



National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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E-mail: registrar@nepra.org.pk

Registrar

No. NEPRA/R/TRF-110/SKHPL-2008/4737-4739
December 27, 2010

Subject: **Decision of the Authority in the matter of Motion for Recalculation filed by S K Hydro (Pvt.) Ltd. (SKHPL) under Rule 16(5) of NEPRA (Tariff Standards and Procedure) Rules, 1998, in response to the Determination of the Authority in Case No. NEPRA/TRF-110/SKHPL-2008 - 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 continuation of this office letter No. NEPRA/R/TRF-110/SKHPL-2008/984-86 dated November 18, 2008 whereby Determination of the Authority on S K Hydro (Pvt.) Ltd. was sent. Please find enclosed herewith the decision of the Authority along with Annexes-I (04 pages) in the matter of Motion for Recalculation filed by S K Hydro (Pvt.) Ltd. against Case No. NEPRA/TRF-110/SKHPL-2008.

2. The Decision is being intimated to the Federal Government for the purpose of notification of the approved tariff 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 be informed that the Reference Tariff earlier intimated vide para 19 of the Authority's Determination dated November 18, 2008, stands revised to the extent as detailed in para 7 of the decision of the Authority on the subject motion along with Annex-I which is required to be notified in the official Gazette.

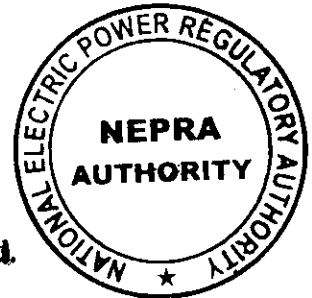
Enclosure: As above

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 Safer Hussain)



Decision of the Authority in the matter of Motion for Recalculation filed by SK Hydro (Pvt) Limited under Rule 16(5) of the NEPRA Tariff (Standards and Procedure) Rules 1998, in response to the Determination of the Authority in Case No. NEPRA/TRF-110/SKHPL-2008.

Background

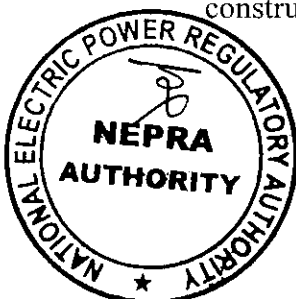
SK Hydro (Pvt) Limited (hereinafter the "SKHPL" or "the Petitioner") filed a Motion for Recalculation under Rule 16(5) of the NEPRA Tariff (Standards and Procedure) Rules, 1998 (hereinafter the "Tariff Rules") on November 26, 2008, in response to determination of the Authority in Case No. NEPRA/TRF-110/SKHPL-2008 issued on November 18, 2008.

2. In the aforesaid motion, SKHPL pointed out an inadvertent error contained in the determination of the Authority in respect of the approved Return on Equity during Construction (ROEDC) component of tariff. SKHPL provided detailed working and comparison of ROEDC as approved by the Authority in its determination for SKHPL as well as amended/corrected ROEDC component of tariff.

3. The Authority, based on information provided by the Petitioner, admitted the Motion for Recalculation in pursuance of Rule 4(5)(a) of the Tariff Rules on November 26, 2008. The Authority also sought comments from the Power Purchaser i.e. Central Power Purchase Agency (CPPA) as well as Interveners of the tariff petition i.e. Secretary Finance, Government of Khyber Pakhtunkhwa and Syed Umair Shah.

4. Syed Umair Shah, in his comments to the Authority, contended that return on equity (ROE) component of tariff approved by the Authority in its determination for SKHPL is already on the higher side. The Intervener provided his working/calculations for the ROE component of tariff and requested for necessary correction in the determination of the Authority. The Authority reviewed working/calculations for the ROE component of tariff as submitted by the Intervener and found the same to be inconsistent with earlier determination in the case and, therefore, not maintainable on the following grounds:

- i) in its calculations for the ROE and ROEDC components of tariff, the Intervener has compared the rates/tariff as requested by the Petitioner in its original petition, rather than those determined by the Authority.
- ii) The Intervener based its working for Return on Equity component of tariff on nominal rate of return of 17%, whereas as per the GoP Power Policy 2002, the Authority has allowed return on equity on Internal Rate of Return (IRR) basis which includes return on equity during the project construction period.



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- iii) Redemption of Equity has been evenly distributed over 30 years life of the project starting from 1st year of plant operation, whereas in the Authority's determination, the same has been distributed over the remaining life (18 years) of the project life after repayment of debt in the first 12 years of commercial operation of the plant.

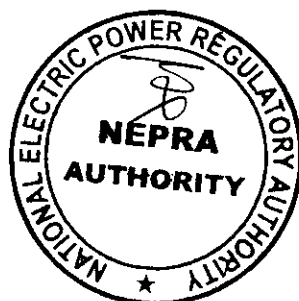
5. Pursuant to the writ petition filed by the Government of Khyber Pakhtunkhwa (KPK) in the Islamabad High Court wherein the Honorable Islamabad High Court on January 14, 2009 restrained the Federal Government from notifying the determination issued on November 18, 2008. Pursuant to the dismissal of the writ petition by the Islamabad High Court, the case was resubmitted for consideration whereby it was decided to hold a hearing in the matter on June 4, 2009 which was, later on, postponed in view of the Civil Appeals as well as Constitutional Petition filed by the Govt. of KPK in the Supreme Court of Pakistan against the judgement passed by the Islamabad High Court and legal notice issued by the legal counsel of the Govt. of KPK. Further processing of the motion for recalculation submitted by SKHPL was also stopped pending decision by the honorable Supreme Court of Pakistan. Now upon dismissal of the Civil Appeals as well as Constitutional Petition by the Supreme Court of Pakistan being withdrawn through judgment dated October 21, 2010 and reiteration of request by the Petitioner for further processing of the case, the Authority has decided to dispose off motion for recalculation of SKHPL as per decision of the Authority stated hereunder.

Decision of the Authority

6. Scrutiny of the information initially submitted by SKHPL in its tariff petition revealed that an inadvertent error, by not taking in to account the equity injection for one year of the project construction period as pointed out by the Petitioner, has been committed while determining ROEDC component of tariff. Considering SKHPL's request for recalculation as reasonable and justified, the Authority has, therefore, decided to approve revised ROEDC component of tariff as Rs. 207.0696/kW/Month as against initially determined Rs. 122.7491/kW/Month. Accordingly original order of the Authority has been rectified to the extent as indicated herein below:

Order:

7. Pursuant to Rule 16(5) of the NEPRA Tariff (Standards & Procedure) Rules, 1998 read with rule 6 of the NEPRA Licensing (Generation) Rules, 2000, SK HYDRO (Pvt) Limited (hereinafter "SKHPL") is allowed to charge for its Suki Kinari Hydropower project the revised ROEDC component of tariff as Rs. 207.0696/KW/Month as against initially determined Rs.122.7491/kW/Month. The figure "Rs.122.7491/kW/Month" shall



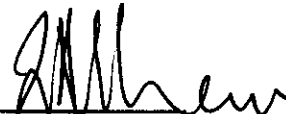
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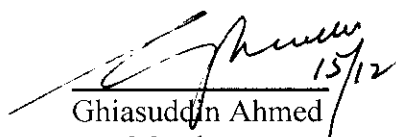
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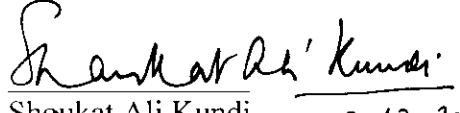
be substituted with "Rs.207.0696/KW/Month" in the 'Reference Tariff' under order of the Authority at page 19 of determination of the Authority issued on November 18, 2008. In view of the aforementioned the revised tariff table to be substituted with the original tariff table is attached herewith as Annex-I.

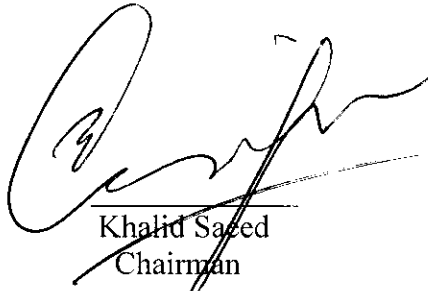
Authority:

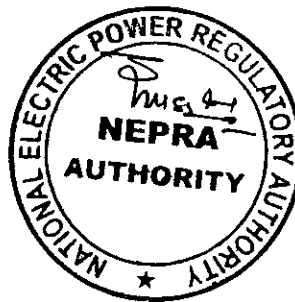

Zafar Ali Khan
Member
14/12/10


Ghiasuddin Ahmed
Member
15/12


Maqbool Ahmed Khawaja
Member


Shoukat Ali Kundi
Vice Chairman/ Member
22.12.2010

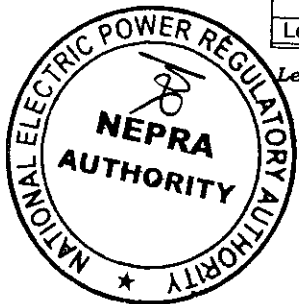

Khalid Saeed
Chairman



**SUKI KINARI HYDROPOWER PROJECT
REFERENCE TARIFF**

| Year | Variable O&M Foreign | Water Use Charge | Fixed O&M Local | Fixed O & M Foreign | Insurance | Return on Equity | ROE During Construction | Withholding Tax @7.5% | Loan Repayment | Interest Charges | Total Tariff | Tariff For Comparison Purposes |
|------------------|----------------------|------------------|-----------------|---------------------|------------|------------------|-------------------------|-----------------------|----------------|------------------|--------------|--------------------------------|
| | Rs./kWh | Rs./kWh | Rs. / kW/M | Rs. / kW/M | Rs. / kW/M | Rs. / kW/M | Rs. / kW/M | Rs. / kW/M | Rs. / kW/M | Rs./kW/M | Rs. / kWh | ¢ / kWh |
| 1 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 326.9773 | 542.0609 | 5.8592 | 7.3240 |
| 2 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 355.6689 | 513.3693 | 5.8592 | 7.3240 |
| 3 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 386.8782 | 482.1601 | 5.8592 | 7.3240 |
| 4 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 420.8259 | 448.2123 | 5.8592 | 7.3240 |
| 5 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 457.7525 | 411.2857 | 5.8592 | 7.3240 |
| 6 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 497.9194 | 371.1188 | 5.8592 | 7.3240 |
| 7 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 541.6108 | 327.4274 | 5.8592 | 7.3240 |
| 8 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 589.1361 | 279.9022 | 5.8592 | 7.3240 |
| 9 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 640.8315 | 228.2067 | 5.8592 | 7.3240 |
| 10 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 697.0632 | 171.9750 | 5.8592 | 7.3240 |
| 11 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 758.2291 | 110.8091 | 5.8592 | 7.3240 |
| 12 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 368.2005 | 207.0696 | 43.1453 | 824.7621 | 44.2761 | 5.8592 | 7.3240 |
| 13 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 14 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 15 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 16 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 17 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 18 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 19 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 20 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 21 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 22 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 23 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 24 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 25 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 26 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 27 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 28 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 29 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| 30 | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 391.3884 | 207.0696 | 44.8844 | - | - | 2.9828 | 3.7285 |
| Levelized Tariff | 0.1107 | 0.1500 | 38.9859 | 58.4789 | 58.0407 | 374.6284 | 207.0696 | 43.6273 | 356.0467 | 272.0865 | 5.0619 | 6.3273 |

Levelized Tariff (1-30 years) discounted at 10% per annum = US Cents 6.3273/kWh at reference exchange rate of 1US\$=Rupees 80.00.



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