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FOR IMMEDIATE RELEASE

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

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GOVERNMENT AND CUC REACH AGREEMENT

GRAND CAYMAN, CAYMAN ISLANDS- The Cayman Islands Government (Government) and Caribbean Utilities Company, Ltd. (CUC) have reached Agreement in Principle (AIP) on the terms of new 20 year licences for CUC covering the generation, transmission and distribution of electricity in Grand Cayman. The terms include competition for future generating capacity and general promotion of the use of renewable sources of energy.

The agreement will also result in savings to the average residential consumer in excess of 15%. Consumer savings will arise from average reductions of 3.25% of base rates, removal of the Hurricane Ivan Cost Recovery Surcharge (CRS) which will reduce bills by 4.7% and the implementation of a Government rebate of C\$0.20 per Imperial Gallon of fuel used in generation to be applied to the first 1,500 kiloWatt-hours (kWh) of monthly residential consumption. It is contemplated that the January 2008 billings will reflect all these changes. These reductions and the agreement as a whole will support continued economic growth on Grand Cayman.

The parties have today signed an AIP which, while not legally binding, reflects the framework to which the parties have agreed. The AIP will form the basis of the licensing documents that are expected to be signed by February 2008, and defines the process through which CUC will surrender its current licence in exchange for the new licences.

The agreement will see the replacement of the current permitted 15% rate-of-return-on-rate base (RORB) formula with a rate cap and adjustment mechanism (RCAM) based on published consumer price indices. CUC's RORB will now be targeted in the 9-11% range. This mechanism will ensure rate predictability and provide further incentives for CUC to operate efficiently and keep its cost increases below inflation.



Highlights of the agreement include:

Electricity Regulatory Authority

The Electricity Regulatory Authority (ERA) will have the overall responsibility of regulating the electricity industry in the Cayman Islands in accordance with the ERA Law as amended pursuant to the AIP. The ERA will oversee all licensees, establish and enforce licence standards, enforce applicable environmental and performance standards, review the proposed RCAM and set the rate adjustment factors as appropriate, administer the competitive process for new generation and ensure a level playing field for all. The licence standards will be designed to ensure that Grand Cayman has adequate generating capacity and sufficient T&D infrastructure, that continued sound business and engineering practices are employed in the electricity industry and that standards for the protection of our natural environment are established and enforced. The ERA will also annually review and approve CUC's capital investment plan to ensure both adequacy and reasonableness from a cost perspective.

In conjunction with the establishment of the ERA, a new Regulatory Fee of $\frac{1}{2}$ of 1% of electricity revenues will apply to customer billings for consumption over 1,000 kWh per month as a pass through charge on a per kWh basis.

Licences for Generation and T&D

Generation Licence

A competitive process for new generating capacity will provide an opportunity for alternative suppliers to offer competitive, reliable power supply in Grand Cayman.

CUC will be responsible under the terms of its T&D Licence for determining the need for future generation based on load growth, generation retirements, and operating reserve requirements. Competition for required incremental capacity will be introduced through a competitive bidding process administered by the ERA. The successful bidder will enter into a Power Purchase Agreement ("PPA") with CUC.

CUC and the Government have agreed that the next increment of generation capacity is required in 2009, which does not allow sufficient time to implement the competitive bidding process. Accordingly, the Government has requested and CUC has agreed to take immediate steps to procure, install and commission a 16 megawatt (MW) capacity generator no later than June 30, 2009. The ERA will solicit bids for an additional 32 megawatts of generation capacity,



consisting of two 16 MW units, as the next increment of generation capacity, which would be operational not later than May 1, 2011 and May 1, 2012 respectively. CUC will be required to bid for this and future incremental needs for additional generation capacity.

CUC will work with the Government and the ERA to support and encourage renewable energy suppliers on a large commercial basis as well as small, customer-owned renewable systems. Customer-owned renewable systems will receive credit for energy supplied back to CUC over and above their own consumption, and such customers may be subject to special tariffs in order to protect other consumers.

CUC will surrender its existing licence with Government in exchange for separate licenses for transmission and distribution (T&D) and generation.

T&D Licence

The T&D Licence granted to CUC will be exclusive as the duplication of the T&D infrastructure and facilities is not in the public interest. The initial term of the licence is 20 years and an “evergreen provision” will allow for automatic renewal if no action is taken by either party not to renew it.

CUC, under its new T&D Licence, will bill base rates to consumers to cover the cost of T&D and generation and will bill pass-through charges for fuel and lubricating oil, and for the Licence and Regulatory Fees.

CUC will be granted a licence to operate its existing generating capacity for an initial term of 20 years with renewals to reflect estimated economic life of any new generation awarded to CUC.

The current CUC Licence Fee of 5/8 of 1% will increase to 1% of electricity revenues and will apply to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis.

Fuel Cost Reductions

Effective January 1, 2008, the Government will provide a special rebate to be applied to the first 1,500 kWh of monthly residential consumption. The rebate will be calculated based on CI\$0.20 per Imperial Gallon of fuel used for generation.



Electricity Rates

Effective upon issuance of the new licences, CUC's base rate will include generation and T&D costs and will exclude fuel and lubricating oil costs and the licence and regulatory fees. An overall reduction in base rate of 3.25% will be applied which represents an estimated annual revenue reduction to CUC of CI\$1.8 million (US\$2.1 million). CUC's base rates (i.e. excluding fuel costs) have been frozen since 2002 and as a result, CUC has foregone revenue in excess of CI\$16.9 million. Effective January 1, 2008, CUC will remove the CRS which is estimated to be equivalent to a 4.7% reduction of the current base rate or CI\$2.1 million (US\$2.5 million) of foregone cost recovery by CUC. The combined effect of base rate reductions, removal of the CRS and implementation of the fuel cost rebate will result in savings in excess of 15% for the average residential customer, and lower but still substantial savings for commercial customers, as set out below.

Comparison of Residential Bill Amounts

Representative Monthly Bill Amounts*			(Decrease)	
Consumption – kWh	Existing C1\$	Proposed C1\$	Amount C1\$	Percentage
500	\$149.31	\$125.71	\$(23.60)	(15.8)
1,000	293.12	246.43	(46.69)	(15.9)
2,000	580.75	509.83	(70.92)	(12.2)
5,000	1,418.42	1,347.06	(71.36)	(5.0)

* - Pro-forma based on December 2007 fuel charges.

Comparison of Commercial Bill Amounts

Representative Monthly Bill Amounts*			(Decrease)	
Consumption – kWh	Existing C1\$	Proposed C1\$	Amount C1\$	Percentage
500	\$165.66	\$153.89	\$(11.77)	(7.1)
1,000	324.57	295.77	(28.80)	(8.8)
2,000	641.20	585.85	(55.35)	(8.6)
5,000	1,478.87	1,423.08	(55.79)	(3.7)
20,000	5,667.22	5,609.21	(58.01)	(1.0)
100,000	27,466.10	27,161.26	(304.84)	(1.1)

* - Pro-forma based on December 2007 fuel charges.



CUC Rate Cap and Rate Freeze

Following the initial rate reduction, CUC's base rates, excluding fuel costs, will continue to be frozen through May 31, 2009 and will be subject to an annual review each June thereafter. The price cap mechanism will adjust the base rates in accordance with a formula that takes into account inflation as measured by a blend of U.S. and Cayman Islands inflation indices (excluding fuel and food), and CUC's RORB. The higher CUC's return, the lower the allowed rate increase, and base rates would be reduced at higher rates of return, as shown in the table below. Under normal conditions, CUC would be expected to operate in the target range of 9 – 11% returns on rate base, as adjusted over time for changes in the cost of debt, and the base rate increases would be limited to 80% of the rate of inflation, thereby requiring CUC to increase productivity in order to maintain their rate of return.

Rate Cap and Adjustment Mechanism (RCAM)

CUC Annual Return on Rate Base Values*	Rate Adjustment Factor (X)	Change in Base Rates as a Percentage of CPI (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%

* - Adjusted annually for changes in the rates for 10 year U.S. Treasuries

Hurricanes and Other Catastrophic Events

Under the new licences, CUC will continue to restore service to customers as quickly as reasonably possible following a catastrophic event. Further, after any future disaster which causes significant losses to CUC, the ERA will work in tandem with CUC to determine and approve any temporary surcharge that might be necessary in order to return CUC to the target annual RORB over an appropriate time period. In this regard, the ERA will take into consideration the impact on consumers, the loss of uninsurable assets and other relevant circumstances, including the availability of regional catastrophe insurance programs and any other resources.



On behalf of Government, the Minister of Infrastructure and Communications, the Honourable Arden McLean, stated that “This Agreement in Principle will benefit consumers in many ways, starting with substantial base rate reductions and rate restructuring, on top of rates that have been frozen for more than five years. It will also provide for competition in generation; meaningful incentives for CUC to maintain and improve its efficiency and continue to provide reliable service; and an initial target CUC return that is a full 33% less than it is entitled to under the current licence. Further, for the first time, with the advent of the ERA, CUC will be regulated by an independent statutory authority on many aspects of its operations, including rates, environmental standards and policies to encourage renewable energy. Truly this is the dawn of a new era in customers’ and the CIG’s relationship with CUC, one which we are confident will solidify the power sector’s role in keeping our economy healthy and growing.”

Speaking on behalf of CUC, President and Chief Executive Officer Mr. Richard Hew said, “The electricity industry globally is facing difficult times in terms of increased costs and environmental challenges. A significant amount of time and effort has been dedicated to these negotiations to ensure that the blueprint which we will follow to provide efficient, reliable service in Grand Cayman for many years to come is fair, effective and appropriate. We look forward to working harmoniously with the Cayman Islands Government and the ERA to continue building an island electricity system in Grand Cayman which can be held as a model by other jurisdictions.”

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.



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