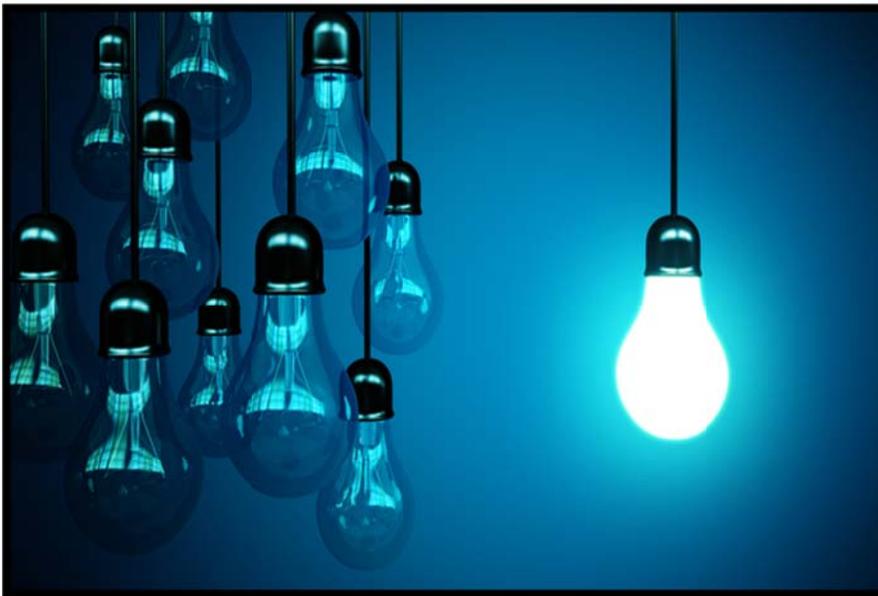
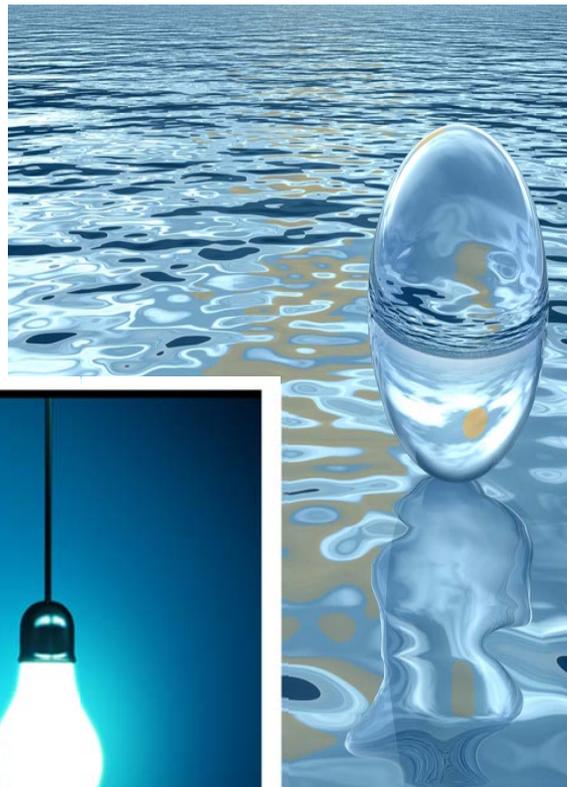




Public Utilities Commission Annual Report



2013

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FROM THE DESK OF THE CHAIRMAN
Justice Prem Persaud (ret'd) CCH

Once again the public has the opportunity to note the work of the Public Utilities Commission, and to determine whether it has performed satisfactorily.

The PUC is bound by Statute to perform regulatory, investigatory, enforcement and other functions conferred on the Commission. It has had a good year having regard to the service to, and satisfaction received by consumers who it represented against the regulated utilities.

There is much talk about the proposed legislation to bring to an end the monopoly enjoyed by one of the telecommunications operator, and amendment of the PUC Act. Whenever Parliament considers it necessary and important to pass these legislations, much more work will befall the Commission, and we are prepared for it. The PUC has qualified and competent employees who are knowledgeable in all aspect of the duties assigned to them—and it will continue to provide an efficient service to consumers.

We do not have many problems with the telecoms operators. This is due, we presume, to the competition between the two service providers with respect to the cellular and associated services.

The electricity sector still experiences grave difficulties as a result of losses—both technical and commercial, and consumers are called upon to bear these losses. Firstly, by the high rates paid for the service, and then via grant/subsidies of public funds, to which consumers contribute in the form of taxation.

The Guyana Water Inc. is trying desperately to supply as many consumers as possible, but with limited resources and age-old equipment there are inevitable constraints in the supply of this very essential commodity.

The staff of the PUC, as I pointed out, are doing a good job and the Berbice Branch Office is performing satisfactorily. The PUC will continue its service to consumers and hereby seeks their support and cooperation by the gracious use of water and electricity and to honour their bills in a timely fashion.

INTRODUCTION

The Public Utilities Commission is pleased to present its Twenty-third Annual Report, in accordance with Section 85 of the PUC Act, Act No. 10 of 1999.

This report is intended to inform of the PUC's activities during the year 2013, and our resolve is to maintain a fair balance between the consumers and the interests of the regulated utilities.

The Commission is a body corporate established by the Public Utilities Commission Act No. 26 of 1990 which came into effect on the 1st October, 1990. This Act was amended in 1991, 1994, 1999, 2003 and 2010.

The PUC Act allows for a Chairman and four Commissioners. The Commission presently consists of a Chairman, who is a full time official, and two Commissioners, who are part-time functionaries. The current members are as follows:

- | | | |
|----------------------------|---|----------|
| • Justice Prem Persaud CCH | - | Chairman |
| • Mr. Badrie Persaud | - | Member |
| • Mr. Maurice Solomon | - | Member |

Mission

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

Vision

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

Objectives

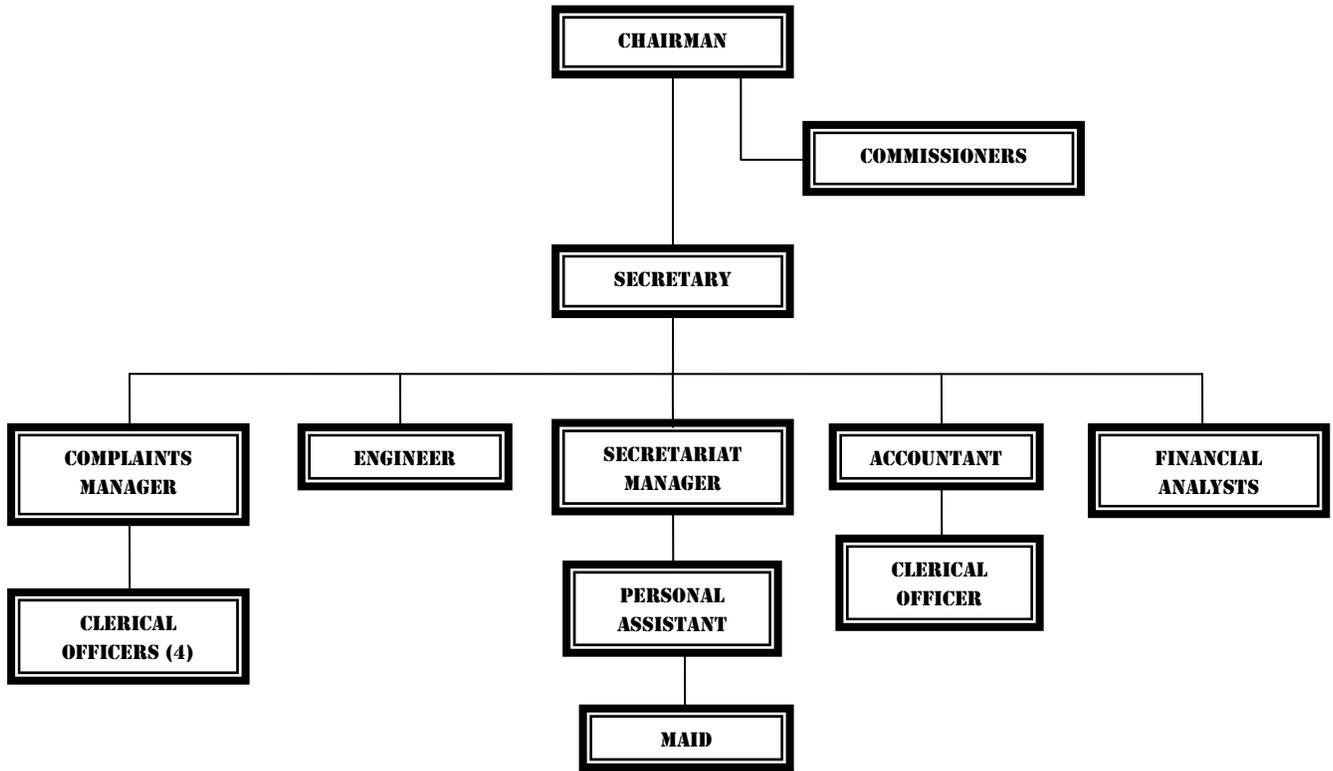
- To establish and enforce rules and procedures for the regulation of public utilities, commensurate with internationally accepted regulatory standards.

- To promote and regulate the efficient long-term provision of utility services for national development consistent with Government policies.
- To provide a fair environment conducive to business interest, investments in the public utilities sector, and the interest of consumers.
- To investigate and seek to resolve in a timely manner complaints filed with the Commission against any public utility.
- To carry out its functions in a fair, transparent and independent manner.

Functions

- The functions of the Commission are regulatory, investigatory, enforcement and such others as 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 under its purview.
- While the Commission is not involved in matters of policy, it may be called upon to act in an advisory capacity to the Minister responsible for utilities.

Organizational Chart - 2013



PUBLIC UTILITIES

The Act defines a 'Public Utility' 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.

However, any person not otherwise a public utility, who or which provides a service 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.

- (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.

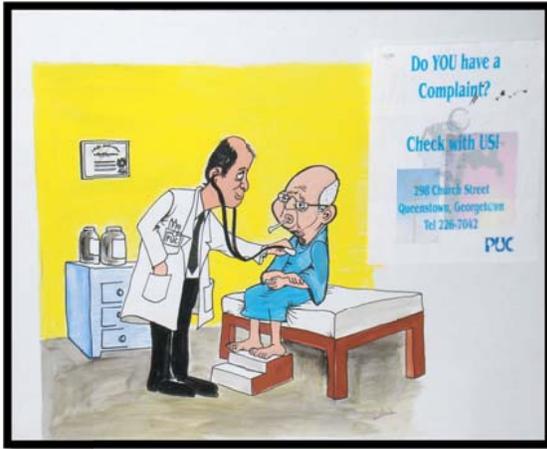
The public utilities currently under the purview of the Commission are:

- Guyana Telephone & Telegraph Co. Ltd. - From the inception of the PUC Act 1990
- Guyana Power & Light Inc. - From 1999
- Guyana Water Inc. - From 2003
- U-Mobile (Cellular) Inc. (Digicel) – From 2007

Filing a Complaint

If a consumer has a complaint against any of the public utilities, the complaint procedures of the service provider should first be utilized. If there is dissatisfaction with the response from the service provider, redress may be sought through the PUC.

Complaints can be submitted to:



GEORGETOWN OFFICE:

POST/VISIT - 298 Church Street,
Queenstown, Georgetown

FAX - 592 - 227 - 3293/
226 - 5130

TELEPHONE - 592 - 226 - 7042

WEBSITE - www.puc.org.gy

HELP DESK - Monday - Thursday:
8:00 - 16:30 hrs.
Friday: 8:00 - 15:30 hrs.

BERBICE OFFICE:

Public Utilities Commission, Lot AV, Free Yard, Port Mourant, Corentyne, Berbice

Tel/Fax: 592 - 336 - 6077

PUC WEBSITE

The PUC's website was continuously updated during 2013. The PUC's Complaints Procedure, Rules for Determining Consumers' Complaints, Notices and Documents pertaining to Public Hearings, Complaints' Monthly Reports, Annual Reports and an inventory of PUC's Orders issued over the years can be accessed on the website.

The website can also be used to file a complaint, and has contact details for the PUC, links to the utilities under its purview, as well as links to other regulatory bodies.

It is desirable that complainants provide all relevant information/documents in support of their complaints, including any response from the utility company when filing a complaint with the PUC.

STAFF DEVELOPMENT

In 2013 staff members were trained in several areas of interest regarding the work of the Commission. These training sessions give the staff an opportunity for personal and professional development. The topics included:

STAFF TRAINING

- An in-house training session on *Understanding GPL's Loss Reduction Test Sheet* conducted by Mr. Nikita Somwaru – PUC Engineer.
- Presentations on *Hydropower Concepts* and *Biomass as Renewable Energy* were sponsored by the Guyana Energy Agency and attended by PUC's Engineer, Mr. Nikita Somwaru.
- The Guyana Power & Light Inc.'s sponsored public presentation on the various aspects of the company's operations was done in September 2013 and attended by PUC's Engineer, Mr. Nikita Somwaru.
- A Technical Committee was set up by the Guyana National Bureau of Standards to determine *Guidelines for cell phone dealers*. The PUC was represented by the Engineer, Mr. Nikita Somwaru.
- Mr. Mark Gobin of the PUC's Complaints' Division attended a Seminar sponsored by the Consumer Affairs Division of the Ministry of Tourism on *Consumer Justice Now*.
- Staff members of the PUC Complaints' Division attended a Georgetown Chamber of Commerce & Industry sponsored seminar on *Customer Service*.
- Ms. Destra Bourne, PUC Complaints' Manager attended a Guyana Energy Forum sponsored by the Guyana Energy Agency.
- Ms. Avita Singh, PUC Financial Analyst I attended an ITU training session on *Regulatory Accounting and Cost Modeling in a Broadband Environment for National Regulatory Authorities and Operators*. This training was conducted in Antigua & Barbuda.

NEW RECRUITS

During the year Mr. Nikita Paul Somwaru and Ms. Destra Bourne joined the Public Utilities Commission. Mr. Somwaru as the Commission's Engineer and Ms. Bourne as the Complaints' Manager. We take this opportunity to welcome and wish them all success in the future.

COMPLAINTS DEPARTMENT ANNUAL REPORT - Georgetown

Destra Bourne –Complaints Manager

OVERVIEW

The Complaints' Division continued with its programme in 2013 and sought the timely resolution of disputes between consumers and the regulated utilities under the purview of the Public Utilities Commission.

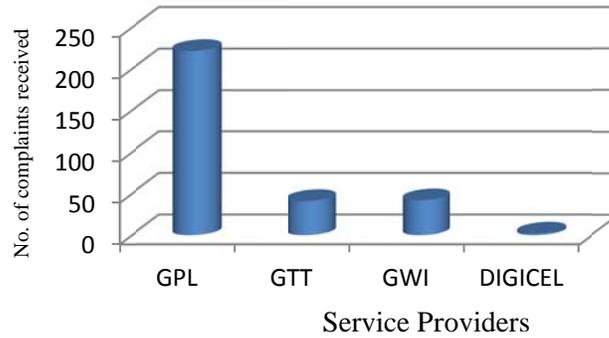
During the year the PUC continued with public relation exercises, taking the Commission to a wider cross section of consumers. The interaction with consumers on the ground has been favourable.

COMPLAINTS RECEIVED

307 complaints were received at the Georgetown office for the year 2013. The number of complaints received against each utility is listed below.

Utility	No. of Complaints
GPL	222
GTT	41
GWJ	42
DIGICEL	2
TOTAL	307

Graph showing the number of complaints received by utility for the year 2013.



At December 31, 2013, 169 or 55 percent of the 307 complaints received were resolved. As a result of the intervention of the Commission credits for consumers amounted to \$1,080,083.70. The credits received are itemised by utility below:

GPL	\$920,507.00
GWI	\$75,154.00
GTT	\$92,436.70

COMPLAINTS RESOLVED BY UTILITY

Of the 222 complaints received against GPL, 112 were resolved, 105 are being actively pursued and 5 were rejected as they did not fall within the jurisdiction of the Commission.

27 of the 41 complaints against GTT were resolved; 2 were rejected while 12 remained unresolved at December 31, 2013.

19 of the 42 complaints against GWI were resolved; 3 were rejected as they did not fall within the scope of the Commission while 20 remained unresolved at the end of the year.

1 of the 2 complaints received against Digicel was resolved while 1 remained unresolved at the end of December 2013.

The following table shows resolution in favour of consumers/utilities:

	GPL	GTT	GWI	DIGICEL	Total
In favour of consumer	45	22	11	1	79
In favour of utility	67	5	8	0	80
Complaints rejected	5	2	3	0	10
Complaints withdrawn	0	0	0	0	0
Unresolved at Dec 31, 2013	105	12	20	1	138
Total	222	41	42	2	307

GUYANA POWER AND LIGHT INC

222 complaints were lodged against GPL. The table below shows the breakdown and the number of complaints received in each category:

Complaints Categories	2013
Allegations of Tampering	71
Applications for New Service	16
Billing Queries	75
Applications for change of Tenancy	07
Claims for Compensation	08
Claims for Wrongful Disconnection	22
Tariff issues	01
Technical Issues	22
TOTAL	222

GUYANA TELEPHONE & TELEGRAPH COMPANY CO. LTD.

41 complaints were lodged against the Guyana Telephone & Telegraph Co. Ltd. at the Georgetown office for the year 2013. The table below shows the breakdown according to categories of complaints received:

Complaints Categories	2013
Applications for New Service	2
Billing Queries	12
Technical Issues	24
Transfer of Service	3
TOTAL	41

GUYANA WATER INC

A total of 42 complaints were received against the Guyana Water Inc. The table below shows the breakdown according to categories of complaints received.

Complaints Categories	2013
Applications for New Service	04
Billing Queries	24
Claims of Wrongful Disconnection	06
Tariff issues	00
Technical Issues	08
TOTAL	42

U-MOBILE (CELLULAR) INC

2 complaints were lodged against this company as shown in the table below:

Complaints Categories	2013
Billing issues	02
TOTAL	2

Issues for which complaints received were as follows:

Issues	GPL	GTT	GWI	DIGICEL	Total
Applications for New Service	16	2	4	0	22
Billing Issues	75	12	24	2	113
Change of Tenancy	07	0	0	0	7
Claims for Compensation	08	0	0	0	8
Claims for Wrongful Disconnection	22	0	6	0	28
Allegations of Tampering	71	0	0	0	71
Tariff Issues	1	0	0	0	1
Technical Issue	22	24	8	0	54
Transfer of Service	0	3	0	0	3
Total	222	41	42	2	307

Complaints by Region

Complaints were received from six of the ten administrative regions as follows:

Issues	Reg 2	Reg 3	Reg 4	Reg 5	Reg 6	Reg 10	Total
Applications for New Service	0	0	21	0	1	0	22
Billing Issues	1	9	100	1	2	0	113
Change of Tenancy	0	1	6	0	0	0	7
Claims for Compensation	0	0	7	0	0	1	8
Claims of Wrongful Disconnection	2	4	22	0	0	0	28
Allegations of Tampering	0	9	60	1	1	0	71
Tariff Issues	0	0	1	0	0	0	1
Technical Issue	0	5	46	1	2	0	54
Transfer of Service	0	1	2	0	0	0	3
Total	3	29	265	3	6	1	307

Means of filing complaints

Utility	Visit	Telephone	Email	Fax	Letter	Total
GPL	192	7	5	0	18	222
GTT	18	13	6	0	4	41
GWI	29	4	2	0	7	42
DIGICEL	2	0	0	0	0	2
Total	241	24	13	0	29	307

PUBLIC AWARENESS EXERCISES

The Commission conducted several public awareness activities - via Radio and Television programmes, schools' education activities and visits to various communities - in



Regions 3 and 4. The objectives of these activities

were to sensitize the public

of the roles and functions of the PUC; to advise

consumers on ongoing matters

they have with the service

providers and to obtain

feedback from them regarding

the issues they are facing with the services provided.



Brochures were distributed during visits to communities, in

order to sensitize the public on the functions and services offered by the Commission.



These were GPL's Schedule of Customer Service

Standards, tips on fire safety and prevention, helpful

information on the use of Electricity, water and

telecommunications services and Rights and

Responsibilities of Electricity Consumers.

CONCLUSION

This year was relatively good for the Georgetown Complaints Division with 55% of all

complaints received against the utilities resolved and 44% unresolved. The resolution

rate was hampered by the inordinate time that the GPL took to respond to complaints

filed. In 2014 the Commission will actively pursue unresolved and current matters to

achieve a higher resolution rate.

The Division will also continue its public awareness activities in 2014 to ensure that consumers obtain redress and have the opportunity to voice their dissatisfaction/satisfaction with the services provided by the regulated utilities.

COMPLAINTS' DEPARTMENT ANNUAL REPORT - Berbice

Monique Welch – Supervisor

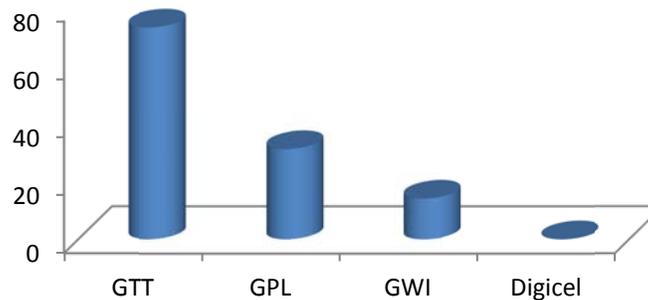
OVERVIEW

The Complaints' Department – Berbice Branch of the Public Utilities Commission continued with its program in 2013, to assist in the resolution of disputes between consumers and the utility companies under the purview of the Public Utilities Commission.

COMPLAINTS RECEIVED

The Berbice Branch Office received a total of one hundred and eighteen (118) complaints for the year 2013 against the regulated utilities. These complaints were as follows:

GTT	73
GPL	31
GWI	14
Digicel	0



The Commission secured a total of one million and eighty-six thousand, eight hundred and fifty nine dollars (\$1,086,859.00) in credits/rebates as at December 2013 on behalf of customers from the regulated utilities. A break down per utility is shown below:

GPL - \$968,851.00
GWI - \$ 74,141.00
GTT - \$ 43,867.05

The Commission has resolved 71 complaints and 47 are at various stages of investigation. 48 complaints were resolved in favour of consumers, while 13 were denied after investigations proved that the utilities were not in breach.

The table below illustrates the resolution rate of the complaints received for specific utility companies within the stipulated time frames. It also illustrates the number of complaints pending outside of given time frames.

Utility	Files Resolved Within 21 Days	Files Resolved Within 50 Days	Files Resolved Within 120 Days	Files Resolved After 120 days	Total Resolved	Files Pending over 120 Days
GTT	23	15	9	6	53	0
GPL	3	5	3	2	13	10
GWI	0	1	3	1	5	3
Total	26	21	15	9	71	13

GUYANA TELEPHONE & TELEGRAPH CO. LTD

The majority of complaints received for 2013 related to this utility company. 73 were filed with the Guyana Telephone & Telegraph Company of which 20 remained unresolved. The table below categorises the complaints received.

Complaint Category	No.
Technical Issue	64
Application of Service	5
Transfer of Service	3
Disconnection	1
Total	73

GUYANA POWER & LIGHT INC

There was a slight decline in the number of complaints received when compared to the previous year for this sector. The Commission secured nearly \$1,000,000 in credits for consumers. There were 31 complaints received against GPL. 18 of these remain unresolved. The following table categorises the complaints received.

Complaint Category	No.
Billing	10
Tampering	9
Technical Issues	5
Disconnection	3
Compensation	2
Applications for Service	1
Transfer of Service	1
Total	31

GUYANA WATER INC

14 complaints were received against the Guyana Water Inc. as at December 2013. 8 of these complaints remained unresolved.

Complaint Category	No.
Billing	9
Disconnection	2
Application of Service	2
Technical Issue	1
Total	14

COMPLAINTS BY REGIONS

Complaints received from Regions' Nos. 5 & 6 are listed below:

Regions	GPL	GT&T	GWI	Total
No. 5	1	4	1	6
No. 6	30	69	13	112

The PUC Berbice Branch Office will continue to monitor the utilities' performance in Region 5 area in the new year.

In 2013, 72 complaints were received by visits to the Berbice office and 58 were received via the telephone.

PUC'S PUBLIC AWARENESS CAMPAIGN

The Berbice Office continued to fulfil its mandate to make the public aware of the role and functions of the Commission by conducting awareness campaigns in Berbice. Through these interactions the Commission was able to obtain feedback from consumers with respect to problems being experienced with the regulated utilities. Listed below are the areas visited by the staff in 2013.

Consumer Awareness Programs – 2013

1. Glasgow Village East Berbice - February
2. Skeldon Market Corriverton - March
3. Cotton Tree Village West Coast - April
4. Cumberland Village East Canje - May
5. Stanleytown New Amsterdam - June
6. Blairmount Village West Bank - July
7. Black Bush Polder Corentyne - August
8. Port Mourant Market - September

- 9. New Amsterdam Market - October
- 10. Rose Hall Town Corentyne - November

The following pictures show Ms. Monique Welch and Ms. Sindamanie Veerasammy of the Berbice Office sensitizing citizens about the role of the PUC



STAFF DEVELOPMENT

Staff members of the Berbice Office were trained in understanding GPL's Loss Reduction Test Sheet. This training was conducted by Mr. Nikita Somawaru, PUC's Engineer.

FINANCE DIVISION ANNUAL REPORT

Moorsalene Sankar – Financial Analyst

GUYANA WATER INCORPORATED

By indices that measure performance efficiencies, GWI's operations continue to be substandard. High non revenue water, inability to improve on debtors' collections, heavy financial losses, a suspect transmission system and the failure of the company to implement the new PUC approved tariffs, are at the heart of the problem.

Non-Revenue Water

Non revenue water is water produced by the company for which no revenue is obtained. It is difficult to accurately measure GWI's non-revenue water but varying estimates by the company suggest that the loss may be between 45-50%. This has been the company's recurring problem and the company's efforts to reduce these losses have met with little success. In its current five years plan GWI has committed to reducing non revenue losses from its current level to 35% at the end of the plan

To achieve this objective GWI has embarked:

- On a program to meter all or substantially all of its customers by 2017. It is generally thought that unmetered consumers use significantly more water than they actually pay for and when this class of consumers are metered it is the consensus that they will begin to exercise prudence over their usage. GWI's 5 year plan envisages that substantially all of its consumers would be metered at the end of the program. For the year 2013, GWI had metered 8,266 un-metered consumers. These numbers are on the low side and GWI would need to do significantly better in 2014 if it is to achieve its planned target.
- There is evidence to suggest that GWI's database may not accurately reflect all of the consumers who should legitimately be on the base. There are also consumers who have surrendered their services, still remaining on the database and receiving bills. The company has embarked on a data verification exercise in an attempt to

sanitize its database. This programme entails checking each customer with a service connection and comparing it to the database. At the end of the exercise GWI should, in theory, have a clean database. The Commission believes that this exercise is long overdue. The immediate benefits associated with this exercise are accurate billing of consumers, the removal from the database of those consumers who should not be on it and an improvement in cash collections. This exercise would assist in reducing non-revenue water. At the end of 2013, 106,679 customers were interviewed and checked against the database. The GWI's database consists of approximately 170,000 consumers. The programme is expected to be completed in 2014.

- The GWI suffers significant losses as a result of an aging transmission system. There are ongoing works to improve the system and to reduce real losses, which is a component of non revenue water. At the end of the 5-year plan real losses are anticipated to be reduced to under 30%.

GWI's Debtors

The GWI's collection rate over the years has been at unacceptable levels resulting in the exponential growth of its consumer debtors that at the end of 2013 is estimated to be over seven billion dollars. The company's provision for bad and doubtful debts approximate to four billion dollars, a staggering figure, leaving net collectables at three billion dollars. The GWI net debtors represent a credit period of almost 12 months. In the recent past GWI has had several collection outreaches but without any significant success. This, in the Commission's opinion, has created doubts that all of the debtors classified as good, are indeed collectible.

GWI's Operating Results

From its inception, GWI's operations are characterized by significant financial losses that force the company to rely on the Government for significant cash inflows to maintain its operations. But for Government's subventions of approximately six billion dollars over the past three years that were used to pay, mainly, for energy, GWI's losses would have

been much higher. The intent by the PUC in approving GWI's tariff application was in the first instance to ameliorate the losses sustained by the company and to provide a measure of respite to the company with respect to its non revenue water program which had been its nemesis over the years.

Increase in Tariff Rates

In October 2012, The GWI applied to the Commission for a harmonization of tariffs, which would have significantly increased the revenue flows to the company. Following a public hearing and an extensive review by the Commission thereafter, GWI's application was approved with minor changes. The approved rates are contained in Order No. 2 of 2013 and may be viewed on the PUC's website at www.puc.org.gy. The effective date of the Order was July 1, 2013.

The GWI has failed to implement the increases. During the review, the Commission sought and received an assurance in writing from GWI that systems were in place to make the transition from the current to the new billing regime within the stipulated time frame set by the Commission. It was on this assurance that approval was granted.

The Commission does not wish to speculate on the reasons for GWI's failure to implement the new rates except to express disappointment on the company's non compliance. In response to our query, the Chief Executive advised that the non implementation was due to the unavailability of the Hi-Affinity Billing System providers based in the United Kingdom.

GWI Capital Expansion Program 2013

The GWI's approved capital expenditure for 2013 was \$ 2.779 billion. During the year the company completed capital works to the value of \$ 2.526 billion or 91 % of the approved value of its capital program. The GWI's capital works are not only limited to the coastal belt, but include several projects in the hinterland and Linden areas. In 2013 GWI did not sink any new wells, but there are currently five wells being sunk that are at various stages of completion. There are also other ongoing capital works that include the

expansion of the distribution system and transmission mains in several locations along the coastal belt. The capital works result in continuous improvements in the quality of service to consumers. At the end of 2013 GWI estimated that approximately 67,058 consumers are metered and that 50% of its service connections received treated water.

General

Since 2003, GWI, in addition to subventions received from the Government for operational activities has also been the recipient of funding from the Government of Guyana and other international external agencies for its capital expansion programs. The sum of these fundings during this period is approximately twenty-two billion dollars. To the company's credit there have been improvements in the expansion of services and the company's quality of service is improving. However, with an asset base of \$25 billion, GWI needs to begin to earn a return on its investment so as to maintain the integrity of its capital infrastructure going forward. The GWI current annual production is approximately 130 million cubic meters of water and at the end of its non revenue water program the company is hoping to reduce this production to 100 million cubic meters while still satisfying the demand of its consumer base. At this production level and with a reduction of non revenue water consistent with its program, GWI has the potential of earning a fair return on its investment. However, a concerted effort is required by the stakeholders to introduce the PUC approved rates in the shortest possible time and to achieve the targets set out in the company's development plan.

GUYANA POWER AND LIGHT INC

Guyana Power and Light continues to operate with monotony, that is to say, high system losses, significant operating deficits, an unmanageable non-current liability and a suspect quality of service that have characterized the company's operations over time. During the year the company suffered a major setback when negotiations for the construction of a hydro IPP collapsed. In successive Development and Expansion Plans since 2007, GPL had been anticipating a hydro IPP and had planned its operations to coincide with the coming on stream of the hydro. Nevertheless, this disappointment offers GPL a window

of opportunity. The company can use this interim period to become better hydro compliant so that at the time of transition there will be fewer problems to address.

System Losses

System losses have become an ingrained culture of GPL and look set to continue at unacceptable levels into the foreseeable future. The reason for this perennial problem has been an inadequate tariff base over the years that have starved the company of investing funds and a lack of direct cash inflows from the stakeholders specific to this problem. System losses over the last ten years is estimated to cost over \$50 billion and over the next five years is likely to cost another \$25 billion subject to oil prices remaining at its present level. The cost of these losses is borne collectively by the consumers and the Government. There is a contradiction in the approach in ameliorating system losses. Funds are woefully inadequate to reduce losses; but funds are available to cushion the cost of the losses.

The Government's preferred choice for the generation of energy going forward is from a renewable source, preferably hydro and the Government has committed to making hydro a reality sometime in the future. There needs to a concerted effort by the stakeholders to address the problem of system losses during this interim period so that when hydro is realized there can be a significant reduction in tariffs that will offer a measure of respite to both the domestic and commercial consumers.

GPL's Trading Results

Preliminary results indicate that GPL will sustain a significant loss on its 2013 operations. Reluctance by the company to trigger the fuel surcharge in accordance with its license is at the heart of the losses. The approved tariff base in January 2008 was adequate to allow GPL to earn a reasonable return on its investment subject to the proviso that the fuel surcharge would have been applied in accordance with its license. The GPL needs to reconsider its policy towards the fuel surcharge mechanism and if in the opinion of the company the full impact of this surcharge is deemed not in the national interest, it may wish to consider a reduced surcharge to partially reduce the significant losses it

presently sustains. The company may in time be seeking a strategic investor to partner in a hydro IPP but the incentive to invest in a company that is sustaining significant operation deficits coupled with high system losses would be a deterrent to any strategic investor wanting to invest.

Interest on Consumers' Deposit

As is the practice, utilities generally require from a potential customer a security deposit before the issuance of a service. It is also a standard practice that the utilities pay interest on the customers' deposit accounts. Prior to the 1st October, 2011 the rate of interest paid on consumers' deposit was 7% per annum.

On August 19, 2011 GPL applied to the Commission for a reduction in interest rates from 7% to 1.6 % per annum. Having deliberated on the presentations made by both GPL and the Consumers Associations, at that hearing the Commission reduced interest rates to 2.4% per annum effective from the 1st October, 2011. The Commission determined that the approved rate would remain in force for two years when it would again be reviewed by the Commission. On the 15th November, 2013 the GPL wrote to the Commission suggesting that interest rates on consumer deposits be further reduced to 1% which would be consistent with the prevailing rates at the commercial banks. A hearing to determine this matter is scheduled to be held by the Commission in 2014.

Operating Standards and Performance Targets (OSPT)

On the 4th October, 2010 GPL's license was expanded to include Operating Standards and Performance Targets. There are eight service standards with predetermined targets that GPL is expected to achieve. If the Commission finds that the company has failed to meet its operating standards and performance targets as provided for in its Development and Expansion Plan, it may impose monetary penalties upon the company in an amount not to exceed 25% of the total value of the dividends payable to the company's shareholder(s) for such calendar year in accordance with the license and applicable law. The Commission is mandated to publicly report on GPL's performance not later than April 30th in each calendar year on the previous year's performance. In April 2013 the

Commission, via a public hearing reported on GPL's performance for 2012. Based on the findings of the Commission the PUC issued Order 1 of 2013. The order is posted on the PUC's website and may be accessed at www.puc.org.gy

The Commission concluded that GPL's execution of the operating standards were at an acceptable level except for the standard that measures system losses. This standard was not met in 2012. The Commission remains concerned that system losses currently at 32% drains the financial viability of the company and is the main contributor to its high operating losses. Preliminary results of GPL's 2013 operations, suggest that system losses may be at the same level as it was in 2012.

GPL's Non Current Liabilities

At the end of September 2013 GPL's non-current liabilities were recorded at approximately thirty-six billion dollars. (This figure does not include the cost of the recent acquired Wartsilla stations that in all probability will be added to the debt portfolio in 2014). Of this amount approximately twenty-five billion is non-current related party; that is a debt owed by GPL to the Government and to Government related agencies. Given the financial constraints that characterized GPL's operations, it is unlikely that GPL would be able to service this debt. From an investor's perspective the debt creates a doubt on whether the company is in fact a going concern.

It is the Commission's opinion that the shareholders review this debt and make a decision going forward. A restructuring of GPL's balance sheet is worth considering but this would only be meaningful if the company is restored to profitability.

Metering

GPL has signalled its intention to introduce smart meters that contain a number of innovative features that may act as a check against commercial theft. A pilot project funded by the IDB is in progress. However, because of the cost associated with smart meters, the program may take some years before it is completed. In the interim GPL will continue the use of prepaid meters. Initially when prepaid meters were introduced it was

the opinion of GPL that it would have reduced commercial theft. This seems not to be the case. An analysis done by the Commission suggests that the average monthly consumption of prepaid consumers is significantly lower than that of the monthly average for the post paid consumers. The Commission has communicated its findings to the company and a response is awaited.

In the interim and until the smart meter program is finalised, GPL will continue to use prepaid meters. The Commission notes the inordinate times GPL have been without prepaid meters during 2013 and wishes to impress on the company that better planning is needed for the procurement of these meters so as to ensure that meters are available when a consumer requests a service connection.

TELECOMMUNICATIONS

The Telecommunication sector remains dynamic during the year under review as the two major companies demonstrate a positive outlook and confidence in the future. This was evident in the rush to expand networks and to employ a wide variety of innovative marketing strategies. Combined services from both fixed and mobile at December 31, 2013 suggest that Guyana is moving closer to 100% teledensity.

Telecoms Reform Sector Bill

At the time of preparing this report the Telecoms Reform Sector Bill is being reviewed by a special select committee of Parliament. The length of time it is taking to have this bill tabled is leaving the principal players in the telecoms sector in a state of uncertainty on the planning of their operations going forward. The Commission urges that a concerted effort be made to have this matter concluded in the shortest possible time.

Government Land Line Cable

In our previous report the Commission reported that the Government's landline cable would be launched sometime in 2013. This did not happen and the launch may be sometime in 2014. The Commission does not have a business plan for the Government's landline cable. Our information is that it will be used in the first instance to supply

services to the Government and Government related agencies. The Commission notes the number of failures by the contractors to meet stipulated time frames and the constant revision of completion dates, which are generally not met. The Commission urges a concerted effort be made to have the project brought to fruition so that the benefits associated with the cable may be realized that would be in the interest of the nation.

Investments in the Telecoms Sector

Investments in the Telecoms industry continue to be strong. In 2013 GT&T invested USD13M in the sector. Included in their capital program was the setting up of five new mobile cell sites that further increased the reach and quality of service to consumers. This brings the number of cell sites operated by GT&T to 117 at the end of 2013. The GT&T estimates that its combined fixed and mobile networks, reach approximately 90% of the population.

In 2013 Digicel had invested USD9.5M in the sector. Digicel has posited that currently 96 % of the population can access their network in the areas where they live and work. In 2013 Digicel commissioned six new mobile cell sites to their operations bringing the total number to 130 at the end of 2013. All of the new cell sites are located in the interior of the country. The telecommunication sector is moving closer to universal coverage. This is a positive, especially at a time when the interior of the country is being opened up for the exploitation of its mineral resources. Communication is a prerequisite in promoting this development.

Services

Mobile Services

At the end of 2013 the numbers of active mobile services were 555,035, a decrease of just over 2,000 services over the previous year. The penetration rate based on a population of 775,000 is approximately 72%. The combined paid mobile minutes of use made in 2013 from both networks totalled approximately 877 million.

Based on data analyzed by the Commission, mobile users seem to be switching to feature phones, meaning that the handsets have General Packet Radio Services (GPRS) capacity. This service enables the mobile holders to access a number of services that includes the internet. In 2013 Digicel reported that 49% of its consumers had handsets with GPRS capabilities.

Landline Services

At the end of 2013 the number of active landline services was 156,805. (154,039 in 2012) This gives a penetration rate of 20% based on a population of 775,000. Minutes of use in 2013 were 944.4 million compared to 1.145 billion in 2012. The average annual minutes of use per line in 2013 were 6,023 and in 2012, was 7,862.

The fall in landline minutes, even though the number of service lines have increased year by year, tends to be attributable to consumers' preferred choice of the use of SMS (texting) and the fact that some consumers use the mobile phone, albeit for short periods, even though they may have access to a landline service that is significantly cheaper than a mobile service.

The GT&T has reported that although it continues to invest in the landline segment of its business there has not been commensurate growth in minutes to justify future investments in this sector. Other concerns of GT&T are the vandalizing of its landline infrastructure by person(s) unknown and the significant financial losses associated with its operations.

Cost Allocation Methodology

The GT&T has submitted to the Commission a cost allocation methodology (CAM) that details the profit/loss of each of its operating segments. CAM is not an exact science. The model includes estimates and best practices where there are apparent difficulties in separating joint cost and central services. The Commission will make a determination on how it will be guided by the CAM going forward.

Inbound Calls

Inbound international traffic that is calls originating from foreign countries to Guyana fell in 2013 by 9% when compared to the previous year. In 2013 inbound minutes were approximately 72 million and in 2012 approximately 79 million. The reduction in minutes does not appear to be indicative of a decline in international traffic; rather it may be due in part to new technologies that allow for the by-pass of GT&T's international gateway. The reduction in international traffic continues to impact negatively on GT&T's profit and by extension results in a loss of taxes to the Guyana Revenue Authority.

Outbound Calls

Outbound international traffic that is calls originating from Guyana to overseas destinations, have decreased by approximately 1.4 million minutes over 2012 to 36.8 million or by 3.6 % over the previous period. This segment of GT&T's business has been severely challenged by the internet service providers that provide international outbound services at a fraction of GT&T's approved PUC rates. The GT&T has responded to this challenge by significantly reducing the PUC approved international rates in a promotion that ran for the entire 2012 and 2013. In the latter quarter of 2013 GT&T had applied to the Commission for permission to further reduce rates of outbound traffic to the North American market for a specific period. This market accounts for approximately 80% of all outbound traffic. The Commission had reviewed and granted GT&T's request. These promotions are GT&T's response to the unfair competition they face and the promotions are GT&T's way of maintaining their market share.

The GT&T is obliged to route outbound calls originating from its network to overseas destination through its contracted carriers. The carriers charge a fee for this service varying from US19 cents to US23 cents per minute. Conversely, GT&T receives from these carriers a like amount for inbound calls that is terminated on its network. It is for this reason that the cost for outbound calls made through GT&T remains high. Unless GT&T competes successfully against the internet service providers this segment of their business remains financially threatened.

Short Messaging Service (SMS)/Text Message

Text messaging is becoming a culture in the way people communicate. For 2013 the combined number of paid text messages that originated from the two service providers was approximately 717 million.

Internet Service

In 2011 and in 2012 the Commission reported on the anticipated launch of the Government landline cable which did not come to fruition and the ongoing distribution of the 90,000 laptops countrywide. When the laptops are fully distributed the potential is there for the continued growth of the internet market. The advent of smart phones and its myriad applications that include internet service have expanded the reach of internet services to a wider cross section of citizens across the country. Cellular internet services are significantly cheaper than DSL and this offers a window of opportunity to consumers that cannot afford the relatively high cost of a DSL service. At the end of 2013 GT&T has reported that the number of DSL services totalled 36,877 and LAN cards 3,622. The Commission is unable to report how many mobile subscribers have access to an internet service and the number of internet services provided from other internet service providers; but it is conclusive that the service is expanding year on year.

General

The Commission's analysis of the telecoms market is that it is nearing saturation point. The launch of the Government's cable together with the free distribution of laptops may change the dynamics of the internet market. The cable, we understand, will provide services to all Government institutions and particularly to the institutions of learning that in time will have significant benefits for the entire country.

Conclusion

Over the years there have been significant capital expenditures with respect to each of the utilities, resulting in each utility moving closer to universal service and an improved quality of service to consumers. With respect to GPL and GWI their services are provided at significant financial losses to the service providers and each is heavily

subsidized by the Government of Guyana. The reasons for the losses are the high system losses of GPL and the high non revenue water of GWI. The cost of these subsidies impacts negatively on the national economy and to the extent that it remains extant will continue to burden the treasury. The time is now for strategic plans to be developed to come to terms with this malignancy. Its success will, however, be dependent on a collective political will and efficient management teams to bring these losses to acceptable levels.

ACCOUNTS DEPARTMENT

Avita Singh, Financial Analyst/Accountant (ag.)

The year 2013 was a successful one for the Public Utilities Commission. Prudent reviews of the Commission's operations resulted in a reduction of expenses by 14% in each year and an unaudited surplus of approximately \$12 million. This will be added to the accumulated fund that in time will be used for the development and expansion of the Commission.

The Commission receives its funding from the utilities and the amounts to be paid to the Commission are delineated in the Public Utilities Commission (PUC) Act of 1999 that was subsequently amended. Based on the Act the current position is as follows:

- Guyana Power and Light Inc. (GPL) assessment is set at one percent of gross revenue derived from services or fifty million dollars, whichever is less.
- The Telecommunications sector's assessment is one percent of gross revenues derived from services.
- Water and Sewerage Services' assessment is based on such amount as the Minister may order, which shall be subject to negative resolution of the National Assembly, prescribe.

In 2002 Guyana Telephone and Telegraph Company (GT&T) moved to the Courts claiming that the rates fixed were discriminatory, basing their claim on the fact that the Act provides that the GPL Inc. pays \$25 million annually as assessment fees, while GT&T pays significantly more than this. The court ruled against GT&T and the company has since appealed the decision of the trial judge. GT&T in the interim and without prejudice to the court matter has been paying to the Commission, the same amount that GPL pays pending decision of the Court of Appeal. When the matter was fixed for hearing at the Court of Appeal it was found that records were incomplete and that the judge had not submitted his reasons for his decision and was no longer on the bench. The matter was remitted to the High Court to be heard *de novo*.

Digicel which started operations in Guyana in 2007 was assessed at 1% of turnover that is in conformity with the PUC Act. They made annual payments but by letter dated February 16, 2012, they informed the Commission that they intended to limit its assessment fees to reflect parity with the other two service providers (GT&T and GPL) and, without prejudice, the revised amounts would be retroactive from the time of its incorporation. Effectively, this meant that Digicel would be paying \$25 million to 2010; and \$50 million from 2011 onwards.

The inordinate time it is taking to have this matter heard by the court is a source of concern to the Commission. The Commission would like to have the matter resolved, so that it can better plan its operations going forward. The impact of this state of affairs has limited the Commission's ability to expand its operations in a manner consistent with its mandate.

The Commission's unaudited financial statements for 2013 follow: