

BELIZE ELECTRICITY LIMITED

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23rd October 2026

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

Dear Chairman Molina,

RE: Request to Increase the Cost of Power Adjustment Cap under the COPA Regulatory Sandbox from 5% to 10%

Belize Electricity Limited (“BEL”) hereby requests the Commission’s consideration of an increase in the Cost of Power Adjustment (“COPA”) cap under the Regulatory Sandbox established in the Final Decision for the 2026 Annual Review Proceeding (“ARP”), issued on 17 July 2026.

BEL recognizes the importance of the Sandbox in testing a mechanism that balances customer protection with the timely recovery or rebate of cost of power (“COP”) variances. However, emerging results, considered alongside prevailing wholesale energy market conditions and Belize’s ongoing supply constraints, indicate that the current cap may be too restrictive to achieve these objectives. BEL therefore requests that the cap be increased from 5% to 10% of the Reference Cost of Power (“RCOP”), equivalent to a monthly cap of approximately **BZ\$0.0301/kWh**.

1. Regulatory Sandbox objectives and the need for review

In its Final Decision, the Commission established a COPA Regulatory Sandbox allowing monthly electricity rate adjustments upwards or downwards, subject to the applicable cap. Amounts not recovered or rebated because of the cap are to be addressed through the regulatory process at the subsequent ARP.

Part II, Item 11 of the Decision identifies two primary objectives of the Sandbox:

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

BEL considers these objectives intrinsically linked. While the cap is intended to moderate the impact of COP volatility on customers, it must also permit sufficient recovery when actual power costs materially exceed the amounts collected.

If the cap is too restrictive, deferred amounts may continue to grow, undermining the objective of reducing correction balances and shifting a larger recovery requirement into a future ARP. The present request is intended to ensure that the mechanism remains effective under the cost conditions being experienced.

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2. Emerging evidence of constrained cost recovery

To date, BEL has submitted four (4) COPA filings, with adjustments applied to customers' bills for August through October 2026 and the fourth adjustment scheduled to apply to the November 2026 bill. In each filing, the required COP adjustment has materially exceeded the BZ\$0.0151/kWh cap applied under the current Sandbox arrangement.

The table below estimates the monthly difference between the required and applied adjustments, using the relevant monthly demand.

COPA month	Required adjustment (BZ\$/kWh)	Applied adjustment (BZ\$/kWh)	Monthly demand (kWh)	Estimated monthly shortfall (BZ\$)
August 2026	0.0498	0.0151	70,824,385	2,457,606
September 2026	0.0627	0.0151	69,928,587	3,328,601
October 2026	0.0802	0.0151	70,696,583*	4,602,348
November 2026	0.1067	0.0151	70,696,583*	6,475,824
Total estimated deferred balance over 4-month Period				16,864,379

* October demand is based on the PUC forecast provided. November demand is provisionally assumed to be equal to the October forecast. The estimates are indicative and subject to validation against the applicable billing periods and customer-class billing cycles.

The difference between the required and applied adjustments represents approximately BZ\$16.86 million in potential under-recovery over the four-month period¹.

The broader trend is also concerning. BEL's COPA filings show a widening gap between actual COP and COP revenues over the relevant rolling six-month periods. This trend indicates growing recovery pressure and suggests that, under prevailing cost conditions, the current cap is limiting the extent to which applied adjustments keep pace with the required COP recovery.

3. Near-term cost pressures and limited prospects for seasonal relief

BEL's concern is heightened by the fact that the usual sources of seasonal COP relief have not materialized to the extent anticipated. Three factors are particularly relevant.

i. Persistently elevated electricity prices in Mexico

BEL would ordinarily expect some seasonal relief in imported electricity costs during quarters 3 and 4 of the standard year. However, 2026 is showing a different trend, with price pressures intensifying later in the year rather than easing. CFE's average hourly price climbed from BZ\$0.171/kWh in January to BZ\$0.624/kWh in September and BZ\$0.331/kWh in October.

Importantly, the increase is not driven by a few extreme price spikes. The median price, which better reflects a typical hourly price, also doubled from BZ\$0.119/kWh in January to BZ\$0.240/kWh in October. This means that higher prices have become more widespread. With domestic supply constrained, BEL has limited access to any lower-cost alternative.

¹ This is an estimate of the incremental shortfall associated with the adjustment cap, rather than a reconciliation of the precise balance which is subject to the precise timing of billing cycles and associated COPA application to varying Customer classifications, collections and any relevant accounting adjustments.

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ii. Lower-than-anticipated hydroelectric generation

BEL would also ordinarily expect relief from aggregate hydroelectric production reaching the 100 GWh threshold, which enables the applicable energy tariff to reduce from BZ\$0.2604/kWh to BZ\$0.1026/kWh, excluding the applicable operations and maintenance fee.

To date, hydrological conditions have yielded approximately 80.97 GWh. BEL continues to manage reservoir inflows prudently, particularly as water levels remain below 4 meters of Chalillo's rule curve. Consequently, the anticipated cost benefit has not yet materialized and is unlikely to be realized in the near term.

iii. Continued reliance on temporary generation for security of supply

BEL must continue to maintain temporary generation to mitigate the risk of load shedding arising from ongoing CFE curtailments. Curtailment requests have persisted beyond the peak hot-weather months, with 24 events recorded in August and September, largely occurring between 6:00 p.m. and 10:00 p.m. during the evening peak hours. In absence of new in-country capacity, there is a continued need for temporary generation to maintain system reliability.

BEL's temporary generation rental contracts currently extend through April 2027, resulting in continued fixed rental costs until the contracts expire or additional, more competitively priced generation capacity is commissioned.

Taken together, these factors suggest that BEL cannot reasonably assume that the usual seasonal reduction in COP will provide sufficient relief in the near term. The continued gap between actual costs and applied COP adjustments therefore presents a material risk of further deferred recovery.

FILING REQUEST:

Accordingly, BEL requests that the Commission increase the COPA adjustment cap under the Regulatory Sandbox from 5% to 10% of RCOP, thereby increasing the permitted adjustment from approximately BZ\$0.0151/kWh to BZ\$0.0301/kWh, based on the current RCOP of BZ\$0.3011/kWh.

BEL considers this adjustment a measured response to the evidence emerging from the Sandbox and the prevailing cost-of-power environment. It would allow more meaningful recovery of COP variances while retaining a cap intended to protect customers from abrupt monthly bill changes.

We welcome the Commission's consideration of this request as part of its ongoing evaluation of the Sandbox and its objectives.

Sincerely,



Ambassador Lynn Young

Cc. Hon. Michel Chebat – Minister of National Security, Energy & Ports
Dr. Leroy Almendarez – CEO, Ministry of Energy
Dr. Khadija Usher – Director, Strategy Business Development & Regulatory Affairs, BEL



Envelope Data

Subject: For Review and Approval: 2026-10-223 COPA Sandbox

Documents: 2026-10-23 COPA Sandbox.docx

Document Hash: ICdqS1teOxHMyACavEqjep75XaRFeShEK4oADRHaioo=

Envelope ID: ENV77316915-3373-AAFE-4524-AFBE

Sender: Mayra Pech

Sent: 23-10-2026 16:25 PM CDT

Status: Completed

Status Date: 23-10-2026 16:32 PM CDT

Access Authentication: None

Email Access Code: Not Enabled

Email Verification: Not Enabled

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Document Events

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Lynn Young	Lynn.Young@bel.com.bz	190.211.145.213	23-10-2026 16:32 PM CDT	Signed
			23-10-2026 16:32 PM CDT	Status - Completed

Carbon Copy Events

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