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For Immediate Release

CUC Base Rate Increase Deferred to 2021 due to COVID-19

In accordance with the Rate Cap Adjustment Mechanism (“RCAM”) contained in Caribbean Utilities Company, Ltd.(CUC’s) Transmission & Distribution (“T&D”) Licence issued in April 2008, CUC was allowed to increase its base rates by 6.6% effective June 1st 2020. However, due to the COVID-19 pandemic, the Company and the Utility Regulation and Competition Office (“OfReg”) have agreed to defer the rate increase and recovery of related lost revenues until January 2021.

As a result, customers will continue to see low electricity rates through 2020 and only a marginal increase in the energy charge component of their bills for January 2021 electricity consumption billed in early February 2021. With their July billings (distributed in early August), customers would have experienced a 37% reduction in the Fuel Cost Charge since the beginning of the year which represents a \$48.60 or 20% monthly bill reduction on the average residential consumption of 1,000 kiloWatt hours(kWh).

As per Condition 25 of the T&D Licence, the RCAM is based on a formula, which incorporates readily available external data to determine a relevant Inflation Factor or Price Level Index. This consists of a weighted average of 60% of the change in the Cayman Islands Consumer Price Index (“CI CPI”) and 40% of the change in the United States of America Consumer Price Index (“US CPI”), (with both indices adjusted to remove the effects of prices of food and fuel) as reported by independent authorities for the 2019 calendar year.

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The COVID-19 shelter-in-place order has had, and continues to have, a significant impact on the Grand Cayman economy and the related decreased energy demand has affected CUC's financial performance as reflected in the recently released financial results for the three months ended June 30, 2020 ("Second Quarter 2020" or "Q2 2020").

Electricity sales for Q2 2020 were 4% lower than sales for the same period in 2019. CUC's earnings were also 43% or \$3.4 million lower when compared to same period in 2019.

For the six months ended June 30, 2020, CUC invested US\$30 million in capital expenditures in order to ensure reliability of the grid.

President and CEO of CUC, Mr. Richard Hew, stated that, "We are pleased to reach an agreement with OfReg to defer any customer rate increase until 2021. CUC is well aware that if effected in accordance with our Licences, an increase of base rates in June may have been difficult for many of our customers to bear, thus the submission to OfReg to delay the implementation date. CUC's ability to absorb lost revenues while facing increasing costs speaks to the financial stability of the Company at the outset of this pandemic. The ability to recover revenues in the future is necessary to maintain that financial stability and to meet the Company's ongoing obligations to invest in infrastructure and provide a safe, reliable and sustainable electricity service."

CUC will continue to assist customers with reducing their bills through energy conservation and by offering extended payment plan options to those in need until the end of next month.

For more information about the terms of the CUC T&D Licence, the Rate Cap Adjustment Mechanism, the Energy Smart programme or the Utility Regulation and Competition Office (OfReg), please visit the CUC or the OfReg websites at www.cuc-cayman.com or www.ofreg.ky



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