base case, B1.01, assumed at 20% of the capital cost estimate and taken as single sums contributions in Year 1 of development. The equity cash surplus in initial years of implementation is credited with interest earnings (at 8% on RMB funding and 10% on foreign exchange funding) and these interest earnings apply to the investment requirements. This simplification of the equity contribution has been adopted for illustration purposes but it may be noted that proportionate equity contributions provided over several years would have limited impact on the overall cost of the development.

The various cases modelled covering the development of Gehe Yan and the specific variation in assumptions represented are summarized in Table 4.6.

Table 4.6

Gehe Yan Water Control Project
Case Studies

Case A	- No equity
Case B1.01	- Foreign equity equal to one-third of Chinese equity (25% of joint venture equity capital). Borrowings - domestic loans at 3.6% interest. Foreign exchange loans at 10% interest cost.
Case B1.02	- As B1.01 except: tariff base increased 50% to 6.9 fen/kWh.
Case B1.03	- As B1.02 except: debt/equity ration taken at 9:1.
Case B1.04	- As B1.02 except: foreign loans at 8% interest cost.
Case B1.05	- As B1.02 except: foreign loans at 12% interest cost.
Case B1.06	- As B1.02 except: domestic loans at 8% interest cost.
Case B1.07	- As B1.02 except: capital cost increased by 15%.
Case C1.01	- As B1.02 except: implementation schedule revised to 8 years with first power in Year 7. Cash flow profiles adjusted in accordance with data from feasibility report.

4.2.3 Discussion of Analyses

A summary statement of operating revenue and expenditures for each of the cases for Year 11, following project completion, is presented in Table 4.7. From this table it may be noted that analysis of the base case, B1.01, indicates the project would not be financially viable under the revenue base projected. Hence for all other cases the assumed 1985 tariff of 4.6 fen/kWh was raised to 6.9 fen/kWh. This 50% increase in revenue base is, except for Case B1.07, sufficient to meet all debt service obligations. The small surplus (or deficit as in the case of B1.07) indicates that the balancing cost of service rate would be marginally above or below 6.9 fen/kWh.