



# National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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Registrar

No. NEPRA/R/TRF-71/NPL-2007/312830  
October 15, 2010

**Subject: Modified Decision of the Authority in the Matter of Nishat Power Limited Tariff Adjustments at Commercial Operation Date (Case No. NEPRA/TRF-71/NPL-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,

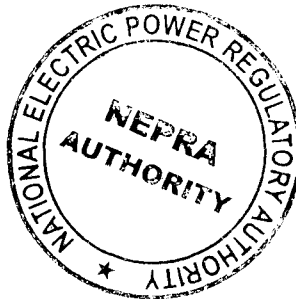
In super session of NEPRA decision in Case No. NEPRA/TRF-71/NPL-2007, communicated earlier vide this office letter No. NEPRA/R/TRF-71/NPL-2007/2036-2038 dated August 27, 2010, enclosed please find herewith modified decision of the Authority in the instant case along with Annex-I & II (15 pages).

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) 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 14 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,  
Government of Pakistan  
Islamabad.



  
( Syed Safeer Hussain )

CC:

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



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

The Authority considered the request of Nishat Power Limited for adjustment in its reference tariff, on commencement of its Commercial Operations, in accordance with para 96 of the Authority's determination dated March 05, 2007 and para 24 of decision of the Authority w.r.t. motion for leave for review dated April 13, 2007 notified vide SRO 447(I)/2008 dated May 12, 2008. Said request of Nishat Power Limited was considered and decided by the Authority vide its decision No. NEPRA/TRF-71/NPL-2007, dated 27<sup>th</sup> August, 2010.

Subsequently it was observed that although Nishat Power Limited had obtained its entire debt in local currency, however it was erroneously allowed benefit of difference in exchange rate parity of US\$ to Pakistani Rupee during the construction period and its debt servicing schedule at Annex-II was erroneously prepared in foreign currency. Due to this inadvertent error in calculations:

- The figure of debt servicing component appearing in the last line of para 13.2 and line 5 column 2 of reference tariff table at para 14 was written as "1.8003" instead of "1.5978".
- The figure of total capacity charge appearing at column 2 of reference tariff table at para 14 was written as "2.7223" instead of "2.5198".

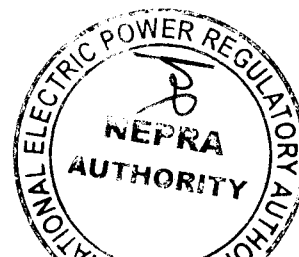
While considering that the aforementioned error would adversely affect the tariff, the Authority has decided to review its decision dated 27<sup>th</sup> August, 2010 so as to amend/correct said inadvertent error. In view thereof the Authority hereby issues this decision in super session of its earlier decision No. NEPRA/TRF-71/NPL-2007, dated 27<sup>th</sup> August, 2010 along with Reference Tariff and Debt Service Schedule.

**1. Introduction**

- 1.1 Nishat Power Limited (hereinafter "NPL") having successfully commenced its commercial operations with effect from June 09, 2010, filed a request vide letter dated June 14, 2010 for adjustment in its reference tariff in accordance with para 96 of the Authority's determination dated March 05, 2007 and para 24 of decision of the Authority w.r.t. motion for leave for review dated April 13, 2007 notified vide SRO 447(I)/2008 dated May 12, 2008 (hereinafter the "determination").
- 1.2 According to the determination following types of adjustments were required to be made at the time of Commercial Operations Date (hereinafter "COD"):

**One Time Adjustments at COD**

- a) Adjustments due to variation in net capacity



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- b) Adjustment on account of EPC
- c) Adjustment on account of customs duties & taxes
- d) Adjustment on account of interest during construction
- e) Adjustment on account of financing fee and charges
- f) Adjustment on account of return on equity during construction

**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

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

- Engineering and procurement contract
- Construction contract
- Operations and maintenance contract
- Spare parts contract
- Common term agreements with banks (alongwith amendments)
- Certificate of IDC test from independent engineer i.e. KEMA
- Audited and reviewed 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.
- Equity/debt draw downs schedule reconciled with bank statements.
- Schedule of financing fee and charges
- Copies of other source documents

The Authority thoroughly analyzed all the documents, verified and cross checked all the figures and made all possible efforts to check the authenticity and credibility of the documents produced by NPL. After detailed deliberations and scrutiny of the documents, the Authority was pleased to make following adjustments in the reference tariff of NPL.

**2. Engineering, Procurement and Construction (EPC) Cost**

2.1 As per para 96(1) of the determination, NPL's EPC cost was subject to adjustment for variation in Euro/US\$ exchange rate parity. The Authority originally determined an amount of US\$ 169.567 million out of which US\$ 150.347 million was in Euro and US\$ 19.220 million was in US dollars. NPL requested for allowing increase in EPC on the basis of revised Euro/US\$ exchange rate of 1.3779 (weighted average Euro to dollar



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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 \$ 11.504 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\$ 181.071 million.
- 2.3 NPL has also requested for allowing piling cost of US \$ 1.244 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 NPL's request to allow this cost, decided that this cost is not subject to adjustment at COD stage. Hence did not allow the same.
- 2.4 The Authority while considering visit report of its team of professionals to the NPL site, noted that the dyke wall around fuel tanks was constructed of mud instead of concrete as per specifications mentioned in the EPC contract. The Authority hereby directs NPL to construct this wall as per the specifications given in the EPC contract. A compliance report shall be given by NPL within six months of this decision.

### 3. Taxes and Duties

- 3.1 According to the para 96(V) of the determination, taxes and duties were subject to adjustment at the time of COD. Accordingly NPL requested to allow US \$ 6.408 million (Rs. 513.220 million) against the determined amount of US\$ 7.517 million. In support of this claim NPL submitted copies of payment challans of duties, copies of pay orders through which these duties were paid and copies of bills of entry.
- 3.2 Having considered all the evidences, the Authority is convinced that all the taxes and duties have been correctly claimed and hereby decides to accept NPL's claim on this account. Consequently the amount of taxes and duties stands revised to US \$ 6.408 million.

### 4. Interest During Construction (IDC)

- 4.1 The Authority in its determination assessed US \$ 11.513 million on account of IDC, based on the project cost of US \$ 204.029 million and construction period of 18 months. The Authority through its determination also allowed adjustment of IDC based on the documentary evidence at the time of COD. NPL has claimed US \$ 38.896 million (Rs. 3,230 million) as IDC which is substantially higher than the IDC allowed by the Authority in its determination. In support of this claim, NPL furnished detailed computations of IDC alongwith bank statements, common term agreements, various other related agreements with the banks, data of KIBOR rates and exchange rates of the relevant dates, etc.
- 4.2 The Authority considers that NPL's request for allowing IDC beyond RCOD, i.e. December 31, 2009 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 executed between the parties. The PPA has defined the RCOD in the following words:

“Required Commercial Operation Date” The 31<sup>st</sup> day of December 2009, as such date may be extended pursuant to Section 6.5 or Section 8.1(b) or by reason of a Force Majeure Event.”

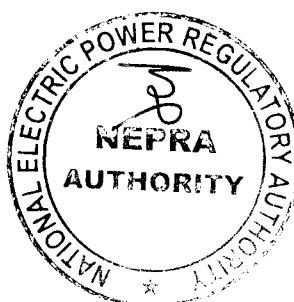
- 4.3 The definition of RCOD clearly provides that it can be extended by the parties in terms of the Agreement. The Authority is not a party to the contract. It has no powers to change, amend, vary or alter the terms and condition of the agreement. Since no change or amendment in the PPA is made by the parties, the Authority shall restrain itself to the RCOD as given in the PPA. In view thereof the Authority has decided to accept NPL's claim of IDC only upto RCOD i.e. 31 December 2009.
- 4.4 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 Required Commercial Operations Date (RCOD) of December 31, 2009 stipulated in the power purchase agreement and implementation agreement construction period works out to 24 months. Therefore the actual construction period has increased by six months as compared to the tentative construction period given in the determination.
  - Actual KIBOR rates were substantially higher as compared to estimated KIBOR rate of 10.45% p.a. considered as a reference in the determination.
  - Amount of debt has increased due to increase in the project cost mainly on account of exchange rate variation.
- 4.5 In light of these facts IDC up to December 31, 2009 has been worked out and revised to US \$ 26.126 million.

5. **Financing Fee and Charges**

- 5.1 The Authority in its determination allowed US \$ 3.895 million as financing fee and charges. NPL has claimed US \$ 3.526 million on this account. NPL's claim under this head was marginally lower by US \$ 0.369 million. In support of this claim, NPL submitted a schedule of these charges and fees, bank statements, common term agreements, various other related agreements with the banks and audited/reviewed financial statements.
- 5.2 After evaluating the documentary evidence, the Authority considers that the requested financing fee and charges of US\$ 3.526 million are justified, therefore, has decided to allow the same.

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

- 6.1 The Authority had determined total project cost of US\$ 204.029 million in the determination. NPL submitted that the total project cost at COD stands at US\$ 243.098





million, indicating an increase of US \$ 39.07 million or 19.15% increase from the originally determined project cost.

6.2 In view of the adjustments allowed by the Authority as described in the preceding paragraphs, the total project cost works out to be US\$ 228.667 million, which does not include piling cost and interest beyond December 31, 2009.

6.3 Detail of project cost is as under:

Particulars	Project cost- according to original determination	Actual project cost- according to NPL	Project Cost- Assessed	Difference increase / (decrease) (3 - 1)	
	1	2	3	4	
	US\$ (in million)				% age
<b>EPC Cost</b>					
Equipment procurement contract	150.347	161.851	161.851	11.504	7.65%
Construction services contract	19.220	19.220	19.220	0	
<b>Total EPC</b>	<b>169.567</b>	<b>181.071</b>	<b>181.071</b>	<b>11.504</b>	<b>6.78%</b>
Custom duties & taxes	7.517	6.408	6.408	(1.109)	(14.75%)
Emergency spare parts	2.255	2.374	2.255	-	
Mobilization cost	1.816	2.325	1.816	-	
Land purchases & fee	2.028	1.316	2.028	-	
Non-EPC construction	0.750	1.044	0.750	-	
Project development cost	1.698	1.550	1.698	-	
Admin & utilities	0.700	0.899	0.700	-	
Piling	-	1.244	-	-	
Insurance cost	2.289	2.445	2.289	-	-
Financing charges and fees	3.895	3.526	3.526	(0.369)	(9.47%)
Interest during construction	11.513	38.896	26.126	14.613	126.93%
<b>Total Project Cost</b>	<b>204.029</b>	<b>243.098</b>	<b>228.667</b>	<b>24.64</b>	<b>12.08%</b>
<b>Debt</b>	163.223	194.478	182.934		
<b>Equity</b>	40.806	48.620	45.733		
	<b>204.029</b>	<b>243.098</b>	<b>228.667</b>		



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## 7. Tariff Component Adjustments

- 7.1 According to the Authority's determination, 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 at delivery point and mean site conditions. Consequent to the IDC test, the net capacity has been assessed as 195.305 MW. All the relevant tariff components which were subject to adjustment on the basis of actual net capacity established have been accordingly revised.

## 8. Indexations applicable to O&M cost

- 8.1 The Authority in the determination allowed NPL 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 which shall replace the para VIII (a)(i) of SRO 447(I)/2008 dated May 12, 2008, with the following:

### a) Fixed O&M

$$F O\&M_{(LREV)} = \text{Rs. } 0.0965 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$F O\&M_{(FREX)} = \text{Rs. } 0.1018 \text{ per kW per hour} * US CPI_{(REV)} / 218.011 * ER_{(REV)} / 85.40$$

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)
$US CPI_{(REF)}$	=	218.011 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

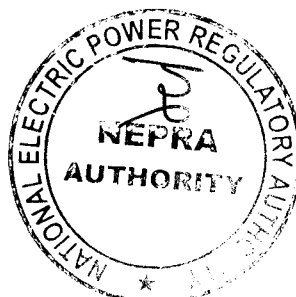
Note:- The above revised reference O&M cost components of tariff shall be adjusted on quarterly basis for variations in WPI, US CPI and US\$/Rs. exchange rate variation.

### b) Variable O&M

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

$$V O\&M_{(LREV)} = \text{Rs. } 0.1327 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$V O\&M_{(FREX)} = \text{Rs. } 0.5178 \text{ per kW per hour} * US CPI_{(REV)} / 218.011 * ER_{(REV)} / 85.40$$





Where;

$V O\&M_{(LREV)}$	=	The revised applicable variable O&M local component of the energy charge indexed with WPI
$V O\&M_{(FREX)}$	=	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)
$US\ CPI_{(REF)}$	=	218.011 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.

## 9 Adjustment on Account of Financing Cost of Working Capital

- 9.1 According to the Authority's determination, this cost is required to be adjusted according to the 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. 0.1997/kW/hr.
- 9.2 Cost of working capital is subject to KIBOR indexation on account of 3-months KIBOR variation. The revised reference KIBOR at COD is 12.34%.

## 10. Return on Equity

- 10.1 The return on equity (ROE) was subject to adjustment on the basis of revised amount of equity and revised net capacity established at the time of COD. On the basis of revised equity of US\$ 45.733 million and net capacity of 195.305 MW the ROE component of tariff Rs. 0.2183/kW/hr originally allowed is being revised to Rs. 0.3424/kW/hr.

## 11. Return on Equity During Construction

- 11.1 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 guidelines provided in the determination and documentary evidence provided by NPL in support of its claim, the Authority has revised ROEDC from Rs. 0.0406 /kW/hr to Rs. 0.0596 /kW/hr based on RCOD that is December 31, 2009.

## 12. Withholding tax

- 12.1 Based on the revised ROE and ROEDC, the tariff component of withholding tax has also been revised from Rs. 0.0194/ kW/hr to 0.0301/kW/hr.



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13. **Debt Servicing Component**

13.1 The Authority has carefully examined NPL's request for adjustment with respect to debt service component on the basis of documentary evidence. Salient terms of the common term agreement signed with 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.

13.2 Based on the revised project cost of US\$ 228.667 million, debt @ 80% of the project cost works out to be US\$ 182.934 million. Accordingly revised debt serving component prepared on the basis of 3 months KIBOR of 12.34% + 3 % margin and revised capacity of 195.305 MW works out to Rs. 1.5978/kW/hr.

13.3 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:

$$\Delta I_{(L)} = P_{(LREV)} * (KIBOR_{(REV)} - 12.34\%) / 4$$

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<sub>(REV)</sub> is > or < 12.34%. The interest payment obligation will be enhanced or reduced to the extent of  $\Delta I_{(L)}$  for each quarter under adjustment on quarterly basis.

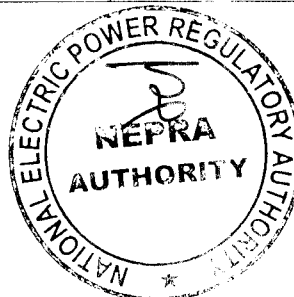
$P_{(REV)}$  = The outstanding principal (as indicated in the attached debt service schedule to this order) on a quarterly basis on the relevant quarterly calculations date. Period 1 shall commence on the date on which the 1st installment is due.

14. **ORDER**

Pursuant to Rule 16 (11) of the NEPRA Tariff Standards & Procedures Rules, 1998 Nishat Power Ltd. (NPL) 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 Dispatch Company (NTDC) and NPL at the time of Commercial Operations Date (COD), the following tariff for delivery of electricity to the CPPA of the NTDC for procurement on behalf of Ex-WAPDA distribution companies:

**REFERENCE TARIFF**

Tariff Components	Year 1 to 10	Year 11 to 25	Indexation
Capacity Charge (PKR/kW/Hour)			
Fixed O&M - Foreign	0.1018	0.1018	US\$/PKR & US CPI
- Local	0.0965	0.0965	WPI
Insurance	0.1220	0.1220	US\$/PKR



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Cost of working capital	0.1997	0.1997	KIBOR
Debt service	1.5978	-	KIBOR
Return on equity	0.3424	0.3424	US\$/PKR
Return on equity during construction	0.0596	0.0596	US\$/PKR
<b>Total Capacity Charge</b>	<b>2.5198</b>	<b>0.9220</b>	
<b>Energy Charge Rs./kWh</b>			
Fuel cost component	9.1200	9.1200	Fuel price
Variable O&M – Foreign	0.5178	0.5178	US\$/PKR & US CPI
– Local	0.1327	0.1327	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 Operation.
- 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 NPL according to the following formula:

$$\text{Insurance Comp. (Revised)} = \text{Rs.0.1220 per kW per hour} / (1.35\% \times \text{US\$ 228.667 Million}) \times \text{AP}$$

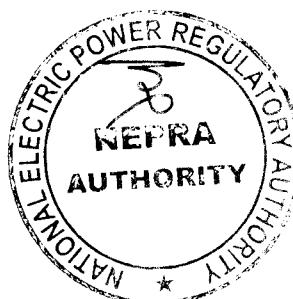
Where;

AP = Actual Premium subject to maximum of 1.35% of the adjusted EPC

#### II) Pass-Through Items

No provision for income tax has been accounted for in the tariff. If NPL is obligated to pay any tax on its income, the exact amount paid by the company shall be reimbursed by NTDC to NPL on production of original receipts. This payment will be considered as a pass-through (as Rs./kW/hour) hourly payment spread over a 12 months period in addition to the capacity purchase price proposed in the reference tariff. Furthermore, in such a scenario, NPL shall also submit to NTDC details of any tax shield savings and NTDC shall deduct the amount of these savings from its payment to NPL 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.



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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 pay out.

### 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 1<sup>st</sup> July, 1<sup>st</sup> October, 1<sup>st</sup> January and 1<sup>st</sup> 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

$$F O\&M_{(LREV)} = \text{Rs. } 0.0965 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$F O\&M_{(FREV)} = \text{Rs. } 0.1018 \text{ per kW per hour} * US CPI_{(REV)} / 218.011 * ER_{(REV)} / 85.40$$

Where;

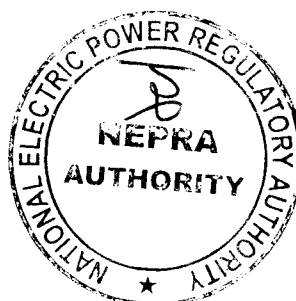
$F O\&M_{(LREV)}$	=	The revised applicable fixed O&M local component of the capacity charge indexed with WPI
$F O\&M_{(FREV)}$	=	The revised applicable fixed O&M foreign component of the capacity charge indexed with US CPI and exchange rate variations
$WPI_{(REV)}$	=	The revised wholesale price index (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)
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$ER_{(REV)}$	=	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:

$$V O\&M_{(LREV)} = \text{Rs. } 0.1327 \text{ per kW per hour} * WPI_{(REV)} / 170.15$$

$$V O\&M_{(FREV)} = \text{Rs. } 0.5178 \text{ per kW per hour} * US CPI_{(REV)} / 218.011 * ER_{(REV)} / 85.40$$



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Where;

$V_{O\&M(LREV)}$	=	The revised applicable variable O&M local component of the energy charge indexed with WPI
$V_{O\&M(FREV)}$	=	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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$ER_{(REV)}$	=	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 fixed charge 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:

$$\Delta I_{(L)} = P_{(LREV)} * (KIBOR_{(REV)} - 12.34\%) / 4$$

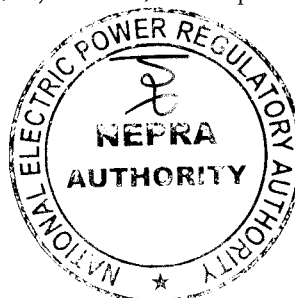
Where;

$\Delta I_{(L)}$	=	The variation in interest charges applicable corresponding to variation in KIBOR. $\Delta I_{(L)}$ can be positive or negative depending upon whether KIBOR <sub>(REV)</sub> is > or < 12.34%. The interest payment obligation will be enhanced or reduced to the extent of $\Delta I_{(L)}$ for each quarter under adjustment on quarterly basis.
$P_{(REV)}$	=	The outstanding principal (as indicated in the attached debt service schedule to this order) on a quarterly basis on the relevant quarterly calculations date. Period 1 shall commence on the date on which the 1 <sup>st</sup> installment is due.

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 NPL's allowed rate relating to fuel cost shall be revised according to the following formula:

$$FC_{(REV)} = (\text{Rs. } 9.1200 \text{ per kwh} * FP_{(REV)}) / \text{Rs. } 46,363.97 \text{ per ton}$$



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Where;

$$\begin{aligned} FC_{(Rev)} &= \text{Revised fuel cost component of variable charge on RFO} \\ FP_{(Rev)} &= \text{Revised fuel price} \end{aligned}$$

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;

$$ROE_{(Rev)} = \text{Rs.0.3424 per kw per hour} * ER_{(Rev)} / ER_{(Ref)}$$

Where;

$$\begin{aligned} ROE_{(Rev)} &= \text{The revised ROE component of the capacity purchase price} \\ ER_{(Rev)} &= \text{The revised TT \& OD selling rate of US\$ as notified by the National Bank of Pakistan} \\ ER_{(Ref)} &= \text{The reference exchange rate of PKR 85.40 = 1 US\$}. \end{aligned}$$

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

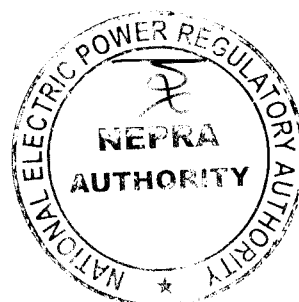
ROEDC component of tariff will be adjusted on account of exchange rate variation according to the following formula;

$$ROEDC_{(Rev)} = \text{Rs.0.0596 per kw per hour} * ER_{(Rev)} / ER_{(Ref)}$$

Where;

$$\begin{aligned} ROEDC_{(Rev)} &= \text{The revised ROEDC component of the capacity purchase price} \\ ER_{(Rev)} &= \text{The revised TT \& OD selling rate of US\$ as notified by the National Bank of Pakistan} \\ ER_{(Ref)} &= \text{The reference exchanges rate of PKR 85.40= 1 US\$}. \end{aligned}$$

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



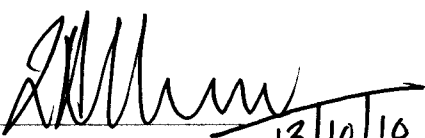
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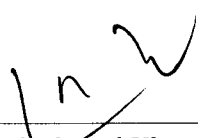



IV) Terms and Conditions of Tariff:

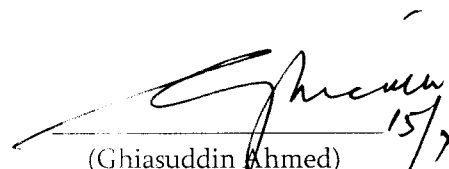
- i) Use of RFO will be considered as primary fuel.
- ii) Dispatch criterion will be based on the energy charge.
- iii) General assumptions of NPL, which are not covered in this and earlier determinations, may be dealt with in the PPA according to its standard terms.

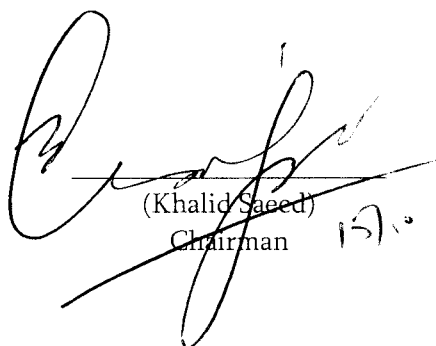
AUTHORITY

  
(Zafar Ali Khan)  
Member

  
(Maqbool Ahmad Khawaja)  
Member

  
(Shaukat Ali Kundi)  
Member

  
(Ghiasuddin Ahmed)  
Vice Chairman /Member

  
(Khalid Saeed)  
Chairman

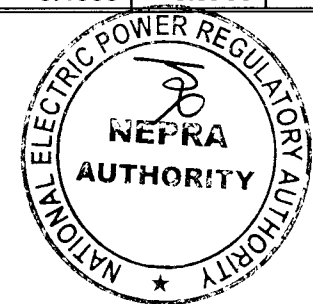


**Nishat Power Limited**  
**Revised Tariff Table adjusted at COD**

Annex-I

Year	Variable Charge (Rs./kWh)			Capacity Charge (Rs./kW/Hour)								
	Fuel	Variable O&M	Total	Fixed O&M	Cost of Working Capital	Insurance	ROE	ROEDC	Withholding Tax @7.5%	Loan Repayment	Interest Charges	Total
1	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.3755	1.2222	2.5498
2	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.4365	1.1612	2.5498
3	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.5075	1.0903	2.5498
4	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.5899	1.0078	2.5498
5	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.6857	0.9120	2.5498
6	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.7971	0.8006	2.5498
7	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	0.9266	0.6711	2.5498
8	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	1.0772	0.5206	2.5498
9	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	1.2522	0.3456	2.5498
10	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	1.4556	0.1422	2.5498
11	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
12	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
13	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
14	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
15	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
16	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
17	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
18	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
19	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
20	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
21	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
22	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
23	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
24	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
25	9.1200	0.6505	9.7705	0.1983	0.1997	0.1220	0.3424	0.0596	0.0301	-	-	0.9521
<b>Levelized Tariff (1-25Years)</b>			<b>9.7705</b>	<b>0.1983</b>	<b>0.1997</b>	<b>0.1220</b>	<b>0.3424</b>	<b>0.0596</b>	<b>0.0301</b>	<b>0.4883</b>	<b>0.5933</b>	<b>2.0337</b>

**Net Capacity at COD** 195.305 MW  
**Exchange Rate at COD** 85.40 PKR / US\$  
**Fuel Price (Inclusive of Freight)** 46,363.97 Rs. / Metric Ton  
**US CPI** 218.01 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  
**Levelized Tariff at 60% plant factor** Rs. 13.1600/kWh (US cents 15.4098/kWh)

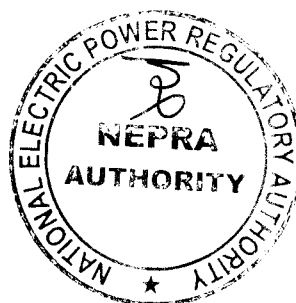


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**Nishat Power Ltd.**  
**Debt Servicing Schedule**

**Annex-II**

Year	Quarter	Principal Million Rs.	Repayment Million Rs.	Mark-up Million Rs.	Balance Million Rs.	Debt Service Million Rs.	Annual Principal Repayment Rs./kW/ hr.	Annual Interest Rs./kW/ hr.	Annual Debt Servicing Rs./kW/ hr.
1	1	13,864.71	151.68	531.71	13,713.04	683.39	0.3755	1.2222	1.5978
	2	13,713.04	157.49	525.90	13,555.55	683.39			
	3	13,555.55	163.53	519.86	13,392.01	683.39			
	4	13,392.01	169.80	513.58	13,222.21	683.39			
2	1	13,222.21	176.32	507.07	13,045.89	683.39	0.4365	1.1612	1.5978
	2	13,045.89	183.08	500.31	12,862.82	683.39			
	3	12,862.82	190.10	493.29	12,672.72	683.39			
	4	12,672.72	197.39	486.00	12,475.33	683.39			
3	1	12,475.33	204.96	478.43	12,270.37	683.39	0.5075	1.0903	1.5978
	2	12,270.37	212.82	470.57	12,057.55	683.39			
	3	12,057.55	220.98	462.41	11,836.57	683.39			
	4	11,836.57	229.46	453.93	11,607.11	683.39			
4	1	11,607.11	238.25	445.13	11,368.86	683.39	0.5899	1.0078	1.5978
	2	11,368.86	247.39	436.00	11,121.47	683.39			
	3	11,121.47	256.88	426.51	10,864.59	683.39			
	4	10,864.59	266.73	416.66	10,597.86	683.39			
5	1	10,597.86	276.96	406.43	10,320.90	683.39	0.6857	0.9120	1.5978
	2	10,320.90	287.58	395.81	10,033.32	683.39			
	3	10,033.32	298.61	384.78	9,734.71	683.39			
	4	9,734.71	310.06	373.33	9,424.65	683.39			
6	1	9,424.65	321.95	361.44	9,102.69	683.39	0.7971	0.8006	1.5978
	2	9,102.69	334.30	349.09	8,768.39	683.39			
	3	8,768.39	347.12	336.27	8,421.27	683.39			
	4	8,421.27	360.43	322.96	8,060.84	683.39			
7	1	8,060.84	374.25	309.13	7,686.59	683.39	0.9266	0.6711	1.5978
	2	7,686.59	388.61	294.78	7,297.98	683.39			
	3	7,297.98	403.51	279.88	6,894.47	683.39			
	4	6,894.47	418.98	264.40	6,475.49	683.39			
8	1	6,475.49	435.05	248.33	6,040.43	683.39	1.0772	0.5206	1.5978
	2	6,040.43	451.74	231.65	5,588.70	683.39			
	3	5,588.70	469.06	214.33	5,119.64	683.39			
	4	5,119.64	487.05	196.34	4,632.59	683.39			
9	1	4,632.59	505.73	177.66	4,126.86	683.39	1.2522	0.3456	1.5978
	2	4,126.86	525.12	158.26	3,601.73	683.39			
	3	3,601.73	545.26	138.13	3,056.47	683.39			
	4	3,056.47	566.17	117.22	2,490.30	683.39			
10	1	2,490.30	587.88	95.50	1,902.42	683.39	1.4556	0.1422	1.5978
	2	1,902.42	610.43	72.96	1,291.99	683.39			
	3	1,291.99	633.84	49.55	658.15	683.39			
	4	658.15	658.15	25.24	(0.00)	683.39			



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