



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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Registrar

No.NEPA/R/TRF-68/APL-2007/1013-1015
February 2, 2012

Subject: **Decision of the Authority in the Matter of Adjustment in Insurance Component of Capacity Charge Part of Tariff for Atlas Power Ltd. [Case # NEPRA/TRF-68/APL-2007]**
Intimation of Decision of Tariff pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

Dear Sir,

Please find enclosed herewith the Decision of the Authority along with schedule of tariff Annexure-1 (02 pages) regarding adjustment in insurance component of capacity charge part of Atlas Power Ltd.'s tariff on account of Actual Insurance Premium for the period 18 December 2010 to 17 December 2011 in Case No. NEPRA/TRF-68/APL-2007.

2. The decision is being intimated to the Federal Government for the purpose of notification in the official gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

3. Please note that revised schedule of tariff attached to the decision as Annex-I is required to be notified in the official Gazette.

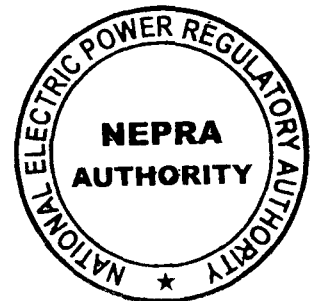
Enclosure: As above

(Syed Safeer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, Islamabad.



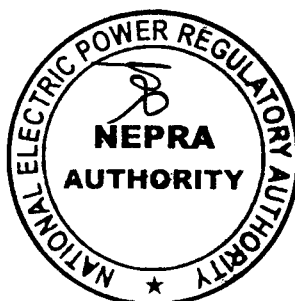


Decision of the Authority in the Matter of Adjustment in Insurance Component of Capacity Charge Part of Tariff for Atlas Power Limited (APL)

1. According to the decision of the Authority dated 19th May 2010 in the matter of adjustment at commercial operation date, insurance component of reference tariff shall be adjusted as per actual on yearly basis upon production of authentic documentary evidence. In pursuance thereof, APL vide letter No. Fin/Ins/271/2011 dated 20th April 2011 filed a request for the adjustment of Insurance Component of capacity charge part of tariff for the period December 18, 2010 to December 17, 2011 in accordance with the prescribed mechanism.
2. APL applied for the adjustment of insurance component by providing details of insurance policies and premium payments. APL purchased insurance policies from its associated company, Atlas Insurance Limited. The details of insurance policies are as under:

Sr. No.	Particulars	Premium (Rs.)
1	Comprehensive/All Risk Insurance	191,353,520
2	Terrorism/Political Violence Insurance	41,599,634
3	General Liability Insurance	4,120,760
4	Hospitalization	473,631
5	Personal Accident	119,585
6	Group Life	55,658
7	Vehicles	1,742,609
Total		239,465,397
Insurance % of EPC (Rs. 239.47 million /(\$207.07 million x Rs. 85.8/US\$))		1.35%

3. In order to verify the prudence of the insurance cost claimed by APL, the requested insurance cost was compared with actual insurance cost in similar projects. On the basis of comparative analysis, it was observed that the effective premium rates of insurance policies purchased by APL were on the higher side when compared with similar policies purchased by similar projects. As a result of higher premium rates paid by APL, the total adjustment claim works out 1.35% of its adjusted EPC cost which is the maximum limit allowed. Circumstances of the case, prima facie, suggested that the APL is utilizing the maximum limit to provide undue advantage to its associated company, Atlas Insurance Limited.
4. APL was directed vide letter No. NEPRA/R/TRF-68/APL-2007/4261 dated June 13, 2011 to provide full justification of the requested insurance cost along with analysis of the rates in the insurance market carried out by it or by any other agency on its



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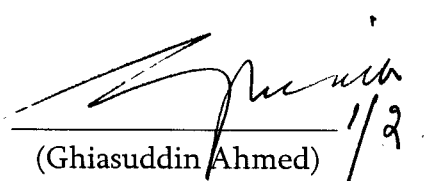
behalf before purchasing the insurance policies from Atlas Insurance Company Limited. APL vide its letter No. APL/CC/Ins-Neptra/02/2011 dated October 3, 2011 explained that on its request, the insurance company discussed the matter with the re-insurers who responded that at this point in time they would not reconsider their rates as six months had passed and specifically when one claim was already in process. APL through its mentioned letter failed to provide justification of the requested cost or any competitive analysis performed at the time of purchase of policies in spite of specific directions of the Authority.

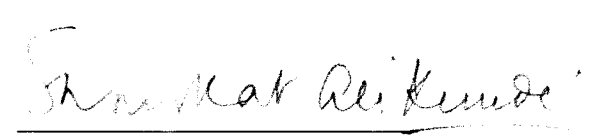
5. On failure of APL to provide necessary information, the Authority is of the view that the request of APL for adjustment of insurance cost component of tariff lacks prudence and due diligence. The Authority, as per its mandate under the law, can only allow prudently incurred costs; therefore, the request of APL can not be accepted. The Authority has decided to allow insurance cost on the basis of average cost allowed to similar projects which is approximately 1% of the adjusted EPC cost. Accordingly APL is being allowed Rs. 177,666,060/- (US\$ 207.07 million*85.8*1%) as insurance cost for the period under consideration i.e. December 18, 2010 to December 17, 2011. The revised insurance component of capacity charge part of tariff indicated hereunder shall be immediately applicable:

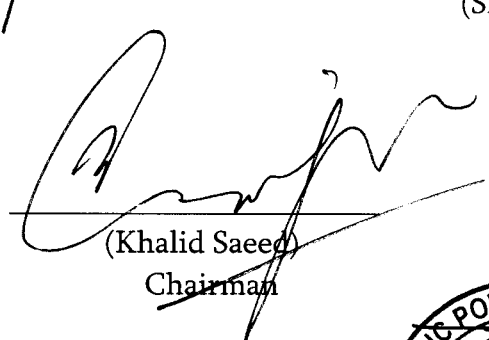
Sr. #	Period	Revised Insurance Component Rs./kW/Hour
1.	18-Dec-2010 to 17-Dec-2011	0.0948

6. The revised tariff schedule attached as Annex-I is to be notified in the official gazette, in accordance with the provisions of Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997.

AUTHORITY


(Ghiasuddin Ahmed)
Member


(Shaukat Ali Kundi)
Member


(Khalid Saeed)
Chairman



Atlas Power Limited
Schedule of Insurance Component of Capacity Charge
Adjustment on account of Actual Insurance Premium

Period	Reference Insurance Premium	Revised Insurance Premium	Reference Insurance Component	Revised Insurance Component
	Rs.	Rs.	Rs./kW/Hour	Rs./kW/Hour
18-Dec-2010 to 17-Dec-2011	235,724,802	177,666,060	0.1258	0.0948

S.S.

