

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR 34-A, CHANDIGARH**

**Petition No. 10 of 2013
Date of Order: 28.03.2013**

In the matter of : Regarding filing of review petition against PSERC Orders dated 07.01.2013 passed in Petition No.57 of 2012 (Suo-motu) in compliance with Hon'ble APTEL Judgement dated 18.10.2012 of Appeal No.7, 46 & 122 of 2011.

AND

In the matter of: Punjab State Power Corporation Limited, Patiala

Present: Smt.Romila Dubey, Chairperson
 Shri Virinder Singh, Member
 Shri Gurinder Jit Singh, Member

ORDER

Punjab State Power Corporation Limited (PSPCL) has filed this Review Petition (RP) seeking review of the Order dated 07.01.2013 passed by the Commission in Petition No.57 of 2012 (Suo-motu) pursuant to the Common Judgement and Order dated 18.10.2012 passed by Hon'ble Appellate Tribunal (APTEL) in Appeals No.7,46 and 122 of 2011 wherein the matter was remanded back to the Commission for re-consideration of certain issues raised by PSPCL in the said Appeals before the APTEL. PSPCL has sought the review of the Order dated 07.01.2013 of the Commission, on three of the issues namely:

- (a) Auxiliary consumption allowed by the Commission for the GNDTP station.
- (b) Carrying cost for the interest on loan / non-tariff income reduction in relation to Special Purpose Vehicles.
- (c) Carrying cost on the regulatory asset.

2. The review petition was admitted for hearing on 19.03.2013 vide Order dated 27.02.2013.

3. PSPCL reiterated its prayer during hearing on 19.03.2013 and submitted during hearing that actual auxiliary consumption for its GNDTP station is more than 11%. However after brief discussion, this point / submission was dropped by PSPCL. PSPCL made additional submissions during the hearing that carrying cost of Rs.102.15 crore, Rs.209.96 crore and Rs.73.66 crore allowed in Tariff Orders for FY 2008-09, FY 2009-10 and FY 2010-11 respectively shown in Annexure A of the Order dated 07.01.2013 of the Commission, has not been allowed to PSPCL. PSPCL further submitted that delay in providing necessary documents and information to substantiate its claim regarding carrying cost for the interest on loan / non-tariff income in relation to Special Purpose Vehicles may be condoned and claim of PSPCL in this regard may be allowed.

4. Further hearing of the petition was closed and Order was reserved vide Order dated 22.03.2013.

5. **Findings of the Commission :**

The Commission has carefully considered and examined the issues raised by PSPCL in this Review Petition. Findings of the Commission are as under:-

(A) **Auxiliary Consumption for GNDTP Station**

- (i) PSERC Tariff Regulations provide that 'CERC norms wherever specified will be followed'. CERC in its notification dated 26.3.2004 has framed Tariff Regulations for the five year period wherein operation norms for thermal plants were also specified. CERC had, however, not specified any norms for 110MW units and the Commission had in the case of GNDTP adopted the norms specified for the Tanda station of NTPC which like GNDTP has 4 units of 110MW each.

- (ii) The Commission while processing the ARR of the Board for the year 2008-09, fixed the auxiliary consumption of Unit I&II after R&M works at 10,22% and Unit III&IV as prior to R&M works at 11%. However, later on while truing up for the year 2008-09, in its order for the year 2010-11, the Commission took a conscious decision for fixing the auxiliary consumption for all the 4 units of GNDTP at 11%.
- (iii) The petitioner has linked the auxiliary consumption with the Plant Load Factor. However, no detailed justification has been submitted in the petition. Rather, with higher Plant Load Factor, the auxiliary consumption is liable to improve. Hence the plea put forth by the petitioner is not tenable.
- (iv) The Commission had adopted the norms of NTPC (Tanda) station for auxiliary consumption for GNDTP, being of similar size and age. CERC has not given any justification in its order dated 24.1.2007 while fixing the higher norm (12%) of auxiliary consumption after R&M works of Tanda thermal power plant.
- (v) As per information collected from PSPCL, the auxiliary consumption of Unit I&II, after R&M has been below 11%.

As already pointed out in the Commission's order dated 7.1.2013, the auxiliary consumption after R&M works, costing Rs.216 crore, should have improved to 9.1% according to the contract entered by the petitioner with the executing agency. Hence no further relief is admissible to the appellant on this account.

(B) Carrying Cost for the Interest on loan/non-tariff income reduction in relation to Special Purpose Vehicles

The Commission disallowed the interest cost on the loans taken by the petitioner on behalf of the SPVs such as Nabha Power Ltd., Talwandi Sabo Power Ltd. for the year 2007-08 and Gidderbaha Power Ltd. for the year 2008-09 and onwards. These projects were, of course, later transferred to third parties for execution on Build Operate Own (BOO) basis. The petitioner had raised loans for these SPVs which were later on recovered from the successful bidders along with interest. In its ARR, the petitioner had claimed

interest payable on the loans as expenditure. The Petitioner also claimed that interest income received from the SPVs was accounted for in the income of the petitioner. For the year 2007-08, the petitioner claimed to have received an interest income of Rs. 5.72 crore from the SPVs which was included in its non-tariff income. Similarly, for the Tariff Order 2008-09, the utility claimed that an amount of Rs. 46.22 crore was included in its Non Tariff Income. The Commission's reasoning was that the execution of the projects by SPVs of Talwandi Sabo Power Ltd, Gidderbaha Power Ltd., Nabha Power Ltd., etc. is being done on Build Own Operate (BOO) basis and as such investment outlays of such SPVs do not form part of the investment plan of the utility. The amount of interest along with the principle amount of loan taken for SPVs was, therefore, not allowed by the Commission in the ARR of the utility. Also, the utility failed to provide sufficient evidence at the time of finalization of Tariff Order or at the time of review petition to substantiate its claim that the interest on loans recovered from the SPVs was credited to the Non Tariff Income head and as such interest income was treated as Non Tariff Income in the hands of the utility by the Commission. The Hon'ble APTEL in its order dated 18th Oct, 2012 against Appeal Nos.7 of 2011, 46 of 2011 and 122 of 2011 observed and directed that:

“As the Commission concluded that the appellant provided incomplete picture of loans raised on behalf of the SPVs, the interest paid or payable thereon and also the recovery effected from these SPVs and credited to the accounts of the appellant we direct that the Commission shall re-examine the issue and pass appropriate order only when to the satisfaction of the Commission, the appellant would be able to provide with the Commission with all the details as the Commission would be wanting for consideration of the matter in details”.

Consequent upon the order of the Hon'ble APTEL, the utility pleaded for

- a) Reduction of Non Tariff Income to the tune of Rs.3.48 crore for FY 2007-08.
- b) Reduction on Non Tariff Income to the tune of Rs.32.87 crore for FY 2008- 09.

During the course of re-examination of the issue by the Commission, utility provided relevant documents to substantiate their claim. After examination of the documents, the Commission accepted the plea of utility and held as below:

“This claim was substantiated by the utility by submitting copies of TDS certificates of income received from SPVs. Since the claim of the utility has been substantiated by necessary documents, the Commission allows a reduction of Rs. 3.48 crore from the Non Tariff Income of the utility for FY 2007-08 and Rs. 32.87 crore from Non Tariff Income for FY 2008-09.

On the issue of allowability of carrying cost on the claim, the Commission held as under:

“The Commission holds that since the late production of evidentiary documents was on account of the utility’s fault, the carrying cost for the entire period cannot be allowed but must be restricted to a period of 9 months as mentioned above. The carrying cost allowable works out to Rs. 0.38 crore for FY 2007-08 for Rs. 3.48 crore and Rs.3.64 crore for Rs. 32.87 crore for FY 2008-09 “

Now, the petitioner has filed a review petition claiming carrying cost as per following detail:-

- Rs 2.71 crore on the interest of Rs. 3.48 crore paid by utility in FY 2007-08 for the period of six months of FY 2007-08 , twelve months of FY 2008-09, FY 2009-10, FY 2010-11, FY 2011-12, FY 2012-13 and for six months of FY 2013-14.
- Rs 21.44 crore on the interest of Rs. 32.87 crore paid by utility during 2008-09 for the period of six months of FY 2008-09, twelve months of FY 2009-10, FY 2010-11 , FY 2011-12 , FY 2012-13 and for six months.

The Petitioner argued in paragraphs 18 to 22 of Review Petition No.10 of 2013 that review petitions against Tariff Orders of FY 2009-10 and FY 2010-11 were filed on the issue but review proceedings were not entertained by the Hon'ble Commission on this issue. The question of PSPCL establishing the

documents in the Tariff petition for showing the interest income as a part of the non tariff income did not arise as the claim was on expenditure side of the interest paid corresponding to the loans taken for the special purpose vehicle. It has been decided now that the Non Tariff Income will be reduced corresponding to the income received from the special purpose vehicles and interest on the expenditure side will not be increased as was claimed by PSPCL earlier. PSPCL has produced all the relevant documents in regard to the Non Tariff Income including tax deduction certificate etc.

The arguments of the Petitioner have no locus standi and are based on an incorrect representation of facts. This is clear from the following:

- The utility is factually incorrect in stating that Review Petitions were not entertained by the Commission. The Review Petition No.23 of 2009 and the Review Petition no. 23 of 2010 filed by the utility on this issue were accepted by the Commission .After examining the documents, the Commission observed that the documents were insufficient to substantiate claim of utility.

In the Review Petition no. 23 of 2009 the Commission held:

*“It is more than evident that the complete picture of loans raised on behalf of the SPVs, the interest paid/payable thereon and the recovery effected from these SPVs and credited into the accounts of the **Board has not been made available and the Commission is inclined to conclude that there is insufficient documentary evidence to substantiate the claim of the Board.** Accordingly, the Commission sees no reason to accept the plea of the Board. “*

Similarly, in the Review Petition no 23 of 2010 the Commission observed:

*“Moreover, PSPCL has produced no evidence to establish that this sum has been refunded to any private company or the same was paid to financial institutions from where loans were raised for setting up the SPVs .In the circumstance, **the Commission has little option but to conclude that the accounts and other filings of the Board do not establish that a sum of Rs.46.22 crore was received as interest from SPV and needs to be excluded from the other income of the***

Board. *The position in respect of the sum of Rs. 46.22 crore applies equally to another amount of Rs. 56 crore which PSPCL claims was the interest income from a SPV in the year 2009-10. In the circumstances, the Commission holds that there is insufficient evidence on record to exclude the above two amounts from the other income of the Board.*

- The Petitioner is also wrong in stating that no reduction from Non Tariff Income was claimed by the utility. The Petitioner had claimed reduction of interest from Non Tariff Income in the Review Petitions of Tariff Order for FY 2009-10 and FY 2010-11. Relevant paragraphs of review Petition Nos. 23 of 2009 & 23 of 2010 are reproduced below:-

Extract of relevant paragraphs of Review Petition no. 23 of 2009

“7.3 In this regard, it is pertinent to mention that the interest income recovered from these SPV’s have been credited to A/C code 62.280 as Rs 5,72,24,573 for FY 2007-08. The loans being raised for these SPV’s are being provided to them at specified interest rates determined with respect to market conditions.

7.4 This amount of Rs 5.72 crore is included in Rs 321.33 Crore (included in Rs 580.79 Crore) as part of Non Tariff Income for FY 2007-08.

7.5 Hence, PSEB requests the Hon’ble Commission to reduce this interest income recovered from SPV’s from the Non Tariff Income as Hon’ble Commission has disallowed the interest on loans taken for TSPL for FY 2007-08.”

Extract of relevant paragraphs of Review Petition no. 23 of 2010

*6.6 Therefore, as the interest on such loans has been specifically disallowed by the Commission, accordingly, the commensurate income from the same also needs to be removed from the ARR. **Accordingly, PSPCL requests the Hon’ble Commission to exclude Rs 46.22 crore from the Non Tariff Income for the purpose of determination of ARR/Gap for FY 2008-09.***

6.7 On the similar ground, **PSPCL requests the Commission to exclude an interest income of approx. Rs. 56 crore from Non Tariff Income while determination of ARR/Gap for FY 2009-10**”

- PSPCL has also claimed that all relevant documents had been produced before the Commission .This is factually incorrect for the FY 2007-08 & FY 2008-09 as is clear from the observations of the Commission in the Review Petition as also the relevant Tariff Order.

In the Review Petition no. 23 of 2009,the Commission observed:

*“The Board’s claim that recovery of interest income from TSPL and NPL is reflected in the non-tariff income has also been scrutinized and found wanting. The Commission observes that the matter needs to be examined with reference to Schedule 5 (Other Income) of the Statement of Accounts of the Board for the year 2007-08. Account Code 62.280 which is meant for accounting of interest income on fixed deposits and other investments of the Board depicts an amount of Rs. 6,14,59,097 which forms part of total other income of the Board. The Board has now claimed that this amount is inclusive of recovery of interest income of Rs. 5 crore from TSPL and Rs. 0.72 crore from NPL for the year 2007-08. However, a perusal of Schedule 5 does not show any receipt of interest from TSPL and NPL. Moreover, Format-15 annexed to the ARR of the Board for the year 2009-10 makes no mention of any loan for Nabha Power Ltd. (NPL) whereas the Board has claimed a recovery of interest of Rs. 0.72 crore from NPL during the year 2007-08. On the other hand, Format 16 shows a recovery of an amount of Rs. 5.72 crore on account of TSPL and NPL but does not indicate that this amount stands credited to non-tariff income of the Board. **It is more than evident that the complete picture of loans raised on behalf of the SPVs, the interest paid/payable thereon and the recovery effected from these SPVs and credited into the accounts of the Board has not been made available and the Commission is inclined to conclude that there is insufficient documentary evidence to substantiate***

the claim of the Board. Accordingly, the Commission sees no reason to accept the plea of the Board. “

In the Review Petition no. 23 of 2010, the Commission observed:

“Moreover, PSPCL has produced no evidence to establish that this sum has been refunded to any private company or the same was paid to financial institutions from where loans were raised for setting up the SPVs .In the circumstance, the Commission has little option but to conclude that the accounts and other filings of the Board do not establish that a sum of Rs.46.22 crore was received as interest from SPV and needs to be excluded from the other income of the Board. The position in respect of the sum of Rs. 46.22 crore applies equally to another amount of Rs. 56 crore which PSPCL claims was the interest income from a SPV in the year 2009-10.In the circumstances ,the Commission holds that there is insufficient evidence on record to exclude the above two amounts from the other income of the Board.”

In fact, the relevant documents were produced only for FY 2009-10 during course of finalization of Tariff Order FY 2011-12 where the Commission observed:

“However, PSPCL in its letter dated March 03, 2011, has submitted that interest of Rs. 55.49 crore has been paid by Nabha Power Ltd. (NPL) to PSEB during FY 2009-10 and stood included in non-tariff income. PSPCL has also made a plea that as interest on loans to SPVs are disallowed by the Commission, interest recovered from SPVs, which stood included in Non-Tariff Income, may also be excluded. The Commission notes that a similar plea was made in the last ARR as well as the Review Petition No. 23 of 2010. However, the Commission could not allow the claim in the absence of evidence to substantiate this plea. However, PSPCL has now submitted copies of TDS certificates in support of receipt of interest from NPL along with letters from NPL confirming the said payment. The Commission, observes that as it has not allowed any interest on loans availed by erstwhile Board for NPL, the interest recovered from NPL for repayment of loans to financial institutions need also not be considered

in the non-tariff income of PSPCL. Accordingly, interest of Rs. 55.49 crore recovered from NPL is reduced from the non-tariff income.”

The Hon'ble APTEL in its Order dated 18th Oct, 2012 also observed that relevant documents for FY 2007-08 & FY 2008-09 were not produced before the Commission as under:-

“The Commission concluded that the appellant provided incomplete picture of loans raised on behalf of the SPVs, the interest paid or payable thereon and also the recovery effected from these SPVs and credited to the accounts of the appellant we direct that the Commission shall re-examine the issue and pass appropriate order only when to the satisfaction of the Commission, the appellant would be able to provide with the Commission with all the details as the Commission would be wanting for consideration of the matter in details”

The fact is that consequent upon the order of the Hon'ble APTEL and the Commission letter dated 10.12.2012, Petitioner for the first time provided relevant documents to substantiate his claim that interest received from SPVs was credited under the Non Tariff Income head for FY 2007-08 & FY 2008-09.

The Commission accordingly allowed reduction in Non Tariff Income vide Order dated 7.1.2013 and carrying cost on the said amount was allowed for the period from date of issue of order holding that the claim was not allowed on account of non-production of relevant document by utility. The Commission, thus, rightly held that carrying cost be allowed for a period of 9 months i.e. three months for FY 2012-13 and six months for FY 2013-14 since the recovery of this amount will be available to the utility from the increased tariff determined for FY 2013-14.

It is re-iterated that despite various opportunities accorded, the utility failed to produce relevant documents. Repeated opportunities were also given to the utility from 1st Nov 2012 onwards during the course of finalization of Order dated 07.01.2013 but it was only on 28th Dec., 2012 that the documents were produced for perusal of the Commission. The carrying cost of Rs. 0.38 crore for FY 2007-08 and Rs. 3.64 crore for FY 2008-09 has been rightly allowed. In

view of this position, the Commission is not inclined to condone the delay and allow the claim of PSPCL on account of interest on loan / non-tariff income reduction in relation to Special Purpose Vehicles.

(C) Carrying cost on the Regulatory Asset

The petitioner in its Petition 10 of 2013 against the Commission order dated 07.01.2003 has claimed that carrying cost on the revenue gaps for the period from 2006-07 to 2009-10 till date of recovery of revenue gap has not been allowed by the Commission. The Commission had been devising/revising the tariff in such a way that the entire gap (deficit in revenue) for the years covered in any Tariff Order gets recovered in the year of the Tariff Order itself except in exceptional cases when the Commission determines a Regulatory Asset. Thus the Commission allows carrying cost for a revenue gap for six months in the year in which it is built up, twelve months of the ensuing year and for a period of another six months in the third year in which it gets recouped through recovery by way of increased tariff. In this way, the maximum period for which carrying cost is allowable works out to two years. The Commission has also been allowing carrying cost for a period beyond two years where recovery is deferred for a period beyond two years on account of establishment of a Regulatory Asset.

Hon'ble APTEL, in its order dated 18.10.2012 against Appeal Nos. 7 of 2011, 46 of 2011 & 122 of 2011 held

- “i) when the utility gives its projected expenditure under a head in the ARR, the Commission either accept it or decided a lower expenditure. However, if in the true up of the ARR subsequently the Commission finds that the expenditure which was denied/reduced earlier under that head needs to be approved then carrying cost may be allowed for such additional expenditure under that particular head which was denied earlier*
- ii) the utility is entitled to carrying cost on his claim of legitimate expenditure if the expenditure is:*
 - a) Accepted but recovery is deferred e.g. interest on regulatory assets,*
 - b) Claim not approved within a reasonable time, and*

c) *Disallowed by the State Commission but subsequently allowed by the Superior Authority.*

If the revenue gap is as a result of routine true up carried out in the time frame specified in the Regulations and not on account of genuine expenditure denied on a claim by the appellant earlier or on account of deferred recoveries then no carrying cost may be admissible as the claim was made for the first time at the time of true up. The State Commission shall decide the claim of the appellant on the above principles.

We, therefore, direct the Commission to re-examine the issues upon consideration of the detailed particulars as are and as further may be provided by the appellant before the Commission according to the law.“

Accordingly, the issue had been examined at length by the Commission in the light of existing Regulations as also the judgment of the Hon'ble APTEL. The Commission in its order dated 07.01.2013 held:

“Based on the Hon'ble APTEL judgement ,carrying cost on shortfall of recovery which was not allowed earlier is to be allowed in subsequent years e.g. carrying cost for the Revenue Gap determined for FY 2006-07(True-up) which was allowed in the TO 2008-09, need not be allowed again in subsequent Tariff Orders. The Revenue Gap determined based on review exercise for FY 2007-08 will be allowed carrying cost in the Tariff Order of FY 2008-09. Since the Revenue Gap determined in the review exercise gets adjusted as a result of True Up, the carrying cost will be allowable on the additional revenue gap in the subsequent Tariff Order for FY 2009-10 because there had been shortfall in the recovery of additional Revenue Gap as also the carrying cost thereon.”

Now, the Petitioner in paragraphs 27 & 28 of this Review Petition has argued that:

“27.In other words, the Hon'ble Commission has followed the practice of following the carrying cost only from the period when regulatory is quantified by the Hon'ble Commission till the recovery of the same. However, the principle of allowing carrying cost is that the interest/carrying cost is followed for the period to which revenue gap relates to the recovery of the same.

28. In the present case, the revenue gap is for the period from 2006-07 to 2009-10 which was quantified by the Hon'ble Commission subsequently. However, the gap relates to above period and would have otherwise been recovered in the respective years. In the circumstance, the recovery of the said gap for the future period would involve the carrying cost for the year the amount relates to till the period when same is recovered.”

The Petitioner in annexure 3/P-1-18 & A-3/P-2 appended with this Petition has claimed Rs 797.67 crore as carrying cost and Rs. 398.96 crore as interest on carrying cost . An examination of Annexure 3 /P-1-18 shows that the utility is claiming carrying cost for an indefinite period on the revenue gap of Rs. 439.51 crore created in Tariff Order of FY 2008-09 for FY 2006-07. The claim of carrying cost by utility for Revenue Gap of FY 2006-07 is tabulated as under:

Tariff Order Year	Relevant Year	Gap required to be allowed (Rs. Cr)	Rate of interest	Duration	Carrying cost (Rs. Cr)
2006-07		439.51	12.75	06	28.02
2007-08	Review 2006-07	439.51	12.75	12	56.04
2008-09	True up2006-07	439.51	12.25	12	53.84
2009-10		439.51	12.25	12	53.84
2010-11		439.51	11.75	12	51.64
2011-12		439.51	13.00	06	28.57

The utility appears to be working on the presumption that the revenue gap of Rs. 439.51crore created in the Tariff Order 2008-09 has not been recovered even after a lapse of four years and therefore has put forth a claim of carrying cost on the Revenue Gap of Rs 439.51 crore for the years 2006-07 to 2011-12.

On similar lines, utility has claimed carrying cost on Revenue Gap of Rs 368 .80 crore of FY 2007-08 in Tariff Order for FY 2007-08 ,Rs 174.06 crore for FY 2008-09 in Tariff Order for FY 2008-09 & Rs. 1185.52 crore for FY 2009-10 in Tariff Order for FY 2009-10.

Petitioner, in other words, is considering carrying cost on revenue gap of a year as recurring expenditure in all subsequent Tariff Orders and is of the view that the Commission should allow carrying cost on revenue gap and interest on carrying cost so that tariff could be determined by the Commission after loading recurring carrying cost and passing a hefty amount to the consumers of the State.

It is obvious, that this argument has no locus standi as it is in violation of all legal and financial principles and standards. The Commission here would like to stress upon the principle laid down by the Hon'ble APTEL in its order dated 18th Oct, 2012 in this regard where it has been held

“ However, if in the true up of the ARR subsequently the Commission finds that the expenditure which was denied/reduced earlier under that head needs to be approved then carrying cost may be allowed for such additional expenditure under that particular head which was denied earlier “

The word “additional expenditure” clarifies that expenditure which has already been allowed cannot be treated as an expenditure for the subsequent period. On similar lines, expenditure on account of carrying cost on revenue gap which was allowed at the time of review exercise cannot be considered as expenditure at the time of True- up exercise or for subsequent periods. The Carrying cost can be ascertained only on additional expenditure/revised revenue gap determined at the time of true up or review.

- During hearing on 19th March 2013, Petitioner made additional submissions that Carrying cost of Rs. 102.15 crore, Rs.209.96 crore and Rs.73.66 crore allowed in Tariff Order of FY 2008-09 ,FY 2009-10 and FY 2010-11 respectively shown in annexure A of the Commission Order dated 7.1.2013 has not been allowed.

A perusal of the Review Petition filed by the Utility shows that the issue was not raised by PSPCL in this Review Petition. The issue is raised for the first time before the Commission during the course of hearing on 19th March 2013.

The Commission considered and examined the issue at length and concluded as under:

1. Carrying cost on Approved Revenue Gap of Rs. 102.15 crore for FY 2006-07 & FY 2007-08 was allowed in paragraph 4.14 of Tariff Order of FY 2008-09.
2. Petitioner is of the view that carrying cost of gap approved by the Commission in T.O for FY 2008-09 had not been allowed at the time of review exercise of FY 2008-09 in Table 3.17 of T.O. for FY 2009-10. The Commission had not allowed the carrying cost of gap in Tariff Order for FY 2009-10 as there was a revenue surplus of Rs. 332.23 crore on the basis of review for FY 2008-09.
3. However, in the True up of FY 2008-09, revenue gap of Rs 174.06 crore was determined in paragraph 2.22.1 of the T.O for FY 2010-11. Accordingly, the Commission allowed carrying cost on the Approved Gap (deficit) of Rs 174.06 crore in paragraph 4.14.3 of T.O. for FY 2010-11 which is reproduced below :

“ The Commission notes that on the basis of review for the year 2008-09 in the Tariff Order of 2009-10 ,there was a revenue surplus of Rs. 332.23 crore for the year 2008-09.However, in the true up of 2008-09 which forms a part of this Order, there is an approved gap (deficit) of Rs. 174.06 crore which would be available to the Successor Entities as revenue only after the tariff of 2010-11 is revised and hence there is justification for allowing carrying costs for this gap for a total period of two years consisting of six months for 2008-09,one year for 2009-10 and six months for 2010-11. Accordingly, by applying a rate of 12.25% being short term PLR of State Bank of India as on April 2008 & April 2009 (and also for 2010-11), the Commission allows interest of Rs. 42.64 crore. The Successor Entities are also directed to account for this carrying cost in their accounts as a separate item, so that

this cost could be accounted for in the true up of the subsequent year.”

4. Along similar lines, carrying cost of Rs. 209.96 crore and Rs.73.66 crore were allowed in paragraph 4.14 of Tariff Order FY 2009-10 and 4.14 of Tariff Order of FY 2010-11 respectively .

The Commission had been allowing carrying cost to the utility on the revenue gap (deficit) determined in the review and true up exercise only. In compliance of PSERC Tariff Regulations, PSPCL has been allowed the benefit of carrying cost of Rs. 102.15 crore, Rs.209.96 crore and Rs.73.66 crore in Tariff Orders of FY 2008-09, FY 2009-10 and FY 2010-11 respectively through tariff hike in relevant years . The Carrying cost is to be loaded on & passed on to the consumers only once. It cannot be allowed to be loaded on in the tariff hike every year as pleaded by the utility during hearing.

However, the Commission observes that in Order dated 07.01.2013 the Commission had not ascertained recovery of carrying cost on the excess amount of Rs 332.23 crore of Revenue Gap determined at the time of review exercise of FY 2008-09 in the Tariff Order of FY 2009-10. On similar lines, recovery of carrying cost on the excess amount of Rs 46.20 crore determined at the time of review exercise of FY 2010-11 in Tariff Order FY 2011-12 is not to be charged. Accordingly, the Commission has re-determined the allowable carrying cost on Revenue Gap for Tariff Orders of FY 2007-08 to FY 2011-12 at annexure A and interest on carrying cost at annexure B to be read as part of this Order.

The Review Petition is disposed of accordingly.

Sd/-
(Gurinder Jit Singh)
Member

Sd/-
(Virinder Singh)
Member

Sd/-
(Romila Dubey)
Chairperson

Chandigarh
Dated: 28.03.2013

[Click for Annexure A and B](#)