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1st April 2026

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

Dear Chairman Molina,

Belize Electricity Limited ("BEL" or "the Company") respectfully submits its filing for the Annual Review Proceedings ("ARP") for the 20252026 Annual Tarriff Period ("ATP"), in accordance with the Electricity (Tariffs, Fees and Charges) Byelaws, 2024 ("the Byelaws").

The filing is supported by relevant historical data, forward-looking cost projections, and detailed calculations, as presented in the accompanying "TBR Workbook – 2026-04-01" and supplementary data folder "Supplementary Data – 2026-04-01."

In summary, in this ARP submission, BEL requests the Commission's approval to maintain the existing effective tariff structure, subject to implementing an automatic Cost of Power ("COP") adjustment mechanism to address ongoing cost of power volatility.

We submit this filing for the Commission's review and approval, and remain available to provide any additional information or clarification as may be required.

Sincerely,
Belize Electricity Limited

Khadija Usher
Manager, Wholesale Energy Market Division

Cc. Ambassador Lynn Young, Executive Chairman – Belize Electricity Limited

Director Ernesto Gomez, Director Tariffs, Standards & Compliance – Public Utilities Commission

0.0 EXECUTIVE SUMMARY

0.1 Introduction

0.1.1 This filing represents Belize Electricity Limited's ("BEL" or "the Company") submission to the Public Utilities Commission ("PUC" or "the Commission") for the Annual Review Proceedings (ARP) for the Annual Tariff Period (ATP) 2025–2026, in accordance with the *Electricity (Tariffs, Fees and Charges) Byelaws, 2024* ("the Byelaws").

0.1.2 Pursuant to *Part IV, Sections 29 and 30* of the Byelaws, *the Licensee is required to submit, at least ninety (90) days prior to the commencement of an ATP*, proposed values for regulated parameters, including the Mean Electricity Rate (MER), tariffs, rates, charges, and fees, together with a report on performance against established service quality standards and regulatory benchmarks.

0.1.3 The submission is further required to include relevant historical data, forecasts of future costs, and detailed supporting calculations to substantiate the Licensee's proposals. We present this data in '*TBR Workbook – 2026-04-01,xlsx*' and supplementary data folder '*Supplementary Data- 2026-04-01*'.

0.1.4 This filing constitutes BEL's second annual rate adjustment application following the conclusion of the *Full Tariff Review Proceedings (FTRP) for the period 2024–2028*.

0.1.5 This review is being undertaken within the context of a global trend of rising energy prices. With limited access to firm and lower-cost energy supply, BEL will continue to experience high cost of power until new, lower-cost renewable and firm in-country generation becomes available. This is not expected within the next 24 months. The elevated cost of power has had a direct negative impact on the company's financial stability and, consequently, on customer tariffs.

0.1.6 By comparison, the FTRP projections implied a significantly higher growth trajectory and lower cost, with planned sales increasing from 726.4 GWh in ATP 2024–2025 to 779.9 GWh in ATP 2025–2026, representing an expected growth of approximately +7.4%. The divergence between actual growth (2–4%) and planned growth (~7%) consistently result in price and volumetric variances that have implications for revenue sufficiency, cost recovery, and system planning, and reinforce the need for timely recovery.

0.2 Filing Request

0.2.1 Regulatory Ask

BEL requests that the PUC freeze the current effective tariff structure, specifically:

i. The Mean Electricity Rate (MER) is maintained at $0.4428/kWh.
ii. The Reference Cost of Power (RCOP) is held at $0.3033/kWh.

, subject to an approved automatic COP Recovery/Rebate adjustment mechanism.

Given current delays in lower-cost supply alternatives and planned capacity expansion projects (tentatively scheduled for 2028), BEL requests that the tariffs remain at these levels but with the adjustment mechanism to better manage the volatility in Cost of Power that continues to affect the company's financial stability and its ability to provide good service.

0.2.2 Proposed Mechanism for Cost Variations

To manage the volatility in the actual Cost of Power (COP), BEL proposes the use of dynamic monthly adjustments, rather than infrequent, large-scale tariff resets.

Key features of this approach:

- *Base Tariff Remains Fixed:* The MER and RCOP are unchanged, providing stability and predictability for customers.

- *Automatic Monthly COP Adjustments*: Each month, any difference between actual COP and RCOP is reflected in a small, calculated adjustment to the tariff. This adjustment may be upward or downward (a recovery or rebate).

- *Six-Month Lagged Rolling Average*: Adjustments are based on the average actual COP over the preceding six months, to smoothen short-term volatility

- *Bi annual submissions* will be made for the PUC to review, make amendments to the reference cost of power as deemed necessary, and approve the balance to be recovered or rebated.

1.0 REQUESTED AUTOMATIC MONTHLY RECOVERY/REBATE MECHANISM

1.1 Appropriateness of a Monthly COP Recovery/ Rebate Adjustment Mechanism in the Belize Context:

1.1.1 The Commission has previously expressed concern that regional experience with fuel cost adjustment mechanisms may not be directly transferable to Belize, given the country's relatively diverse generation mix and lower reliance on fossil fuels. BEL acknowledges this distinction. Further, the Commission has prior expressed that with the prospective integration of solar and storage under a fixed-tariff structure, the system's marginal COP is expected to stabilize.

1.1.2 However, the evidence demonstrates that cost volatility in Belize is not eliminated by diversity or renewable penetration—rather, it is driven by the underlying characteristics of each resource type and their interaction within system dispatch.

1.1.3 Accordingly, we present the following considerations:

1.1.3.1 While a significant portion of Belize's renewable supply is contracted under fixed-price PPAs (notably hydro, biomass, and future solar), the primary source of cost variability is not price *per s*e, but energy

availability. Hydro generation—particularly from HydroBelize facilities—exhibits pronounced intra-day and inter-annual variability driven by hydrological conditions.

1.1.3.2 Belize's diversified supply mix introduces an additional, often overlooked source of variability—economic dispatch optimization. Unlike single-technology systems, BEL actively manages a portfolio comprising of hydro, biomass, imports, and thermal generation. This allows for cost-based dispatch and implicit hedging, where the utility adjusts the generation mix in response to prevailing system conditions (hydrology, demand levels, fuel prices, and import availability).

1.1.3.3 While this flexibility is beneficial and can reduce average costs over time, it also means that monthly COP outcomes reflect dynamic trade-offs rather than fixed cost structures. The resulting COP is therefore inherently variable, even in the absence of fuel price shocks.

1.1.3.4 Also, even ostensibly "stable" thermal peaking supply introduces variability through its variable cost component, including fuel consumption and efficiency-related factors. As thermal units are dispatched more frequently during periods of low renewable output, their cost impact becomes more pronounced, further contributing to fluctuations in monthly COP.

1.1.3.5 These dynamics are clearly reflected in BEL's historical data. The total per-unit cost of wholesale power exhibits sustained variability, with observed monthly COP ranging broadly (approximately $0.16/kWh to over $0.46/kWh in extreme cases).

1.1.3.6 Importantly, this variability does not track a single fuel or resource; rather, it corresponds to shifts in the generation mix, particularly between hydro availability and reliance on imports and thermal generation. This confirms that volatility in Belize is structural and system-driven, not fuel-specific.

1.2 COP is the most volatile component of the electricity tariff, and BEL anticipates little stabilization across the near and medium term.

1.3 To manage this volatility, BEL proposes a monthly adjustment mechanism that allows power supply costs to be passed through to customers in a timely and transparent manner, while avoiding sudden and disruptive changes in tariffs.

1.4 Under this approach, the current effective **MER and RCOP remains fixed for the duration of the remaining FTP**, specifically:

(i) The Mean Electricity Rate (MER) is held at **$0.4428/kWh**, and
(ii) The Reference Cost of Power (RCOP) is set at **$0.3033/kWh**.

1.5 Any difference between actual COP and the RCOP is then managed through the monthly adjustment that is identified by a separate line item on the customer's bill, rather than through infrequent and larger tariff resets.

1.6 To avoid passing short-term fluctuations directly to customers, the mechanism incorporates a six-month lagged rolling average. In simple terms, each month's adjustment is based on the average cost of power over the previous six months, rather than any single month's outcome.

1.7 This design achieves two (2) important outcomes:

- Smooths volatility, particularly during periods of sharp changes in hydro generation or imports & thermal dispatch; and
- Ensures that adjustments are based only on actual, verified costs, which strengthens transparency and reduces the risk of disputes.

1.8 **Calculation of Monthly Recovery/Rebate Adjustment** (Ref. 'RCOP-Schedule' *tab of TBR Workbook - 2026-04-01*)

1.8.1 Each month, the six-month average COP is compared to the reference level (RCOP) embedded in the MER. The difference between the two determines whether an upward or downward adjustment is required. If actual costs are higher than expected, a positive/upward adjustment is applied; if lower, customers receive a reduction.

1.8.2 In addition, to ensure the timely and systematic recovery (or rebate) of prior-period balances, the monthly adjustment incorporates a recovery component based on the accumulated deferred balance. This component is calculated by spreading the accumulated deferred balance as of the prior month over the most recent six months of actual demand (kWh).

Accordingly, the monthly COP adjustment (COPADJ) shall be calculated as follows:

$$COPADJ_t = C\bar{O}P_{(t-1,\ldots,t-6)} - RCOP + \frac{Accumulated\ Deferred_{t-1}}{\sum_{i=t-1}^{t-6} Demand\ d_i}$$

where:

- $C\bar{O}P$ is the six-month lagged average cost of power,
- $RCOP$ is the reference cost of power, and
- $Accumulated\ Deferred_{t-1}$ is the total deferred balance carried forward at the end of the previous month.

1.8.3 A symmetric cap on adjustments is applied to protect customers from volatility. Monthly adjustments are capped at ±5% of the RCOP. This cap works in both directions, limiting how much tariffs can increase in any given month, and ensuring that customers benefit from cost reductions when power supply costs fall. Accordingly, the monthly adjustment shall be subject to a symmetric cap of ±5% of the RCOP, applied as follows:

$$\text{COPADJ\_CAP}_t = \max\left(\min\left(\pm\text{COPADJ}_t,\ \pm 5\% \times \text{RCOP}\right),\ \pm 5\% \times \text{RCOP}\right)$$

1.8.4 The capped adjustment is applied to monthly energy sales to determine how much of the actual COP is recovered in that period, and allocated across customer classification.

1.8.5 Where the cap prevents full recovery (or full rebate) of costs in a given month, the difference is recorded as a deferred balance. This balance can be:

- Positive (under-recovery) when costs exceed what is recovered, or
- Negative (over-recovery) when collections exceed actual costs.

These amounts are tracked in a dedicated regulatory account and carried forward, calculated as:

$$\text{Deferred}_t = (\text{COPADJ}_t - \text{COPADJ\_CAP}_t) \times \text{Demand}_t$$

Over time, as cost conditions evolve, the inclusion of the deferred recovery component within the monthly adjustment ensures that these balances are systematically and transparently amortized, rather than relying solely on future cost variability.

2.0 TARIFF BASKET REVENUE (TBR) REVIEW & FORECASTS

2.1 Tariff Basket Revenue (TBR) ATP's 2024-2025 & 2025-2026 Review

Ref. 'TBR' tab of *TBR Workbook - 2026-04-01:*

i. 'TBR' – Tariff Basket Calculations
ii. 'RCOP' – Forecasted COP Recovery Schedule
iii. 'OPEX_Actuals' – Historical Operating Expenditure
iv. 'OPEX_Projections' – Forecasted Operating Expenditure
v. 'CAPEX_Actuals' – Historical Capital Investment
vi. 'CAPEX_Projections' – Forecasted Capital Investment
vii. 'FAV_RAV' – Historical & Forecasted Asset Value
viii. 'Energy Demand' – Historical & Forecasted energy sales
ix. 'COP' – Historical & Forecasted cost of power
x. 'Service Delivery' – Historical & Forecasted Service Delivery Metrics

2.1.1 The comparison between PUC-approved and BEL actual/forecast values highlights a material divergence in both cost structure and sales performance over the FTRP period.

2.1.1 On the cost side, the variance is driven primarily by increases in Cost of Power (COP) and Value Added Delivery (VAD) components. For ATP 2025–2026, forecast COP exceeds the approved level by approximately 9%, while VAD is higher by approximately 17%, reflecting upward pressure from operational expenditures, depreciation, and required returns associated with ongoing and accelerated investments.

2.1.2 On the demand side, actual and forecast sales have consistently underperformed relative to approved projections, with ATP 2025–2026 forecast demand approximately 6% below the PUC-approved level. This divergence reflects a combination of supply-side constraints, high cost of power conditions, and the emergent impact of distributed generation (DG).

2.1.3 The combined effect of higher-than-expected costs and lower-than-expected sales has resulted in a significant increase in the Mean Electricity Rate (MER). For ATP 2025–2026, the forecast MER of approximately $0.4859/kWh is materially above the approved level of $0.4090/kWh, representing an increase of approximately 19%. This widening gap underscores the growing misalignment between the approved tariff trajectory and actual system conditions

2.1.4 For ATP 2024-2025, the FTRP 2024-2028 forecasted a reference unit COP of 0.2723/kWh based on a projected demand of 726.43 GWhs, as detailed in Table 1.

2.1.5 However, for ATP 2024–2025, BEL recorded an actual COP of $193.07 million for a realized demand of 707.36 GWhs, resulting in BEL's COP, collected through the approved MER, of $192.60 million. This results in a marginal outturn of $463,240.

2.1.6 For ATP 2025-2026, the FTRP 2024-2028 forecasted a unit reference COP of 0.2690/kWh based on a projected demand of 779.87 GWhs. This reference unit COP remained effective from July 2025 to December 2025 during which time BEL realized a demand of 377.10 GWhs resulting in COP collection of $101.65 million through the approved MER versus the realized COP of $112.73 million, a difference of $11.08 million for COP expenditure over this mid-ATP period.

2.1.7 Mid-period ATP 2025-2026, the ARP Amendment 2025 Final Decision approved an increase of $0.0337/kWh to the MER for the period of January to June 2026 for the recovery of past COP variances.

2.1.8 Given that this increase represents COP-related variances, we assume the increase applies wholly to the reference unit COP component of the MER, and thus applied a reference unit COP of $0.03033/kWh for the period January–June 2026 based on a forecasted demand of 362.61 GWhs for this amended period.

2.1.9 The increase was executed starting January 2026. As such, the amended reference COP of $0.3066/kWh was applied to determine the variances between the COP BEL collected for January -February 2026 and what BEL is projected to collect for March to June 2026 for COP via the amended MER.

2.1.10 Price variances indicates a material and growing gap between approved and actual costs, particularly in the recovery of Cost of Delivery (COD) and Cost of Power (COP). For ATP 2024–2025, COD under-recovery amounted to approximately $6.7 million, based on audited actuals. This gap has widened significantly in ATP 2025–2026, with forecast under-recovery increasing to $22.8 million, reflecting continued pressure from higher operating costs and lower-than-expected sales volumes.

2.1.11 Similarly, COP under-recovery for the period July–December 2025 reached $11.1 million, with a further $8.2 million projected for January–June 2026. These trends are indicative of sustained increases in power supply costs, coupled with the lag in tariff adjustments.

2.1.12 In addition, other regulatory adjustments—including RSA for generation ($11.4 million) and power purchase overheads ($3.8 million)—contribute to a total cumulative variance of approximately $64.5 million. A significant portion of these amounts is based on near-end-of-period forecasts, but the direction and magnitude of the variances are clear and consistent. The proposed monthly COP adjustment mechanism is intended to address this issue directly by enabling more timely, incremental recovery of actual costs, thereby reducing the buildup of deferred balances and enhancing both rate stability and regulatory transparency over time.

2.2 Tariff Basket Revenue (TBR) ATP's 2026-2027 & 2027-2028 Forecast

2.2.1 Looking forward, the divergence between approved and required VAD is expected to persist. BEL forecasts VAD of:

- $128.04 million for ATP 2026–2027 vs. $113.89 million approved (+12.4%), and
- $136.44 million for ATP 2027–2028 vs. $122.68 million approved (+11.2%).
- Across the FTP 2024–2028 period, this results in a cumulative shortfall of approximately $50.2 million (11.2%) relative to the PUC-approved trajectory.

2.2.2 Further, BEL forecasts continued elevation in COP:

- ATP 2026–2027: $241.37 million vs. $222.05 million approved (+8.7%) - $0.313/kWh vs. $0.269/kWh
- ATP 2027–2028: $232.48 million vs. $223.61 million approved (+4.0%) -$0.290/kWh vs. $0.258/kWh

2.2.3 Across the FTP period, total COP is forecast at $896.28 million, exceeding the PUC-approved $853.68 million by approximately $42.6 million (5.0%), with consistently higher per-unit energy costs ($0.297/kWh vs. $0.267/kWh).

2.2.4 Critically, meaningful downward pressure on COP is not expected until at least 2028, when new, lower-cost supply and capacity additions are anticipated to enter the system. The upward pressure on COP is driven by a combination of external and structural factors:

- Emergency Generation (2026–2027):
  Critically, the forecast includes monthly rental charges for emergency generation capacity across calendar years 2026 and 2027.
  This is required to maintain adequate in-country supply margins and system reliability in advance of committed capacity additions. These costs are unavoidable and represent a direct response to near-term capacity constraints.

- Sustained High Import Prices (CFE):
  Forecasts assume continued elevated prices consistent with 2024–2025 levels, reflecting regional fuel price exposure and market conditions.

- Hydrology Variability and El Niño Outlook:
  - 2026 & 2028: Modelled as moderate-to-high rainfall years, supporting stronger hydro generation;

- 2027: Modelled as a moderate-dry year on account of projected El Niño, resulting in reduced hydro output and increased reliance on thermal and imports.

- Limited Near-Term Capacity Additions:
  - The BAPCOL 15 MW solar facility is incorporated from January 2027; however, no additional capacity expansion is assumed in the absence of executed PPAs.

2.2.5 This divergence is largely attributable to the COP component, which increases from $0.2690/kWh to $0.3126/kWh in 2026–2027 and from $0.2580/kWh to $0.2900/kWh in 2027–2028, reflecting a more conservative and operationally grounded view of the generation mix, including continued reliance on imports and thermal generation.

2.2.6 In parallel, Direct Cost of Delivery (excluding taxes) also increases, though more moderately, indicating that the primary cost pressure is external to BEL's controllable cost base.

3.0 TIMELINESS OF AUTOMATIC RECOVERY/REBATE MECHANISM GIVEN TBR OUTLOOK

3.1 Essentially, if revenues continue to be collected at the current approved MER (Amendment 2025), projected collections of approximately $335.3 million in 2026–2027 and $349.1 million in 2027–2028 would fall materially short of the revised TBR. This results in projected under-recoveries of $40.35 million and $25.78 million, respectively. These estimates are based on reference-case assumptions and do not incorporate potential upside risks to COP, including geopolitical developments that could further elevate global fuel prices. Even under these baseline conditions, COP alone is sufficient to generate significant expenditure pressure.

3.2 Consequently, the cumulative impact is an accelerated build-up of regulatory balances, with the Regulatory Asset Balance (RAB) projected to reach approximately $110.2 million by end-2026–2027, rising further to $136.0 million in 2027–2028.

3.3 In the absence of near-term relief in wholesale energy costs—particularly ahead of planned capacity expansion projects currently anticipated around 2028—BEL faces a heightened risk of cash flow constraints, alongside continued accumulation of already elevated regulatory balances.

3.4 There is a clear need for the mechanism that enables more timely recovery of COP variances, while preserving tariff stability. We therefore request that the monthly COP recovery mechanism be implemented as an amendment to the existing calculation of COP under the PUC's MER methodology to include a formula for the monthly adjustment rate, as a targeted response to mitigate further balance accumulation and strengthen financial sustainability.

3.5 The proposed methodology results in incremental monthly recoveries, rather than large, deferred corrections. As reflected in the forecasted *RCOP-Schedule* of *TBR Workbook - 2026-04-01*, monthly recoveries generally fall within a controlled band (approximately ±$1.3–$1.6 million), avoiding abrupt tariff shocks while still maintaining steady cost recovery.

3.6 By the end of the FTP, the deferred balance is reduced to less than $1.8 million, demonstrating that the mechanism effectively unwinds prior under-recoveries without requiring step changes in tariffs.

3.7 This stands in sharp contrast to the TBR framework, where comparable cost pressures would translate into tens of millions of dollars in unrecovered balances, persisting until the next regulatory reset. The monthly mechanism therefore significantly reduces the magnitude, duration, and financial impact of variances, while preserving tariff stability through smoothing and capping.

FILING REQUEST:

(i) BEL proposes that the PUC freeze the current effective tariff structure, with the Mean Electricity Rate (MER) at $0.4428/kWh and the Reference Cost of Power (RCOP) at $0.3033/kWh

(ii) Without relief from wholesale COP in the near- to medium-term given delays in lower-cost supply and planned capacity expansion projects. To manage Net Corrections and future deviations between actual COP and RCOP, BEL proposes:

- Automatic monthly COP Recovery/Rebate Adjustments: Each month, any difference between actual COP and RCOP is reflected in a small, calculated adjustment to the tariff, as presented in *Section 1.0*.
- Six-Month Lagged Rolling Average: Adjustments are based on the average actual COP over the preceding six months to smoothen short-term volatility
- Bi-annual submissions will be made for the PUC to review, make amendments to the reference COP as deemed necessary, and approve the balance to be recovered or rebated.

This approach smooths short-term volatility, ensures transparency and auditability, protects customers from abrupt tariff changes, and allows BEL to recover prudently incurred costs in a predictable, balanced, and continuous manner.

END.

Envelope Data

Subject: Signature for ARP
Documents: 2026-04-01-ARP 2025-2026 BEL_ to_PUC _ Final.pdf
Document Hash: aLIh/yig4a+EkFdDIAncgHGZy6gsqSZsOqZDP7ljTy4=
Envelope ID: ENV04533366-1173-AABB-9529-BCFA
Sender: Abigail Gillett
Sent: 02-04-2026 02:20 AM UTC
Status: Completed
Status Date: 02-04-2026 02:21 AM UTC

Access Authentication: None
Email Access Code: Not Enabled
Email Verification: Not Enabled

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			02-04-2026 02:21 AM UTC	**Status - Completed**

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