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**13th July 2026**

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

Dear Chairman Molina,

BEL COMMENTS ON INITIAL DECISION 2026 ANNUAL REVIEW PROCEEDING THE ANNUAL TARIFF PERIOD 2026|2027

Belize Electricity Limited (BEL) hereby submits its formal response to the Commission's Initial Decision dated 1 July 2026 in respect of the 2026 Annual Review Proceedings.

At the outset, we wish to acknowledge the Commission's efforts in advancing key elements of the regulatory framework, particularly the introduction of the Cost of Power Adjustment (COPADJ) mechanism. We consider this a meaningful step toward improving the responsiveness and transparency of cost recovery within the tariff structure.

Notwithstanding the above, BEL's review has identified an important gap within the Commission's COPADJ methodology. As articulated in the enclosed Comments, the mechanism does not explicitly address the treatment of deferred balances arising where the ±5% cap constrains full recovery (or rebate) in any given month. This appears to be an oversight in the formulation, which can be readily remedied through the inclusion of a defined deferred balance or true-up component.

Essentially, BEL agrees that, to maintain alignment with the prospective Corrections principle, deferred balances i.e., amounts not recovered or rebated due to the application of the monthly cap, should be spread over future sales rather than historic sales (PUC's Note #44(b)).

BEL's original proposal, which applied the balance across already measured demand, was intended to reduce forecasting reliance and enhance simplicity. Notwithstanding this, BEL is amenable to ensuring that the mechanism adheres to the Commission's principle, so long as the methodology explicitly provides for the tracking and recovery of deferred amounts. As currently formulated, no such provision is included.

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In the absence of a defined deferred balance or true-up component embedded in the function, unrecovered costs/savings will accumulate, ultimately resulting in the re-emergence of large and abrupt tariff adjustments, similar to those experienced under the existing methodology where recovery/rebate becomes dependent solely on future cost movements. This outcome would undermine the core objective of the COPADJ.

Through the incorporation of a deferred balance component (as outlined in Section 1.8.2 of BEL's original Submission and presented in the enclosed Comments), the COPADJ will be complete in its design to ensure that any constrained recovery/rebate is systematically amortized over time.

In addition to the above, BEL's response addresses several other aspects of the Initial Decision, including the treatment of regulated values (VAD & Corrections). BEL recognizes that this review would require sufficient time and careful consideration; however, it is in the public's interest to avoid any unnecessary extension of the statutory timelines applicable to an ARP. Accordingly, the enclosed Comments propose that these matters continue to be addressed through structured engagement outside the confines of the ARP timelines, while ensuring that the outcomes of that review are appropriately considered in future regulatory proceedings.

BEL remains committed to working collaboratively with the Commission. We recognize the significant work undertaken by the Commission and its staff in reviewing the matters before it and looks forward to continued engagement as the Proceeding progresses.

Sincerely,
Belize Electricity Limited

Lynn Young

Ambassador Lynn Young
Executive Chairman
Belize Electricity Limited

Cc. Hon. Michel Chebat SC – Minister of Energy, Public Utilities & Logistics
Dr. Leroy Almendarez – Chief Executive Officer, Ministry of Energy, Public Utilities & Logistics
Director Ernesto Gomez, Director Tariffs, Standards & Compliance – Public Utilities Commission
Dr. Khadija Usher, Director Strategy Business Development Regulatory Affairs, BEL

## BEL COMMENTS ON INITIAL DECISION 2026 ANNUAL REVIEW PROCEEDING THE ANNUAL TARIFF PERIOD 2026|2027

1. **BEL Comments on the Commission's Review of the Merits of an Automatic COP Adjustment Mechanism:**

   a. **COP Adjustment Tariff Methodology- Absent Treatment of Deferred Balances in Commission's Methodology**

BEL welcomes the Commission's Initial Decision as a constructive step forward in several key areas, particularly its general alignment with BEL's position on the Cost of Power (COP) and the introduction of a COP Adjustment mechanism.

However, the Commission's methodology, as currently articulated, does not explicitly address the treatment of deferred balances. The absence of a defined mechanism for managing deferred costs will result in the re-emergence of large adjustment swings, exactly like those experienced under the current methodology, where recovery/rebate is solely dependent on future cost movements.

Specifically, we reference the Commission's Schedule 6C item #3 formula for calculating the COP Adjustment Tariff which, without a true-up component to manage deferred balances, results in a fundamental shift from what the mechanism aims to achieve.

We draw the Commission's attention to BEL's submission (Section 1.8.2 – Calculation of Monthly Recovery/Rebate Adjustment). In BEL's proposed method, where the ±5% cap constrains full recovery or rebate in a given month, the unrecovered balance is explicitly recorded as a deferred balance and systematically amortized through future adjustments (highlighted). This ensures that all prudently incurred costs are ultimately recovered (or returned), in a transparent and structured manner.

$$COPADJ_t = \overleftarrow{COP}_{(t-1,\ldots,t-6)} - RCOP + \frac{Accumulated\ Deferred_{t-1}}{\sum_{i=t-1}^{t-6} Demand\ d_i}$$ where:

- $\overleftarrow{COP}$ 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.

*Ref: BEL Submission ARP 2026 – COP Adjustment Formula*

*Note: BEL wishes to clarify that its comment is limited to the deferred balance component of the above formula. BEL has no issue with the other amendments made by the Commission to the remaining components of the formula and is only seeking confirmation that accumulated under- or over-recoveries will continue to be tracked and appropriately reflected through the COP adjustment mechanism.*

Given the PUC's Note #44(b), BEL agrees that, to maintain alignment with the prospective Corrections principle, deferred balances i.e., amounts not recovered or rebated due to the application of the monthly cap, should be spread over future sales rather than historic sales. BEL's original proposal, which applied the balance across already measured demand, was intended to reduce forecasting reliance and enhance simplicity.

Notwithstanding this, BEL is amenable to spreading such balances over future sales, as our primary concern is not the principle adopted by the Commission, but rather that the mechanism explicitly provides for the tracking and recovery of deferred amounts (e.g., through a term such as Accumulated $\text{Deferred}_{t-1}$ divided by forecast demand). In the absence of such a provision, amounts constrained by the ±5% cap are not systematically carried forward and allocated over future sales, and therefore the stated approach is not reflected in the operation of the methodology.

**BEL therefore requests that the Commission clarify and amend the COPADJ methodology to explicitly incorporate a defined deferred balance (true-up) mechanism, ensuring the complete application of the mechanism.**

b. **Sandbox Testing Duration**

BEL submits that it would be both practical and necessary for the duration of the Regulatory Sandbox to extend through to the end of the current FTP.

This submission is supported by the timing of lower-cost supply and capacity expansion projects, which are now expected to materialize no earlier than Q2 2028. As reflected in the Commission's review of the Tariff Basket Revenue, the current cost structure, particularly the elevated cost of power, persists over the remainder of the FTRP period in the absence of these lower-cost resources.

In this context, the COPADJ mechanism serves as the primary tool to reconcile ongoing cost variances. Extending the Sandbox accordingly ensures that the mechanism remains in place over the period during which these structural cost pressures are expected to persist.

We ask that the Commission give due consideration to Financiers reliance on a stable and predictable regulatory environment for reasonable assurances that the company will be able to service its debt obligations. The company is already experiencing significant difficulties in financing its payables due to lack of assurances that the large excess cost of power will be recovered in a timely manner.

**Accordingly, BEL requests that the Commission approve an extension of the Regulatory Sandbox for the COPADJ mechanism through to the end of the current FTRP period or in the alternative, codify the methodology at the earliest.**

c. **Clarification on GST Treatment of COPADJ**

BEL further notes that the Government of Belize has approved that the Cost of Power Adjustment (COPA/COPADJ) will not be subject to General Sales Tax (GST).

While the application of GST falls outside the direct purview of the Commission, we make this observation as it will be important to ensure full alignment across regulatory determinations, billing implementation, and customer communications, so that customers are presented with accurate and consistent bill impacts, and there is no ambiguity in how the COPADJ is applied in practice. The tax treatment of the COPADJ will be codified in law and the lack of equal permanency in the regulatory treatment leads to unnecessary ambiguity. This is not helpful for consumers, tax officials, nor financiers.

**BEL will reflect the Government's approved tax treatment in its billing implementation and customer communication materials and will continue to coordinate with the Commission to ensure consistency in presentation.**

2. **BEL Comments on the COMMISSIONS FINDINGS & DETERMINATIONS – ARP Regulated Values:**

We note that the Commission applied lower allowances across OPEX, return, and depreciation, reducing VAD by approximately $54.2 million relative to BEL's submission, and recognized approximately $16.7 million less in past ATP corrections.

With respect to BEL's 2025 calendar year investments, BEL further notes that the Commission disallowed approximately $22.78 million of CAPEX from inclusion in the RAV, out of total investments of $95.77 million.

The implications of this determination are significant, as at year-end 2025, the PUC's assessed RAV, on which BEL is permitted to earn an 8% rate of return, is approximately $265.6 million lower than BEL's recorded fixed asset base despite these assets being not only used and useful, but necessary to provide a reliable service. This materially reduces both return and depreciation recoverable under the tariff.

This means that shareholders are being forced to subsidize service to customers and effectively renders the company's operation "unfinanceable" since its effective return is less than its cost of capital.

*BEL's Position on Disallowed Costs:*

**a. BEL Investments & Provisionally Allowed Corrections of Completed ATPs:**

We consider that a structured review between BEL and the Commission is needed. Based on BEL's assessment, several items of disallowed CAPEX, and the resulting disallowed RAV, are not inherently ineligible for regulatory recovery. Rather, the Commission's concerns appear to relate primarily to the traceability of certain expenditures to approved FTRP project categories, including:

i. The treatment of policy-driven and externally coordinated projects, including rural electrification and micro-grid initiatives undertaken in collaboration with the Government of Belize; and
ii. Resolution of apparent inconsistencies where investments aligned with approved categories (e.g., "Specialized Work Equipment" and "Substation Standardization & Redundancy" under Schedule 8) were nonetheless disallowed.
iii. The appropriate treatment of network upgrades undertaken to facilitate distributed energy resources (DERs);

In this context, and recognizing that proper reconciliation will require time, detailed review, and in some cases further consultation, BEL reserves its right to revisit the Commission's assessment of VAD following completion of a structured review and reconciliation exercise.

Our engagement in this process is without prejudice to its position, and BEL expressly reserves its right to challenge the Commission's determinations, including the exclusion of CAPEX from the RAV, particularly where such investments are aligned with Government policy or undertaken in support of Government-led initiatives, including the EU–GOB Rural Electrification Programme.

**b. OPEX**

Since the establishment of the current OPEX baseline during FTRO 24|28, the sector has undergone significant change. Amendments to the regulations have expanded the scope and complexity of the electricity market, particularly with the integration of distributed energy resources (DERs), increased system management requirements, and a materially higher level of customer-facing activity.

At the same time, external factors have caused the highest inflation levels in recent times, even as Belize has experienced stronger-than-anticipated economic growth following the COVID-19 period, driving higher demand for connections, service delivery, and network expansion.

We submit that the Commission is maintaining baseline assumptions are  no longer practical or representative of actual operating requirements.

While BEL has provided detailed, itemized OPEX data to support its position, this has not been substantively engaged in the Commission's assessment. In this regard, BEL respectfully requests greater clarity on whether specific components of the submitted OPEX have been deemed imprudent, and if so, the basis for such determinations. This level of transparency is necessary to support a meaningful review and ensure alignment on what constitutes efficient and recoverable operating expenditure.

**Given the material financial and operational implications of these determinations, BEL requests that the Commission commit to a structured, time-bound and substantive review of both disallowed CAPEX (including RAV treatment and Corrections) and OPEX over the course of the current ATP.**

**This review should include clear timelines, defined information requirements, and transparent criteria for assessment, with a view to resolving outstanding eligibility and prudency matters by the end of calendar year 2026.**

**END**

## Envelope Data

Subject: For Review and Approval - BEL Response on 2026 ARP Initial Decision
Documents: 2026-07-13-BEL Response on 2026 ARP Initial Decison-for Signature.docx
Document Hash: rGHTKksAFLV3evjpwr1JciRYQZXU2DF51dzNIpDVBts=
Envelope ID: ENV65622736-5932-CAEE-8812-EDEE
Sender: Mayra Pech
Sent: 13-07-2026 17:00 PM CDT
Status: Completed
Status Date: 13-07-2026 17:18 PM CDT

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

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| Name / Roles | Email | IP Address | Date | Event |
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| Mayra Pech | mayra.pech@bel.com.bz | 200.32.255.226 | 13-07-2026 17:00 PM CDT | Created |
| Lynn Young | Lynn.Young@bel.com.bz | 200.32.211.206 | 13-07-2026 17:18 PM CDT | Signed |
| | | | 13-07-2026 17:18 PM CDT | **Status - Completed** |

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|---|---|---|
| Lynn Young | Lynn Young | |