



22 December 2025

Mr. Dean Molina
Chairman
Public Utilities Commission
#4 Princess Margaret Drive
2nd Floor, Marina Towers
Belize City, Belize

Dear Chairman Molina,

BEL Response to PUC Initial Decision on ARP Amendment 2025 – December 11, 2025

Belize Electricity Limited (“BEL”) acknowledges receipt of the Public Utilities Commission’s Initial Decision dated December 11, 2025, regarding BEL’s ARP Amendment 2025 submission. BEL appreciates the Commission’s continued engagement and the effort undertaken to balance customer affordability with the financial sustainability of the electricity sector.

BEL thanks the Commission for its careful consideration and further recognizes the Commission’s challenging task in balancing the Licensee’s need for adequate cash flows with the equally important objectives of customer affordability and price stability, and appreciates the measured approach taken in this regard.

BEL is in receipt of the Commission’s Initial Decision dated December 11, 2025, regarding the tariff application. BEL intends to implement the approved tariffs effective January 1, 2026, while respectfully outlining below financial and technical clarifications, planned compliance actions, and matters on which BEL expressly reserves its rights under the regulatory framework.

In the responses that follow, BEL will also reference points related to capital expenditure (CAPEX) and operating expenditure (OPEX), recognizing that these items fall outside the strict scope of cost-of-power (COP) recovery. These references are provided in the context of addressing the Commission’s expressed concerns regarding BEL’s financial stability and to further clarify the Company’s prudent investment and expenditure decisions during the period under review.

1. Financial Impact of the Initial Decision

1.1 BEL notes that the Commission approved an average tariff adjustment of \$0.0337/kWh over a period of 30 months, representing approximately 61% of the adjustment requested (\$0.0549/kWh over a period of 24 months). This results in a material reduction in recoverable costs over the approved recovery period.

Table 1-1. Approved vs. Required Cash Flow Recovery (January 2026 – June 2028)

Metric	BEL Assessment	PUC Approval	Shortfall
Variance Recovery	\$84.1M	\$65.3M	\$18.8M

1.2 The unrecovered amount of \$84.1M being claimed by BEL represents prudently incurred costs necessary to maintain system reliability during an unprecedented period of wholesale supply constraints.

2. Critical Financial Pressures

2.1 BEL respectfully highlights the compounding pressures currently facing the Company:

- Outstanding IPP arrears as of November 30, 2025: \$52.5M million
- Local debt obligations, excluding debentures: approximately \$92 million
- Debt service commitments (2026–2027): approximately \$82 million
- Unrecovered BEL-owned generation investments: over \$80 million (Westlake and San Pedro Gas Turbines)

2.2 These pressures exist alongside continued volatility and structural gaps in the wholesale energy market, where supply constraints persist and the installation of lower-cost generation options remain delayed. Under these conditions, BEL has had no alternative but to incur unavoidable cost-of-power (“COP”) expenditures to ensure continuity of service to customers.

3. Cash Flow Implications of the Approved Recovery Structure

3.1 The Commission’s decision to extend recovery over 30 months rather than 24 months defers approximately \$13.05 million in cash inflows into the last 6 months of the FTP.

3.2 Additionally:

- The Commission’s directive to prioritize IPP payments constrains short-term operational flexibility
- The Commission’s determination to forego true cost recovery of BEL-owned generation investments remain unrecovered until Consent proceedings are completed, collectively heighten liquidity risk during the recovery period.

4. Financial Management and Cost Containment

4.1 PUC Concern 1: Aggressive Capital Spending Amid Rising Cost of Service

4.1.1 The Commission noted that BEL’s financial stability has been placed under pressure by accelerated capital spending at a time of increasing cost of service, including a doubling of annual capital expenditure relative to historical levels.

BEL Response:

4.1.2 BEL acknowledges that capital spending increased materially during the 2024 period (Reference Table 4-1). However, the principal driver of this increase—was primarily the San Pedro Gas Turbine acquisition—an emergency reliability investment rather than discretionary expansion of the transmission and distribution system.

4.1.3 In this regard, we present Table 4-1 outlining BEL’s capital expenditure over the period 2020 to 2025 for the Commission’s consideration. Of the total \$489.21M, \$100.1M (20.5%) was allocated to new generation and generation upgrades. These investments, though beyond BEL’s typical obligations, were necessary to restore in-country reserve margins.

Table 4-1. BEL Capital Expenditure (CAPEX) by Asset Category, 2020–2025

<u>CAPEX CATEGORY</u>	<u>Expenditure (\$’000)</u>	<u>Expenditure (%)</u>
T&D Capex	389,125	79.54%

<i>System Reliability, Safety & Losses Reduction</i>	141,413	36.34%
<i>Distribution System Expansion</i>	91,459	23.50%
<i>Other System Expansion</i>	69,425	17.84%
<i>Other T&D Capex</i>	86,828	22.31%
Generation CAPEX	100,089	20.46%
Total CAPEX Spending	489,214	100.00%

4.1.4 Of the total capital expenditures on expanding and upgrading the transmission and distribution (T&D) network during this period, 36.34% was spent on reliability, safety, and efficiency improvements, and 23.5% was dedicated to connecting new communities and customers and installing or replacing streetlights, at no additional cost to the Government of Belize.

4.1.5 When expenditures on new generation and generation upgrades are excluded from the CAPEX calculation, CAPEX intensity (PPI-adjusted) over the 2020–2025 period was only 6% higher than the previous 2000–2019 period.

Table 4-2. CAPEX Intensity by Period (Excluding New Generation and Generation Upgrades, PPI-Adjusted)

<u>CAPEX INTENSITY</u>	<u>2000-2019</u>	<u>2020-2025</u>
CAPEX less New Generation (\$'000)	639,779	410,044
CAPEX per MWH sold	0.0763	0.1084
CAPEX per MWH sold (PPI-Adjusted)¹	0.0578	0.0613

4.1.6 The chart shows a 33% improvement in system reliability between the 2000-2019 period and the 2020-2025 period in terms of the reduction in the duration of service interruptions to Customers.

¹ Inflation adjusted based on relevant USPPPI for electricity transmission and distribution as most CAPEX materials and equipment are sourced from the USA and account for around 70% of T&D construction costs.

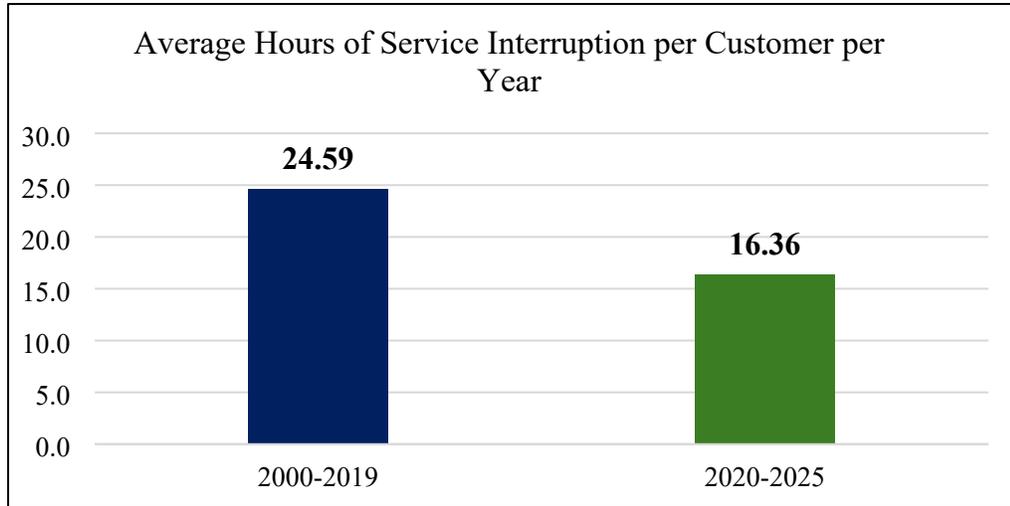
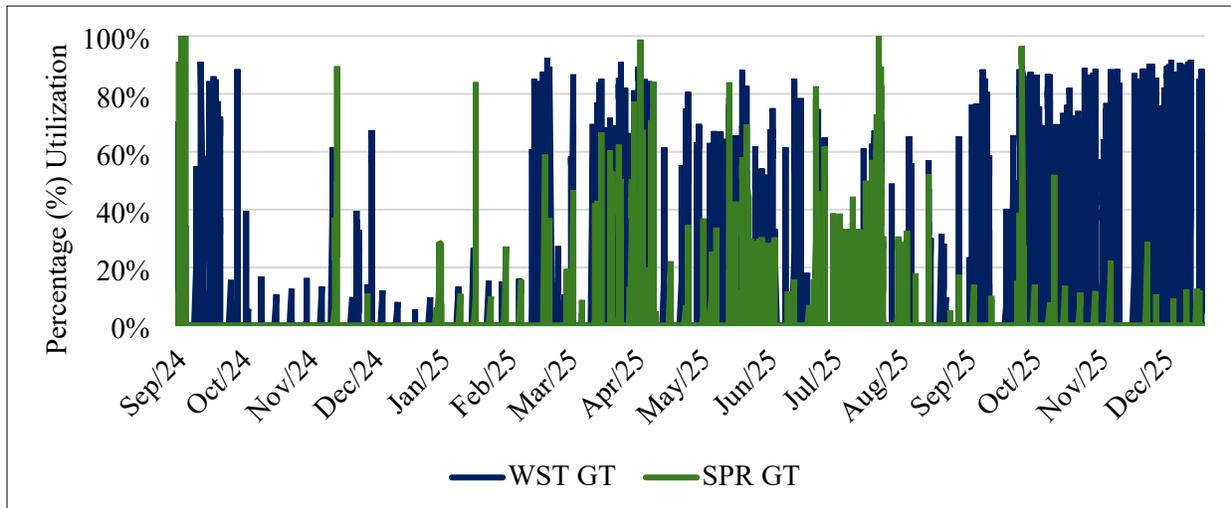


Figure 4-2. Average Hours of service Interruption per Customer per Year over period 2000-2019 and 2020-2025

- 4.1.7 The capex intensity metric demonstrates that, aside from the unplanned and necessary generation investments to maintain system reserves, BEL’s overall capital spending was prudent and not aggressive relative to historical levels, ensuring continued service to customers.
- 4.1.8 At the time decisions were taken on generation investments, Belize faced an acute and escalating generation shortfall. Absent these interventions, BEL would have had no practical alternative but to implement prolonged and widespread load shedding, particularly during peak demand periods.
- 4.1.9 Operational assessments indicated that, without these investments, the system would have faced material and recurring energy deficits equivalent to 2 hours of outages per day for every day of the year since the start of 2025.
- 4.1.10 For the Commission’s consideration, our operational assessment is quantitatively supported and illustrated in the chart below, which shows generation utilization metric from September 2024 through year-to-date 2025 and reflects sustained, elevated reliance on available firm capacity from the Westlake Gas and San Pedro Gas Turbines.

Figure 4-2. Gas Turbine Utilization (%) – Hourly Dispatch as a Share of Installed Capacity (Sep 2024–Sep 2025)²

² Hourly utilization percentages are calculated as the ratio of actual power output (MWh) to the generator’s rated capacity (MW) for each dispatch interval. All underlying interval-level generation data are available to the



4.1.11 These operating patterns are consistent with the Commission’s own findings under “Question 3 Considerations” (paragraph 23), where the Commission determined—based on its modelling of likely generation sources and prices—that the dispatch outcomes over the review period represented the most economic results achievable under the circumstances. This finding confirms that BEL operated in accordance with least-cost, merit-order dispatch principles throughout the period.

4.1.12 Given that the gas turbines are positioned at the extreme end of the merit order, their utilization reflects circumstances in which independent energy supply resources were fully exhausted or imported electricity proved infeasible. In such instances, the absence of these assets would have resulted either in unavoidable load shedding or in reliance on infeasible imports from CFE at costs exceeding an average of BZD 55 cents/kWh, where such power was available by CFE.

4.1.13 These investments were therefore undertaken to preserve continuity of service, protect customers, and safeguard national economic activity, rather than to pursue discretionary growth or expansion beyond system requirements.

4.1.14 Essentially, while the Commission has expressed concern regarding aggressive capital spending amid rising cost of service, it is important to note that the majority of these expenditures fall outside the strict scope of COP-related costs.

Commission in BEL’s monthly Cost of Power (COP) submission files, enabling independent validation and replication of the results.

4.1.15 BEL acknowledges that formal Consent proceedings were not filed at the time; however, the Company respectfully submits that this procedural lapse does not diminish the practical realities and operational constraints under which these decisions were made.

4.1.16 In the circumstances faced, the investments represented a necessary and last-resort response to maintain system reliability and avoid sustained load shedding.

4.2 PUC Concern 2: San Pedro Gas Turbine Investment Was Unplanned and Delayed

4.2.1 The Commission observed that while BEL advised in September 2023 that the San Pedro Gas Turbine was intended as a short-term solution for March–May 2024, the facility was not fully online until late 2024, and that the total investment cost of approximately \$56.1 million materially depleted cash flows.

BEL Response:

4.2.2 BEL acknowledges that the San Pedro Gas Turbine was not fully operational within the originally anticipated March–May 2024 timeframe. The delay was driven largely by factors outside BEL’s direct control, including global supply-chain disruptions, extended commissioning and testing requirements, and permitting and system-integration timelines associated with installing new generation on an islanded network.

4.2.3 Importantly, this was an unplanned expenditure for BEL with an aggressive execution timeframe, in contrast to the planned Westlake Gas Turbine upgrade, which was completed on schedule as anticipated. The delay at San Pedro reflects these extraordinary and mitigating circumstances rather than a failure of BEL’s standard project execution processes.

4.2.4 While these challenges affected the initial schedule, they did not negate the underlying necessity or prudence of the investment.

4.2.5 Utilization levels presented in Figure 4-2, coupled with the Commission’s determination that least-cost merit-order dispatch principles were upheld, highlight that proceeding with the project—despite implementation challenges—was critical to avoiding load shedding and mitigating dependence on higher-cost emergency imports.

- 4.2.6 Had the San Pedro Gas Turbine not been available during these periods, BEL would have faced service interruptions.
- 4.2.7 BEL further clarifies that the reported investment cost of approximately \$56.1 million reflects the full scope of works required to safely and reliably integrate the facility into the national grid. This includes balance-of-plant works, electrical and control interconnection infrastructure, logistics, commissioning, and system integration—rather than the turbine procurement alone.
- 4.2.8 Accordingly, BEL submits that while the project was implemented later than initially envisaged, its execution remains consistent with prudent utility practice under the prevailing system constraints and has since delivered the reliability benefits for which it was undertaken.

4.3 *PUC Concern 3*: Elevated and Anomalous Cost of Power (COP) Expenditures & Past Recovery Deferral

- 4.3.1 The Commission highlighted that COP expenditures in May and June 2024 reached approximately \$68.4 million, more than double historical monthly levels, significantly eroding BEL's liquidity.

BEL Response:

- 4.3.2 BEL agrees that COP during this period was exceptionally high. Throughout this period, BEL optimized dispatch decisions to the fullest extent possible and incurred these costs solely to ensure that customers remained supplied with electricity. These COP pressures, rather than discretionary operating decisions, were the primary contributors to the erosion of BEL's cash position.
- 4.3.3 We thank the Commission for its acknowledgment that, based on its modelling, the least-cost merit-order dispatch principles were upheld during the review period.
- 4.3.4 Any deferral of recovery was made with careful consideration of customer impacts and the anticipated availability of lower-cost energy supply projects. For the Commission's consideration, Table 4-3 outlines the COP savings customers would have realized had the planned utility-scale solar projects proceeded according to their original schedules.

Table 4-3. Estimated COP Savings from Timely Execution of Planned Utility-Scale Solar Projects (2020–2025)

COP Savings (\$'000)	2020	2021	2022	2023	2024	2025
BAPCOL Solar (15 MW)	0	5,190	11,579	12,485	12,985	13,400
BECOL Solar (30 MW)	0	10,380	23,158	24,970	25,970	26,800
Saudi Solar (30 MW)	0	0	0	0	0	13,400
Total COP Savings	0	15,569	34,737	37,455	38,956	53,600

4.3.5 The current financial situation of BEL would have been completely different even with the same level of capital expenditure on transmission and distribution if the utility-scale solar projects were rolled out in a timely way and the necessary capital investments were made on generation or battery energy storage installations to support Solar PV. Net income would have increased to over \$45M per year on average with ROE levels of over 10% and leverage of 32.47% at the end of the period compared to actual 2020-2025 with average profits and ROE of around \$12M and 3.6% respectively and leverage at the end of the period of close to 50%.

Table 4-4. KPI Outcomes with Simulation of Timely Execution of Planned Utility-Scale Solar Projects (2020–2025)

Simulated Results	2020	2021	2022	2023	2024	2025
Actual COP (\$/kWh)	0.2202	0.2146	0.2126	0.2347	0.2479	0.2384
Reference COP (\$/kWh)	0.2378	0.2266	0.2440	0.2521	0.2587	0.2709
Net Income (\$'000)	46,662	49,579	52,029	48,870	33,923	41,228
Cash at End (\$'000)	76,729	40,687	34,267	33,225	33,649	31,795
COP Payables at End (\$'000)	48,697	39,569	16,124	4,135	18,509	37,989
Debt at End (\$'000)	152,815	129,061	152,441	206,587	256,808	266,680
ROE (%)	12.93%	12.66%	12.33%	10.50%	6.69%	7.57%
Leverage (%)	27.11%	26.46%	25.02%	27.83%	31.37%	32.47%

4.3.6 Unfortunately, prolonged delays in project execution resulted not only in unrealized savings, as reflected in the table, but also in mounting generation gaps, prompting BEL's generation investments clarified in 4.1.

4.4 PUC Concern 4: Insufficient Evidence of Cost Containment Measures & Ongoing Liquidity Risk

4.4.1 The Commission expressed concern that, despite clear signals of emerging liquidity stress, there was limited evidence that strong cost containment measures were implemented.

BEL Response:

4.4.2 To BEL's knowledge, this is the first instance in which the Commission has explicitly sought detailed commentary on the cost-containment measures proactively implemented by the Company during this sector-wide supply crisis.

4.4.3 BEL welcomes this engagement and remains open to the Commission's guidance on any alternative mitigation measures that, given the circumstances reviewed in 4.1 – 4.3 could have reduced costs while simultaneously avoiding supply-related service interruptions for customers.

4.4.4 At this time, BEL respectfully clarifies that significant cost containment actions were implemented beginning in late 2024 and throughout 2025, including:

- Capital Investment Review and Freeze - A comprehensive review of the capital program resulted in the deferral of non-critical infrastructure projects by approximately twelve (12) months. Capital spending was restricted to:
 - Safety-critical repairs;
 - Regulatory compliance requirements; and
 - Customer-funded or grant-funded projects with no net cash impact.
- Staffing and Operating Cost Controls- BEL instituted a hiring freeze across the organization, with exceptions only for safety-critical and system reliability roles. Contractor utilization was reviewed and rationalized, and discretionary operating expenditures were curtailed.

4.5 BEL recognizes the seriousness of the Commission's concerns and reiterates that the decisions taken during this period were driven by system necessity and customer protection, rather than aggressive or imprudent expansion.

4.6 Going forward, BEL assures the PUC that it remains committed to strengthened financial controls and to work constructively with the Commission to restore financial stability and long-term viability across the electricity sector.

5. Areas of Acceptance

5.1 Acknowledgment and Acceptance

BEL confirms:

5.1.1 Acceptance and implementation of the approved tariffs effective **January 1, 2026**, including:

- i. Billing system updates to reflect **Schedule 6A tariffs**
- ii. Customer communications emphasizing cost recovery and system stability
- iii. Customer service preparedness for inquiries

(Specific Compliance Actions)

5.1.2 Consent Proceedings for Generation Assets. BEL acknowledges that formal Consent applications were not previously filed for the Westlake Gas Turbine upgrade, and the San Pedro Gas Turbine Acquisition Representing approximately \$80 million in investment.

5.1.3 BEL confirms that comprehensive Consent applications are currently being finalized and will be filed by the end month December 2025, under BEL's IPP Licence Application. BEL notes and appreciates the guidance and support provided by PUC staff during the preparation of these submissions.

5.1.4 BEL respectfully notes that the absence of filed Consent proceedings was a procedural matter occurring during a period in which the Commission itself has been revising and

strengthening the Licensing and Consent framework. During this period, deferring decisive action would have resulted in prolonged load shedding throughout 2025.

5.1.5 Overhead Cost Documentation. BEL has initiated immediate compliance with the Commission's directive by implementing monthly overhead utilization reporting, supported by detailed substantiation, to be submitted to the Commission on an ongoing basis.

6. Areas of Technical Clarifications and Reservation of Rights

6.1 Issue 1: Capacity Charge Methodology

BEL's Position

6.1.1 Capacity charges are a globally recognized and established component of cost-of-service regulation, designed to allow utilities to recover the prudent capital and fixed costs associated with maintaining reliable generation capacity. Financing costs incurred in connection with necessary generation investments are therefore legitimate and integral elements of capacity cost recovery.

6.1.2 In this context, BEL's claimed financing costs reflect its actual capital structure and debt obligations arising from investments prudently undertaken to ensure system reliability and continuity of service.

Reservation

6.1.3 *BEL therefore reserves the right to seek full recovery of capacity charges, subject to Consent approval, and reiterates that, under the advisement of the PUC, the Consent filings can be jointly advanced with its IPP Licence Application.*

6.2 Issue 2: COP Overhead Classification

BEL's Position

- 6.2.1 Certain costs that were disallowed as COP overheads are, in fact, directly attributable to generation operations and were incurred to support the reliable production and dispatch of electricity.
- 6.2.2 Additionally, interest charges on late payments to Independent Power Producers arose from acknowledged wholesale energy supply market cost and expansion inefficiencies, rather than from discretionary or avoidable operating expenditure, and should therefore be considered within the context of generation-related cost recovery.

Requests and Reservations

- 6.2.3 *BEL respectfully requests clear regulatory guidance distinguishing COP overheads from OPEX, together with the establishment of a transparent process through which BEL may seek timely regulatory advisories where cost classification is ambiguous.*
- 6.2.4 *BEL further requests consideration of a justified benchmark approach, in place of a fixed cap, that is aligned with prudently incurred generation-support costs. In this context,*
- 6.2.5 *BEL reserves the right to seek recovery of any costs that are appropriately reclassified in future proceedings, subject to regulatory advisement on the appropriate mechanisms for addressing unrecovered cost components.*

6.3 Issue 3: Unrecovered Variance Amount (\$18.8M)

BEL's Position

- 6.3.1 BEL's demonstrated a cumulative variance of \$84.1 million, of which the Commission approved recovery of \$65.3 million, leaving an unrecovered balance of \$18.8 million.
- 6.3.2 BEL maintains that this remaining amount represents legitimate and prudently incurred costs necessary to preserve system reliability and continuity of service during a period of exceptional wholesale supply constraints.

Requests and Reservations

- 6.3.3 *Accordingly, BEL expressly reserves the right to seek recovery of the unrecovered \$18.8 million in future proceedings.*

6.3.4 BEL respectfully requests the Commission’s procedural guidance on the appropriate regulatory mechanism—whether through a future Annual Review Proceeding (ARP), a separate proceeding, or Consent-related recovery—to address unrecovered cost components, including: (i) BEL-owned generation capacity charges; (ii) COP-associated professional and operational support costs; and (iii) interest on late power purchase payments.

7. Formal Reservation of Rights

BEL’s implementation of the Commission’s Initial Decision shall not be construed as agreement with all findings, calculations, or interpretations contained therein. BEL expressly reserves all rights available under the regulatory framework to seek reconsideration, clarification, or recovery of disallowed costs in future proceedings, including but not limited to the **\$18.8 million variance difference**, capacity charges subject to Consent approval, overhead cost reclassifications, and recovery period interpretations.

BEL sincerely thanks the Commission for the depth of analysis and care reflected in its review and remains fully committed to working constructively and transparently with the Commission to strengthen the long-term financial sustainability, reliability, and modernization of Belize’s electricity sector.

Respectfully submitted,
Belize Electricity Limited

Electronically RSigned by:


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Khadija Usher
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Cc. Minister Michel Chebat, Minister of Public Utilities, Energy & Logistics



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