

July 16, 2023.

The Chairman
Nigerian Electricity Regulatory Commission
NERC Headquarters,
Plot 1387, Cadastral Zone, A00,
Central Business District,
Abuja.

Dear Sir,

**REQUEST FOR APPROVAL TO IMPLEMENT INTERIM EXTRA ORDINARY TARIFF IN
ABA RING FENCED AREA (ARFA)**

We write in respect of the above-mentioned matter and further to NERC's authority to grant approval on Tariff related matters pursuant to extant provisions of the law.

APL Electric Company Limited (APLE) acquired the electric distribution assets in the Aba and Ariaria Business Units of Enugu Electricity Distribution Company (EEDC), the Aba Ring Fenced Area (ARFA) on February 16, 2022, following the payment of the full \$26+million acquisition amount, pursuant to an out-of-court settlement brokered by the FGN between Interstate Electrics Limited, the parent company of EEDC on the one hand, and APLE, Geometric Power and others on the other hand. This acquisition amount is the value of the distribution assets in the ARFA as valued by the Commission pursuant to the privatization of the electric sector in Nigeria.

Since the acquisition of the ARFA from EEDC in February 2022, APLE has maintained customer billing at the approved July-December 2022 Minor Review tariff for EEDC. Sequel to the minor tariff review of January-June 2023 for EEDC, APLE requested that the Commission allow it to migrate its customer billing in line with EEDC's new tariff. However, Commission advised APLE to develop its own tariff and submit to the Commission for review approval.

In consideration of the fact that NDPHC's Alaoji Generating Company Limited (AGCL) has increased its generation tariff in the new PPA with APLE above N21/KWH approved by the Commission in the expired PPA between APLE and

AGCL, and the unforeseen situation of the floating of exchange rate which has resulted in significant deflation of the Naira, APLE hereby requests the Commission to consider and allow it to make this Interim Extra Ordinary Tariff application, though, it has not operated the current tariff for up to three years as stipulated in the “Regulations for Electric Tariff Review in the Nigerian Electricity Supply Industry.” The Company is currently operating at a loss using the July- December 2022 approve for EEDC.

APLE has successfully developed an Interim Extra Ordinary tariff by adopting the Model approved by the Commission.

The following assumptions were considered:

S/N	Parameter	Value	Remark
1	Target ATC&C	30%	Attached as Appendix 1 is APLE Energy Balance Sheet January 2022 to June 2023.
2	Naira/USD Exchange rate	N770/\$	Floating rate
3	Inflation	22.4%	Current Inflation rate
4	Real Pre-Tax WACC	11%	As allowed by NERC with a resultant Nominal after Tax WACC of 32%
5	Generation Cost	Capacity: N20/KWH Energy: N27/KWH Total: N47/KWH	
6	Transmission Loss Factor	7.25%	
7	Projected Generation in 2023	120MW	This is in anticipation of improvement works going on in the ARFA and firing of Geometric Power Plant within the year 2023

Table 1

Please note the followings:

1. The APLE cost used in the determination of APLE tariff is as indicated in the attached Management Account extract - Appendix 2. It is necessary to remark that APLE has not finalized the auditing of her account which is currently being undertaken by **PWC**.
2. The company is concluding work on the creation and update of asset register.

These two reasons above have necessitated the need to use cost information in the APLE's Management Account in the development of this Interim Extra Ordinary Tariff.

3. Enclosed as Appendix 3 is evidence of payment of filing fee of Five Million Naira (N5,000,000:00) for Extra Ordinary Tariff review for APLE.

APLE plans to hold a customer consultation on the proposed tariff on 25th July 2023. The venue and time of the consultation will be communicated to Commissioner MC&R to enable the Commission participate in the proceedings.

Accordingly, APLE humbly request the Commission to accept its Interim Extra Ordinary Tariff application.

Please accept the assurances of our highest regards.

Sincerely,

Mr. Patrick Umeh
Managing Director