

LICENCE
TO SUPPLY ELECTRICITY FOR PUBLIC PURPOSES
GRANTED TO
GUYANA POWER & LIGHT, INC.
UNDER
SECTIONS 4 AND 42 (3) (c) OF THE ELECTRICITY
SECTOR REFORM ACT 1999 (NO. 11 OF 1999)

ISSUED EFFECTIVE
OCTOBER 1, 1999

1. Grant of Licence. The Minister with responsibility for the electricity sector (the "Minister"), in the exercise of the powers conferred on him by sections 4 and 42 (3) (c) of the Electricity Sector Reform Act, No. 11 of 1999, and of all other powers exercisable by him for that purpose, hereby grants to Guyana Power & Light, Inc. (the "Licensee") a Licence, for the period specified in paragraph 5 and subject to the terms and conditions specified herein and in the Schedules hereto, to supply electricity for public purposes in the area set forth in paragraph 2 (the "Authorised Area"), and authorises the Licensee to perform all or any of the following activities and services throughout the Authorised Area:
 - (a) the generation of electricity, except the generation of electricity through hydropower;
 - (b) the transmission, distribution, storage, furnishing and sale of electricity;
 - (c) the purchase of electricity in accordance with power purchase agreements between the Licensee and independent power producers;
 - (d) the supply, erection, maintenance, repair, removal, replacement and operation of meters, electric lines and other electric apparatuses, installations and facilities necessary to carry out the activities and services authorised by this Licence;

- (e) the use or rental of the Licensee's structures, wayleaves, easements, rights-of-way and other facilities for running or operation of telecommunications lines or other purposes.
2. Authorised Area. The Authorised Area shall consist of the Co-operative Republic of Guyana ("Guyana") including its territorial waters and lands and structures lying therein, but shall not include:
- (a) the Linden/McKenzie area currently being served by the Linden Electricity Co-operative and Linden Mining Enterprises Limited until such time as the Licensee acquires the assets and takes over the supply of electricity from such suppliers pursuant to paragraph 14(b); or
 - (b) any areas which are the subject of a licence granted by the Minister to another public supplier in accordance with paragraph 18 until such time as the Licensee should re-assume responsibility for any such area pursuant to paragraph 18; or
 - (c) any area which as of the Effective Date is being served by another supplier who is operating transmission and distribution facilities which are not interconnected with the generation, transmission and distribution facilities of the Licensee, provided that such supplier has obtained an exemption in an order from the Minister in accordance with section 3(3) of the Act, which order will include the requirements contained in paragraph 14(a). Any such area shall automatically become part of the Authorized Area upon the acquisition of such other suppliers' assets in accordance with paragraph 14 (a).
3. Governing Laws. Except to the extent expressly varied herein, this Licence is subject to --
- (a) the Electricity Sector Reform Act, No. 11 of 1999 (the "Act");
 - (b) the Public Utilities Commission Act, No. 10 of 1999 (the "PUC Act");
 - (c) the Guyana Energy Agency Act, No. 31 of 1997;
 - (d) the Environmental Protection Act 1996, No. 11 of 1996;
 - (e) any other applicable law or regulation of Guyana,
- and to the terms and conditions set forth in the Schedules to this Licence which are incorporated into and are a part of this Licence. Unless specified otherwise, terms defined in the Act have the same meaning when used herein.
4. Effective Date. The effective date of this Licence shall be October 1, 1999 (the "Effective Date").

5. Terms of Non-Exclusivity/Exclusivity and Term of Licence. This Licence --

- (a) with respect to the activities and services set forth in paragraph 1 (a), and subject to paragraph 15, shall be a non-exclusive licence within the Authorised Area from the Effective Date until 11:59 p.m. on the day which is twenty-five (25) years after the Effective Date; and
- (b) with respect to the activities and services set forth in paragraphs 1 (b), (c), (d) and (e), and subject to paragraph 18, shall be an exclusive licence within the Authorised Area from the Effective Date until 11:59 p.m. on the day which is twenty-five (25) years after the Effective Date,

unless extended in accordance with paragraph 7.

6. Modification. The terms and conditions of this Licence are subject to modification or amendment in accordance with section 13 of the Act.

7. Extensions. At any time after the end of the fifteenth year of the term of this Licence, and prior to the end of the twenty-fourth year, the Licensee may apply to the Minister for an extension of the term of this Licence. Within 120 days after receipt of such application, the Minister shall notify the Licensee of the Government's willingness to negotiate an extension of the term of this Licence. Provided that the Licensee is not in material breach of the terms of the Licence, the Minister shall extend the Licence for a period not to exceed fifteen years beyond its prior term upon terms and conditions acceptable to the Minister and the Licensee and in accordance with the procedures set forth in Section 14 of the Act. If the Minister is unwilling to extend the term, or is unable to agree with the Licensee upon acceptable terms for an extension, this Licence shall continue in force to the end of the existing term, unless terminated earlier by revocation in accordance with paragraph 8 hereof.

8. Revocation.

- (a) Subject to the procedures and criteria set forth in the Act, the Minister may, acting reasonably, revoke this Licence upon the following grounds:
 - (i) any ground set forth in section 16 (1) of the Act (except the ground set forth in section 16 (1) (b), which applies to the supply of electricity for private purposes);
 - (ii) a material violation of the laws and regulations set forth in paragraph 3.
- (b) The mechanism for revocation set forth in this paragraph and section 16 of the Act and the purchase of the undertaking of the Licensee under paragraph 9, and the Licensee's obligations under paragraph 9 (b), shall be in lieu of the powers of the

Commission under section 68 of the PUC Act and of the Commission and the High Court under section 69 of the PUC Act, and those sections of the PUC Act shall not apply to the undertaking of the Licensee.

- (c) Notwithstanding the authority of the Minister to suspend a licence as an alternative to revocation pursuant to the Act and the PUC Act, this Licence shall not be suspended.

9. Sale to the Government, or Its Designee, upon Termination or Revocation.

- (a) Where the Minister declines to extend the term of this Licence pursuant to paragraph 7 or revokes this Licence pursuant to paragraph 8 or Section 16 of the Act, and where any appeal of the Minister's decision under the Act has been finally determined confirming the Minister's decision, the Government, or its designee, shall purchase the undertaking of the Licensee under the procedures set forth in, and at a price to be determined in accordance with, subparagraphs (c) through (g) below.
- (b) Pending the determination of a purchase price for the Licensee's undertaking in accordance with this paragraph, the Government may by written notice to the Licensee, require the Licensee to deliver, and thereupon the Licensee shall deliver, on the date specified in such notice, its undertaking, including all works, to the Government, or its designee. If the Government does not require the Licensee to deliver its undertaking, the rights and obligations set forth in this Licence shall be deemed to remain in full force and effect, and the Licensee shall continue to supply electricity as required herein, until such time as the purchase price is paid in full by the Government, or its designee, to the Licensee as provided for in subparagraph (g).
- (c) Not later than 180 days prior to the end of the term due to non-extension, or within 10 days after the Minister's or, if applicable, the Court's decision referenced in subparagraph (a), above, the Government, or its designee (as the case may be), and the Licensee shall agree upon an independent and qualified valuator (the "Valuator") to determine the fair market value of the Licensee's undertaking.
- (d) Within 10 days after the deadline in subparagraph (c), if the Government, or its designee, and the Licensee have not agreed upon the selection of the Valuator, the Government, or its designee, and the Licensee shall each appoint an independent and qualified arbitrator, and the two arbitrators so appointed shall, within 20 days of their appointment, appoint a third arbitrator, who shall act as the Chairman of the arbitration panel. If one party fails to appoint an arbitrator within 20 days of becoming required to do so, the arbitrator selected by the other party shall act as the sole arbitrator for the purposes of selecting the Valuator. In case the two arbitrators cannot agree upon the appointment of a third arbitrator, the third

arbitrator shall be appointed by the Chancellor of the Judiciary within 20 days of being entitled to do so. The arbitration panel or sole arbitrator, as the case may be, shall appoint the Valuator within 30 days of being appointed. The decision of the arbitration panel or sole arbitrator shall be final and binding upon the Government, or its designee, and the Licensee. A majority decision of the arbitration panel is required to appoint the Valuator. The reference to arbitration in this paragraph shall be deemed to be a submission within the meaning of the Arbitration Act, which, except as expressly varied by this paragraph, shall apply to such arbitration. The situs of the arbitration shall be Guyana, and the governing law of the arbitration shall be the law of Guyana.

- (e) For purposes of this paragraph, fair market value means, and shall be determined by the Valuator as, the value of the net assets sold, whether of the various equities, shares of the undertaking or of the undertaking itself, in an open and unrestricted market immediately prior to the Minister's service of notice of the revocation or non-extension of the Licence, and determined without reference to any minority or controlling interests that may exist, and without reference to the non-extension or revocation of the Licence, so as to provide a comprehensive value determined with reference to the capitalization of future earnings of the undertaking as a going concern, or with reference to the net fair value of all assets and liabilities of the undertaking, whichever is greater.
- (f) Within 90 days of the selection or appointment of the Valuator, the Valuator shall prepare and submit to the Government, and, if applicable, its designee, and to the Licensee a report on the fair market value of the undertaking of the Licensee (the "Report"), which Report shall be prepared in accordance with subparagraph (e) and shall determine the purchase price to be paid in U.S. dollars by the Government, or its designee, to the Licensee for the undertaking of the Licensee.
- (g) Within 120 days of the submission of the Valuator's Report, the Government, or its designee, shall pay the purchase price as determined by the Valuator in full in U.S. dollars, and, if the Government has required the Licensee to deliver its undertaking to the Government or its designee as provided in subparagraph (b) plus interest at a rate per annum equal to the prime lending rate charged for loans in United States dollars in Guyana by the Bank of Nova Scotia in Guyana, plus one percent (1%), from the date of such delivery to the date of payment of the purchase price. In the event that the Bank of Nova Scotia does not have an office in Guyana at the time that the Government has required the Licensee to deliver its undertaking to the Government or its designee, the prime lending rate for loans in United States dollars in Guyana of another prominent Canadian, United States or International bank or other bank selected by the Minister and the Licensee with an office in Guyana shall be utilised for the calculation of interest payable to the Licensee under this subparagraph.

- (h) The reasonable expenses incurred in determining the fair market value of the undertaking of the Licensee, including the costs of any arbitration under subparagraph (d) and the costs of preparing the Valuator's Report, shall be borne by the Government, or its designee (as the case may be), and the Licensee equally.
 - (i) Any dispute or difference regarding the matters provided for in this paragraph (other than a dispute concerning the appointment of a Valuator) shall be determined by arbitration in the manner provided in section 64 (2) of the Act.
- 10. Duty to Provide a Universal Supply of Electricity within the Authorised Area. Subject to section 24 of the Act and recognising the need to protect consumers from undue rate increases as a result of the cost of new services, the Licensee shall provide a supply of electricity to every person who requests such supply, which supply shall be made available in accordance with the Licensee's Standard Terms and Conditions, including any requirements therein (and in the Third Schedule of the Act) for a security deposit or customer contribution, and (as to any matter not included in the Standard Terms and Conditions) the Third Schedule of the Act.
- 11. Standard Terms and Conditions. The Standard Terms and Conditions attached hereto as the Fourth Schedule shall be in lieu of sections 22, 23 and 26 (4) and the Third Schedule of the Act as to all matters included in the Standard Terms and Conditions. The Standard Terms and Conditions may be amended from time to time by the Licensee with the prior approval of the Commission.
- 12. Rates.
 - (a) From the Effective Date to January 1, 2001, the headline rates and the actual rates to be charged by the Licensee to consumers for the supply of electricity and for services shall be those determined in accordance with the Second Schedule of the Act.
 - (b) After January 1, 2001, the First Schedule of the Act and the First Schedule of this Licence shall govern the rates for the supply of electricity and for services at any time charged and to be charged by the Licensee, and the mechanisms, formulae, principles and procedures whereby such rates shall be calculated and determined for all purposes under the Act and the PUC Act.
 - (c) Subsequent to the implementation of the rate re-balancing between consumer categories effected through the operation of the Second Schedule of the Act, but subject to the approval of the Commission, the Licensee shall have the right to review and amend the rates for the supply of electricity and for services in order to ensure that, in the long term, the rates are consistent with the economic cost of service to each class of consumers (the "full economic rates"). Any such amendments proposed by the Licensee will: (i) be based on implementation in a

transitional manner over a reasonable period which allows rates to be increased or decreased to full economic rates; (ii) after January 1, 2001, any such increases will be subject to a 5% maximum increase for any consumer or class of consumers in any one year over and above any general increase or decrease in rates resulting from the application of the First Schedule of this Licence; (iii) reflect a principle of gross revenue neutrality, such that the rate adjustments to achieve full economic rates will be designed to result in the same annual gross revenue for the Licensee from all rate categories collectively as would have been the case if only the general increase or decrease in rates resulting from application of the First Schedule of this Licence had been implemented; and (iv) be supported by the results of a cost of service and rate design study prepared by an independent consultant, which consultant shall be chosen by the Commission from a list of three internationally recognized consultants with experience in such matters, which list shall be provided to the Commission by the Licensee, and the Licensee shall bear the cost of the independent consultant's preparation of the study, and such costs shall be included in the Licensee's allowable expenses for rate-setting purposes.

(d) For purposes of implementing any transitional rates charged to consumers in areas that are newly brought into the Authorized Area, the Licensee shall not be required to charge a rate to any such consumers or class of consumers for any service provided by the Licensee that is uniform with the rates charged by the Licensee to consumers or classes of consumers to which the Licensee is already providing electricity; provided, however, that the Licensee shall not charge a rate to any consumer or class of consumers which is unduly preferential or discriminatory. The Licensee and the Government shall enter into mutually acceptable agreements for cases in which such transitional rates are to be charged by the Licensee, including transitional subsidies (if any) that may be provided by the Government pending the transition to charging the new consumers the rates determined in accordance with this Licence and the Act.

(c) The Licensee shall have the right to establish new rates for the attraction or retention of any one consumer or class of consumers provided that the new rates shall not be less than the Licensee's marginal cost of supply. Any such agreements or rates shall require the prior approval of the Commission pursuant to section 29 of the Act, which approval shall not be unreasonably withheld. If the Licensee requests approval of any such agreement or rate and the Commission does not grant its approval, or if the Commission grants its approval of a modified version unacceptable to the Licensee, the Licensee may retract the request, and there will be no change to the previously existing rates.

13. **Billing.** Notwithstanding section 51 of the PUC Act, the Licensee's frequency of billing shall be as provided in the Fourth Schedule to this Licence.

14. Acquisition of Assets of Other Suppliers; Power Purchase Agreement with Linden Power Company, Inc.; Supply of Electricity by Other Suppliers.

- (a) Where the Minister has issued an exemption order to another supplier as described in paragraph 2(c), the Licensee shall negotiate in good faith with such supplier to acquire the transmission and distribution assets at fair market value with a view to taking over that supplier's transmission and distribution activities. Pending the Licensee's acquisition of such assets and its assumption of such transmission and distribution activities, those suppliers may continue providing the transmission and distribution services that they were providing prior to the issuance of this Licence. It shall be a condition of any exemption order issued by the Minister to any such supplier, that the Licensee shall have a right of first refusal with respect to any proposed transfer, sale, assignment or other disposition of the transmission and distribution assets of such supplier which are used to supply electricity to other consumers.
- (b) Within 24 months after the Effective Date, the Licensee shall acquire the assets required for the transmission, distribution and supply of electricity in the Linden/McKenzie area currently being served by the Linden Electricity Co-operative (the "Co-operative") and Linden Mining Enterprises Limited ("Linmine"). The terms of the acquisition of such assets shall be as agreed between the Licensee and each of the Co-operative and Linmine. If, within 15 months after the Effective Date, the Licensee and the Co-operative and/or Linmine have not reached agreement on the terms of the acquisition, an independent valuator will be jointly appointed by the Licensee and the Co-operative and/or by the Licensee and Linmine. If, within the thirty-day period following the end of the fifteen month period referred to in the foregoing sentence, the Licensee and the Co-operative and/or the Licensee and Linmine cannot agree on an independent valuator, the Minister shall, within a further thirty-day period, appoint a qualified, independent valuator. The independent valuator will determine a reasonable price for the assets of the Co-operative and/or Linmine required for the Licensee's transmission, distribution and supply of electricity in the Linden/McKenzie area and the other terms of the acquisition. The Licensee will have the option of offering to purchase at the price and on the other terms determined by the independent valuator, or declining to do so. If the Licensee makes a purchase offer based on the price and other terms determined by the independent valuator, and the Co-operative and/or Linmine accept that offer, the Licensee's purchase of the assets will be concluded on those terms. If the Co-operative and/or Linmine decline the Licensee's offer, or if the Licensee declines to make an offer on the terms determined by the independent valuator, the Licensee will forfeit the Linden/McKenzie area and the rest of Region 10 as part of the Authorised Area, and the Co-operative and/or Linmine will be free to sell their transmission, distribution and other supply assets to another public supplier at the same or a higher price as the price determined by the independent valuator. If the Co-

operative and/or Linmine cannot conclude a transaction with another public supplier at the same or a higher price for the assets, then negotiations may be reopened with the Licensee for its purchase of the Co-operative's and/or Linmine's assets.

- (c) As provided in section 47 of the Electricity Sector Reform Act 1997 and section 47 of the Act, the Minister has granted a licence to the Linden Power Company Inc. ("LPC") for the Linden Generation Facilities. Prior to or concurrent with the Licensee's acquisition of the transmission and distribution assets from the Cooperative and Linmine as provided in subparagraph (b), the Licensee shall enter into a power purchase agreement with LPC provided that the terms and conditions of the power purchase agreement are acceptable to the Licensee and LPC and are approved by the Public Utilities Commission (the "Commission").
- (d) The rates to be charged by the Licensee to consumers in the Linden/McKenzie area shall be based on the rates in effect at the time determined in accordance with this Licence and the Act, provided that the Government may choose to provide a transitional subsidy through a separate agreement with the Licensee.
- (e) The Licensee's rights hereunder are subject to section 4 (1) (b) of the Act.
- (f) It shall be a condition of any license or exemption issued to a private supplier under, respectively, section 4 or section 3 of the Act, which license or exemption permits the private supplier to supply electricity to any other person, that at such time as the Licensee may extend the supply of electricity to such other persons, such private supplier shall cease supplying electricity to such other persons.

15. Generation of Electricity.

- (a) The Licensee is authorised to purchase electricity from independent power producers for resale to the public, provided that the terms of the power purchase agreements between such independent power producers and the Licensee have been approved by the Commission and such independent power producers are licensed to generate electricity for sale to a public supplier under section 4 (1) (c) of the Act.
- (b) Notwithstanding section 48 of the Act, during the first five years after the Effective Date the Minister's consent shall only be required prior to the Licensee's installation of any new or replacement generation capacity of a size greater than 25 megawatts. After the first five years, the Minister's consent shall only be required prior to the Licensee's installation or replacement of any new or replacement generation capacity of size greater than 25 megawatts. For greater certainty, the exercise of the discretion of the Minister under section 48 of the Act in relation to

any installation of new or replacement generation capacity which requires consent shall be limited to a consideration of the national energy policy of Guyana.

- (c) Notwithstanding section 20 (2) of the Act, the Licensee shall not be required to facilitate competition in the generation of electricity during the first five years after the Effective Date, but during such five-year period the Licensee shall use good faith efforts to add to and/or replace generation capacity in the system in accordance with the provisions of subparagraphs (d) and (e). After the initial five-year period, the Licensee shall facilitate competition through a transparent international bidding process for any capacity additions and replacements of a size larger than 10 megawatts; except that if requested by the Licensee the Minister may waive this requirement on a case by case basis, acting reasonably, with respect to proposed capacity additions or replacements which are larger than 10 megawatts and up to 20 megawatts. The structure and process for the transparent international tender process shall be developed and carried out by the Licensee acting reasonably and in good faith, unless the Licensee wishes to participate as a bidder in such tender, in which case a structure and process shall be developed and agreed upon by the Minister and the Licensee, both acting reasonably and in good faith. If the Minister and the Licensee are unable to agree, the Licensee shall not participate as a bidder in the tender.
- (d) The development of the Amaila Falls and/or the Tumatumari hydro-power project(s) by, respectively, Synergy Holdings/Harza International Development Company and/or Tumatumari Hydropower, Inc. pursuant to the letters of intent dated, respectively, April 24, 1998, and March 1998, between the Government and such respective parties shall not be subject to the competitive bidding procedures set forth in subparagraph (c) (but, for avoidance of doubt, shall be subject to the criteria and evaluation standards set forth in such letters of intent). If a licence is granted to either of the respective parties for development of the Amaila Falls and/or the Tumatumari hydro-power project(s), the Licensee shall enter into power purchase agreements with such respective parties, provided that such power purchase agreements meet the criteria set forth in subparagraph (e) (i) - (v) and have been approved by the Commission.
- (e) The Licensee shall enter into power purchase agreements with independent power producers licensed under the Act, including the Guyana Sugar Corporation, for additions of generation capacity to the system, provided that such independent power producers generate electricity from alternative forms of energy using renewable resources and provided that such power purchase agreements:
 - (i) are on terms and conditions that are acceptable to the Licensee and that are approved by the Commission, and once approved the payments thereunder shall be allowed for inclusion in the Licensee's operating expenses for the

whole of the term of the power purchase agreement in accordance with the First Schedule to this Licence;

- (ii) reflect the principle that the purchase price payable by the Licensee to the independent power producer shall not be greater than the Licensee's marginal cost of electrical energy production, including the Licensee's adjustments to reflect:
 - (A) incremental losses and other capital and operating expenses associated with the inclusion of the independent power producer in the Licensee's system;
 - (B) the term of the agreement; and
 - (C) the expected reliability of supply from the independent power producer's facility;
- (iii) allow for the economic, orderly and efficient development of the resources of Guyana;
- (iv) are compatible with the national energy policy of Guyana; and
- (v) will not cause undue hardship on the Licensee's consumers.
- (e) Notwithstanding anything else in this paragraph, the Licensee shall not be required to grant access to its own generation facilities for expansion or operation by other parties.

16. Operating Standards and Performance Targets. The Licensee shall use its best efforts to implement, achieve and maintain the Operating Standards and Performance Targets in accordance with the Second Schedule of this Licence, as may be amended from time to time with the prior approval of the Minister. The Licensee's compliance with such standards and targets shall be deemed to satisfy all such requirements under the Act and the PUC Act as to the matters included in the Operating Standards and Performance Targets, and there shall be no requirement for approval by the Commission of the Operating Standards and Performance Targets attached as the Second Schedule or as amended from time to time with the prior approval of the Minister.

17. Development and Expansion Programmes.

- (a) The initial Development and Expansion Programmes of the Licensee shall be as set forth in the Third Schedule of this Licence, as amended and expanded upon on an annual basis in accordance with the procedure set forth in subparagraph (b). The Licensee's compliance with such development and expansion programme, as

attached as the Third Schedule and amended on an annual basis with the approval of the Minister, shall for all purposes be deemed to satisfy the requirements for a development and expansion programme under the Act and the PUC Act, including any requirements for approval by the Commission.

- (b) The Licensee shall, no later than sixty days prior to the end of each of its financial years, submit three copies of its annual development and expansion programme and a current version of its five-year development and expansion programme, as approved by the Licensee's Board of Directors and containing the information required by section 38 (2) of the Act, to the Minister for approval. The Minister, acting reasonably, shall consider such development and expansion programmes and, within sixty days of their submission to him, approve, reject, or require modifications in the programmes. In considering the programmes, the Minister shall take into account:
- (i) the benefits to be accrued to consumers of the service rendered by the Licensee as a result of the implementation of the programmes;
 - (ii) the reasonableness of the cost and other terms and conditions of the financing arrangement for the programmes;
 - (iii) the need to maintain the balance between the Licensee's growth plans, its approved operating standards and performance targets, and the need to preserve its financial integrity, in accordance with commercially reasonable practices of North American or European electric utilities,

and may seek the views of the Guyana Energy Agency (the "Agency"), provided that such views are sought and obtained from the Agency in sufficient time for the Minister to make his determination within the sixty days provided above. The Licensee shall submit seven copies of each development and expansion programme approved by the Minister to the Commission within ten business days after the approval.

- (c) During the course of its implementation of approved development and expansion programmes, the Licensee may make amendments to the programmes as provided for in section 38 (5) of the Act and, prior to making any such amendment, shall provide the Minister with an explanation of, and relevant information and data on, such amendment. The Minister's approval of any such amendment shall not be unreasonably withheld and, in the case of an amendment under section 38 (5) (a), of the Act, shall be granted or denied within twenty-four hours of such notification, and shall be deemed to be granted if no response is received within that time. The Licensee shall provide the Commission with seven copies of any amendment to its development and expansion programmes as approved by the

Minister within ten business days after the approval, but the permission of the Commission shall not be needed for any such amendment.

18. **Rural Electrification.** Subject to the Standard Terms and Conditions attached as the Fourth Schedule to this Licence, the Minister may request the Licensee to implement rural electrification programmes from time to time for any premises or geographical area within the Authorised Area, and upon receipt of such a request the Licensee shall give due consideration to any such request and shall negotiate in good faith the terms and conditions of such rural electrification programmes, including the provision of Supplemental Funding (as defined in the Standard Terms and Conditions) and the associated increased investment on the part of the Licensee in the relevant supply facilities:

Provided that the Licensee may not unreasonably reject terms and conditions proposed by the Minister; and

Provided further that if the Government and the Licensee cannot agree on terms and conditions within one hundred and eighty days of the commencement of negotiations on a rural electrification programme, the Government may conclude an agreement on the same terms and conditions proposed to the Licensee for such programme with another public supplier, and if an agreement is concluded with another public supplier and a licence issued to him, it shall be a condition of such agreement and licence that:

- (a) the tariffs charged by such other public supplier shall be no more than the tariffs charged by the Licensee to each class of consumers to which the Licensee supplies electricity; and
- (b) upon expiry and non-renewal, early termination, revocation, or proposed transfer or assignment of the licence issued to the other public supplier for such programme, the Licensee shall have the right of first refusal, in the place of the Government, to purchase the undertaking of the other public supplier in respect of such programme in accordance with the procedures set forth in section 19 of the Act, which shall apply *mutatis mutandis* to the Licensee's purchase of such undertaking from the other public supplier.

For purposes of this proviso the term "same terms and conditions" shall mean terms and conditions which, taken as a whole, are no more favorable than the most favorable terms and conditions offered by the Government to the Licensee.

19. **Exemption from assessments under section 65 of the PUC Act.** For calendar years 1999 and 2000, the Licensee shall not be subject to any assessment for expenses or any other assessment by the Commission pursuant to sections 65 (1) and (3) of the PUC Act.

20. Way-leaves, Easements and Rights-of-Way. In addition to the way-leaves, easements and rights of way transferred to the Licensee in the Vesting Order issued by the Minister to the Licensee pursuant to Section 42(4) of the Act --
- (a) The Licensee shall enjoy, at no charge to it, such easements, way-leaves and rights-of-way across lands owned by the Government or any local Government authority, or any entity owned or controlled by the Government or any local Government authority, and access thereto, as may be necessary for the Licensee to carry out the activities authorised in this License.
 - (b) The Licensee shall have the rights and obligations for the placement, construction, inspection, maintenance, and repair of electrical installations on or across lands owned by private persons as provided for in section 42 (12) of the Act.
21. Joint Use of Facilities. The Licensee shall not be required to permit the joint use of its facilities unless the arrangements for such joint use are on terms and conditions acceptable to the Licensee.
22. Export, Import or Exchange of Electricity. The Licensee shall not make any export, import or exchange of electricity with a supplier or producer outside of the Authorised Area without the prior consent of the Minister.
23. Local Supplier Program; Competitive Sourcing. The Licensee shall design and implement a supplier development program (the "Local Supplier Program"), the objective of which shall be to identify, develop, promote and provide preference to local suppliers of goods and services where such local goods and services are of competitive price (on a delivered and installed basis), quality and availability to it as goods and services available from foreign sources. Subject to such requirement, the Licensee shall have the right and the obligation to source competitively all goods and services required for its operation, including fuel.
24. Operation of Business. The Licensee shall operate its business in accordance with commercially prudent business practices of well-managed electric utilities in North America or Europe, as applicable to and appropriate for Guyana.
25. Forms of Accounts. Notwithstanding section 48 of the PUC Act, the Licensee shall not be subject to the Commission's rules regarding forms of account, but shall maintain accounts accurately and faithfully and in a form and manner satisfactory to its outside auditors and to the independent firm of accountants appointed pursuant to paragraph 1 of the First Schedule of the Act, which accounts shall be kept in accordance with accepted accounting principles as defined in the First Schedule of this Licence.
26. Form for Reporting by Self-Generators. Prior to making available or disseminating the form on which self-generators are required to report to the Minister and the Licensee

under section 3 (4) of the Act, the Minister shall obtain the Licensee's approval for the form and content of such form.

27. Conditions pursuant to section 12 of the Act.

- (a) (i) The Licensee shall not, without the prior consent in writing of the Minister, acquire, by purchase or otherwise, the licence or the business of, or for the purpose of supplying electricity, associate itself with, any person supplying, or intending to supply, electricity under any other licence;
- (ii) Before applying for such consent, the Licensee shall give not less than one month's notice of its intention to apply for such consent to the Guyana Energy Agency, and the Agency may present its views, orally or in writing, to the Minister on the proposed acquisition or association within thirty days of the Licensee's notice.

Provided that nothing in these conditions shall be construed as requiring the consent of the Minister for the purchase of electricity by the Licensee from an independent power producer licensed under the Act to sell electricity to the Licensee.

- (b) The Licensee shall not assign or encumber this Licence, or transfer, or divest itself of, its rights or obligations hereunder, or any part hereof, without the prior consent in writing of the Minister, which consent shall not be unreasonably withheld.
- (c) The Licensee may not, without the prior consent in writing of the Minister, lend funds or give credit to any of its officers or directors or to any company (except a public supplier subject to the regulatory powers of the Minister) if such company holds, directly or indirectly through any chain of ownership, ten percent or more of the voting stock of the Licensee or renders any managerial, supervisory, engineering, legal, accounting or financial service to the Licensee, by:
 - (i) becoming surety, guarantor or endorser upon any obligations, contingent or otherwise, of such officer, director or company;
 - (ii) loaning funds, securities or other like assets to such officer, director or company;
 - (iii) purchasing in the open market, or otherwise, any obligation upon which the officer, director or company may be liable solely or jointly with others;

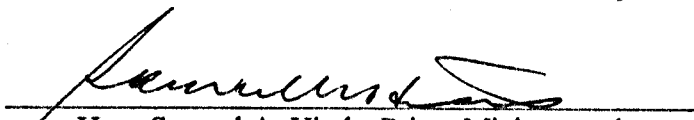
Provided that it shall not be a violation of this subparagraph for the Licensee to provide housing loans to, or pay other expenses of, officers of the Licensee who are hired or retained by the Manager where the Licensee's provision of such loans and payment of

such expenses are authorised under the Management Agreement between the Licensee and Americas and Caribbean Power Limited dated October 1, 1999.

- (d) Any agreement relating to any transaction of the nature described in this paragraph, unless made with or subject to the written consent of the Minister, shall be void.
 - (e) Unless otherwise provided by the Minister in writing, this paragraph shall extend to the renewal or extension of agreements existing on the Effective Date.
28. Other Necessary Authorised Activities and Services. In addition to the activities authorised under paragraph 1, the Minister authorises the Licensee to act and to perform such other activities and services as may be necessary for the purposes of exercising its rights, fulfilling its obligations and performing the activities and services authorised under this Licence.
29. Confirmation of Applicability of the Act. It is confirmed that the Licensee shall have all of the powers conferred by the Act and regulations promulgated thereunder upon persons licensed to supply electricity for public purposes for the purpose of exercising its rights and performing its functions under this Licence.
30. Exclusivity. The exclusivity granted in paragraph 5 (b) shall be exclusive as against the Government.
31. Licence Fees. The Licensee shall pay to the Minister, on behalf of the Government of Guyana (the "Government") and for deposit into the Consolidated Fund, the following sums at the times stated --
- (a) an initial payment of U.S. \$ 20,000 (United States dollars twenty thousand) upon issuance of this Licence; and
 - (b) a fee of U.S. \$ 20,000 (United States dollars twenty thousand) upon any extension of the term of this Licence.
32. No Waiver. The failure of the Minister to insist upon strict performance of any obligation of the Licensee under this Licence shall not be construed as, and shall not constitute, a waiver of the Minister's right to demand strict compliance therewith, nor shall a waiver of any one event of default be construed as a waiver of any other event of default.
33. Consent of the Minister. Where the consent of the Minister is required under the terms of this Licence or the Act, such consent shall not be unreasonably withheld.
34. Governing Law. This Licence shall be governed by the laws of Guyana.

35. Conflicts. In the event of any conflict or inconsistency between the terms of this Licence and any other law or regulation of Guyana, the terms of the Licence shall prevail.

Dated and effective as of this 1st day of October, 1999, and executed in the exercise of the powers conferred by sections 4 and 42 (3) (c) of the Act and all other powers exercisable for such purpose.



Hon. Samuel A. Hinds, Prime Minister and
Minister with Responsibility for the Electricity Sector