

May 1, 2009

Under Condition 19.2 of CUC's Transmission and Distribution Licence, an increase in electricity base rates is scheduled to take effect on 1st June, 2009 if the submission from CUC is verified by the ERA. The ERA is aware that CUC has issued a statement in connection with the scheduled increase and the ERA wishes to advise the public as follows:

1. The two basic components of consumers' electricity bills are the fuel factor charge and the base rate charge.
2. In accordance with the agreement reached between the Cayman Islands Government and CUC, effective 1st January, 2009 residential base rates for a 1,000 Kwh per month consumer, declined by 38.0% from the base rates existing in December 2007. Base rates will have been frozen for the 17 month period since January 2008, through June 2009.
3. The scheduled increase will affect **only the base rate charge**. The fuel factor charge continues to decline as international fuel prices have declined from the highs of 2008.
4. The base rate increase is calculated by multiplying a composite CPI (Cayman CPI times 60%, United States CPI times 40%, both excluding food and fuel) and multiplying the result by a factor of 80%.
5. CUC has submitted its calculations to the ERA which indicate an average increase in base rates of 2.4%
6. The rate increase is subject to verification of the calculations by the ERA.
7. Following verification by the ERA, the new base rates will remain at that level until 1st. June, 2010.
8. Consumers with a monthly consumption of 1,000 Kwhs or less will continue to be exempt from Government Licence and Regulatory Fees.
9. In accordance with Condition 20.4 of the T&D Licence, CUC has submitted to the ERA for its review and approval a proposal for the re-balancing of rates among the rate classes of Residential, General Commercial and Large Commercial based on a Cost of Service Study (COSS) submitted to the ERA on April 30, 2009. This proposal and the COSS will be taken into account by the ERA in respect of its approval of the application of the scheduled rate increase to the various rate classes. The net result could be increases of more or less than 2.4% or even decreases in the base rate applied to one or more of the different rate classes.

An example of a residential consumer who uses 1,000 Kwhs per month, if 2.4% is added to the billing.

All figures in CI Dollars;

	<u>Billing Jan. 2008</u>		<u>Proposed Billing June 1,</u>
	<u>2009</u>		<u>2009</u>
Monthly Charge	5.00		5.12
Base Billing Charge Kwh (10.15 cents)	101.49	(10.3936 cents)	103.94
Government Fees	0.00		0.00
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Base Billing Cost	106.49		109.06 + 2.4%
Fuel Factor (Nov 2007, 17.54 cents kWh)	175.40	Fuel Factor (March 2009, 11.30cents kWh)	113.00
Fuel Rebate (Dec 2007 0.0343)	(34.30)	Fuel Rebate (March 0.0290)	(29.00)
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Total Billing for 1,000 kWhs	247.59		193.06
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The two sets of figures show a reduction overall of \$ 54.53 (22.02%), even when the CUC's application from CUC to increase base billing rates by an average of 2.4%.

In the example above the March 2009 has been used for the June billings as normally it would be April fuel factor applied to June, however the April fuel factor submission from CUC will not be received until May 15.

The ERA continues to protect CUC consumers by monitoring CUC's results to ensure that they comply with all aspects of the Licenses granted in April 2008, and continues discussion in such matters as performance standards to ensure that CUC is efficient in its operations.

The ERA has recently conducted a solicitation for an additional 32 MW of firm capacity for installation 16 MW in 2012 and 16 MW in 2013. In addition it is actively pursuing the possibility of commercially renewable energy projects, and is currently reviewing a request for proposal from CUC for 10 MW of wind power for Grand Cayman.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip Thomas". The signature is fluid and cursive, with the first name "Philip" and last name "Thomas" clearly distinguishable.

Philip Thomas
Managing Director

Electricity Regulatory Authority