TRIBAL AREAS ELECTRIC SUPPLY COMPANY LIMITED

TESCO ADJUSTMENT AND INDEXATION FOR CY 2027

AND

PRIOR YEAR ADJUSTMENT (PYA)

Under the Applicable Distribution and Supply Tariff Determinations

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Indexation / Adjustment for CY 2027 under Applicable Tariff Determinations

Description	Units	Projected CY 2027 - Rs. Million		
		SoP	DoP	Total
Units Received	GWh	1,650	1,650	1,650
Units Sold	GWh	1,503	1,503	1,503
Units Loss	GWh	147	147	147
Percentage Loss	%	8.89%	8.89%	8.89%
Energy Charges	Mln. Rs.	14,134.627	0.000	14,134.627
Capacity Charges	Mln. Rs.	46,630.407	0.000	46,630.407
Transmission/Market Charges	Mln. Rs.	5,654.966	0.000	5,654.966
MoF/Operator Fee	Mln. Rs.	0.00	0.00	0.00
Total Power Purchase	**Mln. Rs.**	**66,420.000**	**0.000**	**66,420.000**
Pay & Allowances	Mln. Rs.	504.00	1,176.00	1,680.00
Post-Retirement Benefits	Mln. Rs.	225.00	525.00	750.00
Outsourcing of 32 ALMs and 32 LMIs	Mln. Rs.	0.00	56.37	56.37
Repair & Maintenance	Mln. Rs.	29.60	266.40	296.00
Travelling Allowance	Mln. Rs.	14.10	32.90	47.00
Vehicle Maintenance	Mln. Rs.	21.90	51.10	73.00
Other Expenses	Mln. Rs.	33.90	79.10	113.00
Actuarial Staff Retirement Cost	Mln. Rs.	961.87	2,244.37	3,206.24
Total O & M Costs	**Mln. Rs.**	**1,790.37**	**4,431.24**	**6,221.62**
Depreciation	Mln. Rs.	71.30	641.70	713.00
RORB	Mln. Rs.	175.30	1,577.70	1,753.00
Other Income	Mln. Rs.	(72.40)	(651.60)	(724.00)
Wheeling Charges	Mln. Rs.	2,495.52	0.00	2,495.52
Distribution and Supply Margin	**Mln. Rs.**	**4,460.09**	**5,999.04**	**10,459.14**
Prior Year Adjustment	Mln. Rs.	13,218.295	2,337.077	15,555.372
Overall Revenue Requirement	**Mln. Rs.**	**84,098.388**	**8,336.119**	**92,434.507**

Pay & Allowances:

Pay and Allowances, including employees' salaries and benefits, constitute a major component of TESCO's O&M expenses. TESCO follows the Basic Pay Scale structure prescribed by the Federal Government for its regular employees, while the approved lump-sum pay structure applies to contractual employees. The salary increase announced by the Federal Government and the normal annual increment have been incorporated in the projected expenditure.

For CY 2027, an amount of Rs. 504 million is requested for the Supply business and Rs. 1,176 million for the Distribution business. The total amount requested under Pay and Allowances is Rs. 1,680 million.

Post-Retirement Benefits:

Post-retirement benefits of TESCO's employees are paid in accordance with the applicable Government rates. The expenditure also increases with the addition of newly retired employees and the continuing obligations towards pensioners.

For CY 2027, an amount of Rs. 225 million is requested for the Supply business and Rs. 525 million for the Distribution business. The total amount requested under Post-Retirement Benefits is Rs. 750 million.

Outsourcing of ALMs and LMIs:

TESCO intends to outsource the services of 32 Assistant Linemen and 32 LMIs to support field operations and the effective maintenance of its electricity network. The estimated monthly remuneration is Rs. 63,059 for each ALM and Rs. 70,400 for each LMI. A contractor margin of 10% has been included in the estimated cost.

The total amount requested for outsourcing under the Distribution business for CY 2027 is Rs. 56.373 million.

Repair & Maintenance:

Repair and maintenance expenditure is essential for reliable operation of TESCO's network. TESCO serves a geographically dispersed and difficult territory through 20 grid stations, approximately 949.13 kilometres of transmission lines, 355 feeders, 19,423 distribution transformers, 11,240.57 kilometres of HT lines and 6,334.55 kilometres of LT lines.

The ageing network, overloading of the distribution system, difficult terrain, adverse weather and recurring damage to network infrastructure require regular maintenance and replacement of damaged equipment. The provision covers grid stations, transmission and distribution lines, transformers, protection systems and associated operational equipment.

For CY 2027, Rs. 29.6 million is requested for the Supply business and Rs. 266.4 million for the Distribution business. The total amount requested under Repair and Maintenance is Rs. 296 million.

Travelling Allowance:

TESCO's operational area includes remote and difficult locations. Employees are required to travel for inspection and maintenance of the transmission and distribution systems, supervision of field activities, complaint handling, recovery operations, official meetings and training programmes.

For CY 2027, Rs. 14.1 million is requested for the Supply business and Rs. 32.9 million for the Distribution business. The total amount requested under Travelling Allowance is Rs. 47 million.

Vehicle Maintenance:

TESCO maintains an operational fleet for field inspections, maintenance activities, complaint handling, recovery operations and transportation of staff and equipment across its service territory. Difficult terrain, extensive travelling requirements and the cost of fuel, lubricants, spare parts and repairs affect expenditure under this head.

For CY 2027, Rs. 21.9 million is requested for the Supply business and Rs. 51.1 million for the Distribution business. The total amount requested under Vehicle Maintenance and POL is Rs. 73 million.

Other Expenses:

Other Expenses comprise operating costs not covered under the preceding heads. The major components include injuries and damages, consultancy and professional charges, legal expenses, Board of Directors fees, rent, advertising and publicity, postage and telephone, computer services, power, light and water, office supplies, subscriptions, audit-related expenditure and miscellaneous operational expenses.

For CY 2027, Rs. 33.9 million is requested for the Supply business and Rs. 79.1 million for the Distribution business. The total amount requested under Other Expenses is Rs. 113 million.

Actuarial Staff Retirement Benefits:

The FY 2024-25 financial statements recognize staff retirement benefit cost comprising current service cost and net interest expense. For CY 2027, the actuarial staff retirement cost has been projected on a prudent basis. To avoid overlap with the recurring Post-Retirement Benefits claim, the recurring amount of Rs. 750 million has been deducted from the gross projected actuarial cost.

Description	Rs. Million
Gross projected actuarial cost for CY 2027	3,956.242
Less: Recurring Post-Retirement Benefits	(750.000)
Additional actuarial cost claimed for CY 2027	3,206.242

Accordingly, Rs. 961.873 million is requested for the Supply business and Rs. 2,244.369 million for the Distribution business. The total additional actuarial cost requested for CY 2027 is Rs. 3,206.242 million.

Depreciation:

Depreciation has been projected in accordance with the mechanism prescribed by NEPRA, taking into account the fixed assets employed in TESCO's Supply and Distribution businesses and the projected movement in gross fixed assets in operation.

For CY 2027, Rs. 71.3 million is requested for the Supply business and Rs. 641.7 million for the Distribution business. The total amount requested under Depreciation is Rs. 713 million.

Other Income:

Other Income comprises rental and service income, profit on deposits, amortization of deferred credits, income from non-utility operations and miscellaneous income. The amount has been projected in accordance with the applicable mechanism prescribed by NEPRA.

Other Income of Rs. 72.4 million has been allocated to the Supply business and Rs. 651.6 million to the Distribution business. A total of Rs. 724 million has been deducted from TESCO's revenue requirement for CY 2027.

RORB:

TESCO requires continued investment in its electricity network for reinforcement and rehabilitation of grid stations, transmission and distribution lines, overloaded transformers, protection systems and other operational assets. These investments are necessary for improving system reliability and maintaining continuity of supply within the service territory.

RORB has been projected in accordance with the regulatory asset base and the applicable rate of return. For CY 2027, Rs. 175.3 million is requested for the Supply business and Rs. 1,577.7 million for the Distribution business. The total RORB requested is Rs. 1,753 million.

Wheeling Charges:

TESCO receives electricity through the transmission and distribution network of PESCO at the applicable voltage levels. Consequently, PESCO raises wheeling charges against TESCO for use of its system. Based on the latest complete-year charges, TESCO requests Rs. 2,495.520 million under Wheeling Charges for CY 2027. The entire amount has been allocated to the Supply business.

Wheeling charges pertaining to previous periods remain pending for recovery. The cumulative pending amount from FY 2019-20 to FY 2025-26 is claimed separately through PYA.

Period	Rs. Million
FY 2019-20	2,363.161
FY 2020-21	595.090
FY 2021-22	571.000
FY 2022-23	406.000
FY 2023-24	796.000
FY 2024-25	4,479.927
FY 2025-26	2,495.520
Total Pending Wheeling Charges	**11,706.697**

Prior Year Adjustment (PYA):

TESCO has incurred prior-period costs arising from the nature of its regulated Supply and Distribution businesses that remain unrecovered through the existing tariff. TESCO therefore requests the Authority to allow the following amounts through PYA for CY 2027.

Description	SoP Rs. Mln.	DoP Rs. Mln.	Total Rs. Mln.
Pending wheeling charges	11,706.697	0.000	11,706.697
FBR payment/deduction	509.994	0.000	509.994
FY 2024-25 actuarial staff retirement charge	1,001.604	2,337.077	3,338.681
Total PYA	**13,218.295**	**2,337.077**	**15,555.372**

The PYA includes Rs. 509.994 million deducted/recovered by the Federal Board of Revenue in relation to TESCO's electricity supply operations. The entire amount has been allocated to the Supply business.

The FY 2024-25 financial statements recognize a staff retirement benefits charge of Rs. 3,338.681 million, comprising current service cost of Rs. 499.924 million and net interest expense of Rs. 2,838.757 million. This amount has been claimed separately through PYA and allocated between the Supply and Distribution businesses on a 30:70 basis.

Accordingly, TESCO requests total PYA of Rs. 15,555.372 million. Including Power Purchase Price of Rs. 66,420 million and the CY 2027 Distribution and Supply Margin of Rs. 10,459.135 million, TESCO's total adjustment and indexation request for CY 2027 amounts to Rs. 92,434.507 million.