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No. FDI /IESCO/

2009

Office of the  
Finance Director  
IESCO, Islamabad

Ph. # 051-9260694, 2854383 Fax # 051-2281830

Dated: 20 / 08 / 2009

Already Entered vide Dairiy No. 1183 dated 27-08-09

→ The Registrar,  
National Electric Power Regulatory Authority,  
OPF Building, 2<sup>nd</sup> Floor, Sector G-5/2,  
Islamabad

**QUARTERLY TARIFF PETITION FOR DETERMINATION OF CONSUMER END TARIFF FOR THE PERIOD (JULY 09 TO SEPT 09) IN RESPECT OF ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED (IESCO) (Distribution License No01/DL/2001 dated 2<sup>nd</sup> Nov. 01) CASE NO NEPRA/TRF-129/IESCO-2009 (4) Ref: NEPRA letter No NEPRA/TRF -100/7392 dated 10<sup>th</sup> August, 09**

Dear Sir,

In continuation of our pervious letter No. FD-IESCO 131 dated 4<sup>th</sup> July, 2009 & your letter No NEPRA/TRF/100/7392 Dated 10<sup>th</sup> August, 09, please find enclosed the below mentioned data for the quarterly determination of Consumer end Tariff of IESCO for the period 1<sup>st</sup> July 09 to 30<sup>th</sup> September, 09:

1. Proposed Tariff Structure (Annex 1)
2. Summary of evidence that includes: (Annex 2)
  - i. Financial projections for FY 2008-09 and FY (Q1) 2009-10 (the tariff period) with proposed tariff.
    - a. Profit & Loss Account: FY 2007-08 (Actual), FY 2008-9 (Provisional) & FY 2009-10 (Projected) & FY (Q1) (Projected) (The Tariff period).
    - b. Balance Sheet for FY 2007-08 (Actual), FY 2008-9 (Provisional) & FY 2009-10 (Projected) & FY (Q1) (Projected) (The Tariff Period)
    - c. Cash Flow Statement for FY 2007-08 (Actual), FY 2008-9 (Provisional) & FY 2009-10 (Projected) FY (Q1) (Projected) (The Tariff Period)
    - d. Summary of Annual & Quarterly Revenue Requirements
    - e. Assumptions to the Financial Projections.

It is hereby added that the said information is in continuation of Revised Annual Tariff Petition for the fiscal year 09-10 submitted vide letter No. FD-IESCO 131 dated 4<sup>th</sup> July, 2009. The Grounds of Tariff Petition, Investment Plan & all other basic assumptions related to Annual Tariff Petition 09-10 will apply on the Quarterly Tariff determination; however, the financials have been revised on quarterly basis.

Regards,

*[Signature]*  
Finance Director  
IESCO- ISLAMABAD

*for m. a. pleas*  
*Dir (T-I)*  
*cc MCTI*  
*cc Chairman*

Registrar
Dr. No. 9284
Dated: 26-08-09

# ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

Annex 1

Proposed Tariff for Jul'09-Sep'09 (Three Months)

Description	Sales GWh	Sales Mix	Proposed Tariff		Revenue as per Proposed Tariff		
			Fixed Charges Rs./kW	Var. Charges Rs./KWH	Fixed Charges Rs. Mill	Variable Charges Rs. Mill	Total Charges Rs. Mill
<b>Residential - A1</b>							
Up to 50 Units per month	38	1.75		1.60	0	60	60
<b>For Peak Load Requirement Upto 20 kW</b>							
1-100 Units per month	348	16.07		5.60	0	1,937	1,937
1-300 Units per month	372	17.27		8.10	0	3,010	3,010
1-700 Units per month	183	8.49		10.35	0	1,892	1,892
Above 700 Units per month	58	2.68		11.75	0	678	678
<b>For Peak Load Requirement Exceeding 20 kW</b>							
Time of Day (TOU) - Peak	1	0.07		15.50	0	23	23
Time of Day (TOU) - Off-Peak	2	0.11		7.75	0	18	18
Temporary	0			11.80			
<b>Total Domestic</b>	<b>1000</b>	<b>46.44</b>			<b>0</b>	<b>7,619</b>	<b>7,619</b>
<b>Commercial - A2</b>							
For peak load requirement up to 5kW	127	5.91		13.00	0	1,653	1,653
For Peak load requirement exceeding 5 kW	0						
Regular	55	2.54	335.00	11.00	69	602	671
Time of Day (TOU) - Peak	10	0.49	335.00	15.50	0	163	163
Time of Day (TOU) - Off-Peak	51	2.36	335.00	7.75	64	394	458
Temporary	4			12.80			
<b>Total Commercial</b>	<b>247</b>	<b>11.46</b>			<b>133</b>	<b>2,811</b>	<b>2,944</b>
<b>Industrial</b>							
B1	24	1.12		9.25	0	223	223
B2	31	1.43	335.00	8.30	46	256	301
B2 - TOU (Peak)	3	0.16	335.00	15.50		53	53
B2 - TOU (Off-Peak)	44	2.05	335.00	7.50	69	331	400
B3 - TOU (Peak)	17	0.79	325.00	15.00		256	256
B3 - TOU (Off-Peak)	107	4.99	325.00	7.25	76	778	854
B4 - TOU (Peak)	24	1.10	315.00	14.50		344	344
B4 - TOU (Off-Peak)	190	8.81	315.00	7.00	171	1,328	1,498
Temporary				9.30			
<b>Total Industrial</b>	<b>440</b>	<b>20.45</b>			<b>361</b>	<b>3,568</b>	<b>3,929</b>
<b>Single Point Supply for further distribution</b>							
C1(a) Supply at 400 Volts - Peak Load upto 20KW	0	0.02		11.70		4	4
C1(b) Supply at 400 Volts - Peak Load above 20KW	20	0.94	335.00	9.60	17	194	211
Time of Day (TOU) - Peak	1	0.07	335.00	15.50		22	22
Time of Day (TOU) - Off-Peak	5	0.21	335.00	7.50	4	34	38
C2 Supply at 11 kV	88	4.11	325.00	9.10	106	805	911
Time of Day (TOU) - Peak	5	0.26	325.00	15.00		82	82
Time of Day (TOU) - Off-Peak	27	1.28	325.00	7.25	33	199	232
C3 Supply above 11 kV	35	1.63	315.00	8.80	31	310	341
Time of Day (TOU) - Peak		0.00	315.00	14.50		0	0
Time of Day (TOU) - Off-Peak		0.00	315.00	7.00	0	0	0
<b>Total Single Point Supply for further distribution</b>	<b>183</b>	<b>8.51</b>			<b>191</b>	<b>1,650</b>	<b>1,841</b>
<b>Agricultural Tube-wells - Tariff D</b>							
Scarp D-1	18	0.85		8.75	0	160	160
Agricultural Tube Well Tariff D-1Peak							
Agricultural Tube Well Tariff D-1Off-Peak							
Agricultural Tube-wells (Punjab & Sindh) D-2	1	0.04	90.00	5.00	1	5	5
Agricultural Tube-wells (NWFP & Balochistan)							
Time of Day (TOU) - Peak	0	0.02	325.00	13.00	0	4	4
Time of Day (TOU) - Off-Peak	2	0.08	325.00	6.00	2	10	13
<b>Total Agricultural Tubewell Tariff-D</b>	<b>21</b>	<b>0.99</b>			<b>3</b>	<b>179</b>	<b>182</b>
Public Lighting - Tariff G	21	0.95		12.90	0	265	265
Housing Colonies Attached to Industrial - H	1	0.07		11.90	0	17	17
Railway Traction - Tariff I							
AJK - Tariff K	240	11.13	0.00	2.59	0	620	620
Time of Day (TOU) - Peak			315.00	13.80			
Time of Day (TOU) - Off-Peak			315.00	6.80			
Rawat Laboratory	0	0.00		11.70	0	1	1
<b>Gross Total</b>	<b>2152</b>	<b>100.00</b>			<b>689</b>	<b>16,730</b>	<b>17,418</b>

Low Power factor penalty etc

**Grand Total = 17,458**  
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## ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

Comparison of Nepra Determined 2008-09 and Proposed Tariff for 2009-10

Description	Proposed Tariff 2009-10		Nepra Determined 2008- 09	
	Fixed Charges Rs./kW	Var. Charges Rs./KWH	Fixed Charges Rs./kW	Var. Charges Rs./KWH
<b>Residential - A1</b>				
Up to 50 Units per month		1.60		1.60
<b>For Peak Load Requirement Up to 20 kW</b>				
1-100 Units per month		5.60		3.75
1-300 Units per month		8.10		6.00
1-700 Units per month		10.35		8.50
Above 700 Units per month		11.75		10.00
<b>For Peak Load Requirement Exceeding 20 kW</b>				
Time of Day (TOU) - Peak		15.50		12.00
Time of Day (TOU) - Off-Peak		7.75		7.00
Temporary		11.80		10.25
<b>Total Domestic</b>				
<b>Commercial - A2</b>				
For peak load requirement up to 5kW		13.00		10.50
<b>For Peak load requirement exceeding 5 kW</b>				
Regular	335.00	11.00	365.00	8.00
Time of Day (TOU) - Peak	335.00	15.50	315.00	12.00
Time of Day (TOU) - Off-Peak	335.00	7.75	315.00	6.00
Temporary		12.80		10.50
<b>Total Commercial</b>				
<b>Industrial</b>				
B1		9.25		7.50
B2	335.00	8.30	315.00	6.50
B2 - TOU (Peak)	335.00	15.50	315.00	12.00
B2 - TOU (Off-Peak)	335.00	7.50	315.00	6.00
B3 - TOU (Peak)	325.00	15.00	305.00	11.90
B3 - TOU (Off-Peak)	325.00	7.25	305.00	5.90
B4 - TOU (Peak)	315.00	14.50	295.00	11.80
B4 - TOU (Off-Peak)	315.00	7.00	295.00	5.80
Temporary		9.30		
<b>Total Industrial</b>				
<b>Single Point Supply for further distribution</b>				
C1(a) Supply at 400 Volts - Peak Load up to 20KW		11.70		8.00
C1(b) Supply at 400 Volts - Peak Load above 20KW	335.00	9.60	315.00	7.50
Time of Day (TOU) - Peak	335.00	15.50	315.00	12.00
Time of Day (TOU) - Off-Peak	335.00	7.50	315.00	6.00
C2 Supply at 11 kV	325.00	9.10	305.00	7.40
Time of Day (TOU) - Peak	325.00	15.00	305.00	11.90
Time of Day (TOU) - Off-Peak	325.00	7.25	305.00	5.90
C3 Supply above 11 kV	315.00	8.80	295.00	7.30
Time of Day (TOU) - Peak	315.00	14.50	295.00	11.80
Time of Day (TOU) - Off-Peak	315.00	7.00	295.00	5.80
<b>Total Single Point Supply for further distribution</b>				
<b>Agricultural Tube-wells - Tariff D</b>				
Scarp D-1		8.75		7.50
Agricultural Tube Well Tariff D-1 Peak				6.00
Agricultural Tube Well Tariff D-1 Off-Peak				2.75
Agricultural Tube-wells (Punjab & Sindh) D-2	90.00	5.00	90.00	4.00
Agricultural Tube-wells (NWFP & Balochistan)				
Time of Day (TOU) - Peak	325.00	13.00	305.00	12.00
Time of Day (TOU) - Off-Peak	325.00	6.00	305.00	3.75
<b>Total Agricultural Tubewell Tariff-D</b>				
Public Lighting - Tariff G		12.90		10.50
Housing Colonies Attached to Industrial - H		11.90		10.00
Railway Traction - Tariff I				
AJK - Tariff K	315.00	2.39	295.00	7.00
Time of Day (TOU) - Peak	315.00	13.80	295.00	11.80
Time of Day (TOU) - Off-Peak	315.00	6.80	295.00	5.80
Rawat Laboratory		11.70		7.50
<b>Gross Total</b>				

Technical Data				
	ACTUAL	PROJECTED		
	2007-08	2008-09	2009-10 (1st Quarter)	2009-10
NO OF CUSTOMERS- Mill	1.88	1.99	1.99	2.13
UNITS SOLD-MKWH	7,232	7,201	2,152	7,242
Growth in Unit Sold	2.36%	-0.43%	0.00%	0.57%
DISTRIBUTION & TRANSMISSION LOSSES-% AGE	10.28%	10.51%	12.00%	12.00%
UNITS PURCHASED-Mkwh	8,061	8,047	2,445	8,230
Growth in units purchased	0.21%	-0.17%	0.00%	2.27%
POWER PURCHASE PRICE-Rs/Kwh	4.52	5.79	5.61	5.61
ADJUSTED POWER PURCHASE PRICE-Rs/Kwh	5.04	6.47	6.37	6.37
DISTRIBUTION MARGIN-Rs/Kwh	(0.14)	0.88	1.00	1.00
AVERAGE RETAIL TARIFF- Rs/kwh	4.90	7.35	7.37	7.37
AVERAGE RETAIL TARIFF REQUIRED- Rs/kwh (After Prior year adjustment)			8.13	8.13

<b>Profit and Loss Accounts</b>				
(Rs in Million)				
	<b>PROVISIONAL</b>	<b>PROJECTED</b>		
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10 (1st Quarter)</b>	<b>2009-10</b>
<b>REVENUE</b>				
Electricity sales	35,431	52,909	15,867	53,397
Rental and Service Income	39	34	13	51
	<u>35,470</u>	<u>52,943</u>	<u>15,880</u>	<u>53,448</u>
Amortization of deferred credit	385	459	118	518
<b>Net Revenue</b>	<u>35,855</u>	<u>53,402</u>	<u>15,998</u>	<u>53,966</u>
<b>OPERATING COST</b>				
Cost of Electricity	(36,441)	(46,593)	(13,708)	(46,131)
Other operating costs	(3,300)	(3,636)	(1,012)	(4,675)
Depreciation	(821)	(936)	(298)	(1,201)
	<u>(40,562)</u>	<u>(51,165)</u>	<u>(15,018)</u>	<u>(52,007)</u>
	(4,707)	2,236	981	1,959
<b>OTHER INCOME</b>	<u>1,270</u>	<u>934</u>	<u>266</u>	<u>1,065</u>
<b>Profit/(Loss) before Interest and Taxes</b>	<u>(3,438)</u>	<u>3,170</u>	<u>1,247</u>	<u>3,024</u>
<b>FINANCIAL AND OTHER CHARGES</b>				
Financial charges	(1,018)	(539)	(4)	(18)
Workers, Profit Participation Funds(WPPF)	-	-	(62)	(150)
<b>PROFIT/(loss) before tax</b>	<u>(4,455)</u>	<u>2,632</u>	<u>1,180</u>	<u>2,856</u>
<b>Taxation:</b>				
Previous Year	47			
Provision for Tax: Current	-	-	(413)	(1,000)
: Deferred	1,554	-	-	-
<b>Net Profit/(Loss) for the year</b>	<u>(2,854)</u>	<u>2,632</u>	<u>767</u>	<u>1,856</u>
<b>PROFIT/(LOSS) BROUGHT FORWARD</b>	<u>1,672</u>	<u>(1,182)</u>	<u>1,449</u>	<u>1,449</u>
Prior Year Adjustment			1,628	5,477
<b>ACC. PROFIT/(LOSS) CARRIED FORWARD</b>	<u>(1,182)</u>	<u>1,449</u>	<u>3,844</u>	<u>8,783</u>

<b>Balance Sheet</b>				
(Rs in Million)				
	<b>PROVISIONAL</b>	<b>PROJECTED</b>		
	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10 (1st Quarter)</b>	<b>2009-10</b>
<b>Assets</b>				
<b>Fixed Assets</b>				
Gross Fixed Assets	22,949	25,988	28,096	33,558
LESS: Accumulated Depreciation	8,541	9,478	9,778	10,679
Net Fixed Assets	14,408	16,511	18,318	22,879
Capital Work in Progress	6,019	7,692	7,406	7,406
Long Term Advances & other deposits	13	10	11	14
Deferred Tax Assets	1,021	1,021	1,021	1,021
<b>Current Assets</b>				
Inventory / Stores & Spares	1,544	2,272	2,016	1,489
Account Receivable	6,721	8,645	7,939	8,388
Less: Provision for Bad Debt	820	820	820	808
Net Accounts Receivable	5,900	7,826	7,119	7,580
Advances, Deposits, Prepay. & Other Rec.	10,632	17,314	17,225	16,798
Cash & Bank Balances	2,504	4,029	3,651	3,425
<b>Total Current Assets</b>	<b>20,581</b>	<b>31,440</b>	<b>30,011</b>	<b>29,292</b>
<b>TOTAL ASSETS</b>	<b>42,042</b>	<b>56,674</b>	<b>56,766</b>	<b>60,612</b>
<b>Equity &amp; Liabilities</b>				
Issued Share Capital	0.01	5,798	5,798	5,798
Deposit for shares	5,798	-	-	-
<b>Share Holders Equity</b>	<b>5,798</b>	<b>5,798</b>	<b>5,798</b>	<b>5,798</b>
Accumulated Profit/(Losses)	(1,182)	1,449	3,844	8,783
<b>Net Equity</b>	<b>4,616</b>	<b>7,248</b>	<b>9,642</b>	<b>14,581</b>
<b>Long Term / Deferred Liabilities</b>				
Loan Holding Company		11,502	11,502	11,502
Long term Loans	11,396	2,697	2,718	4,810
Consumer's Security Deposits	1,377	1,780	1,805	1,981
Deferred Credits (Consumer's Capital Cont. etc.)	7,738	9,399	9,702	10,569
Employees Retirement Benefits	3,721	4,018	4,099	4,343
<b>Total Long Term / Deferred Liability</b>	<b>24,231</b>	<b>29,395</b>	<b>29,825</b>	<b>33,205</b>
<b>Current Liabilities</b>				
Current Maturity of long term loan	774	364	542	1,039
Creditors, Accrued & Other Liabilities	12,421	19,669	16,343	10,786
Provision for tax :Current	-	-	413	1,000
: Deferred	-	-	-	-
<b>Total Current Liability</b>	<b>13,195</b>	<b>20,032</b>	<b>17,298</b>	<b>12,825</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>42,042</b>	<b>56,675</b>	<b>56,766</b>	<b>60,611</b>

## Cash Flow Statement

(Rs in Million)

	PROVISIONAL	PROJECTED		
	2007-08	2008-09	2009-10 (1st Quarter)	2009-10
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit/(Loss) for the Period before Tax	(4,455)	2,632	2,808	8,333
<b>Adjustments:</b>				
ADD: Depreciation	821	936	298	1,201
Interest Expense	1,018	539	4	18
Provision for Ret. Benefits	1,076	552	152	608
(Reversal of Provision)/Provision for impairment on Capital WIP	(133)	0	0	0
Provision for Tax				
Provision for doubtful debt				
LESS: Amortisation of Deferred Income	(385)	(459)	(118)	(518)
<b>Cash Flow from Operations</b>	<b>(2,058)</b>	<b>4,200</b>	<b>3,144</b>	<b>9,642</b>
<b>Working Capital Changes</b>				
(Increase)/Decrease in Debtors	(233)	(1,925)	707	246
(Increase)/Decrease in Inventories	(129)	(727)	255	783
(Inc)/Dec: in Advt, prepay; and other reciev	(4,099)	(6,682)	89	516
Inc/(Dec): in Credi, Accrued & other liabilities	(2,087)	12,635	(3,147)	(8,206)
<b>Net Changes From Working Capital</b>	<b>(6,547)</b>	<b>3,300</b>	<b>(2,096)</b>	<b>(6,662)</b>
Payments against Retirement Benefits	(238)	(256)	(70)	(281)
Payments of tax	(47)	-	-	-
<b>Net Cash In/(Out) Flow from Operation</b>	<b>(8,891)</b>	<b>7,245</b>	<b>978</b>	<b>2,699</b>
<b>CASH FROM FINANCING ACTIVITIES:</b>				
Long Term Loans	9,124	2,803	21	2,113
Consumers Security Deposits	203	402	25	201
Deferred Credit	1,533	2,120	422	1,688
Deposit for issue of shares	-	(5,798)	-	-
Interest Paid	(556)	(539)	(4)	(18)
<b>Cash In/(Out) Flow from Financing Activities</b>	<b>10,305</b>	<b>(1,012)</b>	<b>464</b>	<b>3,985</b>
<b>CASH FROM INVESTING ACTIVITIES:</b>				
Fixed Assets Acquired	(2,090)	(3,039)	(2,107)	(7,569)
Capital Work in Progress	(2,732)	(1,673)	289	286
Long Term Advances	(3)	3	(1)	(4)
<b>Cash In/(Out) Flow from Investing Activities</b>	<b>(4,825)</b>	<b>(4,709)</b>	<b>(1,819)</b>	<b>(7,287)</b>
<b>Net Cashflow During the Year</b>	<b>(3,412)</b>	<b>1,524</b>	<b>(377)</b>	<b>(603)</b>
<b>Cash - Start of the Year</b>	<b>5,916</b>	<b>2,505</b>	<b>4,028</b>	<b>4,028</b>
<b>Cash - End of the Year</b>	<b>2,505</b>	<b>4,028</b>	<b>3,651</b>	<b>3,425</b>

## Key Assumptions to the Financial Projection

### Basic Information

The financial projections have been prepared on the basis of actual results for FY 2007-08. The figures for FY 2008-09 to 2009-10 are based on the following assumptions.

**Sales (In GWh), Energy Losses & Purchases of Power (GWh & MW)** have been projected as given in Table-I below:

Description		Actual		Actual	Projected	Projected
		FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	(Q 1) FY 2009-10
<b>Sales</b>	GWh	7,065	7,232	7,200	7,242	2,152
<b>Sales Growth</b>	%age	12.69	2.32	(0.45)	2.50	
<b>T&amp; D Losses</b>	%age	12.17	10.28	10.52	12.00	12
<b>Purchase of Power</b>	GWh	8,044	8,061	8,046	8,230	2,445

Table-1

**Revenue (in Millions rupees)** for FY 2008-09 is based on actual Revenue attained during the year.

For the Financial year 09-10, the overall Revenue is determined based on the requirements to cover the PPP, Operating & Maintenance expenses, debt servicing, depreciation & adequate return on assets etc.

**Amortization of Deferred Credits** has been taken on the basis of useful life of the related assets i.e. 3.5% p.a.

**Other Operating Revenues** have been assumed to increase by almost 15%.

**Power Purchase Price** has been arrived at as follows:  
For the Financial year 08-09, it is based on actual PPP charged by CPPA.

### For the Financial Year 09-10

The Actual Power purchase achieved during the first Eight months of current financial year (08-09) i.e.; 5.61 per kwh

**Operating & Maintenance Expenses** have been arrived at by assuming an average increase of 10% over the previous year mainly because of the following reasons:

- a. Current Prevailing CPI (Inflationary Trend)
- b. Expected increase in pay & other allowances in the Federal Budget 2009-10
- c. Hiring of new staff due to the lifting of ban imposed by GOP in Feb 09 as currently around 3,000 positions are vacant in IESCO.
- d. Annual Increment as per approved policy of GOP.
- e. Increase in number of customers.
- f. Wear & tear of the distribution equipment
- g. Repair of old vehicles due to the ban on purchase of new physical assets by Ministry of Finance. Currently,



h. Printing of additional electricity bills due to the expected new customer

**Depreciation** has been taken on the rates as per company policy. Land (0%), buildings & civil works (2%). Plant and machinery (3.5%), office equipment (10%), mobile plant & equipment (10%) and other assets (10%).

**Financial Charges:**

Bank Charges are taken on estimated basis for the Financial Year 09-10.

Regarding the Interest Charges, they are accrued on Long term Loans during the financial year by assuming the Bench Mark KIBOR ranging around 12.5% to 13.00% but are capitalized & are not charged to financial charges.

**Workers Profit Participation Fund** Provision has been made as per applicable law.

**Taxation**

Provision for Taxation has been made in the financial statements during the financial year 08-09 & 09-10 based on the prevailing tax rate on the Profits estimated during the relevant financial year.

However, it is also added that as the company has carried forward its Tax losses (Unabsorbed depreciation & business losses) that will be offsetted against the profits (if any) arrived at after accounting for tax depreciation rates during the relevant financial year. Hence, there will be no payment of Income Tax during both of these financial years as the tax liability due to profits in both of these financial years will be deferred in the next financial years.

**No Dividend** payment has been assumed.

Revenue Requirement (for tariff as per revenue requirement scenario for FY 200-10) has been arrived at as under:

RR = RORB + Power Purchase Price + O&M (pay & allowance, other operating & admn expenses, insurance, maintenance expenses, provision for bad debts) + Depreciation for the period -(other operating income + other non operating income).

Where:

RORB = Rate Base X WACC

Regulatory Rate Base = Opening Fixed Assets in operations + Transferred in during the year - accumulated Depreciation + Closing Work in Progress - Un amortized closing balance of deferred credits

And

WACC = Weighted Average Cost of Capital has been calculated at

**Capitalization of Work in Progress**, as a management practice and policy 70%, is ensured to be made during the same year. As such 30% investment remains in capital work in progress for completion during the early part of next year.

**Receivables** have been assumed to at 55 days of annual billing for the financial year i.e.; 2008-09 & 52 days for the F.Y. 2009-10. The increase in receivables is usually a result of increase in sales volume and sale rates.

**Stocks and Spares** have been assumed to remain at 4.2% of average gross fixed assets in FY 2008-09. It will remain at level of 4.6% of gross fixed assets in FY 2009-10.

**Equity** is the total paid up capital plus deposit for issue of shares and (plus / minus) retained profits / (losses).

**Deferred Credit** is the amounts received from consumers as capital contributions and grants received from Federal and Provincial Governments against Rural Electrification and other deposit works. These are capitalized in the first instance and amortized in later years at 3.5% per annum being the depreciation rate applicable to the assets constructed through capital contributions and grants. The amortization of deferred credit is recognized as income for the relevant year. The capital contributions, in line with company perception for consumer growth, have been increased by 5% each year over the previous year. The grants from Government have been kept in line with estimated cost on rural electrification.

### **Long Term loan**

#### **Brief Description of Local Loans**

Long Term Loan of Rs. 2, 000 Million represents a term finance facility obtained from syndicate of banks with Allied Bank Limited as the lead arranger which is secured against first ranking pari passu hypothecation charge over all present and future fixed assets of the company upto Rs. 3,333 Million (excluding land and building) and lien over the Collection and Debt Service Reserve Accounts maintained with Allied Bank Limited. This facility carries interest rate of 3 months' KIBOR plus 1.7% per annum payable on a quarterly basis. Principal amount is to be repaid on a quarterly basis after grace period of eighteen months with final installment due on 30 June 2013.

#### **Foreign Relent loans:**

- a. Power Distribution & Enhancement Investment Program (Multi-Tranche Financing Facility) – Tranche “1” from Asian Development Bank. (US\$ 31.86 Million)
- b. Electricity Distribution & Transmission Improvement Project (APL -1) from World Bank (US\$ 58.4 Million)

No Debt Servicing is to be made during the Financial Year 09-10 against both the Foreign Loan. Subsidiary Loan agreement between the GOP & IESCO has been finalized for the loan at Serial No (2) while for the loan at Serial No (1), the agreement is still to be finalized.

**Consumer Security Deposits** are long term liabilities. The amounts received against security deposits are increased by increase in number of consumers multiplied by average receipt during last year.

**Employee's Retirement Benefits** have been based on actuarial valuation conducted through qualified consultants during FY 2007-08.

**Sundry Creditors (NTDC / CPPA)** is estimated to be paid in accordance with the Invoices received from CPPA.

**Other Creditors** include payables against material procurement, retention from suppliers and contractors, capital receipts against works / connections to be executed and accounts with associated power sector companies (other than power purchase).

**Dividend Payment** has not been assumed

## Islamabad Electric Supply Company Limited

### Summary of Revenue Requirements (FY 2009-10)

Description	Annex Ref:	Amount	Per Unit Cost Rate / Unit
		Mill: PKR	
Power Purchase Price		46,131	6.37
O&M Costs		4,675	0.65
Depreciation		1,201	0.17
Return on Rate Base (Annex- a)		3,024	0.42
Prior Period Adjustments		5,477	0.76
<b>Gross Revenue Requirements</b>		<b>60,508</b>	<b>8.36</b>
Less: Other Revenues		(1,634)	0.23
<b>Net Revenue Requirement</b>		<b>58,874</b>	<b>8.13</b>
Projected No Of Units Sold ( Million KWH)		<u>7,242</u>	

<b>Islamabad Electric Supply Company Limited</b>	
<b>Regulatory Rate Base</b>	
<b>Description</b>	<b>Year</b>
	<b>2009-10 (Projected)</b>
<b>Gross Fixed Assets In Operation</b>	
Opening Fixed Assets in Operation	25,988
Transferred in During the Year	7,569
<b>Closing Fixed Assets in Operation</b>	<b>33,558</b>
Cumulative Depreciation	10,679
<b>Net Fixed Assets In Operation</b>	<b>22,879</b>
Closing WIP	7,406
<b>Total Assets</b>	<b>30,285</b>
Less:	
Deferred Credit	10,569
<b>Regulatory Rate Base</b>	<b>19,716</b>
<b>Avg Regulatory Rate Base</b>	<b>17,260</b>
<b>Rate of Return on Rate Base</b>	<b>17.52%</b>
<b>Return on Rate Base</b>	<b>3,024</b>