



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No.NEPRA/TRF-70/NCPL-2007/4957-4959

December 31, 2010

Subject: **Decision of the Authority in the Matter of Nishat Chunian Power Limited Tariff Adjustments at Commercial Operation Date (COD) [Case # NEPRA/TRF-70/NCPL-2007] - Intimation of Decision of Tariff Adjustment pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 (XL of 1997)**

Dear Sir,

Please find enclosed the subject Decision of the Authority along with Annexure-I & II (16 pages) in Case No. NEPRA/TRF-70/NCPL-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 1997 (XL of 1997) and Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

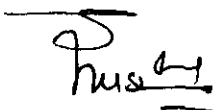
3. Please note that Order of the Authority at para 16 of the Decision relating to the reference tariff, adjustments, indexation and terms & conditions along with Annex-I & II needs to be notified in the official Gazette.

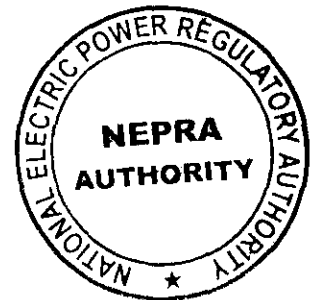
Enclosure: As above

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

CC:

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


(Syed Safeer Hussain)





DECISION OF THE AUTHORITY
IN THE MATTER OF NISHAT CHUNIAN POWER LIMITED
TARIFF ADJUSTMENTS AT COMMERCIAL OPERATIONS DATE

1. **Introduction**

1.1 Nishat Chunian Power Limited (hereinafter "NCPL") having successfully commenced its commercial operations with effect from July 21, 2010, filed a request vide letter dated July 28, 2010 for adjustment in its reference tariff in accordance with the Authority's determination dated March 05, 2007 and decision of the Authority w. r. t. motion for leave for review dated April 13, 2007 notified vide SRO 1084(I)/2007 dated October 20, 2007 (hereinafter the "determination").

1.2 According to the determination following types of adjustments were required to be made at Commercial Operations Date (hereinafter "COD"):

One Time Adjustments at COD

- a) Adjustment on account of EPC
- b) Adjustment on account of customs duties & taxes
- c) Adjustment on account of actual interest during construction and return on equity during construction
- d) Adjustment on account of financing fees and charges
- e) Adjustment on account of variation in net capacity

Tariff Component Adjustments at COD

- a) Adjustment on account of KIBOR
- b) Adjustment on account of exchange rate
- c) Adjustment on account of US CPI and WPI
- d) Adjustment on account of fuel price
- e) Adjustment on account of insurance

1.3 In support of NCPL's request for adjustment in its relevant tariff components following documents were submitted by NCPL:

- Engineering and procurement contract
- Construction contract
- Agreements with banks (along with amendments)
- Capacity test certificate and certificate of commissioning from independent engineer i.e. KEMA International BV
- Audited financial statements
- Copies of general ledgers
- Copies of bank statements and advices
- Copies of EPC invoices
- Copies of payment challans of duties, copies of pay orders through which these duties were paid and copies of bills of entry



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- Equity/debt draw downs schedule reconciled with bank statements
- Schedule of financing fee and charges
- Copies of other source documents

1.4 All the documents and figures submitted by NCPL have been checked by Tariff Division of the Authority and all possible efforts have been made to check the authenticity and credibility of the documents submitted by NCPL. After detailed deliberations, the Authority is pleased to make the following adjustments in the reference tariff of NCPL.

2. Engineering, Procurement and Construction (EPC) Cost

2.1 As per the determination and decision of the Economic Coordination Committee of the Cabinet ECC-65/5/2007 dated May 23, 2007, NCPL's EPC cost was subject to adjustment for variation in Euro/US\$ exchange rate parity. The Authority originally determined an amount of US\$ 169.566 million out of which US\$ 150.346 million was in Euro and US\$ 19.220 million was in US dollars. NCPL requested for allowing increase in EPC cost on the basis of revised Euro/US\$ exchange rate of 1.4183 (weighted average Euro to Dollar parity based upon timing of the payment) as compared to the reference Euro/US\$ exchange rate of 1.28 applied in the determination.

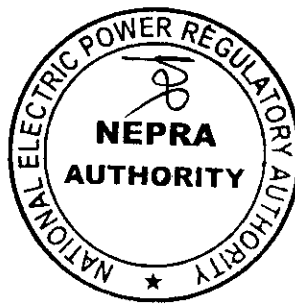
2.2 Having gone through the relevant documents the Authority has verified to its satisfaction that the increase in EPC cost by US\$ 16.244 million is entirely on account of variation of Euro to dollar parity and therefore it is being accepted. Accordingly, the EPC cost stands revised to US\$ 185.810 million.

2.3 The Authority while considering visit report of its team of professionals to the NCPL site, noted that the dyke wall around oil storage tanks was in part constructed of bricks instead of leak tight reinforced concrete as per specifications mentioned in the EPC contract. The Authority hereby directs NCPL to construct this wall as per the specifications given in the EPC contract. A compliance report shall be submitted by NCPL within six months of this decision.

2.4 NCPL has also requested for allowing piling cost of Rs. 83.047 million (US \$ 1.039 million) actually incurred, which was not claimed in the original petition and accordingly was not considered by the Authority in the determination. The Authority while considering NCPL's request to allow this cost, decided that this cost is not subject to adjustment at COD stage and hence did not allow the same.

3. Taxes and Duties

3.1 According to the determination, taxes and duties were subject to adjustment on account of actual variation at the time of COD. Accordingly NCPL requested to allow Rs. 534.988 million (US\$ 6.587 million) against the determined amount of US\$ 7.517 million. In support of this claim NCPL submitted copies of goods declarations of Pakistan Customs,



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payment challans of these duties, copies of pay orders of different banks through which these duties were paid, copies of bills of entries, Wartsila invoices, etc.

- 3.2 Having considered all the evidences, the Authority is convinced that all the taxes and duties have been correctly claimed and hereby accepts NCPL's claim of Rs. 534.988 million (US\$ 6.587 million) on this account.

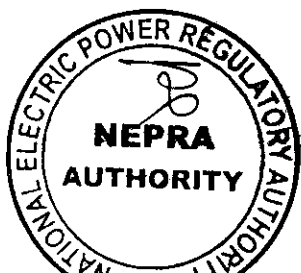
4. **Interest During Construction (IDC)**

- 4.1 The Authority in its determination estimated US \$ 11.513 million on account of IDC and also allowed adjustment of IDC as per actual disbursements at the time of COD. NCPL has claimed Rs. 2,725.924 million (US \$ 32.825 million) as IDC which is substantially higher than the IDC estimated by the Authority in its determination. Break-up of IDC claimed by NCPL is as follows:

	Rs. in <u>million</u>
Interest during construction up to required commercial operations date (RCOD) of June 30, 2010 on:	
Project financing from banks	2,541.724
Working capital finances	36.877
Interest for the period from RCOD to actual COD of July 21, 2010	147.323
	<u>2,725.924</u>

- 4.2 In support of this claim, NCPL furnished detailed computations of IDC along with bank statements, common term agreements, various other related agreements with the banks, data of KIBOR rates, etc.
- 4.3 The Authority observed that IDC on working capital finances was not claimed in the original petition by NCPL and accordingly was not considered by the Authority in the determination. It was further noted by the Authority that IDC on working capital finances has not been allowed to any other independent power producer and working capital finances were not required for building up the project. The Authority hence has decided to disallow IDC on working capital finances.
- 4.4 The Authority further considers that NCPL's request for allowing IDC beyond RCOD of June 30, 2010 is not within the scope of current adjustments at COD. The RCOD is fixed, in accordance with the terms and conditions of power purchase agreement (PPA) executed between the parties. The PPA has defined RCOD in the following words:

"Required Commercial Operation Date - The 30th day of June 2010, as such date may be extended pursuant to Section 6.5 or Section 8.1(b) or by reason of a Force Majeure Event."



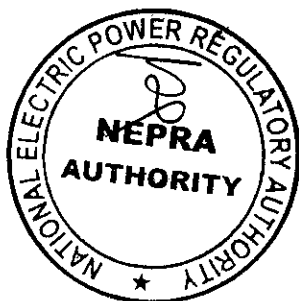
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- 4.5 The Authority furthermore considers that in accordance with the definition of construction start date given in the PPA the construction start date works out to April 03, 2008 and has accordingly decided to disallow claim of IDC amounting to Rs. 22.355 million pertaining to the period prior to the construction start date as defined in the PPA. The PPA has defined construction start date in the following words:

"Construction Start Date – The date of issuance of the "notice to proceed" by the Company to the EPC contractor and the unconditional release by the Company to the EPC contractor of funds equaling at least seven percent (7%) or more of the total capital cost of the Complex."

- 4.6 The PPA clearly provides that it can be extended by the parties in terms of the agreement. The Authority is not a party to the contract. It has no powers to change, amend, vary or alter the terms and conditions of the agreement. Since no change or amendment in the PPA is made by the parties, the Authority has restrained itself to the RCOD and construction start date as given in the PPA. In view thereof the Authority has decided to accept NCPL's claim of IDC only from the construction start date of April 03, 2008 upto RCOD i.e. June 30, 2010.
- 4.7 The Authority furthermore observed that NCPL has earned profit on bank deposits, gain on financial assets, etc. aggregating to Rs. 15.531 million from April 03, 2008 to June 30, 2010. The Authority in accordance with the treatment allowed to other independent power producers hereby deducts this income from IDC allowed.
- 4.8 The Authority having considered all the evidences observed that IDC has increased due to the following main reasons:
- In the determination construction period of 18 months was assumed, however, on the basis of stipulations of the PPA construction period works out to about 27 months i.e. from construction start date of April 03, 2008 to RCOD of June 30, 2010. Therefore the construction period has increased by nine months as compared to the tentative construction period given in the determination.
 - Amount of debt has increased due to increase in the project cost mainly on account of exchange rate variation.
 - Actual KIBOR rates, except for the initial period ending June 30, 2008, were substantially higher (12.34% to 15.52%) as compared to KIBOR rate of 10.45% p.a. considered as a reference in the determination.
- 4.9 In the light of discussion in the preceding paragraphs and prorating the amount of IDC up to June 30, 2010 on the basis of debt of Rs. 15.114 million allowed by the Authority, total IDC works out to Rs. 2,457.035 (US \$ 29.587 million) which is hereby allowed.





5. **Financing Fees and Charges**

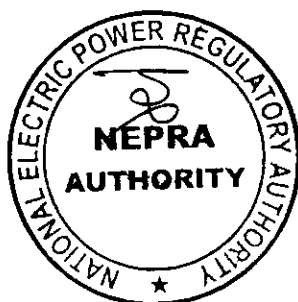
- 5.1 The Authority in its determination allowed US \$ 3.895 million as financing fees and charges which were subject to adjustment at COD as per the actual with maximum ceiling of 3% of debt (excluding IDC, financing fees and charges). NCPL has now claimed Rs. 303.160 million (US\$ 4.163 million) on this account. In support of this claim, NCPL submitted a schedule of these fees and charges, bank statements, bank advices, common term agreements, etc.
- 5.2 The Authority observed that NCPL has also claimed arrangement fee of Rs. 9.080 million payable to Askari Bank Limited and National Bank of Pakistan on working capital finances as financing fees and charges. The Authority has disallowed IDC claimed on working capital finances as discussed in the preceding paragraphs and on the same grounds hereby disallows arrangement fee on working capital finances.
- 5.3 The Authority further observed that NCPL has claimed costs aggregating to Rs. 20.905 million on account of underwriting fees, WAPDA fees, performance guarantee commission and mark-up, etc. as part of financing fees and charges. It was noted by the Authority that these costs have already been allowed by the Authority as 'Development Costs'. The Authority cannot allow the same costs twice and therefore disallows these costs aggregating to Rs. 20.905 million as a part of financing fees and charges.
- 5.4 After disallowing the costs detailed above, financing fees and charges work out to Rs. 273.175 million (US \$ 3.751 million) which are within the maximum ceiling of 3% stipulated by the Authority and have been verified; therefore, the Authority has decided to allow the same.

6. **Insurance during construction**

- 6.1 NCPL has claimed insurance during construction of Rs. 161.026 million (US \$ 2.424 million). The amount claimed is verifiable and is within the maximum cap of 1.35% of EPC cost fixed by the Authority and is accordingly allowed.

7. **Summary of adjustments in project cost**

- 7.1 The Authority had determined total project cost of US\$ 204.029 million in the determination. NCPL submitted that the total project cost at COD stands at US\$ 242.505 million, indicating an increase of US\$ 38.476 million or 18.86% increase from the originally determined project cost.
- 7.2 In view of the adjustments allowed by the Authority as described in the preceding paragraphs, the total project cost works out to be US\$ 237.406 million.
- 7.3 Detail of project cost is as under:





Particulars	Project cost- according to determination	Project cost- claimed by NCPL	Project Cost- Assessed	Difference increase / (decrease) (3 - 1)	
	1	2	3	4	
	US\$ (in million)				% age
EPC Cost					
Equipment procurement contract	150.346	166.590	166.590	16.244	10.80%
Construction services contract	19.220	19.220	19.220	-	-
Total EPC	169.566	185.810	185.810	16.244	9.58%
Custom duties & taxes	7.517	6.587	6.587	(0.930)	(12.37%)
Emergency spare parts	2.255	2.664	2.255	-	-
Mobilization cost	1.816	1.816	1.816	-	-
Land acquisition & improvements	2.028	2.028	2.028	-	-
Non-EPC construction	0.750	0.750	0.750	-	-
Development costs	1.698	1.698	1.698	-	-
Admin & utilities	0.700	0.700	0.700	-	-
Piling	-	1.039	-	-	-
Insurance cost	2.289	2.424	2.424	0.135	5.90%
Financing charges and fees	3.895	4.163	3.751	(0.144)	(3.70%)
Interest during construction	11.513	32.825	29.587	18.074	156.99%
Total Project Cost	204.029	242.505	237.406	33.377	16.36%
Debt @ 80%	163.223	194.004	189.925		
Equity @ 20%	40.806	48.501	47.481		
	204.029	242.505	237.406		

8. Tariff Component Adjustments

- 8.1 According to the Authority's determinations, all the tariff components except fuel cost were required to be adjusted at the time of COD based upon Initial Dependable Capacity (IDC). The reference tariff was determined on the basis of net capacity of 195.26 MW. Consequent to the IDC test, the net capacity has been assessed as 195.722 MW. All the relevant tariff components which were subject to adjustment on the basis of actual net capacity established have been accordingly revised.





9. Fuel

- 9.1 NCPL has claimed Rs. 8.4700/kWh as fuel cost component of tariff. The Authority has already determined fuel cost component as Rs. 8.4007/kWh for the month of July 2010 which was notified on July 30, 2010. Accordingly Rs. 8.4007/kWh has been reflected as fuel cost component in the tariff table.

10. Indexations applicable to O&M cost

- 10.1 The Authority in the determination allowed NCPL indexations applicable to O&M cost. The reference O&M components of tariff were required to be replaced by the revised numbers after incorporating adjustments at COD. In view of the Authority's decision, the reference O&M cost is being revised with the following:

a) Fixed O&M

$$F O\&M_{(LREV)} = \text{Rs. } 0.0963 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$F O\&M_{(FREY)} = \text{Rs. } 0.1019 \text{ per kW per hour} * US CPI_{(REV)} / 218.178 * ER_{(REV)} / 85.60$$

Where;

$F O\&M_{(LREV)}$	=	The revised applicable fixed O&M local component of the capacity charge indexed with WPI
$F O\&M_{(FREY)}$	=	The revised applicable fixed O&M foreign component of the capacity charge indexed with US CPI and exchange rate variations
$WPI_{(REV)}$	=	The revised wholesale price index (manufacturers)
$WPI_{(REF)}$	=	170.15 wholesale price index (manufacturers) of May 2010 notified by the Federal Bureau of Statistics
$US CPI_{(REV)}$	=	The revised US CPI (all urban consumers)
$US CPI_{(REF)}$	=	218.178 US CPI (all urban consumers) for the month of May 2010 as notified by the US Bureau of Labor Statistics
$ER_{(REV)}$	=	The revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan

Note:- The above revised reference O&M cost components of tariff shall be adjusted on quarterly basis for variations in WPI, US CPI and US\$/Rs. exchange rate variation.

b) Variable O&M

The formula of indexation for variable O & M component will be as under:

$$V O\&M_{(LREV)} = \text{Rs. } 0.1324 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$V O\&M_{(FREY)} = \text{Rs. } 0.5182 \text{ per kW per hour} * US CPI_{(REV)} / 218.178 * ER_{(REV)} / 85.60$$

Where;

$$V O\&M_{(LREV)} = \text{The revised applicable variable O\&M local component}$$



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$V O\&M_{(REV)}$	=	of the energy charge indexed with WPI The revised applicable variable O&M foreign component of the energy charge indexed with US CPI and exchange rate variations
$WPI_{(REV)}$	=	The revised wholesale price index (manufacturers)
$WPI_{(REF)}$	=	170.15 wholesale price index (manufacturers) of May 2010 notified by the Federal Bureau of Statistics
$US\ CPI_{(REV)}$	=	The revised US CPI (all urban consumers)
$US\ CPI_{(REF)}$	=	218.178 US CPI (all urban consumers) for the month of May 2010 as notified by the US Bureau of Labor Statistics
$ER_{(REV)}$	=	The revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan

Note:- The above revised reference O&M cost components of tariff shall be adjusted on quarterly basis for variations in WPI, US CPI and US\$/Rs. exchange rate variation.

11. **Financing Cost on Working Capital Tariff Component**

- 11.1 According to the Authority's determination, this cost is required to be adjusted according to the actual prices prevalent at the time of first fill at COD, revised net capacity established at the time of COD and is indexed with KIBOR. Accordingly this component of tariff is being revised to Rs. 0.1909/kW/hr.
- 11.2 Cost of working capital is subject to KIBOR indexation on account of 3-months KIBOR variation. The revised reference KIBOR at COD is 12.29%.

12. **Return on Equity Tariff Component**

- 12.1 The return on equity (ROE) was subject to adjustment on the basis of revised amount of equity allowed by the Authority and revised net capacity established at the time of COD. On the basis of revised equity of US\$ 47.481 million and net capacity of 195.722 MW the ROE component of tariff Rs. 0.2183/kW/hr originally allowed is being revised to Rs. 0.3556/kW/hr.

13. **Return on Equity During Construction Tariff Component**

- 13.1 At the time of determination the Authority assessed return on equity during construction (ROEDC) on assumed equity injections which was subject to adjustment as per the actual equity injections at COD. Based on the total construction period of about 27 months in accordance with PPA (commencing from April 03, 2008 to June 30, 2010), keeping in view the relevant dates of equity injections, allowing annual compounding for the first two years and compounding at RCOD for the incomplete period preceding RCOD i.e. period of about three months, prorating the gross amount of ROEDC up to June 30, 2010 on the basis of equity of US\$ 47.481 million allowed by the Authority the



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ROEDC in the instant case has been revised from Rs. 0.0406/kW/hr to Rs. 0.0679/kW/hr.

14. Withholding tax

14.1 Based on the revised ROE and ROEDC, the tariff component of withholding tax has also been revised from Rs. 0.0194/kW/hr to Rs. 0.0318/kW/hr.

15. Debt Servicing Component

15.1 The Authority has carefully examined NCPL's request for adjustment with respect to debt service component on the basis of documentary evidence. Salient terms of the common term agreements signed with the consortium of banks are as follows:

- Interest rate of 3-months KIBOR plus 3% per annum;
- Term of loan 10 years, to be repayable in 40 equal quarterly installments.

15.2 Based on the revised project cost of US\$ 237.406 million, debt @ 80% of the project cost works out to be US\$ 189.925 million (Rs. 15,114 million). Accordingly revised debt serving component prepared on the basis of 3 months KIBOR of 12.29% + 3% margin and revised capacity of 195.722 MW works out to Rs. 1.7347/kW/hr.

15.3 The interest part of fixed charge component will remain unchanged throughout the loan term except for the quarterly adjustments due to variations in interest rate as a result of variation in 3-months KIBOR according to the following formula

$$\Delta I_{(L)} = P_{(LREV)} * (KIBOR_{(REV)} - 12.29\%) / 4$$

Where;

$\Delta I_{(L)}$ = The variation in interest charges applicable corresponding to variation in KIBOR. $\Delta I_{(L)}$ can be positive or negative depending upon whether KIBOR_(REV) is > or < 12.29%. The interest payment obligation will be enhanced or reduced to the extent of $\Delta I_{(L)}$ for each quarter under adjustment on quarterly basis.

$P_{(LREV)}$ = The outstanding principal (as indicated in the attached debt service schedule to this order) on a quarterly basis on the relevant quarterly calculations date.

16. ORDER

Pursuant to Rule 16 (11) of the NEPRA Tariff Standards & Procedures Rules, 1998 NCPL is allowed to charge, on the basis of revised net dependable capacity established on the basis of test jointly carried out by the Central Power Purchasing Agency (CPPA) of the National Transmission and Despatch Company Limited (NTDC) and NCPL at the time of Commercial Operations Date (COD), the following tariff for delivery of electricity:





REFERENCE TARIFF

Tariff Components	Year 1 to 10	Year 11 to 25	Indexation
Capacity Charge (PKR/kW/Hour)			
Fixed O&M - Foreign	0.1019	0.1019	US\$/PKR & US CPI
- Local	0.0963	0.0963	WPI
Insurance	0.0927	0.0927	US\$/PKR
Cost of working capital	0.1909	0.1909	KIBOR
Debt service	1.7347	-	KIBOR
Return on equity	0.3556	0.3556	US\$/PKR
Return on equity during Construction	0.0679	0.0679	US\$/PKR
Total Capacity Charge	2.6400	0.9053	
Energy Charge Rs./kWh			
Fuel cost component	8.4007	8.4007	Fuel price
Variable O&M - Foreign	0.5182	0.5182	US\$/PKR & US CPI
- Local	0.1324	0.1324	WPI

Note:

- Capacity Charge Rs./kW/hour is applicable to dependable capacity at the delivery point.
- Dispatch criterion will be the Energy Charge.
- The above tariff is applicable for a period of 25 years commencing from the date of the Commercial Operations.
- Component wise tariff is indicated at **Annex-I** and Debt Service Schedule at **Annex-II**.

I) Adjustment in Insurance Component

Insurance component of reference tariff shall be adjusted as per actual on yearly basis upon production of authentic documentary evidence by NCPL according to the following formula:

$$\text{Insurance Component (Revised)} = \text{Rs. } 0.0927 \text{ per kW per hour} / (1.35\% \times \text{US\$ } 185.810 \text{ million}) \times \text{AP}$$

Where;

$$\text{AP} = \text{Actual Premium subject to maximum of } 1.35\% \text{ of the adjusted EPC}$$

II) Pass-Through Items

No provision for income tax has been accounted for in the tariff. If NCPL is obligated to pay any tax on its income, the exact amount paid by the company shall be reimbursed by NTDC to NCPL on production of original receipts. This payment will be considered





2 as a pass-through (as Rs./kW/hour) hourly payment spread over a 12 months period in addition to the capacity purchase price given in the tariff. Furthermore, in such a scenario, NCPL shall also submit to NTDC details of any tax shield savings and NTDC shall deduct the amount of these savings from its payment to NCPL on account of taxation.

Withholding tax is also a pass-through item just like other taxes as indicated in the government guidelines for the determination of tariff for new IPPs. In revised tariff table withholding tax number is indicated as reference and NTDC shall make payment on account of withholding tax at the time of actual payment of dividend subject to maximum of 7.5% of 15% of reference equity i.e. hourly payment (Rs./kW/hour) spread over 12 months.

In case company does not declare a dividend in a particular year or only declares a partial dividend, then the difference in the withholding tax amount (between what is paid in that year and the total entitlement as per the net return on equity) would be carried forward and accumulated so that the company is able to recover the same in hourly payments spread over 12 months period as a pass-through from the power purchaser in future on the basis of the total dividend payout.

III) Indexations

The following indexations shall be applicable to reference tariff.

a) Indexation applicable to O&M

In future fixed O&M part of capacity charge will be adjusted on account of local inflation (WPI) and variation in US CPI and dollar/rupee exchange rate parity. Quarterly adjustment for local inflation, foreign inflation and exchange rate variation will be made on 1st July, 1st October, 1st January and 1st April based on the latest available information with respect to WPI notified by the Federal Bureau of Statistics, US CPI notified by the US Bureau of Labor Statistics and revised TT & OD selling rate of US dollar notified by the National Bank of Pakistan. The mode of indexation will be as under:

i) Fixed O&M

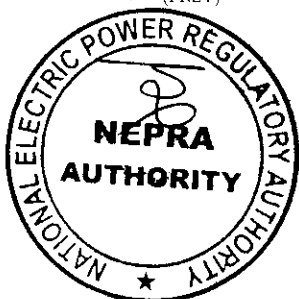
$$F O\&M_{(LREV)} = \text{Rs. } 0.0963 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$F O\&M_{(FREX)} = \text{Rs. } 0.1019 \text{ per kW per hour} * US CPI_{(REV)} / 218.178 * ER_{(REV)} / 85.60$$

Where;

$F O\&M_{(LREV)}$ = The revised applicable fixed O&M local component of the capacity charge indexed with WPI

$F O\&M_{(FREX)}$ = The revised applicable fixed O&M foreign component of





the capacity charge indexed with US CPI and exchange rate variations

$WPI_{(REV)}$	=	The revised wholesale price index (manufacturers)
$WPI_{(REF)}$	=	170.15 wholesale price index (manufacturers) of May 2010 notified by the Federal Bureau of Statistics
$US\ CPI_{(REV)}$	=	The revised US CPI (all urban consumers)
$US\ CPI_{(REF)}$	=	218.178 US CPI (all urban consumers) for the month of May 2010 as notified by the US Bureau of Labor Statistics
$ER_{(REV)}$	=	The revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan

ii) Variable O&M

The formula of indexation for variable O & M component will be as under:

$$V\ O\&M_{(LREV)} = \text{Rs. } 0.1324 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$V\ O\&M_{(FREY)} = \text{Rs. } 0.5182 \text{ per kW per hour} * US\ CPI_{(REV)} / 218.178 * ER_{(REV)} / 85.60$$

Where;

$V\ O\&M_{(LREV)}$	=	The revised applicable variable O&M local component of the energy charge indexed with WPI
$V\ O\&M_{(FREY)}$	=	The revised applicable variable O&M foreign component of the energy charge indexed with US CPI and exchange rate variation.
$WPI_{(REV)}$	=	The revised wholesale price index (manufacturers)
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$US\ CPI_{(REV)}$	=	The revised US CPI (all urban consumers)
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$ER_{(REV)}$	=	The revised TT & OD selling rate of US dollar as notified by the National Bank of Pakistan

b) Adjustment for KIBOR variation

The interest part of debt service component will remain unchanged throughout the term except for the quarterly adjustment due to variations in interest rate as a result of variation in 3-months KIBOR according to the following formula.

$$\Delta I_{(L)} = P_{(I,REV)} * (KIBOR_{(REV)} - 12.29\%) / 4$$

Where;

$\Delta I_{(L)}$	=	The variation in interest charges applicable corresponding to variation in KIBOR. $\Delta I_{(L)}$ can be positive or negative depending
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upon whether KIBOR_(REV) is > or < 12.29%. The interest payment obligation will be enhanced or reduced to the extent of $\Delta I_{(I)}$ for each quarter under adjustment on quarterly basis.

$P_{(I,REV)}$ = The outstanding principal (as indicated in the attached debt service schedule to this order) on a quarterly basis on the relevant quarterly calculations date.

c) **Fuel Price Variation**

The variable charge part of the tariff relating to fuel cost shall be adjusted on account of the fuel price variations. In this regard, the variation in NCPL's allowed rate relating to fuel cost shall be revised according to the following formula:

$$FC_{(REV)} = (\text{Rs. 8.4007 per kwh} * FP_{(REV)}) / \text{Rs. 42,707.04 per ton}$$

Where;

$FC_{(REV)}$ = Revised fuel cost component of variable charge on RFO

$FP_{(REV)}$ = Revised fuel price

d) **Adjustment in Return on Equity (ROE)**

ROE component of tariff will be adjusted on account of exchange rate variation according to the following formula;

$$ROE_{(REV)} = \text{Rs. 0.3556 per kW per hour} * ER_{(REV)} / ER_{(RET)}$$

Where;

$ROE_{(REV)}$ = The revised ROE component of the capacity purchase price

$ER_{(REV)}$ = The revised TT & OD selling rate of US\$ as notified by the National Bank of Pakistan

$ER_{(RET)}$ = The reference exchange rate of PKR 85.60 = 1 US\$.

e) **Adjustment on Return on Equity during Construction (ROEDC)**

ROEDC component of tariff will be adjusted on account of exchange rate variation according to the following formula;

$$ROEDC_{(REV)} = \text{Rs.0.0679 per kW per hour} * ER_{(REV)} / ER_{(RET)}$$

Where;

$ROEDC_{(REV)}$ = The revised ROEDC component of the capacity purchase price





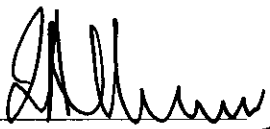
$ER_{(Rev)}$ = The revised TT & OD selling rate of US\$ as notified by the National Bank of Pakistan
 $ER_{(Ref)}$ = The reference exchanges rate of PKR 85.60= 1 US\$.

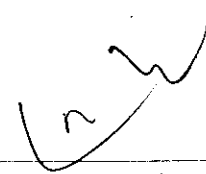
Adjustments on account of variation in WPI, US CPI, exchange rate, KIBOR and fuel price will be approved and announced by the Authority for immediate application in accordance with the requisite indexation mechanism stipulated herein.

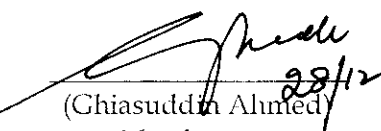
IV) Terms and Conditions of Tariff:

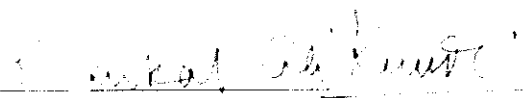
- i) Use of RFO will be considered as primary fuel.
- ii) Dispatch criterion will be based on the energy charge.
- iii) General assumptions of NCPL, which are not covered in this and earlier determinations, may be dealt with in the PPA according to its standard terms.

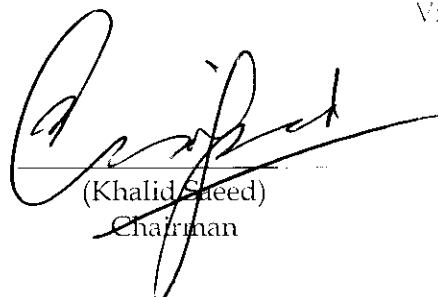
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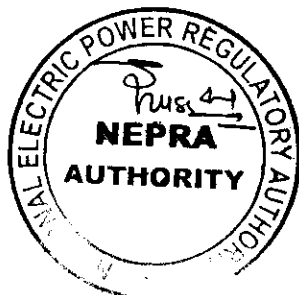

(Zafar Ali Khan)
Member
25/12/10


(Maqbool Ahmad Khawaja)
Member


(Ghiasuddin Ahmed)
Member
28/12


(Shaukat Ali Kundi)
Vice Chairman / Member
30.12.2010


(Khalid Saeed)
Chairman



Nishat Chunian Power Limited
Revised Tariff Table at COD

Year	Variable Charge (PKR/kWh)				Capacity Charge (Rs./kW/Hour)									
	Fuel	Variable O&M Local	Variable O&M Foreign	Total	Fixed O&M Local	Fixed O&M Foreign	Insurance	Financing Cost on Working Capital	Return on Equity	Return on Equity for Construction Period	Withholding Tax @7.5%	Loan Repayment	Interest Charges	Total
1	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.4096	1.3251	2.6718
2	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.4759	1.2588	2.6718
3	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.5530	1.1817	2.6718
4	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.6425	1.0922	2.6718
5	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.7465	0.9882	2.6718
6	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.8674	0.8673	2.6718
7	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	1.0078	0.7269	2.6718
8	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	1.1710	0.5637	2.6718
9	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	1.3606	0.3742	2.6718
10	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	1.5808	0.1539	2.6718
11	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
12	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
13	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
14	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
15	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
16	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
17	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
18	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
19	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
20	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
21	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
22	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
23	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
24	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
25	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	-	-	0.9371
Levelized	8.4007	0.1324	0.5182	9.0513	0.0963	0.1019	0.0927	0.1909	0.3556	0.0679	0.0318	0.5314	0.6429	2.1114

Revised Net Dependable capacity

195.722 MW

Exchange rate (US\$/PKR)

85.60 PKR/US\$

Fuel Price (Inclusive of Freight)

42,707.04 Rs. / Metric Ton

US CPI

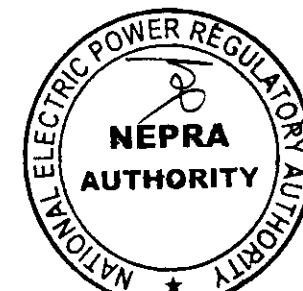
218.178 For May 2010 as notified by US Bureau of Labor Statistics

WPI (Manufacturers)

170.15 For May 2010 as notified by Federal Bureau of Statistics

Reference Tariff at 60% plant factor

Rs. 12.5703 /kW/ Hr. or US Cents 14.6850 /kW/Hr



Nishat Chunian Power Limited
Debt Repayment Schedule

Year	Quarter	Principal Amount Million Rs.	Repayment Million Rs.	Mark Up Million Rs.	Debt Service Million Rs.	Principal Amount Million Rs.	Annual Principal Repayment Rs/Kw/hr	Annual Interest Rs/kW/hr	Annual Debt Serving Rs/kW/hr
1	1	15,114	166	578	744	14,948	0.4096	1.3251	1.7347
	2	14,948	172	571	744	14,776			
	3	14,776	179	565	744	14,597			
	4	14,597	186	558	744	14,412			
2	5	14,412	193	551	744	14,219	0.4759	1.2588	1.7347
	6	14,219	200	544	744	14,019			
	7	14,019	208	536	744	13,811			
	8	13,811	216	528	744	13,596			
3	9	13,596	224	520	744	13,372	0.5530	1.1817	1.7347
	10	13,372	232	511	744	13,139			
	11	13,139	241	502	744	12,898			
	12	12,898	251	493	744	12,647			
4	13	12,647	260	483	744	12,387	0.6425	1.0922	1.7347
	14	12,387	270	474	744	12,117			
	15	12,117	280	463	744	11,837			
	16	11,837	291	452	744	11,546			
5	17	11,546	302	441	744	11,244	0.7465	0.9882	1.7347
	18	11,244	314	430	744	10,930			
	19	10,930	326	418	744	10,604			
	20	10,604	338	405	744	10,266			
6	21	10,266	351	392	744	9,915	0.8674	0.8673	1.7347
	22	9,915	365	379	744	9,550			
	23	9,550	379	365	744	9,172			
	24	9,172	393	351	744	8,779			
7	25	8,779	408	336	744	8,371	1.0078	0.7269	1.7347
	26	8,371	424	320	744	7,947			
	27	7,947	440	304	744	7,507			
	28	7,507	457	287	744	7,051			
8	29	7,051	474	270	744	6,577	1.1710	0.5637	1.7347
	30	6,577	492	251	744	6,085			
	31	6,085	511	233	744	5,574			
	32	5,574	531	213	744	5,043			
9	33	5,043	551	193	744	4,492	1.3606	0.3742	1.7347
	34	4,492	572	172	744	3,920			
	35	3,920	594	150	744	3,327			
	36	3,327	616	127	744	2,710			
10	37	2,710	640	104	744	2,070	1.5808	0.1539	1.7347
	38	2,070	664	79	744	1,406			
	39	1,406	690	54	744	716			
	40	716	716	27	744	(0)			

