Caribbean Utilities Company, Ltd.

2019 First Quarter Report

March 31, 2019

You've got the power

General Data

About the Company

Caribbean Utilities Company, Ltd., ("CUC" or "the Company"), commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 161 megawatts ("MW"). The record peak load of 105.6 MW was experienced on August 29, 2017. CUC is committed to providing a safe and reliable supply of electricity to over 29,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's development for over the past 50 years.

About the Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 63,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

A Governor, presently His Excellency Mr. Martyn Roper, is appointed by her Majesty the Queen. A democratic society, the Cayman Islands have a Legislative Assembly comprised of representatives elected from each of Grand Cayman's five districts as well as representatives from the Sister Islands of Cayman Brac and Little Cayman.

All dollar amounts in this Quarterly Report are stated in United States dollars unless otherwise indicated.

Readers should review the note in the Management Discussion and Analysis section, concerning the use of forward-looking statements, which applies to the entirety of this Quarterly Report.

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Interim Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") consolidated financial statements for the twelve months ended December 31, 2018 ("Fiscal 2018"). The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis.

Additional information in this MD&A has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in the notes to the Company's 2018 annual financial statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of costs of providing services, including a fair return on rate base assets, from customers through appropriate billing rates would not be subject to regulatory approval.

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to the Company and its operations, including its strategy and financial performance and condition. Forward looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedules", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that could affect forward looking statements are described in the MD&A in the sections labelled "Business Risks", "Capital Resources" and "Corporate and Regulatory Overview" and include but are not limited to operational, general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Financial information is presented in United States dollars unless otherwise specified. The consolidated financial statements and MD&A in this interim report were approved by the Audit Committee.

April 30, 2019

Financial and Operational Highlights

($ thousands, except basic earnings per ordinary share, dividends paid per ordinary share and where otherwise indicated)

	Three Months Ending March 31, 2019	Three Months Ending March 31, 2018	Change	% Change
$ thousands				
Electricity Sales Revenues	**20,279**	**17,979**	2,300	13%
Fuel Factor Revenues	**26,098**	**22,718**	3,380	15%
Renewables Revenues	**968**	**777**	191	25%
Total Operating Revenues	**47,345**	**41,474**	5,871	14%
Fuel & Lube Costs	**26,098**	**22,718**	3,380	15%
Renewables Costs	**968**	**777**	191	25%
Other Operating Expenses	**15,270**	**14,760**	510	3%
Total Operating Expenses	**42,336**	**38,255**	4,081	11%
Net Earnings for the Period	**4,542**	**2,665**	1,877	70%
Cash Flow related to Operating Activities	**10,649**	**13,319**	(2,670)	-20%
$ Per Class A Ordinary Share:				
Basic Earnings	**0.13**	**0.08**	0.05	63%
Dividends Paid	**0.175**	**0.170**	0.005	3%
Actual values:				
Total Customers	**29,945**	**29,273**	672	2%
Total Employees*	**229**	**222**	7	3%
Customer per Employee (#)	**131**	**132**	(1)	-1%
System Availability (%)	**99.98**	**99.94**	0.04	0%
Peak Load Gross (MW)	**96.3**	**95.8**	0.5	1%
Millions of kWh:				
Net Generation	**149.1**	**143.0**	6.1	4%
Total Energy Supplied	**152.3**	**145.5**	6.8	5%
Kilowatt-Hour Sales	**146.4**	**140.4**	6.0	4%
Sales per employee	**0.64**	**0.63**	0.01	2%

* Total Full time CUC employees

Corporate and Regulatory Overview

The principal activity of the Company is to generate, transmit and distribute electricity in its licence area of Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 25-year non-exclusive Generation Licence (the "Licences") granted by the Cayman Islands Government (the "Government"), which expire in April 2028 and November 2039, respectively.

The Company is regulated by the Cayman Islands Utility Regulation and Competition Office ("OfReg"), which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands in accordance with the Utility Regulation and Competition Office Law (2016).

The Licences contain the provision for a rate cap and adjustment mechanism ("RCAM") based on published consumer price indices. CUC's return on rate base ("RORB") for 2018 was 7.1% (2017: 6.9%). CUC's RORB for 2019 is targeted in the 7.5% to 9.5% range (2018: 7.00% to 9.00%).

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel, lube and renewables cost charges and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the RCAM. In June 2018, following review and approval by the OfReg, the Company increased its base rates by 1.8%. This increase was a result of the 2017 RORB which reflected the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2017. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80% based on the range of the RORB values. The required rate adjustment of 1.8% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 2.2%. All fuel, lubricating oil and renewables costs are passed through to customers without mark-up as a per kWh charge. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. The value of this capital is the average of the beginning and ending values for the applicable financial year of: fixed assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities.

In the event of a natural disaster as defined in the T&D Licence, the actual increase in base rates will be capped for the year at 60% of the change in the price level index and the difference between the calculated rate increase and the actual increase, expressed as a percentage, shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if CUC's RORB is below the target range. In the event of a disaster the Company would also write-off destroyed assets over the remaining life of the asset that existed at the time of destruction. Z Factor rate changes will be required for insurance deductibles and other extraordinary expenses. The Z Factor is the amount, expressed in a charge/cents per kWh, approved by the OfReg to recover the costs of items deemed to be outside of the constraints of the RCAM in the event of a natural disaster.

The OfReg assesses CUC's performance against the performance standard expectations set out in the ERA (Standard of Performance) Rules 2012. Performance standards provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

Prior to May 1, 2018, a licence fee of 1%, payable to the Government, was charged on gross revenues, then prorated and applied only to customer billings with consumption over 1,000 kWh per month as a pass-through charge. In addition to the licence fee, a regulatory fee of 0.5% was charged on gross revenues, then prorated and applied only to customer billings with consumption over 1,000 kWh per month as a pass-through charge. The OfReg and the Company agreed on a change to the licence and regulatory fee structure, whereby the objective is to collect fixed amounts annually of $2.9 million for the license fee and $1.4 million for the regulatory fee. In 2018, this translated to a rate of $0.0149 per kWh, which is applied only to customer billings with consumption over 1,000 kWh per month as a pass-through charge.

CUC's wholly owned subsidiary, DataLink, Ltd. ("DataLink"), was granted a licence in 2012 from the ICTA (now referred to as the OfReg) permitting DataLink to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry. DataLink is subject to regulation by OfReg in accordance with the terms and conditions of its Licence which currently extends to March 27, 2027. CUC and DataLink have entered into three regulator approved agreements:

1. The Management and Maintenance agreement;
2. The Pole Attachment agreement; and
3. The Fibre Optic agreement.

Sales

Sales for the three months ended March 31, 2019 ("First Quarter 2019" or "Q1 2019") totalled 146.4 million kilowatt hours ("kWh"), an increase of 6.0 million kWh in comparison to 140.4 million kWh for the three months ended March 31, 2018 ("First Quarter 2018" or "Q1 2018"). Sales were positively impacted by an increase in customers in Q1 2019, a 5% increase in the average consumption of residential customers, and a 14% increase in the average consumption of commercial customers, when compared to Q1 2018.

The Cayman Islands Economics and Statistics Office ("ESO") issued the 2018 Third Quarter Economic Report in March 2019. The report indicated that the Gross Domestic Product ("GDP") expanded by an estimated 3.6% in the first nine months of 2018. This economic growth supported a 2% increase in the number of customers to 29,945 total customers as at March 31, 2019.

Earnings

Net earnings increased $1.8 million from $2.7 million in Q1 2018 to $4.5 million in Q1 2019. The increase in net earnings is due primarily to a 4% increase in kWh sales, lower transmission and distribution costs, lower finance charges, in addition to the impact of the demand rate implementation revenue shortfall in Q1 2018. The total amount of the billing shortfall, under the demand rate billing for large commercial customers was $0.6 million.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q1 2019 were $4.4 million or $0.13 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $2.6 million, or $0.08 per Class A Ordinary Share for Q1 2018.

Operating Revenues

Operating revenues for Q1 2019 were $47.3 million, an increase of $5.8 million from $41.5 million for Q1 2018. The increase in operating revenues for Q1 2019 was due to increased fuel factor revenues and increased electricity sales revenues.

Other (street lighting, etc.) revenue for Q1 2019 totalled $0.2 million, comparable to Q1 2018.

Electricity sales revenues were $20.3 million for Q1 2019, an increase of $2.3 million when compared to electricity sales revenues of $18.0 million for Q1 2018. Electricity sales revenues for Q1 2019 increased when compared to the same period last year due to a 4% increase in kWh sales and a 1.8% base rate increase effective June 1, 2018.

Fuel factor revenues for Q1 2019 totalled $26.1 million, an increase of $3.4 million compared to fuel factor revenues of $22.7 million for Q1 2018. Fuel factor revenues for Q1 2019 increased due to a higher average fuel cost charge per kWh when compared to Q1 2018. The average Fuel Cost Charge rate billed to consumers for Q1 2019 was $0.18 per kWh, compared to the average Fuel Cost Charge rate of $0.16 per kWh for Q1 2018. CUC passes through all fuel costs to consumers on a two-month lag basis with no mark-up.

Renewables revenues for Q1 2019 totalled $1.0 million, an increase of $0.2 million compared to renewables revenues of $0.8 million for Q1 2018. The renewables revenues are a combination of charges from the Customer Owned Renewable Energy ("CORE") programme and Entropy Cayman Solar Limited which are passed-through to consumers on a two-month lag basis with no mark-up. In 2015, the Company entered into a Power Purchase Agreement ("PPA") with Entropy Cayman Solar Limited which is expected to provide a minimum generated energy of 8.8 gigawatt hour per year for a 25-year term. The solar project was completed in June 2017 and the solar farm launched production in July 2017. In December 2018, BMR Energy Limited ("BMR Energy") acquired Entropy Cayman Solar Limited. This solar farm will be referred throughout this report as "Entropy Solar Farm".

Operating Expenses

Operating expenses for Q1 2019 totalled $42.3 million, a $4.0 million increase from $38.3 million for Q1 2018. This increase was due primarily to higher fuel costs for Q1 2019 when compared to Q1 2018. Higher depreciation and consumer services costs also contributed to higher operating expenses in Q1 2019. These items were partially offset by lower transmission and distribution costs and maintenance costs.

Power Generation

Power generation costs for Q1 2019 increased $3.8 million to $28.2 million when compared to $24.4 million for Q1 2018. This increase is a result of higher fuel costs (net of deferred fuel costs), higher net generation and lower fuel efficiency in Q1 2019. The Company passes through all fuel costs to consumers on a two-month lag basis with no mark-up.

The Company's average price per Imperial Gallon ("IG") of fuel for Q1 2019 decreased 8% to $2.75, compared to $3.00 for Q1 2018. The Company's average price per IG of lubricating oil for Q1 2019 decreased to $9.69 when compared to $9.74 for Q1 2018.

Net generation was 149.1 million kWh for Q1 2019, a 4% increase when compared to 143.0 million kWh for Q1 2018. Net generation is reported for CUC-owned generation only and does not include kWh generated from CORE or the Entropy Solar Farm. Net fuel efficiency for Q1 2019 of 18.89 kWh per IG decreased when compared to net fuel efficiency for Q1 2018 of 18.92 kWh per IG. This decrease in net fuel efficiency is due to additional maintenance performed during the 2019 period.

The Fuel Tracker Account (see Note 8 of the condensed consolidated interim financial statements) is comprised of total diesel fuel, lubricating oil costs and renewables costs to be recovered from consumers.

In March 2011, the OfReg approved the Fuel Price Volatility Management Program. The objective of the programme is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers for the fuel that the Company must purchase in order to provide electric service. Contracts initiated in 2018 utilize call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

Renewables costs for Q1 2019 totalled $1.0 million, an increase of $0.2 million when compared to renewables costs of $0.8 million for Q1 2018. For Q1 2019 the renewables costs are a combination of charges from the CORE programme and the Entropy Solar Farm.

Other generation expenses for Q1 2019 totalled $1.1 million, an increase of $0.2 million when compared to other generation expenses of $0.9 million for Q1 2018.

General and Administration ("G&A")

G&A expenses for Q1 2019 totalled $2.1 million, an increase of $0.1 million when compared to G&A expenses of $2.0 million for Q1 2018. This increase was mainly due to increases in performance share unit expense, donations, scholarships and property insurance premiums. These items were partially offset by an increase in General Expenses Capitalised ("GEC").

Consumer Services ("CS")

CS expenses for Q1 2019 totalled $0.7 million, an increase of $0.1 million when compared to $0.6 million for Q1 2018. The increase is due to additional provision for bad debt expense recorded in Q1 2019 in comparison to Q1 2018.

Transmission and Distribution ("T&D")

T&D expenses for Q1 2019 totalled $0.9 million, a decrease of $0.3 million compared to T&D expenses for Q1 2018 of $1.2 million. T&D expenses for Q1 2019 were impacted by a decrease in staff costs and tree trimming maintenance when compared to Q1 2018. These items were partially offset by lower capitalised labour and vehicle costs.

Depreciation of Property, Plant and Equipment (PP&E)

Depreciation expenses for Q1 2019 totalled $8.9 million, an increase of $0.6 million from $8.3 million for Q1 2018. The increase in depreciation expenses is due to capital projects completed in 2018.

Maintenance

Maintenance expenses for Q1 2019 totalled $1.4 million, a decrease of $0.2 million when compared to $1.6 million for Q1 2018. This decrease is due to increases in capitalised labour and vehicle costs and lower ongoing maintenance project costs. These items were partially offset by higher computer maintenance costs.

Amortization

Amortization of intangible assets for Q1 2019 totalled $0.2 million comparable to $0.2 million for Q1 2018.

Other Income and Expenses

Net Other Expenses for Q1 2019 totalled $0.5 million, a decrease of $0.1 million from $0.6 million for Q1 2018.

Finance charges for Q1 2019 totalled $1.9 million, a $0.3 million decrease from $2.2 million for Q1 2018. This decrease is as a result of higher Allowance for Funds Used During Construction ("AFUDC").

Under the T&D Licence there is a provision for AFUDC. This capitalisation of the Financing Cost is calculated by multiplying the Company's Cost of Capital rate by the average construction work in

progress ("CWIP") for each month. The cost of capital rate for 2019 is 8.5% (2018: 8%) as agreed with the OfReg, in accordance with the T&D Licence, and is reviewed annually.

The AFUDC amount for the Q1 2019 totalled $1.5 million, an increase of $0.4 million from $1.1 million for Q1 2018. This increase was attributable to higher average CWIP in Q1 2019, driven primarily by the transmission and distributions projects and generation replacement costs that were started in 2018.

Foreign exchange gains and losses are the result of monetary assets and liabilities denominated in foreign currencies that are translated into United States dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the transaction date. Foreign exchange gains for Q1 2019 totalled $0.5 million, a decrease of $0.2 million when compared to Q1 2018 foreign exchange gains of $0.7 million.

Other income totalled $0.9 million for Q1 2019, a $0.1 million decrease when compared to other income of $1.0 million for Q1 2018.

Other income is comprised of income from the third party customers of DataLink, income from pipeline operations, sale of meter sockets, sale of recyclable materials, performance rewards as part of the T&D Licence and other miscellaneous income. Performance standards as prescribed by the T&D Licence provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

Revenues from DataLink for Q1 2019 are recorded in Other Income in the amount of $0.3 million, comparable to Other Income of $0.3 million for Q1 2018.

Liquidity

The following table outlines the summary of the Company's cash flows:

Cash Flows ($ thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018	Change	% Change
Beginning cash	**8,686**	7,258	1,428	20%
Cash provided by/(used in):				
Operating activities	**10,649**	13,319	(2,670)	-20%
Investing activities	**(11,921)**	(9,856)	(2,065)	21%
Financing activities	**(2,639)**	(5,490)	2,851	-52%
Ending cash	**4,775**	5,231	(456)	-9%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Q1 2019, was $10.6 million, a $2.7 million decrease when compared to $13.3 million for Q1 2018. This decrease was primarily due to a decrease in accounts payable and accrued expenses which was partially offset by higher net earnings for the period, and changes in regulatory deferrals, inventories and accounts receivable.

Investing Activities:

Cash used in investing activities for Q1 2019 totalled $11.9 million, an increase of $2.0 million from $9.9 million for Q1 2018. This increase is due to higher capital expenditures.

Financing Activities:

Cash used in financing activities for Q1 2019 totalled $2.6 million, a decrease of $2.9 million compared to cash used in financing activities of $5.5 million for Q1 2018. The decrease in cash used in financing activities is attributable to the increase in bank overdraft which was partially offset by higher dividend payments in Q1 2019.

Cash Flow Requirements:

The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures and dividend payments. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash flows required to complete planned capital expenditures are expected to be financed from a combination of proceeds from operating cash, debt and equity transactions. The Company expects to be able to source the cash required to fund its 2019 capital expenditure programme (see the "Business Risks" section of this MD&A for Liquidity Risk details).

Transactions with Related Parties

Related-party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The related-party transactions for 2019 and 2018 are summarized in the following table.

Related Party Transactions		
(in thousands)	As at March 31, 2019	As at December 31, 2018
Receivables from Belize Electricity Company Limited (a subsidiary of Fortis Inc.)	**5**	6
Receivables from Fortis TCI (a subsidiary of Fortis Inc.)	**1**	-
Total Related Party Receivables	**6**	6
Payables to Fortis Inc. (the Company's majority shareholder)	**-**	5
Total Related Party Payables	**-**	5

Related party receivables and payables include but are not limited to travel expenses, hurricane preparedness, membership fees and insurance premiums.

Contractual Obligations

The contractual obligations of the Company over the next five years and periods thereafter, as at March 31, 2019, are outlined in the following table:

Contractual Obligations					
($ thousands)					
	Total	**< 1 year**	**1 to 3 years**	**4 to 5 years**	**> 5 years**
Total debt	256,286	12,714	28,987	35,039	179,546
Long-term debt interest	108,182	11,713	20,661	16,995	58,813
Total	**364,468**	**24,427**	**49,648**	**52,034**	**238,359**

Financial Position

The following table is a summary of significant changes to the Company's balance sheet from December 31, 2018 to March 31, 2019:

Significant changes in Balance Sheet		
(from December 31, 2018 to March 31, 2019)		
Balance Sheet Account	**Increase/ (Decrease) *($ thousands)***	**Explanation**
Cash and Cash Equivalents	(3,911)	Decrease due to cash provided by operating activities of $10.6 million and offset by cash used in investing activities of $11.9 million and cash used in financing activities of $2.6 million.
Accounts Receivable	(2,530)	A decrease in billings to customers of $1.9 million, a decrease of $0.4 million in other receivables and an increase in the DataLink allowance for doubtful accounts.
Regulatory Assets	(2,141)	Decrease due to lower balances in the fuel tracker, the government and regulatory tracker account and the demand rate account.
Property, Plant and Equipment	2,231	Net increase is comprised of (1) capital expenditures of $10.8 million (2) depreciation expense of $8.9 million and (3) $0.3 million in accrued capital expenditure.
Accounts Payable and Accrued Expenses	(9,919)	Decrease in fuel costs and trade accounts payable.
Consumers' Deposits and Advances for Construction	539	Increase due to additional customer deposits of $0.5 million.
Share Premium	806	The Company issued 49,391 shares through its share purchase plans.
Retained Earnings	(1,387)	Decrease due to Class A dividends of $5.8 million and Class B dividends of $0.1 million which were partially offset by net earnings for the period of $4.5 million.

Capital Resources

The Company's principal activity of generation, transmission and distribution of electricity in Grand Cayman requires CUC to have ongoing access to capital to build and maintain the electrical system for the community it serves.

To ensure access to capital, the Company targets a long-term capital structure of approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the Company's share purchase plans.

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 60% of the Company's consolidated capital structure, as defined by short-term and long-term debt agreements. As at March 31, 2019, the Company was in compliance with all debt covenants.

The Company's capital structure is presented in the following table:

Capital Structure	March 31, 2019 ($ thousands)	%	December 31, 2018 ($ thousands)	%
Total debt	**285,043**	**55**	285,013	55
Shareholder's equity	**229,811**	**45**	230,382	45
Total	**514,854**	**100**	515,395	100

For Q1 2019, shareholder's equity decreased by $0.6 million to $229.8 million when compared to $230.4 million as at December 31, 2018. This decrease was primarily due to lower retained earnings, which was partially offset by an increase in equity resulting from the issuance of Class A Ordinary Shares through the Company's share purchase plans.

The Company's credit ratings under Standard & Poors ("S&P") and the Dominion Bond Rating System ("DBRS") are as follows:

S&P A-/Negative
DBRS A (low)

The S&P rating is in relation to long-term corporate credit and senior unsecured debt while the DBRS rating relates to senior unsecured debt.

Off Balance-Sheet Arrangements

The Company has no off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity of or the availability of, or requirements for, capital resources.

Defined Benefit Pension Plan

The Company maintains a defined benefit pension plan, which provides a specified monthly benefit on retirement irrespective of individual investment returns. The assumed long-term rate of return on pension plan assets for the purposes of estimating pension expense for 2019 is 5%. This compares to assumed long-term rates of return of 5% used during 2018. There is no assurance that the pension plan assets will be able to earn the assumed rate of returns. The loss on pension plan assets during 2018 was 3% (2017: gain of 6%).

Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the assumed return on the assets, causing material changes in consolidated pension expense and funding requirements. Net pension expense is impacted by, among other things, the amortization of experience and actuarial gains or losses and expected return on plan assets. Market driven changes impacting other pension assumptions,

including the assumed discount rate, may also result in future consolidated contributions to pension plans that differ significantly from current estimates as well as causing material changes in consolidated pension expense. The discount rate assumed for 2019 is 4.2% compared to the discount rate assumed during 2018 of 3.7 %.

There is also measurement uncertainty associated with pension expense, future funding requirements, the accrued benefit asset, accrued benefit liability and benefit obligation due to measurement uncertainty inherent in the actuarial valuation process.

A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates" section of this MD&A.

Changes in Accounting Policies

The Consolidated Interim Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the Company's 2018 annual audited consolidated financial statements, except as described in Note 3 of the Condensed Consolidated Interim Financial Statements.

Quarterly Results

The table "Quarterly Results" summarises unaudited quarterly information for each of the eight quarters ended June 30, 2017 through March 31, 2019. This information has been obtained from CUC's unaudited interim Financial Statements which, in the opinion of Management, have been prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly results

($ thousands, except basic and diluted earnings per ordinary share)

	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted earnings per Class A Ordinary Share
March 31, 2019	47,345	4,542	4,429	0.13	0.13
December 31, 2018	51,986	7,882	7,254	0.22	0.22
September 30, 2018	53,355	9,181	9,068	0.27	0.27
June 30, 2018	47,763	7,042	6,929	0.21	0.21
March 31, 2018	41,474	2,665	2,552	0.08	0.08
December 31, 2017	44,311	5,475	4,862	0.15	0.15
September 30, 2017	46,153	7,707	7,594	0.23	0.23
June 30, 2017	42,159	6,136	6,023	0.19	0.19

Disclosure Controls and Procedures

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, have established and maintained the Company's disclosure controls and procedures ("DC&P"), to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the year ending December 31, 2018; and information required to be disclosed by the issuer in its annual filings, interim filings or other

reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Based on the evaluation performed over disclosure controls and procedures, it was concluded that the DC&P of CUC are adequately designed and operating effectively as of March 31, 2019.

Internal Controls over Financial Reporting ("ICFR")

The CEO and CFO of the Company, together with Management, have established and maintained the Company's internal control over financial reporting, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.

The design of CUC's ICFR has been established and evaluated using the criteria set forth in the Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the assessment, it was concluded that CUC's ICFR are adequately designed and operating effectively as of March 31, 2019.

Outlook

During the Q4 of 2018, the Company submitted its 2019-2023 CIP in the amount of $273 million to the OfReg for approval. The Company has also submitted an additional $77 million in proposed projects for battery storage and grid enhancement for review by the OfReg. These projects are expected to be financed directly by consumers outside of the Company's rate cap and adjustment mechanism and have the potential to provide significant financial or service benefits to consumers. The proposed 2019-2023 Capital Investment Plan is expected to be finalized during the first six months of 2019.

In January 2019, the OfReg confirmed its acceptance of the Integrated Resource Plan ("IRP") as an energy roadmap to inform future utility developments. The IRP calls for new technologies to be introduced including significant amounts of solar and wind power, procurement of natural gas and conversion of existing generating units to operate as dual fuel engines, deployment of appropriate amounts of energy storage and integration of municipal solid waste to energy plant. The IRP analyzed various resource portfolios against cost, price stability, reliability, and environmental performance, among other goals. The Company's goal in undertaking the IRP was to ensure that all energy options were explored, taking into account their safety, reliability and efficiency, before recommendations were proposed with respect to additions to the energy grid.

The IRP dovetails with the National Energy Policy ("NEP") and will give shape to the energy generation plans for Grand Cayman over the next 30 years. Both the IRP and NEP call for a significant increase in renewable energy projects over the next 10 years.

Outstanding Share Data

At April 30, 2019 the Company had issued and outstanding 33,281,733 Ordinary Shares and 250,000 9% cumulative Participating Class B Preference Shares.

The number of common shares of the Company that would be issued if all outstanding stock options were converted as at April 30, 2019 is as follows.

Conversion of Securities into Common Shares As at April 30, 2019 (Unaudited)	**Number of Common Shares**
Stock Options	40,000

Additional information, including CUC's Annual Information Form, is available on SEDAR at *www.sedar.com* and on the Company's website at *www.cuc-cayman.com*.

Condensed Consolidated Interim Balance Sheets

(expressed in thousands of United States Dollars)

Unaudited	Note	As at March 31, 2019	As at December 31, 2018
Assets			
Current Assets			
Cash		**4,775**	8,686
Accounts Receivable, net	7	**10,069**	12,599
Related Party Receivables	13	**6**	6
Regulatory Assets	8	**19,293**	21,434
Inventories		**3,670**	3,451
Prepayments		**1,440**	2,331
Total Current Assets		**39,253**	48,507
Property, Plant and Equipment, net		**513,361**	511,130
Intangible Assets, net		**3,042**	3,106
Other Assets		**381**	11
Total Assets		**556,037**	562,754
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank Overdraft		**4,987**	1,993
Accounts Payable and Accrued Expenses		**23,854**	33,773
Related Party Payables	13	**-**	5
Regulatory Liabilities	8	**251**	345
Short-Term Debt		**30,000**	30,000
Current Portion of Long-Term Debt	10	**12,714**	12,714
Current Portion of Lease Liability	6	**61**	-
Consumers' Deposits and Advances for Construction		**9,975**	9,436
Total Current Liabilities		**81,842**	88,266
Defined Benefit Pension Liability		**1,121**	1,122
Long-Term Debt	10	**242,329**	242,299
Other Long-Term Liabilities		**934**	685
Total Liabilities		**326,226**	332,372
Commitments and Contingency	14, 15		
Shareholders' Equity			
Share Capital		**2,231**	2,228
Share Premium		**127,176**	126,370
Additional Paid-in Capital		**467**	467
Retained Earnings		**101,097**	102,484
Accumulated Other Comprehensive Loss		**(1,160)**	(1,167)
Total Shareholders' Equity		**229,811**	230,382
Total Liabilities and Shareholders' Equity		**556,037**	562,754

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Earnings

(expressed in thousands of United States Dollars, except basic and diluted earnings per ordinary share)

Unaudited	Note	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating Revenues			
Electricity Sales	5	**20,279**	17,979
Fuel Factor	5	**26,098**	22,718
Renewables	5	**968**	777
Total Operating Revenues		**47,345**	41,474
Operating Expenses			
Power Generation		**28,203**	24,414
General and Administration		**2,055**	1,973
Consumer Services		**742**	598
Transmission and Distribution		**900**	1,165
Depreciation		**8,888**	8,294
Maintenance		**1,366**	1,641
Amortization of Intangible Assets		**182**	170
Total Operating Expenses		**42,336**	38,255
Operating Income		**5,009**	3,219
Other (Expenses)/Income			
Finance Charges	11	**(1,878)**	(2,184)
Foreign Exchange Gain	12	**471**	679
Other Income		**940**	951
Total Net Other (Expenses)/Income		**(467)**	(554)
Net Earnings for the Period		**4,542**	2,665
Preference Dividends Paid- Class B		**(113)**	(113)
Earnings on Class A Ordinary Shares		**4,429**	2,552
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)		**33,115**	32,995
Earnings per Class A Ordinary Share		**0.13**	0.08
Diluted Earnings per Class A Ordinary Share		**0.13**	0.08
Dividends Declared per Class A Ordinary Share		**0.175**	0.170

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

Unaudited	**Three Months Ended March 31, 2019**	**Three months Ended March 31, 2018**
Net Earnings for the Period	**4,542**	2,665
Other Comprehensive Income:		
Amortization of Net Actuarial Loss	**7**	7
Total Other Comprehensive Income	**7**	7
Comprehensive Income	**4,549**	2,672

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Shareholders' Equity

(expressed in thousands of United States Dollars except Common Shares)

Unaudited	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value ($)	Preference Shares ($)	Share Premium ($)	Additional Paid-in Capital ($)	Accumulated Other Comprehensive Loss ($)	Retained Earnings ($)	Total Equity ($)
As at December 31, 2018	**33,232**	**1,978**	**250**	**126,370**	**467**	**(1,167)**	**102,484**	**230,382**
Net earnings	-	-	-	-	-	-	**4,542**	**4,542**
Common share issuance and stock options plans	50	3	-	806	-	-	-	809
Defined benefit plans	-	-	-	-	-	7	-	7
Dividends on common shares	-	-	-	-	-	-	(5,816)	(5,816)
Dividends on preference shares	-	-	-	-	-	-	(113)	(113)
As at March 31, 2019	**33,282**	**1,981**	**250**	**127,176**	**467**	**(1,160)**	**101,097**	**229,811**
As at December 31, 2017	**32,995**	**1,964**	**250**	**123,376**	**467**	**(1,302)**	**99,668**	**224,423**
Net earnings	-	-	-	-	-	-	2,665	2,665
Common share issuance and stock options plans	50	3	-	722	-	-	-	725
Defined benefit plans	-	-	-	-	-	7	-	7
Dividends on common shares	-	-	-	-	-	-	(5,609)	(5,609)
Dividends on preference shares	-	-	-	-	-	-	(113)	(113)
As at March 31, 2018	**33,045**	**1,967**	**250**	**124,098**	**467**	**(1,295)**	**96,611**	**222,098**

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Cash Flows
(expressed in thousands of United States Dollars)

Unaudited	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating Activities		
Net Earnings for the period	**4,542**	2,665
Items not affecting cash:		
Depreciation	**8,888**	8,294
Amortization of Intangible Assets	**182**	170
Amortization of Deferred Financing Costs	**30**	35
	13,642	11,164
Net Changes in Working Capital Balances Related to Operations:	**(5,040)**	4,546
Net Change in Regulatory Deferrals	**2,047**	(2,391)
Cash flow related to operating activities	**10,649**	13,319
Investing Activities		
Purchase of Property, Plant and Equipment	**(11,803)**	(9,786)
Proceeds from Sale of Property, Plant and Equipment	**-**	45
Costs related to Intangible Assets	**(118)**	(126)
Contributions in Aid of Construction	**-**	11
Cash flow related to investing activities	**(11,921)**	(9,856)
Financing Activities		
Increase in Bank Overdraft	**2,995**	-
Dividends Paid	**(6,443)**	(6,215)
Net Proceeds from Share Issues	**809**	725
Cash flow related to financing activities	**(2,639)**	(5,490)
(Decrease) in net cash	**(3,911)**	(2,027)
Cash - Beginning of the period	**8,686**	7,258
Cash - End of the period	**4,775**	5,231
Supplemental disclosure of cash flow information:		
Interest paid during the period	**344**	11

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Unaudited – March 31, 2019 (expressed in thousands of United States dollars unless otherwise stated)

1. Nature of Operations and Condensed Consolidated Interim Financial Statement Presentation

These condensed consolidated interim financial statements include the regulated operations of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") and the accounts of its wholly-owned subsidiary company DataLink, Ltd. ("DataLink"), and reflect the decisions of the Cayman Islands Utility Regulation and Competition Office (the "OfReg"). These decisions affect the timing of the recognition of certain transactions resulting in the recognition of regulatory assets and liabilities, which the Company considers it is probable to recover or settle subsequently through the rate-setting process.

The principal activity of the Company is to generate and distribute electricity in its licence area of Grand Cayman, Cayman Islands, pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 25 year non–exclusive Generation Licence (collectively the "Licences") with the Cayman Islands Government (the "Government"), which expire in April 2028 and November 2039 respectively.

The Company is regulated by the Cayman Islands Utility Regulation and Competition Office ("OfReg"), which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands in accordance with the Utility Regulation and Competition Office Law (2016).

CUC's wholly-owned subsidiary, DataLink was granted a licence in 2012 from the ICTA (now regulated by the OfReg) permitting DataLink to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry. DataLink is subject to regulation by OfReg in accordance with the terms and conditions of its Licence which currently extends to March 27, 2027.

All intercompany balances and transactions have been eliminated on consolidation.

Rate Regulated Operations

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel cost charges, renewables costs and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the Rate Cap and Adjustment Mechanism ("RCAM"). In June 2018, following review and approval by the OfReg, the Company increased its base rates by 1.8% (June 2017: 1.6%). This increase was a result of the 2017 Return on Rate Base ("RORB") and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2017. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80%, based on the range of the RORB values. The required rate adjustment of 1.8% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 2.2%. All fuel, lubricating oil and renewables costs are passed through to customers without mark-up as a per kWh charge.

For regulatory purposes, fixed assets comprise of the completed Property, Plant and Equipment ("PP&E") and intangible assets acquired or constructed by the Company as reported in the Company's condensed consolidated interim financial statements. The original book value of these fixed assets includes Allowance for Funds Used During Construction ("AFUDC") and an allowance for General Expenses Capitalised ("GEC"). GEC is calculated as a percentage of up to 10% of Non-Fuel Operating Expenses, varying annually depending on the level of capital activity.

Seasonality

Interim results will fluctuate due to the seasonal nature of electricity consumption. In Grand Cayman, demand is highest in the summer months due to air-conditioning load. Consequently, interim results are not necessarily indicative of annual results.

Taxation

Under current laws of the Cayman Islands, there are no income, estate, corporate, capital gains or other taxes payable by the Company.

The Company is levied custom duties of $0.30 per Imperial Gallon ("IG") of diesel fuel it imports. In addition, the Company pays customs duties of 15% on all other imports.

2. Summary of Significant Accounting Policies

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, these Condensed Consolidated Interim Financial Statements do not include all information and notes required by US GAAP for annual financial statements. Since the Condensed Consolidated Interim Financial Statements and Notes do not include all information and notes required by US GAAP for annual financial statements, the Condensed Consolidated Interim Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 2018.

The preparation of financial statements in conformity with US GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Changes in Accounting Policies

Leases

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, that requires lessees to recognize a right-of-use asset and lease liability for all leases with a lease term greater than 12 months, along with additional quantitative and qualitative disclosures (Note 6). CUC applied the transition provisions as of the adoption date and did not retrospectively adjust prior periods. The Company elected a package of implementation options, referred to as practical expedients, that allowed it to not reassess: (i) whether existing contracts, including land

easements, are or contain a lease; (ii) the lease classification of existing leases; or (iii) the initial direct costs for existing leases. Also, the Company utilized the hindsight practical expedient to determine the lease term. Upon adoption, the Company did not identify or record an adjustment to the opening balance of retained earnings, and there was no impact on net earnings or cash flows.

When a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognized. At inception, the right-of-use asset and liability are both measured at the present value of future lease payments, excluding variable payments that are based on usage or performance. Future lease payments include both lease components (e.g. rent and insurance costs) and non-lease components (e.g. common area maintenance costs), which CUC accounts for as a single lease component. The present value is calculated using the rate implicit in the lease or a lease-specific secured interest rate based on the remaining lease term. Renewal options are included in the lease term when it is reasonably certain that the option will be exercised.

Leases with a term of twelve months or less are not recorded on the balance sheet but are recognized as lease expense on a straight-line basis over the lease term.

Hedging

Effective January 1, 2019, the Company adopted ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities,* which better aligns risk management activities and financial reporting for hedging relationships through changes to designation, measurement, presentation and disclosure guidance. The adoption of this ASU did not have a material impact on the consolidated financial statements and related disclosures.

Fair Value Measurement Disclosures

Effective January 1, 2019, the Company adopted elements of ASU No. 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement,* that are allowed to be early adopted. This ASU improves the effectiveness of financial statement note disclosures by clarifying what is required and important to users of the financial statements. The partial adoption of this update removed (a) the amount of, and reasons for, transfers between level 2 and level 3 of the fair value hierarchy, (b) the policy for timing of transfers between levels, and (c) the valuation processes for level 3 fair value measurements.

4. Future Accounting Policies

Measurement of Credit Losses on Financial Instruments

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, issued in June 2016, is effective for the Company January 1, 2020 and is to be applied on a modified retrospective basis. Principally, it requires entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to estimate credit losses. The adoption of this ASU will not have a material impact on the consolidated financial statements and related disclosures.

Changes to the Disclosure Requirements for Defined Benefit Plans

ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*, issued in August 2018, is effective for the Company January 1, 2021 and is to be applied on a retrospective basis for

all periods presented. Principally, it modifies the disclosure requirements for employers with defined pension or other post-retirement plans and clarifies disclosure requirements. In addition, the amendments remove (a) the amounts in accumulated other comprehensive income expected to be recognized as components of net period benefit costs over the next fiscal period, (b) the amount and timing of plan assets expected to be returned to the employer, and (c) the effects of a one-percentage-point change on the assumed health care costs and the change in rates on service cost, interest cost and the benefit obligation for post-retirement health care benefits. CUC does not expect the adoption of this ASU to have a material impact on the related disclosure.

5. Operating Revenues

Operating Revenues		
($ thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Electricity Sales Revenues		
Residential	**9,594**	8,793
Commercial	**10,464**	9,029
Other (street lighting etc.)	**221**	157
	20,279	17,979
Fuel Factor	**26,098**	22,718
Renewables	**968**	777
Total Operating Revenues	**47,345**	41,474

Electricity Sales revenue

The Company generates, transmits and distributes electricity to residential and commercial customers and for street lighting service. Electricity is metered upon delivery to customers and recognized as revenue using approved rates when consumed. Meters are read on the last day of each month, and bills are subsequently issued to customers based on these readings. As a result, the revenue accruals for each period is based on actual bills-rendered during the period.

Fuel Factor

Fuel Factor revenues consist of charges from diesel fuel and lubricating oil costs which are passed through to consumers on a two-month lag basis with no mark-up.

Renewables

Renewables revenues are a combination of charges from the Customer Owned Renewable Energy ("CORE") programme and Entropy Solar Farm, which are passed through to consumers on a two-month lag basis with no mark-up.

6. Leases

When a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognized. The Company measures the right-of-use asset and lease liability at the present value of future lease payments excluding variable payments based on usage or performance. The Company calculates the present value using a lease-specific secured interest rate based on the remaining lease term. CUC has a lease agreement with lease components (e.g. rent and insurance costs) and non-lease components (e.g. common area maintenance costs), which are accounted for as a single lease component. CUC includes

options to extend a lease in the lease term when it is reasonably certain that the option will be exercised. Leases with an initial term of twelve months or less are not recorded on the balance sheet but are recognized as lease expense on a straight-line basis over the lease term.

CUC leases office space under a lease agreement that will expire on June 30, 2019. This lease includes the option to renew, with renewal terms that may extend the lease term for an additional 5 years. The lease agreement includes rental payments adjusted periodically for inflation or require the Company to pay insurance, maintenance, or other operating expenses associated with the lease premises.

The following table details supplemental balance sheet information related to CUC's operating lease:

Operating Leases		
($ thousands)	Classification	Three Months Ended March 31, 2019
Operating Lease Assets	Other Assets	369
Current Portion Lease Liability	Current Portion of Lease Liability	61
Noncurrent Operating Lease Liability	Other Long-Term Liabilities	310

The following table presents the components of CUC's lease cost recorded in the Condensed Consolidated Interim Statement of Earnings.

Lease Cost		
($ thousands)	Classification	Three Months Ended March 31, 2019
Operating Lease Costs	Operating Expenses – Consumer Services	23
Variable Lease Costs	Operating Expenses – Consumer Services	1
Total Lease Costs		**24**

Operating lease cost for the three months ended, March 31, 2019 approximated $0.02 million.

As of March 31, 2019, the Company had the following future minimum lease payments:

Future Minimum Lease Payments	
($ thousands)	Operating Lease
2019	58
2020	79
2021	80
2022	81
2023	83
Thereafter	42
Total	423
Less: imputed Interest	(53)
Present Value of Lease Liability	371

Note: Minimum lease payments exclude payments to lessor for variable insurance and common area maintenance.

7. Accounts Receivable, net

Accounts Receivable		
($ thousands)	As at March 31, 2019	As at December 31, 2018
Billings to consumers	10,664	12,637
Other receivables	684	1,079
Allowance for doubtful accounts	(1,279)	(1,117)
Total Accounts Receivable, net	**10,069**	**12,599**

Other receivables

Other receivables relate to amounts due outside of the normal course of operations. Items in other receivables include sale of inventory and machine break-down costs covered by warranties.

8. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
($ thousands)			
Asset/Liability	Description	As at March 31, 2019	As at December 31, 2018
Regulatory Assets	Fuel Tracker Account	18,394	20,135
Regulatory Assets	Derivative contract	-	-
Regulatory Assets	Miscellaneous Regulatory Assets	185	191
Regulatory Assets	Government & Regulatory Tracker Account	131	349
Regulatory Assets	Demand Rate Recoveries	583	759
Total Regulatory Assets		**19,293**	**21,434**
Regulatory Liabilities	Derivative contract	(251)	(345)
Regulatory Liabilities	Government & Regulatory Tracker Account	-	-
Regulatory Liabilities	Miscellaneous Regulatory Liabilities	-	-
Total Regulatory Liabilities		**(251)**	**(345)**

9. Share Based Compensation Plans

Share Options:

The shareholders of the Company approved an Executive Stock Option Plan ("ESOP') on October 24, 1991, under which certain employees and officers may be granted options to purchase Class A Ordinary Shares of the Company.

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. Each option is for a term not exceeding ten years, and will become exercisable on a cumulative basis at the end of each year following the date of grant. The maximum number of Class A Ordinary Shares under option shall be fixed and approved by the shareholders of the Company from time to time and is currently set at 1,220,100. Options are forfeited if they are not exercised prior to their respective expiry date or upon termination of employment prior to the completion of the vesting period.

Share Options	Three Months Ended March 31, 2019	Three Months Ended March 31, 2019		
	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ thousands)
Outstanding at Beginning of Period	45,000	9.66	3.23	-
Granted	-	-	-	-
Exercised	(5,000)	9.66	-	-
Forfeited/Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding, End of Period	40,000	9.66	2.98	-
Vested, End of the Period	**40,000**	**9.66**	**2.98**	**-**

Under the fair value method, the compensation expense was $nil for the three month period ended March 31, 2019 (March 31, 2018: $nil).

Performance Share Unit ("PSU") Plan:

In September 2013, the Board of Directors approved a PSU plan under which officers and certain employees of the Company would receive PSUs. Each PSU represents a unit with an underlying value which is based on the value of one common share relative to the S&P/TSX Utilities Index.

PSU's outstanding as at March 31, 2019 relate to grants in 2017 in the amount of 28,235, 2018 in the amount of 29,151 and 2019 in the amount of 38,692. The vesting period of the grant is three years, at which time a cash payment may be made to plan participants after evaluation by the Board of Directors of the achievement of certain payment criteria.

PSU Compensation expense was $0.3 million for the three month period ended March 30, 2019 (March 30, 2018: $0.1 million), resulting in a corresponding increase to Other Long-Term Liabilities.

10. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value.

The Company is required to determine the fair value of all derivative instruments in accordance with the following three levels of the fair value hierarchy:

Level 1: Fair value determined using unadjusted quoted prices in active markets.
Level 2: Fair value determined using pricing inputs that are observable.
Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

The fair values of the Company's financial instruments, including derivatives, reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Company's future earnings or cash flows.

There have been no changes in the methodologies used at March 31, 2019. The estimated fair values of the Company's financial instruments, including derivative financial instruments, are as follows:

Financial Instruments				
	As at March 31, 2019		As at December 31, 2018	
($ thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion	**255,043**	**267,697**	255,014	261,989
Fuel Option Contracts	**251**	**251**	345	345

The Company's long term debt and fuel derivative contracts, based on the three levels that distinguish the level of pricing observability utilized in measuring fair value, have been classified as Level 2. There were no transfer between levels for the period ended March 31, 2019.

11. Finance Charges

The composition of finance charges were as follows:

Finance Charges		
($ thousands)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Interest costs - long-term debt	**3,010**	3,269
Other interest costs	**374**	49
AFUDC	**(1,506)**	(1,134)
Finance Charges	**1,878**	2,184

12. Foreign Exchange

The closing rate of exchange on March 31, 2019 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was Cdn $1.3363 per US$1.00 (December 2018: Cdn$1.3642). The official exchange rate for the conversion of Cayman Islands dollars into U.S. dollars as determined by the Cayman Islands Monetary Authority is fixed at CI$1.00 per US$1.20. Thus, the rate of exchange as of March 31, 2019 for conversion of Cayman Islands dollars into Canadian dollars was Cdn $1.6036 per CI$1.00 (December 31, 2018: Cdn $1.6370).

13. Transactions with Related Parties

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The related-party transactions for 2019 and 2018 are summarized in the following table.

Related Party Transactions		
(in thousands)	As at March 31, 2019	As at December 31, 2018
Receivables from Belize Electricity Company Limited (a subsidiary of Fortis Inc.)	**5**	6
Receivables from Fortis TCI (a subsidiary of Fortis Inc.)	**1**	-
Total Related Party Receivables	**6**	6
Payables to Fortis Inc. (the Company's majority shareholder)	**-**	5
Total Related Party Payables	**-**	5

Receivables and payables include but are not limited to travel expenses, hurricane preparedness, membership fees and insurance premiums.

14. Commitments

As at March 31, 2019, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

Commitments					
($ thousands)	Total	2019	2020-2021	2022-2023	2024 Onward
Letter of Guarantee	500	500			
Lease Liability	423	58	159	164	42
Commitments	**923**	**558**	**159**	**164**	**42**

15. Contingency

On July 11, 2017 the OfReg issued ICT 2017-1 Determination Pole Attachment Reservation Fees. The OfReg's decision was that DataLink's charge of reservation fees in the manner provided for in the current contracts was, in its view, contrary to the Information and Communication Technology Authority Law (2011 Revision). Under the determination, DataLink was required to remove references to reservation fees in its contracts with other telecomm providers and negotiate a refund to the telecoms of fees charged, including fees charged prior to 2017. DataLink was ordered to amend the contracts within 30 days of the determination and negotiate the amounts to be refunded within 60 days of the determination.

As a result of a legal review and assessment of the Directives contained in ICT 2017 -1, DataLink sought a stay of the decision and permission to apply for Judicial Review from the Cayman Islands Grand Court. Both the stay and permission to apply for Judicial Review were granted on August 11, 2017. A Grand Court Hearing was held over five days beginning on June 4, 2018. No judgment has been delivered as of yet.

Shareholder Information

Shareholder Plans

CUC offers its Shareholders a Dividend Reinvestment Plan. Please contact one of CUC's Registrar and Transfer Agents or write to CUC's Assistant to the Company Secretary if you would like to receive information about the plan or obtain an enrolment form.

CUC also has a Customer Share Purchase Plan for customers resident in Grand Cayman. Please contact our Customer Service Department at (345) 949-5200 if you are interested in receiving details.

Our Registrar and Transfer Agents are as follows:

AST Trust Company (Canada)
P.O. Box 4229
Station A
Toronto, ON
M5W 0G1
North America toll free: 1-800-387-0825
Direct: 416-682-3860
Fax : 1-888-249-6189
E-mail: *inquiries@astfinancial.com*

Caribbean Utilities Company, Ltd.
Company Secretary
P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-4621
E-mail: *investor@cuc.ky*
Website: *www.cuc-cayman.com*

If you require further information or have any questions regarding CUC's Class A Ordinary Shares (listed in U.S. funds on the Toronto Stock Exchange), please contact:

Caribbean Utilities Company, Ltd.
Assistant to the Company Secretary
P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-4621
E-mail: *investor@cuc.ky*
Website: *www.cuc-cayman.com*

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457 North Sound Road, P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
Tel: (345) 949-5200 ▲ Fax: (345) 949-4621
E-mail: investor@cuc.ky ▲ Website: www.cuc-cayman.com