



National Utilities Regulatory Commission  
**2018 ANNUAL REPORT**



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## REMARKS BY THE CHAIRMAN OF THE COMMISSION



**Mr. Victor Poyotte**  
Chairman

The year 2018 was a progressive year for the Commission, as it persisted with diligence, to execute its mandate to regulate the water and sewerage and electricity/energy sectors, notwithstanding inherent constraints. As part of its mandate, the NURC is required to safeguard the interest of customers, while also ensuring the viability of the utility.

Among our various achievements was the review of the Water and Sewerage Tariff Regulations, and recommendations for its amendment, which were accepted by the Ministry with responsibility for Public Utilities. It is expected that the amended regulations will facilitate a more efficient processing of future applications for tariff reviews for the Water and Sewerage Company (WASCO). While the Commission received an application from WASCO for a triennial tariff review, vetting of this application, is still on-going. The Commission also positively engaged the Water and Sewerage utility as it commenced rehabilitation works at the John Compton Dam to desilt the Dam, and increase water supply capacity for customers. In collaboration with relevant stakeholders, the Commission continued to review the draft water truck service licence for effective water trucking in Saint Lucia. It is expected that all stakeholder consultations will be completed early in 2019. The Commission will subsequently consider necessary areas for regulation, of other small sized service suppliers, engaged in the delivery of customer services in the water and sewerage sectors.

Indeed, it is an exciting time for the energy sector in Saint Lucia. The Government has remained

committed to support expanded renewable energy generation; to achieve a targeted percentage of renewable energy production, and reduce the negative effect of fossil fuels on our environment. In this regard, the NURC has continued to receive applications from the public, for approval of self-generating photovoltaic systems. Of great interest to consumers is the impact of renewables on their electricity bills. While the NURC is not yet in a position to provide an assessment of the impact of LUCELEC's Solar Farm generation on the consumer bill, it is anticipated that such an assessment can be made within the next year or two. Customers who are engaged in customer owned generation, have however reported a reduction in their utility bills. During 2018, the NURC continued to collaborate with the Ministry of Energy and the Attorney General's Chambers in advancing the draft Electricity Bill. The delayed implementation of this bill operates as a major constraint for the NURC, primarily because this legislation is necessary to create a more dynamic platform, from which the NURC can regulate the electricity/energy sector with greater efficiency. The Commission is also concerned that the delayed implementation of this legislation has necessarily affected the rate, and capacity of renewable energy production in Saint Lucia.

In the past year, the NURC was able to access limited funding from the Governments' World Bank ECERA Project. Central to the operations of the NURC, is a small compliment of skilled and professional employees, who approach their duties with thoughtfulness and dedication every day. The funding from this project, assisted tremendously with meeting some operational costs, and provided opportunities for continued capacity building for employees and Commissioners alike.

On behalf of the Board of Commissioners and employees of the NURC, we thank all of our stakeholders for your support in 2018, and look forward to continued collaboration in 2019. What follows is an overview of the Commissions' activities and that of our regulated entities, for the past year. While the Annual Report reflects on where we have been as a regulatory body, it also sheds some light on where we are headed as we prepare for new challenges.



## VISION

To be seen and accepted as an effective, fair and responsible regulator of water, sewerage and electricity supply services in Saint Lucia

## MISSION STATEMENT

The National Utilities Regulatory Commission is committed to regulating the water, sewerage and electricity supply services so that all consumers will have access to a reasonably priced and reliable supply of high-quality potable water, sewerage and electricity services and that Service Providers obtain a fair and reasonable return on investment.



## ■ Introduction

This, the third report of the National Utilities Regulatory Commission (NURC) will inform Parliament and the country of the regulatory activities and financial operations of the NURC for the period January 1st to December 31st, 2018.

The NURC was established in 2016 by the National Utilities Regulatory Commission Act No. 3 of 2016 as a body corporate. Under the Act, the NURC is charged with the responsibility of regulating the provision of utility services in the following areas:

- Electricity;
- Water and;
- Sewerage

### Functions of the NURC

The primary functions of the Commission are defined in Section 6(1) of the National Utilities Regulatory Commission Act No. 3 of 2016 and includes inter alia:

- To advise the Minister on the formulation of national policy on matters relating to utility supply services.
- To promote the efficient and economic development of the utility supply services sector.
- To ensure the economic regulation of utility supply services.
- To ensure compliance with the Government's international and regional obligations relating to utility supply services.
- To be responsible for the technical regulation of utility supply services and the setting of technical standards having regard to international standards and best practice relating to utility supply services.
- To receive, consider and determine applications for service licences to provide utility supply services pursuant the Regulatory Acts.

- To establish, approve, monitor and review tariff schemes and tariffs in accordance with any Regulatory Act.
- To monitor and ensure that service licensees comply with the conditions attached to their service licences.
- To monitor and ensure compliance with standards set pursuant to section 45(2);
- To ensure the protection of the interest of consumers in relation to the provision of the utility supply service.
- To receive and evaluate consumer complaints and resolve disputes in accordance with section 39.
- To promote competition and monitor anti-competitive practices in the utility supply services and advise the competent authority responsible for the regulation of anti-competitive practices accordingly.
- To maintain a register containing records of service licensees in the prescribed form.
- Undertake in conjunction with other institutions and entities where practicable, training, manpower planning, seminars and conferences in areas of national and regional importance in utility supply services.
- To conduct research relating to utility supply services as may be necessary.
- To report to and advise the Minister on the economic, financial, legal, technical, environmental and social aspects of the utility supply services sector.
- To require payment of and collect fees payable under this Act and the Regulatory Acts.
- To perform such other functions specified in this Act, any other Regulatory Acts or the Regulations.

## ■ Composition of the Commission

The NURC Act No. 3 of 2016 mandates the appointment of a Board of Commissioners. The seven (7) member Board appointed by the Minister for Public Utilities effective June 26, 2018 comprised the following persons:

### Commissioners Tenure

Mr. Lawrence Nervais (Chairman).....	5 years
Dr. Frederick Isaac (Deputy Chairman).....	3 years
Mr. Vaughn Louis-Fernand.....	4years
Mr. Justin Sealy .....	4 years
Mr. Henix Joseph .....	3 years
Mr. Amarae Arthur .....	5 years
Mrs. Marguerite Desir.....	3 years

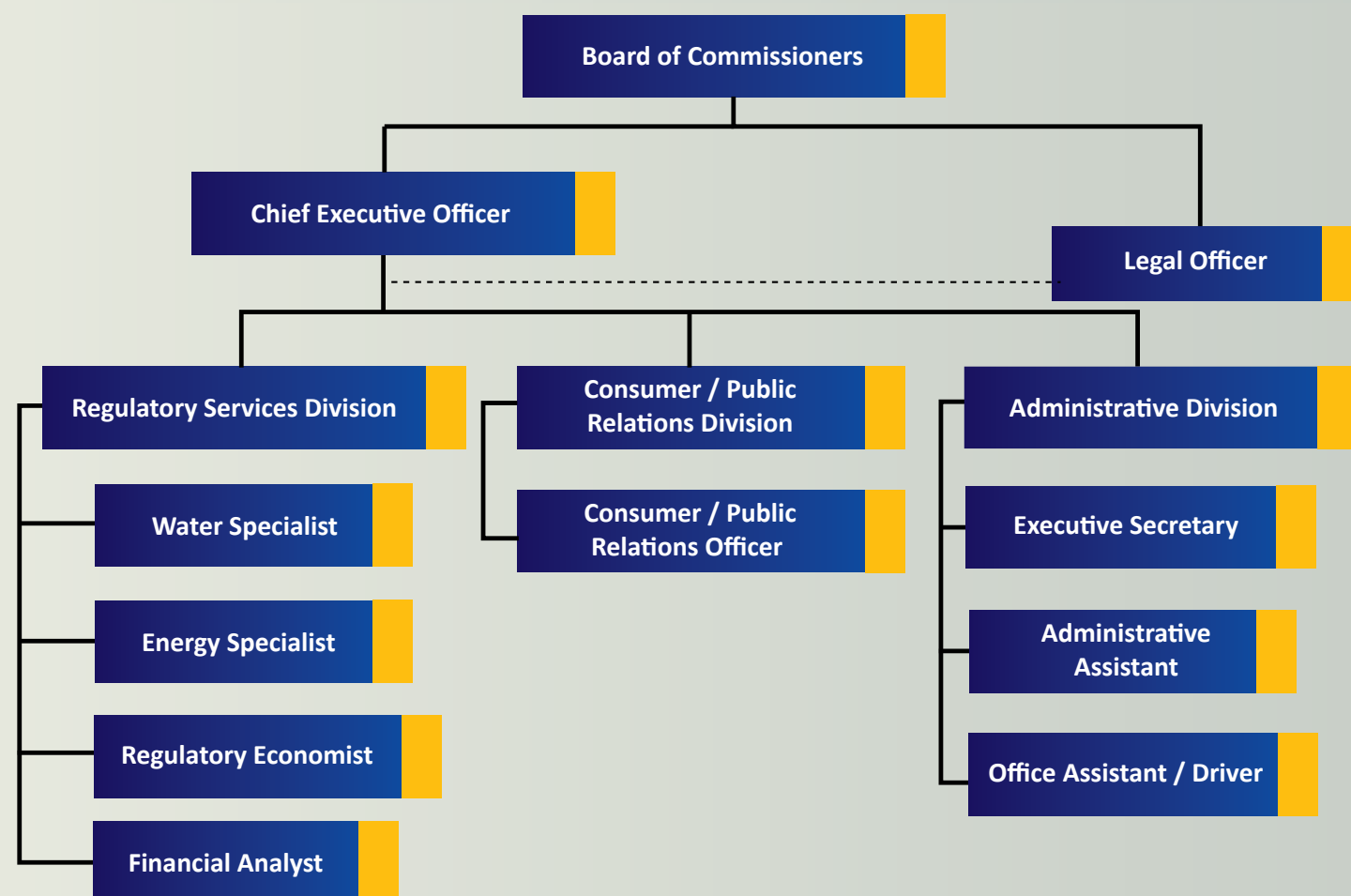
### I. Board of Commissioners effective February 8, 2016 to June 6, 2018:

Mr. Victor Poyotte (Chairman)  
Mr. Vern Gill (Deputy Chairman)  
Mr. Desmond Destang  
Mr. Michael Sewordor  
Dr. Anderson Reynolds  
Dr. Barbara Graham  
Mrs. Marie Monrose



## Organizational Structure

The Chief Executive Officer, who is an ex-officio Commissioner, is responsible for managing the day to day affairs of the Commission is supported by a team of the seven (7) competent and professional female employees. The Secretariat provides a range of services and advice to the Commission on all aspects of its work.





**Board of Commissioners  
Effective February 8, 2016**



**MR. VICTOR POYOTTE  
CHAIRMAN**



**MR. VERN GILL  
DEPUTY CHAIRMAN**



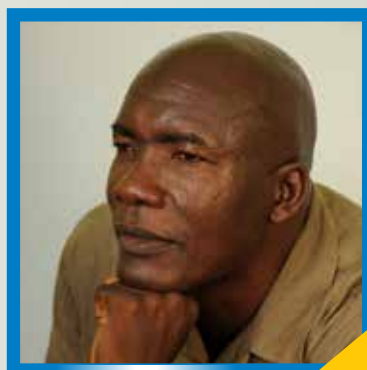
**MR. DESMOND DESTANG  
COMMISSIONER**



**MR. MICHAEL SEWORDOR  
COMMISSIONER**



**DR. BARBARA GRAHAM  
COMMISSIONER.**



**DR. ANDERSON REYNOLDS  
COMMISSIONER**



**MRS. MARIE MONROSE  
COMMISSIONER**

**Board of Commissioners  
Effective June 26, 2018**



**MR. VICTOR POYOTTE  
CHAIRMAN**



**MR. VERN GILL  
DEPUTY CHAIRMAN**



**MR. DESMOND DESTANG  
COMMISSIONER**



**MR. MICHAEL SEWORDOR  
COMMISSIONER**



**DR. BARBARA GRAHAM  
COMMISSIONER.**



**DR. ANDERSON REYNOLDS  
COMMISSIONER**



**MRS. MARIE MONROSE  
COMMISSIONER**



## Overview

The year under review can be distinctively separated into two halves. During the first half of the year, the NURC was fully stretched with activities which culminated with the preparation and commencement of a triennial tariff review for the Water and Sewerage Company Inc. (WASCO). In support of this activity, the Commission primarily focused on activities relating to the Triennial Tariff Review. As such, significant efforts were integrated into the development of minimum filing requirements, recommendations for corrections to the Water and Sewerage Tariff Regulations, development of financial models, development of a public relations plan and a preliminary review of WASCO's Triennial Tariff Application.

At the same time, energy regulatory issues including the review of the Saint Lucia Electricity Services Limited (LUCELEC's) Interim Return and Final Rate of Return submissions were also addressed. LUCELEC's Interim Return was reviewed and evaluated for accuracy of computations and compliance with the provisions of the Electricity Supply Act and its amendments. Subsequently, LUCELEC's Final Rate of Return was also reviewed for accuracy and compliance to legislation and compared to the Interim Return and the Final Rate of Return Submission for the preceding year.

Notwithstanding the focus on preparation for the triennial tariff review during that period, the NURC improved its international visibility through the launching of its website at a ceremony attended by its stakeholders. Other routine activities including the resolution of consumer complaints and processing of photovoltaic applications continued. The NURC also met with key stakeholders including the Environmental Health Department and WASCO to clarify roles and plan for the implementation of a new licensing regime for trucks which carry potable water.

By the second half of the year the NURC was pervaded with a few unexpected challenges including the departure of its Board of Commissioners and Chief Executive Officer. A new Board of Commissioners was swiftly appointed to the NURC and the Corporate Secretary was temporarily assigned to the position of Acting Chief Executive Officer.

In the midst of these unpredicted circumstances, the new board brought fresh perspective and focus to the operations of the Commission and under the supervision of the Acting Chief Executive Officer, the secretariat worked sedulously to develop strategies to boost the NURC's image and build capacity. Efforts to resolve customer complaints and process photovoltaic installation applications continued with vigor. The aforementioned activities of the NURC will be discussed in greater detail later in this report.

## Sectors Report

### Review of the Water Sector in 2018

The year 2018 was a relatively good year for Saint Lucia's Water Sector. In addition to being spared from the ravages of destructive hurricanes and storms, several milestones were attained on ongoing major capital projects. After nearly five years of planning and preparation, physical works on the highly anticipated John Compton Dam Rehabilitation Project commenced and the first phase of the Dennerly Water Supply Redevelopment Project was completed. On the heels of the increase in expenses precipitated in part by the significant payouts made to staff in 2017, 2018 saw the Water and Sewerage Company Inc. (WASCO) in an improved financial position.

### Legislation and Policy

In 2018 the Water Resource Management Agency (WRMA) supported by the World Bank commenced work on updating Saint Lucia's National Water Policy. The WRMA, which is responsible for managing the island's water resources, was engaged in several other initiatives in 2018 including: collaboration with the Saint Lucia Meteorological Services on an exercise aimed at optimizing the hydrometeorological network; development of watershed management plans; and conducting of a training needs assessment for the WRMA and the Saint Lucia Meteorological Services.

In preparation for the Triennial Water and Sewerage Tariff Review, the National Utilities Regulatory Commission (NURC) completed its review and recommended changes to the

relevant section of the Water and Sewerage Tariff Regulations. This exercise was initiated after preliminary discussions in late 2017 between the NURC and WASCO on the deficiencies of the existing Water and Sewerage Tariff Regulations. Following these discussions, the NURC reviewed and proposed amendments to the regulations. These recommendations were presented and discussed with WASCO and upon their agreement were submitted to the NURC's line Ministry, the Ministry of Infrastructure, Ports, Energy and Labour.

The NURC also continued working towards implementing a licensing regime for trucks which carry potable water. In that regard, meetings were held with stakeholders including the Water and Sewerage Company Inc. and the Ministry of Health and Wellness.





WASCO's Performance

Whereas LUCELEC prepares an annual report which presents a comprehensive assessment of the company's performance, WASCO does not produce an annual report as is statutorily required. This assessment of WASCO's performance is consequently based on aggregated data obtained from WASCO's quarterly reports submitted to the NURC.

Aggregated financial data from the quarterly reports suggest that for 2018, WASCO returned an operating surplus of EC \$3,291,843. This represented a reversal of the deficit of EC\$3,487,519 experienced in the previous year when WASCO returned an operating deficit after returning an operating profit for several prior years. WASCO attributed this improved performance to a decrease in direct expenses over the previous year during which retroactive payments were made to daily paid employees.

During 2018, WASCO commenced work on several initiatives which should yield long term benefits to the company and to the water sector. To address the issue of building resilience to climate change and naturally occurring hazards, the company undertook a Climate Risk Vulnerability Assessment and developed an Adaptation Plan of Action through a consultative process which included relevant stakeholders. The company, through the support of GIZ also commenced work on a project aimed at reducing the percentage of non-revenue water. WASCO is hoping to complete the plan for addressing this major challenge by the end of 2019.

Investment/Infrastructure Improvement

WASCO's thrust towards infrastructure improvement registered some success in 2018 with progress registered on major capital works including the Dennery Water Supply Redevelopment Project and the John Compton Dam Rehabilitation Project. By mid-2018, the John Compton Dam (JCD) Rehabilitation project, which aims to rehabilitate the JCD reservoir to its original capacity of 3 million cubic meters of water, changed gears with the start

of physical works on the sediment disposal area. By year end, WASCO reported that work on the

sediment disposal area was 52 percent complete. The first phase of the Dennery Water Supply Redevelopment Project was also completed under the direction of the executing agency, the United Nations Office of Project Services (UNOPS). The water treatment plant, which was constructed as part of phase one, was officially opened in 2018 and is contributing to an improvement in the water supplied to the communities served by the plant. Following the completion of phase one, plans to advance the second phase of the project continued with progress including the awarding of a contract to VINCI Construction Grand Projects for the execution of infrastructure works.

Likewise, plans for the Vieux Fort Water Supply Redevelopment Project were ongoing with preparation of tender documents at an advanced stage and pre-qualification of contractors ongoing. As reported by WASCO, some other ongoing projects in 2018 included: the Canaries Water Treatment Upgrades and Site Protection; the Micoud Water Treatment Plant Upgrade; the Desruisseaux Water Supply Improvement Project; the Millet Water Intake Redevelopment Project; the Belevedere to Bouton Water Supply Improvement Project and the Bulk Meterization Project.

Sewerage Sector

Relative to the water sector, there was little activity in the area of sewerage. However, the sector remained stable, a far cry from the sewerage crisis experienced in the island of Barbados during 2018. In addition, there was no change in policy or legislation since the Waste Water Policy and Waste Water Management Strategic Plan finalized in 2017 were not yet approved by Cabinet.

Notwithstanding the general inactivity in the sector, WASCO continued work on regularizing the sewerage systems in Black Bay. Two of the three sewerage systems in that area had been inherited by Invest Saint Lucia but were not being maintained. WASCO's efforts have resulted in the collection of revenue from customers and some upgrades and maintenance of these systems.

For WASCO, there was a reversal of the trend of

increases in sewerage revenue with a decline in revenue over the previous year. Based on aggregated data compiled from the company's quarterly reports revenue from sewerage services amounted to EC\$3,960,086 representing an approximate 1 percent decline over 2017 sewerage revenue.

Dredging Fee Account and Collections

During the year 2018, there was a notable increase in activity of the Dredging Fee Account, owing to the commencement of work on the first phase of the John Compton Dam Rehabilitation Project. Against this background, the NURC heightened its monitoring of the Dredging Fee Account in accordance with the Conditions for Managing the Dredging Fees as contained in the Saint Lucia Government Gazette Issue 20 of May 18, 2015. The Dredging Fee Account was created in 2013 to separate customer dredging fee contributions towards the John Compton Dam Rehabilitation project from general revenue and expenses.

Regulatory monitoring of this account dates back to 2013 when the former National Water and Sewerage Commission (NWSC) apportioned 10.43 percent of the tariff increase towards the dredging of the John Compton Dam which had become heavily silted after the passage of hurricane Tomas in 2010. In 2015, cognizant of the necessity to improve its monitoring of this account, the NWSC published additional Conditions for Monitoring the Dredging Fee.

During the year 2018, the NURC sought to more closely monitor and enforce some of the conditions for Monitoring the Dredging Fee. One of the provisions which was given particular attention was the necessity for WASCO to inform the NURC of payments before these payments were made. Consequently, WASCO began submitting to the NURC, for its information, payment certificates prepared as part of the disbursement process.

The pattern of increasing average monthly Dredging Fee Collections from year to year continued with average monthly dredging fee allocations for 2018 increasing to EC\$482,332.25- an approximate 2% growth over the 2017 average monthly allocation. The average monthly dredging fee allocation for 2017 was EC\$472,962.17. Monthly dredging fee allocations for 2017 is presented as follows:



At December 31, 2018, the dredging fee account contained a total of EC\$ 16,137,521.49.



## Review of the Electricity Sector in 2018

### Legislation and Policy

To date the Electricity Supply Bill, which would replace the existing Electricity Supply Act (ESA) Cap. 9:02; and govern the Energy/Electricity Sector remained in draft. Notwithstanding, the existing 2016 amendment to the ESA, recognizes the National Utilities Regulatory Commission (NURC) as the entity responsible for the licensing and regulation of electricity generated from renewable energy sources.

The National Energy Transition Strategy (NETS) which was formulated through a partnership with the Government of Saint Lucia, LUCELEC, the Clinton Climate Initiative (CCI) and Rocky Mountain Institute; was accepted by the Government as the policy geared towards Saint Lucia's Energy Transition. The NETS serve as a roadmap for the energy, security and sustainability amid increasing fuel costs, more frequent natural disasters and the need for a more resilient energy sector.

Saint Lucia's energy targets still remain at a percentage target of 35 percent and an energy efficiency target of 20 percent reduction in consumption in the public sector by the year 2020 respectively.

### Saint Lucia Electricity Services Ltd (LUCELEC)

LUCELEC is the sole generator and vendor of electricity from fossil fuels. Electricity is generated from the company's main power station located at Cul-De-Sac where the main source of this power is derived from fossil fuels. As of August of 2018, a 3MW\* utility scale solar farm was included in the generation mix. Electricity is transmitted at 66kV and distributed at 11kV at a frequency of 50Hz. Customers receive either a single-phase or a three-phase supply of 240V or 415V respectively. The following statistics were reported by the company in its 2018 annual report:

- Available generation: 88.4MW\*
- Maximum demand: 61.7MW
- 3MW solar
- 361.6M unit sales (KWH) of electricity
- EC \$310.7M in annual revenue.

The System Average Duration Index (SAIDI) is a reliability indicator on the length of time a customer may go without electrical service. LUCELEC reported a decline in their SAIDI of 8.02 hours which improved their target of 8.15 hours. System losses, which can affect the efficiency of the power network was reported as 6.34% compared to 6.86% in 2017. LUCELEC in their 2018 annual report, stated a growth of 0.5% in electricity sales, primarily attributed to the hotel sector. A decline of 4.2%, 1.5% and 0.6% were recorded in sales for the industrial, commercial and domestic sectors respectively. The company also reported no significant changes in the street lighting sector.

2018 saw a 9.0% increase in the tariff for electricity, moving from \$0.78 in 2017 to \$0.85 in 2018; an increase of \$0.07. The increase in tariff also saw an increase in the total revenue to EC\$310.7M, an increase of EC\$27.6M when compared to 2017. According to LUCELEC's annual report, the increase in the tariff was as a result of an increase in fuel prices. The company reported that the average fuel price per gallon for 2018 was EC\$7.73, which reflected an increase of 24% when compared to that of the previous year.

LUCELEC reported an increase in generation cost when compared to 2017, excluding fuel costs. while, there were decreases in transmission and distribution, administrative expenditure and financial costs respectively. The company did achieve a profit before tax of EC\$47.6M although it was lower than that of 2017 which was \$48.2M.

There was a Return on Equity of 12.0% compared to 2017's -12.33%, while there was a Rate of Return of 14.9% compared to 13.4% in 2017. This increase being above the legislated allowable range of 10% to 14.25% resulted in a reduction in tariff for the industrial and hotel sectors.

### Investment in Renewables

The NURC continued to receive applications for the installation and interconnection of solar photovoltaic systems.

Total Processed Applications to date			
Year	Category of Application		
	Commercial	Domestic	Total
2016	2		2
2017	20	52	72
2018	15	24	39

Table 1. PV applications processed in 2018  
As indicated by Table 1, 2018 saw a reduction in the number of applications received. Domestic applications still out-numbered commercial, with the primary reason given for the slow up-take in commercial applications being attributed to the current 25kWp capacity limit, which entities have claimed is way below their requisite demand. Forty (40) permits were issued with one (1) being for a modified system. The tentative solar penetration capacity for the year, based on completed applications (not including interconnections) was approximately 503.52kw.

2018 saw thirty (30) interconnections to the national grid; with some of the interconnections being for applications that were submitted in 2017, this number of interconnections increased the photovoltaic (PV) penetration capacity by 167.1kWp putting the total PV penetration at 679.1kWp for distributed solar. As indicated earlier, 2018 saw the commissioning of LUCELEC's 3MW utility scale solar farm at La Tourney in Vieux-Fort. According to information released on the company's website the solar farm is expected to: "generate 7 million kilowatt-hours (or units) of electricity per year, which is about 1.3% of the electricity generated from LUCELEC's Cul De Sac Power Plant. It will reduce the annual volume of fuel purchased by LUCELEC by about 300 thousand gallons." The solar farm was officially opened in August of 2018.

2018 saw the resurgence of Saint Lucia's effort to explore its geothermal energy potential, with the completion of the environmental and social impact

assessment which would seek to develop Saint Lucia's geothermal resource. Funding for the project was secured from the Government of Saint Lucia, World Bank, Global Environmental Facility (GEF) and Small Island Developing States Sustainable Energy Initiatives (SIDS DOCK). Technical assistance was also given by the Government of New Zealand as well as the Clinton Climate Initiative (CCI).

Three areas were identified as potential drilling exploration sites namely: Belle Plaine, Fond St. Jacques in Soufriere and Mondesir in Saltibus. If a viable resource is discovered, there is a potential for the generation of approximately 30MW of electricity secured from geothermal energy; this is almost half of the current peak load of 61.7MW, being generated by LUCELEC. Electricity from geothermal energy has the potential of being used as a base load, which in turn would lessen Saint Lucia's dependence on fossil fuels.

The NETS through the Integrated Resource Plan (IRP) has identified a combination of diesel, solar, wind and storage as the portfolio which offers the best economics for the energy sector. This includes the following:

- The installation of 28MW of solar PV;
- 12MW of wind pursuing energy efficiency to displace 11 percent of the 2025 load;
- 14MWh of storage and
- Existing diesel generation for grid stability. The use of 30MW of geothermal energy is also recommended, but as mentioned above the resource must first prove to be viable.

The NURC recognizes that the regulation of the sector will not be a seamless process, however the organization is actively involved in the continual professional development of the secretariat by improving its knowledge through relevant training workshops and conferences that will adequately build its capacity. The NURC is also willing to forge relationships with the government, similar regulating bodies as well as all relevant stakeholders as it aims to remain au-curent with the latest development within the sector and effectively monitor its progress.



## Consumer Services

One of the NURC's main functions is to provide relief where necessary to customers who have failed to obtain redress to their complaints from the Water and Sewerage Company Incorporated (WASCO) and the Saint Lucia Electricity Services Limited (LUCELEC). In recognizing its importance in providing an avenue of appeal to consumers of water and electricity services, the Commission continues to place significant efforts towards the resolution of customer complaints.

The NURC has experienced an enhanced level of efficiency in effectively resolving consumer complaints. This resulted from the NURC's ability to closely and accurately monitor all complaints received from consumers and to perform detailed analyses on case data. In an effort to ensure that complaints are given priority and attended to expeditiously, complaints are formally registered and monitored through the NURC's electronic customer complaints register.

Any consumer who has a complaint against any utility company should engage with the service provider prior to approaching the Commission. If not satisfied, the consumer may file a complaint with the Commission who will advocate on the consumers' behalf, with the particular utility.

Complainants are advised to provide all relevant information or documentation in support of their complaints, including any response from the utility company when filing a complaint with the NURC.

## Consumer and Public Relations

The NURC effectively leveraged the influence of its budding presence to sustain stakeholder engagement this year. Building on its accomplishments of the preceding year, the Commission employed a sensitization initiative to educate the public, create greater awareness and

uphold its corporate image. With these objectives in mind, efforts were made to attain the right balance of positive exposure in the midst of challenges.

### Public Awareness and Stakeholder Sensitization

To provide stakeholders with the ability to better understand and participate in the decision-making process, considerable attempts were made to simplify the technical content of information distributed, thus making this information more reader-friendly. This year saw the redesign of content and aesthetics for the following brochures:

Getting to Know the NURC;  
Frequently Asked Questions;  
Application Procedures for Photo Voltaic Generation and;  
The Complaints Handling Procedure.  
Social Media

In the interest of keeping stakeholders apprised, the NURC maintained its social media presence on Facebook, Twitter and YouTube throughout the year. The use of these outlets provided an opportunity for customers and stakeholders to interact with the NURC. These platforms offer a reliable stream of advice to customers on electricity, water and sewerage related complaints that the NURC can help to resolve, as well as common domestic and commercial challenges encountered and tips for safely addressing these issues.

### Website Launch

On February 9, 2018, the NURC launched its website as an alternative platform for providing quick and easy access to essential information about the services offered by the Commission. Additionally, the site serves as a repository and aids in providing users with accessibility to public consultation documents, policy documents, licensing guidelines as well as the ability to lodge and track complaints online.

### Energy Fair 2018

The Ministry of Infrastructure's Annual Energy Fair was held on November 17, 2018 and the NURC saw an opportunity to create greater public awareness of its roles and responsibilities. The Fair allowed the NURC to interface with a "targeted" audience whose feedback was vital to the Commission in ensuring that stakeholders' needs are continuously considered. The NURC's booth spurred public interest and interaction on matters related to the generation of energy through renewable sources. Visitors also highlighted electricity, water and sewerage related issues and advice for obtaining redress from relevant service providers was offered. The NURC steadfastly holds the belief that effective stakeholder education and involvement implies understanding stakeholders' perspectives, considering their views, being accountable to them, and using the information gleaned from them to drive change.

### PURC Training

The NURC recognizes the value of capacity building to strengthen the knowledge and skills of its Secretariat and Commissioners. To this end, a two-day customized training on Utility Regulation was conducted on November 15 and 16, 2018. This successful training programme was made possible through the support of the Eastern Caribbean

Energy Regulators Agency (ECERA) project. The two-day exercise was facilitated by the Public Utility Research Centre (PURC) of the University of Florida. PURC is regarded as one of the premier regulatory training institutions that has been conducting specialized training in utility regulation for over forty years and is internationally renowned for successfully delivering regulatory training.

This initiative allowed the NURC to engage and apprise key stakeholders on Utility Regulation. Participants in attendance included Commissioners and staff of the NURC, members of committees which support the functions of the NURC, other local regulatory agencies, government officials, regulated utility companies and representative associates.





## Human Resource/Administration

### The Secretariat

The Commission was assisted in managing the day-to-day and strategic operations of the NURC by a team of Professionals and Administrative staff with extensive knowledge and experience in their respective fields. The Chief Executive Officer is an ex-officio member of the Commission.

The current organizational structure includes the following positions:

i. Chief Executive Officer	-	Mr. Jerome Jules
ii. General Counsel/Corporate Secretary	-	Ms. Estelle George
iii. Regulatory Economist	-	Ms. Skeeta Carasco
iv. Water Specialist	-	Mr. Terrence Gilliard
v. Energy Specialist	-	Mrs. Kerne Antoine-Gabriel
vi. Financial Analyst	-	Vacant
vii. Consumer Relations Officer	-	Mrs. Manendra George-Roberts
viii. Executive Assistant to CEO	-	Mrs. Julie Peter-Clauzel
ix. Administrative Assistant	-	Ms. Yasmin Edwin
x. Office Assistant	-	Vacant
xi. Cleaner	-	Ms. Paulana Philippe

In addition to the full-time staff complement, the Secretariat outsources its Information Technology (IT) and Accounting services on a contractual basis.

### Training and Development

The NURC's success depends greatly on its employees' high level of skills and professionalism. Consequently, a considerable amount of financial resources was committed to training and development. This was designed to equip staff with the knowledge, skills and competencies essential to achieving the Commission's regulatory goals and objectives.

Staff members were provided with training in several areas of interest regarding the work of the Commission. These sessions gave the staff an opportunity for personal and professional development. The capacity of the Commission has been bolstered considerably with our on-going training programmes. Members are required to duly share their knowledge gained from external training sessions with other staff members. One Commissioner and three members of staff attended the 16th Annual Conference of the

Organization of Caribbean Utility Regulators (OOCUR), which was hosted by the Public Utilities Commission (PUC) in Belize from October 10 to October 12, 2018 under the theme: "Regulating for Sustainability in a Disruptive Environment".

The conference provided a great avenue for networking with other regulators in the Caribbean who can provide support to the NURC in its efforts to fulfill its mandate. Some of the areas of collaboration included sharing of information, best practice, training and capacity building.

In addition to the aforementioned, two members of staff and one Commissioner benefitted from the Renewable Energy and Smart-Grid Conference which was hosted by CARILEC Renewable Energy Community (CAREC) in Miami from September 23 to September 27, 2018.

The Conference, which was held under the theme: "Energy Resilience and Independence", provided the NURC with a unique platform to delve deeply into renewable energy and resilience from both a global and a regional perspective and featured interactive-style workshops, networking opportunities, peer-to-peer learning and practical demonstrations of renewable energy best practice, resiliency planning, and disaster management.

Staff Movements

The Commission's staff complement saw a few changes in 2018. Two persons left the employ of the NURC, leaving both the CEO and the Water Specialist positions vacant. Although the Board of Commissioners worked assiduously towards the recruitment of a CEO, the post of Water Specialist remains vacant to date.

## Looking Forward

The NURC will continue to work at improving and building its efficiency and regulatory effectiveness. There will be enhanced communication and dialogue with stakeholders and consumers as consultations continue. The NURC recognizes the need for its secretariat to keep abreast of regulatory changes and trends and will, therefore, invest in further training and development of its human resource. The Commission has also identified the need to develop a Strategic Plan which aims to outline its broad priorities and establish strategies for the new financial year.

It is commonly said that "regulators do not predict the future, they enable it" and this quote succinctly captures how the NURC will approach its responsibilities in the forthcoming year. While we look back with pride and satisfaction at the achievements of the year under review, we will ensure that a greater part of such reflection focuses on observing and drawing from the lessons, experience and intuitional

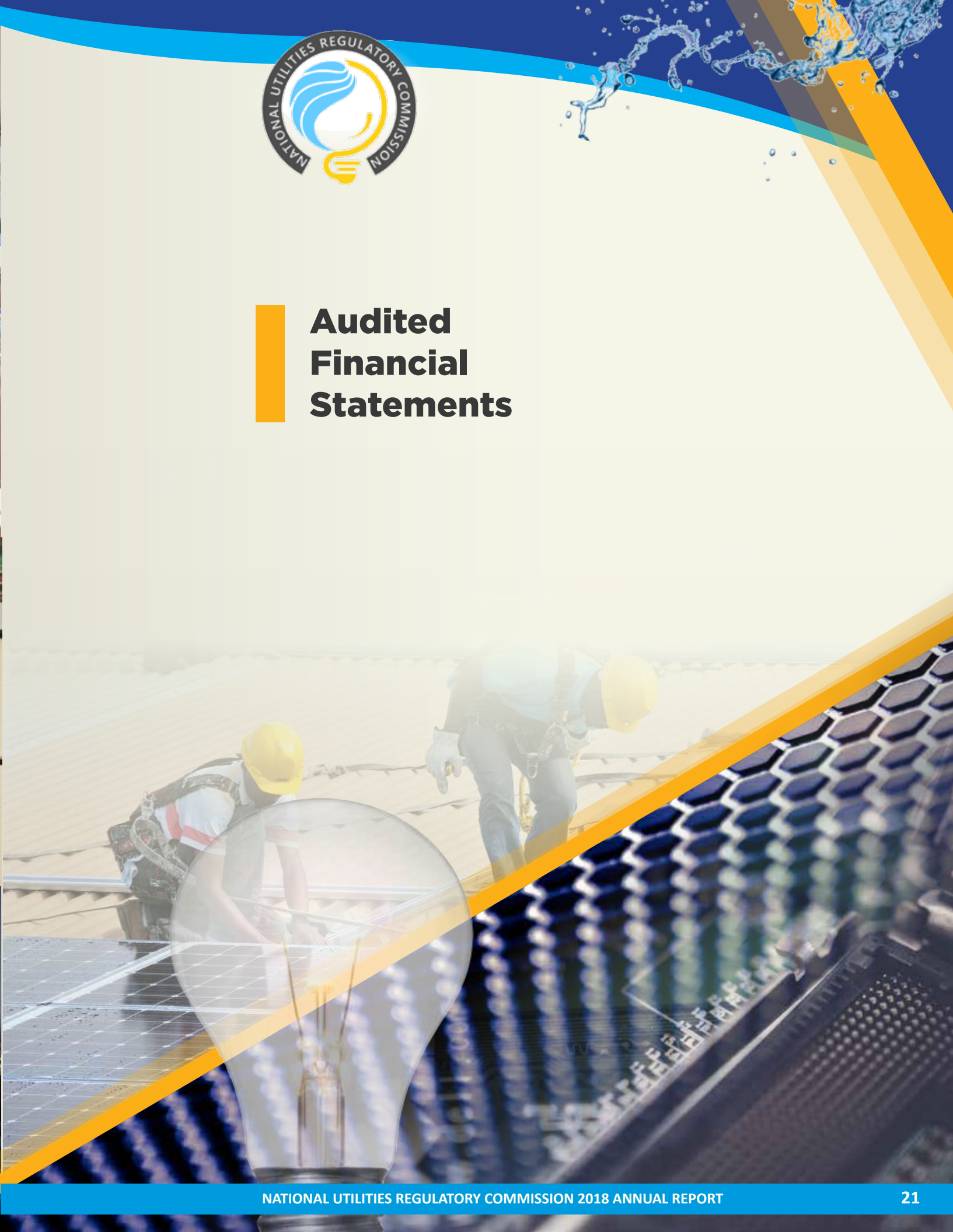
capacity gained with a view to meeting the challenges and expectations of 2018 and beyond.

As always, the issues in the regulated sectors will continue to prove to be a mix of the common, the disparate, the complex and the novel. However, with a robust team of professional staff, an insatiable drive to succeed and institutional endowment, the NURC will be fully equipped to continue to discharge its mandate and contribute to development of the water and electricity sectors in Saint Lucia. Our stakeholders can therefore continue to expect and demand the best from us. We will rise to the occasion every time.





## Audited Financial Statements





## NATIONAL UTILITIES REGULATORY COMMISSION

### Statement of Financial Position

As at 31<sup>st</sup> December, 2018  
With comparative figures as at December 31<sup>st</sup>, 2017  
(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	5	\$ 372,613	184,818
Accounts receivable	6	-	175,796
Total current assets		<u>372,613</u>	<u>360,614</u>
<b><u>Non-Current Asset</u></b>			
Property, plant and equipment	9	<u>113,232</u>	<u>146,832</u>
Total non-current asset		<u>113,232</u>	<u>146,832</u>
Total assets		<u>485,845</u>	<u>507,446</u>
<b><u>Current Liabilities</u></b>			
Accounts payable and accruals	7	<u>198,553</u>	<u>300,768</u>
Total current liabilities		<u>198,553</u>	<u>300,768</u>
Total liabilities		<u>198,553</u>	<u>300,768</u>
<b><u>Fund Balance</u></b>			
Fund balance		<u>287,292</u>	<u>206,678</u>
Total fund balance		<u>287,292</u>	<u>206,678</u>
Total liabilities and fund balance		<u>\$ 485,845</u>	<u>507,446</u>

Approved by: the Commissioners on 25<sup>th</sup> April, 2019 and signed on their behalf by;

Chairman: Lawrence Nervais

Deputy Chairman: Dr Frederick Issac

## NATIONAL UTILITIES REGULATORY COMMISSION

### Statement of Changes in Fund Balance

For the period ended 31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

<b>Balance - beginning of year - 2016</b>	<b>\$ 657,278</b>
Excess expenditure over revenue	<u>(450,600)</u>
<b>Balance - beginning of year - 2017</b>	<b>206,678</b>
Excess revenue over expenditure	<u>80,614</u>
<b>Balance - end of year - 2018</b>	<b>\$ 287,292</b>

The accompanying notes form an integral part of these financial statements.



## NATIONAL UTILITIES REGULATORY COMMISSION

### Statement of Comprehensive Income

As at 31<sup>st</sup> December, 2018  
With comparative figures for the year ended December 31<sup>st</sup>, 2017  
(Expressed in Eastern Caribbean Dollars)

		2018	2017
<b>Revenue</b>	<b>Note</b>		
License fees		\$ 700,000	700,000
Government subvention		237,373	226,974
ECERA contribution		446,719	-
Other income		6,153	15,926
Total revenue		<u>1,390,245</u>	<u>942,900</u>
<b>Less: Expenditure</b>			
Bank charges and interest		4,184	4,274
Board meeting expenses		4,942	7,380
Commissioners' fees		135,250	141,500
Depreciation		33,600	47,124
Office and general expenses		15,863	13,027
Payroll expenses	8	794,064	896,897
Printing, postage and stationery		21,222	27,883
Audit and accounting fees		15,640	14,940
Legal and professional fees		13,500	-
Donations		924	-
Insurance expense		-	6,001
Communication		39,002	32,201
Conference, convention and meetings		51,543	31,578
Repairs and maintenance		22,447	27,698
Rent		135,554	124,760
Electricity		21,896	18,237
Total expenses		<u>1,309,631</u>	<u>1,393,500</u>
Net excess of revenue over expenditure		<u>\$ 80,614</u>	<u>(450,600)</u>

The accompanying notes form an integral part of these financial statements.

## NATIONAL UTILITIES REGULATORY COMMISSION

### Statement of Cash Flows

As at 31<sup>st</sup> December, 2018  
With comparative figures for the year ended December 31<sup>st</sup>, 2017  
(Expressed in Eastern Caribbean Dollars)

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Excess revenue over expenditure	\$ 80,614	(450,600)
<b>Adjustments for:</b>		
Depreciation	33,600	47,124
Operating(surplus)/deficit before working capital changes;	<u>114,214</u>	<u>(403,476)</u>
Accounts receivable	175,796	(175,796)
Accounts payable and accruals	<u>(102,215)</u>	<u>153,108</u>
<b>Net cash generated from/(used in) operations</b>	<u>187,795</u>	<u>(426,164)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed asset	-	(3,245)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(3,245)</u>
(Increase)/decrease in cash and cash equivalents	187,795	(429,409)
Cash and cash equivalents - beginnings of year	<u>184,818</u>	<u>614,227</u>
Cash and cash equivalents - end of year	<u>\$ 372,613</u>	<u>184,818</u>

The accompanying notes form an integral part of these financial statements.



# NATIONAL UTILITIES REGULATORY COMMISSION

## Notes to Financial Statements

31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

### 1. Background and Principal Activity

The National Utilities Regulatory Commission (NURC) was established under Section 5(1) of the National Utilities Regulatory Commission Act No 3 of 2016. The Commission commenced operations on February 9<sup>th</sup>, 2016. In accordance with clause 2 schedule 5 of the Act, all rights, liabilities and obligations of the National Water and Sewerage Commission were transferred to the National Utilities Regulatory Commission, on 8th February, 2016. The main objective of the Commission is the regulation of the delivery of electricity, water and sewerage services throughout Saint Lucia.

The main functions of the Commission are:

- ensuring the economic regulation of utility supply services,
- establishing, approving, monitoring and reviewing tariff schemes and tariffs,
- monitoring and ensuring compliance with standards,
- promoting the economic regulation of utility supply services,
- ensuring the protection of the interest of consumers in relation to the provisions of the utility supply service,
- promoting competition and monitoring anti-competitive practices in the utility supply service, and
- reporting to and advising the Minister with responsibility for Public Utilities on the economic, financial, legal, technical, environmental and social aspects of the utility supply services sector.

### 2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a. Basis of Preparation

The financial statements of The National Utilities Regulatory Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as they apply to the financial statements of the Commission for the year ended 31<sup>st</sup> December, 2018, interpretations adopted by the International Accounting Standards Board (IASB).

These financial statements are presented in Eastern Caribbean Dollars and rounded to the nearest dollar. They have been prepared on the historical cost basis and on the going concern basis.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accompanying notes form an integral part of these financial statements.

# NATIONAL UTILITIES REGULATORY COMMISSION

## Notes to Financial Statements... (Cont'd)

31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

### 2. Significant Accounting Policies... (Cont'd)

#### b. Financial Instruments

##### Financial Assets

The Commission classifies its financial assets into the following categories: cash and cash equivalents and prepaid expenses. The classification depends on the purpose for which the assets are held.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are offset and the net amount is reported when the Commission has the legally enforceable right to set off the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### Financial Liabilities

The Commission classifies its financial liabilities as accounts payables and accruals.

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date for financial liabilities.

#### c. Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment. Plant and equipment represents the Commission's administration office assets.

Depreciation is provided to write-off the cost of property, plant and equipment, on a straight-line basis to allocate their cost over the estimated useful lives of the assets as follows:

Computer Software - 33.3%    Office Equipment - 15%    Computer Hardware - 25%    Office Furniture - 15%

Leasehold Improvements - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

The accompanying notes form an integral part of these financial statements.



## NATIONAL UTILITIES REGULATORY COMMISSION

### Notes to Financial Statements... (Cont'd)

31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

#### 2. Significant Accounting Policies... (Cont'd)

##### **d. Foreign Currency Translation**

###### Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean Dollars, which is the Commission's functional and presentation currency.

###### Transactions balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### **e. Leases**

All Commission leases are operating leases. Payments made under operating leases, net of lease incentives or discounts received, are charged through profit or loss on a straight-line basis over the period of the lease.

##### **f. Provisions**

Provisions are liabilities of uncertain timing or amount. They are recognised when the Commission has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are recognised through profit or loss. Discount unwinding is recognised as a finance expense.

##### **g. Income and Expense**

Income is recognised on the accruals basis as has been used for recording of income and expenses. Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the accrual method

The accompanying notes form an integral part of these financial statements.

## NATIONAL UTILITIES REGULATORY COMMISSION

### Notes to Financial Statements... (Cont'd)

31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

#### 3. **Critical Accounting Estimates and Judgements**

No major estimates and assumptions have been made relating to the reporting of results of the operations of the Commission.

#### 4. **Financial Risk Management**

In accordance with provisions of International Accounting Standards No. 32, disclosure is required regarding credit risk, interest rate, fair value and liquidity risk of financial assets and liabilities. This note details our financial risk management objectives and policies. We discuss the exposure and sensitivity of the Commission to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks. The policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments.

##### **Treasury Policy**

The Commission activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Commission seeks to minimise potential adverse effects on the Commission's financial performance.

##### **Exchange Rate Risk**

The Commission is not exposed to foreign currency risk on the majority of its transactions and settlement of trade and other receivables and payables which are not denominated in US dollars. The Commission does not use foreign exchange contracts and other derivatives and financial instruments.

##### **Credit Risk**

Credit Risk arises from the possibility that counterparties may default on their obligations to the Commission. The amount of the Commission's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if counterparty failed to perform as contracted. The carrying amount of the financial assets of the Commission represents the maximum credit exposure of the Commission. Maximum exposure to credit risk at the reporting date was:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	<b>372,613</b>	184,818
Accounts Receivables	-	175,796
<b>\$</b>	<b><u>372,613</u></b>	<b><u>360,614</u></b>

The accompanying notes form an integral part of these financial statements.



# NATIONAL UTILITIES REGULATORY COMMISSION

## Notes to Financial Statements... (Cont'd)

31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

### 4. Financial Risk Management ... (Cont'd)

#### Interest Rate Risk

Differences in contractual re-pricing or maturity dates and changes in interest rates may expose the Commission to interest rate risk. The Commission is not significantly exposed to interest rate risk on its surplus cash as it is non - interest bearing accounts.

#### Liquidity Risk

The Commission manages operational liquidity in-order to meet its financial obligations of servicing and repaying its expenses and strategic initiatives.

			2018			
	Carrying amount \$000	Contractual cash flows \$000	0-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
Accounts payables and accruals	198,553	198,553	140,521	58,032	-	-
<b>At 31<sup>st</sup> December, 2018</b>	<b>198,553</b>	<b>198,553</b>	<b>140,521</b>	<b>58,032</b>	<b>-</b>	<b>-</b>

At 31<sup>st</sup> December, 2018 the Commission had cash and cash equivalents of \$372,613. These amounts are highly liquid and are a significant component of the Commission's overall liquidity and capital resources. Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements.

#### Fair Value of Financial Instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. None of the Commission's financial assets and liabilities are traded in a formal market. Estimated fair values are assumed to approximate their carrying values.

The accompanying notes form an integral part of these financial statements.

# NATIONAL UTILITIES REGULATORY COMMISSION

## Notes to Financial Statements... (Cont'd)

31<sup>st</sup> December, 2018  
(Expressed in Eastern Caribbean Dollars)

5. <u>Cash and Cash Equivalents</u>	2018	2017
Bank of St. Lucia Limited – current account	\$ 311,372	(8,186)
Bank of St. Lucia Limited - regular CD	25,499	152,250
Bank of St. Lucia Limited – call account	35,242	40,254
Cash on hand	500	500
	<u>372,613</u>	<u>184,818</u>

No interest is paid on any of the Commission's bank accounts.

### 6. Accounts Receivable

License fees	-	175,000
Interest	-	796
	<u>\$ -</u>	<u>175,796</u>

### 7. Accounts Payable and Accruals

There is no material difference between the carrying value and fair value of trade and other payables presented. For liquidity risk exposure analysis purposes, the carrying amount of trade and other payables is the same as the contractual cash flows, with the contractual maturities of these financial liabilities all due in less than one year.

Salaries and wages	133,778	246,332
Professional fees	9,000	9,000
Other	55,775	45,436
	<u>\$ 198,553</u>	<u>300,768</u>

### 8. Payroll Expenses

Salaries and wages	623,956	606,195
Gratuity	151,572	253,576
NIC	18,536	37,126
	<u>\$ 794,064</u>	<u>896,897</u>

The accompanying notes form an integral part of these financial statements.



## NOTES



National Utilities Regulatory Commission  
**2018 ANNUAL REPORT**