

## **MY SECOND PUBLIC ATTEMPT TO EXPLAIN BASIC FINANCE TO CHRIS RAM**

- ***Mr. Chris Ram’s statement that Amaila would pay interest on monies already “repaid” is dead wrong.***
- ***Let me be absolutely clear: Sithe earns 19% ALONE on their investment in Amaila, not a cent more. So Sithe is NOT earning “76% in year 16” or “380% in year 20” as Mr. Ram said in Kaieteur News on August 26. This is preposterous. In years 16 and 20, just like every other year, Sithe is earning 19% on their investment.***
- ***Because Sithe earns 19% each year and no more (see calculation below), there is no additional money that pays down their investment. I will say it again—Sithe just earns 19% per year on their investment.***
- ***It is appalling that a qualified chartered accountant should be making such fundamental errors.***
- ***So I have decided to take this opportunity to educate Mr. Ram on how a basic financial return is calculated. The following describes the Amaila return mechanism and proves that the return is just 19% a year, nothing more.***

***Premise: the Government has always said that Sithe will earn 19% per year on their investment in Amaila and that Amaila would be handed over to the people of Guyana at the end of 20 years***

1. Mr. Ram, please refer to section 5.4 of the Power Purchase Agreement (PPA), item titled “*Sponsor Equity Repayment and Return.*” Now I hope the word repayment is not what misled you here, because the formula is what drives the payment and is what you should examine.
2. I hope you can also easily see that the crux of the formula is the *Monthly Sponsor Equity Yield*. This term is defined in another part of the document as “*Monthly Sponsor Equity Yield*” shall mean one and five hundred thirty-one thousandths of a percent (1.531%).
3. Now Mr. Ram, please take out your financial calculator and follow along to calculate the annual yield:  $(0.01531 \text{ (the percent above expressed as a decimal)} + 1)$  raised to the 12<sup>th</sup> power (taking the monthly yield to an annual yield) then subtract one to get the annual yield, which is equal to 20%. Now the reason the annual yield is 20% and not 19% is that we have negotiated Sithe down from 20% to 19% since these agreements were initialled. A 1% savings in a project this large, yields significant savings, yet Mr. Ram is throwing around insults questioning my team’s ability to negotiate.
4. But back to the point: Mr. Ram, the basic calculation above is what you should have done to calculate the return that Sithe is being paid. Sithe is NOT receiving any other return or payment on their investment.
5. I would like to note that, in addressing Mr. Ram, I have at all times treated him with respect and as a professional on these very basic issues. However, he in turn, has continued efforts to mislead the public and has resorted, now, to attacking me personally. I have therefore decided to take a more direct approach. Kaieteur News, not surprisingly has refused to carry anything I have said while giving full coverage to Mr. Ram but expects to enjoy the protection of freedom of the press.
6. Finally, I point Mr. Ram to Section 4.1.1 of the PPA, which states that the agreement “*shall remain in full force and effect for a term of twenty (20) years from the Commercial Operation Date*” – after this period, as the Government has stated, the hydro would be transferred to Guyana.