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National Electric Power Regulatory Authority

Islamic Republic of Pakistan

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No. NEPRA/TRF-235/LESCO-2013/6119-6121
June 12, 2014

Subject: Decision of the Authority in the matter of Motion for Leave for Review filed by Lahore Electric Supply Company Ltd. (LESCO) against the Authority's Tariff Determination dated January 02, 2014 [Case # NEPRA/TRF-235/LESCO-2013]

Dear Sir,

In continuation of this office letter No. NEPRA/TRF-235/LESCO-2013/111-113 dated January 2, 2014 whereby Determination of the Authority in the matter of petition filed by LESCO for Determination of its consumer-end tariff pertaining to FY 2013-14 was sent to the Federal Government for notification in the official Gazette.

2. Please find enclosed herewith the decision of the Authority along with Annex-II & III (19 pages) in the matter of Motion for Leave for Review filed by Lahore Electric Supply Company Ltd. against NEPRA's determination dated 02.01.2014 in Case No. NEPRA/TRF-235/LESCO-2013.

3. The Decision of the Authority is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(4) of the Regulation of Generation, Transmission and Distribution of Electric Power Act (XL of 1997) read with Rule 16(11) of the National Electric Power Regulatory Authority Tariff (Standards and Procedure) Rules, 1998.

4. Please be informed that the Annex-III (Schedule of Electricity Tariffs), earlier intimated vide Determination dated 02.01.2014 stands modified/amended to the extent as detailed in the Annex-III (Schedule of Electricity Tariffs) of the subject Authority's decision and needs to be notified in the official Gazette.

Enclosure: As above

(Syed Safeer Hussain)

Secretary
Ministry of Water & Power
'A' Block, Pak Secretariat
Islamabad

CC:

1. Secretary, Cabinet Division, Cabinet Secretariat, Islamabad.
2. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad.



**DECISION OF THE AUTHORITY IN THE MATTER OF MOTION FOR LEAVE FOR
REVIEW FILED BY LAHORE ELECTRIC SUPPLY COMPANY (LESCO) AGAINST THE
AUTHORITY'S TARIFF DETERMINATION DATED JANUARY 2, 2014 IN THE MATTER
OF PETITIONER**

1. Background

1.1 Lahore Electric Supply Company Limited (LESCO), hereinafter called "the Petitioner", being a Distribution Licensee of NEPRA filed motion for leave for review vide letter no. 4594/CFO/LESCO/CPC dated January 07, 2014 against the Authority's decision dated January 2, 2014 pertaining to the FY 2013-14. The Motion for review was based on the following issues / contentions:

- i) Revision of T&D losses target to 13.2% from determined target of 9.8% for the FY 2013-14;
- ii) Increase of Rs. 5,826 million in Operating & Maintenance (O&M) expenses for the FY 2013-14;

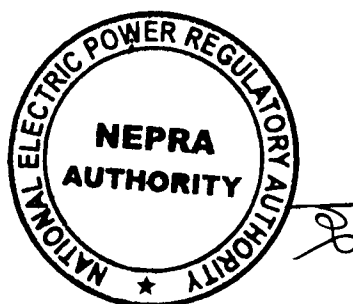
2 Proceedings

2.1 The motion for leave for review was admitted by the Authority and it was decided that a full hearing opportunity would be given to the Petitioner and the concerned stakeholders. In view thereof, letters were sent to all the stakeholders, intimating that the date and venue of hearing. The same conducted on 19th February 2014 at NEPRA's head office. In response to the notice of hearing, the interveners of the original petition filed their concerns. During the hearing, the Petitioner was represented by its Chief Executive Officer and Finance Director and the Representative of the Interveners.

3. Concern raised by the Intervener

3.1 M/s Mohammad & Ahmad (M/s M&A) filed their concerns on behalf of M/s Judicial Activism Panel, M/s Flying Board & Paper Products Limited, M/s Flying Paper Industries Limited and M/s Zaman Paper & Board Mills Private Limited. All of them were Interveners in the annual tariff determination for the FY 2013-14 in the matter of Petitioner.

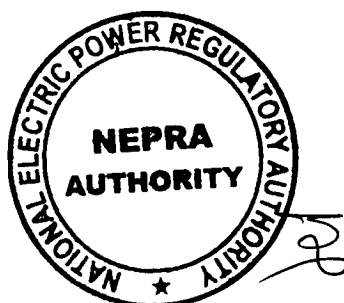
3.2 Since the Intervener filed several letters on the subject of motion for leave for review with respect to the Petitioner, hence the Authority has decided to bring all the correspondence on the record.





3.3 M/s M&A filed a review request vide letter dated January 11, 2014 against the Authority's decision in respect of the Petitioner dated January 2, 2014 pertaining to the FY 2013-14. The Intervener raised following objections in the afore stated letter;

- That the Authority had the power and jurisdiction to review the annual tariff determination in view of Section 16(6) of the National Electric Power Regulatory Authority (Tariff Standards and Procedures) Rules, 1998 read with Section 31 of the NEPRA Act, 1997, hence, our Client had instructed us to file a Review Petition and for the purposes of availing this remedy, we, may very kindly be supplied with the information, details and documents as requested with the application.
- That in response to the objection raised by the Intervener(s), the Authority had passed the determination in the matter of Petition filed by Lahore Electric Supply Company Ltd. The copy of said determination of the consumer end Tariff pertaining to the FY 2013-14 is requested to be supplied to us in order to file the Review Petition as required under the aforesaid Rules. Copies of all Intervener(s) Applications and reply by the Petitioner or any other Authority is also requested to be supplied to us.
- The Interveners had instructed us to file a Review Petition hence for the purposes of filing of the Review Petition, copies of the Petition filed by Lahore Electric Company for determination of Annual Tariff along with the annexes may very kindly be provided to us.
- Day to day proceedings by the Authority in pursuance of the filing of the Petition with reasons for finalizing the aforesaid determination on January 02, 2014, at a belated stage be supplied to us. We came to know about the decisions of the Authority determining the Annual Tariff, when the counsel of NEPRA appear before the Honorable Lahore High Court, Lahore in a Petition challenging the legality of Late Payment Surcharge on January 10, 2014.
- Details of any expertise or a technical team including the Chartered Accountants and Auditors for the purposes of justifying the figures and expenses raised by the Petitioner may be provided to us.
- We hope and trust that forensic audit of the accounts must have been completed by associating the expertise in this field, if so, please let us know the names of those persons with copies of their replies.





- For the purposes of the decision of the Authority for determination of the Tariff for the Financial Year 2013-14, we hope and trust that the present Authority must have complied with or reconsidered the objections/ findings raised by Mr. Shaukat Ali Kundi, the Ex-Member of the NEPRA during previous determinations.
- Through this Application, we would also like to know the present status of the Authority as the same is not constituted as required under Section 3 of the NEPRA Act, 1997, so, the determination by the Authority is bad in law, without jurisdiction and this point needs to be scrutinized, so, we may kindly be supplied with the copies of the Notifications appointing the Members and as well as the Acting Chairman with their technical expertise and experience along with the details of emoluments.
- We would also like to know the exact details of line losses and the principles on which the line losses have been allowed to the Distribution Company(LESCO). This must specify the line losses on every head.
- We may also be supplied with the details of salaries and emoluments paid to the staff by LESCO including the luxurious life, maintenance of vehicles and mobile expenses, etc.
- According to the case law by the superior courts, the Surcharge is in the nature of penalty and that penalty cannot be imposed through any terms or conditions because it is not a part of Leg Imposition or Charge and for the purposes of levying the surcharge a specific authority allowing the levy of Surcharge has to be provided by the NEPRA Act, 1997 itself. We would like to have any legal opinion obtained from a competent person or any authoritative decision by the Attorney General Office or by any Court of Law determining the levy of a Surcharge be levied through "terms and conditions". We being student of law are not aware of any such authoritative decision, so, we may very kindly be supplied with the information and details authorizing the legal competence through legislative instruments.
- That under Section 31 read with Part II of the aforesaid Rules, the Determination of Tariff is a time bound exercise and because of the delay in Determination of tariff on Annual basis, such delay is causing prejudice to the consumers and in turn they were forced to pay Monthly Fuel Adjustment Charges which ultimately result in loss to the business men, as the cost of





electricity is an admissible expense and for the purposes of determination of products price, the same has to be taken into consideration. The delay shall not be burdened on the consumers. We would like to know the reasons for delay in finalization of the Annual Tariff Determination in month of January, 2014 because the same had to be made effective from July 1, 2013.

- In view of aforesaid facts and circumstances and in the interest of justice equity and fair play, the aforesaid information, documents and details may be supplied to our office within seven (7) days, so that the Review petition under the aforesaid Rules read with NEPRA Act, 1997 may be filed before the Authority well within time.

3.2 After going through all the concerns, list of requested documents and their degree of relevance with respect to the scope of the motion for leave for review, the Authority considered that the only document, which is self explanatory and relevant for the instant proceedings is the annual tariff determination in matter of the Petitioner for the FY 2013-14. The same was provided vide letter no. NEPRA/R/TRF-100-CC/716 dated 20th January, 2014 whereby the Intervener was directed to specify the list of documents relevant to NEPRA to be provided. A copy of tariff determination of the Petitioner for the FY 2013-14, was also provided with the letter. In the meanwhile, M/s M&A submitted another letter dated January 16, 2014 followed by a reminder dated February 10, 2014 and raised following contentions:

- The Intervener referred the detail judgment passed on 10th December, 2013, in the Human Rights Case No. 14392/2013 (Action taken on a news clipping published in Daily Pakistan dated 17th of April, 2013 regarding un precedent load shedding in country). The Intervener then reproduced the para(s) from 9 to 24. Para 33 of the same judgment which lays out the role of NEPRA and the directions passed in para 36 (i), (ii), (iii), (v), (vi) and (vii) were also mentioned.
- As per the Intervener, the aforementioned directions had not been complied with and as much as the subsidy provided by Federal Government had been withdrawn and NEPRA had allowed the withdrawal of the subsidy, without any reasons and as such the Annual Tariff Determination is nullity, void and needs to be set-aside, so, before filing the Review Petition on the subject, the view point of the NEPRA/Authority is requested.
- Before closing, we are enclosing a news clipping published in Daily jang of 16, 2014 whereby, Mr. Abid Sher the Minister for State, Water & Power had categorically admitted the provisions of free electricity to the employees of





WAPDA, Generation and Distribution Companies and it denied for withdrawing the relief of 40 Crore Units. We are waiting for a response of the Authority on this issue as well and the other matters are referred in above news clipping.

- The Intervener requested that in the interest of justice equity and fair play, the aforesaid information, documents and details may be supplied to our office within seven (7) days from the date of service of our earlier letter of January 11, 2013, so that the Review petition under the National Electric Power Regulatory Authority (Tariff Standards and Procedures) Rules, 1998 read with Section 31 of the NEPRA Act, 1997 read with NEPRA Act, 1997 may be filed before the Authority well within time.

3.3 In response to the letters raised by M/s M&A, the Authority responded vide letter no. NEPRA/R/TRF-100-CC/2170 dated 5th March, 2014 whereby it was communicated that NEPRA had already provided copy of tariff determination of the Petitioner vide its earlier letter and the said copy is also available on NEPRA's website. Further, the Intervener was informed that the tariff determination is self explanatory and answers almost all the relevant queries pertaining to NEPRA as raised by the Intervener.

3.4 The Intervener's Representative participated in the hearing for the motion for leave for review and raised the following contentions;

- The issue of electricity theft is a serious matter that also cause unnecessary burden on the customers. To curtail losses, the Petitioner should make teams from the existing staff and conduct site visits to catch customers involved in the electricity theft. For this they should take help of police and local magistrate. Another contributor to line losses is defective transformers. When a transformer becomes defective it is not replaced for at least 10 days. Secondly, the transformers are repaired in-house by the Petitioner with very cheap quality spare parts, oil and equipments. Resultantly, these repaired transformers cause high line losses once installed and become defective very soon again. It was further stated that the Petitioner is not following proper procurement process for the procurement of new transformers.
- The DISCOs have inequitable distribution of resources and manpower in its offices. One example is the office of Samanabad, where the office is in shabby condition and lacks furniture and basic equipments for resolving consumer complaints. This further implies that the amount requested for Operations and Maintenance expenses is not being fairly spent.





- There is a common trend of over-billing and inaccurate detection billing by the Petitioner to meet the losses target.
- There is widespread misuse of official cars by the Petitioner's management which is in-turn misuse of petrol, operating expenses and burden to consumers.
- An independent expert opinion must be taken on the line losses of the Petitioner.

3.5 M/s M&A wrote another letter dated March 8, 2014 raising following concerns;

- Copy of the said determination is downloaded from the website and found defective, which contains determination of tariff beyond the authority of NEPRA by inclusion of certain claims and as such it needs to be reviewed in the interest of public/consumers.
- After passing a period of two months, no clarifications or justification with reference to the statutory value/legality of the Late Payment Surcharge (LPS) had been provided to our office. In view of the State Bank Act and Prudential Regulations for charging a mark up or certain percentage in the shape of LPS. If no reply or an explanation on the legal parlance and justification supported by judicial pronouncement is provided to our office, we shall presume that NEPRA has nothing to say on this aspect and such an act for allowing charging of LPS and as well as disconnection of the consumer simultaneously is a fraud and NEPRA under its umbrella is allowing to commit such a fraud.
- We on behalf of our Client had already assailed the legality of LPS before the Honorable Lahore High Court of Lahore and through this Application are exploring to understand the legality of the LPS. So far nothing had been placed on record in order to justify the legality and constitutionality of the LPS.
- Our Office Representative on 19th of February, 2014 had contained the public hearing regarding Review of Consumer End Tariff Determination of LESCO and had explained their case during the aforesaid hearing. We shall be obliged if a transcript of the aforesaid hearing be provided to our office in order to understand the fair hearing and trial as constitutionally granted under Article 10A of the Constitution of Pakistan, 1973. We had also gone through the Annual Tariff Determination of FESCO whereby NEPRA had allowed the distribution Company to charge advance Fuel Adjustment and as such NEPRA is going to change the entire mechanism because the Tariff Determination of Generation Companies are based on entirely different mechanism and as such this is not only illegal but unconstitutional and is violation of Article 9, 14, 18,





25, 38 of the Constitution of Pakistan, 1973 and in turn is exploitation within the term of Article 3 of the Constitution of Pakistan, 1973.

- That in a Review Petition by the LESCO it is suggested for appointing a 3rd Party or Independent Expertise to verify the accounts. This was valid proposal and our office had requested the NEPRA on 19th February, 2014 hearing to proceed in the matter but nothing has been heard so far.

In view of the aforesaid facts and circumstances of the case the permission to levy the LPS by the NEPRA and disconnection of electricity connection simultaneously is an act in violation of Article 9, 14, 18, 25, 38 of the Constitution of Pakistan and is exploitation within term of Article 3 of the Constitution of Pakistan, 1973 and an action which is not in accordance with law and directed in Article 4 & 5 of the Constitution of Pakistan, 1973 and as well as advance charging of Fuel Adjustment is unconstitutional, so such authority and jurisdiction allowed to the Distribution Companies may very kindly be set aside.

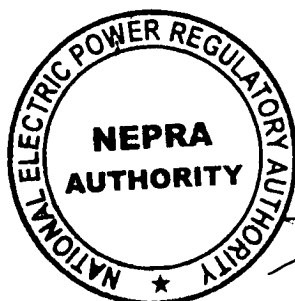
3.6 The majority of concerns raised by the intervener vide its letters dated January 11, 2014, January 16, 2014, February, 10 2014 and March 8, 2014 have been appropriately addressed by the Authority in the tariff determination of LESCO for the FY 2013-14 and the letters issued by the Authority dated 20th January, 2014 and 5th March, 2014. The additional matters relevant to the review motion and the tariff determination are however addressed as below:

- As regard the day to day proceedings and delay in determination of petitions are concerned, the Authority has finalized the case within the time frame prescribed by the Rules, further the proceedings as prescribed by the Rules are observed and under taken by the Authority for disposal of instant petitions.
- On the details of expertise or technical team for the purpose of justifying the figures , the Intervener must read the Authority's determination in this regard which elaborates on every justification and rationale of its assessment.
- On the observation of forensic audit of accounts , the Intervener is not clear as to which forensic audit it is referring to, as Petitioner's audited accounts are already audited by notch Audit firms.
- On the observations of Mr. Shaukat Ali Kundi, the Honorable Lahore High Court, directed the Authority to investigate the observations raised by Mr. Shaukat Ali Kundi and submit a report on those. The Authority in compliance submitted the findings of its report to the Honorable Court. Thus, the concern of the Intervener stands addressed.





- On the concerns of the principles for the assessment of line losses and details of salaries, the Intervener is advised to read the relevant issues of the decision dated 2nd January, 2014 in the matter of Petitioner.
- On the issue of withdrawal of subsidy, the Authority considers that it is the prerogative of GOP. As regard the contention that the SOT is without subsidy, the same would appear, once the GOP decides to notify the determined tariff of the Petitioner by the Authority.
- On the concerns that the transformers are not replaced or maintained properly adding to the miseries of the consumers, the issue of overbilling, inaccurate billing and on the poor quality of consumer service centre, the Intervener is advised to report any specific incident to the Consumer Affair Division of the Authority.
- On the observations of the Intervener with respect to the non observance of proper procurement process for the procurement of new transformers by the Petitioner and the misuse of official cars by the Petitioner's management are mere observations without any evidence or justification, hence the Authority cannot comment on it.
- On the request of procuring transcript of the hearing , the Intervener is advised to submit an independent request of that to the Registrar of the Authority.
- The observation of the Intervener with respect charging of advance FPA in FESCO's determination is not clear, as to which specific para of the decision the Intervener is referring to.
- The Intervener's point that the Petitioner has suggested for 3rd party audit to verify accounts is not correct, as the suggestion of 3rd party independent study is with respect to assessment of T&D losses .
- The matter of levy of surcharge is addressed in para 8.2 of the tariff determination of LESCO dated 2nd January, 2014 in which section 31 of the NEPRA Act has been referred that empowers the Authority to determine terms & conditions for the supply of electricity to the consumers. Under the head of " General Conditions " of the Authority's approved terms and conditions with respect to the Petitioner, has allowed imposition of Late Payment Surcharge (LPS) @ 10%. In addition to this the issue of LPS is sub judice in a higher fora of Lahore High Court, consequently, the Authority is constrained to make any comments / offer explanation in this regard unless the matter is decided by the Court.





3.7 Warid Telecom were commentators in the tariff determination of the Petitioner for the FY 2013-14. In the hearing for review motion, Warid Telecom were again represented by Chaudhry Kashif Mehmood, who made following comments;

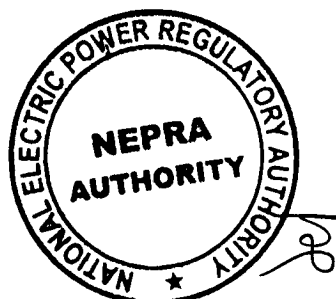
- The matter of overbilling by the Petitioner at Warid Telecom installations is still not resolved and Authority's intervention is requested for early resolution.
- Warid Telecom offered the Petitioner for technical support as well financial support for Installation of GSM meter to improve their system on non-commercial basis. In this regard a letter was also send to the Petitioner on 28th Jan 2014 on which no response has been received so far.
- A policy for of net-metering may be provided as Government of Punjab is pushing Warid telecom for the installation of the solar panels. If net metering is allowed this will help us and the sector in general.
- The draft Wheeling agreement placed on web by NEPRA is very appreciable and comments on same shall be submitted soon.

3.8 The concerns of commentator regarding over-billing were address under para 8.6 of the tariff determination of LESCO for the FY 2013-14 dated 2nd January, 2014 whereby the Petitioner was directed to form a working group with Warid Telecom on the issue. The Authority is disappointed to see lack of seriousness of the part of Petitioner in implementing Authority's directions. Consequently, the Petitioner is re-directed to coordinate with Warid Telecom on an urgent basis to resolve the matter of over-billing and installation of GSM meters.

4. Transmission and Distribution Losses

4.1 The Petitioner in its review motion pleaded that the assessment of the Authority with respect to the reduction of T&D losses from its actual level of 13.2% to a target of 9.8% for the FY 2013-14, is neither realistic nor achievable.

4.2 The Petitioner objected to para 11.9 of the tariff determination dated 2nd January, 2014, wherein the Authority has referred to a USAID's operational audit report. As per the Petitioner, the USAID report is only based on assumptions and does not refer to any historical data as it concludes the transmission losses of the Petitioner as 1%, whereas the study of its 132 KV network, conducted by Power Planner International had concluded its 132 KV losses as 2.17 % . The Petitioner informed the Authority that the same has been submitted to the Authority for it consideration. Furthermore, the Petitioner informed the Authority that the process for hiring of consultancy services regarding study of technical losses of 11 kV lines and below is underway and eleven consultants have purchased bid documents.





- 4.3 Based on the aforementioned, the Petitioner has pleaded to the Authority to revise the T&D losses target on actual basis i.e., 13.2% subject to review, after considering the findings of the independent study. During the hearing, the Petitioner referred to the faulty distribution lines and old network which adds to the losses and also showed a trend of actual losses on a year-on-year basis;

Financial Year	T&D Losses in %
2008-09	13.3%
2009-10	13.8%
2010-11	13.3%
2011-12	13.5%
2012-13	13.2%

- 4.4 The Authority in its determination dated 2nd January, 2014 has discussed in detail the rational for fixing T&D losses target as 9.8% under para 11.1 to para 11.11 of said decision. Although the Authority has referred to the USAID report, however, the same is not the sole basis for fixing the target of 9.8%. The Authority used the report's finding a starting point and after acknowledging the limitations of the study, assessed a target which was higher than the reports findings.
- 4.5 For the purpose of fairness, the Authority again conducted an in-house study of Petitioners T&D losses. The study is based on (a) benchmarking (i) transmission losses (ii) Distribution transformer (iii) LT lines and (b) calculating 11KV feeder losses proportional to peak demand. The calculation based on the above parameters shows the Petitioner's losses at a level of 9.01%. The study also considers the parameter of actual demands of DISCOs. Based on the report, the target losses of LESCO come out to be 9.01%.
- 4.5 In view of the aforementioned, the Authority has decided to reassess the target of the Petitioner as 9.01% based on the report of Technical Division of NEPRA. Simultaneously, the Petitioner is directed to expedite the independent study of its

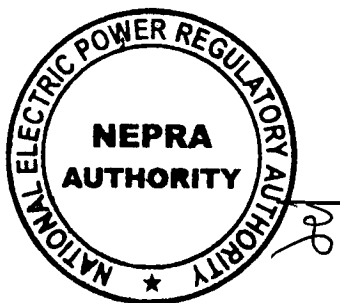




system including 11 KV and below. The Authority may review its decision with respect to the assessment of its T&D losses in the finding of the independent report on prospective basis.

5. Operating & Maintenance Expenses

- 5.1 The Petitioner submitted that it had requested Rs. 17,867 million in the annual tariff petition for the FY 2013-14, as O & M expenses. However, the Authority has allowed only Rs. 4,946 million, thus reduced an amount of Rs. 5,826 million. As per the Petitioner, each component of O&M expenses was justified with rational and evidence, yet the Authority has based its determination on reasons which are unwarranted and alien to the case of the Petitioner.
- 5.2 The Petitioner further stated that the Authority has directed it to create a separate post retirement benefit fund at the earliest. Accordingly, it informed the Authority that a Draft trust deed and pension rules have been approved by Board of Directors which are also filed to FBR for registration. Upon approval of FBR, the fund would be established. However, the Authority again decided to take actual payments for the FY 2012-13 as reference for amount to be allowed for the FY 2013-14. The reasons given by the Authority are inherently ambiguous, vague and irrelevant and do not give any rational for disallowing the post retirement benefit expenses.
- 5.3 During the hearing, the Petitioner also submitted a comparison of actual expenses under O&M as against the Authority's approved expenses and identified the maximum shortfall in salaries and wages which amounts to Rs. 4,946 million. Further, the Petitioner stated that there are 4,000 vacancies in different cadre lying vacant and only those recruitments are made that are replacement hiring, therefore an expense of Rs. 644 million deducted by the Authority from base expense on account of new recruitments should be allowed. Here it is pertinent to mention that the Petitioner vide its letter # 1494/LESCO /CFO / Tariff dated 23rd May, 2014 has further requested to allow the followings;
- To allow bonus worth Rs. 293 million, announced by the State Minister of Water & Power.
 - To allow additional Rs. 255 million, under the head of Repair & Maintenance keeping in view the trend of actual cost under this head.
 - To allow cost of compact fluorescent lamps worth Rs. 605 million.
- 5.4 Although the Authority has discussed in detail the rational for the approved O&M expenses under para 14 of the tariff determination pertaining to the FY 2013-14. However, for the purpose of clarity, it is re narrating again that as per Rules, the basis of the Authority's assessment is what it deem "prudent" for the Petitioner. While doing





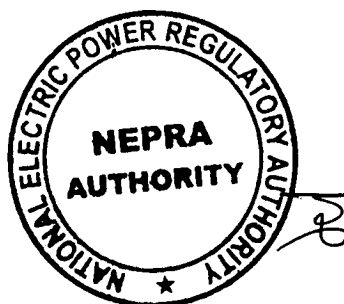
so the Authority do consider the audited results of the Petitioner, but it does not form the sole basis for its assessment. The Authority also consider what it has been assessing in the past under the same head against the Petitioner's actual performance. In addition, its ongoing comparison with other XWDISCOs. Thus, the Petitioner's argument for allowing additional repair and maintenance does not merit reconsideration as when the initial assessments were made under the head the actual results were considered. In view thereof, the Authority finds no error or reason which would modify its initial assessment in this regard. Further, the issue of bonus and cost of fluorescent lamps are out of the scope of the instant review. The Petitioner may include those in its next year's tariff petition.

5.5 Furthermore, the Authority has been giving clear directions on the creation of post retirement benefit fund in last two tariff determinations of the Petitioner. Due to non compliance on the part of the Petitioner, the Authority has been allowing the GOP's latest increase along with the actual amount paid by the Petitioner under this head. Once the fund is created the Petitioner may claim the provision charged for the year if the same is transferred to the independent fund. This is as simple as it is stated. The Authority don't see ambiguity or vagueness or irrelevance in its decision . It appears that the Petitioner itself does not want to understand a very simple proposition. Again on the issue of replacement hiring, the Authority has stipulated the same with the provision of certificate from its company's external auditor, certifying that the same is replacement cost. It is interesting to observe that the same is not provided in any form on which the Authority can comment , yet again the Petitioner is insisting on allowing such cost. It appears the Petitioner has not even tried to procure that as nothing on ground has been submitted by the Petitioner in this regard. Nevertheless, considering the fact that the instant compliance of the Authority's direction is pending for almost two years, the Authority, in order to facilitate the Petitioner has decided to issue audit framework in this regard. The Petitioner would be directed to conduct the audit in accordance with International Standards on Auditing.

5.6 In view of aforementioned, the Authority see no reason or rationale which would constitute the basis for the Authority's initial assessment in this regard. Hence, the Petitioner's request is declined.

6. Prior Year Adjustment

6.1 Although not included in the motion for leave for review, yet during the hearing the Petitioner raised an additional issue of error in the calculation of Prior Year Adjustment (PYA). As per the Petitioner, the working of PYA is erroneous and it has a claim of Rs. 12,316 million under this head as against the approved amount of Rs. (2,766) million by the Authority.





- 6.2 The Petitioner also expressed its inability to understand the working given by the Authority in determination. In view thereof, the Authority directed the Petitioner, during the hearing, to coordinate with the professionals of NEPRA in understanding of the working and identification of error, if any.
- 6.3 Subsequently, the Petitioner shared its own working with the professionals of NEPRA and the same were deliberated. The reconciliation was re-produced in a format as desired by the Petitioner and the same was discussed in a meeting with the Representatives of the Petitioner. No error, was identified in the workings of PYA as produced in para 13.4 of the tariff determination for the FY 2013-14. However, while going through the audited account of the Petitioner, the Authority has observed a credit entry of Rs. 3,084 million under the head of PPP. The notes to accounts records it as an adjustment entry pertaining to the last year. From the available record, the Authority cannot construe as on what account this credit note has been given to the Petitioner. In view thereof, the Authority directs the Petitioner to explain the reason thereof and Authority reserves the right to adjust the said cost in the next years determination, if found as a genuine pass through item.
- 6.4 In view of above discussion, the Authority has decided not to change its initial assessment in this regard, with an exception of the deferred cost (credit entry) as mentioned above.
7. **Late Payment Surcharge**
- 7.1 During the hearing for Review Motion, the Petitioner raised another additional issue of non inclusion of Late Payment Surcharge (LPS) as a part of other income.
- 7.2 The Authority has discussed the matter with sufficient clarity in para 15.2 and 15.3 of the tariff determination for the FY 2013-14 and a separate brain storming session shall be held in June, 2014 to resolve the matter.
8. **Decision**
- 8.1 Keeping in view the above stated facts, the Authority is of the view that in terms of regulation 3(2) of the NEPRA (Review Procedure) Regulations, 2009, a motion seeking review of any order of the Authority is competent only upon discovery of new and important matter of evidence or on account of some mistake or error apparent on the face of record. The perusal of a determination sought to be review clearly indicates





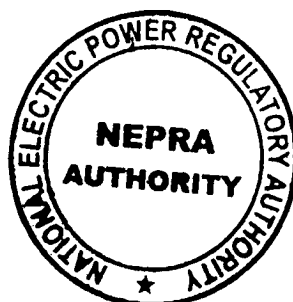
that all material facts and representation made were examined in detail and there is no occasion to amend the impugned determination.

- 8.2 The Authority while reassessing the calculations has observed an inconsistency in the calculation of 1st qrt's PPP adjustment in the matter of Petitioner. The Authority in the cases of other XWDISCOs has changed the methodology with respect to quarterly adjustments whereby the impact of extra or under units purchased was taken out of the scope of quarterly adjustments. The same adjustment was shifted at the year end. However, in the matter of Petitioner this was inadvertently not changed. Keeping in view the principle uniformity, the Authority has decided to change the same in the matter of Petitioner as well. In view thereof, an impact of Rs. 5,722 million is deducted from the revenue requirement of the Petitioner. This implies that the previously assessed Rs. 3,428 million under the 1st qrt's PPP adjustment is now reworked as Rs. (2,294) million. Thus, making the revenue requirement already assessed as Rs. 200,141 million for the FY 2013-14 as Rs. 194,420 million. In view of aforementioned discussion and based on the revision of T&D losses target, the Authority considers that the review would result in the modification of its determination to the extent of losses target. In addition, the Authority also corrects the line (iii) of para 7.1.7 of its decision dated 2nd January, 2014 and shifts it at para 7.1.5 of the same decision.

AUTHORITY

(Major (R) Haroon Rashid)
Member

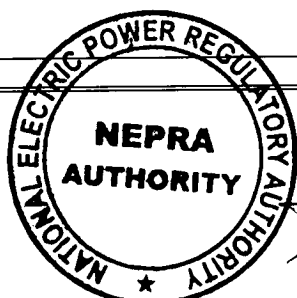
(Khawaja Muhammed Naeem)
Member

12/6/2014
(Habibullah Khilji)
Vice Chairman
12.06.2014

Lahore Electric Supply Company (LESCO)
Estimated Sales Revenue on the Basis of New Tariff

1

Description	Sales	Sales Mix	New Tariff (NEPRA)		Revenue (as per NEPRA)		
			Fixed Charge Rs./kW/ Month	Variable Charge Rs./ kWh	Fixed Charge Rs.Million	Variable Charge Rs.Million	Total
Residential							
Up to 50 Units	224	1.50%		4.00	-	896	896
For peak load requirement less than 5 kW							
01-100 Units	1907	12.74%		10.00	-	19,066	19,066
101-300 Units	2246	15.01%		12.33	-	27,689	27,689
301-700 Units	906	6.05%		15.00	-	13,588	13,588
Above 700 Units	367	2.45%		17.50	-	6,426	6,426
For peak load requirement 5 kW & above							
Time of Use (TOU) - Peak	34	0.23%		17.50	-	595	595
Time of Use (TOU) - Off-Peak	168	1.12%		11.50	-	1,931	1,931
Total Residential	5,851	39.10%			-	70,191	70,191
Commercial - A2							
For peak load requirement less than 5 kW	486	3.25%		17.50	-	8,512	8,512
For peak load requirement 5 kW & above							
Regular	208	1.39%	400.00	15.00	356	3,122	3,479
Time of Use (TOU) - Peak	88	0.59%		17.50	-	1,545	1,545
Time of Use (TOU) - Off-Peak	400	2.67%	400.00	11.50	836	4,599	5,435
Total Commercial	1,183	7.90%			1,192	17,778	18,971
Industrial							
B1	121	0.81%		14.50		1,761	1,761
B1 - TOU (Peak)	52	0.35%		17.50	-	913	913
B1 - TOU (Off-peak)	261	1.75%		11.50	-	3,005	3,005
B2	458	3.06%	400.00	14.00	667	6,406	7,073
B2 - TOU (Peak)	161	1.08%		17.50	-	2,818	2,818
B2 - TOU (Off-peak)	871	5.82%	400.00	11.30	1,570.60	9,841	11,411
B3 - TOU (Peak)	394	2.63%		17.50		6,898	6,898
B3 - TOU (Off-peak)	3335	22.28%	380.00	11.20	3,405	37,349	40,754
B4 - TOU (Peak)	96	0.64%		17.50		1,677	1,677
B4 - TOU (Off-peak)	592	3.96%	360.00	11.10	507	6,575	7,081
Total Industrial	6,341	42.37%			6,150	77,243	83,393
Single Point Supply for further distribution							
C1(a) Supply at 400 Volts - less than 5 kW	1	0.01%		15.00	-	15	15
C1(b) Supply at 400 Volts - 5 kW and upto 500 KW	33	0.22%	400.00	14.50	26	478	505
Time of Use (TOU) - Peak	2	0.01%		17.50		32	32
Time of Use (TOU) - Off-Peak	8	0.06%	400.00	11.50	8	97	105
C2 Supply at 11, 33 kV upto & including 5000 KW	268	1.79%	380.00	14.30	215	3,832	4,046
Time of Use (TOU) - Peak	14	0.09%		17.50		237	237
Time of Use (TOU) - Off-Peak	61	0.41%	380.00	11.30	60	690	750
C3 Supply at 66 KV & above and sanctioned load above 5000 KW	55	0.37%	360.00	14.20	34	776	810
Time of Use (TOU) - Peak	0	0.00%		17.50		-	-
Time of Use (TOU) - Off-Peak	0	0.00%	360.00	11.20	-	-	-
Total Single Point Supply	441	2.95%			343	6,156	6,499
Agricultural Tube-wells - Tariff D							
Scarp	171	1.14%		14.50	-	2,476	2,476
Agricultural Tube-wells	73	0.49%	200.00	14.00	47	1,029	1,076
Time of Day (TOD) - Peak	123	0.82%		17.50		2,149	2,149
Time of Day (TOD) - Off-Peak	676	4.51%	200.00	11.20	512	7,566	8,078
Total Agricultural	1,043	6.97%			559	13,219	13,778
Public Lighting G	101	0.68%		15.00	-	1,517	1,517
Residential Colonies H	4	0.03%		15.00	-	65	65
Traction - 1	1	0.00%		15.00	-	8	8
Total	14,966	100.00%			8,243	186,178	194,421



**SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)**

A-1 GENERAL SUPPLY TARIFF - RESIDENTIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			
i	Up to 50 Units	-		4.00
	For Consumption exceeding 50 Units			
ii	001 - 100 Units	-		10.00
iii	101 - 300 Units	-		12.33
iv	301 - 700 Units	-		15.00
v	Above 700 Units			17.50
b)	For Sanctioned load 5 kW & above			
			Peak	Off-Peak
	Time Of Use	-	17.50	11.50

As per the Authority's decision residential consumers will be given the benefits of only one previous slab

Under tariff A-1, there shall be minimum monthly customer charge at the following rates even if no energy is consumed.

a) Single Phase Connections:

Rs. 75/- per consumer per month

b) Three Phase Connections:

Rs. 150/- per consumer per month

A-2 GENERAL SUPPLY TARIFF - COMMERCIAL

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
a)	For Sanctioned load less than 5 kW			17.50
b)	For Sanctioned load 5 kW & above	400.00		15.00
			Peak	Off-Peak
c)	Time Of Use	400.00	17.50	11.50

Under tariff A-2, there shall be minimum monthly charges at the following rates even if no energy is consumed.

a) Single Phase Connections;

Rs. 175/- per consumer per month

b) Three Phase Connections:

Rs. 350/- per consumer per month



**SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)
B INDUSTRIAL SUPPLY TARIFFS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
B1 (a)	Up to 25 kW (at 400/230 Volts)	-		14.50
B2(a)	exceeding 25-500 kW (at 400 Volts)	400.00		14.00
	Time Of Use			
B1 (b)	Up to 25 KW	-	17.50	11.50
B2(b)	exceeding 25-500 kW (at 400 Volts)	400.00	17.50	11.30
B3	For All Loads up to 5000 kW (at 11,33 kV)	380.00	17.50	11.20
B4	For All Loads (at 66,132 kV & above)	360.00	17.50	11.10

For B1 consumers there shall be a fixed minimum charge of Rs. 350 per month.

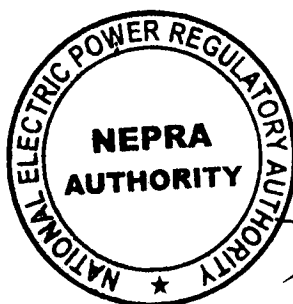
For B2 consumers there shall be a fixed minimum charge of Rs. 2,000 per month.

For B3 consumers there shall be a fixed minimum charge of Rs. 50,000 per month.

For B4 consumers there shall be a fixed minimum charge of Rs. 500,000 per month.

**C - SINGLE-POINT SUPPLY FOR PURCHASE IN BULK BY A DISTRIBUTION LICENSEE
AND MIXED LOAD CONSUMERS NOT FALLING IN ANY OTHER CONSUMER CLASS**

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh	
			Peak	Off-Peak
C -1	For supply at 400/230 Volts			
a)	Sanctioned load less than 5 kW	-		15.00
b)	Sanctioned load 5 kW & up to 500 kW	400.00		14.50
C -2(a)	For supply at 11,33 kV up to and including 5000 kW	380.00		14.30
C -3(a)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00		14.20
	Time Of Use			
C -1(c)	For supply at 400/230 Volts 5 kW & up to 500 kW	400.00	17.50	11.50
C -2(b)	For supply at 11,33 kV up to and including 5000 kW	380.00	17.50	11.30
C -3(b)	For supply at 66 kV & above and sanctioned load above 5000 kW	360.00	17.50	11.20



**SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)**

D - AGRICULTURE TARIFF

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES	
		Rs/kW/M	Rs/kWh	
D-1(a)	SCARP less than 5 kW	-		14.50
D-2	Agricultural Tube Wells	200.00		14.00
			Peak	Off-Peak
D-1(b)	SCARP and Agricultural 5 kW & above	200.00	17.50	11.20

Under this tariff, there shall be minimum monthly charges Rs.2000/- per consumer per month, even if no energy is consumed.

Note:- The consumers having sanctioned load less than 5 kW can opt for TOU metering.

E - TEMPORARY SUPPLY TARIFFS

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES
		Rs/kW/M	Rs/kWh
E-1(i)	Residential Supply	-	17.50
E-1(ii)	Commercial Supply	-	17.50
E-2	Industrial Supply	-	14.50

For the categories of E-1(i&ii) above, the minimum bill of the consumers shall be Rs. 50/- per day subject to a minimum of Rs.500/- for the entire period of supply, even if no energy is consumed.

F - SEASONAL INDUSTRIAL SUPPLY TARIFF

125% of relevant industrial tariff

Note:

Tariff-F consumers will have the option to convert to Regular Tariff and vice versa. This option can be exercised at the time of a new connection or at the beginning of the season. Once exercised, the option remains in force for at least one year.

G- PUBLIC LIGHTING

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES	VARIABLE CHARGES
		Rs/kW/M	Rs/kWh
	Street Lighting	-	15.00

Under Tariff G, there shall be a minimum monthly charge of Rs.500/- per month per kW of lamp capacity installed.



**SCHEDULE OF ELECTRICITY TARIFFS
FOR LAHORE ELECTRIC SUPPLY COMPANY (LESCO)**

H - RESIDENTIAL COLONIES ATTACHED TO INDUSTRIAL PREMISES

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Residential Colonies attached to industrial premises	-	15.00

I - RAILWAY TRACTION

Sr. No.	TARIFF CATEGORY / PARTICULARS	FIXED CHARGES Rs/kW/M	VARIABLE CHARGES Rs/kWh
	Railway Traction	-	15.00

