A decorative graphic on the left side of the slide consists of a series of vertical bars of varying heights and colors. The bars transition from light yellow on the left to light blue and then to a darker blue on the right, creating a sense of depth and movement.

Update on INE and Recent Developments Nicaragua's Energy Sector

Eng. José David Castillo S.
President, Board of Directors

Austin, Texas – July 2008



Current Situation

- Electricity rationing in Nicaragua, which averaged 16% last year, ended on November 29, 2007, with the recovery of the generating plants that were undergoing maintenance, plus the entry into generation of the sugar mills (60MW) and the installation of 2 new generating plants (bunker) with a total installed capacity of 60MW.
- By October 2008, 40MW (bunker) generating plants will be installed, thus guaranteeing uninterrupted service and reducing diesel generation, which will be used as a reserve.



Rates

- The increase in petroleum prices has affected electricity rates, triggering an electricity rate review.
- Rate Adjustments: Four rate adjustments have been approved (January, February, May, June and July), totaling **15.78%**. Considering the adjustments in 2006 and 2007, the total adjustment is 41.8%.
- In July, the rate schedule review also served to adjust the Distribution Value Added (VAD) and the Market Structure.



Study on Losses

- A distribution loss study was completed by a Colombian consultant for the Ministry of Energy and Mines with funding from the World Bank:
 - 8% technical losses
 - Rest: non-technical losses

- Another study to determine distribution losses was undertaken, with support from USAID, which was fundamentally based on field measurements to verify the results of the previous study.



Strengthening of the Legal Framework

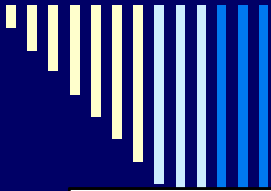
- The **Law on Distribution and Responsible Use of Electric Utility Services** was enacted for the purpose of eliminating electricity fraud and theft.
- The Penal Code, effective as of July 2007, provides that electricity fraud is a crime.



Sector Stability

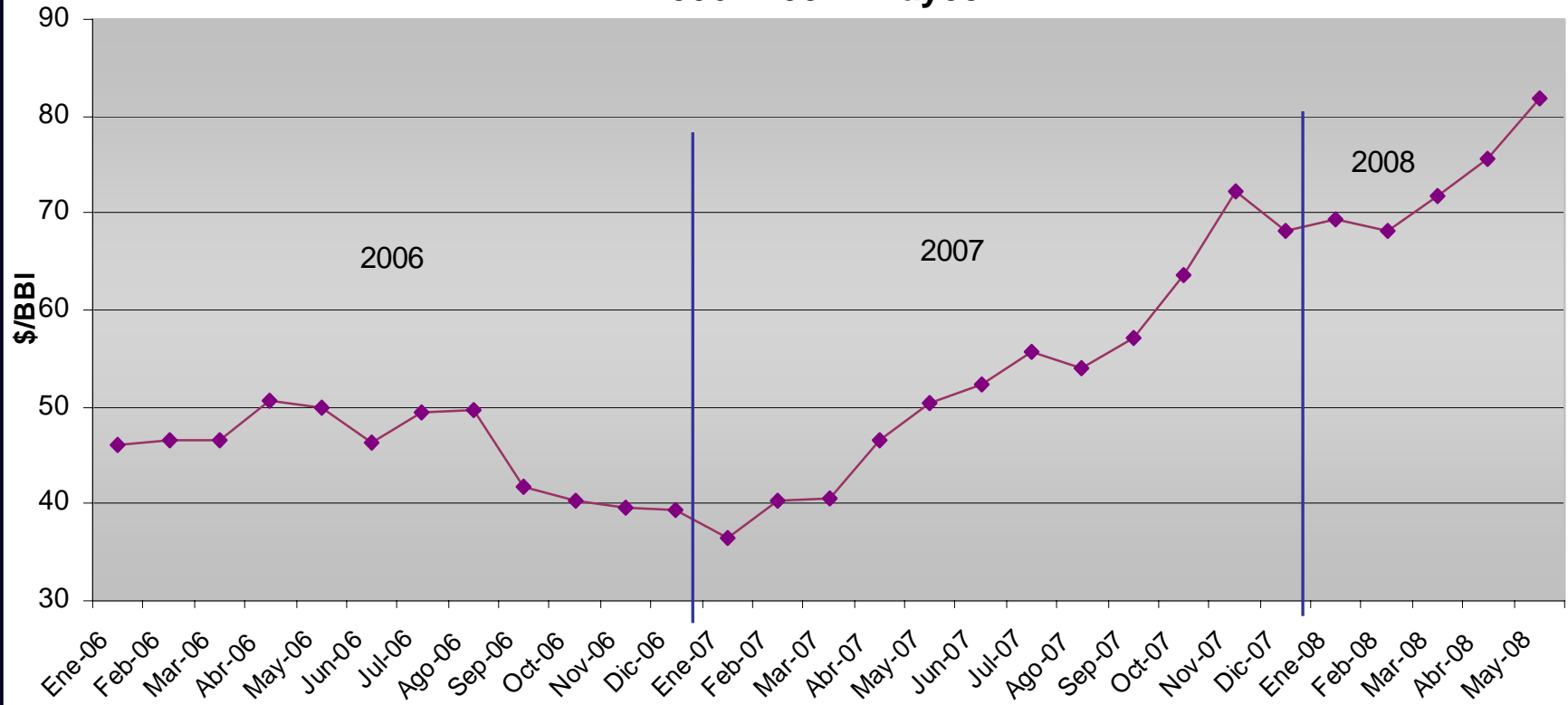
A Protocol of Understanding between the Government of Nicaragua and the companies DISNORTE – DISSUR was recently signed, involving amendments to the Electric Industry Law, with the objective of influencing:

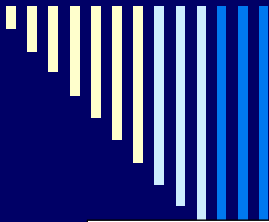
- The provision of public lighting services
- The annual review and adjustment of the market structure recognized in the electricity rate.
- Changes in the value of the technical losses included in the electricity rate.
- Subsidies to electricity consumers located in economically vulnerable settlements and neighborhoods.
- Changes in the application and collection of the municipal tax.



Comportamiento Bunker

2006 - 2007 - May08





Comportamiento de Precio Monomico 2006 a Marzo 2008

