

GUYANA POWER AND LIGHT, INC.
FINAL RETURN CERTIFICATE – 2013



Nizam Ali & Company

Chartered Accountants

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Independent Accountants
Certificate of compliance
In accordance with paragraph 7(1) (d)
Of Part B of the First Schedule
Of the Electricity Sector Reform Act 1999

To: Guyana Power & Light, Inc.

We have examined the final return certificate- 2013 of Guyana Power and Light, Inc. (GPL) prepared in accordance with the First Schedule of the Licence to Supply Electricity For Public Purposes Granted to GPL under Sections 4 and 42(3) (c) of the Electricity Sector Reform Act 1999 (Licence). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The prescribed form for the compilation of the final return certificate is set out in Part D of the Licence. Paragraph 7(1) (c) of part B of the First Schedule of the Electricity Sector Reform Act 1999 requires that the final return certificate be compiled with reference to the company's audited accounts.

On April 30, 2013 we issued a certificate of non-compliance since the final return certificate was compiled on the basis of unaudited accounts.

On May 14, 2013 the company provided us with the final return certificate compiled with reference to audited accounts of the company. In accordance with the First Schedule Part B Paragraph 8 of the Electricity Sector Reform Act 1999, this resulted in a resolution of the matter giving rise to the issue of the certificate of non- compliance.

In our opinion, the final return certificate - 2013 of GPL is in compliance with the prescriptions of the Licence.


Chartered Accountants
Georgetown

May 14, 2013

FINAL RETURN CERTIFICATE - 2013
AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2012

PART B CALCULATION OF SUM OF WEIGHTED AVERAGE COST OF EQUITY AND WEIGHTED AVERAGE COST OF DEBT

	Notes	GS000	Weighting
a	Equity at beginning of year (Common shares+ Promissory Notes)	15,486,755	
b	Rate Base Adjustment Sch H	-	
c	Adjusted equity at beginning of year (a-b)	<u>15,486,755</u>	
d	Equity at end of year	21,486,755	
e	Rate Base Adjustment Sch H	-	
f	Adjusted equity at end of year (d-e)	<u>21,486,755</u>	
g	Average equity for year (a+d)/2	18,486,755	
h	Average adjusted equity for year (c+f)/2	18,486,755	48.57%
i	All Debt at beginning of year	17,273,353	
j	Add paid up Class B preference shares at begin of yr	-	
k	Total debt at beginning of year	17,273,353	
l	All Debt at end of year	21,878,788	
m	Add paid up Class B preference shares at end of yr	-	
n	Total debt at end of year	21,878,788	
o	Average debt for year (k+n)/2	19,576,070	51.43%
	Total capitalisation (h+o)	<u><u>38,062,825</u></u>	

PART C

CALCULATION OF TARGET RATE OF RETURN ON EQUITY AND AVERAGE INTEREST RATE

Return on equity

	GS000
a	Opening adjusted equity, excluding promissory notes 15,486,755
b	Closing adjusted equity, excluding promissory notes 21,486,754
c	Opening promissory notes -
d	Closing promissory notes 0
e	Opening Class A preference shares -
f	Closing Class A preference shares -

Target rate of return on Equity				
=	$\frac{(a+b) \times 8\%}{a+b+c+d}$	=	$\frac{2,957,881}{36,973,510}$	=
				8.00%

Average Interest rate		Notes	GS000	Weighting
g	Interest expense		985,263	
h	Amortisation of debt premium		-	
i	Amortisation of debt discount		-	
j	Amortisation of guarantee fees		-	
k	Amortisation of loan charges & related costs		-	
l	Class B dividends		-	
m	Average Debt	Part B (o)	19,576,070	
Avg interest rate			$\frac{(g+h+i+j+k+l)}{m}$	
			<u>985,263</u>	5.03%
			19,576,070	

Allowable Rate of Return (ARR)

A	Equity weighting * target rate of return =	48.57% x	8.00%	3.89%
B	Debt weighting * average interest rate =	51.43% x	5.03%	2.59%
ARR		A+B		<u>6.47%</u>

PART D

A CALCULATION OF OPERATING INCOME

I	Operating Income		29,821,177
a	Revenue from Sales		29,028,087
b	Other income excluding O&A fees		793,090
II	Operating Expenditure		31,458,514
a	Generation		26,862,406
b	Purchased power		215,731
c	Transmission & Distribution		164,266
d	Consumer services		-
e	Employment & Administration Costs		3,745,684
f	Directors' Expenses		-
g	Maintenance Expenses		-
h	Other expenses		419,721
i	Interest on consumer deposits		26,188
j	Rates & Tax excluding income tax		24,517
	Foregone Revenue 2004 to 2009		-
	Less : Depreciation included in above		-
	Operating expenses less depreciation		<u>31,458,514</u>
III	Revenue less operating expenses	-	1,637,337
IV	Depreciation		2,187,519
V	Realised exchange gains/losses		62,649
VI	Net Operating Profit	III-IV-V	- 3,887,505

B	COMPONENTS OF RATE BASE	Notes	GS000	Weighting
VII	a) Allowable Fixed assets at end of year		15,398,865	
	Property		797,897	
	Plant		21,716,301	
	Less:			
	Decommissioning cost and Capital Contributions not amortised		- 7,115,334	
	b) and percentage of Additions & WIP during year		3,274,811	
	Capital additions in use (25%)		1,155,381	
	WIP during year (25%)		2,119,430	
	Allowable Capital and WIP Additions		1,539,886	
	Total allowable fixed assets		16,938,751	
VIII	Allowable Inventory			
a	Inventory excluding fuel at beginning of year		3,746,573	
b	Inventory excluding fuel at end of year		4,532,444	
	Average Inventory	(a+b)/2	4,139,509	
	Allowable Fixed assets x 12.5%		1,924,858	
	Allowable inventory limited to 12.5% of Allowable Fixed assets		1,924,858	
	Allowable Fuel Inventory			
c	Fuel & lube Inventory at beginning of year		635,695	
d	Fuel & lube Inventory at end of year		590,683	
	Average Fuel & Lube Inventory	(c+d)/2	613,189	
	Maximum monthly fuel usage per gallon		3,188,589	
	Average price of gallon		704.02	
	Maximum monthly fuel * 1.5		2,244,818	
	Maximum monthly fuel * 1.5		3,367,227	
	Allowable fuel inventory		613,189	
	Total allowable inventory (Spares & Fuel)		2,538,047	
IX	Allowable prepayments and deposits			
(a)	Prepayments and Deposits at beginning of year		268,911	
(b)	Prepayments and Deposits at end of year		125,496	Correct
(j)	Average Prepayments and Deposits	(a+b)/2	197,204	
	Limited to 1.5% of VII(a) Fixed assets at year end		230,983	
	Total Allowable prepayments and deposits		197,204	
X	Allowable working capital			
a	Operating expenses per II above		31,458,514	
b	Fuel & Lube expense		24,152,528	
c	Consumer deposits at beginning of year		1,422,654	
d	Consumer deposits at end of year		1,597,616	
	Total Allowable Working Capital = (10a-10b) x 12.5% - (10c+10d)/2		- 596,887	

	Notes	GS000	Weighting
XI	Average Unbilled Sales		
a	Unbilled sales at beginning of year	2,285,692	
b	Unbilled sales at end of year	2,480,428	
k	Average unbilled sales (a+b)/2	2,383,060	
	Gross revenue	29,821,177	
	5% thereon	1,491,059	
	Allowable average unbilled sales	1,491,059	
H	XII		
	Rate base adjustment		
	Guyana\$/US\$ at beginning of year (ERT0)	205	
	Guyana\$/US\$ at end of year (ERT1) *	205	
	*Based on mid exchange of 5 commercial banks preceding 3 months		
A	$\frac{((ERT1 - ERT0) - 2.9\%)}{ERT0} \times (\text{Average US\$ Equity base} + \text{Rate base adjustment})$		
	$((ERT1 - ERT0)/ERT0) - 2.9\% =$	-3.02%	
	Rate base adjustment at beginning of year	-	
	Average US Equity base + Rate base adjustment	21,486,755	
	Rate base adjustment at end of year	- 649,319	
	If negative rate base adjustment = 0	-	
C	CALCULATION OF RATE BASES		
XIII	Rate base = VII+VIII+IX+X+XI+XII =	20,568,174	
D	CALCULATION OF ALLOWABLE RETURN		
	ARR* XIII	1,331,592	
E	CALCULATION OF FINAL DEFICIT		
	Operating Income VI	- 3,887,505	
	Less Allowable return	- 1,331,592	
	Deficit Final return	- 5,219,098	
PART F	FINAL INCREASE IN HEADLINE RATES AND SERVICE RATES IN 2012		
	$\frac{\text{Deficit Return}}{\text{Total Revenues}} = \frac{5,219,098}{29,028,087} \times \frac{365}{245} \times 100\%$		26.79%

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



Aeshwar Deonarine
Deputy Chief Executive Officer
Guyana Power & Light, Inc.