

Execution Copy

MAIN AGREEMENT

CARIBBEAN UTILITIES COMPANY, LTD.

AND

THE GOVERNOR IN CABINET OF THE CAYMAN ISLANDS

3 April 2008

INDEX

	Page
PART I - DEFINITIONS AND INTERPRETATION	2
1. Definitions and Interpretation	2
PART II - THE EFFECTIVE DATE	7
2. Effective Date	7
3. Delivery of Licences and Other Instruments to CUC	7
PART III - TERMINATION OF CUC EXISTING LICENCE	8
4. Surrender of Existing CUC Licence	8
5. Full and final satisfaction.....	8
PART IV - REGULATORY AUTHORITY AND REGULATORY PRINCIPLES	9
6. Transitional Provisions Pending Establishment of the Authority	9
7. Regulations to be issued pursuant to the New Law	9
8. General Regulatory Principles.....	9
9. General Functions, Duties and Composition of the Regulatory Authority	10
PART V - COMPETITION IN GENERATION, THE FIRST SOLICITATION AND SUBSEQUENT SOLICITATIONS FOR ADDITIONAL CAPACITY	10
10. Competition In Generation.....	10
11. The First Additional Capacity Requirement.....	11
12. Subsequent Solicitations for New Capacity.....	11
PART VI - GENERATION OF ELECTRICITY – GENERAL	11
13. Generation of Electricity after the Effective Date.....	11
PART VII - TRANSMISSION AND DISTRIBUTION – GENERAL	12
14. Transmission and Distribution of Electricity after the Effective Date.....	12
PART VIII - LICENCE FEES AND REGULATORY FEES	12
15. Payment of Licence Fees	12
16. Payment of Regulatory Fees.....	13
PART IX - MAIN AGREEMENT – DISPUTE RESOLUTION	13
17. Dispute Resolution	13
PART X - MISCELLANEOUS PROVISIONS	14
18. Non-Assignment.....	14
19. Governing Law.....	14

20. Notices	15
21. HCRS Removal and Rate Reduction	15
22. Publicity	16
23. Force Majeure.....	16
24. Amendment to CUC Articles – Government Directors.....	17
25. General	17
26. Entire Agreement.....	20

THIS AGREEMENT is made this 3 April 2008

B E T W E E N:

- (1) **CARIBBEAN UTILITIES COMPANY, LTD.** a company incorporated in the Cayman Islands and having its registered office situate at North Sound Road, George Town, Grand Cayman, Cayman Islands (hereinafter “CUC”); and
- (2) **THE GOVERNOR IN CABINET OF THE CAYMAN ISLANDS** of Government Administration Building, Elgin Avenue, Grand Cayman, Cayman Islands (hereinafter the “Government”).

WHEREAS:

- A. On various occasions since November 1, 1979 the Government has granted licences to CUC pursuant to the legislative predecessors to the Electricity Law (2005 Revision), whereby CUC was authorised (inter alia) to have the exclusive right to generate, transmit and distribute electricity to the public for reward in Grand Cayman. On January 17, 1986 the Government granted to CUC the latest of such licences expressed to be for a period of 25 years from January 17, 1986 (such licence including any subsequent amendments or supplements thereto hereinafter the “Existing CUC Licence”).
- B. The Government wishes to introduce for the purposes of this Agreement regulation of the generation, transmission and distribution of electricity in Grand Cayman, to provide for, and encourage, fair competition in the process of procurement of generation capacity for the generation of electricity in Grand Cayman, to introduce a transparent mechanism to establish and maintain equitable rates for Consumers, to ensure the efficient provision of electricity of an acceptable level, and to provide for the granting of separate non-exclusive licences for the generation of electricity and an exclusive licence (to CUC) for the transmission and distribution of electricity in Grand Cayman.

C. CUC is desirous of obtaining new licences as described in (B) above and to that end is willing to surrender and terminate the Existing CUC Licence on the terms and conditions set out herein.

NOW THIS AGREEMENT WITNESSES as follows:

PART I - DEFINITIONS AND INTERPRETATION

1. Definitions and Interpretation

1.1 In this Agreement:

- ‘Additional Generating Capacity Requirement’** means a future need (excluding in relation to the First Additional Generating Capacity Requirement) for a new supply of generating capacity (megawatts) at a future point in time to be determined in accordance with the Generation Solicitation Process, either in substitution for any existing generating units or in addition thereto;
- ‘Agreed Form’** means in relation to any document the draft of that document which is either annexed to this Agreement, contained in a Schedule to this Agreement or which has been initialled by the parties to this Agreement by way of identification and attached to this Agreement for reference;
- ‘Certificate of Need’** means the certificate in the form of Schedule 4.2;
- ‘Completion Date’** means the date of the execution by the parties of this Agreement and **‘Completion’** shall be construed accordingly;
- ‘Constitution’** shall have the meaning ascribed to that expression in the Interpretation Law (1995 Revision);

‘Consumer’	means any person who receives for end use the electricity supplied by the Licensee, and includes a person whose supply has been disconnected for the time being;
‘Effective Date’	means the date of this Agreement, upon which the Existing CUC Licence shall be surrendered and terminated and the New CUC Licences shall come into effect;
‘Electricity Law’	means the Electricity Law (2005 Revision), as amended by the Electricity (Amendment) Law, 2008;
‘Existing CUC Licence’	has the meaning ascribed to that expression in Recital A hereof;
‘First Additional Generating Capacity Requirement’	means the 16 megawatt generating unit to be commissioned by CUC no later than September 30, 2009;
‘Force Majeure’	means an event or circumstance which prevents one party from performing its obligations under this Agreement, which event or circumstance was not anticipated as of the Effective Date, which is not within the reasonable control of, or the result of the negligence of, such party, and which, by the exercise of due diligence, such party is unable to overcome or avoid or cause to be avoided. Events of Force Majeure may include, but are not limited to, acts of God; fire; flood; earthquake; war; riots; acts of terrorism; strikes, walkouts, lockouts, and other labour disputes; requirements, actions or failure to act on the part of governmental authorities; adoption or change in any law, regulation, statute, rule or regulation imposed by

governmental bodies, including, without limitation, a change in the interpretation thereof; or any lawful order by any court or administrative agency (so long as the affected party has not applied for or assisted in the application for such court or governmental action). A cause, event, condition or circumstance that (i) affects the costs of either party complying with its obligations under this Agreement, or (ii) merely causes an economic hardship to either party, shall not be deemed a Force Majeure. Provided that any actions of the Government or the Authority which do not comply with the General Regulatory Principles shall not constitute a Force Majeure;

‘Gazette’

has the meaning ascribed to that expression in the Interpretation Law (1995 Revision) (which expression for the avoidance of doubt includes any Extraordinary Gazette);

‘General Regulatory Principles’

means the regulatory principles agreed by the parties hereto to be applied by the Government and the Authority as they relate specifically to the electricity industry on Grand Cayman in accordance with clause 8 and as set out in Schedule 3;

‘Generation Licence’

means a Licence granted to a person by the Government or the Authority (as the case may be) pursuant to the New Law authorising and requiring such person (inter alia) to generate electricity for supply to a T&D Licensee on such terms and conditions as shall be specified in such Licence;

'Generation Solicitation Process'	means the procedures required for additional electricity generation as set out in the Proposed Regulations and Schedule 4 hereto;
'New CUC Generation Licence'	means the new Generation Licence to be granted to CUC on the Effective Date in the Agreed Form of Schedule 1 (which shall include the First Additional Generating Capacity Requirement), or any renewal thereof or substitution therefor in accordance with its terms;
'New CUC Licences'	means the New CUC Generation Licence and the New CUC T&D Licence;
'New CUC T&D Licence'	means the new T&D Licence to be granted to CUC on the Effective Date in the Agreed Form of Schedule 2 or any renewal thereof in accordance with its terms;
'New Law'	means the Electricity Regulatory Authority Law (2005 Revision) as amended by the Electricity Regulatory Authority (Amendment) Law, 2008;
'Power Purchase Agreement'	means a contract for the supply of electricity to CUC by another Generator in a form and on such terms and conditions to be agreed between the parties and approved by the Authority;
'Proposed Regulations'	means those regulations proposed to be made by the Government pursuant to Section 89 of the New Law to be consistent with the General Regulatory Principles and include the Generation Solicitation Process;

‘Request for Proposals’

means a request for qualified bidders to file documents by a fixed date that demonstrate their ability and commitment to develop new generation on Grand Cayman at a specific proposed price and at a specific location and by a specific date substantially in the form of the draft request for proposals at Schedule 4.4;

‘Request for Qualifications’

means a request to a potential bidder to demonstrate relevant experience and financial capabilities to provide generation on Grand Cayman substantially in the form of the draft request for qualifications at Schedule 4.3; and

‘T&D Licence’

means a Licence granted to a person by the Government or the Authority (as the case may be) pursuant to the New Law authorising and requiring such person (inter alia) to undertake Transmission and Distribution of electricity to Consumers on such terms and conditions as shall be specified in such Licence.

- 1.2 Expressions in the singular shall include the plural and in the masculine shall include the feminine and vice versa and references to persons shall include companies and other entities and vice versa.
- 1.3 Reference to any statute or statutory provision includes a reference to:
 - 1.3.1 that statute or statutory provision as from time to time amended, extended, re-enacted, revised or consolidated whether before or after the date of this Agreement; and
 - 1.3.2 all statutory instruments, regulations or orders made pursuant to it.
- 1.4 Unless the context otherwise requires, reference to any clause, sub-clause or schedule is to a clause, sub-clause or schedule (as the case may be) of or to this Agreement.

- 1.5 Headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.
- 1.6 In this Agreement, “subsidiary” means any company or other entity directly or indirectly controlled by another person and, for this purpose, “control” means either the ownership of more than 50% of the voting share capital or equivalent rights of ownership of such company or entity or the power to direct its policies and management, whether by contract or otherwise.
- 1.7 The Schedules to this Agreement are deemed to be incorporated into and form part of this Agreement.
- 1.8 Capitalised terms used herein but not defined herein shall have the meaning given or ascribed to them in the New Law or the Interpretation Law (1995 Revision) or the Agreed Form of the New CUC Licences as the case may be.

PART II - THE EFFECTIVE DATE

2. Effective Date

2.1 On the Effective Date:

- 2.1.1 the Existing CUC Licence shall terminate in accordance with clause 4;
- 2.1.2 the New CUC Licences shall be valid and commence in accordance with their terms; and
- 2.1.3 such other provisions of this Agreement as are herein agreed to come into effect on the Effective Date shall come into effect.

3. Delivery of Licences and Other Instruments to CUC

3.1 On or before the Effective Date, the Government shall deliver to CUC:

- 3.1.1 the New CUC Generation Licence; and

3.1.2 the New CUC T&D Licence.

PART III - TERMINATION OF CUC EXISTING LICENCE

4. Surrender of Existing CUC Licence

On the Effective Date CUC will surrender, and Government will accept the said surrender by CUC of, the Existing CUC Licence on the terms and conditions of this Agreement.

5. Full and final satisfaction

5.1 With effect from the Effective Date, but subject to the granting of the New CUC Licences to CUC, each party hereby relinquishes and waives all claims against the other party arising from, out of, or in connection with, the Existing CUC Licence, including, (but without limitation) the early termination of the Existing CUC Licence and the Auditor General's report thereon PROVIDED ALWAYS that nothing in this Agreement shall relieve CUC of the obligation to pay to the Government turnover fees and licence fees due for the period ending on December 31, 2007, and any customs duties or other fees due for the period ending on the Effective Date in accordance with the terms for the payment of such fees or duties under the Existing CUC Licence.

5.2 The grant of the New CUC Licences and the other terms and conditions of this Agreement shall be a full accord and satisfaction of the Existing CUC Licence and shall be in full and final satisfaction of all claims, disputes, actions actual or threatened howsoever and wheresoever arising out of or in connection with the Existing CUC Licence on the part of each of the parties hereto. PROVIDED ALWAYS that nothing in this Agreement shall relieve CUC of the obligation to pay to the Government turnover fees and licence fees due for the period ending on the December 31, 2007 and any customs duties or other fees due for the period ending on the Effective Date in accordance with the terms for the payment of such fees or duties under the Existing CUC Licence.

- 5.3 The Government and CUC hereby stipulate and agree that, for the avoidance of doubt, the Existing CUC Licence shall continue to bind the Government and CUC until CUC surrenders the Existing CUC Licence to the Government and the New CUC Licences are issued to CUC and in effect.

PART IV - REGULATORY AUTHORITY AND REGULATORY PRINCIPLES

6. Transitional Provisions Pending Establishment of the Authority

The parties hereby acknowledge that any licence, agreement, authorisation or other instrument or instruments issued to any person pursuant to this Agreement or in exercise of any power contained in any enactment shall continue to remain valid and in full force and effect after the commencement date of the New Law.

7. Regulations to be issued pursuant to the New Law

The Government agrees to use its best endeavours to pass the Proposed Regulations and to include in the Proposed Regulations provisions that the decisions made by the Authority in relation to the RCAM and the application of the Generation Performance Standards, the Consumer Service Standard, the T&D Code, the T&D System Operating Standards and the T&D System Planning and Reliability Standards are decisions to which the provisions of Section 71 of the New Law shall apply.

8. General Regulatory Principles

8.1 The parties hereto acknowledge that it may not be possible or alternatively desirable that all licences, agreements, laws or amendments to laws or regulations relating to the functions and duties of the Authority will be in Agreed Form or otherwise agreed at the time of Completion or by the Effective Date, as the case may be.

8.2 Government shall use its best endeavours to ensure that all laws and regulations as may be passed, made or promulgated after the Effective Date in connection with the generation and transmission and distribution of electricity in Grand Cayman shall be consistent with the General Regulatory Principles.

- 8.3 The Government shall procure that all directions given under section 11 of the New Law shall be consistent with the General Regulatory Principles.
- 8.4 In the making of the Proposed Regulations to be made in pursuance of the New Law and in all matters to be performed under the terms and conditions of this Agreement, the Government shall, and shall use its best endeavours to ensure that the Authority shall, act in accordance with the General Regulatory Principles.
- 8.5 The General Regulatory Principles agreed by the parties hereto for the purposes of this Agreement are set out in Agreed Form in Schedule 3.

9. General Functions, Duties and Composition of the Regulatory Authority

- 9.1 The Government in the exercise of its functions under the New Law shall use its best endeavours to ensure that the Authority shall have the functions, powers, duties and composition set out in the New Law.
- 9.2 In the exercise of its functions under the New Law the Government shall use its best endeavours to ensure that the Authority shall have full regard to the General Regulatory Principles.

PART V - COMPETITION IN GENERATION, THE FIRST SOLICITATION AND SUBSEQUENT SOLICITATIONS FOR ADDITIONAL CAPACITY

10. Competition In Generation

- 10.1 With effect from the Effective Date, all Generation Licences issued or to be issued by the Authority or the Government (as the case may be) shall be:
- 10.1.1 issued on a non-exclusive basis only; and
- 10.1.2 (excluding the New CUC Generation Licence and those categories of licences contemplated under section 9(2)(e)(ii), (iii) and (iv) of the New Law), issued only after the application of the Generation Solicitation Process.

10.2 Any Generation Licence granted by the Government or the Authority (as the case may be) to a person (other than CUC) selected to supply an Additional Generating Capacity Requirement shall be conditional upon the execution by such person of a Power Purchase Agreement with CUC.

11. The First Additional Capacity Requirement

In pursuance to its obligations under the Existing CUC Licence and because there will be insufficient time to follow the solicitation procedures for Additional Generating Capacity Requirements set out in this Agreement and the New Law before commitments must be made for the additional generating unit, CUC will proceed on a timely basis to procure and install the generating unit required for the First Additional Generating Capacity Requirement which shall be included in the New CUC Generation Licence.

12. Subsequent Solicitations for New Capacity

12.1 Solicitations for all Additional Generating Capacity Requirements by the Authority shall be carried out in accordance with the New Law, the Proposed Regulations and the Generation Solicitation Process.

12.2 CUC shall be exempt from and shall not be required to respond to the Request for Qualifications in respect of all future Additional Generating Capacity Requirements and shall be deemed to meet the minimum criteria to receive a Request for Proposals in respect of such future Additional Generating Capacity Requirements.

PART VI – GENERATION OF ELECTRICITY – GENERAL

13. Generation of Electricity after the Effective Date

13.1 Subject to clause 13.2, the New Law, the Proposed Regulations and Part V of this Agreement contain or will contain the agreed terms for the future Generation of electricity on Grand Cayman to take effect from and after the Effective Date.

- 13.2 Nothing in clause 13.1 shall be taken as preventing or limiting the power of the Government to amend the New Law and Proposed Regulations at any time after the Effective Date in so far as such amendments may affect the Generation of electricity on the Cayman Islands.
- 13.3 Nothing in clause 13.1 shall be taken as limiting or preventing the Authority or the Government (as the case may be) from making or promulgating regulations in exercise of any powers conferred by the New Law after the Effective Date in respect of the Generation of electricity on the Cayman Islands;

PART VII - TRANSMISSION AND DISTRIBUTION – GENERAL

14. **Transmission and Distribution of Electricity after the Effective Date**
- 14.1 Subject to clause 14.2, the New Law, the Proposed Regulations and the New CUC T&D Licence contain or will contain the agreed terms for the future Transmission and Distribution of electricity on Grand Cayman to take effect from and after the Effective Date.
- 14.2 Nothing in clause 14.1 shall be taken as preventing or limiting the power of the Government to amend the New Law and Proposed Regulations after the coming into force thereof at any time after the Effective Date in so far as such amendments may affect the Transmission and Distribution of electricity in the Cayman Islands.

PART VIII - LICENCE FEES AND REGULATORY FEES

15. **Payment of Licence Fees**

CUC shall pay a T&D licence fee to the Authority in accordance with the New Law and Proposed Regulations and in accordance with its New CUC T&D Licence and at such rates and such times as are therein to be provided.

16. Payment of Regulatory Fees

CUC shall pay a regulatory fee to the Authority in accordance with the New Law and Proposed Regulations and in accordance with its New CUC T&D Licence and at such rates and such times as are therein to be provided.

PART IX - MAIN AGREEMENT – DISPUTE RESOLUTION

17. Dispute Resolution

In the event of any dispute, claim, question or disagreement arising from or relating to this Agreement, the parties hereto shall use their best efforts to settle the dispute, claim, question or disagreement. To this effect, they shall consult and negotiate with each other in good faith and, recognising their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If the parties do not reach such solution within a period of 60 days from first notification of a dispute, claim, question or disagreement under this Clause then, upon notice by either party to the other, all disputes, claims, questions or differences shall be settled by arbitration in accordance with the International Arbitration Rules of the International Centre for Dispute Resolution (UNCITRAL) Arbitration Rules as at present in force. The decision of the arbitrators shall be final and binding on the parties to the arbitration and the judgement on the award rendered by the arbitrators may be entered in any court in the Cayman Islands having competent jurisdiction.

This Dispute Resolution Clause relates to the resolution of all disputes, claims questions or differences arising from or relating to this Agreement except:

- (1) The obligation of CUC to pay to the Government turnover fees and licence fees due for the period ended December 31, 2007, and any customs duties or other fees due for the period ending on the Effective Date in accordance with the terms for the payment of such fees or duties under the Existing CUC Licence.
- (2) The obligation of the Government under clauses 7, 8 and 9 hereof.

This Clause shall not preclude parties from seeking provisional remedies in aid of arbitration from any court in the Cayman Islands having competent jurisdiction.

The number of arbitrators shall be three, with each party entitled to nominate one arbitrator, and the two arbitrators appointed shall appoint the third arbitrator. The place of the arbitration shall be George Town, Grand Cayman, Cayman Islands and the governing law of the arbitration shall be the substantive law of the Cayman Islands. The language to be used in the proceedings shall be English.

PART X - MISCELLANEOUS PROVISIONS

18. Non-Assignment

18.1 No party shall assign, transfer, sub-contract or in any other manner make over to any third party the benefit and/or burden of this Agreement without the prior written consent of the other parties hereto (which shall not be unreasonably withheld), Provided that CUC may assign this Agreement to an assignee to which the Government has consented to in writing.

18.2 In the event of any assignment of this Agreement, the Agreement shall be binding upon such successor or assignee and the name of a party appearing herein shall be deemed to include the names of any such successor or assignee.

19. Governing Law

This Agreement and any licences, agreements or other instruments to be issued, made or promulgated in accordance with this Agreement or the New Law shall be governed by, construed, performed and enforced in accordance with the laws of the Cayman Islands and, subject to Clause 17, the parties hereby submit to the exclusive jurisdiction of the courts of the Cayman Islands in relation thereto.

20. **Notices**

Notices may be given hereunder by any party to any other party by, facsimile, hand delivery or courier and addressed as set out below, and shall be deemed to have been received in the case of a facsimile at the time of dispatch (or if the day of dispatch is not a business day in the Cayman Islands, on the next following business day in the Cayman Islands), in the case of courier on the business day in the Cayman Islands after dispatch and in the case of hand delivery when delivered or, if the day of delivery is not a business day in the Cayman Islands, on the next following business day.

Cayman Islands Government

The Ministry of Communications, Works & Infrastructure
The Chief Officer
Government Administration Building, George Town, Grand Cayman.
Phone (345) 949 – 7900
Fax (345) 949 - 3896

Caribbean Utilities Company, Ltd.

Doug Murray
Corporate Secretary
457 North Sound Road, Grand Cayman
Phone (345) 949 – 5200
Fax (345) 949 - 4621

21. **HCRS Removal and Rate Reduction**

- 21.1 CUC will discontinue billing Consumers for the HCRS effective January 1, 2008 PROVIDED THAT, should the New CUC Licences not be issued on or before April 3, 2008, CUC shall be entitled to recover the amount outstanding of any uncollected HCRS, by billing Consumers at the same kilowatt hour (kWh) charge as previously billed until such time as those outstanding amounts are collected.

21.2 Effective January 1, 2008 CUC shall implement the Electric Rate Restructuring Report PROVIDED THAT the new CUC Licences are issued on or before April 3, 2008. Should the foregoing proviso not be satisfied CUC shall be entitled to recover the amount of the decrease in Base Rates by billing Consumers at an increased per kilowatt hour (kWh) charge over a period equal in length to the period during which the decrease in Base Rates was in effect.

22. Publicity

22.1 The parties agree to release a joint statement regarding this Agreement on Completion in the form attached as Schedule 5. All public comments, statements or announcements made by the parties regarding this Agreement shall be consistent with that joint statement or else as agreed between the parties.

22.2 For the avoidance of doubt the restrictions contained in clause 22.1 relate only to announcements made by the parties in public or via public media and shall not prohibit any party from making any statements when properly required to do so by any law or order of the Court or during the passage of the bill for the New Law through the Legislative Assembly and the parties agree that CUC shall be permitted to meet such analysts and bond rating agencies as deemed appropriate by CUC and disclose additional information relating to this Agreement as appropriate.

23. Force Majeure

23.1 The parties shall not be held liable or deemed to be in default of this Agreement for any failure to perform their obligations hereunder if such failure results directly or indirectly from Force Majeure.

23.2 If the parties become aware of circumstances of Force Majeure which give rise to or which are likely to give rise to any such failure or delay on their part, they shall forthwith notify the other parties by the most expeditious method then available and shall inform the others of the period during which it is estimated that such failure or delay shall continue.

24. Amendment to CUC Articles – Government Directors

24.1 CUC shall place on the agenda for next annual general shareholder meeting following the Effective Date the consideration of the appropriate resolutions amending CUC's articles of association so as to remove any reference to the appointment of Government Directors (as defined therein) to the Board of Directors of CUC.

24.2 By the Completion Date the Government shall have procured the resignations pursuant to Article 69(c) of CUC's articles of association or shall have removed pursuant to Article 55(b) of CUC's articles of association all "Government Directors" from the Board of Directors of CUC.

25. General

25.1 The parties hereby confirm that they have the capacity and are duly authorised to enter into this Agreement which shall enure to the benefit of the parties and their respective successors and assigns and shall continue in full force and effect.

25.2 The failure of any of the parties to enforce any of their rights or to require the performance of any obligation, responsibility or liability under this Agreement shall not itself be taken as a waiver of that party's rights, obligations, responsibilities or liabilities under this Agreement.

25.3 This Agreement may not be varied except by an instrument in writing signed by the authorised representatives of all of the parties to this Agreement.

25.4 No failure or delay by any party to exercise any right, power or remedy will operate as a waiver of it nor will any partial exercise preclude any further exercise of the same, or of some other right, power or remedy.

25.5 Each Party agrees to execute, acknowledge and deliver such further instruments, and do all further similar acts, as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

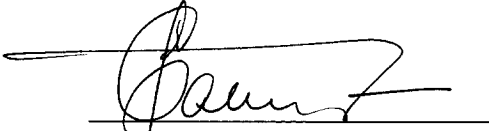
- 25.6 Each party shall pay their own costs and expenses in connection with the negotiation, preparation and execution of this Agreement, any other document related thereto and any amendment or supplement to this Agreement.
- 25.7 It is not and will not be at any time a requirement of this Agreement, the New CUC Licences, the New Law, the Proposed Regulations or any other agreement or document contemplated by this Agreement that there be a distinction within CUC in its capacity as the holder of a Generation Licence and its capacity as the holder of a T&D Licence in respect of its organisation structure at the corporate, accounting, operational or any other level.
- 25.8 CUC may be permitted to allow third parties (including a subsidiary) to utilize or have access to its facilities (e.g., space on its distribution poles, un-utilized real estate), on an arm's-length basis, where this will allow CUC to utilize more fully or more efficiently the physical assets and other resources ("Electricity Infrastructure") acquired to provide for the generation, transmission and distribution of electricity. The leasing or use of such assets will be offered subject to approval by the Authority which approval shall not be unreasonably withheld but shall not be given if the Authority is reasonably satisfied that such approval is not in the interests of Consumers. CUC shall charge a third party a fee for allowing the third party to access the relevant facilities and any such fee shall be determined on an arm's length commercial basis that is related to the value of such access as reflected in the revenues derived from it by the third party and any arrangement with such a third party shall provide for such fee to be subject to periodic review or to a formula so that it is not fixed for the duration of the New CUC T&D Licence. For the avoidance of doubt, revenue from such activities would be included in Licensee Income (as defined in the New CUC T&D Licence (and therefore be taken into account for the purposes of the RORB calculation), but would not be considered to be a part of the Licensee's gross revenues for the purposes of calculating the Licence Fee and the Regulatory Fee. Also, any distributions made by a subsidiary to the Licensee would be included in Licensee Income but would not be considered to be a part of the Licensee's gross revenues for the purposes of calculating the Licence Fee and the Regulatory Fee. The provision of such services or access may subject CUC to the licensing requirements of another regulator such as the Information and Communications Technology Authority (ICTA). CUC shall not build its Electricity Infrastructure explicitly for the purpose of accommodating such non-electric uses.

- 25.9 CUC shall use its best efforts to restructure, within a period of nine months after the Effective Date its existing agreements under which CUC provides to third parties access to parts of its Electricity Infrastructure for ICT purposes so as to ensure that each third party to whom such access is provided will have control over the relevant parts of the Electricity Infrastructure (with the right to provide access to other third parties) and be subject to ICTA regulation, provided that any such restructured agreements (i) may include restrictions to address appropriate safety concerns that CUC may have and (ii) shall be subject to the Authority's approval. Subject to the satisfactory completion of the restructuring of such agreements, Government shall use its best endeavours to take such steps as may be required (including, without limiting the generality of the foregoing, to have the ICTA Law (2006 Revision) and/or Regulations, amended if necessary) in order to ensure that CUC is exempted from the requirement to obtain an ICT Licence in order to allow the relevant third parties to access its Electricity Infrastructure, or to allow any other third party to access its Electricity Infrastructure pursuant to Condition 7 of the New CUC T&D Licence.
- 25.10 Subject to the following provisions, CUC may utilize the services of third parties on an ongoing basis in the provision of Generation and T&D services (i.e., CUC may "outsource" certain of its Generation and T&D functions). Procurement of such outsourced services shall be subject to Authority approval if they represent core and ongoing Generation or T&D functions, provided that the approval of the Authority shall not be required if the annual value of any such services procured by the Licensee from a particular service provider does not exceed CI\$100,000. Any such approval shall be based on the cost-effectiveness of the outsourced services and the fitness and propriety of the relevant third parties and shall not be unreasonably withheld. CUC may, without the need to obtain the approval of the Authority, outsource: (i) its ancillary or support functions, (ii) the installation and repair of Generating Facilities and (iii) in the event of a Disaster, the installation and repair of T&D Assets.
- 25.11 This Agreement shall survive and enure to the benefit of the parties notwithstanding the successful completion of this Agreement on the Effective Date.

26. Entire Agreement

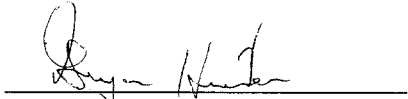
This Agreement constitutes the entire agreement between the parties with respect to all matters which are referred to herein and replaces and supersedes all previous agreements, licences, arrangements, writings, statements, representations of fact or opinion, heads of agreement and understandings between the parties with respect to the subject matter hereof, excluding save as herein provided the Existing CUC Licence.

EXECUTED AS A DEED for and on)
behalf of THE GOVERNOR IN)
CABINET OF THE CAYMAN)
ISLANDS in the presence of:)

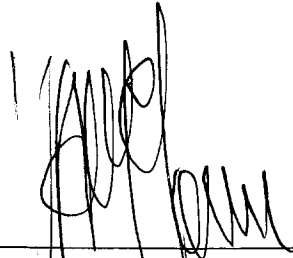


Witness

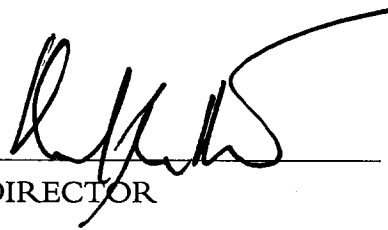
EXECUTED AS A DEED for and on)
behalf of CARIBBEAN UTILITIES)
COMPANY, LTD. in the presence of:)



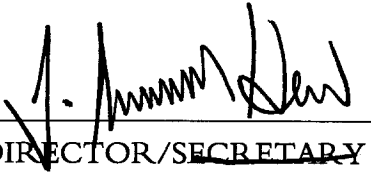
Witness



MINISTER OF COMMUNICATIONS,
WORKS AND INFRASTRUCTURE



DIRECTOR



DIRECTOR/SECRETARY

SCHEDULE 1
Form of CUC Generation Licence

Execution Copy

GOVERNMENT OF THE CAYMAN ISLANDS

ELECTRICITY GENERATION LICENCE

GRANTED TO

CARIBBEAN UTILITIES COMPANY, LTD.

3 April 2008

TABLE OF CONTENTS

	Page
PART I TERMS OF THE LICENCE	1
PART II CONDITIONS OF THE LICENCE.....	2
Condition 1: Interpretation and construction	2
Condition 2: Authorisations.....	6
Condition 3: Obligations of the Licensee	6
Condition 4: Obligation to comply with Laws.....	6
Condition 5: Reporting Requirements	6
Condition 6: Outsourcing.....	7
Condition 7: Term of Licence.....	7
Condition 8: Assignment of the Licence and transfer of the Generation Business	8
Condition 9: Transfers of Shares in the Licensee	8
Condition 10: Licence Fee and Regulatory Fee.....	9
Condition 11: Modification of the Licence.....	9
Condition 12: Suspension or revocation of the Licence	10
Condition 13: Communication.....	11
Condition 14: Force Majeure	12
Condition 15: Early Retirement of Assets	12
PART III Generation Performance Standards	13
Condition 16: Generation Performance Standards.....	13

PART I TERMS OF THE LICENCE

1. The Government of the Cayman Islands (the "**Government**"), in exercise of the powers conferred by Section 93(3) of the Electricity Regulatory Authority Law (2005 Revision) (as revised by the Electricity Regulatory Authority (Amendment) Law, 2008) (the "**Law**") hereby grants to Caribbean Utilities Company, Ltd. (the "**Licensee**") a non-exclusive licence (the "**Licence**") to Generate (as hereinafter defined) electricity for supply from the Generating Facilities (as hereinafter defined) identified in Schedule 1 of this Licence to the T&D Licensee for the period specified in Condition 6 subject to the Conditions set out in Part II and Part III of this Licence (the "**Conditions**").
2. The Conditions are subject to modification or amendment in accordance with their terms or in accordance with the Law.
3. This Licence shall come into force on April 3, 2008 and, unless suspended or revoked in accordance with the provisions of Condition 12, shall continue in full force and effect until termination or expiry as provided in Condition 7.
4. This Licence shall be governed by and construed, enforced and performed in accordance with the laws of the Cayman Islands.

Sealed with the Seal of and executed for and on behalf of the Government of the Cayman Islands
this 3rd day of April 2008

The Honourable Arden McLean
Minister of Communications, Works &
Infrastructure

PART II CONDITIONS OF THE LICENCE

Condition 1: Interpretation and construction

- 1.1 Unless the contrary intention appears, words and expressions used in these Conditions shall be construed as if they were in an enactment and the Interpretation Law (1995 Revision) applied to them.
- 1.2 Any word or expression defined in the Law shall, unless the contrary intention appears, have the same meaning when used in the Conditions.
- 1.3 In these Conditions, unless otherwise specified or the context otherwise requires:

<i>“Ancillary Services”</i>	has the meaning given in the T&D Code;
<i>“Authority”</i>	means the Electricity Regulatory Authority established or to be established pursuant to section 3 of the Law;
<i>“Capacity”</i>	means the electric power (measured in kW) supplied or available to be supplied from the Licensee’s Generating Facilities to the T&D system.
<i>“Catastrophic Failure”</i>	means a sudden and, unexpected failure of one or more Generating units that form part of the Generating Facilities, which renders those units economically or technically unfit to Generate ;
<i>“Conditions”</i>	has the meaning given in paragraph 1 of Part I of this Licence;
<i>“Energy”</i>	means the electric energy (measured in kWh) supplied by the Licensee’s Generating Facilities to the T&D system;
<i>“Force Majeure”</i>	means an event or circumstance which prevents the Licensee from performing its obligations under this Licence, which event or circumstance is not within the reasonable control of, or the result of the negligence of, the Licensee, and which the Licensee is unable to overcome or avoid or cause to be avoided through the exercise of due diligence. Events of Force Majeure may include, but are not limited to, acts of God; fire; flood; earthquake; war; riots; acts of terrorism; strikes, walkouts, lockouts and other labour disputes;

requirements, actions or failure to act on the part of governmental authorities; adoption or change in any law, regulation, statute, rule or regulation imposed by governmental bodies, including, without limitation, a change in the interpretation thereof; or any lawful order by any court or administrative agency (so long as the Licensee has not applied for or assisted in the application for such court or governmental action);

“Fortis Bermuda”

means Fortis Energy (Bermuda) Ltd., which is the majority shareholder of the Licensee;

“Fortis”

means Fortis Inc. of St. Johns, Newfoundland and Labrador, Canada;

“Generate”

means to produce electricity for supply to the T&D Licensee and to provide all Generation related Ancillary Services, and **“Generation”** shall be construed accordingly;

“Generation Business”

means the business of the Licensee in the Generation of electricity for supply in accordance with this Licence;

“Generating Facilities”

means each Generating unit and any plant or facility of the Licensee from time to time used for Generation identified in Schedule 1 to this Licence, and includes any structures, equipment or other things used for that purpose;

“Generation Licence”

means a licence under the Law to Generate electricity for supply to the T&D Licensee for further Transmission and Distribution to consumers.

“Generation Performance Standards”

means the Generation Performance Standards, including the standards with respect to generator availability and generator efficiency, as will be proposed by the Licensee and approved by the Authority in accordance with Condition 16;

“Generation Solicitation Process”

has the meaning given in the Law;

<i>“Initial Generation Performance Standards”</i>	means the Licensee’s existing Generation Performance Standards, including the standards with respect to generator availability and generator efficiency, as of the date of this Licence, a compilation of which shall be filed with the Authority within 60 days of the grant of this Licence, (including such modifications thereto as may be made by the Authority), as further described in Condition 16;
<i>“kV”</i>	means kilovolt, a unit of electrical potential or pressure equal to 1,000 volts;
<i>“kW”</i>	means kilowatt, a unit of electrical power equal to 1,000 watts;
<i>“kWh”</i>	means kilowatt-hour, a unit of electrical energy which is equivalent to one kilowatt of power used continuously for one hour;
<i>“Law”</i>	has the meaning given in paragraph 1 of Part I of this Licence;
<i>“Licence”</i>	means this Generation licence as same may be modified from time to time in accordance with the Law;
<i>“Licensee”</i>	has the meaning given in paragraph 1 of Part I of this Licence;
<i>“MW”</i>	means 1,000 kW;
<i>“Parent Company”</i>	in relation to any person means any other person who holds (directly or indirectly) in the first person the majority of the voting or equity interests or actually exercises management control.
<i>“Rate Base”</i>	has the meaning given in the Licensee’s T&D Licence;
<i>“Regulation”</i>	means a Regulation or Regulations made by the Governor in Cabinet in exercise of the powers conferred on him by the Law;
<i>“Service Territory”</i>	means, for purposes of this Licence, the entire Island of Grand Cayman;

<i>“T&D Code”</i>	means the T&D code as defined in section 2 of the Law;
<i>“T&D Licence”</i>	means a licence issue by the Government or the Authority pursuant to the Law authorising and requiring such person to transmit and distribute electricity to consumers;
<i>“T&D Licensee”</i>	means the holder of the T&D Licence for the Service Territory;
<i>“Transmission and Distribution”</i>	means the transport of electricity by means of a T&D system for delivery to Consumers for reward; and
<i>“T&D system”</i>	means the Transmission and Distribution (T&D) network of the T&D Licensee in the Service Territory which conveys electricity from Generating Facilities to the consumer meters and consists of, structures, lines, underground conduit, conductors, transformers, relays, switchgear and associated equipment.

- 1.4 Expressions in the singular shall include the plural and in the masculine shall include the feminine and vice versa and references to persons shall include companies and other entities and vice versa.
- 1.5 Reference to any statute or statutory provision includes a reference to:
- 1.5.1 that statute or statutory provision as from time to time amended, extended, re-enacted, revised or consolidated whether before or after the date of this Licence; and,
- 1.5.2 all statutory instruments, regulations or orders made pursuant to it.
- 1.6 In this Licence, "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a body corporate, whether through the ownership of voting rights, by contract or otherwise.
- 1.7 Unless the context otherwise requires, reference to any Condition or Schedule is to a Condition of or Schedule to this Licence.
- 1.8 Headings in this Licence are for convenience only and shall not affect the interpretation of this Licence.

Condition 2: Authorisations

- 2.1 The Licensee is authorised to construct and operate the Generating Facilities in the Service Territory and Generate electricity for supply to the T&D Licensee, subject to the conditions of this Licence and the Law.
- 2.2 This Licence authorises the Licensee only in respect of the Generating Facilities.
- 2.3 Notwithstanding the foregoing, in the event of Catastrophic Failure the Licensee may temporarily replace the failed Generating unit or units comprising the Generating Facilities with the approval of the Authority.

Condition 3: Obligations of the Licensee

- 3.1 The Licensee shall Generate and deliver, or cause to be delivered from the Generating Facilities to the T&D system the Capacity and Energy that the T&D Licensee requests or agrees to accept.
- 3.2 The Licensee shall comply with the provisions of the T&D Code and shall conform at all times with the specifications in the T&D Code with regard to interconnection with the T&D system and with regard to metering and other required facilities.
- 3.3 The Licensee shall comply with both the Initial Generation Performance Standards and the Generation Performance Standards in accordance with Condition 16.

Condition 4: Obligation to comply with Laws

- 4.1 The Licensee shall comply with the Law.
- 4.2 The Licensee shall comply with any directive, order, rule, decision or approval issued, made or granted by the Authority in accordance with the Law.
- 4.3 The Licensee shall comply with any other laws of the Cayman Islands that apply to it.

Condition 5: Reporting Requirements

- 5.1 The Licensee shall submit to the Authority a quarterly report with monthly details providing such information as the Authority may request, including, but not necessarily limited to, the Energy supplied to the T&D system; the maximum Capacity demand imposed by the T&D system on the Licensee; the maximum available generating capacity of the Licensee's system at the time of maximum T&D system demand, and operating statistics relevant to monitoring the availability of Generating units and other terms of this Licence including operating performance, safety and environmental compliance. .
- 5.2 The Licensee shall in addition provide a quarterly report containing such monthly operating statistics relevant to monitoring the compliance of the Licensee with the terms of this Licence, the Law and the Regulations including (but not limited to) operating performance and safety and environmental compliance.

- 5.3 The Licensee shall provide to the Authority by the 15th day of each month, a detailed summary of the amount of fuel and lubricant consumed for the previous month, showing details in Imperial Gallons and costs of purchases, opening and closing stocks and consumption.

Condition 6: Outsourcing

The Licensee may utilize the services of third parties on an ongoing basis in the provision of Generation services (i.e., the Licensee may "outsource" certain of its Generation functions). Procurement of such outsourced services shall be subject to Authority approval if they represent core and ongoing Generation functions. Any such approval shall be based on the cost-effectiveness of the outsourced services and the fitness and propriety of the relevant third parties and shall not be unreasonably withheld. The Licensee may, without the need to obtain the approval of the Authority, outsource: (i) its ancillary or support functions, and (ii) the installation and repair of Generating Facilities.

Condition 7: Term of Licence

- 7.1 The term of this Licence shall continue for a period of twenty-one years and six months.
- 7.2 The Authority shall have the right to suspend or revoke this Licence in accordance with the provisions of Condition 12:.
- 7.3 If the Licensee is awarded the right to supply additional Generation pursuant to the Generation Solicitation Process then upon such award this Licence will be cancelled and a new Generation Licence will be issued for a term to correspond with the period required for the installation of the relevant new Generating unit together with the lifetime of the Generating unit (whether the relevant new Generating unit or otherwise) with the longest remaining estimated economic life, subject always to a maximum of twenty five years. Save for (a) the change in the term and the addition of the new Generating unit, and (b) any adjustments to the estimated economic life of the Generating units covered by this Licence as approved by the Authority, and subject always to the provisions of Condition 11, the terms and conditions of any new Generation Licence issued pursuant to this Condition shall not be materially different from the terms and conditions of this Licence during the period that is equal in length to the term of this initial Licence.
- 7.4 If the Licensee believes it is economic to extend the lifetime of an existing Generating unit beyond the initially estimated economic life of the unit, it may develop an economic justification and apply for such extension before the Generating unit would have been retired, which extension shall be taken into account in any subsequent Generation Solicitation Process. Any such application shall be subject to the Authority's approval, and if the Authority's approval is given and the period of the extended life of the unit would exceed the remaining term of the existing Licence, this Licence shall be cancelled and a new Generation Licence will be issued for the period of the unit lifetime extension. Save for the inclusion of the unit lifetime extension, the terms and conditions of any new Generation Licence issued pursuant to this Condition shall not be materially different from the terms and conditions of this Licence.

Condition 8: Assignment of the Licence and transfer of the Generation Business

Any assignment of this Licence and transfer of the Generation Business shall be subject to the prior written consent of the Authority in accordance with Section 25 of the Law.

Condition 9: Transfers of Shares in the Licensee

9.1 For the purposes of section 24(5) of the Law and subject to Conditions 9.2 and 9.3, the obligation of the Licensee to obtain the Authority's consent under section 24 of the Law to any issuance, transfer, disposal or dealing of its shares is hereby waived on the basis of, and conditional upon, the Licensee remaining listed on the Toronto Stock Exchange or any other stock exchange recognised by the Cayman Islands Monetary Authority.

9.2 The waiver in Condition 9.1 above shall be subject to the following conditions-

9.2.1 a condition that the Licensee shall, immediately upon becoming aware of same, notify the Authority of-

- (i) any actual or proposed change in control thereof;
- (ii) the actual or proposed acquisition which results or would result in a total shareholding by that person or group of persons of shares representing more than ten per cent of the issued share capital or total voting rights thereof; or
- (iii) the actual or proposed acquisition which results or would result in a total shareholding by that person or group of persons of shares representing more than ten per cent of the issued share capital or total voting rights of the Parent Company of the Licensee;

Provided that for the avoidance of doubt if a person holds more than 50% of the issued share capital or total voting rights of the Licensee as of the date of this Licence then the acquisition or proposed acquisition of any number of additional shares by that person would not trigger a notification obligation under Conditions 9.2.1(i) or 9.2.1(ii) above. Accordingly, in the circumstances set out in this proviso the Licensee would not be required to provide to the Authority any information pursuant to Condition 9.2.2 and the Authority would not have the authority to take any of the steps described in Condition 9.3.

9.2.2 a condition that the Licensee shall, as soon as reasonably practicable, provide such information to the Authority as may be required by the Authority for the purpose of satisfying itself that the persons acquiring control or ownership in the circumstances set out in Condition 9.2.1 above are fit and proper persons to have such control or ownership, provided that the Licensee shall not be required to provide to the Authority information that is either not in its possession or that it does not have a legal or contractual right to obtain; and

- 9.3 Notwithstanding the waiver given under Condition 9.1 and subject to the proviso in Condition 9.2.1, where the Authority has been notified by the Licensee or otherwise becomes aware of any of the circumstances set out in Condition 9.2.1 above, and the Authority has determined that such person or group of persons are not fit and proper persons to have control or ownership of the Licensee or its Parent Company, the Authority may:
- 9.3.1 in the event of a proposed acquisition of shares in the Licensee, refuse to allow the proposed transfer of shares; or
 - 9.3.2 in the event of an acquisition of shares in either the Licensee or its Parent Company:
 - (i) impose such conditions on the Licensee as it may deem necessary;
 - (ii) issue a directive or directives to the Licensee as to the management and operations of the Licensee; or
 - (iii) suspend or revoke the Licence on the order of the Governor where it determines such suspension or revocation is necessary for reasons of the security or public interest of the Islands.
- 9.4 For the purposes of section 24(5)(b) of the Law, it is hereby confirmed that each of Fortis Bermuda and Fortis are “fit and proper persons”.

Condition 10: Licence Fee and Regulatory Fee

The Licensee shall not be required to pay to the Authority any regulatory fee or licence fee.

Condition 11: Modification of the Licence

- 11.1 Without prejudice to Conditions 11.2 and 11.3 below, this Licence may be modified where the Authority and the Licensee each consent in writing to modify the Licence.
- 11.2 The Authority may modify the Licence for reasons of the security or the public interest of the Islands in accordance with the Law.
- 11.3 Where the Authority considers that the Licence should be modified in the public interest in accordance with the Law, the Authority shall give to the Licensee a written notice that-
- 11.3.1 sets out the proposed modification;
 - 11.3.2 states the reasons for the proposed amendment; and
 - 11.3.3 invites the Licensee to file submissions within twenty-eight days to show cause why the Licence should not be so modified.

- 11.4 The Authority may modify the licence if, after having regard to a submission made under Condition 11.3, the Authority considers the Licence should be modified-
- 11.4.1 in the manner set out in the notice; or
 - 11.4.2 in some other manner consistent with the said submissions.
- 11.5 Where the Authority decides to modify the Licence in accordance with the Law, the Authority shall give to the Licensee a written notice stating-
- 11.5.1 how the Licence has been modified; and
 - 11.5.2 that the Licensee may apply to the Authority for a reconsideration of its decision in accordance with the Law.
- 11.6 The Licensee may apply to the Authority for a reconsideration of its decision to modify this Licence and may appeal any decision made by the Authority following any such reconsideration in accordance with the Law.

Condition 12: Suspension or revocation of the Licence

- 12.1 The Authority may suspend or revoke this Licence where the Licensee-
- 12.1.1 is in fundamental breach of this Licence;
 - 12.1.2 persistently breaches any Condition attached to this Licence or repeatedly contravenes the Law;
 - 12.1.3 is dissolved;
 - 12.1.4 is wound up or declared bankrupt;
 - 12.1.5 is convicted of an offence under the Law punished by a fine or fines in excess of three hundred thousand Cayman Islands dollars;
 - 12.1.6 is to be struck or is struck from the register of companies;
 - 12.1.7 compounds with its creditors to the detriment of the public interest;
 - 12.1.8 obtained this Licence by a fraudulent, false or misleading representation or in some other illegal manner; or
 - 12.1.9 having had this Licence suspended, has failed to rectify any ground for suspension under this Condition within a period of one year following upon the date of any such suspension.
- 12.2 The Authority shall, before suspending or revoking the Licence under Condition 12.1, give fourteen days written notice to the Licensee, in which notice the Authority shall draw to the

attention of the Licensee the grounds on which the Authority intends to suspend or revoke the Licence.

- 12.3 Before suspending or revoking the Licence pursuant to Conditions 12.1.1 or 12.1.2 the Authority may give an opportunity to the Licensee to remedy the breach, if capable of remedy, within a reasonable time and in any event before the expiration of the fourteen day period of notice given under Condition 12.2 if the public interest or security of the Islands is not harmed in so doing.
- 12.4 Notwithstanding Conditions 12.1, 12.2, and 12.3, the Authority on the order of the Governor, shall, without notice, suspend or revoke this Licence if the suspension or revocation is necessary for reasons of the security or the public interest of the Islands.
- 12.5 Upon revocation of the Licence under this Condition the Authority shall compel compulsory divestiture of the Licensee's Generating Facilities upon expiry of the Licence at a value equal to the average of the values determined by a panel of three qualified valuers with experience in valuing Generating Facilities.
- 12.6 The panel referred to in Condition 12.5 shall be -
 - 12.6.1 one member to be chosen by the Authority;
 - 12.6.2 one member to be chosen by the Licensee; and
 - 12.6.3 one member, who shall be chairman of the panel, to be chosen by the other two members.
- 12.7 The panel referred to in Conditions 12.5 and 12.6 shall determine the fair market value of the Generating Facilities of the Licensee. The fair market value for these purposes shall be considered to be the fair market value of the Generating Facilities to another Generation Licensee determined in a manner that complies with the term Fair Market Value as defined by the American Society of Appraisers, that is, the price, expressed in cash equivalents, at which the Generating Facilities would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.
- 12.8 The Licensee may apply to the Authority for a reconsideration of its decision to suspend or revoke this Licence and may appeal any decision made by the Authority following any such reconsideration in accordance with the Law.

Condition 13: Communication

The Licensee shall designate a person that will act as a primary contact with the Authority on matters related to this Licence. The Licensee shall notify the Authority promptly should the contact details change.

Condition 14: Force Majeure

To the extent that the Licensee is prevented by Force Majeure from carrying out, in whole or part, its obligations under this License and the Licensee gives notice and details of the Force Majeure to the Authority as soon as practicable, then the Licensee shall be excused from the performance of its specific obligations prevented by the Force Majeure conditions during the period for which the Force Majeure conditions apply. The Licensee shall take all reasonable and necessary steps to enable it to perform such obligations with all reasonable dispatch after the period of Force Majeure.

Condition 15: Early Retirement of Assets

The Licensee may retire assets early, provided that any decision to retire assets early shall be subject to approval of the Authority, which approval shall not be unreasonably withheld. On any early retirement of assets, the Licensee shall be allowed to recover the net book value of all Generating Facilities whether those assets are on its books at the effective date of this Licence or are additions to the Licensee's Rate Base during the term of the Licence. This financial recovery shall be independent of whether these assets are physically retired before the end of their book life based on an economic evaluation or any change in Government policy or regulatory action. Such recovery shall take place through the continued depreciation of such assets until the end of their book life. The Licensee's accounting for any retirement will be in accordance with Conditions 25.11.1, 25.11.2 and 25.11.3 of the Licensee's T&D Licence and the Licensee's Rate Base shall not otherwise be affected by such retirement.

PART III Generation Performance Standards

Condition 16: Generation Performance Standards

- 16.1 Performance standards will provide a balanced framework of potential penalties or rewards compared to historical performance. Standards shall include “zones of acceptability” where no penalties or rewards would apply. If performance deviates from agreed levels, the first step will be discussion with the Authority to assess the reasons and make corrections for poor performance as appropriate. If performance continues to deviate from the standard after those discussions, the Authority may impose penalties for poor performance if the Licensee has not implemented the agreed-upon action plan, or provide rewards for superior performance.
- 16.2 These standards will be reconsidered as part of each five-year review.
- 16.3 After review and approval, the Authority will implement and enforce all the performance standards on separate schedules for each standard. Each schedule will depend on whether an appropriate measure has yet been defined and the availability of historical performance data against the measure to determine an appropriate benchmark for the Licensee.
- 16.4 The Licensee shall comply with the Initial Generation Performance Standards with such modifications as the Authority may direct, until the Generation Performance Standards proposed by the Licensee pursuant to Condition 16.7 are approved by the Authority. The compilation of such existing standards shall be filed by the Licensee with the Authority within 60 days from the grant of this Licence.
- 16.5 The Licensee shall operate its Generating Facilities in accordance with the Generation Performance Standards.
- 16.6 The Licensee shall do the following:
 - 16.6.1 within 90 days after this Licence becomes effective, assemble the data associated with generator availability (covering the past five years ended December 31, 2007) including but not limited to, scheduled and forced outage hours, by Generating unit. For the period since December 31, 2005 the data will be developed in accordance with the statistical terminology of the Institute of Electrical and Electronic Engineers (IEEE);
 - 16.6.2 over a period of time to be selected by the Authority as being sufficiently long as to be representative of the actual efficiency levels achievable by the Licensee’s generating units that operated during the period, record the efficiency of those units and provide that information to the Authority. This historical performance will be the basis on which the efficiency standard will be calculated for the ensuing year, by evaluating the weighted average of the projected operating hours of each of the units contained in the Generating Facilities in that year.
- 16.7 The Licensee shall, within six months after this Licence becomes effective, prepare and submit to the Authority for review and approval, the Generation Performance Standards.

- 16.8 Having regard to any written representation received by the Authority or upon its own motion, after giving the Licensee an opportunity to present its perspective on the same, for reasons recorded in writing, the Authority may require the Licensee to revise the Generation Performance Standards, and the Licensee shall comply with the directions of the Authority.

Schedule 1
Generating Facilities

Unit Make and Model	Unit #	Unit size (MW)	Start-up date of the unit	Retirement date based on estimated economic life of the unit or term of the licence
Caterpillar 3516	21	1.37	5/1/1990	4/30/2010
Mirrlees KV16	16	7.59	5/1/1991	4/30/2011
Mirrlees KV16	17	7.59	5/1/1992	4/30/2012
Stork Werkspoor TM620	14	10.30	5/1/1987	4/30/2014
Stork Werkspoor TM620	15	10.30	5/1/1989	4/30/2016
Caterpillar 3616	19	4.00	5/1/1986	7/31/2016 **
Caterpillar 3616	20	4.00	5/1/1988	2/28/2019 **
Mak 8M601C	1	9.00	5/1/1997	4/30/2022
Mak 8M601C	2	9.00	5/1/1997	4/30/2022
Man B&W 12V 48/60	35	12.25	8/1/2000	7/31/2025
Man B&W 12V 48/60	36	12.25	8/1/2000	7/31/2025
Solar Centar 50 G Turbine	25	3.50	5/1/1996	4/30/2026
Caterpillar 3616	3	4.40	5/1/1998	2/28/2027 **
Caterpillar 3616	4	4.40	5/1/1998	2/28/2027 **
Man B&W 12V 48/60	34	12.25	8/1/2003	7/31/2028
Man B&W 12V 48/60	33	16.00	6/1/2007	9/30/2029 *
MAN Gas Turbine	26	8.40	7/1/2006	9/30/2029 *
Man B&W 12V 48/60	32	16.00	10/1/2009	9/30/2029
Total		152.60		

* This date represents the expiry of the initial Generation Licence. No later than three years before this date, the Licensee will be expected to apply to the Authority for an extension of the life of units 26 and 33. The Licensee's annual depreciation schedules for its accounting records will continue to be based upon the Licensee's best estimates of the units remaining useful life, namely June 30, 2036 for unit 26 and May 31, 2032 for unit 33.

** The Licensee will develop for the Authority's review and approval an economic justification for the estimated economic life of these units no later than April 3, 2016, which units were substantially refurbished prior to the initial Generation Licence.

SCHEDULE 2
Form of CUC T&D Licence

Execution Copy

GOVERNMENT OF THE CAYMAN ISLANDS

**ELECTRICITY
TRANSMISSION AND DISTRIBUTION LICENCE**

GRANTED TO

CARIBBEAN UTILITIES COMPANY, LTD

3 April 2008

TABLE OF CONTENTS

	Page
PART I TERMS OF THE LICENCE	1
PART II CONDITIONS OF THE LICENCE.....	2
Condition 1: Interpretation and Construction	2
Condition 2: Authorisations	9
Condition 3: Obligation to Supply Consumers	9
Condition 4: Obligation to dispatch Generating Capacity	9
Condition 5: Obligation to comply with Laws.....	10
Condition 6: Obligation to Maintain Accounts and Provide Financial and Other Information.	10
Condition 7: Engaging in Other Businesses and Outsourcing	11
Condition 8: Assignment of the Licence and transfer of the T&D Business.....	12
Condition 9: Transfers of Shares in the Licensee	12
Condition 10: Licence Fee and Regulatory Fee.....	14
Condition 11: Renewal of the Licence.....	14
Condition 12: Modification of the Licence.....	16
Condition 13: Suspension or revocation of the Licence	16
Condition 14: Consumer Deposits	18
Condition 15: Communication.....	18
Condition 16: Force Majeure	18
Condition 17: Early Retirement of Assets	18
Condition 18: Wheeling.....	18
PART III RATE STRUCTURE AND RATE CAP ADJUSTMENT MECHANISM (RCAM).....	18
Condition 19: Rate Structure.....	18
Condition 20: Initial HCRS Removal and Rate Reduction.....	20
Condition 21: Pass-through Charges.....	21
Condition 22: Rates for Lighting	22
Condition 23: PPA Rate Structure	22
Condition 24: Import Duty on Other Items Used in the Electricity Business.....	23
Condition 25: Rate Cap and Adjustment Mechanism (RCAM)	23
Condition 26: Disaster Provisions.....	27
PART IV TECHNICAL CONDITIONS.....	28
Condition 27: Compliance with the T&D Code	28
Condition 28: T&D System Standards: Planning, Reliability, Operating and Overall Performance Standards	29

PART V GENERATION SOLICITATION PROCESS..... 32

Condition 29: Need for New Generation 32

Condition 30: First Solicitation..... 32

Condition 31: Solicitation Process..... 32

Condition 32: Encouragement of Renewables..... 35

PART I TERMS OF THE LICENCE

1. The Government of the Cayman Islands (the "**Government**"), in exercise of the powers conferred by Section 93(3) of the Electricity Regulatory Authority Law (2005 Revision) (as amended by the Electricity Regulatory Authority (Amendment) Law, 2008) (the "**Law**") hereby grants to Caribbean Utilities Company, Ltd. (the "**Licensee**") an exclusive licence (the "**Licence**") to transmit, distribute and deliver electricity during the period specified in paragraph 3 below, subject to the Conditions set out in Parts II, III, IV and V (the "**Conditions**").
2. The Conditions are subject to modification or amendment in accordance with their terms or in accordance with the Law.
3. This Licence shall come into force on April 3, 2008 and, unless revoked or suspended in accordance with the provisions of Condition 13, shall continue in full force and effect for a period of twenty (20) years.
4. This Licence shall be governed by and construed, enforced and performed in accordance with the laws of the Cayman Islands.

Sealed with the Seal of and executed for and on behalf of the Government of the Cayman Islands
this 3rd day of April 2008

The Honourable Arden McLean
Minister of Communications, Works &
Infrastructure

PART II CONDITIONS OF THE LICENCE

Condition 1: Interpretation and Construction

1.1 Unless the contrary intention appears words and expressions used in these Conditions shall be construed as if they were in an enactment and the Interpretation Law (1995 Revision) applied to them.

1.2 Any word or expression defined in the Law shall, unless the contrary intention appears, have the same meaning when used in the Conditions.

1.3 In these Conditions, unless otherwise specified or the context otherwise requires:

“Accumulated Depreciation” has the meaning given in Condition 25.11.2;

“Allowance for Funds Used during Construction” or “AFUDC” has the meaning given in Condition 25.11.4;

“Allowance for Working Capital” has the meaning given in Condition 25.16;

“Authority” means the Electricity Regulatory Authority established or to be established pursuant to section 3 of the Law;

“Back up electricity supply” has the meaning given in the Law;

“Base Rates” has the meaning given in Condition 20.5;

“Calendar Quarter” means each consecutive period of three months beginning on 1st January, 1st April, 1st July and 1st October of each calendar year;

“Capital Investment Plan” or “CIP” has the meaning given in Condition 19.8;

“Certificate of Need” means a certificate that the Licensee prepares and submits to the Authority, which sets out Licensee’s requirement for the incremental amount of capacity for which the Authority would solicit;

“Consumer” means any person who is a customer of, and is supplied with electricity by the Licensee;

“Cost of Capital” has the meaning given in Condition 25.12;

<i>“Consumer Service Standard”</i>	means the standards for providing customer service as proposed by the Licensee and approved by the Authority in accordance with Condition 28;
<i>“Disaster”</i>	means any event which prevents the Licensee from performing its obligations under the Licence, including acts of God, hurricane, fire, flood, earthquake, war, riot or act of terrorism.
<i>“Electric Rate Restructuring Report”</i>	means the electric rate restructuring report that the Licensee submitted to and approved by the Government which laid out the agreed new billing rates for Consumers, and attached to hereto as Schedule 1;
<i>“Electricity Law”</i>	means the Electricity Law (2005 Revision) as amended by the Electricity (Amendment) Law, 2008;
<i>“Existing T&D System Operating Standards”</i>	means the Licensee’s rules, principles and measures for operating the T&D System as of the date of this Licence, a compilation of which shall be filed with the Authority within 60 days of the grant of this Licence;
<i>“Existing T&D System Planning and Reliability Standards”</i>	means the Licensee's current rules, principles and measures for system planning and reliability of the T&D System as of the date of this Licence, a compilation of which shall be filed with the Authority within 60 days of the grant of this Licence;
<i>“Fixed Assets”</i>	has the meaning given in Condition 25.11.1;
<i>“Force Majeure”</i>	means an event or circumstance which prevents the Licensee from performing its obligations under this Licence, which event or circumstance is not within the reasonable control of, or the result of the negligence of, the Licensee, and which the Licensee is unable to overcome or avoid or cause to be avoided through the exercise of due diligence. Events of Force Majeure may include, but are not limited to, acts of God; fire; flood; earthquake; war; riots; acts of

terrorism; strikes, walkouts, lockouts and other labour disputes; requirements, actions or failure to act on the part of governmental authorities; adoption or change in any law, regulation, statute, rule or regulation imposed by governmental bodies, including, without limitation, a change in the interpretation thereof; or any lawful order by any court or administrative agency (so long as the Licensee has not applied for or assisted in the application for such court or governmental action);

“Fortis Bermuda”

means Fortis Energy (Bermuda) Ltd., which is the majority shareholder of the Licensee;

“Fortis”

means Fortis Inc. of St. Johns, Newfoundland and Labrador, Canada;

“Fuel Cost Charge”

has the meaning given in Condition 21.2.2;

“Fuel Cost Tracker Account”

has the meaning given in Condition 21.2.3;

“Fuel Costs”

has the meaning given in Condition 21.2.1;

“Generate”

means to produce electricity for supply to the Licensee and further Transmission and Distribution to Consumers and **“Generation”** shall be construed accordingly;

“Generating Set”

means any plant or apparatus for the production of electricity and shall where appropriate, include a generating station comprising of one or more than one generating unit;

“Generation Business”

means the business of the Licensee in the Generation of electricity for supply in accordance with the Licensee’s Generation Licence;

“Generating Capacity”

means the maximum Generating Capacity (measured in megawatts MW), that is available from the Licensee’s Generating Sets pursuant to its Generation Licence and the Generating Capacity available from the other Generation Licensees pursuant to the

	PPAs;
“Generation Licence”	means a licence under the Law to Generate electricity.;
“Generation Licensee”	means a Person who holds a Generation Licence;
“Generation Performance Standards”	means the generation performance standards, including the standards with respect to generator availability and generator efficiency, as will be proposed by the Licensee and approved by the Authority in accordance with the Licensee’s Generation Licence;
“Generation Solicitation Process”	has the meaning given in the Law;
“Government and Regulatory Charge”	has the meaning given in Condition 21.3.2;
“Government and Regulatory Costs”	has the meaning given in Condition 21.3.1;
“Government and Regulatory Tracker Account”	has the meaning given in Condition 21.3.3;
“HCRS”	means the Hurricane Ivan Cost Recovery Surcharge to Consumers that the Licensee introduced after Hurricane Ivan with the approval of the Government;
“Interconnection”	has the meaning given in the Law;
“Interim T&D Code”	means the existing practices and procedures followed by the Licensee for operating the T&D System as of the date of the Licence, a compilation of which shall be filed with the Authority within 120 days of the grant of this Licence;
“kWh”	means kilowatt-hour, a unit of electrical energy which is equivalent to one kilowatt of power used continuously for one hour;
“Law”	has the meaning given in paragraph 1 of Part I of this Licence;

<i>“Licence Fee”</i>	has the meaning given in Condition 10.1;
<i>“Licence”</i>	means this licence under which the Licensee is Authorised to conduct the T&D Business;
<i>“Licensee Income”</i>	has the meaning given in Condition 25.10;
<i>“Licensee”</i>	has the meaning given in paragraph 1 of Part I of this Licence;
<i>“MW”</i>	means megawatt, a unit of electrical power equal to 1,000,000 watts;
<i>“Non-Fuel Operating Expenses”</i>	has the meaning given in Condition 25.15;
<i>“Other Business”</i>	means the business or activities of the Licensee other than the Generation Business or T&D Business;
<i>“Parent Company”</i>	in relation to any person means any other person who holds (directly or indirectly) in the first person the majority of the voting or equity interests or actually exercises management control;
<i>“Person”</i>	shall include any individual, firm, company or association or body of individuals, whether incorporated or not;
<i>“PPA”</i>	means a power purchase agreement between the Licensee and another Generation Licensee for the purchase of the whole or any part of the Generating Capacity or electricity generated;
<i>“Price Level Index”</i>	means an index composed of 60% weighting of the Cayman Islands Consumer Price Index (CI CPI) and a 40% weighting of the United States of America Consumer Price Index (US CPI) (both after adjusting to remove the effects of prices of food and fuel);
<i>“Rate Base”</i>	has the meaning given in Condition 25.11;
<i>“RCAM”</i>	has the meaning given in Condition 25;

<i>“Regulations”</i>	means a Regulation or Regulations made by the Governor in Cabinet in exercise of the powers conferred on him by the Law;
<i>“Regulatory Assets”</i>	has the meaning given in Condition 25.17;
<i>“Regulatory Fee”</i>	has the meaning given in Condition 10.2;
<i>“Regulatory Liabilities”</i>	has the meaning given in Condition 25.17;
<i>“Return on Rate Base (RORB) ”</i>	has the meaning given in Condition 25.9 ;
<i>“RFP”</i>	means a request for proposals issued by the Authority whereby the Authority solicits competitive proposals for the approved incremental need for Generating Capacity;
<i>“Service Territory”</i>	means, for purposes of this Licence, the entire Island of Grand Cayman;
<i>“T&D Assets”</i>	means all the assets that form a part of the Licensee’s T&D System and are used by the Licensee in connection with the T&D Business, including, but not limited to property, rights of way, infrastructure (e.g. poles, wire, switches, transformers, capacitors, substations etc.) vehicles and equipment;
<i>“T&D Business”</i>	means the business of the Licensee in relation to the Transmission & Distribution and retail supply of electrical energy in the Service Territory, including all of its supply procurement and management, generation dispatch, delivery and Consumer service responsibilities, in accordance with this Licence;
<i>“T&D Code”</i>	means the T&D Code as defined in section 2 of the Law. and as further described in Condition 27;
<i>“T&D System Operating Standards”</i>	means the rules, principles and measures for operating the T&D System as proposed by the Licensee and approved by the Authority in accordance with Condition 28;
<i>“T&D System Planning and</i>	means the standards for system planning

Reliability Standards and reliability of the T&D System as proposed by the Licensee and approved by the Authority in accordance with Condition 28;

“T&D System” means the Transmission and Distribution (T&D) network of the Licensee in the Service Territory which conveys electricity from Generating Facilities to the consumers meters and consists of structures, lines, underground conduit, conductors, transformers, relays, switchgear and associated equipment in accordance with this Licence;

“Transmission & Distribution” means the transport of electricity by means of a T&D System for delivery to Consumers for reward;

“Wheeling” means the use of the T&D System by a Person other than the Licensee for the Transmission and/or Distribution of energy between locations, generally for purposes of wholesale transactions;

“Work In Progress” or “WIP” has the meaning given in Condition 25.13;

“X Factor” has the meaning given in Condition 25.4 and 25.6; and

“Z Factor” has the meaning given in Condition 25.5.

- 1.4 Expressions in the singular shall include the plural and in the masculine shall include the feminine and vice versa and references to persons shall include companies and other entities and vice versa.
- 1.5 Reference to any statute or statutory provision includes a reference to:
- 1.5.1 that statute or statutory provision as from time to time amended, extended, re-enacted, revised or consolidated whether before or after the date of this Licence; and,
- 1.5.2 all statutory instruments, regulations or orders made pursuant to it.
- 1.6 In this Licence, "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a body corporate, whether through the ownership of voting rights, by contract or otherwise.

- 1.7 Unless the context otherwise requires, reference to any Condition or Schedule is to a Condition of or Schedule to this Licence.
- 1.8 Headings in this Licence are for convenience only and shall not affect the interpretation of this Licence.

Condition 2: Authorisations

- 2.1 The Licensee is authorised to purchase, transmit and distribute electricity for delivery to Consumers for reward in the Service Territory and to construct, reconstruct, replace or modify a T&D System for those purposes.
- 2.2 This Licence shall be an exclusive licence for the Service Territory.
- 2.3 The Licensee shall be entitled to bill Consumers the Base Rates and shall be entitled to pass through to Consumers the Fuel Costs and Government and Regulatory Costs as described in this Licence. In addition, the Licensee may also bill temporary Z Factor charges as described in this Licence.

Condition 3: Obligation to Supply Consumers

- 3.1 Save as hereinafter provided, the Licensee shall plan for, serve, and extend service to, any location and to any Person in the Service Territory who applies to the Licensee for the supply of electricity without discrimination against or preference to any Person.
- 3.2 The Licensee shall maintain its T&D System and provide retail service to Consumers as part of its T&D Business.
- 3.3 The Licensee shall not sell, or otherwise provide, electricity to any Person other than in accordance with this Licence.
- 3.4 The Licensee shall comply with the provisions of the T&D Code in accordance with Condition 27.
- 3.5 The Licensee shall comply with the T&D System Planning and Reliability Standards and T&D System Operating Standards in accordance with Condition 28.
- 3.6 The Licensee shall provide Back up electricity supply, stand by connection and Interconnection to any Person requiring such service in accordance with the provisions of the Law. Such backup service shall be provided at rates proposed by the Licensee and approved by the Authority. Such rates shall be reviewed in connection with the cost of service study to be conducted pursuant to Condition 20.4.

Condition 4: Obligation to dispatch Generating Capacity

- 4.1 The Licensee shall be responsible for dispatching sufficient Generating Capacity to meet system requirements in a prudent manner, taking into consideration various operating considerations, including but not limited to least-cost, planned generator maintenance

schedules and operating reserves (both on-peak and off-peak) and subject to the terms and conditions of the PPAs.

- 4.2 The Licensee may purchase some or all of its power requirements from Generation Licensees other than itself pursuant to the PPAs.
- 4.3 The Licensee shall purchase the electricity output from any potential non-firm waste-to-energy facility on an energy only basis in accordance with the provisions for renewable resources described in Condition 32.
- 4.4 The Licensee is responsible for the procurement of adequate generation supply, in terms of required energy, capacity and ancillary services to fully meet the needs of its Consumers, subject to the application of the Generation Solicitation Process.
- 4.5 Except as authorized by the Authority in connection with purchases of renewable energy from customer-owned generation for self-supply, the Licensee shall not purchase electricity from any Person other than a Generation Licensee and may not purchase electricity from a Generation Licensee except in accordance with the relevant PPA.
- 4.6 Subject to satisfactory inspection of the Interconnection on behalf of the Authority and by the Licensee, Consumers who generate renewable energy for self-supply may sell energy to the Licensee, and the Licensee shall purchase such renewable energy at rates to be proposed by the Licensee and approved by the Authority. The Licensee shall submit to the Authority by June 1, 2008 a proposal that will describe the basis on which, and the rates at which, such Consumers may sell energy to, and purchase energy from, the Licensee, which proposal will be subject to the Authority's review and approval. The Licensee shall implement such approved rates no later than September 1, 2008, provided the same shall have been approved by the Authority no later than July 1, 2008. The approved rates shall be considered to be a part of Base Rates and subject to adjustment in accordance with the RCAM, and will be included in the cost of service study to be conducted pursuant to Condition 20.4.

Condition 5: Obligation to comply with Laws

- 5.1 The Licensee shall comply with the Law.
- 5.2 The Licensee shall comply with any directive, order, rule, decision or approval issued, made or granted by the Authority in accordance with the Law.
- 5.3 The Licensee shall comply with any other laws of the Cayman Islands that apply to it.

Condition 6: Obligation to Maintain Accounts and Provide Financial and Other Information.

- 6.1 The financial year of the Licensee currently runs from the 1st day of May to the 30th day of the following April. However, the Licensee may change its year-end date from the 30th day of April to a date that is aligned more closely with the calendar year-end.

- 6.2 The Licensee shall comply with its obligations regarding the maintenance of accounts and the provision of accounting and other information to the Authority contained in the Law.
- 6.3 Financial statements shall be prepared in accordance with Canadian generally accepted accounting principles, or such other generally accepted accounting principles as the Licensee may select with the Authority's approval.
- 6.4 The Licensee shall furnish to the Authority without undue delay such information, documents and details related to the T&D Business or any Other Business of the Licensee, as the Authority may reasonably require in order for it to fulfil its functions and discharge its obligations under the Law.
- 6.5 The Licensee shall provide basic audited financial statements on an annual basis prepared in accordance with appropriate generally accepted accounting principles and un-audited detailed financial statements, on a quarterly basis, in the general format required for its annual accounts.
- 6.6 The Licensee shall provide the Authority with a quarterly report with monthly detail showing the manner in which the Government and Regulatory Charge is calculated in accordance with Condition 10: and Condition 21.3.
- 6.7 The Licensee shall provide the Authority with a quarterly report with monthly detail showing the manner in which the Fuel Cost Charge is calculated pursuant to Condition 21.2.
- 6.8 The Licensee shall prepare and submit to the Authority a five-year forecast of projected loads and generation requirements as often as considered necessary by the Licensee but no less than annually. Upon request by the Authority at any time, the Licensee will provide the most recent five-year forecast.
- 6.9 The Licensee shall provide the Authority on a quarterly basis with a report on monthly energy sales, peak demands and the numbers of Consumers in each billing class.
- 6.10 The Licensee shall provide a quarterly report of monthly operating statistics relevant to monitoring the reliability of the T&D System, such as reliability or outage statistics and consistent with the requirements given in Condition 28.
- 6.11 The Licensee shall provide the Authority with the Capital Investment Plan each year in accordance with Condition 19.8, which will be subject to the Authority's review and approval.

Condition 7: Engaging in Other Businesses and Outsourcing

- 7.1 The Licensee may allow third parties (including a subsidiary) to utilize or have access to its facilities (e.g., space on its distribution poles, un-utilized real estate) on an arms-length basis, where this will allow the Licensee to utilize more fully or more efficiently the T&D Assets. The leasing or use of such assets would be offered subject to approval by the Authority, which approval shall not be unreasonably withheld, but shall not be given if the

Authority is reasonably satisfied that such approval is not in the interests of Consumers. The Licensee shall charge any such third party a fee for allowing the third party to access the relevant facilities and any such fee shall be determined on an arm's length commercial basis that is related to the value of such access as reflected in the revenues derived from it by the third party and any arrangement with such a third party shall allow for such fee to be subject to periodic review or to a formula so that it is not fixed for the duration of the Licence. For the avoidance of doubt, revenue from such activities would be included in Licensee Income as defined in Condition 25.10 (and therefore be taken into account for the purposes of the RORB calculation), but would not be considered to be a part of the Licensee's gross revenues for the purposes of calculating the Licence Fee and the Regulatory Fee under Condition 10:. Also, any distributions made by a subsidiary to the Licensee would be included in Licensee Income as defined in Condition 25.10 but would not be considered to be a part of the Licensee's gross revenues for the purposes of calculating the Licence Fee and the Regulatory Fee under Condition 10:. Provision of such services or access may subject the Licensee and such third parties to the licensing requirements of another regulator such as the Information and Communications Technology Authority (ICTA). The Licensee shall not build its T&D Assets explicitly for the purpose of accommodating such non-electric uses.

- 7.2 The Licensee may utilize the services of third parties on an ongoing basis in the provision of T&D services (i.e., the Licensee may "outsource" certain of its T&D functions). The procurement of such outsourced services shall be subject to the Authority's approval if they represent core and ongoing T&D functions, provided that the approval of the Authority shall not be required if the annual value of any such services procured by the Licensee from a particular service provider does not exceed C\$100,000. Any such approval shall be based on the cost-effectiveness of the outsourced services and the fitness and propriety of the relevant third parties and shall not be unreasonably withheld. The Licensee may, without the need to obtain the approval of the Authority: (1) outsource its ancillary or support functions; and (2) in the event of a Disaster, temporarily outsource the installation and repair of T&D Assets.

Condition 8: Assignment of the Licence and transfer of the T&D Business

Any assignment of the Licence and transfer of the T&D Business shall be subject to the written consent of the Authority in accordance with section 25 of the Law.

Condition 9: Transfers of Shares in the Licensee

- 9.1 For the purposes of section 24(5) of the Law and subject to Conditions 9.2 and 9.3, the obligation of the Licensee to obtain the Authority's consent under section 24 of the Law to any issuance, transfer, disposal or dealing of its shares is hereby waived on the basis of, and conditional upon, the Licensee remaining listed on the Toronto Stock Exchange or any other stock exchange recognised by the Cayman Islands Monetary Authority.

9.2 The waiver in Condition 9.1 above shall be subject to the following conditions-

9.2.1 a condition that the Licensee shall, immediately upon becoming aware of same, notify the Authority of-

- (i) any actual or proposed change in control thereof;
- (ii) the actual or proposed acquisition which results or would result in a total shareholding by that person or group of persons of shares representing more than ten per cent of the issued share capital or total voting rights thereof; or
- (iii) the actual or proposed acquisition which results or would result in a total shareholding by that person or group of persons of shares representing more than ten per cent of the issued share capital or total voting rights of the Parent Company of the Licensee;

Provided that for the avoidance of doubt if a person holds more than 50% of the issued share capital or total voting rights of the Licensee as of the date of this Licence then the acquisition or proposed acquisition of any number of additional shares by that person would not trigger a notification obligation under Conditions 9.2.1(i) or 9.2.1(ii) above. Accordingly, in the circumstances set out in this proviso the Licensee would not be required to provide to the Authority any information pursuant to Condition 9.2.2 and the Authority would not have the authority to take any of the steps described in Condition 9.3.

9.2.2 a condition that the Licensee shall, as soon as reasonably practicable, provide such information to the Authority as may be required by the Authority for the purpose of satisfying itself that the persons acquiring control or ownership in the circumstances set out in Condition 9.2.1 are fit and proper persons to have such control or ownership, provided that the Licensee shall not be required to provide to the Authority information that is either not in its possession or that it does not have a legal or contractual right to obtain.

9.3 Notwithstanding the waiver given under Condition 9.1 and subject to the proviso in Condition 9.2.1, where the Authority has been notified by the Licensee or otherwise becomes aware of any of the circumstances set out in Condition 9.2.1 above, and the Authority has determined that such person or group of persons are not fit and proper persons to have control or ownership of the Licensee or its Parent Company, the Authority may:

9.3.1 in the event of a proposed acquisition of shares in the Licensee, refuse to allow the proposed transfer of shares; or

9.3.2 in the event of an acquisition of shares in either the Licensee or its Parent Company:

- (i) impose such conditions on the Licensee as it may deem necessary;

- (ii) issue a directive or directives to the Licensee as to the management and operations of the Licensee; or
- (iii) suspend or revoke the Licence on the order of the Governor where it determines such suspension or revocation is necessary for reasons of the security or public interest of the Islands.

9.4 For the purposes of section 24(5)(b) of the Law, it is hereby confirmed that each of Fortis Bermuda and Fortis are “fit and proper persons”.

Condition 10: Licence Fee and Regulatory Fee

- 10.1 The Licensee shall pay a Licence Fee of 1.0% of gross revenues, less Licence Fees and Regulatory Fees, to the Authority on a quarterly basis based on the previous Calendar Quarter’s gross revenues.
- 10.2 The Licensee shall pay a Regulatory Fee of 0.5% of gross revenues, less Licence Fees and Regulatory Fees, to the Authority on a quarterly basis based on the previous Calendar Quarter’s gross revenues.
- 10.3 Any future change in the Licence Fee or the Regulatory Fee shall be effective with and result in an automatic and equal adjustment on the Licensee’s bills to Consumers at the beginning of the next Calendar Quarter.
- 10.4 The Licensee shall pay the Licence Fee and the Regulatory Fee within 15 days after the 1st business day of each Calendar Quarter, commencing with the first payment (pro rated) on April 15, 2008.
- 10.5 The Licence Fee and Regulatory Fee shall be subject to periodic review and any change thereto shall be prescribed by Regulations.
- 10.6 The Licence Fees and Regulatory Fees form a part of the Government and Regulatory Costs, which will be detailed on bills to Consumers showing those costs as a direct pass-through to Consumers.
- 10.7 If the Licensee fails to pay to the Authority the Licence Fee or the Regulatory Fee by the due dates then the Licensee shall also be liable to pay simple interest on the outstanding amount at the Cayman Prime Lending Rate plus one percent per annum from the due date until the date of payment. Any such interest shall not be passed on to Consumers.

Condition 11: Renewal of the Licence

- 11.1 This Licence shall automatically renew for successive terms of 20 years each without the need for either the Licensee or the Authority to take any action in order to renew this Licence, unless the renewal of this Licence is cancelled in accordance with the terms of this Condition.

- 11.2 The Licensee may cancel the renewal of this Licence by giving written notice of non-renewal for any reason at least five years prior to the expiry of the Licence.
- 11.3 The Authority may cancel the renewal of this Licence for reasonable cause, including where the Licensee is or has engaged in conduct that contravenes the Law or is or has been otherwise in fundamental or persistent breach of this Licence. Where the Authority has reasonable cause for refusing to renew this Licence it shall inform the Licensee by written notice of the Authority's intention not to renew this Licence and specify the reasonable cause upon which the Authority relies for refusing to renew this Licence, which notice shall be served upon the Licensee as soon as practicable, but not less than five years prior to the expiry of the Licence.
- 11.4 The Licensee shall have three months from the date of service of the notice referred to in Condition 11.3 above to make written submissions to the Authority in respect of the refusal and showing cause why it ought to have its licence renewed.
- 11.5 The Authority shall consider any written submissions made under Condition 11.4 above and shall inform the Licensee of its decision on the matter and provide written reasons for its decision within two months of the receipt of the said submissions.
- 11.6 If the Authority serves a notice on the Licensee in accordance with Condition 11.3 above and if, within two years of service of the said notice given by the Authority, reasonable cause has not been shown to the Authority's satisfaction that the Licence should be renewed, the Authority shall compel compulsory divestiture of the T&D Assets of the Licensee upon expiry of the Licence at a value equal to the average of the values determined by a panel of three qualified valuers with experience in valuing T&D Assets.
- 11.7 The panel referred to in Condition 11.6 shall be -
- 11.7.1 one member to be chosen by the Authority;
 - 11.7.2 one member to be chosen by the Licensee; and
 - 11.7.3 one member, who shall be chairman of the panel, to be chosen by the other two members.
- 11.8 The panel referred to in Conditions 11.6 and 11.7 shall determine the fair market value of the T&D Assets of the Licensee. The fair market value for these purposes shall be considered to be the fair market value of the T&D Assets to another T&D Licensee determined in a manner that complies with the term Fair Market Value as defined by the American Society of Appraisers, that is, the price, expressed in cash equivalents, at which the T&D Assets would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

- 11.9 The Licensee may apply to the Authority for a reconsideration of its decision not to renew this Licence and may appeal any decision made by the Authority following any such reconsideration in accordance with the Law.

Condition 12: Modification of the Licence

- 12.1 Without prejudice to Conditions 12.2 and 12.3 below, this Licence may be modified where the Authority and the Licensee each consent in writing to modify the Licence.
- 12.2 The Authority may modify the Licence for reasons of the security or the public interest of the Islands in accordance with the Law.
- 12.3 Where the Authority considers that the Licence should be modified in the public interest in accordance with the Law, the Authority shall give to the Licensee a written notice that-
- 12.3.1 sets out the proposed modification;
 - 12.3.2 states the reasons for the proposed amendment; and
 - 12.3.3 invites the Licensee to file submissions within twenty-eight days to show cause why the Licence should not be so modified.
- 12.4 The Authority may modify the licence if, after having regard to a submission made under Condition 12.3, the Authority considers the Licence should be modified-
- 12.4.1 in the manner set out in the notice; or
 - 12.4.2 in some other manner consistent with the said submissions.
- 12.5 Where the Authority decides to modify the Licence in accordance with the Law, the Authority shall give to the Licensee a written notice stating-
- 12.5.1 how the Licence has been modified; and
 - 12.5.2 that the Licensee may apply to the Authority for a reconsideration of its decision in accordance with the Law.
- 12.6 The Licensee may apply to the Authority for a reconsideration of its decision to modify this Licence and may appeal any decision made by the Authority following any such reconsideration in accordance with the Law.

Condition 13: Suspension or revocation of the Licence

- 13.1 The Authority may suspend or revoke this Licence where the Licensee-
- 13.1.1 is in fundamental breach of this Licence;
 - 13.1.2 persistently breaches any Condition attached to this Licence or repeatedly contravenes the Law;

- 13.1.3 is dissolved;
 - 13.1.4 is wound up or declared bankrupt;
 - 13.1.5 is convicted of an offence under the Law punished by a fine or fines in excess of three hundred thousand Cayman Islands dollars;
 - 13.1.6 fails to pay any Licence Fee or Regulatory Fee or financial commitment under the Law for a period in excess of three months after the relevant due date;
 - 13.1.7 is to be struck or is struck from the register of companies;
 - 13.1.8 compounds with its creditors to the detriment of the public interest;
 - 13.1.9 obtained this Licence by a fraudulent, false or misleading representation or in some other illegal manner; or
 - 13.1.10 having had this Licence suspended, has failed to rectify any ground for suspension under this Condition within a period of one year following upon the date of any such suspension.
- 13.2 The Authority shall, before suspending or revoking the Licence under Condition 13.1, give fourteen days written notice to the Licensee, in which notice the Authority shall draw to the attention of the Licensee the grounds on which the Authority intends to suspend or revoke the Licence.
- 13.3 Before suspending or revoking the Licence pursuant to Conditions 13.1.1 or 13.1.2 the Authority may give an opportunity to the Licensee to remedy the breach, if capable of remedy, within a reasonable time and in any event before the expiration of the fourteen day period of notice given under Condition 13.2 if the public interest or security of the Islands is not harmed in so doing.
- 13.4 Notwithstanding Conditions 13.1, 13.2, and 13.3, the Authority on the order of the Governor, shall without notice, suspend or revoke this Licence if the suspension or revocation is necessary for reasons of the security or the public interest of the Islands.
- 13.5 Upon revocation of the Licence under this Condition the Authority shall compel compulsory divestiture of the Licensee's T&D Assets. The provisions of Conditions 11.6, 11.7 and 11.8 shall apply mutatis mutandis to the valuation of such T&D Assets.
- 13.6 The Licensee may apply to the Authority for a reconsideration of its decision to suspend or revoke this Licence and may appeal any decision made by the Authority following any such reconsideration in accordance with the Law.

Condition 14: Consumer Deposits

Interest on Consumers' deposits will be paid at the prevailing rate for one-year certificates of deposits on Grand Cayman Island. The interest rates paid shall reflect the rates paid by Cayman Islands banks for certificates of deposit above C.I. \$3 million.

Condition 15: Communication

The Licensee shall designate a person that will act as a primary contact with the Authority on matters related to this Licence. The Licensee shall notify the Authority promptly should the contact details change.

Condition 16: Force Majeure

To the extent that the Licensee is prevented by Force Majeure from carrying out, in whole or part, its obligations under this Licence and the Licensee gives notice and details of the Force Majeure to the Authority as soon as practicable, then the Licensee shall be excused from the performance of its specific obligations prevented by the Force Majeure conditions during the period for which the Force Majeure conditions apply. The Licensee shall take all reasonable and necessary steps to enable it to perform such obligations with all reasonable dispatch after the period of Force Majeure.

Condition 17: Early Retirement of Assets

The Licensee may retire assets early, provided that any decision to retire assets early shall be subject to the approval of the Authority, which approval shall not be unreasonably withheld. On any early retirement of assets, the Licensee shall be allowed to recover the net book value of all T&D Assets whether those assets are on its books at the effective date of this Licence or are additions to the Licensee's Rate Base during the term of the Licence. This financial recovery shall be independent of whether these assets are physically retired before the end of their book life based on an economic evaluation or any change in Government policy or regulatory action. Such recovery shall take place through the continued depreciation of such assets until the end of their book life. The Licensee's accounting for any retirement will be in accordance with Conditions 25.11.1, 25.11.2 and 25.11.3 of this Licence and the Licensee's Rate Base shall not otherwise be affected by such retirement.

Condition 18: Wheeling

Wheeling is not desired and will not be allowed by the Licensee or the Authority.

PART III RATE STRUCTURE AND RATE CAP ADJUSTMENT MECHANISM (RCAM).

Condition 19: Rate Structure

19.1 As used herein, all rate adjustments will be applied to Consumers' bills on the first normal billing date following the effective date and will apply to the monthly consumption on that bill. For example, a rate adjustment effective June 1, may first appear on a bill dated June

20 and apply to consumption that may have occurred part in June and part in the preceding May.

- 19.2 Effective June 1, 2009, Base Rates will be increased in accordance with the following formula:

$$\text{Base Rate Increase} = \text{Price Level Index} \times 80.0 \%$$

Where Price Level Index is determined according to the RCAM set forth in Condition 25 below.

- 19.3 Subject to Conditions 19.6, 24 and 26.1, Base Rates will be adjusted annually in accordance with the RCAM. Following the rate increase effective June 1, 2009, annual rate adjustments will be calculated in accordance with the RCAM and shall be effective each June 1. Changes to the RCAM will only be made as set forth in Condition 25.
- 19.4 The Licensee will calculate the rate adjustment in accordance with the RCAM and will implement the same upon verification by the Authority, which shall not be unreasonably withheld or delayed. If the Licensee submits a valid request for rate adjustment in a timely manner and the Authority's verification process unreasonably delays the implementation of the rate adjustment, the Licensee shall be entitled to receive a rate adjustment that would provide it with the revenues it would have earned had the rate adjustment been implemented at the appropriate time.
- 19.5 The Z Factor, as defined in Condition 25.5, represents a charge to Consumers to recover unusual expenses outside of the control of the Licensee that are permitted to be recovered through a rate surcharge pursuant to this Licence and approved by the Authority.
- 19.6 Separately or in conjunction with other rate adjustments as set forth above, the Licensee may adjust Base Rates to achieve other objectives upon approval of the Authority. Such adjustments may include but are not limited to revising the rate design, rebalancing rate levels between Consumer classes, redefining Consumer classes or creating new Consumer classes, or implementing incentive rate structures or optional rates. It is expected that any such revisions would be supported by appropriate analysis from the Licensee and subject to review and approval by the Authority. Notwithstanding any specific analyses and adjustments, the Licensee shall provide the Authority with a comprehensive allocated cost of service study of Base Rates at least every five years.
- 19.7 The Licensee will submit annual updates to the Authority of its total 5-year capital expenditure plan. Any needed Generating Capacity shall be solicited in accordance with the Generation Solicitation Process.
- 19.8 The Licensee shall submit its Capital Investment Plan (CIP) to the Authority within three months of signing of this Licence and annually thereafter with a deadline to be decided by the Authority in consultation with the Licensee. The CIP will provide a listing of all projects currently being implemented as well as those for which implementation is planned to begin within the five year period considered in the CIP. Actual and forecast expenditures on the listed projects are to be indicated for each of the following periods- (a)

prior to year 1; (b) each of years 1 through 5 inclusive; and (c) beyond year 5. Individual projects for which investment amounts do not exceed three percent (3%) of the total investment forecast in any one year may be presented in groups of similar characteristics (e.g. low voltage distribution line extensions). Descriptions of such projects will provide such information as will enable the Authority to understand the rationale behind the proposed investment. However the Licensee shall provide details of all projects for which the forecast expenditure in any one year exceeds three percent (3%) of the total investment projected for that year, as well as for any project for which the total forecast expenditure over the five year period exceeds three percent (3%) of the total expenditure forecast for that period. The Authority will have the right to require submission of any information relevant to any proposed investment, regardless of the forecast monetary value. The intent of the forecasting process is not to involve the Authority in the Licensee's routine management decisions but to enable it to determine the reasonableness and efficiency of the proposed investments with respect to the provision of electricity service on Grand Cayman.

Condition 20: Initial HCRS Removal and Rate Reduction

- 20.1 The Licensee will discontinue billing Consumers for the HCRS effective January 1, 2008.
- 20.2 Effective on the same date as the removal of the HCRS, the Government will rebate to the Licensee on a monthly basis an amount equivalent to C\$0.20 (twenty cents) per Imperial Gallon of the import duty paid on that amount of diesel fuel consumed by the Licensee and any Generation Licensees during the month immediately preceding the month for which the rebate is paid. The Licensee will distribute such rebate during the third month and each month thereafter to the first 1,500 kWh of all residential Consumers. The Government reserves the right to discontinue the payment or adjust the amount of such rebate. For the avoidance of doubt, the rebate on fuel consumed in month 1, will be rebated by the Government to the Licensee in month 2, and the Licensee will affect the rebate on Consumer's bills in month 3.
- 20.3 Effective the date of this Licence, the Licensee will implement the Electric Rate Restructuring Report.
- 20.4 After the effective date of this Licence, the Licensee and the Authority will agree the scope and the timing of a cost of service study so that it will be completed by the Licensee, and reviewed, approved and taken into account by the Authority in respect of its approval of the rates to be implemented on June 1, 2009. After June 1, 2009, either upon the request of the Authority or at its own initiative, the Licensee may propose re-balanced and re-structured rates to the Authority for review and approval from time to time taking into account the results of any cost of service study completed, reviewed and approved in advance of the proposed rate adjustment. For the avoidance of doubt, any such re-balanced or re-structured rates shall be designed to be revenue neutral to the Licensee.
- 20.5 Base Rates are defined as retail rates less any Z Factor, Fuel Cost Charge and Government and Regulatory Charge. Existing rates will be restructured to segregate Base Rates from pass-through charges by removing from the existing rates the embedded costs of fuel,

lubricants and the existing licence fee. Initially, Base Rates will be designed for application to the same or similar Consumer classes in the existing rates – for example, residential, small commercial, large commercial and lighting.

Condition 21: Pass-through Charges

21.1 Pass-through charges for (a) Fuel Costs and (b) Government and Regulatory Costs will be shown as separate items on a Consumer's bill and the charges will be designed to recover 100% of actual costs of these items as described in more detail below. Pass-through charges will also include those charges described in Conditions 31.1.7 and 32.4.

21.2 Fuel Cost Charge

21.2.1 Fuel Costs are the actual cost of fuel and lubricants used in the generation of electricity by the Licensee pursuant to its Generation Licence or by a Generation Licensee pursuant to the relevant PPA between the Licensee and the Generation Licensee. Fuel Costs do not constitute a component of Base Rates but will instead be collected from Consumers through the Fuel Cost Charge.

21.2.2 The Fuel Cost Charge represents a per kWh charge designed to fully recover Fuel Costs from Consumers. The Fuel Cost Charge will be calculated monthly to recover Fuel Costs on a timely basis. The Licensee will establish a formula for the Fuel Cost Charge. A Fuel Cost Tracker Account will form a component of the formula to ensure that over time the Fuel Costs are passed through to the Consumers without benefit or cost to the Licensee.

21.2.3 The Fuel Cost Tracker Account will accumulate actual Fuel Costs incurred less actual revenues collected from the Fuel Cost Charge as billed on an ongoing basis. The ending balance of the Fuel Cost Tracker Account for any given month will be determined each month by adding the previous month's ending balance, positive or negative, with the actual Fuel Costs for a given month less the actual Fuel Cost Charge billings during the given month.

21.3 Government and Regulatory Costs

21.3.1 The Government and Regulatory Costs include the Licence Fees and Regulatory Fees pursuant to this Licence. In addition, these costs will include any future levy or charge imposed by Government that the Licensee is required to pay directly or that the Licensee is required to collect from Consumers and remit to Government on behalf of Consumers. These costs do not include Government duties on fuel, which will be included in the Fuel Charge, and customs duties and other Government charges.

21.3.2 The Government and Regulatory Charge represent a per-kWh charge, separate from rates, designed to fully recover the Government and Regulatory Costs from Consumers. The Government and Regulatory Costs will be assessed using the Licensee's annual budget forecast each year to assess gross billing revenues, and other income on which the Licence Fee and the Regulatory Fee will be

calculated. The dollar calculation of such costs will then be divided by the forecast kWh sales to establish a per kWh charge to be applied to Consumers' bills for the future financial period in question subject to Condition 21.3.4 below. The Government and Regulatory Charge may be adjusted quarterly to recover Government and Regulatory Costs on a timely basis. The Licensee will establish a formula for the Government and Regulatory Charge. A Government and Regulatory Tracker Account will form a component of the formula to ensure that over time the Government and Regulatory Costs are passed through to the Consumers without benefit or cost to the Licensee.

- 21.3.3 The Government and Regulatory Tracker Account will accumulate actual Government and Regulatory Costs incurred less actual Government and Regulatory Costs billed on a quarterly basis. The ending balance of the Government and Regulatory Tracker Account for any given financial year will be determined each year by adding the previous year's ending balance, positive or negative, with the actual Government and Regulatory Costs for a given year less the actual Government and Regulatory Costs billed during the year.
- 21.3.4 Initially, the Government and Regulatory Charge shall be applied as a two-tiered rate applied only to kWh consumption greater than 1,000 kWh per Consumer per month.

Condition 22: Rates for Lighting

- 22.1 Commencing on the date of this Licence, the Licensee's rates for lighting service will have a rate structure that separates the cost of fuel and other pass-through costs from other costs so that such pass-through costs can be billed separately from the Base Rates for lighting. Such pass-through costs will be based on a standard monthly kWh usage factor and will be subject to periodic adjustment in a manner similar to other rate classes except that the adjustment period may be less frequent (e.g. quarterly or semi-annually). Lighting rates will also have the HCRS removed at that time.
- 22.2 The lighting rates will be adjusted on June 1, 2009 to reflect the allocated cost of service levels determined in the rate study prescribed in Condition 20.4. Thereafter, lighting rates will not be subject to the RCAM. Beyond that date, the Licensee would apply to the Authority for adjustments to the lighting rates only on an as-needed basis by submitting appropriate cost justifications.

Condition 23: PPA Rate Structure

The PPA structure will be prescribed in the Generation Solicitation Process to provide transparency and comparability in competitive bids. In that regard, the results of the evaluation of bids, including the relative scoring of the price and non-price criteria will be made available to all bidders.

Condition 24: Import Duty on Other Items Used in the Electricity Business

Customs duty at the rate of 15% will be charged on the importation by licensees into the Cayman Islands of non-fuel goods to be used exclusively for the conduct and operation of the business of the licensees in the Generation, Transmission and Distribution of electricity on Grand Cayman and will be incorporated into the T&D Base Rate and the PPA fixed charge. This rate of duty will continue at the 15% level until changed by Government. Any future change in the import duty on non-fuel purchases would result in and be effective with automatic adjustments to the PPA rate and the Licensee Base Rates at the beginning of the next calendar quarter equal to the effect of such increase in the import duty. The import duty on non-fuel purchases would apply equally to all licensees.

Condition 25: Rate Cap and Adjustment Mechanism (RCAM)

- 25.1 The RCAM is based on a formula that incorporates readily available external data to determine the 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 relationship of the level of adjustment to the Price Level Index is based on the Licensee's Return on Rate Base, which is to be calculated from the most recent audited financial statements.
- 25.2 All of the provisions regarding the RCAM described in this Condition 25 will not be changed except by mutual agreement of the Licensee and the Authority. However, it is the responsibility of the Authority to determine the value of the X Factor on an annual basis in accordance with Condition 25.6 below, to adjust the value of the X Factor at the time of the five year review, and to establish appropriate Z Factors as the need arises in accordance with Condition 25.5 below.
- 25.3 Subject to Condition 25.2 above, the Authority shall review the RCAM as part of the five-year review. In addition, and again subject to Condition 25.2 above, the Licensee may request or the Government may direct at any time that the Authority review the RCAM, recognizing that actual circumstances may result in performance outside the bounds of reasonable expectations. For example, the Licensee's business results and financial stability may be affected by circumstances or conditions outside its direct control.
- 25.4 The RCAM will adjust the Base Rates on June 1 of each year (unless a change is agreed upon by the Licensee and the Authority) in accordance with the following formula:

$$\text{New Base Rate} = \text{Current Base Rate} \times \{100\% + P \times (100\% - X)\}$$

The Z Factor will be added where necessary in accordance with Condition 25.5.

Where,

P = change in the Price Level Index, composed of 60% weighting of the Cayman Islands Consumer Price Index (CI CPI) and a 40% weighting of the United States of America Consumer Price Index (US CPI), (both after adjusting to remove the effects of prices of

food and fuel), expressed as an annual percentage change as reported for the most recent calendar year (e.g. 3.0%);

X = the X Factor, or “productivity factor”, which is the amount by which the effects of inflation (P) will be reduced in determining the rate adjustment, expressed as a percentage or proportion of P.

- 25.5 A Z Factor may be added to the Base Rate in effect from time to time. The Z Factor is the amount, expressed in cents per kWh, approved by the Authority and estimated to recover the sum of those cost items deemed to be outside the constraints of the RCAM. The Z Factor shall include, but not be limited to, those items that are described in Conditions 26.3 and 31.1.11.
- 25.6 The X Factor to be used in the annual Base Rate adjustment as defined in Condition 25.4 above will be determined by the Licensee’s Return on Rate Base for the most recent financial year for which audited financial statements are available as set out in the following table:

Range of Return on Rate Base Values	X Factor	Change in Base Rates as a percentage of P (100% - X)
Over 13%	140%	- 40% (rate reduction)
11 – 13%	100%	0% (no rate adjustment)
9 – 11%	20%	80%
7 – 9%	0%	100%
Below 7%	- 40%	140%

- 25.7 The ranges of Return on Rate Base in the above table will be adjusted annually on a one-for-one basis with changes in the Cost of Capital, which is set by the formula as described in Condition 25.12. This provision may not be changed except by mutual agreement between the Licensee and the Authority.
- 25.8 The “9 – 11%” range of Return on Rate Base in the table above, as such range may be adjusted from time to time by changes in the Cost of Capital as prescribed in Condition 25.12, shall be the target range of Return on Rate Base. The midpoint of the target range of Return on Rate Base shall constitute the definition of financial well being of the Licensee. These provisions may not be changed except by mutual agreement between the Licensee and the Authority. It is the Authority’s responsibility to adjust the X factor, and the Authority will use such midpoint as the appropriate target for any decisions regarding changes to the X Factor or any other pricing related decisions of the Authority permitted by this Licence or the Law.

- 25.9 Return on Rate Base is the fraction, expressed as a percentage, of Licensee Income for the financial year as the numerator and Rate Base as the denominator, as per the formula below:

$$\text{Return on Rate Base (\%)} = \text{Licensee Income} \div \text{Rate Base}$$

- 25.10 Licensee Income is the net earnings before preference dividends, or any other expenses related to distributions to shareholders other than common shareholders, adjusted by adding back interest expense, as determined from the audited financial statements of the Licensee for the financial year then ended. This definition is provisional based on the assumption that the composition of earnings and interest expense for the year will continue to incorporate the specified accounting treatment for each of the defined terms herein as currently defined by applicable accounting principles.
- 25.11 Rate Base is the value of capital upon which the Licensee is permitted an opportunity to earn the Return on Rate Base as established by this Licence. 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, if any, less Regulatory Liabilities, if any.
- 25.11.1 Fixed Assets are the Property Plant & Equipment, before Accumulated Depreciation, as reported in the Licensee's audited financial statements for any given year. Fixed Assets will be increased by the original book value of lands, buildings, plant and equipment, including computer software, acquired or constructed by the Licensee. The original book value of these Fixed Assets will include an Allowance for Funds Used during Construction (AFUDC), as defined below, and an Allowance for General Expenses Capitalized. Fixed Assets will be decreased by the retirement of the original book value of lands, buildings, plant and equipment, including computer software, permanently removed from service by the Licensee. The original book value to be retired will include any AFUDC and any Allowance for General Expenses Capitalized, if applicable.
- 25.11.2 Accumulated Depreciation is the accumulated depreciation as reported on the Licensee's audited financial statements for any given year. Accumulated Depreciation is increased by the Depreciation of Fixed Assets. Additionally, Accumulated Depreciation will be reduced by the original book value of Fixed Assets retired plus disposal cost expenditures, net of salvage proceeds.
- 25.11.3 Depreciation is the straight line amortization of Fixed Assets at percentage rates established, from time to time, by the Licensee that are designed to recover the original cost of Fixed Assets over their economic life. The rates will vary with each class of assets depending on estimates of the average useful life. Depreciation rates will include an allowance for estimated disposal costs, net of salvage, to be recovered over the economic life of the Fixed Assets.

25.11.4 Allowance for Funds Used during Construction (AFUDC) is the financing cost calculated by multiplying the Licensee's Cost of Capital, adjusted accordingly for periods of application that are less than one year, by the average Work In Progress for the given period. AFUDC is a provision for Cost of Capital to be included in Fixed Assets that represents the financing costs associated with the interim financing of capital expenditures through Work In Progress. AFUDC will be calculated and applied to Work In Progress on a monthly basis as follows:

$(\text{Licensee's Cost of Capital} \div 12) \times \text{Average Work In Progress for the Month}$

Where the average Work In Progress for a given month is calculated from the opening and ending balances for the month, before the application of AFUDC.

25.12 The base year Cost of Capital of the Licensee is 10 per cent. The Cost of Capital will be adjusted annually on a fiscal year basis according to the following formula:

$\text{Cost of Capital} = 10\% + [0.75 \times (\text{Average Treasury Yield} - 5\%)]$

Where,

The Cost of Capital of the Licensee for the year ended April 30, 2008, the base year of the Licence, is 10 per cent. For all years after the base year, the Cost of Capital will be subject to adjustment for a given year, if required based on the above formula;

The Average Treasury Yield represents the average yield of 10-Year United States Treasury Notes for the preceding fiscal year; and

The calculation of $[0.75 \times (\text{Average Treasury Yield} - 5\%)]$ is rounded up or down to the nearest 0.25 per cent, either positive or negative, before adding to, or deducting from, the Cost of Capital.

25.13 Work In Progress (WIP) represents Fixed Assets of the Licensee that are under construction or in the process of implementation and are not yet used and useful. WIP will not be considered as a part of Rate Base until the asset in question is completed and placed into service. No depreciation will be taken on WIP until the Fixed Assets have been placed into service. WIP will include AFUDC.

25.14 General Expenses Capitalized (GEC) are a portion of Non-Fuel Operating Expenses of the Licensee that are capitalized as a component of Fixed Assets. GEC represents the fact that a portion of Non-Fuel Operating Expenses are related, directly or indirectly, to the Licensee's capital projects. Indirect GEC will be calculated as a percentage of up to 10 per cent of Non-Fuel Operating Expenses and will vary annually depending on the level of the Licensee's activity for the year under the CIP.

- 25.15 Non-Fuel Operating Expenses represents all operating expenses as reported in the financial statements of the Licensee, net of Fuel Costs.
- 25.16 Allowance for Working Capital is equal to 30 days of total revenues, as represented in the audited financial statements of the Licensee, including Base Rate, Fuel Costs and Z Factor charges and other income, but excluding Government and Regulatory Costs. This allowance is calculated according to the following formula:
- $$(\text{Total revenue for the preceding financial year} \div 365) \times 30$$
- 25.17 Regulatory Assets or Regulatory Liabilities represent assets or liabilities that are classified in the financial statements of the Licensee as required by generally accepted accounting principles as a result of the provisions of this Licence, by order of the Authority or by a directive of the Government. These assets or liabilities will only be added to Rate Base as defined in Condition 25.11 to the extent that they are not included in Fixed Assets.

Condition 26: Disaster Provisions

- 26.1 In the event of a Disaster which results in a state of emergency being proclaimed by the Governor under the Emergency Powers Law (2006 Revision) and (1) where the change in the Cayman Islands Consumer Price Index, excluding food and fuel, in the quarter following the disaster is twice or more of the average of the previous three year's CPI change for the equivalent quarter; and (2) the adjustment of Base Rates on the first adjustment date following the Disaster as calculated in Condition 25.4 would be greater than 60% of the change in the Price Level Index:
- 26.1.1 The actual increase in Base Rates will be capped for the year at 60% of the change in the Price Level Index; and
- 26.1.2 The difference between the calculated rate increase and the actual increase expressed as a percentum shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if the Licensee's Return on Rate Base is below the target range referred to in Condition 25.8.
- 26.2 In the event of a Disaster the Licensee will write-off destroyed assets over the remaining life of the asset that existed at time of destruction. The write-off calculation would be net of insurance proceeds, so property insurance deductibles would be included in the loss. (No Z Factor adjustment would be required for the write-off of the destroyed assets.)
- 26.3 Z Factor rate changes will be required for "business interruption" insurance deductibles and other extraordinary operating expenses. The Authority will determine a reasonable period over which the Z factor costs will be recovered based on the nature of the costs.
- 26.4 The Licensee shall as soon as reasonable practicable inform the Authority if the deductible for its property insurance changes from US\$1 million per site or a total of US\$4 million level and if the deductible for its business interruption insurance changes from 45 days.

- 26.5 The Licensee may submit for the Authority's consideration Z Factor adjustments for amounts equal to or above CI\$500,000 at any time; or for amounts less than that in total for any fiscal year within three months following such fiscal year end. The Licensee will not file for the recovery of total amounts less than CI\$100,000 per financial year.
- 26.6 In the event of damage from a Disaster, the Licensee will invest in any required replacement assets in good faith as expeditiously as possible and will not require advance approval by the Authority. Unless the Authority subsequently determines that the Licensee acted unreasonably in all the circumstances in replacement of assets, such assets will be capitalized and amortized as part of Rate Base in accordance with generally accepted accounting principles and the provisions of this Licence.

PART IV TECHNICAL CONDITIONS

Condition 27: Compliance with the T&D Code

- 27.1 The Licensee shall comply with the provisions of the T&D Code, in so far as applicable to it.
- 27.2 The Authority may, on reasonable grounds, issue directions relieving the Licensee of its obligation under Condition 27.1 in respect of such parts of the T&D Code and to such extent as may be specified by the Authority.
- 27.3 The Licensee shall, within six months of issue of this Licence, prepare and submit to the Authority a T&D Code. The T&D Code shall be accompanied by a plan for its implementation of the T&D Code which shall among other provisions compare the standards of the Interim T&D Code to those of the T&D Code. Once the Authority approves the T&D Code and the said implementation plan, the Licensee shall implement and comply with such T&D Code.
- 27.4 The T&D Code shall cover all material technical aspects relating to, connections to, and the operation and use of the T&D System including the operation of the electrical lines and electrical plant and apparatus connected to the T&D System in so far as relevant to the operation and use of the T&D System and shall include, but not be limited to:
- 27.4.1 planning code specifying the plan for laying the distribution lines and the service lines in the Service Territory, the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Licensee's T&D System; and
 - 27.4.2 conditions of supply including connection conditions specifying the technical, design and operational criteria to be complied with by any Person connected or seeking connection with the Licensee's T&D System; and
 - 27.4.3 the conditions under which the Licensee shall operate the Licensee's T&D System and under which Persons shall operate their plant and/or T&D System in relation to the Licensee's T&D System, in so far as necessary to protect the

security and quality of supply and safe operation of the Licensee's T&D System under both normal and abnormal operating conditions;

- 27.4.4 a description of the practices to be followed with respect to the billing of Consumers and the metering of the electricity consumed by Consumers.
- 27.5 The T&D Code shall be designed so as to facilitate the development, maintenance and operation of an efficient, coordinated and economical T&D System.
- 27.6 The Licensee shall, until the T&D Code comes into force, follow the Interim T&D Code namely existing codes, standards and practices governing the Distribution of electricity with such modifications as the Authority may request from time to time. The compilation of such existing codes and standards shall be filed by the Licensee with the Authority within 120 days of the grant of this Licence.
- 27.7 The Licensee shall review annually or earlier, if required, the T&D Code and its implementation. The Licensee shall also undertake such review as and when directed to do so by the Authority. Following any such review, the Licensee shall send to the Authority:
 - 27.7.1 a report on the outcome of such review;
 - 27.7.2 any proposed revisions to the T&D Code as the Licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives of the T&D Code and this Licence; and
 - 27.7.3 all written representations or objections received during such review.
- 27.8 All revisions to the T&D Code shall be filed with the Authority. The Authority will have 90 days from the date of filing to review, comment and reply.
- 27.9 The Licensee shall publish a notice advising of the T&D Code and any revisions thereto and shall make available to any Person requesting it, copies of the T&D Code and practices thereto in force at the relevant time, at a price not exceeding the reasonable cost of duplicating it.

Condition 28: T&D System Standards: Planning, Reliability, Operating and Overall Performance Standards

- 28.1 Performance standards will provide a balanced framework of potential penalties or rewards compared to historical performance. Standards shall include "zones of acceptability" where no penalties or rewards would apply. If performance deviates from agreed levels, the Licensee shall promptly notify the Authority of the deviation and discuss with the Authority the reasons for the deviation and the steps that the Licensee intends to take to make corrections for the deviation, but the Licensee shall not be required to obtain the Authority's approval of any such steps at this stage. If performance continues to deviate from the standard after the Licensee has been given a reasonable opportunity to implement the steps outlined to the Authority, the Authority may impose penalties for poor performance or provide rewards for superior performance.

- 28.2 These standards will be reconsidered as part of each five-year review.
- 28.3 After review and approval, the Authority will implement and enforce all the performance standards on separate schedules for each standard. Each schedule will depend on whether an appropriate measure has yet been defined and the availability of historical performance data against the measure to determine an appropriate benchmark for the Licensee.
- 28.4 The Licensee shall comply with the Existing T&D System Planning and Reliability Standards and the Existing T&D System Operating Standards with such modifications as the Authority may direct, until the T&D System Planning and Reliability Standards and T&D System Operating Standards proposed by the Licensee pursuant to Condition 28.6 are approved by the Authority. The compilation of such existing standards shall be filed by the Licensee with the Authority within 60 days from the grant of this Licence.
- 28.5 The Licensee shall plan and operate its T&D System to ensure that, subject to the availability of adequate power of appropriate quality, the system is capable of providing Consumers with a safe, reliable and efficient supply of electricity. In particular, the Licensee shall:
- 28.5.1 plan and develop its T&D System in accordance with the T&D System Planning and Reliability Standards together with the T&D Code as approved by the Authority; and
- 28.5.2 operate the Licensee's T&D System in accordance with the T&D System Operating Standards together with the T&D Code as approved by the Authority.
- 28.6 The Licensee shall, within six months after this Licence becomes effective, prepare and submit to the Authority for approval, the Licensee's proposal for T&D System Planning and Reliability Standards and T&D System Operating Standards.
- 28.7 The Licensee shall, within nine months after this Licence becomes effective, prepare and submit to the Authority for approval, the Licensee's proposal for Consumer Service Standards, including a measure of customer satisfaction.
- 28.8 Having regard to any written representation received by the Authority or upon its own motion, after giving the Licensee an opportunity to present its perspective on the same, for reasons recorded in writing, the Authority may require the Licensee to revise the T&D System Planning and Reliability Standards, the T&D System Operating Standards and the Consumer Service Standards, and the Licensee shall comply with the directions of the Authority.
- 28.9 The Licensee shall, within 60 days of the end of each financial year, submit to the Authority a report indicating the performance of the Licensee's T&D System during the previous financial year. The Licensee shall, if required by the Authority, publish a summary of the report in a manner approved by the Authority.
- 28.10 The Licensee shall conduct its T&D Business in the manner which it reasonably considers to be best calculated to achieve the T&D System Operating Standards in connection with

provision of supply services and the promotion of the efficient use of electricity by Consumers.

- 28.11 The Licensee shall supply annually, information to the Authority as to the means by which it proposes to achieve the T&D System Operating Standards and other standards referred to in this Condition 28.

PART V GENERATION SOLICITATION PROCESS

Condition 29: Need for New Generation

- 29.1 The Licensee shall prepare a Certificate of Need to document the size and timing of future generation requirements for Grand Cayman for firm capacity, which shall be subject to competitive solicitations. The Licensee when preparing a Certificate of Need will consider the following factors:
- 29.1.1 Projected growth in electric peak load requirements (taking demand-side management and alternative peak demand growth rates into account);
 - 29.1.2 Availability of existing capacity, including any anticipated retirement of Generating units as proposed by the Licensee or any other generation licensee and approved by the Authority based on economics, reliability, obsolescence, safety and environmental requirements, Government and Regulatory policy and prudent utility practices;
 - 29.1.3 Projected reserve capacity requirements - the Licensee shall use a minimum reserve margin equal to 35% and maximum reserve margin equal to 55%, based on peak load projected for the year that the additional capacity is proposed to be in service;
 - 29.1.4 Safety and environmental requirements.

Condition 30: First Solicitation

With the Licensee's support as set out in Conditions 31.1.10 and 31.1.12, the Authority will prepare and conduct a solicitation for 32 MW, consisting of two units of 16 MW each to be operational not later than May 1, 2011 and 2012, respectively.

Condition 31: Solicitation Process

- 31.1 On an ongoing basis, the Authority shall be responsible for the solicitation process for new Generating Capacity. Unless the Authority approves a change in this procedure, this process will consist of a number of steps, as outlined below, some of which can proceed in parallel:
- 31.1.1 No less than three years in advance of the projected need, the Licensee will file, for the review and approval by the Authority, a Certificate of Need establishing the incremental amount of capacity for which the Authority would solicit. This Certificate of Need will allow sufficient time for the Authority to conduct the solicitation and for potential bidders to develop such project(s) on Grand Cayman.
 - 31.1.2 Following the approval of the Certificate of Need, the Authority will prepare and publish the solicitation package, including the criteria (both quantitative and qualitative will be used) that they will use to evaluate bids, and the timetable for

the solicitation. Bid evaluation criteria may include non-price factors (e.g., permitting, environmental, finance ability) and price factors (e.g. capacity, energy and total project cost). Criteria and relative weighting will be transparent and set forth in the RFP; greater weight will be attached to price factors than non price factors. A scoring system indicating the relative weights of the various factors influencing the evaluation of proposals will be developed by the Authority and described in the RFP to ensure that, in addition to the relative weighting of price and non-price factors, the relative differences in the bid prices among the bidders and the relative differences of the non-price attributes among the bidders are given appropriate consideration in the selection process.

- 31.1.3 Well in advance of the projected need, the Authority will prepare and publish the minimum threshold requirements for bidders to be qualified to offer Generating Capacity on Grand Cayman. These threshold requirements will be consistent with (and may be the same as) the Authority's generation licence requirements. Solicitations will be open to all types of capacity that meet the required performance (e.g., including renewables if they can provide firm power). The Authority will then request expressions of interest from qualified parties, and will evaluate their submissions to ensure that they meet the minimum criteria for participation. The Authority will eliminate potential bidders that do not meet the minimum criteria.
- 31.1.4 The Authority shall consider the Licensee to be a qualified bidder. The Authority will issue the RFP to the qualified bidders, with a specific deadline for responses.
- 31.1.5 In response to an RFP for new capacity, the Licensee will provide a bid to the Authority in a format comparable to the bids prescribed in the RFP for evaluation purposes and to compete with bids from other bidders. This bid will include information on project location, financing, permitting, etc, as well as price. The Licensee will provide its proposal to the Authority as a sealed bid in accordance with the schedule required of other qualified bidders.

If there is competition to the Licensee providing this capacity, the Licensee shall be able to put into its Rate Base the amount of its bid, if the Licensee is the successful bidder. "Competition" shall be evidenced by the submission of one or more valid bids by one or more qualified bidders, in addition to the Licensee's bid. On the other hand, if there is no competition to the Licensee to provide the new capacity, then the Licensee may only place into its Rate Base an amount equal to its actual cost to build the new generation, an amount which the Licensee shall demonstrate to the Authority's satisfaction. The Authority shall review this proposed cost in a timely manner, using the Licensee's latest Capital Investment Plan and market information as indicators of cost, while making allowance for justifiable differences.

- 31.1.6 The Authority shall assess the Licensee's bid compared to other competitive bids either by determining the unit with the lowest cost per kWh, or by

calculating the net present value of the PPA charges and comparing that value to the Licensee's construction cost bid plus a comparable calculation of the net present value of the operating costs for the Licensee's proposed unit.

- 31.1.7 Bidders and or licensees shall not engage in anti-competitive practices in seeking to win the solicitation. The Authority will set and enforce level playing field rules for competitive bidding. All reasonable legal and professional fees incurred by the Licensees relating to disputes in the Generation Solicitation Process not covered by any award of costs shall be passed on to Consumers upon review and approval by the Authority, provided that the Licensee is successful in the relevant dispute.
- 31.1.8 The Licensee will develop a draft PPA to be included with the RFP, including such provisions as performance bonds, "step-in" rights, etc. For non-renewable projects, bidders must show fuel and lubricants as a separate component in their proposals so that, if they are successful, the Licensee can include that cost as a part of the Fuel Cost Charge in the rates to Consumers.
- 31.1.9 The Authority will receive and evaluate all responsive bids.
- 31.1.10 The Authority will conduct a detailed evaluation of the bids using the quantitative and qualitative criteria established in the RFP. The Licensee will support the process with transmission interconnection analysis of bids, if required by the Authority.
- 31.1.11 The Authority may choose a bid that is not the lowest cost, if consistent with the evaluation criteria. If Authority selects a higher cost bid, the Licensee will be compensated for the difference between that cost and the Licensee's bid in the form of a "Z Factor" adjustment so that the Licensee is not disadvantaged with respect to its Return on Rate Base and the formula for rate changes.
- 31.1.12 If the Licensee is not a successful bidder, the Licensee will negotiate a final PPA with the winner(s), including possible modification of the draft PPA as approved by the Authority. The final PPA will be submitted to the Authority for approval before it becomes effective.
- 31.1.13 The Authority will be responsible for managing the Generation Solicitation Process. The Generation Solicitation Process shall include milestones to assure that the chosen Generation Licensee will bring the needed supply on line as required by the PPA, and the Generation Licensee will make available contingency funds to procure temporary Generation, in case it is unable to provide the Generating Capacity specified in the contract. The PPA will provide for penalties to be imposed on the Generation Licensee if any of the milestones are not achieved. These penalties should adequately compensate for any costs that may result from the Generation Licensee's default and therefore these costs should not be passed onto the consumer but absorbed by the Generation Licensee holding the PPA. The PPA should provide for penalties to cover the

Licensee's legitimate costs for delay or for the failure of the Generation Licensee to supply power in accordance with the terms of the agreed PPA. The Licensee may apply to the Authority for recovery of any additional costs not covered by the PPA.

- 31.1.14 If the bidder accepts the package approved by the Authority, the Authority will issue a Generation Licence to the successful bidder(s), and plant construction can begin. Preliminary development (e.g., applying for permits, land acquisition) is acceptable before approval of the Generation Licence, but the Authority and the Licensee are not responsible for any costs or commitments made by the bidder in this regard, and shall not be involved in such activity.
- 31.1.15 If the results of the solicitation are not acceptable to the Licensee or any bidder(s), the aggrieved parties will have recourse to the dispute resolution procedures.
- 31.1.16 The non-pass-through components of the successful bidder's PPA would be an operating expense for the Licensee and would impact the Return on Rate Base calculation in the RCAM. Any generation installed by the Licensee would represent an increase in Fixed Assets and would impact the calculation of Rate Base in the RCAM. Additional operating costs, other than the pass-through components, would also impact the Return on Rate Base calculation in the RCAM.
- 31.1.17 Since the Licensee remains obligated for the reliability of supply previously approved by the Authority, appropriate measures in the PPA will provide for penalties and bonds to be paid to the Licensee by the Generation Licensee under the PPA that will be used toward the recovery of uncontrollable costs incurred by the Licensee as a result of delay or failure of a Generation Licensee to deliver the contracted generation. The Licensee may apply to the Authority for recovery of any additional costs not covered by these safeguards.

Condition 32: Encouragement of Renewables

- 32.1 In the event of any renewables-only solicitations by the Authority, the Licensee will support the solicitation process with technical information and advice to the Authority as requested. Notwithstanding such renewables-only solicitations by the Authority, the Licensee may consider renewable projects on a case-by-case basis and negotiate PPAs with such projects subject to Authority approval. All renewable generation secured by the Authority or the Licensee must be consistent with Government policy.
- 32.2 Government policy will determine the best means to encourage renewables, both at the wholesale and customer owned on-site levels. Government shall consider the Licensee's recommendations and "best practices", and other inputs in developing such policy. The Authority will implement Government policy in this area.
- 32.3 As with firm power, the Generation Licensee will pay the cost of interconnection.

- 32.4 The cost of non-firm renewables provided by a Generation Licensee would be included in a direct pass-through charge to Consumers, with no cost or financial benefit to the Licensee. This assumes that the renewable project was not awarded a PPA as the result of a firm power solicitation pursuant to Condition 30 or Condition 31 above, in which case, those provisions would apply.
- 32.5 Within three months after the effective date of this Licence, the Licensee will propose to the Authority the principles, prices and limits (if any) to be applied in the purchase of non-firm renewables power from independent Generation Licensees, which either provide power exclusively for the Licensee or for both the Licensee and on-site usage. To reduce dependence on fossil fuels and encourage renewables, the Licensee may propose (with justification) that such purchases of power take place at prices at or above those of its most economic short-run alternative (the Licensee's avoided cost), a cost that would be passed onto Consumers. If such purchases would increase consumer costs, the Licensee's proposal should recommend whether to impose a limit on such energy, and whether such a limit would vary over time. If the Licensee recommends such a limit, the Licensee shall justify the proposed limit and identify the Licensee's current avoided cost and how it would be calculated in the future. After review and consultation with the Licensee, the Authority will recommend to Government an appropriate policy framework for purchase of non-firm power from renewable resources.

SCHEDULE 3
General Regulatory Principles

GENERAL REGULATORY PRINCIPLES

Definitions

1. In this Schedule –

“Regulatory Framework” means this Law and any regulations, directions or rules issued pursuant to this Law; and

“Stakeholders”, in relation to the electricity industry, means consumers, licensees and the general public.

Use of Regulatory Framework

2. In regulating the generation and transmission and distribution of electricity, the Regulatory Framework shall be utilised in a way that can be characterised as sustainable, stable, transparent, predictable and cost-effective.

Promotion of sustainability

3. (1) In return for efficiently providing services to an acceptable quality and at a fair price to consumers, licensees shall receive the opportunity to recover appropriate costs and earn a fair and reasonable return for their investors.
- (2) The application of the Regulatory Framework shall promote sustainability, consistency and, as far as possible, certainty for all Stakeholders, and shall ensure that licensees do not take unfair advantage of positions of monopoly or market dominance.
- (3) In consultation with the respective licensees, the Authority shall establish performance standards in the electricity industry (in this Schedule referred to as “Performance Standards”) in each of the Islands.
- (4) The Performance Standards shall be used to identify the Authority’s expectations, and if actual performance is not within the range established, shall be a basis for consultation with the Authority.
- (5) After consultation, if Performance Standards are still not met, the Authority may provide rewards for excellent performance and penalties for sub-standard performance.
- (6) The level of service for each Island existing as at the date of the grant of the respective licence issued under the Law shall be used as the initial standard for service in the respective Island.
- (7) A licensee shall be entitled to recover all reasonable increases in costs that arise due to changes in the standard for service.
- (8) Licensees shall be financially sound and capable of financing their operations and any necessary capital expenditure, so that there is a reasonable expectation that they can continue to operate while meeting the needs of consumers and other Stakeholders.

Promotion of stability

4. (1) To achieve stability, the Authority shall balance the interests of all Stakeholders in the electricity industry in the Islands in discharging its functions under the Law.
- (2) The procedures and principles applied by the Authority shall be sufficiently clear so as to lead to a high degree of confidence and encourage long-term investment and planning in the electricity industry.

- (3) The Authority shall employ or retain competent staff or consultants who are qualified and knowledgeable with respect to the functions they are required to perform.

Promotion of transparency

5. (1) The actions of the Authority shall be transparent and the Authority shall both give to and receive from licensees and other Stakeholders, all relevant and necessary information which is needed in order to perform its statutory functions.
- (2) The Authority shall give adequate reasons for specific regulatory decisions and actions affecting Stakeholders, which shall be published by the Authority subject to the requirements of any other Law and to necessary confidentiality of governmental, commercial or personal information of a sensitive nature.
- (3) The Authority shall strive to make all procedures, notifications and relevant information made or given by the Authority clear to the electricity industry in the Islands and to provide them well in advance of any formal consideration of any issue on which a decision is required to be made.
- (4) The management and operations of the Authority shall be subjected to a periodic financial and operational audit to ensure that the general public and licensees will have confidence that the Authority is complying with satisfactory regulatory standards and the Regulatory Framework in carrying out its functions under the Law.
- (5) The management and operations of licensees shall be subjected to financial and operational audit from time to time to ensure that the general public and the Authority will have confidence that licensees are complying with the Performance Standards, their respective licences and the Regulatory Framework.
- (6) Licensees shall be entitled to pass-through all regulatory fees and licence fees to consumers but shall not be entitled to pass-through any fines or penalties imposed pursuant to this or any other Law, or any costs awarded against them by any court.
- (7) All reasonable legal and professional fees incurred by licensees relating to disputes in the generation solicitation process not covered by any award of costs shall be passed on to consumers upon review and approval by the Authority, provided that the licensee is successful in the relevant dispute.
- (8) The decisions of the Authority shall apply the principles of administrative law relevant to all administrative decision-makers, such as legality, adherence to the principles of due-process and natural justice, fairness and rationality, and such decisions shall be the subject of fair and speedy dispute resolution procedures and ultimately be reviewable by the Grand Court in the last resort.

Promotion of predictability

6. (1) The Authority shall strive to make rules, decisions and orders which are clear and unambiguous and predictable in the way they are applied in order to provide certainty and consistency for consumers, licensees and their shareholders.
- (2) The formula for rate modifications shall be reviewed in accordance with the respective licence, and shall not be changed without the consent of the respective licensee.
- (3) The actions and decisions of the Authority shall be even-handed and shall not unfairly discriminate among licensees and applicants for licences.

- (4) There shall be a legitimate expectation that a licence will be renewed at the expiry of its term, if the licensee has operated in accordance with the provisions of the Regulatory Framework and has not breached any term or condition of its licence.
- (5) The Authority may change its view on issues, or recommend changes to the Regulatory Framework as necessary and in response to unforeseen developments, provided that this is consistent with this Schedule; but the Authority shall -
 - (a) seek to avoid changes which apply retroactively, with adverse consequences for Stakeholders;
 - (b) take decisions following a due process of consultation and consideration of the relevant issues; and
 - (c) provide adequate reasons for its decisions.

Promotion of cost effectiveness

- 7.
 - (1) The costs of monitoring (including the costs of data collection and analysis) and enforcing compliance with licences and codes shall be reasonable and sufficient to enable the Authority to discharge its functions under this Law.
 - (2) The Authority shall discharge its responsibilities in an economically efficient manner.
 - (3) Trading electricity over the transmission and distribution system through the process of wheeling is not desired and shall not be permitted in any event.
 - (4) Duplication of transmission and distribution infrastructure and facilities shall not be permitted.
 - (5) Subject to review and approval by the Authority, T&D licensees shall be responsible for determining the need for additional electricity generation based on projected load growth and operating reserve requirements, including provision for anticipated retirement of generation based on economics, reliability, obsolescence, safety, environmental and other prudent utility practices.
 - (6) Generation for self-supply is available to all consumers, no matter where located, and shall not require licensing by the Authority.

SCHEDULE 4

Generation Solicitation Process

Schedule 4.1

Guidelines Regarding the Certificate of Need

Guidelines Regarding the Certificate of Need (CON) on Grand Cayman

Pursuant to Condition 29.1 of the Transmission & Distribution (T&D) Licence dated [DD MM 2008] granted to Caribbean Utilities Company, Ltd. (CUC) by the Cayman Islands Government ("Government"), CUC is required to prepare and file with the Electricity Regulatory Authority (the "Authority") a Certificate of Need ("CON") to demonstrate the need for an increment of generating capacity in order to reliably serve electricity demands on Grand Cayman. The CON shall be submitted to the Authority for approval. Upon approval, the Authority will begin the prescribed process of solicitation for the needed capacity.

There are three primary purposes for the CON:

- To demonstrate the need for incremental generating capacity
- To request the Authority to begin the solicitation process that will be used to obtain the needed generating capacity.
- To inform potential bidders of the general nature of the need for generating capacity (as part of the solicitation process, the Authority will attach the approved CON to the Request for Qualifications).

In order to satisfy the requirements and purposes of the CON, this document must include the following components:

- Sufficient supporting detail to demonstrate the need for additional generating capacity, including the size and timing of the generating units, in accordance with prescribed capacity reserve requirements.
- Demonstration that other alternatives have been considered and justification for not recommending such alternatives.
- Recommendations and justifications for any technical constraints on the required generation plant(s), including but not limited to, fuel types, prime movers and interconnection points. This information specifies the performance and types of generation that CUC (the T&D Licensee) believes will be best capable of providing the required capacity and energy.
- Certification by CUC that the CON was prepared in accordance with the T&D Licence using good faith and sound judgment.
- A request for approval of the CON by the Authority

If the Authority finds that there are substantive questions to be resolved in CUC's initial filing of the CON, it may request clarification from CUC. The time schedule below takes into account the period of review by the Authority and if required, of resubmission.

The CON provides the specifics necessary to comply with these requirements, as detailed in the sections below. As part of the subsequent solicitation process, the Authority will send a Request for Proposals to qualified bidders (based on evaluation of responses to the Request for Qualifications). This Request for Proposals will include much more detailed specifications for the needed generating capacity such that the potential bidders will be able to prepare meaningful and comparable proposals.

If the Authority approves the CON, and initiates a solicitation process all bidders must conform to the following rules and regulations (detail available on the Authority website)

- Cayman Islands environmental regulations for air, water, liquid and solid waste, noise, etc.
- Cayman Islands Development and Planning Law and Regulations
- Generation licence to be issued by the Authority
- Electricity Regulatory Authority Law (2005 Revision), as amended by the Electricity Regulatory (Amendment) Law, 2008 (the "ERA Law").
- Electricity Law (2005 Revision), as amended by the Electricity (Amendment) Law, 2008

If the solicited increment of capacity is not awarded to CUC, the winning Bidder(s) shall comply with the terms of the Power Purchase Agreement with CUC (details to be provided in the Request for Proposals, and negotiated between the winning Bidder and CUC). This PPA shall include, among other items:

- Schedule milestones during construction period
 - Provision of performance bond
 - Performance testing before the commercial operation date (COD)
 - Satisfactory operation for a period after the COD
 - Others as appropriate
- Term of ___ years
- Pricing in accordance with Proposal
 - Variable O&M Charge - \$/kWh
 - Fixed Capacity Charge - \$/kW-month (fixed for term of PPA)
 - Fixed O&M Charge - \$/kW-month (some escalation for inflation may be allowed)
 - Minimum operating parameters and penalties

To meet the need for required firm capacity, the following table indicates the anticipated schedule for completion of each of the major components of the solicitation process, assuming there are multiple bidders. Some flexibility will be required as timing differences are likely to arise with each RFP.

Task Description	Approximate Duration or Targeted Completion Date
CUC submits CON to Authority	COD minus 3 years or more
ERA approves Certificate of Need and issues Request for Statement of Qualifications (RFQ)	Duration = 1 month
ERA receives Statements of Qualifications (SOQ)	Duration = 2 months

ERA evaluates SOQs, determines Qualified Bidders and issues RFP to Qualified Bidders	Duration = 1 month
ERA receives Proposals	Duration = 4 months
ERA evaluates Proposals and publishes ranking	Duration = 2 months
CUC completes negotiations of Power Purchase Agreement (PPA)	Duration = 2 months
ERA approves PPA and issues Generation Licence and generation licensee begins construction	COD minus 2 years
Unit testing	COD minus 1 month
Commercial operation date (COD)	COD

Schedule 4.2

Form of Certificate of Need

Caribbean Utilities Company, Ltd.
Form of Certificate of Need
Representative Draft for Purposes of Main Agreement

1. Need for the CON

Caribbean Utilities Company, Ltd. (CUC) files this Certificate of Need (CON) with the Electricity Regulatory Authority (the Authority) to demonstrate the need for additional generating capacity on Grand Cayman. Attached to this CON, CUC has provided a forecast of peak demand compared to the total capacity of existing firm capacity resources, net of any planned retirements and demand-side management efforts. This analysis takes into account:

- Projected growth in electric peak load requirements (taking demand-side management and alternative peak demand growth rates into account);
- Availability of existing capacity, including any anticipated retirement of generating units as proposed by the generation Licensee(s) and approved by the Authority based on economics, reliability, obsolescence, safety and environmental requirements, Government and Regulatory policy and prudent utility practices;
- Projected reserve capacity requirements – CUC has used a minimum reserve margin equal to 35% and maximum reserve margin equal to 55%, based on the peak load projected for the year that the additional capacity is proposed to be in service.

Exhibit 1 presents a listing of the Existing Resources. Exhibit 2 provides a summary of historical and projected annual energy sales and peak demands. The calculation of the minimum and maximum capacity requirements is shown on Exhibit 3 for two scenarios – the Current Resources and Proposed Resources.

2. Evaluation of Alternatives

CUC provides below clear and convincing evidence that it has considered all reasonable alternatives to the addition of new generation for firm capacity, including energy efficiency, renewables, unit life retirements or extensions on an economic basis, and other forms of generation, and demonstrates why CUC believes that new generation is the optimal way to satisfy customer demand.

[CUC to add such evidence here or in attachments]

3. Recommended Action

Based on the projected need for additional generating capacity, as demonstrated herein, CUC requests the Authority to initiate a competitive solicitation process to secure such generating capacity according to the following technical criteria and process guidelines:

Technical Criteria:

- Total capacity needed: approximately [_____] MW (Nominal)
 - Maximum individual generating unit size: [_____] MW (Nominal gross)
- Timing: Total capacity operational no later than May 1, [yyyy]
 - Individual unit start dates must be staggered by at least 30 days
- Expected Operation:
 - Integrated dispatch

Caribbean Utilities Company, Ltd.
Form of Certificate of Need
Representative Draft for Purposes of Main Agreement

- Nominal level of dispatch in regular operation (__ - __ % of rated capacity)
- Expected unit annual operating availability factor: __%. (Does not include major scheduled maintenance)
- Expected annual level of generation (projected gross kWh output): __% x 8,760 x gross rating in kW
- Fuel type: Gas oil as per the attached Fuel Oil Specification on Exhibit 4
 - Fuel storage: Minimum __ days at full load operation
 - Lubricating and waste oil storage: Minimum __ days at full load operation

4. Certification

The Recommended Action set forth above in this CON is based on our understanding of the CUC's obligations under its T&D Licence. The calculations, projections, assumptions and technical requirements used in developing this recommendation have been developed or based on our good faith efforts and sound engineering principles. Therefore, CUC certifies that the next increment of capacity, as described in more detail along with related recommendations in the Recommended Action above, is necessary to meet the projected electric generation requirements as of the date recommended.

**ON BEHALF OF
CARIBBEAN UTILITIES COMPANY, LTD.**

Chief Executive Officer or
Vice President - T&D

Date

5. Approval

This CON is in compliance with the requirements of CUC's T&D Licence and applicable law and represents a valid determination of needed generation capacity and related requirements as set forth in the Recommended Action herein and is hereby approved.

**ON BEHALF OF
ELECTRICITY REGULATORY AUTHORITY**

[TITLE]

Date

Caribbean Utilities Company, Ltd.
Form of Certificate of Need
Representative Draft for Purposes of Main Agreement

Exhibits Attached

Exhibit 1 – List of Existing Resources

Exhibit 2 - Summary of historical and projected annual energy sales and peak demands.

Exhibit 3 - Calculation of the minimum and maximum capacity requirements - Current Resources and Proposed Resources.

Exhibit 4 – Fuel Oil Specifications

Schedule 4.3

Form of Request for Qualifications

Electricity Regulatory Authority
Form of Request for Statement of Qualifications
Firm Power Generating Capacity for Grand Cayman
Representative Draft for Purposes of Main Agreement

Background

The Electricity Regulatory Authority (the Authority), a statutory authority established in the Cayman Islands, is responsible for conducting a fair and objective solicitation for additional firm generating capacity on Grand Cayman through an open and transparent competitive process. This Request for Statement of Qualifications (RFQ) solicits expressions of interest and statement of relevant qualifications from prospective bidders. The Statement of Qualifications (SOQ) prepared in response to this RFQ will be evaluated by the Authority to develop an approved list of Qualified Bidders. Only those Qualified Bidders will receive a Request for Proposal (RFP) and be allowed to bid on the requested generating capacity. The winning bidder will be required, among other things, to negotiate a Power Purchase Agreement (PPA) for the sale of the output of the proposed generating capacity to Caribbean Utilities Company Ltd (CUC) in its role as the T&D licensee. As a generation licensee, CUC will also be permitted to compete to provide such generation resources under the supervision of the Authority.

Under the terms of its T&D licence, CUC is responsible for providing adequate and reliable electric capacity and energy for its retail customers on Grand Cayman and has prepared a Certificate of Need (CON) to demonstrate the need for additional generation resources. The CON informs potential bidders of the general nature of the need for additional generating capacity. A copy of the CON, which has been reviewed and approved by the Authority, is available for download from the Authority website at [internet address].

As shown in the approved CON, the next required increment of capacity and associated energy requested by the CUC consists of [one/multiple] generating unit[s] totaling approximately [xx] MW of capacity and associated energy, for delivery no later than May 1, 20xx. No single unit may be greater than [xx] MW. The technical and other specifications for this capacity and energy, which are outlined in the CON, may be specified in more detail in the RFP.

In addition to the CON, prospective bidders are expected to review and understand the following relevant background information available on the Authority website:

- Electricity Regulatory Authority Law (2005 Revision), as amended by the Electricity Regulatory (Amendment) Law, 2008 (the "ERA Law").
- Form of Generation Licence
- Form of Power Purchase Agreement
- ERA Regulations regarding the Competitive Solicitation Process
- Electricity Law (2005 Revision), as amended by the Electricity (Amendment) Law, 2008

Statement of Qualifications

In order to be permitted to bid on the required generating capacity, a prospective bidder must first be deemed a "Qualified Bidder" by the Authority based on the Statement of

Electricity Regulatory Authority
Form of Request for Statement of Qualifications
Firm Power Generating Capacity for Grand Cayman
Representative Draft for Purposes of Main Agreement

Qualifications (“SOQ”) submitted to the Authority in response to this RFQ. The SOQ should contain information with respect to the prospective bidder’s expertise and experience, which must be relevant to establishing an electrical energy generating facility on Grand Cayman. In addition, the SOQ shall provide evidence of the prospective bidder’s financial status in sufficient detail to enable the Authority to be assured that the bidder would be capable of financing these projects and remain financially viable for the term of the PPA. The SOQ will also serve as an expression of interest in submitting a bid and assurance that the prospective bidder’s intended generation project would satisfy the technical criteria in the CON.

For a prospective bidder to be evaluated for consideration as a Qualified Bidder, the bidder should include the following information in its SOQ in the order shown below:

1. Letter of Transmittal – The letter of transmittal should be bound in the SOQ and include the following components:
 - o Introduction of the prospective bidder, including all current and prospective members of a consortium if applicable
 - o Identification of the leading member of the consortium, if applicable (i.e., the legal entity with which CUC would sign a PPA)
 - o Acceptance of the technical criteria for generation on Grand Cayman, as identified in the CON
 - o Affirmative statement that the prospective bidder, if selected, intends to and is capable of providing generating capacity that meets the technical criteria
 - o Affirmative statement of interest in providing a bid for the required generation
 - o Name, geographic address and email address for the contact person authorized to respond to any requests for clarification and/or to receive the RFP, if approved by the Authority

2. Firm Experience – The prospective bidder should include in this section evidence of previous relevant experience with respect to power projects of similar size:
 - o Permitting and site approvals
 - o Project financing
 - o Project construction
 - o Fuel contracting
 - o Overall project development
 - o Operations and maintenance

In each case, the Bidder must demonstrate prior experience in developing the type of generation proposed for construction on Grand Cayman. The bidder should identify its role(s) in the projects cited and the location and dates of such experience. Evidence of the level of success of these efforts should also be included (i.e., experience with projects that have not been successful in coming on line should also be included). This experience should be focused on

Electricity Regulatory Authority
Form of Request for Statement of Qualifications
Firm Power Generating Capacity for Grand Cayman
Representative Draft for Purposes of Main Agreement

demonstrating the bidder's ability to carry out such functions in the Cayman Islands, if selected.

The bidder may also describe its experience with power projects that are not directly relevant to the Cayman Islands, but which demonstrate knowledge of the power industry and generation (including location, dates and level of success).

3. Biographies – The bidder should include in this section of the SOQ biographies of the key personnel proposed to work on the development of the facilities on Grand Cayman, including a detailed description of their relevant experience. The information provided should address, at a minimum, the Authority's list of Biographical Questions, available at the Authority website.
4. References – The prospective bidder should provide references, with contact information, relating to at least two separate projects that can speak to their relevant previous experience, and may also provide letters of reference (from purchasers, government agencies, commissions, etc.) to confirm the cited experience. The bidder may also include printed articles or other public information on the operation of their projects.

Financial Strength – If the entity providing the SOQ has multiple divisions, the prospective bidder's SOQ shall identify which division will have primary responsibility for developing and/or managing the generation project. The SOQ should include the following data for the corporate entity:

- o Corporate credit rating and the most recent rating agency reports
- o Annual reports (if prepared) for the past three (3) years, or equivalent financial statements
- o 10Q quarterly reports (if applicable) for the past three years
- o Current Dun and Bradstreet Report on the company
- o Listing of lawsuits in which the company is currently engaged that could have a material impact on the financial standing of the company
- o Other evidence of financial credibility
- o Evidence of existing business operations (if any) in the Cayman Islands
- o Financial results for the most recent three (3) years for the corporate division that would be responsible for the project, if available
- o Financial results for three (3) years for other major consortium members

It is understood that a consortium may be formed to bid jointly to supply this generation need and that the consortium may not be fully constituted by the time the SOQ is submitted. In this case, the SOQ should show the relevant expertise and previous experience for those parties already committed to the consortium and the other parties expected to be added to the consortium prior to project development. The SOQ should also include, on letterhead, a statement of intent to participate in the consortium from any identified non-primary members. Any SOQ that does not demonstrate relevant experience in all areas may be conditionally approved by the Authority based on an affirmative statement in the letter of transmittal that the parties to be added to the

Electricity Regulatory Authority
Form of Request for Statement of Qualifications
Firm Power Generating Capacity for Grand Cayman
Representative Draft for Purposes of Main Agreement

consortium would provide such missing experience and that firm commitments from such parties would be secured prior to and evident in the subsequent RFP submission.

Instructions

Prior to submitting the SOQ, potential bidders may submit questions or requests for clarification to the Authority electronically to this e-mail address: pthomas_era@candw.ky. The responses to all questions received up to ten (10) business days prior to the due date for the SOQ shall be posted, along with the questions, on the Authority website at least five (5) business days prior to the due date of the SOQ. Any such requests submitted within 10 days of the due date will be disregarded by the Authority.

Five (5) hard copies and two (2) copies on CD Rom of the SOQ must be submitted to the Authority no later than 5:00 pm on [due date] at the following address:

Philip Thomas
Managing Director
Electricity Regulatory Authority of the Cayman Islands
Suite 2, Grand Pavilion Suites, West Bay Road
George Town, Grand Cayman, Cayman Islands

The Authority is not responsible for any failure of package services to deliver the SOQ on time. All costs for preparing and submitting the SOQ shall be the responsibility of the potential bidder submitting such documents.

The Authority may request clarifications and additional evidence and, if such materials are received in a timely manner, may consider such materials as part of the original SOQ. However, potential bidders should prepare the SOQ on the basis that their qualifications will be evaluated thereon.

The SOQ will be used for the sole purpose of evaluating the potential bidder's qualifications to participate in the upcoming RFP. The Authority may accept or reject any SOQ in their sole and absolute discretion.

Based on its evaluation of the SOQs submitted by the due date, the Authority will prepare the Qualified Bidders list – a list of those potential bidders qualified to receive the ensuing RFP. CUC and any other existing generation licensees shall be considered Qualified Bidders without the need to submit an SOQ. Other firms that have previously submitted SOQs must re-submit such materials, unless they hold a current Generation Licence on Grand Cayman. The Qualified Bidders list shall be published on the Authority website in a timely manner after the due date for receiving the SOQ. The Authority will send the RFP to all Qualified Bidders by email to the address(es) provided in the SOQ letter of transmittal.

Schedule 4.4

Form of Request for Proposals

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

Background

The Electricity Regulatory Authority (Authority), a statutory authority established in the Cayman Islands, is responsible for the process of securing required firm generating capacity on Grand Cayman through an open and transparent competitive solicitation process. This Request for Proposal (RFP) is intended to solicit Proposals from Qualified Bidders for the development and operation of approximately 16 MW of power generation on Grand Cayman, to begin providing regular service no later than May 1, 2011, and another 16 MW no later than May 1, 2012, each for up to a period not exceeding 25 years, including the period of construction and generation. These resources will complement existing generation on the island, satisfy ongoing customer needs and help to ensure a continued reliable supply of power to consumers, within the observance of environmental regulations.

This RFP is only applicable to those parties named on the list of Qualified Bidders, developed and published by the Authority. This list is based on the Authority's evaluation of the Statements of Qualifications (SOQs) submitted in response to the Authority's Request for Qualifications (RFQ). Only Qualified Bidders (and their subcontractors, if any) will be allowed to submit a Proposal in response to this RFP. In its capacity as an existing generation licensee, Caribbean Utilities Company Ltd. (CUC) will also be permitted to compete to provide such generation resources under the supervision of the Authority without submitting an SOQ. CUC shall in fact be required to bid in case there are no other Qualified Bidders, to ensure that there is always sufficient generating capacity on Grand Cayman. The winning Bidder, if not CUC, will be required, among other things, to negotiate a Power Purchase Agreement (PPA) for the sale of the output of the proposed generating capacity to CUC.

The Authority will evaluate bids and decide upon the winning Bidder(s) using the criteria described below. Once a PPA has been agreed upon between CUC and the winning Bidder and approved by the Authority, the PPA will be signed and the Authority will grant the winning Bidder a Generation Licence. This Licence shall be valid so long as the entity holds the PPA associated with this RFP. The successful Bidder must agree to the terms and conditions of the Generation Licence and comply with all laws of the Cayman Islands and with the provisions of these documents in order to maintain its Generation Licence in good standing.

In preparing their SOQ, Qualified Bidders were expected to review and understand the following relevant background information available on the Authority website:

- Certificate of Need
- Electricity Law (2005 Revision), as amended by the Electricity (Amendment) Law, 2008
- Electricity Regulatory Authority Law (2005 Revision), as amended by the Electricity Regulatory (Amendment) Law, 2008 (the "ERA Law").
- Form of Generation Licence
- Regulations regarding the Competitive Solicitation Process

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

This RFP provides the following additional documents and information relevant to preparing a Proposal:

- Bidding timetable (Schedule 1)
- Detailed specifications (Schedule 2)
- Interconnection requirements (Schedule 3)
- Environmental and permitting regulations (Schedule 4)
- Form of Power Purchase Agreement (PPA) (Schedule 5)

Instructions

Up to fifteen (15) business days prior to the due date of the Proposal, Bidders may submit questions or requests for clarification to the Authority electronically to the e-mail address below. Responses from the Authority shall be distributed by email, along with the questions, to all Qualified Bidders at least ten (10) business days prior to the due date of the Proposal. Any late requests will not be considered by the Authority.

Proposals must be received by the Authority no later than 5:00 pm on [due date] at the following address:

Philip Thomas
Managing Director
Electricity Regulatory Authority of the Cayman Islands
Suite 2, Grand Pavilion Suites, West Bay Road
George Town, Grand Cayman, Cayman Islands

Telephone (345) 949 8372
Fax (345) 947 9598
e-mail pthomas_era@candw.ky

The Authority is not responsible for the failure of package services to deliver the Proposal. All costs for preparing and submitting the Proposal shall be the responsibility of the Bidders submitting such documents.

Bidders should attempt to make their Proposals as complete as possible to streamline the evaluation process. Once the Proposals are received, they will be evaluated by the Authority using the criteria described in the next section. The Authority may request clarifications and additional information and, if such materials are received in a timely manner, will consider such materials as part of the original Proposal. However, Bidders should prepare their written Proposal submitted by the due date on the basis that it would constitute the entire basis for the evaluation of their bids.

Each Proposal must be independent. Bidders shall not collaborate or collude with each other in submitting Proposals, or their bids may be disqualified. Bidders may submit more than one Proposal, and up to three options (e.g., varying terms and configurations) for each Proposal. The Proposal will be used solely to evaluate the bid to provide the required generating capacity. The Bidders should assume their Proposals will be open to the public unless they provide adequate justification for a request of confidentiality for

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

portions of their Proposal that may contain commercially sensitive information. The Authority will determine whether any requests for confidentiality will be accepted. Bids must be firm and valid through the signing of the PPA, after which time the PPA and Generation Licence shall govern.

The Authority may accept or reject any Proposal in its sole and absolute discretion and that decision shall be final. During the RFP process, Bidders should raise any concerns about the conduct or fairness of the bidding and evaluation process with the Authority. Such concerns or complaints shall follow the process that shall be established by the Authority.

Based on its evaluation of the Proposals submitted by the due date, the Authority will prepare and publish a ranking of the bids. Unless CUC is the top ranked bidder¹, CUC will be requested to begin negotiation of the PPA with the top ranked bidder, and if such negotiations are successful, shall submit the agreed PPA to the Authority for review and approval. If such negotiations are not successful for reasons approved by the Authority, CUC will enter into negotiations with the next-ranking bidder until both parties negotiate a PPA acceptable to both sides. The Authority may request clarifications or modifications to the PPA negotiated between the parties. The PPA will be approved by the Authority prior to the award of a Generation Licence.

Once a PPA is signed with the winning Bidder (hereinafter referred to as the "Contractor") shall be required to post (and deposit in escrow with the Authority) a bid bond designed to cover the risk that the generation it proposes to develop may not come on line as scheduled. This bid bond shall constitute a specific dollar amount per kilowatt of capacity proposed and shall be forfeited to CUC (in whole or in part) if the entity does not meet the terms of the PPA by the date specified in this RFP for commercial operation, including the achievement of key milestones for project development and construction. The terms and milestones of this bid bond will be specified in the PPA.

Once the generating facilities provided by the Contractor have entered commercial operation, as determined by performance tests, the Contractor shall be required to provide a performance bond (also deposited in escrow with the Authority) to guarantee continued reliable operation of the facilities. This performance bond shall be forfeited to CUC (in whole or in part) if the generating facilities do not meet the specifications of the PPA. The amount and terms of this performance bond will also be specified in the PPA.

Content of Proposals

Assuming there is competition (i.e., at least one Qualified Bidder in addition to CUC), the Proposals received in response to this RFP will be evaluated based on the three principal types of information required to be submitted by the Bidders:

- Part A – Threshold requirements
- Part B – Project plan

¹ If CUC is the top ranked bidder, it will build the proposed generation and include the cost in rate base.

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

Part C – Pricing proposal

For Parts A and B, five (5) hard copies plus a CD-ROM are to be enclosed in a separate envelope clearly marked as “Technical Proposal”. Five (5) hard copies and a CD-ROM of Part C only are to be enclosed in a separate envelope clearly marked as “Pricing Proposal” on the outside of the envelope. In the event that the evaluation of Part A and/or Part B results in the determination that the Proposal does not meet the necessary requirements for further consideration, the Pricing Proposal will not be evaluated and that envelope will be returned to the bidder unopened.

If there are no other bidders than CUC or the other bidders have been eliminated based on evaluation of Part A and/or Part B of their Proposals, then the solicitation shall be deemed “non-competitive”. In this case, CUC will be required to build the proposed generation and will include the actual cost of the investment, as approved by the Authority, in its rate base. If CUC and one or more other bidders are evaluated based on Part C of their Proposals, then the solicitation shall be deemed “competitive”. In this case, the Authority will determine the winning bidder based on a comparative evaluation of their Proposals. If CUC wins, then it will be required to build the proposed generation and the investment that will be included in its rate base will be derived from its Proposal. If another bidder wins, it will be required to build the proposed generation and negotiate a PPA with CUC.

Whether there are other bidders or not, and regardless of the prices bid and the cost of new generation, customer base rates (not including the cost of fuel, lubricating oil and government and regulatory fees) shall only change according to the Rate Cap and Adjustment Mechanism (RCAM) formula described in the T&D Licence.

Part A – Threshold requirements:

Threshold requirements are the minimum actions necessary for a Bidder to demonstrate the viability and seriousness of its Proposal. This section of the Proposal should include:

- Letter of transmittal identifying the Bidder entity and contact information. The letter should also include affirmative statements of the following:
 - A complete and accurate SOQ has been submitted, including any additional items requested as part of the SOQ evaluation process
 - Bidder has not and will not engage in any inappropriate direct or indirect contact, discussions or collusion with any representatives of the Cayman Islands Government, the Authority, CUC or any other Bidder.
 - Bidder accepts the form and terms of the draft PPA. Bidders shall specify any items with which they do not agree or which they wish to negotiate alternative provisions in the draft PPA.
 - Bidder agrees to be bound by the terms of the Generation Licence, which the Authority will issue to the successful Bidder upon signing of the PPA, and which shall be valid for as long as the PPA.
 - Bidder agrees to be bound by the Regulations regarding the Competitive Solicitation Process; the Electricity Law (2005 Revision), as amended by the

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

Electricity (Amendment) Law, 2008; the ERA Law; and other laws of the Cayman Islands.

- Demonstration of control of a site on which the proposed generation will be located, either via ownership or valid option to purchase/lease. If the project is offshore, the Bidder shall demonstrate that (if required) it has applied for permission to use this tract of water for power generation purposes for the term of the PPA it proposes to sign.
- Equipment Procurement – Evidence of a commitment or option from suppliers to provide key components (e.g., diesel generators(s), switchgear, etc.) in a time frame that will support the overall project schedule
- Fuel Procurement – Evidence of a commitment or option to procure diesel fuel on Grand Cayman, preferably for at least a five-year term, including transportation to the generation site, within environmental requirements².
- Validation that the generating capacity proposed is appropriate for this RFP, and that this equipment, if properly operated, can meet the performance criteria required.

The absence of these components in the proposal may invalidate the proposal, and the remainder of the bid package may not be evaluated.

If a Proposal meets the threshold requirements, and there is competition, the Authority will undertake a full evaluation. In the evaluation process, it will be possible to score 100 points. Of these points, the price components of the offer will be by far the most important factor, and will comprise 80 possible points. This will serve to minimize the cost of power generation on Grand Cayman. In addition, there are non-price factors that will distinguish between the bidders and their likelihood to successfully develop this project. These factors will comprise 20 possible points, as detailed below. The Project Plan (see Part B) will provide most of the information required for the Authority to allocate these points.

Part B – Project plan:

A critical aspect of the evaluation of Proposals will be an assessment of whether a project can reliably be developed at the site proposed within the required timeframe. To that end, Bidders must submit clear evidence of their ability to do so. This shall include evidence of their ability to carry out the following necessary functions of project development and operation:

- Siting – Description of the approach and timetable by which the Bidder intends to develop the site
- Planning and Environmental – Evidence that the project is highly likely to meet planning, environmental and other site-specific requirements, both during the development/construction phase and during operations. This will include the

² The successful Bidder will be able to utilize the existing pipeline terminal and network to transport fuel to North Sound, with fair compensation to CUC for the use of such network. The cost of using this pipeline is estimated at ____ per IG. Any costs to extend this pipeline to successful bidder's facilities are to be borne by the bidder.

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

emissions profile of the project (e.g., air, water and land emissions). Among projects that meet the required standards to be permitted, projects with lower environmental impacts shall be preferred over those whose impact is substantial.

- Financing – Demonstration of several items: 1) strong banking relationships and a preliminary commitment to finance a meaningful share of costs if the Bidder is successful, and 2) how the Bidder intends to finance the construction and operation of the project (e.g., supporting evidence may include a cash flow or pro-forma financial projection for the project)
- Construction and Operation – Description of how the Bidder intends to manage the construction and operation of the facility at the chosen location, including the companies and teams that would be contracted to do so, and a commitment therefrom, with preference given for employment of Cayman Islands residents
- Interconnection – The Bidder’s plans of how the generating facility will interconnect with the T&D system at the chosen location, including transmission of power from the generating plant site to the designated substation, and connection at the substation. If such facilities are available, this plan may include connection to CUC’s transmission system at a point close to the generating plant.
- Performance – Description of: 1) how the Bidder proposes to meet the standards specified by CUC in the PPA to test the generating plant performance once it is constructed; and 2) the processes it will use to operate the generating plant efficiently once it comes on line according to the performance criteria in the PPA.

Bidders shall submit a “Project Plan” that will cover these items in an integrated fashion, and will demonstrate the Bidder’s ability to bring the capacity offered on line in the required time frame if selected as the winning Bidder.

It is intended that the scoring of these factors will be as follows:

1. Overall Site Development, Permitting and Interconnection Plan, Including Land and Water Impacts	6 points
2. Air Quality Impacts	4 points
a. Level of SOx and NOx emissions	2 points
b. Level of carbon dioxide emissions	2 points
3. Equipment and Fuel Procurement Plan	4 points
4. Financing Plan	3 points
5. Construction and Operation Plan	3 points
 TOTAL	 20 POINTS

The Authority may also take “fatal flaws” (serious, not easily correctable project or proposal deficiencies) into account in the evaluation of these factors in deciding whether a Proposal should be eliminated from consideration. The Authority may query the Bidder to determine the seriousness of such matters. For example, a Project Plan that clearly shows that the Bidder lacks a credible financing plan or that is shown to contain a deliberate misrepresentation may be grounds for elimination.

Part C – Pricing Proposal:

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

The Bidder's pricing proposal shall consist of the prices that Bidders will accept to be paid, both for capacity, energy and interconnection, including additional costs (if any) for upgrades to the grid which would be necessary based on the point of interconnection to the T&D system. In developing their proposals, Bidders shall include the good-faith estimate that CUC shall provide at least two months in advance of the due dates for proposals regarding the cost of system upgrades for all technically-viable substations. CUC's estimate shall specify the basis for such an estimate, subject to revision if required based upon review of the final proposed design.

Bidders shall provide price proposals for PPA terms of up to a period not exceeding 25 years, including the period of construction and generation. The Authority shall evaluate which option is best for consumers on Grand Cayman, and CUC will negotiate a PPA for such term. As described in the PPA, CUC may negotiate one or more 5-year extensions before the PPA term expires.

For each of the potential terms of the PPA, all Bidders shall submit three proposed payment components:

- Fixed Charge – billed on a \$/kW-month basis, and designed to recover the capital investment, including the estimated cost of transmission interconnection and upgrades, the cost of financing and profit for the generating capacity. Bidders may propose to escalate this cost annually using an index, which will be defined in the PPA.
- Operations and Maintenance (O&M) Charge – billed on a \$/kW-month basis, and designed to recover O&M costs other than variable O&M, fuel and lubricating oil. This item may also escalate using an index to be defined in the PPA.
- Variable Charge – billed monthly on a \$/kWh basis, designed to recover variable O&M, fuel and lubricating oil costs, and subject to performance measures in the PPA. Note that fuel and lubricating oil costs must be shown separately for CUC's billings to consumers.

Any Bidder who proposes fixed or O&M charges that are subject to escalation must specify in the Proposal the index to be used to calculate such adjustment and the history of such index. Such index must be widely recognized, publicly available for at least the past 5 years, and appropriate for the nature of the costs to which it is applied. It must be clearly specified how the application of such an index would affect the cost of the bid.

For purposes of bid evaluation, Bidders must specify how the cost of fuel and lubricating oil will be determined, including all costs of delivery to the plant. Fuel and lubricating oil costs thus determined will be a pass-through in the revenues paid to the successful Bidder. The energy payment will be based on the actual cost of fuel and lubricating oil consumed, as described in the PPA. Energy prices are intended to provide a means for the successful Bidder to recover its actual cost of fuel and lubricating oil, without a mark-up or profit.

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

The Authority shall assess all bids using petroleum-based fuels such as diesel oil with the same index or escalator, unless a Bidder has a firm contract using a different index.

“Interconnection costs” are those required to connect the generating plant to the substation, and “upgrade costs” are those required to enable the grid to absorb additional power.

With regard to interconnection with CUC’s T&D system, Bidders shall be required to interconnect at one of the technically-viable transmission substations. Bidders may locate their generation wherever they wish, as long as they satisfy environmental and planning requirements, and shall be responsible for all costs associated with delivering power from the generation to one of these interconnection points. As mentioned above, the price for which Bidders offer to deliver power shall include the cost of interconnection to the applicable substation in the existing T&D system. Also, Bidders shall include the upgrade costs in Schedule 3 which may be necessary to accommodate the additional capacity, as estimated by CUC, in developing their proposal.

In addition, Bidders shall pay the cost of metering the input of their generating facilities into the T&D system, although CUC shall also provide such facilities and shall be responsible for measuring and verifying the input of energy, as specified in the PPA.

The Authority shall compare the bids using the projected cost per kilowatt-hour, levelized, in dollars of the year in which the bids are submitted. The Authority shall use this common measure to compare the Proposals for the term of the proposed PPA, including all capital costs, indices, transmission interconnection, upgrades, and other costs.

Scoring Process

The Authority will evaluate the Proposals submitted by the due date in accordance with the scoring system described above, and the following criteria applied to the major required components of the Proposals:

- Threshold requirements – Proposal must fully comply with all threshold requirements and, if not, shall be deemed non-responsive and receive no further consideration.
- Pricing Factor – Proposals shall be ranked starting from the lowest cost Proposal, in levelized \$/kWh, which will receive the maximum available points – 80 points. The other Proposals shall be awarded points a portion of the maximum available points based on the ratio of their cost to consumers compared to the lowest cost bid.
- Non-Price Factors – Proposals shall receive a maximum of 20 points, with subtractions from this amount based on concerns or deficiencies identified in the Authority’s review of the Project Plan. The Authority may also eliminate a Proposal from further consideration if these deficiencies are deemed to be “fatal flaws”.

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

The Qualified Bidder with the highest total score, based on the combined Pricing and Non-Price Factors, shall be the top-ranked bidder, and if not CUC, shall be asked to negotiate a final PPA contract with CUC in an expeditious manner.

Attached Schedules

- Schedule 1 Bidding timetable
- Schedule 2 Detailed specifications
- Schedule 3 Interconnection requirements
- Schedule 4 Environmental and planning regulations (or references to authoritative documents)
- Schedule 5 Form of Power Purchase Agreement (PPA)

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

Schedule 1

Estimated Schedule for the Solicitation Process for New Generation Capacity*

Step #	Step(s) in Process	Party Responsible	Date **
1	Filing of Certificate of Need (CON)	CUC	Early May 2008
2	Approval of CON Request for Statement of Qualifications (RFQ)	Authority	June 2008
3	Submittal of Statements of Qualifications (SOQ) Review and approval of Qualified Bidders	Bidders Authority	August 2008
4	Finalize RFP with clear criteria & weights	Authority	July 2008
5	Submit draft PPA to the Authority Review and approval of draft PPA	CUC Authority	Early June 2008 August 2008
6	Distribution of RFP, including a draft PPA	Authority	Early-mid September, 2008
7	Pre-bid meeting on Grand Cayman	Authority	Mid-late September 2008
8	Written questions due from potential Bidders Answers provided to potential Bidders' questions	Bidders Authority	November 2008 November 2008
9	Bids due for delivery	Authority	December 2008
10	Review bids for minimum qualifications; ask questions	Authority	January 2009
11	Detailed bid evaluation	Authority	January - February 2009
12	Publish rankings of Proposals	Authority	March, 2009
13	Negotiations with top-ranked bidder and then second ranked bidder if negotiation with the top-ranked bidder is unsuccessful	CUC	March - April 2009
14	Announcement of winner(s)	Authority	May 2009
15	Authorized construction begins	Contractor	May 2009
16	Construction is complete	Contractor	March 2011 (first unit) March 2012 (second unit)
17	Testing and unit commissioning, acceptance	CUC	May 2011 (first unit) May 2012 (second unit)

* Schedule assumes that there is a competitive process involving multiple qualified bidders

** The month or date shown is the latest by which these events should occur. They could be completed earlier.

This schedule may be modified at the discretion of the Authority and concurrence with CUC, with notification to the Bidders list.

**Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement**

**Schedule 2
Detailed Specifications**

[TO COME]

Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement

Schedule 3
Transmission Upgrade and Interconnection Requirements

This Schedule shall provide a good-faith estimate at least two months in advance of the due date for bids from CUC of the cost of upgrading the network to accommodate an additional 16 MW or 32 MW of base load generation at each of the technically-feasible substations on the CUC system. Bidders shall include the estimated cost of upgrading at the relevant substation in developing their bid.

Once the winning Bidder is selected, CUC will perform a detailed upgrade analysis and cost study to update its good-faith estimate, which will be submitted to the Authority for approval. The cost of both the interconnection and upgrade facilities associated with delivering power from the generating plant to the T&D system will be borne by the Bidder, and these costs will constitute no increase or a nominal net addition to CUC's rate base. Once the generating plant is on line, the interconnection facilities will be owned, operated and maintained by CUC, unless otherwise negotiated between CUC and the Bidder.

[TO COME]

**Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement**

**Schedule 4
Environmental and Planning Regulations**

[TO COME]

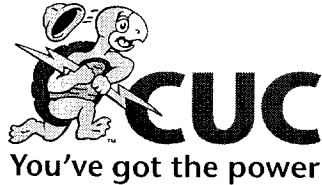
**Electricity Regulatory Authority
Request for Proposal
Firm Power Generating Capacity for Grand Cayman
Form for Purposes of the Main Agreement**

**Schedule 5
Form of Power Purchase Agreement**

[To come]

SCHEDULE 5

Press Release



April 3, 2008

FOR IMMEDIATE RELEASE

JOINT MEDIA RELEASE BY THE GOVERNMENT OF THE CAYMAN ISLANDS AND CARIBBEAN UTILITIES COMPANY, LTD. (CUC).

THE CLASS A ORDINARY SHARES OF CARIBBEAN UTILITIES COMPANY, LTD. ARE LISTED FOR TRADING IN UNITED STATES FUNDS ON THE TORONTO STOCK EXCHANGE/TRADING SYMBOL: CUP.U

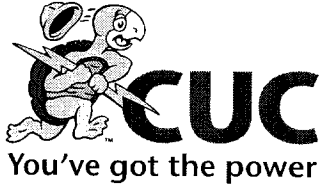
GOVERNMENT AND CUC ANNOUNCE THE SIGNING OF ELECTRICITY LICENCES

GRAND CAYMAN, CAYMAN ISLANDS- The Cayman Islands Government (“Government”) and Caribbean Utilities Company, Ltd. (“CUC”) announced today, the signing of an exclusive Electricity Transmission and Distribution Licence (the “T&D Licence”) and a non-exclusive Electricity Generation Licence (the “Generation Licence”) for operations in Grand Cayman. The terms of the licences were outlined in an Agreement in Principle (“AIP”) dated and announced December 20, 2007 and remain substantially the same.

The non-exclusive Generation Licence is for a term of 21.5 years. The recently amended Electricity Regulatory Authority Law (2005 Revision) provides for the conduct of a competitive bid process to be managed by the Electricity Regulatory Authority (“ERA”) for new generating capacity and for the replacement of retired generating capacity. The first such competitive process under this licence is expected to begin later this year with the filing of the Certificate of Need by CUC for the calendar years 2011 and 2012.

The exclusive T&D Licence is for an initial term of 20 years with a provision for automatic renewal unless either party gives notice to terminate.

The December 20, 2007 AIP announcement outlined the Rate Cap Adjustment Mechanism (“RCAM”) which is designed to maintain the CUC Return On Rate Base (“RORB”) in the target 9 to 11% range. Under the RCAM, base rate adjustments will be considered annually based on a combination of Cayman Islands and US consumer price index (“CPI”) movements defined as the Price Level Index. As a refinement to the previously announced RCAM, the parties have further agreed that, in the year following a natural disaster such as a hurricane where the Governor has declared a state of emergency and the Cayman Islands CPI doubles, CUC’s base



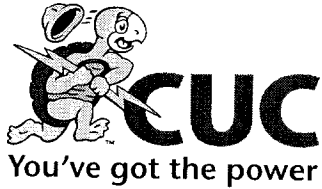
rate adjustments will be limited to 60% of the Price Level Index. Any residual base rate adjustment for that year that would otherwise be permitted by the full application of RCAM would be carried over and applied in addition to the normal RCAM adjustment in either of the next two years if CUC's RORB is below the target RORB range.

Upon the execution of the new licences, the Government nominated directors on the CUC Board of Directors will resign and those vacancies will not be filled with Government nominated directors at the next CUC shareholders' meeting.

On behalf of Government, the Minister of Infrastructure and Communications, the Honourable Arden McLean, stated that "This is an historic day in the provision of electric power for Grand Cayman Island. Consumer rates for power have already come down substantially as of January of this year and the hurricane recovery surcharge was removed completely. Working with CUC, we have provided in these documents for a solid long-term framework for the further benefit of consumers, in which we will control rate increases; maintain reliability; introduce competition in generation; require performance standards; strongly encourage renewables; ensure proper regulatory oversight; enhance environmental protection; and encourage efficiency. This will all be done while also providing for CUC's continued financial health. I would like to express my appreciation for the continued support of the Leader of Government Business, the Cabinet and the hard work of the negotiating teams that have brought us to this point."

CUC President and Chief Executive Officer Mr. Richard Hew said, "I am pleased to be a part of the achievement of this important milestone in CUC and Grand Cayman's history. The new licences and regulatory structure provide the level of certainty required for CUC to execute the long-term plans and make financial commitments necessary to ensure that residents and businesses in Grand Cayman can continue to look forward to a highly reliable and efficient electricity service. I would like to thank our resigning directors, Philip Barnes, Sheree Ebanks and Anna Rose Washburn, for their dedication and input throughout their tenure as company directors. Finally, I would like to thank the many persons who have contributed significant time and effort to realize the positive outcome of the negotiations."

Caribbean Utilities Company, Ltd., on occasion, includes forward-looking statements in its media releases, Canadian securities regulatory authorities filings, shareholder reports and other communications. Forward-looking statements include statements that are predictive in nature, depend on future events or conditions, or include words such as "expects", "anticipates", "plan", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedule", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "should", "would" and "could". Forward-looking statements are based on underlying assumptions by their very nature and are subject to certain risks and uncertainties that may cause actual results to vary from plans, targets and estimates. Such risks and uncertainties include but are not limited to general economic, market and business conditions, regulatory developments and weather conditions. CUC cautions readers that actual



results may vary significantly from those expected should certain risks or uncertainties materialize or should underlying assumptions prove incorrect. 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.

For further information on this announcement please contact:

Cayman Islands Government

Philip Thomas

Secretary, CUC-CIG Negotiating Team

Phone: (345) 949-8372

Fax: (345) 947-9598

E-Mail: pthomas_era@candw.ky

Caribbean Utilities Company, Ltd.

Doug Murray

Corporate Secretary

Phone: (345) 949-5200

Fax: (345) 949-4621

E-Mail: investor@cuc.ky