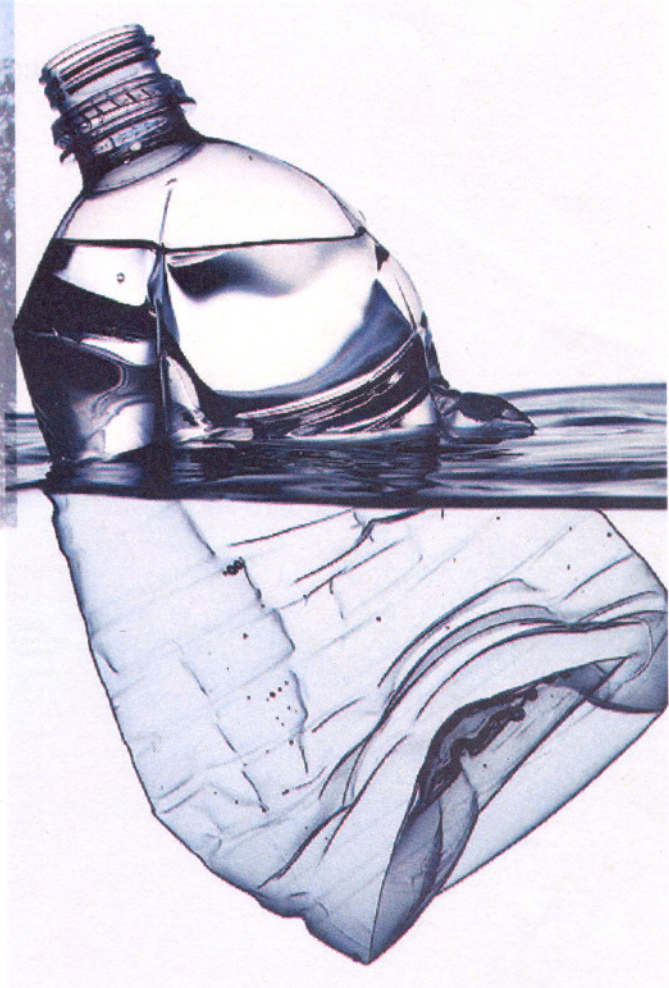
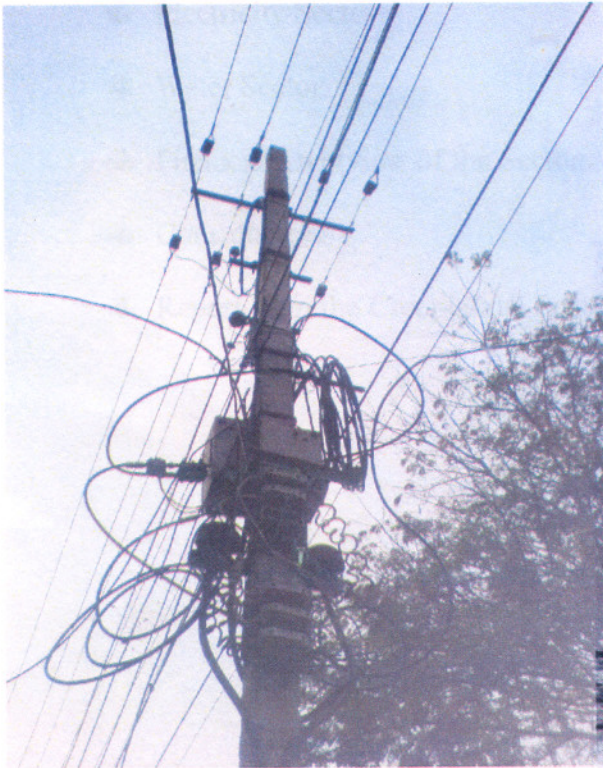




Secretary
Public Utilities Commission

Public Utilities Commission Annual Report



2005

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PUBLIC UTILITIES COMMISSION

ANNUAL REPORT 2005

INTRODUCTION

The Public Utilities Commission is pleased to present its fifteenth Annual Report, in terms of Section 85 of the PUC Act No. 10 of 1999, for presentation to Parliament.

This Report will serve to inform all concerning our activities during the year 2005, and also of our hopes and aspirations bearing in mind at all times the viability of the utilities and the interests of the consumers.

The Commission is a body corporate established by virtue of the Public Utilities Commission Act No. 26 of 1990 which came into effect on the 1st October, 1990. This Act was amended in 1991 and 1994, and the Commission is at present operating under Act No. 10 of 1999 which came into force on 1st October 1999.

The Commission presently consists of a Chairman, who is a full time official, and three other Commissioners, who are appointed on a part-time basis. There is provision (section 5 of the Act) for the appointment of four Commissioners, but the Commission has been functioning with three since July 2001.

The present composition of the Commission is as follows:

- Justice Prem Persaud CCH - Chairman
- Mr. Badrie Persaud - Member
- Mr. John Caesar - Member
- Mr. Maurice Solomon - Member

FUNCTIONS OF THE COMMISSION

Mission

- To ensure that regulated utilities offer efficient service to consumers at a reasonable cost.

Vision

- To create an environment in which there is universal access to service in the public sector, as well as a high quality of service which are cost effective and beneficial to all stakeholders.

Objectives

- To establish and enforce rules and procedures for the regulation of public utilities, commensurate with internationally accepted regulatory standards.
- To promote and regulate the efficient long-term provision of utility services for national development consistent with Government policy.
- To provide a fair environment conducive to business interest and investment in the public utilities sector, and in the interest of consumers.
- To investigate and resolve in a timely manner complaints filed with the Commission against any public utility.
- To carry out its functions/mandate in a fair, transparent and independent manner.

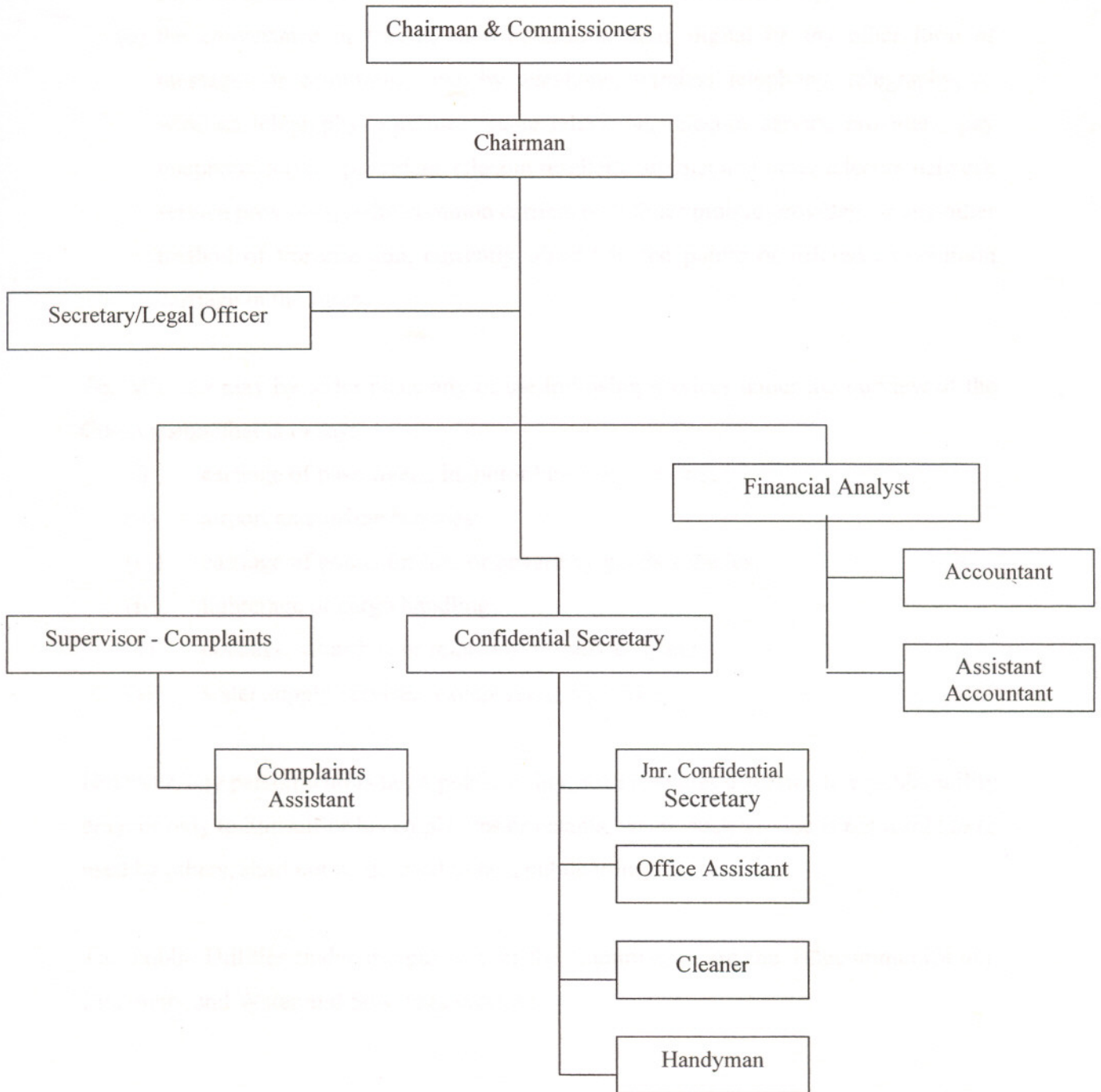
Functions

- The functions of the Commission are regulatory, investigatory, enforcement and such others conferred on it by the Act.
- The Commission also has the power to initiate and conduct investigations into the operations and standards of service of any public utility.

- The Commission does not issue licences for the operation of any utility, but this is reserved for the office of the Prime Minister in the case of Telecommunication and Electricity, and to the Minister of Housing and Water in the case of Water and Sewerage services.
- The Commission is not involved in the Frequency Management or the grant of spectrum. This is the purview of the National Frequency Management Unit.
- We are not involved in policy matters, but we may be called upon to act in an advisory capacity to the Minister responsible for Utilities on such matters concerning public utilities as are referred to us by the Minister.

PUBLIC UTILITIES COMMISSION

ORGANISATION CHART



Public Utilities

The Act defines 'public utilities' as any person who or which owns facilities used to provide or provides the following services:-

- (a) the production, generation, storage, transmission, sale, delivery, furnishing or supplying, directly or indirectly, to or for the public, of electricity;
- (b) the conveyance or transmission of oral, written, digital or any other form of messages or communications by telephone, wireless telephony, telegraphy; or wireless telegraphy, satellites, cable television, telecom service providers, pay telephone service providers, telecom resellers, internet and other telecom network service providers, radio common carriers or cellular mobile providers or any other method of transmission, currently offered to the public or offered as common carriage in the future.

The Minister may by order place any of the following services under the purview of the Commission, that is to say:

- (i) carriage of passengers, in motor buses or hire cars;
- (ii) airport and airline services;
- (iii) carriage of goods for hire or reward by goods vehicles;
- (iv) lighterage or cargo handling;
- (v) dockage, wharfage or related cargo services; and
- (vi) water supply services, except retail deliveries.

However, any person who is not a public utility, who provides a service to a public utility only, or only to himself or his employees or tenants, where such service is not resold to or used by others, shall not be deemed to be a public utility.

The Public Utilities under the purview of the Commission are the Telecommunication, Electricity and Water and Sewerage services.

TELECOMMUNICATIONS SECTOR

The Government granted licences to four entities to provide telecommunication services to the people of Guyana. These are:

- Guyana Telephone & Telegraph Company Limited (GT&T)
- Caribben Telecommunications Limited (CTL)
- Caribbean Wireless Telecommunication Inc. (CWT)
- Cel*Star (Guyana) Inc.

The main telecommunications provider, Guyana Telephone & Telegraph Co. Ltd., with the monopoly on land line services was incorporated in 1990 and in January 1991 Atlantic Tele-network Inc. (ATN) acquired an 80 percent share in the company, equivalent to US\$16.5M. The remaining 20 percent was retained by the Government.

The incumbent GT&T with its monopoly on land line service honored its undertaking by expanding this facility from 103,267 in 2004 to 113,481 in 2005. This saw 10,214 additional customers accessing the service. However, there are still quite a few old and fairly new communities across the country where people are desirous of having the land line phone service.

The company has also been slow to respond to the demand for Fixed Wireless Access (FWA) phone service that is used in the outlying areas of Guyana. Many citizens from the Essequibo coast have applied for fixed line phone service since mid 1990s and while a few were able to access the FWA service many others are still on the waiting list.

The company appeared to have problems troubleshooting this technology in terms of repairs and replacements. To derive maximum benefit from the FWA service, it is essential for it to have a reliable and stable supply of electricity.

The Commission approved an application by GT&T for rates for Multimedia Services (MMS) in 2005. The PUC ordered that messages under 75 kilobytes will attract a cost of GUY\$30.00 per message while messages over 75KB will cost \$75.00. (*See attached Order No. 1 of 2005*).

In 2005 the company also complained to the Commission about what they termed as the increasingly prevalent and insidious form of bypass by Net Cafes and Yap Jacks which they claimed has had a negative impact on GT&T's revenue base. GT&T also claimed that these proliferations violate GT&T's licence and current telecommunication laws.

In August 2005 the new entrant in the mobile communication sector, Cel*Star (Guy.) Inc., applied for an amendment to its existing cellular rates. The existing rates were approved by an Order No. 2 of 2004 of the PUC dated December 01, 2004.

In its application, Cel*Star requested approval for a 50 percent reduction on its categorized services—many of which were conceived after the Order No. 2 of 2004 was issued, and of which the Commission was not familiar. The PUC requested modifications to this Application and it was eventually stayed.

On November 18, 2006 Cel*Star applied for a proposed change in rates applicable for a four-month period (December 15, 2006 to April 15, 2006) for the purpose of conducting a promotion. The promotion offered the Applicant's Post and Pre-paid customers who have used \$3,000.00 worth of minutes within the month, to receive free on-network calls for the rest of the month. Each customer had to use \$3,000.00 for the month before he/she could have qualified for the free calls.

After a hearing from all the interested parties/stakeholders, the application was approved by the Commission on December 12, 2005 by Order No. 4 of 2005 for the period December 15, 2005 to March 15, 2006. (*See attached Order*)

A request was made to GT&T for there to be an allocation of costs with respect to expenses being matched to the revenue centers. GT&T has responded indicating that the central obstacle in undertaking the kind of expense—revenue matching resides in the fact that meaningful cost separation requires an agreed cost allocation tool. GT&T indicated that they had a number of concerns with respect to the Terms of References, working methods and deliverables of the consultants. They also queried the assumptions and methodologies which informed the Consultant's final proposals and sought justification of the methodology proposed for Guyana and the justification of the CAM in the Guyana context. Essentially GT&T has therefore not complied with the request of the Commission.

WATER SECTOR

Boil Water Order

During the year under review, GWI took precautionary measures and issued an order for consumers of Kuru Kururu located on the Soesdyke Linden Highway to boil all water for drinking and food preparation. This was due to the over-topping of a creek located above the free-flowing well which supplied 600 customers.

Tariff Increase

In June of 2005 GWI applied for an increase tariff of 10% across the board to take effect from 1st July 2005. In fixing the tariffs the Commission took into consideration GWI's Strategic Plan, capital expenditure which is dependent upon Grants from the Government of Guyana and Donor Agencies including DFID, EU, etc., and their operational expenditure which must be covered by revenue earned during 2005.

Public Hearings were held and many issues discussed concerning the quality of standard of the water supplied and service quality in terms of the requirements of the licence.

GWI also undertook to combat the infiltration problem by fixing leaks in the distribution system. A metering project was done in La Bonne Intention but only 3000 meters were installed. Due to contracting hiccups the project was delayed.

GWI was in dire need of finances to effectively discharge its duties and fulfill its obligations set out in the license.

After much deliberation the Commission issued an Order in October of 2005 granting an increase of 10% on the rates which were presently in force for unmetered consumers, and an increase of 5% on the rates which were in force for the metered consumers. (*See attached Order 3/2005*).

ENERGY SECTOR

Guyana Power & Light Inc. has maintained a more or less stable supply of power in 2005 without any major disruptions.

The company claimed that it was plagued by technical and commercial losses which totaled a little over 40 percent—with commercial losses amounting to almost 29 percent. Commercial losses include losses through the billing system, defective meters and theft. Technical losses are classified as line losses (physical networks/infrastructure).

Allegations of theft by GPL

In 2005 the company continued with its campaign in an effort to reduce alleged electricity theft. This campaign was so vigorous that it would appear that legitimate customers were made to pay for consumers who were not necessarily customers. Conflicts arose with respect to the imposed retroactive adjustments made to accounts of consumers who were accused of unauthorized interference with the power company installations (meter, etc.).

In one instance this issue resulted in a litigious matter (Court Action, No.15/2005) which evolved from a Public Hearing put forward by the PUC in early 2005 involving nineteen consumers, who were accused by GPL of contravening the laws governing the supply of electricity. GPL resolved eight matters in favour of the consumers and on the day scheduled for the hearing of the other eleven GPL obtained an order from the High Court preventing the continuation of the hearing on the ground that they were not in receipt of the application by the consumers. The matter is still before the Court (*See attached Order 2/2005*).

Due to the rise in world price for fuels necessary to drive the electricity sector, GPL, in the second quarter of 2005 applied to PUC for a surcharge of \$8.04 more per kilowatt hour or unit of electricity. However, before implementing the surcharge, GPL cushioned some of the costs by reducing its basic rate, with the concurrence of the Commission.

Reports revealed that many customers were dissatisfied with the company's customer services. Matters that require few days to be resolved ended up taking weeks, putting consumers at a disadvantage. Where a query may have been lodged with respect to a billing anomaly, and where it had taken GPL weeks to reach a resolution, in the interim, the consumer was normally plagued by disconnections if the amount under query was not paid. The public perception was that because GPL is a monopoly, it virtually does whatever it wants.

Financial Matters

In 2002 Guyana Telephone & Telegraph Ltd filed an action in the High Court seeking an order to set aside certain provisions of the Public Utilities Commission Act, Act No.10 of 1999 which deals with the contributions by the public utilities to the annual expenses of the Commission (Section 64).

The Act provides for an annual assessment that should not exceed-

- 1) From GPL One per cent of the gross revenue derived from services or twenty-five million dollars. Whichever is less.
- 2) From the telecommunications industry one percent of the gross revenue derived from services provided.

GT& T in that action alleged discrimination between utilities which it contends is unconstitutional. In 2004 the High Court ruled against GT& T and the Company filed an appeal with the Court of Appeal. The matter is currently awaiting a hearing.

In the interim the Company has been paying twenty five million dollars (\$25,000,000) annually without prejudice to the court action. This has severely affected the PUC's ability to meet its current and projected expenditure.

The Public Utility Commission does not have current audited financial statements but staff of the Auditor General is currently doing an audit of 2004 financial statement with 2005 to follow that. The Commission hopes to have audited financial statements ready by the end of 2007

Public Utilities Commission

Income Statement For The Year Ended 31 December 2005

	Notes	2004	2005 \$
Income:	5		
Assessment Fees		50,091,062.00	50,123,141.00
Interest Earned		6,045,466.54	6,007,988.51
Other Income		891,704.00	
Total Income		57,028,232.54	56,131,129.51
Expenses:			
Employment Cost		37,793,283.00	40,205,899.00
Training Conference & Official Visits		5,148,934.00	4,776,372.00
Admin Expenses		3,114,506.32	3,010,493.74
Utility Charges		1,077,946.00	1,653,341.00
Professional Fees		692,075.00	1,323,000.00
Bank Charges		22,643.07	23,850.00
Depreciation		1,950,106.00	1,962,739.00
Repairs & Maint Equip, Building et		610,670.00	328,735.00
Rental of Building		3,049,700.00	2,562,200.00
Security Expenses		2,085,130.00	2,076,845.00
Counterpart Funding			153,817.00
Total Expenses		55,544,993.39	58,077,291.74
Net Surplus(Loss)		1,483,239.15	-1,946,162.23

Statement of Accumulated Fund

	2005 \$
Balance as at 31 December 2003	123,375,342.75
Net Surplus/(Deficit) For the Period	-1,946,162.23
Balance as at 31 December 2004	121,429,180.52

Public Utilities Commission

Balance Sheet

As At 31 December 2005

	Notes	2004 \$	2005 \$	\$
Assets				
Non Current Assets				
Fixed Assets				
Equipment	4	1,218,829.00	688,810.00	
Vehicle		2,018,800.00	1,009,400.00	
Furniture & Fittings		846,633.00	423,313.00	
		<u>4,084,262.00</u>	<u>2,121,523.00</u>	
Current Assets				
Cash at Bank		119,418,566.75	167,618,271.93	
Petty Cash		28,395.00	28,395.00	
Receivables		61,872.00	414,902.00	
Prepayments		125,806.00	48,197.00	
Rent Deposit		243,750.00	243,750.00	
		<u>119,878,389.75</u>	<u>168,353,515.93</u>	
Total Assets		<u><u>123,962,651.75</u></u>	<u><u>170,475,038.93</u></u>	
Equity and Liabilities				
Equity as at 31/12/2005		123,375,342.75	121,429,180.52	
Current Liabilities				
Payable		4,659.00	4,659.00	
Accrued Expenses		582,650.00	180,759.00	
Consumer Escrow Funds		<u>48,860,440.41</u>	<u>48,860,440.41</u>	
		587,309.00	49,045,858.41	
Total Liabilities and Equity		<u><u>123,962,651.75</u></u>	<u><u>170,475,038.93</u></u>	

Vidiahari I. Persaud
Secretary

Prem Persaud
Chairman

Public Utilities Commission
Cash Flow Statement
For The Year Ended 31 December 2005

	2005 \$
Cash Flow from operating activities	
Net Income	-1,946,162.23
Adjustments for:	
Depreciation	1,962,739.00
Increase in Receivables	-353,030.00
Decrease in Prepayments	77,609.00
Decrease in Accruals	-401,891.00
Cash Deposited in Escrow	48,860,440.41
Net cash provided by Operations	48,199,705.18
 Cash Flows from Investing Activities	
Used for purchase of :	Nil
 Net cash used in investing	
 Net Increase (decrease) in cash	48,199,705.18
 Summary	
Cash Balance at start of period	167,646,666.93
Cash Balance at end of period	119,446,961.75
Net Increase (Decrease) In Cash	(48,199,705.18)

PUBLIC UTILITIES COMMISSION
NOTES TO THE ACCOUNTS

- (1) The Public Utilities Commission is a body corporate established by virtue of the Public Utilities Commission Act No.26 of 1990 which came into effect on 1st October 1990. This Act was amended in 1991 and 1994, and we are at present operating under Act No. 10 of 1999 which came into force on 1st October 1999.
- (2) The main objective of the PUC is to perform regulatory, investigatory, enforcement and other functions conferred on it by the PUC Act.

(3) **Accounting Policies**

Accounting conventions

The financial statements have been prepared under the historical cost convention, and in accordance with International Accounting Standards adopted by the Institute of Chartered Accountants of Guyana.

Fixed Assets and Depreciation

Fixed assets are stated at cost and depreciated on the straight line method at rates, which are estimated to write-off assets over the term of their useful lives, as follows

Office Equipment	20%
Furniture & Fittings	20%
Vehicles	20%

(4) **Fixed Assets**

	Office Equip \$	Furniture & Fittings \$	Vehicle \$	Total \$
Cost as at:				
1 Jan 2005	2,650,090	2,116,593	5,047,000	9,813,683
Additions	Nil	Nil	Nil	0
31 Dec 2005	2,650,090	2,116,593	5,047,000	9,813,683
Depreciation:				
1 Jan 2005	1,431,261	1,269,960	3,028,200	5,729,421
Charge for the year	530,019	423,320	1,009,400	1,962,739
31 Dec 2005	1,961,280	1,693,280	4,037,600	7,692,160
Net Book Value:				
1 Jan 2005	1,660,415	1,269,953	3,028,200	5,958,568
31 Dec 2005	1,218,829	846,633	2,018,800	4,084,262

PUBLIC UTILITIES COMMISSION
NOTES TO THE ACCOUNTS

(5) Income

Assessments

These fees represents income received from utility companies as follows:

Atlantic	123,141
Guyana Power & Light	25,000,000
Guyana Telephone & Telegraph Co.	25,000,000
	50,123,141

Interest Earned

This represents interest received from the Commission's Bank accounts held at New Building Society and interest from loans repaid by employees.

Other Income

This represent income from other miscellaneous sources.

CONSULTANCIES

A Letter of Agreement between the Inter-American Development Bank (in the capacity as administrator of the Multilateral Investment Fund) and the Public Utilities Commission was signed on the 20th September, 2004. The Agreement was for the provision of a grant of US\$500,000 with the PUC providing a counterpart US\$233,000. The PUC was named as the executing agency. The Agreement is to finance the contracting of consulting services and the procurement of goods necessary for the execution of a technical cooperation program for strengthening the electricity sector regulations in support of private investment.

The specific objectives of the program are as follows:

- (i) Consolidate and further develop sector transparent and consistent legislation and regulation geared towards facilitating private investment, through rules for establishing competition in generation, solicitation procedures for Independent Power Producers and model contracts for Power Purchase Agreements
- (ii) Strengthen the PUC's transparency and accountability of operation, as well as its administrative and analytical capacity to (i) apply the Government's system access, tariff and other policies pertain to economic and technical regulation and (ii) evaluate, and advise on, proposals by private investors to pursue operations in the electricity sector.

Three components as indicated below are required:

- (i) Strengthening the legal /regulatory/institutional framework for private investor participation.
- (ii) Strengthening PUC's regulatory capacity
- (iii) Knowledge, development and dissemination.

2. COMPLAINTS ANALYSIS

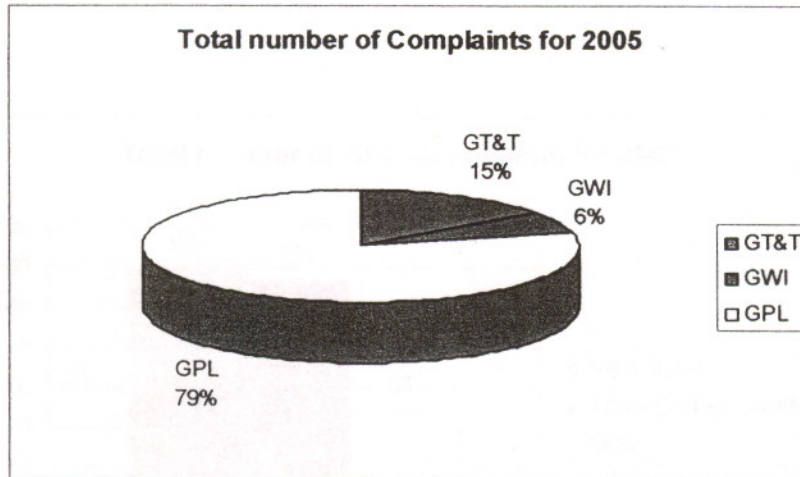
The Utilities

The total number of complaints received for 2005 amounted to 509. In comparison the department received a total of 411 complaints in 2004. The low number of complaints received from the water and sewerage sector could be attributed to the fact that consumers are not yet fully aware of the Commission's role in the complaints resolution process with regards to GWI.

2a. Number of Complaints received in 2005

UTILITY	NUMBER OF COMPLAINTS	AVERAGE NO. OF COMPLAINTS PER MONTH
GPL	401	33.42
GT&T	75	6.25
GWI	33	2.75
CEL*STAR	Nil	-
Total	509	42.42

2b. Percentage of Complaint for 2005



2.1 Guyana Power & Light Inc.

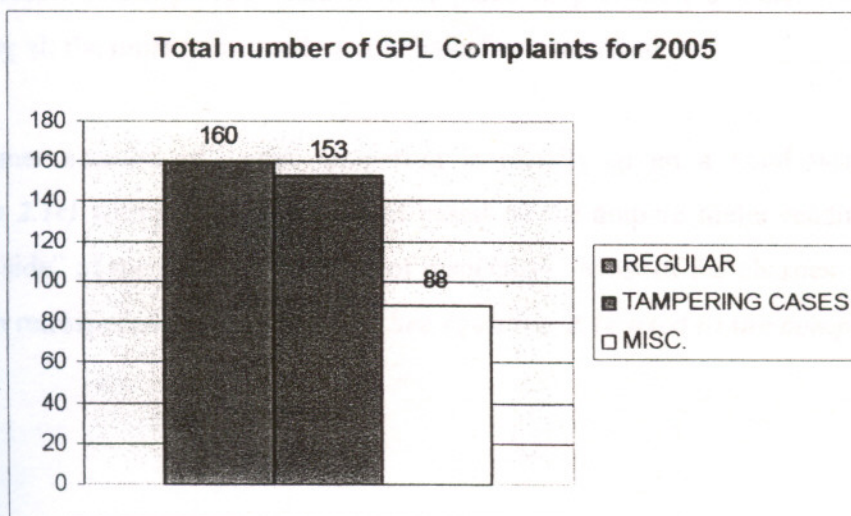
Of the four utilities mentioned in this report, Guyana Power & Light Inc.'s appears to be the most problematic. We have had the majority of complaints emanating from this sector – a total number of 401. In addition to the 160 issues dealing with billing queries, meter defects, applications for service, changes of tenancy, miscellaneous charges and disconnection of service, (*deemed as regular matters*) – there were 153 tampering cases. This figure constitutes some 38.25 % of all the complaints relating to GPL. In comparison, tampering allegations for 2004 represented a mere 4.9 % of complaints received for that period.

Miscellaneous complaints totalling 88 in number are really matters that have been addressed directly to the utility in question but a copy of the complaint was sent to the Commission to acquaint us with the issue(s) under query. Sometimes these matters are referred to subsequently when they are not dealt with effectively; or the customer is not satisfied with the utility's response. Of course, the complainant would first have to write, requesting that the Commission makes representation on his/her behalf.

2.1a. GPL Complaints for 2005

REGULAR	TAMPERING CASES	MISC.	TOTAL
160	153	88	401

2.1b.



The power company has seven responses outstanding regarding the 160 regular matters lodged in 2005 as well as six responses outstanding from a total of 153 tampering cases.

Feedback received from consumers by the Complaints Department indicated that GPL's customer service offerings appear to be in dire need of rehabilitation. The Commission, on several occasions has had cause to remind GPL of its obligation as a public service provider.

Many consumers who were accused of unlawful interference with meters have complained to us that some of the field investigators who are tasked with carrying out meter inspection often tried to solicit bribes in return for the submission of a positive/clean report and whenever a consumer refuses to comply, the report is then "doctored" to reflect current by-pass of the meter. In one such instance, a woman alleged that she was asked to pass up the "cheese" – her reply was that she does not even "have butter, much less cheese". A member of the inspection team allegedly retorted that, "*You don't want to pay me then you will pay GPL*". She was charged for contravening Article 6.4 of the power company Standard Terms & Conditions for Electric Service and back billed for one year for the sum of \$406,115.00.

Whenever such complaints are lodged with the Commission, we would in most cases ask GPL for a reinspection of the meter in question but the company's contention is that whatever mechanism was placed there in first place to prevent the meter from accurately registering all the units consumed, would have been removed.

A consumer accused of meter tampering is usually given a hand written bill (*see specimen 2.1c*) with a charge calculated based on the ampere meter reading taken from the "line side" of the meter at the time of inspection. Most of the charges are based on a 12-month retrospective billing period. (*See equation 2.1e used in the computation of the charge*).

2.1e Equation used to compute charges

Amps x Volts x 365 (*days in a year*) x 16 (*residential*) or 9 (*business*) / 12 (*months in a year*) x 1000 (*watts*) x 0.8 (*power factor*) = to charges.

Simplified: A x V x 365 x 16 /12000 x .8

As is evident in specimen (2.1c), the hand written bill issued to the consumer contains the barest of information. No indication on how such a large sum was arrived at; no mention of the rates used in the calculations; no indication of the billing period involved – just a form with bald figures. Suffice to say, many consumers are at a loss to fully comprehend this type of billing.

Noteworthy, however, is the fact, that on the intervention of the PUC, 39 consumers with respect to the regular matters have had their accounts credit adjusted with an amount totaling a little over \$6M, while there were credit adjustments made to 17 accounts in relation to tampering cases to the sum of \$1.7M.

There were also two matters which were of particular interest to the department. Two consumers, Marics & Co. Ltd. And Woodbine Hotel International have complained to the Commission that the meters attached to their above businesses were registering more kilowatt hours (kwh) of electricity than what was actually being consumed.

With respect to Marics, a twenty-four hours monitoring/evaluation of the consumption was done by Cummings Electrical who observed that GPL's meter was actually registering 26.9% more than what was actually consumed by the business. This "faulty" meter was installed in May 2003. The power company, however, responded by reducing the over billed charges for a period of one year – July 2004 to July 2005. This was done in accordance with their stipulated policy regarding billing adjustments. The "faulty" meter was replaced in September 2005.

Woodbine Hotel on the other hand, had the result of their evaluation by Cummings Electrical turned down by GPL. The power company claims that the 24 hours time span in which the monitoring was concluded was insufficient to determine the accuracy of this Test. This test revealed that Woodbine is actually paying for 35% more of electricity than

what it actually consumes. The matter is still engaging the attention of the Commission as well as GPL.

There is also a pending litigious matter involving the PUC, GPL and 11 consumers accused of meter tampering.

Around the last quarter of 2004, 19 consumers complained to the Commission that they have been accused of unlawful meter interference. The Commission intervened and filed the complaints with GPL. Six of the cases were resolved. Four consumers received credits totalling \$329,392.00. One consumer, on his own volition acceded to GPL's demand by paying the required sum and making the necessary modifications to accommodate a new meter. One out of the six did not receive a credit as a result of being previously under billed. The Corporation requested an extension of time to deal with these matters.

The power company failed to expedite the resolution process for the 11 remaining cases and the PUC held a public hearing in February 2005 where it ordered GPL to desist from back billing consumers pending the determination of the issues under query. The Commission also requested that GPL submit to the PUC certain information, and the hearing was adjourned to a later date.

GPL did not submit the required information. Instead, it applied for, and was granted an injunction by the Court to prevent the Commission from proceeding with the public hearing – on the grounds that they did not receive notification of these matters. This matter is still before the Court.

Clause 16 of the Licence granted to Guyana Power & Light Inc. provides that the Minister responsible for the Electricity Sector (Hon. Prime Minister) to approve Operating Standards and Performance Targets (OSPT) which will be submitted by GPL for consideration.

In December 2004 the Chief Executive Officer of GPL submitted a schedule of OSPT for 2004-2005 which, after due consideration, the Hon. Prime Minister approved.

That document dealt with Technical and Operating Standards, Performance Targets, Consumer Services, and Consumer Service Standards, Billing Complaints and Queries, Meter Replacements, etc. It also sets out the time within which GPL will respond to queries from consumers and the Public Utilities Commission.

The achievement of the Standards and Targets is based on the “best efforts” of GPL, and **the non-achievement of those standards shall not be grounds for any legal challenge by a consumer or class of consumers with respect to the service provided by the company.**

The document provides that an acknowledgement will be issued for written complaints within three working days, and if the complaint relates to billing anomaly and does not require a site visit to resolve, an explanation will be provided within seven working days of receipt of the complaint.

If, however, the complaint relates to a legal dispute and/or involving the PUC it is proposed that an explanation be provided within 40 working days of receipt of the original Complaint.

The Commission has objected to the 40 day period and wrote to the Prime Minister, explaining its views in March 2005. The Hon. Prime Minister concurred with our views and wrote GPL on 16th of March, 2005 advising that changes be made to the OSPT reducing the 40 day period to 14 days.

The CEO of GPL responded by letter on 23rd March, 2005 and requested a period of one week to review the issue and respond to the Prime Minister’s request. There has been no response from the CEO of GPL and the Commission kept reminding the Prime Minister with copies to GPL of their non-response.

In December 2005 GPL responded to the Prime Minister's reminder by claiming that Section 13 of the Electricity Sector Reform Act 1999 (ESRA) must be followed for effecting amendments to GPL's OSPT. The Hon. Prime Minister correctly, in our opinion, rejected GPL's position and directed that they incorporate the changes proposed and submit the document to him in the shortest possible time.

For completeness of the record, Section 13 of the ESRA refers to amendments to the Licence issued to GPL and has nothing to do with OSPT.

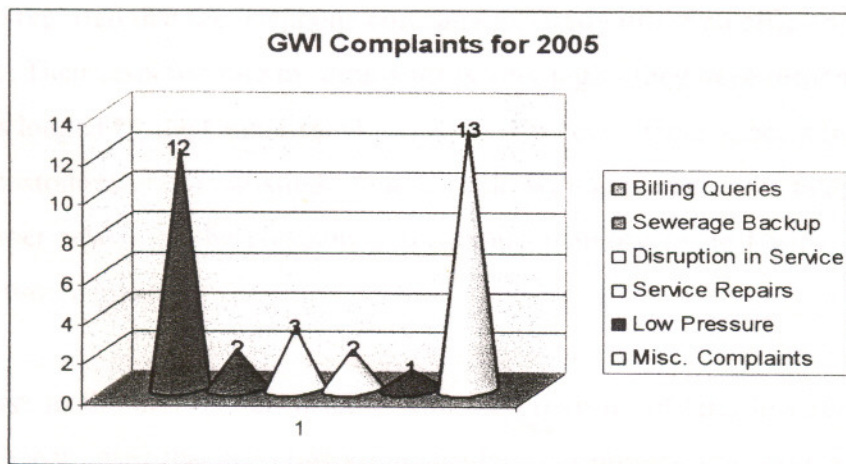
2.2 Guyana Water Inc.

Many consumers are unaware that the water and sewerage sector falls under the mandate of the PUC and that the PUC is tasked with handling consumer affairs. As a result, complaints relating to this sector constituted a mere 6% of the overall amount received for 2005. A total of 33 complaints were lodged with the Commission – with 13 of those being miscellaneous complaints. There were 29 complaints for the corresponding period last year.

The majority of the complaints from this sector are related to billing queries. Officials of the company have admitted that there were a few defects in the existing system of billing but the sector plans to implement a new and more efficient billing system which should come on stream shortly and which would help to eliminate many of the deficiencies currently experienced by customers of the company.

There were also a few matters dealing with sewerage backup, disruption in service, service repairs and low pressure problem.

2.2a

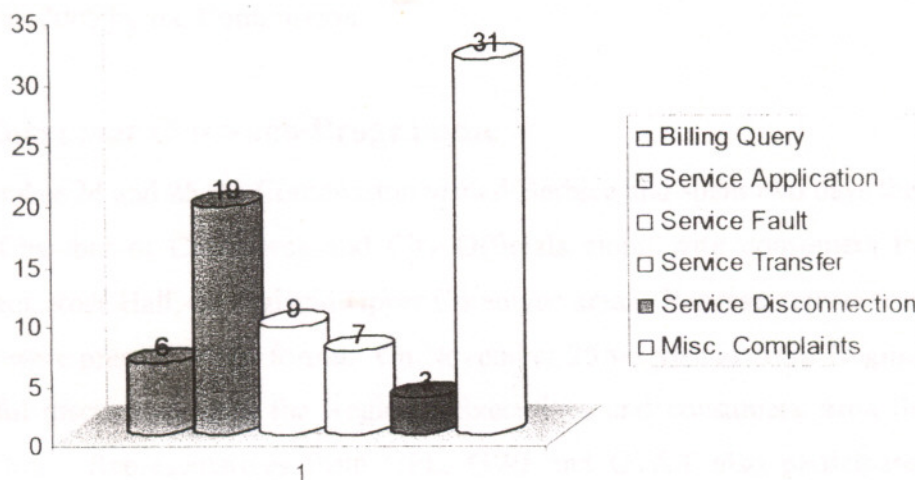


The company's complaint resolution process is not very efficient. Consumers have complained that GWI would sometimes take two to three weeks to respond to, or rectify a fault. The Commission has matters pending with GWI since around September of 2005 and despite our repeated requests there are four matters still outstanding.

2.3 GUYANA TELEPHONE & TELEGRAPH CO. LTD.

The Commission received 75 complaints for 2005 which is one less than for the corresponding period last year. Thirty-one of the 75 matters were directed to the utility itself and copied to the PUC. The categories of complaints are set out in the following graph.

2.3a GT&T Complaints for 2005



It has been reported that the telephone company generally offers an efficient service to its customers. Their response rate to complaints is very high - they have responded to all the complaints lodged by the Commission for 2005. However, there appears to be two areas in which customers are dissatisfied. One is to do with application for telephone service and the other relates to the company's seemingly inability to deal with minor service faults in a timely manner.

With respect to the first matter, dealing with the provision of land line services, GT&T claims, in most cases that facilities are unavailable to provide the service required. In relation to the second problem, the company's policy is that a minor fault should be repaired in three working days but customers have complained that sometimes it takes over a week to have a minor problem rectified.

3. CONSUMER RELATIONS CAMPAIGN

The Commission continued its Consumer Outreach Programmes from where it began in 2004 and it also embarked on the Consumer Awareness Campaign. The primary goal of these programmes is to sensitize consumers about PUC's involvement in consumer affairs. We visited consumers from various communities and interacted with them and heard their grievances and concerns. We also distributed advisories on meter reading, complaint procedures, water and sewerage sector, and a complaint form which was instituted in 2005 by the Commission.

3.1 Consumer Outreach Programme

On September 24 and 25 the Commission visited Berbice and spent two days there where we met Chamber of Commerce and City Officials along with consumers from New Amsterdam, Rose Hall, Central and Upper Corentyne areas. Representatives from GT&T and GPL were present at this forum. On November 25 we visited Anna Regina and had meaningful discussions with the Regional Executives and consumers from the nearby communities. Representatives from GPL, GWI and GT&T also participated at this meeting.

3.2 Consumer Awareness Programme

Staff from the Complaints Department and the Secretary of the Commission visited William Fogarty's Department Store on Saturday, July 24. There we met and discussed with consumers, issues affecting them in terms of the services provided by the utilities. On October 03 staff from the Complaints Department and the Secretariat met with NIS Pensioners on Pension Day at Guyana Post Office Corporation where we heard and took note of their complaints and concerns. Further, two Commissioners, Mr. Badrie Persaud and Mr. John Caesar appeared on a television broadcast (NCN) on November 15 where they discussed regulatory issues.

4. CONCLUSION AND RECOMMENDATION

The year for the Complaints Department was somewhat fruitful in terms of reaching out to consumers and creating an awareness of the role of the Commission, as a representative body for consumers where they can voice their concerns and dissatisfactions with respect to the services provided by the public utilities. We were also able to liaise with the utilities in expediting the complaints response process and this has been fairly successful to some degree. We propose to continue this trend in 2006.

Notwithstanding a few hiccups, the Complaints Department was able to provide an efficient service to complainants and we intend to maintain this efficiency in 2006.

2.1c

GPL

SPECIMEN

40, Main Street, Georgetown.
Tel # 226-2600

ACCOUNT #

86 002 79410

BILL ISSUE DATE

2 02 2006

*Summary
4th Nov 2006 - 1 Dec*

BILLING MONTH	READING DATES	METER #	MULTIPLIER	TARIFF	PAYMENT DUE DATE
		03011922		04	

PRES READING	PREV READING	UNITS USED	DETAILS	AMOUNT
		3 ^{1/2} 1216208		

ABOUT YOUR BILL

READING DATES:- This is the usage period covered by this bill.
 PAYMENT DUE DATE:- The total balance **DUE** must be paid by this date.
 DATE LAST PAYMENT WAS CREDITED:- Payments after this date will be reflected on the next bill.
 DR = Debit Adjustment
 CR = Credit Adjustment

TOTAL CHARGES FOR MONTH

406115

PK - 28632 00

TOTAL BALANCE DUE →

435747

COMMENTS:

DO NOT DETACH

GPL

GUYANA POWER & LIGHT

Att.
0301192

435747 00

*Summary
1st Dec 2006 - 1st Dec*

DATE LAST PAYMENT WAS CREDITED

Thank you!

Observers:

Mr. Nigel Hughes

Mr. Pierre Strasser

DECISION

It is not unknown that there are great strides and improvement in technology in the telecommunication sector and it appears that the TDMA technology will be replaced by what are now referred to as third - and fourth - generation networks. As a consequence the TDMA technology will be "manufacture discontinued" and the support will be discontinued.

One of the improved technology is the Global System for Mobile communication network (GSM). GT&T has in September 2004 introduced this technology but at no additional cost to the consumers. It has since been overlaying the system with a General Packet Radio System (GPRS) which will permit the implementation of various value-added services.

The technology allows for the provision of non-voice value-added services which involves the sending and receiving of data over a radio wave on the GSM mobile telephone network; and it relies on packet switching as opposed to circuit switching. It is expected to send data faster and more efficiently than on the TDMA network.

In anticipating that some services on the GPRS network will soon be available GT&T has applied to the Commission, under the provisions of Section 41 of the Public Utilities Commission Act No. 10 of 1999 for rates it proposes to charge. The service that it is presently filing for relates to the provision of **Multimedia Messaging Services (MMS)**.

GPRS networks facilitate instant connections so that information can be sent or received immediately as the need arises. No dial-up modem connection is necessary.

Because of the limitation on speed on the GSM circuit switched network, the GPRS network can facilitate the offering of several new services which cannot be offered via GSM. The GPRS overlay has necessitated modification to some of the GSM network elements.

GT&T explains that the GPRS network has been dimensioned to carry initially 10,000 subscribers and to support a maximum throughput of 5 mbps. But the network is scaleable and its throughput can be upgraded to 10 mbps with the system capacity upgraded to 20,000 customers. The achievable data transfer speed is theoretical and the speed actually achievable will depend on:-

1. **The Time of Day** – transfers are slower during peak hours in busy cell networks because voice connections take precedence.
2. The number of time slots the operator allow to be used by a single user.

This application deals with the provision of MMS only. This service allows for personalized multi-media content such as still and moving images, audio, text, video and combinations of these. The customer can create the message using a built-in or accessory camera, images and sounds already stored in the phone, or by down loading content from a web-site.

MMS is not designed to be real-time. It is actually a store-and-forward messaging service. At times it would appear near instantaneous, at other times messages could be delayed, depending on the server load, network availability and location of sender and recipient.

Consumers will need a mobile phone or terminal that supports GPRS; subscription to the service, knowledge of how to send and or receive GPRS information

using their specific model or mobile phone; and a destination, as for example, another mobile phone or an Internet address to send or receive information.

With such a handset the customer will be able to take a digital photograph to use in a message; download audio, graphic and other content from the Internet; record his own voice or download audio to add to a message and add text to a message. The activation process by GT&T will cost the consumer nothing.

On an MMS compatible phone the message will appear with a new message alert; the picture message will open on the screen, the text will appear below the image and the sound will begin to play automatically.

A consumer who does not have an MMS supported handset or GPRS service, but who is sent a multimedia message will however receive a standard short message over the Short Messaging Service (SMS) network from GT&T advising that the multimedia message may be viewed at the web address included with the text message. There will be no charge to the consumer to access the web address to view the message.

When a consumer talks on a GSM mobile phone the circuit switched network reserves a continuous connection to a channel so that no one else can use that channel. With respect to GPRS, however, it is only when a GPRS session is established that packets are sent through the network. In other words, the data channel is only used when information or content is sent. In effect, GPRS packet switched network only utilises the network resources as necessary. As such service or the GPRS is billed on the basis of data transferred rather than time spent on line.

An average picture message, without audio or video is expected to approximate 45 kilobytes and GT&T has applied for rates per message; and not on the basis on time spent on line. It is seeking an order for picture or any other message less than 75 kb at \$45.00 per message, and messages that combine video, audio, text, etc. which exceed 75 kb at G\$100.00. These rates, it says, will apply to either post-paid or pre-paid. The

network will not deliver messages larger than the specified maximum size of 300 kilobytes; and if a single message is sent to multiple recipients the consumer will be billed based on the number of recipients. While GT&T will try to ensure that non-compatible devices are alerted to the fact that a message has been sent and where to access same, the sending customer will be billed regardless of actual delivery or device compatibility.

If the intended recipient's phone is off, the Multimedia Message will be stored and sent to the recipient as soon as the phone is switched on. For those customers whose messages cannot be sent immediately because the handset is either switched off or not in receipt of signal, the message will be stored for a maximum of 48 hours; and messages to be delivered to customers with non complaint devices will be stored for a maximum of 72 hours.

In its application GT&T has filed information relating to the assets which are required to provide the service. They also submitted assumptions and expenses in relation thereto. We have studied and analysed the submission and we make our comments and finding thereon.

GT&T has estimated their expenses from the MMS service based on a percentage of the projected revenues. We have compared the projected expenses as percentage of 2003 actual cost, and based on these, adjustments were made to Year 1's expenses. Year 2's expenses were adjusted to allow for a 25% increase on adjusted Year 1's expenses.

We have disallowed the advisory fees as we find no evidence of any advice or assistance offered to GT&T.

We calculated the depreciation based on the adjustments made to the rate base.

Schedule C of the filing has an item, "Billing System" valued at US\$2,600,000.00: GT&T assigns 20% of this cost to the MMS service. It was

ascertained from GT&T that this is a new billing system, capable of billing for data service, and as such it is needed for the GPRS services.

It is GT&T's intention to first change over all mobile billing to the new system and then the landline services. It was confirmed that the new billing system is capable to handling over 300,000 consumers. When we use the projected subscribers to the MMS service of 18,000 it is coming out at 6% of the capacity of the new billing system. We therefore allow 6% of the billing system cost for the MMS service. In its filing GT&T explains that the GPRS network will facilitate the offering of several new services which cannot be offered via GSM only. It seems reasonable to conclude if they seek to offer three or four other services claiming a 20% to the billing cost they will have to instal a new billing system to cater for all the services they provide!!

The difference of the adjusted expenses from those projected by GT&T were 28.58% in Year 1 and 44.59% in Year 2. Accordingly, we reduced the rates filed for by (30%) thirty percent.

From the adjustments made to the expenses, rate base and the filed rates, the rates of return is calculated to be 5.43% in Year 1, and 14.25% in Year 2. This, of course, compares most favourably with GT&T's filed rate of return of 5.99% in Year 1 and 14.40% in Year 2.

Included herein are the GT&T's MMS filing with our adjustments.

ORDER

Based on the foregoing and considering it to be fair, reasonable and just in all the circumstances, the Commission hereby orders a rate of thirty dollars (\$30.00) per message under 75 KB; and seventy dollars (\$70.00) per message over 75KB.

This order shall take immediate effect.

This 4th day of January, 2005.

..... Sgd.....
Justice Prem Persaud, C.C.H. - Chairman

..... Sgd.....
John Caesar - Commissioner

..... Sgd.....
Maurice Solomon - Commissioner



GT&T MMS FILING

Expenses	As % of Revenue	Year 1	Year 2	Yr 2003	Yr 1 as %	Yr 2 as %
		G\$	G\$	Audited Report G\$	of Yr 2003	of Yr 2003
Selling & Administrative	10	10,160,640	20,321,280	900,592,000	1.13%	2.26%
Corporate Operations	5	5,080,320	10,160,640	982,417,000	0.52%	1.03%
Depreciation	10	29,904,374	37,163,937	2,727,506,000	1.10%	1.36%
Advisory Fees (6%)	6	6,096,384	12,192,768	851,747,000	0.72%	1.43%
Operational Expenses	12.5	12,700,800	25,401,600	983,474,000	1.29%	2.58%
Other Expenses	5	5,080,320	10,160,640	620,129,000	0.82%	1.64%
Total Expenses		69,022,838	115,400,865			

PUC ADJUSTMENTS

	% of	Year 1	Year 2
	2003 Actual	G\$	G\$
Selling & Administrative	1.00%	9,005,920	11,257,400
Corporate Operations	0.50%	4,912,085	6,140,106
Depreciation		22,442,355	30,448,119
Advisory Fees (6%)		0	0
Operational Expenses	1.00%	9,834,740	12,293,425
Other Expenses	0.50%	3,100,645	3,875,806
Total		49,295,745	64,014,857
% difference from filing		28.58%	44.53%



Therefore propose to reduce filed for rates by 30%

Proposed rates		
Under 75K	31.5	32
over 75K	70	70

Using GT&T's assumption for message usage
 Under 75K : Over 75K
 10:05
 2:01

Average cost of message = 45

Adjusted rate of return calculation

	Year 1 G\$	Year 2 G\$
SALES REVENUES		
Average Subscribers	9000	18000
Estimated Monthly messages	180	180
Estimated Yearly messages	1,620,000	3,240,000
Annual Revenues	72,900,000	145,800,000
Less: Bad Debts	1,458,000	2,916,000
Net Sales Revenue	71,442,000	142,884,000
Less Expenses	49,295,745	64,014,857
Surplus	22,146,255	78,869,144
Taxes @45%	9,965,815	35,491,115
Profit after Taxes	12,180,440	43,378,029
Rate of Return	5.43%	14.25%



Adjustment to Rate Base

Investment (schedule C) US\$	1,458,749	500,000
Total investment US\$	1,458,749	1,958,749
Adjustment		
Billing system (6% of cost allowed instead of 20%)	364,000	364,000
Allowed investment	1,094,749	1,594,749
Depreciation adjustment	0	109,475
Allowable Rate Base exchange rate	1,094,749 205	1,485,274 205
Guyana Dollar Equivalent	224,423,545	304,481,170



PUBLIC UTILITIES COMMISSION

Order No. 2/2005

In the matter of applications by consumers of electricity with respect to billing for alleged interference and meter tampering.

Applicants

Names	Meter Nos.
• Pooran Boodhaily	60369
• Comal Singh	118488
• Roxanne Bynoe	151196
• Deonauth Mahadeo	314
• Shri Baldeo	28851
• Baldeo	154539
• Azzim Khan	139198
• A. Hussain	73264
• C. Bhagwandin	9784
• Rama Sahadeo	22479
• Rama Sahadeo	50556
• Ramcharitar Singh	101442
• L. Ramsingh	39498
• Joseph Grant	33151
• Mark Douglas	
• Donald London	
• Ramdyal Persaud	

CORAM:

Justice Prem Persaud, C.C.H.	-	Chairman
Mr. Badrie Persaud	-	Commissioner
Mr. Maurice Solomon	-	Commissioner
Mr. John Caesar	-	Commissioner



Appearances:

Guyana Power & Light Inc.:

Mr. Timothy Jonas - Attorney-at-Law

Consumers:

Mr. Nigel Hughes - Attorney-at-Law

Ms. E. Cox - President, Guyana Consumers Association

DECISION

WHEREAS several consumers have filed complaints against Guyana Power & Light Inc. alleging that the Utility Company is accusing them of unauthorised interfering with the meters causing them not to be properly metered, and as a consequence claiming large sums of money on a retroactive basis.

Despite requests to the Company to supply the evidence of the alleged unauthorised interference it did not supply any such evidence, but shortly before the date for hearing supplied some information with respect to the complaints.

In response the Company disclosed that it revisited five premises of complainants and granted credits to four. There was no explanation for the non-revisit to the other consumers.



The Commission, considering it reasonable and just in all the circumstances, hereby orders the Utility not to collect nor impose any charges for alleged diversion, interference or meter tampering until final determination of the issue before the Commission.

Dated this 3rd day of February, 2005.

.....Sgd..... Justice Prem Persaud, C.C.H.	-	Chairman
.....Sgd..... Mr. Badrie Persaud	-	Commissioner
.....Sgd..... Mr. Maurice Solomon	-	Commissioner
.....Sgd..... Mr. John Caesar	-	Commissioner



PUBLIC UTILITIES COMMISSION

Order No. 3 of 2005

**In the matter of an application by
Guyana Water Inc. for an increase
in rates.**

CORAM

Justice Prem Persaud, CCH	-	Chairman
Mr Badrie Persaud	-	Commissioner
Mr John Caesar	-	Commissioner
Mr Maurice Solomon	-	Commissioner

With Mr Vidiahar Persaud, Secretary/Legal Officer.

Mr Lancelot Mc Caskey, Financial Analyst.



APPEARANCES

<u>Guyana Water Inc.:</u>	Dr William Wilson	-	Chairman, Board of Directors
	Mr Michael Clark	-	Managing Director
	Mr Sizwe Jackson	-	Head of Operations
	Mr Allan Eaton	-	Customer Services Director
	Mr Tej Naraine Parmessar	-	Financial Director

<u>Consumers:</u>	Mr Wilfred Eleazer	-	Consumers' Advocate
	Mr George Seales	-	Co-ordinator, Consumers' Movement of Guyana
	Ms Eileen Cox	-	Chairman, Guyana Consumers' Advisory Bureau
	Mr R. Trotman, M.P.	-	Attorney-at-Law
	Mr K. Ramjattan, M.P.	-	Attorney-at-Law
	Ms Sheila Holder	-	Member of Parliament

DECISION

1. On 13th November 2002 the Government of Guyana through the Minister of Housing and Water granted a licence to Guyana Water Inc. to supply Water and Sewerage Services and Advisory Services for public purposes. GWI is a public company incorporated under the Companies Act, 1991. The licence was issued under section 90 of the Water and Sewerage Act No. 5 of 2002, and became effective on the said 13th November 2002.

2. Prior to 2002 the country was supplied with water and related services by two separate and distinct agencies, namely, the Georgetown Sewerage and Water Commission, (GS&WC) and Guyana Water Authority (GUYWA). GUYWA's obligations included the supply and maintenance of water and related services in the rural areas, whereas the Greater Georgetown area was the beneficiary of services from GS&WC.

3. GUYWA, however, was not responsible for the entire rural population nor for the sugar estates nuclear housing areas. The Sugar Industry Labour Welfare Fund

Committee was the agency charged with the responsibility for the supply and maintenance of water and its facilities.

4. The Water and Sewerage Act No. 5 of 2002 came into operation on the 30th May, 2002 and the licence granted to it specifies that it shall supply water, sewerage services and advisory services for public purposes in the **authorised area**. Authorised area shall consist of the Co-operative Republic of Guyana including its territorial waters and lands and structures lying thereon, **but shall not include** the areas or communities set out hereunder until such time as the assets with these areas or communities are transferred to GWI by Order of the Minister. The areas are:

- a) Ocean View, West Coast, Demerara.
- b) Zeeburg, West Coast, Demerara.
- c) Kwakwani, Berbice River.

5. Ocean View and Zeeburg are supplied by systems operated by the Sugar Industry Labour Welfare Fund Committee, and Kwakwani operated by the Mining Company.

6. In effect GS&WC and GUYWA are now merged as GWI.

7. Among the functions of our Public Utilities Commission is to oversee the issues of price and quality of service of a public utility, and in terms of the licence granted to GWI by the Government we are charged with regulating the operations of GWI in the public interest. By virtue of Order No. 26 of 2003 (Water and Sewerage Rates and Service Quality), the Commission has assumed responsibility for monitoring, regulating and enforcing service quality and dealing with consumer complaints, and the fixing of rates to be charged from time to time. We must, of course, be guided by the PUC Act, and the provisions of the licence granted to the utility.

8. The rates to be charged shall not show undue preference for, or unduly discriminate against, any consumer or class of consumers similarly situated, provided that

different rates may be prescribed for different classes of consumers, by reference to the different areas of supply or different parts of such areas or to any other relevant circumstance. Different classes of consumers may be those who are metered and those who are not.

9. Schedule I of the licence requires that GWI tariffs should be so determined as to allow GWI to recover 100% of its operation and maintenance costs as well as its depreciation expenses. **The total revenue requirements should therefore be relatively easy to calculate if it is assumed that the projected expenditures reflect efficient management and realistic values for revenue collection.** But more of this as we go along.

10. The current tariff table has in excess of twenty different rate schedules, none of which has apparently been developed with the objective of making consumer prices reflect the costs of supply. As pointed out earlier GWI was established by an amalgamation of GUYWA and GS&WC, but the rates continue to be the same as were paid to the former suppliers. Retention of both schedules appears to us to be illogical since the vast majority of the consumers live in the coastal areas and the supply conditions are therefore similar throughout. What is urgently needed is the development of a rational tariff schedule.

11. In fixing the tariffs to be charged by GWI to consumers for the supply of water we must determine same in accordance with the mechanisms, formulae, principles and procedure set out in Schedule I of the licence. We must take into account the following objectives:

- By the last month of 2003 GWI shall have recovered at least 100% of its operation and maintenance costs.
- By the last month of 2004 it should have recovered 100% of its operation, maintenance and depreciation costs through tariffs.

12. Under the licence the Government of Guyana undertook to transfer to GWI for the year 2002, no more than G\$400 million; for the year 2003 no more than G\$250 million and for the year 2004 no more than G\$100 million.

13. The licence also provides certain service standards but they are not in any way to limit the scope of GWI's obligations. By the licence GWI is required to achieve the following:-

- **Coverage** - It is required to provide 90% of the coastal population with safe water whether through a connection to the network, standpipes, licensed borehole or other means, by no later than 5 years from 2002; and by that same period of time it shall ensure that safe water is available to or supplied to 80% of all settlements in the Hinterland, through sustainable and cost effective locally appropriate means as developed by GWI.
- By no later than four years from the effective date (2002) GWI is required to provide 24 hour continued service of pressurized water supply at a minimum of five meters of consumers' premises to the coastal population including Georgetown.

14. Other standards and customer services are therein set out. It will be the Commission's obligation to monitor and seek to confirm these standards and services. For instance, Water Quality Standards has been defined; and safe water is defined as water produced and distributed by GWI that will meet World Health Organisation standards, with the following permitted relaxations in such standards, namely: **Coastal Population including Georgetown** - Iron Content (Fe) relaxed to a maximum of 0.5 mg/L.

Hinterland Population:

- Iron content (Fe) relaxed to a maximum of 1.0 mg/l.
 - PH relaxed to range between minimum/maximum limits of 5.5 and 8.5.
 - Turbidity relaxed to a maximum of 5 NTU's.
 - Colour relaxed to a maximum of 75 TCU.
15. The Water Quality Standards will be reviewed no later than 31 December 2007.
16. The Standards must be filed with the Commission.
17. The Government has agreed that GWI's tariffs will be as follows:-
- Tariffs of the former GS&WC customers shall be increased to accommodate the increases in energy costs as well as other operational cost elements.
 - Tariffs of the former GUYWA customers shall be increased to accommodate the increases in energy costs as well as other operational cost elements. Tariff increases will shift toward marginal cost based pricing;
- and those are the prices in effect at the present time.
18. GWI has applied for an increase of 10% across the board with effect from 1st July 2005. This application was filed in June 2005.
19. At the public hearing of the application Chairman of the Board of GWI explained that at the inauguration of the company GWI, the GUYWA consumers in the rural areas enjoyed a lower rate than those under the GS&WC umbrella. This was as a result of the different levels of services provided to the two categories of consumers. GWI found the system rather complex but is in the process of restructuring it to make it simple and easy to apply.

20. He further explained that the company's operational costs are shared by revenues collected and subventions from the Government. And that capital expenditure is funded by the Government through donor agencies. The increase sought by GWI is intended to allow the company to better meet its operational expenses.

21. The Managing Director, claimed that the operating cost of GWI increased by 5% per annum for the past two years and the 10% being sought is necessary to keep the company viable since operating expenses exceeded the revenue collected. An area of grave concern is the expenditure associated with electricity which accounts for about 64% of its operational costs.

22. Our Financial Analyst pointed out that from the figures submitted by GWI its projected revenue for 2005 is \$2.286B with overall expenses projected at \$2.480B, a variance of almost \$200.M. With a cash flow projected at \$1.829B together with 80% or \$400M collection ratio from defaulting customers the utility would still suffer a cash shortfall of \$257M to cover operating and maintenance costs.

23. He reasoned that the actual collection ratio will be nearer 48% and the cash would be \$100M or less. The Finance Director of GWI explained that GWI has no other alternative at the moment but to continue to apply to Government for subvention.

24. Many issues were discussed concerning the quality standard of the water supplied and service quality in terms of the requirements of the licence. GWI acknowledged the need to meet its licence requirements concerning bacteriological standards, and hopes for some relaxation of the standards. The water from boreholes is bacteriologically robust, but its main function is on extractions from surface sources because of the threat of chemical contamination from mining activities etc. The cost and short supply of chlorine impede the maintenance of chlorine residual in the distribution mains.

25. GWI is also undertaking exercises to combat the infiltration problem by fixing leaks in the distribution system.

26. On the question of non revenue water, GWI explained that they first inspect, identify and document the sources and they then do repairs. For the first six months of the year they did 8000 inspections and about 2000 leaks were detected. Repairs were done to some but many are outstanding. There is a leakage prevention programme ongoing in Georgetown, the Essequibo Coast and other parts of Region 2, but because of financial restraints other areas are yet to be covered. The utility is in the process of implementing Systems Metering and have them placed at distributing zones to help gauge leaks.

27. There was a plan to install 13000 meters in the La Bonne Intention metering project but only 3000 installed so far. The recent flooding and contracting hiccups contributed to the delay.

28. Questioned about meters funded by the DFID – (15000), and 48000 from the World Bank, the Managing Director explained that they have received 7500 so far and the 48000 will go towards the unmetered consumers.

29. It was pointed out that unmetered consumers pay on the average \$25.00 per day for water, whereas the metered ones pay about three times that amount. It was further disclosed that on a comparison with other countries, our rates work out to a little less than US\$0.20; as against Fiji US\$0.15; Trinidad and Tobago US\$0.50; Singapore US\$0.25; St Lucia US\$0.85 and Dominica US\$1.00.

30. Consumers representatives feel that the 10% increase was too steep and suggested 2%. One view, forcibly advanced, was that with the substantial amount not collected, and the very generous leave conditions for management staff GWI should not be granted any increase.

31. In recent years many countries have taken up the task of reforming utilities services which were inefficient and lagging in their response to improved technologies and expanding demand. The primary objective is to get the companies to improve the performance in a sustained manner over an extended period of time. The effort is among others to reduce the cost and at the same time to upgrade and improve customer service. These must have been the considerations which impelled the authorities to create one unit for the supply of the water and sewerage service throughout the country.

32. Incentives in the form of price increases are granted as a means to provide inducements to achieve standards and ultimately to reduce cost of production. This will of course result in more profitability for the utility, and at the same time provide improved customer service.

33. We have taken into account the state of the sector when Severn Trent was recruited by the Government of Guyana to provide management service. The revenue, at present generated from operations, appears inadequate to undertake and fulfil all the obligations demanded by the contract into which they have entered.

34. The percentage of non revenue water is alarming and much effort must be put in place to arrest the slide. One of the causes appears to be the non-metering of a substantial percentage of the consumers. As was pointed out the claim is that the unmetered consumers pay only about a third of what metered consumers pay. When consumers do not have to be careful and prudent in the use of water because there is a fixed charge the tendency will generally be to be carefree of the use and no attempt will be made to conserve.

35. We propose to grant increases. But we do not expect the utility to only collect the increased revenue but it must make great effort to reduce the loss and cut back on the non-revenue water.

36. We will of course monitor the service in relation to the standards set in the licence and seek to ensure that the utility is delivering on its commitments.

37. The Commission considered all that was said at the hearing, and studied all the documents and returns filed and has paid due regard to consumers interests and the integrity of the utility.

38. There seem to be no doubt that GWI is in dire need of finances to effectively discharge its duties and fulfil its obligations set out in the licence. It has apparently not achieved its financial target by the end of 2004 - it has not recovered 100% of its operation and depreciation costs through tariff as required by the licence.

39. We made reference to the shortfall earlier as set out by the Financial Analyst. It appears to us that for GWI to be in a better financial position there must be:

(a) a strategy that will allow it to cushion or reduce the effects of energy costs on its operation;

(b) a restructuring of the tariff levels;

(c) the acceleration of its metering programme; concentrating

also on large users of water, e.g. car-wash bays, etc.

(d) a strategy to combat waste and leakage;

(e) a strategy for the purchase and storage of chemicals;

(f) a new billing system;

(g) innovative mechanism for the collection of all outstanding moneys due;

(h) a strategy to advance purification and production of water in parallel.

40. We find that the operations of the company are very inefficient, and there appears not to be a too harmonious relationship between the Board of Directors and the Management of GWI, and this, of necessity, has led to a debilitating effect on the operation and management of the company.

41. We recommend an active public relations programme to foster good customer relations to try to contain leaks and waste. Non revenue water accounts for 50% of production at the end of 2004, and it is hoped that this should be reduced to about 39% by the end of this year.

42. It appears that GWI is more concerned with the quantity of water produced and at present not much emphasis is placed on the quality of water released for public consumption. The Managing Director has conceded that improved quality needs capital investment and that is not on the cards at the moment. He offered that that quality might improve as a consequence of the investments in treatment plants and not as a deliberate act on the part of GWI. It was also pointed out boreholes are usually in excellent condition but the problem lies with the distribution system during low pressure periods when contamination could result from leakage and seepage.

43. We recognise the cost of electricity generally and GWI's bills are about 64% of revenue. GWI has outstanding balances for GPL and the Managing Director explained that GPL is not willing to discuss rates or tariff unless the amounts are paid off. We are also concerned that GPL suffers loss of about 40% of its production but still collects rates on the total amount of electricity generated. At the end of the day the consumer pays twice - directly to GPL for their losses and then through GWI who pays also for GPL losses and passes these on to the consumers. Against this background, GWI should actively pursue with Guyana Power and Light for some concessionary electricity rates to

apply in order to alleviate the burden on consumers. By the same token, GWI should offer GPL a fixed payment schedule to clear the outstanding balance owed to GPL.

ORDER

- Taking into account all that we have hitherto set out we grant an increase of 10% on the rates at present in force for the unmetered consumers, and an increase of 5% on the rates at present in force for the metered consumers.
- Attached hereto is the list setting out the new rates. The increases shall take effect for the supply of water and sewerage service with effect from 1st July 2005.
- GWI is required to:-
 1. Reduce non-revenue water to 39.4% as stipulated in the licence.
 2. Ensure that there is, on average, a 12 hour flow of water to consumers.
 3. Submit to the Commission an aged analysis of the debts inherited from GS&WC and GUYWA and GWI's proposals for their collection or write off.
 4. Ensure compliance with the debt collection efficiency of 80.6% as set out in the licence.
 5. Comply with licence standard of metering coverage of 52.7% of consumers.
 6. All unmetered customers to be billed yearly in advance.
 7. Metered customers to be billed quarterly in advance.
 8. Install the new billing and accounting systems.
 9. Restructure the tariff bands to allow for uniformity and a smaller number of bands.
 10. Comply with the standards set out in the licence in relation to water quality.

11. If item at 10 cannot be met, submit to the Commission modifications of the standards agreed with the Government and GWI's compliance with those modified standards.
12. Submit to the Commission any agreement with the Government of Guyana regarding subventions to be given to GWI.
13. Submit to the Commission a copy of the annual external standards audit.
14. Submit to the Commission, not later than 45 days after the end of each month, GWI's monthly:
 - i) **Financial Statements.** These should include the **Profit and Loss Statement, the Balance Sheet and the Cashflow Statement** with explanatory notes.
 - ii) Aged analysis of debtors.
 - iii) Analysis of use of electricity.
 - iv) Detailed water production statistics.
 - v) Details of non-revenue water statistics.
 - vi) Progress report on metering programme, and
 - vii) Water quality test results with explanatory notes.
15. Publish in the daily national newspapers the approved rates for the information of consumers; and must post up copies of the rates at its several offices and branches in conspicuous locations throughout the country.

Dated this 12th day of October, 2005.

ORDER NO. 3/2005

Sgd. P. Persaud

.....
Prem Persaud C.C.H.

- **Chairman**

Sgd. B. Persaud

.....
Badrie Persaud

- **Commissioner**

Sgd. J. Caesar

.....
John Caesar

- **Commissioner**

Sgd. M. Solomon

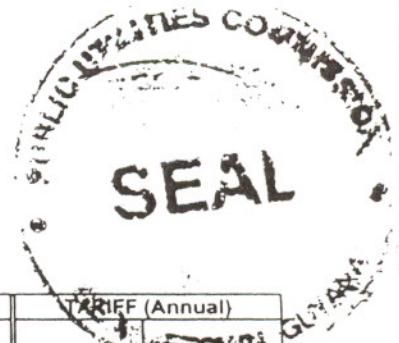
.....
Maurice Solomon

- **Commissioner**



RATES APPROVED BY THE PUBLIC UTILITIES COMMISSION

Rates to take effect from July 01, 2005



REF. NO	CUSTOMER CATEGORY			TARIFF (Monthly)				TARIFF (Annual)	
				CURRENT	PROPOSED	\$ CHANGE	% CHANGE	CURRENT	APPROVED
Unmetered - Domestic									
1	Guywa Rural Domestic	-		680	748	68	10	8,160	8,976
2	Guywa Domestic	Low		680	748	68	10	8,160	8,976
3	Guywa Domestic	Medium		1,050	1,155	105	10	12,600	13,860
4	Guywa Domestic	High		1,200	1,320	120	10	14,400	15,840
Non-Domestic Unmetered Customers									
5	Domestic Combined	-		820	902	82	10	9,840	10,824
6	Small Commercial	-		1,247	1,372	124.708	10	14,965	16,462
7	Medium Commercial	-		2,993	3,292	299.25	10	35,910	39,501
8	Large Commercial	-		9,975	10,973	997.50	10	119,700	131,670
9	Small Institutions	-		1,247	1,372	124.708	10	14,965	16,462
10	Medium Institutions	-		2,993	3,292	299.25	10	35,910	39,501
11	Large Institutions	-		9,975	10,973	997.50	10	119,700	131,670
12	Small Industrial	-		2,494	2,743	249.375	10	29,925	32,918
13	Medium Industrial	-		4,988	5,486	498.75	10	59,850	65,835
14	Large Industrial	-		16,625	18,288	1662.50	10	199,500	219,450
Metered Domestic									
15	Guywa Domestic	Rural	per cubic meter	58	60.90	2.90	5		
16	Guywa Domestic	Low	per cubic meter	58	60.90	2.90	5		
17	Guywa Domestic	Medium	per cubic meter	58	60.90	2.90	5		
18	Guywa Domestic	High	per cubic meter	90	94.50	4.50	5		
Metered - Commercial									
19	Guywa Non-Domestic	-	per cubic meter	92	96.60	4.00	5		
20	GS&WC Domestic	Low		900	945	45	5	10,800	11,340
21	GS&WC Domestic	Medium		1,400	1,470	70	5	16,800	17,640
22	GS&WC Domestic	High		1,600	1,680	80	5	19,200	20,160
23	GS&WC Domestic	High		2,500	2,625	125	5	30,000	31,500
24	GS&WC Domestic	Medium	per cubic meter	60	63	3	5		
25	GS&WC Domestic	High	per cubic meter	90	94.50	4.50	5		
26	GS&WC Domestic	-	per cubic meter	107	112.35	5.35	5		
Metered - Commercial									
27	GS&WC Non-Domestic	-	per cubic meter	96	100.80	4.80	5		
Sewerage									
28	Domestic	all		400	420	20	5	4,800	5,040
29	Non-Domestic Metered	all		2,000	2,100	100	5	24,000	25,200
30	Non-Domestic UNmetered	all		2,000	2,200	200	10	24,000	26,400

22nd May, 2006.

Mr. Alastair Hill
Customer Relations & Commercial Services Director,
Guyana Water Inc.,
10 Fort Street,
Kingston,
Georgetown.

Dear Mr. Hill,

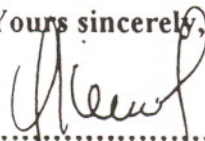
Re: Order No. 3 of 2005 – GWI

The Commission acknowledges your letter dated May 18, 2006 on the above subject, and pursuant to discussions between yourself and your Ms. Thomas and the Chairman, the Commission has agreed on the following:

- (1) Order of the Commission dated 12th day of October, 2005 amended and varied as per particulars hereunder set out:-
 - (a) **Customer Category – Metered Commercial refers.**
 - (b) Reference Nos. 20 – 23, the percentage charge is 10 instead of 5 for these four categories.
 - (c) The amendment and variation is because the four categories are **Domestic unmetered and** attract a 10% increase having regard to our Order heretofore referred to.

I attach hereto the amended approved Schedule.

Yours sincerely,



.....
Vidiahar Persaud
Secretary

57

RATES APPROVED BY THE PUBLIC UTILITIES COMMISSION

Rates to take effect from July 01, 2005

REF. NO	CUSTOMER CATEGORY			TARIFF (Monthly)				TARIFF (Annual)	
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24	GS&WC Domestic	Medium	per cubic meter	60	63	3	5		
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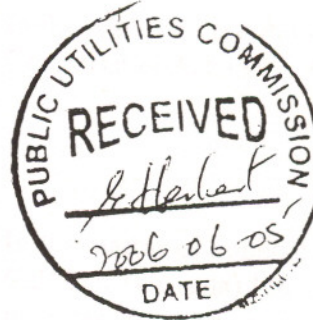


Guyana Water Inc.

Head Office: Lot 10, Fort Street, Kingston, Georgetown, Guyana,
Tel: 225-0471/6; Fax: 225-0478; Email: gwi@networksgy.com

June 5, 2006

Mr. Vidiahar Persaud
Secretary
Public Utilities Commission
298 Church Street,
Queenstown
Georgetown



Dear Mr. Persaud,

Re: Order No. 3 of 2005 – GWI

I am writing to acknowledge your letter of May 22nd regarding the above.

We greatly appreciate your prompt attention to this matter and its satisfactory resolution.

Yours sincerely,

Alastair Hill
Customer Relations & Commercial Services Director

C:C: *Mr. Michael Clark* - *Managing Director*

BEFORE THE PUBLIC UTILITIES COMMISSION

In the matter of the Public Utilities
Commission Act 1999, Act No. 10 of 1999

-And-

In the matter of application by
Cel*Star (Guyana) Inc. for a change
in rates for the purpose of conducting a
promotion pursuant to the provisions of
Section 41 of the Public Utilities
Commission Act.

CORAM:

Justice Prem Persaud	-	Chairman
Mr Badrie Persaud	-	Commissioner
Mr Maurice Solomon	-	Commissioner
Mr Lancelot Mc Caskey	-	Financial Analyst
Mr Vidiahar Persaud	-	Secretary

Appearances:

Cel*Star (Guyana) Inc.

Mr Pierre Strasser	-	Chief Operations Officer
Mr Nigel Hughes	-	Attorney-at-Law

Guyana Telephone & Telegraph Co.

Mr Gene Evelyn	-	Director of Rates
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Consumers

Ms. Eileen Cox	-	President, Guyana Consumers Advisory Bureau
Mr Patrick Dyal	-	President, Guyana Consumers Association
Mr George Seales	-	President, Consumers Movement of Guyana

DECISION

Cel*Star Guyana Incorporated (hereinafter referred to as the Applicant) operates in Guyana by virtue of a Licence dated the 21st day of February, 2001 and granted under section 7 of the Telecommunications Act, 1990 (Act No. 27 of 1990). The Applicant is a company registered under the Companies Act 1991 (Act no. 29 of 1991), whose registration number is 4715

The said Licence is granted to the Applicant to:

1. Establish, operate and maintain a GSM 900 MHz Cellular Radio Telephone System, which is hereby declared a public telecommunication system in keeping with section 9 of the Telecommunications Act No. 27 of 1990; and
2. do all or any of the acts specified in Schedule 3 of the said Licence and to provide Cellular Radio Telephone Service throughout the Licensed Area, provided that the Licensee may provide international service only through interconnection and other Licensed Telecommunications Operators.

The Public Utilities Commission (PUC) is a body corporate established by the Public Utilities Commission Act 1990 (Act No. 29 of 1990) which Act has been repealed and replaced by the Public Utilities Commission Act 1999 (Act No. 10 of 1999). The Public Utilities Commission is a consumer-driven entity with regulatory powers and responsibilities and is responsible for every public utility providing a service including cellular mobile providers (section 4 (1) (b) of the PUC Act). Such regulation includes the jurisdiction to determine the change of rates of such utilities.

On or about the 18th day November, 2005 by way of application, from the Attorneys-at-Law, acting on behalf of the Applicant, Cel*Star Guyana Inc., proposes a change in rates for the provision of cellular services for the purpose of conducting a promotion, pursuant to section 41 of the Public Utilities Commission Act No. 10 of 1999.

The said application sought a modification of Option 1 of the Pre-Paid and Post- Paid package for the purpose of a four month promotion, commencing from December 15th, 2005 to April 15th, 2006.

The proposed four month promotion offers to the Applicant's Post and Pre-Paid customers who have used \$3,000 worth of minutes within the month, to receive free on-network calls for the rest of the month. This offer, the proposal explains, will be monthly and will be reset at the beginning of the month. This means, according to the Applicant, that each customer will have to reach a monthly usage of \$3,000 before they qualify for the free on-network calls within the period of the month.

The Applicant states that their recurring RPU (Revenue per User) is US\$15.04 (G\$3,000), and once the customer usage reaches this point, it becomes more economical for the Applicant to provide the service in addition to providing greater savings to the customer. The Applicant states that they understand the importance of providing affordable communication service for Guyanese, particularly during the present times of increasing security concerns which gives the family more reasons for staying in communication. They argue further, that it allows the Applicant to give back to its customers for Christmas, the season of giving, during which

communication is important for friends and family, to keep in touch, and share greetings and good cheer

The Public Utilities Commission, acting pursuant to section 41 of the Public Utilities Commission's Act, No. 10 of 1999, held a public hearing on the 12th December, 2005 at 1330 hrs in the Boardroom of the office of the Public Utilities Commission, situate at 298 Church Street, Queenstown, Georgetown.

At the aforementioned Public Hearing, the representative from Guyana Telephone and Telegraph (GT&T), Gene Evelyn, Director of Rates, indicated that the present application is merely a variation of the August 2005 application by Cel*Star Guyana Inc. and it is his Company's opinion, a way of circumventing what the Applicant's August 2005 application was seeking. The GT&T representative also queried the financial viability of the Applicant and suggested that the matter should be considered on the 15th December, 2005, along with the August 2005 application.

Attorney-at-Law for the Applicant, Mr Nigel Hughes stated that any change in rate is a variant and that the present application is for a limited period of time and is not designed to circumvent the August 2005 application. All changes in rate he stated will have to be approved by the Public Utilities Commission. Further, that Christmas is a time for promotions and should the application wait until the 15th December, 2005, for determination, there will be insufficient time to conduct the promotions. He further stated that the promotion affects no other party since the calls are restricted to 'on-network' calls only.

The President of the Guyana Consumers' Association Mr. Partick Dyal advocated no delay in the Public Hearing of the present application, stating that it is a Christmas promotion, that the consumer would gain and he sees no link between the two applications since the August 2005 application is for a longer period and the present application for 16 weeks.

The Commission having given due consideration to all the aforementioned finds that:

- i) The Application is separate and apart from the August 2005 filing,
- ii) No other utility will be adversely affected by the application which is restricted to "**on-network calls only**", and orders as follows:-

ORDER

- i) The Application is granted for the period 15th December, 2005 to 31st March, 2006,
- ii) Applicant is to file returns showing the present customer base as at 15th December, 2005 and subsequent consumer base as at the 15th day of each and every month, and on the 31st March 2006, during the subsistence of the order, and

iii) That the Applicant is to pay the cost of these proceedings.

Dated this 12th day of December, 2005

.....(Sgd).....
Prem Persaud - Chairman

.....(Sgd).....
Badrie Persaud - Commissioner

.....(Sgd).....
Maurice Solomon - Commissioner



56 High Street
Kingston
Georgetown
Guyana

A TWTC Company

CONFIDENTIAL

*Recd 17/12/05
PC*

December 16, 2005

The Chairman
Public Utilities Commission
298 Church Street
Queenstown
Georgetown

Dear Sir:

FILING OF NEW RATES

Further to your Order No. 4/2005, please see below, as requested, under the heading "ORDER" at ii) the file returns showing the present customer base as at 15th December 2005:

1. Number of Pre-paid customers in the system as at December 15: **23,213**
2. Number of post-paid customers in the system as at December 15 is: **512**

The information being submitted is highly confidential and commercially sensitive. We ask that the PUC maintain strict confidentiality of this information and not release it to any third party in any form without prior notification to and approval by Cel*Star Guyana Inc..

Yours truly

Pierre Strasser
Chief Operations Officer