



Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/TRF-133/KESC-2009/8974-8977
June 10, 2015

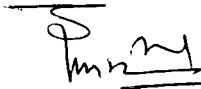
Subject:- Decision of the Authority in the matter of K-Electric Limited (formerly Karachi Electric Supply Company Limited) Request for Quarterly Adjustment in its Tariff for the Quarter Ended December 2014

Dear Sir,

Please find enclosed herewith the subject decision of the Authority along with Annexure-I, and Annexure-II (15 pages) in respect of K-Electric Ltd. (formerly Karachi Electric Supply Company Ltd.) in Case No. NEPRA/TRF-133/KESC-2009(6).

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

Enclosure: As above


(Syed Safeer Hussain) 10/06/15

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

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.
3. Secretary, Privatization Commission, EAC Building, Islamabad.



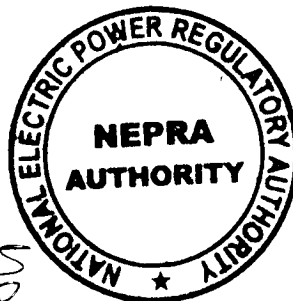
DECISION OF THE AUTHORITY IN THE MATTER OF K-ELECTRIC LIMITED (FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED) REQUEST FOR QUARTERLY ADJUSTMENT IN ITS TARIFF FOR THE QUARTER ENDED DECEMBER, 2014

BACKGROUND

1. Pursuant to section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 and in accordance with the determination of the Authority in case No. NEPRA/TRF-133/KESC-2009(6) notified vide S.R.O. No. 11(I)/2010 dated January 01, 2010, K-Electric Limited (hereinafter referred to as "K-Electric") has been allowed certain adjustments in its tariff on quarterly basis. The adjustments allowed in the K-Electric's tariff on quarterly basis include the following:
 - Impact of variation in the Capacity Charges and Operation and Maintenance (hereinafter referred to as the "O&M") components of the cost of power purchased by K-Electric from the external sources.
 - The impact of transmission and distribution losses (hereinafter referred to as the "T & D losses") on the monthly Fuel Charges Adjustments (hereinafter referred to as "FCA").
2. In addition to the aforesaid adjustments in tariff, for allowing K-Electric recovery of its tariff in future on the latest price level, the tariff level is required to be adjusted at the price level of last month of the quarter i.e. in the current case the price level of December 2014. Furthermore, all other adjustments i.e. impact of inflation and claw back of profits due on annual basis are allowed to K-Electric and passed to the consumers through Schedules of Tariff issued after different quarterly adjustments in its tariff.

CURRENT REQUEST

3. K-Electric in accordance with the prescribed mechanism for adjustment of fuel and power purchase cost variations submitted quarterly adjustment request for the quarter October-December, 2014 (hereinafter referred to as the "current quarter") vide its letter No. RA&SP/NEPRA/071 /016 dated January 27, 2015. Summary of the adjustment as requested by K-Electric is tabulated below:





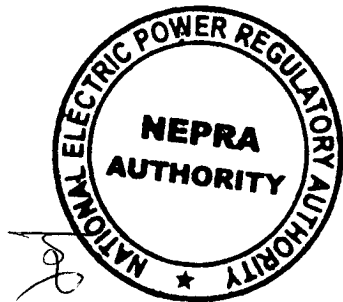
K-Electric Limited Tariff Adjustment for the Quarter October 2014 to December 2014

Items	DESCRIPTION	Proposed Adjustment
1	Fuel Price Variation of December, 2014 over September, 2014(Ps/kWh)	(38 020)
	Power Purchase Price Variation of December, 2014 over Sept. 2014 (Ps/kWh)	(64 792)
	Total Variation in Tariff (Ps/kWh)	(102.811)
	Un Recovered Cost	
	Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	736.396
	Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	13.120
	Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	(635.989)
	Adjustment of NTDC Invoice (Mill Rs.)	29.674
	Revision in fixed cost of KANUPP (Mill Rs.)	16.545
	WPPF/ WWF payment to IPPs (Tapal & GAEL)(Mill Rs.)	109.768
	Total Unrecovered Cost (Mill Rs.)	269.515
Estimated Units to be Sold in the next quarter (GwH)	2480.668	
2	Required Adjustments (Ps/kWh)	10.865
3	Reversal of Unrecovered Cost of Previous Quarter (Ps/kWh)	13.022
	Total Required Adjustment in KE's Tariff (Ps/kWh) (1+2+3)	(78.925)

K-Electric in addition to the WPPF/ WWF payments for the current quarter amounting to Rs. 109.768 Million, also claimed amounts of WPPF, WWF & Bonus amounting to Rs. 621 million, paid to IPPs previously, stating that these amounts are allowed to other DISCOs/ NTDC and were paid as per the approved PPAs. K-Electric further submitted that the amounts of WPPF & WWF were disallowed by NEPRA on the basis that there is no provision for adjustment of the same under the current adjustment mechanism of K-Electric. K-Electric, therefore, requested that if the Authority permits, a separate petition can be filed for adjustment of all such charges/ payments in tariff.

PUBLIC HEARING

4. Since the impact of tariff adjustment, if any, affects the consumers, therefore, in order to meet the ends of natural justice, the Authority considered it just and appropriate to provide an opportunity of hearing/filing of objections/comments to all the stakeholders. Accordingly, a public hearing for consideration of the requested adjustment was held by the Authority on March 06, 2015 at Marriot Hotel Karachi; notice thereof was published in the daily newspapers on February 26, 2015 and separate notices were also sent to the major stakeholders inviting thereby comments/objections from the concerned stakeholders to make the process of hearing meaningful and to reach at an informed and just decision. During the hearing and in written form, various commentators raised several issues. The issues relevant to monthly FPA have already been discussed in Authority's monthly FCA decision for December 2014 and other issues, with respect to the submissions of K-Electric, such as late submission of adjustment requests by K-Electric, provision of Audit Reports of the Audit carried out by NEPRA professionals of the K-Electric, underutilization of generation capacity by K-Electric, Economic Merit Order, list of NEPRA's decisions challenged by K-Electric in Court of Law, Auxiliary Consumption etc., are of repetitive nature, which have already been considered and discussed in detail, by the Authority in its previous monthly / quarterly adjustment decisions, therefore, need not to be discussed again in the current decision.





ANALYSIS

5. The generation data, rates, etc. of K-Electric (both from self-generation and power purchased from external sources) were scrutinized with respective original invoices and other underlying documents. K-Electric's request for the current quarter has been discussed in detail under the following headings:
- a) Changing the reference tariff from September, 2014 to December, 2014.
 - b) Under-recovered costs for the Current Quarter.
 - c) Reversal of tariff adjustment pertaining to the previous quarter i.e. July-September, 2014 which was applicable for the current quarter only.

CHANGING THE REFERENCE TARIFF FROM SEPTEMBER 2014 to DECEMBER 2014

6. K-Electric's last adjusted tariff is based on the fuel prices (both own generation and power purchase), O&M costs and capacity charges of September, 2014. For allowing K-Electric, the recovery of its tariff in future on the latest price level, it is required that its tariff be adjusted to the price level of December, 2014. According to the prescribed mechanism, changing the tariff level requires allowing variations in the fuel cost of company's own generation as well as in its power purchase cost (fuel cost, O&M costs and Capacity Charges) of December, 2014 over the reference month of September, 2014. K-Electric has requested for allowing following adjustments in its tariff on this account:

Description	As Requested
Fuel cost variation of December 2014 over September 2014 (Mill Rs.)	(343.100)
Power purchase cost variation of Dec. 2014 over Sep. 2014 (Mill. Rs.)	(584.695)
Total Variation (Mill Rs.)	(927.795)
Units sold at 15% T&D losses for December, 2014 (GWh)	902.424
Required adjustment in tariff (Ps/kWh)	(102.811)

7. The Authority noted that main reason of K-Electric's claimed variation in the fuel cost component of its own generation is decrease in the prices of furnace oil which decreased from Rs. 68,383/MTon in September 2014 to Rs. 47,221/MTon in December 2014, along-with decrease in generation on furnace oil, which decreased from 212.768 GWh in September 2014 to 92.252 GWh in December 2014.
8. In the power purchase cost, the Authority noted that major reason of the claimed variation is decrease in per unit cost of power purchased from Tapal and Gul Ahmad which decreased from Rs. 14.111/kWh and Rs.15.396/kWh in the reference month of September 2014 to Rs. 11.358/kWh and Rs.11.488/kWh respectively in the month of December 2014. In addition, better purchase mix by purchasing less energy from





Tapal and Gul Ahmed in the current month as compared to the reference month also contributed to negative claimed variation. Furthermore, per unit cost of NTDC also decreased from Rs.6.767/kWh in September 2014 to Rs.6.589/kWh in December 2014, which also resulted in negative variation.

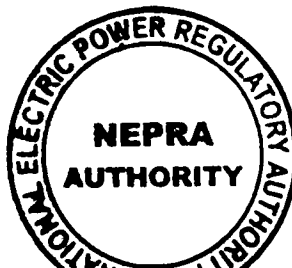
9. A comparative analysis of the adjustment in K-Electric's tariff required for bringing it to the tariff level of December, 2014 as requested and approved by the Authority after verification of all the relevant documentary evidences is tabulated below;

Description	As Requested	Approved
Fuel cost variation of December, 2014 over September, 2014 (Mill Rs.)	(343.100)	(344.884)
Power purchase cost variation of Dec. 2014 over Sep. 2014 (Mill. Rs.)	(584.695)	(710.714)
Total Variation (Mill Rs.)	(927.795)	(1055.599)
Units sold at 15% T&D losses for December, 2014 (GWh)	902.424	902.362
Required adjustment in tariff (Ps/kWh)	(102.811)	(116.982)

10. The difference between the claimed and approved variation in fuel cost of own generation is due to inconsistency in the working of furnace oil rate (Rs/M.Ton) at K-Electric's end. The Authority has consistently been using monthly weighted average method to work out the furnace oil rate and has used the same method for working out the above mentioned fuel charges variations.
11. In the power purchase cost head, the major reason of the difference between the requested and approved variation is that K-Electric has used the NTDC's invoiced fuel costs of Rs. 6.589/kWh for the month of December 2014, whereas, the Authority's approved fuel cost component of NTDC/CPPA, applicable to all Ex-Wapda Distribution Companies (hereinafter referred to as "XWDISCOs") and K-Electric, for the month of December 2014 comes out to be Rs. 6.2902/kWh. In addition, during verification of invoices of Capacity payments to IPPs, it was noted that Gul Ahmad's current dependable capacity was reduced to 114.57 MW in October 2014 as compared to 127.5 MW in September 2014, after conducting its annual dependable capacity test, effective September 14, 2014. Accordingly, capacity charges of Gul Ahmad for September 2014 works out to be Rs.116.046 Million which have been used as reference for September 2014 as against Rs.123.121 Million claimed by K-Electric in its request.

UNRECOVERED COST FOR THE CURRENT QUARTER

12. As per the approved mechanism, the monthly variation on account of O&M cost and capacity charges components of the power purchase cost of K-Electric, accumulated and not allowed in the monthly adjustments, is required to be adjusted in the quarterly tariff adjustment of K-Electric. In addition, the cost of fuel that was not allowed to the utility to be passed on in the monthly FCAs to the extent of targeted T&D

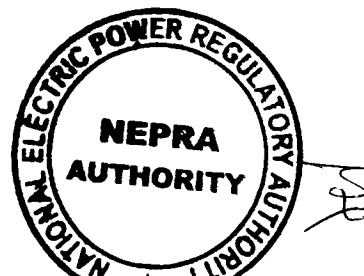




losses is required to be taken care of on quarterly basis in accordance with the prescribed mechanism. Furthermore, any costs that are allowed to be passed on under the approved mechanism but were not accounted for in the monthly FCAs are treated in the quarterly adjustment. K-Electric has requested for allowing it the recovery of the following unrecovered costs:

DESCRIPTION	Requested by K-Electric
Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	736.396
Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	13.120
Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	(635.989)
Adjustment of NTDC Invoice FY 2013-14 (Mill Rs)	29.674
Revision in fixed cost of KANUPP for FY 2014-15 (Mill Rs)	16.545
WPPF/ WWF Payments to IPPs (Tapal and Gul Ahmad) (Mill Rs)	109.768
Total Unrecovered Cost (Mill Rs.)	269.515
Estimated Units to be Sold at 15% T&D losses Jan-Mar. 2015 (GWh)	2480.668
Required Adjustments (Ps/kWh)	10.865

13. Variation in O&M Costs: The variation in O&M cost component of the power purchase cost is worked out by comparing the monthly weighted average O&M costs of all external power sources. This method yields results representing the change both in prices and energy mix on month to month basis. K-Electric has claimed around Rs.737 million variations on this account. The Authority noted that the main reason of claimed variation is increase in the fixed cost (*use of system charges + capacity charges*) against the energy purchased from NTDC by K-Electric in all the three months of the quarter.
14. Variations in Capacity Charges: Similar to the mechanism of O&M costs, the variation in capacity charges is worked out by comparing the monthly weighted average cost of all the power stations from which K-Electric procures power, which represents change in both prices and energy. K-Electric has claimed variation of around Rs. 13 million under this head. The Authority noted that although capacity charges of Gul Ahmad have decreased and there was only a slight increase in the capacity charges of Tapal in the current quarter as compared to the reference month of September 2014, however, the monthly weighted average cost of capacity charges of all the power stations from which K-Electric procures power, on the basis of which variation in capacity charges component is worked out, increased in two months of the current quarter owing to relatively lesser power purchased in these months as compared to the reference month.
15. Un-recovered fuel cost due to non-adjustment of T&D losses in monthly FCA: The variation in the cost of fuel (own generation + power purchases) that was not allowed to K-Electric to be passed on in the monthly FCAs to the extent of targeted T&D losses is required to be taken care of on quarterly basis. K-Electric under this head claimed about minus Rs. 636 million.

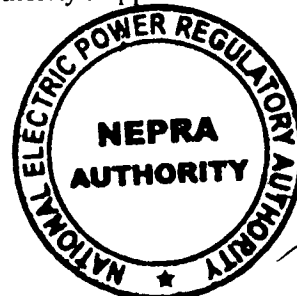




16. Adjustment of lesser paid amount of NTDC - FY 2012-13: In addition to above, K-Electric has also claimed Rs. 29.674 million on account of lesser paid amount by the Authority to K-Electric, vide Authority's decision for the quarter ended March 2014, against final invoice of NTDC for the FY 2012-13.
17. A comparative analysis of the adjustment in K-Electric tariff for the un-recovered costs of the current quarter to be recovered as per request submitted by K-Electric and being approved by the Authority after verification of all the relevant documentary evidence is tabulated below::

DESCRIPTION	Requested by K-Electric	Approved
Variation in O&M cost of IPPs and Other External Sources (Mill Rs)	736.396	736.340
Variation in Capacity Charges of IPPs and Other External Sources (Mill Rs)	13.120	1.719
Un-recovered cost of fuel in FCAs due to non-adjustment of T&D losses (Mill Rs)	(635.989)	(656.116)
Adjustment of NTDC Invoice FY 2013-14 (Mill Rs)	29.674	29.673
Revision in fixed cost of KANUPP for FY 2014-15 (Mill Rs)	16.545	16.545
WPPF/ WWF Payments to IPPs (Tapal and Gul Ahmad) (Mill Rs)	109.768	-
Total Unrecovered Cost (Mill Rs.)	269.515	128.162
Estimated Units to be Sold at 15% T&D losses Jan-Mar,2015 (GWh)	2,480.668	2,736.270
Required Adjustments (Ps/kWh)	10.865	4.684

18. The difference between the requested and approved variation in O&M cost and Capacity Charges of IPPs and other external sources is due to the reason that reference rates used by K-Electric for September 2014 are slightly different then the Authority's allowed rates. In addition to above, during verification of invoices of Capacity payments to IPPs, the Authority observed that Gul Ahmad's current dependable capacity was reduced to 114.57 MW in October 2014 as compared to 127.5 MW in September 2014, after conducting the annual dependable capacity test, effective September 14, 2014. In view thereof, actual amount of capacity charges of Gul Ahmad for September 2014 works out to be Rs.116.046 Million as against the amount of Rs.123.121 Million claimed by K-Electric in September 2014, which resulted in over recovery of around Rs. 31 Million from the Consumers during the quarter Oct-Dec. 2014 by K-Electric. The said amount has been adjusted in the current quarter.
19. The difference in the requested and approved variation in un-recovered fuel cost, due to non-adjustment of T&D losses, is mainly due to the reason that K-Electric while claiming variation on this account used fuel cost component as invoiced by NTDC in December 2014 for the current quarter, whereas the aforementioned variation has been approved by the Authority on the basis of Authority's approved fuel cost component of NTDC for December 2014.





20. The Authority, in the quarter Jan-Mar 2014, at the time of allowing difference of capacity charges of NTDC to K-Electric, based on the final summary invoice raised by NTDC to K-Electric for FY 2012-13, observed that energy transfer charges for three months, i.e. July-12, Jan & Apr-13 were slightly on the lower side in NTDC's final summary invoice as compared to what was used by the Authority to allow variations in these months. The impact of such adjustments was Rs.29.674 million, which was not allowed to K-Electric. The Authority, however, noted that K-Electric is being consistently allowed variation on account of fuel charges for energy purchased from NTDC as per the Authority's approved rate of every month applicable to all DISCOs and K-Electric, rather than NTDC's invoiced rate. Therefore, to be consistent with Authority's practice of allowing Fuel Charges variation as per Authority's approved rates, amount of Rs. 29.674 previously deducted from K-Electric is hereby allowed.
21. The claims regarding WPPF/ WWF payments to IPPs have been disallowed by the Authority previously owing to the fact that such costs, as per the respective PPAs, are required to be passed on through supplemental charges for which there is no provision under the current adjustment mechanism. Accordingly, the current claim of these cost has not been taken into account while working out the unrecovered cost.
22. K-Electric in its request has estimated that 2,480.668 GWh units will be sold @ 15% T&D losses in the next quarter (January-March 2015), however, as K-Electric's quarterly request for the quarter January-March, 2015 has also been received, therefore, actual units sold figure @ 15% T&D losses for the quarter January-March, 2015 i.e. 2,736.270 GWh, has been used to calculate the unrecovered cost in Ps/kWh.
23. The variation in tariff under this head, will be applicable for the next quarter only i.e. January-March 2015 and will cease automatically at the end of that quarter.

REVERSAL OF TARIFF ADJUSTMENT APPLICABLE FOR CURRENT QUARTER ONLY

24. The Authority in its previous quarterly adjustment pertaining to July-September, 2014, allowed a decrease of Ps. 13.790/kWh in K-Electric's tariff on the basis of next quarter's units sold for adjustment of unrecovered amount of minus Rs. 433.848 million by K-Electric. As per the direction in the same decision, this allowed decrease of Ps. 13.790/kWh is required to be adjusted back in K-Electric's current quarterly adjustment in order to nullify its impact in the schedule of tariff. Accordingly the same has been adjusted back in the current quarter. K-Electric, in its request, claimed to adjust Ps. 13.022/kWh on this account as the decision for the quarter July-September 2014 was not issued by the time K-Electric submitted its request.





OVERALL ADJUSTMENT IN TARIFF

25. The overall cumulative variation in the K-Electric's tariff after making all aforesaid adjustments, as discussed in the preceding paragraphs, works out to be minus Ps. 98.508/kWh against the claimed figure of minus Ps. 78.925 /kWh as detailed below:

	<u>Paisas per kWh</u>
• Changing the reference tariff from September, 2014 to December, 2014	(116.982)
• Unrecovered costs for the current quarter	4.684
• Reversal of tariff adjustment applicable for current quarter only	13.790
	<hr/> (98.508) <hr/>

26. In order to allow aforesaid adjustments in K-Electric's tariff, **K-Electric is allowed a uniform decrease in consumer end tariff for all consumer categories, except for the life-line consumers, by minus paisa 99 per kWh.**

CLAW BACK MECHANISM - SHARING OF A PORTION OF K-ELECTRIC'S PROFIT WITH CONSUMERS FOR FY 2013-14

27. As per Authority's determination dated December 23, 2009, notified in the official Gazette of Pakistan vide S.R.O. No. 11(I)/2010 dated January 01, 2010, Multi Year Tariff was awarded to K-Electric which was a performance based tariff wherein separate component of investment and return was not allowed to K-Electric. As per spirit of the Multi Year Tariff, certain efficiency parameters such as heat rates, transmission and distribution losses etc. were specified by the Authority thereby giving an incentive to the investor not to adjust the tariff downward if it brings more efficiency. Similarly, if performance falls short of the specified parameters then loss will be borne by the utility as no upward adjustment in tariff will be allowed.

28. The determination also prescribed the claw-back mechanism for sharing of K-Electric's profits with the consumers (hereinafter referred to as the "claw-back mechanism"). The claw back mechanism provided that to the extent that the annual real return on the regulatory asset base exceeds 12%, the surplus shall be shared with the consumers through a reduction in tariff. The claw back mechanism was prescribed after having input from all stakeholders by following the due process of law and same was also notified in the official gazette.





29. The sharing formula as provided in the claw back mechanism is reproduced as under;

"1. KESCL shall, on yearly basis and within the first week of January, submit the proposed adjustment of tariff arising out of the transfer of a portion of the profits of the preceding financial year to consumers according to the claw back formula as provided herein below along-with the basis of the calculations supported with the relevant audited financial statements:

CLAWBACK FORMULA

2. To the extent that the annual real return* on the regulatory asset base** exceeds the limits prescribed hereunder, the surplus return shall be shared with consumers through a reduction in tariff, on the basis set out below;

- a) Where the real annual return exceeds 12% but remains within 15%
25% of the profit value in excess of 12% Return on Assets ("ROA") will be transferred to the consumers
- b) Where the real annual return exceeds 15% but remains within 18%
In addition to (a) above, 50% of the profit value in excess of 15% ROA will be transferred to the consumers
- c) Where the real annual return exceeds 18%
In addition to (a) plus (b) above, 75% of the profit value in excess of 18% ROA will be transferred to the consumers.

* The annual return on the regulatory asset base shall be the audited earnings before interest and tax for that year divided by the average of the opening and closing regulatory asset base for that year.

** The regulatory asset base shall be the audited share capital and reserves plus bank and other borrowings less cash and securities.

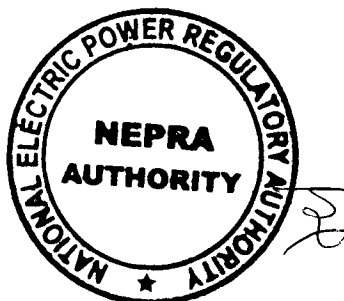
3. The decrease in average sale rate (ΔS_{1CB}) will be calculated as under:-

$$(\Delta S_{1CB}) = \frac{Ps}{U_{ST}}$$

Where Ps = The aggregate profit to be transferred to the consumers calculated according to sub paras (a), (b) and (c) of para 2 above.

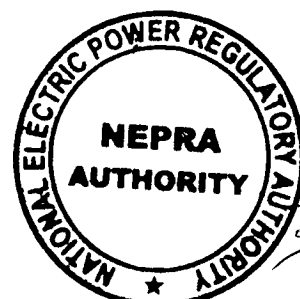
U_{ST} = Estimated units expected to be sold during the twelve months commencing from January 1st of the financial year following the year for which profits are calculated.

The above reduction shall be applied uniformly to all consumer classes".





30. The Authority noted that K-Electric, in its Audited Financial Statements for the Financial Year 2013-14, has reported an operating profit of Rs. 23,611.567 million (*including depreciation of Rs.2,761.269 Million on revalued assets*). Though, as per the mechanism, it was the obligation of K-Electric to submit the proposed adjustment of tariff to transfer a portion of profits of the preceding financial year to consumers, however it did not submit the adjustment request, therefore, the Authority directed K-Electric vide letter no. NEPRA/R/SAT-I/TRF-133/2157 dated February 20, 2015 to inform the Authority, supported with detailed working, that whether or not the reported profit qualifies the criteria for application of the claw back mechanism.
31. K-Electric vide its letter No.KE/C&A/NEPRA/2015/206 dated March 02, 2015 submitted its calculations for consideration of the Authority. According to the calculations submitted by K-Electric, its annual return on regulatory asset base was 5.88%. K-Electric submitted that its annual return is less than the threshold defined in the determination, therefore claw back mechanism was not applicable for the financial year 2013-14. K-Electric also reiterated that the entire contents of its letters dated October 15, 2012 and October 7, 2013 (related with Claw Back calculations for FY 2011-12), form an integral part of this letter, as if they were duly repeated herein, with regard to the said mechanism. K-Electric also referred to the relevant arguments which K-Electric has raised in Suit No.2138 of 2014 filed in the High Court of Sindh, whereby, K-Electric has challenged the amount of Claw Back worked out by the Authority for previous years i.e. FY 2011-12 and 2012-13.
32. The Authority found that calculations of annual return on regulatory asset base submitted by K-Electric for FY 2013-14 were not correct. The Authority noted that calculations were carried out by K-Electric on the very same basis as were done by it in Financial Year 2011-12 and FY 2012-13. The Authority observed that all the issues raised by K-Electric vide its letters dated October 15, 2012 and October 7, 2013 have already been addressed by the Authority in its decision in the matter of transfer of a portion of profit of K-Electric for the financial year 2011-12 to the consumers and the decisions were issued after following due process of law i.e. by giving K-Electric an opportunity to explain its point of view in writing and through hearing as well.
33. Following the same principles as previously done for the Financial Year 2011-12 and 2012-13 and strictly in accordance with the determined and the notified claw back of profits mechanism, the Authority assessed that financial results of K-Electric for the financial year 2013-14 activated the applicability of claw back mechanism and an amount of Rs.5,608.725 million is due for claw back for financial year 2013-14. Detailed calculations of the amount clawed back are attached as **Annexure-I**.
34. As per the mechanism provided in the determination, the decrease in average sale rate is to be calculated on the basis of estimated units expected to be sold during the twelve months period commencing from January 1st of the Financial Year following the year for which profits are calculated, which in the instant case is from January 01, 2015 to December 31, 2015.

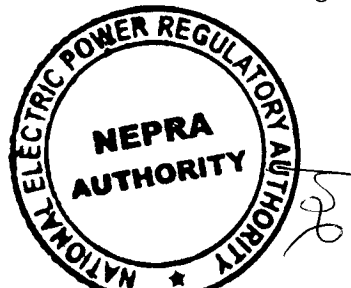




35. Accordingly, the decrease in consumer class wise tariff, on account of claw back of profits for Financial Year 2013-14, except for the life line consumers, based on units sold from January 01, 2015 to December 31, 2015 i.e. 13,458.078 GWh, works out to **minus paisa 42/ kWh, for each of the four (04) quarters from January 01, 2015 to December 31, 2015**, which is hereby approved. Units sold include Actual Units sold from January to March 2015 and units expected to be sold from April to December 2015, based on Authority's approved target of T&D losses. Units expected to be sold from April to December 2015 have been based on the actual units sold during corresponding period of last year i.e. from April to December 2014. Any over / under recovered amount will be adjusted subsequently.
36. Since as per the notified mechanism, the impact of claw back is to be shared with the consumers and the benefit of the same shall go to all consumers classes through their bills, therefore, SoT for the current quarter is being issued on gross up basis i.e. without adjusting the impact of claw back amount of minus Ps. 42/kWh.

Claw Back for FY 2011-12 and 2012-13

37. The Authority vide its determination dated October 17, 2014 in the matter of K-Electric's request for quarterly adjustment in tariff for the quarter ended December, 2013, adjusted an amount of Rs. 5,412.913 Million on account of Claw Back for the FY 2011-12 and 2012-13, to be recovered in a period of 12 months from January to December 2014 at Ps. 42/ kWh. Since the Claw Back amounts determined by the Authority for FY 2011-12 and 2012-13 have been challenged by K-Electric in the High court of Sindh, therefore, benefit of claw back of Ps. 42/ kWh for FY 2011-12 and 2012-13 could not be passed on to the consumers. In addition, K-Electric, in its Financial Statements for FY 2013-14, due to change in accounting policies with respect to accounting for actuarial gains / (losses) and accounting for depreciation of major spare parts, servicing & stand by equipments, applicable retrospectively, has restated its financial statements for FY 2011-12 and 2012-13. This restatement of accounts has resulted in increase in the claw back amount for FY 2011-12 & 2012-13, already determined by the Authority. Final impact of claw back amount for FY 2011-12 and 2012-13 in respect of paisa per kWh will be worked out in the light of the final decision of the Honorable Sindh High Court.
38. In view of the foregoing, the revised schedule of tariff for the subject quarter to be applicable from January 01, 2015 to March 31, 2015 is attached herewith as **Annexure-II**.
39. The Authority corrected an inadvertent error in the Schedules of Tariff of K-Electric through decision of the Authority dated March 31, 2014. However, K-Electric has filed civil suit in High Court of Sindh at Karachi against the decision of the Authority and the Honorable High Court has suspended the decision of the Authority to the extent of reductions made by the Authority. Therefore, in compliance with the interim orders of the Honorable Court, the current quarterly adjustment has been worked out after excluding the impact of reductions made by the Authority through decision dated March 31, 2014. The impact of error and its adjustment shall be considered and worked out in the light of the decision of the honorable Court. Since the



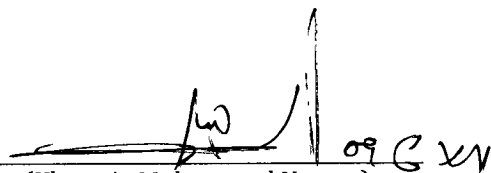


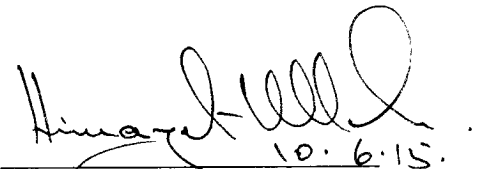
K-Electric Limited Tariff Adjustment for the Quarter October 2014 to December 2014

time of recovery as specified above has lapsed, therefore, K-Electric is hereby allowed to adjust the bills of pertinent consumers as per the following schedule;

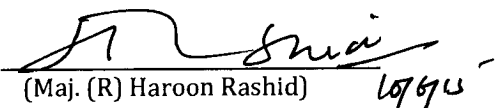
Adjustment applicable for	To be Charged in the Monthly Bills of
January, 2015	July, 2015
February, 2015	August, 2015
March, 2015	September, 2015

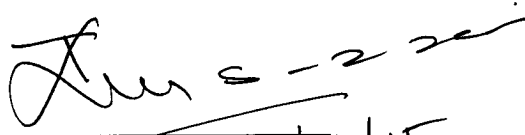
AUTHORITY

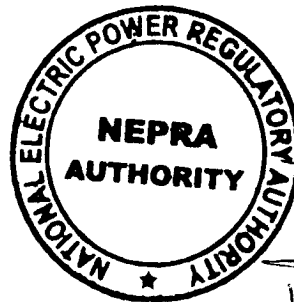

 (Khawaja Muhammad Naem)
 Member

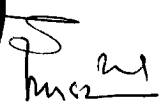

 (Himayat Ullah Khan)
 Member


 (Syed Masood ul Hassan Naqvi)
 Member


 (Maj. (R) Haroon Rashid)
 Vice Chairman


 (Brig. (R) Tariq Saddozai)
 Chairman




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	(Rupees in '000)		
	2014	2013	Average
Audited Share capital	96,261,551	96,261,551	96,261,551
Audited reserves			
Capital Reserves	509,172	509,172	509,172
Share Premium	1,500,000	1,500,000	1,500,000
Revenue Reserves	5,372,356	5,372,356	5,372,356
Accumulated Losses	(59,742,221)	(74,674,804)	(67,208,513)
Other Reserves	(359,552)	(490,460)	(425,006)
Total Reserves	(52,720,245)	(67,783,736)	(60,251,991)
Total Equity	43,541,306	28,477,815	36,009,561
Bank and other borrowings			
Long term Financing	18,231,391	24,901,685	21,566,538
Current Maturity	9,928,007	14,964,692	12,446,350
Short term Borrowings	43,286,450	37,608,485	40,447,468
Total Borrowings	71,445,848	77,474,862	74,460,355
	114,987,154	105,952,677	110,469,916
Less: Cash and Other Securities			
Cash and Bank balances	653,473	790,396	721,935
Derivative Financial Assets	1,862,728	2,523,006	2,192,867
	2,516,201	3,313,402	2,914,802
Regulator Assets Base	112,470,953	102,639,275	107,555,114
12% of Regulatory Assets		<A>	<u>12,906,614</u>
15% of Assets			<u>16,133,267</u>
18% of Assets		<C>	<u>19,359,921</u>
Earning before Interest and Tax - Gross of Depreciation on Revaluation		<D>	<u>23,611,567</u>
			@
Annual Return from 12% -15% of Regulatory assets to be shared @ 25%	<B-A>	3,226,653	25% 806,663
Annual Return from 15% - 18% of Regulatory assets to be shared @ 50%	<C-B>	3,226,653	50% 1,613,327
Annual Return above 18 % of Regulatory assets to be shared @ 75%	<D-C>	4,251,646	75% 3,188,735
Amount of claw back - to be transferred to consumers			<u><u>5,608,725</u></u>

<D>

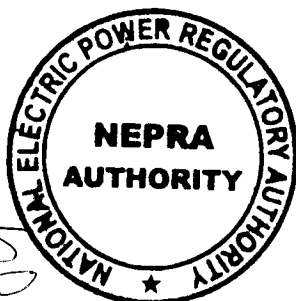
Computation of Earning before Interest and Tax - gross of Depreciation on Revaluation

Audited Earnings before Interest and Tax as per Audited Accounts 2013-14
Add: Depreciation on Revalued assets

Rs. '000

20,850,298
2,761,269

23,611,567



**SCHEDULE OF ELECTRICITY TARIFF
FOR K-ELECTRIC LIMITED
(FORMERLY KARACHI ELECTRIC SUPPLY COMPANY LIMITED)
DETERMINED FOR THE QUARTER OCTOBER'14-DECEMBER'14**

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES	
			Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-	4.00	
	For Consumption exceeding 50 Units			
ii	1- 100 Units	-	14.21	
iii	101- 200 Units	-	15.25	
iv	201- 300 Units	-	15.98	
v	301- 700 Units	-	18.07	
vi	Above 700 Units	-	19.95	
b)	For Sanctioned load 5 kW & above			
	Time Of Use	-	Peak 20.95	Off-Peak 14.95

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES	
			Rs/kWh	
a)	For Sanctioned load less than 5 kW		20.45	
b)	For Sanctioned load 5 kW & above	400.00	17.65	
	Time Of Use	400.00	Peak 21.95	Off-Peak 16.45

Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections;

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month

B INDUSTRIAL SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES	
			Rs/kWh	
B1	Less than 5 kW (at 400/230 Volts)	-	16.95	
B2(a)	5-500 kW (at 400 Volts)	400.00	15.55	
B3(a)	For all loads upto 5000 KW (at 11,33 kV)	380.00	15.15	
B4(a)	For all loads upto 5000 KW (at 66,132 kV)	360.00	14.75	
	Time Of Use		Peak	Off-Peak
B2(b)	5-500 kW (at 400 Volts)	400.00	20.95	14.70
B3(b)	For All Loads up to 5000 kW (at 11,33 kV)	380.00	20.45	14.20
B4(b)	For All Loads (at 66,132 kV & above)	360.00	19.95	13.95
B5	For All Loads (at 220 kV & above)	340.00	19.45	13.70

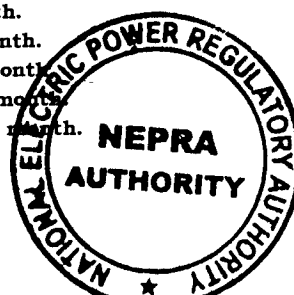
For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

For B5 consumers there shall be a fixed minimum charge of Rs. 1000,000 per month.



C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE AND MIXED

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
C-1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		16.95
b)	Sanctioned load 5 kW & up to 500 kW	400.00		16.10
C-2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		16.10
C-3(a)	For supply at 132 and above, up to and including Time Of Use	360.00		15.95
C-1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	20.95	14.95
C-2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	20.45	14.15
C-3(b)	For supply at 132 kV up to and including 5000 kW	360.00	19.95	13.95

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
D-1	For all Loads	200.00		16.43
	Time of Use			
D-2	For all Loads	200.00	22.55	14.55

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
E-1(i)	Residential Supply	-		20.35
E-1(ii)	Commercial Supply	-		23.25
E-2 (i)	Industrial Supply	-		19.95
E-2 (ii)	Bulk Supply			
	(a) at 400 Volts	-		20.35
	(b) at 11 kV			19.95

For the categories of E-1(i&ii) and E-2 (i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Street Lighting	-		19.95

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
	Residential Colonies attached to industrial premises			17.95

Note: The SoT has been grossed up with minus Ps. 42/ kWh on account of Claw Back Amount, however/ same is to be shared with consumers directly on account of transfer of portion of profits of K-Electric for the Financial Year 2013-14, as per the Claw Back Mechanism.

