

December 18, 2014

TARIFF PETITION

FOR THE PERIOD FROM JULY 1, 2014 TO JUNE 30, 2015

ON BEHALF OF

LAKHRA POWER GENERATION COMPANY LIMITED

(GENCO-IV/LPGCL)

(GOP/WAPDA owned entity)

CONSULTANTS:

Shajar Capital Pakistan (Private) Limited 1 st Floor, P & O Plaza, I.I. Chundrigar Road, Karachi 74200, Pakistan. TEL: +92 21 32469141-50 www.shajarcapital.com	Bridgelink Consultants (Pvt.) Limited 81-B, New Chuburji Park, Lahore 54000, Pakistan. TEL: +924237414425 www.bridgelinkconsultants.com
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GLOSSARY

BTU	British Thermal Unit
COD	Commercial Operation Date
Company	Lakhra Power Generation Company Limited
CPPA	Central Power Purchase Agency
CPI	Consumer Price Index
CPP	Capacity Purchase Price
EPC	Engineering, Procurement and Construction
EPP	Energy Purchase Price
E&M	Electrical & Mechanical
FCC	Fuel Cost Component
GOP	Government of Pakistan
GWh	Giga Watt hour (1,000,000 kilowatt hour)
IDC	Interest During Construction
IFC	International Finance Corporation
IPP	Independent Power Producer
IRR	Internal Rate of Return
KIBOR	Karachi Interbank Offered Rate
Kw	Kilowatt
kWh	Kilowatt hour
LPGCL	Lakhra Power Generation Company Limited
LIBOR	London Interbank Offered Rate
MW	Mega Watt (1,000 kilowatts)
MWh	Mega Watt Hour
NEPRA/Authority	National Electric Power Regulatory Authority
NTDC/Power Purchaser	National Transmission and Dispatch Company Limited
O&M	Operation & Maintenance
Petitioner	Lakhra Power Generation Company Limited
Power Policy 2002	GOP's Policy for Power Generation, 2002 as amended from time to time
Project	150 MW Thermal Power Project
PKR/Rupees/Rs.	Pak Rupees, Legal Currency of Pakistan
PPA	Power Purchase Agreement
PPIB	Private Power & Infrastructure Board
ROE	Return on Equity
Ton	Metric Tonne, i.e. 1000 Kg
USD/\$	United States Dollars; legal tender of USA
CPI	Consumer Price Index
WAPDA	Pakistan Water & Power Development Authority
WEPS	WAPDA Equipment Protection Scheme
WPI	Wholesale Price Index



A. INTRODUCTION

Rule 3 Tariff Petition (the "Petition") under Rule 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997 (XL of 1997) (the "Act") read with Rule 3 of the National Electric Power Regulatory Authority (Tariff Standards and Procedure) Rules, 1998 (the "Tariff Rules").

Rule 3(2)(a) Petitioner's Name and Address

Mr. Sikandar Ali Hakro
Chief Executive Officer
Lakhra Power Generation Company Limited
Tel No. 022-2039401
Fax No. 022-2039402

Authorized Representatives

- i. Mr. Faizullah Dahri, FD/Chief Financial Officer, LPGCL
- ii. Mr. Amir Bashir, Energy Advisor, Shajar Capital Pakistan (Pvt.) Ltd.
- iii. Mr. M. Azam Khan Shad, Chief Executive, Bridgelink Consultants (Pvt.) Ltd.

Rule 3(2)(a) Generation License

Generation License NO. GL/06/2005
Dated: February 18, 2005

Rule 3(2)(b) Grounds

Grounds forming the basis for the petition are elaborated in this Petition.

Rule 3(2)(c) Relief Sought

Relief sought is requested in Para - 4 of this Petition.

Rule 3(2)(f) Summary of Evidence

A brief detail of technical and financial data, which forms the basis for revision in tariff, is provided in the subsequent Para - 5.

Attachments

- a. Affidavit in accordance with Rule 3(8)
- b. Tariff Petition Fee
- c. Board of Directors Resolution
- d. Annexure attached hereto are numbered separately



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B. MAIN BODY OF THE TARIFF PETITION

1. Brief History:

- 1.1. Consequent upon the restructuring of power wing of Pakistan Water and Power Development Authority, hereinafter referred to as the "WAPDA", its thermal power generation facilities has been split up into four (4) independent generation companies, which are known as GENCO(s). Lakhra Power Generation Company Limited, hereinafter referred to as "LPGCL" or the "Company," was registered under the Companies Ordinance 1984 on February 21, 2002, to, inter alia, own and operate thermal power generation facilities at Lakhra. The Company commenced its commercial operation on July 1, 2002 and took over all the properties, rights, assets, obligations and liabilities of Lakhra Coal Fired Power Station with a total name plate capacity of 150 MW – previously owned by WAPDA.
- 1.2. LPGCL was granted a Generation License NO. GL/06/2005 on February 18, 2005 for fifteen years by National Electric Power Regulatory Authority, hereinafter referred to as "NEPRA/Authority", to engage in the business for a term of fifteen (15) years, pursuant to Section 15 of the 1997 Regulation of Generation, Transmission and Distribution of Electric Power Act.
- 1.3. LPGCL filed a tariff petition vide letter NO. CEO/FD/LPGCL/TARIFF/589 dated October 18, 2010 (**Annexure-I**) for determination of Tariff for the period of 4 years starting from 2010-2011. NEPRA after hearing, reviewing and analyzing the tariff petition, issued the determination of Tariff vide letter No. NEPRA/TRF-167/LPGCL-2011/5904-5906 dated July 25, 2011 (**Annexure-II**). The breakup of the determined Tariff is given below:

	2010-11 Tariff (Rs./KWh)	2010-11 Tariff Indexed up to Dec 2014 (Rs./KWh)
Capacity Charge		
- Fixed O&M	4.3544	4.3544
- Financial Charges	0.0427	0.0427
- Depreciation	1.0669	1.0669
- Return on Equity	1.9710	1.9710
	7.4350	7.4350
Energy Charge		
- Fuel Cost Component	2.9938	4.4998
- Variable O&M	0.1271	0.1271
	3.1209	4.6269
Total Tariff	10.5559	12.0619



Authority allowed the above stated Tariff only for the year 2010-11 on "Take and Pay" basis.

- 1.4. The Authority further allowed the following adjustment in the Tariff:
 - 1.4.1. Adjustment on account of Heat Rate Test to be performed in the presence of NTDC representatives
 - 1.4.2. Adjustment against Coal price variation.
 - 1.4.3. Reimbursement of Taxes by the Power Purchaser upon approval of the Authority.

2. Tariff Petition

- 2.1. It was stated in the Petition for Tariff determination dated October 18, 2010 that LPGCL/PEPCO entered into a Lease Agreement with M/s Associated Lakhra Energy Limited but the Lease Agreement remained under prosecution at Sindh High Court and thereafter at Supreme Court of Pakistan. Therefore, the Company was unable to carry out any major repair and maintenance work or overhaul of the plant. Resultantly, the average Dependable Capacity of the Plant remained 31 MW for the year 2010-11 to 2013-14. The Heat Rate test as ordered by H'able Authority also could not be conducted as the matter was subjudice before the Supreme Court of Pakistan.

- 2.2. The Annual generation of the Plant is given in the following Table.

Year	Net Electrical Output (GWh)	Plant Factor (%)
2010-11	65.747	24.06%
2011-12	65.915	24.12%
2012-13	39.277	14.37%
2013-14	111.998	40.98%

The Supreme Court of Pakistan on August 21, 2013 declared the Lease Agreement void and cancelled the whole agreement/arrangement. The Company thereafter planned and initiated repair and maintenance work on the Project. Therefore, Unit No. 2 which was out of service since August 30, 2006 was brought into operation on September 19, 2014 and added 30MW (gross actual) into system.

2.3. Capacity Purchase Price

Under Capacity Charge following are the components of costs allowed by NEPRA on Take and Pay basis. The Company in its Petition for Determination of Tariff dated October 18, 2010 requested the Authority for determination of same Tariff for the same components in the Capacity Charge.



2.3.1. Financial Charges

The following loans are still outstanding as per the schedule:

Description (Transferred from WAPDA)	Principal as on June 30, 2014	Interest Rate	Interest amount (Amount in Rs.)	Principal Repayment (Amount in Rs.)
Central Development Loan	11,306,540	17.50%	1,978,645	605,249
Central Development Loan	6,124,424	17.5%	1,071,774	266,825
Total			3,050,419	872,074

The details of other components of financial charges from 2010-11 through 2013-14 are given as below:

(Amount in Rs.)	2010-11	2011-12	2012-13	2013-14	Average
Bank Charges	103,310	4,954,745	1,724,591	185,478	1,742,031
Duties	438,135	1,766,493	0	0	551,157
Exchange Loss	0	0	0	3,536,214	884,054
Total					3,177,241

The total debt services are (3,050,419 + 872,074 + 3,177,241) Rs.7,099,734 and the resultant tariff for this component is Rs.0.0433 / kWh. For this calculation, we have used net dependable capacity of 62.4 MW with plant factor of 30%.

2.3.2. Depreciation

Depreciation is also a component of CPP. For the last four years, the Company has charged following expenses on this account:

Amount in Rs.	2010-11	2011-12	2012-13	2013-14	Average
Depreciation Expense	262,391,210	262,732,395	263,302,301	263,422,307	262,962,053
Tariff (Rs./kWh)	1.0690				

In the last determination, NEPRA allowed depreciation on only one unit but now the second unit has been synchronized, so we have calculated tariff on depreciation component based on 2/3 of the average cost of depreciation of four years with net dependable capacity of 62.4 MW and plant factor of 30%. The resultant tariff comes out to be Rs.1.0690/kWh.



2.3.3. Return on Equity

We have calculated ROE based on Capital Asset Pricing Model (CAPM) which is given below:

$$K_r = K_{rf} + \beta(K_m - K_{rf})$$

Where:

- K_r = Required rate of return
- K_{rf} = Risk free rate
- K_m = Market return
- β = Beta

In the above calculation, we have assumed that beta is 0.76, risk free rate is 12%, based on 10 years Pakistan Investment Bond (State Bank of Pakistan 10 year Pakistan Investment Bond rate sheet is attached---Annex III), and market return is 16.6529%. The calculation is based on Net Dependable Capacity of 62.4 MW having 30% plant factor. NEPRA allowed 1/3 of total equity in the last determination as we had only one unit on bar. At present, two units have been synchronized and on bar, therefore, the calculations of equity component has been carried out on 2/3 of the equity value instead of previous 1/3 of equity value. Based on these assumptions, the required rate of return comes out to be 15.536%, which results in ROE of Rs.626.681 Million using the equity amount of Rs.4,033.681 Million. Using 2/3rd of ROE component, the value comes out to be Rs.417.787 Million which translates into tariff of Rs.2.5477 per kWh.

2.3.4. Fixed O&M Cost

The following sub components constitute Fixed Operating and Maintenance Costs of the Capacity Purchase Price.

- Salaries, Wages and other Benefits
- Administrative Expenses
- Repair and Maintenance Expenses
- (Other Income)

Each sub component is discussed as below:

2.3.4.1. Salaries, Wages and other Benefits

The salaries, wages and other benefits includes for pay and allowances, overtime, conveyance allowance, medical and generation allowance etc. to the employees of the Company. This also includes medical and hospitalization, education and training, EOBI, pension charges, free electricity, etc. The actual expenses for FY2013-14 and for FY 2012-13 were Rs.491.2 Million and Rs. 499.2 Million, respectively. The average of two years is Rs.495.2 Million which translates to Rs.3.3973/kWh after incorporating 10% inflation and 2.5% annual increment. For this calculation, we have used Net



Dependable Capacity of 62.4 MW with plant factor of 30%. In the last determination, only one unit was synchronized and therefore NEPRA allowed Salaries, Wages and other Benefits of 381 Employees out of 712 Sanctioned Strength. As our second unit is on bar, therefore, we have taken number of Employees from 381 to existing 546 employees. It is worth mentioning that existing tariff of salaries, wages and other benefits of Rs.198.33 Million for the year 2010-11 does not compensate the relevant component because salaries have been increased by the GOP with the following percentage during the past five years:

Year	% increase in Govt. Employees salary
2010-11	50
2011-12	15
2012-13	20
2013-14	10
2014-15	10

The Company being a public sector entity is constrained to follow the same policy. It is therefore prayed that indexation may be allowed from the year 2010-11 in order to compensate the impact of inflation. In the following table, we have provided comparison of Salary Revenue and Salary Cost over the last four years which clearly shows that tariff was not sufficient to cover the actual cost.

	Unit	2010-11	2011-12	2012-13	2013-14
NEO	GWh	65.747	65.915	39.277	111.998
Tariff	Rs./kWh	2.4188	2.4188	2.4188	2.4188
Revenue	Rs. Million	159	159	95	271
Cost	Rs. Million	297	407	499	491
Difference	Rs. Million	(138)	(248)	(404)	(220)

2.3.4.2. Administrative expenses

The Administrative expenses includes communication charges, office supplies, advertising, subscription and periodicals, refreshment and entertainment, traveling expenses, professional fees, transportation expenses, NEPRA fees, etc. The Authority allowed Rs.74.70 Million for FY 2010-11 keeping staff strength at the level of 381. The current tariff is insignificant to meet these expenses.

In the following table, we have provided comparison of Administrative Revenue and Administrative Cost over the last four years, which clearly shows that tariff is not sufficient to cover the actual cost.



	Unit	2010-11	2011-12	2012-13	2013-14
Capacity	GWh	65.747	65.915	39.277	111.998
Tariff	Rs./kWh	0.911	0.911	0.911	0.911
Revenue	Rs. Million	60	60	36	102
Cost	Rs. Million	116	167	124	155
Difference	Rs. Million	(56)	(107)	(88)	(53)

administration expenses for FY 2013-14 and FY 2012-13 are Rs.155.22 Million and Rs.124.3 million, respectively. The average of these two numbers is Rs. 139.76 million, which is inflated by 10% and tariff for this head comes out to be Rs.0.9375 per kWh. For this calculation we have used Net Dependable Capacity of 62.4 MW with a plant factor of 30%. It is also prayed to the authority that indexation may be allowed for administrative expenses, retrospectively.

Repair and Maintenance

Repair and Maintenance estimates include maintenance of FBC Power Generation Unit, Water Treatment Plant, repair and maintenance of General Plants including electrical and maintenance of Buildings, etc. The Authority allowed Rs.90 Million for repair and maintenance including Rs.4 Million for insurance cost for FY2010-11.

As earlier stated in the above paragraphs that since the Supreme Court of Pakistan has declared the Lease Agreement as void, which was a major impediment for the repair and maintenance work of the Plant. The Company has repaired the Unit No. 2 of the Complex and succeeded to bring 30 MW (gross) into national grid after the court decision and still there are some accessories work and parts to be repaired/replaced in Unit No.2 and common facilities of the Complex.

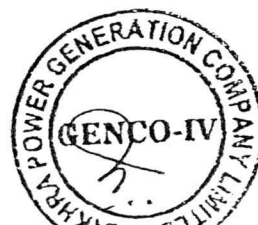
The estimate for next year is Rs.345.65 Million (Annexure -IV) and the resultant tariff is Rs.2.1078 per kWh. For this calculation, we have used Net Dependable Capacity of 30 MW with plant factor of 30%. It is also prayed that indexation be allowed for Repair and Maintenance as this head is effected by inflationary impact.

The insurance component is also included in this tariff which is based on two years average of insurance. Average insurance cost is Rs. 2.474 Million out of two years cost for FY 2013-14 for Rs. 2.293 Million and FY 2012-13 for Rs. 2.656 Million, which are inflated by 10%. The insurance tariff comes out to be Rs. 0.0166 per kWh.

Resultantly the tariff for total Repair and Maintenance cost is Rs. 2.1244 per kWh

Other Income

We have considered only Bank Interest and Sale of Scrap as the component of Other Income. The total of Other Income for FY 2013-14 and FY 2012-13 is Rs.3,439,176 and Rs. 8,706,924, respectively. The average of these two is Rs. 6.07 Million which



translates into tariff of Rs-0.0370 per kWh, with Net Dependable Capacity of 62.4 MW with plant factor of 30%.

2.3.5. Total Capacity Charge

The total Capacity Charge on the basis of above stated submission is given below along with existing tariff.

	Proposed Reference Tariff (2014-15) Rs./kWh	Existing Tariff (2010-11) Rs./kWh
Capacity Purchase Price		
Escalable CPP		
- Fixed O&M		
- Salaries Wages and Benefits	3.3973	2.4188
- Admin & General Expenses	0.9375	0.9110
- Repair and Maintenance	2.1244	1.0976
- Other Income	(0.0370)	(0.0732)
	6.4222	4.3544
Non-Escalable CPP		
- ROE	2.5477	1.9710
- Financial Charges	0.0433	0.0427
- Depreciation	1.0690	1.0669
	3.6600	3.0806
Total Capacity Purchase Price	10.0822	7.4350

2.3.6. INDEXATION

In the last determination the Company has been deprived from the indexation for Escalable component of CPP i.e. Fixed O&M. It is prayed that indexation methodology be allowed on six-monthly basis as per following mechanism:

2.3.6.1. Adjustment for indexation on previous years' cost variations in Fixed O&M:

$$\text{Fixed O\&M}_{(Rev)} = \text{Fixed O\&M}_{(Ref)} * \text{CPI}_{(Rev)} / \text{CPI}_{(Ref)}$$

Where:

Fixed O&M_(Rev) = the revised applicable Fixed O&M Cost per kWh
Fixed O&M_(Ref) = Rs.4.3542 / kWh - the reference applicable Fixed O&M Cost per kWh as per Tariff Determination of 2010-11



$CPI_{(Rev)}$ = the Revised Consumer Price Index as on each six month after June 30, 2011 as notified by Federal Bureau of Statistics of Pakistan
 $CPI_{(Ref)}$ = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June 2011 i.e. 152.78(Annexure – V)

2.3.6.2. Adjustment for indexation on future variations in the cost of Fixed O&M:

$$\text{Fixed O\&M}_{(Rev)} = \text{Fixed O\&M}_{(Ref)} * CPI_{(Rev)} / CPI_{(Ref)}$$

Where:

$\text{Fixed O\&M}_{(Rev)}$ = the revised applicable Fixed O&M Cost per kWh
 $\text{Fixed O\&M}_{(Ref)}$ = the reference applicable Fixed O&M Cost per kWh as per Tariff Determination of 2014-15
 $CPI_{(Rev)}$ = the Revised Consumer Price Index as on each six month after June 30, 2014 as notified by Federal Bureau of Statistics of Pakistan
 $CPI_{(Ref)}$ = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2014, i.e. 194.74 (Annexure – VI)

2.4. Energy Purchase Price

The Energy Purchase Price of the Tariff consists of following two components:

- Fuel Cost Component
- Variable Operation and Maintenance Cost Component

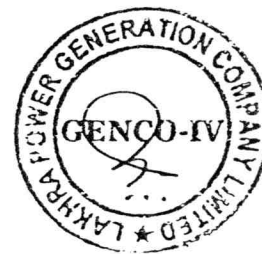
The details for each component and their justifications for revision are given below:

2.4.1. Fuel Cost Component

NEPRA allowed Heat Rate 16,300 Btu/kWh and Calorific Value as 14,352 Btu/kg for the determination of Fuel Cost Component. Following assumptions are used for calculating Fuel Cost Element:

- | | |
|---------------|----------------------|
| a. Coal Price | Rs. 3,962 per M. Ton |
| b. CV of Coal | 14,352 BTU/Kg |
| c. Heat rate | 16,300 BTU / kWh |

From the above data the fuel cost component comes out to be Rs.4.4998 / kWh. NEPRA allowed two adjustments for fuel cost component in the previous tariff determination, namely,



- Adjustment on account of Heat Rate Test, &
- Adjustment on account of Fuel Price Variation

As such in the existing Petition for Tariff no additional relief is sought, therefore, it is requested that status quo may be maintained.

2.4.2. Variable O&M Cost Component

The Variable O&M Cost Component is necessary to recover the cost incurred by the Company against water, lime stone, chemicals & additives and High Speed Diesel Oil. This cost is incurred on the generation of each kWh of net electrical output delivered at the bus bar of the complex. NEPRA allowed Rs.0.1271/kWh as Variable O&M Cost Component for the FY 2010-11. It is submitted that during the last five years the prices of these materials have increased tremendously. The following table shows the actual cost incurred under the head of Variable O & M over the last two years:

Variable O & M	Unit	2012-13	2013-14
Water	Rs. Million	0.6	0.6
High Speed Diesel	Rs. Million	6.985	6.949
Lime Stone	Rs. Million	1.195	3.717
Additives and Other Chemical	Rs. Million	5.943	13.855
Total	Rs. Million	14.723	25.121
NEO	GWh	39.277	111.998
Actual tariff	Rs./kWh	0.3748	0.2243
Average actual tariff	Rs./kWh	0.2996	
Proposed tariff (indexed)	Rs./kWh	0.3445	

Therefore, in view of the current price inflation giving allowance for inflation at 15% to the average actual tariff of last two years, it is estimated that Rs.0.3445/kWh will be the per unit cost. As all the elements of Variable O&M are subject to inflation, therefore, it is requested to allow indexation of Variable O&M retrospectively according to the following formula:

2.4.2.1. Adjustment for indexation on previous years' cost variations in Variable O&M:

$$\text{Variable O\&M}_{(Rev)} = \text{Variable O\&M}_{(Ref)} * \text{CPI}_{(Rev)} / \text{CPI}_{(Ref)}$$

Where:

- Variable O&M_(Rev) = the revised applicable Variable O&M Cost per kWh
- Variable O&M_(Ref) = Rs.0.1271/kWh- the reference applicable Variable O&M Cost per kWh as per Reference Tariff of 2010-11



CPI_(Rev) = the Revised Consumer Price Index as on each six month after June 30, 2011 as notified by Federal Bureau of Statistics of Pakistan

CPI_(Ref) = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2011 i.e.152.78

2.4.2.2. Adjustment for indexation on future variations in the cost of Variable O&M:

$$\text{Variable O\&M}_{(Rev)} = \text{Variable O\&M}_{(Ref)} * \text{CPI}_{(Rev)} / \text{CPI}_{(Ref)}$$

Where:

Variable O&M_(Rev) = the revised applicable Variable O&M Cost per kWh

Variable O&M_(Ref) = the reference applicable Variable O&M Cost per kWh as per Reference Tariff of 2014-15

CPI_(Rev) = the Revised Consumer Price Index as on each six month after June 30, 2014 as notified by Federal Bureau of Statistics of Pakistan

CPI_(Ref) = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2014, i.e. 194.74

3. Taxes

The Authority in its Tariff Determination dated July 25, 2011 has allowed reimbursement of Taxes paid by the Company upon the approval of NEPRA. These Taxes will be paid by Power Purchaser on actual basis. Therefore, in the existing Petition for Tariff no additional relief is sought and requested that status quo may be maintained.

4. Relief Sought

4.1. Reference Tariff

In view of the above stated facts and circumstances, the following tariff, subject to indexation/adjustment, is prayed for the approval of the Authority on take and pay basis for the Year 2014-15.



2014-15 Tariff (Rs./kWh)	
Capacity Charge	
- Fixed O&M (Escalable component)	6.4222
- Financial Charges	0.0433
- Depreciation	1.0690
- Return on Equity	2.5477
	10.0822
Energy Charge	
- Fuel Cost Component	4.4998
- Variable O&M	0.3445
	4.8443
Total Tariff	14.9265

4.2. Tariff Adjustments/Indexations

Along with above tariff following adjustments/indexations are prayed:

4.2.1. Adjustment for indexation on previous years' cost variations in Fixed O&M:

$$\text{Fixed O\&M}_{(Rev)} = \text{Fixed O\&M}_{(Ref)} * \text{CPI}_{(Rev)} / \text{CPI}_{(Ref)}$$

Where:

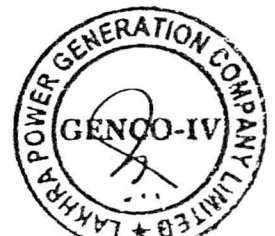
$$\begin{aligned} \text{Fixed O\&M}_{(Rev)} &= \text{the revised applicable Fixed O\&M Cost per kWh} \\ \text{Fixed O\&M}_{(Ref)} &= \text{Rs.4.3542 / kWh - the reference applicable Fixed O\&M Cost per kWh as per Reference Tariff of FY2010-11} \\ \text{CPI}_{(Rev)} &= \text{the Revised Consumer Price Index as on each six month after June 30, 2011 as notified by Federal Bureau of Statistics of Pakistan} \\ \text{CPI}_{(Ref)} &= \text{the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2011 i.e. 152.78} \end{aligned}$$

4.2.2. Adjustment for indexation on future variations in the cost of Fixed O&M:

$$\text{Fixed O\&M}_{(Rev)} = \text{Fixed O\&M}_{(Ref)} * \text{CPI}_{(Rev)} / \text{CPI}_{(Ref)}$$

Where:

$$\begin{aligned} \text{Fixed O\&M}_{(Rev)} &= \text{the revised applicable Fixed O\&M Cost per kWh} \\ \text{Fixed O\&M}_{(Ref)} &= \text{the reference applicable Fixed O\&M Cost per kWh as per Reference Tariff of FY2014-15} \end{aligned}$$



$CPI_{(Rev)}$ = the Revised Consumer Price Index as on each six month after June 30, 2014 as notified by Federal Bureau of Statistics of Pakistan.

$CPI_{(Ref)}$ = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2014, i.e. 194.74

4.2.3. Adjustment for indexation on previous years' cost variations in Variable O&M:

$$\text{Variable O\&M}_{(Rev)} = \text{Variable O\&M}_{(Ref)} * CPI_{(Rev)} / CPI_{(Ref)}$$

Where:

$\text{Variable O\&M}_{(Rev)}$ = the revised applicable Variable O&M Cost per kWh

$\text{Variable O\&M}_{(Ref)}$ = Rs.0.1271/kWh- the reference applicable Variable O&M Cost per kWh as per Reference Tariff of FY2010-11

$CPI_{(Rev)}$ = the Revised Consumer Price Index as on each six month after June 30, 2011 as notified by Federal Bureau of Statistics of Pakistan

$CPI_{(Ref)}$ = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2011, i.e. 152.78

4.2.4. Adjustment for indexation on future variations in the cost of Variable O&M

$$\text{Variable O\&M}_{(Rev)} = \text{Variable O\&M}_{(Ref)} * CPI_{(Rev)} / CPI_{(Ref)}$$

Where:

$\text{Variable O\&M}_{(Rev)}$ = the revised applicable Variable O&M Cost per kWh

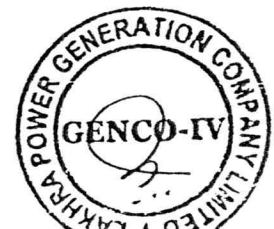
$\text{Variable O\&M}_{(Ref)}$ = the reference applicable Variable O&M Cost per kWh as per Reference Tariff of FY2014-15

$CPI_{(Rev)}$ = the Revised Consumer Price Index as on each six month after June 30, 2014 as notified by Federal Bureau of Statistics of Pakistan

$CPI_{(Ref)}$ = the Reference Consumer Price Index as notified by Federal Bureau of Statistics of Pakistan for the month of June, 2014, i.e. 194.74

4.2.5. Adjustment on account of Heat Rate Test

It is prayed that for adjustment on account of Heat Rate Test, status quo may be maintained as per para 25.1.1 of previous Tariff Determination dated July 25, 2011.



4.2.6. Adjustment of Fuel Price Variation

It is prayed that for adjustment on account of Fuel Price Variation, status quo may be maintained as per para 25.1.2 of previous Tariff Determination dated July 25, 2011.

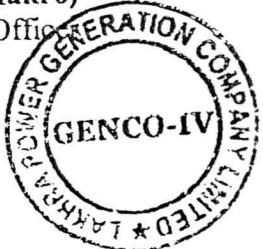
4.3. Taxes

It is prayed that for taxes, status quo may be maintained as per para 25.1.3 of previous Tariff Determination dated July 25, 2011.

5. Following supporting documents and information is hereby enclosed with the Tariff Petition. In case any explanation or clarification is required by the Authority, the Company would be pleased to provide all such necessary information in support of its case.

Annex I	LPGCL Tariff Petition vide letter NO. CEO/FD/LPGCL/TARIFF/589 dated October 18, 2010
Annex II	Determination of Tariff by the Authority vide letter No. NEPRA/TRF-167/LPGCL-2011/5904-5906 dated July 25, 2011
Annex III	State Bank of Pakistan 10 year Pakistan Investment Bond rate sheet
Annex IV	Repair and Maintenance Budget 2014-15
Annex V	Price Indices June, 2012
Annex VI	Price Indices June, 2014

(Sikandar Ali Hakro)
Chief Executive Officer



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