



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/TRF-109/LESCO-2008/784-86


November 7, 2008

Subject: **Determination of the Authority in the Matter of Petition filed by Lahore Electric Supply Company Ltd. (LESCO) for Determination of Consumer-end Tariff and Rates of Security Deposits [Case No. NEPRA/TRF-109/LESCO-2008 (3)]**

Dear Sir,

An Order of the Authority in the subject matter has already been communicated to Federal Government vide letter no. NEPRA/TRF-109/LESCO-2008/257-259 dated 29.09.2008 for notification in the official Gazette. Attached please find NEPRA's detailed determination (16 pages) along with Annexes thereto (20 pages).

Enclosure: As above.


(Mahjoob Ahmad Mirza) 7-11-08

The Secretary,
Cabinet Division,
Government of Pakistan
Cabinet Secretariat,
Islamabad

CC:

1. Secretary, Ministry of Water & Power, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.



**NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
(NEPRA)**

No. NEPRA/TRF-109/LESCO-2008

**DETERMINATION OF THE AUTHORITY IN THE MATTER OF
PETITION FILED BY LAHORE ELECTRIC SUPPLY COMPANY
(LESCO) FOR DETERMINATION OF CONSUMER-END TARIFF AND
RATES OF SECURITY DEPOSITS**

PETITIONER


Lahore Electric Supply Company Limited (LESCO)
22 A Queens Road, Lahore

INTERVENER

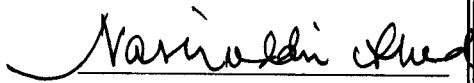
Rashid Law Associates on behalf of
All Pakistan Textile Mills Association 5th Floor
Ajmal House, 27-Egerton Road, Lahore

AUTHORITY

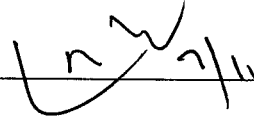
Zafar Ali Khan
Member


7/11/08

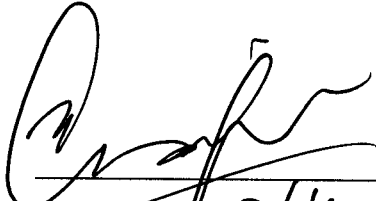
Nasiruddin Ahmed
Member

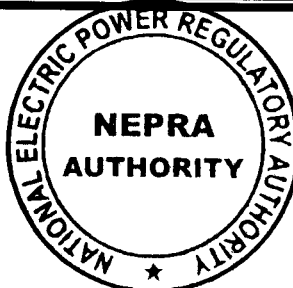

7/11/08

Maqbool Ahmad Khawaja
Member


7/11

Khalid Saeed
Chairman


7/11







BACKGROUND

- 1.1 Lahore Electric Supply Company Limited (LESCO) is an ex-WAPDA Distribution Company (DISCO) owned by the Government of Pakistan (GOP) and incorporated as a Public Limited Company under the Companies Ordinance 1984 in consequence of structural reforms introduced by GOP in the power sector. The principal business of the company is to provide electricity to the consumers residing in the districts of Lahore, Kasur, Okara and Sheikupura, under license No. 03/DL/2002 granted by NEPRA.
- 1.2 LESCO filed a tariff petition with NEPRA on June 18, 2008 for the determination of consumer-end tariff and rates for the security deposits for the Financial Year (FY) 2008-09 under Tariff Standards and Procedure Rules 1998. The petition was admitted by the Authority on June 24, 2008. Notice of admission/hearing was published in major national newspapers on June 27, 2008. Letters were sent to the key stakeholders inviting comments along with evidence, if any, to assist the Authority in arriving at a just and fair decision. In response, on intervention request from Rashid Law Associates on behalf of All Pakistan Textile Mills Association (APTMA), 5th Floor Ajmal House, 27-Egerton Road, Lahore was received. Hearing in the matter was held on July 11, 2008 at the Main Office of NEPRA.

2. RELIEF SOUGHT

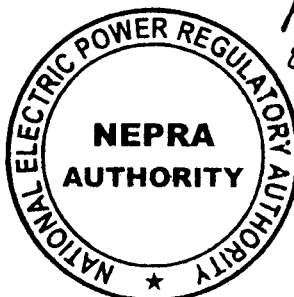
LESCO requested for:

- a. Approval of the Proposed Tariff Structure.
- b. Approval of the rates of Security Deposits.
- c. Amendment in the time frame / interval for adjustment of the tariff on account of Power Purchase Price of LESCO.

3. INTERVENER

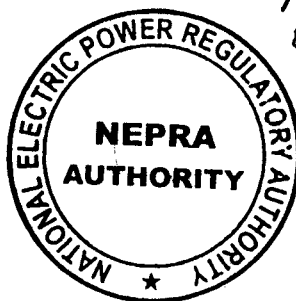
3.1 All Pakistan Textile Mills Association (APTMA)

- 3.1.1 APTMA submitted that the petition for the proposed enhancement in Tariff be dismissed and the entire process be re-designed while framing the issues involved in this petition and allowing all the parties concerned to provide evidence in support of their claims including the Petitioner company, which is under greater responsibility to prove the contents of the petition. The standards for determining the rates of return in every respect, whether on investment or assets, be re-framed and re-



designed with the aim of providing higher transparency and effectiveness in the determination process without delay. A need for framing of the issues prior to the hearing and production of evidence and counter evidence in accordance with the law and the rules was also emphasized.

- 3.1.2 APTMA also requested the Authority for the appointment of Private Financial Consultants & Auditors to scrutinize the proposed tariff petition in reference to the details of numbers provided in the petitions so that a realistic approach could be developed in the determination process as the figures appear to be highly exaggerated. It was further contended that the revenue estimations are not presented, prepared and calculated in accordance with the mandatory provisions of the NEPRA Act and the rules framed there-under. APTMA considered the petition to have been filed incompetently and without any authorization and objected that it is defective as the proposed enhancement is based on the decision of NEPRA made in review, which is not liable to be processed further unless the enhancement of tariff as provided through the order passed in review is not excluded from the basic structure of tariff prevailing presently. APTMA also criticized the power of review under the Tariff Rules being devoid of any legal sanctity in the eyes of the law.
- 3.1.3 Commenting further on the contents of the petition, APTMA considered the level of line losses to be enormously high and demanded the same to be disallowed by the Authority and to be compensated from its own sources or profits on this account. Other items viewed to be abnormal in the tariff petition were the proposed rate of return @20%, depreciation of assets and operating expenses. The request of LESCO for enhancement in the security deposit was also viewed to be based on *mala fide*, irrational and unjustified motives. A demand for payment of return on all the security deposits retained by the petitioner for the entire length of period was also made. APTMA suggested that the petitioner shall start making the annual returns on such deposits as per bank rates and shall start accepting other forms of securities. APTMA blamed the petitioner for striving to achieve maximum profits at the cost of its consumers and the well being and prosperity of the industry which is a clear violation of Article 2A of the Constitution.
- 3.1.4 APTMA, the representative body of the textile sector, claimed it to be the largest foreign exchange generating sector of the country and requested for its classification as a distinct group of industrial consumers to be afforded electricity at cheaper rates in order to help them compete in international markets like their other competitors like



India, Bangladesh, China etc., where the electricity tariffs for the textile sector are at least 25% - 40% lower than others.

- 3.1.5 Subsidization of certain groups of consumers at the cost of the industrial consumers was also considered damaging by APTMA and it demanded the same to be handled through direct subsidy of the Government instead of resorting to cross-subsidy from the industrial category.

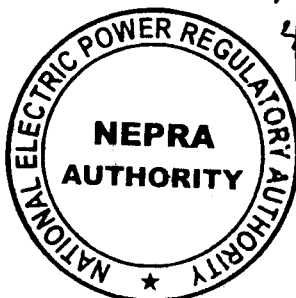
4. ISSUES

The Following issues were considered:

- Power Purchase Price (PPP) & Time frame for PPP Adjustment
- Distribution Margin
- Consumer-end Tariff
- Rates of Security Deposits
- Other issues raised by APTMA

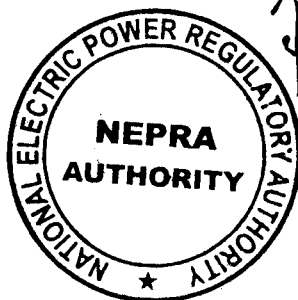
5. POWER PURCHASE PRICE (PPP) & TIME FRAME FOR PPP ADJUSTMENT

- 5.1 According to LESCO, NEPRA in its determination dated January 10, 2008 allowed revision of PPP on a quarterly basis on a prescribed formula. LESCO filed application for revision in PPP for the period January-March 2008 as prescribed by NEPRA. LESCO stated that the revised PPP was supposed to be applicable with effect from April 1, 2008. However, the revision requested was still under process with NEPRA and GOP, which was creating severe liquidity problems for the Company. LESCO further stated that the loss during the current financial year due to higher PPP and lower consumer-end tariff was expected to be Rs. 5,679 Million.
- 5.2 LESCO requested the Authority to look into matter and ensure determination of annual tariff as well as timely adjustment in PPP. LESCO further requested NEPRA to address the following main issues in its tariff methodology:
- Liquidity risks due to delayed adjustment of PPP fluctuations in the end-user tariff.
 - Liquidity risks due to having no adjustment provision for changes in the generation mix with respect to PPP fluctuations in the end-user tariff.
 - Liquidity risks as a result of not adjusting components of the average tariff for actual sales growth.





- 5.3 According to LESCO it was exposed to the abovementioned risks due to the delayed adjustment of PPP, therefore, the existing tariff adjustment time frame of 6 months in arrears may be brought down to one month. LESCO further proposed that the cost of the purchased electricity should be "pass-through" to the consumers through the retail tariff, without affecting LESCO's distribution margin.
- 5.4 The Authority, keeping in view the information provided by LESCO and oil prices prevailing internationally, has evaluated the LESCO's request. The Authority based its earlier decision for allowing bi-annual PPP adjustment on past trend of fuel price fluctuation. This trend changed altogether during FY 2007-08, which has necessitated reviewing the existing bi-annual PPP adjustment mechanism in view of the volatile international oil market. Regarding LESCO's pending request for quarterly adjustment, it could not be processed because the revised mechanism was not notified by the Federal Government in the Official Gazette.
- 5.5 During the period from July 2007 to June 2008 oil prices varied from about Rs.20,000 per ton to Rs. 47,000 reflecting an increase of 135%. The share of oil based generation in the overall generation is about 29%. The impact of increase in oil price alone, after taking into account transmission and distribution system losses, in the consumer-end tariff is about 38.6%. The Authority has, accordingly, based LESCO's assessment for the FY 2008-09 on increased fuel prices prevailing during the month of June 2008.
- 5.6 In the petition LESCO did not take into account the additional impact (about 17.4%) of revenue shortfall on account of actual Power Purchase Price (PPP) being higher than that allowed to LESCO during the period January-June 2008. The Authority is of the opinion that the increase in PPP was beyond LESCO's control and in order to keep the DISCO functioning smoothly a corresponding increase in the consumer-end tariff was required. The Authority has, therefore, allowed LESCO to pass on this additional impact to the end-consumer through its decision dated August 22, 2008 in accordance with the biannual Power Purchase Price Adjustment Mechanism notified vide SRO. 157 (I)/2007 dated February 23, 2007 and 210 (I)/2008 dated 1st March 2008. The recovery on this account will be made during the FY 2008-09 and increase on this account will only be for a period of one year.
- 5.7 The consumer-end tariff is being revised on two accounts:
- Due to shortfall in revenue occurring during the period January-June 2008 resulting from variation in PPP as against the reference PPP. The recovery on this account will be made during the FY 2008-09. The consumer-end tariff to the





extent of this increase will be revised after June 2009.

- ii. Due to revision in reference PPP as a result of change in PPP Adjustment Mechanism from existing 6 months to 1 month subsequent to amendment in the NEPRA Act.

- 5.8 The Federal Government has amended NEPRA Act XL of 1997 by introducing a proviso under section 31(4) thereof:

“Provided further that the Authority shall, on a monthly basis, review and revise the approved tariff on account of any variations in the fuel charges and policy guidelines as the Federal Government may issue in this behalf and recommend the tariff so revised to the Federal Government for notification in the official Gazette”.

- 5.9 After amendment in the NEPRA Act, it has become mandatory for the Authority to review the DISCOs' consumer-end tariff on a monthly basis on account of variation in PPP due to change in fuel prices. Accordingly, monthly review mechanism for PPP has been prescribed, which is attached as **Annex-I**. In this regard, the actual PPP for June 2008 of Rs. 5.40/kWh has been taken as a reference for PPP adjustment for the FY 2008-09.

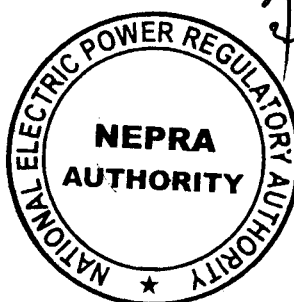
- 5.10 The Authority has noted that the DISCOs also suffered on account of delay in implementation of NEPRA decisions i.e. from the date of the Authority's actual decision and notification by GOP. Further, another time lag occurs on account of adjustments in tariffs. The Authority feels that the time lag needs to be minimized.

6. DISTRIBUTION MARGIN (DM)

- 6.1 LESCO requested to allow DM of Rs. 8,992.24 million (Rs. 0.64/kWh) for the FY 2008-09 as per the following details:

Description	Rupees in Million.
O&M Cost	8,684.37
Depreciation	1,288.71
RORB	1,440.16
Gross DM	11,413.24
Less: Other Income	(2,421.00)
Net DM	8,992.24

- 6.2 LESCO's working was based on the following assumptions:



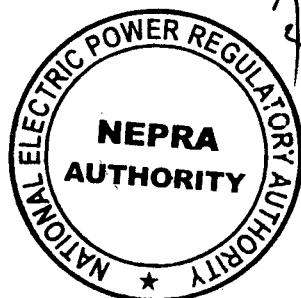
- Expected units to be sold during the FY 2008-09 to the tune of 14,110 MWh assuming 2.5% growth from the last year's sales.
- Transmission and Distribution (T&D) losses of 12.30%.
- Increase in O&M cost by 17.21% for the FY 2008-09. The proposed increase is based on CPI for the last 12 months up to April 2008. Accordingly the requested O&M cost is around Rs. 8,684 million. This also includes a provision for bad debts of Rs. 213.78 million (0.25% of sales).
- The amount of other income has been maintained at the same level of the FY 2007-08 as was assessed by NEPRA.
- LESCO used current depreciation rates as per existing practice. The depreciation amount has thus been calculated as the value (provisional) of the Asset on June 30, 2008 and new investments (excluding customer's deposits/contributions) during the FY 2008-09 (adjusted for non-capitalization) divided by the asset's economic life. The depreciation charge for the FY 2008-09 has been, accordingly, worked out to be Rs. 1,289 million.
- Income tax @ 35% of the profit is payable as per tax law. However, LESCO has brought forward unabsorbed depreciation and losses. Therefore, it is expected that no income tax will be paid in the FY 2008-09.
- LESCO has assumed an equity of Rs. 6,737.9 million and debt of Rs. 3,306.94 million. Weighted Average Cost of Capital (WACC) of 14.5% has been worked out assuming costs of debt and equity of 13% and 15% respectively.

7. Operation and Maintenance (O&M) Cost

The Authority has examined LESCO's request on the basis of the above mentioned assumptions and the information provided in this regard. Having considered all the relevant information/evidence available, the Authority is of the opinion that provision for bad debt of Rs. 213.78 million requested by the petitioner is not justified and has decided not to allow the same. The Authority considers that the remaining O&M cost of Rs. 8470.73 million requested by LESCO is reasonable and has, therefore, decided to allow the same.

8. Depreciation

The petitioner requested Rs. 1,288.71 million on account of depreciation. The asset base for the FY 2008-09 is projected to be Rs. 36.63 billion (gross) and Rs. 31.38 billion (net). This amount also includes the amount of capital contribution (deferred credit) from the consumers to the tune of Rs. 17.77 billion. The intervener has objected to the estimation of depreciation which according to him includes the



depreciation on assets built at the cost of consumers. In this regard, the Authority has taken due care to allow depreciation in respect of assets built by the petitioner itself. Hence, for the purpose of calculation of tariff, the amortization of capital contribution to the extent of Rs. 465.94 million has been adjusted through inclusion in the revenues of LESCO, thus passing on the benefit to this extent to the consumers. Accordingly, the petitioner is allowed a net depreciation of Rs. 830.41 million (1,296.35 – 465.94). The working of depreciation, being in line with the international accounting standards, is being allowed as such.

9. Return on Rate Base (RORB)

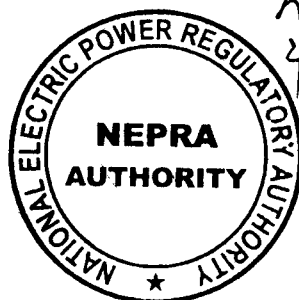
- 9.1 The petitioner has calculated Return on Rate Base (RORB) assuming a WACC of 14.5% according to the following formula:

$$\text{RORB}_{(\text{Adj})} = \frac{[(I_a - I_e) \times \text{WACC} / 2 + (D_a - D_e)]}{[U_s \times (1 + G)]}$$

Where:

RORB (Adj)	=	Required adjustment in tariff due to variation in investment.
Ia	=	Actual investment of Rs.7,899 million during the year under review.
Ie	=	Estimated investment of Rs.3,366 million for the year under review.
WACC	=	Weighted Average Cost of Capital of 14.5% (Assuming cost of equity 15% and Cost of debt 13%).
Da	=	Actual depreciation of Rs. 1094.46 for the year under review.
De	=	Estimated depreciation of Rs.935.79 for the year under review.
USa	=	Actual units amounting to Rs. 13,947 million kWh sold in the year under review.
G	=	Expected growth rate of 5.5% in sales the next year.

- 9.2 LESCO's working was based on the mechanism prescribed in the determination of February 23, 2008. In the instant case, the above mechanism is being revised and LESCO's RORB is being assessed accordingly. According to the un-audited accounts



for the FY 2007-08, LESCO's debt: equity ratio was 80:20. The Authority considers that, in the instant case, it would be more appropriate to base the calculation of WACC on the same debt:equity ratio of 80:20. Accordingly, assuming the 19.86% rate of return on equity, the 14.6% interest rate and the tax rate of 35%, a pre-tax WACC of 17.80%, in the instant case, has been taken.

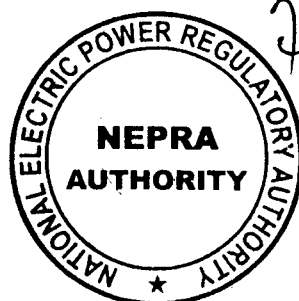
- 9.3 Based on the un-audited accounts for the FY 2007-08 and projections for the FY 2008-09, the Rate Base for determining return has been calculated as given hereunder:

Description	Rupees in Million	
	FY 08	FY 09
Opening fixed assets in operation	27,348	29,237
Assets Transferred during the year	1,889	7,391
Closing Fixed Assets in Operation	29,237	36,628
Less: Depreciation	10,243	11,540
Net Fixed Assets in operation	18,994	25,088
Capital Work in Progress (Closing)	3,826	6,289
Total Fixed Assets	22,820	31,377
Less: Deferred Credit	15,788	17,775
Total	7,032	13,602
Average Regulatory Assets Base		10,317
Return on Rate Base @ 17.80%		1,837

- 9.4 Based on the decisions of the Authority in the preceding paragraphs and applying a WACC of 17.80% to average Regulatory Asset Base of Rs. 10,317 million, RORB has been worked out to be Rs. 1,837 million.

10. Other Income

LESCO estimated Rs. 2,421 million as other income comprising of markup on bank deposits, late payment surcharge, amortization of deferred credit and income from other miscellaneous sources. According to the un-audited accounts, the other income for the FY 2007-08 was Rs. 2,421 million. Based on the information provided and keeping in view the past trend, the Authority considers that the LESCO's request in



this regard is reasonable and has, therefore, decided to allow Rs. 2,421 million on account of other income for the FY 2008-09.

11. Transmission & Distribution (T&D) Losses

11.1 The Authority set a target of 12.50% as transmission & distribution losses for LESCO for the FY 07-08. LESCO's actual losses for the FY 2007-08, however, remained 12.85%. LESCO originally proposed a level of losses of 12.30% for the FY 2008-09 which were revised to 12.6% in the addendum to the petition. The Authority considers 12.30% losses target for the FY 08-09 for LESCO as reasonable. The Authority believes that this target provides an incentive to LESCO to perform even better.

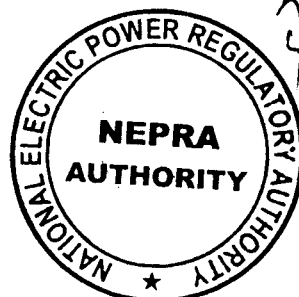
12. In light of the above, LESCO's Distribution Margin (DM) has been assessed as given below:

Description	Rupees in Million
Operating Cost	8,470.734
Depreciation	1,296.348
RORB	1,836.749
Gross DM	11,603.831
Less: Other Income	2,421.000
Net DM	9,182.831

13. Based on the estimated sales of 14,110 GWh for the FY 2008-09, LESCO's DM for the FY 2008-09 works out to be Rs. 0.65/kWh.

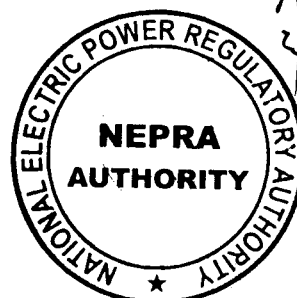
14. CONSUMER-END TARIFF

14.1 The petitioner requested an average sale rate for the FY 2008-09 without taking into account the impact of biannual PPP adjustment for the 2nd half of the FY 2007-08. Another reason for increase in the average sale rate as against the petitioner's requested average sale rate was the shifting from biannual PPP adjustment mechanism to monthly PPP adjustment mechanism. In this regard LESCO, in its tariff petition, assumed an average PPP of Rs. 5.18/kWh while actual PPP for the month of June 2008 was Rs. 6.15/kWh which is being adopted as reference PPP for the FY 2008-09. The impact on this account works out to be Rs. 0.97/kWh. After incorporating the aforementioned adjustments and DM of Rs. 0.65/kWh, the Authority has assessed the average sale rate of Rs. 7.58/kWh. In order to ensure



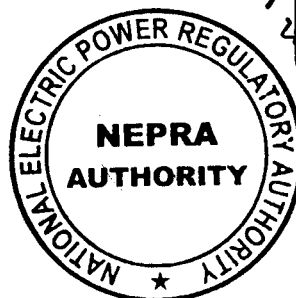
recovery of assessed revenue of Rs. 106,984 million (**Annex-II**) which includes PPP adjustment for the 2nd half of the FY 2008, the Schedule of consumer-end tariff has been revised and is attached as **Annex-III**. The PPP adjustment for the FY 2007-08 of Rs. 0.77/kWh shall only be applicable for the financial years 2008 and 2009. Before the expiry of the current FY 2008-09 ending June 30, 2009, there shall be a review in the consumer-end tariff to this extent.

- 14.2 The tariff has been rationalized in order to minimize cross-subsidy among different consumer categories, which is very much in line with the standards prescribed under Rules 17(3) of the NEPRA Tariff Standards and Procedure Rules, 1998. Previously, the benefit of subsidized rates was being given to all consumers irrespective of their capacity to pay. The Authority considers that the benefit of subsidized rate should only be given to really deserving consumers including life line customers. The Authority has, therefore, decided to withdraw the benefit of low rate available to the higher slab residential consumers, through cross subsidization, since they have a better capacity to pay. The Authority further considers that consumers consuming up to 50 units should continue to be charged at the previous rate. Hence, no additional burden would be imposed on life line consumers in the FY 2008-09.
- 14.3 The threshold for application of higher rate has been reduced from 1000 and above units to 700 and above. The slab range of 301 - 1000 units has, accordingly, been reduced to 301 - 700 units. The consumers will be charged for entire consumption with the rate corresponding to the slab in which they fall. The Authority believes that this will encourage efficient usage of electricity and will be more equitable.
- 14.4 While determining consumer-end tariff the economic and social policy objectives of the Federal Government have been kept in view. In this regard, the Authority also considered the inadequate purchasing power of the low income group. The Authority has, therefore, decided to maintain the existing tariff of Rs. 1.60/kWh for the life line consumers. There will be a cross-subsidy of Rs. 5.98/kWh which translates into Rs. 0.73 billion. The tariff of consumers having consumption of more than 50 units and up to 100 units will be charged at the rate of Rs. 3.75/kWh, which is cross-subsidized by Rs. 3.83/kWh, the amount of cross-subsidy being about Rs. 1.37 billion. The consumers having consumption of more than 100 units and up to 300 units will be charged a rate of Rs. 6.00/kWh which is cross-subsidized by Rs. 1.58/kWh, the amount of cross-subsidy being about Rs. 3.69 billion. The consumers having consumption of more than 300 units but less than 700 units put extra burden on the system due to which marginal cost of generation increases significantly. Therefore,



their tariff is fixed at Rs. 8.50/kWh. The Authority considers that in order to meet the requirements of the consumers having consumption of more than 700 units, the most costly thermal plants have to be operated; therefore, their rate should recover not only the cost of electricity during off-peak hours but also the proportional share of marginal cost of more expensive thermal power generation. Thus, their tariff has been fixed at Rs. 10.00/kWh.

- 14.5 While rationalizing the consumer-end tariff the difficulties of the large industries (export oriented) have also been kept in view. In the instant case about 2/3rd of the consumption of the overall industrial consumption is in the B3 industrial category. The average sale rate for this category is about Rs. 7.31/Kwh which is less by about Rs. 0.27/Kwh as compared to the overall average sale rate of Rs. 7.58/Kwh. The off-peak rate of Rs. 6.40/kWh and Rs. 305/kW/month has been fixed keeping in view the losses pertaining to this class of consumers.
- 14.6 The Authority is also aware of the difficulties of the small industrial consumers. In order to strike a balance among different consumer categories, the Authority has, therefore, decided to lower the existing threshold of 20 KW for provision of Time of Use (TOU) metering arrangement to 5 KW. The rate of off peak consumers has been kept at a much lower level as against the overall average sale rate of Rs. 7.58/Kwh. This will provide not only an equal opportunity to small industrial consumers to minimize their monthly bills but would also encourage efficient usage of electricity.
- 14.7 The agriculture sector, being the back bone of the Pakistan economy, needs special treatment. The Authority is aware of the difficulties faced by this class of consumers. The increase in input cost of agriculture produce drastically affects the agro-based industry as well as the common man due to increase in the cost of food items. The Authority has revised the rate of variable portion for agricultural consumers from Rs. 3.30 / kWh to Rs. 4/kWh while the fixed rate is being maintained at the existing level. The rate is cross-subsidized to the tune of Rs. 3.05/kWh that translates into Rs. 1.31 billion as cross-subsidy. Accordingly, the rate for the agriculture sector has been increased by only 21% despite an overall increase of around 52.8%. Therefore, the agriculture sector has been given special treatment.
- 14.8 The Authority is of the opinion that some strategic measures are required to be taken in order to curtail peak-load requirement through demand side management and discouraging unnecessary usage of electricity. In this regard the Authority has decided

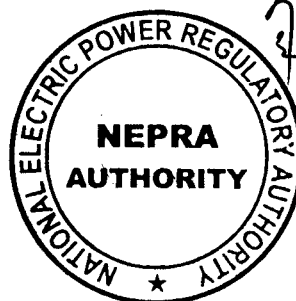


to introduce TOU metering arrangement for all consumer categories, including residential customers having load requirement of 5 kW and above. All new consumers having sanctioned load exceeding 5 kW shall be provided TOU metering arrangement with effect from 1st January 2009 and shall be billed on the basis of tariff A-1(b) as set out in the Schedule of Tariff (SOT). All the existing consumers having sanctioned load exceeding 5 kW shall be provided TOU metering arrangement and converted to A-1(b) tariff by the Company no later than June 30, 2010. The cost of replacement of meters of the existing consumers shall be borne by the DISCO. In case the existing consumer pays for the cost of replacement of the meters, such cost shall be adjusted in the consumers' bill in 36 months. The cost of meters for new connections will be the responsibility of the consumers. The DISCO will be obliged to submit quarterly report regarding conversion of TOU metering for all loads exceeding 5kW.

- 14.9 The TOU rate has been so designed that consumers, through better management of consumption according to the peak & off-peak timings, will be able to reduce their bills as a result of cost avoided by using electricity sparingly during the peak hours. The introduction of TOU metering will result in better management of consumption by consumers during the peak and off-peak timings. This will reduce their consumption/burden on the system resultantly reducing their bills. As a result, an incentive has been provided to the domestic consumers to reduce their bills. This will, in turn, reduce the burden on the system during peak hours and will result in avoiding operation of the most expensive plants during the peak hours. This phenomenon is known as Demand Side Management and is already successfully operating in a number of developed and developing countries and in the industrial sector in Pakistan.

15. RATES OF SECURITY DEPOSITS

LESCO has proposed to revise its rates of security deposits for new connections. The intervener opposed the enhancement of the rates of security deposits particularly for the life line and low consumption consumers. The Authority considers that in case of deserving consumers the DISCO can facilitate the consumers in the payment of security deposits in installments through monthly bills. Having considered petitioner's proposal and interveners comments, the Authority considers LESCO's request as reasonable, therefore has decided to revise the rates of security deposits attached as **Annex-IV**, which will only be applicable for new connections. The rates of security deposits of existing consumers will, however, remain unchanged.



16. OTHER ISSUES RAISED BY APTMA

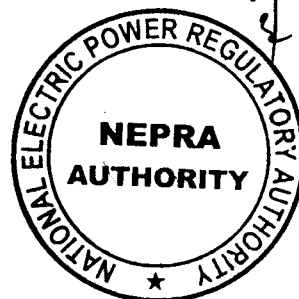
As regards the comments of APTMA regarding other issues, the Authority is of the opinion that:

- i) The objections raised in respect of the conduct of the proceedings are baseless as the procedure laid down under the Tariff Rules is observed by the Authority while processing tariff petitions. Hence all the cases are considered and processed by the Authority according to the powers conferred on it by the NEPRA Act and rules made there under and approved by the Government of Pakistan. Consequently, all the stakeholders and affected persons or parties are given equal opportunity to participate in the process of public hearing of tariff determination through publishing notice in the national newspapers and issuing letters to the representative bodies and experts.
- ii) The company's audit is conducted by a reputable firm of Chartered Accountants and the Authority relies on the Audited Reports submitted by the company while making its decisions. The Authority may also order a performance audit of the company by an independent firm of Chartered Accountants, if it feels that without such an audit a fair assessment cannot be made.

17. SUMMARY OF THE DECISIONS MADE BY THE AUTHORITY

The Authority made the following decisions:

- Determined Average Sale Rate of Rs. 7.58/kWh comprising PPP of Rs. 6.16/kWh and Distribution Margin of Rs. 0.65/kWh for the FY 2008-09; the impact of 2nd biannual adjustment for the FY 2007-08 is Rs. 0.77/kWh.
- The benefit of low rate available to the higher slab residential consumers has been withdrawn and the consumers will be charged for entire consumption with the rate corresponding to the slab in which they fall.
- LESCO's consumer-end tariff shall be reviewed/adjusted on a monthly basis on account of PPP variation in accordance with the mechanism at **Annex-I**.
- Target Transmission & Distribution Losses are 12.30% for the FY 2008-09.
- Financing cost of working capital will be allowed on an actual basis.
- Fixed Charges for TOU residential consumers have been converted into energy charges.



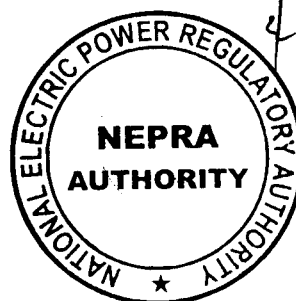
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- The band of third slab of the residential consumers class has been changed from 301-1000 units to 301-700 units. Accordingly, the threshold for the slab of 1000 units and above in the residential consumers category has been reduced to 700 and above units.
 - The threshold of 20 kW sanctioned load has been reduced to 5 kW for provision of TOU metering arrangement for new consumers with effect from 1st January 2009 and for existing consumers till 30th June 2010. The DISCO will submit quarterly report to the Authority regarding conversion of TOU metering for all loads exceeding 5kW.
 - Rates of Security Deposits for new connections have been revised and are attached as **Annex-IV**.
18. In view of the above, the Authority hereby approves the tariff of Lahore Electric Power Company (LESCO) as set out in the following order:

ORDER

- I. Lahore Electric Supply Company (LESCO) is allowed to charge its consumers such tariff as set out in the schedule of tariff for LESCO as per **Annex-III**. The consumer-end tariff shall remain applicable till the time LESCO files a petition for revision of tariff, subject to the variation allowed due to Adjustment Mechanism of tariff on account of variation in Power Purchase Price at **Annex-I**.
- II. LESCO shall submit its calculation for adjustment in average sale rate due to variation in PPP billed by CPPA according to the prescribed transfer price mechanism by 15th of next month immediately after the period as laid down in the prescribed mechanism for adjustment. Such adjustment would be required along with the proposed adjustment in consumer-class rate. The Authority will determine the revised tariff within 5 working days of receipt of information from LESCO. The variation in average sale rate will be distributed between the various consumer classes such that cross-subsidization is minimized as far as possible. This adjustment shall not be applicable to life line consumers.
- III. The terms and conditions related to the schedule of tariff shall be those as attached to this determination as **Annex-V**.



IV. LESCO is allowed to charge the users of its system a use of system charge (UOSC) equal to:

i) Where only 132kV system is involved

$$UOSC = DM \times \frac{(1-L)}{(1-0.01)} \text{ Paisa / kWh}$$

ii) Where only 11 kV distribution system is involved.

$$UOSC = DM \times \frac{(1-L)}{(1-0.05)} \text{ Paisa / kWh}$$

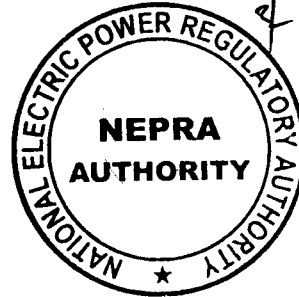
iii) Where both 132 kV and 11 kV distribution systems are involved.

$$UOSC = DM \times \frac{(1-L)}{(1-0.06)} \text{ Paisa / kWh}$$

Where:

Distribution Margin for the FY 2008-09 is set at Paisa 65.08/kWh. 'L' will be the overall percentage loss target for the year set at 12.30% for FY 2008-09.

V. The Mechanisms for Adjustment of average sale rate on account of variation in Power Purchase Price (**Annex-I**), Schedule of Tariff at **Annex-III**, revised Security Deposits Rates at **Annex-IV** and Terms and Conditions at **Annex-V** related to the tariff be sent to the Federal Government for notification under Section 31(4) of the Act.



Adjustment Mechanism for Power Purchase Price (PPP)

Pursuant to the Amendment in the Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 (No. XL of 1997) approved through Finance Act, 2008, the consumer-end tariff of Lahore Electric Supply Company (LESCO) shall be reviewed on monthly basis for variation in Power Purchase Price (PPP) including fuel price variation. The adjustment in the consumer-end tariff shall be made according to the following formula:

$$\Delta PPP = \pm \frac{(PPP_{(Act)} - PPP_{(Ref)})}{(1 - L)}$$

Where:

- ΔPPP = Variation in Power Purchase Price including fuel price variation in terms of Rs./kWh purchased occurred in a month against the reference PPP
- $PPP_{(Act)}$ = Actual PPP (Rs./kWh purchased) during the month for which the adjustment is required to be made
- $PPP_{(Ref)}$ = Reference Power Purchase Price (PPP) of Rs. 5.400/kWh
- L = Target losses which are 12.30% for FY 2008-09

The impact of change in the power purchase price in the bill of individual consumer will be calculated according to the following formula:

$$PPP \text{ Adjustment} = \pm \Delta PPP \times U_{(C)}$$

Where:

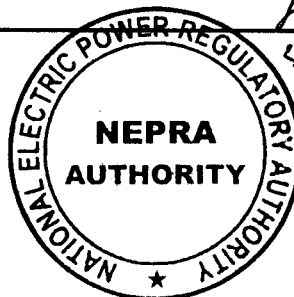
- $U_{(C)}$ = Units consumed by the consumer during the month for which the adjustment is required to be made

LESCO shall clearly indicate in the bill of a consumer the actual PPP (Rs./kWh purchased) for the month i.e. the month for which adjustment is required to be made, reference PPP and target losses.

LESCO shall submit its request for adjustment on account of PPP for a month by 15th of each month or the next working day in case a holiday falls on the 15th.

NEPRA shall within five working days approve the adjustment on account of PPP variation and send it to the federal government for notification in the official gazette.

Any tariff adjustment so determined by the Authority shall be immediately applicable to the extent of the tariff notified by the Federal Government as per Section 31(4) of the National Electric Power Regulatory Authority Act, 1997. In case the notified adjustment is different from the one allowed for the immediate application, the requisite adjustment for such a difference shall be made as soon as possible but not later than the succeeding billing month.



Lahore Electric Supply Company (LESCO)
Estimated sales revenue on the basis of new Tariff for FY 2008-09

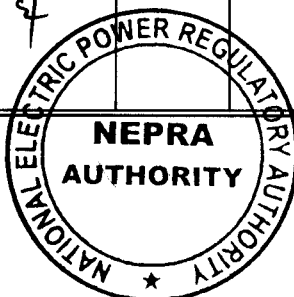
Description	Sales GWh	Sales Mix	New Tariff (NEPRA)		Revenue (as per NEPRA)		
			Fixed Charge Rs./kW/ Month	Variable Charge Rs./ kWh	Fixed Charge Rs.Million	Variable Charge Rs.Million	Total Rs.Million
Residential							
Up to 50 Units	122	0.87%		1.60	-	196	196
For peak load requirement up to 5 kW							
01-100 Units	358	2.53%		3.75	-	1,341	1,341
01-300 Units	2338	16.57%		6.00	-	14,027	14,027
01-700 Units	2271	16.09%		8.50	-	19,304	19,304
Above 700 Units	667	4.73%		10.00	-	6,668	6,668
For peak load requirement exceeding 5 kW							
Time of Use (TOU) - Peak				12.00			
Time of Use (TOU) - Off-Peak				7.00			
Total Residential	5,755	40.79%			-	41,535	41,535
Commercial - A2							
For peak load requirement up to 5 kW	825	5.85%		11.00	-	9,079	9,079
For peak load requirement exceeding 5 kW							
Regular	357	2.53%	315.00	8.50	481	3,031	3,512
Time of Use (TOU) - Peak				12.00			
Time of Use (TOU) - Off-Peak			315.00	6.50			
Total Commercial	1,182	8.38%			481	12,110	12,591
Industrial							
B1	616	4.37%		7.75		4,777	4,777
B2	1246	8.83%	315.00	6.75	1,434	8,411	9,845
B2 - TOU (Peak)		0.00%		12.00		-	-
B2 - TOU (Off-peak)	10	0.07%	315.00	6.50	11.49	62	74
B3 - TOU (Peak)	107	0.76%		11.90		1,278	1,278
B3 - TOU (Off-peak)	3750	26.58%	305.00	6.40	2,919	24,000	26,918
B4 - TOU (Peak)	32	0.22%		11.80		373	373
B4 - TOU (Off-peak)	375	2.66%	295.00	6.30	245	2,361	2,606
Total Industrial	6,136	43.49%			4,609	41,262	45,871
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts - up to 5 kW	1	0.01%		8.25	-	8	8
C1(b) Supply at 400 Volts -exceeding 5 kW	39	0.28%	315.00	7.50	25	295	320
Time of Use (TOU) - Peak				12.00			
Time of Use (TOU) - Off-Peak			315.00	6.50			
C2 Supply at 11 kV	298	2.11%	305.00	7.40	192	2,206	2,398
Time of Use (TOU) - Peak				11.90			
Time of Use (TOU) - Off-Peak			305.00	6.40			
C3 Supply above 11 kV	15	0.11%	295.00	7.30	8	112	120
Time of Use (TOU) - Peak				11.80			
Time of Use (TOU) - Off-Peak			295.00	6.30			
Total Single Point Supply	354	2.51%			224	2,621	2,845
Agricultural Tube-wells - Tariff D							
D1 Scarp	173	1.22%		7.75	-	1,337	1,337
D2 Agricultural Tube-wells	209	1.48%	90.00	4.00	60	836	896
Time of Use (TOU) - Peak				12.00			
Time of Use (TOU) - Off-Peak	220	1.56%	315.00	3.75	223	827	1,049
Total Agricultural	602	4.27%			283	3,000	3,283
Public Lighting G	66	0.47%		11.00	-	728	728
Residential Colonies H	7	0.05%		10.00	-	67	67
Traction - 1	9	0.06%		7.50	-	65	65
Total	14,110	100%			5,597	101,387	106,984

LAHORE ELECTRIC SUPPLY COMPANY

INCOME STATEMENT

YEAR ENDING JUNE 30

	UNIT	Audited FY07	Unaudited FY08	Projected FY09
Units Received	(Gwh)	15,977	15,795	16,089
Units Lost (Distribution Losses)	(Gwh)	2,030	2,029	1,979
Units Lost (Distribution Losses)	%	12.71%	12.85%	12.30%
Units Sold	(Gwh)	13,947	13,766	14,110
Cost of Purchase- Received	Rs./Kwh	3.5481	4.5557	5.4000
Cost of Purchase- Sold	Rs./Kwh			6.1573
OPERATING REVENUE		Rupees in Million		
Sale of Electricity		63,313.694	67,279.329	96,063.740
Rental & Service Income		255.476	381.940	381.940
Total Operating Revenues		63,569.170	67,661.269	96,445.680
Amortization of Deferred Credit		384.200	431.598	465.936
		63,953.370	68,092.867	96,911.616
Operating Costs				
Capacity Purchase Price				
Energy Purchase Price		56,687.922	71,958.137	86,880.909
Transmission Charge				
Salaries, wages and other benefits		4,948.274	5,443.882	6,424.875
Repair & maintenance		847.004	915.027	1,000.620
Travelling		113.292	133.082	142.031
Transportation		146.025	160.572	183.630
Miscellaneous		567.076	656.681	719.578
Provsion for Bad Debt		-	-	-
Depreciation		897.087	872.359	1,296.348
Cost of Sales		64,206.679	80,139.741	96,647.992
Gross Profit		(253.310)	(12,046.873)	263.624
Other Income		1,729.332	1,607.462	1,573.124
Profit/(Loss) before Interest & Tax		1,476.022	(10,439.412)	1,836.749
Financial & Other Charges		404.238	250.000	524.000
Net Profit/(Loss) for the Year before tax		1,071.784	(10,689.412)	1,312.749
Tax		111.464	-	459.462
Net Profit/(Loss) for the Year after tax		960.320	(10,689.412)	853.287
WPPF		-	-	42.664
Profit For the year		960.320	(10,689.412)	810.622
Loss brought forward		1,598.132	2,558.452	(8,130.959)
Prior year adjustments		-	-	10,918.481
Accumulated Profit/ (Loss)		2,558.452	(8,130.959)	3,598.144
Return on Assets before interest & tax (%)				17.80%
Rate of Return after tax (%)				11.57%
Rate Base				10,316.85



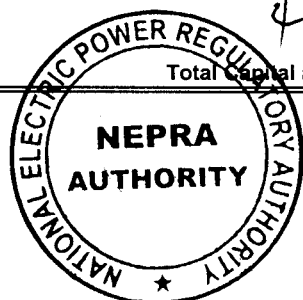
LAHORE ELECTRIC SUPPLY COMPANY

BALANCE SHEET

As On JUNE 30

Rs. in Million

	Audited FY07	Unaudited FY08	Projected FY09
ASSETS			
FIXED ASSETS			
Fixed Assets in Operation	27,348.037	29,237.372	36,627.724
Less: Accumulated Depreciation	9,371.352	10,243.711	11,540.059
Net Fixed Assets in Operation	17,976.685	18,993.661	25,087.665
Work in Progress	1,793.514	3,826.505	6,289.152
Total Fixed Assets	19,770.199	22,820.166	31,376.817
Long term loans and advances	52.228	59.222	172.222
Longterm Deposits	0.357	0.357	0.357
	52.585	59.580	172.580
CURRENT ASSETS			
Stores , Spares & loose tools	2,143.918	3,014.630	2,508.767
Accounts Receivable	7,947.978	8,342.417	9,564.727
Less: Provision for Bad Debt	(1,650.004)	(1,650.004)	(1,650.004)
Accounts Receivable-Net	6,297.974	6,692.413	7,914.723
Loans, advances, deposits and other receivables	4,970.715	17,403.000	14,000.162
Cash & Bank Balances	4,294.601	3,297.208	14,388.983
Total Current Assets	17,707.208	30,407.250	38,812.634
Total Assets	37,529.992	53,286.996	70,362.032
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Share Capital			
5,000,000,000 ordinary shares of Rs. 10 each	50,000	50,000	50,000
Issued, subscribed and paid up share capital	0.010	0.010	0.010
Deposit for shares	6,737.999	6,737.999	6,737.999
Redeemable Capital	-	13,000.000	12,500.000
Retained Earnings/(Accumulated Loss)	2,558.452	(8,130.959)	3,598.144
Total Equity	9,296.461	11,607.049	22,836.152
Deferred Credit	11,758.467	15,788.311	17,774.968
LONG TERM LIABILITIES			
Long Term Loans	2,646.382	2,196.125	5,904.330
Employees Retirement Benefits	8,379.930	10,495.775	12,924.482
Security Deposits	2,637.200	2,962.875	3,281.884
CURRENT LIABILITIES			
Creditors, Accrued & Other Liabilities	2,700.088	10,134.088	7,035.317
Provision for Tax	111.464	102.813	604.939
	2,811.552	10,236.901	7,640.257
Total Capital and Liabilities	37,529.992	53,286.996	70,362.032



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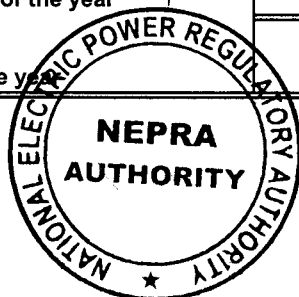
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LAHORE ELECTRIC SUPPLY COMPANY

Cash Flow Statement

Rs. in Million

	Audited FY07	Unaudited FY08	Projected FY09
Cash Flow From Operating Activities			
Profit / (Loss) for the year	960.320	(10,689.412)	810.622
Adjustments for non-cash charges and other items:			
Depreciation	897.087	872.359	1,296.348
Provision for employees' retirement benefits	2,279.901	2,507.890	2,872.000
Provision for bad debt	-	-	-
Cash Flow From Operating Activities Before Adjustment for Working Capital	4,268.810	(7,490.761)	16,457.642
(Increase)/Decrease in Current Assets			
Stores, spares and loose tools	(305.346)	(870.712)	505.863
Trade debts	(968.193)	(394.439)	(1,222.309)
Loans, advances, deposits and other receivables	7,914.749	(12,432.285)	3,402.838
Total Adjustments	6,641.210	(13,697.437)	2,686.392
Increase/(Decrease) in current liabilities			
Short term Loans			
Creditors, Advances, deposits, accrued & other liabilities	(8,425.366)	7,434.000	(3,098.771)
	(8,425.366)	7,434.000	(3,098.771)
Effect on Cash Flows due to Working Capital Changes	(1,784.155)	(6,263.437)	(412.379)
Cash (used in)/Generated From Operating Activities	2,484.654	(13,754.197)	16,045.263
Receipts against deposits works			
Pension Obligation Paid	(356.441)	(392.085)	(443.294)
Tax Paid	-	(8.651)	-
Financial Charges Paid	(404.238)	(250.000)	(524.000)
Net Cash Flows From Operating Activities	1,723.975	(14,404.933)	15,077.969
Cash Flows From Investing Activities			
Capital Expenditure	(4,414.331)	(3,922.326)	(9,853.000)
Long term Deposits	0.002	-	-
Long term loans and Advances	(9.566)	(6.995)	(113.000)
Net Cash Flows From Investing Activities	(4,423.895)	(3,929.321)	-9,966
Cash Flows From Financing			
Long-term loan-Repayment	(303.296)	(1,584.257)	(148.702)
Long-term new loan	582.000	1,134.000	3,856.907
Increase in deposit for shares	520.825	-	-
Increase in Redeemable Capital	-	13,000.000	(500.000)
Capital Contributions	2,644.225	4,461.443	2,452.593
Security Deposits Received	339.952	325.675	319.009
	3,783.706	17,336.860	5,979.806
Net (Decrease)/Increase in Cash & Bank Balances	1,083.786	(997.394)	11,091.776
Cash and Bank Balances at Beginning of the year	3,210.816	4,294.601	3,297.208
Cash & Bank Balances at the end of the year	4,294.601	3,297.208	14,388.983



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SCHEDULE OF ELECTRICITY TARIFFS FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		1.60
	For Consumption exceeding 50 Units			
ii	1- 100 Units	-		3.75
iii	1- 300 Units	-		6.00
iv	1- 700 Units	-		8.50
v	Above 700 Units			10.00
b)	For Sanctioned load 5 kW & above		Peak	Off-Peak
	Time Of Use	-	12.00	7.00

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
a)	For Sanctioned load less than 5 kW			11.00
b)	For Sanctioned load 5 kW & above	315.00		8.50
			Peak	Off-Peak
c)	Time Of Use	315.00	12.00	6.50

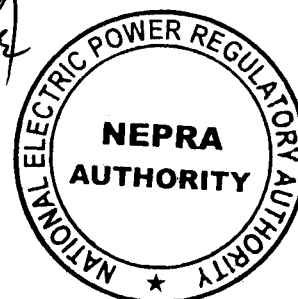
Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections;

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month



SCHEDULE OF ELECTRICITY TARIFFS FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs / kWh	
			Peak	Off-Peak
B1	Less than 5 kW (at 400/230 Volts)	-		7.75
B2(a)	5-500 kW (at 400 Volts)	315.00		6.75
	Time Of Use			
B2(b)	5-500 kW (at 400 Volts)	315.00	12.00	6.50
B3	For All Loads up to 5000 kW (at 11,33 kV)	305.00	11.90	6.40
B4	For All Loads (at 66,132 kV & above)	295.00	11.80	6.30

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

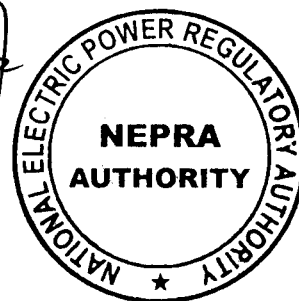
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs / kW / M	VARIABLE CHARGES Rs / kWh	
			Peak	Off-Peak
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		8.25
b)	Sanctioned load 5 kW & up to 500 kW	315.00		7.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	305.00		7.40
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	295.00		7.30
	Time Of Use			
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	315.00	12.00	6.50
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	305.00	11.90	6.40
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	295.00	11.80	6.30



SCHEDULE OF ELECTRICITY TARIFFS FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		7.75
D-2	Agricultural Tube Wells	90.00		4.00
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	315.00	12.00	3.75

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
E-1(i)	Residential Supply	-	10.00
E-1(ii)	Commercial Supply	-	11.00
E-2	Industrial Supply	-	7.75

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

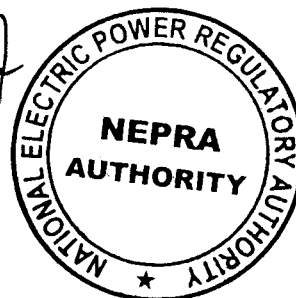
Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Street Lighting	-	11.00

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.



**SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)**

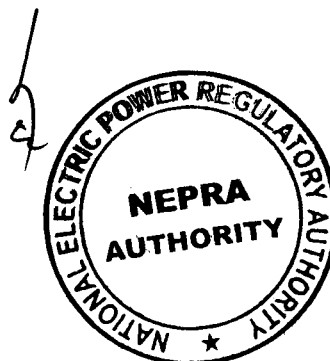
H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	10.00

I - RAILWAY TRACTION

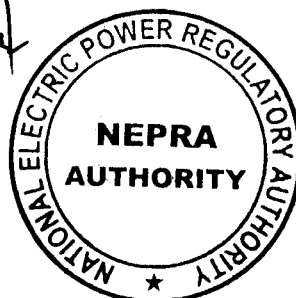
Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Railway Traction	-	7.50

2/2



LAHORE ELECTRIC SUPPLY COMPANY (LESCO)
RATES OF SECURITY DEPOSITS

Sr. No	Category of Consumers	Security Rates Rs./kW
1	Resident (Tariff A-1) Single Phase Supply	
	Urban	Rs.1424/-
	Rural	Rs.800/-
	Tariff A-1 (3-Phase Supply)	Rs. 1424/-
2	Tariff A-2 Single Phase Supply	Rs.2047/-
	Urban	
	Rural	
	Tariff A-2 (3-Phase Supply)	
3	Tariff B-1	Rs1529/-
4	Tariff B-2	Rs.1922/-
5	Tariff B-3	Rs. 3060 /-
6	Tariff B-4	Rs. 2365/-
7	Tariff C-1	Rs. 1937/-
8	Tariff C-2	Rs. 3261/-
9	Tariff C-3	Rs.1381/-
10	Tariff D	Rs. 2157/-
11	Tariff D-1	Rs. 1512/-
12	Tariff-F	Double the rates of regular industrial tariff
13	Tariff-G	Rs. 635/-
14	Tariff-H	Rs. 1164/-
15	Tariff-I	Rs. 1100/-



TERMS AND CONDITIONS OF TARIFF
(FOR SUPPLY OF ELECTRIC POWER TO CONSUMERS BY DISTRIBUTION LICENSEES)

PART – I

GENERAL DEFINITIONS

The Company, for the purposes of these terms and conditions means Lahore Electric Supply Company (LESCO) engaged in the business of distribution of electricity within the territory mentioned in the licence granted to it for this purpose.

1. "Month or Billing Period", unless otherwise defined for any particular tariff category, means a billing month of 30 days or less reckoned from the date of last meter reading.
2. "Minimum Charge", means a charge to recover the costs for providing customer service to consumers even if no energy is consumed during the month.
3. "Fixed Charge" means the part of sale rate in a two-part tariff to be recovered on the basis of "Billing Demand" in kilowatt on monthly basis.
4. "Billing Demand" means the highest of maximum demand recorded in a month except in the case of agriculture tariff D2 where "Billing Demand" shall mean the sanctioned load.
5. "Variable Charge" means the sale rate per kilowatt-hour (kWh) as a single rate or part of a two-part tariff applicable to the actual kWh consumed by the consumer during a billing period.
6. "Maximum Demand" where applicable, means the maximum of the demand obtained in any month measured over successive periods each of 30 minutes duration except in the case of consumption related to Arc Furnaces, where "Maximum Demand" shall mean the maximum of the demand obtained in any month measured over successive periods each of 15 minutes duration.
7. "Sanctioned Load" where applicable means the load in kilowatt as applied for by the consumer and allowed/authorized by the Company for usage by the consumer.
8. "Power Factor" means the ratio of kWh to KVAh recorded during the month or the ratio of kWh to the square root of sum of square of kWh and kVARh.
9. Point of supply means metering point where electricity is delivered to the consumer.
10. Peak and Off Peak hours for the application of Time Of Use (TOU) Tariff shall be the following time periods in a day:

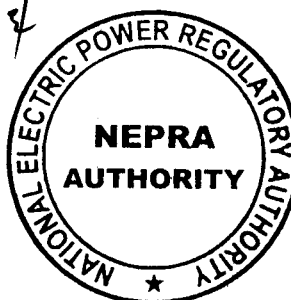
*** PEAK TIMING**

Dec to Feb (inclusive) 5 PM to 9 PM
Mar to May (inclusive) 6 PM to 10 PM
Jun to Aug (inclusive) 7 PM to 11 PM
Sept to Nov (inclusive) 6 PM to 10 PM

OFF-PEAK TIMING

Remaining 20 hours of the day
-do-
-do-
-do-

* To be duly adjusted in case of day light time saving



11. "Supply", means the supply for single-phase/three-phase appliances inclusive of both general and motive loads subject to the conditions that in case of connected or sanctioned load exceeding 4kW supply shall be given at three-phase.
12. "Consumer" means a person or his successor-in-interest as defined under Section 2(iv) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).
13. "Charitable Institution" means an institution, which works for the general welfare of the public on no profit basis and is registered with the Federal or Provincial Government as such and has been issued tax exemption certificate by Federal Board of Revenue (FBR).
14. NTDC means the National Transmission and Dispatch Company.
15. CPPA means Central Power Purchasing Agency (CPPA).
16. The "Authority" means "The National Electric Power Regulatory Authority (NEPRA)" constituted under the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

GENERAL CONDITIONS

1. "The Company shall render bills to the consumers on a monthly basis or less on the specific request of a consumer for payment by the due date.
2. The Company shall ensure that bills are delivered to consumers at least seven days before the due date. If any bill is not paid by the consumer in full within the due date, a Late Payment Surcharge of 10% (ten percent) shall be levied on the amount billed excluding Govt. tax and duties etc. In case bill is not served at least seven days before the due date then late payment surcharge will be levied after 7th day from the date of delivery of bill.
3. The supply provided to the consumers shall not be available for resale.
4. In the case of two-part tariff average Power Factor of a consumer at the point of supply shall not be less than 90 percent. In the event of the said Power factor falling below 90 percent, the consumer shall pay a penalty of two percent increase in the fixed charges determined with reference to maximum demand during the month corresponding to one percent decrease in the power factor below 90 percent.

PART – II

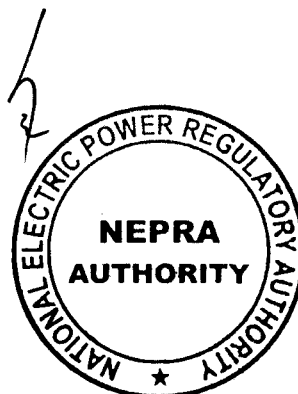
(Definitions and Conditions for supply of power specific to each consumer category)

A-1 RESIDENTIAL AND GENERAL SERVICES

1. This Tariff is applicable for supply to;
 - i) Residences,
 - ii) Places of worship,
 - iii) Approved religious and charitable institutions,

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2



- iv) Government and Semi-Government Offices and institutions,
 - v) Government Hospitals and Dispensaries,
 - vi) Educational institutions.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. A-1(a) tariff.
 3. All new consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement with effect from 1st January 2009 and shall be billed on the basis of tariff A-1(b) as set out in the Schedule of Tariff.
 4. All existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangement and converted to A-1(b) Tariff by the Company no later than June 30, 2010.

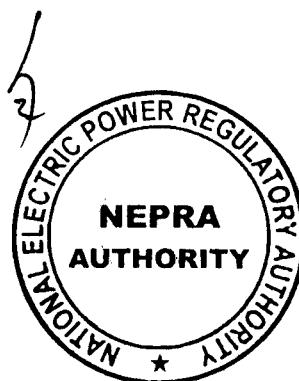
A-2 COMMERCIAL

1. This tariff is applicable for supply to commercial offices and commercial establishments such as:
 - i) Shops,
 - ii) Hotels and Restaurants,
 - iii) Petrol Pumps and Service Stations,
 - iv) Compressed Natural Gas filling stations,
 - v) Private Hospitals/Clinics/Dispensaries,
 - vi) Places of Entertainment, Cinemas, Theaters, Clubs;
 - vii) Guest Houses/Rest Houses,
 - viii) Office of Lawyers, Solicitors, Law Associates and Consultants etc.
2. Consumers under tariff A-2 having sanctioned load of less than 5 kW shall be billed under a Single-Part kWh rate A-2(a)
3. All existing consumers under tariff A-2 having sanctioned load 5 kW and above shall be billed on A-2(b) tariff till such time that they are provided T.O.U metering arrangement; thereafter such consumers shall be billed on T.O.U tariff A-2(c).
4. The existing and prospective consumers having load of 5 kW and above can opt for T.O.U metering arrangement and A-2(c) tariff.
5. All existing consumers under tariff A-2 shall be provided T.O.U metering arrangement by the Company and converted to A-2 (C) Tariff no later than June 30, 2010.
6. All new connections having load requirement 5 kW and above shall be provided T.O.U meters with effect from 1st January 2009 and shall be billed under tariff A-2(c).

B INDUSTRIAL SUPPLY

Definitions

1. "Industrial Supply" means the supply for bona fide industrial purposes in factories including the supply required for the offices and for normal working of the industry and also for water



pumps and tube-wells operating on three phase 400 volts, other than those meant for the irrigation or reclamation of agricultural land.

2. For the purposes of application of this tariff an "Industry" means a bona fide undertaking or establishment engaged in manufacturing, value addition and/or processing of goods.
3. This Tariff shall also be available for consumers having single-metering arrangement such as;
 - i) Poultry Farms
 - ii) Fish Hatcheries and Breeding Farms and
 - iii) Software houses

Conditions

An industrial consumer shall have the option, to switch over to seasonal tariff-F, provided his connection is seasonal in nature as defined under tariff-F, and he undertakes to abide by the terms and conditions of tariff-F and pays the difference of security deposit rates previously deposited and those applicable to tariff-F at the time of acceptance of option for seasonal tariff. Seasonal tariff will be applicable from the date of commencement of the season, as specified by the customers at the time of submitting the option for Tariff-F. Tariff-F consumers will have the option to convert to corresponding Regular Industrial Tariff category and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.

B – 1 SUPPLY AT 400 VOLTS THREEPHASE AND/OR 230 VOLTS SINGLE PHASE

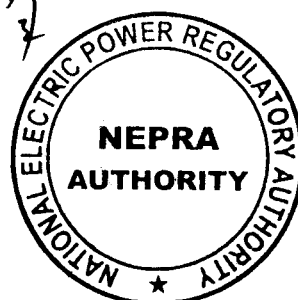
1. This tariff is applicable for supply to Industries having sanctioned load less than a 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate.

B-2 SUPPLY AT 400 VOLTS

1. This tariff is applicable for supply to Industries having sanctioned load of 5 kW up to and including 500 kW.
2. All existing consumers under tariff B-2 shall be provided T.O.U metering arrangement by the Company and converted to B-2(b) Tariff no later than June 30, 2010.
3. All new applicants i.e prospective consumers applying for service to the Company effect from 1st January 2009, shall be provided T.O.U metering arrangement and charged according to the applicable T.O.U tariff.

B-3 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable for supply to Industries having sanctioned load of more than 500 kW up to and including 5000 kW and also for Industries having sanctioned load of 500 kW or below who opt for receiving supply at 11 kV or 33 kV.



2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
4. All B-3 Industrial Consumers shall be billed on the basis of T.O.U tariff given in the Schedule of Tariff.

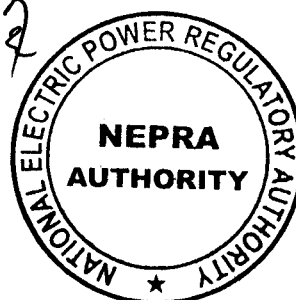
B-4 SUPPLY AT 66 kV, 132 kV AND ABOVE

1. This tariff is applicable for supply to Industries for all loads of more than 5000 kW receiving supply at 66 kV, 132 kV and above and also for Industries having load of 5000 kW or below who opt to receive supply at 66 kV or 132 kV and above.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.
4. All B-4 Industrial Consumers shall be billed on the basis of two-part T.O.U tariff.

C SINGLE-POINT (SINGLE-METERING) SUPPLY

“Single-Point Supply” for the purpose of this Tariff, means the supply given at one point:

- i) To a licensee converted from a bulk supply status (who was procuring power from LESCO as a consumer prior to grant of license to LESCO) for the purpose of further distribution within its respective exclusive territory and jurisdiction.
- ii) To a mix-load consumer not reselling to any other consumer such as residential, commercial, tube-well and others.



General Conditions

1. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice will be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days the fixed charges shall be assessed on proportionate basis for actual number of days between the date of old reading and the new reading.

C-1 SUPPLY AT 400/230 VOLTS

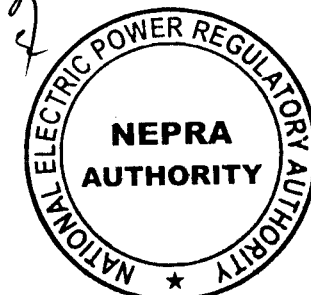
1. This Tariff is applicable to a consumer having mix-load at a single metering arrangement at 400 volts, having sanctioned load of up to and including 500 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. C-1(a) tariff.
3. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement with effect from 1st January 2009 and shall be billed on the basis of Time-of-Use (T.O.U) tariff C-1(c) given in the Schedule of Tariff.
4. All the existing consumers governed by this tariff having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements by June 30th 2010.

C-2 SUPPLY AT 11 kV AND 33 kV

1. This tariff is applicable to consumers receiving supply at 11 kV or 33 kV at one-point metering arrangement and having sanctioned load of up to and including 5000 kW.
2. The supply under this Tariff shall not be available to a prospective consumer unless he provides, to the satisfaction and approval of the Company, his own Transformer, Circuit Breakers and other necessary equipment as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively pays to the Company for all apparatus and equipment if so provided and installed by the Company. The recovery of the cost of service connection shall be regulated by the NEPRA eligibility criteria.
3. All new consumers shall be provided TOU metering arrangement with effect from 1st January 2009 and shall be billed on the basis of tariff C-2(b) as set out in the Schedule of Tariff.
4. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-2(b) by June 30th 2010.

C-3 SUPPLY AT 66 kV AND ABOVE

1. This tariff is applicable to consumers having sanctioned load of more than 5000 kW receiving supply at 66 kV and above.
2. If the Grid Station required for provision of supply falls within the purview of the dedicated system under the NEPRA Eligibility Criteria, the supply under this Tariff shall not be available to such a prospective consumer unless he provides, to the satisfaction and approval



of the Company, an independent grid station of his own including Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus as part of the dedicated distribution system for receiving and controlling the supply, or, alternatively, pays to the Company for all such Land, Building, Transformers, Circuit Breakers and other necessary equipment and apparatus if so provided and installed by the Company. The recovery of cost of service connection shall be regulated by NEPRA Eligibility Criteria.

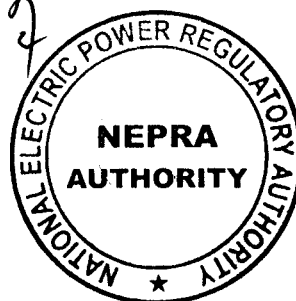
3. Existing consumers governed by this tariff shall be provided with T.O.U metering arrangement and converted to C-3(b) by June 30, 2010.
4. All new consumers shall be provided TOU metering arrangement with effect from 1st January 2009 and shall be billed on the basis of tariff C-3(b) as set out in the Schedule of Tariff.

D AGRICULTURAL SUPPLY

“Agricultural Supply” means the supply for Lift Irrigation Pumps and/or pumps installed on Tube-wells intended solely for irrigation or reclamation of agricultural land or forests, and include supply for lighting of the tube-well chamber.

Special Conditions of Supply

1. This tariff shall apply to:
 - i) Reclamation and Drainage Operation under Salinity Control and Reclamation Projects (SCARP).
 - ii) Bonafide forests, agricultural tube-wells and lift irrigation pumps for the irrigation of agricultural land.
 - iii) Tube-wells meant for aqua-culture, viz. fish farms, fish hatcheries and fish nurseries.
 - iv) Tube-wells installed in a dairy farm meant for cultivating crops as fodder and for upkeep of cattle.
2. If, for any reason, the meter reading date of a consumer is altered and the acceleration/retardation in the date is up to 4 days, no notice shall be taken of this acceleration or retardation. But if the date is accelerated or retarded by more than 4 days, the fixed charges shall be assessed on proportionate basis for the actual number of days between the date of the old reading and the new reading.
3. The lamps and fans consumption in the residential quarters, if any, attached to the tube-wells shall be charged entirely under Tariff A-1 for which separate metering arrangements should be installed.
4. The supply under this Tariff shall not be available to consumer using pumps for the irrigation of parks, meadows, gardens, orchards, attached to and forming part of the residential, commercial or industrial premises in which case the corresponding Tariff A-1, A-2 or Industrial Tariff B-1, B-2 shall be respectively applicable.



D – 1 (a)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation having sanctioned load of less than 5 kW.
2. Consumers having sanctioned load less than 5 kW shall be billed on single-part kWh rate i.e. D-1(a) tariff given in the Schedule of Tariff.

D – 1 (b)

1. This tariff is applicable to all Reclamation and Drainage Operation pumping under SCARP related installation and other consumers falling under Agriculture Supply having sanctioned load of 5 kW and above.
2. All new consumers having sanctioned load 5 kW and above shall be provided TOU metering arrangement with effect from 1st January 2009 and shall be charged on the basis of Time-of-Use (T.O.U) tariff D-1(b) given in the Schedule of Tariff.
3. All the existing consumers having sanctioned load 5 kW and above shall be provided T.O.U metering arrangements by June 30, 2010 and shall be governed by D-1(a) till that time.

D – 2

1. This tariff is applicable to consumers falling under Agriculture Supply having sanctioned load less than 5 kW excluding SCARP related installations.
2. The fixed charges under this Tariff shall be recovered on the basis of sanctioned load in kilowatt as the billing demand and such charges will be applicable even if no energy is consumed during a month.

E – 1 TEMPORARY RESIDENTIAL/COMMERCIAL SUPPLY

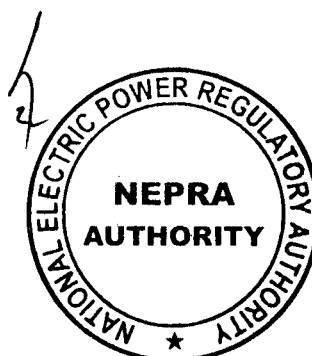
Temporary Residential/Commercial Supply means a supply given to persons temporarily on special occasions such as ceremonial, religious gatherings, festivals, fairs, marriages and other civil or military functions. This also includes supply to touring cinemas and persons engaged in construction works for all kinds of single phase loads. For connected load exceeding 4 kW, supply may be given at 400 volts (3 phase) to allow a balanced distribution of load on the 3 phases. Normally, temporary connections shall be allowed for a period of 3 months which can be extended on three months basis subject to clearance of outstanding dues.

Special Conditions of Supply

1. This tariff shall apply to Residential and Commercial consumers for temporary supply.
2. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.

E – 2 TEMPORARY INDUSTRIAL SUPPLY

“Temporary Industrial Supply” means the supply given to an Industry for the bonafide purposes mentioned under the respective definitions of “Industrial Supply”, during the construction phase prior to the commercial operation of the Industrial concern.



Special Conditions Of Supply

1. Ordinarily the supply under this Tariff shall not be given by the Company without first obtaining security equal to the anticipated supply charges and other miscellaneous charges for the period of temporary supply.
2. Normally, temporary connections shall be allowed for a period of 3 months, which may be extended on three months basis subject to clearance of outstanding dues.

F SEASONAL INDUSTRIAL SUPPLY

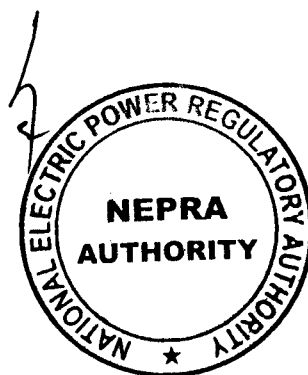
“Seasonal Industry” for the purpose of application of this Tariff, means an industry which works only for part of the year to meet demand for goods or services arising during a particular season of the year. However, any seasonal industry running in combination with one or more seasonal industries, against one connection, in a manner that the former works in one season while the latter works in the other season (thus running throughout the year) will not be classified as a seasonal industry for the purpose of the application of this Tariff.

Definitions

1. “Year” means any period comprising twelve consecutive months.
2. All “Definitions” and “Special Conditions of Supply” as laid down under the corresponding Industrial Tariffs shall also form part of this Tariff so far as they may be relevant.

Special Conditions of Supply

1. This tariff is applicable to seasonal industry.
2. Fixed Charges per kilowatt per month under this tariff shall be levied at the rate of 125% of the corresponding regular Industrial Supply Tariff Rates and shall be recovered only for the period that the seasonal industry actually runs subject to minimum period of six consecutive months during any twelve consecutive months. The condition for recovery of Fixed Charges for a minimum period of six months shall not, however, apply to the seasonal industries, which are connected to the Company’s Supply System for the first time during the course of a season.
3. The consumers falling within the purview of this Tariff shall have the option to change over to the corresponding Industrial Supply Tariff, provided they undertake to abide by all the conditions and restrictions, which may, from time to time, be prescribed as an integral part of those Tariffs. The consumers under this Tariff will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of obtaining a new connection or at the beginning of the season. Once exercised, the option will remain in force for at least one year.
4. All seasonal loads shall be disconnected from the Company’s Supply System at the end of the season, specified by the consumer at the time of getting connection, for which the supply is given. In case, however, a consumer requires running the non-seasonal part of his load (e.g., lights, fans, tube-wells, etc.) throughout the year, he shall have to bring out separate circuits for such load so as to enable installation of separate meters for each type of load and charging the same at the relevant Tariff.



5. Where a "Seasonal Supply" consumer does not come forward to have his seasonal industry re-connected with the Company's Supply System in any ensuing season, the service line and equipment belonging to the Company and installed at his premises shall be removed after expiry of 60 days of the date of commencement of the season previously specified by the consumer at the time of his obtaining new connection/re-connection. However, at least ten clear days notice in writing under registered post shall be necessary to be given to the consumer before removal of service line and equipment from his premises as aforesaid, to enable him to decide about the retention of connection or otherwise. No Supply Charges shall be recovered from a disconnected seasonal consumer for any season during which he does not come forward to have his seasonal industry re-connected with the Company's Supply System.

G PUBLIC LIGHTING SUPPLY

"Public Lighting Supply" means the supply for the purpose of illuminating public lamps.

Definitions

"Month" means a calendar month or a part thereof in excess of 15 days.

Special Conditions of Supply

The supply under this Tariff shall be used exclusively for public lighting installed on roads or premises used by General Public.

H RESIDENTIAL COLONIES ATTACHED TO INDUSTRIES

This tariff is applicable for one-point-supply to residential colonies attached to the industrial supply consumers having their own distribution facilities.

Definitions

"One Point Supply", for the purpose of this Tariff, means the supply given at one point to Industrial Supply Consumers for general and domestic consumption in the residential colonies attached to their factory premises for a load of 5 kilowatts and above. The purpose is further distribution to various persons residing in the attached residential colonies and also for perimeter lighting in the attached residential colonies.

"General and Domestic Consumption", for the purpose of this Tariff, means consumption for lamps, fans, domestic applications, including heaters, cookers, radiators, air-conditioners, refrigerators and domestic tube-wells.

"Residential Colony" attached to the Industrial Supply Consumer, means a group of houses annexed with the factory premises constructed solely for residential purpose of the bonafide employees of the factory, the establishment or the factory owners or partners, etc.

Special Conditions of Supply

The supply under this Tariff shall not be available to persons who meet a part of their requirements from a separate source of supply at their premises.

