

TO BE PUBLISHED IN THE GAZETTE OF PAKISTAN
EXTRA ORDINARY, PART-II

National Electric Power Regulatory Authority

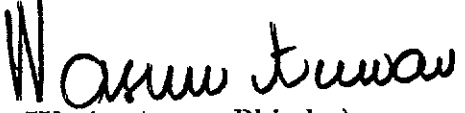
NOTIFICATION



Islamabad, the 05th day of October 2026

S.R.O. **1694**(I)/2026.- In pursuance of sub-section (7) of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), NEPRA hereby notifies the Decision of the Authority dated August 07, 2026 along with **Annex-I & Annex-II** and Note of Ms. Amina Ahmed, Member (NEPRA) in the matter of Commercial Operations Date Adjustment of 102 MW Gulpur Hydropower Project located at Kotli District, Azad Jammu & Kashmir.

2. While effecting the Decision, the concerned entities including Central Power Purchasing Agency Guarantee Limited shall strictly comply with the orders of the courts (if any) notwithstanding this Decision.


(Wasim Anwar Bhinder)
Registrar



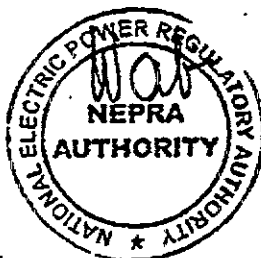
**DECISION IN THE MATTER OF COMMERCIAL OPERATIONS DATE
ADJUSTMENT OF 102 MW GULPUR HYDROPOWER PROJECT LOCATED AT
KOTLI DISTRICT, AZAD JAMMU & KASHMIR**

Introduction

1. Mira Power Limited (hereinafter referred to as "MPL", or the "Company"), a subsidiary of Korean South East Power Co. Ltd. ("KOEN"), is an Independent Power Producer, which has setup 102 MW run-of-river Gulpur Hydropower Project (hereinafter referred to as the "Project") on river Poonch, in District Muzaffarabad of Azad Jammu & Kashmir (AJ&K). The Project has been developed under the Government of Pakistan's Policy for Power Generation Projects 2002 (hereinafter referred to as the "Power Policy") on a Build Own Operate-Transfer (hereinafter "BOOT") basis with a concession period of 30 years.
2. KOEN, a leading generation company of Korea, holds 76%, DL Holdings, a major construction company of Korea, holds 18% and Lotte, a leading general contracting company, holds 6% shareholding in the Company.

Feasibility Stage Tariff

3. The Project sponsors were issued a Letter of Intent (LOI) by the Private Power Infrastructure Board (hereinafter referred to as "PPIB") on March 12, 2005, for the development of approximately 102-MW Gulpur Hydropower Project. The PPIB appointed Panel of Experts and approved the Feasibility Study of the Project on May 10, 2006. The then National Transmission and Despatch Company Limited (now National Grid Company "NGC") negotiated a tariff of Rs. 4.2785/kWh (US cents 5.4158/kWh) with the sponsors based on estimated project costs as per the feasibility of the project. As per NGC, PPIB issued a Letter of Support (LOS) to the Company on April 27, 2010, to achieve the Financial Closing of the Project. However, the Company could not achieve the Financial Close in the stipulated period and the validity of the LOS was extended multiple times since then. Meanwhile, a South Korean Consortium comprising Korea South East Power Company, Sambu Construction Company (Sambu), Lotte Engineering & Construction (Lotte) and STX Construction Company (STX) (hereinafter collectively referred to as the "Sponsors") expressed their desire to acquire MPL and approached PPIB for such acquisition. As per NGC, the PPIB also issued the "No Objection Letter" to the New Sponsors to acquire the Project with certain conditions including the satisfaction of pre-qualification criteria on December 19, 2012.
4. In terms of regulation 4 (i) and (v) of NEPRA Interim Power Procurement (Standards and Procedure) Regulations, 2005 (hereinafter referred to as "IPPRs"), NGC filed a request with NEPRA for the grant of permission for power procurement and approval of an advance tariff under IPPRs. On 10-2-2009, permission was granted to NGC for power procurement from the Gulpur Hydropower project at an approved advance tariff based on the feasibility of Rs. 4.2785/kWh (US \$ 5.4158/kWh at reference exchange rate of PKR 79 per US dollar) vide decision of the Authority dated February 10, 2009.



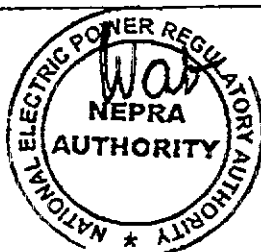


Decision in the matter of Tariff Adjustments at Commercial Operation Date (COD)
Gulpur Hydropower Project

EPC Stage Tariff

5. As per the requirement of Regulation 5 of IPPRs 2005, the NGC filed a request for approval of the Power Purchase Agreement (hereinafter referred to as the "PPA") for power acquisition from 102-MW Gulpur Hydropower Project under IPPRs on a BOOT basis for a period of 30 years from Commercial Operation Date (hereinafter "COD") exclusive of 4 years of construction period.
6. The Authority, vide decision dated August 03, 2015, approved levelized tariff of Rs.9.4617/kWh (US cents 9.0241/kWh, at reference US\$/PKR exchange rate of Rs. 104.85/USD) and tariff adjustments and indexation as applicable to other hydropower projects along with directions to Central Power Purchasing Agency (Guarantee) Limited (hereinafter referred to as CPPA-G) for submission of amended/revised Power Purchase Agreement for approval of the Authority.
7. Subsequently, the Authority, vide decision dated October 28, 2015, in exercise of its powers contained in Regulation 5(6) of the IPPR, decided to approve the revised/amended Power Purchase Agreement dated September 03, 2015, duly signed between the CPPA-G and the MPL for procurement of power from 102-MW Gulpur Hydropower Project, at reference negotiated tariff of US cents 9.0241/kWh levelized over a period of 30 years starting from the Commercial Operation Date (COD) of the project and other terms and conditions, indexations and cost escalation of civil works, bilaterally agreed between the parties.
8. The summary of reference project cost allowed to MPL as per the approved PPA dated October 28, 2015, is as under:

Cost headings	Reference Project Cost
	(USD Million)
EPC Cost	235.90
Civil works cost	150.20
Electrical & Mechanical works	84.21
Architectural works	1.48
Non-EPC Cost	58.02
Custom Duty	3.60
Insurance During Construction	4.72
Feasibility & Technical Studies	2.00
Project Advisors & Agents	4.73
Administration	7.24
Owner's Engineer	9.00
Engineering & Design Cost	9.10
Management Supervision	3.00
Re-opener Verifier /Independent Engineer	0.36
O&M mobilization cost	2.24
Lenders' Financing Fees & Charges	6.47
Environmental Costs	1.61
Resettlement & Rehabilitation Costs	3.96
Interest During Construction	23.70
Total Project Cost	317.63





9. The summary of the reference tariff as per the approved PPA dated October 28, 2015, is as under:

Reference Components	Reference (Rs./kWh)
Variable O&M (Local)	0.0441
Water Use Charge	0.1500
(Rs./kW/M)	
Fixed O&M (Local)	155.7487
Fixed O&M (Foreign)	190.3595
Insurance	132.6762
ROE (1-12)	1,168.0420
ROE (13-30)	1,241.6011
ROEDC	267.1510
Debt Service (1-12)	2,349.8035
(Rs./kWh)	
Tariff (Rs./kWh) for 1-12 years	11.0715
Tariff (Rs./kWh) for 11-30 years	5.2645
Levelized Tariff (Rs./kWh)	9.4612
Levelized Tariff (US Cents./kWh)	9.0241

Modification of EPC Stage Tariff

10. MPL, through CPPA-G, filed a Tariff Modification petition to modify NEPRA's decision regarding its 102 Gulpur Hydropower Project dated October 28, 2015. MPL submitted that it was facing severe liquidity problems as its tariff was locked at 104.85 while debt payment was due at the prevailing FX rate which was in the PKR 150 range. Furthermore, MPL contended that the COD adjustment will be time consuming therefore, a relief may be granted.
11. The Authority vide decision dated March 9, 2021, modified the EPC stage tariff on an interim basis by adjusting the relevant components of the tariff on account of applicable exchange rate variations based on the exchange rate of PKR 158.25/USD (instead of 104.85) which was the exchange rate of the day of COD, i.e., March 10, 2020. This decision was made at the request of MPL.
12. The Authority accordingly indexed the relevant components of tariff at 158.25 FX rate which was subject to adjustment at COD.

COD Application

13. MPL submitted that it has achieved COD on March 10, 2020, as notified by CPPA-G, vide letter no. CTO (CPPA-G)/DGM-R 80172-75, dated April 20, 2020. CPPA-G submitted the application for adjustment of relevant components of its tariff at COD through letter No.CEO(CPPA-G)/DGM-R/2659-61, dated February 08, 2022, but no supporting documentary evidence was submitted. Accordingly, NEPRA, vide letter dated April 25, 2022, returned the COD application with instructions to CPPA-G to resubmit the application with complete supporting documentary evidence.
14. Accordingly, CPPA-G submitted supporting documentary evidence on May 11, 2022.





Decision in the matter of Tariff Adjustments at Commercial Operation Date (COD)
Gulpur Hydropower Project

15. The Authority noted that the COD stage tariff model submitted by MPL assumed the entire project cost to have been incurred at the exchange rate of Rs. 158.25/USD, which is not a correct interpretation, as the modification of tariff vide decision dated March 09, 2021 was a temporary relief granted to MPL and all subsequent discussions in this decision with regard to the reference exchange rate are based on the reference rate of Rs. 104.85/USD.

Construction Start Date

16. It was observed that the 'Required Commercial Operations Date' (RCOD) defined in the approved PPA is 48 months following Financial Close (FC). The relevant extract of the definition of RCOD from the PPA is reproduced below:

"Required Commercial Operations Date" - The date that is forty-eight (48) Months following the date on which Financial Closing occurs, as such date may be extended pursuant to Section 6.5 or Section 8.1 (b) or by reason of a Force Majeure Event or due to non-availability of water within Technical Limits.

17. The Company informed that the FC of the Project was achieved on October 30, 2015 and if 48 months approved construction time period is added, the RCOD works out as October 30, 2019. The MPL also assumed the construction period from FC therefore the same is being considered as a construction start date.
18. The actual COD however was achieved on March 10, 2020. There were delays in achieving RCOD some of which were due to force majeure events which are discussed in the proceeding paragraphs. The key dates/milestones are tabulated below:

Events	Date
Financial Close (FC) notified by PPIB	October 30, 2015
Notice to Proceed by MPL to EPC	November 04, 2015
7% of Capital Cost	November 19, 2015
Allowed construction period as per PPA	48 months from FC
Actual construction period	52 Months & 10 days
Required COD date	October 30, 2019
Actual COD date	March 10, 2020
Allowed Extension in COD under CPPA-G	65 days
Actual Extension in COD (from RCOD to Actual COD)	132 Days
Days compensation not claimed	67 (132-65)

Construction Period

19. MPL submitted that the Project encountered several force majeure events during the construction phase which seriously hampered construction activities and resulted in an unavoidable delay of approximately 4 months. These included two major flood events in 2016 and 2017, a specific IED threat by cross-border agencies in 2017, countrywide road blockages due to religious sit-ins, an act



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of war situation in February 2019 arising from the violation of Pakistani airspace by Indian aircraft, and the outbreak of the COVID-19 global pandemic in December 2019.

20. MPL further submitted that the Project achieved COD on March 10, 2020, notwithstanding the aforementioned force majeure events (hereinafter referred to as "FME"). As per the Company it was entitled under the PPA for extension in the RCOD on account of Force Majeure Events (FME), which amounted to 132 days, the Power Purchaser granted an extension of only 65 days. The additional costs incurred by the EPC Contractor on account of force majeure mitigation were claimed from and paid by the Company; however, the same have been borne by the sponsors without any impact on the tariff.
21. MPL shared CPPA-G's letter dated April 27, 2021, addressed to MPL, wherein CPPA-G accepted and approved the undertaking of MPL and Other Force Majeure Events in the instant case as follows:

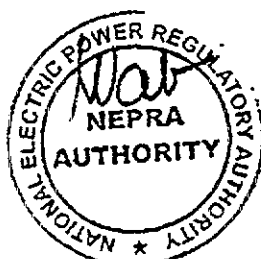
"The CPPA-G Board of Directors has been pleased to accept and approve the undertaking and the Company's various claims of Other Force Majeure Events cumulatively up to sixty-five (65) Days. Accordingly, the RCOD under the PPA shall be treated as extended by sixty-five (65) Days.

In view of the above, CPPA-G's invoice for liquidated damages stands revised accordingly and the terms of the undertaking have been accepted as in full force and effect."

22. Subsequently, CPPA-G, vide letter No. DGMT-C/GEN/11201-04, dated June 29, 2022, addressed to NEPRA submitted that CPPA-G allowed FME of 65 days to Gulpur Hydro Power project from October 31, 2019 to January 04, 2020. Summary of days allowed is as follows;

Events	Days
Covid-19	15
Threat Alert	07
Religious Group Protest	03
Act of War	17
Lapse of Consent	23
TOTAL	65

23. The approved PPA of MPL defines three types of (FME): Pakistan Political Force Majeure Event (PPFME), Change in Law Force Majeure Event (CLFME), and Other Force Majeure Event (OFME). As per the relevant provisions of the PPA, the Company is entitled to payment of carrying cost (LIBOR + 5% spread) in case of PPFME or CLFME occurring during the construction phase, whereas no such compensation is available in the case of OFME.
24. In order to ascertain the classification of the 65 days of FME allowed by CPPA-G and its financial impact on the tariff, the Authority directed CPPA-G vide letter dated October 13, 2022 to clarify whether the allowed FME period of 65 days (COVID-19 = 15 days, Threat Alert = 7 days, Religious Group Protest = 3 days, Act of War = 17 days and Lapse of Consent = 23 days) falls within the scope of PPFME, CLFME or Other Force Majeure Event, and its financial impact on MPL's tariff as per the executed PPA and other security documents.



AN 19



25. CPPA-G responded vide letter dated October 17, 2022 and clarified that the entire 65 days had been admitted as OFME, with no compensation payable by the GOP. CPPA-G further stated that MPL, through an undertaking, had waived any right emanating from the FME claim to the full extent possible under the law/PPA and agreed to forgo litigation/arbitration as stated below:

"...The first clarification solicited pertains to the scope of PPFME, CLFME or OFME for the admitted period of sixty five days (65 days) as OFME and accepted accordingly by M/s MPL. In this regard it is clarified that the company had raised the claim of two hundred and seven days (207 days) OFME which comprised of: (i) Flood Event of eighty eight days (88 days) out of which Nil were admissible; (ii) Threat Alert Event of seven days (7) which is a PPFME was accepted as an OFME with no compensation payable by the GOP; (iii) Act of War Event of seventeen days (17 days) which is a PPFME was accepted as an OFME with no compensation payable by GOP; (iv) Religious Group Protest Event of sixteen days (16 days) as PPFME was rejected with admissible days as nil; (v) Lapse of Consent Event of twenty three days (23 days) which is PPFME event was admitted as OFME against a claim of sixty one days (61 days) with no compensation payable by GOP; (vi) Covid-19 Event of fifteen days (15 days) which is an OFME and was admitted accordingly.

3. The second clarification pertains to the financial impact for allowing sixty five days (65 days) on account of OFME shall have on MPL Tariff as per the executed PPA and other security documents. In this regard the power purchaser is of the opinion that MPL had through an undertaking waived any right which it believes to exist emanating from the FME claim to the full extent possible under the law/PPA and agrees to forgo litigation/arbitration..."

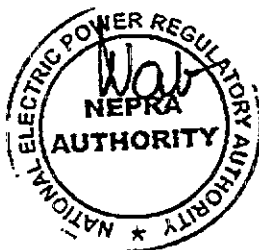
26. MPL, vide letter dated October 20, 2022, contested CPPA-G's position as follows:

"...The Company's entitlement to an extension of time of 50 days is arising out of Lapse of Consent Pakistan Political Force Majeure Event (PPFME)' for which the Company is seeking compensation pursuant to the provisions of the Power Purchase Agreement dated 3 September 2015 ("PPA"), as well and under the NEPRA law.

- i. The residual period of 15 days is on account of Covid-19 is attributed to 'Other Force Majeure Event' ("OFME") under the PPA. While the PPA is silent on payment of costs arising out of an OFME, the circumstances which led to the OFME were admittedly beyond the Company's control. Accordingly, the CPPAG/ Authority is requested to allow the costs associated with OFME on the touchstone of 'prudently incurred costs' under the NEPRA law..."*

27. MPL subsequently vide letter dated December 08, 2022, requested a separate hearing on the FME matter and submitted that the Power Purchaser had reneged from an earlier understanding under which 50 days were to be treated as PPFME, stating that

"...the repudiatory conduct of Power Purchaser tends to undermine the spirit of congeniality and cooperation. Therefore, if the parties hold divergent positions before NEPRA on the treatments of FMEs and are unable to reconcile, the Company will be entitled to revert to its original claim of 207 days of FMEs – which right was sacrificed solely in the mutual interest of the parties."



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28. The Authority considered the above request of the Petitioner and decided to hold a hearing in the matter. Accordingly, hearing notices were issued to relevant stakeholders on February 14, 2023 and the hearing was held as per schedule on March 21, 2023.
29. During the hearing, the legal counsel of CPPA-G submitted that the RCOD had been extended by 65 days due to force majeure events including OFME, PPFME and Change in Law, and that the 65 days were accordingly to be included in the calculation of IDC and ROEDC. The Authority noted with concern that this stance was in direct contradiction to CPPA-G's earlier written submissions, and accordingly directed CPPA-G to submit a formal response with Board approval within 7 to 15 days of the hearing. However, no such response has been submitted to date.
30. PPIB, vide letter dated April 09, 2024, submitted a detailed response to MPL's request for support on the allowance of extension of time and IDC/ROEDC costs, concluding that
- "...the Company's case of claimed costs from NEPRA has no merit and is untenable under the Law, the Implementation Agreement and the PPA, due to which PPIB will not be able to offer any facilitation in this regard..."*
31. MPL, vide letter dated May 16, 2024, maintained its position and submitted that the Company is entitled to seek recovery of any costs prudently incurred independently of any entitlement it has to reimbursement under the IA and/or the PPA, and that it expressly reserves all rights available to it under the IA, the PPA and applicable laws.
32. As per Sections 4 and 5 of Annex-V of the approved PPA, IDC and ROEDC are not allowable beyond the Required Commercial Operations Date (RCOD). CPPA-G, vide letter dated April 27, 2021, confirmed that the RCOD had been extended by 65 days under the PPA; however, vide its subsequent letter dated October 17, 2022, CPPA-G submitted that no compensation is payable as the entire 65 days were admitted under OFME, for which the PPA prima facie does not provide any compensation.
33. In view of the above, the Authority considered the written submission of CPPA-G, PPIB's correspondence, and NEPRA's past precedents in the matter, and decided that IDC and ROEDC beyond the RCOD of October 30, 2019 shall not be allowed for the 65-day extended period, as the entire extension was granted under OFME for which no compensation is provided under the PPA. Therefore, for the computation of IDC and ROEDC 48 months construction period is to be allowed

One-Time Adjustments of Project Cost at Commercial Operation Date

34. Following adjustments were approved by the Authority in the approved PPA dated October 28, 2015, which are detailed at Annex V of Schedule 1 of the PPA;
- i. One Time Adjustment of Reference EPC Cost for Civil Works cost escalation
 - ii. Adjustments due to duties on import of equipment, including Custom Duties
 - iii. Adjustment due to variation in Withholding Tax on the construction contract and local services.
 - iv. Adjustment due to variation in the "Interest During Construction"
 - v. Adjustment in Return On Equity During Construction (ROEDC)
 - vi. Adjustment in Project Cost due to variation in US\$/Rupee parity





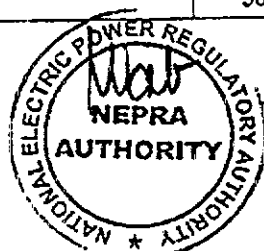
Decision in the matter of Tariff Adjustments at Commercial Operation Date (COD)
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- vii. Adjustment in tariff due to land acquisition and resettlement costs
- viii. Adjustment of Insurance during construction cost
- ix. Adjustment for Electrical & Mechanical costs under EPC Cost
- x. Adjustment in Principal Repayment & Cost of Debt
- xi. Adjustment of Finance Charges
- xii. Adjustment in the cost of Tunneling Works due to Geological Conditions

Project Cost Claimed at COD

35. MPL in its COD tariff adjustment application has requested the approval of the final project cost of USD 353.42 million as against the allowed project cost of USD 317.627 million which are tabulated below:

Cost headings	Reference	Claimed at COD	Difference
	(USD Million)		
Civil Works Costs	150.20	150.20	-
Electrical & Mechanical Works	84.21	84.21	-
Architectural Works	1.48	1.48	-
Adj – Cost escalation- Civil Works	-	1.19	1.19
Adj – E&M Equipment	-	3.00	3.00
Adj – Waterway Tunnel Cost variations	-	-0.16	0.16
Adj – Sales tax @ 1%	-	1.17	1.17
EPC Cost	235.90	241.10	5.20
Custom Duty	3.60	4.90	1.30
Insurance During Construction	4.72	5.66	0.94
Feasibility & Technical Studies	2.00	2.75	0.75
Project Advisors & Agents	4.73	4.73	-
Administration	7.24	10.28	3.04
Owner's Engineer	9.00	9.68	0.68
Engineering & Design Cost	9.10	9.10	-
Management Supervision	3.00	3.29	0.29
Re-opener Verifier /Independent Engineer	0.36	0.29	0.07
O&M mobilization cost	2.24	2.55	0.31
Lenders' Financing Fees & Charges	6.47	8.09	1.62
Environmental Costs	1.61	1.61	0.001
Resettlement & Rehabilitation Costs	3.96	7.49	3.53
Non-EPC	58.02	70.41	12.39



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Interest During Construction	23.70	41.90	18.20
Total Project Cost	317.63	353.42	35.79

36. Below is the head wise detail on the admissible claim of one-time adjustments allowed;

EPC Cost

37. As per the approved PPA dated October 28, 2015, the reference EPC Cost allowed to MPL was USD 235.90 million subject to the following one-time adjustments at COD as per the approved PPA:

- Adjustment in the Reference EPC Cost for civil works cost escalation.
- Adjustment in the Reference EPC Cost for any variation on account of actual applicable withholding tax rate at the time of COD. (Withholding Tax at the rate of 6% on Construction Contract and local services has been included in the Reference Project Cost)
- Adjustment in the cost of Electrical & Mechanical (E&M) works at COD subject to the maximum of US\$ 3.00 million over the reference approved cost of US\$ 84.21 million on production of verifiable documentary evidence to the satisfaction of Power Purchaser
- Adjustment in the cost of Tunneling Works due to Geological Conditions.

38. MPL, vide its COD adjustment request, claimed the full base EPC Cost of USD 235.90 million, identical to the reference approved cost and additional cost of USD 1.192 million on account of Civil Works cost escalation and USD 3.0 million on account of Electrical and Mechanical Works adjustment as one-time adjustments in accordance with Annex V of Schedule 1 the PPA. MPL also claimed an upward variation in withholding tax rate from 6% to 7% on construction contract. However, a cost reduction of USD 0.155 million was applied on account of Tunneling Works due to Geological Conditions as per Clause 12 of Annex V of Schedule 1 of the PPA.

39. MPL submitted that it entered into an EPC Contract with Daelim Industrial Co. Ltd. and Lotte Engineering & Construction Co. Ltd. on August 07, 2015, amounting to USD 245.499 million, comprising an Engineering & Construction Contract of USD 165.84 million (hereinafter "Construction Contract") and a Supply Contract of USD 79.67 million. Subsequently, vide amendment dated October 26, 2015, the Supply Contract was revised downward to USD 77.67 million, resulting in a total EPC Contract value of USD 243.50 million.

40. The Authority noted that the reference EPC Cost approved in the determination dated August 03, 2015 and the approved PPA dated October 28, 2015 was USD 235.90 million, comprising Civil Works of USD 150.20 million, Electrical & Mechanical Works of USD 84.21 million, and Architectural works of USD 1.48 million.

41. For the purpose of reconciliation of the difference between the signed EPC Contract value of USD 243.50 million and the approved EPC Cost of USD 235.90 million, the Authority observed that out of the Construction Contract of USD 165.84 million, an amount of USD 4.6 million on account of design cost was treated as part of Non-EPC Cost in the determination, while E&M Works amounting to USD 9.55 million were included in the Supply Contract. Adjusting accordingly, the Construction Contract for reconciliation purposes stands at USD 151.69 million (i.e. USD 165.84 million – USD 4.60 USD million – USD 9.55 million) and the Supply Contract



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increased from USD 77.66 million to USD 87.21 million, bringing the reconciled signed EPC Contract to USD 238.90 million. Since the Authority had disallowed E&M Works up to a maximum cap of USD 3.00 million subject to adjustment at COD, deducting the same results in a reconciled EPC Contract value of USD 235.90 million, consistent with the approved reference EPC Cost.

EPC Supply Contract

42. MPL submitted that the supply part of the EPC contract dated August 07, 2015 was worth USD 79.645 million which was subsequently amended on October 26, 2015, wherein the contract price was reduced by USD 2.0 million to USD 77.66 million.
43. The Authority noted that the Supply contract amount of USD 77.66 million include the provision of USD 3.00 million on account of E&M equipment which was allowed by the Authority as per the determination dated August 3, 2015.
44. The Authority further noted that out of the total Supply Contract amount of USD 77.66 million, MPL withheld USD 1.94 million from the payments due to the EPC Contractor on account of liquidated damages (LDs) imposed by MPL on the EPC contractor in accordance with Clause 8.6 of the Supply Contract and net payments of USD 75.73 million on account of the Supply Contract have been verified. The Authority noted that LDs pertain to events occurring post extended RCOD (January 03, 2020), a period which has not been recognized by the Power Purchaser. Accordingly, the Authority decided that it would be inappropriate to net off an amount accruing in a period post Extended RCOD, and therefore the gross Supply Contract amount of USD 77.66 million has been allowed without deduction of the said LDs.
45. The Authority also noted that payments have been made in USD and converted to the corresponding PKR amount at the exchange rate prevailing on the date of payments of respective invoices. However, for payments made beyond the RCOD, the Authority decided to restrict the exchange rate variations at RCOD exchange rate of Rs.156.25/USD. Accordingly, the Authority decided to allow a total Supply Contract cost of USD 77.66 million (Rs. 10,394.05 million) at a weighted average exchange rate of Rs. 133.83/USD during the construction period on account of the Supply EPC cost.

EPC Construction Contract

46. MPL submitted that the Construction Contract was agreed at a fixed lump sum contract price of USD 165.84 million. MPL also submitted supporting documents including copies of contracts and agreements, invoices, milestone completion certificates approved by Owner's Engineer (MWH-NESPAK), NOC from Lenders' Technical Advisor (Mott MacDonald Ltd., UK), withholding tax exemption certificates, cheques, exchange rate certificates, withdrawal requests, SWIFT messages and bank statements.
47. The Authority further noted that out of the total Construction Contract amount of USD 165.835 million, Liquidated Damages of USD 4.17 million were withheld by MPL from the EPC Contractor on account of delay in accordance with Clause 8.6 of the Construction Contract. The Authority noted that LDs relates to events occurring post extended RCOD (January 03, 2020), a period which has not been recognized by the Power Purchaser. Accordingly, consistent with the



treatment adopted for the Supply Contract LDs, the Authority decided that it would be inappropriate to net off an amount accruing in a period post COD, and therefore decided not to deduct the LDs of USD 4.17 million from the construction contract cost of MPL. However, as already explained in the earlier paragraphs, conversion of foreign currency payments shall be restricted till the RCOD exchange rate.

Withholding Tax on Construction Contract

48. As per the approved PPA, the withholding tax at the rate of 6% on Construction Contract and local services has been included in the Reference Project Cost. Any variation on account of actual applicable withholding tax rate shall be adjusted in the Reference Project Cost and Reference Tariff at the time of Commercial Operations Date.
49. The Authority noted that since 6% WHT was included in the Construction Contract price of USD 165.84 million, the contract price excluding WHT works out to USD 156.45 million.
50. After review of the supporting documents, the Authority observed that actual WHT deducted/withheld from the payments made to the EPC contractor and subsequently paid to the Central Board of Revenue AJK were made as follows:
- WHT @ 6%, an amount in USD equivalent of USD 2.642 million (PKR 318.970 million) for milestone payments which cumulatively stood at USD 44.039 million.
 - WHT @ 7%, an amount of USD 3.609 million (PKR 435.675 million) for milestone payments which cumulatively stood at USD 51.736 million.
 - No WHT was withheld or paid due to exemption on withholding tax deductions on the milestones payments which cumulatively stood at USD 70.060 million.
51. In view of the above, the Authority decided to allow the actual verified WHT amount of USD 6.25 million against the claimed amount of USD 9.39 million, as the Engineering & Construction Contract was grossed up at 6% to include WHT which was subject to adjustment at actual at COD. Accordingly, the impact of the variation in WHT rate appearing in the original Engineering & Construction Contract and the corresponding civil works cost escalation has been adjusted. The Company shall be required to provide an undertaking that, should they seek any refund of the paid withholding tax, they will notify NEPRA of the necessary adjustments.

Sales Tax on Construction Services

52. NEPRA in its decision communicated to MPL vide letter dated November 05, 2020 allowed the Company a provision of sales tax @ 1% on construction services as this was not previously considered in the MPL's determination dated August 03, 2015.
53. MPL vide its COD request has claimed sales tax of Rs 204,004 million or USD 1.165 million on account of the construction contractor's sales tax.
54. The Authority noted that in a similar case of Star Hydro Power Limited (SHPL), sales tax imposed by GoAJK at the rate of 1% on construction services was allowed as pass-through item under the SHPL PPA which treats pass-through items in the same manner as provided in MPL's PPA. Therefore, as a matter of principle and as per the past precedent, the Authority decided to allow





sales tax amount at 1% on construction services as a pass-through item amounting to Rs 202.39 million against the requested amount of Rs 204.00 million after restricting the exchange rate variation to the RCOD which is to be spread on 12 months period and accordingly the same shall not be made part of MPL's approved project cost.

Civil works cost escalation as a one-time adjustment

55. As per Section 1 of Annex V of Schedule 1 of the approved PPA dated October 28, 2015, MPL was allowed a One-Time Adjustment of the Reference EPC Cost for Civil Works cost escalation during the construction phase, on account of variation in the prices/indices of selected cost elements (Cement, Steel, Fuel and Labor) at COD, calculated in accordance with a predetermined cost escalation formula using reference indices as defined in the PPA and revised monthly indices published by the Pakistan Bureau of Statistics.
56. MPL claimed a cost of USD 1.19 million (Rs. 231.56 million) on account of Civil Works cost escalation as a one-time adjustment, comprising a de-escalation of Rs. 18.39 million for November and December 2015 and an escalation of Rs. 249.95 million for the remaining 43 months from January 2016 to July 2019.
57. The Authority has approved an Onshore EPC Cost reference of USD 156.45 million (equivalent to Rs. 16,403 billion), net of WHT. This cost was subject to a Consumer Price Index (CPI) adjustment under the civil works escalation provisions of the PPA, accounting for inflation in four variables: cement, fuel, labor and steel.
58. In its COD adjustment, MPL has claimed both CPI and exchange rate adjustments for the Construction Supply contract part of the EPC contract. It is important to note that in a similar case involving the Patind Hydropower Project, the Authority only allowed the CPI adjustment and did not permit both adjustments for the Construction Contract.
59. The rationale for disallowing the exchange rate variation on the Construction Contract lies in the fact that this cost was intended to be incurred in local currency, as it is part of a Construction contract. The Authority observed that the contract was, however, made in USD, and that EPC invoices raised and payments made in USD do not alter the local nature of the Construction/onshore expenditures. Allowable variations were restricted to the four aforementioned variables—labor, steel, cement and fuel. Furthermore, the Authority noted that MPL had sublet the Construction Contract to foreign companies, fully aware that the cost had been calculated in PKR. Therefore, MPL must bear any exchange rate losses on this account.
60. Additionally, the Authority emphasized that the PPA clearly defines and tabulates the Construction Cost in PKR, with any allowable escalation also calculated in rupees.
61. It is important to note that in the reference base amount, Tn is Rs. 15.9 billion, and Pn represents the escalation amount, which is calculated in rupees. The total final amount, Tfn, would also be in rupees as the sum of Tn and Pn. This clearly indicates that all figures related to the Construction Cost were determined in rupees. However, according to MPL's position, while the escalation amount is in rupees, the base cost is in dollars. It is mathematically inappropriate to combine figures in different units, such as adding dollars and rupees, to arrive at a total amount expressed in dollars.

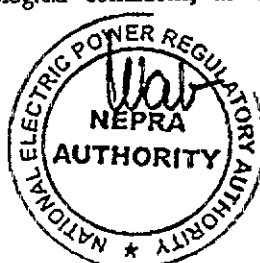




62. As previously stated, the clause in the PPA stipulates that all foreign payments will be indexed, and the Authority allowed a PKR-based escalation table after careful consideration. It is not reasonable to claim that a single PPA document, which was signed and accepted by both parties, contains conflicting terms without any attempt to seek clarification or review. This suggests that the Authority did not grant more than what was requested by the petitioner. If the PPA clause is viewed in isolation, it would appear that the Authority allowed more than what the Company requested, resulting in double indexation, which is both incorrect and illogical. Additionally, in regard to the EPC Contract, the escalation was in PKR and was approved by the then-Authority, leading to a change in the base currency to PKR. Therefore, when the PPA clauses are read together, they can only be interpreted to mean that all foreign currency payments, except those modified by the Authority, would receive foreign currency indexation.
63. In conclusion, it is justified for the Authority to approve the Construction Cost without the adjustment for exchange rate variation, maintaining the same rupee amount as previously allowed in the reference determination, i.e. Rs. 16.40 billion. This amount was converted into dollars using the prevailing weighted average exchange rate for the construction period (i.e. Rs. 120.82/USD), resulting in an EPC Onshore dollar amount of USD 135.77 million instead of USD 156.45 million.
64. The Authority noted that as per Section 13.4 of the EPC Construction Contract, payments in relation to escalation in the prices of Civil Works and Tunneling Works were to be made in Pakistan Rupees. The Authority observed that the cost of Civil Works escalation as a one-time adjustment, verified through documentary evidence, amounts to Rs. 231.56 million. However, the Authority noted that the escalation reference table totaling Rs. 15.90 billion (comprising Fixed PKR component of Rs. 8.15 billion and Variable PKR component of Rs. 7.76 billion) forms part of the Construction Contract which was grossed up to include WHT at 6%. Accordingly, in order to avoid inflation of the final civil works cost escalation amount, the WHT impact at 6% has been neutralized from the month-wise reference amounts, resulting in a revised assessed Civil Works cost escalation of Rs. 218.45 million (USD 1.32 million) against the requested amount of Rs. 231.56 million (USD 1.19 million).
65. In view of the above, the Authority decided to allow Civil Works cost escalation of Rs. 218.45 million (USD 1.32 million, excluding WHT) as a one-time adjustment at COD on the basis of the Construction Contract cost in Pak Rupees.

Tunneling Works due to Geological Conditions as a one-time adjustment

66. As per Section 12 of Annex V of Schedule 1 of the approved PPA dated October 28, 2015, MPL was allowed to adjust the cost variation due to geological conditions related to Tunneling Works (Head Race Tunnel) at COD, depending on the category of rock encountered during construction of the Head Race Tunnel and subject to verification by the Re-Opener Verifier, with the maximum amount of variation restricted to Rs. 104.85 million.
67. MPL submitted that it contracted Multiconsult as Re-Opener Verifier to verify actual variations in geological conditions in the Head Race Tunnel during the construction phase.
68. MPL claimed a one-time de-escalation of PKR 24.75 million (USD 0.16 million) on account of Tunneling Works due to geological conditions, as verified by the Re-Opener Verifier (Multiconsult).





69. The Authority noted that as per the EPC Construction Contract, the prices of waterway tunnels were to be adjusted for variation in the classification of soil and rocks assumed in the PPA and that actually encountered during construction, with total quantities remaining fixed, and payments in relation thereto to be made in Pakistan Rupees in accordance with Part II and Part III of Annex E of the EPC Construction Contract.
70. The Authority observed that the excavation in the Horizontal Section encountered predominantly better-quality rock (Rock Class-III: 180.25 m actual against 29.30 m PPA-assessed) as compared to Rock Class-IV (11.20 m actual against 162.0 m PPA-assessed), resulting in a net cost reduction of PKR 16.33 million in the Horizontal Section. The Authority further noted that the Re-Opener Verifier identified an error in the Rock Classification for Horizontal and Vertical Sections in the reference tables of the PPA, which was inadvertently switched in Table-2 and was corrected for the purpose of calculating the cost adjustment. Additionally, the Authority observed that the 0.15 m increase in excavated quantities of the Horizontal Section should not be allowed, resulting in a further reduction of PKR 0.07 million, bringing the total Horizontal Section cost reduction to PKR 16.40 million. In the Vertical Section, the excavation revealed Rock Class-III quantity of 49.0 m against the PPA-assessed quantity of 37.0 m, while Rock Class-IV was found to be nil against the PPA-assessed quantity of 12.0 m, resulting in a net cost reduction of PKR 8.35 million in the Vertical Section. The combined net decrease in the excavation cost of Waterways (Horizontal Headrace Tunnels and Vertical Shafts) amounts to PKR 24.75 million (USD 0.24 million), which has been duly verified by the Re-Opener Verifier.
71. In view of the above, the Authority decided to allow a one-time de-escalation of PKR 24.75 million (USD 0.24 million) on account of Tunneling Works due to Geological Conditions at COD.
72. The Authority further noted that the design cost of USD 4.6 million, although included in the EPC Construction Contract and verified accordingly, was excluded from the Construction Contract in the determination dated August 03, 2015 and instead included as part of Engineering and Design Cost under Non-EPC Cost, which together amounts to USD 9.1 million. Accordingly, the final allowed EPC Cost, inclusive of the Supply Contract cost and relevant adjustments, and excluding the design cost, works out to USD 216.16 million (Rs. 27,168.53 million).
73. In view of the above discussion the final EPC approved cost is tabulated below:

Description	Reference	Claimed	Allowed
	(USD Million)		
EPC Supply	235.90	77.66	77.66
EPC Construction		161.24	137.42
Civil Works Cost escalation		1.19	1.32
Waterway Tunnel Cost		-0.16	-0.24
Sales Tax		1.17	-
EPC Cost	235.90	241.10	216.16





Non-EPC Cost

74. The following table summarizes the reference allowed Non-EPC costs vs claimed in the COD filings by MPL.

Sr. No.	Non-EPC Cost	Reference	Claimed
		(USD Million)	
1	Custom Duty	3.60	4.90
2	Insurance During Construction	4.72	5.66
3	Feasibility & Technical Studies	2.00	2.75
4	Project Advisors & Agents	4.73	4.73
5	Administration	7.24	10.28
6	Owners Engineer	9.00	9.68
7	Engineering & Design Cost	9.10	9.10
8	Management Supervision	3.00	3.29
9	Re-opener Verifier / Independent Engineer	0.36	0.29
10	O&M mobilization cost	2.24	2.55
11	Lenders' Financing Fees & Charges	6.47	8.09
12	Environmental Costs	1.61	1.61
13	Resettlement & Rehabilitation Costs	3.96	7.49
	Non-EPC	58.02	70.41
14	Interest During Construction	23.70	41.90

75. The Authority noted that out of the above Non-EPC cost heads, serial nos. 1, 2, 11 and 13 are subject to adjustment under the mechanisms provided in the approved PPA. The remaining items from Serial Nos. 3 to 10 and 12 are fixed in USD with no adjustment mechanism provided in the approved PPA dated October 28, 2015.

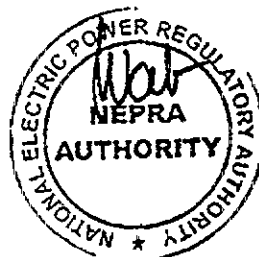
76. Non-EPC costs have been re-assessed while allowing USD to PKR variation on Non-EPC cost items incurred in USD, based on the weighted average exchange rate of the payment date prevailing during the construction period, restricted at the RCOD exchange rate of Rs. 156.25/USD. PKR-based amounts have been restricted to the reference amounts. For this purpose, actual contracts and other related documents submitted have been relied upon.

Custom Duties

77. An amount of USD 3.6 million was allowed as Custom duty to MPL in the approved PPA as follows:

"Custom Duty, along with other duties and allied provincial charges on the import of plant and equipment, amounting to USD 3.6 million has been taken as reference. The Company shall be allowed adjustment in the Reference Project Cost and Reference Tariff due to any variation on account of actual payment of custom and other duties..."

78. MPL claimed an amount of USD 4.90 million (PKR 635 million) on account of Custom Duty and allied charges including Sindh Infrastructure Development Surcharge, Punjab cess, sales tax, regulatory duties, fines, stamp duty and blocking charges. In support of its claim MPL submitted





documentary evidence including copies of Commercial Invoices, Goods Declarations, Cess Challans, Cheques and Bank Statements. Summary of MPL claim is tabulated as under;

Sr. No.	Description	Amount in PKR	Amount in USD
		(Million)	
i.	Custom Duty	420.89	3.27
ii.	Sindh Infrastructure Development Surcharge	116.10	0.89
iii.	Punjab CESS	1.04	0.01
iv.	Addl Duty	5.93	.043
v.	Sales Tax	76.01	0.58
vi.	Addl Sales tax	0.12	0.001
vii.	Regulatory Duty	15.03	0.11
viii.	Fine	0.04	0.0003
ix.	Stamp duty	0.07	0.001
x.	Blocking charges	0.02	0.0001
	Total	635.24	4.90

79. The Authority noted that no proof of payment was found for certain bank payment vouchers and accordingly these have not been considered. The Authority further noted that Sales Tax, Additional Sales Tax, Regulatory Duties, Fines and Blocking Charges are not eligible for inclusion in Custom Duties and taxes and have accordingly not been considered. Accordingly, the Authority decided to allow Custom Duty of USD 3.89 million (PKR 505.06 million).

Insurance During Construction

80. An amount of USD 4.72 million was allowed to MPL as Insurance During Construction as per the approved PPA, subject to adjustment at COD at actual with the maximum cap of 2% of the aggregate EPC Cost including Customs Duty.
81. MPL claimed an amount of USD 5.66 million (PKR 622.57 million) on account of Insurance During Construction. In support of its claim, MPL submitted documentary evidence including insurance policies, invoices from EPU, invoices from Willis Korea Ltd, WHT tax challans, cheques, SWIFT codes, bank statements, exchange rate certificates and withdrawal requests. Summary of the claimed cost is tabulated as under:

Description	USD (Million)
Basic Premium	4.59
Sales Tax	0.77
Federal Insurance Fee	0.05
Administrative Surcharge	0.0002
Stamp Duty	0.005
Insurance Brokers cost and out of pocket	0.24
TOTAL	5.66



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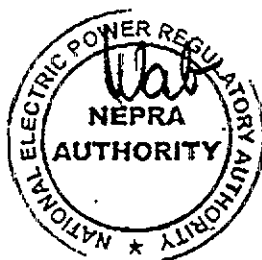
82. Details of Insurance policies provided are as follows;

Sr. No.	Description	Policy Description	Policy Number	Insurance Cost (Rs. in Million)
1	EFU General Insurance Ltd.	Terrorism	3173002232/10/2015	126.86
2		Third Party Liability Insurance	3175001274/10/2015	25.61
3		Marine Cargo	3171002487/10/2015	48.97
4		Comprehensive Project Insurance	3176000326/10/2015	389.42
5	Additional payment made due to exchange rate variations			3.32
Total Insurance				594.18
Insurance Brokers cost and out of pocket				28.39
Grand Total				622.57

83. The Authority noted that out of the total claimed amount of PKR 622.57 million (USD 5.66 million), PKR 30.65 million (USD 0.20 million) relates to insurance expense pertaining to the period beyond the RCOD of October 30, 2019, which has not been considered. Further sales tax amounting to Rs 84.57 million claimed by MPL, being adjustable in nature, has not been allowed by the Authority.
84. The Authority also noted that insurance proceeds of USD 0.29 million were received by MPL from EFU as insurance compensation, which according to MPL were subsequently paid to Daelim Lotte Joint Venture. However, despite directions of the Authority, MPL has not provided details of the said proceeds nor the correspondence with the insurer and EPC Contractor in this regard. In view of the above, the insurance proceeds of USD 0.29 million have been deducted from the assessed Insurance during Construction cost.
85. After the above adjustments, the overall assessed insurance expense works out as Rs. 474.89 million (USD 4.39 million). The Authority noted that the aggregate cost of EPC and Custom Duties at COD amounts to USD 220.06 million or PKR 27673.59 million (EPC Cost: USD 216.16 million or PKR 27,168.53 million and Custom Duties: USD 3.89 million or PKR 505.06 million), and accordingly the maximum cap of 2% of aggregate EPC Cost and Custom Duty works out as USD 4.40 million or PKR 553.47 million. Since the assessed amount of Rs. 474.89 million (USD 4.39 million) is within the prescribed maximum cap, the same has been allowed by the Authority accordingly.

Feasibility and Technical Studies

86. The reference cost of USD 2.00 million was allowed to MPL on account of feasibility and technical studies.
87. MPL has claimed the cost of USD 2.75 million in feasibility and technical studies. In support of its claim, MPL submitted documentary evidence including Contracts with Consultants, invoices, bank payment vouchers, bank statements, WHT statements and cheques. Summary of claimed cost is tabulated as under:



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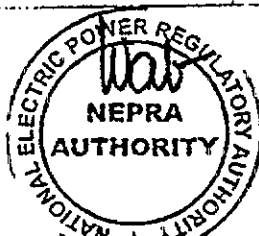
Sr. No.	Description	Amount in USD
		(Million)
1	Initial feasibility study cost of including hydrological studies, sedimentation studies, topographic surveys, geological and geotechnical studies and seismic studies	0.68
2	Initial Load flow & stability study cost of the Interconnection facilities	0.02
3	Cost of technical consultancy services primarily comprising of review and independent substantiation of revised design of the Project	1.25
4	Revised Load flow & stability study cost of the Interconnection facilities as required by the Power Purchaser	0.03
5	Cost of Installation of Line Differential Relay at Kotli Gird Station	0.02
6	Cost of integration of SCADA system and Telecom line Installation	0.03
7	Cost of Factory Test witnessing by Power Purchasers Test and NGC	0.65
8	Government Fee/Approvals	0.04
9	Other out of pocket	0.04
Total		2.75

88. The Authority noted that since Feasibility and Technical Studies are not an opener, cost overruns claimed by MPL are not allowed. Consistent with the assessment methodology adopted for Non-EPC cost heads as mentioned in para 76 above, the Authority allowed cost on account of Feasibility and Technical Studies stands at USD 1.99 million at the weighted average exchange rate of Rs. 106.31/USD, equivalent to PKR 211.69 million.

Project Advisors & Agents

89. As per the approved PPA dated October 28, 2015, the reference amount of USD 4.73 million was allowed to MPL as the Project Advisors and Agents' Fee.
90. MPL submitted that the total cost actually incurred under the head of Project Advisors and Agents' Fee amounts to USD 5.20 million. MPL has restricted its claim to the reference amount of USD 4.73 million. To substantiate its claim, MPL submitted documentary evidence including agreements/engagement letters, invoices, WHT challans, funds transfer instruction letters, cheques and bank statements. Summary of MPL's actual incurred cost is tabulated as under:

Lender Advisor	USD (Million)
Security Trust Fee	0.29
Intercreditor Agent fee	0.33
Legal Advisor – English Law	1.12
Legal Advisor – Pakistan Law	0.20
Technical Advisor	0.98
Insurance Advisor	0.11
Out of Pocket Expenses	0.04
Offshore Account Bank	0.07
Financial Model Auditor	0.02



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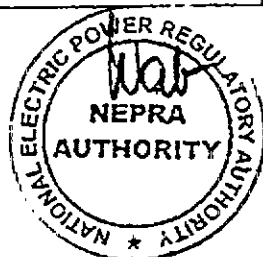
Syndication Agent	0.72
Total	3.88
Owner Advisor	USD (Million)
Legal Advisor	0.70
Lawyer for Tax Cases	0.01
Advisor on Kashmir Affairs	0.35
Auditors and Audit certifications	0.09
Tax Advisors	0.05
Other Legal and Professional	0.13
Total	1.32
Grand Total	5.20

91. The Authority noted that the component of Lender's Advisory Fee was not an opener and no specific adjustment was allowed under the approved PPA. The Authority observed that out of the total payments made, approximately 89% was incurred in USD and the remaining 11% was incurred in PKR. Accordingly, consistent with the assessment methodology adopted for Non-EPC cost heads, the Authority allowed USD variation on 89% of the reference Project Advisors' cost while converting the PKR portion at the weighted average exchange rate on payment dates for the construction period, resulting in a final assessed amount of USD 4.71 million (PKR 506.27 million) and the same was allowed by the Authority.

Administration Cost

92. An amount of USD 7.24 million (PKR 759.11 million) was allowed to MPL as per the approved PPA dated October 28, 2015.
93. MPL has claimed an amount of US\$ 10.28 million as Administration Cost incurred up to COD. The claim was supported by documentary evidence comprising vendor invoices, WHT Challans, TA/DA Claims, MPL internal approvals, copies of cheques and Instruction letters to Bank, bank statements and FOBI payments. The summary of the admin cost claimed by MPL is as under:

Sr. no.	Admin	Amount in PKR	Amount in USD
		(Million)	
1	Salaries, Wages & Benefits	572.79	5.20
2	Rent, rates and taxes	91.13	0.84
3	Vehicle running & Transportation	62.15	0.58
4	Traveling, Boarding & Lodging	41.14	0.39
5	Vehicles – PPE	40.66	0.45
6	Meal and Entertainment	34.05	0.30
7	Miscellaneous	33.54	0.31
8	Medical & Insurance Expense	30.72	0.29





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9	Legal & Professionals	26.17	0.29
10	Office supplies	20.45	0.20
11	Utilities	18.51	0.17
12	Communication	17.56	0.17
13	Computer and accessories – PPE	13.66	0.12
14	Fees, Subscriptions & Others	13.28	0.10
15	IT Supplies & Services	13.24	0.11
16	Repair & Maintenance	12.54	0.12
17	Office equipment's – PPE	12.15	0.12
18	Furniture and fixtures – PPE	7.14	0.07
19	Bank Charges	6.41	0.06
20	HR Training, Development and Other Events	5.14	0.04
21	Intangible Assets	4.17	0.04
22	Electrical appliances – PPE	2.74	0.03
23	Guarantee Commission	1.25	0.01
24	Security and Other Services	1.04	0.01
25	Consultancy, Advisory and Processing Fee	0.81	0.01
26	Interest Expense	0.34	0.005
27	Interest Income	(42.71)	(0.35)
	Total	1,040.07	9.68
	Expat Admin	142.45	1.25
	Grand Total	1,182.52	10.92
		A	B
	Weighted Average Exchange Rate (PKR/USD) - (A/B)		108.31

94. The Authority noted that Administration Cost comprises tens of thousands of vouchers and payments and accordingly verification was carried out on a sample basis keeping in view the materiality of the amounts. The Authority observed that the actual cost claimed by MPL exceeds the reference values in both PKR and USD terms. Since Administration Cost is not an opener, accordingly cost overruns are not allowed. This line item has been adjusted based on the assessment methodology adopted for Non-EPC cost as mentioned in para 76 above.
95. Upon review of the submitted documents, it was observed that Administration Costs have been predominantly incurred in PKR. Accordingly, the Authority decided to restrict the Administration Cost to the reference PKR amount of Rs. 759.11 million, which at the weighted average exchange rate for the construction period of Rs. 108.31/USD results in an equivalent USD amount of USD 7.01 million.

Owner's Engineer

96. An amount of USD 9.00 million was allowed to MPL as Owner's Engineer cost as per the approved PPA dated October 28, 2015





97. MPL claimed USD 9.68 million as Owner's Engineer cost, submitting that only USD 0.68 million has been claimed additionally over the reference amount on account of pass-through item of change in tax comprising sales tax on services and variation in withholding tax. MPL further submitted that the total cost actually incurred under this head amounts to USD 14.32 million. The claim was supported by documentary evidence including agreements, addendum to agreements, invoices, tax challans, summaries of calculations, withdrawal requests, cheques/SWIFT messages and bank statements. Summary of actual cost incurred by MPL is as follows;

Owners Engineering	Cost w/o sales & income tax	Sales tax on Services	Change in WHT @ 1%	Total	
	USD (Million)				PKR (Million)
MWH - OE Professional	8.52	0.04	0.08	8.65	1,003.31
NESPAK	1.74	0.30	-	2.03	248.39
Korea South East Power Company - KOEN	1.40	0.14	-	1.54	194.85
DOHWA Engineering Co., Ltd	1.15	0.11	-	1.27	155.11
Cost directly paid by MPL	0.54	-	-	0.54	63.51
Daily expenses reimbursements to Consultants	0.28	-	-	0.28	33.62
Grand Total	13.63	0.60	0.08	14.32	1,698.69

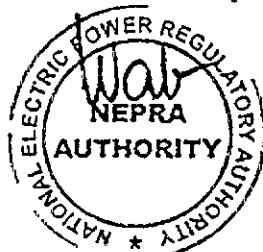
98. The Authority noted that Owner's Engineer cost was not an opener and no adjustment mechanism was provided under the approved PPA for cost overruns or variation in taxes under this head. Accordingly, the additional claim of USD 0.68 million on account of sales tax and variation in withholding tax as a pass-through item has not been considered. Consistent with the assessment methodology adopted for Non-EPC cost heads, the Authority decided to allow the Owner's Engineer cost of USD 8.94 million (PKR 1,060.49 million).

Engineering & Design Cost

99. As per the approved PPA dated October 28, 2015, MPL was allowed reference Engineering & Design cost of USD 9.10 million.
100. MPL claimed an amount of USD 9.10 million as Engineering & Design cost. The claim was supported by documentary evidence including agreements, milestone schedules, invoices, copies of cheques and bank statements. Summary of cost claimed by MPL is as follows;

Parties	Amounts in USD	Amounts in PKR
	(Million)	
Basic Design - SAMBU Construction Co. Ltd	4.50	461.63
Detailed Design- Daelim Lortee Joint Venture	4.60	519.82
Total	9.10	981.45

101. The Authority noted that MPL signed a Preliminary Agreement for Engineering, Procurement and Construction with Sambu Construction Co. Ltd. on April 01, 2013 at a contract price of USD 4.00





million, subsequently increased to USD 4.50 million through Amendment 01 dated June 19, 2014. Also, the Detailed Design cost of USD 4.60 million was included in the EPC Construction Contract dated August 07, 2015, which has already been discussed under the EPC cost head.

102. The Authority further noted that certain payments were made after the RCOD date of October 30, 2019, which have been restricted to the RCOD exchange rate of Rs. 156.25/USD, Accordingly the allowed Engineering & Design Cost amount works out as USD 9.10 million (PKR 947.47 million).

Management Supervision Cost

103. As per the approved PPA dated October 28, 2015, MPL was allowed USD 3.00 million as reference Management Supervision cost.
104. MPL claimed an amount of USD 3.29 million, consisting of USD 3.00 million against Management supervision and USD 0.29 million as sales tax on services, although the actual cost incurred as per MPL submissions amounts to USD 5.35 million. The claim was supported by documentary evidence including agreements, invoices, tax challans, cheques and bank statements. Summary of the total cost incurred by MPL is as follows;

Management Consultancy	Cost without Sales Tax	Sales Tax on Services (16%)	Total	Total
	(USD Million)			(PKR Million)
Management Consultancy – KOEN/KOSEP	3.97	0.29	4.26	493.28
Management Consultancy - Old Sponsors	1.08	-	1.08	76.16
Total	5.06	0.29	5.35	569.45

105. The Authority noted that the total cost incurred includes costs related to Management Consultancy incurred by old sponsors for the period June 2004 to November 2012, for which the documentary evidence provided was not clear and/or sufficient. The Authority also noted that clarification was sought from MPL regarding the adjustability of sales tax on services paid under this head; no response was received. The Authority further noted that Management Supervision Cost was not an opener and no adjustment mechanism was provided under the approved PPA for cost overruns or variation in taxes under this head. Consistent with the assessment methodology adopted for Non-EPC cost heads, the Authority decided to restrict Management Supervision Cost to the reference USD amount. Accordingly, the Authority allowed Management Supervision Cost of USD 3.00 million (PKR 347.30 million).

Re-opener Verifier/Independent Engineer

106. As per the approved PPA dated October 28, 2015, MPL was allowed USD 0.36 million as a reference Re-opener Verifier cost.
107. MPL claimed an amount of USD 0.29 million as the Re-opener Verifier/Independent Engineer fee. The claim was supported by documentary evidence, including agreements, invoices, cheques and bank statements.





108. Consistent with the assessment methodology adopted for Non-EPC cost heads as mentioned in para 76 above, the Authority decided to allow the Re-opener Verifier fee of USD 0.28 million (PKR 37.28 million).

O&M Mobilization Cost

109. As per the approved PPA dated October 28, 2015, MPL was allowed reference O&M mobilization cost of USD 2.24 million.
110. MPL submitted that it actually incurred USD 3.31 million however it claims the same amount of allowed cost along with delay charges for extended periods due to FME, totaling USD 2.55 million as O&M Mobilization Cost. The claim was supported by documentary evidence, including O&M agreement, invoices, tax challans, copies of cheques and bank statements. Summary of costs incurred by MPL is as under;

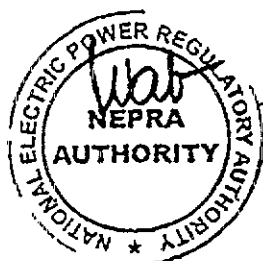
Description	Amount	Delay Adjustment	Total	Total
	(USD Million)			(PKR Million)
O & M Mobilization – KOEN	2.38	0.31	2.70	413.80
O & M – Container	0.02	-	0.02	2.19
O & M Building -- EPCC	0.60	-	0.60	94.24
Grand Total	3.00	0.31	3.31	510.26

111. The Authority noted that no adjustment mechanism was provided for O&M Mobilization Cost under the approved PPA. The Authority noted that the delay adjustment cost pertains to 65-days extended period beyond the RCOD date which is not recognized by the Authority. Accordingly, the delay adjustment cost is not allowed. Also, the Authority noted that as per the O&M agreement it was the responsibility of the O&M Operator/Contractor to arrange its accommodation; therefore, the Authority decided not to allow the Container and O&M Building cost claimed under this head.
112. The Authority further noted that as per the O&M agreement signed between KOSEP & MPL, the mobilization fee was divided into a foreign currency component (USD) and a local currency component (PKR). Accordingly, consistent with the assessment methodology adopted for Non-EPC cost heads, the PKR-denominated amount was restricted to the reference PKR amount while exchange rate variation was allowed on the foreign currency component.
113. After the above adjustments, the final assessed O&M Mobilization Cost works out as USD 1.86 million (PKR 284.53 million) and the same is allowed by the Authority.

Lender's Financing Fees & Charges

114. As per the approved PPA dated October 28, 2015 an amount of USD 6.47 million was allowed to MPL as Lender's Financing Fee and Charges which was subject to adjustment at COD as follows:

"Finance Charges shall be adjusted at COD on the basis of actual subject to a maximum cap of 2% of the total debt allowed (excluding the impact of Interest During Construction and financial charges) ..."



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115. MPL has claimed an amount of PKR 880.00 million or USD 8.09 million as the Lender's Financing Fee. In support of its claim, MPL submitted documentary evidence including agreements, invoices, summary statements, withdrawal requests, SWIFT codes and bank statements. Summary of the MPL claim is tabulated as under:

Particulars of Fee	Amount in USD	Amount in PKR
	(Million)	
Front End Fee	3.44	350.63
Working Fee/ Mandate Fee	0.29	29.62
Commitment Fee	3.46	393.09
Portfolio supervision fee/ Loan Admin Fee	0.65	78.93
Waiver Fee	0.06	9.49
Out of pocket Cost	0.18	18.24
Grand Total	8.09	880.00

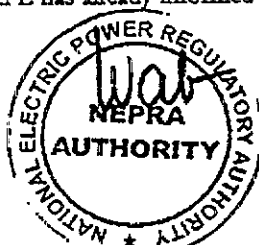
116. The Authority noted that as per the approved PPA, Finance charges were to be adjusted at COD on the basis of actual subject to a maximum cap of 3% of the total debt allowed (excluding the impact of Interest During Construction and financial charges). The debt portion of total assessed CAPEX (with no IDC and Financing fee) works out as USD 200.98 million or Rs 24,769.99 million and its 3% ceiling works out as USD 6.03 million or Rs 743.10 million. Since the claimed amount of USD 8.09 million (PKR 880.00 million) exceeds the prescribed maximum cap in both USD and PKR terms, therefore, the Authority decided to restrict the claimed amount to the maximum permissible cap and allowed USD 6.03 million (PKR 743.10 million) as Lender's Financing Fees & Charges.

Interest During Construction

117. MPL was allowed the reference IDC Cost of USD 23.70 million with 5% spread over LIBOR which then was assumed to be 0.35% subject to adjustments as follows:

"Any variation in the Interest during Construction from the reference amount of USD 23.704 million on account of variation in LIBOR and/or KIBOR and actual timing and quantum of debt drawdown allowed during the Project construction period of 48 months, starting from the date of Financial Closing, will be allowed through an adjustment in Reference Project Cost and Reference Tariff at Commercial Operations Date. However no adjustment of actual amount of Interest During Construction beyond Required Commercial Operations Date will be allowed."

118. MPL claimed USD 41.86 million on account of IDC which included IDC for the 65 days Extended COD date of January 3, 2020. Subsequently, MPL informed via email dated October 21, 2022 that the submitted IDC erroneously missed out USD 7.5 million disbursed by IFC on December 24, 2019, for which the corresponding IDC till ECOD stands at USD 0.0141 million. With this correction the claimed cost till ECOD now stands at USD 41.87 million against debt disbursed amount of USD 239.80 million. MPL has already informed that it is not seeking any IDC relief



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post ECOD till the actual COD of Mar 10, 2020. MPL acquired four loan facilities tabulated as under:

Lenders	Debt drawdown	Verified IDC	Interest rate/ Repayment period
	till January 03, 2020 (USD Million)		
The Export-Import Bank of Korea (KEXIM)	77.40	13.51	6M LIBOR + 5.00% / 12 years
International Finance Corporation (IFC)	91.00	15.88	
Asian Development Bank (ADB)	56.60	9.89	
CDC Group Plc. (CDC)	14.80	2.59	
Total	239.80	41.87	

119. The Authority noted that MPL's IDC claim pertains to an extended construction period of 48 months and 65 days granted by CPPA-G. In accordance with the discussion on the construction period above, the actual IDC claim is restricted to the RCOD of October 30, 2019. Accordingly, the verified IDC till RCOD works out to USD 39.04 million, corresponding to debt drawn till RCOD of date USD 220.20 million, against total claimed debt of USD 264.80 million (the basis for this difference is discussed in the debt servicing section below). The Authority noted that as per the precedent cases, proration is applied on assessed IDC using the following formula:

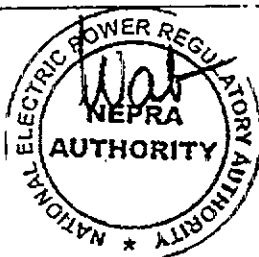
$$\text{Allowed IDC} = \text{IDC till RCOD} \times (\text{Assessed Debt} / \text{Actual Claim debt})$$

120. The Authority noted that the assessed debt based on the allowed project cost works out as USD 230.77 million. Accordingly, after applying the above proration formula the allowed IDC amount works out as USD 34.03 million. After adjustment for interest income of USD 0.34 million the net allowed IDC works out as USD 33.69 million (PKR 4,496.54 million).

Environmental Cost

121. As per the approved PPA dated October 28, 2015, MPL was allowed an Environmental Cost of USD 1.61 million.
122. MPL submitted that it claims USD 1.61 million as Environmental costs however the actual cost incurred by MPL amounts to USD 1.93 million. In support of its claim, MPL submitted source documents including copies of agreements/contracts, invoices, withdrawal requests, tax challans, cheques, SWIFT code and bank statements to obtain a reasonable level of assurance. Summary of actual costs incurred by MPL is tabulated as under;

Sr. No.	Description	(USD Million)
i).	Development of international standard ESIA, Critical Habitat Assessment, Biodiversity Action Plan, Cumulative Impact Assessment and Climate Change Assessment	0.71
ii).	Development of a detailed Resettlement Action Plan (RAP)	0.04



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iii).	Plantation and re-vegetation (Payment to the Forest Department)	0.02
iv).	EHS equipment (for Electrofishing & Aquatic Sampling as well as Mark & Recapture)	0.02
v).	Environment monitoring activities	0.22
vi).	Upgrading of fish hatchery to secure Mahasheer Fish	0.05
vii).	Implementation of Biodiversity Action Plan during construction	0.35
viii).	Implementation of HSE Plan & development of medical unit (Quarantine Center)	0.01
ix).	Regulatory & Laboratory Fees and out of pocket expenses	0.07
x).	Lenders Environmental Monitoring Costs	0.44
xi).	Validation of Project by Independent Consultant (DOE approved by UNFCCC)	0.01
TOTAL		1.93

123. The Authority noted that DG-EPA AJK, vide letter dated August 12, 2021, raised observations regarding utilization of the approved environmental budget. The Authority conducted a hearing on October 06, 2021, attended by MPL, CPPA-G, DG-EPA AJK, and PPIB. The decision was communicated to DG-EPA AJK vide letter dated February 10, 2022.

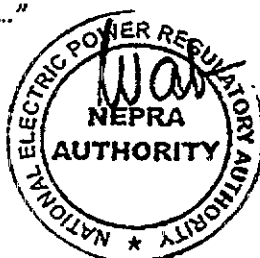
"NEPRA will true up/ review the issue of the environmental cost of MPL at COD tariff adjustment. The cost allowed under the head of Environmental Cost shall be considered up to USD 1.61 million, if the concerns of the competent authority are addressed and documentary evidence is provided to the Authority's satisfaction at the time of COD."

124. The Authority noted that the documents submitted reveal that the actual cost under this head is more than the maximum cap of USD 1.61 million and the final allowed amount is less than the reference amount. Therefore, the above decision of the Authority is complied with to the extent of ensuring that the eventual E&S cost assessed in COD does not exceed the reference amount.
125. Environmental Cost has been assessed in accordance with the Non-EPC cost assessment methodology. For USD-denominated contracts and sub-heads, exchange rate variation has been allowed while PKR-denominated amounts have been restricted to the reference figures with no exchange rate variation. Accordingly, the Environmental cost allowed by the Authority works out as USD 1.47 million (PKR 169.94 million).

Resettlement & Rehabilitation Costs

126. The reference amount of USD 3.96 million was allowed to MPL as Resettlement & Rehabilitation costs as per the approved PPA dated October 28, 2015, subject to adjustment at COD as follows:

"Reference Project Cost will be adjusted on Commercial Operations Date with the actual land acquisition and resettlement costs (including but not limited to land acquisition cost, house and structures compensation, livelihood restoration, family packages, infrastructure improvement/ restoration, land improvements including construction of dykes and drainage channels, water drainage and pumping system, replacement cost of facilities, structures and trees, restoration of access (through bridges or other means) or other activities directly related with the land acquisition or resettlement) incurred by the Company..."



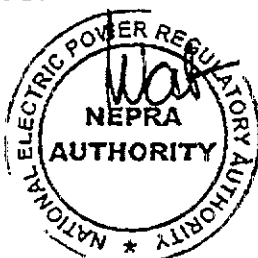


127. MPL claimed an amount of USD 7.49 million as Land, Resettlement and Rehabilitation supported by documentary evidences including lease agreements, DC/Land Collector rate notifications, court orders, survey and assessment reports, invoices, tax challans, cheques/pay orders, and bank statements. Summary of the claimed cost as submitted by MPL is tabulated as under;

Sr. No	Particulars	Amount in PKR	Amount in USD
		(Million)	
1	Land Demarcation, Surveys and Studies	27.62	0.26
2	Land Acquisition (Private and Government land)	352.19	3.49
3	Compensation and Relocation of various structures and assets	271.80	2.34
4	Other Acquisition Cost	5.59	0.05
5	Outstanding Claims	240.50	1.35
Total		897.71	7.49

128. Land Acquisition: Under land acquisition MPL claimed USD 3.49 million as the government and Private land acquisition cost. Summary of Land Acquisition submitted by MPL is discussed and detailed as under:

Land Acquisition				
Sr. No.	Village	Kanals	Amount in PKR	Amount in USD
			(Million)	
1	Barali	252.00	214.82	2.18
2	Bang	1.50	0.08	0.001
3	Gulhar Sharif	106.7	16.14	0.16
4	Hillan Kallan	123.25	21.91	0.21
5	Mandi	33.60	25.08	0.24
6	Dheti	3.65	0.19	0.002
7	Bhanera	0.40	0.02	0.0002
8	Sher Mandi	112.25	15.50	0.12
9	Dera Nawab Khan	114.50	7.72	0.08
10	Registration of Private land	-	1.51	0.02
11	Honorarium & Other Acquisition Management Cost	-	23.55	0.22





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Private Land	747.85	326.53	3.23
Government Land	6409.60	25.65	0.26
Total	7157.45	352.19	3.49

129. Compensation and Relocation of various structures and assets: Summary of Compensation and Relocation cost as submitted by MPL is tabulated as under;

Compensation and Relocation of Various Structures and Assets				
Sr. No	Description	Quantity	Amount in PKR	Amount in USD
			(Million)	
1	Suspension Bridges	2	205.68	1.80
2	Houses and Cattle shed	8	22.02	0.22
3	Crop Compensation	1	1.34	0.01
4	Crusher Plant	1	17.80	0.11
5	11 kv Transmission line	1	6.04	0.05
6	Telephone Poles	5	0.03	0.000
7	Fruit Trees	73	0.42	0.004
8	Non Fruit Trees	7,886	6.63	0.07
9	Manual Lift	2	3.95	0.02
10	Open Wells	3	3.60	0.02
11	Water Supplies	2	0.70	0.004
12	Road	1	2.50	0.02
13	Solid waste dumping area	1	1.10	0.01
Total			271.80	2.34

130. The Authority noted that the MPL claim includes PKR 240.50 million (USD 1.35 million), representing the estimated cost for settlement of outstanding complaints, based on an assessment prepared with NESPAK's support and as per the committee's recommendations. As the matter is subjudice, the amount pertaining to Outstanding claims has not been considered by the Authority.
131. During review of supporting documentary evidence, the Authority observed that the Thalalot Bridge was washed away in monsoon flooding and subsequently rebuilt by MPL at a cost of PKR 101.64 million (USD 0.98 million). The Agreement between MPL and the Secretary, Local Government and Rural Development Department, GoAJK confirms that the rebuild was undertaken at the request of the District administration Kotli as a goodwill gesture and Corporate Social Responsibility (CSR) activity, and not as a project necessity. Clarification was sought in this



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regard from MPL as to whether the construction was necessary for the execution of the Gulpur Project or incurred purely as CSR, however, no response was received. Accordingly, CSR spending of PKR 110.64 million on the Thalalot Bridge has not been considered by the Authority, as such expenditure is expected to be met from corporate profits.

132. After the above adjustments, the final cost allowed by the Authority on account of Land Acquisition & Resettlement cost works out as USD 5.16 million (PKR 554.09 million).

Revised Project Cost

133. Concluding the discussion made in the above paragraphs, the re-established project cost of MPL after incorporating one-time adjustments at COD is as under:

Cost headings	Reference	Claimed at COD	Allowed at COD
		(USD Million)	
EPC Cost	235.90	241.10	216.16
Custom Duty	3.60	4.90	3.89
Insurance During Construction	4.72	5.66	4.39
Feasibility & Technical Studies	2.00	2.75	1.99
Project Advisors & Agents	4.73	4.73	4.71
Administration	7.24	10.28	7.01
Owner's Engineer	9.00	9.68	8.94
Engineering & Design Cost	9.10	9.10	9.10
Management Supervision	3.00	3.29	3.00
Re-opener Verifier /Independent Engineer	0.36	0.29	0.28
O&M mobilization cost	2.24	2.55	1.86
Lenders' Financing Fees & Charges	6.47	8.09	6.03
Environmental Costs	1.61	1.61	1.47
Resettlement & Rehabilitation Costs	3.96	7.49	5.16
Non-EPC	58.02	70.41	57.85
Interest During Construction	23.70	41.90	33.69
Total Project Cost	317.63	353.42	307.70

Tariff Components

134. Before discussing the indexation of tariff components, it is essential to highlight that the Authority in its determination dated August 03, 2015 prescribed an indexation mechanism for each component of tariff wherein revised indices/values of Local CPI, US CPI, and exchange rate of particular month were to be used for the next periodic adjustment/indexation. However, when the Project's PPA was approved vide NEPRA's decision dated October 28, 2015, the mechanism was revised wherein averages of Local CPI, US CPI and exchange rate the of last quarters were to be used instead. The alignment of indexation with PPAs was also made in COD adjustments of similar



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hydro projects such as Lariab Energy Limited (LEL)'s New Bong Escape and Star Hydro Power Limited SHPL's Patrind Hydropower Project. The details are given in the section below.

Capacity Test

135. As per the NEPRA's determination dated August 03, 2015, MPL was required to adjust the reference net capacity of 100.98MW provided, the net capacity turns out to be higher in pursuance of the IDC test to be conducted at COD. The reference decision stated as follows:

"The Authority after due consideration of all aspects has decided to approve net capacity of 100.98 MW (after accounting for 1% of auxiliary consumption) and net annual energy of 474.996 GWh for the project. The net capacity will be adjusted in tariff at COD in case it is found to be higher than 100.98 MW pursuant to IDC tests to be carried out by the project sponsors in accordance with the provisions of the standard Power Purchase Agreement for hydropower projects."

136. The Authority noted that as per the CPPA-G's notification, the complex was commissioned on March 10, 2020, with a tested capacity of 100.98 MW (net). Accordingly, the Authority allowed net capacity of 100.98 MW.

Return on Equity and Return on Equity during Construction

137. As per the Authority's determination dated August 03, 2015, the Authority allowed 17% return on Equity (IRR based) for the project. As per the approved PPA dated October 28, 2015, the ROEDC will be adjusted at COD as follows:

"The ROEDC shall be adjusted at Commercial Operations Date based on actual timing and approved amount of equity injected during the construction period against the reference amount of USD 3.087 million. However, no adjustment of actual amount of ROEDC beyond Required Commercial Operations Date will be allowed."

138. MPL claimed ROEDC of USD 50.49 million in its COD adjustment request while total equity injected amounts to USD 88.62 million.
139. The Authority noted that equity injection commenced on December 28, 2012 and concluded on January 22, 2020, during which total equity of USD 88.62 million was injected. Of this, USD 43.32 million was injected prior to Financial Close (October 30, 2015) and has been assumed to be injected on the FC date for ROEDC computation, consistent with previous COD cases. The remaining USD 8.66 million, injected after the RCOD date of October 30, 2019, has been excluded from ROEDC computation as no adjustment beyond the RCOD is allowed.
140. Based on the above, the ROEDC works out as USD 46.55 million @17% allowed IRR on equity amount of USD 79.95 million.
141. The Authority noted that the periodicity of ROE payments has a significant impact on the tariff of power projects, as highlighted in the M. Ali report. To correct this anomaly, the Authority in recent Hydro/RE COD cases has determined ROE on the basis of monthly calculations rather than annual. IPPs which negotiated tariffs with the GOP-appointed Negotiation Committee also recognized this anomaly and accordingly reduced their returns to incorporate its impact; these included Engro Qadirpur (low BTU gas) power plants, owned by the same parent company as EPTPL.



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142. Accordingly, XIRR which caters for monthly payments, is being used to work out the ROEDC and ROE component as discussed below.
143. The Authority noted that in the instant case, the total equity injected during the restricted period was USD 79.95 million while the assessed equity stands at USD 76.92 million. Accordingly, the ROEDC amount works out as USD 46.55 million. Which after applying proration according to precedent cases (Prorated ROEDC = Restricted period ROEDC * Assessed Equity/claimed equity) works out as USD 40.40 million and the annual annuity amount works out as USD 6.44 million and ROE works out as USD 12.16 million per annum after 12 years the project is allowed redemption of equity therefore, its ROE component shall revise to USD 12.92 million per annum.

Water Use Charge

144. According to the approved PPA dated October 28, 2015, the reference Water Use Charge was Rs. 0.1500 /kWh. Also, reference determination of MPL dated August 3, 2015 stated as follows:

"Water Use Charge will be paid on units delivered basis and will be indexed with Consumer Price Index (General) annually from the date of COD. The first such adjustment shall be due after one year of commercial operation from COD"

145. MPL has claimed an amount of Rs. 0.16304/kWh as the revised Water Use Charge component at COD. The claim of MPL is based on the timelines of actual COD, instead of RCOD. MPL however in the Tariff component COD filing has used a reference value of Rs 0.15 per kWh for WUC.
146. In view of the above, the Authority decided not to index the Water Use Charge component of MPL till the completion of one year after COD.

Annual Operation & Maintenance Expense

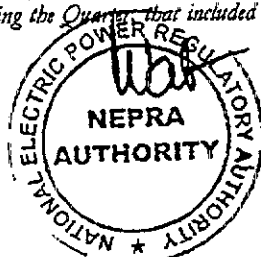
147. The reference values O&M Components allowed by the Authority in the approved PPA dated Oct 28, 2015 are as below:

O&M Components	Variable O&M	Fixed O&M Local	Fixed O&M Foreign
	Rs/kWh		
Reference	0.0441	155.7487	190.3595

Variable O&M (Local)

148. The Authority in its determination dated August 03, 2015 allowed Variable O&M (Local) of Rs.0.0441/kWh.
149. MPL has claimed an amount of Rs. 0.0601/kWh as the revised Variable O&M (Local) component at COD. The claim of MPL is based on the modified tariff and timelines of actual COD, of March 2020. MPL has claimed Variable O&M (local) component till the last quarter of 2020.
150. The Authority noted that as per the approved PPA, Variable O&M local is to be adjusted with the revised quarterly CPI local. The approved PPA by define "Quarterly CPI" as follow:

"Quarterly CPI" means the average of the end of Month values for the CPI in the quarter immediately preceding the relevant Quarter, which shall equal the sum of the Month-end CPI values in the Quarter immediately preceding the Quarter that included Month M, divided by the number of such values;





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provided, however, that if any such values for any of such Quarter are not available, then the average of the Month end values for the most recent available the (3) Months shall be used, unless directed by NEPRA to use any other months in lieu thereof."

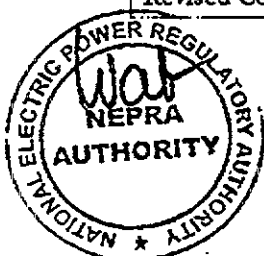
151. To adjust the said component of tariff, an indexation factor is used calculating the change in CPI (REV), i.e., the average of 3 months Oct 2019-Dec 2019 quarter
152. In view of the above mechanism given in the PPA, the Authority allowed the following adjusted Variable O&M (Local) component on the basis of the following indices:

Reference (Rs/kWh)	0.0441
CPI (Ref)	196.95
CPI (Local) revised	262.29 (average of 260.46, 263.59 and 262.82)
Indexation Factor	1.3318
O&M (Local) Adjusted at COD (Rs/kWh)	0.0587

Fixed O&M (Local)

153. MPL was allowed Fixed O&M (Local) at Rs. 155.7487/kW/M. The approved PPA provides the same adjustment mechanism for the Fixed O&M (Local) as for Variable O&M (Local) above.
154. MPL claimed Rs 193.9127 kW/M as Fixed O&M (local) component at COD and requested the Authority to allow additional costs over and above the approved O&M cost under Fixed O&M (Local and Foreign) components on account of the following items that were not envisaged at the time of the Reference Tariff Determination, Sales Tax on Services at 16% on O&M Operator's services and other consultants/advisors imposed following the promulgation of AJ&K Finance Act 2015 (USD 473,736 foreign and PKR 25.697 million local), Biodiversity Action Plan (BAP) Implementation Cost of USD 171,000 per annum required by Project Lenders for achieving net biodiversity gain, PPIB Fees of USD 30,600 per annum at the rate of USD 300 per MW as per PPIB (Fee and Charges) Rules, 2018 notified vide S.R.O. 406(I)/2019 dated March 26, 2019, Import of Electricity cost of USD 122,954 charged by the Power Purchaser at commercial rates, and Land Lease Rentals payable to GoAJK amounting to PKR 88.045 million in aggregate across three payment years.
155. MPL submitted that the foregoing costs are in addition to the approved cost of USD 4.20 million per annum which is affecting the return of the sponsors, and therefore requested the Authority to allow such additional cost as per the actual under O&M Fixed Cost. The following factors shall be applicable for the period from COD to September 2021 on account of additional cost

Additional Impact under Fixed O&M		
Description	Foreign (USD Million)	Local (PKR Million)
Sales Tax	0.41	25.70
BAP Implementation Incl. Sales Tax	0.17	
PPIB Fees	0.03	
Import of electricity		20.55
Revised Cost	0.61	46.25



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O&M Component for additional impact (Rs/KW/M)	51.00	38.16
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156. The Authority noted that the additional costs claimed by MPL on account of Sales Tax, BAP Implementation Cost, PPIB Fees, Import of Electricity and Land Lease Rentals pertain to the operational period, for which no revision mechanism exists in the approved PPA for adjustment of the O&M component. The Authority observed that if MPL considers the existing O&M allowance to be insufficient, it may seek a modification of tariff through a separate petition supported by the O&M Agreement, actual costs incurred and financial statements for the Authority's consideration. Accordingly, the additional costs claimed by MPL under Fixed O&M (Local and Foreign) have not been considered at this stage, and only the indexation as per the mechanism provided in the approved PPA is being applied.
157. Accordingly, the Fixed O&M (Local) component has been adjusted on the basis of the revised quarterly CPI (average of October, November and December 2019) as tabulated below:

Reference	155.7487	Rs/KW/M
CPI(Ref)	196.95	
CPI (REV)	262.29	(average of 260.46, 263.59 and 262.82)
Indexation Factor	1.3318	
Revised at COD	207.42	Rs/KW/M

Fixed O&M (Foreign)

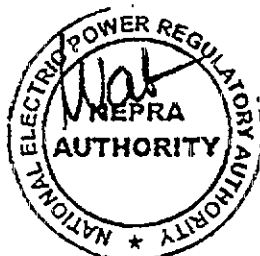
158. As per the approved PPA dated October 28, 2015, MPL was allowed reference Fixed O&M (foreign) at Rs. 190.3595/kW/M.
159. MPL has claimed the Rs.349.2663 kW/M on the account of Fixed O&M (F).
160. The Authority noted that as per the approved PPA, the foreign portion is to be indexed with the revised US CPI and the revised FX rate. The approved PPA defines 'Quarterly US-CPI' 'Exchange rate' and 'Quarterly FX' as follow:

'Quarterly US-CPI'

"Quarterly US-CPI" means the average of each of the end of Month values for the US-CPI in the Quarter immediately preceding the relevant Quarter, which shall equal the sum of all the Month-end US-CPI values in the Quarter immediately preceding the Quarter divided by the number of such values..."

Exchange rate definition

"Exchange Rate means the TT&OD selling rate for Dollars expressed in Rupees, as published by the National Bank of Pakistan prevailing at the close of Wednesday that is also a Business Day, and with respect to any Wednesday that is not a Business Day, the TT&OD selling rate for Dollars expressed in Rupees, as published by the National Bank of Pakistan prevailing at the close of the last preceding Business Day prior to such Wednesday."



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Quarterly FX

"Quarterly FX" means the average of each of the Exchange Rates in the Quarter immediately preceding the relevant Quarter, which shall equal the sum of the Exchange Rates in such immediately preceding Quarter divided by the number of such Exchange Rates.

161. Accordingly, the Authority decided to allow the revised Fixed O&M (Foreign) component adjusted on the basis of revised indices as tabulated below:

Reference	190.3595	Rs./KW/M
US CPI (Ref)	233.707	
US CPI (Rev)	257.176	(average of 257.35, 257.21 and 256.97)
FX rate (ref)	101	
FX rate (rev)	155.96	Average of every Wednesdays of the Quarter Oct-Dec 2019
Indexation Factor	1.6993	
Revised at COD	323.47	Rs./KW/M

Insurance During Operations

162. The approved PPA dated October 28, 2015 it is stated as follows:

"The Insurance Component shall be adjusted annually for the actual premium paid subject to a cap of 0.75% of the EPC Cost at Commercial Operation Date. The adjusted Insurance Component shall be calculated in accordance with the following formula:

INS (ADJ)	=	(RIC / (0.65% of Reference EPC Cost in US\$)) * AP
Where:		
INS (ADJ)	=	the adjusted Insurance Component;
RIC	=	the Reference Insurance Component, in Rs./kW/Month, given in Annex-I
AP	=	the actual premium in USD, for the relevant Agreement Year."

163. MPL submitted that the reinsurance market has become significantly harder due to deterioration in reinsurers' profitability on account of large-scale natural disasters, COVID-19, classification of South Asia as a high-risk area, limited reinsurance market for hydroelectric power projects and reduced underwriting capacity. MPL further submitted that the basic premium for the first year of operations stands at 0.95% of EPC Cost (1.11% including taxation and allied charges) and 1.07% of EPC Cost for the second year (1.20% including taxation), both exceeding the cap of 0.75% fixed in the PPA. Accordingly, MPL requested that the Insurance During Operations component be adjusted at actual as this is beyond the Company's reasonable control.

164. The Authority noted that as per the determination dated August 03, 2015, the Insurance component was required to be adjusted annually on the basis of actual premium paid, subject to the prescribed cap of 0.75% of EPC Cost at COD, upon production of documentary evidence. However, MPL has not submitted the requisite documentary evidence in support of its claim at this stage, and only general market assessment information has been provided. Accordingly, the actual payment of the Insurance Component shall only be made once a separate claim is submitted by MPL with supporting documentary evidence for its adjustment under the mechanism





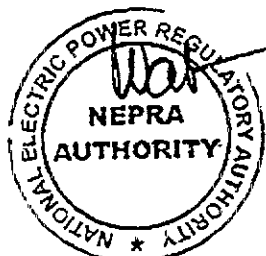
prescribed in the approved PPA. For the purpose of computing the reference tariff at COD, the Insurance During Operations component has been computed using the allowed EPC Cost of USD 216.16 million converted at the weighted average exchange rate of Rs. 125.68/USD with 0.65% of EPC Cost, resulting in an Insurance During Operations component of Rs. 145.7347/kW/M and the Authority decided to allow the same subject to adjustment at actual upon submission of documentary evidence by MPL as per the mechanism prescribed in the Order Part of this decision.

Debt Servicing

165. The approved PPA dated October 28, 2015, provides the following adjustments in Principal Repayment and Cost of Debt:

"The Reference Foreign Debt Principal and Reference Foreign Debt Interest shall be adjusted at COD as per actual borrowing composition and variation in LIBOR at the relevant date during the Project construction period"

166. MPL submitted that the claimed COD Project Cost of USD 353.42 million has been funded at a debt equity ratio of 74.93:25.07. MPL further submitted that the construction schedule was affected due to certain Force Majeure Events, consequently altering the pattern of project cash requirements. In view thereof, the Company utilized the loan in accordance with the Project requirements and received only 5 disbursements with an aggregate of USD 239.80 million during the construction period. MPL submitted that delay in the final disbursement was faced due to certain pending issues with the Lenders, who held back the last disbursement of USD 25.00 million until resolution of pending issues and demonstration of the Company's ability to make future repayments. The Financiers also required the Korean sponsors to provide additional sponsor support in excess of their contractual commitments.
167. MPL further submitted that due to the withholding of the last disbursement, certain payments could only be made subsequent to its receipt on September 14, 2021, and that while the last disbursement was pending, four repayments were made by the Company from available resources including a sponsors' loan amounting to USD 16.28 million. MPL also submitted that the delay in receipt of the loan amount resulted in savings in Interest During Construction and during operations, as earlier utilization of these amounts would have resulted in additional IDC exposure.
168. MPL submitted that based on the final Project Cost, the repayment schedule has been adjusted as per the actual profile of disbursement. Since the LIBOR is available for the first five repayments, the interest for the said repayments has been adjusted as per actual, whereas future interest values have been determined using the LIBOR of 0.7354% prevailing on the COD date. Accordingly, the Company made four repayments based on the loan drawn of USD 239.80 million, while the 5th repayment has been adjusted to account for repayments of the last disbursement of USD 25.00 million. The interest paid under the first four repayments is correspondingly lower based on the actual loan drawdown. MPL requested that the tariff components for debt service be adjusted to reflect the actual principal repayments and interest profile accordingly.
169. The Authority noted that as per MPL's submission, the total debt disbursed up to RCOD amounted to USD 239.80 million, while the last disbursement of USD 25.00 million was received approximately 1.5 years after COD in September 2021 due to various delays including COVID-19, bringing the total claimed debt to USD 264.80 million. The Authority observed that since the



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remaining debt of USD 25.00 million (USD 264.80 million less USD 239.80 million) was not withdrawn until after the actual COD, no IDC was incurred on this amount.

170. The Authority noted that the assessed project cost works out to USD 307.70 million (Rs. 38,266.29 million). Relying on the reference debt to equity ratio of 75:25 as per the approved PPA, the allowed debt works out to USD 230.77 million. The Authority allowed a spread of 5% over 6-month LIBOR for the debt repayment period of 12 years. The 6-month base LIBOR stood at 1.912% on the last date of the period ending December 31, 2019. Based on the above assumptions, the annual debt servicing works out to USD 28.61 million and the corresponding Debt Service Component in PKR works out to Rs. 3,667.7873/kW/M and the Authority decided to allow the same for each of the first 12 years.

171. With regards to be indexation of debt servicing component it may be noted that the determination dated August 03, 2015 provide the following LIBOR adjustment mechanism post COD:

iv) Adjustment for LIBOR variation

The interest part of fixed charge component of foreign debt will remain unchanged throughout the term except for the adjustment due to exchange rate variation and variation in 6-months LIBOR, while spread of 5.00% on LIBOR remaining the same, according to the following formula:

$$\Delta I = P_{(REV)} * (LIBOR_{(REV)} - 0.35\%) / 2$$

Where:

ΔI = the variation in interest charges applicable corresponding to variation in six-month LIBOR. ΔI can be positive or negative depending upon whether LIBOR $_{(REV)} >$ or $<$ 0.35%. The interest payment obligation will be enhanced or reduced to the extent of ΔI for each period under adjustment applicable on semi-annual basis.

$P_{(REV)}$ = the outstanding principal (as indicated in the attached debt service schedule to this order on a semi-annual basis at the relevant calculations dates.

172. While the approved the PPA dated October 28, 2015 provide the following mechanism:

31.6 The Reference Foreign Debt Interest Component shall be indexed by using the Foreign Loan Interest Adjustment Factor (FLIAF) as at the Commercial Operation Date and every 1st January and 1st July thereafter, where FLIAF will be calculated according to the following formula:

$$FLIAF = \frac{(LIBOR_{ref} + 5.0\%)}{(LIBOR_{rev} + 5.0\%)}$$

where:

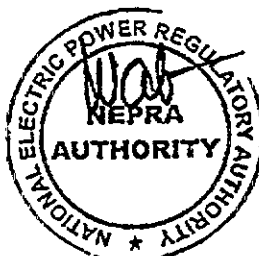
FLIAF = the value of the Foreign Loan Interest Rate Adjustment Factor applicable for the Semiannual Period following the relevant indexation date, "T";

LIBOR_{ref} = the LIBOR on the Day immediately preceding the Commercial Operations Date or 30th June or 31st December, as applicable;

LIBOR_{rev} = The Reference LIBOR

T = time on which such calculation was made ✓

173. Similar formula difference was also found in Star Hydro Power Limited PPA vs determination however the Authority in COD adjustment restricted to (Delta i) formula as stated above. The Delta i formula is also being used consistently in other IPPs determination as well. Therefore, the Authority decided to use Delta i formula as being used consistently in other IPPs.





ORDER

- I. The Authority hereby determines and approves the following generation tariff at COD for Mira Power Limited (MPL) for its net 100.98 MW run-of-river Gulpur Hydropower Project at AJK, along with adjustments/indexations for delivery of electricity to the power purchaser:

Tariff Components	Reference at COD	Indexation
Variable Charge (Rs./kWh)		
Variable O&M – Local	0.0587	CPI(Local)
Water Use Charge	0.1500	CPI(Local)
Total	0.2087	
Fixed Charge (Rs./kW/M)		
Fixed O&M- Local	207.4198	CPI(Local)
Fixed O&M- Foreign	323.4746	PKR/US\$, US-CPI
Insurance	145.7347	PKR/US\$
Return on Equity (1-12 Years)	1,558.5282	PKR/US\$
Return on Equity (13-30 Years)	1,656.6788	PKR/US\$
Return on Equity during Construction	826.0584	PKR/US\$
Debt service (1-12 Years)	3,667.7873	PKR/US\$, LIBOR
Total	6,729.0030	
Tariff (Rs./kWh) for 1-12 years	17.3751	
Tariff (Rs./kWh) for 13-30 years	8.2686	
Levelized Tariff (Rs./kWh)	14.8507	
Levelized Tariff (US Cents./kWh)	9.3843	

- The reference tariff has been calculated on the basis of net contracted capacity of 100.98 MW and net annual energy production of 474.996 GWh.
- The reference PKR/Dollar rate has been assumed at 1 USD = 155.35 PKR.
- The above tariff is applicable for a period of thirty (30) years on BOOT basis commencing from Commercial Operation Date.
- Debt service will be paid in the first 12 years of commercial operation of plant after COD.
- Redemption of equity has been allowed after 12 years of commercial operation of the plant.
- The component wise tariff is indicated at Annex-I
- Debt Servicing Schedule is attached as Annex-II

Indexations

- II. The following indexations shall be applicable to the reference tariff;





i. Indexation for Water Use Charges

Water Use Charge will be paid on units delivered basis and will be indexed with Consumer Price Index (General) annually after one year of operations from the date of COD. The first such adjustment shall be due after one year of commercial operation from COD, according to the formula:

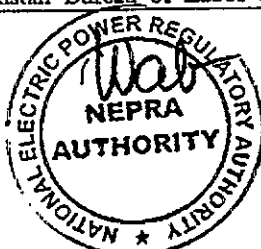
$WUC_{(REV)}$	=	$WUC_{(REF)} * CPI_{ADJUTY}$
Where:		
$WUC_{(REF)}$	=	The reference Water Use Charge component of tariff for the relevant period.
CPI_{ADJUTY}	=	CPI_{Y-1} / CPI_{REF}
CPI_{Y-i}	=	The Revised average Consumer Price Index (General) i.e. the average of the each of the end of Month values for the CPI-General notified by Pakistan Bureau of Labor Statistics of the year immediately preceding the relevant year.
CPI_{REF}	=	Reference Average Consumer Price Index (General) of the end of Month values from November 2016 to October 2017 as notified by the Pakistan Bureau of Statistics

ii. Indexation applicable to O&M

The local component of O&M will be adjusted on account of local Inflation (CPI), whereas the foreign component of O&M will be adjusted on account of Rupee/Dollar exchange rate variation and US CPI. Quarterly adjustment for local inflation, foreign inflation and exchange rate variation will be made on 1st July, 1st October, 1st January & 1st April respectively on the basis of the latest available information with respect to local CPI general (notified by Pakistan Bureau of Statistics), US CPI (notified by 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:

a. Fixed O&M Local & Foreign

$F O\&M_{(LREV)}$	=	$O\&M_{(LREF)} * CPI_{(REV)} / CPI_{(REF)}$
$F O\&M_{(FREX)}$	=	$O\&M_{(FREX)} * USCPI_{(REV)} / USCPI_{(REF)} * ER_{(REV)} / ER_{(REF)}$
Where:		
$F O\&M_{(LREV)}$	=	The revised applicable Fixed O&M local component of tariff indexed with CPI (General).
$F O\&M_{(FREX)}$	=	The revised applicable Fixed O&M foreign component of tariff indexed with US CPI and exchange rate variation.
$F O\&M_{(LREF)}$	=	The reference fixed O&M local component of tariff for the relevant period.
$F O\&M_{(FREXREF)}$	=	The reference fixed O&M foreign component of tariff for the relevant period.
$CPI_{(REV)}$	=	The Revised average Consumer Price Index (General) i.e. the average of the end of months values for the CPI-General notified by Pakistan Bureau of Labor Statistics of the quarter immediately





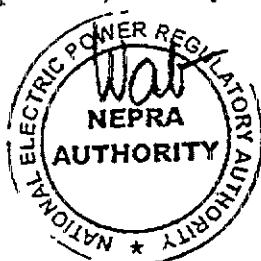
		preceding the relevant quarter. (If any such values are not available then the average of the end of month values for the most recent three (03) months shall be used.)
$CPI_{(QUR)}$	=	262.29, Reference Average Consumer Price Index (General) for the quarter October 2019 to December 2019 as notified by the Pakistan Bureau of Statistics
$US\ CPI_{(REV)}$	=	The Revised average US Consumer Price Index (All Urban Consumers) i.e. the average of the end of months values for the US-CPI notified by US Bureau of Labor Statistics of the quarter immediately preceding the relevant quarter. (If any such values are not available then the average of the end of month values for the most recent three (03) months shall be used.)
$US\ CPI_{(REF)}$	=	257.176, Reference Average US CPI for the quarter October 2019 to December 2019 as notified by the US Bureau of Labor Statistics.
$ER_{(REV)}$	=	The Revised average TT & GD selling rate of US dollar for each Wednesday for the quarter immediately preceding the relevant quarter as notified by the National Bank of Pakistan
$ER_{(REF)}$	=	Rs. 155.97/USD the reference average exchange rate of each Wednesday of the quarter October 2019 to December 2019.

b. Variable O&M Local

$V\ O\&M_{(LREV)}$	=	$O\&M_{(LREF)} * CPI_{(REV)} / CPI_{(REF)}$
Where:		
$V\ O\&M_{(LREV)}$	=	The revised applicable Variable O&M local component of tariff indexed with local CPI (General).
$O\&M_{(LREF)}$	=	The reference variable O&M local component of tariff for the relevant period.
$CPI_{(REV)}$	=	The Revised average CPI (General) i.e. the average of the end of months values for the CPI-General notified by Pakistan Bureau of Labor Statistics of the quarter immediately preceding the relevant quarter. (If any such values are not available then the average of the end of month values for the most recent three (03) months shall be used.)
$CPI_{(REF)}$	=	262.29, Reference Average Consumer Price Index (General) for the quarter October 2019 to December 2019 as notified by the Pakistan Bureau of Statistics

iii. Insurance

In case of insurance denominated in USD, insurance cost component of tariff will be adjusted on account of USD/PKR exchange rate variation on annual basis. Further, insurance component of the reference tariff will be adjusted as per actually incurred prudent costs, subject to maximum of 0.75%





of the EPC cost on production of authentic documentary evidence by the MPL, according to the following formula:

Ins _(Adj)	=	(RIC/(0.65% of Reference EPC Cost in US\$)) * AP
Where;		
Ins _(Adj)	=	the adjusted Insurance Component
RIC	=	The Reference Insurance Component in Rs./kW/M (i.e. Rs.145.7347/kW/M)
AP	=	The actual premium in USD, for the relevant Agreement Year.

iv. Indexation applicable to Debt

Foreign debt and its interest shall be semi-annually adjusted for exchange rate variation which will be made on 1st January & 1st July against the average TT & OD selling rate of US dollar for each Wednesday for the semi-annual period immediately preceding the relevant semi-annual period as notified by the National Bank of Pakistan, wherein the reference TT& OD selling rate is Rs.155.35/USD.

v. Adjustment for LIBOR Variation

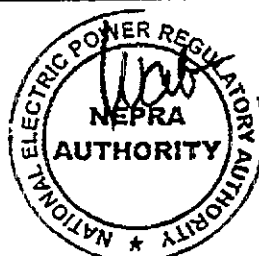
The interest part of capacity charge component of foreign debt will remain unchanged throughout the term except for the adjustment due to variation in 6-months LIBOR, while spread of 5.00% on LIBOR remaining the same, which will be made on 1st January & 1st July according to the following formula:

ΔI	=	$P_{(REV)} * (LIBOR_{(REV)} - 1.91213\%) / 2$
Where;		
ΔI	=	The variation in interest charges applicable corresponding to variation in six-month LIBOR. ΔI can be positive or negative depending upon whether $LIBOR_{(REV)} > \text{or} < 1.91213\%$. The interest payment obligation will be enhanced or reduced to the extent of ΔI for each period under adjustment applicable on semi-annual basis.
$P_{(REV)}$	=	The outstanding principal (as indicated in the attached debt service schedule to this order) on a semi-annual basis at the relevant calculations dates.
$LIBOR_{(REV)}$	=	Revised 6 months LIBOR rate as at the last day of the preceding semi-annual period.

vi. Return on Equity

Return on Equity (ROE) as well as Return on Equity during Construction (ROEDC) component of tariff shall be adjusted for variation in PKR/USD exchange rate according to the following formula:

$ROE_{(REV)}$	=	$ROE_{(REF)} * ER_{(REV)} / ER_{(REF)}$
$ROEDC_{(REV)}$	=	$ROEDC_{(REF)} * ER_{(REV)} / ER_{(REF)}$





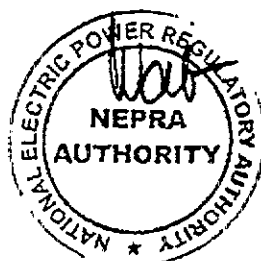
Where;		
ROE _(REV)	=	Revised Return on Equity component of tariff.
ROEDC _(REV)	=	Revised Return on Equity during Construction component of tariff.
ROE _(REF)	=	Reference Return on Equity component of tariff.
ROEDC _(REF)	=	Reference Return on Equity during Construction component of tariff.
FR _(REV)	=	The Revised average TT & OD selling rate of US dollar for each Wednesday for the quarter immediately preceding the relevant quarter as notified by the National Bank of Pakistan
FR _(REF)	=	The reference TT & OD selling rate of Rs.155.35 /USD.

III. Other Terms and Conditions of Tariff

- No provision for income tax has been accounted for in the Reference Tariff. If the Company is obligated to pay any tax, the exact amount paid by the Company shall be reimbursed by the Power Purchaser on production of original receipts. This payment shall be considered as pass-through payment spread over a 12 months period in addition to fixed charges proposed (if any) in the Reference Tariff. Furthermore, in such a scenario, the Company shall also submit to the Power Purchaser details of any tax shield savings and the Power Purchaser will deduct the amount of these savings from its payment to the Company on account of taxation.
- Withholding tax on dividend is also a pass-through item just like other taxes as indicated in the government guidelines for determination of tariff for new IPPs. Withholding tax shall be paid at the rate of 7.5% of the dividend declared on the Reference Return on Equity plus Reference Return on Equity DC. The Power Purchaser shall make payment on account of withholding tax at the time of actual payment of dividend subject to maximum of 7.5% of 17% return on equity and return on equity during construction according to the following formula:

Withholding Tax Payable	=	$\{ [17\% \times (E_{(Ref)} - E_{(Red)})] + \text{Return on EquityDC}_{Ref} \} \times 7.5\%$
Where:		
E _(Ref)	=	The adjusted reference amount of equity at COD for the relevant year.
E _(Red)	=	Equity Redeemed, if any
Return on EquityDC _{Ref}	=	The adjusted reference amount of return on equity during construction for the relevant year

- In case the 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 plus return on equity during construction) would be carried forward and accumulated so that the Company is able to recover the same as a Pass Through Item from the Power Purchaser in future on the basis of the total dividend payout.
- General conditions / assumptions of MPL, which are not covered in this decision, will be dealt with according to standard terms of its approved PPA.



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Decision in the matter of Tariff Adjustments at Commercial Operation Date (COD)
Gulpur Hydropower Project

IV. NOTIFICATION

The above Order of the Authority along with revised tariff table and debt servicing schedules as attached thereto as Annex-I & II is intimated to the Federal Government for notification in the official Gazette as per Section 31(7) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997.

AUTHORITY



Aminz Ahmed

Aminz Ahmed
Member

Engr. Maqsood Anwar Khan

Engr. Maqsood Anwar Khan
Member

Waseem

Waseem Mukhtar
Chairman

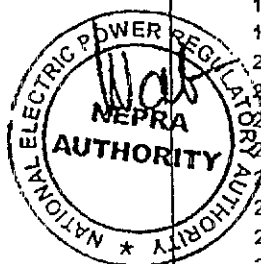


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MIRA POWER LIMITED
TARIFF TABLE

Year	Variable O&M Local	Water Use Charge	Fixed O&M Local	Fixed O&M Foreign	Insurance	Return on Equity	ROE During Construction	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. / kWh	¢ / kWh
1	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	1,650.8281	2,016.9592	17.3751	10.9795
2	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	1,766.9073	1,900.8800	17.3751	10.9795
3	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	1,891.1487	1,776.6386	17.3751	10.9795
4	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	2,024.1262	1,643.6611	17.3751	10.9795
5	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	2,166.4541	1,501.3332	17.3751	10.9795
6	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	2,318.7898	1,348.9974	17.3751	10.9795
7	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	2,481.8373	1,185.9499	17.3751	10.9795
8	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	2,656.3496	1,011.4377	17.3751	10.9795
9	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	2,843.1327	824.6545	17.3751	10.9795
10	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	3,043.0497	624.7375	17.3751	10.9795
11	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	3,257.0240	410.7633	17.3751	10.9795
12	0.0587	0.1500	207.4198	323.4746	145.7347	1,558.5282	826.0584	3,486.0441	181.7432	17.3751	10.9795
13	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
14	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
15	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
16	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
17	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
18	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
19	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
20	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
21	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
22	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
23	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
24	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
25	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
26	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
27	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
28	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
29	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
30	0.0587	0.1500	207.4198	323.4746	145.7347	1,656.6788	826.0584			8.2686	5.2250
Levelized Tariff	0.0587	0.1500	207.4198	323.4746	145.7347	1,585.7364	826.0584	1,650.8644	1,000.1804	14.8507	9.3843

*The above tariff has been calculated on the basis of net contracted capacity of 100.98 MW and net annual energy production of 474.996 GWh.



MIRA POWER LIMITED

Debt Servicing Schedule

Period	Foreign Debt					Annual Principal Repayment Million US\$	Annual Interest Million US\$	Annual Debt Servicing Million US\$	Annual Principal Repayment Rs./kW/M	Annual Interest Rs./kW/M	Annual Debt Servicing Rs./kW/M
	Principal Million \$	Repayment Million \$	Mark-Up Million \$	Balance Million \$	Debt Service Millin \$						
1	230.7741	6.3290	7.9757	224.4451	14.3047	12.8768	15.7327	28.6094	1,650.8281	2,016.9692	3,667.7873
	224.4451	6.5478	7.7570	217.8973	14.3047						
2	217.8973	6.7741	7.5307	211.1233	14.3047	13.7822	14.8272	28.6094	1,768.9073	1,900.8800	3,667.7873
	211.1233	7.0082	7.2966	204.1151	14.3047						
3	204.1151	7.2504	7.0544	196.8647	14.3047	14.7513	13.8581	28.6094	1,891.1487	1,776.6386	3,667.7873
	196.8647	7.5010	6.8038	189.3638	14.3047						
4	189.3638	7.7602	6.5445	181.6036	14.3047	15.7886	12.8209	28.6094	2,024.1262	1,643.6611	3,667.7873
	181.6036	8.0284	6.2763	173.5752	14.3047						
5	173.5752	8.3059	5.9989	165.2694	14.3047	16.8988	11.7107	28.6094	2,166.4541	1,501.3332	3,667.7873
	165.2694	8.5929	5.7118	156.6765	14.3047						
6	156.6765	8.8899	5.4148	147.7866	14.3047	18.0870	10.5224	28.6094	2,318.7899	1,348.9974	3,667.7873
	147.7866	9.1971	5.1076	138.5894	14.3047						
7	138.5894	9.5150	4.7897	129.0745	14.3047	19.3588	9.2506	28.6094	2,481.8373	1,185.9499	3,667.7873
	129.0745	9.8438	4.4609	119.2306	14.3047						
8	119.2306	10.1840	4.1207	109.0466	14.3047	20.7200	7.8894	28.6094	2,656.3496	1,011.4377	3,667.7873
	109.0466	10.5360	3.7687	98.5106	14.3047						
9	98.5106	10.9001	3.4046	87.6105	14.3047	22.1770	6.4325	28.6094	2,843.1327	824.6545	3,667.7873
	87.6105	11.2769	3.0279	76.3336	14.3047						
10	76.3336	11.6666	2.6381	64.6870	14.3047	23.7364	4.8731	28.6094	3,043.0497	624.7375	3,667.7873
	64.6870	12.0698	2.2349	52.5972	14.3047						
11	52.5972	12.4869	1.8178	40.1103	14.3047	25.4054	3.2040	28.6094	3,257.0240	410.7633	3,667.7873
	40.1103	12.9185	1.3862	27.1918	14.3047						
12	27.1918	13.3650	0.9398	13.8269	14.3047	27.1918	1.4176	28.6094	3,486.0441	181.7432	3,667.7873
	13.8269	13.8269	0.4779	0.0000	14.3047						



Note of Member (Tariff & Finance)

The instant COD Tariff Adjustment Decision (Decision) is being issued pursuant to the stipulations and adjustment mechanism approved in the decisions issued by NEPRA in the matter of request filed by CPPA-G for the approval of PPA containing tariff and terms conditions for power procurement from 102 Gulpur Hydro Power Project of Mira Power Limited (Mira Power) issued on 03 August 2015 and on 28 October 2015 (Reference Tariffs).

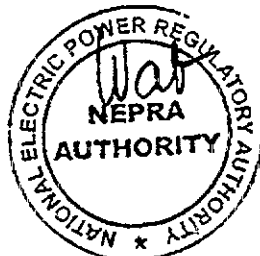
Given that the COD adjustment request was filed to NEPRA in March 2022, this case has been inordinately and inexcusably delayed for over three (3) years. This matter should have been dealt with and decided years ago.

Disagreement with the majority view on the rationale for disallowance of exchange rate variation on the entire engineering and construction cost

Mira Power has not been allowed exchange rate variations on the entire engineering and construction cost in the Decision. One of the reasons stated for this is that, since such costs are incurred locally, they should be paid in PKR and, accordingly, no indexation for exchange rate variation should be allowed. I do not agree with this general basis for not allowing exchange rate variations on any portion of engineering and construction cost, as it runs contrary to the treatment NEPRA has itself approved in the Reference Tariffs, and to the fact that NEPRA has allowed exchange rate variation on such costs in many tariff cases of different technologies. I agree that the civil works portion of the engineering and construction cost has rightly been considered and allowed in PKR in the Decision, however, my agreement is based solely on the specific mechanism approved by NEPRA in the Reference Tariffs, which expressly locks that cost in PKR and provides for the escalation of that PKR amount, and not on the basis that these are local costs and should therefore be kept in PKR.

Dissent on disallowance of exchange rate variation for electrical and mechanical works

The electrical and mechanical works portion (USD 9.55 million) of the engineering and construction cost, i.e. the portion other than the civil works cost mentioned above, has not been allowed adjustment on account of exchange rate variations in the Decision. In my view, Mira Power should be allowed exchange rate variations on this portion of the engineering and construction cost, for the following reasons: (i) NEPRA in the Reference Tariffs approved the allowance of exchange rate variation on costs incurred in foreign currency, and the cost of electrical and mechanical works has been incurred in foreign currency, (ii) unlike the cost of civil works, this cost was not set out in PKR in the Reference Tariffs, and accordingly has not been allowed escalation under the approved adjustment mechanism, (iii) in the decision for Laraib Energy (the first IPP hydro power project which achieved financial close and COD prior to Mira Power), the portion of the onshore EPC costs, not included in the cost escalation mechanism, was treated as USD based, and was allowed exchange rate variation. Therefore, there is absolutely no justifiable reason for disallowing Mira Power the exchange rate variations for this portion of the engineering and construction cost.



Aa
Amina Ahmed
Member (Tariff & Finance)



National Electric Power Regulatory Authority
Islamic Republic of Pakistan

NEPRA Tower, G-5/1, Attaturk Avenue, Islamabad

Phone: 9206500, Fax: 2600026

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No. NEPRA/TRF-100/Notifications/ **20219-21**

October 05, 2026

The Manager

Printing Corporation of Pakistan Press (PCPP)

Khayaban-e-Suharwardi,

Islamabad

Subject: **NOTIFICATION REGARDING DECISION OF THE AUTHORITY**

In pursuance of Sub-Section 7 of Section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997); enclosed please find herewith a notification in respect of the following Decision of the Authority for immediate publication in the official Gazette of Pakistan:

S. No.	Decision	Issuance No. and Date	SRO No. allotted by PCPP
1.	Decision of the Authority in the matter of Commercial Operations Date Adjustment of 102 MW Gulpur Hydropower Project located at Kotli District, Azad Jammu & Kashmir	15775-15779 07-08-2026	1694

2. Please also furnish ten (10) copies of the Notification to this Office after its publication.

Encl: 01 Notification


(Wasim Anwar Bhinder)

CC:

1. Chief Executive Officer, Central Power Purchasing Agency (Guarantee) Limited, Blue Area, Islamabad
2. Syed Mateen Ahmed, Deputy Secretary (T&S), Ministry of Energy – Power Division, Islamabad