

TRF-158



Islamabad Electric Supply Company Limited

IESCO Head Office

Street No. 40 Sector G-7/4, Islamabad

Ph: No. 051-9252902 - Fax No.051-9252927

No. 2776

/IESCO/FDI/TF/

May, 7, 2010


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

**TARIFF PETITION FOR DETERMINATION OF CONSUMER END TARIFF
W.E.F. 01-07-2010 IN RESPECT OF ISLAMABAD ELECTRIC SSUPPLY
COMPANY LIMITED (IESCO).**

Dear Sir,

The Petition submitted by IESCO on Feb 26, 2010 vide letter No.FDI/IESCO/800 for Tariff Determination of Fiscal Year 2010-11 may please be processed on priority basis so as to ensure that tariff determined may be made effective w.e.f. 01-07-2010.

Best regards;


(NAJAM JAVAID)
FDI COMPANY SECRETARY
IESCO, ISLAMABAD

Enclosure: Original Tariff Petition returned vide your office letter No. TRF-151/1592 dated Mar 4, 2010.

Registrar	2880
Dy. No.	10-5-10
Dated	10-5-10

For information & info Pl.

- DG (Tariff).

AD (MR)

to put-up the
case for Authority's
consideration after
things are needed.

10/5

cc: chairman
Member (Lic.)
Member (T)
Member (S & P)



We light ur life...

Office of the
Finance Director
IESCO, Islamabad

Ph. # 051-9260694, 2854383 Fax # 051-2281830

No. FDI /IESCO/ 300

Dated: 26 02/2010

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

TARIFF PETITION FOR DETERMINATION OF CONSUMER END TARIFF W.E.F. 01.07.2010 IN RESPECT OF ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED (IESCO)

Dear Sir,

On behalf of Board of Directors and Management of IESCO, I wish to attach herewith following documents for consideration of honorable National Electric Power Regulatory Authority (NEPRA):

- i) Cheque amounting to Rs. 1,378,560 as fee for the tariff petition.
- ii) An affidavit as required under Rule 3 (8) of NEPRA Tariff Standards and Procedures Rule, 1998.
- iii) Copy of the resolution passed by the Board of Directors of IESCO in the meeting held on Feb 24, 2010.
- iv) Complete Tariff Petition along with summary & the required annexes.

The board of directors of IESCO, in its meeting held on Feb 24, 2010 has thoroughly considered and approved the submission of tariff petition with NEPRA.

We shall be grateful if the honorable authority shall give consideration to our request so as to allow effectiveness of determined tariff on July 01, 2010.

With best regards,

Yours truly,


NAJAM JAVED
Finance Director

For information and n/a H.

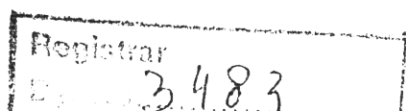
- DG (Tariff)

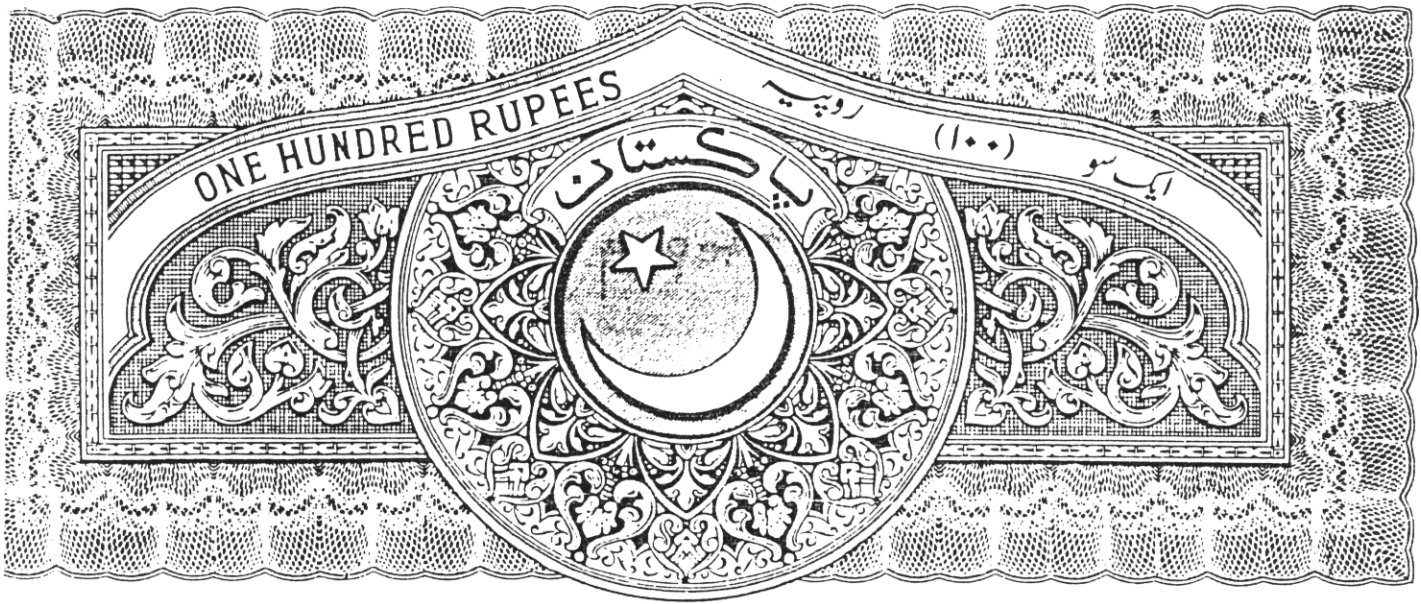

26/2.

cc: chairman
member (D)
member (H)
member (S&P)
member (CA)

AD (M.R)

to put-up the
case urgently





AFFIDAVIT

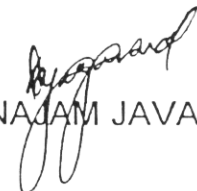
I, Najam Javaid S/o Javaid Zeeshan, Finance Director/Company Secretary Islamabad Electric Supply Company Limited holding CNIC No. 35202-2620633-7 being duly appointed Attorney of Islamabad Electric Supply Company Limited (IESCO), Head Office Street No.40 Sector G-7/4, Islamabad, Pakistan hereby solemnly affirm and declare that the contents of the Tariff Petition for the Financial Year 2010-2011, including all supporting documents are true and correct to the best of knowledge and belief and that nothing has been concealed.

Verified on this 25th day of February, 2010.

DEPONENT

ATTESTED



( NAJAM JAVAID)

25 FEB 2010



ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

IESCO Head Office

Street No.40 Sector G-7/4, Islamabad

Ph:No. 051-9252902 - Fax No.051-9252927

**CERTIFIED TRUE COPY OF THE RESOLUTION PASSED BY THE
BOARD OF DIRECTORS OF ISLAMABAD ELECTRIC SUPPLY
COMPANY LIMITED IN ITS 79th BOD MEETING HELD ON
FEBRUARY 24, 2010.**

The Board of Directors resolved to accord approval as follows:

- i) Filling of Tariff Petition with National Electric Power Regulatory Authority (NEPRA) for determination of consumer end tariff of the Company for the F.Y (2010-2011).
- ii) Mr. Najam Javaid Finance Director/Company Secretary alongwith other management officers indicated in the summary of the petition be and are hereby authorized to sign individually or jointly the necessary documents, pay the necessary filing fees, appear before the Authority as needed, and do all acts necessary for completion and processing of the applications.

For & On behalf of Board of Directors

COMPANY SECRETARY





Tariff Petition

Of

Islamabad Electric Supply Company
Limited

For

Financial Year

2010-2011

Islamabad Electric Supply Company Limited (IESCO)

PETITION SUMMARY

1. DETAILS OF THE PETITIONER

i. NAME AND ADDRESS

Islamabad Electric Supply Company Limited,
St # 40, G-7/4, Islamabad

ii. REPRESENTATIVES OF IESCO

Mr. Raja Abdul Ghafoor
Mr. Najam Javed
Mr. Riaz Qadeer Bukhari
Mr. Khalid Masood

Chief Executive Officer
Finance Director
Manager Customer Services
Manager MIS

2. GROUND FOR PETITIONER'S INTEREST

Petitioner is a Power Distribution Company & a bona fide power distribution licensee. In order to perform its obligatory duties prescribed by the Authority (NEPRA) as per NEPRA Performance Standards (Distribution) Rules 2005, the petitioner need adequate funding. Major sources of revenue are (i) borrowings and (ii) adequate revenue through tariff. While the petitioner is already a highly motivated utility towards internal efficiency improvements; yet such improvement measures requires financial resources either through borrowings or through tariff. In short, internal financial viability of a utility can only be ensured through adequate consumer end tariff.

IESCO, in its status as power distribution licensee, feels that the existing tariff needs some revision to ensure adequate liquidity and financial viability.

3. GROUND AND FACTS FORMING BASIS OF THE PETITION

- This petition is, therefore, being filed in accordance with the NEPRA Tariff Standards and Procedure Rules 1998 Part II Section-3.
- Under the 1997 NEPRA Act, NEPRA is responsible for determining tariff and other terms and conditions for the supply of electricity by the generations, 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.
- The last tariff determination made by Honorable Authority for the 1st quarter of fiscal year 09-10 on 9th December, 2010 included full year estimated for the fiscal year 09-10. In continuation of the 1st quarter determination, IESCO filed the 2nd quarter petition. Following relief's were sought:
 1. Revision in line losses target from 10% to 11.5%

2. Review in Investment target set by Authority for the fiscal year 09-10
3. Extension in deadline for installation of TOU meters.

Public hearing for the 2nd quarter was held on 22nd Feb, 2010 & the decision is still waited. Based on the determination of 1st quarter, IESCO is filing its Annual Tariff petition for the fiscal year 2010-2011 in order to ensure that the Target for the fiscal year 10-11 may be determination that will facilitate IESCO in finalizing its Business Plan for the said year.

Following are the basis of Tariff Petition:

- a. Revision in Losses Target from 10 % to 11 % for the fiscal year 10-11
- b. Adjustment in Distribution Margin
- c. Investment Budget for the fiscal year 10-11
- d. Extension in Time frame for installation of TOU meters

4. RELIEF / DETERMINATION SOUGHT

- Approval of tariff structure proposed at Annex-1 of petition.
 - Schedule of comparative charges at Annex-2 of petition.
 - Projected Financial Statement for the Year 2010-11 & 2009-10 at Annex-3 of petition.
- a. Profit & Loss Account: FY 2008-9 (**Actual**), FY 2010-11 & FY 2009-10 (**Projected**)
 - b. Balance Sheet for FY 2008-09 (**Actual**), FY 2010-11 & FY 2009-10 (**Projected**)
 - c. Cash Flow Statement for FY 2008-9 (**Actual**), FY 2010-11 & FY 2009-10 (**Projected**)
 - d. Summary of Revenue Requirements. (**Annex "3a"**)
 - e. Assumptions to the Financial Projections. (**Annex "3b"**)

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

Nepa Proposed Tariff for 2010-11

Description	Sales GWh	Sales Mix	Proposed Tariff		Revenue as per Proposed Tariff		
			Fixed Charges Rs./kW	Var. Charges Rs./KWH	Fixed Charges Rs. Mill	Variable Charges Rs. Mill	Total Charges Rs. Mill
Residential - A1							
Up to 50 Units per month	238	2.81					
For Peak Load Requirement Upto 5 kW				2.00	0	476	476
1-100 Units per month	1052	12.41					
101-300 Units per month	1118	13.19		7.50	0	7,894	7,894
301-700 Units per month	773	9.11		10.00	0	11,184	11,184
Above 700 Units per month	408	4.81		12.15	0	9,387	9,387
For Peak Load Requirement Exceeding 5 kW				13.50	0	5,510	5,510
Time of Day (TOU) - Peak	6	0.07					
Time of Day (TOU) - Off-Peak	9	0.11		15.00	0	90	90
Temporary	0			8.00	0	72	72
Total Domestic	3605	42.50		13.50			
Commercial - A2					0	34,613	34,613
For peak load requirement less than 5kW	258	3.04					
				13.50	0	3,483	3,483
For Peak load requirement 5 kW & above	0						
Regular	283	3.33	400.00	11.50	424	3,250	3,674
Time of Day (TOU) - Peak	32	0.38	400.00	14.00	0	450	450
Time of Day (TOU) - Off-Peak	454	5.36	400.00	7.50	682	3,408	4,090
Temporary	0			13.50			
Total Commercial	1027	12.11					
Industrial					1,106	10,591	11,697
B1	104	1.23					
B2	278	3.28	400.00	9.50	0	991	991
B2 - TOU (Peak)	3	0.04	400.00	9.00	492	2,504	2,995
B2 - TOU (Off-Peak)	57	0.67	400.00	15.00		51	51
B3 - TOU (Peak)	26	0.31	380.00	7.50	106	426	532
B3 - TOU (Off-Peak)	595	7.01	380.00	14.90		392	392
B4 - TOU (Peak)	38	0.45	360.00	7.40	495	4,402	4,897
B4 - TOU (Off-Peak)	905	10.67	360.00	14.80		559	559
Temporary			360.00	7.15	930	6,470	7,400
Total Industrial	2007	23.66		9.50			
Single Point Supply for further distribution					2,022	15,795	17,818
C1(a) Supply at 400 Volts - Peak Load upto 5KW	1	0.02					
C1(b) Supply at 400 Volts - Peak Load above 5KW	96	1.13	400.00	10.50		14	14
Time of Day (TOU) - Peak	2	0.02	400.00	9.50	95	910	1,006
Time of Day (TOU) - Off-Peak	8	0.09	400.00	15.00		23	23
C2 Supply at 11 kV	314	3.70	380.00	7.50	8	57	64
Time of Day (TOU) - Peak	7	0.08	380.00	9.65	448	3,029	3,477
Time of Day (TOU) - Off-Peak	83	0.98	380.00	14.90		98	98
C3 Supply above 11 kV	70	0.82	380.00	7.30	117	606	723
Time of Day (TOU) - Peak	2	0.02	360.00	9.55	71	665	735
Time of Day (TOU) - Off-Peak	9	0.11	360.00	14.80		28	28
Total Single Point Supply for further distribution	591	6.96		7.30	10	69	79
Agricultural Tube-wells - Tariff D					748	5,498	6,246
Scarp D-1	87	1.02					
Agricultural Tube Well Tariff D-1Peak	3	0.04		10.50	0	908	908
Agricultural Tube Well Tariff D-1Off-Peak	7	0.08	200.00	12.00	0	36	36
Agricultural Tube-wells (Punjab & Sindh) D-2	13	0.15	200.00	6.00	10	42	52
Time of Day (TOU) - Peak			200.00	6.00	12	78	90
Time of Day (TOU) - Off-Peak			325.00	12.00			
Total Agricultural Tubewell Tariff-D	110	1.29	325.00	6.00			
Public Lighting - Tariff G	88	1.04			22	1,064	1,086
Housing Colonies Attached to Industrial - H	5	0.05		13.50	0	1,186	1,186
Railway Traction - Tariff I				13.50	0	61	61
AJK - Tariff K	1050	12.38	300.00	2.59	560	2,720	3,280
Time of Day (TOU) - Peak			300.00	15.00			
Time of Day (TOU) - Off-Peak			300.00	7.00			
Rawal Laboratory	0	0.00					
Gross Total	8481	100		10.00	0	4	4

Grand Total =

75,989

ISLAMABAD ELECTRIC SUPPLY COMPANY LIMITED

Shedual of Comparitive Charges

Description	Proposed Tariff 2010-11		Determined Tariff 2009-10 (1st Quarter)	
	Fixed Charges Rs./kW	Var. Charges Rs./KWH	Fixed Charges Rs./kW	Var. Charges Rs./KWH
Residential -A1				
Up to 50 Units per month				
For Peak Load Requirement Upto 5 kW		2.00		2.00
1-100 Units per month				
101-300 Units per month		7.50		7.00
301-700 Units per month		10.00		9.50
Above 700 Units per month		12.15		12.00
For Peak Load Requirement Exceeding 5 kW		13.50		13.00
Time of Day (TOU) - Peak				
Time of Day (TOU) -Off-Peak		15.00		13.00
Temporary		8.00		7.50
Commercial - A2		13.50		13.00
For Sanctioned load requirement less than 5kW				
		13.50		13.00
For Sanctioned load 5 KW & above				
Regular				
Time of Day (TOU) - Peak	400.00	11.50	400.00	11.00
Time of Day (TOU) - Off-Peak	400.00	14.00	400.00	13.00
Temporary	400.00	7.50	400.00	7.00
Industrial		13.50		13.00
B1				
B2		9.50		9.00
B2 - TOU (Peak)	400.00	9.00	400.00	8.50
B2 - TOU (Off-Peak)	400.00	15.00	400.00	13.00
B3 - TOU (Peak)	400.00	7.50	400.00	7.00
B3 - TOU (Off-Peak)	380.00	14.90	380.00	12.90
B4 - TOU (Peak)	380.00	7.40	380.00	6.90
B4 - TOU (Off-Peak)	360.00	14.80	360.00	12.80
Temporary	360.00	7.15	360.00	6.80
Single Point Supply for further distribution		9.50		9.00
C1(a) Supply at 400 Volts - Peak Load upto 5KW				
C1(b) Supply at 400 Volts - Peak Load above 5 KW		10.50		10.00
Time of Day (TOU) - Peak	400.00	9.50	400.00	9.25
Time of Day (TOU) - Off-Peak	400.00	15.00	400.00	13.00
C2 Supply at 11 kV	400.00	7.50	400.00	7.00
Time of Day (TOU) - Peak	380.00	9.65	380.00	9.15
Time of Day (TOU) - Off-Peak	380.00	14.90	380.00	12.90
C3 Supply above 11 kV	380.00	7.30	380.00	6.90
Time of Day (TOU) - Peak	360.00	9.55	360.00	9.05
Time of Day (TOU) - Off-Peak	360.00	14.80	360.00	12.80
Agricultural Tube-wells - Tariff D		7.30	360.00	6.80
Scarp D-1				
Agricultural Tube Well Tariff D-1Peak		10.50		10.00
Agricultural Tube Well Tariff D-1Off-Peak	200.00	12.00	200.00	13.00
Agricultural Tube-wells (Punjab & Sindh) D-2	200.00	6.00	200.00	5.00
Agricultural Tube-wells (NWFP & Balochistan)	200.00	6.00	200.00	6.00
Time of Day (TOU) - Peak				
Time of Day (TOU) - Off-Peak	325.00	12.00	200.00	13.00
Public Lighting - Tariff G	325.00	6.00	200.00	5.00
Housing Colonies Attached to Industrial - H		13.50		13.00
Railway Traction - Tariff I		13.50		13.00
AJK - Tariff K				
Time of Day (TOU) - Peak	300.00	2.59	360.00	7.75
Time of Day (TOU) - Off-Peak	300.00	15.00	360.00	13.00
Rawat Laboratory	300.00	7.00	360.00	7.00
		10.00		9.25

Islamabad Electric Supply Company Limited

Technical Data

Description	Units	ACTUAL (08-09)	PROJECTED 2009-10	Projected 2010-11
NO OF CUSTOMERS	Million	1.99	2.10	2.21
UNITS SOLD	MKWH	7,201	7,993	8,481
GROWTH IN UNITS SOLD	% age	-0.43%	11.00%	6.11%
DISTRIBUTION & TRANSMISSION LOSSES	% age	10.78%	11.50%	11.00%
UNITS PURCHASED	MKWH	8,071	9,032	9,529
POWER PURCHASE PRICE	Rs. / KWH	5.43	6.53	7.20
ADJUSTED POWER PURCHASE PRICE	Rs. / KWH	6.09	7.38	8.09
AVERAGE RETAIL TARIFF	Rs. / KWH	6.90	8.88	8.96

Islamabad Electric Supply Company Limited

Profit and Loss Accounts

Description	ACTUAL (08-09)	PROJECTED 2009-10	Projected 2010-11
REVENUE:			
Electricity sales	49,687	65,513	75,989
Rental and Service Income	27	28	30
	49,714	65,541	76,019
Amortization of deferred credit	459	518	628
Net Revenue	50,173	66,059	76,647
OPERATING COST:			
Cost of Electricity	43,866	59,040	68,603
Other operating costs	3,674	4,151	4,563
Depreciation	930	1,265	1,426
	48,470	64,456	74,592
	1,703	1,603	2,055
OTHER INCOME	947	1,070	958
Profit/(Loss) before Interest and Taxes	2,650	2,673	3,013
FINANCIAL AND OTHER CHARGES			
Financial charges	484	659	746
Workers, Profit Participation Funds(WPPF)	108	101	113
PROFIT/(loss) before tax	2,057	1,913	2,154
Taxation:			
Previous Year			
Provision for Tax: Current		670	754
: Deferred	980		
Net Profit/(Loss) for the year	1,077	1,244	1,400
PROFIT/(LOSS) BROUGHT FORWARD	(1,181)	(28)	6,693
Adjustment in Equity	76	5,477	-
ACC. PROFIT/(LOSS) CARRIED FORWARD	(28)	6,693	8,093

Islamabad Electric Supply Company Limited

Cash Flow Statement

Description	ACTUAL (08-09)	PROJECTED 2009-10	Projected 2010-11
Cash Flow From Operatin Activities			
Profit/(Loss) before Interest and Taxes	2,057	1,913	2,154
Adjustments:			
ADD: Depreciation	930	1,265	1,426
Interest Expense	484	659	746
Provision for Staff Retirement benefits	552	800	800
Prior period Adjustment	-	5,477	-
LESS: Amortisation of Deferred Income	(459)	(518)	(628)
Cash Flow from Operations	3,565	9,596	4,497
Working Capital Changes			
(Increase)/Decrease in Debtors	(2,436)	440	(1,263)
(Increase)/Decrease in Inventories	(726)	654	(324)
(Inc:)/Dec: in Adv:, prepay: and other reciev	1,767	4,744	(343)
Inc:/(Dec:) in Cred:.,Accrued & other liabilities	(948)	1,047	3,018
Net Changes From Working Capital	1,222	16,479	5,586
Payments against Retirement Benefits	(256)	(250)	(400)
Payments of tax	(8)	(701)	(754)
Net Cash In/(Out) Flow from Operation	958	15,528	4,432
CASH FROM FINANCING ACTIVITIES:			
Long Term Loans	(272)	(364)	(364)
Transfer of PPTFC to PHC	-	(11,502)	-
Consumers Secuity Deposits	402	90	93
Deferred Credit	3,125	1,688	3,146
Procced from Long Term loan	2,762	2,365	492
Financial Charges paid	(589)	(659)	(746)
CASH FROM INVESTING ACTIVITIES:	5,428	(8,381)	2,622
Capital Expenditures	(4,770)	(7,103)	(6,948)
Long Term Advances	2	-	-
Cash In/(Out) flow from Investing Activities	(4,768)	(7,103)	(6,948)
Net Cashflow During the Year	1,618	46	105
Cash - Start of the Year	2,504	4,122	4,200
Cash - End of the Year	4,122	4,168	4,305

Islamabad Electric Supply Company Limited

Summary of Revenue Requirements (FY 2010-11)

Description	Amount (Rs. In Million)	Per Unit Cost Rate / Unit
Power Purchase Price	68,603	8.09
O&M Costs	4,563	0.54
Depreciation	1,426	0.17
Return on Rate Base	3,012	0.36
Gross Revenue Requirements	77,605	9.15
Less: Other Revenues	(1,616)	(0.19)
Net Revenue Requirement	75,989	8.96
Projected No Of Units Sold (MKWH)	8,481	

Islamabad Electric Supply Company Limited

Regulatory Rate Base

Description	2010-11 (Projected)
Gross Fixed Assets In Operation:	
Opening Fixed Assets in Operation	34,057
Transferred in during the Year	6,698
Closing Fixed Assets in Operation	40,755
Cumulative Depreciation	(12,170)
Net Fixed Assets In Operation	28,585
Closing WIP	5,064
Total Assets	33,649
Less:	
Deferred Credit *	13,088
Regulatory Rate Base	20,561
Avg Regulatory Rate Base	18,037
Rate of Return on Rate Base	16.70%
Return on Rate Base	3,012

Key Assumptions to the Financial Projection

Basic Information

The financial projections have been prepared on the basis of following assumptions:

Sales (In MKWH) have been projected as given in Table-I below:

Islamabad Electric Supply Company Limited

Projection of Sales

Sr. No	Fiscal Year	Units (MWH)	Increase / (Decrease)	% age Increase / (Decrease)	Remarks
1	2000-01	4,468			
2	2001-02	4,588	120	2.69%	
3	2002-03	4,731	143	3.12%	
4	2003-04	5,205	474	10.02%	
5	2004-05	5,596	391	7.51%	
6	2005-06	6,270	674	12.04%	
7	2006-07	7,065	795	12.68%	
8	2007-08	7,232	167	2.36%	
9	2008-09	7,201	- 31	-0.43%	
10	2009-10	7,993	792	11.00%	Projected Units
				<u>6.10%</u>	
11	2010-11	8,481	488	6.10%	Projected Units

Number of units projected for the year 10-11 has been projected based on the weighted average of last ten years. Though the circumstances vary from time to time but the best available source in the absence of Technical data regarding the generation for the year 10-11 the best assumptions can only be the average of last ten years.

Revenue (in Millions rupees) for FY 2010-11 is determined based on the requirements to cover the PPP, Operating & Maintenance expenses, debt servicing, depreciation & adequate return on assets etc;.

Amortization of Deferred Credits has been taken on the basis of useful life of the related assets i.e. 3.5% p.a.

Other Operating Revenues have been assumed to remain the same as that of FY 09-10.

Power Purchase Price has been arrived at by taking the average of last two year's increase in Power purchase rate & then reduced it by 50%. The numbers of units purchased are estimated by taking T & D losses at 11% for the fiscal year 10-11.

Operating & Maintenance Expenses have been arrived at by assuming an average increase of 10% over the previous year mainly because of the following reasons:

- ❖ Current Prevailing CPI (Inflationary Trend)
- ❖ Expected increase in pay & other allowances in the Federal Budget 2010-11
- ❖ Annual Increment as per approved policy of GOP
- ❖ Increase in number of customers.
- ❖ Wear & tear of the distribution equipment
- ❖ Printing of additional electricity bills due to the expected new customer

Depreciation has been taken on the rates as per company policy. Land (0%), buildings & civil works (2%), Plant and Machinery (3.5%), office equipment (10%), mobile plant & equipment (10%) and other assets (10%)

Financial Charges includes all sorts of bank charges incurred in carrying out the banking transactions.

Workers Profit Participation Fund Provision has been made as per applicable law.

Taxation

Provision for Taxation is made @ 35% of the profit after interest.

No Dividend payment has been assumed.

Revenue Requirement (for tariff as per revenue requirement scenario for FY 200-10) has been arrived at as under:

RR = RORB + Power Purchase Price + O&M (pay & allowance, other operating & admn expenses, insurance, maintenance expenses, provision for bad debts) + Depreciation for the period -(other operating income + other non operating income).

Where:

RORB = Rate Base X WACC

Regulatory Rate Base = Opening Fixed Assets in operations + Transferred in during the year – accumulated Depreciation + Closing Work in Progress – Un amortized closing balance of deferred credits

And

WACC = Weighted Average Cost of Capital has been calculated at

Receivables have been assumed at 55 days of annual billing for the financial year

Stocks and Spares have been assumed to remain at 4.5% of average gross fixed assets in FY 2008-09.

Equity is the total paid up capital plus surplus on revaluation of fixed assets.

Summary of Projects under ADB Financing

STG subprojects

Description of Works

Location

• 13-40MVA augmentation	H-11, Islamabad
• 26-40MVA augmentation	Chakwal
• 26-40MVA augmentation	KTM
• 13-26MVA augmentation	Rawalkot
• 13-40MVA augmentation	F-11 Islamabad
• 2 x 26-40MVA augmentation	Zero Point
• 2 x 26-40MVA augmentation	Rawal
• 2 x 26-40MVA augmentation	I-8 Islamabad
• 26-40MVA augmentation	Pir Wadhai
• 13-26MVA augmentation	Kahuta City
• 13-26MVA augmentation	Fariqabad
• 13-26MVA augmentation	Margalla
• 13-26MVA augmentation	Dina
• 13-26MVA augmentation	Jatli
• 13-26MVA augmentation	Chak Sawari
• 13-26MVA augmentation	Attock
• 26-40MVA augmentation	Kamalabad
• 26-40MVA augmentation	Cant Rawalpindi
• 13-26MVA augmentation	Mangla R Bank
• 13-26MVA augmentation	Mangla L Bank
• 26MVA transformer extension	F-6 T/Shahheed
• 13MVA transformer extension	Khoi Ratta
• 26MVA transformer extension	Taxila
• 26MVA transformer extension	Gujar Khan
• 26MVA transformer extension	Mirpur

Non-STG subprojects:

- Installation of Capacitors – 132kV & 11kV capacitors
- Modernization – Install reclosers & sectionalisers to improve
- system performance
- Rehabilitation – Replace time expired/technically inadequate substation equipment

Benefits

The above mentioned Investment program will yield following Benefits:

Benefits of Investment program under ADB Program

- 1) Improve power distribution infrastructure through system augmentation, rehabilitation & expansion; & relieve the power system from distribution bottlenecks & constraints.
- 2) Enable continued operation & maintenance in accordance with best international practices.
- 3) Commercialize IESCO operations, specifically (a) IESCO will adhere to the regulatory requirements & comply with the security standards; (b) additional energy will be supplied through the grids annually (c) the system will be capable of meeting peak demand, with electricity outages significantly reduced; and (d) thousands of other consumers will have access to the electricity.

Benefits of Investment program under WORLD BANK Program

- 1) Addition of 200 MVA capacity from the new grid stations & augmentation of transformers that is anticipated to benefit an additional 130,000 new consumers.
- 2) It will bring down the average length of 11 kv feeders from 28 km to 26 km
- 3) It will improve the voltage profile.
- 4) it will improve the quality of supply (approximately 14 MW/ 55 GWH is expected to be saved & will help bringing down the losses over the years.

Other Benefits:

The implementation of these projects will help improve quality of service and expand customer base through construction, augmentation and renovation of the system. The investment on DOP is substantially financed through capital contributions whereas Rural Electrification (where applicable) is undertaken through grants from GOP & it will help to provide electricity at far off areas.

ERP

IESCO intends to implement the ERP system in future that requires approximately Rs. 100 Million. Requirement for additional posts as approved by Board of Directors for the restructuring is about Rs. 4 Million. Further, IESCO will require approximately Rs. 50 Million to automate the Grid Stations Metering system to start process to meet with the NEPRA performance standards.

Investment Program**(In Million Rupees)**

Description	Estimated 2010-11
World Bank	2,033
Asian Development Bank	1,040
DOP (HT & LT)	350
Civil Works	275
ELR (Own Sources)	200
Installation of TOU Meters & Security slips	600
Capacitors	50
ERP	150

Total**4,698****Objective of Investment Program & Benefits through financing from International Donors****Summary of Projects under World Bank Financing****STG PROJECTS****GRID STATION COMPONENT**

- Construction of four new 132 /11 kv Grid Stations
- Augmentation of Power Transformers in two existing Grid Stations
- Conversion of four existing 66 kv Grid Stations to 132 kv system
- Conversion of three existing 33 kv Grid Stations to 132 kv systems
- Extension of line bays at six Grid Stations locations

STG PROJECTS**SECONDARY TRANSMISSION LINE COMPONENTS**

- Construction of secondary transmission lines of 548 kms at various location
- Re-conductoring and/or replacement of two existing secondary transmission lines 944 kms)

ELR COMPONENT

- Implementation of 30 HV and 575 LV feeder proposals in the plan period
- Replacement of 200 existing D- fuse Links & Fittings
- Replacement of 60,000 defective and / or aged Energy Meters
- Replacement of 50,000 defective Customer Services including PG Connectors
- Replacement of Faulty Earthing Installed at 200 distribution transformers
- Replacement of 40,000 loose joints in 20 feeders
- Installation of 40 lines sectionalizers
- Installation of 9 MV Ar HT capacitors banks at 20 locations
- Inclusion of 500 LV capacitors of various ratings
- Procurement of T & P & vehicles

Deferred Credit is the amounts received from consumers as **capital contributions and grants received from Federal and Provincial Governments** against Rural Electrification and other deposit works. These are capitalized in the first instance and amortized in later years at 3.5% per annum being the depreciation rate applicable to the assets constructed through capital contributions and grants. The amortization of deferred credit is recognized as income for the relevant year. The capital contributions, in line with company perception for consumer growth, have been increased by 5% each year over the previous year. The grants from Government have been kept in line with estimated cost on rural electrification.

Consumer Security Deposits are long term liabilities. The amounts received against security deposits are increased by increase in number of consumers multiplied by Avg receipt during last year.

Employee's Retirement Benefits have been based on actuarial valuation conducted through qualified consultants during FY 2007-08.

Sundry Creditors (NTDC / CPPA) is estimated to be paid in accordance with the Invoices received from CPPA.

Other Creditors include payables against material procurement, retention from suppliers and contractors, capital receipts against works / connections to be executed and accounts with associated power sector companies (other than power purchase).

Others:

It is further assumed that the entire revenue requirement as projected for the fiscal year 09-10 will be made & no claim will be forwarded under the prior year adjustment.

Islamabad Electric Supply Company Limited

Balance Sheet

Description	ACTUAL (08-09)	PROJECTED 2009-10	Projected 2010-11
Assets:			
<u>Fixed Assets:</u>			
Gross Fixed Assets (At Revalued Amount)	42,083	50,830	58,028
LESS: Accumulated Depreciation	9,479	10,744	12,170
Net Fixed Assets	32,604	40,087	45,858
Capital Work in Progress	6,958	5,314	5,064
Long Term Advances & other deposits	11	11	11
<u>Current Assets:</u>			
Inventory / Stores & Spares	2,270	1,616	1,940
Account Receivable	8,337	7,897	9,160
Advances, Deposits, Prepay. & Other Rec.	8,770	4,026	4,369
Cash & Bank Balances	4,123	4,200	4,305
Total Current Assets	23,500	17,740	19,775
TOTAL ASSETS	63,073	63,151	70,708
<u>Equity & Liabilities</u>			
Issued Share Capital	5,798	5,798	5,798
Accumulated Profit/(Losses)	(28)	6,693	8,093
Net Equity	5,771	12,491	13,891
Surplus on revaluation of fixed assets	11,696	11,696	11,696
<u>Long Term / Deferred Liabilities</u>			
Long term Loans	10,060	4,311	4,247
Consumer's Security Deposits	1,779	1,869	1,962
Employees Retirement Benefits	4,017	4,567	4,967
Deferred Tax Liability	3,108	3,108	3,108
Deferred Credits (Consumer's Capital Cont. etc.)	9,400	10,570	13,088
Total Long Term / Deferred Liability	28,364	24,424	27,372
<u>Current Liabilities</u>			
Current Maturity of long term loan	4,615	864	1,056
Creditors, Accrued & Other Liabilities	12,629	13,675	16,693
Total Current Liability	17,243	14,539	17,749
TOTAL LIABILITIES & EQUITY	63,073	63,151	70,708