HESCO HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Phone: 9260023
Fax: 9260361
PBX: 9260161
E-Mail: ceohesco@hotmail.com

WAPDA OFFICES COMPLEX
HUSSAINABAD HYDERABAD

URL: www.hesco.gov.pk

No: CEO/FD/HESCO/CPC/ 13344-46

Dated: 31/05/2008

TRF - 105 (original)

The Registrar,
National Electric Power Regulatory Authority,
2nd Floor, OPF Building, Sector G-5/2
Islamabad.

Sub: TARIFF PETITION –HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (LICENSE # 05/DL/2002)

Tariff Petition in accordance with rule 3 (1) of NEPRA-Tariff Standards & Procedures Rules 1998 is being submitted for necessary consideration.

It is therefore requested to admit the petition for determination of tariff of the Company for the FY 2008-09 as detailed in the petition along with summary of evidence & an affidavit.

Kindly acknowledge and issue official receipt.

(GUFTAR AHMED)
CHIEF EXECUTIVE OFFICER

Encl:

i. Tariff Petition
ii. Summary of Evidence
iii. Affidavit

C.C. to:

i Managing Director PEPCO, Wapda House Lahore w.r.t letter No: MD (PEPCO) 296/dated May 27, 2008 please.
ii Additional Secretary Power MoW&P Islamabad.
iii Executive Director, (PM & C) PEPCO, Wapda House Lahore
iv Master File.

Registrar
Dy. No. 5855
Dated: 06-06-08

HESCO **HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED**

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WAPDA OFFICES COMPLEX
HUSSAINABAD HYDERABAD

URL: www.hesco.gov.pk

No: CEO/FD/HESCO/CPC/ 13520-23

Dated: 04/06/2008

The Registrar,
National Electric Power Regulatory Authority,
2nd Floor, OPF Building, Sector G-5/2
Islamabad.

Sub: TARIFF PETITION –HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (LICENSE # 05/DL/2002)

In continuation to our letter No: 13344-46 dated 31-05-2008 a demand draft No. 888063 dated 04-06-2008 for Rs. 1,831,050/- is enclosed as tariff petition fees as per Rule-3-part-II of NEPRA's Tariff Standard and procedure Rule 1998.

Please acknowledge this receipt.

(GUFTAR AHMED)
CHIEF EXECUTIVE OFFICER

Encl: as above.

C.C. to:

i. Managing Director PEPCO, Wapda House Lahore w.r.t letter No: MD (PEPCO) 296/dated May 27, 2008 please.
ii. Additional Secretary Power MoW&P Islamabad.
iii. Executive Director, (PM & C) PEPCO, Wapda House Lahore
iv. Master File.

A/c Only

National Bank of Pakistan

NBP Shahbaz Building (045)

Demand Draft

No. DAT/APN A 888063

Rs. =1831050/=

Dated 04-06-2008

On Demand Pay to NEPRA Islamabad

Rupees One Million Eight hundred thirty one thousand fifty only *or order*

value received

To National Bank of Pakistan
Main Branch
Islamabad.

Code No. 0341.

For National Bank of Pakistan

OFFICER

MANAGER

Farzana Memon
A-5090

DO NOT WRITE BELOW THIS LINE

TARIFF PETITION-HESCO
Summary of Evidence

Sr. #	Parameter	Unit	As per NEPRA's Last Determination	As per HESCO's Petition	Brief Description
1	Growth in Sales	%age	6	9.5	We expect a growth in our sales mix of 9.5% in F.Y. 2008-09
2	T&D Losses	%age	35	33	As against our actual T&D losses of 36.95% of F.Y. 2006-07 (Showing increase of 2% as compared to F.Y. 2007-08) we could hardly reduce our losses to 35% and then 33%. for F.Y. 2008-09.
3	Power Purchase Price	Rs./Kwh	3.73	5.52	Power purchase price charged by CPPA NTDC for July-07 to Apr-08 at average Rs. 5.52/Kwh at year end & assumed increae 15% for next F.Y. 2008-09, the actual increase for the period July-07 to Apr-08 price @ 23%.
4	Rate on Return Base	Rs. in M	2,542	3,827	17.83% allowed by Authority for F.Y. 2007-08 and addition of 2% as increased by SBP.
		%age	17.83	19.83	
5	O & M	Rs. in M	4,055	4,886	Our estimated O & M expenses for 2007-08 are based on our actuals upto July-07 to Apr-08 plus the estimated expenses of remaining 2-months. Increase 15% for the next F.Y. 2008-09 considering the inflation factor.
6	Provision for Bad Debt	Rs. in M	855	2,936	Based on the past trends of our recoveries, as also on the recommendation of our auditors, we have been providing for bad debts @ 5% of our recievables. Accourdingly we have assumed 5% of the sales as irrecoverabele.
			2.5	5	
7	Distribution Margin	Rs./Kwh	1.51	1.93	This is mainly because of actual increase in O&M expenses, provision for bad debt, increase in profit rate base etc.
8	Average Nominal Tariff	Rs./Kwh	7.76	10.16	Average Nominal Rate increase mainly due to power purcahse price i.e. 81% of Sale Rate.
9	Tax	Rs. in M	613	948	Corporate Rate @ 35% is charged

PAKISTAN

100 RS.

ONE HUNDRED RUPEES

پاکستان

ایک سو روپیہ (۱۰۰)

MUHAMMAD SHAMSHAD
GOVT: STAMP VENDOR
Shed No. 51, Session Court, Hyd.
Licence No. 148, Serial No:.........
Page No:...114... Dated:..........

MAY 2008

30 MAY 2008

AFFIDAVIT

I, Guftar Ahmed, Chief Executive Officer, Hyderabad Electric Supply Company Limited, (Distribution License # 05/DL/2002) being duly authorized representative/attorney of Hyderabad Electric Supply Company Limited, hereby solemnly affirm and declare that the contents of the accompanying petition/application No. CEO/HESCO/F.D/13344-46 dated 31.05.2008, including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed. I also affirm that all further documentation and information to be provided by me in connection with the accompanying petition shall be true to the best of my knowledge and belief.

Verified on Oath this 31.05.2008 that the contents hereof are true and correct to the best of my knowledge and belief and nothing has been concealed.

DEPONENT

(GUFTAR AHMED)
CHIEF EXECUTIVE OFFICER

HYDERABAD ELECTRIC SUPPLY COMPANYLIMITED

TARIFF PETITION

DISTRIBUTION LICENSE
No. 05/DL/2002

May 31,2008.

HYDERABAD ELECTRIC SUPPLY COMPANYLIMITED

TARIFF PETITION

DISTRIBUTION LICENSE
No. 05/DL/2002

May 31,2008.

TABLE OF CONTENTS

TARIFF PETITION

1. PETITION SUMMARY

1.1 Details of the Petitioner

1.1.1 Name and Address

Hyderabad Electric Supply Company Limited (hereinafter referred to as HESCO)
WAPDA OFFICES COMPLEX, HUSSAINABAD HYDERABAD.

1.1.2 Representatives of HESCO

Mr. Guftar Ahmed	Chief Executive Officer
Mr. Habibullah Khiliji	Chief Engineer/Technical Director
Mr. Muhammad Aftab Alam Khan	Finance Director
Mr. Khurshaid Ahmed Shah	Customer Services Director

1.1.3 Grounds for Petition

Under the 1997 NEPRA Act, NEPRA is responsible for determining tariffs and other terms and conditions for the supply of electricity by the generation, transmission and distribution companies and to recommend these to the Federal Government, subject to the need to comply with guidelines, not inconsistent with the provisions of the NEPRA Act, as laid down by the Federal Government. NEPRA is also responsible for determining the process and procedures for reviewing tariffs and recommending tariff adjustments.

HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED (HESCO) is a licensed public limited company providing a public utility service to distribute and supply electricity to the distribution area of Hyderabad Electric Supply Company Limited, as set out in HESCO's license, granted by the Government of Pakistan under the NEPRA Act. In accordance with the requirements of the license, HESCO is hereby submitting a petition to revise tariffs in its license area for the fiscal year 2008-09.

This petition is filed in accordance with the NEPRA Tariff Standards and Procedure Rules 1998 Part II Section 3.

1.2 Key Aims and Features of the Petition

1.2.1 Aims of the Petition

This tariff petition sets out the tariff methodology, required revenues and timetable for rebalancing tariffs in HESCO's distribution area for the next FY-2008-09. The aim of this petition is to obtain approval for the immediate implementation of cost reflective tariffs to yield HESCO's required revenues and a next year rebalancing of tariffs so that the tariffs for each customer category reflect the cost of serving of that customer category.
The implementation of cost reflective tariffs will benefit consumers as well as HESCO as it will;

- Capable of funding for investment to improve service quality and reliability.
- Enable the funding of network expansion.
- Provide signals for efficient usage of distribution net work & investment.
- Promote the financial sustainability of the Company.

1.2.2 Features of the Petition

This petition proposes the followings:

- A transparent and predictable formula for setting and revising tariffs in HESCO'S license area.
- Sufficient average tariff to enable HESCO to recover prudently incurred operating costs and earn a reasonable return on its assets to meet with its cash flow requirements.
- Incentives for HESCO to make operating efficiencies and reduce T & D losses.

1.2.3 Structure of the Petition

This petition has three distinct components. The first part deals with the tariff methodology. This is the formula that will be used to determine HESCO's distribution margin within the period of control year. The second part covers the calculation of HESCO's required revenues during the revenue control period. The third part covers the different components of required revenues including operating costs, investment costs and rate of return.

2. Tariff Review Formula and Process

The tariff formula provides a transparent and predictable way of determining HESCO's distribution margin on an annual basis within the period of control year. A formula is advantageous as it reduces uncertainty for the utility and for customers. It also provides a simple way for NEPRA to incentives the company to reduce losses and/or make operating efficiencies as required.

2.1 Tariff Methodology

2.1.1 HESCO's Margin

The formula calculates HESCO's distribution margin based on forecast unit sales, operating expenses, depreciation, investment and return on investment (cost of capital). Generation and transmission costs are treated as pass-through. The formula determines revenues for the period of the tariff control period. Revisions may be made to revenues within that period if actual inflation is different from forecast. The profits or losses that arise from changes in efficiency or demand would, however, be retained by HESCO for the duration of the revenue control period.
At the end of the year period, the formula would be reapplied to determine the distribution margin for each year in the subsequent period of control. Operating expenditures will be subject to an efficiency requirement so that HESCO will be required to ensure that its increase in costs is below the rate of inflation by an efficiency factor (X) to be determined by NEPRA.

Under the proposed tariff-setting methodology, the average retail tariff would consist of (i) the Power Purchase Price (PPP) adjusted on T & D Losses, which would be passed through to the end users in the retail tariff, and (ii) the average distribution margin, which would be set on the formula-based methodology of NEPRA.

2.1.2 Power Purchase Price (PPP)

Hyderabad Electric Supply Company Limited will pay a Power Purchase Price (in Rs./kWh) for the electricity it procures from CPPA-NTDC or other sources, which would include the generation and transmission charges (regulated by NEPRA) and distribution by HESCO. This Power Purchase Price, adjusted for HESCO's Transmission and distribution losses, would then be simply added to HESCO's overall distribution margin to workout the retail tariffs. Thus, the cost of the purchased electricity would be "passed through" to consumers through the retail tariff, without affecting HESCO's distribution margin.

While passing through the PPP, it is recognized that all distribution companies experience some level of T & D losses, defined as the percentage of the difference between the units received by the Company and the units invoiced to the consumers. The PPP should thus be adjusted such that HESCO would be compensated for some losses, without hindering the incentive to eliminate the total losses.

$$PPP = \frac{\text{Unadjusted PPP}}{1 - Lt}$$

Where;

- Unadjusted PPP is the cost of electricity supply charged by CPPA or any other source at any given time;
- L_t is the target Transmission and distribution losses defined as a percentage of purchased units, in accordance with a schedule established for the control period.

The schedule of T&D losses will be set to gradually decrease from the current level of 35% to 33% by the end of F.Y. 2008-09 . Thereafter, the target losses will be reset to account for any further improvements that may be deemed achievable in subsequent period through investment in the system and other measures.

Based on the above formula, the compensation for T & D losses would be automatically adjusted for any changes in the power purchase cost. The schedule of target losses, however, would be maintained throughout the control period, regardless of the actual T & D losses incurred by HESCO. Thus, if HESCO were not able to meet the target loss reduction, it would be penalized by not being able to recover the cost of extra units lost from the retail tariffs. If, on the other hand, HESCO's actual loss reduction outperformed the target level, it would be able to gain extra revenues from the loss adjustments to the PPP.

2.2 Distribution Margin Formula

The average distribution margin for the F.Y 2008-09 would be set in accordance with HESCO's expected revenue requirements, based on the following formula:

$$\textit{Avg. Margin}_t = \frac{\textit{O\&M} + \textit{Provision for Bad Debts} + \textit{Depreciation} + \textit{RORB-(Other income)}}{\textit{Total Unit Sales}}$$

Where:

O &M is the expected operating and maintenance cost per kWh, which includes the estimated cost of technical service and repair, necessary materials for operation, salary, mandatory social insurance payments, administration, management and other operating costs related to HESCO's distribution and supply business. The O&M component for the F.Y. 2008-09 would be established on the basis of inflation adjustments to HESCO's operating expenses from the latest available data.

Provision for Bad Debts:

The socio-economic condition of the consumers of HESCO's area of service is very poor. The capability of payment utility bills is weak. Therefore 5% provision of the billing for the bad debts are to be provided.

Depreciation; The depreciation of the Company is provided in accordance with the policy of straight line method.

Average Rate of Return (ROR): The return on investment on the (cost of capital) will be calculated as follows:

ROR = Profit Rate Base × Rate of Return

Where;

Profit Rate Base: is defined for the F.Y. 2008-09 as the sum of (i) Gross Fixed Assets in Operation beginning of the year (ii) the capital expenditures for the year (New Investments), in accordance with the approved investment programme (iii.) Less Cumulative Depreciation (iv) Plus Closing Capital Work in Progress.

Annual Rate of Return: is a pre-tax return on the Profit Rate Base. Because the investment is typically financed with a combination of debt equity, the appropriate rate of return would be a market-based weighed average of the cost of capital.

Total Unit Sales: A schedule of the total unit sales (in kWh) of HESCO across all customer categories is forecast for the F.Y. 2008-09. This forecast is used to determine the average distribution margin per unit (Rs/kWh) needed to cover the revenue requirement expected for the year .

2.3 Rationale for Duration of Price Control

The length of the review period is important for determining the size of the incentive for HESCO to improve its efficiency. The longer the period of review, the larger the incentive to make efficiency gains, reduce losses or achieve cost efficiencies. A period longer than 1 year runs the risk for the company and the regulator that there is a fundamental change in the external environment in which the company operates (for example, demand and customer numbers diverge significantly from forecast values) and the tariff needs to be re-based with new forecasts of consumption, customer numbers, costs and investment. This does not mean, however, that the methodology itself should be reviewed. Rather, the aim would be to review the assumptions and forecasts, which go into the determination of the tariff.

2.4 Consumer-end Tariff-Setting

During the projected year the price control, Company's tariffs will be rebalanced so that total margin is recovered from customers in accordance with the costs of serving in different categories of customers.

Customer-specific retail tariffs will be set as follows:

Category-specific Retail Tariff	=	**PPP**	+	**Category-specific Distribution Margin**

The PPP is the power purchase price. It reflects the amount paid by HESCO to CPPA and may also be termed the CPPA transfer price. Since it is difficult to estimate future PPP with precision, we have assumed PPP according to the current consumer-end tariff, increased by the rate of inflation. In the absence of customer load data, we cannot calculate marginal generation costs; therefore, PPP cost has been averaged across all units sold by HESCO.

2.5 Revision of Retail Tariffs

While it is important for HESCO to have certainty about the period of the review, of greater importance is the existence of clear rules about the procedures for re-setting tariffs. If, when reviews are conducted, HESCO and its customers know (i) how efficiency savings will be treated; and (ii) the appropriate criteria to be used to determine the return on investment, there will be less concern about the length of the period of review.

Based on the methodology discussed above, possible adjustments to retail tariffs within a re-base or revenue control period are strictly limited to the following items:

Scheduled Change in Distribution Margins; The retail tariff will be revised after every month to ensure required revenue in case of fundamental changes in the basic assumptions formulating tariff design.

Changes in PPP: At any point in time, any changes in the Power Purchase Price (e.g. due to fuel cost adjustments) would automatically result in a corresponding change in retail tariffs (i.e., the change would be passed through immediately) on monthly basis.

Inflation Adjustments: The O&M component of the distribution margin would be automatically adjusted for exceptional inflation.

Extra ordinary Adjustments: Any justified losses and/or additional expenses incurred by HESCO due to changes in legislation, legal acts, technical regulation, or other special events that are beyond its control would be reimbursed by adjusting the distribution margin, subject to NEPRA's approval:

3. CALCULATING HESCO'S REVENUE REQUIREMENT

3.1 Current Tariffs

Presently, the consumer-end tariff is based on a highly cross-subsidized structure (which the GoP want to rationalize over a period of time). This essentially means that whilst some customers are paying substantially less than their cost of service, industrial and commercial customers pay higher prices. Thus, consumers that are paying in excess of their cost of service are effectively subsidizing other categories especially the domestic and lifeline customers. Due to cross subsidy the industrial consumers are going to self generation.

3.2 Trends in Customers Numbers and Consumptions

Annex-1 provides information about tariff category wise demand and customer numbers in the HESCO's service area. As would be observed, consumptions by the subsidized categories generally outpaced others, which has been a major pressure on the tariffs.

The increase in domestic consumption relative to industrial consumption has worrying implications for HESCO's revenues and profitability, especially since domestic customers cost more to serve. As domestic consumption increases, and in the absence of cost reflective tariffs, HESCO's overall costs rise whilst its revenues remain stagnant. Meanwhile, industrial customers (the most profitable for HESCO, as they are more economical to serve) are reducing their consumption (by installing captive generation) resulting in lower revenues for the Company.

Table-1

Category Wise Units Sold Actual & Projected

GWH

CATEGORY			Actual Units Sold 2004-05	Actual Units Sold 2005-06	Actual Units Sold 2006-07	Tentative Units 2007-08	Projected 2008-09
A - I	UPTO - 50		106.99	115.25	179.12	195.24	200.00
	1--100		165.72	169.86	178.52	194.58	213.07
	101--300		912.00	1008.49	1050.84	1,145.41	1,254.23
	301--1000		508.90	622.52	749.59	817.05	894.67
	ABOVE 1000		164.11	196.87	269.34	293.58	321.47
	Temporary Domestic		0.00	0.03	0.02	0.02	0.03
Total Domestic			**1857.71**	**2113.02**	**2427.43**	**2,645.89**	**2,883.46**
A - 2	UPTO - 100		68.45	71.61	71.57	78.02	85.43
	ABOVE 100		194.03	224.93	245.23	267.30	292.69
	> 20KW		6.74	16.83	46.01	50.15	54.91
Temp: Commercial			0.12	0.16	0.17	0.19	0.21
Total Commercial			**269.35**	**313.54**	**362.98**	**395.65**	**433.24**
INDUSTRY						0.00	0.00
B-1	400 VOLTS	(UPTO 40 KW)	234.10	296.50	360.29	392.71	430.02
B-2	400 VOLTS	(41-500 KW)	308.40	324.69	346.38	377.55	413.42
B-2	400 VOLTS	(TOD)	14.54	14.64	11.34	12.36	27.35
B-3	11/33 KV		52.03	27.27	24.06	26.23	28.72
B-3	11/33 KV	(TOD)	267.61	272.41	288.36	314.31	344.17
B-4	66/132/220 KV		17.93	20.08	9.43	10.28	11.25
B-4	66/132/220 KV	(TOD)	132.56	142.48	107.79	117.49	128.65
Total Industrial			**1027.17**	**1098.05**	**1147.64**	**1,250.92**	**1,383.58**
BULK SUPPLY						0.00	0.00
	C-1 (a)	UPTO 20 KW	7.96	9.29	10.21	11.13	12.19
	C-1 (b)	ABOVE 20 KW	107.68	114.71	119.24	129.97	142.32
	C-2 11/33 KV		76.06	79.86	86.51	94.29	103.25
	C-3 (66/132/220 KV)					0.00	0.00
	Temporary E2-iia, E2iib,e2iii					0.00	0.00
Total Bulk			**191.69**	**203.86**	**215.96**	**235.39**	**257.76**
TUBEWELLS						0.00	0.00
	D-1 Scarp		326.32	351.57	369.08	402.30	440.52
	D-2 (I) Punjab & Sindh		260.92	258.28	215.60	235.00	257.33
	AGRI T/W	D-2 (I) TOD		12.06	6.76	7.37	8.07
	AGRI T/W	D-2 (II) TOD				0.00	0.00
Total Tubewells			**587.24**	**621.91**	**591.44**	**644.67**	**705.91**
	Public Lighting G-1		43.46	56.05	64.07	69.84	76.48
	Public Lighting G-2		17.71	31.86	25.44	27.73	30.37
	Residential Colonies H-1		5.43	5.08	4.70	5.12	5.61
	Residential Colonies H-2		2.74	2.52	3.12	3.41	3.73
Total			**69.33**	**95.51**	**97.34**	**106.10**	**116.18**
Grand Total			**4002.49**	**4445.89**	**4842.78**	**5,278.63**	**5,780.13**
%age of Increase				**11.08%**	**8.93%**	**9.00%**	**9.50%**

3.3 Calculating HESCO's Revenue Requirement

Based on the tariff methodology described in the previous section, the average tariffs for fiscal years 2008-09 have been calculated using the following parameters:

- **Inflation**: the CPI has been set to increase annually by the historical average inflation rate of 15%.

- **Total Unit Sales**: Starting with unit sales of 5,780.10 GWh as projected in Table-1 for the F.Y.2008-09, the Total Unit Sales are increased by the annual demand growth. Based on Annex-1, the average annual rate of demand growth has been set at 9.5% at different level for different consumer's categories.

- **Projected Transmission and Distribution Losses:** The level of losses (Distribution & Transmission) are allowed at 35% FY year 2007-08 by NEPRA and 33% one set for the F.Y. 2008-09. These projected losses are quite realistic and achievable. The company will endeavour to meet the target losses. However, HESCO has to electrify huge number of villages and tube well connections which adversely affect our targets. Moreover, it has been assumed that village electrification will be financed by grants from sponsors otherwise consumer end tariff will increase because of interest on loans in case village electrification is to be financed from loans.

- **Power Purchase Price (PPP):** The PPP of the current year 2007-08 is based on the invoice raised by CPPA i.e. Jul-07 to Apr-08 average 4.52/Kwh with last two months assume on actual price of Apr-2008 i.e Rs. 4.80/Kwh. An increase 15% of inflation is maintained to absorb the higher PPC which comes to Rs. 5.52/Kwh (prior to adjustments of T&D losses) for the F.Y 2008-09. As the actual PPP is to be regulated by NEPRA over the period, any subsequent increases/decrease in the PPP so determined by NEPRA shall be adjusted in our sales price and will be pass through to the ultimate consumers.

- **Purchase Costs**: The cost of electricity purchased by HESCO has been calculated as the PPP (unadjusted for distribution losses) times the units of electricity purchased. This is also the equivalent of the units of electricity sold times the PPP adjusted for T&D losses (PPP divided by 1 minus the percentage of allowed losses).

- **O&M:** Based on inflation adjustments to HESCO'S operating expenses from the latest available data (for the FY-2007-08) and the impact of increase in salaries assumed in the financial year 2008-09, the O & M per unit has been projected at around Rs.0.85/kWh..

- **Old Assets Base:** The value of the Old Assets Base at the beginning of the year (2008-09) has been set as the book value of the Company's fixed assets (net fixed assets plus capital work in progress), taken from the latest available audited financial statements (F.Y 2006-2007) provided in Annex-2.

- **New Investments**: New investments will be made as per the investment plan duly approved by ECNEC as Annex-3.

- **Depreciation:** The depreciation is charged as per policy of the Company

- **Profit Base:** The Profit Rate Base is calculated as (i) the sum of the existing assets Base (Less accumulated depreciation), plus (ii) the New Investments and (iii) Work in Progress minus (-) deferred credit.

- **Average Rate of Return(ROR) :** Average ROR has been estimated to meet with the cash flow requirements of HESCO, which works out to 19.83% for the F.Y 2008-09, as under:

Allowed By NEPRA	17.83%
Increased By SBP	2.00%
Total	19.83%

- **Distribution Revenue:** The sum of the O&M, Depreciation, provision for bad debt and ROR less Amortization and Other Income result in HESCO's distribution revenue. Dividing this by the total units sold yields the average distribution margin (Rs./Kwh).

3.4 Tariff F.Y. 2008-09

The tariff based on the methodology discussed above comes out to Rs. 10.6/Kwh (Table-2).

The results of the calculations are summarized on the next page as Table-2

3.5 Income Tax

Income Tax on the profit @ 35% has been provided for the F.Y. 2008-09.

3.6 Estimated Sales Revenue for the F.Y 2008-09

Estimated Sales Revenue on the basis of proposed Tariff for the F.Y. 2008-09 is as Annex-4.

3.7 Proposed Tariff F.Y. 2008-09

Category wise proposed Tariff F.Y. 2008-09 is as Annex-5.

3.8 Financial Statement

The financial projection of the Company are prepared on the basis of proposed Tariff are as under:

Particulars	Units	2005-06	2006-07	2007-08	2008-09
Average Sale Rate	Rs/kWh	4.30	6.03	7.24	10.16
Sales	Rs. in Mln	19,905	29,954	39,284	59,820
Cost of sales	Rs. in Mln	23,804	27,435	38,980	47,621
Operating Expenses	Rs. in Mln	5,782	6,452	8,220	9,055
Other Income	Rs. in Mln	306	507	592	651
Financial Charges	Rs. in Mln	642	850	830	1,088
Tax for the year	Rs. in Mln	-	56	38	948
Profit/(Loss) for the year	Rs. in Mln	(10,017)	(4,331)	(8,193)	1,760

DETAILED WORKINGS ARE ATTACHED AS:

Profit & Loss Account	Annex- 6
Balance Sheet	Annex- 7
Cash flow Statement	Annex- 8
Quantitative Data	Annex- 9

Table-2

HESCO'S REVENUE REQUIREMENT

Sr. No.	Description	Unit	2008-09 Projected
i	Total Unit Sales	Mkwh	5,780.10
ii	losses	%age	33.00%
iii	Total Units Purchased	Mkwh	8,627.02
iv.	PPP (Un-adjusted)	Rs./kwh	5.52
v	PPP (adjusted)	Rs./kwh	8.24
	Regulatory Assets Base (RAB)		
	Gross Fixed Assets in Operation		
1	Opening Fixed In operation	Mln.Rs.	31,694.37
2	Transferred during the year	Mln.Rs.	3,282.12
3	**Closing Fixed Assets in operation (1+2)**	Mln.Rs.	34,976.48
4	**Less : Cumulative Depreciation**	Mln.Rs.	15,095.53
5	**Net Fixed Assets in Operation (3-4)**	Mln.Rs.	19,880.95
6	Closing Capital Work in Progress	Mln.Rs.	4,923.17
7	Working Capital	Mln.Rs.	949.95
8	**Total Assets (5+6)**	Mln.Rs.	25,754.08
9	Deferred Credit	Mln.Rs.	6,453.21
10	**Regulatory Rate Base (7-8)**	Mln.Rs.	19,300.87
	Distribution Revenue		
11	Return on Net Fixed Assets in Operation (RRB * Profit Rate Base)	Mln.Rs.	**3,827.36**
12	O&M (Million Rs.)	Mln.Rs.	4,886.39
13	Depreciation	Mln.Rs.	1,231.85
14	Provision for bad debts	Mln.Rs.	2,936.29
15	Other Income	Mln.Rs.	(1,745.57)
16	Distribution Margin Cost	Mln.Rs.	11,136.32
17	PPP (Adjusted)	Rs./kwh	8.24
18	Distribution Margin (16/1)	Rs./kwh	1.92
19	Average Nominal Tariff	Rs./kwh	10.16
20	Distribution Margin/Total	%age	18.95%

4. Tariff Design / Elimination of Cross-Subsidies:

As indicated in the preceding paragraphs, industrial customers that are paying in excess of their cost of service are effectively subsidizing domestic customers, thus encouraging such customers to bypass distribution network through the installation of captive generation. Although the size of the cross-subsidies is not precisely known in the absence of a detailed load research, it is likely to be difficult to rebalance tariffs overnight. Many domestic customers are unlikely to be able to afford what would amount to a doubling of tariffs. We therefore propose the following approach to smoothen the impact of the elimination of cross-subsides:

1. The maximum increase in tariffs for any customer category in any given year is capped somewhere above the change in average tariffs. So long as the increase is within a limit to be fixed by the regulator, HESCO would be permitted to increase or decrease each customer-specific tariff accordingly.

2. HESCO will prepare a comprehensive long run marginal cost study, which, once approved by NEPRA, will become the basis for the elimination of cross-subsidies thereafter. HESCO will then be allowed to continue adjusting the tariffs within the above restriction, under an additional limit that the domestic tariffs will not be set to exceed the estimated long run marginal cost of supplying these customers. Based on this, the category-wise tariffs proposed for 2005-06 are presented in Annex -4.

Alternative Means

The alternative means to meet the tariff increase being sought includes:

- Government of Pakistan to pick the gap between the *HESCO*'s revenue requirement based on cost of service as determined by NEPRA and HESCO's existing sales revenue, resulting in zero increase in consumer end tariff.
- The gap between the existing and required tariff to be spread on all consumer categories except life line consumers, through a flat equal increase in their existing tariff.

(Annex I)

DEMAND ANALYSIS

DEMAND FORECAST — HYDERABAD ELECTRIC SUPPLY COMPANY LIMITED

(Million KWH)

CATEGORY			Nos. of Consumers 2006-07	2004-05	2005-06	2006-07	2007-08	2008-09
A - I	UPTO - 50		371313	106.99	115.25	179.12	195.24	200.01
	1--100		142799	165.72	169.86	178.52	194.58	213.07
	101--300		437419	912.00	1008.49	1050.84	1,145.41	1,254.23
	301--1000		166236	508.90	622.52	749.59	817.05	894.67
	ABOVE 1000		14591	164.11	196.87	269.34	293.58	321.47
	Temporary Domestic		31	0.00	0.03	0.02	0.02	0.03
Total Domestic			**1,132,389**	**1857.71**	**2113.02**	**2427.43**	**2,645.89**	**2,883.47**
A - 2	UPTO - 100		177975	68.45	71.61	71.57	78.02	85.43
	ABOVE 100		52629	194.03	224.93	245.23	267.30	292.69
	> 20KW		363	6.74	16.83	46.01	50.15	54.91
Temp: Commercial			280	0.12	0.16	0.17	0.19	0.21
Total Commercial			**231,247**	**269.35**	**313.54**	**362.98**	**395.65**	**433.24**
INDUSTRY							0.00	0.00
B-1	400 VOLTS	(UPTO 40 KW)	18244	234.10	296.50	360.29	392.71	430.02
B-2	400 VOLTS	(41-500 KW)	2519	308.40	324.69	346.38	377.55	413.42
B-2	400 VOLTS	(TOD)	56	14.54	14.64	11.34	12.36	27.34
B-3	11/33 KV		86	52.03	27.27	24.06	26.23	28.72
B-3	11/33 KV	(TOD)	102	267.61	272.41	288.36	314.31	344.17
B-4	66/132/220 KV		2	17.93	20.08	9.43	10.28	11.25
B-4	66/132/220 KV	(TOD)	6	132.56	142.48	107.79	117.49	128.65
Total Industrial			**21,015**	**1027.17**	**1098.05**	**1147.64**	**1,250.92**	**1,383.57**
BULK SUPPLY							0.00	0.00
	C-1 (a)	UPTO 20 KW	268	7.96	9.29	10.21	11.13	12.19
	C-1 (b)	ABOVE 20 KW	423	107.68	114.71	119.24	129.97	142.32
	C-2 11/33 KV		42	76.06	79.86	86.51	94.29	103.25
	C-3 (66/132/220 KV)						0.00	0.00
	Temporary E2-iia, E2iib,e2iii						0.00	0.00
Total Bulk			**733**	**191.69**	**203.86**	**215.96**	**235.39**	**257.76**
TUBEWELLS							0.00	0.00
	D-1 Scarp		7709	326.32	351.57	369.08	402.30	440.52
	D-2 (I) Punjab & Sindh		13577	260.92	258.28	215.60	235.00	257.33
	AGRI T/W	D-2 (I) TOD	2208		12.06	6.76	7.37	8.07
	AGRI T/W	D-2 (II) TOD					0.00	0.00
Total Tubewells			**23,494**	**587.24**	**621.91**	**591.44**	**644.67**	**705.91**
	Public Lighting G-1		540	43.46	56.05	64.07	69.84	76.48
	Public Lighting G-2		250	17.71	31.86	25.44	27.73	30.37
	Residential Colonies H-1		77	5.43	5.08	4.70	5.12	5.61
	Residential Colonies H-2		21	2.74	2.52	3.12	3.41	3.73
Total			**888**	**69.33**	**95.51**	**97.34**	**106.10**	**116.18**
Grand Total			**1,409,766**	**4002.49**	**4445.89**	**4842.78**	**5,278.63**	**5,780.13**

(Annex 2)

Inputs from HESCO's Audited Financial Statements for the year 2006-07
Table below shows HESCO's operating results, for the financial year ended 30th June-07.

(Rs. In Million)

REVENUE	
Energy Sale	29,178
Other Income	1283
Total Revenue	**30,461**
Operating Cost	
Cost of electricity	27,435
O & M Cost	5,414
Depreciation	1038
Total Operating Cost	33,887
Net Income /(Loss) before Tax	(3,426)
Financial Charges	850
Taxation	(55)
Loss for the Year after Tax	(4331)
HESCO Balance Sheet for the Financial year as at 30th June 2007.	
Authorized Share Capital	50,000
Share Capital & Deposit for Shares	30,219
Accumulated (Losses)	(35,614)
	(5,395)
Deferred Liabilities /Credit	8,114
Non-Current Liabilities	5,948
Current Liabilities	31,594
	40,261
ASSETS	
Non-Current Assets	
Operating Fixed Assets	16,703
Capital Work -in- Progress	3,177
	19,880
Long Term Loans & Advances	7
Current Assets	
Stores & Spares parts	1173
Trade debts	2541
Loans, advances & other receivable	13,524
Cash & bank balances	3136
	20,374
	40,261

Investment Program

The investment programme of the Company in the 6th STG, ELR, DOP/Village Electrification is as under:

TOTAL INVESTMENT.

Table 1(a) ACTUAL PROJECTED (Rs. In M)

Category	2005-06	2006-07	2007-08	2008-09
6th STG	170	636	869	1.,560
ELR	242	184	300	1,778*
DOP and RE	1,219	1,281	1,290	1,502
Total:	**1,631**	**2,101**	**2,459**	**4,840**

*Rs. 1,778 Millions during the year 2008-09 through Rs. 1,442 (M) for special ELR work as per World Bank Loan and Rs. 336 (M) from PSDP

CONSUMER CAPITAL CONTRIBUTION

Table 1(b) ACTUAL PROJECTED (Rs. In M)

Category	2005-06	2006-07	2007-08	2008-09
DOP	507	510	510	550
RE + Grant	554	644	537	616
Total:	**1,061**	**1,154**	**1,047**	**11,66**

EXTERNAL FINANCING.

Table- 1(c) ACTUAL PROJECTED (Rs. In M)

Category	2005-06	2006-07	2007-08	2008-09
6th STG	170	636	869	1,560
ELR	242	184	300	1,778*
DOP	158	127	243	336
Total:	570	947	**1,412**	**3,674**

6th SECONDARY TRANSMISSION LINE AND GRID STATION (6th STG)

The 6th STG development plan prepared by HESCO for system expansion and up-gradation of 132/66 kv system. PC-I of this project has been approved by ECNEC. This plan is based on historical load data and load forecast. New lines, re-conducting of existing lines, grids extension and augmentation has been justified with load flow studies.

Objectives of 6th STG Project

The objectives of this project is to give relief to the existing overloaded system and to meet future expansion in HESCO area.

Scope of Work for FY-2008-09

VOLTAGE	NUMBERS	Cost for the FY 2008-09		
132 kv		Local	FEC	Total
New	3	(Rs. in million)		
Conversion for 66 KV to 132 KV	4	1071.13	489.10	1,560.23
Extension	1			
Augmentation	4			
66KV				
New	1			
Total	13	1,071.13	489.10	1,560.23

Energy Loss Reduction (ELR) Project

Objectives of Distribution Rehabilitation Project:

The objectives of the Distribution Rehabilitation Project are as under:

- Energy loss Reduction
- Improvement in Quality of Supply
- Improvement in Reliability
- Improvement in Safety
- Release of Generation, Transmission and Distribution Capacity.
- Improve Customer Service and Reduce Complaints
- Reduce Cost of Operation and Maintenance
- Improve Length of Life of Equipment

Distribution of Power (DOP) Project

Objectives of DOP Project

The objectives of this Distribution of Power Expansion Project are as under:

- To improve the reliability of the system
- To improve the stability of power supply
- To give relief to the overloaded system
- To improve the quality and safety of the system

Scope of Work for FY-2008-09

- Providing 4,0941 new electricity connections to the prospective customers.
- Construction of 768.90 Km of 11 KV lines.
- Construction of 441.10 Km LT lines.
- Addition of 1,960 Nos. Distribution Transformers of various capacities.

Proposed category-wise Tariff to meet HESCO's revenue requirements 2008-09.

Annex-4

Category wise Sales Revenue on Proposed Tariff FY 2008-09

	Categories	Projected Sales (GWH)	Sales Mix (%age)	Load Factor	Proposed Tariff: Fixed Charges Rs./kw/M	Proposed Tariff: Variable Charges Rs./kwh	Revenue (Rs. in M): Fixed Charges	Revenue (Rs. in M): Variable Charges	Revenue (Rs. in M): Total	Average Rs./kwh
1	Residential - A1									
	Upto - 50 Units per Month	200.00	3.46%			2.00	0	400	400	2.00
	Consumption Exceeding 50 Units						0			
	1 - 100 Units per Month	213.07	3.69%			7.52	0	1,603	1,603	7.52
	101 - 300 Units per Month	1,254.23	21.70%			9.61	0	12,054	12,054	9.61
	301 - 1000 Units per Month	894.67	15.48%			12.89	0	11,533	11,533	12.89
	Above 1000 Units	321.47	5.56%			14.81	0	4,761	4,761	14.81
	E-1 (1)					15.11	0			
	(TOD) - Peak				425.00	16.50	0			
	(TOD) - Off Peak				425.00	8.25	0			
	Temporary Domestic	0.03	0.00%							
2	Commercial - A2						0			
	For Peak Load Requirement Upto 20 KW						0			
	Upto - 100 Units					13.57	0			
	Above - 100 Units					14.60	0			
	> 20 KW									
	Temporary Commercial	0.21	0.00%							
	E-1 (2)					17.37	0			
	For Peak Load Requirement Exceeding Upto 20 KW						0			
	Regular A-2	85.43	1.48%	15.00%	492.75	8.58	256	733	989	11.57
	(TOD) - Peak	292.69	5.06%		425.00	11.49	0	3,364	3,364	11.49
	(TOD) - Off-Peak	54.91	0.95%		425.00	6.75	5	371	376	6.84
3	Industrial						0			
	B-1 (400 Volts Upto 40 KW)	430.02	7.44%			9.19	0	3,952	3,952	9.19
	B-2 (400 Volts 41- 500 KW)	413.42	7.15%	28.00%	425.00	6.70	1,543	2,770	4,313	10.43
	B-2- 11 TOD - Peak	13.79	0.24%	0.00%	425.00	10.49	3	145	148	10.72
	B-2-11 TOD - Off Peak	13.53	0.23%	35.00%	425.00	5.78	0	78	78	5.78
	B-3 (II) TOD - Peak	28.72	0.50%	0.00%	411.75	10.49	926	301	1,227	42.74
	B-3 (II) TOD - Off Peak	344.17	5.95%	70.00%	411.75	5.11	0	1,759	1,759	5.11
	B-4 TOD - Peak	11.25	0.19%	0.00%	398.25	10.49	404	118	522	46.39
	B-4 TOD - Off Peak	128.65	2.23%	60.00%	398.25	4.80	0	618	618	4.80
	TMP E-2 (1)					10.50	0			
4	Single Point Supply for Further Distribution						0			
	C-1(a) Supply at 400 Volts Peak Load	12.19	0.21%			9.50	0	116	116	9.50
	C1-(b) Supply at 400 Volts Peak Load	142.32	2.46%	40.00%	425.25	8.75	213	1,245	1,458	10.25
	(TOD) Peak				425.25	10.49	0			
	(TOD) Off Peak				425.25	6.50	0			
	C-2 Supply at 11 KV	103.25	1.79%	80.00%	411.75	8.50	150	878	1,027	9.95
	(TOD) Peak				411.75	10.49	0			
	(TOD) Off Peak				411.75	6.30	0			
	C-3 Supply Above 11 KV	0.00	0.00%	0.00%	398.25	8.50	0			
	(TOD) Peak		0.00%		398.25	10.49	0			
	(TOD) Off Peak		0.00%		398.25	6.10	0			
	Temporary E2-iia, E2iib,E2iii	0.00	0.00%				0			
5	Agriculture Tube well - Tariff D						0			
	Scarp D-1 (a)	440.52	7.62%			9.50	0	4,186	4,186	9.50
	Agriculture Tube well D-2	257.33	4.45%	40.00%	121.50	8.50	269	2,188	2,457	9.55
	D-1 (b) Peak	8.07	0.14%		411.75	12.49	0	101	101	12.49
	D-1 (b) Off-Peak	0.00	0.00%		411.75	6.25	0			
6	Public Lighting - Tariff G						0			
	G(I)	76.48	1.32%			14.50	0	1,109	1,109	14.50
	G(II)	30.37	0.53%			14.50	0	440	440	14.50
7	Housing Colonies - Tariff H						0			
	H(1)	5.61	0.10%			14.50	0	81	81	14.50
	H(2)	3.73	0.06%			14.50	0	54	54	14.50
	Total	5,780.13	100.00%				3,769	54,957	58,726	10.16

Annex-5

Hyderabad Electric Supply Company Ltd.

Category wise Prposed Tariff Per Unit

FY 2008-09

	Categories	Rs. /Kwh	
		Existing Tariff	Proposed Tariff
1	Residential - A1		
	Upto - 50 Units per Month	1.60	2.00
	Consumption Exceeding 50 Units		
	1 - 100 Units per Month	6.54	7.52
	101 - 300 Units per Month	7.54	9.61
	301 - 1000 Units per Month	9.84	12.89
	Above 1000 Units	11.19	14.81
	E-1 (1)	11.19	15.11
	(TOD) - Peak	9.99	16.50
	(TOD) - Off Peak	4.49	8.25
	Temporary Domestic		
2	Commercial - A2		
	For Peak Load Requirement Upto 20 KW		
	Upto - 100 Units	12.34	13.57
	Above - 100 Units	12.59	14.60
	> 20 KW		
	Temporary Commercial		
	E-1 (2)	12.59	17.37
	For Peak Load Requirement Exceeding Upto 20 KW		
	Regular A-2	7.09	8.58
	(TOD) - Peak	9.99	11.49
	(TOD) - Off-Peak	4.49	6.75
3	Industrial		
	B-1 (400 Volts Upto 40 KW)	8.59	9.19
	B-2 (400 Volts 41- 500 KW)	6.09	6.70
	B-2- 11 TOD - Peak	9.99	10.49
	B-2-11 TOD - Off Peak	4.49	5.78
	B-3 (II) TOD - Peak	9.59	10.49
	B-3 (II) TOD - Off Peak	4.09	5.11
	B-4 TOD - Peak	9.19	10.49
	B-4 TOD - Off Peak	3.84	4.80
	TMP E-2 (1)	8.59	10.50
4	Single Point Supply for Further Distribution		
	C-1(a) Supply at 400 Volts Peak Load	8.09	9.50
	C1-(b) Supply at 400 Volts Peak Load	6.84	8.75
	(TOD) Peak	9.99	10.49
	(TOD) Off Peak	4.49	6.50
	C-2 Supply at 11 KV	6.79	8.50
	(TOD) Peak	9.59	10.49
	(TOD) Off Peak	4.09	6.30
	C-3 Supply Above 11 KV	6.74	8.50
	(TOD) Peak	9.19	10.49
	(TOD) Off Peak	3.84	6.10
	Temporary E2-iia, E2iib,E2iii		
5	Agriculture Tube well - Tariff D		
	Scarp D-1 (a)	7.59	9.50
	Agriculture Tube well D-2	6.59	8.50
	D-1 (b) Peak	9.99	12.49
	D-1 (b) Off-Peak	3.34	6.25
6	Public Lighting - Tariff G		
	G(I)	11.59	14.50
	G(II)	11.59	14.50
7	Housing Colonies - Tariff H		
	H(1)	10.59	14.50
	H(2)	10.59	14.50

(Annex 6)

HYDERABAD ELECTRIC SUPPLY COMPANY LTD.

				Rs in millions
PROFIT & LOSS ACCOUNT	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
As on 30th June	Actual		Projected	
Electricity Sales	19,125	29,178	38,238	58,726
Rental of Meters and Equipment	636	606	820	860
	19,760	29,784	39,058	59,586
Amortization of deferred cost	144	170	226	234
	19,905	29,954	39,284	59,820
Power Purchase Cost	23,804	27,435	38,980	47,621
Operating & maintenance cost	3,029	3,515	4,236	4,886
Provision for bad debts	1,759	1,899	2,868	2,936
Depreciation	994	1,038	1,117	1,232
	5,782	6,452	8,220	9,055
Total Operating cost	29,585	33,887	47,201	56,676
Operating Income/ (Loss)	(9,681)	(3,933)	(7,916)	3,144
Other Income	306	507	592	651
	(9,375)	(3,425)	(7,324)	3,796
Financial Charges	642	850	830	1,088
Profit/(Loss) for the year before tax	(10,017)	(4,276)	(8,154)	2,708
Tax for the year		56	38	948
Profit /(Loss) after tax	**(10,017)**	**(4,331)**	**(8,193)**	**1,760**

Annex-7

HYDERABAD ELECTRIC SUPPLY COMPANY LTD.

[redacted]	2006	2007	2008	2009
BALANCE SHEET				
ASSETS				
Tangible fixed assets (at cost less accumulated depreciation)				
Operating Fixed Assets	16,493	16,703	17,830	19,881
Capital Work-in-Progress	2,324	3,177	3,365	4,923
	18,817	19,880	21,195	24,804
Long Term loans and Advances	8	7	3	28
CURRENT ASSETS				
Stores and Spares	735	1,173	1,109	1,224
Trade Debts (Net of Provisions)	1,773	2,541	4,644	7,580
Loans, Advances, Deposits and Other Receivables	8,763	13,524	13,742	14,872
Cash and Bank Balances	1,907	3,136	2,845	1,369
	13,178	20,374	22,341	25,046
	32,002	40,261	43,539	49,877
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized Share Capital 5,000,000,000. Ordinary shares of Rs.10 each	50,000	50,000	50,000	50,000
Issued, Subscribed and Paid up share Capital	0	0	0	0
Deposit for share	28,871	30,219	30,219	30,219
Accumulated Profit/(Loss)	(31,284)	(35,615)	(43,807)	(42,048)
	(2,413)	(5,395)	(13,588)	(11,828)
Deferred Credits	3,980	4,700	5,521	6,453
NON-CURRENT LIABILITIES				
Long Term Loans: less current maturity	4,171	5,251	4,728	8,075
Pension Obligations	1,764	2,156	2,148	2,008
Post Retirement Medical Benefits	673	711	641	615
Post Retirement Free Electricity Benefits	500	547	516	532
Consumer's Security Deposits	621	697	782	879
	7,729	9,362	8,815	12,109
CURRENT LIABILITIES				
Current Maturity	308	290	322	328
Short term financing			0	
Provision for taxation		56	44	44
Creditors, Accrued and Other Liabilities	22,398	31,249	42,425	42,771
	22,706	31,594	42,791	43,143
Total Liabilities and Equity	32,002	40,261	43,539	49,877

HYDERABAD ELECTRIC SUPPLY COMPANY LTD.

Annex-8

[redacted]	2006	2007	2008	2009
CASH FLOW STATEMENT				
Profit/(Loss) before taxation	(10,017)	(4,276)	(8,154)	2,708
<u>Adjustment for non-cash Charges and other items</u>				
Depreciation	994	1,038	1,117	1,232
Amortization of deferred credit	(144)	(170)	(226)	(234)
Provision for doubtful debts	1,759	1,899	2,868	2,936
Provision for medical expenses	35	40	44	90
Provision for free electricity expenses	26	25	30	77
Provision for pension	333	353	498	382
Financial Charges	642	850	830	1,088
CASH FLOWS FROM OPERATING ACTIVITIES	(6,372)	(241)	(2,994)	8,279
BEFORE ADJUSTMENT OF WORKING CAPITAL				
(INCREASE)/DECREASE IN CURRENT ASSETS				
Stores, spares and loose tools	(50)	(438)	64	(115)
Trade debts	(2,908)	(2,666)	(4,971)	(5,873)
Advances, deposits, prepayments & other receivables	(45)	(4,765)	(219)	(1,130)
INCREASE/(DECREASE) IN CURRENT LIABILITIES				
Creditors, accrued and other Liabilities	12,713	10,766	11,227	683
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL Charges	9,711	2,896	6,101	(6,435)
CASH IN FLOW/(OUTFLOWS)FROM OPERATING ACTIVITIES	3,339	2,655	3,107	1,844
Pension Paid	(158)	(175)	(316)	(332)
Free Electricity Paid	(5)	(6)	(11)	(11)
Medical Benefit Paid	(17)	(19)	(34)	(36)
Taxes paid		-	(94)	(948)
Financial Charges Paid	(642)	(850)	(830)	(1,088)
NET CASH INFLOWS/(OUTFLOW) FROM OPERATING ACTIVITIES	2,516	1,605	1,822	(570)
CASH FLOWS FROM INVESTING ACTIVITIES				
Fixed Assets acquired	(1,631)	(2,101)	(2,431)	(4,840)
Advance to WAPDA foundation				
Long term loan received from employees	6	5	5	6
Long term loans to employees	0	0	(10)	(10)
NET CASH INFLOWS/(OUTFLOW) FROM INVESTING ACTIVITIES	(1,599)	(2,097)	(2,436)	(4,845)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution received	818	890	1,047	1,166
Repayment of long term loans	(547)	(308)	(303)	(322)
Deposit for shares	94			
GST on Unresolved Units			(506)	(676)
New Loans		1,062	-	3,675
Short term financing			0	
Consumers' security deposits	110	76	85	97
NET CASH INFLOWS/(OUTFLOW) FROM FINANCING ACTIVITIES	476	1,721	323	3,939
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,393	1,229	(291)	(1,476)
CASH & EQUIVALENTS AT THE BEGINNING OF THE YEAR	514	1,907	3,136	2,845
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	1,907	3,136	2,845	1,369

Annex-9

HYDERABAD ELECTRIC SUPPLY COMPANY LTD.

Quantitative Data

Description	Unit	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
		Actual		Projected	
Units Sold	MlnkWh	4,445.89	4,842.78	5,278.63	5,780.10
Growth in Sales Volume	%age	11.08%	8.93%	9.00%	9.50%
Average Sales Tariff Actual	Rs./kWh	4.30	6.03	-	-
Average Sales Tariff (NEPRA)	Rs./kWh		6.93	7.24	10.16
Average Sales Tariff (GOP)	Rs./kWh		4.72	4.91	7.80
Subsidy	Rs./kWh		2.36	2.33	2.36
No. of Consumers	Mln.	1.36	1.41	1.49	1.59
Growth in Consumers	%	7.74%	3.52%	6.00%	6.50%
Units lost	MlnkWh	2,861.98	2,837.83	2,842.05	2,846.92
Distribution Lossess	%	34.20%	32.39%	30.69%	29.19%
Transmission Losess	%	4.96%	4.56%	4.31%	3.81%
System Losses (T & D)	%	39.16%	36.95%	35.00%	33.00%
Units Purchased	MlnkWh	7,307.87	7,680.61	8,120.68	8,627.02
Units lost	MlnkWh	0.39	2,837.83	2,842.05	2,846.92
Growth in Units Purchased	%	15.01%	5.10%	5.73%	6.24%
Purchase Price (un-adjusted)	Rs./kWh	3.27	3.58	4.80	5.52
Purchase Price (Adjusted)	Rs./kWh	5.37	5.68	7.38	8.24
Purchase Price Increase (un-adjusted)	%	14.14%	9.51%	34.14%	15.00%
Distribution Margin	Rs./kWh			1.51	1.93