



Registrar

National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-100/Laraib-2009/2690-2692
March 4, 2015

Subject: Decision of the Authority in the Matter of Request of Interim Relief for Laraib Energy Ltd. (Case No. NEPRA/TRF-100/2009)

Dear Sir,

Please find enclosed herewith the decision of the Authority in the matter of Request of Interim Relief for Laraib Energy Ltd. in Case No. NEPRA/TRF-100/2009.

2. The decision is being intimated to the Federal Government for the purpose of notification of adjustment in the approved tariff through the official Gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997).

3. Please note that Order of the Authority needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safer Hussain)

Secretary,
Ministry of Water & Power,
Government of Pakistan
Islamabad.

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



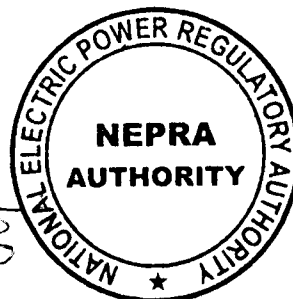
**DECISION OF THE AUTHORITY IN THE MATTER OF REQUEST OF
INTERIM RELIEF FOR LARAIB ENERGY LIMITED
CASE NO. NEPRA/R/TRF-100/2009**

1. Laraib Energy Limited (herein after referred to as "LEL") has established an 84 MW hydropower project in Azad Jammu & Kashmir. In terms of the provisions of Interim Power Procurement Regulations (2005), the power purchase agreement executed between Laraib Energy Limited and National Transmission and Despatch Company Limited (herein after referred to as "NTDCL") was approved by NEPRA vide a decision dated December 14, 2009. The PPA approved by the Authority allowed certain adjustments in the reference tariff of LEL at the commercial operations date (hereinafter referred to as "COD").

2. The hydropower project of LEL has commenced commercial operations on March 23, 2013. NTDCL vide its letter no. GM/WPPO/CE-IV/DH/3927-31 dated April 24, 2014, after carrying out due diligence at its end, has submitted a request to the Authority for approval of COD adjustments as provided in the approved PPA dated December 14, 2009. The Authority directed NTDCL vide letter no. NEPRA/R/TRF-100-LARAIB/10301 dated September 08, 2014 to shortlist an auditor, for necessary approval by the Authority, for the verification/audit of onetime adjustments, project cost, tariff table, debt repayment schedule, etc. of LEL. On request of NTDCL, BDO Ebrahim & Co., Chartered Accountants were approved by the Authority, for the audit/verification as detailed above. Report of BDO Ebrahim & Co., Chartered Accountants was submitted by NTDCL vide letter No GM/WPPO/NTDCL/11870 dated December 10, 2014. According to the revised tariff table attached with the report of BDO Ebrahim & Co., Chartered Accountants tariff of LEL for first three years after COD was as follows:

Year 1	Rs. 10.6285
Year 2	Rs. 10.4120
Year 3	Rs. 10.1955

3. Having examined the report of BDO Ebrahim & Co., Chartered Accountants submitted by NTDCL, it was observed that they were not engaged to verify the total project cost and interest income on bank deposits and their scope was restricted to the extent of





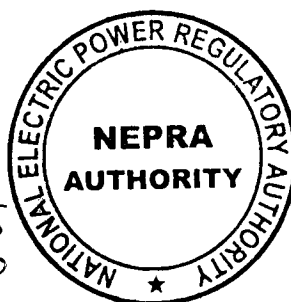
verification of costs claimed on account of onetime adjustments. It was noted with concern that the report of BDO Ebrahim & Co., Chartered Accountants was not in accordance with their terms of reference approved by the Authority, which required submission of schedule of audited/verified project cost, tariff table, debt repayment schedule, etc. It was also noted that onetime adjustments also effect total project cost e.g. due to variation in US\$/PKR parity. It was also observed that required documentary evidences for the verification of project cost by the Authority were also being submitted in bits and pieces. The Authority hereby directs NTDCL to submit the audit report in accordance with the Authority approved terms of reference at earliest.

4. In the mean while, NTDCL vide letter no GM/WPPO/NTDCL/352-54 dated January 12, 2015 has requested the Authority to allow interim relief, pending final decision of the Authority on COD adjustments, for LEL. NTDCL has forwarded letter no. 319723/LFL/2015 dated January 09, 2015 of LEL wherein it is stated that:

“Due to delay in COD tariff determination, the company has been holding back the punitive cash sweep right of the Lenders through waivers, the last of which expired on October 31, 2014. Though the company has applied for and is diligently pursuing further waiver extension, none has so far been granted. Therefore, the Company is under default and exposed to major financial risk of prepayment of excess debt (US\$ 10.95 million) through application of cash sweep under the Finance Documents.”

5. In the aforesaid letter it is also stated that:

“In lieu of the interim relief sought, the Company hereby undertakes that it will refund any excess amount that is determined to be refundable/payable by the Company after determination of the final NEPRA approved COD stage tariff based on verification of the entire project cost including cost overruns as originally claimed by the Company in the tariff application referred above.”





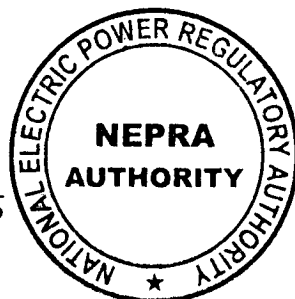
6. The Authority has deliberated on the request for interim relief in detail and has observed that part of the delay is attributable to peculiar circumstances of case i.e. it is located in Azad Jammu & Kashmir, which is outside the jurisdiction of the Authority. Due to the aforesaid jurisdiction issue, LEL did not approach the Authority directly and had to make its submissions through NTDCL, which follows its own procedures/due diligence before forwarding anything to the Authority.

7. The Authority has also considered that the plant has been in operation for about two years and is delivering electricity to NTDCL. The Authority has also noted that project cost of LEL has been partially verified by its professionals. Keeping in view the financial implications of delay in COD decision on LEL, due diligence carried out by NTDCL, audit carried out by BDO Ebrahim & Co., Chartered Accountants and other considerations detailed above, the Authority has decided to grant interim relief in this case, which will be applicable only for one year from the date of this decision.

ORDER

For the foregoing reasons and in terms of already approved PPA by the Authority, the request of NTDC for grant of interim relief is hereby allowed and pending disposal of the request for COD adjustments, M/s Laraib Energy Limited is hereby allowed to charge Central Power Purchasing Agency (CPPA) of National Transmission and Despatch Company (NTDC), the following interim tariff:

	Revised Interim Tariff		
	Year 1	Year 2	Year 3
	Rs/kWh	Rs/kWh	Rs/kWh
Water use charges	0.1500	0.1500	0.1500
Variable O & M-Local	0.0441	0.0441	0.0441
Fixed O & M-Foreign	0.4411	0.4411	0.4411
Fixed O & M-Local	0.5786	0.5786	0.5786
Insurance Cost	0.2370	0.2370	0.2370
Return on equity	1.9110	1.9110	1.9110
Return on equity during			





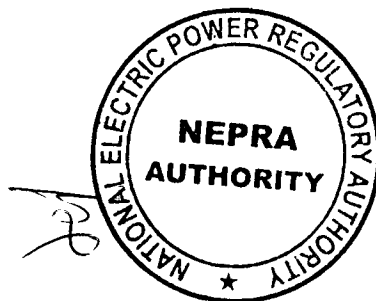
construction	0.9330	0.9330	0.9330
Special return on equity	0.7306	0.7306	0.7306
Debt Service-Foreign	3.6618	3.5417	3.4216
Debt Service –Local	1.5319	1.4394	1.3468
Total tariff	10.2191	10.0065	9.7938

i. Following KIBOR, LIBOR and exchange rates have been used as a reference for this interim relief:

US \$ to PKR parity	96.13 PKR/ 1 USD
Average US CPI (All Urban Consumers)	230.380
Average CPI General	172.780
KIBOR (6-monthly)	9.57%
LIBOR (6-monthly)	0.4479%

ii. Terms and conditions of Tariff:

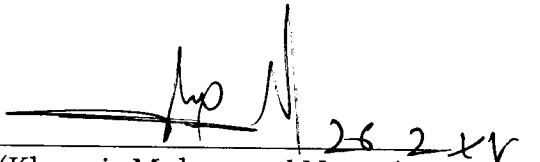
- a. This tariff will be valid only up to final decision on COD level tariff of Laraib Energy Limited by the Authority or one year from the date of this decision, whichever comes earlier.
- b. This tariff is subject to adjustment on the basis of Authority's final decision.
- c. NTDC has to submit audit report on total project costs claimed, etc. as per terms of reference approved by the Authority at earliest.
- d. Indexation for tariff components as provided in the PPA will be allowed to LEL, during the effectiveness of this interim tariff.
- e. General assumptions of LEL, which are not covered in this decision will be dealt with according to standard terms of its approved PPA.

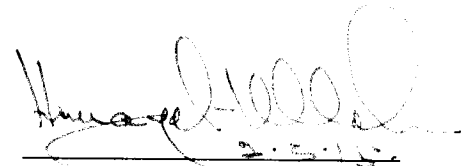




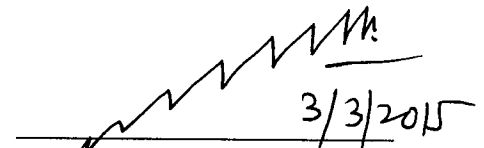
iii. The order is recommended for notification by the Federal Government in the official gazette in accordance with Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997

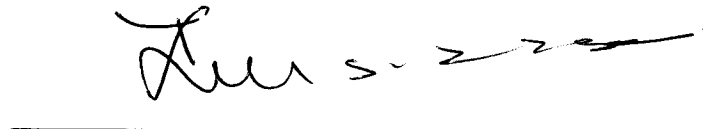
AUTHORITY

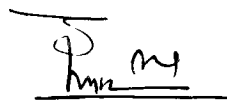

(Khawaja Muhammad Naeem)
Member


(Himayat Ullah Khan)
Member


(Maj (R) Haroon Rashid)
Member


(Habibullah Khilji)
Vice Chairman


(Brig. (R) Tariq Saddozai)
Chairman


04.03.15

