariff Basket Revenue (TBR). These components are as follows:

1) The Cost of Power ("COP") which includes the capacity costs and variable cost of generation based on the latest forecasts and assumptions at the time of review.
2) The Value Added of Delivery ("VAD"); the VAD component of the tariff allows the Company to recover its operating expenses including taxes and regulatory fees, prudent capital investments through depreciation, and a reasonable rate of return on those prudent investments as represented by the Regulated Asset Value (RAV).
3) Corrections for differences between the PUC Approved Tariff Basket Revenue (BEL Revenue Requirement) and the realized Tariff basket Revenue (actual revenue collected by BEL as per audited financials) during any previous review proceeding.

1.2 BEL'S RATE CASE SUBMISSION

BEL's submission for the 2024 Full Tariff Review Proceedings was predicated on the following assertions:

- Prevailing electricity tariffs were to remain in place to keep the mean electricity rate at 40 cents per kilowatt hour, supported by the introduction of new tariffs and prices for electric vehicles, distributed generation, and tourism customers to stimulate growth in these high potential markets.
- Variances between actual costs incurred by BEL and revenues collected through the electricity rates accumulate in the Regulatory Account Balance and be recoverable in future periods when cost of power is sufficiently low and sales high so that corrections do not cause a rate increase.
- Approximately $778.1 MN in Cost of Power expenses. At least 60 MW of utility-scale photovoltaic solar generation capacity and 40 MW of battery energy storage solution be developed and interconnected to

the national grid within the review period to help stabilize unit cost of power and keep average rates near 40 cents per kilowatt hour.

- Introduction of additional consumption buckets for Residential and Commercial I Customers with tariff increases if there are delays in the introduction of cheaper sources of energy into the energy supply mix beyond 2025.
- Approximately $425 MN in capital expenditures (exclusive of Interest During Construction and Capitalized General & Administrative Expenses) over the full tariff review period years focused on the interconnection of new generation to assist in curtailing price volatility to maintain stable electricity prices, transmission and substation expansion and upgrades for enhanced reliability, urban and rural electrification, advanced metering infrastructure and grid modernization to improve reliability and integrate grid-edge technologies, and facilities expansion and upgrades.
- Approximately $193.9 MN in Operating Expenses to cover costs associated with maintaining the expanding grid network and serving an increasing customer base.
- Approximately $46.8 MN in corrections from shortfalls in actual revenues compared to costs for the period July 2020 through to June 2023 of the outgoing 2020 FTP to be carried over into the new 2024 FTP.

1.3 PUC's Initial Decision

The PUC's Initial Decision for the 2024 Full Tariff Review Proceedings includes the following assertions:

- Prevailing electricity tariffs will remain in place bolstered by new tariffs and prices for electric vehicles, distributed generation, and tourism customers to stimulate growth in these high potential markets as per BEL's request.
- Variances between actual costs incurred by BEL and revenues collected through the electricity rates over the tariff review period are expected to be minimal and fully recovered within the tariff review period.
- Approximately $358.5 MN in capital projects requested by BEL deemed justifiable and will be considered as additions to the assets-in-service if pursued by BEL. Projects outside this approved budget may not be subject to recovery through depreciation costs and will not attract a return on investment.
- Approximately $155.3 MN in operating expenses of the $193.9 MN requested by BEL is approved for the review period. Notably, in contrast to the BEL submission, the PUC does not increase operating expenses as a function of the expanding grid network and increasing customer base but rather inflates the 2020|2021 approved operating expenses by 20.6% which becomes the ATP 2024|2025 baseline costs that is then further inflated by 1.5% in each subsequent year of the tariff review period.
- Approximately $853.6 MN in Cost of Power which is $75.6 MN higher than BEL's forecast.
- Only $27.7 MN in corrections for the period July 2020 through to June 2024 will be allowed to pass through and be recoverable in the new 2024 FTP.

2 Analysis of PUC's Initial Decision versus BEL's Submission

2.1 Summary of Variances FTP 2024-2028

The PUC, in its Initial Decision, revised BEL's projected FTP 2024-2028 costs downwards by $110.5 MN or $0.0338 per kWh.

Table I below presents the variance between the PUC's Initial Decision and BEL's submission for each revenue component of the Tariff Basket Revenue (TBR). The reasons for the major variances are explained in the subsequent sub-sections.

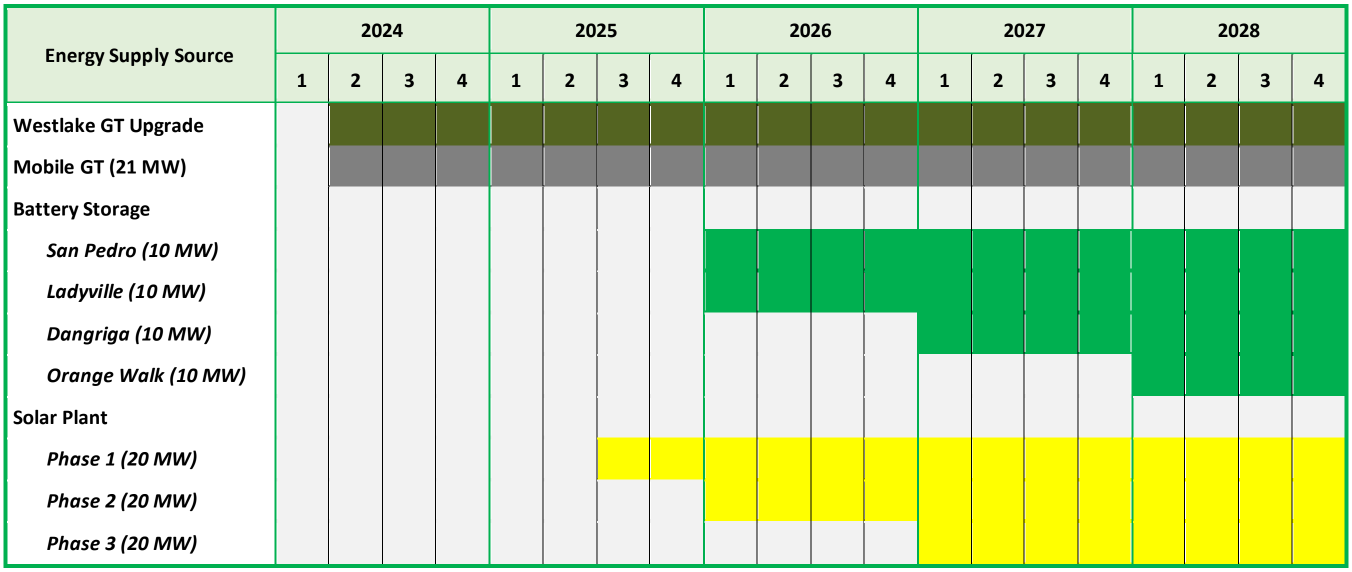
Table I: ***Tariff Basket Revenue for FTP 2024-2028 – PUC Initial Decision vs BEL Submission***

FTP Totals	BEL Submission	PUC Initial Decision	$ Variance	% Variance
Revenue Components of TBR:				
Value added of Delivery (VAD)				
OPEX	193,900,293	155,344,810	(38,555,483)	-19.88%
Return	243,796,652	165,719,329	(78,077,323)	-32.03%
Depreciation	138,009,473	89,423,983	(48,585,490)	-35.20%
Taxes/License Fees	37,723,392	35,973,039	(1,750,353)	-4.64%
Sub-Total (VAD)	**613,429,810**	**446,461,161**	**(166,968,649)**	**-27.22%**
Reference Cost of Power	**778,089,739**	**853,681,557**	**75,591,818**	**9.72%**
Corrections - FTP	46,844,155	27,727,643	(19,116,512)	-40.81%
Less: Other Income	(19,759,838)	(19,759,838)	-	0.00%
Tariff Basket Revenue	**1,418,603,865**	**1,308,110,523**	**(110,493,342)**	**-7.79%**
Demand [MWhs]	3,203,708	3,198,551	(5,157)	-0.16%
Mean Electricity Rate	**0.4428**	**0.4090**	**-0.0338**	**-7.64%**
Direct Cost of Delivery (COD) :	0.1797	0.1283	-0.0514	-28.58%
Corrections + Taxes - Other Income:	0.0202	0.0137	-0.0065	-32.09%
Unit Cost of Power (COP) :	0.2429	0.2669	0.0240	9.89%

2.1.1 Cost of Power (COP)

The COP forecast in BEL's submission was prepared prior to the supply curtailments and spike in prices from CFE starting in April 2024. It was based on BEL's 2024-2028 generation expansion plan, which is the medium-term instalment of the 20-year Least Cost System Expansion Plan (LCEP) for the period 2023-2042. The 2024-2028 generation expansion plan consisted of the following projects: Westlake Gas Turbine upgrade from 19 MW to 31 MW; 21 MW Mobile Gas Turbine to be deployed in San Pedro; 60 MW of Solar PV; and 40 MW of battery energy storage solutions.

Table II: ***Timeline of Installation of New In-Country Capacity 2024-2028 per BEL's Submission***



The dispatch plan underpinning BEL's COP forecast assumed that just under 48% of energy requirements over the period would be supplied by CFE (Mexico) at an average price of $0.1508 per kWh, in contrast to the PUC Initial Decision (issued after the energy crisis had started), which forecasts purchases from CFE of 35% of energy requirements over the period at an average price of $0.1525 per kWh.

The PUC's Initial Decision also forecasts much higher levels of utility-scale solar energy supply (~140 MW) at average prices of $0.1069 per kWh versus the forecasted average price of $0.1600 used in BEL's submission. The BEL submission, on the other hand, forecasted higher levels of dispatching of the San Pedro Gas Turbine in the latter part of the period (2027 to 2028) on the assumption that it would be upgraded to run on natural gas. This is reflected in the projected energy costs of $0.1600 per kWh to run the San Pedro Gas Turbine.

The PUC dispatch plan accounts for only 5 MW of the San Pedro Gas Turbine power output up to 2026 in keeping with the PUC's "*Final Decision – Consent to Purchase Refurbished 21 MW Mobile Gas Turbine for San Pedro, Ambergris Caye*", dated December 22, 2023, that only 5 MW of short-term capacity should have been rented to supplement the submarine cable supply to San Pedro until a second cable is installed.

Table II: ***Cost of Power for FTP 2024-2028 – PUC Initial Decision vs BEL Submission***

	BEL COP			PUC COP		
	kWhs	Unit Price	Total Cost ($)	kWhs	Unit Price	Total Cost ($)
Energy						
Fortis Belize - Mollejon & Chalillo	595,571,911	0.2179	129,747,615	602,718,450	0.2320	139,854,749
Fortis Belize - Vaca	299,277,531	0.1915	57,312,945	294,855,147	0.1962	57,844,749
CFE	1,708,030,733	0.1508	257,554,537	1,278,274,608	0.1525	194,970,757
Hydro Maya	46,658,430	0.1362	6,354,003	45,701,760	0.1362	6,223,723
BELCOGEN	257,390,456	0.2392	61,577,206	247,360,842	0.1645	40,685,296
BAPCOL	164,859,001	0.3433	56,601,856	266,472,853	0.3597	95,840,042
Santander	133,368,037	0.1655	22,070,305	140,685,998	0.1657	23,309,760
Westlake Gas Turbine	-	0.0000	-	131,851,238	0.6053	79,812,235
San Pedro Gas Turbine	119,968,322	0.1600	19,194,931	5,040,000	0.6053	3,050,814
Caye Caulker Diesels	-	0.0000	-	5,878,308	0.5978	3,513,989
Solar-JICA	2,342,463	0.1311	307,097	3,668,369	0.1311	481,061
Solar-PSF	4,960,723	0.1300	644,894	-	0.0000	-
New Utility-Scale Solar	320,505,600	0.1600	51,280,896	663,862,932	0.1069	70,988,716
Battery Energy Storage (BESS)	-			(27,627,671)		
Capacity						
Fortis Belize - Vaca			24,377,681			24,973,171
BAPCOL			25,733,790			31,991,692
Westlake Gas Turbine			9,005,209			6,093,543
San Pedro Gas Turbine			16,097,147			9,966,363
Caye Caulker Diesels			6,309,538			8,283,228
Battery Energy Storage (BESS)			21,687,391			36,328,137
Overheads						
Power Purchase			12,232,697			14,348,210
Control Center			5,369,051			5,121,323
Total Cost Of Wholesale Power (Gross)	**3,652,933,207**	**0.2145**	**783,458,790**	**3,658,742,834**	**0.2333**	**853,681,557**

2.1.2 OPEX

The PUC approved $155.3 MN in operating expenses for the tariff review period; this is 19.9% or $35.6 MN less than BEL's forecasted requirements.

The PUC'S OPEX determination rests on two underlying premises:

- Firstly, the PUC observes that payroll expense accounts for half of the increase in OPEX and asserts that BEL did not justify its increase in payroll expense in the first year of the FTP in its submission or in response to the PUC's Interim Order. Subsequently, the PUC increases OPEX in the first year of the FTP by 20.6%, referencing as its basis the US Energy Information Administration's report on price inflation for the US energy sector between 2020 through to 2023.
- Secondly, the PUC increases the year-on-year OPEX by 1.5% for each subsequent year in the FTP.

The 20.6% increase in the first year of the FTP, and the 1.5% increase year-on-year thereafter, reflects inflation only. The PUC makes no provision for the increase in the quantity of staff and contractor resources needed to keep up with the increasing volume of operational and maintenance work and customer service. The increase in work volume was explained in BEL's submission as a cost driver and justified with reference to the growth in net fixed assets on the strength of the relationship between operation and maintenance works relative to the value of the assets-in-service.

2.1.3 Return and Depreciation

Return as a cost component of the Tariff Basket Revenue (TBR) is a product of the value of the PUC-approved assets-in-service, otherwise referred to as the Regulated Asset Value (RAV), and the target Rate of Return (ROR). Depreciation is calculated by the PUC as 4.7% of RAV.

The PUC approved $165.7 MN in Return for the tariff period: This is $78.1 MN (32%) less than BEL's forecasted requirements of $243.8 MN. The PUC's determination for the Return is the function of downward adjustments to BEL's submission for both the ROR and the RAV:

Firstly, the PUC adjusted the Target ROR from BEL's requested 10% down to 8%, referencing the ROR range applied to the Caribbean Utilities Company Ltd. (CUC) of the Cayman Islands, of 8.25% to 10.25% for 2024, and setting BEL's target ROR as 8%, with the lower limit at 6% and the upper limit at 10%.

Secondly, the PUC adjusted the RAV by disallowing $78.14 MN in capital investments from the outgoing FTP (2020-2024) on the basis that this spending was above the capital expenditures allowed by the PUC for that period and by reducing BEL's planned investments over the upcoming FTP (2024-2028) from $425.6 MN[1] to $358.5 MN on the following premises:

- Capital projects set out in Schedule 8 of its Initial Decision, totalling an estimated $73.4 MN, are deemed pre-approved by the PUC, and capital projects set out in Schedule 9 of its Initial Decision, totalling an estimated $285.1 MN, are deemed by the PUC to have the potential to be used and useful in service of Customers pending adequate justification by BEL. These projects, together, represent $358.5 MN of potential additions to the RAV.
- Capital projects set out in Schedule 10 of its Initial Decision, totalling $67.4 MN (excluding generation assets, provisions already made for rural and urban electrification, and grant-financed projects), are not added to the RAV for various reasons given by the PUC.

The recoverable Depreciation approved by the PUC is $48.6 M (or 35.2%) lower than the amount requested by BEL. BEL's calculation of Depreciation is based on the depreciation applicable to its total asset base net of the depreciation applicable to generation assets and other assets not considered part of the regulated asset base.

2.1.4 Corrections and Regulated Account Balance

Corrections are derived from the variance between the costs the PUC approves as subject to recovery through the electricity rates (PUC approved revenues) and the costs recovered through actual billings to Customers (BEL realized revenues) for any given tariff period. The cumulative or year-to-date sum of those variances/corrections is the Regulatory Account Balance (RAB).

[1] Pre-GEC and IDC and excluding generation assets and capital contributions.

Corrections must be done retrospectively as they are based on actual cost and revenue data. Typically, the PUC will correct for an Annual Tariff Period (ATP) two years prior to the current tariff review proceedings. In this current 2024|2028 review proceeding, the ATP subject to correction is 2022|2023.

Table III: ***Regulated Account Balance as of June 30, 2024***

	2020-2024 Actual Outcomes		
	BEL	**PUC**	**Variance**
Starting RAB 2020	38,085,757	34,353,194	3,732,563
Actual Revenues	(987,114,489)	(986,323,593)	(790,896)
COP	680,393,056	633,135,005	47,258,051
Return	147,572,623	147,361,278	211,346
Depreciation	72,974,753	72,915,488	59,265
OPEX	133,052,897	133,052,897	-
Taxes & License Fees	27,254,379	25,351,936	1,902,443
: Less Other Income	(17,454,739)	(17,616,155)	161,416
Revenue Requirements	1,043,792,970	994,200,450	49,592,520
Penalties	-	(11,681,538)	11,681,538
Corrections	-	-	
Ending RAB 2024	94,764,238	30,548,513	64,215,725

BEL submits that total allowable actual costs exceeded actual revenues collected by $94.76 MN for the period 1 July 2020 through to 30 June 2024. This sum represents the regulatory account balance as of June 30, 2024, and differs from the PUC's calculation (based on the PUC's Final Decision on ARP 2023) by $64.215 MN. The actual costs for the period July 2020 through to December 2023 can be confirmed by way of verifiable audited accounting records. The actual costs for the period from January to June 2024, are based on unaudited accounting records.

The major components of the $64.215 MN variance between the RAB as determined by BEL and the RAB as determined from the PUC's previous assertions are $47.258 MN in COP costs and $15.414 MN in penalties levied by the PUC for BEL's failure to complete the Caye Caulker interconnection to the grid within the time frame mandated by the PUC despite BEL's repeated rejection of these penalties.

2.1.4.1 COP Variance

The PUC records $633.1 MN as recoverable COP for the 2020 Full Tariff Review Proceedings (FTRP) running from 01 July 2020 through to 30 June 2024, which was $47.3 MN less than BEL's actual COP of $680.4 MN for the same period.

The first three Annual Tariff Periods (ATP) in the FTP are already subject to review and corrections and account for $4.7 MN of the $47.3 MN variance. BEL is on record protesting the understatement of COP in the 2020|2021 ATP in its letter dated August 09, 2022, submitted in response to the PUC's Initial Decision on ARP 2022. BEL is also on record protesting the understatement of COP in ATP 2021|2022, first in its letter dated December 31, 2022, in response to the PUC's Decision on the ARP 2022 Amendment, and then again in its letter dated May 17, 2023, in response to the PUC's Initial Decision on ARP 2023.

Table IV: *Explanation of COP Costs – FTP 2020-2024*

COP ITEMS	2020|2021	2021|2022	2022|2023	2023|2024	Total
IPP Invoices	105,926,513	131,662,853	144,812,533	172,275,056	554,676,955
BEL Generation	8,230,250	21,789,207	24,723,606	53,627,620	108,370,683
Interest Expense	3,403,522	1,170,895	88,609	27,808	4,690,834
Adjustments	521,843	-	-1,119	-18,966	501,758
Sub-total	*118,082,127*	*154,622,955*	*169,623,629*	*225,911,518*	*668,240,230*
Bank Charges	1,590,079	3,484,973	3,143,253	3,934,521	12,152,826
BEL Actual COP	119,672,207	158,107,928	172,766,882	229,846,039	680,393,056
PUC Approval	*118,067,620*	*154,610,675*	*173,197,865*	*187,258,845*	*633,135,005*
Variance	**1,604,587**	**3,497,253**	**-430,983**	**42,587,193**	**47,258,051**

Summarily, the variances during this period relate to the following errors on the part of the PUC in accounting for COP:

(1) The oversight of approximately $3.1 MN in interest charges and the addition of approximately $1.5 MN for extra-ordinary charges from CFE that was mistakenly applied to ATP 2020|2021 when it had not yet been invoiced in that ATP. This created a net variance of $1.6 MN less than the true COP in ATP 2020|2021.

(2) The disallowance of approximately $3.5 MN in ATP 2021|2022 is explained by the disallowance of the extra-ordinary charges from CFE that were invoiced in ATP 2021|2022 but which the PUC erroneously claimed was already recovered plus the disallowance of interest charges on COP payables that the PUC claims were waived by the IPPs but of which BEL had no notice.

The PUC only now corrects ATP 2022|2023 in its Initial Decision on FTRP 2024 and BEL finds that the approval largely reconciles with its submission for COP. The last ATP in the 2020 FTRP will not be subject for review until the 2025 ARP; however, the PUC makes a forecast for this correction using 7 months of actuals and 5 months of forecast data. BEL uses actual COP data for the entire period and advises the PUC that its forecasts understate COP for the 2023|2024 ATP by $42.6 MN. The variance is largely explained by the exorbitant prices paid by BEL to CFE for power purchased from April through June of 2024. A monthly comparison of BEL actuals versus PUC's estimates for COP for ATP 2023| 2024 is presented below.

2023|2024	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
IPP Invoices	15,198,136	14,038,953	11,595,571	10,677,461	10,973,778	9,422,978	11,663,135	8,792,924	15,424,597	17,218,504	23,758,102	23,510,918	172,275,056
BEL Generation	4,949,680	3,261,858	6,003,835	8,676,158	1,259,473	1,124,870	1,245,520	1,571,237	3,864,199	2,338,571	9,650,189	9,682,032	53,627,620
Interest Expense						7,299	2,200	-	-	12,039	2,578	3,692	27,808
Adjustments												- 18,966	- 18,966
Sub-total	*20,147,816*	*17,300,811*	*17,599,406*	*19,353,618*	*12,233,251*	*10,555,146*	*12,910,855*	*10,364,161*	*19,288,796*	*19,569,113*	*33,410,869*	*33,177,676*	*225,911,518*
Bank Charges	267,614	355,744	283,406	262,968	274,840	232,292	247,812	150,450	329,116	439,635	551,291	539,354	3,934,521
BEL Actual COP	20,415,430	17,656,555	17,882,812	19,616,587	12,508,090	10,787,438	13,158,667	10,514,611	19,617,911	20,008,748	33,962,160	33,717,030	229,846,039
PUC Approval	*20,997,137*	*17,718,282*	*17,965,552*	*19,943,504*	*12,578,460*	*10,884,748*	*10,319,067*	*10,587,200*	*14,361,491*	*15,822,017*	*17,465,110*	*18,616,278*	*187,258,845*
Variance	**- 581,707**	**- 61,727**	**- 82,740**	**- 326,918**	**- 70,369**	**- 97,310**	**2,839,599**	**- 72,589**	**5,256,421**	**4,186,730**	**16,497,050**	**15,100,752**	**42,587,193**

2.1.4.2 Caye Caulker Interconnection Delay Penalties

The penalties of $15.414 MN include $3.732 MN in penalties brought forward in the PUC's starting RAB as of 2020 plus $11.681 MN in penalties levied between 2020 and 2023.

2019|2020	2020|2021	2021|2022	2022|2023	Total
$ 3,732,564	$ 3,860,611	$ 3,780,324	$ 4,040,603	$ 15,414,102

3 OBJECTION TO PUC'S INITIAL DECISION

3.1 BEL OBJECTS TO THE PUC'S INITIAL DECISION TO DISALLOW FULL RECOVERY OF COST OF POWER ASSOCIATED WITH THE DEPLOYMENT OF THE 21-MW TM2500 GAS TURBINE IN SAN PEDRO PER THE PUC'S "FINAL DECISION – CONSENT TO PURCHASE REFURBISHED 21 MW MOBILE GAS TURBINE FOR SAN PEDRO, AMBERGRIS CAYE" DATED DECEMBER 22, 2023.

3.1.1 Grounds for Objection

3.1.1.1 Failure of Generation Procurement Process administered and spearheaded by the PUC

In October of 2013, an RFP process (RFPEG2013) was launched by the PUC in 2013 "to contract additional electricity generation and supply capacity to satisfy all reasonable demands in Belize for the short to medium term at least cost via a competitive process". By 2019, the process had yielded only 7.5 MW of firm capacity and 8 MW of renewable capacity of a targeted 60 MW of firm capacity and 15 MW of renewable energy capacity. The remaining selected bidders were unable to reach agreement with BEL to supply capacity/energy according to their respective bids mainly because they were unable to agree to the LCOE-based prices on which their bids were selected in the first place or they were unable to satisfy the PUC and/or BEL that they would be able to meet their obligations under a PPA.

In 2019, BEL began experiencing significant generation capacity shortages due to a combination of a prolonged drought, which drove up demand and caused the lowest hydroelectric output on record (25% of the historical average) and curtailments and excessively high prices from CFE, Mexico. BEL immediately informed both the Government of Belize and the PUC that it could no longer depend on supply from CFE (Mexico) as the major source of cheap and stable baseload power into the grid. BEL's medium term energy supply strategy was therefore re-calibrated to urgently promote the connection of an additional 70 MW of new in-country capacity over the plan horizon to stabilize the cost of power below $0.28 per KWh sold, to build up in-country capacity reserve margins, and to increase the share of green energy in the local supply mix to over 75%, while repositioning CFE as a cheap source of opportunity energy (especially during off-peak hours) and for grid and voltage support. The proposed additions included: a 20 MW utility-scale solar plant near La Democracia, a 10 MW utility-scale solar plant near Chalillo, an 8 MW (Peak) Solar Plant to be located in the Corozal District, and a 7 MW (Peak) Solar Plant near the Westlake Substation – all to be in place by the start of 2021 - plus a 25 MW LPG/NG Plant near Commerce Bight in Dangriga expected to be online by the start of 2022.

In 2020, the PUC launched a Gas-to-Electric RFP (GtE RFP2020) for the provision of a 21 MW gas-fired thermal generation facility (to be located in Dangriga). Upon the completion of the GtE RFP2020 evaluation process, the PUC instructed BEL to negotiate a contract with SEAONE Holdings LLC for the provision of a 21 MW reciprocating internal combustion engine (RICE) gas fired facility in Dangriga. Negotiations between BEL and SeaOne were not successful because (1) the cost of the project that SEAONE was proposing was much higher than the Levelized Cost of Energy (LCOE) made in their bid offer, (2) SEAONE was not willing to take on responsibility for procuring and handling the fuel for the facility, and (3) SEAONE failed to provide evidence of a lease or proof of ownership for the land that would house the gas terminal facility near Commerce Bight.

BEL wrote to the PUC on May 7, 2021, followed up by a reminder on August 19, 2021, advising that it was unlikely to reach agreement on a PPA with SeaOne LLC that would meet with the RFP requirements for 21 MW gas-fuelled electricity plant in southern Belize. BEL noted specifically that SeaOne was unable to resolve concerns it raised regarding SeaOne's price offer and fuel management facilities for the proposed 21 MW gas-fuelled electricity plant, and furthermore that it had significant reservations about SeaOne's ability to meet their obligations under the PPA. Consequently, BEL informed the PUC that it would no longer continue to negotiate the PPA with SeaOne. However, it recommended that the PUC re-tender the request for proposals as this production facility remained a key element in BEL's energy supply strategy to stabilize cost of power and develop additional in-country firm capacity to reduce dependence on Mexico (CFE) and to support the renewable energy facilities that was expected to come on stream in the next few years. BEL emphasized the urgency of getting this plant online to avoid "the eventuality that demand rebounds strongly over the next two years and delays in procuring the facility finds us short on indigenous supply altogether, unable to meet market demand during peak periods at a reasonable price as is our obligation and commitment to our customers even with support from Mexico." The PUC eventually responded 7 months later, on December 7, 2021, to say that it would wait on the outcome of the LCEP, which was being conducted at that time, to inform their further decision on the way forward.

The LCEP was completed at the end of August 2022 and shared with the PUC on September 23, 2022. On March 21, 2023, after receiving indications from the PUC that they expected a formal request for additional generation as BEL had promised, BEL formally requested that the PUC issue a call for competition for additional generation using as its guideline the draft generation procurement regulations – *PUC (Requests for Proposals) Regulations, 2022* – that was tabled for approval before the Minister of Public Utilities, subject to the reservations listed in the letter. The request specified the generation technology (fuel type), amount of generation capacity required, proposed location, and the timing (year to be online) for the period 2023-2027, as follows:

Generation Technology	Capacity (MW)	Location	In-Service Year
Gas Turbine (GT) Upgrade*	12	West Lake	2023

Utility Scale Solar	7	Chan Chen	2024
Utility Scale Solar*	10	Maskall	2025
RICE (Natural Gas)	22.5	Dangriga	2025
Utility Scale Solar	20	Ladyville	2026
Utility Scale Solar	20	TBD	2027

BEL further provided the PUC with relevant bidding document templates and indicative PPA term sheets to be used in the RFP process, named the two members it was appointing to the Bid Evaluation Committee, and provided a timeline for moving from the call for competition to PPA execution for each separate block of generation capacity being requested. The target date for issuing the call for competition in each case was set as June 30, 2023.

One day later, on March 22, 2023, the PUC responded to BEL's request for the PUC to issue the call for competition, stating in its response that it would treat March 22, 2023 as the official date of the filing of the LCEP and would make a planning determination on the basis of this LCEP, which they anticipated would take at least 45 days to be done (after the date of filing). After receiving no further update from the PUC up to 70 days after the date of the filing of the LCEP, a follow-up letter was sent to the PUC on June 1, 2023, in which BEL re-emphasized its call to action to the PUC to avoid impending energy supply shortages over the medium-term by issuing a Request for Proposal (RFP) for additional in-country generation capacity no later than June 30, 2023. No response was received from the PUC, except that in its ARP 2023 Final Decision issued on June 30, 2023, the PUC stated that it "reserves its Decision on BEL's Least Cost Expansion Plan (LCEP) filed on March 22, 2023, and refiled on April 28, 2023".

In mid-2023, BEL started experiencing generation capacity shortages due to an unprecedented rise in demand caused by prolonged hot and humid weather and curtailment of supply from Bapcol. BEL also became particularly concerned that the capacity limit of the single submarine cable connecting San Pedro to the grid would likely be breached within the next 18 months due to extraordinary growth in demand and neither the planned battery storage solution (as recommended by the LCEP) nor the second submarine cable to the island would be in place within this timeframe. BEL therefore proffered the purchasing and installation of a refurbished gas turbine in San Pedro as an optimal solution that would both meet the requirements of the LCEP to bridge the overall generation capacity shortfall and supplement the submarine cable supply to the island until a battery energy storage solution or the second submarine could be installed. Thereafter, the gas turbine would be relocated to Independence where it would be upgraded to run on cheaper LNG or LPG as required for peak shaving and grid support.

3.1.1.2 The TM2500 is a superior solution to alternatives

A further update to the LCEP was conducted by SIEMENS to evaluate the cost impact of the TM2500 mobile gas turbine as an alternative to the 3x7.5 MW RICE plant(s) in the LCEP mix. The evaluation confirmed that the TM2500 would result in lower costs over the long term compared to the RICE plant for all fuels.

In fact, the PUC is now proposing to install 5 MW of short-term rental capacity in San Pedro as an alternative to the TM 2500. By the PUC's own projections (provided in its Initial Decision), this would cost at least $10 MN and the long-term solution would still have to be bought. Moreover, the existing submarine cable is in need of urgent maintenance. Doing so with a 5 MW backup supply would result in major outages (demand in San Pedro exceeds 14 MW daily) for at least 36 hours by conservative estimates.

3.2 BEL objects to the Generation and Dispatch Plan and Estimates of Energy Supply Costs underlying the PUC Initial Decision.

3.2.1 Grounds for Objection

3.2.1.1 The Recent Events require an Acceleration of the Plan to Install In-Country Renewables backed up by Firm Capacity

BEL has re-evaluated its generation plan to accelerate the installation of utility-scale solar backed up by LNG-based firm capacity in light of recent events that have impacted the current cost of power. The resultant dispatch plan and estimates of costs are presented below in contrast with the PUC's Initial Decision.

Table V: *BEL Revised COP vs PUC COP – FTP 2024-2028*

	BEL Revised COP			PUC COP		
	kWhs	Unit Price	Total Cost ($)	kWhs	Unit Price	Total Cost ($)
Energy						
Fortis Belize - Mollejon & Chalillo	521,920,091	0.2328	121,491,475	602,718,450	0.2320	139,854,749
Fortis Belize - Vaca	264,457,852	0.1918	50,734,610	294,855,147	0.1962	57,844,749
CFE	1,017,515,314	0.2447	249,021,415	1,278,274,608	0.1525	194,970,757
Hydro Maya	48,203,441	0.1362	6,564,405	45,701,760	0.1362	6,223,723
BELCOGEN	241,084,529	0.2397	57,784,083	247,360,842	0.1645	40,685,296
BAPCOL	237,224,991	0.3487	82,724,173	266,472,853	0.3597	95,840,042
Santander	126,821,246	0.1658	21,022,818	140,685,998	0.1657	23,309,760
Westlake Gas Turbine	98,661,948	0.5389	53,167,213	131,851,238	0.6053	79,812,235
San Pedro Gas Turbine	335,083,670	0.2285	76,551,858	5,040,000	0.6053	3,050,814
Caye Caulker Diesels	8,511,920	0.5265	4,481,357	5,878,308	0.5978	3,513,989
Solar-JICA	2,342,463	0.1311	307,097	3,668,369	0.1311	481,061
Solar-PSF	5,254,829	0.1300	683,128	-	0.0000	-
New Utility-Scale Solar	743,112,000	0.1600	118,897,920	663,862,932	0.1069	70,988,716
Battery Energy Storage (BESS)	-			(27,627,671)		
Capacity						
Fortis Belize - Vaca			24,365,361			24,973,171
BAPCOL			25,733,790			31,991,692
Westlake Gas Turbine			7,787,887			6,093,543
San Pedro Gas Turbine			18,774,867			9,966,363
Caye Caulker Diesels			6,671,705			8,283,228
Battery Energy Storage (BESS)			28,747,293			36,328,137
Overheads						
Power Purchase			12,232,697			14,348,210
Control Center			5,369,051			5,121,323
Total Cost Of Wholesale Power (Gross)	**3,650,194,294**	**0.2666**	**973,114,203**	**3,658,742,834**	**0.2333**	**853,681,557**

3.2.1.2 The Recent Events have drastically increased COP in the current period and is expected to persist into the near future, causing a substantial financial burden on the Company given current rates.

BEL estimates that the new projections for COP into the future will drive up the MER by a further $0.0374 per kWh. It is impossible for BEL to absorb this additional increase within the current FTP. The PUC and BEL will therefore have to agree on new tariff levels and innovative pricing structures to be put in place no later than January 1, 2026, to ensure that BEL remains financially viable to carry out its mandate to deliver safe, reliable, and sustainable energy solutions to Belize.

It should be noted that, on March 20, 2020, BEL had formally objected to the PUC's Initial Decision on BEL's FTRP 2020-2024 Rate Case Submission regarding the deferral of key COP investments as follows:

"BEL's Objection to PUC Decision on BEL's Schedule of Capital Investments in Energy Supply and Capacity

The delayed consideration of interconnecting the 30MW of utility-scale solar to the National Electricity Grid leaves BEL extremely vulnerable to continued volatility in the Mexican energy market and encourages further reliance on fuel imports as a primary source of energy for the country. This represents a radical and irreconcilable departure from BEL's strategy to enhance energy security, meet sustainability goals and stabilize the cost of power as urgent priorities for the energy sector. BEL maintains that it's proposal to add 45 MW of Utility Scale Solar and 25 MW of gas-powered generation to the existing portfolio of energy sources better serves the goal of stabilizing energy costs compared to PUC's proposal to add only 15 MW of Solar and supplement with higher levels of gas-powered generation".

3.3 BEL OBJECTS TO THE OPEX ALLOWANCE AMOUNTS PROPOSED IN THE PUC'S INITIAL DECISION.

3.3.1 Grounds for Objection

3.3.1.1 The OPEX allowance increases proposed by the PUC are arbitrary and account for inflation only

The PUC has tied the initial OPEX increases to a US-based inflation index and thereafter at a fixed 1.5% per year with no explanation as to the reason for choosing 1.5%. BEL maintains its position that OPEX annual allowance should be trued up to its estimated 2024 operating expenses and thereafter increased at a rate equal to the rate of increase in the value of net fixed assets (or regulated asset value) or sales. This adjustment to OPEX would better provide for actual costs of delivery for this element of VAD.

BEL reiterates that, over the past 15 years, OPEX as a percentage of its net fixed assets has remained constant at an average of 6.47% with a standard deviation of 0.58%. This is the outcome that is expected in a capital-intensive industry where the costs of operating and maintaining assets are directly proportional to the value of the assets in service.

Moreover, the PUC has used the CUC (of Cayman) as a benchmark utility in determining the approved rate of return range. The historical data (2019 to 2023) shows that the CUC maintained an OPEX as a % of its net fixed assets at approximately 6.92% compared to 6.49% for BEL. BEL also compares favourably on all other OPEX-related metrics, and these are projected to improve (decrease) over time. Considering the difference in customer population density with most other electric utilities, this is a significant achievement by BEL and confirms that its requested OPEX allowance is in fact well below the global benchmark for comparable electric utilities.

3.4 BEL OBJECTS TO THE PARAMETERS PROPOSED FOR RETURN IN THE PUC'S INITIAL DECISION.

3.4.1 Grounds for Objection

3.4.1.1 The lower limit of the ROR cannot be set at less than the Weighted Average Cost of Capital

The lower limit of the ROR cannot be set at less than the Weighted Average Cost of Capital (WACC), which as demonstrated by BEL, is 6.96%. It is a generally accepted premise in corporate finance that a ROR that is less than a Company's WACC is insufficient to finance its investments and consequently does not meet the legal requirement for a reasonable rate of return.

3.4.1.2 The Target ROR will not allow BEL to cover all its costs given the cap on OPEX

BEL suggested in its original submission that a target ROR of 8.5% may be adequate provided that the OPEX allowance is sufficient to cover its reasonable operating costs; otherwise, a target ROR of 10% is appropriate. It bears repeating that a reasonable rate of return on investment to equity holders is measured by the Return on Equity (ROE), not the percentage return on assets which is shared between debt and equity holders. BEL's ROE has remained below 5% over the past 8 years and is actually less than one half of CUC's recent ROE outcomes.

Table VI: ***Average Historical Return on Equity – BEL***

Year	2016	2017	2018	2019	2020	2021	2022	2023
Net Income	27,292	17,773	- 3,587	2,997	46,661	34,284	15,343	6,981
Average Equity	361,947	360,541	350,724	343,527	363,011	384,055	387,782	392,148
ROE	7.5%	4.9%	-1.0%	0.9%	12.9%	8.9%	4.0%	1.8%

3.4.1.3 The Regulated Asset Value will be understated because of Disallowances by the PUC

BEL objects to the exclusion of the following capital expenditures proposed in the upcoming FTP for the following reasons:

Table VII: *CAPEX ITEMS Disallowed – FTP 2024-2028*

GENERATION EXPANSION	FTP Total ($)	Reasons for Objections
TRANSMISSION SYSTEM EXPANSION		
Engineering Studies	4,067,616	The PUC claims that these items are not assets, but accounting regulations allow for certain development costs and right-of-user costs as intangible assets. The PUC should rely on the auditor's determination as to the capitalization of these costs as assets and restrict its own analysis as to the "usefulness" of the asset.
ROW Easement Land Acquisition	1,584,000	
CONNECTION OF NEW GENERATION		
BAPCOL Substation & Interconnections (Upgrade & Expansion)	7,552,850	The PUC disallows this investment on the basis that BEL has removed dispatching of BAPCOL as of 2027. However, these enhancements are required to improve the design of the substation which is currently sub-optimal and the substation itself remains relevant to grid operations notwithstanding if BAPCOL or another IPP or supply source is feeding into the system at that point.
Other Substation Standardization & Redundancy	6,000	The PUC disallows this cost, claiming that project management is not an asset. However, project management associated with the construction and commissioning of an asset can be capitalized. Again, the PUC should be guided by the findings of the auditor and accept as capital assets those items duly registered under the prevailing accounting rules.
FACILITIES EXPANSION & UPGRADE		
New Operations Headquarters - John Smith Road	20,205,240	The PUC disallows these costs on the basis that it requires a comprehensive report on the use of the existing facilities before considering new construction. However, the PUC is aware that the Phillip Goldson International Airport is expanding and pursuing the acquisition of BEL's inventory facility in Ladyville necessitating the relocation of that facility and presenting the opportunity for expansion to meet the increasing capacity needs for materials management and operations for the Company. This is the driver for the John Smith Road complex. The other facilities are long-overdue for refurbishment and expansion. At any rate, BEL will be developing a Master Plan that will present the use case for these facilities.
Drive-Thru Cashiering Facility (Coney Drive)	3,197,108	
Construction of New San Ignacio Operations Facility	3,134,208	
Construction of New Independence Operations Facility	2,204,508	
Facilities Renovation	1,143,768	
NEW CUSTOMER CONNECTIONS		
Urban & Peri-Urban Electrification	44,548,412	The PUC decided to approve a special allocation for Regular Line extension ($25 MN period total). BEL objects on the basis that this provision is not informed by or correlated with system expansion requirements; fulfilling customer requests has required an average of $9MN annually in the past 5 years and this provision of $25 MN results in $5MN annually.
Rural Electrification (Standard)	1,300,000	

DISTRIBUTION SYSTEM RELIABILITY IMPROVEMENT		
Reliability Improvement for Distribution Operations	117,000	The PUC disallows expenditures for meter management claiming it is not an asset. Again, this is an accounting determination internal to BEL and subject to verification by the auditor.
GRID MODERNIZATION		
DG &EV Programs	3,000,000	The PUC claims this is not a regulated activity recoverable through the RAV. BEL accepts this and is already working to unbundle these costs as an unregulated business line.
Other Grid Modernization Projects	248,000	The PUC disallows expenditures for Grid Modernization Consultancy asserting that it is not an asset. Again, this is an accounting determination internal to BEL and subject to verification by the auditor.

3.5 BEL objects to the PUC's Regulatory Account Balance accumulated within the FTP 2020-2024.

3.5.1 Grounds for Objection

3.5.1.1 The Regulatory Balance amount (in favour of BEL) determined by the PUC understated due to errors in the accounting for the transactions.

BEL has previously brought to the PUC's attention the need to revisit and revise the Regulatory Account Balance (RAB) due to errors in the accounting for the corrections. This issue was raised in response to the PUC's Initial Decision on the 2023 ARP in May 2023 and then again in December 2023 during the amendment proceedings. BEL has previously provided a comprehensive review of the PUC's methodology and assumptions resulting in the understatement of the RAB and submits a summary comparative analysis in the relevant section further above in support of its objection to the cumulative corrections now subject to review in this FTRP.

3.5.1.2 The PUC does not have the authority to change ROR parameters within an FTP.

BEL challenges the PUC's decision to change regulatory parameters (Target ROR) within the FTP 2020-2024. BEL has obtained expert advice that says that this is prohibited by the Regulation. In such case, the RAB amounts will have to be further increased to account for the reductions in return due to the reduced RORs of 8% and 8.5% in the last two ATPs of the FTP 2020-2024.

3.5.1.3 The PUC must give BEL the benefit of the doubt that CAPEX that was not approved by the PUC but still spent was used in the best interest of Customers.

The PUC has determined that $78.1 M of capital expenditures from FTP 2020-2024 should not be registered in the RAV as those expenditures were "…not approved by the PUC, not subsequently justified by BEL in its submission, at the Public Hearing, nor in their response to the Commissioner's Interim Order".

The established practice has been for the PUC to review and assess BEL's Fixed Asset Register as the basis for what passes through into the RAV. The Fixed Asset Register provides a high-level summary of the asset categories under which additions have been made to property, plant, and equipment used in the provision of electricity services to Customers and the PUC has for years been satisfied with and relied on this level of reporting. BEL has previously asked the PUC in a letter dated January 10, 2022 (provided below), to clearly specify any changes in the level of reporting that is required for rate proceedings, however the PUC continued to rely on the Fixed Asset Register as the source documentation for decisions on the RAV. Historically, this approach has proved an efficient regulatory practice, allowing the Company flexibility to reallocate capital funds to respond to changing circumstances on the ground with the underlying presumption that additions to network assets are "used and useful".

BEL is of the view that the PUC should as a minimum request that BEL provide evidence of the expenditures and the reasons for those expenditures and apply the "used and useful" criterion to assessing whether they should be included in the RAV.

Exhibit A: ***January 10, 2022 Letter from BEL to the PUC***

BELIZE ELECTRICITY LIMITED
2 ½ Miles Philip Goldson Highway | P.O. Box 327
Belize City, Belize C.A.
Telephone: 501.227.0954 | Fax: 501.223.0891

January 10, 2022

Mr. Ernesto Gomez
Director of Tariffs and Standards
Public Utilities Commission
#4 Princess Margaret Drive
2nd Floor, Marina Towers
Belize City, Belize

Dear Director Gomez,

Re: Reporting Requirements

BEL, in its effort to diligently fulfill its reporting obligations to the PUC hereby requests clarification on expectations and timelines for standard regulatory reports and submission. Specifically, we ask that you provide a detailed list of reports and timelines for submission that you require on a monthly, quarterly, and annual basis. We also request a detailed exposition of the supporting documents and information that you require to be submitted as filings for tariff review proceedings, including amendment proceedings. It is important that PUC makes clear any preferred formatting or templates for report submission as well, since this will be the basis for our reporting going forward.

On a related note, in a letter to BEL dated 25 November 2021, the PUC claimed that it had "…discovered several errors while reviewing the September Report". In our response letter of 10 December 2021, BEL requested for the PUC to enumerate the said errors so that we would be able to review and reconcile accordingly. However, to date, we have not received any response to our request. BEL strives to honor its commitments and obligations to the PUC and can only do so effectively if all the parameters and requirements are clearly set out.

We would be most appreciative if the PUC would provide the information being requested in a timely manner so that we may avoid any future misunderstandings as it relates to reporting requirements to the PUC.

Sincerely,
Belize Electricity Limited

BEL acknowledges the PUC's push for tighter regulatory controls around capital expenditures as set out in Section 34 of the proposed Electricity (Determination of Tariffs, Charges and Fees) Byelaws 2023. These byelaws are not yet in force, however, and cannot be applied retroactively. The principle and practice that currently governs what passes through to the RAV is to accept the additions to assets-in-service as presented in BEL's audited financials (Fixed Asset Register) as prudent investments in service of customers.

Unless the PUC can specifically identify asset additions/capital expenditures that are not "used and useful", it is obligated by its own practice and precedence to allow BEL the benefit of the doubt and pass through these asset improvements *in toto*. Going forward, once the revised regulations are passed into law and the reporting requirements are clear, the PUC can hold BEL to its new standard and BEL in turn will amend its reporting processes to meet same.

3.5.1.4 The PUC has a duty to ensure that BEL recovers all its reasonable costs.

The PUC claims that it cannot review and/or reconsider BEL's claims as to the RAB, holding that BEL ought to have objected at the stage of the Initial Decision in ARP 2023 to trigger a review of the period corrections, since BEL did not do so the Commission is mandated to finalize its Initial Decision and unable to vary from or otherwise revise it now. BEL objects to the PUC's assertion in this regard on the following basis:

- The costs underlying the corrections are verifiable costs subject to recovery under the law and the PUC is legally mandated to pass these costs through the rates unless BEL specifically waives its right to claim recovery.
- BEL has always maintained its right to recover these corrections and has provided a complete and comprehensive statement of the Regulatory Account Balance, referencing errors in previous PUC Decisions that understated the RAB.
- In ARP 2021, BEL formally objected to errors in the corrections as well as other findings in the PUC decision for that rate proceeding. This would have triggered an Independent Expert Review of the PUC Initial Decision. However, at the PUC's request, BEL retracted its objection and resubmitted its concerns as comments to the decision contingent on the promise by the PUC to have the matters raised reviewed and resolved within the context of a joint BEL-PUC committee. This never materialized even though BEL pursued this promise. BEL, having relied on a promise by the PUC to provide an alternative mechanism to Independent Expert Review, should not now be penalized for the PUC's failure to deliver on that promise.

The PUC's position that it is legally precluded from revisiting its decisions in previous rate proceedings is further undermined by the following facts:

- The PUC has previously indicated its intention to seek to adjust the necessary bye-laws to enable BEL to recover its reasonable costs as shown below.

Exhibit B: ***Excerpt from Previous PUC Determination and Order***

COP overspent by BEL in ATP 22|23	**$ 19,585,889**
Forecasted COP overspent by BEL Jul 22 thru Dec 2023	*$ 37,763,882*

Cumulatively, the Amendment Submission from BEL estimates that the excess Cost of Power over the ATP 2022|23 and the first six (6) months of ATP 2023|24, is estimated to be **$37,763,882**.

BEL indicates that it is not seeking to recover the excess in COP in this review, but rather it intends to register the sum of $19,585,889 with the PUC as recoverable under future tariff adjustments. The PUC continues to note the restriction imposed by Section 15(2) of the Byelaws and awaits the approval of the Ministry of Public Utilities, Energy, Logistics and E-Governance for an amendment to this section be promulgated into law.

- The PUC has, at least on one occasion, revised a decision affecting the RAB due to an error on its part. In its Final Decision on FTRP 2020, the PUC reversed its decision on General Corrections (Schedule 1), explaining that “The Commission approved additional corrections of some $3.5 million in favor of BEL due to an error made in the previous Corrections for 2017-18; the actual electricity revenues were overstated by a similar amount in the 2019 ARP.” The PUC, as a quasi-judicial entity, should honor and respect the rules of precedence – to claim it is unable to revisit its decisions to correct for errors when it has in fact done so in the past can be seen as capricious and unjust.
- The PUC, in ARP 2021, reduced the Target Rate of Return by 1% as a penalty for project delays with the Caye Caulker Interconnection project. The ROR is a regulated value set in the Final Decision of an FTRP and is not subject to revision during the FTP. However, the PUC revisited and revised its decision.

3.6 BEL objects to the Penalties imposed by the PUC for Delays in Completing the Caye Caulker Submarine Interconnection.

3.6.1 Grounds for Objection

3.6.1.1 The Penalties imposed by the PUC are arbitrary and actually counter-productive to BEL’s efforts to deliver safe, reliable, and sustainable energy solutions to its Customers.

BEL has previously objected to this penalty in previous ARPs on the basis that “…penalty for delays with the Caye Caulker interconnection project is arbitrary and disproportional to the anticipated performance outcome and does not fully consider factors outside of BEL’s control legitimately excusing delays.”

BEL further submits that it is also unclear whether the PUC presently has statutory authority to enact a penalty of this kind. The law provides that the rate of return must be reasonable and only allows for one condition/limitation and that is the licensee is “…operating in a manner compatible with international standards of an efficiently operated power system of similar characteristics to that of Belize.” It is doubtful that not delivering a project on schedule violates this condition. The PUC may need to enact specific legislation for utility performance management. BEL has previously requested this of the PUC, but no action has been taken to date and the PUC seems to have effectively reneged on the joint BEL-PUC committee that would have investigated this and other related matters vis-à-vis an Independent Expert.

BEL has carried out an in-depth analysis of the cost savings that would have accrued to Customers in general if Caye Caulker had been connected to the grid based on actual consumption, energy supply costs, ana available capacity on the grid over the period from January 2021 to June 2024. The analysis assumed that the power station in Caye Caulker would have remained as backup in case of loss of the interconnection. Three scenarios were considered based on the projected cost of the completed interconnection.

The table below provides the results of the analysis: As the cost of interconnection increases, the savings are lower and actually become negative. In all cases, the total penalties imposed by the PUC are disproportionate to the savings that would have been achieved if Caye Caulker had been interconnected to the grid since January 2021.

Table VIII: *Caye Caulker Interconnection Savings versus Costs*

	Interconnection Cost		
2021-2024	**$18 M**	**$26 M**	**$34 M**
Additional Variable Cost	$ 12,358,335	$ 12,358,335	$ 12,358,335
Cost of Interconnection (RR)	$ (9,432,000)	$ (13,624,000)	$ (17,816,000)
Savings	$ 2,926,335	$ (1,265,665)	$ (5,457,665)
Cost of Interconnection (Annuitized)	$ (7,932,101)	$ (11,457,480)	$ (14,982,858)
Savings	$ 4,426,233	$ 900,855	$ (2,624,523)
PUC Penalty	$ 15,414,102	$ 15,414,102	$ 15,414,102

Additionally, Caye Caulker has benefited from not being connected to the grid in terms of reliability. The record shows that the Caye Caulker has enjoyed the lowest SAIDI and SAIFI numbers over the past few years, and especially during the load shedding events over the past three months. The fact is that in 2020 a 1.7 MW generating unit was deployed in Caye Caulker as a consequence of rising demand. Once this happened, and given the generation constraints on the grid, the case for interconnecting Caye Caulker was no longer as viable. It is for this reason that BEL decided to revisit the scope of the project and increase the interconnection capacity given the observed growth rate.

This is why annual reviews are part of the FTRPs and why sticking rigidly to an old plan that no longer serves customers is impractical. The penalties for the delay in the Caye Caulker interconnection project are misguided, as the Company had to prioritize addressing the capacity issue. The $15.4 million penalty is unreasonable and disproportionate. The Company is being penalized for making decisions in the best interest of consumers.