



May 30th, 2014

For Immediate Release

CUC Base Rate Adjustments – Effective June 1, 2014

The Board of the Electricity Regulatory Authority (ERA) has approved CUC's application for Base Rate adjustments for all customer bills rendered after June 1, 2014 as per the Rate Cap Adjustment Mechanism (RCAM) procedure mandated by CUC's Licence issued in April 2008, in concert with a rate rebalancing exercise also required under CUC's Licence at least every 5 years. The approved Base Rate adjustments will result in a 1% reduction in the average residential customer's bill, a 2.8% increase in the average general commercial customer's bill and a 1.1% increase in the average large commercial customer's bill. Altogether, these adjustments equate to the 1.5% overall increase in Base Rates required by the RCAM.

On April 28, 2014, CUC submitted its application to the ERA to review and approve a 1.5% Base Rate increase effective June 1, 2014 in accordance with the Rate Cap and Adjustment Mechanism (RCAM) described in Condition 25 of the CUC Transmission and Distribution Licence (the T&D Licence).

As per Condition 25 of the T&D Licence, the RCAM is based on a formula that incorporates readily available external data to determine a relevant Price Level Index. The Price Level Index is adjusted by an appropriate factor, which may provide for a rate increase less than, equal to, or greater than the Price Level Index, or for no increase. The RCAM change to Base Rates is calculated using the most recent CUC audited financial statements to calculate CUC's Return on Rate Base and a weighted average consisting of 60% of the Cayman Islands Consumer Price Index (CI CPI) and 40% of the United States of America Consumer Price Index (US CPI), (both indices adjusted to remove the effects of prices of food and fuel) as reported by independent authorities for the most recent calendar year.

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In addition to the requirements of Condition 25 of the T&D Licence, CUC may in accordance with Condition 19 also periodically (but at least every 5 years) propose re-balanced and re-structured rates, taking into account the results of any cost of service study (COSS) completed in advance of the proposed rate adjustment. Any such adjustments must be revenue neutral to the base rate adjustment as determined by the RCAM. An independent, comprehensive, allocated COSS was completed and submitted to the ERA for review in April 2014. The last COSS conducted under Condition 19 by an independent consultant was completed in April 2009.

An allocated COSS assigns cost responsibility between rate classes based on various relative characteristics – specifically, number of customers, energy sales, impact on peak demands and revenues. For the demand allocation factors, in particular, extensive analysis of customer load data was performed based on interval usage readings collected from CUC's advanced metering infrastructure meters. The sum of all allocated revenue requirements represents the allocated cost of service, or the net revenue requirement for the Base Rates of each of the rate classes. The entire exercise must be revenue neutral, that is, the total revenue from all classes must be the same before and after any rebalancing.

With an assumed Fuel Cost Charge of \$0.2265 per kWh, and the Licence and Regulatory Fees Charge of \$0.0079 per kWh for all kWh over 1,000 kWh per month, the net impact of the 1.5% RCAM rate increase and the COSS generated rebalancing of rates compared to current rates for the average monthly bill usage levels in each rate class is as follows:

- Residential – The average customer's bill would be **lower by 1%**.
- General Commercial – The average customer's bill would be **higher by 2.8%**.
- Large Commercial – The average customer's bill would be **higher by 1.1%**.



Upon review and confirmation of the CUC audited financial reports, the CI and US CPI reports, and the 2013 CUC Return on Rate Base, the ERA has approved the overall CUC 1.5% Base Rate increase which is a result of 2013 inflation in both the Cayman Islands and the USA, CI CPI and US CPI of 2.0% and 1.7% respectively (both excluding food and fuel). The ERA has also reviewed and approved the rate level adjustments to the Base Rates as indicated by the COSS. These actions do not impact the Fuel Cost Charge or the Licence and Regulatory Fees Charge.

As a result, CUC's Billing Rates schedule has been updated as below:

Effective Date:	To May 31, 2014	From June 1, 2014
<u>Residential: Rate R</u>		
Monthly Facilities Charge	\$5.25 per customer account	\$5.17 per customer account
Plus:		
All kWh per month	\$0.1065 per kWh	\$0.1031 per kWh
<u>General Commercial: Rate C</u>		
Monthly Facilities Charge	\$26.24 per customer account	\$28.60 per customer account
Plus:		
All kWh per month	\$0.1065 per kWh	\$0.1153 per kWh
<u>Large Commercial: Rate L</u>		
Monthly Facilities Charge	\$141.72 per customer account	\$150.00 per customer account
Plus:		
First 30,000 kWh per month	\$0.1065 per kWh	\$0.1153 per kWh
Over 30,000 kWh per month	\$0.0934 per kWh	\$0.0952 per kWh

An informational insert detailing how this change will affect the various Consumer Classes will be included in CUC's June 2014 Billings.

For more information about the terms of the CUC Transmission & Distribution Licence, the Rate Cap Adjustment Mechanism or the ERA, please visit the CUC or the ERA websites at www.cuc-cayman.com or www.caymanera.ky.

For further information, please contact:

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