



Caribbean Utilities Company, Ltd.

2022 Third Quarter Report

September 30, 2022



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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.



Interim Management's Discussion and Analysis

For the Quarter Ended September 30, 2022

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.

Forward-Looking Statements

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 materialize, 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.

October 28, 2022



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 113.6 MW was experienced on September 11, 2022. 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 56 years.

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, and the petroleum industries in the Cayman Islands. The OfReg assesses CUC’s performance against the performance standard expectations in accordance with the Utility Regulation and Competition Office Act (2021). 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 license fee of \$2.9 million per annum and a regulatory fee of \$1.4 million per annum are payable to the Cayman Islands Government in quarterly installments. 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.

Customer Rates

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: 6.00% to 8.00%).

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, and 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.

Deferral Mechanism

As part of its COVID-19 Customer Relief Programme, OfReg approved the deferral of the 6.6% rate base increase effective June 1, 2020 to January 1, 2021. Total deferred revenue amounted to \$3.5 million and will be recovered within two years from January 1, 2021. During the first nine months of 2022, \$1.3 million was recovered from customers for the base rate increase deferral (2021: \$0.8 million), bringing the total amount recovered to \$3.1 million as at September 30, 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 nine months of 2022, \$0.2 million was recovered from customers for COVID-19 related expenses, bringing the total amount recovered to \$0.5 million as at September 30, 2022.



In April 2022, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. This required increase was a result of the applicable RORB and United States (“US”) and Cayman Islands consumer price indices, adjusted to exclude food and fuel.

Due to the current economic environment and rising fuel prices, OfReg approved the Company’s proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company will track the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as deferred revenue as at September 30, 2022 was \$1.6 million.

DataLink, Ltd.

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.



Financial and Operational Highlights

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

	Three Months Ending September 30, 2022	Three Months Ending September 30, 2021	Nine Months Ending September 30, 2022	Nine Months Ending September 30, 2021	Change	% Change
Electricity Sales Revenues	27,873	26,455	75,507	73,060	2,447	3%
Fuel Factor	49,536	28,002	108,830	65,785	43,045	65%
Renewables	1,622	1,645	4,507	4,356	151	3%
Total Operating Revenues	79,031	56,102	188,844	143,201	45,643	32%
Power Generation ¹	52,388	30,815	117,209	73,761	43,448	59%
Other Expenses	16,406	15,603	48,032	47,170	862	2%
Total Operating Expenses	68,794	46,418	165,241	120,931	44,310	37%
Net Earnings for the Period	10,420	10,098	24,216	21,990	2,226	10%
Cash Flow related to Operating Activities	19,339	17,538	50,972	47,016	3,956	8%
<i>Per Class A Ordinary Share:</i>						
Basic Earnings	0.28	0.26	0.64	0.58	0.06	10%
Dividends Paid	0.175	0.175	0.525	0.525	-	-
Total Customers	32,865	31,964	32,865	31,964	901	3%
Total Full-Time Employees	251	236	251	236	15	6%
Customers per Employee (#)	131	135	131	135	(4)	-3%
System Availability (%)	99.97	99.96	99.97	99.96	0.01	-
Peak Load Gross (MW)	113.6	110.5	113.6	110.5	3.1	3%
<i>Millions of kWh:</i>						
Net Generation	186.0	182.3	509.2	499.1	10.1	2%
Renewable Energy Generation	5.7	6.1	16.7	11.0	5.7	52%
Total Energy Supplied	190.6	187.1	522.9	512.5	10.4	2%
Kilowatt-Hour Sales	184.0	179.9	504.6	494.5	10.1	2%
Sales per employee	0.73	0.74	2.01	2.10	(0.09)	-4%

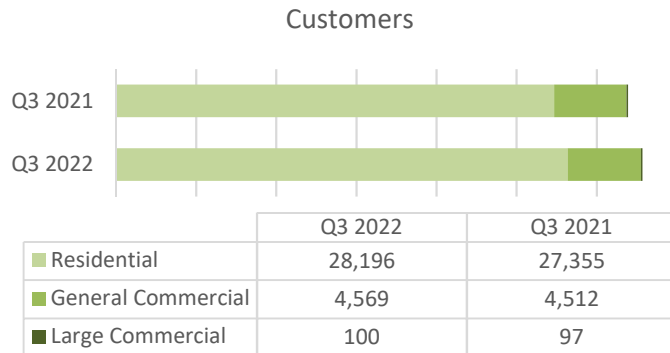
¹ All amounts from Fuel Factor and Renewables revenues are included within the Power Generation expense as they are passed through to customers without mark-up as a per kWh.



Results of Operations

Operating Revenues

Sales in kilowatt-hours (“kWh”) for the three months ended September 30, 2022 (“Third Quarter 2022” or “Q3 2022”) totalled 184.0 million kWh, an increase of 4.1 million kWh or 2% in comparison to 179.9 million kWh for the three months ended September 30, 2021 (“Third Quarter 2021” or “Q3 2021”). The increase in sales is driven by the higher commercial customer sales in Q3 2022 compared to Q3 2021 and the 3% increase in customer numbers between Q3 2022 and Q3 2021. The average monthly temperature for Q3 2022 was 85.4 degrees Fahrenheit, slightly cooler when compared to 85.7 degrees Fahrenheit in Q3 2021. The average rainfall for Q3 2022 was 9 inches as compared to 6.2 inches in Q3 2021. The new record peak load of 113.6 MW was experienced on September 11, 2022.



Total number of customers in September 30, 2022 is 32,865, a 3% increase in comparison to 31,964 in September 30, 2021.

Sales in kWh for the nine months ended September 30, 2022 totalled 504.6 million kWh, an increase of 10.1 million kWh or 2% in comparison to 494.5 million kWh for the nine months ended September 30, 2021. The increase in sales is primarily due to a 3% growth in overall customer numbers for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

The following table presents the average consumption for residential and commercial customers:

Average Monthly Consumption per Customer						
<i>(in kwh)</i>						
	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	% Change	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	% Change
Residential	1,209	1,219	-1%	1,090	1,110	-2%
General Commercial	2,955	2,774	7%	2,688	2,653	1%
Large Commercial	146,203	139,978	4%	139,036	136,832	2%

Operating revenues for Q3 2022 were \$79.0 million, an increase of \$22.9 million or 41% in comparison to \$56.1 million for Q3 2021. Operating revenues for the first nine months ended September 30, 2022 totalled \$188.8 million, an increase of 32% in comparison to \$143.2 million for the nine months ended September 30, 2021. These increases were due primarily to higher electricity sales revenues and an increase in fuel factor revenues resulting from higher fuel costs.

Fuel factor revenues for Q3 2022 totalled \$49.5 million, an increase of 77% compared to fuel factor revenues of \$28.0 million for Q3 2021. The average Fuel Cost Charge rate billed to consumers for Q3 2022 was \$0.29 per kWh, compared to the average Fuel Cost Charge rate of \$0.17 per kWh for Q3 2021. This is primarily due to the 71% increase in the average fuel cost per kWh between Q3 2021 and Q3 2022.

Fuel factor revenues for the nine months ended September 30, 2022 increased by 65% to \$108.8 million from \$65.8 million in 2021. The average Fuel Cost Charge rate billed to consumers for nine months ended



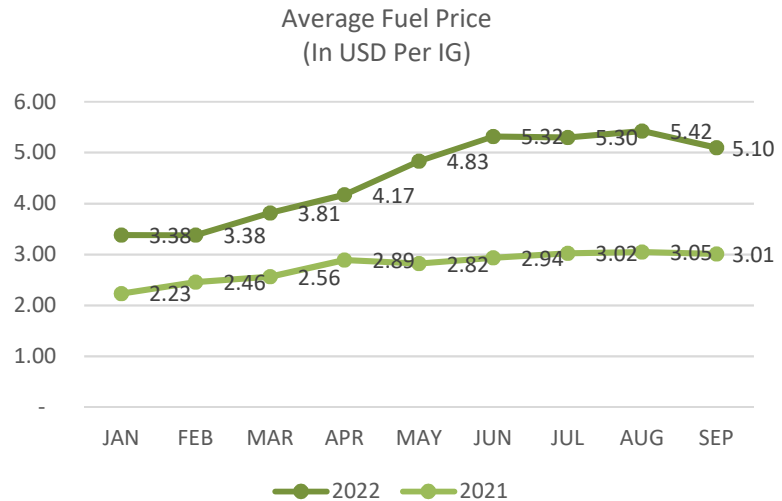
September 30, 2022 was \$0.23 per kWh, compared to the average Fuel Cost Charge rate of \$0.14 per kWh for nine months ended September 30, 2021. This is primarily due to the 64% increase in the average fuel cost per kWh for the nine months ended September 30, 2021 and September 30, 2022. CUC passes through all fuel costs and renewable costs to consumers on a two-month lag basis with no mark-up.

Operating Expenses

Operating expenses for Q3 2022 were \$68.8 million, a 48% increase in comparison to \$46.4 million in Q3 2021. This is due to an increase in fuel prices, general & administration costs and depreciation expenses, partially offset by a decrease in T&D costs.

Operating expenses for the nine months ended September 30, 2022 totalled \$165.2 million, a 37% increase in comparison to \$120.9 million for the nine months ended September 30, 2021. This increase was due primarily to higher power generation, general and administration, consumer services and maintenance expenses partially offset by lower depreciation and amortization expenses and T&D costs.

The average fuel price per kWh for 2022 increased in comparison to the prior year driven by inflation and the conflict in Ukraine. The Company's average price per imperial gallon ("IG") of fuel for the nine months ended September 30, 2022 increased by 63% to \$4.52 in comparison to \$2.77 for the nine months ended September 30, 2021. The Company's average price per IG of lubricating oil for the nine months ended September 30, 2022, increased by 35% to \$12.69 when compared to \$9.38 for the nine months ended September 30, 2021.



The primary reasons for the changes in the Company's operating expenses for the Third Quarter 2021 and 2022 and the nine months ended September 30, 2021 and September 30, 2022 are as follows:

Changes in Operating Expenses

(\$ in millions)

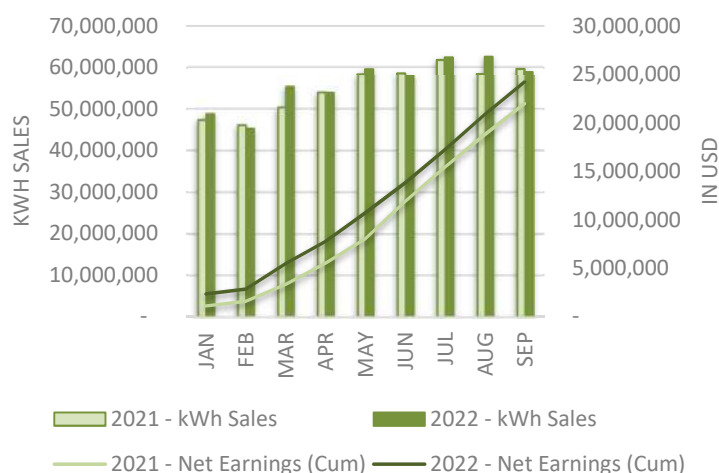
Item	Increases (Decreases)		Explanation
	Three-Months Ending September 30	Nine-Months Ending September 30	
Power Generation	21.6	43.4	This increase was primarily due to an increase in fuel costs and kWh sales growth.
Depreciation of Property, Plant and Equipment ("PP&E")	0.5	(0.3)	The increase in Q3 2022 depreciation was due to the completion of the Seven Mile Beach and Prospect substations in May 2022, partially offset by the effect of OfReg's approval to extend the useful lives of four of the Company's generating units in 2021.



<i>Increases (Decreases)</i>			
Item	Three-Months Ending September 30	Nine-Months Ending September 30	Explanation
			The decrease in depreciation expenses for the nine months ended September 30, 2022 was due to the asset life extension in 2021, partially offset by capital projects completed during the year.
General and Administration ("G&A")	0.2	0.7	This increase was mainly due to higher compensation cost, insurance premiums and legal fees. These items were partially offset by higher General Expenses Capitalized.
Consumer Services	0.2	0.6	The increase was due to higher allowance for credit losses in 2022 when compared to 2021.
Net Other Income	(0.2)	0.9	<p>The decrease in the net other income for Q3 2022 in comparison to Q3 2021 was due to the increase of finance charges from short term financing, partially offset by an increase in foreign exchange gains.</p> <p>The increase in the net other income for the nine months ended September 30, 2022 was due to the reduction in finance charges due to principal repayments in May and June. Finance charges for the nine months ended September 30, 2022 totalled \$3.4 million, a decrease of \$0.5 million in comparison to \$3.9 million in 2021.</p>

Operating Income

Operating income for Q3 2022 totalled \$10.2 million, an increase of \$0.5 million in comparison to \$9.7 million for Q3 2021. The increase is primarily attributable to a decrease in T&D costs and an increase in electricity sales revenues. Electricity sales revenues for Q3 2022 increased due to the 2% increase in kWh sales and a 5.4% base rate increase effective June 1, 2022. Due to the current economic environment and rising fuel prices, OfReg approved the Company's proposal to defer billing of the required rate increase until January 1, 2023. The amount recorded as deferred revenue for September 2022 was \$1.6 million.



Comparative kWh sales and net earnings during the first nine months of 2021 and 2022. Earnings are presented cumulative ("Cum") through the years.

Operating income for the nine months ended September 30, 2022 totalled \$23.6 million, an increase of 6% when compared to operating income of \$22.3 million for the nine months ended September 30, 2021. The increase is primarily attributable to higher electricity sales revenues and lower depreciation and T&D expenses.



Net Earnings

Net earnings for Q3 2022 totalled \$10.4 million, an increase of \$0.3 million or 3% in comparison to \$10.1 million Q3 2021. In addition to the items impacting operating income, net earnings during the quarter was positively impacted by higher foreign exchange gains and negatively impacted by higher finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q3 2022 totalled \$10.3 million, or \$0.28 per Class A Ordinary Share, in comparison to earnings of \$10.0 million, or \$0.26 per Class A Ordinary Share in Q3 2021.

Net earnings for the nine months ended September 30, 2022 totalled \$24.2 million, an increase of \$2.2 million or 10% when compared to net earnings of \$22.0 million for the nine months ended September 30, 2021. In addition to the items impacting operating income, net earnings for the nine months ended September 30, 2022 were positively impacted by lower finance charges and higher other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the nine months ended September 30, 2022 totalled \$23.9 million, or \$0.64 per Class A Ordinary Share, in comparison to earnings on Class A Ordinary Shares of \$21.7 million, or \$0.58 per Class A Ordinary Share, for the nine months ended September 30, 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 37,444,256 for Q3 2022 and 37,263,218 for Q3 2021.

The table “Quarterly Results” summarises unaudited quarterly information for each of the eight quarters ended December 30, 2020 through September 30, 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					
<i>(\$ thousands, except basic and diluted earnings per ordinary share)</i>					
	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted earnings per Class A Ordinary Share
September 30, 2022	79,031	10,420	10,308	0.28	0.28
June 30, 2022	58,167	8,310	8,197	0.22	0.22
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	9,985	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



Financial Position

The following table is a summary of significant changes to the Company's balance sheet:

Significant changes in Balance Sheet (from December 31, 2021 to September 30, 2022)		
(\$ in millions)		
Balance Sheet Account	Increase/ (Decrease)	Explanation
Cash	1.4	Increase due to proceeds from short term facility offset by increase in working capital requirement
Accounts Receivable	13.9	Increase due to higher electricity sales revenues and higher fuel costs
Regulatory Assets	7.5	Increase due to higher fuel, lube and renewable costs
Property, Plant and Equipment	38.2	Increase due to capital expenditures for the period
Accounts Payable and Accrued Expenses	22.4	Increase attributable to higher fuel costs payable resulting from higher fuel prices
Bank Overdraft	8.8	Increase due to increase in working capital requirement
Short Term Debt	40.0	Drawdown of credit facility to meet obligations
Long-Term Debt	(15.1)	Decrease due to debt repayments
Share Premium	3.4	Increase due to issuance of 219,614 shares through the Company's share purchase plans
Retained Earnings	4.2	Increase due to net earnings of \$24.2 million, offset by dividend payments on Class A Ordinary Shares of \$19.7 million and Class B Preference Shares of \$0.3 million

The Economy

The Cayman Islands Economics and Statistics Office ("ESO") published the 2022 First Quarter Economic Report in September 2022. The report indicated that the Gross Domestic Product ("GDP") expanded by an estimated annualized rate of 3.8% in the first three months of 2022. The economic expansion was driven largely by the recovery in tourism and transportation-related sectors. Hotels and restaurants had an estimated growth of 27.8% for the period, while transportation and communication expanded by 14.3%. The financial services sector, the largest contributor to GDP, had estimated growth of 2.5%, while business activities and administrative services rose by 2.1%.

In July 2022, ESO reported the Consumer Price Index ("CPI") increased by 12.1% in the second quarter of 2022 when compared to the same period in 2021. The increase in the second quarter CPI is mainly traced to the following divisions: Housing and Utilities increased by 19.2%, transport increased by 17% due to a significant increase in the average cost of fuels, and Clothing and Footwear increased by 10.4%.

Financial services is one of the two main industries of the Cayman Islands. The table below itemises trends in some of the key financial sectors:

Indicators for the Financial Services Industry		
	As at September 30, 2022	As at December 30, 2021
Bank Licenses	96	101
Mutual Funds	13,016	12,719
Mutual Fund Administrators	75	75
Registered Companies*	119,922	99,327
Captive Insurance Companies	668	686

*Data available as at Q2 2022



The tourism sector is the second main pillar of the Cayman Islands economy and continues its recovery following the restrictions in 2020 and 2021 due to the COVID-19 pandemic. The following table presents statistics for tourist arrivals in the Cayman Islands for the three months ending September 30:

Tourist Arrivals to the Cayman Islands					
	2022*	2021	2020	2019	2018
By Air	32,411	2,212	532	134,900	118,758
By Sea	77,560	-	-	367,410	390,012
Total	109,971	2,212	532	502,310	508,770

*Year-to-date data as of July 31, 2022

All data is sourced from the Cayman Islands Government, Cayman Islands Economics & Statistics Office, Cayman Islands Monetary Authority, Cayman Financial Review and Cayman Islands Department of Tourism; www.gov.ky www.ESO.ky www.cimoney.com.ky www.caymanfinancialreview.com www.caymanislands.ky

Liquidity

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

Cash Flows						
(\$ thousands)						
	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change	% Change
Beginning cash	3,312	19,105	7,360	45,586	(38,226)	-84%
Cash provided by/(used in):						
Operating activities	19,339	17,538	50,972	47,016	3,956	8%
Investing activities	(27,202)	(16,540)	(65,792)	(46,684)	(19,108)	41%
Financing activities	13,263	(5,546)	16,172	(31,361)	47,533	152%
Ending cash	8,712	14,557	8,712	14,557	(5,845)	-40%

Operating Activities:

Cash flow provided by operations after working capital adjustments for Q3 2022 increased by \$1.8 million when compared to Q3 2021. Cash flow provided by operations after working capital adjustments for the nine months ending September 30, 2022 increased by \$4.0 million when compared to the nine months ended September 30, 2021. The increase are primarily attributable to the changes in the working capital balances and higher earnings when compared to the same period last year.

Investing Activities:

Cash used in investing activities for Q3 2022 totalled \$27.2 million, an increase of \$10.7 million from \$16.5 million for Q3 2021. For the nine months ending September 30, there was a 41% increase in cash used in investing activities between 2021 and 2022. This increase is due mainly to higher capital expenditures. Significant capital projects in 2022 include the Low Voltage System Upgrades, purchase of a 4.6 MW Gas Turbine and T&D System upgrades.

Financing Activities:

Cash provided by financing activities for Q3 2022 totalled \$13.3 million, an increase of \$18.8 million compared to cash used for financing activities of \$5.5 million for Q3 2021. Cash provided by financing activities for the nine months ended September 30, 2022 totalled \$16.2 million, an increase of \$47.6 million compared to cash used for financing activities of \$31.4 million for the nine months ended September 30, 2021. This increase in cash provided by financing activities was due to the short-term debt proceeds partially offset by debt repayments.



Capital Expenditures

Capital expenditures for the nine months ended September 30, 2022 were \$65.8 million, an increase of \$22.4 million, or 52% in comparison to the \$43.4 million in capital expenditures for the nine months ended September 30, 2021. The capital expenditures for the nine months ended September 30, 2022 primarily relate to:

- Distribution system extension and upgrades - \$17.4 million
- Generation Replacement - \$10.3 million
- 4.6MW Gas Turbine - \$10 million
- Utility Scale Battery Project - \$7.2 million
- Seven Mile Beach 69/13kV and Prospect Substations – \$4.8 Million



AFUDC of \$6.3 million was capitalized in the nine months ended September 30, 2022.

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. The related-party transactions for 2021 and 2020 are summarised in the following table:

Related Party Transactions		
(\$ thousands)	As at September 30, 2022	As at September 30, 2021
Receivables from Fortis TCI (a subsidiary of Fortis Inc.)	2	-

Contractual Obligations

The contractual obligations of the Company over the next five years and periods thereafter, as at September 30, 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	319,026	55,195	33,701	37,727	192,403
Debt interest	123,552	11,948	20,650	17,504	73,450
Total	442,578	67,143	54,351	55,231	265,853

Effective July 19, 2022, the Company contracted to lease a 5MW temporary generation equipment to provide a reserve margin adequate to ensure acceptable levels of reliable service. The lease period is for a minimum of 24 calendar months commencing on the day the equipment is received by the Company, expectedly before the end of the year. Estimated contractual obligation for the minimum period is \$1.7 million. OfReg has approved all rental fees and costs associated with the temporary rental generation units to be treated as Regulatory Assets to be recovered over a 10-year period.



Capital Resources

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

Capital Structure				
	September 30, 2022 (\$ thousands)	%	December 31, 2021 (\$ thousands)	%
Total debt	317,817	51%	293,291	50
Shareholder's equity	305,568	49%	297,878	50
Total	623,385	100%	591,169	100

The change in the Company's capital structure between December 31, 2021 and September 30, 2022 was a net effect of long term debt principal payments amounting to \$15.6 million and the \$40.0 million short-term debt acquired during the first nine months of the year.

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 September 30, 2022, the Company was in compliance with all debt covenants.

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

S&P BBB+/ **Stable**

DBRS Morningstar A (low)/**Stable**

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 loss on pension plan assets during Q3 2022 was 40% due to the investment performance (Q3 2021: gain of 1%). The discount rate assumed for 2022 is 2.8% compared to the discount rate assumed during 2021 of 2.4%.

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.

In May 2022, the Ontario Securities Commission issued a final relief order which revokes the US GAAP Relief issued in 2017. The US GAAP Relief will terminate the earliest of: (i) January 1, 2027; (ii) the first date of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) the first date of the Company’s financial year that commences on or following the later of: (i) the effective date prescribed by the IASB for a mandatory rate-regulated standard; and (ii) two years after the IASB publishes the final version of a mandatory rate-regulated standard.

The Company is currently reviewing the implications of this order and analyzing alternate options to continue to report under US GAAP.

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 September 30, 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 September 30, 2022.



Outlook

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. 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 prequalified for both opportunities and is preparing to participate in these bid invitations.

The Government 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 is currently in discussions with the Government and OfReg to determine what impact this announcement will have on future renewable energy plans.

The Company received the regulatory approval for lifecycle upgrades to all MAN engines totalling 68MW of capacity. These upgrades will bring the engines up to the most current specification and facilitate a further 25 years of service after the upgrade. The upgrade will extend the useful life of these engines while increasing the fuel efficiency. It will also prepare the engines for conversion to run on natural gas. The Company is presently engaged in contract development for this project.

The CUC Electric Vehicle Charging network is being rolled out with 4 stations installed during Q3 2022 and a target of an additional 40 stations to be installed within the next year. The Company is focusing on Level 2 chargers with targeted locations of where people live and work.

In September 2022, the Company signed an Agreement with the technology group Wärtsilä for the supply of two 10 megawatt energy storage systems to CUC. This project, which will be CUC’s first energy storage facility, will enable the Company to approximately double its renewable energy capacity on Grand Cayman. It is also anticipated that this project will result in fuel factor savings leading to reduced bills and improved fuel efficiency of approximately 6% and a proportionate 6% reduction of CO2 emissions. It will also increase CUC’s level of reliability and its power quality.

In September 2022, CUC released its first Sustainability Report. This report facilitates the effective communication of the Company’s programmes that supports CUC’s commitment to the high standards in environmental, social and governance initiatives. The report can be accessed via the Company’s website at: www.cuc-cayman.com.

In October 2022, the Company submitted its 2023-2027 Capital Investment Plan (“CIP”) in the amount of \$403.4 million to OfReg for approval, including \$2.6 million in an alternative energy project. OfReg’s decision on the proposed 2023-2027 CIP is expected in December 2022.

In October 2022, OfReg approved the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme will cap the amount of the fuel factor paid by customers at \$0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. During the period of the Programme, CUC will record the excess fuel factor as Regulatory Asset for a 12-month recovery estimated at \$0.016 per kWh.

Residential Customer Fuel Relief Programme

Due to the significant increase in fuel cost, the Cayman Islands Government (“CIG”) offered a fuel cost credit to residents across the country to help alleviate the price of electricity during the peak summer period. The temporary Government assistance offered a fuel cost credit for residential customers who have monthly



consumption between 101 kWh and 2,000 kWh by subsidising the fuel cost in excess of \$0.18/kWh which was paid to the Company in advance of each month's billing cycle. The credit from the programme applied to energy consumed in July, August and September and billed in August, September and October. Total Programme cost to CIG during the relief period amounted to \$5.4 million.

On October 21, 2022, CIG announced the extension of its fuel relief program for residential customers until December 31, 2022. This will be in conjunction with the CUC Fuel Relief Program. CIG will cap the fuel cost for eligible residential customers at \$0.18 and subsidise to as much as \$0.06 per kWh.

Outstanding Share Data

At October 28, 2022, the Company had issued and outstanding 37,589,092 Class A 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 September 30, 2022	As at December 31, 2021
Assets			
<i>Current Assets</i>			
Cash		8,712	7,360
Accounts Receivable (Net of Allowance for Credit Losses of \$2,223 and \$1,976)	4	25,243	11,343
Regulatory Assets	5	32,317	24,746
Inventories		6,539	5,277
Prepayments		5,158	4,542
Total Current Assets		77,969	53,268
Property, Plant and Equipment, net		614,924	576,703
Intangible Assets, net		4,246	3,947
Other Assets		168	232
Total Assets		697,307	634,150
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Accounts Payable and Accrued Expenses		49,350	26,933
Short-Term Debt	8	40,000	-
Current Portion of Long-Term Debt	7	15,195	15,558
Consumers' Deposits and Advances for Construction		12,607	11,864
Bank Overdraft		8,834	-
Regulatory Liabilities	5	409	1,310
Current Portion of Lease Liability		91	87
Total Current Liabilities		126,486	55,752
Defined Benefit Pension Liability		1,825	1,894
Long-Term Debt	7	262,622	277,733
Other Long-Term Liabilities		806	893
Total Liabilities		391,739	336,272
Shareholders' Equity			
Share Capital ²		2,487	2,474
Share Premium		189,085	185,687
Retained Earnings		115,826	111,602
Accumulated Other Comprehensive Loss		(1,830)	(1,885)
Total Shareholders' Equity		305,568	297,878
Total Liabilities and Shareholders' Equity		697,307	634,150

See accompanying Notes to Condensed Consolidated Interim Financial Statements

² Consists of Class A Ordinary Shares of 37,589,092 and 37,369,478 issued and outstanding as at September 30, 2022 and December 31, 2021, respectively and Class B Preference Shares of 249,500 and 249,500 issued and outstanding as at September 30, 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 September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating Revenues					
Electricity Sales	3	27,873	26,455	75,507	73,060
Fuel Factor	3	49,536	28,002	108,830	65,785
Renewables	3	1,622	1,645	4,507	4,356
<i>Total Operating Revenues</i>		79,031	56,102	188,844	143,201
Operating Expenses					
Power Generation		52,388	30,815	117,209	73,761
General and Administration		2,661	2,394	7,725	7,036
Consumer Services		1,091	887	2,982	2,381
Transmission and Distribution		820	1,212	3,288	3,716
Depreciation		9,896	9,386	28,666	28,996
Maintenance		1,681	1,470	4,654	4,276
Amortization of Intangible Assets		257	254	717	765
<i>Total Operating Expenses</i>		68,794	46,418	165,241	120,931
Operating Income		10,237	9,684	23,603	22,270
Other Income/(Expenses)					
Finance Charges	9	(1,307)	(852)	(3,409)	(3,907)
Foreign Exchange Gain	10	571	435	1,359	1,144
Other Income		919	831	2,663	2,483
<i>Total Net Other Income/ (Expenses)</i>		183	414	613	(280)
Net Earnings for the Period		10,420	10,098	24,216	21,990
Preference Dividends Paid- Class B		(112)	(113)	(337)	(339)
Earnings on Class A Ordinary Shares		10,308	9,985	23,879	21,651
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)					
		37,524	37,240	37,482	37,263
Earnings per Class A Ordinary Share		0.28	0.26	0.64	0.58
Diluted Earnings per Class A Ordinary Share		0.28	0.26	0.64	0.58
Dividends Declared per Class A Ordinary Share		0.175	0.175	0.525	0.525

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 September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net Earnings for the Period	10,420	10,098	24,216	21,990
Other Comprehensive Income:				
Amortization of Net Actuarial Loss	18	34	55	100
Total Other Comprehensive Income	18	34	55	100
Comprehensive Income	10,438	10,132	24,271	22,090

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	-	-	-	-	-	24,216	24,216
Common share issuance and stock options plans	220	13	-	3,398	-	-	3,411
Defined benefit plan	-	-	-	-	55	-	55
Dividends on common shares	-	-	-	-	-	(19,655)	(19,655)
Dividends on preference shares	-	-	-	-	-	(337)	(337)
As at September 30, 2022	37,589	2,237	250	189,085	(1,830)	115,826	305,568
As at December 31, 2020	37,095	2,208	250	181,671	(2,922)	108,292	289,499
Net earnings	-	-	-	-	-	21,990	21,990
Common share issuance and stock options plans	208	12	-	3,126	-	-	3,138
Defined benefit plan	-	-	-	-	100	-	100
Dividends on common shares	-	-	-	-	-	(19,512)	(19,512)
Dividends on preference shares	-	-	-	-	-	(339)	(339)
As at September 30, 2021	37,303	2,220	250	184,797	(2,822)	110,431	294,876

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 September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<i>Operating Activities</i>				
Net Earnings for the period	10,420	10,098	24,216	21,990
Items not affecting cash:				
Depreciation	9,896	9,386	28,666	28,996
Amortization of Intangible Assets	257	254	717	765
Amortization of Deferred Financing Costs	24	29	83	86
	20,597	19,767	53,682	51,837
Net Changes in Working Capital Balances Related to Operations	(4,002)	(967)	5,762	2,876
Net Change in Regulatory Deferrals	2,744	(1,262)	(8,472)	(7,697)
<i>Cash flow related to operating activities</i>	19,339	17,538	50,972	47,016
<i>Investing Activities</i>				
Purchase of Property, Plant and Equipment	(26,977)	(16,235)	(64,809)	(45,894)
Costs Related to Intangible Assets	(225)	(305)	(1,017)	(916)
Proceeds on Disposed Assets	-	-	34	48
Contributions in Aid of Construction	-	-	-	78
<i>Cash flow related to investing activities</i>	(27,202)	(16,540)	(65,792)	(46,684)
<i>Financing Activities</i>				
Proceeds from Short-Term Debt	10,000	-	40,000	-
Repayment of Long-Term Debt	-	-	(15,558)	(14,130)
Increase in Bank Overdraft	8,834	-	8,834	-
Dividends Paid	(5,998)	(6,003)	(18,480)	(18,542)
Net Proceeds from Share Issues	427	457	1,376	1,311
<i>Cash flow related to financing activities</i>	13,263	(5,546)	16,172	(31,361)
Increase/Decrease in net cash	5,400	(4,548)	1,352	(31,029)
Cash, Beginning of the period	3,312	19,105	7,360	45,586
Cash, End of the period	8,712	14,557	8,712	14,557
Supplemental disclosure of cash flow information:				
Interest paid during the period	1,135	799	7,576	7,574

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Unaudited – September 30, 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”).

As part of its COVID-19 Customer Relief Programme, OfReg approved the deferral of the 6.6% rate base increase effective June 1, 2020 to January 1, 2021. Total deferred revenue amounted to \$3.5 million and will be recovered within two years from January 1, 2021. During the first nine months of 2022, \$1.3 million was recovered from customers for the base rate increase deferral (2021: \$1.3 million), bringing the total amount recovered to \$3.1 million as at September 30, 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 nine months of 2022, \$0.2 million (2021: \$0.2 million) was recovered from customers for COVID-19 related expenses, bringing the total amount recovered to \$0.5 million as at September 30, 2022.

In April 2022, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. This required increase was a result of the applicable return on base rate (“RORB”) and United States (“US”) and Cayman Islands consumer price indices, adjusted to exclude food and fuel.

Due to the current economic environment and rising fuel prices, OfReg approved the Company’s proposal to defer the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022 the Company will track the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as deferred revenue as at September 2022 was \$1.6 million.

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 the air-conditioning load. Consequently, interim results are not necessarily indicative of annual results.

Taxation

Under current laws 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. Summary of Significant Accounting Policies

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				
	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
(\$ thousands)				
Electricity Sales Revenues				
Residential	15,430	14,568	40,521	39,098
Commercial	12,250	11,685	34,380	33,357
Other (street lighting, etc.)	193	202	606	605
Total Electricity Sales Revenues	27,873	26,455	75,507	73,060
Fuel Factor	49,536	28,002	108,830	65,785
Renewables	1,622	1,645	4,507	4,356
Total Operating Revenues	79,031	56,102	188,844	143,201

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 OfReg 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 are based on actual bills rendered for the reporting 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”) programme and 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 September 30, 2022	As at December 31, 2021
Billings to consumers		26,537	12,384
Other receivables		929	935
Allowance for credit losses		(2,223)	(1,976)
Total Accounts Receivable, net		25,243	11,343

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 are as follows:

Allowance for Credit Losses			
(\$ thousands)		Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Beginning of period		(1,976)	(2,303)
Credit loss expensed		(212)	(89)
Write-offs (Recoveries)		(35)	436
End of period		(2,223)	(1,956)

5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
(\$ thousands)			
Asset/Liability	Description	As at September 30, 2022	As at December 31, 2021
Regulatory Assets	Fuel Tracker Account	29,347	22,557
Regulatory Assets	Derivatives Contract	68	19
Regulatory Assets	Miscellaneous Regulatory Assets	90	110
Regulatory Assets	Deferred 2020 Revenues	421	1,724
Regulatory Assets	Deferred 2022 Revenues	1,554	-
Regulatory Assets	Deferred COVID-19 Costs Government & Regulatory Tracker Account	89	336
Regulatory Assets		748	-
Total Regulatory Assets		32,317	24,746
Regulatory Liabilities	Government & Regulatory Tracker Account	-	(749)
Regulatory Liabilities	Demand Rate Recoveries	(242)	(561)
Regulatory Liabilities	Derivatives Contract	(167)	-
Total Regulatory Liabilities		(409)	(1,310)

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 September 30, 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.

PSUs outstanding as at September 30, 2022 relate to grants 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 \$0.07 million for the three-month period ended September 30, 2022 (the three-month period ended September 30, 2021: \$0.09 million), resulting in a corresponding increase to Other Long-Term Liabilities.

PSU Compensation expense was \$0.4 million for the nine-month period ended September 30, 2022 (the nine-month period ended September 30, 2021: \$0.3 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 hierarchy:

The three levels of the fair value hierarchy are defined as follows:

- 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.

Caribbean Utilities Company, Ltd.

There have been no changes in the methodologies used at September 30, 2022. The estimated fair values of the Company's financial instruments, including derivative financial instruments, are as follows:

Financial Instruments				
(\$ thousands)	As at September 30, 2022		As at December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion	277,817	233,020	293,291	300,241
Fuel Option Contracts	33	33	19	19

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 September 30, 2022.

8. Short-Term Debt

In May 2022, the Company drew down \$30.0 million against its credit facilities with Scotia Bank and Trust (Cayman) Limited to assist with the short term operational and capital investment needs until the Company's long term financing plan is in place. An additional \$10.0 million was drawn down in July 2022.

9. Finance Charges

The composition of finance charges were as follows:

Finance Charges				
(\$ thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Month Ended September 30, 2022	Nine Months Ended September 30, 2021
Interest costs – long-term debt	2,931	3,161	9,176	9,841
Other interest costs	363	31	562	104
AFUDC	(1,987)	(2,340)	(6,329)	(6,038)
Finance Charges	1,307	852	3,409	3,907

10. Foreign Exchange

The closing rate of exchange on September 30, 2022 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was Cdn \$1.3707 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 September 30, 2022 for conversion of Cayman Islands dollars into Canadian dollars was Cdn \$1.6448 per CI\$1.00 (December 31, 2021: Cdn \$1.5214).

11. Commitments

Effective July 2022, the Company contracted to lease a 5MW temporary generation equipment to provide a reserve margin adequate to ensure acceptable levels of reliable service. The lease period is for a minimum of 24 calendar months commencing on the day the equipment is received by the Company, expectedly before the end of the year. Estimated contractual obligation for the minimum period is \$1.7 million. OfReg has approved that all rental fees and costs associated with the temporary rental generation units will be treated as Regulatory Assets to be recovered over a 10-year period.

As at September 30, 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	2026- 2027	2027- 2028	2028 Onward
Letter of Guarantee	1,000	1,000	-	-	-	-	-
Lease Liability	171	24	147	-	-	-	-
Commitments	1,171	1,024	147	-	-	-	-

Caribbean Utilities Company, Ltd.

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 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
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Tel: (345) 949-5200
Fax: (345) 949-4621
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Website: www.cuc-cayman.com