Public Utilities Commission BELIZE

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2nd Floor, Marina Towers
New Town Barracks
Belize City, Belize

17 July 2026

Mr. Lynn Young
Executive Chairman
Belize Electricity Limited
Belize City, Belize

Dear Mr. Young,

RE: FINAL DECISION – 2026 ANNUAL REVIEW PROCEEDINGS

The Public Utilities Commission ("PUC") acknowledges receipt of your letter dated 13 July 2026 in which Belize Electricity Limited ("BEL") provided meaningful comments regarding the PUC's Initial Decision dated 1 July 2026.

Given that BEL has not objected to the Initial Decision, that decision becomes a Final Decision, and is enclosed along with the Final Order for your attention.

The PUC is resolutely committed to working with (and consider the comments made by) BEL to ensure that the Cost of Power Adjustment ("COPA") achieves its objectives during the period established for the Sandbox, which takes effect immediately and runs until July 30, 2027.

Ultimately, the goal of both the PUC and BEL is to develop a robust rate setting methodology, while at the same time, ensuring that the regulatory principles of consumer protection and efficiency remain intact.

We anticipate BEL's first filing with the PUC in accordance with Schedule 6C of the PUC's Order.

With best regards,

Dean Molina (Mr.)
Chairman – Public Utilities Commission

c. Hon. Michel Chebat SC – Minister of Energy, Public Utilities & Logistics
Dr. Leroy Almendarez – Chief Executive Officer, Ministry of Energy, Public Utilities & Logistics
Mr. Ernesto Gomez – Director – Tariffs, Standards and Compliance (PUC)

PUBLIC UTILITIES COMMISSION

FINAL DECISION

(2026 ANNUAL REVIEW PROCEEDING)

for

Belize Electricity Limited

17th July 2026

FINAL DECISION BY THE PUBLIC UTILITIES COMMISSION IN THE MATTER OF BELIZE ELECTRICITY LIMITED ANNUAL REVIEW PROCEEDING FOR THE ANNUAL TARIFF PERIOD 2026|2027

I. Initial Decision adopted as Final

1. On April 1, 2026, Belize Electricity Limited ("***BEL***") filed with the Public Utilities Commission (the "***PUC***" or "***Commission***") its rate case submission ("***the Submission***") for the 2026|2027 Annual Review Proceeding (the "***2026 ARP***"). The submission was made pursuant to the Electricity (Tariffs, Fees and Charges) Byelaws, Revised Edition 2020 as amended (the "***Byelaws***"). BEL's Submission is available on the PUC's website at www.puc.bz.

2. On June 30, 2026, the Commission issued its Initial Decision which:

    a. maintains the current electricity tariffs used in customer billing; and
    b. establishes a Regulatory Sandbox to test the efficacy of BEL's proposed Cost of Power Adjustment ("**COPA**") Tariff. The COPA Tariff is a mechanism that would allow BEL to adjust electricity rates upwards or downwards, by a maximum of one and a half cents per kilowatt-hour ($0.0150/kWh), to recover differences between the Reference Cost of Power (RCOP) and actual Cost of Power incurred. BEL must make monthly requests to the PUC for approval of COPA prior to implementation in any given month.

3. Between June 30, 2026 and July 13, 2026, the Commission held publicly advertised consultations and invited BEL and interested parties to submit written comments on its Initial Decision.

4. At the end of the consultation period, only BEL submitted written comments. By letter dated July 13, 2026, BEL advised that it "...is amenable to ensuring that the [COPA] mechanism adheres to the Commission's principle, so long as the methodology explicitly provides for tracking and recovery of deferred amounts." In addition to this reservation, BEL also addressed PUC's decisions on other regulated parameters such as operating expenses, capital investments, and return.

5. BEL further acknowledged in its letter that, "...it is in the public's interest to avoid any unnecessary extension of the statutory timelines applicable to an ARP..." and proposed that their concerns "...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's comments are available at www.puc.bz.

6. Given that no objections to the Initial Decision were received, the Commission hereby adopts its Initial Decision as final in accordance with the Byelaws.

7. Any concerns BEL has regarding the COPA mechanism will be evaluated within the parameters of the Regulatory Sandbox and further considered at the next ARP. Nevertheless, the following paragraphs address BEL's reservations and other comments to the Initial Decision as set out in their response letter.

II. Commission's Response to BEL's Comments # 1(a) - Deferred Balances in COPA

8. BEL raises the concern that the PUC-approved COPA formula "...does not explicitly address the treatment of deferred balances." BEL further states that "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."

9. The deferred balances to which BEL refers is the amounts not recovered or rebated due to the five percent (5%) cap on COPA. Given that the 5% cap translates to $0.0150/kWh, any increase/decrease in the actual COP relative to the RCOP, outside of this amount, would create a variance that cannot be recovered by the COPA. BEL's request is for this unrecovered sum or "deferred balance" to be accumulated and included in the COPA formula.

10. The practical effect of including the deferred balance in the COPA formula, as requested by BEL, is that even in months where the COPA Tariff should be zero or negative, the deferred balance could potentially offset any rebates that customers may see over the period of the Sandbox. In other words, this would go contrary to one of the aims of the mechanism, that is, to offer relief to customers when cost of power is low.

11. Paragraph 7 of Schedule 6C of the Initial Decision outlines two of the primary objectives of the sandbox as:

    a. testing whether monthly PUC-approved adjustments reduce the accumulation of large cost of power correction balances; and
    b. testing whether the five percent (5%) cap will limit monthly bill shock while allowing meaningful recovery or rebate of cost of power variances.

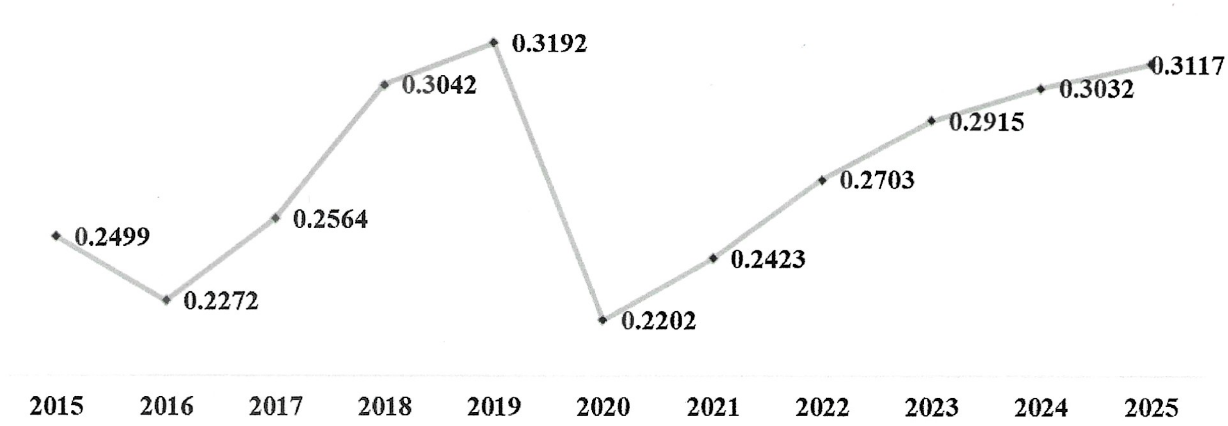
    If BEL is allowed to "max out" the price adjustment cap using deferred balances then it makes it impossible to assess the efficacy of the mechanism as a whole. Contrarily, the need for a deferred balance component indicates that the mechanism might not be fit-for-purpose and the simple alternative of a fixed price increase, which reasonably covers COP contingencies, might be more transparent for customers.

12. BEL may also find reassurance that it maintains its ability to collect on unrecovered costs in the same way that customers should be able to benefit from rebates. The PUC calls BEL's attention to the Terms and Conditions of the Regulatory Sandbox as set out in Schedule 6C of the decision. In particular, paragraphs 13 and 14 make it clear that BEL is required to keep track of amounts "not recovered or rebated due to the five percent (5%) cap...". These "deferred costs", if any, would be subject to recovery via corrections in an ARP. Consequently, any amounts not recovered via COPA would be recoverable subject to the rate setting regulations in ARP 2027.

13. Historically, the challenge BEL faced with cost of power recovery was the Company's decision to forego rate increases. For instance, between 2023 and 2025, when BEL reported incurring cost of power between 29.15 cents per kWh and 31.17 cents per kWh, the RCOP approved in the tariffs ranged between 24.42 and 27.23 cents per kWh. This is no longer the case as the PUC increased the RCOP to 30.06 cents per kWh in December 2025 to close that gap and, in this current decision, the PUC further increases the RCOP to 30.11 cents per kWh reflecting the higher reliance on

expensive fuel imports in the energy supply mix. This higher RCOP with the COPA mechanism should adequately provide for recovery of COP as it is incurred during the tariff period and minimize any deferred COP balances.

Reported actual COP per kWh Sold over the last decade



14. The Commission therefore finds no need to amend the COPA Tariff formula without first obtaining any data at all regarding the performance of the COPA within the Sandbox.

III. <u>Commission's Response to BEL's Comments #1 (b) - Sandbox Testing Period</u>

15. 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. The Company requested 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."

16. The one-year duration of the Sandbox is consistent with the long-established process that is set out in the Byelaws, which requires the PUC to review rates on an annual basis. This is in fact the stable and predictable regulatory environment providing reasonable assurances that licensees can recover its prudent costs.

17. Considering that the COPA tariff is a function of the approved RCOP, and the RCOP is determined at an ARP, subject to mid-year amendments, then the sandbox's initial duration is linked to the legally mandated review period for the RCOP. During the 2027 ARP, the PUC will consider the performance of the COPA mechanism in light of the conditions of the sandbox and may extend it for the final ATP of the FTP once warranted, updating, as necessary, the RCOP and other components of the tariff basket as well as terms and conditions of the sandbox.

IV. Commission's Response to BEL's Comment #1(C) - General Sales Tax on COPA

18. BEL notes that the Government of Belize (GOB) has approved that those revenues derived from the COPA tariff will not be subject to General Sales Tax (GST). The PUC supports the policy position that electricity sales generated from the application of the COPA tariff be exempt from GST. Taxation provisions are of course outside the purview of the PUC's legal authority. Consequently, the reasoning and legal basis for the PUC's Initial Decision does not address GST.

V. Commission's Response to BEL's Comment #2 - disallowed VAD costs

19. BEL noted "…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."

20. BEL is of the view that the disallowances mean 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."

21. The PUC shares BEL's concern and advised BEL in paragraphs 27 and 28 of its Initial Decision that prudent and management of operating expenditures continue to be a critical factor for the company's cash management and profitability outlook in the medium to long-term. The PUC also pointed out that appropriate management intervention is needed to contain investment costs or, where possible, sufficiently justify their inclusion in the RAV for capital recovery and investment returns.

22. The PUC's responsibility, as set out in Section 7 of the Electricity Act, is to afford a licensee a reasonable opportunity to recover the reasonable costs of providing service and secure a reasonable rate of return on investment when operating in a manner compatible with international standards of an efficiently operated power system of similar characteristics to that of Belize. It is incumbent on BEL then to demonstrate in all cases that its costs are reasonable and its performance compatible with comparable utilities.

23. The Commission notes, as an example, that BEL has a lost opportunity to improve its annual revenue by its delay in fully implementing Schedule 6B. The PUC approved a demand charge in a regulatory sandbox but BEL has not implemented this demand charge notwithstanding an investment of $40 million plus in AMI infrastructure. These meters were primarily purchased to enable the implementation of the demand charge as an improved rate design to protect the utility's financial viability. In the meantime, there continues to be grid defection as customers opt to supplement their power supply with rooftop solar. Utility best practice in this area is to introduce a fixed charge and/or capacity charge to recover the fixed costs of providing infrastructure to DG customers to help mitigate price increases to non-DG customers and minimize revenue loss to the utility.

24. DG technology offers consumers an increasingly competitive option; and as such, the pressure for well-thought out and properly timed investments weighs heavily on BEL more than ever before. The Commission, in deference to its legal mandate and Mission, stands ready to support BEL in

this transition, as evidenced by its willingness to introduce demand charge rates, time-of-use tariffs, feed-in tariffs, more expansive licensing categories for supply diversity, and most recently, the COPA mechanism.

25. BEL, on its part, is tasked to comply with its reporting requirements and ensure complete, robust, and evidenced-based submissions justifying its request for cost increases.

DEAN MOLINA
Chairperson
Public Utilities Commission

BELIZE:

ORDER made by the Public Utilities Commission (hereinafter referred to as "the Commission") in exercise of the powers conferred upon it by the Public Utilities Commission Act, Chapter 223 of the Laws of Belize, Revised Edition 2020, the Electricity Act, Chapter 221 of the Laws of Belize, the Electricity (Tariff, Fees and Charges) Byelaws, and all other powers thereunto the Commission enabling.

Short title.

1. This Order may be cited as the:

BELIZE ELECTRICITY LIMITED 2026 ANNUAL REVIEW PROCEEDING FINAL DECISION ORDER, 2026

Decisions and Order.

2. The Belize Electricity Limited ("***BEL or the Company***") submitted its filing for its Annual Review Proceedings on April 1, 2026 (the "***Filing***") for the determination of regulated values, mean electricity rates, tariffs, rates, charges and fees for the Annual Tariff Period (ATP) ending June 30, 2027.

3. The Public Utilities Commission (the "***Commission***") hereby makes the following Decisions and Orders:

    (a) The Commission hereby approves the Annual Corrections contained in Schedule 1A and Schedule 1B;

    (b) The Commission hereby approves the Regulated Asset Value (RAV) for each Annual Tariff Period (ATP) of the Full Tariff Period (FTP) as contained in Schedule 2;

    (c) The Commission hereby approves the Consumption and Reference Cost of Power (RCOP) for each Annual Tariff Period (ATP) of the Full Tariff Period (FTP) as contained in Schedule 3;

    (d) The Commission hereby approves the Value Added of Delivery (VAD), the Other Income, and the Tariff Basket Revenue (TBR) for each Annual Tariff Period (ATP) of the Full Tariff Period (FTP) and the Mean Electricity Rate (MER) for the Full Tariff Period (FTP) as contained in Schedule 5;

    (e) The Commission approves no adjustments to any other previously approved Regulated Values, Charges and Fees contained in the Final Decision of FTRP 2024 and hereby orders BEL to continue to levy the said previously approved Charges and Fees in respect of the relevant electricity services it is licensed to provide;

    (f) Notwithstanding the changes to the approved values contained in Schedule 5, the Commission hereby maintains the Tariffs contained in the amended Schedules 6A and 6B, as attached hereto, for the period ending June 30, 2027 and orders BEL to continue to levy the said Tariffs in respect of the relevant services it is licensed to provide; and

(g) The Commission hereby approves the establishment of a Regulatory Sandbox for a *Cost of Power Adjustment Tariff* and Orders BEL to comply with the terms and conditions of the sandbox as contained in Schedule 6C of this Decision.

MADE by the Public Utilities Commission this day of July, 2026.

(DEAN MOLINA)
Chairman, Public Utilities Commission

Schedule 1 A
FTRP 2024|2028

Belize Electricity Limited (BEL)
Annual Corrections - July 1, 2023 - June 30, 2024

General Corrections - July 1, 2023 - June 30, 2024

Approved Tariff Basket Revenue - \$:	**344,333,787**
Realized Tariff Basket Revenue - \$:	**278,634,552**
Variance (Total Approved less Total Realize) -\$:	**65,699,235**

Schedule 1 B
FTRP 2024|2028

Belize Electricity Limited (BEL)
Annual Corrections - July 1, 2024 - June 30, 2025

General Corrections - July 1, 2024 - June 30, 2025

Approved Tariff Basket Revenue - \$:	**290,831,323**
Realized Tariff Basket Revenue - \$:	**285,590,207**
Variance (Total Approved less Total Realize) -\$:	**5,241,115**

Schedule 2
ARP 2026|2028
Belize Electricity Limited (BEL)

Rate Review for FTRP 2024|2028
Approved Regulated Asset Value (RAV) for Full Tariff Period (FTP) September 1, 2024 to June 30, 2028

Regulated Asset Value (RAV) as at December 31 of each eary - $:

Year	2023	2024	2025	2026	2027	2028
Starting RAV	403,347,365	432,018,994	445,107,182	466,893,475	522,025,810	566,285,279
Depreciation	19,835,221	20,124,757	21,943,993	21,943,993	24,535,213	26,615,408
Work In Progress	7,942,208	175,201,777	72,983,704	66,742,919	55,236,767	35,689,653
Additions	81,002,164	63,545,179	82,372,907	72,983,704	66,742,919	55,236,767
Net Contributed Capital	1,168,630	(1,340,772)	(140,510)	601,978	1,068,630	(1,440,772)
Ending RAV	432,018,994	445,107,182	466,893,475	522,025,810	566,285,279	602,100,486

Schedule 3
ARP 2026|2028
Belize Electricity Limited (BEL)

Updated Cost of Power (COP) Parameters and Demand for Full Tariff Period (FTP) July 1, 2024 to June 30, 2028

Approved Generation and Purchase of Power and Reference Cost of Power (COP), and Demand for each ATP of the FTP:

Year	2024|2025	2025|2026	2026|2027	2027/2028	Total
KWHrs Purchased and Generated - KWHrs	809,356,503	821,848,159	853,058,121	880,183,792	3,364,446,575
Reference Cost of Power - $	191,957,139	224,302,614	240,992,329	233,545,808	890,797,889
Approved Consumption/Demand - KWHrs	707,356,520	728,649,126	750,360,074	772,241,255	2,958,606,974
Reference Cost per KwHr Consumed - $/KWHr	0.2714	0.3078	0.3212	0.3024	0.3011

System Operation				
Power Purchase Overheads $	950,000	950,000	950,000	950,000
Control Center Operations	1,202,915	1,155,050	1,251,881	1,251,881

PUC Note: Only expenses supported by invoices will be accepted for Power Purchase Overheads. The approved amount is the Maximum expenses allowed.

Schedule 5
FTRP 2024|2028
Belize Electricity Limited (BEL)

Tariff Basket Revenue (TBR) and Mean Electricity Rate (MER) for Full Tariff Period (FTP) September 1, 2024 to June 30, 2028

Tariff Basket Revenue (TBR) and Revenue Components for each ATP of the FTP and Mean Electricity Rate for the FTP -$:

Year	2024|2025	2025|2026	2026|2027	2027/2028	Total FTP
Revenue Components of TBR:					
Value added of Delivery (VAD)					
OPEX	37,973,229	38,542,827	39,120,970	39,707,784	155,344,810
Return	35,608,575	37,351,478	41,762,065	45,302,822	160,024,940
Depreciation	20,124,757	21,943,993	21,943,993	24,535,213	88,547,956
Taxes/License Fees	7,997,861	9,018,129	10,647,108	10,626,530	38,289,628
Sub-Total (VAD)	101,704,422	106,856,427	113,474,136	120,172,349	442,207,334
Reference Cost of Power	191,957,139	224,302,614	240,992,329	233,545,808	890,797,889
Corrections - FTRP 2024 (For ATP 2022|2023)	1,086,380	1,086,380	1,086,380	1,086,380	4,345,519
ARP 25 (For ATP 2023|2024)			32,849,617	32,849,617	65,699,234
ARP 26 (For ATP 2024|2025)			2,620,558	2,620,558	5,241,115
					-
Less: Other Income	(3,916,617)	(4,313,466)	(3,855,456)	(3,855,456)	(15,940,996)
Tariff Basket Revenue	290,831,323	327,931,955	387,167,564	386,419,255	1,392,350,096
Demand [MWhs]	707,357	728,649	750,360	772,241	2,958,607
MER - July 1, 2024 - June 30, 2028	0.4112	0.4501	0.5160	0.5004	0.4706
Direct Cost of Delivery (COD) - $:	0.1325	0.1343	0.1370	0.1419	0.1365
Corrections + Taxes - Other Income - $:	0.0128	0.0139	0.0191	0.0186	0.0330
Cost of Power (COP) - $:	0.2714	0.3078	0.3212	0.3024	0.3011

Notes on Sch 5		
Regulatory model MER	0.4706	BZD/kWh
BEL request MER	0.4427	BZD/kWh
Difference in Model vs BEL MER	0.0279	BZD/kWh
FTRP demand	2,958,607	MWh
Revenue shortfall to cover the required revenue	82,574,788	BZD
Sources of shortfall		
Correction for ATP 26|27 and ATP 27|28	73,113,109	BZD
Other area (Possibly COP or CAPEX)	9,461,679	BZD

MER Breakdown		
MER Proposed	0.4427	BZD/kWh
RCOP (to be used for COPA)	0.3011	BZD/kWh
VAD	0.1416	BZD/kWh

Schedule 6 A

ARP 2026|2028

Belize Electricity Limited (BEL)

Approved Tariffs for Annual Rate Proceedings (ARP)

January 1, 2026, to June 30, 2027

General Rate		
Customer Class	**Service Type/ Consumption Block**	**Rate/Tariff $/Mth; $/KVA; $/KWhr**
Social	0 - 60 KWhrs Minimum Charge	0.22 5.00
Residential	0 - 50 KWhrs 51 - 200 KWhrs > 200 KWhrs Minimum Charge	0.34 0.42 0.46 10.00
Commercial 1	0 - 50 KWhrs 51 - 200 KWhrs > 200 KWhrs Minimum Charge	0.34 0.42 0.47 10.00
Commercial 2	Service Charge 0-10,000 KWhrs 10,001-20,000 KWhrs > 20,000 KWhrs	150.00 0.47 0.44 0.41
Industrial 1	Service Charge Demand (KVA) Energy	250.00 35.82 0.30
Industrial 2	Service Charge Demand (KVA) Energy	250.00 23.00 0.32
Street Lights	Energy	0.45

Schedule 6 B

ARP 2026|2028

Belize Electricity Limited (BEL)

Belize Electricity Limited (BEL)

Approved Tariffs for Annual Rate Proceedings (ARP)

July 1, 2026, to June 30, 2028

Demand Rate		
All Classes	Demand (KVA) Energy: Peak Energy: Off-Peak	30.00 0.35 0.30
FEED-IN TARIFFS		
All Classes	Energy	0.13

Note: All customers (Prosumers) operating under SI No. 47 of 2026 ELECTRICITY LICENSING AND CONSENT REGULATION, will be billed by Belize Electricity Limited using this Schedule (6B).

Any regular customer can voluntarily apply to switch from Schedule 6A to Schedule 6B

This Demand Rate is being considered a “Regulatory Sand-Box” and will be running for the ATP 2026|2027 with effect from 1st July 2026 to 30 June 2027.

Schedule 6C

Terms & Conditions of the Regulatory Sandbox for the Cost of Power (COP) Adjustment Tariff

1. Subject to the Final Decision issued by the Commission in an Annual Review Proceeding ("***ARP***"), the Licensee may be permitted to implement a *COP Adjustment Tariff* to account for variances between the Reference Cost of Power ("***RCOP***") and the actual cost of power arising within an Annual Tariff Period ("***ATP***") in accordance with the terms and conditions set out herein.

2. The *COP Adjustment Tariff* ("***COPADJ***") shall be calculated as set out below and shall not increase or decrease the RCOP per kilowatt hour ("***RCOP/kWh***") by more than five percent (5%) for any month in which it is applied during an ATP. Where the COPADJ is calculated to exceed the plus or minus 5% of the RCOP/kWh, the COPADJ shall be plus or minus 5% of the RCOP/kWh respectively.

3. The formula for calculating the *COP Adjustment Tariff* is given as:

$$\text{COPADJ} = \frac{\left(\left(\sum_{i=2}^{7} \text{COP}_{t-i}\right) - \left(\sum_{i=2}^{7} \text{COPR}_{t-i}\right)\right)}{\sum_{i=2}^{7} \text{D}_{t-i}}$$

Where:

COPADJ$_t$ is the adjustment tariff to be applied in the current month.

$\left(\sum_{i=2}^{7} \mathbf{COP}_{t-i}\right)$ is the sum of the actual cost of power over the most recent six-month period with one-month lag (*e.g., for August (t = 8) the sum is from month June (t = 6) back to January (t = 1) with July (t = 7) lagged for processing data*).

$\left(\sum_{i=2}^{7} \mathbf{COPR}_{t-i}\right)$ is sum of Cost of Power Revenues (**COPR**) over the most recent six-month period corresponding with the actual cost of power.

COPR is the monthly revenues collected for cost power calculated as the monthly demand (**D**) in kilowatt hours multiplied by the approved **RCOP/kWh** plus any **COPADJ** applied in that month. COPR is given by the formula:

COPR = D * (RCOP/kWh + COPADJ)

RCOP/kWh is the RCOP per kWh as approved by the Commission in its most recent ARP Final Decision.

$\sum_{i=2}^{7} \mathbf{D}_{t-i}$ is sum of the monthly demand (**D**) in kilowatt hours over the most recent six-month period corresponding with the actual cost of power.

A worked example is appended to this schedule.

4. For the purposes of this Regulatory Sandbox, the RCOP/kWh shall be $0.3011. The COP Adjustment Tariff shall be the only monthly adjustment applied to the approved RCOP/kWh for the purposes of this Schedule.

5. The Regulatory Sandbox shall be limited to testing the efficacy of the COP Adjustment Tariff as a mechanism for the recovery or rebate of variances between the RCOP approved by the Commission and the actual cost of power incurred and recoverable by the Licensee.

6. The COP Adjustment Tariff shall not be used to recover OPEX, return, depreciation, taxes, licence fees, capital costs, other income adjustments, disallowed costs, unsupported costs, or any other regulated value not directly related to cost of power.

7. The Regulatory Sandbox shall be used by the Commission to assess, among other things:
    a. whether monthly PUC-approved adjustments reduce the accumulation of large cost of power correction balances;
    b. whether the five percent (5%) cap limits monthly bill shock while allowing meaningful recovery or rebate of cost of power variances;
    c. whether the Licensee can provide timely, complete and verifiable monthly data to support the calculation of the COP Adjustment Tariff;
    d. whether the Commission can review and approve monthly adjustments within the required timeframe; and
    e. whether the COP Adjustment Tariff should be continued, modified, discontinued, or incorporated into the tariff framework by appropriate regulatory action.

8. The procedure for implementing *COP Adjustment Tariff* is as follows:

    a. No later than fifteen (15) days after end of every month within the ATP, the Licensee shall file with the Commission an Excel workbook showing the calculation for the *COP Adjustment Tariff* to be implemented in the following month.

    b. The Licensee's submission for the *COP Adjustment Tariff* shall be supported by the following standard monthly reports:

        i. A detailed *Sales Report* capturing the number of customers in each Customer Class and the corresponding revenues and energy sold for each tariff block for each Customer Class. This report shall include revenues generated from the *COP Adjustment Tariff* as a separate line item.
        ii. A detailed *Dispatch Report* capturing (1) hourly energy supplied and corresponding costs by source and in aggregate; and (2) A detailed breakdown of the prices for both Mexico (CFE) electricity imports and electricity produced by the thermal power plants.
        iii. Copies of invoices issued by Independent Power Producers ("***IPP***") for corresponding cost and sources detailed in the *Dispatch Report*.

iv. A *Validation Report* validating the IPP invoices and setting out the detailed costs for Licensee-owned power plants.
v. Performance Reports on the Licensee's system losses and reliability.
vi. A schedule showing the *COP Adjustment Tariff* proposed by the Licensee, the previous month's approved COP Adjustment Tariff, the cumulative cost of power balance, and any amount not recovered or rebated due to the five percent (5%) cap.
vii. A schedule showing the estimated bill impact of the proposed COP Adjustment Tariff on representative customers in each major customer class.
viii. A report of customer enquiries or complaints, if any, relating to the COP Adjustment Tariff, bill presentation, or customer understanding of the tariff.

c. No later than ten (10) days after receipt of the *COP Adjustment Tariff* filing, the Commission shall issue an Order specifying the value of the *COP Adjustment Tariff* which shall be applied by the Licensee with effect on the first day of the month immediately following the month in which the Order is issued.

d. Where the Licensee's filing is incomplete, unsupported, inconsistent, or otherwise deficient, the Commission may require further information, correct the calculation, approve a *COP Adjustment Tariff* of zero, or take such other action as it considers appropriate.

e. The *COP Adjustment Tariff* shall be applied as an energy only charge and applied equally across all customer categories, with the exception of social rate category, for each kWh of electricity consumed and registered for each customer account.

f. The *COP Adjustment Tariff* to be applied in billing customers in any given month shall be the tariff approved to take effect the first day of that month in which the customer is being billed regardless of the customer's individual billing cycle.

g. The *COP Adjustment tariff* shall be presented as a separate line item on customer bills and clearly labelled as a cost of power adjustment equal to the kWh consumed in the billing period multiplied by the *COP Adjustment Tariff.*

h. The Licensee's submission and the Commission's *COP Adjustment Tariff* Order shall be published by the Licensee and Commission on their websites and remain accessible for the duration of the sandbox.

9. Notwithstanding anything to the contrary, the Commission may, by Order, direct the Licensee to discontinue the application of the *COP Adjustment Tariff* at any point during an ATP and the Licensee shall cease to apply any such tariff by the first day of the month immediately following the date of such an Order.

10. Without limiting paragraph 9, the Commission may suspend, modify, or discontinue the Regulatory Sandbox where:

a. the Licensee fails to file complete information within the required time;
b. the Licensee files materially inaccurate, inconsistent, or unsupported information;
c. the Licensee applies a *COP Adjustment Tariff* without prior approval by Order of the Commission;
d. the Licensee applies a *COP Adjustment Tariff* different from the tariff approved by Order of the Commission;
e. unsupported, disallowed, imprudent, or non-cost-of-power items are included in the calculation;
f. the Commission is unable to verify the calculation based on the information submitted;
g. billing system errors materially affect customers;
h. the five percent (5%) cap is reached repeatedly in a manner that indicates that the mechanism is not achieving its intended purpose;
i. customer impacts become disproportionate;
j. the treatment of General Sales Tax creates an unintended or disproportionate burden on customers; or
k. the Commission determines that continued implementation may prejudice customers, the public interest, the integrity of the tariff framework, or the Commission's statutory functions.

11. The *COP Adjustment Tariff* shall serve as a substitute for Amendment to the Annual Review Proceeding Final Decision only in respect of cost of power variances addressed through a monthly COP Adjustment Tariff filing approved under this Schedule, and no amendment submission pursuant to regulation 33(2)(a) of the Byelaws is required by the Licensee while the Regulatory Sandbox is in place, unless otherwise directed by the Commission.

12. Notwithstanding anything to the contrary, the implementation of the Regulatory Sandbox for the *COP Adjustment Tariff* does not relieve the Licensee of its duty under the Byelaws to file ARP submissions and ARPs will continue as required pursuant to the Byelaws.

13. Revenues collected or rebated as a result of the implementation of the *COP Adjustment Tariff* shall be reconciled during an ARP or FTRP accordingly.

14. The Licensee's ARP submission shall include a reconciliation of actual cost of power, RCOP revenues, COP Adjustment Tariff revenues collected, COP Adjustment Tariff rebates applied, amounts not recovered or rebated due to the five percent (5%) cap, disallowed or disputed cost items, and the remaining cost of power correction balance.

15. The Licensee shall include in its ARP submission a short report on the implementation of the Regulatory Sandbox, including:

    a. the monthly COP Adjustment Tariff proposed by the Licensee and approved by the Commission;
    b. the effect of the COP Adjustment Tariff on cost of power correction balances;
    c. the effect of the five percent (5%) cap;
    d. the estimated bill impact by major customer class;

e. customer enquiries and complaints;
f. billing or implementation issues encountered;
g. system losses and reliability performance; and
h. any recommendations by the Licensee on whether the mechanism should be continued, modified, or discontinued.

16. The Commission shall evaluate the Regulatory Sandbox using the information filed by the Licensee, the monthly Orders issued by the Commission, customer impact information, and any other relevant information available to the Commission.

17. At or before the end of the Regulatory Sandbox, the Commission shall determine whether the COP Adjustment Tariff should be discontinued, modified, continued for a further defined period, or incorporated into the tariff framework by appropriate regulatory action.

18. Nothing in this Schedule limits the Commission's power to require additional information, disallow costs, correct calculations, require customer credits or rebates, initiate an Amendment Proceeding, amend reporting requirements, or take any other action within its statutory authority.

Worked Example – COP Adjustment Tariff Calculation

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27
COP $	14,408,956	13,285,510	18,389,035	19,669,548	25,351,198	24,023,381	23,444,699	21,512,671	20,314,087	21,316,905	16,322,191	17,050,719	15,231,809
Demand (kWh)	59,515,938	56,118,551	59,904,857	67,379,916	68,518,543	74,524,606	72,132,105	73,239,090	72,698,878	70,696,583	67,607,578	63,165,783	62,587,401
COPR $	17,890,456	16,869,203	18,007,365	20,254,363	20,596,634	22,402,053	21,718,034	21,881,985	22,675,849	22,353,336	21,110,997	19,652,529	18,087,748
RCOP/kWh	***0.3006***	*0.3006*	*0.3006*	*0.3006*	*0.3006*	*0.3006*	***0.3011***	*0.3011*	*0.3011*	*0.3011*	*0.3011*	*0.3011*	*0.3011*
COPADJt	-	-	-	-	-	-	-	*(0.0023)*	*0.0108*	*0.0151*	*0.0112*	*0.0100*	*(0.0121)*
	0.3006	0.3006	0.3006	0.3006	0.3006	0.3006	0.3011	0.2988	0.3119	0.3162	0.3123	0.3111	0.2890

		Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27
A	$\left(\sum_{i=2}^{7} COP_{t-i}\right)$	115,127,629	124,163,372	132,390,532	134,315,584	135,962,941	126,933,935	119,961,273
B	$\left(\sum_{i=2}^{7} COPR_{t-i}\right)$	116,020,075	119,847,653	124,860,434	129,528,918	131,627,891	132,142,254	129,392,730
C	$\sum_{i=2}^{7} D_{t-i}$	385,962,412	398,578,579	415,699,118	428,493,139	431,809,806	430,898,841	419,540,018
	COPADJ	(0.0023)	0.0108	0.0181	0.0112	0.0100	(0.0121)	(0.0225)

Notes

1. The *COP Adjustment Tariff* to be applied with effect August 1, 2026 is ($0.0023). This figure is calculated, reviewed, and approved in July 2026 based on cost and demand data for June going back to January. Specifically, line A minus line B divided by line C.

2. In calculating the revenues collected to recover for cost of power (COPR), the adjustment of ($0.0023) made to the approved RCOP/kWh for the month of August must be taken into account by reducing $0.3011/kWh to $0.2988/kWh. This figured multiplied by the demand for electricity in August gives the revenue recovered for COP for that month ($0.2988 x 73,239,090 = $21,881,985).

3. The COP Adjustment Tariff to applied with effect October 1, 2026 is $0.0151. This figure is calculated, reviewed, and approved in September 2026 based on cost and demand data from August going back through to March. Specifically, (A – B) divided by C which gives us $0.0181; however, as this figure is larger than 5% of the approved RCOP/kWh (5% x $0.3011 = $0.0151), then the adjustment is capped at 5% of the RCOP/kWh.