



Public Utilities Commission
Annual Report



2011

TABLE OF CONTENTS

Chairman's Statement	4
Introduction	5
Organisational Chart	8
 REPORTS	
Complaints Division	15
Engineering Division	24
Finance Division	29
Accountant's Review	44

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

The Public Utilities Commission once again takes pleasure in presenting its Annual Report for 2011. The year has been rather challenging for us and you will observe from the reports of the respective divisions we have performed rather creditably. Much more, however, could have been achieved had it not been for the intransigence and apparent unconcern of some of the employees in the utilities' sectors.

It was as a result of our many complaints, we believe, that legislation was enacted to encourage those to whom it concerns to be alive to their responsibilities. We are the watch-dogs for consumers, and with the due and proper dispatch of their duties, utility employees will aid in a proper service to consumer without the necessity of sanctions being imposed.

The Competition and Consumer Affairs Commission has been set up and we have a function to perform within that body. We are prepared to assume such duty that befalls the Commission.

As I hitherto referred the reports from staff, will show that the services we are offering result in much benefit to consumers. I wish to commend the staff for their dedication and loyalty and assure that we will continue with our service to ensure that the regulated utilities offer an efficient service to consumers at a reasonable cost, and creating an environment for universal access and a high quality of service that is cost effective and beneficial to all.

INTRODUCTION

The Public Utilities Commission is pleased to present its Twenty-first 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 2011, and our resolve at all times is 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, 1999, 2003 and 2010.

The Commission presently consists of a Chairman, who is a full time official, and three 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 this has not been made.

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.

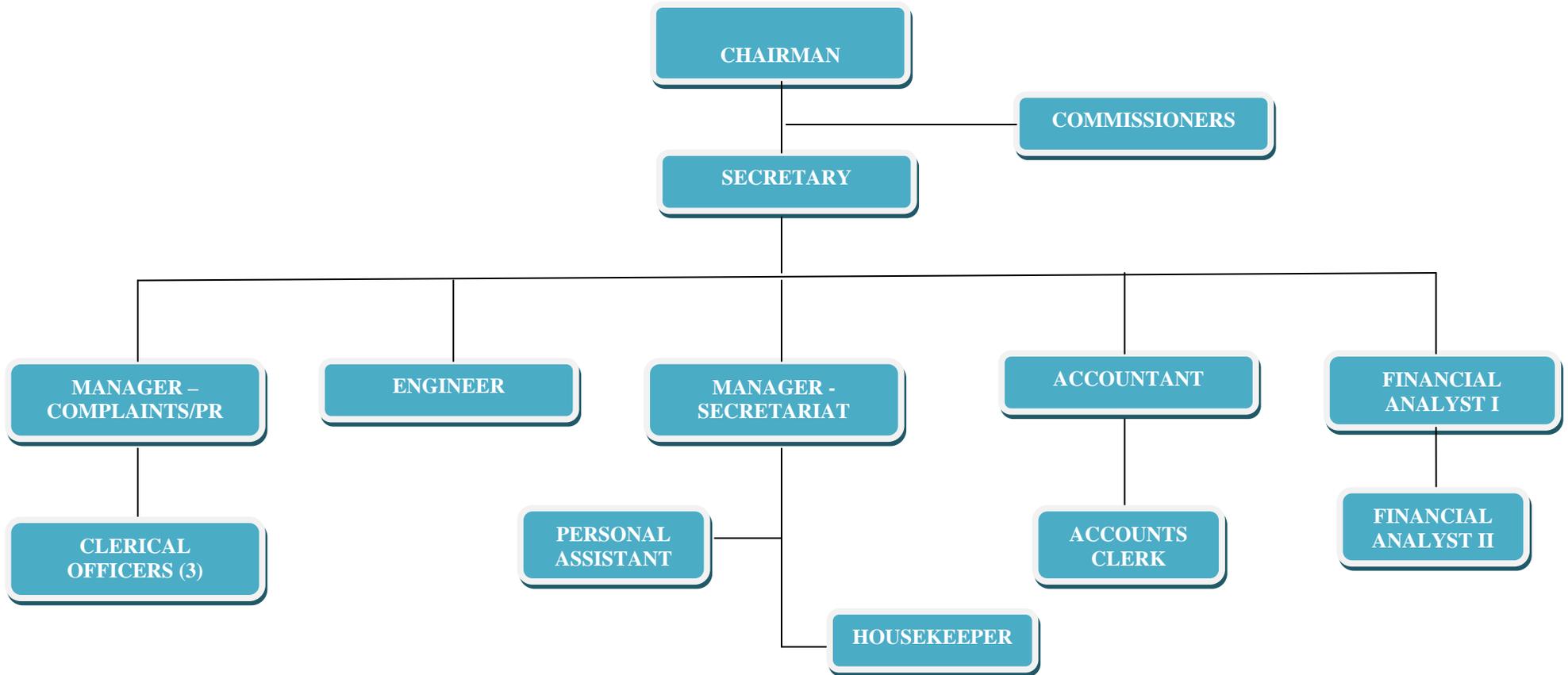
- The Commission does not issue licences for the operation of any utility. This is the responsibility of the Office of the President in the case of telecommunications, Office of the Prime Minister in the case of electricity, and the Minister of Housing and Water in the case of water and sewerage services.

- 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

Organisational 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.**

Setting of Rates

The PUC does not monitor electricity tariffs. The fixing of tariff is set out in GPL's Licence. The company GPL is entitled to an eight percent return on its capital investment. Should the company's profit in any given year falls below the benchmark of eight percent then the company at its option may automatically adjust rates to compensate for this shortfall.

On the other hand, the Commission is authorised to set the rates for the telecommunications and water and sewerage sectors.

Lodging a Complaint

If one has a complaint against any of the public utilities under the ambit of the PUC one may first of all utilise the complaint procedures of the Service Provider (GPL, GWI, GT&T or Digicel). However, if he/she is not satisfied with the outcome of the query with the Service Provider then that person may lodge a complaint with the PUC.

Complaints can be submitted either by:

- | | | |
|---------------|---|---|
| POST | - | <i>298 Church Street, Queenstown, Georgetown</i> |
| FAX | - | <i>592 - 227 - 3534</i> |
| TELEPHONE | - | <i>592 - 226 - 7042</i> |
| WEBSITE/EMAIL | - | www.puc.org.gy |
| VISIT | - | <i>the PUC's Office at 298 Church Street,
Queenstown, Georgetown</i> |
| HELP DESK | - | <i>Monday - Thursday: 8:00 - 16:15 hrs.
Friday: 8:00 - 15:30 hrs.</i> |

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

Complaints: Tel/Fax *336 6077*

It would be very helpful if complainants can provide any relevant information/documents in support of their complaints when lodging a complaint with the PUC.

NEW RECRUITS

Two clerical officers were recruited to the PUC's Complaints Department in January of 2011. The department now has a complement of four staff members making it better equipped to deal effectively with consumers' complaints and matters relating to consumer interests generally.

STAFF DEVELOPMENT

In 2011 staff members were trained both internally and externally on subjects of interest to the Commission. The training also gave the staff an opportunity for personal and professional development. The programmes included:

INTERNAL (In-house) TRAINING

Basic training on Information Technology Skills - Conducted by PUC Accountant, Mr. Orin Edghill in January 2011

Staff members were given basic instructions on computer-related issues such as power protection, issues of safety, disaster preparedness, disaster recovery, basic guide on internet usage and general discussions on other issues.

Preparation of Income Tax Return - Conducted by PUC Accountant, Mr. Orin Edghill in March 2011

Staff members were given a general overview of the local tax system with particular emphasis on the correct preparation of the forms necessary for submission to the Guyana Revenue Authority.

Understanding Issues Relating to GPL and GWI - Conducted by PUC Engineer, Mr. Shankar Singh in January 2011

This programme discussed briefly issues of general consumer interests relating to the Guyana Power & Light Inc. and the Guyana Water Inc. It included:

- Identifying details of the electricity and water meters.

- Reading meters and calculating consumption/billings.
- Understanding issues relating to current multiplier, current transformers, power factor, testing, etc.
- Examining the various tariff structures.
- The GPL pre-paid meters.

Business Phone Etiquettes - Conducted by PUC Financial Analyst II, Ms. Avita Singh in November 2011

Being a service oriented business the presentation reviewed some techniques that should be employed by staff when receiving or making telephone calls.

EXTERNAL TRAINING

J-Power of Japan Seminar on Energy Efficiency and Conservation

The Engineer, Mr. Shankar Singh and the Accountant, Mr. Orin Edghill attended a seminar in March 2011 hosted by the Guyana Energy Agency in collaboration with J-POWER of Japan and the Japan International Cooperation Agency (JICA). The theme of the seminar was the promotion of Energy Efficiency and Conservation.

USAID and NARUC Internship on Renewable Energy

Mr. Shankar Singh also participated in a Renewable Energy internship programme in Montana, USA in August 2011. This internship was organized by the National Association of Regulatory Utility Commissioners (NARUC) and sponsored by the United States Agency for International Development (USAID).

National Archives Workshop on Records Management

The manager of the PUC Secretariat, Ms. Devika Nandranie attended a Records Management workshop in October 2011 facilitated by the National Archives of Guyana on the theme “Records Management—Ideal tool for greater efficiency and effectiveness within the work environment.”

OOCUR Workshop and Conference

A number of staff members attended a workshop and conference hosted by the Organization of Caribbean Utility Regulators (OOCUR) in Barbados in March and November 2011, respectively. The workshop looked at Performance Measurement and Benchmarking while the conference covered various aspects of Regulation and Competition—and their impact and value for the Caribbean. Ms. Avita Singh, Financial Analyst II of the PUC presented a paper at the conference titled “*Interconnection Regulation vs. Deregulation—The Challenges in an Emerging Liberalized Market.*”

PUC WEBSITE

The PUC has a fully functional and a regularly updated website where regulatory and consumer related information is easily accessible to the general public. Complaints against the regulated utilities can also be made through this website, using the online complaint form. Interested persons can access the website at www.puc.org.gy

COMPLAINTS DIVISION REPORT

Raymon Cummings –Manager Complaints /PR

OVERVIEW



The Complaints Division of the Public Utilities Commission continued with its mandate in 2011 to assist in resolving disputes between consumers and the regulated utility companies – namely Guyana Power & Light Inc. (GPL); Guyana Water Inc. (GWI); Guyana Telephone & Telegraph Co (GTT) and U-mobile (Cellular) Inc. trading as Digicel (Guyana).

The Division during the year continued with its Public Relation drive to improve the visibility of the Commission thereby allowing more persons to access its services.

The strategy saw the Division continuing with its monthly outreaches through television and radio programmes, press conference/releases and visits to schools and communities.

The Division faced and met the challenge offered as a result of the amendment of Section 52 (4) (a) of the Public Utilities Commission (PUC) Act No. 10 of 1999 as amended by Order No. 16 of 2010 which allowed for the formulation and approval of “*Rules for Determining Consumers’ Complaints.*”

These rules which were approved by the Hon. Prime Minister Samuel Hinds, subject minister for the Commission, dictates the timeframe given for complaints to be received and actioned by the Division. Additionally the Commission may issue Orders if the utility fails to respond to complaints within a given timeframe.

COMPLAINTS

Five hundred and four (504) complaints were lodged with the Commission against the four regulated utility companies during 2011. The complaints lodged were as follows:

GPL –	372
GWI –	84
GTT –	47
Digicel -	01

At December 31, 2011 four hundred and nine (409) complaints were resolved. As a result of this eight million one hundred and thirty four thousand four hundred and eight dollars (**\$8,134,408.00**) were awarded to consumers' accounts as credits as follows:

GPL -	\$7,059,223.00
GWI -	\$1,073,912.00
GTT -	\$ 1,173.00
DIGIECL	\$ 100.00

The remaining ninety five (95) complaints were still being actively pursued by the Commission at the end of December 2011.

ELECTRICITY

GPL Complaints 2011

The GPL continues to attract more complaints than the other regulated utilities. A review of the complaints received indicates that 195 of the 372 consumers' complaints in the electricity sector related to billing queries. These complaints included debit adjustments following allegations of tampering by the company: adjustments to bills as a result of prolong periods of estimation and over-estimation of bills due to the company not reading meters and debit adjustments resulting from the changing of defective meters. There

were also instances of incorrect readings recorded on the consumers' accounts resulting in them being billed higher than their actual consumption.

Sixty four (64) complaints against the company involved consumers accused of tampering with their service. These accusations resulted from GPL's investigations at consumers' premises.

There were improvements in the GPL's investigative methods as reports and photographs were produced when requested. There were two instances when the original findings of GPL were reversed after a review of the evidence available.

There is a need for the same level of attentiveness to be exercised when any investigation is conducted at consumers' premises especially when investigating reports and changing defective meters as in these instances, the account may attract a debit adjustment.

Consumers continue to question the credibility and complain about the manner in which these investigations are conducted claiming that investigations were done without their knowledge.

Other areas of concern during 2011 were GPL's sloth in issuing new services and change of tenancy agreements with some forty-one (41) persons complaining about the extended waiting period between application and activation.

The implementation of the amendments to sections 4 and 42(3) (c) the Electricity Sector Reform Act 1999 (No. 11 of 1999) has greatly assisted in bringing relief to consumers who, without these amendments waited inordinate long periods for relief from issues affecting them. The amendment addresses, through the Customer Services Standards (CSS) and Operating Standards and Performance Targets, how specific issues should be dealt with and obligates the company to comply within a given timeframe. There are now time limits within which the Company is required to respond to issues raised by

consumers and stipulated penalties to be awarded to consumers (through credits to their accounts) for breaches.

Three (3) orders were issued as a result of customer complaints against GPL. They were Order 1/2011 and Order 5/2011 in relation to a matter brought to the Commission by the New Thriving Restaurant Inc. and Order 2/2011 Acquisitions INC. v. GPL.

Complaint Category	No.
Allegation of Tampering	64
Application for Service	33
Billing Query	195
Change of Tenancy	8
Claim for Compensation	8
Capital Contribution	0
Disconnection	26
Tariff Issue	7
Technical Issue	31
TOTAL	372

WATER AND SEWERAGE

GWI Complaints 2011

Eighty four (84) complaints were received against the Guyana Water Inc. during 2011. Forty nine (49) of these were billing queries while ten (10) were for the company's

failure to correct technical faults within a reasonable timeframe; sixteen (16) claimed wrongful disconnections; seven (7) were for the company's sloth in connecting a new service and one each was for the company's alleged failure to issue a new account to a consumer who had changed his residence and to correct the tariff under which a consumer is being billed.

At the end of 2011 seventeen (17) of these complaints were being actively pursued by the Commission. Of this number 11 were related to billing issues. There still seems to be issues to be rectified with the GWI billing system. This is indicated by the types of complaints made by consumers and the responses received from the utility. Consumers are being issued estimated bills which in most instances exceed their consumption for periods exceeding one year. If these bills are not honoured the consumer may face disconnection. When these bills are queried credits are awarded without any proper explanation or calculation offered.

The company's apparent inability to read meters installed on consumers' premises and inability to adequately police its service connections and mains to guard against tampering were highlighted during the year.

The development of agreed Customer Services Standards may greatly enhance the quality of service this utility offers to its consumers. Additionally, having the water meters tested and verified by the Guyana National Bureau of Standards – the official body for certifying instruments of measure in Guyana; should improve consumers' confidence in the instrument making them more willing to meet their financial obligations to the company.

Complaint Category	<u>No.</u>
Application for Service	7
Billing Query	49

Change of Tenancy	1
Disconnection	16
Tariff Issue	1
Technical Issue	10
TOTAL	84

TELECOMMUNICATIONS

GTT Complaints 2011

Forty seven (47) complaints were lodged against the Guyana Telephone & Telegraph Company for 2011. Three of these were being actively pursued at the end of the year. The company's response to technical issues appears to be a matter of concern. Thirty three (33) complaints were for the company's alleged failure to promptly attend to technical issues affecting the service to consumers and six for failure to provide new service; two were billing queries; two claimed wrongful disconnection while three (3) were for the company's alleged tardiness in transferring services at consumers request.

Complaint Category	No.
Application for Service	6
Billing Query	2
Disconnection	2
Technical Issue	33
Transfer of Service	3
Compensation	1
Total	47

U-mobile (Cellular) Inc (DIGICEL Guyana)

One complaint was lodged against this company. Even though the company claimed it was not at fault the complainant was awarded a credit. The complainant claimed that text messages sent to an overseas number were not received but the cost was deducted from the prepaid balance. The Company claimed that their partner company to which the text message was sent had indicated that the intended recipient had received the message thus the charge.

Complaints by Regions

Complaints received from Regions were as follows:

1. Region 2: total - 3 = GPL - 2; GTT - 1
2. Region 3: total - 40 = GPL - 28; GWI - 12
3. Region 4: total - 406 = GPL- 310; GWI - 71, GTT - 25
4. Region 5: total - 17 = GPL - 9; GWI - 6, GTT - 2
5. Region 6: total - 36 = GPL - 18, GWI - 5, GTT - 13
6. Region 10 total - 2 = GTT - 1, Digicel (Guyana) - 1

Most of the complaints came from Region 4 against the GPL. The least complaints were from Region 10 with 2 and both in the telecommunications sector. It should be noted that the GPL does not have a presence in Region 10. Regions 4 and 5 recorded most of the complaints from the telecommunications sector. Further, 16 of the 25 complaints for Regions 4 and 8 of the 13 complaints for Region 5 were related to technical issues.

Billing issues continued to be the major problem complained about with over 55 percent of the complaints against GPL and 53 percent of the complaints against GWI.

It should be noted that the Regions in close proximity to Georgetown recorded more complaints with Region 6 being the exception. The Division will be focusing more on the Essequibo and Berbice areas to better monitor the performance of the utilities.

Public Relations/Public Education

The Division continued to fulfil its mandate to make the public more aware of the role and functions of the Commission and make its services more accessible to all Guyanese. The Commission continued to be featured once monthly on the National Communications Network (NCN) – Radio and Television (every first Monday at 07:00h on the Guyana Today Show (TV) and Lets Gaff at 11:00h every second Thursday on VOG Radio.

Additionally visits were made to Communities and Schools where staff interacted with members of the communities informing them on the role and functions of the Commission. Communities and schools visited included the New Diamond Secondary School and Diagnostic Centre; Cummingslodge Secondary School; Campbellville Secondary School; Plaisance/Industry District Market and Council Office. East Berbice area including Skeldon Linepath Secondary School; University Of Guyana Tain Campus; Rose Hall Market; New Amsterdam Technical Institute; Regional Democratic Council Office – Region 6 and the New Amsterdam Market. At these sessions handouts were distributed to the public and complaints taken.



Manager Complaints - R Cummings (Standing), Clerical Officer Esllyn Herbert and Accountant Orin Edghill conducting a Schools Education Programme at the Skeldon Line Path Secondary School in Berbice - September 2011.

Manager Complaints and Accountant Meeting with members of the Upper Corentyne Chambers Of Commerce in September 2011



Clerical Officer Ms Esllyn Herbert at the Regional Democratic Officer Region 6 during the Berbice outreach in September 2011

Accountant Orin Edghill (in Black) interacting with students of the New Amsterdam Technical Institute during the Berbice Outreach in September 2011



Manager Complaints interacting with students of the New Diamond Secondary School - January 2011

ENGINEER'S REPORT

Shankar Singh - Engineer



In 2011 the Engineering Department continued its efforts to ensure that GPL customers receive reasonable responses to their complaints. Meter tests were conducted in a manner which reduced operator errors and by instruments that were known to be calibrated.

Approximately \$7.2M dollars were credited to customers after investigations and analyses proved such debits to be unjustified. However, compliance by GPL with the Hon. Prime Minister's directive in 2007 on the details for credit/debit adjustments to customers remains a challenge.

Quarterly submissions of GWI's water quality and bacteriological data were analyzed for conformity with World Health Organization (WHO) Standards.

In the Electricity Sector -

1. Meter Tests

Meter replacement (sometimes with multiplier corrections), tampering and increased consumption sometimes result in doubts about the accuracy of meters. Tampered meters would usually under-record the true consumption, while replacement meters with their correct multipliers may result in an accurate and increase in consumption.

GPL uses Spinlab's Bird Dog Plus 5000/6000 Analyzers to check the accuracy of electricity meters. In an effort to obtain the most accurate results, with traceable reference, from the verification exercises, the PUC requested that –

- (i) GPL test each meter at least 3 times, and the average is then used as the recording accuracy of the meter. This minimizes the operator errors introduced in the result, especially when the remote switch is used to start and stop the exercise.

It was however observed, that while a minimum of three (3) tests were carried out in the presence of PUC representatives for matters before the PUC, whenever GPL is requested to submit meter tests results for meters not tested in the presence of the PUC, the result for only one (1) test is submitted. It therefore appears that when the PUC is not present for the verification exercises, only one (1) test is carried out by GPL.

- (ii) At the time of the exercise, the serial number of the Bird Dog Analyzer is checked against our list of serial numbers with valid calibration.

2. Credits to GPL Consumers

Investigations and analyses resulted in a total credit of \$7,298,615 to consumers' accounts after a few outstanding matters for 2007 – 2009, and one for 2011 were resolved. The main issues which led to the unjustified debits and resultant credits are tabulated below –

№.	Issue(s) Involved	Credit to Customer
1.	Unjustified debit after meter change without any meter test.	\$ 590,224
2.	Replacing a wrong meter in error (the two meter numbers were very close), which resulted in a mix-up of the two accounts, an unjustified debit and other incorrect billing.	\$ 830,730
3.	A debit for an alleged meter by-pass that was based on an incorrect interpretation of the wiring for the customer's meter.	\$ 157,843
4.	Overbilling a customer for a 5-month period on an assumption that the customer's 4-dial meter peaked and restarted during the said period. However, analysis showed that the meter could not have sustained the measurements of such high consumption for such duration without damage.	\$ 698,687
5.	Customer apparently billed for a period when the service line and meter was removed.	\$ 172,216

6.	A back-billing that was apparently based on a corrected multiplier.	\$ 4,405,369
7.	GPL billed customer on estimates for more than two (2) consecutive years even though actual readings were taken, then sought to back-bill customer after taking more than two years to correct the problem.	\$ 121,046
8.	Back-billed customer for 2 years even though there was no evidence of tampering and the meter was 95.7% accurate.	\$ 82,059
9.	Initial reluctance to credit a customer's account after the meter was tested and found to be recording more than 3 times the actual consumption.	\$ 240,441
Total Credit =>		\$ 7,298,615

3. Details on Credit/Debit Adjustments

In 2007, the Hon. Prime Minister had instructed that, “Where debit or credit adjustments are applied to customers’ accounts GPL will provide such customers with a written explanation/ justification and detailed statement showing how the amount was computed. Such explanation must accompany the bill or must be mailed to the customer within five (5) working days following the bill issue date.” It would appear that GPL is not always in compliance with the Hon. Prime Minister’s directive. As a result, customers claim that when they query bills with debit charges, they are often told to pay the debit or face disconnection.

Detailed statements for debit/credit charges will be of benefit to both the utility and the PUC. For example:

1. The customer will know what the debit/credit is for and how the amount was computed. This may result in one less query for GPL or one less complaint filed with the PUC.
2. The customer and PUC (if necessary) may be able to determine in a timely manner if the adjustment was justified and the amount was reasonable.

4. Pamphlet on the Rights & Responsibilities of Electric Customers in Guyana

In the implementation of recommendations by the IDB regarding the PUC Strategic/Annual Plan with emphasis on the Power Sector Support Programme, a pamphlet was drafted on the Rights & Responsibilities of Electric Customers in Guyana. The information in the pamphlet included :-

- Rights & Responsibilities of Electric Customers
- Details on the Electric Service
 - Installation of Service
 - How the electricity bill is calculated
 - What is important to know about paying the electricity bill
 - When to pay
 - Where to Pay
 - When can the electricity service be disconnected
 - When can the electricity service not be disconnected
 - How the electric meter works
- The Complaint Resolution Process
- Contact Details of the PUC and GPL.

When printed, the pamphlets will also be available for distribution at GPL's Offices and would serve to inform customers about their rights, responsibilities and an avenue for seeking redress when complaints are not resolved by GPL to their satisfaction.

In the Water Sector –

GWI's Water Quality Standards

The PUC has been collecting water quality data from GWI for the end of each quarter since December 2010. This is an effort to compare the parameters tested by GWI with those of the WHO Standards, as per the *Licence to Supply Water and Sewerage Services and Advisory Services for Public Purposes*.

At the end of 2011, 7 out of 24 treatment facilities were within the WHO recommended drinking water limits for pH, Turbidity, Iron, Aluminium, Colour and Chlorine residual. In previous quarters, 4 additional Plants had passed from the current marginal decline in the lower pH limit (6.5), while an additional 2 had previously passed from the continuous deterioration in Turbidity (5 NTU) for water that is sourced from wells.

Faecal Coliforms were sometimes observed in the water from some of the production facilities and distribution networks. However, lack of explanation on the presence of coliforms and the usual tardy submission of data (save for one) from GWI present difficulties for the PUC to assist GWI with dissemination of 'boil orders' in a timely manner when necessary.

The PUC also noted with concern, that for the last quarter of 2011, GWI did not submit bacteriological data for about sixteen (16) production facilities, as well as for the distribution networks for about fifty-five (55) production facilities. There was no explanation from GWI for the significant reduction in data submitted.

FINANCE DIVISION REPORT

Moorsalene Sankar – Financial Analyst

TELECOMMUNICATIONS SECTOR



The Telecommunication industry remains dynamic in 2011 recording growth in landline, cellular and internet services. The imminent launching of the Government of Guyana's landline cable coming soon after the launch of GT&T's submarine cable and the ongoing free distribution of ninety thousand laptop computers that started in the latter half of 2011 and continued into 2012 set the stage for the growth of internet services in the years ahead. The Telecoms Reform Sector Act that was widely expected to become law in 2011 did not materialize. On a disturbing note the illegal by-pass of GT&T's international gateway continues and with no solution in place to stop this illegal practice. This continues to impact negatively on GT&T's earnings.

Interconnection Agreement

During the year a new interconnection agreement between the Guyana Telephone and Telegraph Company Limited and U Mobile (Cellular) Inc was signed. This agreement replaced the previous agreement that expired in January 2010. The agreement sets new rates for a number of services that are shared between the utilities for their mutual benefit and for the benefit of consumers. The PUC in approving the new interconnection rates that are generally termed wholesale rates, was satisfied that the rates were fairly determined and will not disadvantage the retail customers.

Telecoms Reform Sector Act

The Telecom Reform Sector Act that was tabled in Parliament in the 4th Quarter of 2011 and which was expected to become law in 2011 did not materialize. The dissolution of

Parliament to make way for national elections, while the bill was still under consideration, caused it to lapse. Whether the bill, in its entirety, will be reintroduced in the new Parliament is not known.

Internet Services

In our previous report we reported the launching of the submarine cable by GT&T. The immediate advantage for consumers living in specific areas was the increase in bandwidth from 256 kbps to 1mbps has resulted in improved quality of service to internet users in those areas. GT&T had projected that with the launch of the cable the demand for internet services will increase. GT&T has reported that for the year under review services have increased from 7,500 DSL services at the end of 2010 to 18,000 services at the end of 2011; and as the company continues to roll out its services into hitherto unserved areas further growth is anticipated.

The Government of Guyana is expected to launch its landline cable sometime in 2012 and when launched is expected to offer some of the services as GT&T's submarine cable.

Two factors restrict the growth of internet services. The limited availability of home owned computers mainly because of affordability, and the cost for an internet service. The free distribution of 90,000 laptops by the Government will make computers available to a wider cross section of the population, with the potential for further expansion of the internet market.

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. Whether the Government will at some time thereafter expand the range of services to include the internet market to compete with existing service providers is not known. Competition should be welcomed as it will have the effect of weeding out inefficient service providers and at the same time reducing the cost for the service.

Investments in the Telecoms Sector

Investments in the telecoms industry continue to be strong. In 2011 GT&T invested \$20.3 million USD in the sector. Included in their capital program was the setting up of 4 (four) new cell sites that further increased the reach of the cellular services to un-served areas. At the end of 2011 GT&T estimated that its fixed and mobile networks combined, covered approximately 95% of the population and 80% of the country. In 2011 Digicel had invested \$5.5 million USD in the sector. Digicel has posited that 95% of the population can avail their network in the areas that they live and work at the end of 2011.

Should Universal Service become mandatory it can be envisaged that in time the entire country would be covered. This is a positive, especially at a time when the interior of the country is being opened up for the exploitation of its natural resources; communication is a prerequisite to assist in this development.

Services

Mobile

At the end of 2011 the number of mobile services in the country was 555,369. The penetration rate based on a population of 775,000 persons is 71%. For the year the combined mobile minutes made from the network of the two service providers were just over one billion minutes. However since it is the practice of service providers to offer promotional minutes not all of the used minute are paid minutes. Of note is the fact that cellular minutes are almost the same as landline minutes. This is so although cellular rates are many times more expensive than land line rates.

Landline

At the end of 2011 the number of active landline services was 152,590. (149,057 in 2010) This gives a penetration rate of 20% assuming a population of 775,000. Minutes of use in 2011 were almost identical to 2010; 1.199 billion minutes in 2011 compared to 1.198 billion minutes in 2010. GT&T has reported that although it continues to invest heavily in

the landline segment of its business there has not been commensurate growth in minutes to justify future investments in this sector. Another concern of GT&T is that the number of people surrendering their services is increasing. GT&T has posited that when a service is surrendered and providing that the service is not allocated to another customer the resources used in providing the service falls into disuse resulting in a waste of company resources.

GT&T should recognize that landline services are in direct competition with cellular and more recently with short messaging services (SMS). The latter has taken the market by storm and the volume of its traffic significantly adds to GT&T's revenues. Further, both companies advertise cellular and SMS to the point where they inculcate into the psyche of consumers the exclusive use of these two services.

Cost Allocation

Over time the Commission has been requesting from GT&T a cost allocation methodology that informs both GT&T and the Commission on the profit/loss GT&T makes on each of its services. GT&T had indicated to the Commission in 2010 that they were in the process of preparing a cost allocation methodology and that it would be completed and made available to the Commission by March 2011. Regrettably the time line was not met and at the end of 2011 the cost allocation remains work in progress. Overtime GT&T has been complaining to the Commission that its landline services operated at a loss but in the absence of a credible cost analysis, the Commission would be unable to determine whether the landline tariffs need to be adjusted. It would therefore be in the interest of GT&T to complete the cost allocation methodology at its earliest convenience.

Inbound calls

Inbound international traffic minutes - that is calls originating from foreign countries to Guyana, fell in 2011 by 11% when compared to the previous year. In 2010 inbound minutes were marginally above 97 million and in 2011 marginally over 87 million. The reduction in minutes may not be indicative of a decline in international traffic; rather it

may be due in part to 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 minutes that is calls originating from Guyana to overseas destinations, have decreased marginally when compared to 2010. 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. GT&T has responded to this challenge by significantly reducing rates in a promotion that ran for the entire 2011 and looks set to continue into 2012. The Commission's analysis of the promotion suggests that the company has had only minimal success.

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 19 US cents to 23 US cents. 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. It is unlikely that GT&T will be able to compete successfully against the internet service providers and this segment of the company's business remains threatened.

Short Messaging Services (SMS)/Text Messages

Text messaging is becoming a culture in the way mainly young people communicate. For the year the combined number of recorded text messages that originated from the two service providers was 594,000 million. One of the reasons for the popularity of this service is that it is cheaper and more convenient than either cellular or landline.

Change in the Denomination and Life Span of Scratch Cards and Electronic Top Ups

On the 5th of September 2011 the PUC by Order No. 3 of 2011:

- a) Approved the request made by GT&T to the Commission that scratch cards issued in denominations of \$2,000 and \$3,000 and with a life span of 6 months; and scratch cards issued in denomination of \$5,000 and \$7,000 and with a life span of nine months; and scratch cards issued in denominations of \$12,000, and with a life span of 12 months be discontinued.

- b) That the new issuance of cards will be in denomination of \$100, \$200 and \$1,000. The life span of these cards will be three months commencing from the date of first use.

Electronic top ups from \$100 to \$30,000 which had a life span of six months will continue to be issued in denominations within the original range but with respect to the issuing of top up credits after the 5th of September 2011, the life spans have been changed as follows:

- Top ups from \$100 to \$10,000 will have a life span of three months commencing from date of first use.

- Top ups from \$1,000 to \$30,000 will have a life span of five months commencing from date of first use.

General

The operations of the Internet Cafes and some of the other ISPs' are not regulated. Most, if not all, are not VAT registered. The income generated from their operations is not known but it is generally thought to be substantial. The telecoms industry probably has an annual turnover of about \$35 billion dollars, making it one of the largest industries in the country. Its increasing geographic spread will insure that it continues to play a pivotal role in the development of the nation. Additionally taxes paid by the sector to the Revenue Authority are significant.

GUYANA WATER INC

Key issues that concern the PUC in the water and sanitation sector are poor service quality, high non revenue water, and significant financial operating losses. On a positive note some un-served areas are beginning to receive potable water due to ongoing capital investments provided by both the Government of Guyana and the International Donor Agencies.

Financial results

Based on the un-audited financial statement for 2011 GWI is projecting a loss of approximately

\$2 billion for the financial year ended 31st December 2011. The loss would have been much higher but for a subvention of \$1.144 billion from the Government of Guyana.

During the year water production increased from 109 million cubic meters in 2010 to 128 million cubic meters in 2011. The increase in production is consistent with the expansion programs of the company over recent years. What is incomprehensible is that in spite of the increased production, sales have declined in 2011 when compared to 2010. This should not have been and this suggests that non revenue water has increased in 2011 over the previous year.

GWI's Under Performance in Critical Areas of Operations

Based on performance indicators GWI continues to perform poorly in some segments of its operations. Some of these below par performances are noted below:

(a) Billing of metered consumers:

A recurring failure of GWI is its inability to accurately bill its metered customers. Because of this, sales are usually overstated and this impairs the accuracy of the company's financial statements. It is imperative that GWI bills its metered consumers accurately so that its sales are accurately reflected in the financial statements.

(b) Collections:

GWI seems unable to collect its billings in a timely manner. Collections in the current year, as in previous years, continue to be under eighty percent of billed sales. The management of GWI has acknowledged that the company needs to improve on its collections and indicated that systems are being put in place to improve the level of collections. The company is optimistic that it will achieve a collection rate in excess of 90% in 2012.

(c) Provision for impairment of debtors:

As in previous years the ratio of bad debt provisions to sales has been at an unacceptable level. For 2011 the provision for bad debts expressed as a percentage of sales is approximately 14%. It was conceded by GWI that one of the reasons for the sizeable provisions over the years has been the level of inflated billings. GWI has identified the causes that have given rise to over billings and is optimistic that from 2012 metered customers would be accurately billed.

(d) Consumer Debtors:

Consumer debtors stated in the financial statement represent a 21(twenty one) month credit period. GWI has overtime been involved in multiple country wide campaigns to collect moneys due to the company. These campaigns have had only minimal success. GWI's consumer debtors have for some time been over five billion dollars. What is disturbing is that seventy five percent of the debtors have been outstanding for over one year. There is need for the company to review its receivables and write off those accounts that are not collectible. The management of the company while acknowledging that a significant amount of its debtors may not be collectible indicated that they intend to review the receivables and make a decision on how to treat with it going forward.

(e) Non Revenue Water: (NRW):

Non revenue water, that is water distributed for which no revenue is derived, continues to be at an unacceptable level and may be higher than 50 (fifty) percent of production. This constitutes a significant cost to the company. If NRW is reduced to acceptable levels

it would negate the need for Government's subvention that is now necessary to cover the operating cost of the company. Global metering of consumers is a prerequisite for the reduction of non revenue water. Currently 63% of GWI's consumers are un-metered. Empirical evidence suggests that when customers are metered, non revenue water is reduced since customers conserve as they now have to pay for actual usage. The company acknowledged that the metering program was not as robust as it should have been in 2011 but is confident that that from 2012 the program will be back on track.

In the past GWI had developed programs that targeted the reduction of non revenue water. However, these programs significantly under achieved as there was only a minimal reduction in NRW. It is imperative that the board and the management of GWI work assiduously in having this perennial problem effectively addressed.

(f) GWI's Audited Financial Statements:

Over the years the State Auditor has reported on weaknesses in the company's system of internal controls. This has always been a major source of concern for the Commission. GWI's management has indicated that they have been working to correct weaknesses in their accounting systems and is confident that when the 2011 audit is completed it would be free from the major weaknesses previously reported on.

GWI Capital Expenditure

GWI's approved capital expenditure for 2011 was \$ 1.981 billion. During the year the company completed capital works to the value of \$1.728 billion or 87% of the approved value of its capital program. The contributory reasons for not completing the work programs were due to delays in the awarding of contracts for the drilling of wells and the termination of some hinterland contracts.

GWI's capital works are not only limited to the costal belt, but includes several projects in the hinterland and Linden areas. The upgrades to GWI's infrastructure in recent years, coupled with the sinking of wells and the commissioning of new water treatment plants in 2011 resulted in continuing incremental improvements in the quality of service to

consumers. GWI performs creditably in this area; it needs to translate this efficiency to its financial and billing operations.

Rationalization of GWI's tariff Structure

GWI's tariff structure contains too many bands and the application of some is subjective. The tariff structure needs to be simplified. Under the current tariff structure, there is a historic disconnect between urban and rural consumers. For example, a residential consumer living ten miles outside of Georgetown pays \$60 for a cubic meter of water, while another residential consumer living in the city pays \$112 for a cubic meter of water. Both of these consumers would be paying the same rate for a kilowatt of power purchased from GPL and the same rates for cell and land line services. Moreover the rationalization of the tariff base could assist GWI in setting revised rates that could result in improvements to its cash flow.

Conclusion

GWI has the potential to earn profits that will allow for an acceptable rate of return on its capital dedicated to public use and probably with only a minimal increase in tariffs. For this to happen, however, it needs to reduce the percentage of its NRW to an acceptable level. There are international contractors that specialize in the reduction of non revenue water. GWI should consider this avenue since the company has shown itself incapable of positively impacting on the reduction of NRW. GWI's water production is impressive. However water production and sales are disproportionate; management needs to determine the reason(s) for this. Finally GWI needs to strengthen its systems of internal controls especially in the billing and accounting segments of its operations.

GUYANA POWER & LIGHT INC

The year 2011 was a difficult year for the GPL. The higher than projected cost for fuel that prevailed for most of the year and the decision by GPL not to trigger a fuel surcharge resulted in the company incurring a significant operating loss. GPL had budgeted to spend just under \$10 billion on its capital expansion program in 2011. However delays in disbursements from the EXIM Bank of China that is funding major transmission and

distribution upgrades delayed the start of the program. Because GPL was unable to realize its projected cash flow, segments of its capital expansion plan would be rolled over to a later period. System losses remained close to its 2010 level. Failure to reduce system losses in a sustained manner is continuing to impact on the financial viability of the company. On a positive note the company added a 15.6 MW Wartsilla station to the Demerara interconnected system. The station was funded through a loan from the Government of Guyana.

Operating Results

For the year under review the company is expected to report a loss of approximately \$4 billion. In its 2011 budget the company had anticipated an after tax profit of \$2.53 billion and to realize a cash flow of approximately \$4 billion from its operations. The main reason for the huge disparity between budgeted profits and the actual result was due to the procurement cost of fuel being substantially higher than budgeted. GPL had budgeted to pay approximately \$80 USD for a barrel of oil throughout 2011. The average price paid throughout 2011 was \$109 USD per barrel.

It did not mean that avenues were unavailable to GPL to cushion the impact of higher oil prices.

GPL's license gives the company the right to implement a fuel surcharge on a quarterly basis in the event that fuel prices increased by a certain percentage point over the previous quarter. Had GPL triggered the surcharge it may have collected approximately \$4 billion more in 2011 through increased billings. The Commission will not speculate on the reason(s) why GPL did not trigger the fuel surcharge but its reluctance not to, have contributed to the substantial loss suffered by the company.

System Losses

For 2011 GPL had projected to reduce system losses by 1.4% over the previous year. This target will probably not be met. System losses have been a perennial problem for GPL for more than a quarter of a century. In 1990 system losses were calculated at 25%.

Since then it has continued to increase reaching almost 40% at its peak. It has since been reduced to about 30%.

The financial losses to the company over this period are probably about \$40 billion. At the current rate of exchange this translates to USD \$200 million. If system losses were at a level that would have allowed for half of the financial losses to be available to the company much would have been achieved resulting in a better quality of service to consumers. GPL in its current five year strategic plan is projecting to reduce system losses from 30% in 2011 to 24% in 2016. Even so, system losses are conservatively estimated to cost the company \$15 billion or the equivalent of USD \$75 million during this period.

System losses of this magnitude destabilize the financial viability of the company.

It does not mean that GPL is unresponsive to this problem. The company has a number of programs in place to address and to reduce these losses. Some of these are:

- The ITRON program that includes the installation of up to 2,900 ITRON meters that is expected to secure 60 to 65 percent of GPL's billed power.
- The installation of 54,000 prepaid meters over the next five years.
- Significant upgrades to the transmission systems, financed mainly through a loan from the EXIM Bank of China.

Relative to the earnings of the working class, electricity is an expensive commodity. It is for this reason, in spite of GPL's best efforts the company faces an uphill struggle to reduce commercial losses.

Capital Expansion Program

GPL plans to spend \$ 92 million USD on its capital expansion program 2012-2016. To finance the program, the company is expected to contribute approximately 50% of the funds from its internal operations. The remaining 50% will be from loans that have already been negotiated. In its 2011 D&E report the company notes that: "the escalation in fuel prices is one change in the planning environment which will affect the company's

ability to finance capital works from internal resources. This means that some capital works will be deferred from 2011”

Because of the significant loss that was incurred in 2011, GPL’s cash flow was severely restricted and by extension its contribution to the capital expansion program. If this trend continues and GPL does not increase tariffs it would be difficult for GPL to fund its part of the program unless it resorts to borrowing.

In 2011 GPL’s capital program was budgeted at \$48 million USD. Of this amount:

- \$21 million USD was earmarked to be spent on generation expansion
- \$24 million USD was earmarked to be spent on transmission upgrades
- The remainder was earmarked to be spent on loss reduction and on other sectors

GPL accomplished the greater part of its generation program which was only possible through a loan from the Government of Guyana. The transmission and distribution (T&D) system expansion is financed mainly through a loan from the EXIM Bank of China. During the year there were changes to the systems design of the T&D system. This not only added to the cost of the program but delayed its commencement by six months. The program is currently in progress and the outstanding works from 2011 would be rolled over into 2012.

Reporting on GPL’s Operating Standards and Performance Targets: (OSPT)

The amended Schedule 2 of GPL’s license that became effective 4th October 2010 is expanded to include the Customer Service Standards and the Operating Standard and Performance Targets. The OSPT is an annual and five year forecast that is included in GPL’s rolling five year Development and Expansion Program.

The Operating Standards and Performance Targets for each one year period and to be included in every approved Development and Expansion program shall constitute the standard and quality of service that GPL shall provide, in accordance with Section 25 (2) of the PUC Act; it shall therefore be binding upon GPL and shall be enforceable by the Commission.

The review of these operational standards begins from the year 2011 and the Commission is required to report on them no later than March 30th in the following year. The Commission plays no role in the fixing of the standards but is required to make a determination on whether GPL has met or failed to meet the Operating Standards and Performance Targets in any material respect. If the Commission finds that the company has failed to achieve any of its standards and in the opinion of the Commission the company performed at a level below which it is capable; the Commission may impose a fine on the company. The fine is limited to 25% of the dividends paid in the financial year.

There are eight reporting standards that the Commission will review and report on. The standards are:

- Customer interruptions: This standard sets the maximum number of outages and the duration of outages (in hours) that a customer may experience annually
- Voltage regulation: This standard sets (a) the voltage level GPL is required to maintain to consumers and (b) the time limit GPL is required to meet for voltage restoration due to network reconfigurations
- Meter reading: This standard sets the number of bills GPL is required to issue based on actual meter readings
- Issuing of bills: This standard sets the time line for bills to be issued after they have been read
- Accounts receivable: This standard sets the credit period that GPL shall allow its debtors
- Accounts payable: This standard sets the credit period that GPL should be allowed in settling with its creditors.
- Losses: This standard sets the level of system losses that GPL shall attain at the end of the financial year.
- Average availability: This standard sets the average time a generating station shall be available for service to the public.

Reduction of Interest Rate Payable on Customers' Security Deposits

As is the practice utilities generally require from a potential customer a security deposit before the issuance of a service. It is also standard practice that the utilities pay interest on the customers' deposit accounts. The rate of interest would have been predetermined in an earlier period. Prior to the 1st November 2011 the rate of interest paid to consumers was 7% per annum. This rate was effective 1st October 1999.

On August 19th GPL applied to the Commission for a reduction in interest rates from 7% to 1.6 % per annum. GPL in its application noted that:

- At the time the consumer interest rate was set term deposit rates at leading banks averaged 10% per annum on deposits
- Since that time interest rates have fallen substantially and based on this reduction GPL believes that consumer interest rates should also be reduced
- Consumer interest rates represent a cost to the company which at some future time would have to be recovered from the very consumers through higher tariffs

Having deliberated on the presentations made by both GPL and the Consumers Associations the Commission decided to reduce interest rates to 2.4% per annum. This rate will remain in effect for two years when it will again be reviewed.

Conclusion

Because GPL's generation is mainly fossil based its cost of operation will invariably remain high and by extension its tariffs. Should the hydro IPP begin operations within the stipulated time frame it is by no means certain that tariffs would be substantially reduced. The strategic investors would first have to be repaid their capital investments together with interest before rates begin to decline. GPL has shown itself incapable of reducing system losses to acceptable levels. These losses will continue to impact negatively on the tariff base, disadvantaging the honest consumers who partially have to bear the cost for the dishonest ones. On a positive note the transmission upgrades, funded by the EXIM Bank of China, and currently in progress will qualitatively improve services to consumers when the program is completed.

ACCOUNT DIVISION FINANCIAL REVIEW

Orin Edghill – Accountant



In the year 2011 the Commission was fortunate to benefit from an increase in income from the Guyana Power & Light Inc. This was as a result of an amendment to the PUC Act (Act 16 of 2010). However, expenditure relative to this increase has already been identified in PUC's Strategic Vision and will relate primarily to the regulation of the energy sector.

The Commission chose to exercise a considerable amount of prudence in the management of its financial affairs during the year in review. As a result, the Commission was able to achieve a surplus of income over expenditure. However, the Commission is at a stage of its development where a number of its strategic plans will be implemented shortly.

With the coming on stream of its Berbice Office and the possibility of an Essequibo office, the Commission's finances may be stretched. However, to be better able to deliver on its mandate, the Commission cannot continue to postpone its expansion work, and will therefore be setting up at least one office in the first quarter of 2012.

This office will benefit consumers of Region 6, who in the past would have had to travel all the way to our Georgetown office to conduct business with us. As such, we have already identified premises to house this office and we are currently in the process of hiring staff to man this branch.

Another area of concern to our organization is the suitability of the building now housing our headquarters. As identified in our 2010 financial review, the acquisition of a suitable building will come at a significant cost and to this end a building fund has been established. In the interim the Commission anticipates considerable sums will be expended for remedial work to our current office.

It is anticipated that the years 2012 and beyond will be challenging with the Commission's decision to forge ahead with its planned expansion into the Regions.

At the date this report was prepared, our financial statements were not yet audited by the Audit Office. The Commission hopes, however, to have them audited in the near future.

