

TRF-131
d.m.f

QUETTA ELECTRIC SUPPLY COMPANY LIMITED

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FINANCE DIRECTORATE
QESCO ZARGHOON ROAD
QUETTA.

No. 1217 CEO / FD / QESCO / Comp

Dated: 19-08-2009

The Registrar NEPRA,
Islamabad

Subject: REVISED TARIFF PETITION FOR THE FIRST QUARTER OF THE FINANCIAL YEAR 2009-10

Reference: NEPRA/TRF-100/9395 Dated: 10/8/2009

With reference to above enclosed please find the Revised
Tariff Petition in respect of QESCO for the first quarter of the Financial Year
2009-10 for further necessary action.

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Engr: Muhammad Shafique
CHIEF EXECUTIVE OFFICER

19/8

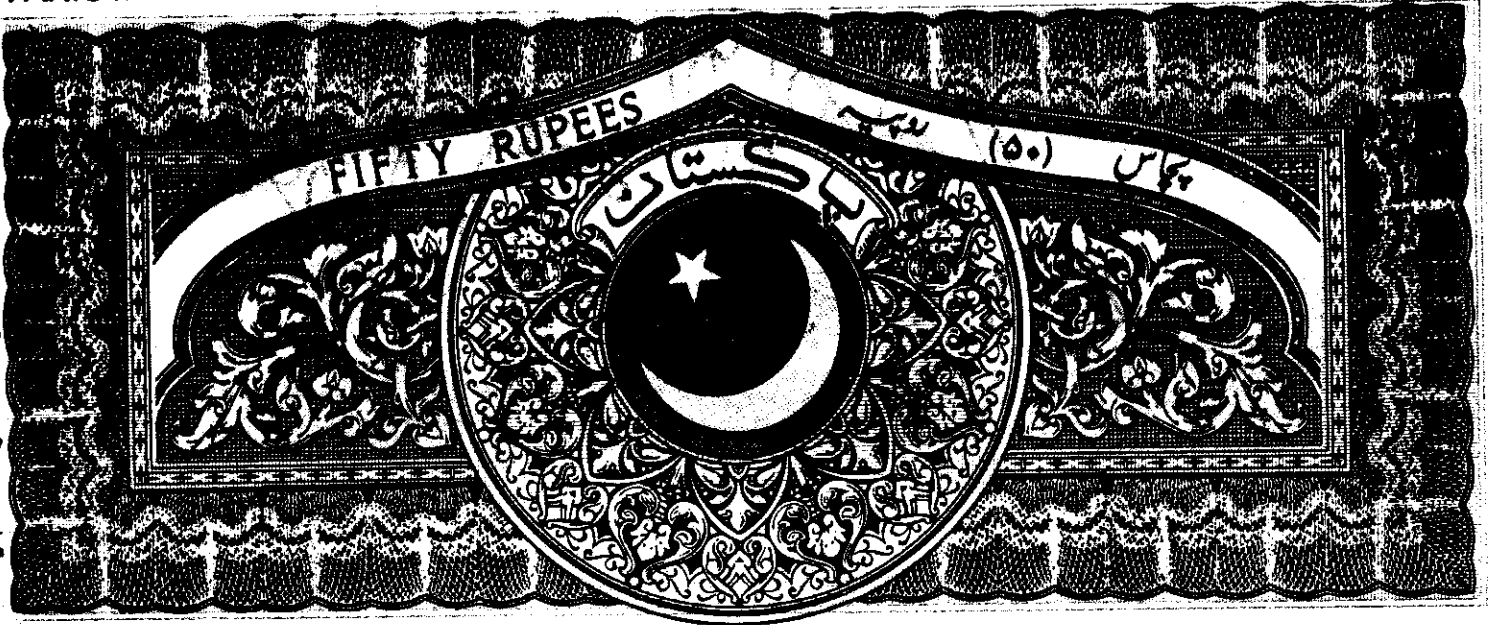
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*cc: chairman
member (T)*

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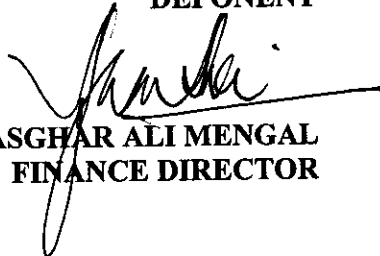


AFFIDAVIT

I, Asghar Ali Mengal, Finance Director, Quetta Electric Supply Company Limited (Distribution License # 08 / DL / 2001) being duly authorized representative / attorney of Quetta Electric Supply Company Limited, hereby by solemnly affirm and declared that the contents of the accompanying petition / application No.1217 / CEO / FD / QESCO / Comp dated: 19.08.2009 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 documentations 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 19th August of 2009 that the contents hereof are true and correct to the best of my knowledge and belief and nothing has been concealed.

DEPONENT


ASGHAR ALI MENGAL
FINANCE DIRECTOR

QUETTA ELECTRIC SUPPLY COMPANY LIMITED



TARIFF PETITION
1st Quarter of (2009-10)

DISTRIBUTION LICENCE
No. 08 / DL / 2001

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1. PETITION SUMMARY

1.1 Details of the Petitioner

1.1.1 Name and Address

Quetta Electric Supply Company Ltd (referred to as QESCO herein after)

1.1.2 Representatives of QESCO

Representatives of QESCO are:

- Muhammad Shafique (Chief Executive Officer)
- Iftexhar Ahmed (Chief Engineer / Technical Director)
- Asghar Ali Mengal (Finance Director)
- Noor Ahmed Mengal (Chief Engineer / Operation 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, laid down by the Federal Government. NEPRA is also responsible for determining the process and procedures for reviewing tariffs and recommending tariff adjustments.

QESCO is a licensed public limited company providing public utility service to distribute and supply electricity to whole of Balochistan except Lasbela. In accordance with the requirements of the license, QESCO is hereby submitting a petition to revise tariffs in its license area for the first quarter of the financial year 2009-10.

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

1.1.3A Basis for Review Petition

- Liquidity risk created for QESCO by not adjusting for changes in the generation mix with respect to PPP fluctuations in the end-user tariffs.
- Establishment of end-user rates across consumer categories and potential risk for QESCO.
- Adjustment of WACC inputs to reflect market conditions.
- Adjustment of 30% agriculture subsidy borne by QESCO in D.M, as it is unavoidable cost for QESCO.

- Adjustment of Distribution Margin in tariff to meet with operational expenses.
- Adjustment of realistic Transmission and Distribution losses in the end user tariffs.
- Prior year adjustment in end user tariff.

T&D Losses.

NEPRA allowed T&D Losses 20.50% which can not be achieved due to following bottlenecks:

- Availability of single 220 KV Transmission source i.e Guddu-Sibi-Quetta.
- Non availability of adequate power generation at Quetta.
- Lengthy network of both 132 & 11 KV system.
- Inadequate capacity building to meet with the load growth @ 8% per annum, an ultimate cause of load shedding to keep the system intact.
- Due to load growth and construction of new Grid Stations, Augmentation and Extension of existing Grid Stations the load on lengthy 132 KV lines will increase subsequently causing increase in T&D losses

T&D Losses can not be reduced until and unless following measures are taken:

- The Transmission losses are anticipated to increase further as the new 220KV proposed transmission sources i.e Dadu – Khuzdar and Kot Addu – D.G.Khan – Rakhni will take at least 3 years from date of commencement.

In the absence of completion of above projects Transmission Losses will expected to increase further to 8.5% in next year. Therefore, 21.5% T&D losses may be allowed in tariff.

Prior Year adjustment

Due to delayed notification of tariff for the year 2008-09, QESCO sustained loss of Rs.1610.433 million in July and August 2008. It is requested that prior year adjustment of said amount may be allowed.

Weighted Average Cost of Capital

WACC may be considered as 17.57%. Debt equity ratio of 80:20 and tax rate of 35%.

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 QESCO's distribution area for the first quarter of the financial year 2009-10. The aim of this petition is to obtain approval for the immediate implementation of cost reflective tariffs to yield QESCO's required revenues and one year rebalancing of tariffs so that the implementation of cost reflective tariffs will benefit consumers and QESCO as it will;

1. Provide signals for efficient usage of, and investment in, QESCO's distribution network.
2. Promote the financial sustainability of QESCO.

1.2.2 Features of the Petition

This petition proposes the followings:

- A transparent and predictable formula for setting and revising tariffs in QESCO's licensed area.
- Sufficient average tariff to enable QESCO to recover prudently incurred operating costs.
- Incentives for QESCO to make operating efficiencies and reduce commercial losses.

1.2.3 Structure of the Petition

This petition has two distinct components. The first part deals with the tariff methodology. This is the formula that will be used to determine QESCO's distribution margin within the period of control proposed for the first quarter of the financial year 2009-10. The second part covers the calculation of QESCO's required revenues during the revenue control period. It explains 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 QESCO's distribution margin on an annual basis within the period of control. A formula is advantageous as it reduces uncertainty for the utility and for customers. It also provides a simple way for NEPRA to incentivise the company to reduce losses and/or make operating efficiencies as required.

2.1 Tariff Methodology

2.1.1 QESCO's Margin

The formula calculates QESCO's distribution margin based on forecast unit sales, operating expenses, 30% Agricultural Subsidy born by QESCO depreciation, investment and return on investment. Transmission costs are treated as pass-through. The formula determines revenues for the first quarter of the financial year 2009-10. 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 QESCO for the duration of the revenue control period.

At the end of the first quarter of the financial year 2009-10, the formula would be reapplied to determine the distribution margin for each quarter in the subsequent period of control.

Under the proposed tariff-setting methodology, the average retail tariff would consist of (i) the Power Purchase Price (PPP), which would be passed through to the end users in the retail tariff, and (ii) the average distribution margin, which would be set based on the formula-based methodology (iii) Prior year adjustment.

2.1.2 Power Purchase Price (PPP)

QESCO will pay a Power Purchase Price (in Rs/kWh) for the electricity it procures from NTDC, which would include the generation and transmission charges (regulated by NEPRA and distributed by QESCO). This Power Purchase Price, adjusted for QESCO's distribution losses, would then be simply added to

QESCO's overall distribution margin to work out the retail tariffs. Thus, the cost of the purchased electricity would be "passed through" to consumers through the retail tariff, *without affecting QESCO's distribution margin.*

While passing through the PPP, it is recognized that all distribution companies experience some level of distribution 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 QESCO would be compensated for losses, without hindering the incentive to eliminate the total losses.

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

Where;

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

Based on the above formula, the compensation for distribution 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 distribution losses incurred by QESCO. Thus, if QESCO 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, QESCO'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 first quarter of the financial year 2009-10 would be set in accordance with QESCO's expected revenue requirements, based on the following formula:

$$\text{Avg. Margin}_t = \frac{\text{O\&M}_t + \text{Depreciation} + 30\% \text{ Agri. Subsidy} + \text{RORB} - \text{Other Income}}{\text{Total Unit Sales}}$$

Where:

- O\&M_t is the expected operating and maintenance cost per kWh (for the quarter t), 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 QESCO's distribution and supply business. The O&M component for the first quarter of the financial year 2009-10 would be established on the basis of forecast demand and inflation.

- 30% Agriculture Subsidy is cost to QESCO calculation, the basis of total revenue generated from agricultural consumers less respective share of each sector i.e. consumers, GOP & GOB

Depreciation: The depreciation (for quarter t) will be calculated based on; (i) the value of assets existing, set at a fixed amount (Old Asset Base); plus (ii) new assets invested by QESCO.

Total Unit Sales: A schedule of the total unit sales (in kWh) of QESCO across all customer categories is forecast for the first quarter of the financial year 2009-10. This forecast will be used to determine the average distribution margin per unit (Rs/kWh) needed to cover the revenue requirement expected for the first quarter of the financial year 2009-10. Annex-I shows expected sales to different consumer categories.

2.3 Consumers-end Tariff-Setting

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

3. CALCULATING QESCO'S REVENUE REQUIREMENT

3.1 Trends in Consumption

Annex-1 provides information about demand in the QESCO's service area.

3.2 QESCO'S Revenue Requirement

Based on the tariff methodology described in the previous section, the average tariffs for the first quarter of the financial year 2009-10 have been calculated using the following parameters:

- Inflation: O&M will expected to increase by the rate of 25%.
- Total Unit Sales: Starting with unit sales of MWh as projected in Table-1 for the first year (2007/08), the total unit sales are increased by the annual demand growth. Based on Annex1, the annual rate of demand growth has been set at different levels for different consumers categories.
- Target Distribution & Transmission Losses: The allowed levels of losses are set at 21.5% for the first quarter of the financial year 2009-10.
- Power Purchase Price is weighted average cost of purchases from CPPA per unit for presentation purposes. Power Purchase Price Rs. 6.20 / kWh for the first quarter of the financial year 2009-10 is weighted average cost of purchases from CPPA.
- Purchase Costs: The cost of electricity purchased by QESCO 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 distribution losses (PPP divided by 1 minus the percentage of allowed losses).
- O&M_t: Based on inflation adjustments to QESCO's operating expenses from the latest available data, the O&M per unit has been projected at around Rs 0.63 / kWh for the first quarter of the financial year (2009-10).
- Subsidy: Agricultural subsidy has been calculated on the basis of QESCO's share of differential cost.

ROR: Considering recent inflation / price hike; ROR is assumed at 17.57% with Debt equity ratio 80:20.

- **New Investments:** New investments will be made as per the investment plan provided in Annex-2.
- **Depreciation:** The depreciation has been calculated on the basis of present depreciation rates of different assets categories and relevant assets value.
- **Prior year adjustment:** The prior year adjustment has been calculated by multiplying actual units sold in July – 08 and August – 08 with the difference between notified tariff (2008-09) and actual tariff for the month of July – 08 and August – 08.
- **Distribution Cost:** The sum of rate of return on profit rate base, O&M, 30% agricultural subsidy borne by QESCO and Depreciation net of amortization less other income result in QESCO's distribution cost. Dividing this by the total units sold yields the average distribution margin (per kWh).

The results of the calculations are summarized on table-1.

Tariff Calculation

		July 09-Sept 09
1	Total units Sale	1,088
	Allowed Losses	21.50%
	Total Unit Purchased (mln kwh)	1387
	PPP (R/kwh-unadjusted)	6.20
	PPP (R/kwh-adjusted for losses)	7.90
	PPP (mln Rs.)	8,597
2	Operating Fixed Assets in Operation	18,789
3	Transferred during the year	-
4	Closing Fixed Assets(2+3)	18,789
5	Less Cumulative Depreciation	6,134
6	Net Fixed Assets(4-5)	12,655
7	Closing Work in Progress	2,991
8	Total Assets	15,647
9	Less Deferred Credit	4,501
10	Regulatory Rate Base	11,146
11	Avg Regulatory Rate Base	10,971
	Avg for 3 months	2,743
	<u>Distribution Cost</u>	
12	RORB	17.57%
13	RORB	482
14	Depreciation net of amortization.	171
15	O & M	688
16	30% Agri subsidy	836
17	Other Income	(55)
18	Distribution Margin	2,122
19	PPP (Rs/Kwh)	7.90
20	Distribution Margin/Kwh	1.95
21	Avg Tariff rate before prior year adjustment	9.85
22	Prior year adjustment Rs/ kWh	0.37
23	Avg Tariff rate after prior year adjustment	10.22
24	Distribution Margin/Sales Tariff	19.08%

Category wise Proposed Tariff

	Units Sold (Mill.- kWh)	Proposed Tariff		Revenue In Mill Rs.		
		Fixed	Variable/kWh	Fixed	Variable	Total
DOMESTIC:						
UPTO—50 Units	1.43		1.60		2.28	2.28
1-----100 Units	7.38		6.16		45.45	45.45
101-----300 Units	13.10		10.50		137.57	137.57
301-----700 Units	6.74		11.86		79.99	79.99
Above 700	3.20		13.10		41.93	41.93
Temporary Domestic					-	-
For sanctioned load exceeding 5 kW					-	-
Total Domestic.	31.85				307.22	307.22
Commercial						
For sanctioned load upto 5 kW	8.51		10.45		88.98	88.98
For sanctioned load exceeding 5 kW	22.78	380.00	13.75	0.27	313.28	313.55
	0.00				-	-
Total Commercial	31.30			0.27	402.26	402.53
INDUSTRY						
B-1 upto 5 kW (at 400 / 230 Volts)	10.42		10.45		108.94	108.94
B-2 6-500 kW (at 400 Volts)	21.35	315.00	8.25	2.46	176.13	178.60
B-3 For load upto 5000 kW (at 11, 33 kV)	12.53	305.00	13.75	0.13	172.24	172.37
B-4 For all load (at 66 , 132 kV & above)	0.00	305.00	13.64	0.85	-	0.85
Total Industrial	44.30			3.45	457.31	460.76
BULK SUPPLY						
	0.00				-	-
C-1 (a) For Sanctioned load upto 5 kW	1.54		11.30		17.36	17.36
C-1 (b) For Sanctioned load above 5 kW &	7.08	315.00	9.35	0.36	66.22	66.57
C-2 For Supply at 11, 33 kV upto & including	16.58	305.00	9.30	0.93	154.19	155.12
	0.00				-	-
Total Bulk	25.20			1.28	237.77	239.05
TUBEWELLS.						
D - 1 Scarp less than 5 kW	33.41		11.39		380.50	380.50
	0.00				-	-
D - II Agricultural tubwells	921.02	100.00	10.10	11.90	9,302.31	9,314.21
Total Tubewells	954.43			11.90	9,682.82	9,694.72
PUBLIC LIGHTING	1.28		12.45		15.97	15.97
RESIDENTIAL COLONIES	0.10		12.10		1.18	1.18
TRACTION -I	0.00				-	-
CO-GENERATION TARIF-J						
GRAND TOTAL	1,088.46			16.90	11,104.53	11,121.43

RELIEF OR DETERMINATION SOUGHT

		July to Sep-09	Justification
1	Total units Sale	1,088	Units sold calculated by taking 2% growth rate
	Allowed Losses	21.50%	NEPRA Allowed Line Losses 20.5% which cannot be achieved detail is given in Para 2 of 1.1.3A
	PPP (R/kwh-unadjusted)	6.20	Average PPP for the FY 2007-08 is Rs.5.68 per kWh which is expected to increase to 6.20 per kWh in next year due
	PPP (R/kwh-adjusted for losses)	7.90	Adjusted to losses
2	Operating Fixed Assets in Operation	18,789	
3	Transferred during the year	-	Taking into account as per historical trend of conversion of WIP into fixed assets
4	Closing Fixed Assets(2+3)	18,789	
5	Less Cumulative Depreciation	6,134	
6	Net Fixed Assets(4-5)	12,655	
7	Closing Work in Progress	2,991	WIP may be allowed in tariff due to heavy investment involved
9	Total Assets	15,647	
10	Less Deferred Credit	4,501	
11	Regulatory Rate Base	11,146	
12	Avg Regulatory Rate Base	10,971	
	Avg for 3 months	2,743	Average RORB calculated for 1st quarter of 2009-10
	Distribution Cost		
13	RORB	17.57%	Debt equity Ratio taken 80:20 Lost of Debt 17% and cost of equity 19.28%
14	RORB	482	
15	Depreciation	171	
16	O & M	688	NEPRA Allowed O&M cost Rs. 2,620 million for 2008-09, by taking inflation of fuel prices and other establishment & maintenance expenses, projected O&M cost for 2009-10 will be Rs. 2,753 million & for 1st quarter Rs. 688 million.
17	30% Agri subsidy	836	
18	Other Income	(55)	
20	Distribution Margin	2,122	
21	PPP (Rs/Kwh)	7.90	
22	Distribution Margin/Kwh	1.95	
23	Avg Tariff rate	9.85	
	Prior year adjustment Rs/kWh	0.38	
24	Distribution Margin/Sales Tariff	19.08%	

COMPARISON OF UNITS, PPP, D.M & LINE LOSSES

		Allowed by NEPRA for 2008-09	July 09-Sept 09
1	Total units Sale	4,171	1,088
2	Allowed Losses	20.50%	21.50%
	<u>Distribution Cost</u>		
3	RORB	1,634	482
4	Depriciation	465	171
5	O & M	2,620	688
6	30% Agri subsidy	3,025	836
7	Other Income	(32)	(55)
8	Distribution Margin	7,713	2,122
9	PPP (Rs/Kwh)	5.61	6.20
10	PPP adjusted (Rs/Kwh)	7.06	7.90
11	Distribution Margin/Kwh	1.81	1.95
12	Prior year adjustment	0.72	0.37
13	Avg Tariff rate	9.58	10.22
14	Distribution Margin/Sales Tariff	18.88%	19.08%

COMPARISON OF EXISTING TARIFF AND PROPOSED TARIFF

Categories	Units to be Billed (Mill. - kWh)	Existing Tariff		Proposed Tariff		Revenue as per Existing Tariff		Revenue as per proposed Tariff	
		Fix Charges	Var-Charges	Fix Charges	Var-Charges	Fix Charges	Var-Charges	Fix Charges	Var-Charges
Domestic									
UPTO—50 Units	1.43		1.80		1.80		2.28		2.28
1—100 Units	7.38		5.60		6.16		41.32		45.45
101—300 Units	13.10		10.25		10.50		134.29		137.57
301—700 Units	6.74		12.25		11.66		82.61		79.99
Above 700	3.20		13.50		13.10		43.21		41.93
Time of Use									
Peak			12.50		13.75				
Off-Peak			7.25		7.98				
Total Domestic	31.85						303.72		307.22
Commercial									
For sanctioned load upto 5 kW	8.51		14.00		15.50		119.21		131.98
For sanctioned load Exceeding 5 kW	22.78	315.00	9.50	380.00	11.86	0.26	216.45	0.27	270.28
Time of Use									
Peak			12.50	380.00	13.75				
Off-Peak			7.00	380.00	7.70				
Total Commercial	31.30					0.26	335.66	0.27	402.26
Industrial									
B-1 upto 5 kW (at 400 / 230 Volts)	10.42		9.50		10.45		99.04		108.94
B-2 6-500 kW (at 400 Volts)	21.35	315.00	7.50	315.00	8.25	2.46	160.12	2.46	176.13
B - 2 6-500 kW (at 400 Volts) Peak			12.50	315.00	12.50				
B - 2 6-500 kW (at 400 Volts) Off-Peak			7.00	315.00	7.00				
B-3 For load upto 5000 kW (at 11, 33 kV) Peak	12.53	305.00	12.40	305.00	13.75	0.14	155.33	0.14	172.24
B-3 For load upto 5000 kW (at 11, 33 kV) Off-Peak			6.90		7.59				
B-4 For all load (at 66 , 132 kV & above) Peak		305.00	12.30	305.00	12.30	0.85	-	0.85	-
B-4 For all load (at 66 , 132 kV & above) Off-Peak			6.80		6.80				
Total Industrial	44.30					3.45	414.49	3.45	457.31
Bulk Supply									
C-1 (a) For Sanctioned load upto 5 kW	1.54		10.00		11.30		15.37		17.36
C-1 (b) For Sanctioned load above 5 kW & upto 500 kW	7.08	315.00	8.50	315.00	9.35	0.36	60.20	0.36	66.22
C-2 For Supply at 11, 33 kV upto & including 5000 kW	16.58	305.00	8.40	305.00	9.30	0.93	139.27	0.93	154.19
C-3 For Supply at 66 kV & above and sanctioned load above 5000 kW	-	295.00	8.30	295.00	8.30				
Time of Use (Optional)									
C-1 (c) For supply at 400/230 Volts above 5 kW & upto 500 kW Peak		315.00	12.50	315.00	12.50				-
C-1 (c) For supply at 400/230 Volts above 5 kW & upto 500 kW Off-Peak		315.00	7.00	315.00	7.00				-
C-2 (b) For supply at 11,33 kV upto and including 5000 kW Peak		305.00	12.40	305.00	12.40				-
C-2 (b) For supply at 11,33 kV upto and including 5000 kW Off-Peak		305.00	6.90	305.00	6.90				-
C-3 (b) For supply at 66 kV & above and sanctioned load above 5000 kW Peak		295.00	12.30	295.00	12.30				-
C-3 (b) For supply at 66 kV & above and sanctioned load above 5000 kW Off-Peak		295.00	6.80	295.00	6.80				-
Total Bulk Supply	25.20					1.28	214.83	1.28	237.77
Agricultural									
D - 1 Scarp less than 5 kW	33.41		10.35		11.39		345.76		380.50
D - II Agricultural tubwells	921.02	90.00	9.45	100.00	10.10	10.71	8,703.65	11.90	9,302.31
D-1 (b) SCARP and Agricultural more than 5 kW Peak			12.50	100.00	14.00				
D-1 (b) SCARP and Agricultural more than 5 kW Off-Peak			7.00	100.00	7.84				
Total Agricultural	954.43					10.71	9,049.41	11.90	9,682.82
Public Lighting G - 1									
Public Lighting G - 2	1.28		11.25		12.45		14.43		15.97
Residential Colonies H - 1									
Residential Colonies H - 2	0.10		11.00		12.10		1.07		1.18
Total	1,088.46					15.70	10,333.61	16.90	11,104.53

SUMMARY OF EVIDENCE

Tabel - VI

Sr. No.	Particulars		2007-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Total
1	Monthly Billing (Sale)	Rs. / MWh	23,316.58	2,147.50	2,084.29	2,528.06	3,718.70	3,004.21	2,973.89	3,073.81	3,038.79	3,799.02	3,423.28	3,509.74	3,585.50	36,896.77
2	Power Purchase	Rs./ MWh	23,515.77	2,280.47	2,300.03	2,433.44	2,570.61	2,157.83	2,165.16	2,305.08	2,327.83	2,480.94	2,517.15	2,918.43	2,785.80	29,242.77
3	Units Sold	MWh / kWh	4,089.08	356.66	358.75	335.98	330.21	317.20	318.45	308.60	317.15	366.86	360.40	365.48	373.78	4,109.51
4	Units Received	MWh / kWh	5,162.27	465.32	439.99	429.90	392.54	411.47	398.35	392.37	394.75	456.21	438.12	464.15	461.71	5,144.88
5	Units Lost	MWh / kWh	1,073.19	108.66	81.24	83.92	62.34	94.27	79.90	83.78	77.60	89.35	77.72	98.67	87.93	1,035.37
6	%age of losses	%age	20.79%	23.35%	18.48%	21.85%	15.88%	22.91%	20.06%	21.35%	19.66%	19.59%	17.74%	21.26%	19.04%	20.12%

INVESTMENT PROGRAMME

To improve the system quality and reliability and to extend the distribution network to prospective consumers QESCO intended to execute development works. Investment in development works is subject to the availability of loans / PSDP allocation. The actual & projected investment Plan is as under:

INVESTMENT PROGRAMME**Rs. In Millions**

	2007-08 (Actual)	2008-09 (Estimated)	July to Sep 2009 (Projected)
DOP	193.109	151.90	40
ELR	114.504	184	50
6 TH STG	359	800	261
G / S & T / L			118
2 ND RE	57	1200	50
TOTAL	723.613	2335.900	519

Works amounting to Rs. 519 millions have been planned during the first quarter of the financial year 2009-10 which include 50 million under 2nd Rural Electrification programme (Kuwait Fund), whereas remaining amount is expected from PSDP.

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
BALANCE SHEET

EQUITY AND LIABILITIES	JUNE.2008 Audited	DECEMBER .2008 Actual	JUNE.2009 Projected	July to Sep -09 Projected
SHARE CAPITAL AND RESERVES				
Authorized share capital 5,000,000,000 Ordinary shares of Rs10 each	50,000.000	50,000.000	50,000.000	50,000.000
Issued, subscribed and paid up share capital	0.010	0.010	0.010	0.010
Accumulated Loss	(33,220.584)	(34,228.771)	(34,955.834)	(34,411.762)
	(33,220.574)	(34,228.761)	(34,955.824)	(34,411.752)
Deposit for shares	12,437.525	12,437.525	12,437.525	12,437.525
NON - CURRENT LIABILITIES				
Long term financing	199.371	199.371	1,399.371	1,449.371
Long term deposits	299.166	312.185	323.387	326.931
Deferred credits	3,621.570	3,669.585	4,540.936	4,501.203
Employees' retirement benefits	1,574.578	1,660.704	1,772.582	1,827.082
	5,694.685	5,841.846	8,036.276	8,104.587
CURRENT LIABILITIES				
Trade and other payables	38,468.208	55,368.876	39,289.701	42,556.463
Current portion of long term borrowing	-	-	-	-
Provision for taxation	15.486	15.486	15.464	91.637
	38,483.694	55,384.361	39,305.165	42,648.100
CONTINGENCIES				
Rupees	23,395.330	39,434.971	24,823.142	28,778.460
ASSETS				
NON - CURRENT ASSETS				
Property, plant and equipment	13,828.201	14,375.730	15,337.583	15,646.733
Long term advances	13.953	18.219	14.741	16.136
Long term deposits	0.651	0.651	0.651	0.651
	14.604	18.870	15.392	16.787
CURRENT ASSETS				
Stores, spares and loose tools	1,089.507	1,092.445	1,142.435	1,256.679
Trade debts	6,067.768	4,117.479	6,558.547	10,541.160
Loans and advances	284.781	289.170	807.415	1,007.415
Other receivables	1,490.155	18,705.253	-	-
Cash and Bank balances	620.314	836.024	961.770	309.686
	9,552.525	25,040.371	9,470.167	13,114.940
Rupees	23,395.330	39,434.971	24,823.142	28,778.460

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
INCOME STATEMENT

	JUNE.2008 Audited	DECEMBER .2008 Actual	JUNE.2009 Projected	July to Sep -09 Projected
REVENUE				
Net electricity revenue	23,316.583	16,121.948	35,230.471	10,722.370
Cost of electricity	23,515.774	13,907.542	30,282.891	8,596.740
Cost of On Generation	296.060	167.038	334.076	104.402
Gross profit/ (loss)	(495.251)	2,047.367	4,613.504	2,021.228
OTHER OPERATING COST				
Administrative and general expenses	1,681.440	888.097	1,961.674	581.361
Subsidy provided to agricultural consumers as per order Govt of Pakistan	2,904.365	1,783.989	3,025.000	836.333
Provision for doubtful debts	145.942	125.000	250.000	106.875
Depreciation on operating fixed assets	294.815	163.283	677.675	170.860
	5,026.562	2,960.369	5,914.349	1,695.429
	(5,521.814)	(913.002)	(1,300.845)	325.799
Other income	371.530	110.443	190.000	55.221
Finance cost	(1,141.630)	(205.627)	(624.406)	(163.384)
Profit/(loss) before tax	(6,291.914)	(1,008.187)	(1,735.251)	217.636
Taxation	(0.807)	-	-	(76.173)
Profit/ (loss) after tax	(6,292.721)	(1,008.187)	(1,735.251)	141.463
Profit/ (loss) Braught Forward			(33,220.583)	(34,955.834)
Prior year Adjustment			-	402.610
Profit/ (loss) Carried Forward			(34,955.834)	(34,411.761)

QUETTA ELECTRIC SUPPLY COMPANY LIMITED
CASH FLOW STATEMENT

	JUNE.2008 Audited	DECEMBER .2008 Actual	JUNE.2009 Projected	July to Sep -09 Projected
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	(6,291.914)	(1,008.187)	(1,735.251)	141.464
Adjustment for non-cash charges and other items	-	-	-	-
Depreciation	485.939	254.345	842.372	210.593
Amortization of deferred credit	(161.570)	(82.358)	(164.697)	(39.733)
Provision for doubtful debts	145.942	125.000	250.000	106.875
Provision for employees' retirement benefits.	209.454	140.000	280.000	77.000
Provision for slow moving/ obsolete stock	1.846	-	-	-
Provision for compensated expense	7.442	-	-	-
Provision for Taxation	29.730	-	-	76.173
Financial charges	1,141.630	205.627	624.406	163.384
Prior year adjustment	-	-	-	402.610
CASH FLOWS FROM OPERATING ACTIVITIES				
BEFORE WORKING CAPITAL CHANGES				
CASH FLOWS FROM WORKING CAPITAL CHARGES				
INCREASE / DECREASE IN CURRENT ASSETS				
Store, spare and loose tools	(531.630)	(2.937)	(52.928)	(114.244)
Trade debts	(2,598.553)	1,825.300	(740.776)	(4,089.490)
Loan, advances, deposits, prepayment and other receivable	(202.295)	(17,424.295)	345.270	(200.000)
INCREASE / (DECREASE) IN CURRENT LIABILITIES				
Creditors, accrued and other liabilities	11,406.173	16,900.668	821.484	3,266.759
EFFECT ON CASH FLOW DUE TO WORKING				
CAPITAL CHANGES				
CASH INLOWS FROM OPERATING ACTIVITIES				
	8,073.694	1,298.734	373.050	(1,136.975)
	3,642.191	933.162	469.880	1.391
NET CASH INLOWS FROM OPERATING ACTIVITIES				
	3,545.138	874.192	384.927	(185.888)
CASH FLOWS FROM INVESTING ACTIVITIES				
Property, plant and equipment aquired	(2,883.855)	(801.875)	(2,351.755)	(519.740)
Proceed from sale of property, plant & Equipment	-	-	-	-
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES				
	(2,883.855)	(801.875)	(2,351.755)	(519.740)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans	(1,673.671)	-	1,200.000	50.000
Deferred credit	831.090	130.373	1,084.063	-
Long term deposits	27.391	13.019	24.221	3.544
NET CASH INLOWS/ (OUT FLOWS) FROM FINANCING ACTIVITIES				
	(815.190)	143.393	2,308.284	53.544
NET INCREASE IN CASH AND CASH EQUIVALENTS				
	(153.907)	215.710	341.456	(652.084)
CASH AND CASH EQUIVALENTS AT THE BIGINING OF THE YEAR				
	774.221	620.314	620.314	961.770
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
	620.314	836.024	961.770	309.686

O & M expenses

Description	Jun-08	Actual Dec-08	Projected June-09	Projected Jul to Sep-09
salaries,wages and other benefits	1,106.636	661.533	1,323.065	396.920
Repair And Maintenance	252.946	78.674	303.535	91.061
Rent, Rates and taxes	13.979	1.946	8.830	2.208
Power,light and water	30.508	3.864	2.867	0.731
Postage and telephone	18.125	3.245	11.373	2.786
Office Supplies and other expenses	13.711	4.153	15.125	3.781
Travelling	75.924	43.248	86.495	24.651
Transportation	99.485	72.148	133.665	38.095
Electricity bill collection charges	19.027	9.078	19.978	5.244
Management fees	19.955	8.784	21.524	5.812
Legal and professional charges	0.924	0.459	0.917	0.232
Insurnance	3.513	4.149	4.719	1.581
NEPRA petition fee	6.488	8.754	8.754	2.954
Provision for bad debts	146.488	125.000	250.000	106.875
Audits remuneration	0.775	-	0.825	0.256
Other charges	17.052	10.000	20.000	5.050
Total	1,825.537	1,035.014	2,211.674	688.236

Prior year adjustment

Month	Avg. PPP	Line losses allowed by NEPRA	Adj. PPP	Dist. Margin Allowed by NEPRA	Actual Avg. Tariff Rate	Diff.	Units Sold	Loss due to delay in tariff notification
Jul-08	4.90	20.50%	6.16	1.81	6.02	1.95	356.66	696.60
Aug-08	5.23	20.50%	6.58	1.81	5.84	2.55	358.75	913.83
Total								1,610.43
For 1st quarter								402.61
Unit sold								1,088.46
Ra/kWh								0.37

Reconciliation of RORB

Profit	141.46
Tax	76.17
Finance cost	163.38
Own generation	104.40
	<u>485.42</u>
Less : Rental Income	3.51
RORB	<u>481.91</u>