

**APPENDIX A**

**THE ELECTRICITY LAW**

**(Law 17 of 1974)**

**LICENCE**  
**(as amended)**

**WHEREBY**

THIS EXCLUSIVE LICENCE IS GRANTED UNDER THE PROVISIONS OF SECTION 6 OF THE CAYMAN ISLANDS ELECTRICITY LAW 1974.

THIS LICENCE SHALL SUPERCEDE ALL PREVIOUS LICENCES GRANTED BY THE CAYMAN ISLANDS GOVERNMENT TO CARIBBEAN UTILITIES COMPANY, LTD.

CARIBBEAN UTILITIES COMPANY, LTD., (HEREINAFTER REFERRED TO AS "the Undertakers") ARE HEREBY EXCLUSIVELY AUTHORISED TO GENERATE, TRANSMIT, DISTRIBUTE AND SUPPLY COMMERCIALY, ELECTRIC CURRENT FOR PUBLIC AND PRIVATE PURPOSES THROUGHOUT THE WHOLE AREA KNOWN AS GRAND CAYMAN, CAYMAN ISLANDS, B.W.I.

1. In this document the following words shall have the following meanings:

- a. "the Government" shall mean the Government of the Cayman Islands.
- b. "the Governor" shall mean His Excellency, The Governor in Council of the Cayman Islands.
- c. "the Law" shall mean the Electricity Law of the Cayman Islands and all amendments thereto and all and any superceding or supplementary legislation and all regulations made pursuant thereto.
- d. "Bill" means any demand and or request for payment for consumed electricity made in the normal course of the system of continuous monthly meter reading and account rendering.
- e. "Financial Year" means the period of twelve calendar months ending on the 30th of April in each and every year.
- f. "the auditors" means the auditor appointed pursuant to Clause 7(6)(a).

- g. "Reserve generating capacity" means the total installed rated capacity of all generating units less the most recent annual peak power demand as determined by the Undertakers.
  - h. "Licence" shall mean the Licence executed on the 17<sup>th</sup> day of January 1986 as amended by the Supplementary Licence executed on the 16<sup>th</sup> day of October, 1989 and the Further Supplementary Licence executed on the 15<sup>th</sup> day of November, 1994.
2. This Licence shall be read and construed subject in all respects to the provisions of the Law and any regulations made thereunder and, without creating any contractual obligation on the part of the Undertakers contrary to or in extension of the express provisions of the following portions of this Licence, the objects for which this Licence is granted are:
- a. The commercial and residential development of the Island of Grand Cayman, and
  - b. The economic betterment of the people of the Cayman Islands.
3. Notwithstanding any approvals given by the Government under the Law to the placing of works along or across any street, the Undertakers shall not be entitled as of right to place any poles, wires or associated equipment on or over any property until the consent of the owner or his agent shall have been obtained in writing and evidence of such consents shall if required be furnished to the Governor.

Reasonable compensation shall be paid to the owner of such property by the Undertakers and in the event of any dispute between the Undertakers and the owner of such property, as to the amount of compensation to be paid, the dispute shall be referred to by the Governor whose determination thereof shall be final and binding on both parties.

4. (1) Any electric power or control line, or associated equipment which may adversely affect the working of any Telephone, Telegraph, Audio and/or Vision signal circuits by reason of its close proximity to such circuits shall be of such special construction as the Government may direct. No work in close proximity to Telephone, Telegraph, Audio and/or Vision signal circuits shall be commenced, except in the case of emergency without prior notice in writing addressed to the Engineer-in-Charge of such services in Grand Cayman, or other officer responsible for the maintenance and operation of the said Telephone, Telegraph, Audio and/or Vision signal circuit or circuits. Such notice shall be mailed so as to be in the hands of the Engineer-in-charge or other responsible officer of such services at least 24 hours before such work is put in hand, and
- (2) Where it is necessary for the purposes of obviating any interference with or interruption to any licenced communications system operating within the Cayman Islands the Undertakers shall at all times consult the Licensed Communications Company which is operating the said licenced communications system.

5. (1) The Undertakers shall at all times maintain consultation with the Licensed Communications Company which is or may be for the time being operating a communications system within the Cayman Islands. The Undertakers shall further afford to such Licenced Communications Company, the exclusive rights to erect upon the Undertakers' poles, structures or building, such wires, cables and associated fittings in connection with such communications system as may be mutually agreed upon by the Undertakers and the aforesaid Licensed Communications Company; always provided the Undertakers shall have the right to require reasonable reimbursement for providing such additional Reinforcing Supports, Anchorages, Rigging and any other Supplementary works which the Undertakers would not normally provide for in the normal course of their operations.

(2) The Undertakers shall have the right to refuse permission for the Licensed Communications Company in Grand Cayman to erect, or suspend wires, cables and associated fittings on any pole structure or building if such location is identified and marked on the approved drawings as being hazardous to the safety of the Undertakers' personnel or of the Undertakers' operations, in such case the drawings shall be marked with the words "KEEP CLEAR" in large capital letters superscribed in heavy black ink.

(3) The Undertakers shall be entitled to recover from the said Licensed Communications Company a fixed rental of such sum as the Undertakers and the Communications Company may mutually agree with the approval of the Governor, for each point of support for the Licensed Communications Company wire, cable and associated fittings. In this Clause, a point of support shall mean a Pole or Structure or Building.

The Undertakers shall not be responsible for any damage howsoever caused to the said Licensed Communications Company's property so supported or affixed to the Undertaker's Poles, Structures and/or Buildings save where it can be proved in a Court of Law that any damage so caused, has resulted from the negligence of one or more servants in the direct employ of the Undertakers.

(4) Meters shall be provided by the Undertakers for the purpose of recording the amount of Electrical Energy supplied to any customer. Any meter so provided under the provisions of this Clause shall be of a type approved by the Governor and shall be maintained by the Undertakers at all times and kept calibrated as to accuracy so as to ensure that, at any load between one tenth and twice the rated full load of the meter, the accuracy of such meter is within the limits of plus or minus 2 per centum. In the event of dispute as to the accuracy of any meter it shall, if required by either party, be tested in such manner as the Governor may specify and if the results of such test reveal that the registration of the meter is not within the limits of accuracy herein specified, adjustment shall be based on the results of the aforesaid test and the costs of the test shall be borne by the Undertakers. In the event of the test proving that the registration of the meter is within the prescribed limits of the accuracy, the party requiring the meter to be subjected to test shall bear all costs incidental thereto.

The Undertakers shall be permitted to charge a deposit for each electrical point of supply such deposit to be assessed at the Undertakers' sole discretion but in accordance with the Undertakers' policy as set out in Schedule B attached hereto, and is to be paid by the consumer prior to the supply of electrical power. The consumer also will sign a contract card agreeing to the Company's terms and conditions.

Additionally the Undertakers shall not be bound to supply electrical power if such request is deemed to be not economically viable to the Undertakers.

6. (1) The Governor may at any time appoint one or more qualified persons to act as Government Electrical Inspector/s who shall test and inspect the lines, installation, works or plant (including wires and apparatus on consumers premises) of any persons or company connected with the generation, transmission and/or use of Electrical Energy so as to ensure compliance with the terms of this Licence and the Law or any Regulations made thereunder.

(2) The Inspector/s so appointed will enter his/their findings on a specially prepared form for this purpose and will cause one copy of the report to be delivered to the Governor and also one copy to the person making application for such inspection or inspections.

(3) Under no circumstances shall the Undertakers or their servants cause or allow any electrical works or apparatus or installation for the operation or execution of which they are responsible to become energised with electrical energy other than for the purposes of testing any such works, apparatus or installation without a permit, which shall only be granted by the Inspector or Inspectors duly appointed by the Governor.

The Electricity Regulations 1971 The Electricity (Amendment) Regulations 1978, and the Electricity Law and Regulations 1980 designed to secure the safety of the public and to ensure a proper and sufficient supply of Electrical energy and other provisions shall be deemed to be incorporated in this Licence and are referred to as the "Regulations".

7. (1) Subject as hereinafter appears, the Undertakers shall be bound by and adhere to the tariff rates set out in Schedule A annexed to this Licence.

(2) Within twenty-one days of the end of each financial year the Undertakers shall submit to the Financial Secretary of the Government an Interim Return in the form set out in Part A of Schedule C annexed to this Licence containing the particulars referred to in such form in relation to the operations of the Undertakers during such financial year and stating the interim rate of return for that financial year as calculated in accordance with the formula set out in Part B of the said Schedule C (hereinafter referred to as the "Interim Rate of Return") together with the Undertakers unaudited internal Management Accounts for the financial year in question. No expense, amount for depreciation of any asset, item of inventory, prepayment or sum of working capital shall be taken into account for the purposes of determining the Interim Rate of Return for any financial year under this Clause and Schedule C unless such expense, amount, item, prepayment or sum has been reasonably and necessarily incurred, expended, made and employed in producing the operating revenues for that year and no item shall be included or allowed in such determination at any figure in

excess of its true and fair market value in the closest, free and convenient continental market together with the costs and expenses of its transportation to and importation into the Cayman Islands. In the event of any conflict between the wording of this Licence and that of the formula set out in Schedule C the wording of Schedule C shall prevail.

(3) If the Interim Rate of Return for any financial year exceeds fifteen per centum the Undertakers shall on an aggregate basis after the end of the month in which the relevant Interim Return is submitted decrease the total charge levied in respect of kilowatt hours consumed (but excluding any adjustment made in respect of fuel pursuant to Clause 8) by one half of one per centum for each whole fraction of one half of one per centum of such excess (parts of any such fraction being ignored for this purpose).

This decrease in total charge shall be effected by a reduction in the Undertakers tariff rates as determined by the formula below, or such other formula as may be mutually agreed from time to time. In the absence of such agreement the method applied in the previous year shall be applied. It is acknowledged that the formula currently being applied is as follows:

$$\frac{\text{TOTAL BASIC REVENUES} \times \text{EXCESS RATE OF RETURN}}{\text{TOTAL KILOWATT HOUR SALES}}$$

Where;

TOTAL BASIC REVENUES means all financial revenues for kilowatt hours consumed in the year, excluding any fuel adjustment revenues;

EXCESS RATE OF RETURN means the Rate of Return as determined by Schedule C Part B less fifteen percent (15%); and

TOTAL KILOWATT HOUR SALES means the kilowatt hours consumed in the financial year.

(4) If the Interim Rate of Return for any financial year is less than fifteen per centum the Undertakers may with the concurrence of the Government (which concurrence shall not be unreasonably withheld) increase on an aggregate basis the total charge levied in respect of kilowatt hours consumed (but excluding any adjustment made in respect of fuel pursuant to Clause 8) by one half of one per centum for each whole fraction of one half of one per centum of such deficiency (parts of any such fraction being ignored for this purpose).

This increase in total charge shall be effected by an increase in the Undertakers tariff rates as determined by the formula below, or such other formula as may be mutually agreed to from time to time. In the absence of such agreement the method applied in the previous year shall be applied. It is acknowledged that the formula currently being applied is as follows:

$$\frac{\text{TOTAL BASIC REVENUES} \times \text{DEFICIT RATE OF RETURN}}{\text{TOTAL KILOWATT HOUR SALES}}$$

Where;

TOTAL BASIC REVENUES means all revenues for kilowatt hours consumed in the financial year, excluding any fuel adjustment revenues;

DEFICIT RATE OF RETURN means fifteen percent (15%) less the Rate of Return as determined by Schedule C Part B; and

TOTAL KILOWATT HOUR SALES means the kilowatt hours consumed in the financial year.

(5) Any decrease under sub-clause (3) or any increase under sub-clause (4) may not become effective in relation to any bill issued before the end of the month in which the relevant Interim Return is submitted.

(6) Not later than three months after the end of each financial year the Undertakers shall submit to the Financial Secretary of the Government

(a) a full and accurate set of the accounts of the Undertakers for that financial year including a Profit and Loss Account, Balance Sheet and accompanying Notes and Statements duly certified and reported on by independent auditors, such auditors being qualified as accountants by one of the Institutes of Chartered Accountants in England and Wales, Ireland and Scotland or the Canadian Institute of Chartered Accountants or the American Institute of Certified Public Accountants and such independent auditors being approved by the Government and the Undertakers or failing such mutual approval approved by the President for the time being of the Cayman Islands Society of Professional Accountants or failing such approval by such President within fifteen days of his being requested to give it, the Undertakers' Bankers (providing such Bankers are licenced to carry on banking business in the Cayman Islands) shall submit to the Government a list of three independent auditors (being qualified as hereinbefore stated) acceptable to the Undertakers and the Government shall within fifteen days of being given such list by the Undertakers' Bankers choose one from amongst the said three names to be auditors to the Undertakers; and failing such choice by the Government within such time the Undertakers shall choose one from amongst the said three names to be the auditors to the Undertakers.

(b) a certificate by the auditors stating that the particulars given in the Interim Return accord with the relevant particulars contained in the accounts of the Undertakers for such financial year as audited or, if such particulars do not so accord, furnishing a Final Return in the same form as that prescribed for the Interim Return set out in Part A Schedule C and giving the particulars required therein which do accord with those in the audited accounts; and

(c) a recommendation by the auditors as to what adjustments if any are necessary to the tariff rates to give effect to the provisions for increases or decreases in sub-clauses (3) and (4) as they apply to the revised particulars in the Final Return, and such recommendation shall be implemented immediately by the Undertakers. The implementation of any adjustment to the tariff rates as aforesaid, shall be without prejudice to the Government's right (i) to commence or continue negotiations with the Undertakers in relation to any disputed matter; or (ii) to raise any action in the Grand Court of the Cayman Islands against the Undertakers relative to any disputed matter in or arising out of this Licence.

(7) Any adjustments certified to be necessary by the auditors under sub-clause (6) (c) shall be made to all Bills issued after the date of the submission of the Final Return in sub-Clause 6 (b). In the event that the auditors certify that the Interim Rate of Return accords with the relevant particulars in the audited accounts and that no further adjustment is necessary, any decrease under sub-clause (3) or increase under (4) called for by the relevant Interim Rate of Return which has not already been implemented shall be made by the Undertakers to all Bills issued after the date of the Final Return.

(8) Tariff rates adjusted in accordance with sub-clauses (3) and (4) as further adjusted in accordance with sub-clause (6) shall remain in force until next adjusted in accordance with the provisions of this Clause.

(9) The Government may at any time at its expense cause an independent auditor being qualified as set forth in sub-paragraph (a) of sub-clause (6) of this Clause and not being employed in the public service to make a separate and independent audit of all or any part of the Undertakers' financial affairs and for that purpose such auditor shall have the power to call for the production of any books, or papers in possession or power of the Undertakers' and to inspect or make copies of or extracts from any such books and papers and at all reasonable times have access to and power to inspect (with or without valuers) any property of the Undertakers' or in its power or possession. Provided the powers conferred by this sub-clause shall not be used capriciously or for harassment and shall be used in such a manner as to cause as little disruption as possible to the normal working and operating procedure of the Undertakers. And provided further that the Undertakers shall be entitled to twenty-one days' notice before producing such books or papers to the said independent auditors.

(10) In the event of the Government or the Undertakers having a grievance in relation to any matter which is the subject matter of this clause, the aggrieved party may request a consultation meeting with the other party by notice in writing, whereupon the parties shall arrange such a meeting for a mutually convenient time not more than five (5) working days subsequent to the date of delivery of such notice in writing. At any such meeting, Government shall be represented by not less than two Members of Executive Council, one of whom shall be either the Financial Secretary or Member with responsibility for the Portfolio under which falls the subject matter of this Licence, and the Undertakers shall be represented by not less than two Directors, one of whom shall be the President or Chief Executive Officer.

8. (1) In addition to the annual adjustments in the basic tariff rate provided for in Clause 7, adjustments shall also be made in accordance with the provisions of this Clause when variations occur in the cost to the Undertakers of fuel oil used in the generation of electricity under this Licence. Within fifteen days of the end of any month in which any such variation occurs, the Undertakers shall determine the Fuel Adjustment Factor for that month in accordance with the formula set out in Schedule D annexed to this Licence and give notice thereof to the Financial Secretary together with evidence if requested by Government of the purchase and consumption of fuel oil during that month by means of:

(a) copies of suppliers' invoices, certified correct by them; and

(b) measurements of fuel stocks made by employees of the Undertakers by means of readings of meters, calibrated tapes or level indicating meters.

The Undertakers shall reduce or increase (as the case may require) their charges for every kilowatt hour of electricity charged in any bill issued after the end of the month in which the Fuel Adjustment Factor is so determined by the amount of the Fuel Adjustment Factor until such time as another Fuel Adjustment Factor has been determined under this Clause. For the purposes of this clause, the cost of fuel oil used in any month shall be determined on a "first in, first out" basis and the volume thereof shall be determined by taking the total of all deliveries of fuel oil received by the Undertakers at their plants during the month and adjusting it for changes in the level of fuel oil stocks at the beginning and the end of the month as measured by means of meters, calibrated tapes or level indicating meters. Government reserves the right to witness the measurement of any monthly fuel stocks.

(2) The Undertakers shall at all times use their best efforts to ensure that the reserve generating capacity of their plants is not less than the rated capacity of the largest generator installed on their system plus ten per centum of the most recent annual peak power demand. This reserve generating capacity shall not exceed the rated capacity of the largest generator installed on their system plus forty percent of the most recent annual peak power demand unless expressly approved by Government. Any new generating unit shall not exceed twenty percent of annual peak power demand.

(3) Not later than three months after the end of each financial year the Undertakers shall supply to the Government a report on the technical aspects of the Undertakers' operations during that year which report shall include the following information:

(a) installed generating capacity at the beginning and the end of the year;

(b) capacity and commissioning date of any new generating plant installed during the year;

(c) kilowatt hours of electricity generated in each month;

(d) kilowatt hours of electricity sold in each month;

(e) maximum peak fifteen-minute load generated in each month;

(f) imperial gallons of fuel consumed in each month;

(g) total number of consumers at the end of the year divided into tariff categories.

(4) The Undertakers shall not generate electricity by any means other than fossil fuels without the consent of the Government having been first obtained such consent not to be unreasonably withheld or delayed.

(5) Electricity shall be supplied by the Undertakers continuously, Acts of God, force majeure, the Queen's enemies and conditions outside the control of the Undertakers always excepted but provided that the Undertakers use their best reasonable endeavors to ensure the maintenance of electricity supplies in Grand Cayman and diligently pursue that object.

(6) Government shall not impose whether directly or indirectly any exchange or other restriction or control upon the Undertakers in relation to the remittance of funds by the Undertakers to others whether overseas or otherwise.

9. Except as hereinafter provided, the operations and investments and profits of the Undertakers shall be exempt from all Cayman Islands taxes, duties, levies and other impositions;

Provided that

(a) (i) the following items shall be imported free of all duties and taxes for a period of twenty years from the date of the licence: two 10.3 mw diesel generating units and one 4.0 mw diesel generating unit and their respective ancillary plants and equipment (all as specified in the purchase contracts thereof) together with all materials and equipment for the erection of a Power House to house such diesel units.

(ii) the following items shall; for a period of twenty years from the date of the Licence be subject to a rate of import duty of not more than ten per cent (10%): all capital assets not mentioned in (i) above and all other items including, without prejudice to the generality of the foregoing; machinery, motor vehicles, equipment, tools, lubricating oil, lubricants and transformer oil (but not fuel oil), goods, materials and supplies imported into the Cayman Islands for use in connection with the operations and business of the Undertakers.

(iii) Upon the expiration of the aforesaid period of twenty years the applicable rate of import duty; for the next ensuing period of five (5) years; in respect of all items mentioned in (ii) above shall not be more that fifteen per cent (15%).

(b) All amounts paid by the Undertakers by way of import duty in terms of subclause (a) (ii) of this clause shall be allowable as part of the cost of the capital asset for machinery and equipment, and as an expense for fuel oil, lubricating oil, lubricants and transformer oil in calculating the interim and final return in terms of Clause 7 and Schedule C hereof.

(c) All amounts due by the Undertakers to Government by way of import duty in terms of sub-clause (a) to this clause for the period from the date hereof to 30th April 1986 may be paid by the Undertakers at any time, at the Undertakers' sole discretion, on or before 30th October 1986 free of interest.

(d) From and after the date hereof, all fuel oil imported into the Cayman Islands by the Undertakers shall be subject to import duty at such rate as is from time to time prescribed by Government as being generally applied rate of import duty in respect of diesel fuel in term of the Customs Law (as amended). The imposition, and any variation, of import duty in respect of diesel oil in terms of this subclause (d) shall be deemed to be a variation in the cost to the Undertakers of fuel oil in terms of Clause 8(1) and Schedule D hereof.

10. From and after the date hereof, the Undertakers shall pay to Government an annual licence fee at the rate of five-eighths of one percent ( $5/8$  of 1%) of the Total Revenue as set out in paragraph 1(a) and (b) of the Interim Return submitted by the Undertakers to Government in terms of Clause 7(2) hereof. In the event of the amount of Total Revenue contained in the said Interim Return being different from the amount of Total Revenue contained in the Final Return submitted in terms of Clause 7(6)(b) hereof, the said annual Licence fee shall be five-eighths of one per centum ( $5/8$  of 1%) of the Total Revenue as set out in paragraph 1(a) and (b) of the said Final Return, and the remaining instalments shall be adjusted accordingly. Such annual Licence fee shall be payable in arrears in four equal (excepting the first such instalment) quarterly instalments on 30th April, 31<sup>st</sup> July, 30th October and 31st December in each year, commencing the first such instalment (pro-rated accordingly) on 30th April, 1986. It is hereby declared, for the avoidance of doubt, that all amounts paid by the Undertakers in terms of this clause shall be allowable as operating expenses in calculating the interim and final return in terms of Clause 7 and Schedule C hereof.
11. If at any time, from insolvency or other cause (Acts of God, force majeure, the Queen's enemies and conditions outside the control of the Undertakers always excepted the Undertakers shall be unable to continue to supply electricity in the area covered by this Licence, it shall be lawful for the Governor of the Cayman Islands to enter upon and take possession of all the works of the Undertakers and to maintain the same in working order as may be necessary for the sale or other disposal of the same.
12. This Licence shall come into operation on the date hereof and shall run for a period of twenty-five years, with the Undertakers having the right after a period of 20 years to enter into negotiations with Government for the renewal of the Licence upon the expiry of said twenty-five year period. The Government hereby agrees that, upon the expiry of said twenty-five year period as aforesaid, it will not grant an exclusive licence or franchise to any other

person or company for the commercial generation, distribution and supply of electricity in the island of Grand Cayman without first having offered such a licence or franchise (or a renewal of this Licence) to the Undertakers on terms no less favourable than the terms offered to such other person or company.

13. Three seats at least on the Board of Directors of the Undertakers shall be filled by persons nominated by the Government. These three Directors ("Special Directors") shall be selected each year by the Undertakers in the manner hereinafter set out from a list of six (6) persons to be submitted to the Undertakers by the Government prior to the ordinary general meeting of the Undertakers each year. The Special Directors shall be elected by a majority vote of the members of the Undertakers voting either in person or by proxy at each such ordinary general meeting from the above mentioned list submitted by the Government. Their terms of office shall be from the time of their selection until the next annual general meeting of the members of the Undertakers and until their successors are elected. In default of the submission of a list by the Government as aforesaid, the Special Directors for the time being in office shall be re-appointed by the Undertakers upon their retiral in terms of the Articles of Association of the Undertakers.

**SCHEDULE A**

**CARIBBEAN UTILITIES COMPANY, LTD.**

**RATE ONE BILLING SCHEDULE**

**EFFECTIVE AUGUST 1ST 1991**

MINIMUM CHARGE PER MONTH	CI\$ 5.86
FIRST 20 KWHS PER MONTH	29.31 c PER KWH
NEXT 30 KWHS PER MONTH	23.50 c " "
NEXT 50 KWHS PER MONTH	19.89 c " "
NEXT 1900 KWHS PER MONTH	15.11 c " "
OVER 2000 KWHS PER MONTH	11.52 c " "

The above rates are subject to an additional fuel price adjustment as approved by Government from time to time in the event of variation in the price of fuel oil.

**CARIBBEAN UTILITIES COMPANY, LTD.**

**RATE TWO BILLING SCHEDULE**

**EFFECTIVE AUGUST 1ST 1991**

APPLICABLE TO CONSUMERS REGULARLY USING 250 KWH OR LESS A MONTH.

MINIMUM CHARGE PER MONTH	CI\$ 5.34
FIRST 20 KWHS PER MONTH	26.73c PER KWH
NEXT 30 KWHS PER MONTH	21.46c " "
NEXT 50 KWHS PER MONTH	18.17c " "
NEXT 170 KWHS PER MONTH	16.27c " "
NEXT 1730 KWHS PER MONTH	15.11c " "
OVER 2000 KWHS PER MONTH	11.52c " "

The above rates are subject to an additional fuel price adjustment as approved by Government from time to time in the event of variation in the price of fuel oil.

**CARIBBEAN UTILITIES COMPANY, LTD.**

**RATE THREE BILLING SCHEDULE**

**EFFECTIVE AUGUST 1ST 1991**

**1.5% INCREASE (\$0.0020/KWH)**

This rate is applicable to large users whose monthly consumption exceeds 30,000 KWH.

The unit charge per KWH on this rate is 11.230c per KWH with a minimum charge of CI\$3,369.00 per month.

Any consumer contracting for rate three will be charged the minimum monthly charge, should the consumption fall below the level of 30,000 KWH per month.

This rate will become effective only on letter of application by the consumer, and on such application being approved by Caribbean Utilities Company, Ltd., in writing. The contract so agreed will be effective from the next billing after such approval of application.

Ninety days notice of cancellation of contract must be given by the consumer to Caribbean Utilities Company, Ltd., and the rate so quoted below will be subject to variation from time to time, such variation being approved by Government and implemented in the next effective billing after such approval of variation.

A force majeure clause will be effective for the term of such agreement:

Minimum charge monthly - \$3,369.00 Over 30,000 KWH per month @ 11.230c per KWH.

The above rate is subject to an additional fuel price adjustment as approved by Government from time to time in the event of variation in the price of fuel oil.

## **SCHEDULE B**

### **CARIBBEAN UTILITIES COMPANY, LTD.**

#### **DEPOSITS FOR UTILITY BILLS**

The following is the Company's policy regarding deposits to be paid by each point of electrical supply, such deposit to be paid prior to connection of supply, in addition to completion of contract card.

#### **RESIDENTIAL PROPERTIES**

##### RESIDENTIAL HOUSES, APARTMENTS, AND CONDOMINIUMS

CI\$100.00 per bedroom for residential houses.

CI\$100.00 per bedroom for condo/apartments of under 1,100 sq. ft.

CI\$500.00 for all other condos/apartments.

#### **COMMERCIAL PROPERTIES**

CUC will assess the monthly usage based on electrical appliances installed and will charge a deposit based on six weeks estimate usage.

All deposits held by CUC will be credited with interest at the rate of 6.5% per annum, such credit to be applied against the utility account. A deposit will be refunded (net of any balance due for electricity consumed) when the account in question is closed. A deposit held will be applied against a delinquent account for electricity consumed, and the net difference written off to bad debts annually.

CUC reserves the right, in consultation with Government, to amend the above rates.

**SCHEDULE C**

**PART A**

**INTERIM RETURN**

**(Under Clause 7 of the Licence)**

PARTICULARS IN RESPECT OF FINANCIAL YEAR ENDING.....

(All amounts to be expressed in Cayman Islands currency and given to nearest dollar).

1. TOTAL REVENUE COMPRISED OF:

(a) Revenue from billings for electricity consumed.

.....

(b) Revenue derived from or connected with any operating expense or asset included in items 2 through 9 below

.....

2. TOTAL OPERATING EXPENSES COMPRISED OF:

(a) Generation expenses

.....

(b) General and Administration expenses showing Director's remuneration and expenses as a separate item

.....

(c) Customer service and promotion expenses

.....

(d) Distribution expense

.....

(e) Maintenance

.....

(f) Interest in excess of fifteen percent (15%) on moneys borrowed

.....

(g) Any tax or imposition of any kind imposed by the Cayman Islands government or any of its statutory authorities.

.....

No expense shall be taken into account for the purpose of determining the Interim Return from any financial year unless such expense has been reasonably and necessarily incurred in producing the operating revenues for the year.

No amount for interest except as allowed in item 2(f) above, or amortisation, or goodwill or franchise costs will be allowed as expenses in determining operating income.

The foregoing shall not be interpreted to exclude charitable donations and similar non essential expenditures provided that such do not exceed 2% of the total of general and administration, and customer service and promotional expenses as defined in Schedule C Part A. Further, the foregoing shall not be interpreted to exclude guarantee fees payable in connection with debt obligations arising prior to the date of execution of the Further Supplementary Licence. For greater certainty, guarantee fees payable in connection with debt obligations arising on and after the date of execution of the Further Supplementary Licence shall be excluded from the calculation of operating expenses.

3. TOTAL DEPRECIATION CHARGED ON THE HISTORICAL COST OF THE UNDERTAKERS FIXED PHYSICAL ASSETS, AS CALCULATED IN ITEM 5 BELOW, PLUS LOSSES AND LESS GAINS ON DISPOSAL OF FIXED ASSETS DURING THE YEAR.

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4. OPERATING INCOME (being item 1 less the total of items 2 and 3 above)

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5. FIXED PHYSICAL ASSETS AND CONSTRUCTION WORK IN PROGRESS:

Fixed physical assets valued at historical cost employed by the Undertakers include electrical plant in service capable of supplying at least 80% of maximum initial installed rated capacity less amount of total accumulated depreciation computed on historical cost at annual rates designed to fully depreciate the related assets on a straight line basis over their estimated useful lives.

(a) Beginning of year

.....

(b) End of year

.....

The net fixed Physical Assets shall be the average of (a) and (b). Depreciation must be based on historical costs. Depreciation provisions must be in accordance with generally accepted accounting principles and practices as used by the Undertakers for financial accounting purposes.

Construction work in progress (CWIP) which is still in progress at the end of the year shall be included as part of Rate Base in addition to the Net Fixed Physical Assets. The level of CWIP to be included shall be the average of (c) and (d).

(c) Beginning of year

.....

(d) End of year

.....

The allowable value for Rate Base purposes shall be the Net Fixed Physical Assets which is the average of (a) and (b) plus allowable CWIP which is the average of (c) and (d). No amount for interest on borrowings will be allowed in determining Rate Base.

6. ALLOWABLE INVENTORY (i.e. allowable material and stock plus allowable fuel defined in this item).

(1) All material and stock used in the operation of the undertaking excluding fuel.

(a) Beginning of year

.....

(b) End of year

.....

Allowable material and stock inventory shall be the average of (a) and (b). Provided that in the event of such average exceeding an amount equivalent to 12 1/2% of the value of the Net Fixed Physical Assets the latter amount only is allowable.

(2) All fuel used in the operation of the undertaking:

(a) Beginning of year

.....

(b) End of year

.....

Allowable fuel inventory shall be the average of (a) and (b), provided that such average shall not exceed the equivalent of 45 days fuel stock, calculated in accordance with the following formula:

$$A \times 1 \frac{1}{2} \times B \$$$

Where:

A = maximum monthly fuel oil consumption during the year expressed in Imperial Gallons.

B = average price paid per Imperial Gallon for the fuel oil consumed for the generation of electricity under the Licence during the year.

.....

For the purposes of this section fuel includes lube oil.

#### 7. PREPAYMENTS AND DEPOSITS MADE BY THE UNDERTAKERS

(a) Beginning of year balance

.....

(b) End of year balance

.....

Allowable prepayments and deposits, i.e. the average of (a) and (b) or 1 1/2% of the average Net Fixed Physical Assets whichever be the lesser.

.....

#### 8. ALLOWABLE CASH WORKING CAPITAL

One-eighth of operating expenses as listed in item 2 of this Schedule, excluding fuel and lube oil expenses, and interest expense in excess of 15% on money borrowed.

.....

9. INTERIM RATE OF RETURN

For the year calculated in accordance with the formula set out in Part B of Schedule C to the Licence.

.....

I CERTIFY TO THE BEST OF MY KNOWLEDGE, THESE PARTICULARS TO BE CORRECT.

[signed]

PRESIDENT, CHIEF EXECUTIVE OFFICER or SECRETARY  
CARIBBEAN UTILITIES COMPANY, LTD.

**SCHEDULE C**

**PART B**

**RATE OF RETURN FORMULA**

**(Under Clause 7 of the Licence)**

Rate of Return equals -

$$\frac{\text{Operating income as per Item 4 of the Interim Return} \times 100\%}{\text{Over Rate Base}}$$

Where:

(a) THE RATE BASE EQUALS THE NET FIXED PHYSICAL ASSETS WHICH IS THE AVERAGE OF ITEMS 5 (a) AND (b) OF THE INTERIM RETURN, PLUS ALLOWABLE CWIP WHICH IS THE AVERAGE OF THE BEGINNING AND END OF YEAR BALANCE OF CONSTRUCTION WORK WHICH IS STILL IN PROGRESS AT YEAR END AS PER ITEMS 5(c) AND (d) OF THE INTERIM RETURN, PLUS TOTAL ALLOWABLE WORKING CAPITAL.

(b) TOTAL ALLOWABLE WORKING CAPITAL EQUALS ALLOWABLE INVENTORY PLUS ALLOWABLE PREPAYMENTS AND DEPOSITS MADE BY THE UNDERTAKERS PLUS ALLOWABLE CASH WORKING CAPITAL AS PER ITEMS 6, 7 AND 8 OF THE INTERIM RETURN.

**SCHEDULE D**

**FUEL ADJUSTMENT FORMULA**

**(Under Clause 8 of the Licence)**

When only one grade of fuel is used, the calculation shall be as follows: -

$$\frac{A - B \times 100 \text{ Cents (rounded to nearest one hundredth of a cent)}}{C}$$

Where:

A = Total cost in Cayman Islands currency of the fuel actually used by the Undertakers during the relevant month in its plants in generating electricity under the Licence.

B = The base cost in Cayman Islands currency being the number of imperial gallons of fuel used in such month for generating electricity multiplied by the base fuel oil price per gallon.

C = the kilowatt hours of electricity actually sold by the Undertaker during such month.

The Base Cost of fuel oil is CI\$0.7973 per Imperial Gallon.

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Where two grades of fuel oil are used the calculation shall be as follows:-

( D - E) + ( G - H) = J where:-

D = Total cost in Cayman Islands currency of the lighter class of fuel oil actually used by the Undertakers during the relevant month in its plants in generating electricity under the Licence.

E = The base cost in Cayman Islands currency, being the number of imperial gallons of the lighter class of fuel oil used in such month for the generation of electricity multiplied by the base price per imperial gallon for this type of fuel.

G = Total cost in Cayman Islands currency of the heavier class of fuel oil actually used by the Undertakers during the relevant month in its plants in generating electricity under the Licence.

H = The base cost in Cayman Islands currency being the number of imperial gallons of the heavier class of fuel oil used in such month for the generation of electricity multiplied by the base price per imperial gallon for this type of fuel.

J = The cost difference in Cayman Islands currency of the fuel oil above the base cost.

The fuel cost adjustment per kilowatt hour is the cost difference J divided by the total kilowatt hours sold by the Undertakers during the month under review.

If more than two grades of fuel oil are used the same methodology shall apply as is outlined above for two grades.

IN WITNESS WHEREOF these presents have been executed this 17th day of January 1986.

SIGNED by His Excellency  
GEORGE PETER LLOYD, CMG,  
CVO, Governor of the Cayman Islands, in the  
presence of:

[signed]  
C.L. Kirkconnell

[signed]  
Peter Lloyd  
Governor

THE COMMON SEAL OF CARIBBEAN UTILITIES COMPANY, LTD. was  
affixed by PHILIP D. THOMAS  
and by E. J. BOWYER  
in the presence of:

[signed]  
Witness G.R. Stein

CARIBBEAN UTILITIES  
COMPANY, LTD.

Per: [signed]  
Philip D. Thomas  
Director