

## GRENLEC answers to questions by customers

### At what price is GRENLEC purchasing fuel from Petro-Caribe?

GRENLEC has been purchasing fuel from Petro –Caribe since October 18, 2007. The price paid to Petro-Caribe has been increasing just as the price on the World market. The following is a listing of the price from September, 2007:

Month	Price EC\$ per Imperial Gallon
September	8.17
October	8.05
November	7.88
December - 07	8.99
January - 08	8.91
February	9.25
March	10.43
April	11.12
May	12.62
June	13.35
July	13.31
August	11.23
September - 08	10.37

You can see from the above that the price paid for fuel increased from \$7.88 in November, 2007, to \$13.31 in July, reflecting an increase of almost 70%. Also, immediately prior to switching to Petro Caribe the price paid to our traditional supplier was marginally higher.

### Why is the increasing cost of fuel affecting GRENLEC? (*Petro-Caribe was supposed to solve that problem*)

The increasing cost of fuel is affecting GRENLEC because we must pay the increased cost charged by the fuel supplier. Petro- Caribe like all fuel suppliers sells its product at market rates and therefore as the price on the world market increases so too does Petro Caribe prices. Petro-Caribe does not have a fixed consistent price.

Additionally, GRENLEC produces electricity through huge diesel engines which turn generators to produce electricity, in much the same way as you produce electricity if you operated a small generator at home, driven by diesel. Oil/diesel is a critical component in the production of electricity by GRENLEC. In fact it is currently our only source of energy, while we are in the exploratory stage for wind energy.

Other factors (in addition to oil) which affect the amount on you bill are stated on it, in the *electrical usage history* box. These factors are:

- ✚ The number of days you are billed for
- ✚ Your usage (units/ Kilo Watt hours)

What was the reason for entering into an agreement with Petro-Caribe? Wasn't it to reduce the cost of electricity to Grenadians?

The reason for entering the contract was based on the fact that the price from Petro-Caribe was marginally lower than other suppliers and we are always looking for cheaper sources of fuel. Fuel from PC is approximately US 08 cents or EC 22 cents per gallon less than from our traditional supplier. The savings to our customers is about EC 2 cents per KWh and can be considered small but it is our view that if fuel can be purchased at a price which will result in a savings of even 1 cent per KWh to our customers, this is important. There are other benefits from the Petro-Caribe Agreement as it relates to a low-interest credit arrangement which the Government of Grenada gets in order to pay for the fuel. GRENLEC does not benefit from this.

Is GRENLEC saying to Grenadians that Trinidad and Venezuela's prices for fuel are now the same, hence the unexplained reasons for high fuel charges on Customers Bills?

The reason for the increases in fuel price is explained above (see price list). We are saying that there is no decision-making about prices on GRENLEC bills except those set in law. Part of the price structure is a fuel charge to recover exactly what the Company pays for fuel on the world market through the US Gulf Postings available daily on the internet. The other part is the non-fuel (or broadly administrative) charge which has remained virtually unchanged for the past 14 years.

What is the requirement by the Electricity Supply Act of 1994 for calculating the fuel rate?

It is based on the cost of the fuel that GRENLEC actually purchases; in other words it is based on the 'standard' cost of a barrel of oil at the particular time of purchase

The Electricity Supply Act stipulates that the fuel rate for any month is to be computed based on the average of the actual price GRENLEC pays for fuel for the preceding three (3) months subject to a minimum efficiency level. So, if GRENLEC's efficiency is less than the level stipulated in the act, then GRENLEC must absorb the additional cost. If the efficiency is above that level, it shares the savings with the customers.

With the steep rise in fuel cost over the past year GRENLEC appreciates your displeasure with the resulting high fuel charge and we wish to assure that we are exploring all options to mitigate the situation. We want to encourage you to conserve and use electricity as efficiently as possible to reduce your consumption and thereby reduce the amounts on your bill. We are relieved to see the recent decline in fuel price and if this is sustained we anticipate that you will see a decline in the fuel rate in the coming months.

Please feel free to call the company at any time during the work day for any further clarification on this matter. Phone +473-440-2097.