



**MULTAN ELECTRIC POWER COMPANY LIMITED
(MEPCO)**

**OFFICE OF THE
CHIEF EXECUTIVE OFFICER**

NO. /FDM/BS/Tariff/ 6152

Date: 20/08/2009

→ The Registrar,
National Electric Power Regulatory Authority,
2nd Floor, opp building, sector G-5/2,
Islamabad.

1 TRF-127
a.m.w

Subject: - **REVISE PETITION OF DISCO FOR DETERMINATION OF
QUARTERLY CONSUMER END TARIFF (JULY-
SEPTEMBER2009) PERSUANT & AMENDMENT IN THE NEPA
ACT 1997.**

Ref: - Your Letter No. NEPRA/TRF-100/7393 dated August 10, 2009.

We are enclosing Tariff Petition for the 1st Quarter (July-September 2009) for the year 2009-10. It is therefore requested to admit for determination of tariff for 1st quarter (July-September 2009) for FY 2009-10.

It may be acknowledged.



CH. GUFTAR AHMAD
Chief Executive Officer

D.A.

- 1. Affidavit
- 2. Tariff Petition (pages).

Forwarded for n.a, M.
Dis(T)-1

cc: Chairman
Member (T)


21/8

Registrar
Dy. No. 4189
Dated: 21-8-09

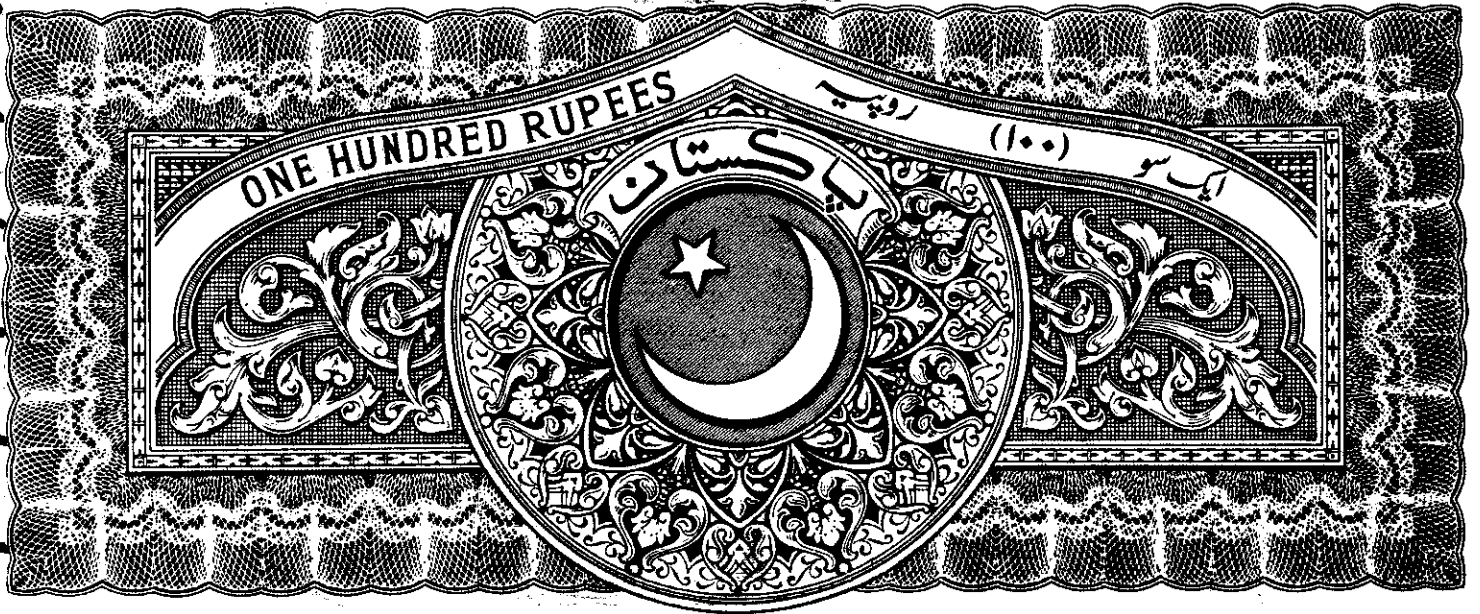


MULTAN ELECTRIC POWER COMPANY LIMITED

TARIFF PETITION

DISTRIBUTION LICENSE NO.06/DL/2002

20th August 2009



Before the National Electric Power Regulatory Authority

Affidavit

I, Ch Guftar Ahmed, Chief Executive Officer, Multan Electric Power Company Limited (Distribution License # 06/DL/2002) being duly authorized representative/attorney of Multan Electric Power Company Limited, hereby solemnly affirm and declare that the contents of the accompanying petition/ application No. _____/FDM/Tariff dated ____ August 2009 including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed. I also affirm that all further documentation and information to be provided by me in connection with the accompanying petition shall be true to the best of my knowledge and belief.

DEPONENT

[Handwritten Signature]
Ch. Guftar Ahmed
 Chief Executive Officer,
 Multan Electric Power Company Limited
 (MEPCO)

Verified on oath this 20th day of August 2009 that the contents hereof are true and correct to the best of my knowledge and belief and nothing has been concealed.

DEPONENT

Multan Electric Power Company Limited

Tariff Petition – 20th August 2009

Contents

<u>Section</u>	<u>Description</u>	<u>Pages</u>
1.	Petition Summary.	
	1.1 The Petitioner.	1
	1.1.3 Basis of Petition	1
	1.2. Ground of Petition	2
	1.3.0 Relief Sought	3
	1.3.1 Key Aims and Features of the Petition.	3
2.	Tariff Review Formula and Process.	4
	2.2 Tariff Methodology.	4-5
	2.3 Distribution Margin Formula.	5-6
	2.4 Revision of Tariff.	6
3.	Calculating MEPCO's Revenue Requirement.	7
	3.1 Current Tariffs.	7
	3.2 Trend in Customers Numbers and Consumptions and category wise units sold (Actual & Projected).	7
	3.3 MEPCO's Revenue Requirement.	9
	3.4 Income Tax	12
	Annex:	12-19
	1. Demand Analysis.	
	2. Abstracts from MEPCO's Financial Statements for 2007-08 & 2008-09	
	3. Investment.	
	4. Estimated Sales Revenue on the basis of proposed Tariff ist quarter (Jul-Sep 09) F.Y. 2009-10	
	5. Proposed Tariff Category-wise to meet Revenue Requirement.	

MULTAN ELECTRIC POWER COMPANY LIMITED (MEPCO)
TARIFF PETITION
UNDER SECTION 3(1) OF PART II OF
NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
(TARIFF STANDARDS AND PROCEDURE) 1998

1. **PETITION SUMMARY**

1.1 **The Petitioner**

Multan Electric Power Company Limited (MEPCO)

Multan Electric Power Company Limited, hereinafter referred to as MEPCO or Company, is a public limited company having its registered office at 414- Wapda House, Lahore and principal office at MEPCO Head Quarter, Khanewal Road, Multan. MEPCO as a public utility is engaged in distribution/supply of electric power in its licensed service territory comprising of 13 Administrative Districts of Southern Punjab.

1.1.1 MEPCO is Represented by:

- | | |
|---------------------------------|----------------------------|
| • Mr. Ch. Guftar Ahmad | Chief Executive Officer |
| • Syed Mushtaq Hussain Bokhari. | Finance Director. |
| • Hafiz Ashraf Ali | Customer Services Director |
| • Mr. Ch. Manzoor Hussain | Manager Commercial |
| • Mr. Jahangir Bhutta | Manager Finance (CP&C) |
| • Mr. Shahbaz Ahmad Khan | Company Secretary |

1.1.3 **Basis of Petition**

Under the 1997 NEPRA Act, NEPRA is responsible for determining tariffs and other terms and conditions for the supply of electricity by the generation, transmission and distribution companies and to recommend these, subject to the need to comply with guidelines not inconsistent with the provisions of the NEPRA Act, to the Federal Government. NEPRA is also responsible for determining the process and procedures for reviewing tariffs and recommending tariff adjustments.

MEPCO is a licensee public utility responsible to distribute/supply electricity to its service area, as set out in MEPCO's Distribution license No. 06/DL/2002, granted by the NEPRA under the NEPRA Act. In accordance with the requirements of the

license, MEPCO is hereby submitting a petition to revise tariffs in its license area for the quarter July-September 2009.

This petition is, therefore, being filed in accordance with the NEPRA Tariff Standards and Procedure Rules 1998 under Part II Section 3 (1) and recent amendment in section 31 of NEPRA act 1997.

1.2 **Grounds of Petition**

MEPCO tariff has two components i.e pass through cost and distribution margin .The major portion of pass through cost is power purchased which the company must pay for on regular basis to ensure continuous flow of power in its distribution system. Distribution Margin is equally important, MEPCO must earn sufficient distribution margin and adequate stream of cash flow to maintain its system, discharge its financial commitments, invest on the augmentation and expansion of the network and a reasonable return to the sponsors on their investment.

Stable and predictable tariff rate is beneficial both for Distribution Company and its customers for a long term planning. The length of the review period is important for determining the size of the incentive for MEPCO to improve its efficiency. The longer the period of review, the larger the incentive to make efficiency gains, reduce losses or achieve cost efficiencies in stable economic conditions. However, the following factors and their outcome have forced us to file a tariff petition for determining consumer end tariff afresh.

- Cost of Power Purchase is continuously on the increase.
- Rapid increase in O&M cost due to high Inflation.
- Diversions in sales mix increase in sale to subsidized categories and decrease in sale to those providing cross subsidy.
- Even reputed schools, colleges and universities run on commercial basis are being charges on domestic subsidized rate.
- Negative growth in sales due to power shortage.
- Recovery has been affected due to economic slow down and inflation.
- Non payment of tube-well subsidy by the Provincial Government.

MEPCO is therefore unable to generate required revenue and cash flow to meet its obligations and is under a severe liquidity risks resulting in serious financial problems in :

- Paying for the electricity purchased.
- Discharging its other obligations like investment on augmentation and expansion of the system, debt servicing and ultimately return on equity.
- Maintaining its financial health which is continuously deteriorating.

1.3.0 **Relief sought**

We, therefore, submit to the Authority to seek the following relief.

- Determine consumer end tariff as submitted.
- Any Other relief which the Authority may deem proper.
- Introduction of Separate Tariff for Private Schools and Colleges.

1.3 **Key Aims and Features of the Petition**

1.3.1 **Aims of the Petition**

This tariff petition sets out the tariff methodology, required revenues and timetable for rebalancing tariffs in MEPCO's distribution area for the year 2009-10. The aim of this petition is to obtain approval for the immediate implementation of cost reflective tariffs to yield MEPCO's required revenues. The implementation of cost reflective tariffs will benefit consumers and MEPCO as it will:

1. Enable the company to arrange funding to improve service quality and reliability.
2. Enable the company to arrange funds for its network expansion.
3. Provide signals for efficient usage of distribution network and investment
4. Give message for efficient use of electricity.
5. Promote financial sustainability of the company.

1.3.2 **Features of the Petition**

The purpose of petition is as follows:

- Sufficient average tariff to enable MEPCO to recover prudently incurred operating costs and earn a reasonable return on its regulatory asset base to meet with its cash flow requirements.
- Incentives for MEPCO to make operating efficiencies and reduce commercial losses.

1.3.3 **Structure of the Petition**

This petition has three distinct components. The first part deals with the tariff methodology. This is the formula that will be used to determine MEPCO's distribution margin for the 1st quarter July-September for F.Y. year 2009-10 and the quarters to follow unless there is a fundamental change in the assumptions made. The second part covers the calculation of MEPCO's required revenues during the period. It explains the different components of required revenues including pass through costs (PPP, Income tax etc), operating costs, investment costs and rate of return.

2. **Tariff Review Formula and Process**

The tariff formula provides a transparent and predictable way of determining MEPCO's distribution margin on quarterly basis. A formula is advantageous as it reduces uncertainty for the utility and for customers. It also provides a simple way for NEPRA to provide incentive to the company to reduce losses and/or make operating efficiencies as required.

2.1 **Tariff Methodology**

2.1.1 **MEPCO's Margin**

The formula calculates MEPCO's distribution margin based on forecast unit sales, operating expenses, depreciation, investment and return on investment (cost of capital). Generation and transmission cost, built in the invoice from CPPA, are treated as pass-through. The formula determines revenues for the 1st quarter July-September for F.Y. year 2009-10. The profits or losses that arise from changes in efficiency or demand would, however, be retained by MEPCO.

At the end of the period, the formula would be reapplied to determine the distribution margin for subsequent quarter. Operating expenditure will be subject to an efficiency requirement so that MEPCO will be required to ensure that its increase in costs is below the rate of inflation by an efficiency factor (X) to be determined by NEPRA.

Under the proposed tariff-setting methodology, the average retail tariff would consist of (i) the Power Purchase Price (PPP), which would be passed through to the end users in the retail tariff, and (ii) the average distribution margin, which would be set on the formula-based methodology.

2.2.1 **Power Purchase Price (PPP)**

MEPCO pays a Power Purchase Price (in Rs/kWh) for the electricity it procures from CPPA or other sources, which would include the generation and transmission charges (regulated by NEPRA). This Power Purchase Price, adjusted for MEPCO's distribution losses, would then be simply added to MEPCO's overall distribution margin to work out retail tariffs. Thus, the cost of the purchased electricity would be "passed through" to consumers through the retail tariff, *without affecting MEPCO's distribution margin.*

While passing through the PPP, it is recognized that all distribution companies experience some level of distribution losses, defined as the percentage of the difference between the units received by the company and the units invoiced to the consumers. The PPP should thus be adjusted such that MEPCO would be compensated for some losses, without hindering the incentive to eliminate the total losses.

$$PPP = \frac{\text{Unadjusted PPP}}{1-L}$$

Where;

- Unadjusted PPP is the cost of electricity supply charged by CPPA or any other source at any given time;
- L is the target distribution losses for the quarter, defined as a percentage of purchased units, in accordance with a schedule established for the control period.

The schedule of losses (Transmission & Distribution) are set to decrease from the current level of 18.4% to 17.50% of Financial Year 2009-10 and for the 1st quarter (July-September 2009) losses fixed at 20%. Thereafter, the target losses will be set for each subsequent quarter through investment in the system and other measures to achieve the target of 17.50% fixed for the current year.

Based on the above formula, the compensation for T&D losses would be automatically adjusted for any changes in the power purchase cost. The schedule of target losses, however, would be maintained for the whole year 2009-10, regardless of the actual T&D losses incurred by MEPCO. Thus, if MEPCO were not able to meet the target loss reduction, it would be penalized by not being able to recover the cost of extra units lost from the retail tariffs. If, on the other hand, MEPCO's actual loss reduction outperformed the target level, it would be able to gain extra revenues from the loss adjustments to the PPP.

2.3 Distribution Margin Formula

The average distribution margin for the 1st quarter (July-September 2009) year 2009-10 would be set in accordance with MEPCO's expected revenue requirements, based on the following formula:

$$\text{Avg. Margin} = \frac{\text{O\&M} + \text{Depreciation} + \text{RORB} - (\text{Amortization} + \text{Other Income})}{\text{Total Unit Sales}}$$

Where:

O&M is the expected operating and maintenance cost per kWh (for quarter- t), which includes the estimated cost of technical service and repair, necessary materials for operation, employees cost, mandatory social insurance payments, administration, management and other operating costs related to MEPCO's distribution and supply business. The O&M component for the 1st quarter (July-September 2009) for F.Y. year 2009-10 would be established on the basis of forecast demand and inflation.

Depreciation: Depreciation is provided in accordance with the company's policy.

Profit Rate Base: Profit Rate Base is defined as sum of existing fixed assets plus work-in-progress and new investment reduced by accumulated depreciation and deferred credit.

Average Rate of Return is a pre-tax return on the Profit Rate Base. Because the investment is typically financed with a combination of debt and equity, the appropriate rate of return would be a market-based weighted average of the cost of capital.

Total Unit Sales: A schedule of the total unit sales (in M/KWh) of MEPCO across all customer categories is forecast for the 1st quarter (July-September 2009) for F.Y. year 2009-10. This forecast is used to determine the average distribution margin per unit (Rs/kWh) needed to cover the revenue requirement expected for the quarter.

Customer-specific retail tariffs will be set as follows:

$$\begin{array}{l} \text{Category-specific} \\ \text{Retail} \\ \text{Tariff} \end{array} = \text{PPP} + \begin{array}{l} \text{Category-specific} \\ \text{Distribution} \\ \text{Margin} \end{array}$$

The PPP is the power purchase price. It reflects the amount paid by MEPCO to CPPA. Since it is difficult to estimate future PPP with precision, the PPP is based on actual 12 months of last financial year 2008-09. This will become the reference ppp for setting the tariff rate.

2.4 Revision of Retail Tariff

While it is important for MEPCO to have certainty about the period of the review, of greater importance is the existence of clear rules about the procedures for re-setting tariffs.

Based on the methodology discussed above, possible adjustments to retail tariffs are strictly limited to the following items:

Scheduled Change in Distribution Margins: The retail tariff is subject to revision warranted by fundamental changes in the basic assumptions formulating tariff formula.

Changes in PPP: At any point in time, changes in the Power Purchase Price (e.g. due to fuel cost adjustments) would automatically result in a corresponding change in retail tariffs on monthly basis.

Inflation Adjustments: The O&M component of the distribution margin would be automatically adjusted for exceptional inflation.

Extraordinary Adjustments: Any justified losses and/or additional expenses incurred by MEPCO due to changes in legislation, legal acts, technical regulation, or other special events that are beyond its control would be reimbursed by adjusting the distribution margin, subject to NEPRA's approval.

3. **CALCULATING MEPCO'S REVENUE REQUIREMENT**

3.1 **Current Tariffs**

NEPRA determined the tariff on straight line method for the domestic consumers whereas, the GOP notified tariff as per NEPRA determined on September 05, 2008 which, later on changed and revised notification issued on November 12, 2008 to be billed on slab wise.

Presently, the consumer-end tariff is based on a cross-subsidized structure (which the GOP wants to rationalize over a period of time). This essentially means that whilst some customers are paying substantially less than their cost of service, industrial and commercial customers pay higher prices. Thus, consumers that are paying in excess of their cost of service are effectively subsidizing other categories especially lifeline customers of domestic category.

3.2 **Trends in Customers Numbers and Consumptions**

Annex-1 provides information about demand, customer numbers and tariffs in the MEPCO's service area. As would be observed, consumptions by the subsidized categories generally outpaced others, which has been a major pressure on the tariffs.

The increase in domestic and agriculture consumption relative to industrial consumption has worrying implications for MEPCO's revenues and profitability, especially since domestic customers cost more to serve. As domestic and agriculture consumption increases, and in the absence of cost reflective tariffs, MEPCO's overall costs rise whilst its revenues remain decreases. Meanwhile, industrial customers (the most profitable for MEPCO, as they are more economical to serve) are reducing their consumption (by installing captive generation) resulting in lower revenues for MEPCO.

Table-1 is presented at next page showing the consumption for MEPCO's customers.

MULTAN ELECTRIC POWER COMPANY LIMITED
CATEGORY WISE UNITS BILLED
FOR THE YEARS 2007 TO 2010

Mill. KWH

TARIFF CATEGORY	ACTUAL		Actual	Proj.
	2007	2008	,2009	Jul-Sep 09 2010
DOMESTIC				
DOMESTIC (0-50)	299.81	362.86	485.28	91.69
DOMESTIC (1-100)	568.32	646.32	1729.58	621.10
DOMESTIC (101-300)	2283.04	2232.80	1129.08	351.22
DOMESTIC (301-700)			917.00	313.55
DOMESTIC (ABOVE 700)			134.78	78.40
DOMESTIC (301-1000)	1282.88	1106.00		
DOMESTIC (ABOVE 1000)	189.43	177.06		
TOD (A1) TOD (PEAK)		1.49	0.85	0.14
TOD (OFF PEAK)			4.24	2.26
DOMESTIC TEMPORARY	0.12	0.20	0.18	0.29
DOMESTIC TOTAL	4623.60	4526.73	4400.99	1458.65
COMMERCIAL				
UPTO 100 UNITS	102.58	105.32	281.83	29.19
ABOVE 100 UNITS	359.05	342.95	129.34	103.69
Above 5 KW				32.80
Above 20 KW	73.98	99.65	105.54	
COMMERCIAL (A-2) TOD		0.04		
TOD (PEAK)			2.68	0.04
TOD (OFF PEAK)			13.42	0.22
TEMPORARY	0.97	1.91	2.72	0.72
COMMERCIAL TOTAL	536.58	549.87	535.53	166.66
INDUSTRIAL				
INDUSTRIAL (B-1)	279.81	275.51	284.87	80.90
INDUSTRIAL (B-1) TOD	0.00	0.00		
INDUSTRIAL (B-2)	719.76	686.01	605.11	163.02
INDUSTRIAL (B-2) TOD (PEAK)	10.02	10.59	5.18	0.22
INDUSTRIAL (B-2) TOD (OFF PEAK)			25.91	1.11
INDUSTRIAL (B-3)	12.10	6.14		
INDUSTRIAL (B-3) TOD (PEAK)	988.12	844.48	109.03	31.24
INDUSTRIAL (B-3) TOD (OFF PEAK)			545.17	156.18
INDUSTRIAL (B-4) TOD (PEAK)	411.73	408.89	69.09	18.75
INDUSTRIAL (B-4) TOD (OFF PEAK)			345.45	93.77
INDUSTRIAL TOTAL	2421.54	2231.62	1989.81	545.18
BULK SUPPLY				
C-1 (A)	2.10	1.81	1.51	0.40
C-1 (B)	33.47	32.92	31.51	7.82
C-1 (C) Peak				0.33
C-1 (C) Off Peak				1.67
C-2 (A)	95.76	97.49	79.72	32.02
C-2 (TOD) PEAK		1.76	2.99	0.40
C-2 11/33 KV TOD (OFF PEAK)			14.96	1.99
C-3 (A)	0.89	2.25	4.83	1.31
BULK SUPPLY TOTAL	132.22	136.23	135.52	45.94
AGRICULTURE				
AGRICULTURE (SCARP) D-1	201.88	131.68	101.86	25.08
AGRICULTURE (PRIVATE)			1851.37	602.14
AGRICULTURE D-2(i)	762.78	548.92		
AGRICULTURE D-2(ii)	0.91	0.03		
AGRICULTURE D-2(i) TOD	841.55	1216.40		
AGRICULTURE D-2(ii) TOD	2.71	3.97		
AGRICULTURE (SCARP) ABOVE 5KW PEAK			0.29	0.40
AGRICULTURE (SCARP) ABOVE 5KW OFF PEAK			1.46	2.00
AGRICULTURE D-2(i) TOD				
AGRICULTURE TOTAL	1809.83	1901.00	1954.98	629.62
PUBLIC LIGHTING - G-1	28.63	28.03	25.06	6.90
PUBLIC LIGHTING - G-2	2.11	1.75		
RES. COLONIES - H-1	6.88	5.30	6.60	2.36
RES. COLONIES - H-2	3.54	2.89		
RLY. TRACTION - I	4.32	2.45	0.75	0.20
CO-GENERATION - J	1.53	1.92	1.27	
TOTAL OTHERS	47.01	42.34	33.68	9.46
MEPCO TOTAL	9570.78	9387.79	9050.51	2855.51

3.3 MEPCO's Revenue Requirement

Based on tariff methodology described in the previous section, the average tariff for the first quarter (July-September 2009) of fiscal year 2009-10 have been calculated using the following parameters.

Total Unit Sales: Projected unit sales are 2855.52 M/kwh for the ist quarter (Julu-September 2009) for F.Y. year 2009-10 which is based on actual sales in 2008-09. Minor growth has been accounted for because of adding of rental power generation during the year in the country.

- **Projected Line Losses & Tech: Losses:** The level of losses (Distribution & Technical) is set at 20.00% for the ist quarter (July-Septamber 2009) of FY 2009-10. These projected losses are quite realistic and achievable. The company will endeavor to meet the target losses.
- **Village Electrification & Tube well Connections:** MEPCO has to electrify huge number of villages and tube well connections which can adversely affect our targets of reduction in Line Losses. Moreover, it has been assumed that village electrification will be financed by grants from sponsors otherwise consumer end tariff will increase because of interest on loans in case village electrification is to be financed from loans. Village Electrification schemes mostly increase life line consumers and revenue from this category neither justify any loan repayment nor interest thereon.
- **Power Purchase Price (PPP):** PPP of the current year is based on the invoice raised by CPPA for the last 12 months up to June 30, 2009 i.e. Rs.5.7717 /kWh. However, PPP has also been projected for the quarter on the same rate. It has also been assumed that any increase in PPP will be passed on to the end consumers instantly because any delay in passing on increase in PPP will expose the company to a big liquidity risk.
- Consumer end tariff of life line consumers i.e. Domestic (0-50 units) has also been increased by paisas 50.
- **Purchase Costs:** The cost of electricity purchased by MEPCO has been calculated as the PPP (unadjusted for distribution losses) times the units of electricity purchased. This is also the equivalent of the units of electricity sold times the PPP adjusted for distribution losses (PPP divided by 1 minus the percentage of allowed losses).
- **O&M expenses** are directly related with the network and MEPCO has the largest network among all the distribution companies in the country. The increase in O&M for 2009-10 has taken is 14% by taking into account the increase allowed by FOP in Salaries & Wages, Fuel cost, electricity rate, material rates etc. It is further added that MEPCO's O&M cost is inclusive of interest on short term loans.

- **Asset Base:** This represents projected gross book value of the operating assets at the start of the year. Annex-2.
- **New Investments:** New investments will be made as per the investment plan of the Company Annex-3.
- **Depreciation:** The depreciation is computed as per policy of MEPCO.
- **Profit Base:** The Profit Rate Base is calculated as sum of existing fixed assets (Less Accumulated Depreciation) new investments, work-in-progress and working capital minus deferred credit.
- **Average Rate of Return:** Average ROR has been estimated to meet cash flow requirements of the MEPCO, which works out to be 17.00 %divided by 4 for ist quarter (July-September 2009) the year before interest and taxes as allowed by NEPRA for the current financial year 2008-09.
- **Distribution Revenue:** The sum of the O&M, Depreciation, RORB less amortization and other income result in MEPCO's revenue. Dividing this by the total units sold yields the average distribution margin (per kWh).

The results of the calculations are summarized on the next page as Table-II.

MULTAN ELECTRIC POWER COMPANY LIMITED

STATEMENT SHOWING THE SUMMARY OF TARIFF CALCULATIONS

Sr. No.		EXISTING 2008-09	PROPOSED 2009-10
		0	1
1	Year within control period		
2	Total unit sales (mln KWH)	9050.50	2855.52
	Line Losses - Distribution	14.45	17.00
	- Transmission (132 KV System)	3.92	3.00
3	Total Losses (in % age)	18.37	20.00
4	Total units purchased (mln KWH)	11087.22	3569.40
5	PPP (Rs / KWH - unadjusted)	5.77	5.77
6	PPP (Rs / KWH - adjusted for losses)	7.07	7.21
7	Purchase costs (mln Rs.)	63992.49	20601.62
8	O&M (Rs / KWH sold)	0.52	0.52
9	O&M (mln Rs)	4744.70	1474.50
10	Assets at year start	44339.84	50221.17
11	Plus New Investment	5881.33	2148.63
12	Less Depreciation	15381.48	15845.80
13	Plus Work in Progress	4845.84	4138.46
14	Less Deferred Credit	22218.82	22712.80
16	Plus Working Capital		
17	Profit Rate Base	17466.70	17949.65
	DISTRIBUTION REVENUE		
16	RORB	(4990.26)	762.86
	Interest on on short term Loans	0.00	0.00
17	Depreciation	1632.46	464.32
18	O&M (mln Rs)	4744.70	1474.50
19		1386.90	2701.68
	Less Amortization	995.25	256.02
	Other Income	1774.07	564.33
		2769.32	820.35
20	Distribution Revenue	-1382.42	1881.33
21	PPP (Ps / KWH)	707.06	721.47
22	Distribution Margin (Ps / KWH)	-15.27	65.88
23	Average Tariff (Ps / KWH)	691.79	787.35
24	Average Real Tariff (Ps / KWH)	691.79	787.35
25	Prior Year Adjustment		22.61
26	Average Tariff (Ps / KWH)		809.96
25	Distribution Margin / Average Tariff (%)	-0.02	0.08

3.4 Income Tax

Income tax being pass through is the part of RORB. Income tax has therefore been calculated on projected net profit and included in the average and consumer end tariff.

4. Estimated Sales Revenue on the basis of proposed tariff for FY 2009-10 is presented on Annex-4.

➤ The category-wise tariffs proposed for FY 2009-10 are presented in Annex-5.

Inputs from MEPCO's Financial Statements audited for the year 2007-2008 and projected for the year 2009-10.

Annex 3:

INVESTMENT

Rs. Million

	Actual	Actual	Prov.	Projected
YEAR	2006-07	2007-08	2008-09	2009-10
DOP & Others	175.612	180.368	119.005	518.000
STG	242.000	1168.649	1016.853	1774.000
ELR	316.096	538.438	679.799	300.000
ENERGY EFFICENCY COMP.				20.000
SUB TOTAL	733.708	1887.455	1815.657	2612.000
VILLAGE ELECTRIFICATION	2422.141	1939.886	2356.220	1500.000
SUB TOTAL	3155.849	3827.341	4171.877	4112.000
CAPITAL CONTRIBUTION	1933.758	2419.274	2125.645	1500.000
GRAND TOTAL	5089.607	6246.615	6297.522	5612.000

MEPCO has planned to invest Rs.350 million on Development of Power, Rs.1774 million on STG Programme to improve Grid System, Rs.300 million in Energy Loss Reduction Programme and Rs. 1500 million on Village Electrification Programme and Rs.1500 million of Capital Contribution in the year 2009-10.

It is projected that Rs.1500 (m) for village electrification and Rs. 1500 (m) for new connections would be financed by the government and the customers respectively

5- Proposed Amendment

A new tariff under domestic category for Govt. and Semi Govt. Offices, Educational Institutions running on commercial basis may be introduced for which flat rate may be charged with no benefit of slab rate charging.

6- Special tariff for seasonal nature of business e.g. Cotton, Oil, Rice, Ice factories may be designed as seasonal nature of consumers are switching over on no-seasonal relevant industrial tariff to avail the benefit of billing demand and to avoid application of seasonal charges.

7- Addition in clause 5 of special conditions under seasonal tariff at the end of the para as "The facility of non charging of fixed charges due non operating of the season will be only for one season for during whole life of the business

- . - . - . - . - . - . -

MULTAN ELECTRIC POWER COMPANY LIMITED

CATEGORIES	SALES M/KWH	% to Total Sales	Load Factor	PROPOSED RATES		PROPOSED REVENUE		
				Fixed Charges	Variable Charges	Fixed Charges	Variable Charges	Total
DOMESTIC (0-50)	91.690	3.211			2.100		192.55	192.55
DOMESTIC (1-100)	621.104	21.751			4.019		2495.95	2495.95
DOMESTIC (101-300)	351.218	12.300			7.869		2763.58	2763.58
DOMESTIC (301-700)	313.550	10.981			10.169		3188.35	3188.35
DOMESTIC (ABOVE 700)	78.400	2.746			11.669		914.82	914.82
Other than Domestic & Temporary	0.286	0.010			9.869		2.82	2.82
TOD (Peak)	0.143				11.669		1.67	1.67
TOD (Off-Peak)	2.260				6.869		15.52	15.52
DOMESTIC	1458.650	51.082					9575.25	9575.25
UPTO 100 UNITS	29.190	1.022			13.169		384.39	384.39
ABOVE 100 UNITS	103.690	3.631	9.7	315	8.669	115.316	898.84	1014.16
above 5 KW	32.800	1.149			8.669		284.33	284.33
TEMP COMMERCIAL	0.720	0.025			13.369		9.63	9.63
TOD (Peak)	0.043		9.7	315	11.619	0.048	0.50	0.55
TOD (Off-Peak)	0.217		9.7	315	6.619	0.241	1.44	1.68
COMMERCIAL	166.660	5.836				115.606	1579.130	1694.74
INDUSTRIAL (B-1)	80.900	2.833			8.669		701.29	701.29
INDUSTRIAL (B-2)	163.020	5.709	45	315	6.919	39.080	1127.86	1166.94
INDUSTRIAL (B-2) TOD Peak	0.222		45	315	11.619	0.053	2.58	2.63
INDUSTRIAL (B-2) TOD Off-Peak	1.108	0.039	45	315	6.419	0.266	7.11	7.38
INDUSTRIAL (B-3) TOD Peak	31.235	1.094	40.5	305	11.519	8.056	359.78	367.84
INDUSTRIAL (B-3) TOD Off-Peak	156.175	5.469	40.5	305	6.319	40.279	986.80	1027.08
INDUSTRIAL (B-4) Peak	18.753		40.5	295	11.419	4.678	214.14	218.81
INDUSTRIAL (B-4) Off-Peak	93.767	3.284	40.5	295	6.219	23.390	583.09	606.48
INDUSTRIAL TOTAL	545.180	19.092				115.801	3982.656	4098.457
C-1 (A)	0.400	0.014	10		8.889		3.56	3.56
C-1 (B)	7.820	0.274	10	315	7.889	8.436	61.69	70.12
C-1(c) 400/230 above 5-500 TOD Peak	0.333		10	315	11.619	0.360	3.87	4.23
C-1(c) 400/230 above 5-500 TOD Off-Peak	1.667		10	315	6.419	1.798	10.70	12.50
C-2 11/33 KV	32.020	1.121	10	305	7.789	33.446	249.39	282.84
C-2 11/33 KV TOD Peak	0.398		10	305	11.519	0.416	4.59	5.00
C-2 11/33 KV TOD Off-Peak	1.992		10	305	6.319	2.080	12.58	14.66
C-3 (a)	1.310		10	295	7.719	1.323	10.11	11.43
C-3(b) 66 KV TOD Peak (5000 KW)	0.000		10	295	11.419	0.000	0.00	0.00
C-3 (b) 66 KV TOD Off-Peak (5000Kw)	0.000		10	295	6.219	0.000	0.00	0.00
BULK SUPPLY TOTAL	45.940	1.609				47.859	356.488	404.35
AGRICULTURE (SCARP) upto 5 KW	25.080	0.878			8.419	0.000	211.14	211.14
AGRICULTURE (PRIVATE)	602.140	21.087	50	90	11.619	37.118	6996.00	7033.12
AGRI. (SCARP & Agricultural) above 5 KW Peak	0.400		50	315	11.619	0.086	4.65	4.73
AGRI. (SCARP & Agricultural) above 5 KW Off-Peak	2.000		50	315	3.419	0.432	6.84	7.27
AGRICULTURE (T/WELL)	629.620	22.049				37.636	7218.626	7256.26
PUBLIC LIGHTING - G-1	6.900	0.242			11.639	0.000	80.31	80.31
RES. COLONIES - H-1	2.360	0.083			10.639	0.000	25.11	25.11
RLY. TRACTION - I	0.200	0.007			10.639	0.000	2.13	2.13
CO-GENERATION - J		0.000			0.000	0.000	0.00	0.00
MEPCO	2855.510	100.000			0.000	0.000	316.90	22819.69
							23136.59	

MULTAN ELECTRIC POWER COMPANY LIMITED
INCOME STATEMENT
YEAR ENDING JUNE 30TH

	UNIT	Audited 2008	Un-audited 2009	Projected 2010 (Jul-Sep)
Units Received	M/KWH	11,517	11,087	3,569
Units Lost	M/KWH	2,130	2,037	714
Units Loss	%	18	18.37	20
Units Sold	M/KWH	<u>9,388</u>	<u>9,051</u>	<u>2,856</u>
cost of Units Purchased	Rs.Kwh	4.53	5.77	5.77
Cost of Units Sold	Rs.Kwh	4.80	6.92	8.59
<u>OPERATING REVENUE</u>				
Sales of Electricity	Rs. Mill	45,051	62,613	22,483
Rental & Service Income	Rs. Mill	208	183	50
Total Operating Revenue	Rs. Mill	<u>45,259</u>	<u>62,795</u>	<u>22,533</u>
Amoretization of deferred Credit	Rs. Mill	873	995	256
		<u>46,132</u>	<u>63,790</u>	<u>22,789</u>
Operating Costs				
Capacity Purchase Price	Rs. Mill	52,164	63,976	20,602
Energy Purchase price	Rs. Mill			
Transmission charges	Rs. Mill			
Salaries Wages and Benefits	Rs. Mill	2,712	3,211	939
Repair & Maintenance	Rs. Mill	388	465	145
Travelling	Rs. Mill	197	209	60
Transportation	Rs. Mill	164	202	61
Agricultural Relief on Tubewell connections	Rs. Mill			
Miscellaneous	Rs. Mill	517	507	179
Provision for Bad Debts	Rs. Mill	332	150	91
Amortization of assets subject to finance Lease	Rs. Mill		4	
Depreciation	Rs. Mill	1,405	1,632	464
Cost of Sales	Rs. Mill	<u>57,879</u>	<u>70,358</u>	<u>22,540</u>
Gross profit	Rs. Mill	(11,746)	(6,567)	249
Miscellaneous Income	Rs. Mill	1,212	1,592	281
Profit/(Loss) befoire Interes and taxes	Rs. Mill	(10,535)	(4,976)	530
Financial and Other Charges	Rs. Mill	(1,378)	(14)	(46)
Net Profit/(Loss) Before Tax	Rs. Mill	(11,913)	(4,990)	484
Tax	Rs. Mill	58		(169)
Net Profit/(Loss) after Tax	Rs. Mill	(11,855)	(4,990)	315
WPPF	Rs. Mill			
Net Profit/(Loss) for the year	Rs. Mill	(11,855)	(4,990)	315
Loss brought forward	Rs. Mill	(13,489)	(25,344)	(30,334)
Prior year Adjustment	Rs. Mill			2,041
Accumulated Loss	Rs. Mill	<u>(25,344)</u>	<u>(30,334)</u>	<u>(27,979)</u>
				<u>(30,334)</u>
Return on Assets Before Interest & Taxes Including interest on short term Borrowings (%)				3
Rate of Return after Tax (%)				2
Rate Base				17950

MULTAN ELECTRIC POWER COMPANY LIMITED
BALANCE SHEET
YEAR ENDING JUNE 30TH

	Audited 2008	Un-Audited 2009	Projected 2010
Assets			
FIXED ASSETS			
Fixed Assets in operation	44,340	50,209	51,662
Less Accumulated Depreciation	13,749	15,381	15,846
Net fixed Assets in operation	30,591	34,828	35,817
Assets Subject to Finance Lease	28	24	24
Work In Progress	4,431	4,837	4,138
Total fixed Assets	35,050	39,688	39,979
Long Term Loans and Advances	16	19	35
Long Term Deposits	4	4	4
	35,069	39,712	40,018
Current Assets			
Store, Spares and Loose Tools	1,405	2,115	2,005
Accounts Receivables	4,928	6,346	6,436
Less Provision for Bad Debts	331	481	622
Accounts Receivables-Net	4,597	5,865	5,815
Loans, Advances, Deposits & other receivables	4,658	14,865	17,943
Cash & Bank Balances	4,589	5,145	5,417
Total Current Assets	15,249	27,990	31,180
Total Assets	50,319	67,702	71,198
CAPITAL AND LIABILITIES			
Authorises Share Capital			
5,000,000,000 Ordinary Shares of Rs. 10/ each			
Issues, Subscribed and Paid up capital	0	0	0
Deposit for Shares	10,824	10,824	10,824
Retained Earnings/(Accumulated Losses)	(25,344)	(30,334)	(27,979)
Total Equity	(14,520)	(19,511)	(17,155)
Deferred Credits	19,717	22,219	22,713
Long Term Loans			1,074
New Loans	-		
Liability against Assets subject to finance lease	10	2	6
Employees retirement Benefits	4,230	4,845	5,014
Security Deposits	1,901	2,367	2,722
Receipts against deposit work	7,740	8,872	9,573
Current Liabilities			
Creditors Accrued & Other liabilities	31,241	48,906	47,082
Provision for Tax/WPPF			169
Other Liabilities	31,241	48,906	47,251
Total Capital and Liabilities	50,319	67,701	71,198

MULTAN ELECTRIC POWER COMPANY LIMITED

CASHFLOW STATEMENT YEAR ENDING JUNE 30TH

	Audited 2008	Provisional 2009	Projected 2010
Cash Flow From Operating Activities			
Profit/(Loss) for the year	(11855)	(4990)	315
Adjustment for non cash charges and other items:			
Depreciation	1408	1632	464
Prior year adjustment	0		2041
Provision for Retirement Benefits	919	945	260
Provision for Bad Debts	331	150	141
Provision for Tax/WPPF			169
Provision for Slow moving/Obsolete Items			
Amortization of assets subject to finance lease	(873)	(995)	(256)
Amortization of Deferred Credits			
Gain on Sale of Fixed Assets	1378	14	46
Financial Charges			
Cash Flow From Operating Activities Before Adjustment for Working Capital	(8692)	(3243)	3179
(Increase)/Decrease in current Assets	869	(710)	109
Stores, Spare and Loose tools	(1106)	(1418)	(91)
Trade Debts	1261	(10208)	(3078)
Loans, Advance, Deposits and Other Receivables	1024	(12335)	(3059)
Total Adjustments			
Increase/(Decrease) in current Liabilities			
Short term Loans	16013	17665	(1824)
Creditors, Advances, Deposits, Accrued and Other Liabilities			
Effect on Cash Flows due to Working Capital Changes	8345	2087	(1704)
Cash(Used In)/Generated from Operating Activities			
Receipts Against Deposit Works	(244)	(330)	(91)
Pension Obligation Paid			
Tax paid	(1378)	(14)	(46)
Financial Charges paid	6722	1743	(1840)
Net Cash Flow From Operating Activities	(5900)	(6275)	(755)
Capital Expenditure			
Sale Proceeds from Sale of Fixed Assets	(2)	0	0
Long term Deposits	(8)	(3)	(16)
Long Term Loans and Advances	(5911)	(6279)	(771)
Net Cash Flow From Investing Activities			
Cash Flow from Financing Activities			
Long Term Loans -Net	(4975)		1074
Repayment of Finance Lease Liabilities	0	0	0
Increase in Deposits for Shares	5004	4629	1451
Capital Contributions	214	466	354
Security Deposit received	243	5095	2879
Net(Decrease)/increase in Cash & Bank Balances	1055	559	268
Cash & bank Balances at Beginning of the Year	3535	4589	5148
Cash & bank Balances at End of the Year	4589	5148	5416

MULTAN ELECTRIC POWER COMPANY LIMITED

**PROPOSED TARIFF PER UNIT CATEGORY-WISE
TO MEET THE REVENUE REQUIREMENTS
FOR 1ST QUARTER (JUL-SEP2009) F.Y. 2009-10**

TARIFF CATEGORY	EXISTING	PROPOSED
	RS. KWH	TARIFF (Rs. kwh)
	2008-09	2009-10
DOMESTIC		
DOMESTIC (0-50)	1.6	2.1
DOMESTIC (1-100)	4.15	4.02
DOMESTIC (101-300)	8.00	7.87
DOMESTIC (301-700)	10.5	10.17
DOMESTIC (ABOVE 700)	12	11.67
FOR SANCTIONED LOAD < 5KW		
TOD (PEAK)	12.00	11.67
TOD (OFF PEAK)	7.00	6.87
DOMESTIC TEMPORARY	10	9.87
COMMERCIAL		
UPTO 100 UNITS Upto 5 KW	13.5	13.17
ABOVE 100 UNITS Above 5 KW	9.00	8.67
Above 5kw		
TOD (PEAK)	12	11.62
TOD (OFF PEAK)	6.75	6.62
TEMPORARY	13.50	13.37
INDUSTRIAL		
INDUSTRIAL B-1	9.00	8.67
INDUSTRIAL B-2 (a)	7.25	6.92
INDUSTRIAL B-2 TOD (PEAK)	12	11.62
INDUSTRIAL B-2 TOD (OFF PEAK)	6.75	6.42
INDUSTRIAL (B-3) TOD (PEAK)	11.9	11.52
INDUSTRIAL (B-3) TOD (OFF PEAK)	6.65	6.32
INDUSTRIAL (B-4) TOD (PEAK)	11.8	11.42
INDUSTRIAL (B-4) TOD (OFF PEAK)	6.55	6.22
BULK SUPPLY		
C-1 (A)	9.25	8.89
C-1 (B)	8.25	7.89
C-1 (C) < 20KW (PEAK)	12	11.62
C-1 (C) < 20KW (OFF PEAK)	6.75	6.42
C-2 (A)	8.15	7.79
C-2 (B) < 20KW & 5000 KW (PEAK)	11.9	11.52
C-2 (B) < 20KW & 5000 KW (OFF PEAK)	6.65	6.32
C-3 (A)	8.05	7.72
C-3 (B) < 5000KW (PEAK)	11.8	11.42
C-3 (B) < 5000KW (OFF PEAK)	6.55	6.22
AGRICULTURE		
AGRICULTURE (SCARP)>5KW	8.75	8.42
AGRICULTURE (PRIVATE)	4	3.87
SCARP AND AGRICULTURAL <5KW PEAK	12	11.62
SCARP AND AGRICULTURAL <5KW OFF PEAK)	3.75	3.42
PUBLIC LIGHTING - G-1	12	11.64
RES. COLONIES - H-1	11	10.64
RLY. TRACTION - I	8	7.64
MEPCO AV. TARIFF	8.12	8.0996

MULTAN ELECTRIC POWER COMPANY MULTAN

DEMAND ANALYSIS HISTORICAL CONSUMPTION AND FORECAST

Fig. In Million

CATEGORIES	ACTUAL			Provisional	projected
	2005-06	2006-07	2007-08	2008-09	2009-10
DOMESTIC	4149.46	4623.6	4526.66	4400.99	1458.7
COMMERCIAL	469.21	536.58	549.88	535.52	166.7
INDUSTRIAL	2496.34	2421.54	2231.68	1989.81	545.2
BULK SUPPLY	123.09	132.22	136.25	135.51	45.9
AGRICULTURE (T/WELL)	1658.81	1809.83	1900.99	1954.98	629.6
PUBLIC LIGHTING - G-1	26.85	30.74	28.51	25.06	6.9
RES. COLONIES - H-1	12.56	10.42	6.1	6.6	2.4
RLY. TRACTION - I	3.66	4.32	2.91	0.75	0.2
CO-GENERATION - J	1.24	1.39	3.395	1.27	
TOTAL:-	8941.22	9570.64	9386.375	9050.49	2855.51

MULTAN ELECTRIC POWER COMPANY LIMITED (WAPDA)

Calculation of Projected Operating & Maintenance Cost

Rs. In Million

Actual		Est. Actual	Act. Un-Audited 2008-09	Projected (Juy-Sep.)
2006	2007	2008	Total	2010

Particulars of Expenses

Salaries , Wages and other benefits	2180.709	2287.479	2712.290	3211.128	939.255
Repair and Maintenance	359.581	370.765	388.152	465.015	145.317
Rent rates and taxes	6.572	7.794	6.733	6.607	1.767
Telephone and postage	24.202	23.263	30.033	24.790	6.631
Power light and water	27.216	30.712	32.124	34.304	10.291
Office supplies and other expensess	43.457	49.933	75.433	56.280	16.181
Travelling and conveyance	164.997	186.740	197.141	209.195	60.144
Insurance	0.000	0.024	0.000	6.626	1.822
Professional fee	8.952	9.940	10.952	15.866	4.244
Computer and outside services	13.335	10.177	15.617	13.733	3.674
Transportation	138.327	153.547	163.550	202.336	60.701
Agricultural Relief				0.000	0.000
Electricity bills collection charges	155.315	217.050	232.688	243.335	65.092
Management fees	13.016	16.298	21.984	24.645	6.777
Authority overheads	60.889	65.691	65.907	50.406	53.426
Other charges	25.903	23.940	26.353	30.032	8.634
Amortization of deferred cost				0.000	
NEPRA fee				0.000	
Tariff Petition fee				0.000	
Provision for Bad Debts		234.370	330.734	150.401	90.548
Interest on Short Term Loans				0.000	
TOTAL	3222.471	3687.723	4309.691	4744.699	1474.504

Net Total **3222.471** **3687.723** **4309.691** **4744.699** **1474.504**