Annex-I

KESC

KARACHI ELECTRIC SUPPLY COMPANY LTD.

7th Floor, State Life Building No. 11, Abdullah Haroon Road, Karachi
Telephone – 99206247 Facsimile 9205792

Ref. No. DDRA&SP/ET040/
Date: January 5, 2010

The Registrar
NEPRA
2nd Floor, OPF Building
G-5/2
Shahrah-e-Jamhuriyat
Islamabad

By Personal Messenger/Courier/Registered A/D

Subject: **MOTION FOR LEAVE FOR REVIEW UNDER RULE 16(6) OF THE TARIFF STANDARDS & PROCEDURE RULES, 1998 ("Tariff Rules")**
Determination of Authority in the matter of KESCL Tariff Petition for increase in Base Tariff and Modification of Terms and Conditions of Electricity Supply and Security Deposit Rates (CASE NO.NEPRA/TRF-133/KESCL-2009, Pursuant to the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997)

Ref: **Letter No. NEPRA/TRF-133/KESC-2009/1330-1333 dated December 23, 2009 received on December 26, 2009**

Further to our letter No. DDRA&SP/ET040/585 dated December 30, 2009 on the above subject; Karachi Electric Supply Company Limited ("KESC") is hereby pleased to submit the grounds in support of a Motion for Review of Tariff Determination dated 23rd December 2009, for favorable consideration of the Authority on the following issues:

1. **Increase in O&M Component of Current Tariff**
2. **Increase in Fuel & Power Purchase Component of Current Tariff**
3. **Resetting of Transmission and Distribution Losses**
4. **Removal/deferral of Claw Back Mechanism**
5. **Modifications in Terms and Conditions**
6. **Determination of Rates for Security Deposit**

The Tariff Determination was received by KESC on December 26, 2009. KESC sent a letter to the Authority on December 30, 2009 seeking an extension in time for filing a Motion of Leave for Review. In response, KESC received a letter dated January 4, 2010, from the Authority, stating that no such provision existed which allowed an extension in time without filing a Motion for Review. As KESC is filing this review today and based on the 10-day period for filing a review, this Motion is therefore within the statutory time period.

Registrar
Dy. No. 87
Dated 8-1-10

For info.
Dir(T)-II

Grounds for Review

1. Increase in O&M Component of Current Tariff

In the tariff petition filed by KESC on April 21, 2009, KESC had requested for a one time increase of Rs. 0.64 / kWh in the O&M component of its multi-year tariff KESC had demonstrated that the O&M component in the current tariff structure is inadequate to fully cover its O&M cost resulting in severe financial losses to the Company. KESC had proved in the petition that the O&M cost component of the overall tariff had been insufficient from the very start i.e. in the original tariff determination of 2002-2003 and even more so subsequently, the gap widened due to hiring of additional 7,604 employees just prior to privatization. Also, the poor condition of the plants at time of privatization resulted in increased repair and maintenance cost. Almost no maintenance was conducted on the plants prior to the privatization.

In response, NEPRA in its determination dated December 23, 2009, allowed KESC Rs. 0.15 / kWh increase in it base O&M component of the tariff. KESC maintains that the allowed increase is not sufficient and if it is not revised upwards then KESC will continue to incur heavy financial losses and the long-term sustainability of the Company's operations becomes questionable. In effect, the Company will continue to utilize the investment components of its tariff to fund ongoing operating costs rather than capital expenditures, creating the same vicious circle that brought the Company to its existing condition over the last 30 years The inability to invest in maintaining and improving the network is a primary cause of the Company's poor operational and financial condition today. KESC strongly believes that it is in the interests of both consumers and the Company to ensure that sufficient investment is made now to improve the network, and that the Authority and consumers must take a longer term (10 to 20 year) view to ensure the Company has the ability to perform at the required standard.

O&M Cost (Rs. / kWh)

	At Actual T&D Loss Level					At 25% T&D Loss Level
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2009
	0.92	1.23	1.13	1.20	1.30	1.11
O&M Allowed in Tariff at end of FY 2009					0.72	0.72
Increase in Dec 23, 2009 Determination					0.15	0.15
					0.87	0.87
Shortfall at end of FY 2009 (Rs. / kWh)					0.43	0.24

As can be seen from the table above that even after an increase of Rs 0.15 / kWh in the O&M component, it continues to fall significantly short of the actual O&M cost even at the NEPRA determined losses of 25%. Even if KESC were to take Rs. 0.92 / kWh, the actual O&M cost per unit in the financial year ending five months prior to privatization, and increase it by the yearly

O&M escalation factor, the O&M cost per unit at fiscal year ending 2009 would be much higher than the current actual.

Also, in section 13.8 of the tariff determination dated December 23, 2009, the Authority itself admits that KESC's O&M component of the tariff is short by at least Rs. 0.46 / kWh when compared to other generation, transmission and distribution companies in the country. As a result, it is no surprise that KESC continues to make heavy financial losses and its turnaround strategy is being hampered. The Company's long-term sustainability is based on its ability to generate enough cash internally to covers its operating costs and incur the required capital expenditure on its generation and T&D infrastructure. This cannot happen unless the tariff allows KESC to fully recover its cost of operations, which is also the basic principle behind the MYT. The Company cannot rely on external funding as a permanent source of capital and an adjustment of O&M costs must be permitted at actual levels in order to reflect the correct position. **Keeping in consideration these points and also the long-term sustainability of the Company, we request the Authority to review its recent determination in regards to the allowed increase in the O&M component of tariff and allow KESC a further increase of Rs. 0.43 / kWh over and above the Rs. 0.15 / kWh currently allowed.**

2. <u>**Increase in Fuel & Power Purchase Component of Current Tariff**</u>

KESC had requested for an increase of Rs. 0.36 / kWh in current base tariff to cover the difference in actual fuel and power purchase cost versus that being allowed/implemented through quarterly tariff adjustment (Rs. 8.31 – Rs. 7.95 = Rs. 0.36 / kWh).

The Authority holds that KESC's request for upward adjustment of its generation cost due to deteriorating thermal efficiencies of its power plants does not merit consideration and should therefore should not be allowed (Refer Para 14.8 of December 23, 2009 Tariff Determination). Whereas, the Authority has approved the revised heat rates on sent out basis while taking into account an auxiliary consumption of 6.1% as approved in the Previous Determination of FY 2002-2003, for the purpose of KESC's future adjustments in tariff due to fuel price variation (Para 16.8 of December 23, 2009 Tariff Determination).

It is worth mentioning that KESC has been allowed a total increase of Ps. 236.15 / kWh during the period January 2003 to June 2009, on account of variation in fuel prices in quarterly tariff adjustments. These adjustments were based on heat rates on generation basis, not accounting for auxiliary consumption and hence resulting in an aggregate shortfall of Ps. 14.40 / kWh in the current tariff. **We therefore request the Authority to allow an increase of Rs. 0.1440 / kWH in the current base tariff on account of this shortfall for future application.**

3. <u>**Resetting of Transmission and Distribution Losses**</u>

Under the Tariff Petition filed by KESC on April 21, 2009, KESC requested that the T&D loss assumption in the tariff determination by NEPRA be reset and benchmarked at 34.2% for FY 2008-2009 and reduced by 1% thereafter for the next seven years. However, the Authority, in the Revised Determination (December 23, 2009) has not allowed KESC to reset the level of T&D losses as assumed in the tariff formula. KESC requests NEPRA to review its decision given the specific circumstances of the Company at the time of and post the Previous Determination.

At the time of the Previous Determination in FY 2002-2003, determined losses were assumed to be 35.0% whereas in reality losses stood at 40.8% in the same year. It is evident, therefore, that the current revenue shortfall that KESC faces has persisted over the last six years and is responsible, in large part, for KESC's current financial crisis. It is submitted that the very basis on which transmission and distribution losses were to be adjusted was incorrect at the very outset.

Subsequently, at the time of privatization in 2005, the Authority reset KESC's T&D losses schedule to 30.0%. However, it is important to highlight the fact that even in FY 2005 the level of actual losses was 34.2%. Thus, KESC's tariff was never sufficient to cover its actual operating requirements.

Importantly, the revenue shortfall created due to insufficient tariff has severe repercussions for KESC as it creates a liquidity crisis for the Company and all funding needs to be utilized to address working capital constraints. This creates a substantial shortage of funds which could instead be incurred to reduce T&D losses. An estimated capital investment of Rs. 30 billion in Transmission and Distribution assets is required to reduce losses to a reasonable level, which means that nearly Rs. 3 billion must be incurred for every 1.0% reduction in technical losses. Furthermore, given the complex socioeconomic environment of Karachi, reducing non-technical losses requires significant time and planning situation and, with that in mind, we request KESC be afforded sufficient breathing space to reduce losses.

There is indisputable evidence that the electrical losses on KESC's electric power system are very high. These results are not a one-time anomaly, the level of electrical losses increased steadily since 1987 and reached at extremely high levels of 35.8% in 2008-09. High electrical losses have a two-fold impact on company finances:

- Impact on Earnings: T&D is the biggest contributor to the operating expenses incurred by KESC and directly impacts the company's "bottom line". While it is not possible to completely eliminate electrical losses from the power system.
- Impact on Capital Expenditure: Electrical losses increase the system peak demand and therefore reduce the capability of KESC's power system to serve the customer load during peak load periods. Currently, widespread load shedding is needed during peak load periods to maintain system integrity due to capacity limitations. KESC will need to add generation, transmission, and distribution facilities to satisfy the rapidly growing needs of its customers.

Generally speaking, there are two categories of electrical losses:

- <u>Technical Losses:</u>
- <u>Non-Technical Losses</u>:

Recommended Projects for Reducing

a) Distribution System Technical Losses

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I. Reactive Power Compensation
II. Capacitor Bank Inspection Program
III. Re-conducting of Primary and Secondary Distribution Networks
IV. Replacement of Distribution Transformers with High Efficiency (Low Loss) Units
V. Distribution Network Reconfiguration
VI. Deploy SCADA and Distribution Automation Facilities

b) Transmission System Technical Losses

I. Projects Related to System Contingencies
II. Overload Relief

c) Non-Technical Losses

Recommended projects for reducing non-technical losses are identified below and substantial investment is required only to accurately measure non-technical losses at different levels.

I. **Metering of Unbilled Energy:** KESC will need to install check meters to record energy consumption by unbilled customers. This information on unbilled energy will enable KESC to more accurately determine the amount of energy theft.
II. **Improve Meter Accuracy:** It is a well-known phenomenon that electro-mechanical meters that rely on rotating disk technology typically "slow down" with age, resulting in improper registration of the energy consumption, if not periodically recalibrated. This affect can underreport the amount of energy consumption by as much as 3%.
III. **Address Illegal hookups (Rigging):** Following is a list of recommended ways to address the illegal hookup problems:

a. Install insulated or antifraud conductors in areas known for electricity theft
b. Convert low voltage (415V) networks to an underground layout in areas known for electricity theft
c. Organization a specialized group in charge of field investigations and inspections, for locating potential problems related to electricity theft, meter tampering, etc

IV. **Installation of Advanced Metering at Large Customers:** Installing AMI facilities at every customer is a huge and expensive undertaking that requires detailed consideration of business processes, affects of time of use rates and other innovative tariffs for demand side management, and other issues that go well beyond the scope of this study. The Authority has now approved ToU metering for the consumers having load of 5 kW, however, requires 3 years time for implementation.

These above projects will require significant investment and time before they can result in any meaningful T&D loss reduction. Unless reasonable level of T&D losses are reflected in the tariff formula, the shortfall in tariff will persist resulting in operational funding shortfall which would mean non availability of funds for the desired capital expenditure projects.

Therefore, we request that the Authority reset and benchmark T&D losses to the level of 27.0% for FY 2009-10 and FY 2010-11 with the gradual reduction of 2% per annum thereafter.

4. <u>Removal/deferral of Claw Back Mechanism</u>

Under the Tariff Petition filed by KESC on April 21, 2009, KESC sought removal / suspension of the claw-back mechanism built into the Company's tariff regime as approved by the previous tariff determination (FY 2002 - 2003). The claw-back mechanism is designed essentially to cap returns to the Company by requiring earned returns over 12%, 15% and 18% to be repaid to consumers in the form of a reduction in tariff over defined thresholds of 25%, 50% and 75%.

Despite the various structural issues, which provide a significant disincentive to any investor in sustainably improving the Company's efficiency, the Authority, in its Revised Determination, dated December 23, 2009, does not consider removal / suspension of the claw-back mechanism justified.

KESC's rationale for removal / suspension of the claw-back mechanism is based on various structural anomalies with the formula as well as the fact that ground realities and KESC's operational circumstances do not justify its application in this initial tariff period. Key issues with the claw-back mechanism include:

a. **Incorrect and Inconsistent Formula:**

The application of the claw-back mechanism is incorrect given that such a mechanism is only applicable in cases where the utility is already operating at efficient levels and under normal exogenous circumstances. However, KESC's accumulated losses of Rs. 72.3 billion (as of September 30, 2009) clearly indicate that KESC is operating under severe financial duress.

It is important to note that the current definition of the Company's Regulated Asset Base is inconsistent with that applicable to other power generation and distribution companies in the country, and indeed with all other regulated utilities. KESC's "Regulated Asset Base" is defined as total borrowings plus total equity less cash and securities. The Company's Earning Before Interest and Tax are divided by this "Regulated Asset Base", to determine the annual return. All other regulated utilities benefit from return calculations based on a Regulated Asset Base value derived from Net Fixed Assets. Therefore, the application of a different basis for KESC is discriminatory.

Under the current flawed formula, returns on new capital injections are never fully credited, since the Company's existing losses wipe out the balance sheet impact of new capital. Not only does this effectively reduce the capital base (as losses reduce the Company's total equity) it also means that while the Company may be able to exceed earnings thresholds mentioned above, at some point in the future, returns accruing to the new investor, based on the current flawed formula, will always be overstated compared to actual returns. Please see the table below for calculation of the regulated asset base using the actual balance sheet as of June 30, 2009.

Balance Sheet	As at:	30-Jun-09
PKR '000'		
Equity		
Share Capital & Reserves		58,358,113
Accumulated Losses		(66,350,117)
Total Equity Before Capital Injection		(7,992,004)
Capital Injection (US$ 100.5 million between Oct 2008 and June 2009)		8,170,638
Total Equity After Capital Injection	=A	178,634
Debt		
Long-term Financing		17,882,291
Short-term Borrowing		9,137,014
Total Borrowing	=B	27,019,305
Less: Cash	=C	1,957,628
Less: Short-term Investments	=D	0
Regulated Asset Base	= A + B C - D	25,240,311
Net Fixed Assets		82,193,852

Based on the table above, it is evident that the additional capital injection of Rs. 8.2 billion (US$ 100.5 million) made during the period October 2008 to June 2009, has been completely wiped off due to continuing annual operating losses and accumulated losses of PKR 66.3 billion as of June 30, 2009. As of November 30, 2009, an additional Rs. 7.6 billion (US$ 93 million) of new equity injected into the company has been effectively wiped out by operating losses too. Based on the current flawed definition for calculating the Regulated Asset Base, if the Company had positive EBIT during the year, the inaccurate formula would overstate annual returns and potentially claw-back earnings. It is clearly evident that the entire equity injection over the last year has in effect been wiped off due to the magnitude of accumulated losses, and no returns will accrue or be credited against this new equity now or in the future Therefore, actual returns to investors will always be much lower than the returns calculated against the flawed Regulated Asset Base definition.

Given the clearly evident structural anomaly in the current formula KESC requests that the current definition of the regulated asset base be revised and made consistent with that of other power generation and distribution companies in the country based on Net Fixed Assets.

b. Negates the essence of the Multi Year Tariff (MYT) Regime:

The current tariff regime is essentially a performance-based tariff which dictates that the end consumer should benefit from any improvements in the Company's efficiency through a profit-sharing mechanism. A profit-sharing mechanism is effectively built into the tariff regime through yearly targets of T&D losses as determined by the Authority, which decline each year and thereby directly benefit the end consumer through a lower tariff. Performance targets assumed in the T&D loss curve are used to calculate any adjustments made to the consumer end tariff and are applicable independent of whether the Company actually realizes the determined

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level of losses. This suggests that performance-based profit-sharing is in effect guaranteed by the current tariff adjustment mechanism.

Application of a claw-back mechanism in combination with a performance-based T&D loss schedule (assumed in the tariff) essentially equates to a "double dip" on the Company's earnings capability. It is important to highlight that there is no global precedent for a built in claw-back mechanism in a performance-based tariff structure. Therefore, application of the claw-back mechanism actually serves as a penalty on the Company with the revenue line being capped through the implied T&D loss schedule built into the tariff and hampers the ability of the Company to generate cash and reinvest in its operations.

c. **Disincentive for Long-term Reinvestment into the Company:**

Under normal operating circumstances, profits earned by a company are typically re-invested into the business, which allow the business to sustainably finance any major and minor capital expenditures in the long-term. With that premise in mind, if new management is able to achieve a successful turnaround and able to generate returns over the above mentioned benchmarks, the Company should have the option to reinvest that income into its generation, transmission, and distribution assets. This approach will not only allow KESC to achieve sustainable operations in the long-term but will also allow the Company to address Karachi's power crisis on a permanent basis. KESC must be able to generate funds internally to fund its operations and capital expenditure plans as external funding is not a long-term solution.

KESC is of the opinion that continuation of this mechanism will have severe financial repercussions for the Company in the future as it limits its internal cash generation capability and affects its long-term financial viability. The Company will not be able to sustain long-term investment plans unless it is able to retain surplus cash and repairs its balance sheet. Furthermore, the Company will not be able to convince either shareholders or lenders to inject additional funding in the short term. If this "double-dip" remains effective it is unlikely that shareholders will invest additional amounts beyond the US$ 193 million already provided. **Therefore, KESC humbly requests the Authority to suspend the claw-back mechanism for the period of this tariff determination or defer it until the time at which the Company is able to recover its accumulated losses. At the very minimum, KESC request's, that the definition of the Regulated Asset Base be revised and made consistent with that of other power generation and distribution companies in the country.**

5. <u>**Modification in Terms and Conditions (Annexure-E)**</u>

<u>**Part-II**</u>

a) <u>**ToU Metering**</u>

At present KESC has no ToU metering arrangements for any of its consumers, whereas, as per new tariff structure, almost all existing consumers, having sanctioned load of 5 kW and above, shall be provided ToU metering by June 30, 2011. Whereas all new consumers having sanctioned load of 5 kW and above shall be provided ToU metering with effect from 1st Jan, 2010.

Grounds for Review

KESC has over 2 million consumers, with about 40% having load of 5 kW and above. Conversion of these consumers on ToU metering involves a lengthy procedure, requires meters, material and manpower. KESC in its submission of Terms and conditions to the Authority, in December 16, 2008, had proposed the completion of said process by June 30, 2013. It is therefore requested that the time for conversion of all consumers, having load of 5 kW and above, on ToU metering, may be enhanced to June 30, 2014. Accordingly the date for providing ToU metering to new consumers may be enhanced from January 2010 to July 2010.

b) Rate for B-1 Industrial Consumers

The estimated annual sale under Tariff B-1 is 292 gWh as per existing tariff structure of KESC out of which 36 gWh relates to consumers having sanctioned load less than 5 kW. As per new tariff structure, the balance 256 gWh pertains to consumers having sanctioned load of 5 kW and above and shall be provided ToU metering arrangement and converted to B-2(b) Tariff. Till such time they will be billed under Tariff B-2(a).

Grounds for Review

All the existing consumers under tariff B-1 (up to 40 MW) are being charged on single part tariff and as per revised tariff structure, the consumers having sanctioned load of 5 kW and above on tariff B-2a) which is two part tariff. The billing of such consumers on tariff B-2(a) will be possible until all the meters are changed. As such the amendment may be made that "till such time they will be billed under Tariff B-1 (single part tariff)

c) C-2 SUPPLY AT 11 kV and 33 kV (151 kW up to 5000 kW)

There is a typographic error and it should be "C-2 SUPPLY AT 11 kV and 33 kV (501 kW up to 5000 kW)" instead of 151 kW.

d) C-3 (b) in the tariff table

"For Supply at 132 KV up to and including 5000KW" should be replaced with **"For All Loads at 132/220 KV"**

e) Correction of Status of tube Well connections as per the nature of use rather than the voltage.

Tube Wells have been categorized as either Industrial or Agriculture. However, by definition, Tube well has been parked under industry on the basis of it voltage being 440 Volts rather than nature of use. They need to be defined for all "NATURE OF USE/types" tariff classes. Agriculture tariff does elaborate this but still need clarification for all tariff classes. As per above, tube wells need to be part of Commercial use as well as per the nature of use. This is important as a lot of tube wells are functioning in KESC just for the purpose of sale of water only.

6. Determination of Rates for Security Deposit

The rates of Security Deposit of DISCOs were revised in the third quarter 2008 and are much higher than the approved rates of KESC. The Authority has agreed that KESCL's request for modification in the security deposit rates shall be decided later on along with those of other DISCOs to be uniformly applicable all across the country. However, till such time, KESC is essentially discriminated against, as the other DISCOs enjoy enhanced Security Deposit rates, while KESC still charges old rates which do not even provide the basic rationale for charging of the security deposit and that also considering the socio-political situation of Karachi. We humbly request the Authority to re consider its decision in the matter.

The Revised Tariff Determination, as issued by NEPRA on December 23, 2009, is a detailed document and covers various issues. We note that under the Tariff Rules, the Parties to the proceedings shall be afforded a reasonable opportunity, orally or in writing as deemed fit by the Authority, to respond to a motion for leave for review. In furtherance of the foregoing, we request the Authority to provide KESC with such opportunity as aforesaid in order to explain and clarify the matters set out in this letter.

Best Regards,

Tabish Gauhar
Chief Executive Officer

Copy to: Secretary, Ministry of Water and Power, Islamabad.

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Abdullah Haroon Road
Karachi

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Facsimile: + 92 (21) 920 5147
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Certified True Copy
of Resolution dated 4 January 2010
passed by KESC Board of Directors

Filing of a motion with NEPRA for leave for review by the full strength of the Authority of its determination dated 23 December 2009

RESOLVED THAT the Chief Executive Officer (CEO), KESC, Director / Head (SP) Zufiqar Haider Ali and Mr. Abdul Rauf Yousuf, Director (Regulatory Affairs) be and are, hereby, singly, and severally authorized to file a motion with NEPRA for leave for review by the full strength of the Authority of its determination dated 23 December 2009 pursuant to Rule 16(6) of the NEPRA Tariff Standards & Procedure Rules 1998 (the "Rules") and that they are further singly, and severally authorized to take all necessary actions including but not limited to file papers / documents, appear before the authority and others which are incidental to and required for with respect to the said motion.

CERTIFIED TRUE COPY
UZMA AMJAD ALI
Chief Legal Advisor &
Company Secretary
K.E.S.C. Ltd

UZMA AMJAD ALI
Chief Legal Advisor
& Company Secretary KESC Ltd

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Ref: SEC/BM.1161/10
Date: 4 January 2010

Resolution by Circular

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In view of the urgency of the issue and as the Company's Board of Directors meeting is not currently scheduled, the Directors may consider and pass the following resolution by circular:-

> **RESOLVED THAT** the Chief Executive Officer (CEO), KESC, Director / Head (SP) Zufiqar Haider Ali and Mr. Abdul Rauf Yousuf, Director (Regulatory Affairs) be and are, hereby, singly, and severally authorized to file a motion with NEPRA for leave for review by the full strength of the Authority of its determination dated 23 December 2009 pursuant to Rule 16(6) of the Rules and that they are further singly, and severally authorized to take all necessary actions including but not limited to file papers / documents, appear before the authority and others which are incidental to and required for with respect to the said motion.

Uzma Amjad Ali
Chief Legal Advisor & Company Secretary

Waqar Hassan Siddique	Tabish Gauhar	Farrukh Abbas	
Zulfiqar Haider Ali	Muhammad Tayyab Tareen	Naveed Ismail	
Shan A. Ashary	Syed Nayyer Hussain	Shahid Rafi	Mubasher H. Sheikh
Tahir Basharat Cheema	Muhammad Sarwar	Syed Arshad Masood Zahidi	

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Uzma Amjad Ali
Chief Legal Advisor & Company Secretary

Waqar Hassan Siddique	Tabish Gauhar	Farrukh Abbas
Zulfiqar Haider Ali	Muhammad Tayyab Tareen	Naveed Ismail

Shan A. Ashary	Syed Nayyer Hussain	Shahid Rafi	Mubasher H. Sheikh

Tahir Basharat Cheema	Muhammad Sarwar	Syed Arshad Masood Zahidi

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Tahir Basharat Cheema	Muhammad Sarwar	Syed Arshad Masood Zahidi	

PAKISTAN

100 RS.

ONE HUNDRED RUPEES

Muhammad Ashraf Gujjar Stamp Vendor
Sheet No. 118, Shop No. 3?? Near Masjid Rehmatu
Aalameen ... Karachi

S. No. ...
Issued to ...
Through: ... ANIS AHMED Advocate
Purpose ... L.No. ...
Value ...
Stamp Vendor's Signature ...

04 JAN 2010

AFFIDAVIT

I, Tabish Gauhar son of Gauhar Ali, Muslim, adult, Chief Executive Officer of The Karachi Electric Supply Company Limited, 7th Floor, State Life Building No.11, Abdullah Haroon Road, Saddar, Karachi, being the duly authorized representative/attorney of The Karachi Electric Supply Company Limited, hereby solemnly affirm and declare that the contents of the Motion for Leave for Review under Rule 16(6) of the Tariff Standards and Procedure Rules, 1998 dated January 05, 2010, in connection with the Determination of the Authority in the matter of KESCL Tariff Petition (Case No.NEPRA/TRF-133/KESC-2009(6), including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed.

05 JAN 2010

Verified on oath this 5th day of January 2010.

DEPONENT

Tabish Gauhar
Chief Executive officer

Verified on oath this 5th day of January 2010 that the contents hereof are true and correct to the best of my knowledge and belief and nothing has been concealed.

Tabish Gauhar
Chief Executive officer

Shakil Ahmed Khan Notary Public
PAKISTAN
Karachi

SOLEMNLY AFFIRMED BEFORE ME

Shakil Ahmed Khan
Advocate,
Notary Public Karachi

05 JAN 2010

Israr Muhammad Khan B.A. LL.B

Israr Muhammad Khan
B.A. LL.B
OATH COMMISSIONER
KARACHI

PAKISTAN

100 RS.

ONE HUNDRED RUPEES

ایک سو روپیہ (۱۰۰)

پاکستان

Muhammad [illegible] Stamp Vendor
Shop No. 118, [illegible] Masjid Rehmatu
[illegible] Karachi

4 JAN 2010

S. No. 2076
Issued to [illegible]
Through [illegible] ANIS AHMED Advocate
Purpose [illegible]
Value [illegible] L.No. [illegible]
Stamp Vendor's Signature

AFFIDAVIT

I, Abdul Rauf Yousuf son of Muhammad Yousuf, Muslim, adult, Director Regulatory Affairs, KESC Ltd., 7th Floor, State Life Building No.11, Abdullah Haroon Road, Saddar, Karachi, being the duly authorized representative of The Karachi Electric Supply Company Limited, (KESCL), hereby solemnly affirm and declare that the contents of the Motion for Leave for Review under Rule 16(6) of the Tariff Standards and Procedure Rules, 1998 dated January 05, 2010, in connection with the Determination of the Authority in the matter of KESCL Tariff Petition (Case No. NEPRA/TRF-133/KESC-2009(6), including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed.

05 JAN 2010

Verified on oath this 5th day of January 2010.

DEPONENT

Abdul Rauf Yousuf
Director Regulatory Affairs

Shakil Ahmed Khan Notary Public ★ PAKISTAN ★ Karachi

SOLEMNLY AFFIRMED BEFORE ME

Shakil Ahmed Khan
Advocate,
Notary Public Karachi

05 JAN 2010

Israr Muhammad Khan B.A. LL.B. ★ OATH COMMISSIONER UNDER SECTION 139(b) C.P.C. TO ADMINISTER OATH ★ KARACHI

Israr Muhammad Khan
B.A. LL.B.
OATH COMMISSIONER
KARACHI

PAKISTAN

100 RS.

ONE HUNDRED RUPEES

پاکستان

ایک سو روپیہ (۱۰۰)

04 JAN 2010

S. No. 2071

ANIS AHMED Advocate

L.No.

AFFIDAVIT

I, Zulfiqar Ali son of Rizwan Ali, Muslim, adult, Head of Special Projects, KESC Ltd., 7th Floor, State Life Building No.11, Abdullah Haroon Road, Saddar, Karachi, being the duly authorized representative of The Karachi Electric Supply Company Limited, (KESCL), hereby solemnly affirm and declare that the contents of the Motion for Leave for Review under Rule 16(6) of the Tariff Standards and Procedure Rules, 1998 dated January 05, 2010, in connection with the Determination of the Authority in the matter of KESCL Tariff Petition (Case No. NEPRA/TRF-133/KESC-2009(6), including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed. 05 JAN 2010

Verified on oath this 5th day of January 2010.

DEPONENT

Zulfiqar Ali
Head of Special Projects

Shakil Ahmed Khan Notary Public
PAKISTAN
Karachi

SOLEMNLY AFFIRMED BEFORE ME

Shakil Ahmed Khan
Advocate,
Notary Public Karachi

05 JAN 2010

C. S.

Israr Muhammad Khan
B.A. LL.B.
OATH COMMISSIONER
KARACHI

Israr Muhammad Khan B.A. LL.B.
OATH COMMISSIONER
UNDER SECTION
139(b) C.P.C.
TO ADMINISTER OATH

Annex-II

KESC

KARACHI ELECTRIC SUPPLY COMPANY Ltd.

Ref: DGM RA/NEPRA/2010/13
Dated: January 20, 2010

The Registrar,
NEPRA,
Islamabad.

Sub: Directives of the Authority in Determination of Tariff Petition filed by KESCL Case No. NEPRA/TRF-133/KESCL-2009(6)

The Authority in its determination (NEPRA/R/TRF-133/KESC-2009/342 dated December 23, 2000) has directed KESCL that:

1) KESCL is directed to perform heat rate (efficiency) test for all its upcoming power plant at the time of commissioning and submit the same to the Authority for approval. KESCL shall not be allowed any adjustment in tariff on account of fuel price variation till approval of heat rates of such power plants.

2) KESCL is directed to obtain approval of the Authority for power acquisition along with the agreed rate and terms and conditions for purchase of power from external sources. KESCL shall not be allowed any adjustment in tariff on account of power purchase cost variation in respect of those power sources for which prior approval of the Authority has not been obtained. For this purpose KESCL is directed to submit its request for power acquisition along with the rational, relevant documents, Agreements etc. for consideration and approval of the Authority within thirty (30) days of this determination.

3) KESCL is directed to place all documentary record of its additional investment decisions on its official website for the information of consumers.

4) KESCL is directed to establish separate cost centers for each function of the Utility i.e. generation, transmission and distribution within a period of six months and submit its report to the Authority.

5) All existing consumers governed by new tariff having sanctioned load of 5 kW and above shall be provided ToU metering arrangement by the Company no later than 30th June, 2011.

6) All new consumers having sanctioned load of 5 kW and above shall be provided ToU metering arrangement with effect from 1st January, 2010.

Comments of KESCL on above Directives

Directive - 1:

KESCL vide its letter No.DGMRA/NEPRA/2010/05 dated 14 January, 2010 has sought permission of the Authority for hiring of consultants to perform heat rate test. (copy of the letter attached).

For info & n.a. [illegible]
Dir (T)-II

Registrar
Dy. No. 916
Dated 25-01-10

Already received vide No 85 dt [illegible]

R. study & discuss [illegible]

Directive – 2.

KESCL would appreciate, if criteria for approval for the power acquisition should be for 5 MW and above as it won't be feasible to get involved into the process of Authority's approval for cases below 5 MW, mostly not on permanent basis.

Directive - 3

All decisions in respect of investment are already available at the website in the form of the Board minutes, Resolutions and Presentations. The website will be update from time to time.

Directive - 4

Cost center for each functions i.e. G.T&D, has already been established. As regards bifurcation of Revenue, we need to share it with NEPRA.

Directive – 5 & 6

It may please be noted that KESCL has over 2 million consumers, with about 40% having load of 5 kW and above. Conversion of these consumers on ToU metering involves a lengthy procedure, requires meters, material and manpower. It has also been learnt that the ToU meters available in the market are not reliable as such it has been decided that the meters will be purchased once its effectiveness is ensured through testing.

It is, therefore, requested that the time for conversion of all consumers, having load of 5 kW and above, on ToU metering, may be enhanced to June 30, 2014. Accordingly the date for providing ToU metering to new consumers may be enhanced from January 2010 to July 2010.

The other issue in replacement of meters is the huge investment of Rs. 8.00 billion is required (consumers 800,000 x Cost/meter Rs.10,000). The Authority in its Order on page 35 of the determination, under Para (IX) has decided that "KESCL has not been allowed any provision for adjustment in tariff on account of its future investments in the system".

The Authority has very kindly allowed HESCO, PESCO and QESCO to recover the cost of ToU meters from its consumers. Similarly, it is requested that KESCL may also be allowed to charge the cost of ToU meters from the consumers.

Best regards,

Abdul Rauf Yousuf
Director Regulatory Affairs

Annex-III

FROM : D FAX NO. : 0219205792 Jan. 22 2010 ~~11:52AM P1~~

KARACHI ELECTRIC SUPPLY COMPANY LTD.
7th Floor, State Life Building No. 11, Abdullah Haroon Road, Karachi
Telephone – 99206247 Facsimile – 9205792

Ref. No. DDRA&SP/ET040/16
Date: January 22, 2010

The Registrar
NEPRA
2nd Floor, OPF Building
G-5/2
Shahrah-e-Jamhuriyat
Islamabad

Subject: **APPLICATION OF NEW TARIFF OF KESCL DETERMINED BY NEPRA (CASE NO.NEPRA/TRF-133/KESCL-2009(6) VIDE LETTER NO. NEPRA/TRF-133/KESC-2009/1330-1333 dated December 23, 2009.**

The subject tariff has been notified by the M/o Water and Power vide S.R.O.10(I)/2010 dated January 01, 2010, without mentioning the date of application.

It is to be clarified that in the **Order Of The Authority**, notified by the M/o W&P vide S.R.O.11(I)/2010 dated January 01, 2010, under Para (II) it has been mentioned that Quote "The period for the multi-year tariff (MYT) has been extended with effect from July 01, 2009 to be applicable for a period of next seven years i.e. June 30th 2016" Unquote. It means that the revised schedule of tariff (Annexure-F) is applicable from July 01, 2009, which has also been explained in Para 10.8 of the determination, stating that KESCL's existing seven year (multi-year) tariff **is re-set for a new seven year period starting from July 1, 2009 and ending on June 30, 2016.**

In the Mechanism for adjustment in tariff due to variation in fuel price and in power purchase price (Annexure A & B) Para 14 and 13 respectively, it has been mentioned that Quote "The approved monthly adjustment shall be notified in the official gazette of Pakistan and shall be applicable from the 1sr day of month following the current month" Unquote. In view of the said reason the Authority has not approved the quarterly variation in fuel and power purchase cost for the period Jul-Sep 2009 submitted by KESC vide letter No.DD/RASP/NEPRA/ATA/071/530 dated October 24, 2009 and as such KESC has to submit the same on monthly basis.

In view of the above it is requested that the clarification may be issued by the Authority that the determined tariff as intimated vide letter No. NEPRA/TRF-133/KESC-2009/1330-1333 dated December 23, 2009 is applicable with effect from July 01, 2009 so that an amendment to S.R.O.10(I)/2010 dated January 01, 2010,may be issued by the Ministry of Water and Power. This is without prejudice to our motion for review submitted vide Ref. No. DDRA&SP/ET040 dated January 05, 2010

Best Regard

Abdul Rauf Yousuf
Director, Regulatory Affairs

Forwarded for n.a. M.
Dir (T)-II
25/1
cc Chairman

884
22-01-10