



The Registrar,
National Electric Power Regulatory Authority
NEPRA Tower, Attaturk Avenue (East),
Sector G-5/1,
Islamabad.

Ref No. KE/BPR/NEPRA/2022/467

October 18, 2022

[Handwritten signatures and initials]

For information & n.a. please.

- ADG (Tariff)
- Copy to:
 - DG (M&E)
 - M/F
- CC: Chairman
 - M (Tariff)
 - M (L&E)

REGISTRATION OFFICE
 Date: 20/10/2022
 Copy No: 10949

Subject: Cost of Debt – Insurance Premium

Dear Sir

This is with reference to the cost of debt allowed under KE's Multi Year Tariff 2017 – 2023.

KE in its Motion for leave for review of Multi Year Tariff dated April 20, 2017, requested NEPRA to allow, in addition to the spread of 4.5%, insurance premium in cost of debt on foreign financing considering significant amount of insurance premium cost.

NEPRA in its decision dated October 09, 2017, para 14.19 on Motion for Leave for Review stated that:

"Regarding Sinosure fee, the Authority noted that KE has not provided any evidence of its major portion of future financing through Chinese lenders neither the same could be substantiated from the updated financial model submitted by K-Electric to the Authority, therefore, not included by the Authority. However, in case Sinosure fee is incurred, the Authority may consider it at the time of midterm review, based on the Authority's decisions on Sinosure fee in other cases. The same may be allowed as a separate period cost item in the subsequent quarterly tariff adjustments if K-Electric's actual weighted average cost of debt due to inclusion of Sinosure fee is found higher than the Authority's assessed weighted average cost of debt."

KE would like to humbly highlight to the Honorable Authority that at the time of mid-term review, Export Credit Agency (ECA) fee was not incurred and the same has been subsequently paid. In this regard, KE has paid Insurance premium of **USD 50.905 million**, translating to **PKR 9,727 million** (including Withholding tax of **PKR 579 million**) during the current control period (break up enclosed as Annexure B) which includes premium paid to Sinosure to provide coverage for Chinese component and to Euler Hermes for providing coverage for German component. Further, KE's weighted average cost of debt for the control period is coming out at **13.99%** excluding impact of Premium (based on FY 2017 to FY 2022 actual and FY 2023 estimated – Annexure A) as against assessed weighted average cost of debt of **12.51%** in the MYT.

As directed by Honorable Authority in its decision dated October 09, 2017, that the premium fee may be allowed as a separate period cost item if KE's actual weighted average cost of debt is higher than the assessed weightage of average cost, KE would humbly request NEPRA to allow the cost of Insurance premium of **PKR 9,727 million** as a separate period cost in the next quarterly adjustment.

Tariff Division Record
 By No. 6331
 Date: 21-10-22



We are available for any further information or discussion in this regard.

Regards

A handwritten signature in black ink, appearing to read 'M. Ghaziani', written over a horizontal line.

Muhammad Aamir Ghaziani
Chief Financial Officer

Encl: Annexure A – Break up of cost of debt
Annexure B – Break of Insurance premium paid
Annexure C – Insurance premium invoices

K-Electric Limited
Annexure A

Description	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2017 to FY 2023 (W. Average)	Weightage	Weighted Average cost of debt
Foreign loan										
Libor	0.60%	1.18%	2.10%	1.50%	0.21%	0.67%	1.33%	1.15%		
Spread & transaction costs	12.45%	5.75%	4.24%	4.83%	4.67%	5.26%	4.74%	4.88%		
Hedging cost	5.03%	5.08%	7.12%	10.82%	6.50%	9.63%	14.39%	11.40%		
Cost of debt - Foreign	18.08%	12.01%	13.46%	17.15%	11.38%	15.55%	20.46%	17.43%	34.6%	6.04% a
Local loan										
KIBOR	6.09%	6.24%	9.79%	12.87%	7.43%	9.99%	15.20%	10.54%		
Spread & transaction costs	1.32%	1.38%	1.23%	1.41%	1.56%	1.83%	2.02%	1.63%		
Cost of debt - Local	7.41%	7.62%	11.02%	14.28%	8.99%	11.82%	17.22%	12.17%	65.4%	7.95% b
Total										13.99% a + b

Above is excluding impact of Export Credit Agency (ECA) premium paid on Foreign Loan.

K-Electric Limited
 Annexure B

Description	Legend	Units	Sinasure [BQPS-III]		Hermes [BQPS-III]	Sinasure [TP 1000]	Total
Premium paid							
Actual	a	USD	19,905,521	3,512,739	22,083,352	5,402,855	50,904,468
Tax (10% on total)	b = a x 10% / 90%	USD	2,211,725	390,304	-	600,317	3,202,346
Premium including tax impact	c = a + b	USD	22,117,246	3,903,043	22,083,352	6,003,172	54,106,814
Premium paid							
Actual	d	PKR	3,702,426,981	633,698,128	3,944,086,696	867,698,513	9,147,910,318
Tax	e	PKR	411,380,776	71,289,088	-	96,410,910	579,080,774
Premium including tax impact	f = d + e	PKR	4,113,807,756	704,987,216	3,944,086,696	964,109,423	9,726,991,092



002300120220063570

保险费通知书 Debit Note

K-ELECTRIC LIMITED:

编号: QF2022016884

投保人 The Applicant	哈尔滨电气国际工程有限责任公司
保险费金额 (大写) Premium Amount Capitalized	美元壹仟玖佰玖拾万伍仟伍佰贰拾壹元肆拾分
(小写)	USD 19,905,521.40
Being	LBA-BD-2022013号保险单项下保险费
请付至 Pay to the order of	Account Holder: China Export & Credit Insurance Corporation Heilongjiang Branch Opening Bank: bank of china harbin development zone sub-branch(SWIFT:BKCHCNBJ860) USD Account No: 173950517005
Annotations	Please be sure to indicate the Policy No. in the remittance note. Please indicate in the remittance note if the payer and the invoices payable to inconsistency.
经办人 (Handler)	复核人 (Reviewer)



中国出口信用保险公司

Annexure C-1

Ref No. KE/BPR/NEPRA/2022/467
October 18, 2022



中国出口信用保险公司
CHINA EXPORT & CREDIT INSURANCE CORPORATION

黑龙江分公司

2022年04月15日

Notice of Premium

K-Electric Limited,

The cash payment of premium of BQPS III Combined Cycle 900MW Plant Project is as follows:

Premium Amount: USD 3,512,739.07

(**Capitalized:**Us Dollars Three Million, Five Hundred And Twelve Thousand, Seven Hundred And Thirty-Nine And Cents Seven Only)

Please pay to the order of:

Account Holder: China Export & Credit Insurance Corporation Heilongjiang Branch

Opening Bank: Bank of China Harbin Development Zone branch

Swift No: BKCHCNBJ860

Account No: 173950517005

China Export & Credit Corporation

Heilongjiang Branch

March 2, 2022



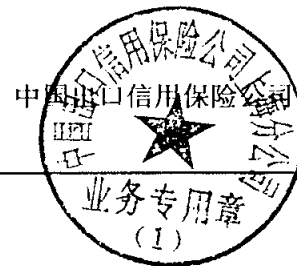
003100120200508570

保险费通知书
Debit Note

K-Electric Limited:

编号: QF2020013944

投保人 The Applicant	上海电气集团股份有限公司	
保险费金额 (大写) Premium Amount Capitalized	美元伍佰肆拾万贰仟捌佰伍拾伍元肆拾贰分	
(小写)	USD 5,402,855.42	
系 Being	LBA2016010号保险单项下保险费	
请付至 Pay to the order of	Account Holder: China Export & Credit Insurance Corporation Shanghai Branch Opening Bank: Bank of China Shanghai Huangpu Sub-Branch(SWIFT: BKCHCNBJ300) USD Account No: 450759274459	
附注 Annotations	Please be sure to indicate the Policy No. in the remittance note. Please indicate in the remittance note if the payer and the invoices payable to inconsistency.	
经办人 (Handler):	马明宇	复核人 (Reviewer): 谭敏哲



Annexure C-3

Ref No. KE/BPR/NEPRA/2022/467

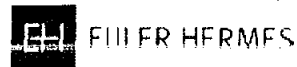
October 18, 2022



中国出口信用保险公司
CHINA EXPORT & CREDIT INSURANCE CORPORATION

上海分公司

2020年07月22日



Eulee eeemes ektiengesellschaft

Exportkreditgarantien der
Bundesrepublik Deutschland
Hermesdeckungen

RECHNUNG

Eulee eeemes ektiengesellschaft, Postfach 50 0e 99, 2270e eamburg

Standaed Chaeteed Bank Dubai
Inteenational Financial Centee Beach
(unselbstständige Zweigniedeelassung dee
Standaed Chaeteed Bank, London)
v.d. Standaed Chaeteed Bank eG
Tanusanlage 16
60e25 Feankfuet

Regina Schwenkenberg
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Fax +49 (0) 40/88 34-91 75
Regina.Schwenkenberg
@eulerhermes.com

Hamburg, 16.12.2021

EKG / 3582 / FKG isol. / Pakistan
Gewährleistungserklärung FKE
a/ K-Electric Limited, Karachi (366006203)

Rechnung Nr. 3036915 / 100600614 (bitte stets angeben)

Diese Rechnung tritt an die Stelle der Rechnung Nr. 3036342 vom 06.12.2021, die noch nicht bezahlt wurde.

Das Entgelt wird hierfür wie folgt neu berechnet:

Das Entgelt wird unter Berücksichtigung der Zahlungsbedingungen, der Risikolaufzeit (RLZ), der Länder- und Käuferkategorie sowie der Deckungsquote erhoben.

Länderkategorie: 7
Käuferkategorie: CC1
Deckungsquote: 95 %

Bei der Ermittlung der Laufzeit(en) wurden folgende Daten zugrunde gelegt (vorläufig):

Forderungsrisiko:

Kreditteil Auszahlungsbeginn: 15.12.2021 Starting Point: 03.08.2022 somit 12,0938 Jahre RLZ

Der Fremdwährungsbetrag für die Ausfertigungsgebühr wird zum Kurs von EUR 1,00 = USD 1,16010 umgerechnet (Umsatzsteuernkurs vom 25.11.2021).

1. Ausfertigungsgebühr	USD	14.501,25
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Gasstraße 29, 22761 Hamburg

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Treuhandkonto:
Deutsche Bundesbank Filiale Hamburg
IBAN: DE59200000000020007021
BIC: MARKDEF 200
Gläubiger-ID: DE37ZZZ00000230066
Sitz der Gesellschaft: Hamburg
Registergericht: Hamburg HRB 30564

Vorsitzender des Aufsichtsrats:
Dr. Gerd-Uwe Baden
Vorstand: Aemilius Wilhelmus Bogaerts,
Vorsitzender: Silke Grimm, Ulrich Nöthel,
Edna Schöne

Euler Hermes Aktiengesellschaft

Exportkreditgarantien der
Bundesrepublik Deutschland
Hermesdeckungen

RECHNUNG

Blatt 2 zur Rechnung Nr. 3036915
EKG / 3582 / FKG isol. / Pakistan (366006203)

2. Forderungs-Entgelt

Kredit	16,28 % aus	USD	123.234.593,00	USD	20.062.591,74
+	10 % aus	USD	20.062.591,74	USD	2.006.259,17
Zusatzentgelt (Gewährleistungsvertrag in Fremdwahrung)					
GESAMT				USD	22.083.352,16

Das Entgelt ist sofort fallig.

Zur endgultigen Berechnung des Entgeltes teilen Sie uns bitte so bald wie moglich Folgendes mit:

- das Datum des Auszahlungsbeginns
- das Datum der mittleren gewogenen Betriebsbereitschaft
- die Falligkeitsdaten der Kreditraten

Zur uberweisung des Entgeltbetrages in Fremdwahrung verwenden Sie bitte den Bank Identifier Code (BIC) sowie die International Bank Account Number (IBAN).

Die Angaben hierzu konnen Sie der Fuzeile der vorliegenden Rechnung entnehmen.

Die hier in Rechnung gestellten Betrage betreffen nicht-unternehmerische Leistungen des Bundes im Rahmen der Exportkreditgarantien und unterliegen insoweit nicht der Umsatzsteuer.

Euler Hermes Aktiengesellschaft

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Sitz der Gesellschaft: Hamburg
Registergericht: Hamburg HRB 330564

Vorsitzender des Aufsichtsrats:
Dr. Gerd-Uwe Baden
Vorstand: Aemilius Wilhelmus Bogaerts,
Vorsitzender, Silke Grimm, Ulrich Nothel,
Edna Schone

