

PUBLISH DATE [.], 2025



STRICTLY PRIVATE & CONFIDENTIAL
MINUTES OF SPECIAL BOARD MEETING HELD
16 JANUARY 2025

BOARD SECRETARY
OFREG



Utility Regulation and Competition Office

Board Meeting Minutes – Special Board Meeting #01 of 2025

Minutes

Meeting Details

Meeting Date:	16 January 2025
Time:	0930 hrs – 1630 hrs
Minute Taker:	Joanne Conolly, Board Secretary
Venue:	OfReg Conference Room
Attendees:	<p><u>OfReg Voting Board Members</u> Samuel Jackson, Chair (Chair) Natasha Bodden, Deputy Chair (DC) Frank Balderamos, Member (FB) Mike Gibbs, Member (MG) Osbert Francis, Member (OF) Gavin Baxendale, Member (GB) Wrendon Timothy, Member (WT)</p> <p><u>OfReg Non-Voting Staff</u> Sonji Myles, ICEO/EDI (ICEO) Alison Maxwell, Assistant General Counsel (AGC) Vladimir Bulatovic, Director of Economics & Regulatory Affairs (VB) Dwayne Tucker, Acting Deputy Director Energy (ADDE) McCleary Frederick, Executive Director Energy (EDE)</p> <p><u>CUC</u> Richie Hew, CEO (RH) Sacha Tibbetts, VP Customer Service & Technology (ST) Letitia Lawrence, VP Finance, Corporate Services & CFO (LL) Judith Bennett, Director Sustainable Finance (JB) Dr Stephen Jay, VP Operations (SJ) Alison Hydes, Manager Regulatory & Sustainability (AH)</p>

Agenda Details

AGENDA OVERVIEW	
1. General	Welcome
2. CUC Visit	Presentation

Meeting Minutes

1.	Welcome		1
		<ul style="list-style-type: none"> • Meeting Called to Order with quorum at 0922hrs. • The Board discussed the reason for the meeting, which was for CUC to give presentations on topics Temp Gen and CIP, both of which need decisions in the near future. CUC have added other items to the Agenda they wish to discuss and will have a presentation to show. • It was encouraged that if any Board Member had questions, they should direct them to CUC. • The Board discussed broaching the amendments to CUC's licence, which CUC had failed to meaningfully engage in; explanation of the s7 process; and querying the meetings CUC recently had with the Governor and Ministry despite the open door policy already offered by the Board to CUC to discuss any issues. • Also discussed was the decision to make draft determinations to send out to CUC. Some items under consideration may not need determinations; certainly they will if of public significance, but in this case it gives CUC a chance to come back with questions or concerns which can then be taken into account in the final determination. • ICEO confirmed the RFP for the 23MW had gone out, with ADDE stating the timeline for comments is 30 January. • Further discussion on the firm component and whether the capacity requested by CUC is sufficient. • ICEO asked whether everyone had had an opportunity to review the opinion from ICF that was received, which sets out what CUC's firm generating needs are and he suggested the Board use that to inform part of the decision to be made. • Discussion around CUC's reserve margin requirements. 	2 3 4 5 6 7 8 9 10
2.	1020hrs CUC invited in		11
		<ul style="list-style-type: none"> • Board welcomed CUC and explained they had primarily wished to discuss temp gen but understood CUC had other items on today's agenda. The purpose for the meeting was for the Board to hear CUC's position and explained the cumbersome process which constrains the office by them having to abide by s7 of the URCA which states almost every decision made constitutes an administrative determination when it is of public significance, with a draft determination having to be issued, intended to provoke more input into the decision making process, with a final decision being made following that. CUC's presentation and discussion today would inform that input so the Board could make decisions on the items outstanding. • The Board expressed their concern in respect of CUC's meetings with the Premier and Governor, confirming that the Board are free of any external influence however mutual respect and understanding must be the way to move forward with 	12 13

	<p>All redactions on this page under FOI Act (2020 Revision) s23(1)</p>	<p>communicating needs between the Office and Licensees, with the Board not willing to engage outside of Board meetings with any Licensee, to be as transparent as possible.</p> <ul style="list-style-type: none"> • ICEO introduced the new EDE and the Director of Economics to CUC. • [REDACTED] introduced the new Manager of Regulatory & Sustainability, who has been liaising already with members of Energy Sector. • Presentation was shown and discussed: <p><u>Temp Gen</u></p> <p>[REDACTED] touched upon facts and figures in slides, how CUC keep the lights on and showed a slide of demand which is growing, with no additional firm generation being added since 2017. Prediction is that by 2026, there will be a peak of 129MW, with a peak expected of 120MW this year. Looking to reserve margin, [REDACTED] quoted Grenada at 65% and Hawaii 60%. CUC's licence currently allows for 35%. He acknowledged the application before the BoD would be for the third tranche of temp gen, and he stated 10-20MW in addition would be needed between now and the next group of renewables in 2028/9. Two ways of managing this would be to introduce solar or to manage customers, which involves brown-outs. Questioned how to manage in the next 3-4 years whilst the RFP is out.</p> <p>CUC told the Board that on an informal basis CUC had been doing demand management with the water companies and had to ask them to assist and cut demand on at least 2 occasions last summer, as they were so close to the peak, which tends to sit early in the evening after the sun has gone down. BESS is not a substitution for generation as it only runs for very short amounts of time.</p> <p>The Board explained they understood the need for temp gen but that they are constrained by the licence and legislation. Currently the temp gen tranches CUC has have been approved outside of the current licence they hold. CUC are the best qualified for load forecasting for Cayman and it is clear some massive buildings have come on line in terms of planning which will require a lot of additional power. A CON issued at the appropriate time would have maintained the reserve margin, but this had not been done. Another point is that any temp gen will have to be cost neutral. The Board has been suggesting amendments to the licence since September 2023 but no progress has been made. What needs to be addressed is (1) how does the Board legitimately licence temp gen when not exigent circumstances; and (2) if it is approved outside the scope of the licence, what is the consequent cost to the average consumer.</p> <p>[REDACTED] told the Board the cost treatment of temp gen was that block 1 was cost to CUC agreed with the Board for the temp gen that went in 2022 for 3 years depending on installation and firm capacity all approved to be revisited each year depending on firm capacity which will be installed 2028-9. These units can cost as much as \$1M/pa in rental costs. CUC were given a longer lifespan to recover in year 1 they had</p>	<p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p>
--	---	---	---

	<p>All redactions on this page under FOI Act (2020 Revision) s23(1)</p>	<p>10 years to be recovered from customers with a smaller expense per year than the actual amount CUC were paying for the rental company with deferred cost, but consumers will pay for it effectively it is in the rate base so being recovered. It is a regulatory asset to be recovered from the consumers. Block 2 negotiations went back and forth and agreed block 1 cost the customer would pick up directly and the cost of block 2 will be all pass-through costs. Block 3 would be a 50% cost to CUC and remaining would be pass-through costs. The Board pointed out the decision was that block 2 was subject to review after 1 year and only to be deployed when necessary. ■ confirmed that is how CUC operated those units.</p> <p>The Board confirmed that block 1 and 2 were probably not approved in accordance with the licence, which is why the BoD were struggling to find a way they can legitimately approve the final tranche. Firstly, neither of the first two requests were brought about by a natural disaster or other such emergency. He informed CUC it could not be seen how another tranche of 10-20MW temp gen could be agreed to bridge a gap until new power under the CON is installed as this generating capacity can no longer be classed as temporary and by that time it would have been used for some 8-10 years.</p> <p>■ spoke to solar plus solar being the way forward for providing power, being the cheaper option also. You have excess solar during the day charging the batteries which take you through from 5pm to 9pm or 4pm to 8pm, that is shaving the peak, with a 4-hour duration battery, not the 1-hour one CUC has now. They would be able to gradually lower the spinning reserve and are tripping diesel engines off in the middle of the day to prove the battery will pick up and are down to 15MW of spinning reserve as opposed to going up to 30 to also deal with the rooftop solar which was causing issues. So 15MW in the middle of the day which is not running so CUC are avoiding that fuel consumption.</p> <p>The Board pointed out the need to amend the licence so it can take into account the new technologies and that the Office had proposed to do that in 2023, but what came back marked-up from CUC were mere perfunctory items with a '2029' date which was the original sunset date for the licence.</p> <p>The Board asked for clarity around payback from the consumer, on the costs of the temp gen. ■ explained block 1 is 100% CUC but recovered over a period of time so no cost to CUC however this is not recovered as 100% within the same year, but will be 100% cost CUC at the end of it sitting in regulatory assets until we expense it over a period of time. On the second block, 50/50 split means the costs are recovered from the consumer on a monthly basis for the rental costs as a z factor and then the 50% for CUC would be an expense over a period of time.</p> <p>■ stated there are 2 main components with rental generation cost, being fuel and rental (some maintenance). There was a significant amount of discretion within the licence as to the cost treatment for</p>	<p>20</p> <p>21</p> <p>22</p> <p>23</p>
--	---	---	---

	<p>All redactions on this page under FOI Act (2020 Revision) s23(1)</p>	<p>regulatory accounting and what the regulator can approve that would be treated as regulatory. Agreement between regulator and utility as to how costs will be treated was as agreed in block 1 and many other types of cost treatments, like how CUC treated COVID costs, etc. As a licence cannot envisage everything that may arise, what regulatory asset liability does is look for those one-offs and unusual circumstances and may be something that needs amending in the licence going forward but allows us to use those “offramps” with those exact types of circumstance of us having to use temp gen until we can get back to licensing firm capacity which is required under the licence. The Board confirmed that would be correct, such as when the ERA granted temp gen when there was a genuine emergency due to mass failure of one unit. Board acknowledges there has been a lifecycle upgrade completed and units have been taken off-line to complete that, which has already been approved as a project but maybe was done without the bigger picture, however this is more of a legal than accounting challenge. It behooves everyone in the room to update the licence as everything done must fall within that licence. ■ asked whether the issue was OfReg’s belief that this is not an emergency. Board explained the need was not created by an emergency, but rather the “emergency” was created by a lack of performance and CUC’s failure to issue the CON in a timely manner.</p> <p>■ told the Board that CUC had an exceptional high growth coming from a period of very low growth from residential customer consumption, increase from Air BnB, etc. Tourists will not care about their aircon bill and will switch it on low and leave it on all day. So from that they saw a jump, and started to discuss and plan ahead but were not quick enough, partly because there were 2 years of discussions with OfReg and then said it had to go to a competitive bid in August 2021 and if the RFP had gone out then it would have been delivered in June 2024 and if that can be delivered before 2028 the temp gen goes away.</p> <p>The Board acknowledged delays and confirmed they have not made a decision as yet, but generation of power is a competitive process and OfReg is required by rule of law to go through the necessary motions or it would be failing in its statutory duty as regulator.</p> <p>■ discussed the run-up to the current emergency CUC state they are facing in respect of requiring temp gen to stop brown-outs. 2-4 years ago the need for more generation was identified and OfReg told them they did not need to produce a CON. They produced an alternative which OfReg told CUC it would procure that capacity for June 2024 service date. This did not happen. CUC now do not have the adequate supply to service the load which they accurately predicted. They confirmed the current tranche of temp gen - or which they are awaiting a decision - has already been employed from last year, ■ confirmed.</p> <p>■ said but for the absence of that block 3, there would have been rolling blackouts already.</p> <p>■ pointed out he was hearing that solar plus storage, which is the</p>	<p>24</p> <p>25</p> <p>26</p> <p>27</p>
--	---	--	---

	All redactions on this page under FOI Act (2020 Revision) s23(1)	<p>best solution, cannot be considered firm power however that is not defined in the licence. He asked if OfReg could consider making an administrative determination that as part of its duties under the T&D licence, CUC capacity forecasting could define the limits and parameters around capacity and systems that would deliver firm capacity as a solution moving forward with what we need to do without breaking any laws. The Board confirmed that would work, but what was needed was licence amendment. Bid process needs to be expedited.</p> <p><u>CIP</u></p> <p>■ confirmed back and forth with the Office answering questions. This CIP is \$389M which is 19% higher than the last CIP but the majority of projects had already been approved. Highest is asset generation replacement as an ageing plant some units are retiring so spending more money on the upkeep of units. ■ confirmed lifecycle upgrade is seeing fuel efficiency even without the use of LNG, 20KWH/g (imperial gallon). Units 30 and 31 with the steam turbine most fuel efficient at 21KWH/g.</p> <p>Project for new building noted. This will be some years out to accommodate staff now reaching 300. No accommodation expansion since 1993 when staff was at 180-90. Discussion around nuclear energy with ■ informing the meeting that Jamaica has just signed an NAU with Nuclear Canada. ■ updated on the LNG project confirming they are in final weeks of response period.</p> <p><u>Z Factor Rates</u></p> <p>■ stated this was submitted to the Office in December. Seeing improvements due to BESS. Have included rates now for recovery from customers. Additional cost to consumer would be \$9 per month. With estimated fuel savings the actual cost would be 10c. Seeking approval as they wished to start collection in January, so would be on the February bills. ■ spoke to average bill for L2 resiliency and block 2 temp gen. Costs for generation 2023/4 spread over 1 year collection 2025. That can be spread over 2 or 3 years up for discussion.</p> <p>Board said anything that mitigates the impact on the consumer should be implemented or considered.</p> <p><u>CON</u></p> <p>Already discussed but ■ went through the slides confirming that issues will arise in 2027 and CUC will barely hit load in 2029 if the firm capacity CUC needs is not forthcoming. Board broached the subject they had discussed whether the CON was currently requesting enough firm power. After discussion ■ asked if it would be good to split the CON which the Board confirmed as it would make it easier for them to consider it under the current licence. This means the firm power element can proceed immediately.</p>	<p>28</p> <p>29</p> <p>30</p> <p>31</p> <p>32</p> <p>33</p>
--	--	---	---

<p>All redactions on this page under FOI Act (2020 Revision) s23(1)</p>		<p><u>Licence Modernisation</u> ■ confirmed that Board were happy with CUC to propose amendments.</p> <p><u>DPV RFP</u> ■ thanked all for efforts as great amount of work between agencies had gone into this so far. Asked about timeline. Board recommended their thoughts that if CUC were to make a bid themselves it would like a foregone conclusion and may discourage bids. This is why an IPP was suggested. ■ concerned about the time it would take to set one up. Board confirmed they had already made its decision and this would have to be set up. ■ explained the company structure and borrowing and how setting up this IPP would affect CUC's overall structure. Board suggested CUC put their concerns about the creation of an IPP in a letter and submit to the BoD in writing, they can reconsider the decision.</p> <p>■ ended by speaking about the meetings CUC had with the Governor and Premier and Ministry. The Board confirmed they would have preferred CUC to speak frankly with them and if they ever had an issue, could come to the BoD. ■ confirmed he will put matters in writing, specifically on the temp gen.</p>	<p>34</p> <p>35</p>
<p>3.</p>	<p>Adjournment</p>	<p>• CUC left at 12.53pm</p>	<p>36</p>
		<p>Board brought up the subject of the 10Aug23 meeting in which the BoD did not agree to pass through any costs to the consumer and the decision on granting temp gen was that only the fuel and lube would be passed through, contrary to what ■ said in the meeting held today. Board asked ICEO to look into the decision communicated by the former EDE to CUC in respect of that tranche of temp gen. Board mentioned the 2 x fuel spills and the fire, which communication between the former EDE and CUC needs checking.</p> <p>Board confirmed numbers should be checked, when the subject of CUC's capacity and what the peak is, was raised.</p>	<p>37</p> <p>38</p>

Signed:



Samuel Jackson, Chairman

Signed:



Joanne Conolly, Secretary