



Public Utilities Commission Annual Report



2008

PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

2008

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FROM THE DESK OF THE CHAIRMAN OF THE PUC

Just. (ret'd) Prem Persaud CCH



We have just concluded another year in service to the community and I consider it fairly successful having regard to our obligations as set out in the Public Utilities Commission Act No. 10 of 1999. We are mandated to perform regulatory, investigatory, enforcement and other such functions conferred on us by the Act.

There are, however, limitations in terms of us carrying out our duties, as the licences issued to the utility companies inhibit us from setting standards for the performance of their operations. In the case of the electricity sector, the rates are fixed by a predetermined formula over which the Commission has no control.

In keeping with our mandate we attempt to ensure that the utilities provide safe and adequate services at a reasonable cost having regard to consumers and investors' interests, and also ensuring the financial integrity of the companies.

During the year under review we dealt with complaints and conducted several consumer outreach programmes which are highlighted in the report submitted by the Complaints Division.

We are also inhibited by a lack of accommodation and have to seek alternative venues for the holding of meetings and hearings. The premises we now occupy are rented and we cannot do much with the building which is a structure not adequately suited for our purposes.

Despite our limitations we are satisfied with our achievements and consumers are also generally pleased with our representations. For instance, during the year under review we have obtained credits on behalf of consumers in the sum of approximately \$9M—making a total of \$32.1M for the period 2004 – 2008.

Our plans for the New Year include the setting up of offices in outlying areas of the country. This will assist consumers to lodge their complaints and have their concerns attended to in a timely manner. It will also save them time, energy and money that would have been expended in travel to our head office.

The Commission plans include making a concerted effort to use the television, radio and other agencies to keep consumers abreast with our efforts, and to alert them of intended changes which the utility companies may wish to undertake.

I have previously alluded to the independence of regulatory bodies, and the perception of the operators that the Commission rarely acts in their favour and that we are against them. We have at all times performed our mandate professionally and independently and our decisions are balanced by weighting the utilities and the consumer's interest. Utilities have a duty, they feel, to make money and consumers know that they are entitled to an efficient service at a reasonable cost. We strive to attain these objectives and the reports in this Annual speak volumes.

Our staff is very dedicated and will continue to work with all stakeholders to ensure each gets its pound of flesh. In the process we will do no incision to cause anyone to bleed to death.

INTRODUCTION

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

This Report will serve to inform of the PUC's activities during the year 2008, and our resolve at all times to maintain the integrity of the utilities and the interest of 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, 1994 and in 1999. The Commission is at present operating under Act No. 10 of 1999 which came into force on the 1st October 1999.

The Commission presently consists of a Chairman, who is a full time official, and three other Commissioners, who are appointed and serve on a part-time basis. There is provision (Section 5 of the Act) for the appointment of four Commissioners, but the Commission does not at this time see the need for the appointment of a fourth Commissioner.

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

Commissioners:



Badrie Persaud



John Caesar



Maurice Solomon

The Public Utilities Commission

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 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, investment 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.

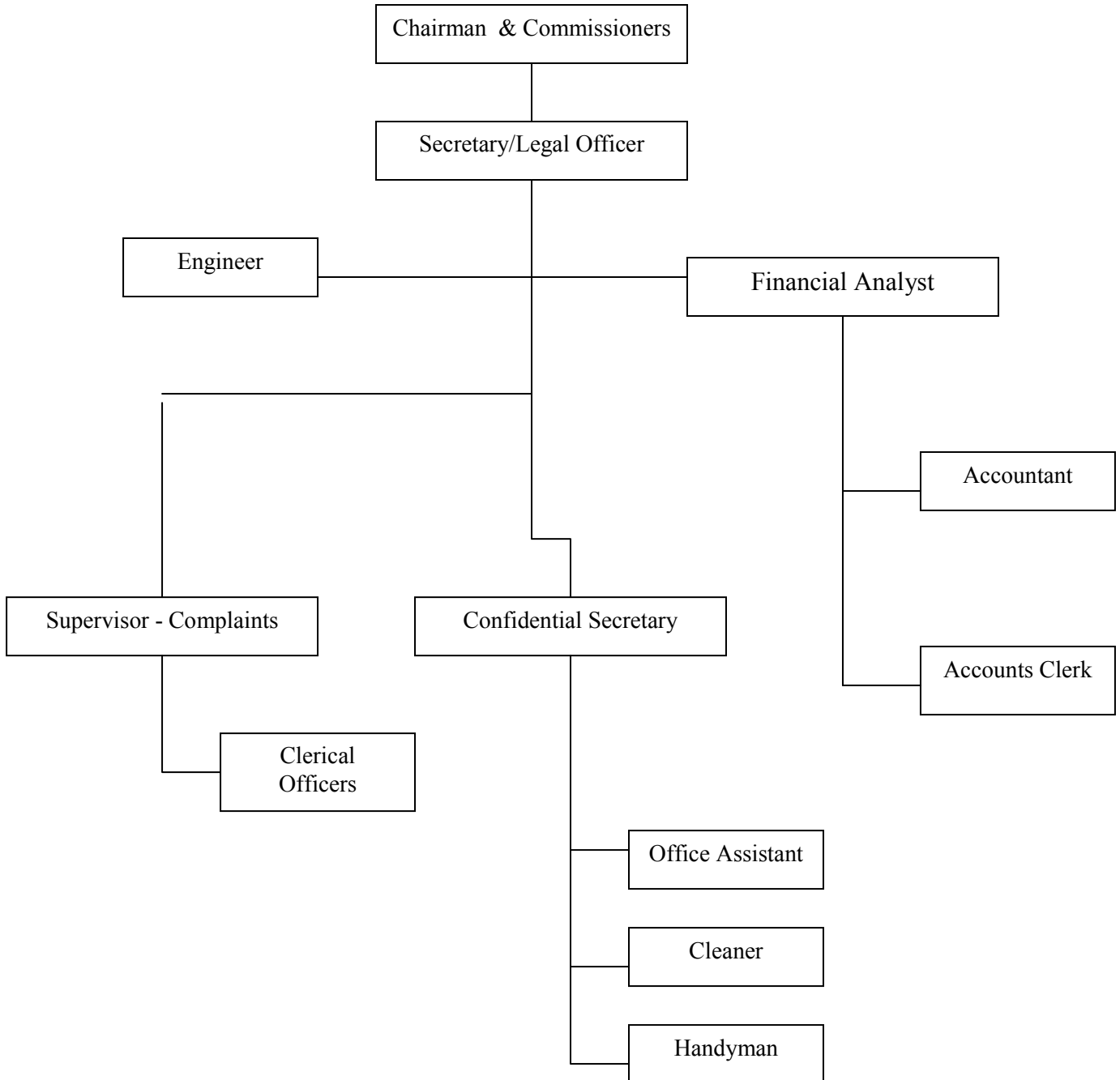
- The Commission does not issue licences for the operation of any utility. This is the responsibility of the Office of the President in the case of telecommunication, Office of the Prime Minister in the case of electricity, and the Minister of Housing and Water in the case of water and sewerage services.

- The Commission is not involved in the administration of the frequency management or spectrum allocation in the telecommunications sector. This is the mandate of the National Frequency Management Unit.

- The Public Utilities Commission is not involved in policy matters, but may be called upon to act in an advisory capacity to the Ministers responsible for utilities on such matters concerning the utilities as are referred to it by the relevant Ministers.

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.

However, any person who 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 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;
- (vi) water supply services, except retail deliveries.

The public utilities under the purview of the Commission are:

- **Telecommunication Services**
- **Electricity, since the inception of the PUC Act 1990; and**
- **In 2003 by Order No. 26/ 2003, Water and Sewerage Services.**

GT&T's 17th Anniversary Promotion

On February 4, 2008 approval was given to GT&T for the month of February to be allowed to offer to its mobile customers a 'one-low rate' promotion, which would result in the mobile peak and off-peak rates to be the same. This was made effective from February 9 to February 28.

Lower Mobile Top-Ups

The Commission approved on March 4, 2008 the GT&T's offer to the public of mobile pre-paid cards in denominations of \$100, \$200, and \$500 in addition to the denominations already in use and offerings of electronic mobile top-ups for as low as \$100.

Application for Promotion Offer-Discounts on the International

The GT&T applied for an offer of promotion for international promotional rates which was approved by the Commission. The Commission was of the view however, that the promotional calls to Cuba, could have been cheaper, given the expected volume of calls to that country from Guyana, and conveyed this to the company. The company advised that a compromise rate could be offered which was \$199/minute, as opposed to the earlier proposal of \$233/minute, which was met with favour by the Commission. This was made effective from the October 1, 2008.

By way of letter to the Commission the operator U-Mobile Inc, trading as Digicel protested this promotion, claiming that the PUC was in violation of the law in that a public hearing had not been convened, among other issues. The issue here was whether the telephone company, GT&T was using its monopoly for anti-competitive reasons by restricting such access to consumers of the wire-line service. The PUC in view of these new developments wrote to GT&T requesting that the promotions be made available to all consumers in the mobile cellular market and subsequently requested that GT&T ceased the promotion.

Premium Game Show

The GT&T made an Application for collaborative effort between them and Strongbow Telecommunications, a company incorporated in the British Virgin Islands to offer a premium rate game show to be aired on NCN and later on HJTV. Each text was expected to attract a premium rate of \$100.00, where GT&T will get \$20. This offer was approved by the Commission on October 10, 2008.

Water Sector

GWI Tariff

By letter dated February 6, 2008 GWI informed the PUC that on review of their database it was revealed that a number of customers were categorized in the Low Rateable category. The company indicated to the PUC that they intended to regularize this situation. The Commission wrote back requesting information on the methodology and criteria used to make this determination and requested that any activity in this regard be discontinued until further discussions with the Commission on this matter. The Commission noted to the company that the PUC is the only competent authority to fix such rates and further stated that the PUC's Order 3 of 2005 did not deal with 'treated' or 'untreated' water, neither did it distinguish the varying periods of the day when the company should supply water. The Commission noted subsequently that any changes in tariffs would require a filing by the public utility.

Proposed Public Utilities Commission Release

The PUC in reference to its Order No. 3 of 2005 fixed rates for GWI for the usage of potable water and sewerage services. However, the Commission noted that many complaints were received from consumers that they were being charged inflated and exorbitant rates above which they were legally required to pay. The Commission advised all consumers that despite several attempts to meet with GWI on these issues, GWI had failed to remedy those anomalies or to meet with the Commission in this regard. As such the Commission advised all consumers not to pay additional, inflated or illegal charges for water which they consume and which may have appeared in their bills and which was

not approved by the Commission. This Release was submitted to GWI, indicating that it was to be published in the media, but GWI requested to meet with the PUC on the matter before the publication.

Meeting of the Commission and GWI

On December 30, 2008, the Commission met with GWI and discussed the issue of inflated and overbilling charges of customers. It was agreed that GWI will submit in draft a proposal by January 19, 2009 with respect to the adjustments to the tariff bands and the rationale for these charges. The PUC noted at the meeting that GWI was in default in that it was not giving due notices to persons with respect to disconnections and that section 66 of the Water and Sewerage Act, Act No.5 of 2002 advised that no action should be taken against a customer unless 28 days had elapsed. GWI proposed that there may be a need for a new security deposit to be paid to new customers. The PUC indicated that a proposal in this regard should be submitted to the Commission for consideration. It was agreed that GWI will intensify its public relations to ensure that more people are aware as to how to read the new bills that were generated by their Hi-Affinity billing systems, since the PUC stated that it had found that a large number of people could not read the bills.

GWI's Programme

Following a GWI press statement in the print media, the PUC by letter to the company, noted that the release stated that the company has indicated that there is duplicity of names on its billings database and readings with 20% inaccuracy and that there was a proposal to issue to the defaulting consumers letters from lawyers claiming outstanding amounts. The PUC indicated that there was a need to have an assurance that the company would not be seeking to collect monies from people who had already discharged their obligations to the company. The company responded by saying that the news interview did not accurately reflect what the company had stated and that approximately 20% of its database 'may be' inaccurate. The company noted further that outside of the duplicity of account holders, there were still a large number of persons with substantial arrears owing to the company.

Electricity Sector

PUC Order 1 of 2008 –Application for an Increase in Electricity Rates and Changes in Tariff Categories

Approval of the rates as requested by the power company was granted and made effective on the 2nd day of January, 2008, in terms of paragraph 12 of the First Schedule of the Electricity Sector Reform Act, No. 11 of 1999. It was noted that such rates were to be made effective on bills produced from February, 2008. See Appendix II.

Application by GPL for increased consumer deposits and interest charges

By application dated January 18, 2008 GPL, indicated that they were seeking to institute interest charges at the rate of 20% per annum on accounts owed by consumers and which were not paid on time and have been disconnected. Further, the company was seeking to have consumers provide a security deposit and to update such deposits to reflect increases in tariffs and/or changes in consumer's consumption. The PUC denied this application, on the basis that certain conditions must be present before the implementation of an interest charge. For instance the Commission noted that a bill must be issued and 21 days later, if payments are not made, then interest shall be charged. The Commission noted however, that consumers do not always receive their bills on time; it also noted that it may amount to a double penalty, by imposing an interest charge along with a disconnection. The PUC also noted that it is unfair to be paying for the high system losses of the company, while at the same time have to tolerate regular load-shedding and unannounced power cuts. The PUC pointed that there have been substantial increases in rates and to now impose penalties would be unfair to the consumers. In the premises the Commission denied the application. (see full text in Appendix III). GPL refuted these charges, but the Commission held to its position.

Commission's Complaint

The Commission wrote to GPL registering its concern with respect to the frequency of power outages both scheduled and unscheduled. It also noted its concerns with respect to

the difficulty of consumers getting through to their Calling Center, stating that complaints received suggested that the Center may be unmanned on the weekends. Consumers' frustration with respect to reaching GPL to make their complaint or to have their complaint answered was noted by the PUC.

FINANCIAL OVERVIEW OF THE SECTORS

Moorselene Sankar – Financial Analyst

Guyana Water Incorporated



The Guyana Water Inc. continues to be a source of concern to the PUC. Indexes that measure Non Revenue Water (NRW), metering, billing and cash collections that are central to a well run utility, remain at an unacceptable level.

Non Revenue Water

NRW is defined as water produced by the company for which no revenue will be received. NRW is water that has been produced and is “lost” before it reaches the customer. Losses can be real losses (through leaks, sometimes also referred to as physical losses) or apparent losses (for example through theft or metering inaccuracies). High levels of NRW are detrimental to the financial viability of water utilities, as well as to the quality of water that ultimately reaches the consumers.

GWI is unable to measure definitively its non revenue water but it is generally thought to be in excess of 50% of the water produced by the utility. The major reason why GWI is unable to measure its NRW accurately is because 70% of its consumer base is unmetered. It is generally thought that unmetered consumers who pay a flat tariff regardless of the volume of water consumed have little incentive to conserve water and may be consuming but not paying the full economic cost for millions of cubic meters of water used. It is for this reason that GWI will urgently need to meter these consumers. In its three year turnaround plan GWI has budgeted to reduce NRW by 5% for each of the three years commencing from 2008. A new division was set up and staffed. Its terms of reference were to achieve the targets set in the plan. Unfortunately the company has experienced some hiccups in getting the Division off the ground and it is unlikely that the target of 5% will be met.

It is difficult to definitively determine the cost benefits and increased sales that are likely to accrue to the company as a result of a five percent reduction in non revenue water. Various financial models suggest varying figures at the initial stages but all fall in the range of between \$300 million to \$450 million. Given the huge savings that are likely to accrue to the company it is imperative that the company pursue this segment of its operations with purpose.

Metering

At the end of 2008 GWI had 115,000 (one hundred and fifteen thousand) un-metered consumers on its database. This represents some 70% of its total consumer data base. In its three year metering plan GWI is projected to meter a significant number of this class of consumers. The Commission will like to place on record its endorsement of GWI's plan, and hopes that the company will work assiduously to accomplish this objective.

The advantages in having all of the consumers metered are:

- GWI will be better able to measure its non revenue water since it will know both its metered sales and its production.
- It will facilitate rate fixing and block tariffs since the consumption patterns of both the residential and industrial and commercial consumers will be known.
- It may reduce demand since the once un-metered consumers that once used water indiscriminately may begin to conserve.
- It may allow for the company to better plan its distribution system.
- In the medium term it may even lead to a reduction in tariffs once the non revenue water is brought down to manageable proportions.
- It may reduce the non revenue water loss.

Collections

This has been a perennial problem with the water company. GWI has demonstrated over the years an inability to collect its billings. GWI collection rates over the last three years averages 60 %. Currently the collection rates of the other two utilities, the Guyana Power

and Light and the Guyana Telephone and telegraph Co. Ltd are above 95%. GWI has estimated its current outstanding receivables at about six billion dollars and overtime has made several efforts to collect same. Unfortunately it has never been successful in its endeavors and the current average debt per consumer now stands at approximately \$40,000. (Forty thousand dollars). This average figure does not on the surface appears realistic and it may be an idea for GWI to rationalize its consumer base to determine how much of the consumer ledger is in fact collectible and make every effort to collect same.

The Commission wishes to state quite unequivocally that timely collections of moneys due to the company is central to improved governance within the organization and incremental improvements in the quality of service to consumers. Further the subsidies paid by the Government (which is taxpayers' money) to the utility to meet its operating expenses mean that all consumers receive a subsidy including those that would not in normal circumstances qualify for a subsidy. The PUC remains concerned about the present state of play and wishes to impress on GWI that it pursue its collections with vigour.

Financial Governance

Since the inception of the GWI Inc. in 2002 their financial statements have been heavily qualified and in one instance the auditors issued a disclaimer of their financial statement. The donor agencies had funded a programme for institutional strengthening for the finance division and it is to be hoped that the 2008 audited financial statements will be free from qualifications. The Public Utilities Commission has overtime impressed on the GWI the need for responsible financial governance.

Operating Results

At the end of 2007 GWI has accrued an operating deficit of \$774 million. For the operating year 2008 GWI is anticipated to lose one billion dollars; making a cumulative deficit of \$ 1.774 billion to 2008. Since 2003 the government was forced to subsidize the company. Most of the subsidies were used to pay for energy used.

GWI claims that even if it collected all of its billings it will still not be enough for the utility to effectively and efficiently manage the company. This is a valid observation by the company. That there is need for a tariff review for GWI is irrefutable. The last tariff review was in 2005 and at that time there was recognition that the increase would not have been adequate to meet the operating needs of the company. The PUC will not be averse to favourably consider a rate increase once GWI makes a filing. What the PUC will insist on, however, is that benchmarks are agreed on and that systems are in place with respect to cash collections, metering and billings in a timely manner.

Guyana Power and Light:

Increase in Tariff Rates

At the beginning of the year the Commission approved a tariff increase for the GPL. The average increase approximated to about 13%. This increase became necessary because of the high price of fuel on the international market. At the beginning of the year diesel was trading at US \$100 per barrel and heavy fuel oil at \$60 per barrel. GPL uses both types of fuel; the heavy fuel oil is used to power the Wartsila sets and the diesel to power the high speed sets. The fuel mix is about 60% diesel and 40% heavy fuel oil.

The GPL in an attempt to improve collections, sought the PUC's backing for the introduction of a proposed 20% interest charge on late payments. GPL's license allows it to charge interest on overdue accounts. The PUC thought the interest rate oppressive and did not support their interest plan. In the end GPL decided not to go ahead with interest charges on overdue accounts.

Fuel Surcharge

The first nine months of the year saw an unprecedented rise in the price of fossil fuels. At its peak the acquisition cost for a barrel of diesel was \$170 US and for a barrel of HFO US\$96. GPL was entitled under its license to apply for a fuel surcharge. In the last quarter of 2008 oil prices began to fall steeply offering a measure of respite to the company. On April 25, 2008 GPL wrote to the Commission indicating that based on the fuel surcharge model they were entitled to a fuel surcharge of \$9.00 per kWh which can

be applied to bills issued for the second quarter of the year. However, they indicated that they would continue to monitor the escalating cost of fuel and would notify the Commission that should operational cost become unsustainable they would request that the PUC allow a filing by GPL for a fuel surcharge. To the credit of GPL they chose to absorb the additional cost of fuel into their operations and did not apply to the PUC for a fuel surcharge that they were legitimately entitled to.

Financial Operations

Based on its un-audited management statement, GPL has made an operating loss of \$2.4 billion for the year ended 2008. The increase in tariff rates approved at the beginning of the year was meant to cover operating expenses with the price of oil fixed at the level of about \$100 US per barrel. The fact that oil prices rose significantly above this threshold and GPL did not opt for a fuel surcharge is the primary reason why the company sustained such a significant loss. At the end of 2008 GPL was carrying forward a cumulative operating loss of over \$4 billion.

GPL's Return Certificate

GPL is entitled under its license to an eight percent return on its capital dedicated to public use.

During the first quarter of each year GPL files with the Commission an interim return certificate detailing its unaudited profit or loss. Based on these results a determination is made on whether GPL is entitled to a tariff increase. GPL has filed with the Commission its interim certificate and is claiming a tariff increase of approximately 14%. The Public Utilities Commission has reviewed GPL's submission and found that the filing fairly represents in all material aspects the accuracy of its figures. The final return certificate is submitted with the audited financial statements and should there be a material variation with the interim filing an adjustment will be made to the tariffs.

It appears unlikely that GPL will opt to increase rates in 2009. There are two reasons why this may be so: Firstly oil prices have fallen so significantly that it is quite possible GPL's earnings may exceed the 8% return on capital to which it is entitled to in 2009 and

secondly, any further increases in rates may cause some maximum demand users to exit the grid and self generate.

It does not mean that because GPL has opted to forego the increase to which it is entitled in 2009 that the revenue will be lost to the company forever. The license provides that in the event that GPL opts not to increase rates to which it is entitled, either wholly or in part, it may transfer the difference to a foregone revenue account. Over the years and for various reasons GPL has not been applying in full these increases to its tariff base choosing instead to transfer a part of this revenue increase to the Revenue Foregone Account. At the end of 2008 the Revenue Foregone Account stood at \$10 billion. What this means in effect is that GPL's consumers collectively owe the power company this sum as a result of consumers not being charged the economic rate for electricity over an extended period. The license allows GPL to transfer from the foregone revenue account such sums as it deems necessary as a notional expense if it is their intention to apply for a higher tariff rate that it is not entitled to under its current filing.

System Losses and Foregone Revenue

The Commission is disappointed at GPL's efforts in reducing its system losses. In its 2008 Development plan the company reported that it reduced its system losses by less than a percentage point; a far cry from its earlier projections. System losses have had a destabilizing effect on the company over the years and its failure to reduce these losses to manageable levels has resulted in higher tariffs to both the residential and commercial consumers. Maybe most damaging to the company, is the exit from the system of the many maximum demand consumers that found self generation a cheaper alternative to GPL's power.

The company had limited success in reducing these losses but not to a level that is acceptable to the PUC. It is this failure by the GPL to reduce its losses in a sustained way that has resulted in the foregone revenue account being as high as it is. This raises the question of whether it would be fair for the GPL to release overtime all of its foregone revenue into the tariff base as a notional expense. The PUC will have to review this and if on this review it is found that the company did not act with due diligence in this

segment of its operation either fine the company for failure to perform or negotiate with the GPL to have a part of this revenue written off its books.

GPL Five Year Development Plan

GPL is required under its license to prepare a rolling five year Development and Expansion programme and to submit annually to the PUC a copy of this plan. The PUC has reviewed the 2008-2012 plan and the Commission found that the development plan which is well thought out, is contingent on loan capital that did not materialize within the time frame anticipated by the company. In the circumstances some of the programmes planned for 2008 will have to be deferred until such time as funds are made to the company either through external loans or from internally generated funds.

Telecommunication Sector

In 2008 the telecommunication sector continued its robust growth. Concomitant with this growth is the high level of investment the sector continues to receive. In the reporting year the Guyana Telephone and Telegraph Company invested \$3 billion while U Mobile Guyana Limited invested \$4 billion. (U Mobile's financial year commences April 01 and concludes March 31).

Revenue earnings continue to increase in the telecommunication sector with the cellular services showing a higher sustained growth than other segments of the company's operations. At the end of 2008 the number of active cell services in the system numbered approximately 520,000 thousand. The land line service for which GT&T has a monopoly also grew during this period. At the end of 2008 there were 145,000 installed active landline services compared with 130,000 at the end of 2007.

GT&T has complained that while it is making significant investments in the landline segment of its operations its return from this investment is disappointing. It is a fact that the level of landline usage is declining; in 2006 the average daily utilization was 30 minutes, in 2007, 27 minutes and in 2008, 23 minutes. The fall in minutes may be attributable to the fact that most Guyanese fifteen years and over own a cell phone and as

the cell minutes continue to grow exponentially it can be anticipated that usage in the landline segment will decline. It is to be hoped that GT&T continues to expand its landline services. The landline rates probably the cheapest in the Caribbean is both attractive and affordable to the poorer sector of the community.

Inbound Calls

Inbound calls are calls made from an overseas destination to Guyana. Since GT&T has a monopoly on the international gateway all overseas calls in and out of Guyana must be routed through its gateway. The international carriers routing calls through GT&T's gateway pay the company the FCC's recommended US23 cents per minute. It is pertinent to note that over the years revenue flow from inbound calls has provided financial stability to the sector and is the main contributory reason why cross subsidization with land line rates is possible. (GT&T has been claiming with justification that landline rates in Guyana are the cheapest in the Caribbean and the company is incurring a loss on this segment of its operations).

In the recent past GT&T has been complaining that the inbound traffic is falling. For 2007 inbound traffic was recorded at 172.6 million minutes, in 2008 inbound traffic is recorded at 160.6 million minutes. Two reasons may be attributable to this.

Firstly, with the growth of internet cafes across the country and the low cost associated with their services to overseas destination; and the exponential use of the internet cafes may have resulted in fewer overseas based Guyanese having to call home.

Secondly, GT&T has alleged and has complained to the PUC that circumstantial evidence exists which suggests that there may be a bypass of the international gateway by dishonest operatives with the resultant effect that the company is deprived of its legitimate revenue and the government of its corporate and property taxes.

Outbound calls

Outbound calls are calls made to an overseas destination that legally should be routed through GT&T's international gateway for which the service provider has a monopoly.

Like inbound calls there was a decline in usage time in 2008 when compared to 2007. (2009 - 33.5 million minutes; 2008 – 27.9 million minutes). GT&T has on several occasions complained to the PUC of the illegal operations of the internet cafes. The gist of their complaint is that the cafes bypass their gateway and offer their services at a fraction of what GT&T charges. Further the cafes pay no VAT and corporation and property taxes thus depriving the Government of significant revenues.

Technology in the communication sector is dynamic and it is this dynamism that has enabled consumers to bypass the international gateway when making outbound and inbound calls. It can be anticipated that this practice will become more widespread as the population becomes familiar with the methodologies of using alternative services.

GT&T's profit for 2008 has declined by 7.5 percent when compared to 2007 and this downward trend may continue into the future. There is evidence to suggest that this alleged bypass of GT&T gateway is, in part, responsible for this decline. This decline if not arrested will have consequences for both the service provider and the consumer. GT&T is guaranteed a 15% return on its capital dedicated to public use and a free fall of its profits may cost the price of some of its other services to increase. Further there may be reluctance by the service provider to expand its existing capital infrastructure to accommodate new state of the art services if it believes that it will not earn an adequate return on its investment. It is unreasonable to assume that a service provider will continue to maintain an expansion policy if it perceives that others can piggy back with impunity on its infrastructure and offer a service at a fraction of their cost.

REVIEW OF COMPLAINTS

Devika Nandranie – Supervisor, Consumer Affairs

Overview

The Consumer Affairs Department continued in 2008 to help consumers of the electricity, water and telecommunications sectors to resolve their disputes with these public utilities. The Department also intensified its public education campaign in 2008 by reaching out to more consumers from the various regions of Guyana.

There were two public hearings conducted by the PUC in 2008 regarding consumer issues. One featured Guyana Water Inc. on October 01, 2008 and the other engaged Guyana Power Light Inc. on November 27, 2008.

The Guyana Power & Light Inc. implemented a tariff increase at the beginning of January 2008. There were complaints pertaining to this increase because while a GPL release stated that the increase took effect from January 2008—in fact, what had occurred was that for those consumers who are billed for a part of one month to a part of the following month, the increase actually took effect from their December 2007 consumption. The GPL did not rebate those consumers for the “overbilling”. The consumers who fell into this category were in the majority.

Around the last quarter of 2008 there was a spate of power outages which triggered the public hearing on November 27, 2008. The Commission had received many complaints from the public querying the reason for the frequency in the outages because GPL was not forthcoming with any proper explanations.

Of note, GPL customer services approach continued to function below the required standard.

The Guyana Water Inc. applied for and was granted a tariff increase in 2005 by the Commission. However, what had prompted the public hearing on October 01, 2008 was

that GWI had deviated somewhat from the approved rates. For instance, where small businesses were to be billed at 15m³ of water minimum per month, GWI had instituted a 50m³ minimum per month for these businesses. There were also instances where the approved new connection fee of \$1,000.00 was increased to \$10,000.00. The hearing provided some measure of success for consumers because GWI was instructed by the Commission to abide by the approved rates until such time that it can formulate a new rate plan for consideration by the Commission.



PUC/GWI Public Hearing – October 1, 2008 – Hotel Tower

Towards the end of 2008 GWI embarked on a disconnection campaign, disconnecting customers who allegedly were engaged in “car-washing” businesses; and in some cases requesting customers to pay as much as \$500,000.00 as security deposit before the water supply could be restored. This issue was subsequently dealt with in 2009.

Complaints Analysis

COMPARATIVE ANALYSIS OF COMPLAINTS RECEIVED FOR THE PERIOD 2005 to 2008								
UTILITY	2005	2006	2007	2008	Average No. of Complaints Received per Month			
					2005	2006	2007	2008
GPL	410 (88)	376 (145)	395 (46)	433 (23)	33	31	32	36
GT&T	75 (31)	146 (16)	69 (8)	79 (5)	6	12	5	7
GWI	33 (13)	48 (21)	74 (4)	129 (5)	3	4	6	11
DIGICEL	-	-	4	3	-	-	0.3	0.25
TOTAL	509 (132)	570 (182)	542 (58)	644 (33)	42	47	43.3	54
REBATES (GUY\$M)	5,236,686.00	6,774,883.00	8,110,308.00	4,519,050.00	<u>TOTAL: \$24,640,927.00</u>			

(Miscellaneous matters are in brackets and are included in the overall total)

Note: Miscellaneous matters are issues that have been addressed to the utility in question and copied to the PUC, to appraise the Commission of the issue under query. The PUC may subsequently deal with these issues at the request of consumers.

The Department received a total of 644 complaints in 2008. This was an increase of 15.8% from 2007; 6.8% from 2006 and 21% more compared with 2005.

The PUC was also able to secure GUY\$28.9M in rebates from the regulated utilities on behalf of customers for the period 2005 to 2008.

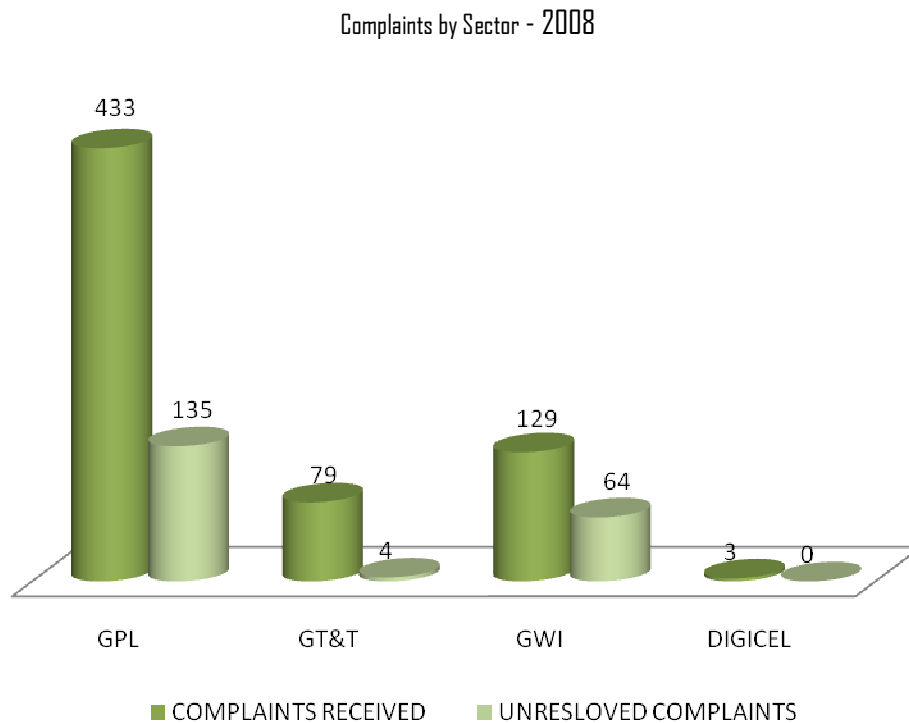
Miscellaneous matters have decreased significantly compared to 2005 with 75%, 84% in 2006 and 50 % in 2007.

Complaints regarding the electricity sector have increased steadily over the years, while there has been a slight increase against GT&T from 2007. The water sector on the other hand, showed a steady increase from 2005 onwards. Complaints registered against Digicel can be termed as negligible.

At December 31, 2008 there were 203 unresolved complaints with the majority of unresolved matters pertaining to GPL.

The Guyana Telephone & Telegraph Co. Ltd. by comparison continued to respond efficiently and expediently to complaints filed by the PUC.

There has been no improvement in the response period by GWI for 2008, although the staffers of this entity were found to be more customer oriented.



Guyana Power & Light Inc.

Compared to the other regulated utilities, the majority of complaints received for 2008 related to the electricity sector. The following table illustrates the various categories of complaints received against GPL for 2008 and the resolution rate at December 31, 2008.

COMPLAINT CATEGORIES	COMPLAINTS RECEIVED	COMPLAINTS RESOLVED
Tampering Cases	59	34
Applications for Service	28	21
Billing Queries	216	131
Change of Tenancies	25	16
Claims for Compensation	5	3
Capital Contributions	1	1
Disconnections	32	31
Tariff Issues	14	8
Technical Issues	30	30
Misc. Matters	23	-
TOTAL	433	275

In addition to defective meters, change of tenancy applications, applications for new service, disconnections and technical faults, etc.,—the majority of the complaints pertained to billing queries which included over billing, estimated billing and debit adjustments.

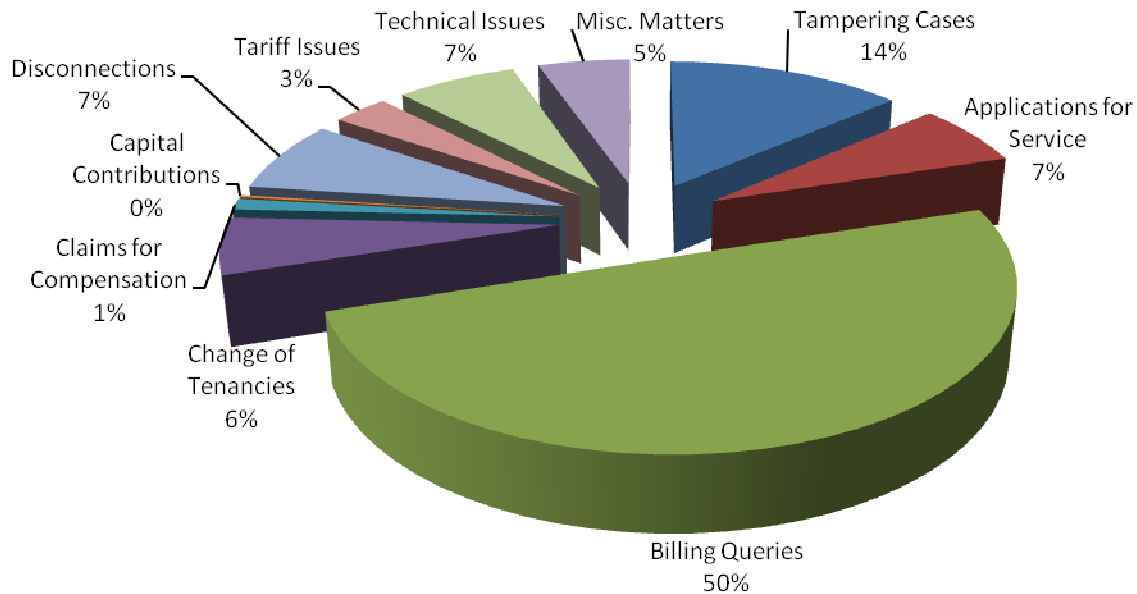


Chart illustrates the percentage distribution of complaints by categories against GPL for 2008

Complaints relating to tampering allegations have decreased considerably from 2005 (153) when compared to 2008 (59). There was a slight increase of eight (8) more in 2008 compared to 2007 figures of 48.

A sore point continued to exist between the Commission and the GPL regarding tampering issues because many of the investigative reports submitted to the Commission were inconclusive. Therefore, the premise on which debit adjustments were calculated and applied to consumers' accounts who were accused of this misdemeanor, was considered flawed.

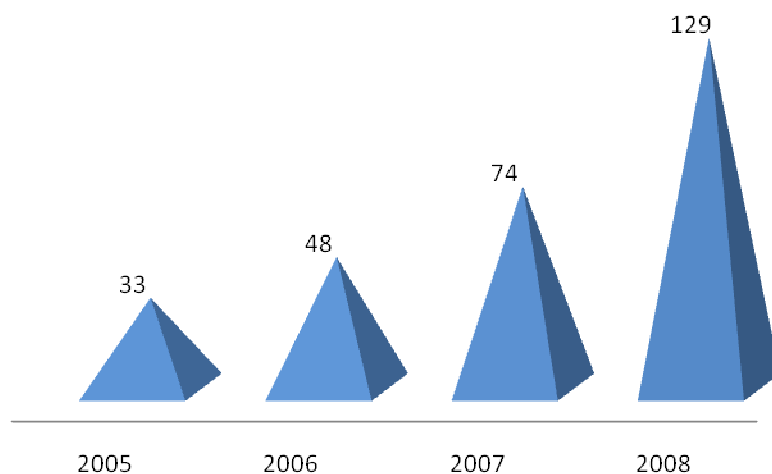
The considered view is that while GPL may be entitled to apply retroactive billing to customers who were found guilty of unlawfully interfering with the company's installation—what the PUC did not agree with, was the manner in which the adjustments were made. It had requested repeatedly from the utility a detailed analysis/breakdown showing how the debits were computed but whatever information was provided to the Commission was considered insufficient.

The power company also takes an inordinately long time to respond to complaints filed by the Commission. One of the conditions contained in its License is that it is required to respond within 40 days to any complaint filed by the PUC. However, the company's Operating Standards and Performance Targets were reviewed by the Prime Minister in 2007 and the response period was reduced to 28 days. The GPL constantly deviates from this condition and as a result, the Commission is stymied in its complaints' resolution process. Even the PUC's efforts to stimulate regular face-to-face meetings to deal with complaints were met by an uninspiring approach by the company.

Consumers who were subjected to retroactive billing on account of defective meter, under estimation or due to unlawful interference with GPL's installations, were billed in excess of \$37M in 2008. As at December 31, 2008, complainants received credits in the sum of \$4,004,962.00 based on a 67% resolution rate.

Guyana Water Inc.

There has been an increasing number of complaints against GWI through the years 2005 to 2008—a 74% increase from 2005. This can be attributed to the PUC's public awareness campaigns, with emphasis on how the Commission can assist in resolving disputes between consumers and the regulated utilities.



As with the previous years, the majority of the complaints against GWI related to billing queries such as estimated consumption and previous balances and the lengthy period the GWI took to make the necessary corrections for over-billing of customers' accounts.

Estimated consumption was a contentious issue in 2008. Many customers' consumption was estimated for prolonged periods despite actual readings taken by meter readers. This issue had a more profound effect on customers who were overbilled and who had to wait until corrections be vetted by a special committee before the credit adjustments can be made to the billing system. This committee did not meet regularly.

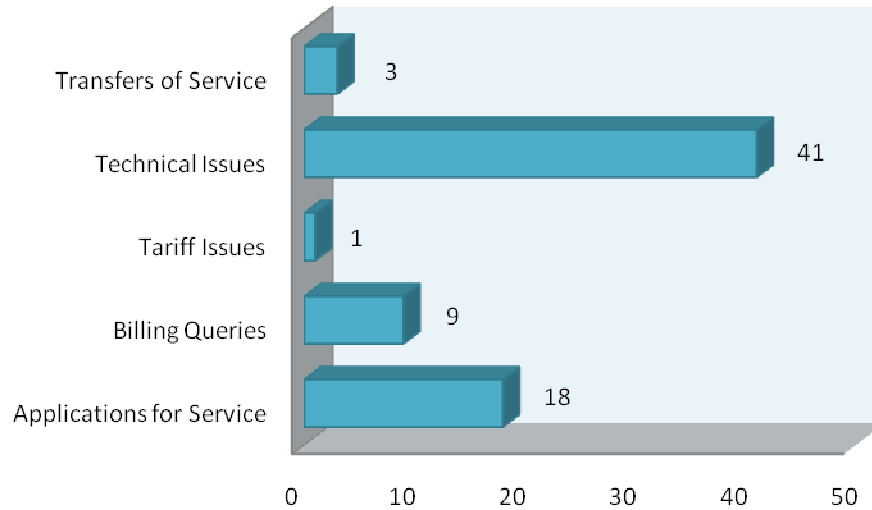
Metered customers also reportedly had a major problem deciphering the information on the bills issued by GWI. There appear to be a lack of clarity with respect to the differentiation among fixed charge supplement, rebates and actually billing. Customers had complained that there were periods when they were billed on the fixed charge supplement and when a subsequent actual reading was taken, the bills in question reflected both actual and supplemental charges—giving the impression that they were charged twice for water used in a particular period. The fixed charge supplement is implemented whenever meters are not read—and is subsequently corrected after a reading is taken. However, this is not easily understood by customers.

The Commission had indicated to GWI that customers are having difficulties interpreting their billing information and that the company should try to make the system more customer-friendly.

The response rate for complaints filed with GWI has not really improved in 2008. However, what was notable was that the staff at GWI was more accessible and customer oriented in the year under review. This accessibility has assisted the Commission's complaints process. As at December 31, 2008 the Commission secured \$407,890.00 in rebates on behalf of customers based on the 40% resolution rate to complaints filed with the water sector.

Guyana Telephone & Telegraph Co. Ltd

The PUC received 74 complaints against GT&T for 2008. There was an increase of 10 more from 2007, 67 less from 2006 and four (4) more for 2005. At December 31 the resolution rate was extremely high (95%).



GT&T Complaints by Categories for 2008

The leading complaint contender against GT&T for 2008 was technical issues: These included instrument faults, cable disruptions, line faults; connection problems, and notably, problems with the company's Wireless Local Loop telephone system deployed in Essequibo in 2007. The majority of these complaints resulted from GT&T's seeming inability to affect the necessary repairs in a timely fashion.

Applications for the wire line service continued from 2007 to be a major cause also. People are desirous of having the fixed line service because of its reliability and the fact that it remains a cheaper alternative to the cellular service. The provision of this service is said to hinge on the availability of switches in certain areas. It is also hindered by the fact that certain communities are not fully regularized although they may have been inhabited for years. Despite these setbacks GT&T has been very responsive in terms of the complaints filed of this nature.

In 2007 GT&T replaced the Fixed Wireless Access (FWA) telephone system in Essequibo with the Wireless Local Loop (WLL) technology. The switching of these systems resulted in what GT&T termed as teething problems. These teething problems, however, continued in 2008. In May of 2008 the Commission received a petition with 20 signatures from customers in Essequibo complaining about the malfunctioning of WLL system since its installation. The complaint was duly filed with GT&T and in June 2008 the company responded that it was aware of the problems and was working with AIRSPAN, the vendor, to resolve the issue. The problems continued nevertheless, throughout the year.

In 2008 GT&T continued to experience setbacks with vandalism of phone cables which caused disruptions in service to hundreds of subscribers. These cables were apparently destroyed for their copper content and GT&T had appealed to the general public for assistance in combating this problem.

Billing complaints generated \$106,198.37 in rebates at December 31, 2008. The resolution rate for billing queries at the end of December 2008 was 90%.

Creating Public Awareness of the PUC

The Commission continued with its public awareness campaigns from previous years in the form of Consumer Awareness, Consumer Outreach and Schools' Education Programmes. While the Consumer Outreach Programme targeted out-of-town communities, the Consumer Awareness Programmes concentrated on consumers in and around Georgetown. The schools visited this year were situated in rural communities.

Representatives were invited from all of the regulated utilities to participate in the outreaches. Public notices of these events were advertised in the print and electronic media. The Utilities responded positively to the PUC's invitations to attend these meetings. The programmes were successful in terms of not only accomplishing the basic

objective of creating an awareness of the PUC—but highlighting the problems consumers are experiencing in the various communities. Many matters were resolved on the spot.

The following was the roster of the Commission’s public awareness activities for 2008.

1. The PUC interacted with postal workers and consumer traffic at the Guyana Post Office Corporation in January 2008.
2. Staffers of the Commission briefed students of the Annandale Secondary School in February 2008 on the functions and objectives of the Commission and on consumer issues such as how to read bills, calculate their energy consumption, understanding tariffs and how to conserve water and energy.



Students of Annandale Secondary School

3. The PUC also held a Consumer Outreach in February at the Albion Community Centre, Corentyne, Berbice in February 2008.
4. The PUC Complaints’ staff visited the Georgetown Public Hospital Corporation in April 2008 and interacted with both staff and patients.
5. In May 2008 staff of the Commission discussed regulatory issues with shoppers at the Fogarty’s Department Store.

6. The Commission held an outreach at the Beterverwagting/Triumph Community Centre in June 2008.
7. In July 2008 Complaints' staff interacted with shoppers at the Fogarty's Department Store.
8. The PUC met with consumers at Patentia, West Bank Demerara, in August 2008.
9. In September 2008 Staffers delivered pamphlets and handouts on consumer issues to drivers and commuters at the Texaco Service Station on Vlissengen Road, Georgetown.
10. Staff of the Commission interacted with students of the Cove and John Secondary School in October 2008.



Students of Cove and John Secondary School

PUC FINANCIAL REVIEW

Orin Edgill - Accountant



At the time of the writing of this report the audit of the financial statements of the Commission has not been finalized. It is hoped that this will be done in the near future by the Audit office.

The Commission is cognizant of its mandate under the Act and the consequences to the public if it fails to achieve same. It should be noted that for the Commission to execute its functions, adequate funding is critical. The inordinate delay in the hearing of the case between the GT&T and the Commission is a matter for concern because this directly affects revenue of Commission. It is hoped that this should be resolved sooner rather than later. The decision by the Minister of Water and Housing not to fix a fee payable by the GWI is also a matter of concern at this time.

The Commission's revenue has somewhat been improved with the launching of U-Mobile Inc. (Digicel) and the subsequent expansion of cellular services which has brought about an increase in revenue base. The Commission has nevertheless been cost conscious and this has led to an improvement in its financial position as compared to the previous year.

For the year ended December 31, 2008 the Commission has been able to achieve a net surplus largely because of its prudent spending and the cancellation of expansion works that are necessary because of emerging technologies and the need to adequately serve consumers.

The Commission's strategic plan envisions expansion to Region 3, Region 5 and Region 6. This is necessary so that we can address changes in the landscape of services provided by the utility companies. At the present level of our operations, our revenue covers our

2008

2007

expenses, but if the Commission is to implement its strategic plan then our revenues would have to be increased to deal with this new level of activity.

The following is the unaudited financial statements for the year ended December 31, 2008.

	Notes	\$	\$	\$
Assets				
Non Current Assets				
Fixed Assets				
Equipment	4	363,005.00	549,028.00	
Vehicle		1,200,004.00	1,600,000.00	
Furniture & Fittings		258,971.00	215,505.00	
		<u>1,821,980.00</u>	<u>2,364,533.00</u>	
Current Assets				
Cash at Bank		52,273,737.50	172,246,203.34	
Petty Cash		28,981.00	28,395.00	
Receivables		1,748,303.00	503,395.00	
Prepayments		38,049.00	47,145.00	
Deposit Paid		178,560.00		
Investments		174,379,650.00		
		<u>228,647,280.50</u>	<u>172,825,138.34</u>	
Total Assets		<u>230,469,260.50</u>	<u>175,189,671.34</u>	
Equity and Liabilities				
Equity as at 31/12/2008		140,712,564.50		119,248,386.09
Current Liabilities				
Payable		8,528.00	4,659.00	
OOCUR Donation Payable		10,000.00	10,000.00	
Accrued Expenses		903,774.00	691,379.00	
Prepaid Assessment Fees		34,322,670.00	1,766,267.00	
Consumer Escrow Funds		54,379,650.00	53,468,980.25	
GRA Refund		124,994.00		
Salaries Clearing Account		7,080.00		
		<u>89,756,696.00</u>	<u>55,941,285.25</u>	
Total Liabilities and Equity		<u>230,469,260.50</u>	<u>175,189,671.34</u>	

APPENDICES