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No. NEPRA/R/ADG(Trf)/TRF-626 & TRF-627 / 455-62

January 07, 2026

Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by Peshawar Electric Supply Company (PESCO) against decision of the Authority's dated 14.06.2024 in the matter of Annual Adjustment/Indexation of tariff for FY 2024-25

Dear Sir,

Please find enclosed herewith the subject Decision of the Authority (total 12 pages).

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 Calendar days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: As above

Secretary,
Ministry of Energy (Power Division),
'A' Block, Pak Secretariat,
Islamabad


(Wasim Anwar Bhinder)

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Secretary, Energy and Power Department, Government of Khyber Pakhtunkhwa, First Floor, A-Block, Abdul Wali Khan Multiplex, Civil Secretariat, Peshawar
4. Managing Director, National Grid Company (NGC) of Pakistan, 414 WAPDA House, Shaharah-e-Quaid-e-Azam, Lahore
5. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad.
6. Chief Executive Officer, Peshawar Electric Supply Company (PESCO), WAPDA House, Shami Road, Sakhi Chashma, Peshawar
7. Chief Executive Officer, Independent System and Market Operator (ISMO) of Pakistan, Pitras Bukhari Road, Sector H-8/1, Islamabad



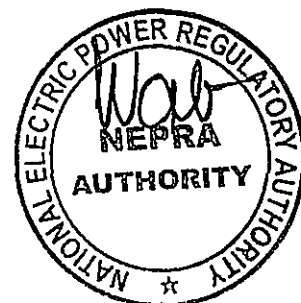
Decision of the Authority in the matter of Motion for Leave for Review filed by Peshawar Electric Supply Company (PESCO) against decision of the Authority's dated 14.06.2024 in the matter annual adjustment/ indexation of Tariff for the FY 2024-25

1. The Authority determined Multi Year Tariffs (MYT) of Peshawar Electric Supply Company Limited (PESCO) (herein referred to as "Petitioner") for a period of five years i.e. from FY 2020-21 to FY 2024-25, separately for both its Distribution and Supply of power functions vide tariff determinations dated 02.06.2022. The tariff so determined was notified by the Federal Government vide SRO dated 25.07.2022. The Authority subsequently, under the allowed MYT framework, determined PESCO's annual adjustment / indexation for the FY 2024-25 vide decision dated 14.06.2024.
2. The Petitioner being aggrieved with the said decision of the Authority, filed a Motion for Leave for Review (MLR), which was subsequently admitted by the Authority. To proceed further in the matter, the Authority decided to conduct a hearing in the matter, which was held on 03.11.2025, at NERPA Tower, Islamabad. Notice of hearing was accordingly issued to the Petitioner, to present its case before the Authority.
3. The Petitioner submitted that the input data, Deferred Credits, Salaries & Wages, Repair & Maintenance Costs, Vehicle Running Expenses, Other Operating Expenses, Prior Year Adjustments and other matters as discussed in subsequent sections used for determination of Distribution Margin and Prior Year Adjustment be reassessed enabling PESCO to generate enough revenue to perform its obligatory duties as prescribed by Authority. The Petitioner raised following issues in the MLR;
 - i. Pay & Allowances
 - ii. Post Retirement Benefits
 - iii. O&M Expenses
 - iv. Depreciation
 - v. RORB
 - vi. Prior Year Adjustment (PYA)
 - vii. Any other grounds
4. The Petitioner's submission on each issue is as under:

Pay & Allowances:

- ✓ The Authority has allowed Rs.20,484 million under the head of Salaries, Wages & Other Benefits by applying 15% Ad-Hoc Relief (from BPS 1-22) on provisional basis for the FY 2024-25, and the impact of annual increment of 5% has been assessed for Salaries, Wages, and Other Benefits of FY 2024-25 as well as other allowance allowed by Government of Pakistan.
- ✓ In order to arrive at the figure of Rs. 18,820 million for FY 2023-24, Disparity Reduction Allowance (DRA) @ 25% notified vide circular dated 08.07.2021 has not been allowed, which may be reconsidered. Similarly, the impact of DRA allowance @ 25% needs to be incorporated for FY 2024-25 as well.

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- ✓ As per the MYT Determination for FY 2020-21 to FY 2022-23, increase in Basic Pay to the extent of 5% has been allowed for the whole year. However, the decision to allow annual increment @ 5% for 7 months is not in line with the methodology as decided in MYT determination, hence, the annual increment calculations may be reconsidered and be allowed on average basis of 5% for the whole year as requested.
- ✓ Furthermore, Federal Government has announced Budget for the FY 2024-25 on June 12, 2024, therefore, budgetary increases of Pay & allowances may be allowed accordingly. The Authority is therefore, requested to allow Rs. 22,549 million on account of Pay & Allowances and reconsider its decision dated 14.06.2024.

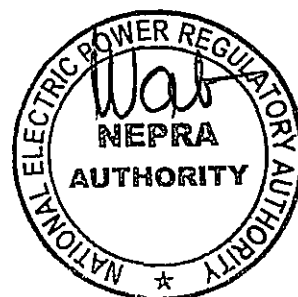
Post Retirement Benefits:

- ✓ The Authority has allowed amount of Rs. 10,297 million for FY 2024-25 on the basis of the pre-determined baseline amount of Rs. 9,361 million (FY 2023-24) against the PESCO request of Rs. 14,063 million under the Post Retirement Benefits for FY 2024-25, which will be insufficient to cover the actual expenditure. It is important to highlight that PESCO's Pension cash payments for FY 2022-23 are Rs. 9,095 million, however, the Authority had determined an amount of Rs. 7,976 million, thereby, creating a shortfall of Rs. 1,119 million, which resulted in delayed payment of commutation to pensioners. PESCO has proposed an amount of Rs. 11,696 million and Rs. 14,063 million for FY 2023-24 and FY 2024-25, respectively.
- ✓ Furthermore, the authority in its decision held that PESCO has been granted Rs. 3,984 million above its actual expenditure up to FY 2022-23 for both Pay & Allowances & Post Retirement Benefits and suggested that any excess expenditure be met from the surplus amount. The said decision regarding adjustments in Pay & Allowances and Post-Retirement Benefits for FY 2023-24 is not in line with the mechanism outlined in MYT determination dated June 2, 2022.
- ✓ Since, the baseline figures for FY 2022-23 & FY 2023-24 didn't include new retirees' impact, hence, actual cash payments, considering 20% increase in pension payments from FY 2021-22 to FY 2024-25 and additional burden of the NTDC Pensioners to the tune of Rs. 255 million (Rs. 44 mln p.a.) needs to be reconsidered.
- ✓ The Petitioner requested the Authority to review its decision and allow actual cash payments of the post-retirement benefits as requested in Indexation Application for FY 2024-25 as per below table:

Description	Mln. Rs.		
	2022-23	2023-24	2024-25
Post-Retirement Benefits	9,095	11,696	14,063

- ✓ Moreover, the savings under the head of Pay & Allowances may be allowed to be retained and transferred to the Pension Fund, instead of combining both the heads in line with MYT determination mechanism.

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R&M, Travelling, Vehicle Running & Other Expenses

- ✓ The Authority has determined other O&M expenditure, comprising of Repairs & Maintenance, Travelling, Vehicle Running Expenses and Other Expenses of Rs. 3,907 million against the PESCO request of Rs. 4,326 million, which is insufficient and will aggravate the already fragile financial position of the company. While allowing the expenditure under Other O&M, the Authority has relied upon the NCPI of December 2023 as reported by Pakistan Bureau of Statistics of 29.66%, which is adjusted with efficiency factor of 30%, thereby allowed net increase of 20.76%, which is not sufficient to meet the requirements. PESCO is already facing financial hardship and the determination of other expenses by excluding various legitimate costs may hamper PESCO's ability to provide uninterrupted services to the consumers as it will further aggravate the weak financial position of the company.

Repair and Maintenance:

- ✓ PESCO in its Indexation Application for FY 2024-25 sought an allocation of Rs. 1,587 million for Repair & Maintenance on the basis of determined expenditure of Rs. 1,235 million for FY 2023-24 in view of inflation and the change in repair policy approved by the BoD, however, the Authority allowed only Rs. 1,493 million which needs to be reconsidered in the light of prevailing market prices of materials such as copper, iron, and aluminium required for electrical equipment, which are continuously increasing.
- ✓ The power infrastructure incurred substantial losses due to devastating floods, leading to significant damages to the power grid stations and distribution network. However, efforts were made for rehabilitation and restoration of the damaged infrastructure and power supply was successfully reinstated using alternative resources amid the flood damages to grid stations, transmission lines, and poles, however, extensive reconstruction operations were carried out with huge financial impact.
- ✓ The Petitioner requested the Authority to adjust the Repair & Maintenance expenses accordingly.

	Mln. Rs.		
Description	2022-23	2023-24	2024-25
Repair & Maintenance Expense	1,018	1,314	1,587
% Increase (YoY)		29%	21%

Vehicle Running Expenses:

- ✓ The Authority's determined cost of Vehicle Running expenses for FY 2024-25 @ Rs. 320 million, with only a marginal 20.8% increase from the determined amount of Rs. 265 million for FY 2023-24, appears much lesser than the prevailing market prices. Previously, the Authority acknowledged the fact that the increased POL prices will impact recovery campaigns and consumers services, as the same is required for door to door surveillance and monitoring as well as providing services to the consumers efficiently. In the MYT Tariff Determinations, the Authority relied on the inflationary increase on General Category (CPI) instead of the Transport Category, despite a substantial 24.07% increase in transport prices in



December 2021. Furthermore, data from the PSO website indicates a 39% increase in POL prices during FY 2021-22 and a 67.8% increase during FY 2022-23, consequently, the expenditure for FY 2022-23 is increased to Rs. 272 million against the allocated amount of Rs. 226 million, whereas, bills of increasing numbers are still pending for clearance.

- ✓ The Petitioner submitted following analysis of the increase in POL prices for the last four years:

Description	FY 20-21	FY 21-22		FY 22-23		FY 23-24	
	Ave. Rs./ Ltr.	Ave. Rs./Ltr	Incr (yoy)	Ave. Rs./Ltr.	Incr (yoy)	Ave. Rs. / Ltr.	Incr (yoy)
Average POL Price (Petrol + Diesel / PKR)	108	150	39.20%	252	67.80%	285	13.18%
Determined Increased (yoy)			12.40%		8.60%		42%
NEPRA (Mln Rs.)			208		226		320

- ✓ The Petitioner requested adjustment of Rs. 435 million for Vehicle Running due to POL price rise, against the authority determination of Rs. 320 million. The Petitioner further requested to consider the prevailing market trends and enhance the Vehicle Running expenses accordingly.

Description	2022-23	2023-24	2024-25
Vehicle Running Expense (Mln. Rs.)	272	360	435
% Increase (YoY)		32%	21%

Other O&M Expenses:

- ✓ The Authority has determined other expenses for FY 2024-25, amounting to Rs. 1,650 million. However, it is asserted that this amount is insufficient to provide uninterrupted services. It should be noted that major component of increase in the expenditure under this head is related to the cost of materials for Office Supplies and PESCO has experienced abnormal increases due to fluctuations in international prices and rupee devaluation, leading to a rise in various commodities' prices. Accordingly, the Petitioner requested to consider the prevailing ground realities and allow adjustment of Rs. 1,834 million as tabulated below:

Description	2022-23	2023-24	2024-25
Other O&M Expense (Mln. Rs.)	1,364	1,519	1,834
% Increase (YoY)		24.00%	34%

Depreciation:

- ✓ The Authority determined depreciation based on the Revised Gross Fixed Assets in Operation (GFAIO) for FY 2024-25 of Rs. 145,451 million, on basis of allowed investment of Rs. 10,054 million and a depreciation expense of Rs. 5,017 million, has been allowed. While calculating Depreciation Expense for FY 2024-25, Fixed Assets has been understated by Rs. 6,127, thereby, resulting in allowing reduced Depreciation expense for the FY 2024-25. As per the calculation of Authority, an addition of Rs. 14,042 million (FY 2024-25) brought the total



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Fixed Assets to Rs. 151,578 million (FY 2024-25), however, the opening balance has been taken as Rs. 131,409 million instead of Rs. 137,536 for FY 2024-25 for the calculation of GFAIO, hence, the same needs to be reconsidered accordingly. The comparison is as follow:

Mln. Rs.

	FY 2023-24	FY 2024-25		
	NEPRA <i>Determined</i>	NEPRA <i>Determined</i>	PESCO <i>Proposal</i>	<i>Asset Base Shortfall</i>
Fixed Assets O/B	121,950	131,409	137,536	6,127
Addition	15,586	14,042	14,042	-
Fixed Assets C/B	137,536	145,451	151,578	6,127

- ✓ The decision also pointed out that deviations from approved investment plans require prior approval from the Authority for regulatory compliance. In accordance with this, a Revised Business Plan has already been submitted to the Authority, for a revised investment of Rs. 30,446 million for FY 2024-25. Therefore, Authority may reconsider the determination of depreciation for FY 2022-23 to FY 2023-24 to align it with the revised Business Plan and Audited Financial Statement. Additionally, the revised investment plan needs to be linked with the NCPI local and NCPI foreign indices for foreign-funded projects.
- ✓ Furthermore, the decision stated that the MYT determination mechanism allows for the downward revision of depreciation only, based on the allowed investment for the respective year. This approach does not consider unavoidable factors such as natural calamities and inflation-induced mismatches between the scope and amount of allowed investment. Such approach could lead to negative consequences for service quality and long-term efficiencies. It is therefore requested that the projected depreciation based on the estimated investment of Rs. 30,446 million be determined and that the Authority reconsider the policy of downward-only adjustments. The Petitioner requested the Authority to review its decision and allow depreciation expense of Rs. 4,210 million, Rs.4,758 million & Rs.5,251 million for FY 2022-23, FY 2023-24 & FY 2024-25, respectively, on the following basis:

Table-6: Depreciation Expense

DESCRIPTION	AUDITED	PROVISIONAL	ADJUSTMENT
	FY'2022-23	FY'2023-24	FY'2024-25
Gross Fixed Assets in Operation (GFAIO) — Opening Balance	107,485	121,951	137,537
Addition in Fixed Assets	14,466	15,586	14,042
Fixed Assets in Operation (GFAIO) — Closing Balance	121,951	137,537	151,579
Depreciation-Expense	4,210	4,758	5,251



Rate on Return Base (RORB):

- ✓ The Authority determined average RAB of Rs. 74,226 million and RORB of Rs. 15,145 million for FY 2024-25, which is 20.4% of the RAB against the requested WACC of 21.27%, hence, the same needs to be reconsidered in view of the MYT determination, wherein adjustments

Noted



on account of variation in KIBOR is permissible on biannual basis. The calculation of determined RORB is as follow:

Description	Mln. Rs.
	2024-25
	Determination
Regulatory Asset Base (RAB)	74,226
WACC	20.40%
RORB	15,145

- ✓ The brief detail of WACC is tabulated below:

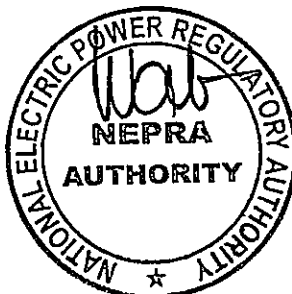
FY	KIBOR (Jul 2023)	KIBOR (Jan 2024)	Cost of Debt Ave-Biannually (KIBOR+2%)	Cost of Equity	WACC
2023-24	22.90%	21.46%	24.18%	14.47%	21.27%
2024-25	-	-	24.18%	14.47%	21.27%

- ✓ Further, the amount of deferred credit (along with cash shortfall of consumer deposit) used for calculation of RAB is overstated, as the cash balance of Meter Security of Rs. 6,872 million, as per the Financial Statement of FY 2022-23, has not been considered while calculating the cash shortfall under the head of Meter Security for the period FY 2022-23 and subsequent period as well. This resulted in an understatement of RORB by Rs. 587 million for FY 2022-23. Similarly, the cash balance for FY 2023-24 and FY 2024-25 has also been understated, leading to an overall reduction in calculation of RORB by Rs. 71 million & Rs. 664 million, respectively.

Cash shortfall calculations	FY 2022-23		
	Determination	Audited Accounts	Asset Base Shortfall
Funds to Be Available			
Security Deposit	6,794	6,794	-
Funds Available			
Meter Security	-	6,872	6,872
Cash Shortfall Added to Deferred Credit	6,794	-78	-6,872

- ✓ As already submitted via PESCO letter dated 16.05.2024, the economic situation of the country made it challenging to achieve the scope of investment allowed in the investment plan without a mechanism for NCPI-based adjustment, as was allowed to K-Electric in the recent decision. Considering the prevailing economic conditions, the Revised Business Plan may be considered, and the revised investment of Rs. 30,446 million may be allowed to PESCO for FY 2024-25. Moreover, the actual investment made during FY 2020-21 and FY 2021-22 may also be allowed, as it is within the limits of Rs. 76 billion allowed to PESCO for five years if indexed based on NCPI. Accordingly, the Authority is requested to consider the following adjustments under RORB based on actual investment:

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Description	Rs. in Mln		
	2022-23	2023-24	2024-25
RORB Determined	7,844	14,292	15,145
Adjustment required for Meter Security Cash Balance (Rs. 6,872 million)	587	71	664
Impact of Opening GFAIO (Rs. 6,127 mln) & Depreciation (Rs. 215 mln)			603
Impact of WACC @ 20.4%			694
Proposed Adjustment in RORB	587	71	1,960
Revised Proposed RORB	8,431	14,363	17,105

Prior Year Adjustment:

Recovery of Quarterly Adjustments for the period October 2021 to March 2023:

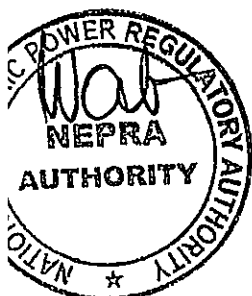
- ✓ PESCO in its Addendum to Indexation Application vide letter dated 16.05.2024 has requested to allow an adjustment of Rs. 1,220 million on account of recovery of quarterly tariff adjustments for the under mentioned period in relation to the MLR decision dated 14.07.2023, due to different errors/ omission (e.g. over adjustment of incremental & lifeline units) noted in the calculation for the period. The Authority in its decision dated 14.06.2024 has allowed the adjustment partially to the extent of Rs. 75 million, whereas, balance amount of Rs. 1,145 million is outstanding. The detail of the requested adjustment is given below:

Incremental & Lifeline Units Adjustments		Mln. Rs.	
	PESCO Requested	PYA Determined	Pending Adjustment
1 st & 2 nd Quarters of FY 2020-21	941	-	941
3 rd Quarter of FY 2020-21	147	-	147
3 rd Quarter of FY 2021-22	8	8	-
4 th Quarter of FY 2021-22	113	57	56
1 st Quarters of FY 2022-23	10	10	-
Total	1,220	75	1,145

- ✓ Further, for determination of QTA recovery for 1st, 2nd & 3rd quarter of FY 2020-21, the over adjustment is on account of incremental Units, whereas, for 4th quarter of FY 2021-22 the lifeline units for the months of Dec-22 & Jan-23 are not accounted for by the Authority while assessing the adjustments for the said period. The detailed breakup is given below for ready reference:

Over Adjustment on account of Incremental & Lifeline Units

Period	Units Received	Units to be sold	Incre. Units	Lifeline Units Actual	QTA rate	PESCO Requested	PYA Deter'd	Pending Adj.
	Kwh	Kwh	Kwh	kwh	Rs./kwh	Mln Rs.	Mln Rs.	Mln Rs.
1 st & 2 nd Quarter (FY 2020-21)	16,144	12,700	732	105	1.285	15,301	16,241	941
3 rd Quarter (FY 2020-21)	16,144	12,700	732	105	0.201	2,393	2,540	147
4 th Quarter (FY 2021-22)	4,455	3,557	158	33	3.41	11,477	11,533	56
Total						29,170	30,314	1,145



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- ✓ Accordingly, the Petitioner requested the Authority to reconsider its decision and allow the Rs. 1,145 million as PYA.

Determination of Quarterly Tariff Adjustment on account of Incremental Units under ISP-II Relief Package during Nov 2020 to June 2021:

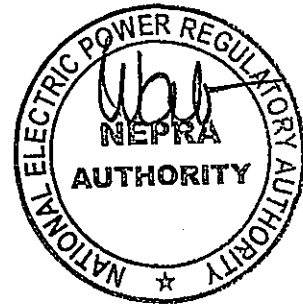
- ✓ PESCO vide addendum dated 16.05.2024 requested to allow an adjustment of Rs. 2,210 million on account of pending QTA adjustment of ISP-II incremental units however, the same has not been decided. The adjustment on account of incremental consumption in respect of PESCO as per the transfer pricing mechanism was claimed, however, the Authority has not allowed the impact of incremental units of ISP for FY 2020-21 (Nov-20 to Jun-21) on Capacity Charges, Variable O&M and Use of System Charges, consequently, resulting into the shortfall of Rs. 1,168 million for the period of FY 2020-21 (Nov-20 to Jun-21). Further, there is over adjustment of Rs. 1,042 million due to excess recovery on account of incremental units, summaries as under:

	Mln. Rs.
QTA Adjustment of Incremental Units to be Allowed [Nov 2020 to Jun 2021]	1,168
Excess Deductions on account of QTA Recovery on Incremental Units [2Q & 3Q FY20]	1,042
Total Adjustments	2,210

Determination of Quarterly Tariff Adjustment on account of Incremental Units under Winter Incentive Relief Package for the period Nov 2021 to Feb 2022:

- ✓ The Authority is allowing adjustment on incremental sales since FY 2021-22 in Quarterly Tariff Adjustments, however, the impact of WIP incremental units for FY 2021-22 is still pending and has not been considered in the Quarterly Tariff Adjustments by the Authority, resulting in shortfalls of Rs. 434 million for Nov-Dec 2021 and Rs. 16 million for Jan-Feb 2022. The breakup is given below;

	Mln. Rs.		
Description	FY 2021-22 Claim of WIP		Total Adjustment
	(2nd Qtr)	(3rd Qtr)	
Impact of Variable O&M	32	2	34
Impact of CPP	869	31	900
UoSC Adjustment	39	1	40
Recovery on Incremental Units	-505	-17	-522
Adjustment to be Allowed	434	16	450



- ✓ However, the Authority in its decision dated 03.04.2024 has held that the impact of incremental units for FY 2020-21 has already been accounted for while working out the Sales Mix of the Petitioner for FY 2020-21 but the Petitioner has not raised any observation on this account. In this regard, it is clarified that PESCO has raised its observations regarding adjustments of the incremental units (both ISP & WIP) in Indexation Petition for FY 2023-24, subsequently in MLR petition and now in Indexation Petition for FY 2024-25, hence, the said observation may be reconsidered. It is pertinent to mention here that the adjustment of

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incremental units in Sales Mix has no co-relations with the determination and subsequently, recovery of Quarterly Adjustments and needs to be treated separately. Further, as per the transfer pricing mechanism provided in the notification, the impact of adjustments of these units is required to be allowed in the Tariff Determinations (QTA and /or as PYA) but the same cannot be achieved in the Sales Mix (SM) Calculations, because the said calculation is based on Units excluding Incremental Units. Therefore, it is again requested that the above Adjustment be allowed on the differential Incremental Units.

Recovery of PYA FY 2021-22

- ✓ The Authority has allowed negative adjustment of Rs.773 million on account of Prior Year Adjustment (PYA) for FY 2021-22, wherein, it has included sales to lifeline, domestic consumers' up-to 300 units and agriculture consumers based on their actual sales mix. It is worth mentioning here that according to the notified SOT for the recovery of prior year adjustments (PYA), only lifeline consumers are exempted while domestic and agriculture consumers are subject to these adjustments. If the same is considered this could lead to an adjustment of negative Rs. 588 million for the period July-22 to June-23.

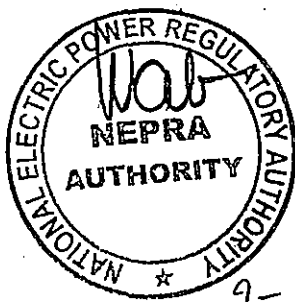
Other Income:

- ✓ An adjustment of Rs. 423 million has been made by the Authority in its decision dated 14.06.2024, considering the decision made in the MLR dated 03.04.2024, under the head of Wheeling Charges paid by TESCO, which is contrary to earlier tariff determinations. PESCO vide its addendum letter dated 16.05.2024 has also highlighted the issue but it is not considered by the Authority in the said decision. Hence, the Petitioner requested the Authority to reconsider its decision and allow the said amount as PYA.

Impact of positive FCA regarding Lifeline Consumers:

- ✓ The Authority was requested vide letter dated 16.05.2024 for the determination of impact of positive FCA on lifeline consumers, previously, during regulatory proceeding these charges were allowed on the basis of regulated mix being price variance, however, now the said mechanism has been revised and it is being conveyed that the said variance will be allowed on the basis of actual lifeline units.
- ✓ Accordingly, the actual data has been shared with the Authority, hence, the authority has only allowed Rs. 216 million (from Jan-23 to Dec-23). Earlier, during regulatory proceeding these charges were allowed as part of periodic adjustments, however, since the issuance of Quarterly Adjustments determinations, the Authority on the issue of Periodic Quarterly Adjustments in Tariff for FY 2017-18 to FY 2020-21, has neither allowed the impact of lifeline consumers in the quarterly tariff determinations, nor the same has been allowed in Annual Tariff Determinations of PESCO as part of Prior Year Adjustments (PYA) thereby, resulting in the shortfall of Rs.86 million for the period FY 2017-18 to FY 2020-21.
- ✓ The yearly detail of pending / unrecovered positive FCA on lifeline consumers as per the Quarterly requests filed by PESCO and Quarterly FCA allowed by NEPRA is as under:

Impact of FCA



Period	Mln. Rs.		
	PESCO	NEPRA	Variance
FY 2017-18	16	-	16
FY 2018-19	27	-	27
FY 2019-20	43	-	43
FY 2020-21	15	15	-
FY 2021-22	425	425	-
FY 2022-23	113	113	-
FY 2023-24	266	143	123
Total	905	696	209

- ✓ The Petitioner requested the Authority to allow the remaining impact of positive FCA, amounting to Rs. 209 million in the matter of life line consumers as part of Prior Year Adjustment. Further, the adjustment of positive FCA on lifeline supplies against the subsidy receivables is against the GoP policy which states that the negative impact of FCA may be adjusted against the GoP Subsidy, hence the same needs rectification as the said amount pertains to consumers rather than receivables from GoP.
5. Based on the information given in the preceding paragraphs, summary of the Petitioner's request is as under;

Table-15: PROPOSED ADJUSTMENT FOR FY 2024-25

DESCRIPTION	FY 2024-25	PROPOSED ADJUSTMENTS	FY 2024-25
	DETER'D		REVISED
Power Purchase Price	391,910		391,910
Oper. & Maintenance			
Salaries & Other Benefits	20,483	2,066	22,549
Post Retr. Benefits	10,297	3,766	14,063
Repair and Maintenance	1,493	94	1,587
Traveling Expenses	444	26	470
Vehicle Expenses	320	115	435
Other Expenses	1,650	184	1,834
O & M Cost	34,687	6,251	40,938
Depreciation	5,017	234	5,251
Return on Rate Base	15,145	1,960	17,105
Less Other Income	(5,021)	-	(5,021)
Distribution Margin	49,828	8,445	58,273
PYA	3,156	4,622	7,778
Net Revenue Requirement	444,894	13,067	457,961

6. The Authority has carefully considered the submissions made by the Petitioner under each head.
7. Regarding Pay & Allowances and Pension Benefits, the Authority in order to assess the request of the Petitioner, analysed actual cost of PESCO under both heads i.e. Salary & wages and Pension for the entire MYT control period from FY 2020-21 to FY 2024-25. The Authority noted that actual cost of the Petitioner for both these heads combined, remained lower as compared to the

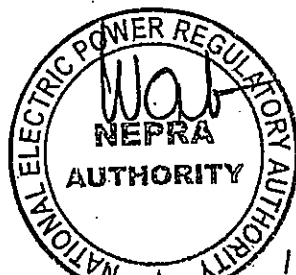


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cost allowed by the Authority. Accordingly, the required adjustment has been made and included as part of PYA in the MYT determination of the Petitioner for the FY 2025-26.

8. On the point of allowing additional cost on account of R&M and other O&M expenses, the Authority noted that while setting up the reference costs for the test year of the MYT control period i.e. FY 2020-21, the same were based on the latest available audited accounts of the Petitioner at that time. The MYT determination further provided to index the reference/ allowed cost with CPI-X factor during the MYT control period. Thus, the costs allowed were in line with the MYT methodology and adjustments were allowed as per the mechanism provided therein. Hence, no further adjustment is allowed in this regard, with the direction that the Petitioner shall ensure to remain within the allowed costs.
9. Regarding depreciation charges, the Authority has carefully considered the submissions of the Petitioner and noted that Depreciation for the FY 2022-23 has already been trued up vide decision dated 14.06.2024, whereby the Petitioner was allowed an additional amount of Rs.421 million as part of PYA for the FY 2022-23. Regarding Depreciation for the FY 2023-24 and FY 2024-25, the same has been trued up in the MYT determination of the Petitioner for the FY 2025-26, and included as part of PYA, based on the allowed investment plan. Regarding concern of the Petitioner to allow revised investment plan and link the same with NCPI local and NCPI foreign indices for foreign-funded projects, the Authority notes that the said request is not subject of the instant proceedings and the Petitioner may take up this issue separately for consideration of the Authority.
10. On the issue of RoRB for the FY 2022-23, the same has already been trued up in the determination dated 14.06.2022, whereby the Petitioner was allowed Rs.330 million, thus no further adjustment is required in this regard. Regarding RoRB for the FY 2023-24 and FY 2024-25, the RoRB has also been trued up while working out the MYT for the FY 2025-26, whereby negative amount of Rs.2,303 million and negative amount of Rs.3,960 million for the FY 2023-24 and FY 2024-25 respectively, has been adjusted and included as part of PYA for the FY 2025-26.
11. Regarding impact of Quarterly Adjustments for the period October 2021 to March 2023, the Authority noted that the aforementioned adjustments were included in the PYA determined for PESCO for the FY 2023-24 and FY 2024-25. However, keeping in view the submissions of the Petitioner, the same has now been reworked and the differential amount has been included as part of PYA while working out the tariff of the Petitioner for the FY 2025-26.
12. Regarding impact of Quarterly Tariff Adjustment on account of incremental units for the period from Nov 2020 to June 2021, the Authority noted that this impact has already been considered while working out the sales mix of the Petitioner for the FY 2020-21, thus, the request does not merit any further consideration. Further, this matter has also been discussed in the 1st quarterly adjustment for the FY 2021-22 decision dated 09.05.2022. Therefore, the Authority does not see any justification to review its earlier decision.
13. Regarding quarterly adjustments for the 2nd quarter of FY 2021-22 and 3rd quarter of FY 2022-23, the Authority observed that these quarterly adjustments were worked out based on net units, i.e.

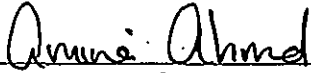


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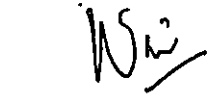
units purchased for incremental sales were not included while working out the quarterly adjustments. Accordingly, the cost recovered on incremental units over and above the fuel cost was adjusted from the quarterly adjustments, worked out on net units. Thus, no further adjustment is required in this regard. Therefore, the Authority does not see any justification to review its earlier decision.

14. On the point of recovery of earlier PYAs, the impact in this regard has been included in the MYT determination for the FY 2025-26, as part of PYA.
15. Regarding Other income, the Authority vide decision dated 03.04.2024 reworked the Petitioner's other income, whereby an amount of Rs.945 million was allowed as part of MLR. While working out the allowed amount of Rs.945 million, the Authority only included the amount actually paid by TESCO to the Petitioner as part of other income. Thus, the Authority does not see any justification to review its earlier decision. Hence, request of the Petitioner is declined in this regard.
16. The impact of FCAs not passed on to the consumers has been reworked and allowed in the MYT determination for the FY 2025-26, as part of PYA.
17. The decision of the Authority is intimated to the Federal Government for notification in the official Gazette under Section 31(7) of the NEPRA Act.

AUTHORITY


Amina Ahmed
Member


Engr. Maqsood Anwar Khan
Member


Waseem Mukhtar
Chairman

