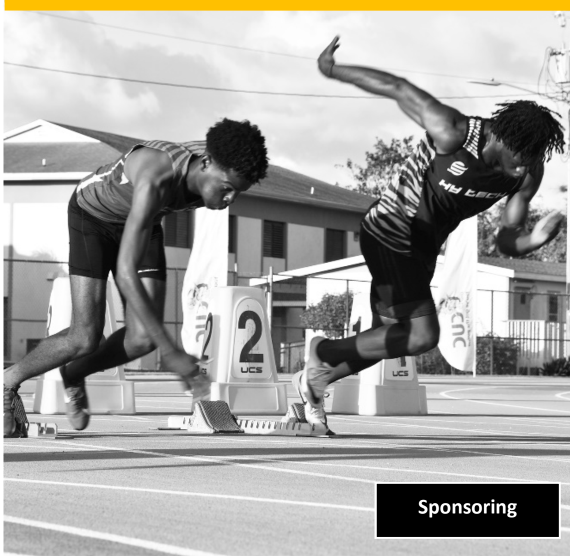

Caribbean Utilities Company, Ltd.

2022 First Quarter Report

March 31, 2022

CUC You've got the power

INVESTORS IN PEOPLE We invest in people Gold

Certified System North Sound Road Site ISO 14001 QMI-SAI Global

General Data

About the Company

Caribbean Utilities Company, Ltd., ("CUC" or "the Company"), commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 161 megawatts ("MW"). The record peak load of 113.5 MW was experienced on August 28, 2019. CUC is committed to providing a safe and reliable supply of electricity to over 32,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's development for over the past 55 years.

About the Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 68,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

A Governor, presently His Excellency Mr. Martyn Roper, is appointed by her Majesty the Queen. A democratic society, the Cayman Islands have a House of Parliament comprised of representatives elected from nineteen electoral districts.

All dollar amounts in this Quarterly Report are stated in United States dollars unless otherwise indicated.

Readers should review the note in the Management Discussion and Analysis section, concerning the use of forward-looking statements, which applies to the entirety of this Quarterly Report.

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Interim Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") consolidated financial statements for the twelve months ended December 31, 2021 ("Fiscal 2021"). The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis.

Additional information in this MD&A has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in the notes to the Company's 2021 annual financial statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of costs of providing services, including a fair return on rate base assets, from customers through appropriate billing rates would not be subject to regulatory approval.

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to the Company and its operations, including its strategy and financial performance and condition. Forward looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedules", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that could affect forward looking statements are described in the MD&A in the sections labelled "Global Pandemic", "Business Risks", "Capital Resources" and "Corporate and Regulatory Overview" and include but are not limited to operational, general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialise, or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. 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 except as required by law.

Financial information is presented in United States dollars unless otherwise specified. The condensed consolidated financial statements and MD&A in this interim report were approved by the Audit Committee.

May 4, 2022

Financial and Operational Highlights

($ thousands, except basic earnings per ordinary share, dividends paid per ordinary share and where otherwise indicated)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change	% Change
Electricity Sales Revenues	**22,096**	21,392	704	3%
Fuel Factor Revenues	**28,349**	16,368	11,981	73%
Renewables Revenues	**1,203**	1,083	120	11%
Total Operating Revenues	**51,648**	38,843	12,805	33%
Fuel & Lube Costs	**28,349**	16,368	11,981	73%
Renewables Costs	**1,203**	1,083	120	11%
Other Operating Expenses	**16,858**	17,675	(817)	-5%
Total Operating Expenses	**46,410**	35,126	11,284	32%
Net Earnings for the Period	**5,485**	3,329	2,156	65%
Cash Flow related to Operating Activities	**21,645**	16,851	4,794	28%
$ Per Class A Ordinary Share:				
Basic Earnings	**0.14**	0.09	0.05	56%
Dividends Paid	**0.175**	0.175	-	-
Actual values:				
Total Customers	**32,365**	31,496	869	3%
Total Full-Time Employees	**237**	236	1	0%
Customers per Employee (#)	**137**	133	4	3%
System Availability (%)	**99.97**	99.97	-	0%
Peak Load Gross (MW)	**100.9**	95.4	5.5	6%
Millions of kWh:				
Net Generation	**150.3**	144.9	5.4	4%
Renewable Energy Generation	**5.2**	4.9	0.3	6%
Total Energy Supplied	**154.4**	148.7	5.7	4%
Kilowatt-Hour Sales	**149.3**	143.8	5.5	4%
Sales per employee	**0.63**	0.61	0.02	3%

Corporate and Regulatory Overview

The principal activity of the Company is to generate, transmit and distribute electricity in its licence area of Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 25-year non-exclusive Generation Licence (the "Licences") granted by the Cayman Islands Government (the "Government"), which expire in April 2028 and November 2039, respectively.
The Company is regulated by the Cayman Islands Utility Regulation and Competition Office ("OfReg"), which has the overall responsibility of regulating the electricity, information and communications technology, water, and the petroleum industries in the Cayman Islands in accordance with the Utility Regulation and Competition Office Act (2021).

The Licences contain the provision for a rate cap and adjustment mechanism ("RCAM") based on published consumer price indices. CUC's return on rate base ("RORB") for 2021 was 7% (2020: 6.6%). CUC's RORB for 2022 is targeted in the 6.25% to 8.25% range (2021: 5.75% to 7.75%).

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel, lube, renewables cost charges and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the RCAM.

In April 2020, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg, was 6.6%, with an effective date of June 1, 2020. This required increase was a result of the 2019 RORB and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for the 2019 calendar year. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 100% based on the range of the RORB values. The required rate adjustment of 6.6% can be calculated by applying 100% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 6.6%.

As part of its COVID-19 Customer Relief Programme, the Company proposed to OfReg to defer the required June 1, 2020 rate increase until January 1, 2021. In August 2020, OfReg approved the Company's proposal. For the period from June 1, 2020 to December 31, 2020, the Company recorded the difference between billed revenues and revenues that would have been billed from the required rate increase as a Regulatory Asset amount due from customers. The amount recorded as a Regulatory Asset for the year ended December 31, 2020 was $3.5 million and will be recovered within two years from January 1, 2021. During the first three months of 2022, $0.4 million was recovered from customers for the base rate increase deferral (2021: $0.4 million), bringing the total amount recovered to $2.2 million as at March 31, 2022.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections from March 2020 to June 2020. A total of $0.7 million was recorded as a regulatory asset and will be recovered through future rates from the effective date of January 1, 2021. During the first three months of 2022, $70,000 was recovered from customers for COVID-19 related expenses ($2021: $70,000), bringing the total amount recovered to $0.4 million as at March 31, 2022.

In April 2021, the Company submitted its annual rate adjustment to OfReg for review and approval. In July 2021, OfReg confirmed its agreement with the Company's submission that there would be no rate adjustment for 2021.This was a result of the decrease in the applicable US and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for the 2020 calendar year. Thus, the rates for 2020 remain effective for 2021.

All fuel, lubricating oil, and renewables costs are passed through to customers without mark-up as a per kWh charge. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. Per Condition 25.11 of the T&D License, 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 and regulatory assets less regulatory liabilities.

In October 2021, the Company submitted its 2022-2026 Capital Investment Plan ("CIP") in the amount of $373.2 million to OfReg for approval, including $22.0 million in grid resiliency projects. These grid enhancement projects are expected to be financed by direct recovery mechanism outside of the Company's rate cap and adjustment mechanism and have the potential to provide significant financial or service benefits to consumers. OfReg approved the proposed 2022-2026 CIP in December 2021.

In the event of a natural disaster, as defined in the T&D Licence, the actual increase in base rates will be capped for the year at 60% of the change in the Price Level Index and the difference between the calculated rate increase and the actual increase expressed as a percentage, shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if the Company's RORB is below the target range. In the event of a disaster, the Company would also write-off destroyed assets over the remaining life of the asset that existed at the time of destruction. Z Factor rate changes will be required for insurance deductibles and other extraordinary expenses. The Z Factor is the amount, expressed in cents per kWh, approved by the OfReg to recover the costs of items deemed to be outside of the constraints of the RCAM.

The OfReg assesses CUC's performance against the performance standard expectations set out in the Electricity Regulatory Authority (Standard of Performance) Rules 2012. Performance standards provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

A licence fee of $2.9 million and a regulatory fee of $1.4 million are payable annually to the Cayman Islands Government in quarterly instalments. Both fees apply only to customer billings with consumption over 1,000 kWh per month as a pass-through charge rate of $0.0149 per kWh.

CUC's wholly-owned subsidiary, DataLink, Ltd. ("DataLink"), was incorporated under the Companies Act of the Cayman Islands and commenced operations with the granting of its licence to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry by the former ICTA, whose regulatory authority was assumed by the OfReg, on March 28, 2012. DataLink is subject to regulation by the OfReg in accordance with the terms and conditions of its licence, which has a term of 15 years, expiring on March 27, 2027. CUC and DataLink have entered into three regulator-approved agreements:

1. The Management and Maintenance agreement;
2. The Pole Attachment agreement; and
3. The Fibre Optic agreement.

Sales

Sales for the three months ended March 31, 2022 ("First Quarter 2022" or "Q1 2022") totalled 149.3 million kilowatt hours ("kWh"), an increase of 5.5 million kWh in comparison to 143.8 million kWh for the three months ended March 31, 2021 ("First Quarter 2021" or "Q1 2021"). The increase in sales for Q1 2022 is primarily due to a 4% increase in kWh consumption across all customer categories and a 3% growth in overall customer numbers for Q1 2022 compared to Q1 2021.

Total customers as at March 31, 2022 were 32,365, an increase of 869 customers, or 3%, compared to 31,496 customers as at March 31, 2021.

The following tables present customer and sales highlights:

Customers

(numbers)	March 31, 2022	March 31, 2021	% Change
Residential	**27,739**	27,011	3%
General Commercial	**4,531**	4,395	3%
Large Commercial	**95**	90	6%
Total Customers	**32,365**	31,496	3%

Sales

(thousands kWh)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	% Change
Residential	**78,572**	75,311	4%
General Commercial	**32,549**	32,451	0%
Large Commercial	**36,984**	34,723	7%
Other (street lighting, etc.)	**1,234**	1,268	-3%
Total Sales	**149,339**	143,753	4%

Average Monthly Consumption per Customer

(kWh)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	% Change
Residential	**947**	933	2%
General Commercial	**2,395**	2,448	-2%
Large Commercial	**128,873**	126,589	2%

Operating Income

Operating income for Q1 2022 totalled $5.2 million, an increase of $1.5 million when compared to operating income of $3.7 million for Q1 2021. The increase is primarily attributable to higher electricity sales revenues and lower depreciation expense. These items were partially offset by higher general and administration, transmission and distribution and customer service expenses.

Earnings

Net earnings increased by $2.2 million from $3.3 million in Q1 2021 to $5.5 million in Q1 2022. The increase in net earnings is primarily attributable to higher operating income and lower finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q1 2022 were $5.4 million or $0.14 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $3.2 million, or $0.09 per Class A Ordinary Share for Q1 2021. The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average number of Class A Ordinary Shares outstanding were 37,370,145 for Q1 2022 and 37,095,463 for Q1 2021.

Operating Revenues

Operating revenues for Q1 2022 were $51.6 million, an increase of $12.8 million from $38.8 million for Q1 2021. The increase in operating revenues for Q1 2022 was due primarily to increased fuel factor revenues and higher electricity sales revenues.

Electricity sales revenues were $22.1 million for Q1 2022, an increase of $0.7 million when compared to electricity sales revenues of $21.4 million for Q1 2021. Electricity sales revenues for Q1 2022 increased when compared to the same period last year due to the 3% increase in the number of customers and drove the 4% increase in kWh sales.

Fuel factor revenues for Q1 2022 totalled $28.3 million, an increase of $11.9 million compared to fuel factor revenues of $16.4 million for Q1 2021. Fuel factor revenues for Q1 2022 increased due to an increase in the price of fuel when compared to Q1 2021.

Renewables revenues for Q1 2022 totalled $1.2 million, an increase of $0.1 million compared to renewables revenues for Q1 2021 of $1.1 million. The renewables revenues are a combination of charges from the Customer Owned Renewable Energy (“CORE”) and Distributed Energy Resources (“DER”) programmes and the BMR Energy Limited (“BMR Energy”), which are passed-through to consumers on a two-month lag basis with no mark-up.

Operating Expenses

Operating expenses for Q1 2022 totalled $46.4 million, an increase of $11.3 million from $35.1 million for Q1 2021. This increase was due primarily to higher power generation costs and general and administration costs partially offset by lower depreciation costs.

Power Generation

Power generation costs for Q1 2022 increased by $12.2 million to $30.9 million when compared to $18.7 million for Q1 2021. This increase is a result of higher fuel costs (net of deferred fuel costs). The average Fuel Cost Charge rate billed to consumers for Q1 2022 was $0.19 per kWh, compared to the average Fuel Cost Charge rate of $0.12 per kWh for Q1 2021. CUC passes through all fuel costs to consumers on a two-month lag basis with no mark-up per Condition 21 of the T&D License.

The Company's average price per Imperial Gallon ("IG") of fuel for Q1 2022 was $3.52 compared to $2.42 for Q1 2021, an increase of 46%. The March 2022 average price per IG increased by 13% from the prior month.

The Company's average price per IG of lubricating oil for Q1 2022 increased by 13% to $10.10 from $8.94 for Q1 2021.

Net generation was 150.7 million kWh for Q1 2022, a 4% increase when compared to 144.9 million kWh for Q1 2021. Net generation is reported for CUC-owned generation only and does not include kWh generated from CORE, DER or the BMR Energy solar farm. Net fuel efficiency for Q1 2022 of 18.63 kWh per IG, which decreased when compared to net fuel efficiency for Q1 2021 of 18.80 kWh per IG.

The Fuel Tracker Account (see Note 5 of the condensed consolidated interim financial statements) is comprised of total diesel fuel, lubricating oil costs, and renewables costs to be recovered from consumers.

In March 2011, the OfReg approved the Fuel Price Volatility Management Program. The objective of the programme is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers for the fuel that the Company must purchase in order to provide electric service. The Company utilises call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

Renewables costs for Q1 2022 totalled $1.2 million, a $0.1 million increase compared to renewables costs for Q1 2021 of $1.1 million. For Q1 2022 the renewables costs are a combination of charges from the CORE and DER programmes and the BMR Energy.

Other generation expenses for Q1 2022 totalled $1.4 million, a $0.2 million or 17% increase from other generation expenses of $1.2 million for Q1 2021.

<u>Depreciation of Property, Plant and Equipment (PP&E)</u>

Depreciation expenses for Q1 2022 totalled $8.8 million, a 15% decrease of $1.6 million from $10.4 million for Q1 2021. This decrease was due to OfReg's approval during 2021 to extend the useful lives of four of the Company's generating units.

<u>Other Operating Expenses</u>

There is a general increase in other operating expenses, except for amortization of intangible assets.

The General & Administration ("G&A") expenses for Q1 2022 totalled $2.8 million, an increase of $0.2 million when compared to G&A expenses of $2.6 million for Q1 2021. This increase was mainly due to higher compensation costs and insurance premiums. These items were partially offset by higher general expenses capitalized.

Customer Services ("CS") expenses for Q1 2022 totalled $0.9 million, an increase of $0.2 million compared to CS expenses for Q1 2021 of $0.7 million. This was due to the increase in credit card commission, bad debt expense and the postage/courier fees.

The Transmission and Distribution ("T&D") expenses for Q1 2022 totalled $1.4 million, an increase of $0.2 million compared to T&D expenses for Q1 2021 of $1.2 million. This increase was due primarily to higher maintenance costs compared to prior year.

Maintenance expenses for Q1 2022 totalled $1.4 million, comparable to $1.4 million for Q1 2021.

Amortisation of intangible assets for Q1 2022 totalled $0.2 million, a $0.1 million decrease compared to $0.3 million for Q1 2021.

Other Income and Expenses

Net Other Income for Q1 2022 totalled $0.3 million, an increase of $0.7 million when compared to Net Other Expenses of $0.4 million for Q1 2021. The increase was due primarily to the decrease in finance charges.

Finance charges for Q1 2022 totalled $0.9 million, a $0.7 million decrease from $1.6 million for Q1 2021. This decrease is a result of lower long-term debt and higher Allowance for Funds Used During Construction ("AFUDC"), a provision under the T&D License for capitalisation of financing costs. This is calculated by multiplying the Company's Cost of Capital rate by the average construction work in progress ("CWIP") for each month. The cost of capital rate for 2022 is 7.25% (2021: 6.75%) as agreed with the OfReg, in accordance with the T&D Licence, and is reviewed annually.

The AFUDC amount for Q1 2022 totalled $2.3 million, an increase of $0.5 million from $1.8 million for Q1 2021. This increase was attributable to higher average CWIP in Q1 2022, driven primarily by Transmission and distribution projects and the increase in the cost of capital rate.

Foreign exchange gains and losses are the result of monetary assets and liabilities denominated in foreign currencies that are translated into United States dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the transaction date. Foreign exchange gains for Q1 2022 totalled $0.4 million, an increase of $0.1 million when compared to Q1 2021 foreign exchange gains of $0.3 million.

Other income totalled $0.8 million for Q1 2022, a $0.1 million decrease when compared to other income of $0.9 million for Q1 2021.

Other income is comprised of income from the third party customers of DataLink, income from pipeline operations, sale of meter sockets, sale of recyclable materials, performance rewards as part of the T&D Licence, and other miscellaneous income. Performance standards as prescribed by the T&D Licence provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

Revenues from DataLink for Q1 2022 are recorded in Other Income in the amount of $0.3 million, consistent to revenues recorded for Q1 2021.

Liquidity

The following table outlines the summary of the Company's cash flows:

Cash Flows ($ thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Change	% Change
Beginning cash	**7,360**	45,586	(38,226)	-84%
Cash provided by/(used in):				
Operating activities	**19,690**	16,851	2,839	17%
Investing activities	**(19,716)**	(14,433)	(5,283)	-37%
Financing activities	**(5,940)**	(6,055)	115	2%
Ending cash	**1,394**	41,949	(40,555)	-97%

Operating Activities:

Cash flow provided by operations for Q1 2022, after working capital adjustments, , was $19.7 million, a $2.8 million increase when compared to $16.9 million for Q1 2021. This increase was primarily due to higher earnings.

Investing Activities:

Cash used in investing activities for Q1 2022 totalled $19.7 million, an increase of 5.3 million from $14.4 million for Q1 2021. This increase is due to higher capital expenditures.

Financing Activities:

Cash used in financing activities for Q1 2022 totalled $5.9 million, a decrease of $0.2 million compared to cash used in financing activities of $6.1 million for Q1 2021. The decrease in cash used in financing activities is attributable to lower cash dividends paid in Q1 2022 due to increase in dividend reinvestments.

Cash Flow Requirements:

The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures and dividend payments. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash flows required to complete planned capital expenditures are expected to be financed from a combination of proceeds from operating cash, debt and equity transactions. The Company expects to be able to source the cash required to fund its 2022 capital expenditure programme (see the "Forward Looking Statements" section of this MD&A for more details on this item).

Transactions with Related Parties

Related-party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There were no related parties transactions as at March 31, 2022.

Contractual Obligations

The contractual obligations of the Company over the next five years and periods thereafter, as at March 31, 2022, are outlined in the following table:

Contractual Obligations ($ thousands)	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Total debt	294,585	15,559	39,416	39,870	199,740
Long-term debt interest	128,854	12,184	21,641	18,297	76,732
Total	**423,439**	**27,743**	**61,057**	**58,167**	**276,472**

Financial Position

The following table is a summary of significant changes to the Company's balance sheet from December 31, 2021 to March 31, 2022:

Significant changes in Balance Sheet

(from December 31, 2021 to March 31, 2022)

Balance Sheet Account	Increase/ (Decrease) *($ thousands)*	Explanation
Cash and Cash Equivalents	(5,966)	Decrease due to cash used in investing activities of $21.7 million and cash used in financing activities of $5.9 million offset by cash provided by operating activities of $21.6 million.
Regulatory Assets	2,029	Increase due to higher balances in the fuel tracker partially offset by lower balances in the 2020 deferred revenues and the COVID-19 cost accounts.
Property, Plant and Equipment	12,399	Net increase is comprised of (1) capital expenditures of $19.3 million (2) depreciation expense of $8.8 million (3) $1.9 million in accrued capital expenditure and (4) $0.03 million from proceeds on disposed assets.
Accounts Payable and Accrued Expenses	7,485	Increases in fuel costs and fuel creditor payable, and an increase in accrued interest.
Retained Earnings	(1,171)	Decrease due to Class A dividends of $6.5 million and Class B dividends of $0.1 million which were partially offset by net earnings for the period of $5.5 million.

Capital Resources

The Company's principal activity of generation, transmission and distribution of electricity in Grand Cayman requires CUC to have ongoing access to capital to build and maintain the electrical system for the community it serves.

To ensure access to capital, the Company targets a long-term capital structure of approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the Company's share purchase plans.

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 60% of the Company's consolidated capital structure, as defined by short-term and long-term debt agreements. As at March 31, 2022, the Company was in compliance with all debt covenants.

The Company's capital structure is presented in the following table:

Capital Structure				
	March 31, 2022 ($ thousands)	**%**	**December 31, 2021 ($ thousands)**	**%**
Total debt	**293,320**	**50**	**293,291**	50
Shareholder's equity	**297,955**	**50**	**297,878**	50
Total	**591,276**	**100**	**591,169**	100

For Q1 2022, shareholder's equity of $298.0 million is comparable to $297.9 million as at December 31, 2021.

The Company's credit ratings under Standard & Poors ("S&P") and the Dominion Bond Rating System ("DBRS") are as follows:

S&P	BBB+/ Negative
DBRS Morningstar	A (low)/Stable

The S&P rating is in relation to long-term corporate credit and senior unsecured debt while the DBRS rating relates to senior unsecured debt.

In November 2020, S&P affirmed the Company's "BBB+"credit rating with a negative outlook. The negative outlook on CUC reflects the view that the COVID-19 pandemic could severely hurt the tourism industry. This in turn could affect CUC's financial measures.

In February 2022, DBRS Morningstar affirmed the Company's "A" credit rating while maintaining the categorization of low with a Stable trend. As stated in the report, the rating confirmations reflect CUC's strong credit metrics and stable business risk profile despite the ongoing Coronavirus Disease (COVID-19) pandemic, which has not had a material impact on CUC's financial performance to date. The current ratings reflect (1) a supportive regulatory environment that allows CUC to earn good returns on its rate base and to generate predictable cash flow; (2) limited competition; and (3) no exposure to commodity price risk and only modest regulatory lag associated with the recovery of fuel and nonfuel costs as well as capital spending. The ratings also incorporate the CUC's exposure to hurricane risks and the relatively small size of its operations and customer base.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities, or variable interest entities that are reasonably likely to materially affect liquidity of or the availability of, or requirements for, capital resources.

Defined Benefit Pension Plan

The Company maintains a defined benefit pension plan, which provides a specified monthly benefit on retirement irrespective of individual investment returns. The assumed long-term rate of return on pension plan assets for the purposes of estimating pension expense for 2022 is 5%. This compares to assumed long-term rates of return of 5% used during 2021. There is no assurance that the pension plan assets will be able to earn the assumed rate of returns. The gain on pension plan assets during Q1 2022 was 4% (Q1 2021: gain of 1.7%).

Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the assumed return on the assets, causing material changes in consolidated pension expense and funding requirements. Net pension expense is impacted by, among other things, the amortization of experience and actuarial gains or losses and expected return on plan assets. Market driven changes impacting other pension assumptions, including the assumed discount rate, may also result in future consolidated contributions to pension plans that differ significantly from current estimates as well as causing material changes in consolidated pension expense. The discount rate assumed for 2022 is 2.8% compared to the discount rate assumed during 2021 of 2.4%.

There is also measurement uncertainty associated with pension expense, future funding requirements, the accrued benefit asset, accrued benefit liability, and benefit obligation due to measurement uncertainty inherent in the actuarial valuation process.

A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates" section of this MD&A.

Accounting Policies

The Condensed Consolidated Interim Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the Company's 2021 annual audited consolidated financial statements.

Future Accounting Policies

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). ASUs were assessed and determined to either be not applicable to the Company or are not expected to have a material impact on CUC's consolidated financial statements and related disclosures.

US GAAP Exemptive Relief Application

In December 2017, the Ontario Securities Commission issued a relief order which permits CUC to continue to prepare its financial statements in accordance with U.S. GAAP. The relief extends until the earliest of: (i) January 1, 2024; (ii) the first date of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) the effective date prescribed by the IASB for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation.

Canadian securities laws allow a reporting issuer to prepare and file its financial statements in accordance with U.S. GAAP by qualifying as a SEC registrant. Without the relief, the Company would be required to become an SEC registrant in order to continue reporting under U.S. GAAP, or adopt IFRS.

In January 2021, the IASB issued an Exposure Draft which is expected (but not yet known) to result in a permanent mandatory standard specific to entities with activities subject to rate regulation. The ultimate impact of a standard based on the IASB Exposure Draft is also not yet known.

Quarterly Results

The table "Quarterly Results" summarises unaudited quarterly information for each of the eight quarters ended June 30, 2020 through March 31, 2022. This information has been obtained from CUC's unaudited interim Financial Statements which, in the opinion of Management, have been prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly results

($ thousands, except basic and diluted earnings per ordinary share)

	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted earnings per Class A Ordinary Share
March 31, 2022	**51,648**	**5,485**	**5,372**	**0.14**	**0.14**
December 31, 2021	**55,276**	**8,330**	**7,697**	**0.21**	**0.21**
September 30, 2021	**56,102**	**10,098**	**9,987**	**0.26**	**0.26**
June 30, 2021	**48,257**	**8,562**	**8,449**	**0.23**	**0.23**
March 31, 2021	38,843	3,329	3,216	0.09	0.09
December 31, 2020	42,399	7,382	6,751	0.19	0.19
September 30, 2020	43,921	10,353	10,240	0.31	0.31
June 30, 2020	45,042	4,504	4,391	0.13	0.13

Disclosure Controls and Procedures ("DC&P")

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, have established and maintained the Company's disclosure controls and procedures, to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the year ending December 31, 2021; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Based on the evaluation performed over disclosure controls and procedures, it was concluded that the DC&P of CUC are adequately designed and operating effectively as of March 31, 2022.

Internal Controls over Financial Reporting ("ICFR")

The CEO and CFO of the Company, together with Management, have established and maintained the Company's internal control over financial reporting, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.

The design of CUC's ICFR has been established and evaluated using the criteria set forth in the 2013 Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the assessment, it was concluded that CUC's ICFR are adequately designed and operating effectively as of March 31, 2022.

Outlook

In October 2021, the Company submitted to OfReg its 2022-2026 CIP in the amount of $373.2 million including $22.0 million in grid resiliency projects. OfReg approved the proposed 2022-2026 CIP in December 2021.

In October 2021, following a consultation process, OfReg announced the adoption of a new Renewable Energy Auction Scheme ("REAS") to solicit additional solar and wind power over the next decade.

Under the REAS, potential energy producers are anticipated to bid to supply energy through long-term contracts at the lowest possible price. The programme, which will be managed by OfReg, is designed to enable the procurement of renewable energy at competitive prices while advancing the goals of the National Energy Policy ("NEP"') in-line with CUC's Integrated Resource Plan ("IRP"). The IRP projects 140 MW of utility-scale solar by 2030.

In April 2022, OfReg issued a Request for Qualification (RFQ) for the REAS Competition Round 1. The REAS Round 1 is intended to select a party, or parties, to operate and maintain Solar Photovoltaic Plants and Energy Storage up to 100MW with 60MW Battery Energy Storage System Facility. OfReg also issued an RFQ for a 23MW Dispatchable Photovoltaic Generation plant paired with energy storage facility. CUC is preparing to participate on these bid invitations.

The Government subsequently announced on April 27, 2022 a change in policy direction and its intention to hold a majority ownership stake in all future large scale renewable energy projects. CUC will engage in discussions with the Government and OfReg to determine whether the recently announced RFQs will be affected by this change in policy and what impact this announcement will have on future renewable energy plans.

Outstanding Share Data

As at May 4, 2022 the Company had issued and outstanding 37,444,256 Ordinary Shares and 249,500 9% cumulative Participating Class B Preference Shares.

Additional information, including CUC's Annual Information Form, is available on SEDAR at *www.sedar.com* and on the Company's website at *www.cuc-cayman.com*.

Condensed Consolidated Interim Balance Sheets
(expressed in thousands of United States Dollars)

Unaudited	Note	As at March 31, 2022	As at December 31, 2021
Assets			
Current Assets			
Cash		**1,394**	7,360
Accounts Receivable (Net of Allowance for Credit Losses of $2,049 and $1,976)	4	**11,710**	11,343
Regulatory Assets	5	**26,775**	24,746
Inventories		**5,124**	5,277
Prepayments		**2,872**	4,542
Total Current Assets		**47,875**	53,268
Property, Plant and Equipment, net		**589,102**	576,703
Intangible Assets, net		**4,180**	3,947
Other Assets		**211**	232
Total Assets		**641,368**	634,150
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses		**34,418**	26,933
Regulatory Liabilities	5	**1,063**	1,310
Current Portion of Long-Term Debt	7	**15,558**	15,558
Current Portion of Lease Liability		**87**	87
Consumers' Deposits and Advances for Construction		**12,083**	11,864
Total Current Liabilities		**63,209**	55,752
Defined Benefit Pension Liability		**1,871**	1,894
Long-Term Debt	7	**277,762**	277,733
Other Long-Term Liabilities		**571**	893
Total Liabilities		**343,413**	336,272
Commitments	10		
Shareholders' Equity			
Share Capital[1]		**2,478**	2,474
Share Premium		**186,913**	185,687
Retained Earnings		**110,431**	111,602
Accumulated Other Comprehensive Loss		**(1,867)**	(1,885)
Total Shareholders' Equity		**297,955**	297,878
Total Liabilities and Shareholders' Equity		**641,368**	634,150

See accompanying Notes to Condensed Consolidated Interim Financial Statements

[1] Consists of Class A Ordinary Shares of 37,444,256 and 37,369,478 issued and outstanding as at March 31, 2022 and December 31, 2021, respectively and Class B Preference Shares of 249,500 and 249,500 issued and outstanding as at March 31, 2022 and December 31, 2021, respectively.

Condensed Consolidated Interim Statements of Earnings

(expressed in thousands of United States Dollars, except basic and diluted earnings per ordinary share)

Unaudited	Note	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating Revenues			
Electricity Sales	3	**22,096**	21,392
Fuel Factor	3	**28,349**	16,368
Renewables	3	**1,203**	1,083
Total Operating Revenues		**51,648**	38,843
Operating Expenses			
Power Generation		**30,894**	18,666
Depreciation		**8,810**	10,387
General and Administration		**2,775**	2,557
Maintenance		**1,436**	1,364
Transmission and Distribution		**1,351**	1,233
Consumer Services		**914**	661
Amortisation of Intangible Assets		**230**	258
Total Operating Expenses		**46,410**	35,126
Operating Income		**5,238**	3,717
Other (Expenses)/Income			
Finance Charges	8	**(927)**	(1,607)
Foreign Exchange Gain	9	**380**	296
Other Income		**794**	923
Total Net Other Income/(Expenses)		**247**	(388)
Net Earnings for the Period		**5,485**	3,329
Preference Dividends Paid- Class B		**(113)**	(113)
Earnings on Class A Ordinary Shares		**5,372**	3,216
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)		**37,370**	37,095
Earnings per Class A Ordinary Share		**0.14**	0.09
Diluted Earnings per Class A Ordinary Share		**0.14**	0.09
Dividends Declared per Class A Ordinary Share		**0.175**	0.175

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

Unaudited	Three Months Ended March 31, 2022	Three months Ended March 31, 2021
Net Earnings for the Period	**5,485**	3,329
Other Comprehensive Income:		
Amortisation of Net Actuarial Loss	**18**	35
Total Other Comprehensive Income	**18**	35
Comprehensive Income	**5,503**	3,364

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Shareholders' Equity

(expressed in thousands of United States Dollars except Common Shares)

Unaudited	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value ($)	Preference Shares ($)	Share Premium ($)	Accumulated Other Comprehensive Loss ($)	Retained Earnings ($)	Total Equity ($)
As at December 31, 2021	**37,369**	**2,224**	**250**	**185,687**	**(1,885)**	**111,602**	**297,878**
Net earnings						5,485	5,485
Common share issuance and stock options plans	75	4		1,226			1,230
Defined benefit plans					18		18
Dividends on common shares						(6,543)	(6,543)
Dividends on preference shares						(113)	(113)
As at March 31, 2022	**37,444**	**2,228**	**250**	**186,913**	**(1,867)**	**110,431**	**297,955**
As at December 31, 2020	37,095	2,208	250	181,671	(2,922)	108,292	289,499
Net earnings						3,329	3,329
Common share issuance and stock options plans	64	4		1,065			1,069
Defined benefit plans					35		35
Dividends on common shares						(6,491)	(6,491)
Dividends on preference shares						(113)	(113)
As at March 31, 2021	37,159	2,212	250	182,736	(2,887)	105,017	287,328

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Cash Flows

(expressed in thousands of United States Dollars)

Unaudited	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating Activities		
Net Earnings for the period	**5,485**	3,329
Items not affecting cash:		
Depreciation	**8,810**	10,387
Amortisation of Intangible Assets	**230**	258
Amortisation of Deferred Financing Costs	**29**	29
	14,554	14,003
Net Changes in Working Capital Balances Related to Operations	**7,412**	5,963
Net Change in Regulatory Deferrals	**(2,276)**	(3,115)
Cash flow related to operating activities	**19,690**	16,851
Investing Activities		
Purchase of Property, Plant and Equipment	**(19,287)**	(14,200)
Costs related to Intangible Assets	**(462)**	(345)
Proceeds on Disposed Assets	**33**	44
Contribution in Aid of Construction	**-**	68
Cash flow related to investing activities	**(19,716)**	(14,433)
Financing Activities		
Dividends Paid	**(6,484)**	(7,124)
Net Proceeds from Share Issues	**544**	1,069
Cash flow related to financing activities	**(5,940)**	(6,055)
(Decrease) in net cash	**(5,966)**	(3,637)
Cash - Beginning of the period	**7,360**	45,586
Cash - End of the period	**1,394**	41,949
Supplemental disclosure of cash flow information:		
Interest paid during the period	**815**	810

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Unaudited – March 31, 2022 (expressed in thousands of United States dollars unless otherwise stated)

1. Nature of Operations and Condensed Consolidated Interim Financial Statement Presentation

These condensed consolidated interim financial statements include the regulated operations of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") and the accounts of its wholly-owned subsidiary company, DataLink, Ltd. ("DataLink"), and reflect the decisions of the Cayman Islands Utility Regulation and Competition Office ("OfReg"). These decisions affect the timing of the recognition of certain transactions resulting in the recognition of regulatory assets and liabilities, which the Company considers it is probable to recover or settle subsequently through the rate-setting process.

The principal activity of the Company is to generate and distribute electricity in its licence area of Grand Cayman, Cayman Islands, pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 25 year non–exclusive Generation Licence (collectively the "Licences") with the Cayman Islands Government (the "Government"), which expire in April 2028 and November 2039 respectively.

The Company is regulated by OfReg, which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands in accordance with the Utility Regulation and Competition Office Act (2016).

CUC's wholly-owned subsidiary, DataLink was granted a licence in 2012 from the ICTA (now regulated by OfReg) permitting DataLink to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry. DataLink is subject to regulation by OfReg in accordance with the terms and conditions of its Licence which currently extends to March 27, 2027.

All intercompany balances and transactions have been eliminated on consolidation.

Rate Regulated Operations

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel cost charges, renewables costs and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the Rate Cap and Adjustment Mechanism ("RCAM").

In April 2020, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg, was 6.6%, with an effective date of June 1, 2020. This required increase was a result of the 2019 RORB and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2019. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 100% based on the range of the RORB values. The required rate adjustment of 6.6% can be calculated by applying 100% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 6.6%.

As part of its COVID-19 Customer Relief Programme, the Company proposed to OfReg to defer the required June 1, 2020 rate increase until January 1, 2021. In August 2020, OfReg approved the Company's proposal. For the period from June 1, 2020 to December 31, 2020, the Company recorded the difference between billed revenues and revenues that would have been billed from the required rate increase as a Regulatory Asset amount due from customers. The amount recorded as a egulatory Asset for the year ended December 31, 2020 was $3.5 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2021. During the first three months of 2022, $0.4 million was recovered from customers for the base rate increase deferral, bringing the total amount recovered to $2.2 million as at March 31, 2022.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a regulatory asset and will be recovered through future rates from the effective date of January 1, 2021. During the first three months of 2022, $0.07 million was recovered from customers for COVID-19 related expenses, bringing the total amount recovered to $0.4 million as at March 31, 2022.

In April 2021, the Company submitted its annual rate adjustment to OfReg for review and approval. In July 2021, OfReg confirmed its agreement with the Company's submission that there would be no rate adjustment for 2021, thus the rates for the prior year remain effective for the current year. This was a result of the decrease in the applicable US and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for the 2020 calendar year.

All fuel, lubricating oil, and renewable costs are passed through to customers without mark-up as a per kWh charge.

For regulatory purposes, fixed assets comprise the completed Property, Plant and Equipment ("PP&E") and intangible assets acquired or constructed by the Company as reported in the Company's condensed consolidated interim financial statements. The original book value of these fixed assets includes an Allowance for Funds Used During Construction ("AFUDC") and an allowance for General Expenses Capitalised ("GEC"). GEC is calculated as a percentage of up to 10% of Non-Fuel Operating Expenses, varying annually depending on the level of capital activity.

Seasonality

Interim results will fluctuate due to the seasonal nature of electricity consumption. In Grand Cayman, demand is highest in the summer months due to air-conditioning load. Consequently, interim results are not necessarily indicative of annual results.

Taxation

Under current acts of the Cayman Islands, there are no income, estate, corporate, capital gains or other taxes payable by the Company.

The Company is levied custom duties of $0.30 per Imperial Gallon ("IG") of diesel fuel it imports. In addition, the Company pays customs duties of 15% on all other imports.

2. <u>Summary of Significant Accounting Policies</u>

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information. Accordingly, they do not include all information and notes required by US GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 2021.

The preparation of financial statements in conformity with US GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Operating Revenues

Operating Revenues ($ thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Electricity Sales Revenues		
Residential	**11,429**	10,963
General Commercial	**5,369**	5,495
Large Commercial	**5,080**	4,722
Other (street lighting etc.)	**218**	212
	22,096	21,392
Fuel Factor	**28,349**	16,368
Renewables	**1,203**	1,083
Total Operating Revenues	**51,648**	38,843

Electricity Sales revenue

The Company generates, transmits, and distributes electricity to residential and commercial customers and for street lighting service. Electricity is metered upon delivery to customers and recognized as revenue using approved rates when consumed. Meters are read on the last day of each month, and bills are subsequently issued to customers based on these readings. As a result, the revenue accruals for each period is based on actual bills-rendered during the period.

Fuel Factor

Fuel Factor revenues consist of charges from diesel fuel and lubricating oil costs, which are passed through to consumers on a two-month lag basis with no mark-up.

Renewables

Renewables revenues are a combination of charges from the Customer Owned Renewable Energy ("CORE") and Distributed Energy Resources ("DER") programmes and the BMR Energy Limited ("BMR Energy"), which are passed through to consumers on a two-month lag basis with no mark-up.

4. Accounts Receivable, net

Accounts Receivable ($ thousands)	As at March 31, 2022	As at December 31, 2021
Billings to Consumers*	**12,837**	12,384
Other Receivables	**922**	935
Allowance for Credit Losses	**(2,049)**	(1,976)
Total Accounts Receivable, net	**11,710**	11,343

*Includes billings to DataLink customers

Other receivables

Other receivables relate to amounts due outside of the normal course of operations.

Allowance for Credit Losses

Accounts receivable are recorded net of an allowance for credit losses. The change in the allowance for credit losses balance for three months ending March 31, 2022 and March 31, 2021 are as follows:

Allowance for Credit Losses		
($ thousands)	Three months ended March 31, 2022	Three months ended March 31, 2021
Beginning of period	**(1,976)**	(2,303)
Credit loss increase	**(70)**	(18)
Write-offs	**-**	393
Recoveries	**(3)**	-
End of period	**(2,049)**	(1,928)

5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities ($ thousands)			
Asset/Liability	Description	As at March 31, 2022	As at December 31, 2021
Regulatory Assets	Fuel Tracker Account (a)	**24,269**	22,557
Regulatory Assets	Derivative Contract (b)	**801**	19
Regulatory Assets	Miscellaneous Regulatory Assets (c)	**103**	110
Regulatory Assets	Deferred Base Rate Revenues (f)	**1,339**	1,724
Regulatory Assets	Deferred COVID-19 Costs (g)	**263**	336
Total Regulatory Assets		**26,775**	24,746
Regulatory Liabilities	Government & Regulatory Tracker Account (d)	**(153)**	(749)
Regulatory Liabilities	Demand Rate Recoveries (e)	**(910)**	(561)
Total Regulatory Liabilities		**(1,063)**	(1,310)

a) Fuel Tracker Account – The T&D Licence established a fuel tracker mechanism to ensure the Company and the consumers neither gain nor lose from the pass-through of fuel costs. The purpose of the fuel tracker account is to accumulate actual fuel and renewables costs incurred less fuel factor revenues collected. This account represents deferred accumulated fuel and renewables costs to be recovered from or reimbursed to the consumers on a two-month lag. The receivable or payable value represents a regulatory asset or liability. The net position of the fuel tracker accounts fluctuates monthly and is affected by fuel prices and electricity consumption.

b) Derivative Contract – The Company uses derivatives to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers in the face of price volatility for the fuel that the Company must purchase in order to provide electric service. This account represents the fair value adjustments for the call options.

c) Miscellaneous Regulatory Assets – Represent costs incurred by the Company, other than fuel and the specifically itemised licence and regulatory fees, to be recovered through the Company's base rates on terms as agreed with the OfReg.

d) Government and Regulatory Tracker Account – The balance in this account represents the difference between the fixed amounts to be collected and actual amounts collected from customers.

e) Demand Rate Recoveries – The introduction of demand rates for the large commercial customers, to be phased in over a three-year period beginning on January 1, 2018, was intended to be revenue neutral. For the First Quarter 2018, the electricity sales revenues for large commercial customers under the newly introduced demand rate were less than what would have been billed under the previous energy only rate. The Company applied to the OfReg to request a recovery of the shortfall and an adjustment in the rate going forward. In June 2018, the OfReg approved an increase of the large commercial demand rate going forward. The Company was also granted approval to record the 2018 revenue shortfall as a Regulatory Asset. The revenue shortfall will be recovered over years two and three of the demand rate implementation in order to smooth the effects of the adjustment to the large commercial customers. As at March 31, 2022, the revenue shortfall had been recovered and the account had a credit balance of $0.9 million.

f) Deferred Base Rate Revenues - As part of its COVID-19 Customer Relief Programme, OfReg granted the Company approval to defer the required June 1, 2020 rate increase to January 1, 2021. For the period from June 1, 2020 to December 31, 2020, the Company recorded the difference between billed revenues and revenues that would have been billed from the required rate increase as a Regulatory Asset amount due from customers. The amount recorded as a Regulatory Asset for the year ended December 31, 2020 was $3.5 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2021.

g) Deferred COVID-19 Costs - The Company was granted approval by OfReg to recover various COVID-19 related expenses, including potential bad debts resulting from suspension of disconnections during the pandemic. The COVID-19 related expenses were recorded as a Regulatory Asset and will be recovered through future rates.

6. Share Based Compensation Plans

Share Options:

The shareholders of the Company approved an Executive Stock Option Plan ("ESOP') on October 24, 1991, under which certain employees and officers may be granted options to purchase Class A Ordinary Shares of the Company.

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. Each option is for a term not exceeding ten years, and will become exercisable on a cumulative basis at the end of each year following the date of grant. The maximum number of Class A Ordinary Shares under option shall be fixed and approved by the shareholders of the Company from time to time and is currently set at 1,220,100. Options are forfeited if they are not exercised prior to their respective expiry date or upon termination of employment prior to the completion of the vesting period.

Subject to certain amendments requiring shareholder approval, the Board of Directors may amend or discontinue the ESOP at any time without shareholder approval subject to TSX regulations, provided, however, that any amendment that may materially and adversely affect any option rights previously granted to a participant under the ESOP must be consented to in writing by the participant. As at March 31, 2022, all stock options were exercised.

Performance Share Unit ("PSU") Plan:

In September 2013, the Board of Directors approved a PSU plan under which officers and certain employees of the Company would receive PSUs. Each PSU represents a unit with an underlying value which is based on the value of one common share relative to the S&P/TSX Utilities Index.

PSU's outstanding as at March 31, 2022 relate to units granted in 2020, 2021 and 2022 for 25,152, 34,178 and 37,072, respectively. The vesting period of the grant is three years, at which time a cash payment may be made to plan participants after evaluation by the Board of Directors of the achievement of certain payment criteria.

PSU Compensation expense was $0.01 million for the three-month period ended March 30, 2022 (2021: $0.02 million), resulting in a corresponding increase to Other Long-Term Liabilities.

7. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value.

The Company is required to determine the fair value of all derivative instruments in accordance with the following three levels of the fair value hierarchy:

Level 1: Fair value determined using unadjusted quoted prices in active markets.
Level 2: Fair value determined using pricing inputs that are observable.

Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

The fair values of the Company's financial instruments, including derivatives, reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Company's future earnings or cash flows.

There have been no changes in the methodologies used at March 31, 2022. The estimated fair values of the Company's financial instruments, including derivative financial instruments, are as follows:

Financial Instruments				
	As at March 31, 2022		As at December 31, 2021	
($ thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion*	**293,320**	**298,205**	293,291	300,241
Fuel Option Contracts	**253**	**253**	19	19

*Net of Debt costs

The Company's long-term debt and fuel derivative contracts, based on the three levels that distinguish the level of pricing observability utilized in measuring fair value, have been classified as Level 2. There were no transfers between levels for the period ended March 31, 2022.

8. Finance Charges

The composition of finance charges were as follows:

Finance Charges		
($ thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Interest costs - long-term debt	**3,161**	3,373
Other interest costs	**47**	41
AFUDC	**(2,281)**	(1,807)
Finance Charges	**927**	1,607

9. Foreign Exchange

The closing rate of exchange on March 31, 2022 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was Cdn $1.2496 per US$1.00 (December 2021: Cdn$1.2678). The official exchange rate for the conversion of Cayman Islands dollars into U.S. dollars as determined by the Cayman Islands Monetary Authority is fixed at CI$1.00 per US$1.20. Thus, the rate of exchange as of March 31, 2022 for conversion of Cayman Islands dollars into Canadian dollars was Cdn $1.4995 per CI$1.00 (December 31, 2021: Cdn $1.5214).

10. Commitments

As at March 31, 2022, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

Commitments						
($ thousands)	Total	2022	2023-2024	2025-2026	2027 - 2028	2028 Onward
Letter of Guarantee	1,000	1,000	-	-	-	-
Lease Liability	220	73	147	-	-	-
Commitments	**1,220**	**1,073**	**147**	**-**	**-**	**-**

Shareholder Information

Shareholder Plans

CUC offers its Shareholders a Dividend Reinvestment Plan. Please contact one of CUC's Registrar and Transfer Agents or write to CUC's Assistant to the Company Secretary if you would like to receive information about the plan or obtain an enrolment form.

CUC also has a Customer Share Purchase Plan for customers resident in Grand Cayman. Please contact our Customer Service Department at (345) 949-5200 if you are interested in receiving details.

Our Registrar and Transfer Agents are as follows:

TSX Trust Company
P.O. Box 4229, Station A
Toronto, ON, Canada M5W 0G1
North America (toll free): 1-800-387-0825
Direct: (416) 682-3860
Fax: (888) 249-6189
E-mail: shareholderinquiries@tmx.com
Website : www.tsxtrust.com
(Acting as principal agent)

Caribbean Utilities Company, Ltd.
Company Secretary
P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-4621
E-mail: *investor@cuc.ky*
Website: *www.cuc-cayman.com*

If you require further information or have any questions regarding CUC's Class A Ordinary Shares (listed in U.S. funds on the Toronto Stock Exchange), please contact:

Caribbean Utilities Company, Ltd.
Company Secretary
P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-4621
E-mail: *investor@cuc.ky*
Website: *www.cuc-cayman.com*