SCHEDULE 1 OF THE LICENCE

Rates for the Supply of Electricity

and Rate Adjustment Mechanism

for Existing and New Services

FIRST SCHEDULE

Rates for the Supply of Electricity and Rate Adjustment Mechanism for Existing and New Services

PART A -- Preliminary

This Schedule, in conjunction with the First Schedule and the Second Schedule to the Electricity Sector Reform Act, No. 11 of 1999 ("ESRA") shall govern the following rates relating to the supply of electricity and for existing and new services to be charged by the Licensee, Guyana Power & Light, Inc., as follows:

(a) headline rates and service rates in 2000;
(b) electricity rates and service rates in 2001 and beyond; and
(c) fuel and foreign exchange surcharges or rebates in 2000 and beyond.

This Schedule also sets out the mechanism, formulae, principles and procedures whereby such rates shall be calculated and determined for all purposes under ESRA and the Public Utilities Commission Act, No. 10 of 1999.

A. In this Schedule --

1) **"accepted accounting principles"** means a reference to the following generally accepted accounting principles and standards in the order of priority set forth below, where the succeeding principles and standards are silent on any matter:

    (a) the terms and conditions of this Schedule and the License
    (b) Generally Accepted Accounting Principles in the United Kingdom; and
    (c) International Accounting Standards.

2) **"adjusted equity"** means the sum of equity plus Rate Base Adjustment (as calculated in Part H)

3) **"allowable rate of return" or "ARR"** means the sum of the weighted average cost of equity, and the weighted average cost of debt as calculated in accordance with Part B hereof;

4) **"allowable return"** means the allowable rate of return multiplied by the rate base;

5) **"average equity"** means the equity at the commencement of the financial year under review added to the equity at the end of such financial year, divided by two;

6) **"average adjusted equity"** means the adjusted equity at the commencement of the financial year under review added to the adjusted equity at the end of such financial year, divided by two;

7) **"average debt"** means the sum of (a) and (b), divided by two, where:

   (a) is the amount of all debt outstanding, where debt denominated in a foreign currency shall be stated at the rate of exchange in effect at the date of issuance thereof, plus the amount of paid up capital or credited as paid up capital on any Class B preference shares, both at the commencement of the financial year under review; and

   (b) is the amount of all debt outstanding, where debt denominated in a foreign currency shall be stated at the rate of exchange in effect at the date of issuance thereof , plus the amount of paid up capital or credited as paid up capital on any Class B preference shares, both at the end of such financial year.

8) **"average interest rate"** means the total interest expense divided by average debt, as determined in accordance with the formula prescribed in Part C;

9) **"certificate of compliance"** means a document issued by the independent firm of accountants in accordance with paragraph 7 of the First Schedule of the ESRA;

10) **"certificate of non-compliance"** means a document issued by the independent firm of accountants in accordance with paragraph 7 of the First Schedule of the ESRA;

11) **"Closing Date"** means October 1, 1999;

12) **"Commission"** means the Public Utilities Commission established by section 5 of the Public Utilities Commission Act, No. 10 of 1999;

13) **"Company"** means Guyana Power & Light, Inc., a company incorporated under the laws of the Co-operative Republic of Guyana, having its registered office in the City of Georgetown, in the said Republic of Guyana;

14) **"ESRA"** means the Electricity Sector Reform Act, No. 11 of 1999;

15) **"equity"** means the aggregate of:

(i) the amount paid up, or credited as paid up, on the share capital of the Company, including the amount paid up, or credited as paid up, on any Class A preference shares but excluding the amount paid up, or credited as paid up, on any Class B preference shares;

(ii) the outstanding amount of the promissory notes ("the promissory notes") issued to the Government by the Company on the Closing Date; and

(iii) the amount standing to the credit of reserves of the Company (including, without limitation, any share premium account, capital redemption reserve funds and any credit balance on profit and loss or retained earnings account) and any other sum which, by accepted accounting principles, is treated as part of equity (but excluding for these purposes, the amount paid up, or credited as paid up, on any Class B preference shares);

16) **"final deficit return"** means the excess of allowable return over the final return as determined in accordance with the formula prescribed in Part D;

17) **"final excess return"** means the excess of final return over allowable return as determined in accordance with the formula prescribed in Part D;

18) **"final return"** means the final return determined in accordance with the formula prescribed in Part D;

19) **"final return certificate"** means the document prepared in accordance with Part D and submitted to the Commission in accordance with paragraph 7 of the First Schedule of the ESRA;

20) **"GEC"** means a company established under the authority of the Electricity Act, Cap. 56:01 and converted to Guyana Electricity Company, Inc. a public company limited by shares subject to the Companies Act, No. 29 of 1991.;

21) **"income tax"** means any tax levied by the Government of Guyana on account of income or on account of capital;

22) **"independent firm of accountants"** and **"independent accountants"** means the accountants appointed by the Commission in accordance with paragraph 12 of the First Schedule of the ESRA;

23) **"interim deficit return"** means the excess of allowable return over the interim return as determined in accordance with the formula prescribed in Part D;

24) **"interim excess return"** means the excess of interim return over allowable return as determined in accordance with the formula prescribed Part D;

25) **"interim return"** means the interim return determined in accordance with the formula prescribed in Part D;

26) **"interim return certificate"** means the document prepared in accordance with Part D and submitted to the Commission in accordance with paragraph 5 of the First Schedule of the ESRA;

27) **"O&M Agreement"** means the Agreement between Guyana Electricity Corporation and Demerara Power Company dated January 1, 1994, which was transferred to the Company in accordance with Schedule VIII of the Vesting Order.

28) **"Opening Balance Sheet"** means the balance sheet of the Company as at the Closing Date, as provided for in Part E paragraph (G).

29) **"Operating and Agency Agreement"** means the Agreement between GEC and the Company executed on October 1, 1999;

30) **"PUCA"** means the Public Utilities Commission Act, No. 10 of 1999;

31) **"rate base"** means the total amount of the assets of the Company in any financial year as calculated in accordance with Part D and Part E; and

32) **"Vesting Order"** means the order issued under Section 42(4) of the ESRA and (among other matters) transferring specified assets and liabilities and contracts and employees of GEC to the Company.

agreement takes precedence over ESRA.

B. In case of a conflict between a definition in this Schedule and a definition in the ESRA or in section 2 of the First Schedule of the ESRA, the definition in this Schedule shall prevail.

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PART B

Allowable rate of return as set out in this Schedule in respect of each financial year of the Company is computed as the sum of the weighted average cost of equity, and the weighted average cost of debt, where:

weighted average cost of equity = {weighting attributable to equity} x {target rate of return on equity};

weighted average cost of debt = {weighting attributable to debt} x {average interest rate};

and where:

total capitalization equals the sum of the average adjusted equity and average debt;

And where:		
(ii) $\frac{\text{average adjusted equity}}{\text{total capitalization}}$	=	Weighting Attributable to Equity;
And where:		
(iii) $\frac{\text{average debt}}{\text{total capitalization}}$	=	Weighting Attributable to Debt

and where the target rate of return on equity and where the average interest rate are determined in accordance with Part C.

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PART C
Target Rates of Return
and Allowable Rate of Return

(i) The target rate of return on equity "(i)", for the purposes of Part D, is equal to :

$$\frac{\{(a) + (b) - (e) - (f)\} \times 23\% + \{(e) + (f)\} \times 20\%}{(a) + (b) + (c) + (d)}$$

(a)	=	value of beginning year adjusted equity, excluding beginning year promissory notes
(b)	=	value of end-year adjusted equity, excluding end-year promissory notes
(c)	=	value of beginning year promissory notes
(d)	=	value of end-year promissory notes
(e)	=	value of beginning year Class A preference shares, as translated at the Guyana dollar/US dollar exchange rate as at the Closing Date
(f)	=	value of end-year Class A preference shares, as translated at the Guyana dollar/US dollar exchange rate as at the Closing Date

(ii) The average interest rate "(ii)" shall be calculated as:

$$\frac{(g)+(h)+(i)+(j)+(k)+(l)}{(m)}$$

where:

(g)	=	Interest expense, which shall include realised foreign exchange gains on interest expense and realised foreign exchange losses on interest expense;
(h)	=	Amortisation of debt premium;
(i)	=	Amortisation of debt discount;
(j)	=	Amortisation of guarantee fees;
(k)	=	Amortisation of other loan charges and related costs;
(l)	=	Dividends paid or accumulated or attributed to or on Class B preference shares;
(m)	=	Average Debt

Allowable Rate of Return ("ARR")

ARR is calculated as: (A) + (B) = ARR

where:

Weighting attributable to equity	X	(i)	=	(A)
Weighting attributable to debt	X	(ii)	=	(B)

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PART D
Form of Return - Interim/Final

Particulars in respect of financial year ended 31 December. (All amounts to be expressed in Guyana dollars and given to the nearest dollar).

A. Calculation of operating income, using amounts derived from the financial statements and related financial schedules for the year in question, in accordance with accepted accounting principles as follows:

1) Revenue earned in respect of — G$

(a) Revenue from sales under electricity rates and service rates (including any amounts in respect of unbilled sales but excluding fuel surcharges and foreign exchange surcharges, calculated in accordance with Parts I and J, respectively) — 1(a)

(b) Revenue or gains derived from, related to, matched with or connected with any operating expense or operating assets included in item 2 below (including, without limitation, interest income but excluding any fees received in relation to the collection of account receivable of GEC under the Operating and Agency Agreement) — 1(b)

Total revenue earned — 1(a) +1(b) = I

2) Operating Administration and Overhead Expenses in respect of:

(a) Generation, including any operating lease and/or usage expenses (as determined, for example, in accordance with the O&M Agreement, the Operating and Agency Agreement and in respect of any other non-owned generation plant) — 2(a)

(b) Purchased power — 2(b)

(c) Transmission and distribution — 2(c)

(d) Consumer services — 2(d)

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Including (but not limited to) any expenses which the Company is required to pay in respect of customer-induced expense associated with frequency or voltage conversions, other system improvements, or claims for damages, but excluding any expenses properly accounted for as capital expenditures.

(e) Administration and overhead expenses — 2(e)

Including management fees and associated incentive payments,

(f) Directors' expenses — 2(f)

(g) Maintenance expense — 2(g)

(h) Expenses or losses derived, related to, matched with or connected with any operating income or operating assets not included in 2(a) to

2(g) above and any other expense directly or indirectly associated with other operating, administration, and overhead expenses, including without limitation bad debt expense. 2(h)

(i) All interest on consumer deposits 2(i)

(j) Any tax or imposition of any kind imposed by Government or any authority excluding income taxes 2(j)

Total sum of 2(a) through 2(j)	2(k)
Less: Depreciation charge included in any of 2(a) to (i) above	2(l)
Total Expenses	2(k) - 2(l) = II

3) Sub-total (being I minus II) = III

4) Total depreciation charges on the Company's fixed assets, less amortisation of customer contributions and transaction costs, calculated in accordance with the principles set out in this schedule. = IV

5) Realized foreign exchange gains or losses = V

6) Operating Income (being III minus IV plus or minus V) = VI

B. Components of Rate Base

7) Allowable fixed assets shall be calculated where:
Fixed assets, including property, plant and equipment, capitalised value of leased assets and construction work in progress determined at net book value (net of unamortized customer contributions and the balance of provisions for decommissioning costs):
(a) at the end of the year; and
(b) X% of the sum of (i) capital expenditures for fixed assets additions, if the related asset is in use, and (ii) construction work-in-progress during the year; where X shall be equal to 50 for the five years up to the financial year ending December 31, 2004 and, thereafter, shall be equal to 25; and where 7(b) shall not exceed 10% of 7(a).

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8) Allowable inventory shall be calculated where:
inventory, excluding fuel inventory, is measured at net book value:
(a) at the beginning of the year, and
(b) at the end of the year

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and where average inventory is calculated as:

$$\frac{8(a) + 8(b)}{2} = g$$

and where g is subject to a maximum of 12.5% of 7(a)

and where:

Fuel inventory, including lube oil, is measured at net book value:
(c) at the beginning of the year, and
(d) at the end of the year

and where average fuel inventory is calculated as:

$$\frac{8(c) + 8(d)}{2} = h$$

and where h may not exceed 1.5 times the maximum monthly fuel consumption measured in a standard unit multiplied by the average price of fuel per standard unit;

and where allowable inventory is calculated as: Sum of g+h = VIII

9) Allowable prepayments and deposits shall be calculated where:

Prepayments and deposits are measured at net book value:
(a) at the beginning of the year, and
(b) at the end of the year

and where average prepayments and deposits are calculated as:

$$\frac{9(a) + 9(b)}{2} = j$$

and where j may not be greater than 1.5% of 7(a) .

and where allowable prepayments and deposits shall be = IX

10) For each financial year, allowable working capital shall be calculated where:

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(a) Operating expense for the year (previously defined and calculated as II)
(b) Fuel and lube oil expense for the year;
(c) Value of consumer deposits at the start of the year; and
(d) Value of consumer deposits at the end of the year

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and where allowable working capital is calculated as:

$$[10(a)-10(b)] \times 12.5\% - \frac{[10(c)+10(d)]}{2} \qquad = X$$

11) Average unbilled sales shall be calculated where:

Unbilled sales measured at book value:
(a) at the beginning of the year; and
(b) at the end of the year
and where average unbilled sales is calculated as

$$\frac{11(a) + 11(b)}{2} = k$$

and where k may not exceed 5% of gross revenue of the Company for the year in question.

and where average unbilled sales shall be = XI

12) Rate Base Adjustment, as calculated in accordance with Part H = XII

C. Calculation of Rate Base

Rate Base =VII+VIII+IX+X+XI+XII = XIII

D. Calculation of Allowable Return

Allowable Interim/Final Return ARR x XIII = __________$

E. Calculation of Interim Deficit/Excess Return

Operating Income (VI) - Allowable Interim Return =
Excess/(Deficit) Interim Return = XIV

F. Calculation of Final Deficit/Excess Return

Operating Income (VI) - Allowable Final Return =
Excess/(Deficit) Return = XV

I certify to the best of my knowledge, after making due and reasonable enquiry, that the foregoing is true and correct.

Chairman or Managing Director
Guyana Power & Light, Inc.

Dated:
day ___________of _________________ month, ______year

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PART E
Guidelines for Part D

The following principles and accounting policies shall apply when preparing the financial statements of the Company and the Interim and Final Return Certificates in accordance with this Schedule:

A) Only such expenses that have been incurred in producing the operating revenues for the year or in managing the business of the Company, including the payment of any management fee, shall be taken into account for the purpose of determining the Interim/Final Rate of Return for any financial year. Payments made or expenses incurred relating to the subscription of shares of the Company shall be deemed an allowable expense for the purposes of this Schedule. For greater certainty therefore, all costs incurred in respect of rural electrification and line extensions shall be treated in a consistent manner as the treatment applied to the applicable receipt of cash, if any, and expensed or capitalized and amortized in a consistent and matched manner.

B) The foregoing shall not be interpreted to exclude charitable donations and similar nonessential expenditures provided that such do not exceed 2% of the total operating costs defined in this Schedule as "II".

C) Guarantee fees payable in connection with debt obligations arising under agreements entered into on and after the date of the coming into operation of ESRA shall be excluded from the calculation of operating expenses.

D) Fixed assets including property, plant and equipment, construction work in progress and the capitalised value of leased assets shall be accounted for on the historical cost convention. For the avoidance of doubt, fixed assets shall include any capital expenditure incurred by the Company in relation to the rehabilitation of assets owned by GEC and/or transferred to the Company by GEC in accordance with the Operating and Agency Agreement and shall include provisions for decommissioning costs which shall not exceed 3% of the costs of such fixed assets. Depreciation shall be calculated on the original cost of fixed assets, as adjusted for provisions for decommissioning costs, using rates designed in accordance with (E) below.

E) Provisions for depreciation and amortization of customer deposits and transaction costs shall be in accordance with generally accepted accounting principles and with practices as used by the Company for accounting purposes.

F) The Company shall account for long term monetary items in the following manner:

1. realised gains and losses shall be included in the calculation of net income;

2. unrealised gains and losses shall be deferred and accounted for in the shareholders' funds section of the balance sheet: and

3. long term monetary items shall be adjusted appropriately to reflect the exchange rate in effect at the relevant year end, as applied in Part H.

G) The balance sheet of the Company as at the Closing Date will be as stated in Schedule IX of the Vesting Order. This balance sheet shall be the opening balance sheet of the Company for the purposes of the License, and such balance sheet shall be deemed to have been accepted by the Commission.

H) Unless otherwise provided herein, in the event that funds are received by the Company from a third party other than by way of loans to or investments in the Company and including set off amounts, damages, covenants, guarantees, subsidies, donations or otherwise, the use of such funds in the business of the Company shall be for the purpose of the various calculations in this First Schedule be recognized as coming from a third party and not from the Company and in particular:

1. if and to the extent such funds are used to fund an expense of the Company, such expense shall not be included as an expense of the Company for the purposes of this First Schedule;

2. if and to the extent such funds relate to an expense already incurred by the Company and previously recognized in any calculation under this First Schedule, upon receipt of such funds by the Company, such funds shall be recognized as revenue by the Company in the next of such calculations;

3. if and to the extent such funds relate to a capital expenditure or asset of the Company, such capital item or asset shall be accounted for on the same basis as customer contributions.

I) For the purposes of determination of year 2000 rates under this schedule, the revenues, expenses etc. to be used in such determination shall be those related to the Company's operations from the Closing Date to 31 December, 1999, as determined using the Company's unaudited management accounts pro-rated to reflect a full 365 days of operations.

PART F
INTERIM DECREASES/INCREASES

"Total Revenues" means the total revenues of the Company from the sale of electricity and services, as determined in accordance with A.1 (a) of Part D of this First Schedule of the Licence.

"Remaining Days" means the number of days remaining in the financial year at the time of the proposed decrease or increase in rates.

1. INTERIM DECREASES:

Interim Decrease in Headline Rates and Service Rates in 2000, or
Interim Decrease in Electricity Rates and Service Rates in 2001 and Beyond

Excess Return Total Revenues	X	365 Remaining Days	X	100%
=				
Interim % Decrease to be applied to each rate in force at the end of the previous year				

2. INTERIM INCREASES:

Interim Increase in Headline Rates and Service Rates in 2000, or
Interim Decrease in Electricity Rates and Service Rates in 2001 and Beyond

Deficit Return Total Revenues	X	365 Remaining Days	X	100%
=				
Interim % Increase to be applied to each rate in force at the end of the previous year				

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3. **APPLICATION OF THE INTERIM % INCREASE OR DECREASE:**

The Interim % Increase or Decrease calculated above is to be applied to rates as follows:

i) The year 2000 Interim % Increase or Decrease is to be applied to 1999 headline rates and service rates as identified in Annex I of the Second Schedule of ESRA, based on the best information available to the Company from its unaudited management accounts by January 28, 2000.

ii) The year 2001 Interim % Increase or Decrease is to be applied to the year-end 2000 electricity rates as set out in paragraph 12 of the Second Schedule of ESRA, and to the 2000 service rates which were determined in accordance with (i).

iii) For 2002 and beyond, the Interim % Increase or Decrease is to be applied to the electricity rates and service rates in effect as at the previous year-end.

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PART G
FINAL DECREASES/INCREASES

"Total Revenues" means the total revenues of the Company from the sale of electricity and services, in accordance with A.1 (a) of Part D of this First Schedule of the Licence.

"Remaining Days" means the number of days remaining in the financial year at the expected time of implementation of the proposed decrease or increase in rates.

1. FINAL DECREASES:

a) Final Excess Return Adjustment:

Final Excess Return (XV)

less:

Interim Incremental or Decremental Revenue associated with the Interim Increase or Interim Decrease as calculated and applied in accordance with Part F (as applied from the date of the Interim Increase or Decrease to the expected implementation date of the final decrease in rates).

= **Final Excess Return Adjustment**

Where Interim Incremental or Decremental Revenue:

=	Interim % Increase or Decrease (from Part F) (1+Interim % Increase or Decrease (from Part F)	X	Estimated total revenue from the date of implementation of the Interim Increase or Decrease to the date thatthe final decrease is expected to be implemented.

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(b) Final Decrease in Headline Rates and Service Rates in 2000, or Final Decrease in Electricity Rates and Service Rates in 2001 and Beyond

<u>Final Excess Return Adjustment</u> Total Revenues	X	<u>365</u> Remaining Days	X	100%
=				
<u>Final % Decrease to be applied to each rate in force at the end of the previous year</u>				

2. FINAL INCREASES:

a) Final Deficit Return Adjustment:

Final Deficit Return (XV)

less:

Interim Incremental or Decremental Revenue associated with the Interim Increase or Interim Decrease as calculated and applied in accordance with Part F (as applied from the date of the Interim Increase or Decrease to the expected implementation date of the final increase in rates).

= **Final Deficit Return Adjustment**

Where Interim Incremental or Decremental Revenue:

=	<u>Interim % Increase or Decrease (from Part F)</u> (1+Interim % Increase or Decrease (from Part F)	X	Estimated total revenue from the date of implementation of the Interim Increase or Decrease to the date that the finalincrease is expected to be implemented.

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(b) Final Increase in Headline Rates and Service Rates in 2000, or
Final Increase in Electricity Rates and Service Rates in 2001 and Beyond

Final Deficit Return Adjustment Total Revenues	X	365 Remaining Days	X	100%
=				
Final % Increase to be applied to each rate in force at the end of the previous year				

3. APPLICATION OF THE FINAL % INCREASE OR DECREASE:

The Final % Increase or Decrease calculated above is to be applied to rates as follows:

i) The year 2000 Final % Increase or Decrease is to be applied to 1999 headline rates and service rates as identified in Annex I of the Second Schedule of ESRA, based on the best information available to the Company from its unaudited financial accounts on April 30, 2000.

ii) The year 2001 Final % Increase or Decrease is to be applied to the year-end 2000 electricity rates as calculated in accordance with paragraph 12 of the Second Schedule of ESRA, and to the 2000 service rates which were determined in accordance with (i).

iii) For 2002 and beyond, the Final % Increase or Decrease is to be applied to the electricity rates and service rates in effect as at the previous year-end.

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PART H
RATE BASE ADJUSTMENT

The Rate Base is adjusted by the addition of an amount, the 'Rate Base Adjustment', which is intended to compensate the Company for certain levels of devaluation or appreciation of the Guyana dollar relative to the US dollar. Accordingly, for the purposes of Part D, an annual adjustment, if any, will be calculated annually by determining the adjustment to Rate Base to recognise the effect of devaluation or appreciation in the Guyana dollar in excess of 2.9% per annum, on the amount of all equity of the Company received in US dollars or deemed to be received in US dollars. The Rate Base Adjustment will, at any point in time, represent the cumulative effect of such annual adjustments up to that time.

The annual adjustment shall be calculated as follows:

A. If in any year $ERt_1 > ERt_0$, then the following amount shall be *added* to Rate Base Adjustment:

$$\left[\frac{(ERt_1 - Ert_0)}{Ert_0} - 2.9\%\right] \text{ x Average US\$ Equity Base plus the Rate Base Adjustment at the beginning of the year;}$$

provided that no adjustment shall be made if such amount is negative

B. If in any year $ERt_0 > ERt_1$, then the following amount shall be *subtracted* from Rate Base Adjustment:

$$\left[\frac{(ERt_0 - Ert_1)}{Ert_0} - 2.9\%\right] \text{ x Average US\$ Equity Base plus the Rate Base Adjustment at the beginning of the year;}$$

provided that no adjustment shall be made if such amount is negative

Rate Base Adjustment= the annual adjustment calculated above, for the current year, together with the aggregate of all other annual adjustments calculated since the Closing Date.

where:

Average US$ Equity Base = US$ Equity Base at beginning of year + US$ Equity Base at end of year, divided by two

US$ Equity Base = the amount of equity of the Company contained in the Opening Balance Sheet, less the amount of equity comprised of the promissory notes issued by the Company on the Closing Date, plus the amount of equity issued by the Company after the Closing Date for which the subscription proceeds are received in US dollars. All amounts shall be determined based upon the Guyana dollar/US dollar exchange rate at the Closing Date and/or as at the date of subscription.

where: ERt_0 = Guyana dollar/US dollar exchange rate at the beginning of the year, where:

for 1999: exchange rate used at the Closing Date in determining the Opening Balance Sheet.

and after 1999: the average monthly mid-range rate for purchase of US dollars, as posted by the five largest commercial banks in Guyana over the last three months of the previous year.

ERt_1 = Guyana dollar/US dollar exchange rate at the end of the year, based upon the average monthly mid-range exchange rate for purchase of US dollars posted by the five largest commercial banks in Guyana over the last three months of the year.

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PART I
FUEL SURCHARGE/REBATE

Commencing ~~with the second quarter of 2000~~ and each year thereafter, a fuel surcharge, or rebate, shall be added or applied to each customer's billing and shall be calculated quarterly in accordance with the following formulae:

Where: Base Period = The previous calendar year

Fuel surcharge, or rebate, per kWh, in any quarter = $((F_1 - F_0) \times C_1)/E_1$

F_0 = The weighted average expense per unit of fuel consumed by the Company during the Base Period. For the purposes of determination of the fuel surcharge in the year 2000, the F_0 for the Base Period will be deemed to be the weighted average cost of fuel consumed by the Company in the period from the Closing Date to 31 December 1999.

F_1 = The weighted average expense per unit of fuel consumed by the Company during the three months prior to the quarter for which the fuel price surcharge or rebate is being calculated.

E_0 = The aggregate of kilowatt hours of electricity sold by the Company during the Base Period.

For the purposes of determination of the fuel surcharge in the year 2000, the Base Period E_0 will be the aggregate of kWh sold by the Company in the period from the Closing Date to 31 December 1999.

E_1 = The aggregate of kilowatt hours of electricity sold by the Company during the three months prior to the quarter for which the fuel price surcharge or rebate is being calculated.

C_0 = The total units of fuel consumed by the Company during the Base Period. For the purposes of the determination of the fuel surcharge in the year 2000, the Base Period C_0 will be total units of fuel consumed by the Company during the period from the Closing Date to 31 December 1999.

C_1 = The total units of fuel consumed by the Company during the quarter before the immediately preceding quarter.

Base Fuel Charge, per kWh = $(F_0 \times C_0)/E_0$

Notwithstanding the foregoing, no such fuel surcharge or rebate shall be added or applied unless the absolute value of such amount is equal to or greater than 3.0% of the Base Fuel Charge.

PART J
FOREIGN EXCHANGE SURCHARGE/REBATE

In order to protect the Company against significant variations in the exchange rate between the Guyana dollar and the US dollar, in addition to the fuel surcharge provided for in Part I, commencing in the second quarter of 2000 and each year thereafter, a quarterly foreign exchange surcharge or rebate will be added to customers' billings on the basis set out below to reflect the increased costs to the Company in Guyana dollars in respect of costs incurred by the Company in US dollars.

Where:

Base Period	=	the previous calendar year
Base Period Electricity Sales	=	the aggregate of Electricity Sales, as applied in Part D A.1 (a), for the Base Period
Base Period Energy Sales	=	the aggregate of kilowatt hours (kWh) of electricity sold by the Company during the Base Period
US$ Costs Weighting	=	the total of US dollar based operations, administrative and overhead expenses in respect of the Company's operations in the Base Period as identified under Part D, (a) through (j) excluding fuel and depreciation expenses but including management fees and O&M expenses for the Wartsila units, divided by Base Period Electricity Sales. For the purposes of determining the foreign exchange surcharge or rebate in the year 2000, the US$ Costs Weighting for the Base Period shall be based on the expenses incurred by, and the electricity sales of, the Company from the Closing Date to 31 December 1999.
Revenue per kWh	=	$\frac{\text{Base Period Electricity Sales}}{\text{Base Period Energy Sales in kWh}}$ ✓ ✓ For the purposes of determining the foreign exchange surcharge or rebate in the year 2000, Revenue per kWh shall be be based on the Company's Revenues for the period from the Closing Date to 31 December 1999.

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FX_0	=	the average monthly mid-range rate for purchases of US dollars as posted by the five largest commercial banks in Guyana over the Base Period. For the purposes of determining the foreign exchange surcharge or rebate in the year 2000, FX_0 shall be the average monthly mid-range rate for purchases of US dollars as posted by the five largest commercial banks in Guyana during the period from the Closing Date to 31 December 1999.
FX_Q	=	the average monthly mid-range rate for purchases of US dollars as posted by the five largest commercial banks in Guyana during the three months prior to the current quarter.

and where the foreign exchange surcharge or rebate shall be calculated as:

(Revenue per kWh) x (US$ Costs Weighting) x $(FX_Q - FX_0)/ FX_0$

The foreign exchange surcharge or rebate will only apply if, during a given year, the Guyana dollar loses or gains value, relative to the US dollar, by a factor of more than 3%, as compared to the value of the Guyana dollar during the previous year. Accordingly, no foreign exchange surcharge or rebate shall be applied to customers' billings if the value of $(FX_Q - FX_0)/ FX_0$ is between –3% and +3%.

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PART K

Notwithstanding section 15(4) of the Third Schedule of ERSA, if the full amount of a bill rendered by the Company is not paid within 21 days after the issuance of such bill, the Company shall be entitled to charge interest on the amount remaining unpaid after the 21 day period, such interest charge shall be calculated as being the number of days such amount remains outstanding following the 21 days payment period, divided by 365 days, times an annual interest rate not to exceed the prime rate charged by banks in Guyana, plus an additional 10%, per annum.