

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

**Petition No. 63 of 2013, 71 of 2014
& 31 of 2015
on Remand by Hon'ble APTEL vide
Order dated 29.04.2022.
Date of Order: 08.02.2023**

Petition No. 63 of 2013 for Aggregate Revenue Requirement and Determination of Tariff for FY 2014-15 filed by Punjab State Power Corporation Limited.

And

Petition No. 71 of 2014 for Aggregate Revenue Requirement and Determination of Tariff for FY 2015-16 filed by Punjab State Power Corporation Limited.

And

Petition No. 31 of 2015 (Suo Motu) for compliance of APTEL Judgment dated 22.04.2015 in Appeal No. 174 of 2013 filed by PSPCL against Commission Order dated 28.03.2013 passed in Review Petition No. 10 of 2013 for reviewing the Order dated 07.01.2013 of the Commission passed in Petition No. 57 of 2012 (Suo-Motu) initiated for implementation of judgment dated 18.10.2012 of Hon'ble APTEL in Appeal No. 07, 46, and 122 of 2011 filed by PSPCL.

In the matter of: In Compliance of the Order dated 29.04.2022 passed by the Hon'ble APTEL in Appeal No. 264 of 2014, 173 of 2015 and 277 of 2015 filed by PSPCL arising out of Petition No. 63 of 2013, 71 of 2014 & 31 of 2015 respectively.

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

PSPCL: Sh. Anand K Ganesan, Advocate

ORDER

1.0 Punjab State Power Corporation Limited (PSPCL) filed Petition No. 63 of 2013 for Annual Revenue Requirement and determination of tariff for the FY 2014-15, APR of FY 2013-14 and True up of FY 2010-11, 2011-12. Petition No. 71 of 2014 for Annual Revenue Requirement and determination of tariff for FY 2015-16 True up of FY 2012-13, FY 2013-14 & APR of FY 2011-15 and Petition No. 31 of 2015 for implementing the decision of the Hon'ble APTEL vide judgment dated 22.04.2015 in Appeal No. 174 of 2013. The aforesaid petitions were disposed of by the Commission vide Order dated 22.08.2014, 05.05.2015 and 22.07.2015 respectively. PSPCL filed Appeals against the aforesaid orders i.e Appeal no. 264 of 2014 against the order dated 22.08.2014 in Petition

No. 63 of 2013, Appeal No. 173 of 2015 against the order dated 05.05.2015 in Petition. No. 71 of 2014 and Appeal No. 277 of 2015 against the order dated 22.07.2015 in Petition No. 31 of 2015. The Hon'ble APTEL noted the common issues raised by PSPCL in the above appeals and after partly allowing the appeals vide order dated 29.04.2022 directed the Commission to revisit its Order and pass fresh orders on the issues as mentioned in the Order dated 29.04.2022.

1.1 In compliance of the Order dated 29.04.2022 passed by the Hon'ble APTEL, notice dated 01.08.2022 was issued to PSPCL for hearing in the matter and to file its reply on all the issues. PSPCL filed its written submissions vide memo No. 4584 dated 07.11.2022 and head wise details of its claims, vide memo No. 4622 dated 30.11.2022. After hearing the matter, Order was reserved vide Order dated 09.11.2022.

2 **Observations and Decision of the Commission.**

The Commission has examined the Order dated 29.04.2022 passed by the Hon'ble APTEL directing the Commission to revisit/pass fresh orders. During considering the directions in the said Order, the submissions made by PSPCL and after hearing the matter the Commission passes the Order as under:

Issue No. 3- Norms for Operation-Plant Availability Factor (PLF):

PSPCL has not included any claim on this account in its computation of claims submitted before the Commission vide memo No. 4622 dated 30.11.2022.

The Hon'ble APTEL observed that the appeal has merit to this effect (PLF) and decided in favour of the Appellant. The Hon'ble APTEL has directed the State Commission to revisit its order accordingly.

1. The Commission observes from Hon'ble APTEL Order para 54 as under:

“ On the contrary the Respondent submitted that the Appellant PSPCL submitted the segregated cost data for FY 2010-11 and FY 2011-12 during the processing of the ARR for MYT Control Period from FY 2017-18 to FY 2019-20. The Commission took cognizance of the same and in para 2.10.6 of the Tariff Order for FY 2017-18 issued on 23.10.2017, allowed incentive for FY 2010-11 and FY 2011-12 on the basis of Plant Availability of the Thermal Generating Stations submitted by PSPCL in the ARR for FY 2014-15. The matter for allowing incentive on the basis of PAF instead of target generation, for FY 2010-11 and FY 2011-12 is now settled.”

2. Further, the Commission had approved and allowed generation incentive of ₹111.23 Crore for FY 2012- 13 and Rs. 105.91 Crore for FY 2013- 14 while doing the true up of the respective years in the Tariff order for FY 2016-17.
3. Further, in para 56, the Hon'ble APTEL has observed as under:
“At this stage, we are not perusing the orders passed by the Commission for the FY 2016-17 and onwards. The issue has to be settled down for the period under dispute vide the impugned orders, passed in 2014 and 2015, covering the period from 2010-2011 to 2014-15, beyond that period, if any order is passed, it cannot be argued or taken up for consideration.”
4. The matter regarding incentive of FY 2014-15 was decided in 2nd MYT Tariff Order for FY 2017-18 to FY 2019-20 which was not under scope of the aforesaid appeal as per APTEL Order para 56.

In view of the observations and directions of the Hon'ble APTEL in the aforesaid judgment as well as considering the fact that PSPCL has not claimed any amount pertaining to this head in its submission, accordingly, the issue stands resolved to that extent.

Issue No. 4 Station Heat Rate

APTEL's Observation

With regard to issue of Heat Rate, the Hon'ble APTEL has observed as under:

67. We accept the contentions of the Appellant that all the decisions taken by him were influenced by the norms specified in the tariff order of the State Commission, wherein the SHR was allowed at 2500 kcal/kwh. Further, the Appellant have to act the decision taken inter-alia the principle that truing up cannot be a stage to rework the basis and principles of tariff determination.

68. We do agree with the submissions of appellant that Heat rate norms should not have been revised during true-up based on newly notified Central Commission norms as true-up is not a exercise for revisiting the norms once set as target. Therefore, this issue of Station Heat Rate is decided in favor of appellant.

PSPCL's Reply

- i. PSPCL submitted that the Commission at the time of truing up, had revised the SHR of unit III and IV of GHTP as 2428 kcal/kWh as against 2500 kcal/kwh which had been allowed in the previous tariff orders inter-alia the Commission for the first time had taken the position that the SHR would be as per the CERC's Tariff Regulations, 2009 whereas, the said units started operation much prior to 01.04.2009.
- ii. The Hon'ble Tribunal has held that SHR norms should not have been revised during true-up based on newly notified CERC norms as true-up is not an exercise for revisiting the norms once set as target. Therefore, this issue has been decided in favour of PSPCL.

- iii. PSPCL requested the Commission to allow the same as directed for the years under appeal and revised fuel cost be allowed to PSPCL along with carrying cost as per table below:

**Table 1: Additional Fuel Cost allowable (Rs. Crore)
Carrying cost**

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	18.47	11.75%	1.09	1.20	2.29
2011-12	21.24	13.00%	2.58	2.24	4.82
2012-13	-	11.28%	2.24	2.28	4.52
2013-14	-	11.46%	2.28	2.24	4.52
2014-15	-	11.30%	2.24	2.25	4.49
2015-16	-	11.31%	2.25	1.93	4.17
2016-17	-	9.70%	1.93	1.86	3.78
2017-18	-	9.36%	1.86	1.81	3.67
2018-19	-	9.10%	1.81	1.87	3.68
2019-20	-	9.43%	1.87	2.01	3.88
2020-21	-	10.13%	2.01	2.01	4.02
2021-22	-	10.13%	2.01	2.01	4.02
2022-23	-	10.13%	2.01	2.01	4.02
Total	39.71				51.88

The total amount in respect to fuel cost comes out to be **Rs. 91.59 Crore** (Rs. 39.71 Crore + Rs. 51.88 Crore).

Commission's Analysis:

The Commission observed that in the tariff Order for FY 2010-11 and FY 2011-12 fuel cost in respect of for GHTP unit III & IV was assessed by considering heat rate of 2500kCal/kg for FY 2010-11 and FY 2011-12 whereas in the true up of FY 2010-11 and FY 2011-12 carried out in the Tariff Order for FY 2014-15, fuel cost was allowed by considering station heat rate as 2428 kCal/Kg for GHTP unit III & IV as per CERC norms. Keeping in view the

decision of Hon'ble APTEL, the Commission allows revision in true up fuel cost for GHTP unit III & IV by considering heat rate of 2500kCal/kg in place of 2428kCal/Kg for FY 2010-11 & FY 2011-12. The impact of revision in fuel cost calculated for FY 2010-11 and FY 2011-12 is as under:

Table 2: Fuel Cost - FY 2010-11 – GHTP Unit III & IV

Sr. No.	Item	Derivation	Unit	Approved by Commission	Fuel Cost now being approved
				(Unit III & IV)	(Unit III & IV)
I	II	III	IV	V	VI
1	Generation	A	MU	3637	3637
2	Heat Rate	B	kCal/kWh	2428	2500
3	Specific oil consumption	C	ml/kWh	1	1
4	Calorific value of oil	D	kCal/litre	9592	9592
5	Calorific value of coal	E	kCal/kg	3973	3973
6	Overall heat	$F = (A \times B)$	Gcal	8830636	9092500
7	Heat from oil	$G = (A \times C \times D)/1000$	Gcal	34886	34886
8	Heat from coal	$H = (F-G)$	Gcal	8795750	9057614
9	Oil consumption	$I=(G \times 1000)/ D$	KL	3637	3637
10	Transit loss of coal	J	(%)	2	2
11	Total coal consumption excluding transit loss	$K=(H \times 1000)/E$	MT	2213881	2279792
12	Quantity of PANEM coal	L	MT	1721070	1721070
13	Quantity of coal other than PANEM coal	$M=K-L$	MT	492811	558722
14	Quantity of coal other than PANEM coal including transit loss	$N=M/(1- J/100)$	MT	502869	570125
15	Total quantity of coal required	$O=L+N$	MT	2223939	2291195
16	Price of oil	P	₹ /KL	34074	34074
17	Price of coal	Q	₹ /MT	2747	2747
18	Total cost of oil	$R=P \times I / 10000000$	₹ crore	12.39	12.39
19	Total cost of coal	$S=O \times Q/10000000$	₹ crore	610.92	629.39
20	Total Fuel cost	$T=R+S$	₹ crore	623.31	641.78
21	Per unit Cost	$U=T \times 10/A$	₹ /kWh	1.71	1.76

Difference due to revision in fuel cost for FY 2010-11

= Rs. 641.78 Crore – Rs. 623.31 Crore = Rs. 18.47 Crore

Table 3: Fuel Cost - FY 2011-12 – GHTP Unit III & IV

Sr. No.	Item	Derivation	Unit	Approved by Commission	Fuel Cost now being approved
				(Unit III & IV)	(Unit III & IV)
I	II	III	IV	V	VII
1	Generation	A	MU	4059	4059
2	Heat Rate	B	kCal/kWh	2428	2500
3	Specific oil consumption	C	ml/kWh	1	1
4	Calorific value of oil	D	kCal/litre	9597	9597
5	Calorific value of coal	E	kCal/kg	4028	4028
6	Overall heat	$F = (A \times B)$	Gcal	9855252	10147500
7	Heat from oil	$G = (A \times C \times D)/1000$	Gcal	38954	38954
8	Heat from coal	$H = (F-G)$	Gcal	9816298	10108546
9	Oil consumption	$I=(G \times 1000)/ D$	KL	4059	4059
10	Transit loss of coal	J	(%)	2	2
11	Total coal consumption excluding transit loss	$K=(H \times 1000)/E$	MT	2437015	2509569
12	Quantity of PANEM coal	L	MT	1870725	1870725
13	Quantity of coal other than PANEM coal	$M=K-L$	MT	566290	638844
14	Quantity of coal other than PANEM coal including transit loss	$N=M/(1-J/100)$	MT	577847	651882
15	Total quantity of coal required	$O=L+N$	MT	2448572	2522607
16	Price of oil	P	₹ /KL	38910	38910
17	Price of coal	Q	₹ /MT	2868	2868
18	Total cost of oil	$R=P \times I / 10000000$	₹ crore	15.79	15.79
19	Total cost of coal	$S=O \times Q / 10000000$	₹ crore	702.25	723.48
20	Total Fuel cost	T=R+S	₹ crore	718.04	739.28
21	Per unit Cost	U=T*10/A	₹ /kWh	1.77	1.82

Difference due to revision in fuel cost for FY 2011-12

= Rs. 739.28 Crore – Rs. 718.04 Crore = Rs. 21.24 Crore

Total difference due to revision in fuel cost for FY 2010-11 and FY 2011-12

= Rs. 21.24 Crore + Rs. 18.47 Crore = Rs. 39.71 Crore

The Commission in its order dated 22.08.2014 in Petition no. 63 of 2013 for tariff order of FY 2014-15 had directed PSPCL to recover carrying cost on revenue gap from Government of Punjab due to late finalization of Opening Balance sheet of PSPCL which has been notified by GoP on 24.12.2012.

The carrying cost has been worked out as under by considering rate of interest of working capital loans as approved in the true up of respective years:

Table 4: Carrying Cost Station Heat Rate (Rs.Crore)

Year	Rate of interest	Additional Allowable	Carrying Cost
FY 2010-11	11.75%	18.47	1.09
FY 2011-12	13.00%	21.24	3.78
FY 2012-13	11.28%		4.48
FY 2013-14	11.46%		4.55
FY 2014-15	11.30%		4.49
FY 2015-16	11.31%		4.49
FY 2016-17	9.70%		3.85
FY 2017-18	9.36%		3.72
FY 2018-19	9.10%		3.61
FY 2019-20	9.43%		3.74
FY 2020-21	10.13%		4.02
FY 2021-22	10.13%		4.02
FY 2022-23	10.13%		4.02
FY 2023-24	10.13%		2.01
Total		39.71	51.88

The Carrying cost of Rs. 6.60 Crore out of total carrying cost of Rs.51.88 Crore is payable by Government of Punjab to PSPCL. Accordingly, the Commission allows Rs. 84.99 Crore (Rs.18.47 +21.24+51.88 - 6.60) inclusive of carrying cost to be allowed in the subsequent tariff order. The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

Issue No.7: Disallowances of Depreciation

APTEL's Observation

Hon'ble APTEL agreed with request of PSPCL on the issue of correction of arithmetic error (double counting of depreciation) and has opined that PSPCL is allowed to take up the issue before the State Commission for rectification of the mathematical errors.

PSPCL's Reply

- i. PSPCL submitted that this Commission for FY 2010-11, had disallowed depreciation for Rs. 35.12 Crore on account of alleged excess claim of depreciation citing reason that this depreciation was more than 90% of the original cost of the asset as on 16/04/2010 when the erstwhile Punjab State Electricity Board was unbundled. PSPCL further submitted that this Commission has double counted the depreciation, which has resulted in an error.
- ii. The Hon'ble Tribunal noted that the issue involved rectification of arithmetic error and hence allowed PSPCL to take up the issue before this Commission for rectification of the arithmetic error.
- iii. PSPCL stated that the arithmetic error due to double counting of the depreciation be rectified and revised depreciation be allowed to PSPCL. The claim along with carrying cost has been tabulated below.

Table 5: Depreciation claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	35.12	11.75%	2.06	2.28	4.35
2011-12	-	13.00%	2.28	1.98	4.26
2012-13	-	11.28%	1.98	2.01	3.99
2013-14	-	11.46%	2.01	1.98	4.00
2014-15	-	11.30%	1.98	1.99	3.97
2015-16	-	11.31%	1.99	1.70	3.69
2016-17	-	9.70%	1.70	1.64	3.35
2017-18	-	9.36%	1.64	1.60	3.24
2018-19	-	9.10%	1.60	1.66	3.25
2019-20	-	9.43%	1.66	1.78	3.43
2020-21	-	10.13%	1.78	1.78	3.56
2021-22	-	10.13%	1.78	1.78	3.56
2022-23	-	10.13%	1.78	1.78	3.56
Total	35.12				48.21

The total amount in respect to depreciation comes out to be **Rs. 83.33 Crore** (Rs. 35.12 Crore + Rs. 48.21 Crore).

Commission's observations

The Commission allowed depreciation charges as per Regulation, 27 of PSERC (Terms and Conditions for Determination of Tariff) Regulation, 2005. The relevant portion of the regulation is as under:

PSERC (Terms and Conditions for Determination of Tariff) Regulations 2005:

Regulation 27 (1) (d) *"Depreciation for generation and Transmission Assets shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time. Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost."*

The Commission determined excess claim of depreciation i.e more than 90% of original cost of assets as on 16.04.2010 (para 2.14.6 of Tariff order FY 2014-15) amounting to Rs. 35.12 Crore by PSPCL for the period 16.04.2010 to 31.03.2011 after giving PSPCL enough opportunity to set right the anomalies in assets and depreciation such as negative balances and depreciation charged in excess of 90% of original cost of assets during true up exercise for FY 2010-11 in tariff order of FY 2014-15. Moreover, PSPCL had not maintained or produced before the Commission a fixed assets register for FY 2010-11 during the true up exercise of FY 2010-11. PSPCL was given a directive for maintenance of category wise details of fixed assets. (para 8.10, Chapter 8 of tariff order 2014-15).

The Hon'ble APTEL in its judgement under reference issued directions as under:

"The Appellant, however, submitted that the State Commission has double counted the depreciation, which has resulted in an error. Accordingly, the Appellant submitted that the issue is not pressed at this stage and sought liberty of pleading the issue before the State Commission as it is simply an arithmetic error.

We do not want to go into the merit of the issue and agree to the request of the Appellant. Therefore, the Appellant is allowed to take up the issue before the State Commission for rectification of the error."

PSPCL vide its submission dated 25.11.2022 has not furnished any documentary evidence to substantiate its claim regarding arithmetic error due to double counting of the

depreciation. The Commission observes that there was no arithmetic error in the determination of depreciation during FY 2010-11 and depreciation of Rs.35.12 Crore was charged in excess of the 90% of original cost of assets as allowed by the Tariff Regulations,2005 quoted above and has been correctly determined.

The Commission after considering the claim of PSPCL afresh finds no error and so decides to disallow its prayer for rectifying the alleged arithmetic error due to double counting of the depreciation amounting to Rs.35.12 Crore for FY 2010-11.

Issue No. 8- Disallowance of Power Purchase Cost

Hon'ble Tribunal observed that in view of the foregoing discussions, the appeal is allowed partly, the State Commission shall re-visit the Impugned Order and after prudent check, shall allow the cost for short term power purchase, to the limit as decided/ notified in advance and such procurement is made through a process following transparency and prudent checks by the Appellant, whereas the UI drawl below the frequency of 49.5 Hz shall be allowed to the extent that it is classified as the urgent need for maintaining the State Grid and requirement of the consumers. The cost on account of surcharge on UI and the interest on delayed payment will not be allowed, the State Commission is justified in rejecting such claims.

PSPCL's Reply

- i. PSPCL submitted that it was aggrieved by the decision of the Commission in disallowing the short-term power purchase cost of Rs. 439.04 Cr for FY 2010-11, on the basis that PSPCL has purchased this power at higher average cost of Rs. 5.55/unit against the approved cost of Rs. 4.07/unit, ignoring the fact that the short-term power purchase was through open tendering process and regulated on day-to-day basis. PSPCL had also challenged the decision of the Commission in disallowing UI charges of Rs. 23.56 Cr. for FY 2011-12, for drawl when the frequency was below 49.5 Hz.
- ii. The Hon'ble Tribunal has held that the Commission is to allow the cost for short term power purchase, to the limit as decided/ notified in advance whereas the UI drawl below the frequency of 49.5 Hz shall be allowed to the extent that it is classified as the urgent need for maintaining the State Grid and requirement of the consumers.
- iii. PSPCL prayed that the short-term power purchase was through open tendering process and regulated on day to day basis. Further, the UI drawl was resorted to only when there was a sudden tripping or outage of its generating station and it was

not that PSPCL was drawing through UI as a source of power purchase, on the contrary it was due to margin difference in the grid operations as the grid operations is on the basis of SCADA data, whereas the actual drawl and billing is on the basis of SEM data. PSPCL requested that the short-term power purchase of Rs. 439.04 Cr. and UI charges of Rs. 23.56 Cr be allowed to PSPCL as these are its legitimate expenses and also allow the carrying cost for these amounts as per below table.

Table 6: Power Purchase Cost allowable (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	439.04	11.75%	25.79	28.54	54.33
2011-12	23.56	13.00%	30.07	26.09	56.16
2012-13	-	11.28%	26.09	26.51	52.60
2013-14	-	11.46%	26.51	26.14	52.64
2014-15	-	11.30%	26.14	26.16	52.30
2015-16	-	11.31%	26.16	22.44	48.60
2016-17	-	9.70%	22.44	21.65	44.09
2017-18	-	9.36%	21.65	21.05	42.70
2018-19	-	9.10%	21.05	21.81	42.86
2019-20	-	9.43%	21.81	23.43	45.24
2020-21	-	10.13%	23.43	23.43	46.86
2021-22	-	10.13%	23.43	23.43	46.86
2022-23	-	10.13%	23.43	23.43	46.86
Total	462.60				632.10

The total amount in respect to Power Purchase Cost comes out to be **Rs. 1,094.70 Crore** (Rs. 462.60 Crore + Rs. 632.10 Crore).

Commission's Observations

Regarding short term power purchase, the Commission in the tariff Order for FY 2010-11 observed as under:

"The power available from all Central Generating Stations and other sources including banking is 15619 MUs. Taking into account the gross power purchase requirement of 15070 MUs, there is a surplus of 549 MUs which is proposed to be priced at the average rate of power purchase in 2010-11 (250 paise per unit). On this basis the surplus power purchase of 549 MUs will fetch a revenue amounting to Rs.137.25 crore which is proposed to be adjusted as revenue earned by the Board. However, the Commission notes that the average rate of power purchased through traders as also the UI power purchase rate is increasing every year. Additional power purchased through traders or UI at high cost and supplied in increasing quantities to any category of consumers is not commercially viable. In these circumstances, the Successor Entity has little option but to undertake Demand Side Management practices and effect power purchases in a judicious manner. Keeping in mind the escalating cost of power purchase in each successive year, the Commission deems it necessary that such purchases be kept within the costs approved. Accordingly, the Commission decides that the cost of power purchase from traders/UI, if required, will be admissible only at an average rate of realization per unit of 427.31 paise of 2010-11. The Successor Entity may, in case of purchases effected owing to emergent circumstances, approach the Commission for any relaxation when the costs of 2010-11 come up for review/true-up."

Thus, the Commission had notified in advance that cost of power purchase from traders/UI, if required, will be admissible only at the average rate of realization per unit of 427.31 paise for FY 2010-11. PSPCL was at liberty to approach the Commission for any relaxation when the costs of 2010-11 come up for review/true-up in case of purchases effected owing to emergent circumstances.

During True up of FY 2010-11 in the Tariff Order for FY 2014-15, the Commission observed that:

"...PSPCL in its ARR Petition for FY 2014-15 has shown power purchase of 3433.51 MU [2492.71 MU through traders (short term) + 940.80 MU through UI] at an average rate of 555.18 paise per unit. The additional cost of ₹439.04 crore incurred by the Board/PSPCL for purchase of 3433.51 MU of short term power through traders/UI at the excessive rate of 127.87 (555.18-427.31) paise per unit is disallowed."

Hon'ble APTEL in its judgement under reference issued directions as under:

"In view of the foregoing discussions, the appeal is allowed partly, the State Commission shall re-visit the Impugned Order and after prudent check, shall allow the cost for short term power purchase, to the limit as decided/ notified in advance and such procurement is made through a process following transparency and prudent checks by the Appellant, whereas the UI drawl below the frequency of 49.5 Hz shall be allowed to the extent that it is classified as the urgent need for maintaining the State Grid and requirement of the consumers. The cost on account

of surcharge on UI and the interest on delayed payment will not be allowed, the State Commission is justified in rejecting such claims.”

Keeping the above in view, it is observed that the Commission has allowed the short term power purchase during true up of FY 2010-11 in Tariff Order for FY 2014-15 at a price which was notified in advance in Tariff Order for FY 2010-11. Accordingly, the prayer of PSPCL in this regard is not justified and is dismissed.

Regarding disallowing UI charges of Rs. 23.56 Crore for FY 2011-12, for drawl of power when the frequency was below 49.5 Hz, the Commission during true up of FY 2011-12 in Tariff Order for FY 2014-15 observed as under:

“...However, the Commission decides not to allow additional UI charges leviable/paid under CERC’s UI Regulations for over-drawal of power when frequency is below 49.5 Hz. On a query from the Commission, PSPCL in its letter no. 2946 dated 31.12.2013 has intimated that the additional amount paid for UI drawl below frequency of 49.5 Hz for FY 2011-12 as ₹23.56 crore, which the Commission disallows. Further, PSPCL in its letter no. 2646 dated 31.12.2013 has also intimated the details of interest on delayed payments to UI account from FY 201011 to FY 2012-13. The Commission notes that PSPCL has paid ₹17.37 crore interest on delayed payments to UI account in FY 2011-12. The Commission disallows the same.”

Further, Hon'ble APTEL has observed in the judgement under reference that the cost on account of surcharge on UI and the interest on delayed payment will not be allowed, the State Commission is justified in rejecting such claims.

Accordingly, the Commission opines that it has rightly disallowed the additional UI charges and therefore PSPCL's prayer in this regard is dismissed.

Issue No.9: Disallowance of Employee Cost

APTEL's Observation

Hon'ble APTEL decided the issue of allowing employee cost on actual basis instead of normative basis for FY 2010-11.

PSPCL's Reply

1. PSPCL submitted that it was the case before the Hon'ble Tribunal that this Commission had reduced the employee cost of PSPCL, based on certain assumptions for FY 2010-11.
2. The Hon'ble Tribunal has held that this Commission had failed to appreciate that the employee cost has been allowed for the year 2011-12 based on the decisions of the

Hon'ble Tribunal and the Hon'ble Supreme Court and the same principle was not adopted by this Commission for FY 2010-11 allowing the actual employees cost, which is incorrect and ought to be set aside. The Hon'ble Tribunal thus held that PSPCL is entitled to receive the actual cost incurred in respect of its employees as also decided in earlier judgments.

3. In view thereof, PSPCL prayed to allow the employee cost for FY 2010-11 as per actuals and along with the carrying cost as shown in the table below.

Table 7: Employee Cost claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	261.66	11.75%	15.37	17.01	32.38
2011-12	-	13.00%	17.01	14.76	31.77
2012-13	-	11.28%	14.76	14.99	29.75
2013-14	-	11.46%	14.99	14.78	29.78
2014-15	-	11.30%	14.78	14.80	29.58
2015-16	-	11.31%	14.80	12.69	27.49
2016-17	-	9.70%	12.69	12.25	24.94
2017-18	-	9.36%	12.25	11.91	24.15
2018-19	-	9.10%	11.91	12.34	24.24
2019-20	-	9.43%	12.34	13.25	25.59
2020-21	-	10.13%	13.25	13.25	26.51
2021-22	-	10.13%	13.25	13.25	26.51
2022-23	-	10.13%	13.25	13.25	26.51
Total	261.66				359.18

The total amount in respect to employee cost comes out to be **Rs. 620.84 Crore** (Rs. 261.66 Crore + Rs. 359.18 Crore).

Commission's Observations

During True up of FY 2010-11, PSPCL submitted employees cost as Rs. 3181.39 Crore as per Annual audited Accounts which included terminal benefits of Rs.1079.72 Crore, BBMB employee cost Rs.157.00 Crore and other employee cost as Rs.1944.67 Crore. The

Commission during true up allowed Rs.2922.50 Crore which included Terminal benefits Rs.1079.72, BBMB employee cost Rs.157.00 Crore and other employee cost Rs.1685.78 Crore. In view of the Hon'ble APTEL decision, additional employee cost as per actuals amounting to Rs.258.89 Crore (Rs.3181.39 Crore – Rs.2922.50 Crore) is now being allowed to PSPCL. The carrying cost has been worked out as under:

Table 8: Carrying Cost on Other employee cost (Rs. Crore)

Year	Rate of interest	Additional allowable	Carrying Cost
FY 2010-11	11.75%	258.89	15.21
FY 2011-12	13.00%		33.66
FY 2012-13	11.28%		29.20
FY 2013-14	11.46%		29.67
FY 2014-15	11.30%		29.25
FY 2015-16	11.31%		29.28
FY 2016-17	9.70%		25.11
FY 2017-18	9.36%		24.23
FY 2018-19	9.10%		23.56
FY 2019-20	9.43%		24.41
FY 2020-21	10.13%		26.23
FY 2021-22	10.13%		26.23
FY 2022-23	10.13%		26.23
FY 2023-24	10.13%		13.11
Total		258.89	355.38

The Commission in its order dated 22.08.2014 in Petition no. 63 of 2013 had directed PSPCL to recover carrying cost on revenue gap from Government of Punjab due to late finalization of Opening Balance sheet of PSPCL which has been notified by GoP on 24.12.2012.

The Carrying cost of Rs.58.92 Crore out of total carrying cost of Rs.355.38 Crore is payable by Government of Punjab to PSPCL. Accordingly, the Commission allows Rs.555.35 (Rs.258.89+355.38-58.92) Crore inclusive of carrying cost to be allowed in the subsequent tariff order. The Commission during true up of employee cost for FY 2011-12 had already allowed employee cost on actual basis to PSPCL. The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

Issue No.10: Repair & Maintenance(R&M) Expenses and Administrative & General (A&G) Expenses.

APTEL's Observation

Hon'ble APTEL opined that State Commission ought to allow the R&M expenses and A&G expenses on normative basis and not on the principle of normative or actual, whichever is lower.

PSPCL's Reply

1. PSPCL submitted that Hon'ble Tribunal that while allowing the R&M and A&G expenses for the years 2010-11, 2011-12, 2013-14 and 2014-15, instead of adopting the normative figures as have been provide in Tariff Regulations this Commission has taken the lower of the normative or actual.
2. The Hon'ble Tribunal has held that this Commission is to allow the R&M expenses and A&G expenses on normative basis and not on the principle of normative or actual, whichever is lower.
3. PSPCL prayed that the R&M and A&G expenses for FY 2010-11 onwards should be allowed on normative basis only without any comparison with actual expenditure, as per the directions of the Hon'ble Tribunal. The impact on account of this is tabulated below which ought to be allowed by this Commission.

Table 9: R&M and A&G expenses claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	36.95	11.75%	2.17	2.40	4.57
2011-12	145.89	13.00%	11.88	10.31	22.20
2012-13	2.98	11.28%	10.48	10.65	21.13
2013-14	-	11.46%	10.65	10.50	21.15
2014-15	-	11.30%	10.50	10.51	21.01
2015-16	-	11.31%	10.51	9.01	19.52
2016-17	-	9.70%	9.01	8.70	17.71
2017-18	-	9.36%	8.70	8.45	17.15

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2018-19	-	9.10%	8.45	8.76	17.22
2019-20	-	9.43%	8.76	9.41	18.17
2020-21	-	10.13%	9.41	9.41	18.82
2021-22	-	10.13%	9.41	9.41	18.82
2022-23	-	10.13%	9.41	9.41	18.82
Total	185.82				236.29

The total amount with respect to R&M and A&G expenses comes out to be **Rs. 422.11 Crore** (Rs. 185.82 Crore + Rs. 236.29 Crore).

Commission's Observations:

The Commission allows Rs.36.89 Crore, Rs145.89 Crore and Rs.2.98 Crore for FY 2010-11, FY 2012-13 respectively to PSPCL and worked out carrying cost of Rs. 236.21 Crore as under:

Table 10: Carrying Cost on R&M and A&G expenses (Rs. Crore)

Year	Rate of interest	Additional Allowable	Carrying Cost
FY 2010-11	11.75%	36.89	2.17
FY 2011-12	13.00%	145.89	14.28
FY 2012-13	11.28%	2.98	20.79
FY 2013-14	11.46%		21.29
FY 2014-15	11.30%		20.99
FY 2015-16	11.31%		21.01
FY 2016-17	9.70%		18.02
FY 2017-18	9.36%		17.39
FY 2018-19	9.10%		16.90
FY 2019-20	9.43%		17.52
FY 2020-21	10.13%		18.82
FY 2021-22	10.13%		18.82
FY 2022-23	10.13%		18.82
FY 2023-24	10.13%		9.41
Total		185.76	236.21

The Commission in its order dated 22.08.2014 in Petition no. 63 of 2013 in tariff order of FY 2014-15 had directed PSPCL to recover carrying cost on revenue gap from Government of Punjab due to late finalization of Opening Balance sheet of PSPCL which has been notified by GoP on 24.12.2012.

The Carrying cost of Rs. 25.14 Crore out of total carrying cost of Rs.236.21 Crore is payable by Government of Punjab to PSPCL. Accordingly, the Commission allows Rs. 396.83 (Rs.185.76 +236.21-25.14) Crore inclusive of carrying cost to be allowed in the subsequent tariff order. The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

Issue No. 11- Disallowance of Interest and Finance Charges

APTEL's Observation

Hon'ble APTEL directed this Commission to look into the submissions made by the Appellant and revisit its order bringing out all the gaps in furnishing of information by the Appellant and the reasonability of various loans taken including short term loans, the accrued or past liabilities forced upon the Appellant, and prudent checks on the interest payments made. The Appellant is also directed to submit all information in time before the State Commission to avoid these errors. Notwithstanding above the State Commission is advised to revise the interest and financing charges *inter-alia* computational errors as pointed out by the Appellant in its submissions.

PSPCL's Reply

1. PSPCL submitted that this Commission had not fully allowed the interest and finance charges as claimed by PSPCL. The major disallowance was on account of interest on term loans (other than working capital loan), interest on working capital loans, interest on accounts of diversion of capital funds and guarantee fee, interest on the short-term loans taken in order to meet its expenditure but has only restricted the interest on working capital to the normative levels and further, reduced the interest charges of PSPCL primarily on account of reducing the interest on working capital.
2. The Hon'ble Tribunal has held that this Commission, while truing up the financials of PSPCL including the capital expenditure incurred, ought to ensure servicing of the

capital cost by way of return on equity and/or interest or loan. The capital assets admitted by this Commission ought to be serviced in the capital cost of PSPCL.

3. The Hon'ble Tribunal has directed this Commission to look into the submissions made by PSPCL and revisit the tariff orders bringing out all the gaps in furnishing of information by PSPCL and the reasonability of various loans taken including short term loans, the accrued or past liabilities forced upon PSPCL, and prudent checks on the interest payments made.
4. PSPCL has also been directed to submit all information in time before the State Commission to avoid these errors and to revise the interest and financing charges *inter-alia* computational errors as pointed out by PSPCL in its submissions.
5. PSPCL prayed that the interest cost incurred by it for the loans used for capital expenditure and the interest on **working capital loans as per actuals be allowed to PSPCL**, along with the carrying cost as shown in the table below:

Table 11: Interest and Finance Charges claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	324.46	11.75%	19.06	21.09	40.15
2011-12	511.63	13.00%	54.35	47.16	101.50
2012-13	-	11.28%	47.16	47.91	95.06
2013-14	-	11.46%	47.91	47.24	95.15
2014-15	-	11.30%	47.24	47.28	94.52
2015-16	-	11.31%	47.28	40.55	87.83
2016-17	-	9.70%	40.55	39.13	79.68
2017-18	-	9.36%	39.13	38.04	77.17
2018-19	-	9.10%	38.04	39.42	77.46
2019-20	-	9.43%	39.42	42.35	81.77
2020-21	-	10.13%	42.35	42.35	84.70
2021-22	-	10.13%	42.35	42.35	84.70

2022-23	-	10.13%	42.35	42.35	84.70
Total	836.09				1,084.39

The total amount with respect to Interest and Finance Charges comes out to be **Rs. 1,920.48 Crore** (Rs. 836.09 Crore + Rs. 1,084.39 Crore).

Commission's Observations:

Interest and Finance charges on loan was allowed as per Regulation 26 of PSERC Regulations, 2005. During, the true up of FY 2010-11 and FY 2011-12, interest claimed by PSCL and allowed by the Commission is as under:

Table 12: Interest & Finance Charges for FY 2010-11 (Rs. Crore)

Sr. No.	Description	Interest as per PSPCL	Approved by the Commission
I	II	III	IV
1	Interest on Institutional Loans	796.77	787.46
2	Interest on GPF	144.69	144.69
3	Interest to Consumers	88.31	88.31
4	Interest on WCL	772.38	208.16
5	Interest on loans taken to replace GoP loans		258.38
6	Finance Charges for Loans	52.44	52.44
7	Total Interest & Finance charges	1854.59	1539.44
8	Less: Capitalization	189.90	189.90
9	Less Disallowance on a/c of diversion of funds	0.00	9.31
10	Net Interest and Finance Charges (7-8)	1664.69	1340.23

PSPCL has claimed additional interest & finance charges of Rs.324.46 (Rs.1664,69 – Rs.1340.23) Crore plus carrying cost for true up for FY 2010-11.

Table 13: Interest and Finance Charges for FY 2011-12 (Rs. Crore)

Sr. No.	Particulars	As claimed by PSPCL	Approved by the Commission
I	II	III	IV
1	Interest on Institutional Loans	806.4	781.52
2	Interest on GoP Loans (RBI Bonds)	24.21	0.00
3	Interest on GPF	155.27	155.27
4	Interest on Consumer Security Deposits	90.57	90.57
5	Interest on Working Capital	1129.76	261.10
6	Interest on Bridge Loan		89.60
7	Interest on Loans taken to replace GoP		322.46

	loans		
8	Finance Charges	31.87	25.93
9	Total Finance & Interest charges	2238.08	1726.45
10	Less: Capitalization	267.71	267.71
11	Net Interest and Finance Charges	1970.37	1458.74

PSPCL has claimed additional interest & finance charges of Rs.511.63 (Rs.1970.37 – Rs.1458.74) Crore plus carrying cost for true up for FY 2011-12.

The Commission in tariff order for FY 2014-15 observed that no interest in respect of Loan of R-APDRP-Part -A scheme is being paid by PSPCL while interest liability is being provisioned in the books of PSPCL. The Commission therefore disallowed the principal amount of long term loan and interest thereon for both FY 2010-11(Rs.81.85 Crore) and FY 2011-12 (Rs.59.76 Crore).

PSPCL has claimed interest & Finance charges as per the Annual Audited Accounts for FY 2010-11 and FY 2011-12. However, the Commission works out the interest on long term loans as per the regulation on the capital investment net Consumer contribution & Grants. In the year FY 2010-11 and FY 2011-12 Consumer contributions & grants amounting to Rs.164.02 crore and Rs.249.05 Crores respectively have been reduced for working out the actual loan requirement. The Commission had allowed interest on long term loans (other than working capital loans) net of consumer contributions as claimed by PSPCL during FY 2010-11 and FY 2011-12 and worked out interest as per the Regulations.

The Commission during true up of FY 2010-11 disallowed interest of Rs.9.31 Crore from 01.04.2010 to 16.04.2010 for diversion of capital funds for revenue purpose (para 2.15.12 of Tariff order FY 2014-15).The Commission observed that there was no diversion of capital funds for revenue purpose by PSPCL for FY 2010-11(16.04.2010 to 31.03.2011).

During Annual Performance Review of FY 2011-12 (para 3.14.11 of the tariff order of FY 2012-13) the Commission determined and disallowed interest of Rs. 236.76 Crores on diverted funds of Rs 1821.21 Crores which was apportioned between PSPCL and PSTCL after unbundling as follows: Rs.212.37 Crore PSPCL & Rs.24.39 Crore PSTCL. However, during True up of FY 2011-12 in Tariff order of FY 2014-15, the Commission observed that there was actually no diversion of capital funds for revenue purpose by PSPCL, and hence no disallowance was made on this account in True up of FY 2011-12. Thus, no disallowance of interest on diverted funds was made in the true up of FY 2010-11 (16.04.2010 to 31.03.2011) and FY 2011-12.

GOP is liable to pay an amount Rs. 206.01 Crores (Para 2.18.2 of tariff order FY 2011-12) and Rs.24.21 Crore on account of non-refund of excess interest paid by PSPCL to GOP for True up of FY 2010-11 (Para 2.19 of the tariff order of FY 2014-15) and FY 2011-12 (Para 3.15.5 of tariff order of FY 2014-15) respectively.

The Commission had allowed Rs.89.60 Crore in the true up of FY 2011-12 towards interest on loan (Bridge loan) taken in lieu of adjustment of Rs.981.93 Crore by GoP against subsidy payable for FY 2011-12 (Para 3.15.5 of tariff order FY 2014-15). This amount relates to RBI Bonds (including interest) issued under tripartite agreement between CPSUs, Government of India and Government of Punjab. The Commission also allowed interest of Rs 258.38 Crore and Rs.322.46 Crore on short term loans taken by PSPCL to replace recalled GoP loans during true up of FY 2010-11 and FY 2011-12 respectively in tariff order of FY 2014-15 (Para 2.15.7 and Para 3.15.4).

The Commission had also allowed interest of Rs.208.16 Crore and Rs.261.10 Crore on working capital loans on normative Basis for true up of FY 2010-11 and FY 2011-12 respectively as per PSERC Regulation,2005 in tariff order of FY 2014-15 (Para 2.15.11 and Para 3.15.11)

PSPCL had in tariff petition for true up of FY 2010-11 and FY 2011-12 submitted that short term borrowings by it were higher than the normative working capital requirement due to

- i. Adjustment of subsidy payments by the GoP towards outstanding GoP loans;
- ii. Regulatory disallowance on account of employees cost;
- iii. Regulatory disallowance in fuel cost and power purchase cost;
- iv. Regulatory disallowance in interest & finance charges on account of assessed diversion of funds;
- v. Non refund of interest payment by the GoP leading to cash flow issues further leading to increased dependence on short term borrowings.

The Commission has now compensated PSPCL on employee cost, R&M, A&G expenses, Station heat rate and late Payment surcharge etc. in this order. However, working capital loans taken to compensate short fall of the subsidy receivable from the Government of Punjab and non refund of interest payment are issues between the PSPCL and the GoP for which the consumers of the State cannot be burdened. The delayed payments of subsidy also attract interest as compensation for the delay.

The Hon'ble APTEL in its judgement under reference has issued directions as under:

"We are not going into the claims and their merit at this stage as we could not find

any reasonable reply from the Respondent Commission and direct the Respondent Commission to look into the submissions made by the Appellant and revisit its order bringing out all the gaps in furnishing of information by the Appellant and the reasonability of various loans taken including short term loans, the accrued or past liabilities forced upon the Appellant, and prudent checks on the interest payments made. The Appellant is also directed to submit all information in time before the State Commission to avoid these errors. Notwithstanding above the State Commission is advised to revise the interest and financing charges inter-alia computational errors as pointed out by the Appellant in its submissions.”

The submission made by PSPCL in its reply does not furnish any detail of gaps and has only claimed difference between interest & finance charges as per annual audited accounts and as allowed by the Commission during True up of FY 2010-11 and FY 2011-12.

In view of the above, the Commission has allowed interest & finance charges almost equivalent to the claim of PSPCL during FY 2010-11 and FY 2011-12. Interest on working capital was allowed/allowable as per the Regulation 30 of PSERC (Terms and Conditions for Determination of Tariff) Regulation, 2005 as amended upto 27.07.2009 on normative basis. PSERC Regulations framed and notified under Section 181 of the Electricity Act, 2003 clearly provide that interest on working capital shall be payable on normative basis notwithstanding the fact that the licensee (s) has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative basis.

The Commission has gone through the additional submissions made by PSPCL as also the original submissions in the Petition and the claims put forward on the gaps in interest thus claimed by PSPCL. The Commission has assessed the reasonability of various loans taken including short term loans and the accrued or past liabilities which devolved upon PSPCL. After prudent checks on the interest payments made by PSPCL the Commission finds that no additional interest or finance charges are payable to PSPCL.

Issue No. 12: Overstating Revenues:

APTEL's Observation

Hon'ble APTEL directed this Commission to revisit and relook into the matter based on the submissions of the Appellants and decide the issue afresh.

PSPCL's Reply

1. PSPCL stated that this Commission had artificially increased the revenue of PSPCL by Rs. 313 crore for FY 2010-11 and Rs. 178.56 crore for FY 2011-12, through reworking the sales and revenue figures of PSPCL from its audited accounts. This re-estimated revenue though which has actually not been received by PSPCL, and is not in accordance with the regulatory tariff determination process. For FY 2013-14, this Commission had allowed lower subsidy for the SC/BPL consumers by about Rs. 180 crore. PSPCL further stated that this Commission had not considered all the rebates announced while calculating the revenue realized on existing tariff for FY 2014-15.
2. PSPCL submitted that the Hon'ble Tribunal has allowed the issue and directed this Commission to decide the issue afresh.
3. PSPCL further submitted that during the true up of FY 2010-11 & FY 2011-12, this Commission has determined excess revenue as compared to revenue reflected in the audited annual accounts on the ground that there was a mismatch of revenue figures approved by this Commission in the review and actual revenue realised as per the audited annual accounts.
4. PSPCL stated that as per tariff regulations, the true up should be based on the audited annual accounts. However, this Commission has erred in overestimating the revenue for FY 2010-11 & FY 2011-12 by comparing the actual revenue as per audited annual accounts with the revenue as per the review order.
5. PSPCL prayed that the revenue of PSPCL be considered as per the audited accounts for all trued-up years. The impact for the revenue disallowed during FY 2010-11 and FY 2011-12 along with carrying cost is tabulated below:

Table 14: Revenue claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	313.00	11.75%	18.39	20.35	38.73
2011-12	178.56	13.00%	31.95	27.72	59.68
2012-13	-	11.28%	27.72	28.17	55.89

2013-14	-	11.46%	28.17	27.77	55.94
2014-15	-	11.30%	27.77	27.80	55.57
2015-16	-	11.31%	27.80	23.84	51.64
2016-17	-	9.70%	23.84	23.01	46.85
2017-18	-	9.36%	23.01	22.37	45.37
2018-19	-	9.10%	22.37	23.18	45.54
2019-20	-	9.43%	23.18	24.90	48.07
2020-21	-	10.13%	24.90	24.90	49.80
2021-22	-	10.13%	24.90	24.90	49.80
2022-23	-	10.13%	24.90	24.90	49.80
Total			491.56		652.67

The total amount with respect to revenue comes out to be **Rs. 1,144.23 Crore** (Rs. 491.56 Crore + Rs. 652.67 Crore).

Commission's Observations

As per directions of the Hon'ble APTEL, the matter has been looked into afresh on the basis of submissions of the Appellants. The submissions of PSPCL in its original Petition No.63 of 2013, Appeal No. 264 of 2014 and recent submission vide Chief Engineer/ARR&TR, PSPCL, Patiala Memo No.4622/TR-4/216 dated 30.11.2022 were taken into account. The Commission is of the considered view that: -

- I. As per Commercial accounting Principles, accounting of expenses and income are considered and accounted for on accrual basis, not on cash basis. Neither is the revenue notionally increased nor over-assessed (excess determined). The revenue from sale of electricity supplied to consumers by PSPCL were assessed at the rates. The Commission duly approved for the category-wise/voltage-wise sales (Units) as provided by the Utility (PSPCL). Realisation of the same are accounted for the in the year of receipt and non-realisation or delayed payments attracts penalty from the electricity consumers. It is PSPCL's responsibility to recover all its due from

consumers.

- II. As per Table-44 under Para-2.19.1 of PSPCL Petition No.63 of 2013, AP consumption was shown 10152 Mus with an assessed amount of Rs.3257.18 Crore. The amount received being Rs.2736.58 Crore and the amount receivable being Rs.520.60 (3257.18-2736.58) Crore (True-up 2010-11). However, the actual received amount of subsidy was Rs.415.19 crore, resulting in the balance recoverable amount of Rs.105.41 (520.60-415.19) Crore. While truing-up of FY 2010-11, the Commission, in its tariff Order dated 22.08.2014 under Table No. 2.15 has determined the AP consumption as 9656 Mus with revenue of Rs.3089.92 (2670.40(9656MUsx320paise/units)+419.52) crore (i.e., Rs.419.52 Crore as received by PSPCL). Hence there is no excess determination of revenue from AP consumers. The amount due from the Govt. but not received automatically becomes the opening balance of subsidy payable by the Govt. alongwith carrying cost (at the working capital rate of interest) becomes due to PSPCL. Hence, PSPCL received the due payment in FY 2011-12 as a part of the subsidy.
- III. Further, PSPCL in its petition No.49 of 2010 for ARR of FY 2011-12 and APR of FY 2010-11 has submitted category wise and slab wise sale of power for domestic consumers and other categories along-with revenue receivable (Table No.3.16 of the Tariff Order of FY 2011-12 dated 09.05.2011). For example, in case of domestic category and other categories, it has under assessed the revenue despite of same Sales (in MUs) with rate per units duly approved by the Commission which are stated as under: -

Table 15: Revenue at Existing Tariff-FY 2010-11(APR)

	Categories of consumers	PSPCL Submission		As approved by the Commission		
		Energy Sales (Mus)	Revenue (Rs. Crore)	Energy Sales (Mus)	Tariff Rate (Paise/unit)	Revenue (Rs. Crore)
1	2	3	4	5	6	7
1.	Domestic					
a)	0-100 Units	4556	1171	4557	311	1417.23
b)	101-300 Units	2381	929	2381	452	1076.21

c)	Above300 Units	1224	504	1224	478	585.07
	Sub-Total	8161	2604	8162		3078.51
2.	NRC	2401	1204	2401	519	1246.12
3.	Public lighting	134	74	134	510	68.34
4.	Industrial Consumers					
a)	Small Power	814	327	813	414	336.58
b)	Medium supply	1709	775	1709	458	782.72
c)	Large Supply	8072	3322	9307	458	4262.61
	Sub-Total	10596	4425	11829		5381.91
	HT			485	461	223.59
	LT			38	489	18.58
	Sub Total	523	239	523		242.17
6	Railway Traction	161	78	162	541	87.64
7	Common pool	303	100	303		100.00
8	Outside State	254	39	129		44.20
9	Total (1to 8)	22534	8763	23643		10248.89
10	AP	10898	712	10327	320	3304.64
11	Add: PLEC, MMC, etc.		140			439.21
12	Grand Total	33432	9616	33970		13992.74

**Table 16: Revenue from sales of power for FY 2010-11(True-up)
(Table no. 2.15 of Tariff order of FY 2014-15 dated 22.08.2014)**

Sr. No.	Categories of consumers	PSPCL Submission		As approved by the Commission		
		Energy Sales (Mus)	Revenue (Rs. Crore)	Energy Sales (Mus)	Tariff Rate (Paise/unit)	Revenue (Rs. Crore)
1	2	3	4	5	6	7
1.	Domestic					
a)	0-100 Units			4561	311	1418.47
b)	101-300 Units			2383	452	1077.12
c)	Above300 Units			1225	478	585..55
	Sub-Total	8169	2584.10	8169		3081.14
2.	NRC	2472	1157.69	2472	519	1282.97
3.	Public lighting	132	82.35	132	510	67.32
4.	Industrial Consumers					
a)	Small Power	840	312.66	840	414	347.76
b)	Medium supply	1770	741.82	1770	458	810.66
c)	Large Supply	8538	3512.84	8538	458	3910.40
	HT	486.85		487	461	224.51
	LT	38.15		38	489	18.58
	Sub Total	525	235.85	525		243.09
6	Railway Traction	144	63.73	144	541	77.90
7	Common pool	303	111.16	303		111.16
8	Outside State	438	87.41	362		87.41
9	AP	10152	419.52	9656	320	3089.92*
10	Add: PLEC, MMC, etc.		451.77			451.77
11	Total	33483	9760.90	32911		13561.50

12	Add: Subsidy accrued during the FY 2010-11 as per audited annual accounts for the year		3341.34			
13	Effect on revenue as per reply of PSPCL determined in para 2.24.3 of Tariff order for FY 2014-15					(-)146.18
14	Grand Total	33483	13102.24	32911		13415.32

**Includes Rs.419.52 crore as revenue from AP consumers received by PSPCL.*

- IV. Similarly, PSPCL in its petition No.69 of 2011 for ARR of FY 2012-13 and APR of FY 2011-12 has submitted category wise and slab wise sale of power for domestic consumers and other categories along-with revenue receivable (Table No.3.23 of the Tariff Order FY 2012-13 dated 16.07.2012). For example, in case of domestic category and other categories, in which it has under assessed the revenue despite the same Sales (in MUs) with rate per units duly approved by the Commission. Table No.3.23(T.O of FY 2012-13 dated 16.07.2012) and Table No.3.15(T.O. of FY 2014-15 dated 22.08.2014 for FY 2011-12) showing category-wise/slab-wise units sold and sales as submitted by PSPCL and approved by the Commission for FY 2011-12 (APR) and FY 2011-12 (True-up) are reproduced for clarity of the correct assessment of facts: -

Table 17: Revenue at Existing Tariff-FY 2011-12 (APR)

Sr. No.	Categories of consumers	PSPCL Submission		As approved by the Commission		
		Energy Sales (Mus)	Revenue (Rs. Crore)	Energy Sales (Mus)	Tariff Rate (Paise/unit)	Revenue (Rs. Crore)
1	2	3	4	5	6	7
1.	Domestic					
a)	0-100 Units	4761	1363	4755	356	1692.78
b)	101-300 Units	2736	1357	2733	496	1355.57

c)	Above300 Units	1448	757	1446	523	756.26
	Sub-Total	8945	3477	8934		3804.61
2.	NRC	2728	1539	2634	564	1485.58
3.	Public lighting	132	73	137	555	76.04
4.	Industrial Consumers					
a)	Small Power	899	409	863	455	392.67
b)	Medium supply	1847	929	1768	503	889.30
c)	Large Supply	7920	3984	7920	503	3983.76
	Sub-Total	10666	5322	10551		5265.73
	HT	527	266	510	506	258.06
	LT	35	18	34	534	18.16
	Sub Total	562	284	544		276.22
6	Railway Traction	144	84	163	586	95.52
7	Common pool	313	100	313		100.00
8	Outside State	367	60	238		38.91
9	Total (1to 8)	23857	10940	23514		11142.61
10	AP	10993	0	10479	365	3824.84
11	Add: PLEC, MMC, etc.					427.05
12	Grand Total	34850	10940	33993		15394.50

Table 18: Revenue from sales of power for FY 2011-12 (True-up)
(Table No.3.15 of T.O. of FY 2014-15 dated 22.08.2014)

Sr. No.	Categories of consumers	PSPCL Submission		As approved by the Commission		
		Energy Sales (Mus)	Revenue (Rs. Crore)	Energy Sales (Mus)	Tariff Rate (Paise/unit)	Revenue (Rs. Crore)
1	2	3	4	5	6	7
1.	Domestic					

a)	0-100 Units			4699	356	1672.84
b)	101-300 Units			2700	496	1339.20
c)	Above300 Units			1429	523	747.37
	Sub-Total	8828	3309.70	8828		3759.41
2.	NRC	2689	1458.76	2689	564	1516.60
3.	Public lighting	140	86.13	140	555	77.70
4.	Industrial Consumers					
a)	Small Power	883	381.05	883	455	401.77
b)	Medium supply	1822	884.00	1822	503	916.47
c)	Large Supply	8994	4146.77	8994	503	4523.98
	HT			516	506	261.10
	LT			34	534	18.16
	Sub Total	550	278.92	550		279.26
6	Railway Traction	138	71.01	138	586	80.87
7	Common pool	299	118.87	299		118.87
8	Outside State	445	73.11	359		73.11
9	AP	10256	3.80	9455	365	3451.08**
10	Add: PLEC,MMC,etc.		443.11			443.11
11	Total	35044	11255.23	34157		15642.23
12	Add: Subsidy accrued during the FY 2011-12 as per audited annual accounts for the year		4103.99			
13	Effect on revenue as per reply of PSPCL determined in para 3.23 of Tariff order for FY 2014-					-104.45

	15					
14	Grand Total	35044	15359.22	34157		15537.78

**The rates include the fuel surcharge of 8 paise per unit.*

*** Includes Rs.3.80 crore received from AP consumers by PSPCL.*

- V. From the above, it is evident that PSPCL had under stated the revenue with recording the same/similar sales of unit of electricity.
- VI. For determination of tariff filed by PSPCL for FY 2014-15, the attention of PSPCL was drawn their responsibility to supply the requisite information vide memo No. PSERC/Tariff/3524 dated 18.07.2013 and under para-19(in particular) “ The details of working sheet of revenue with relevant tariff/existing tariff duly giving the category/slab wise sales, fixed charges rates, energy rates , other charges etc. may be supplied for FY 2010-11,2011-12,2012-13, 1st half of FY 2013-24 projections for 2nd half of FY 2013-24 and FY 2014-15”. Further, PSPCL was reminded by D. O. Letter No.6288/Dir/177 dated 4.10.2013 addressed to Director/Finance, PSPCL, Patiala. In reply to the letters ibid, PSPCL vide its letter No,2678/CC/DTR/Dy. CAO/238/Vol.IV dated 15.10.2013 stated that (the information) “will be submitted along-with the ARR” along-with with others.
- VII. In Petition No.63 of 2013, total sales of domestic consumers were shown by PSPCL as 8169 Mus with revenue of Rs.2584.10 crore without stating the slab wise bifurcation. In the absence of slab-wise bifurcation of units in the True-up of FY 2010-11, the Commission was constrained to apportion the domestic sales (8169 Mus) on the basis of APR units (Slab-wise) as already supplied with total sales of 8162 MUs (in Petition 49 of FY 2010). However, PSPCL had under stated the revenue at Rs.2584.10 crore (domestic sales) whereas the Commission had determined Rs.3081.14 crore based on the same sales of units at the approved rates. Similarly, in other categories such as NRC and Industrial consumers, the revenue was under stated. The Commission, has not notionally increased the revenue at its own but has based it on factual sales and approved tariff rates.
- VIII. In Petition No.63 of 2013, total sales of domestic consumers were shown by PSPCL as 8828 Mus with revenue of Rs.3309.70 crore without stating the slab wise

bifurcation. In the absence of slab-wise bifurcation of units in the True-up of FY 2011-12, the Commission was constrained to apportion the domestic sales (8828 Mus) on the basis of APR units (Slab-wise) as already supplied with total sales of 8945 (Petition 69 of FY 2011). PSPCL had under stated the revenue at Rs.3309.70 crore (domestic sales) whereas the Commission had determined it to be Rs.3759.41 crore based on the same sale of units at the approved rates. Similarly, in other categories such as NRC and Industrial consumers, the revenue was under stated. The difference of Rs.656.71 (4107.79-3451.08) Crore was due to the difference of assessed sales with Agricultural Supply (AP) consumption shown as 10256 Mus as claimed by PSPCL and 9455 Mus as approved by the Commission. The Commission, has not notionally increased the revenue at its own. The Commission's assessment is factually based with reference to the approved tariff rates.

- IX. As per the observations given in the tariff order, the Commission notes that there was a gap between revenue from sale of power as per Annual Audited Accounts and revenue worked-out with reference to the information given by the PSPCL. Further, PSPCL has failed to provide information regarding the recovery of revenue on account of theft of units during FY 2010-11 and FY 2011-12. PSPCL was unable to explain the mismatch of revenue for FY 2010-11 and FY 2011-12 in the tariff order of FY 2014-15.
- X. The Commission has rightly assessed the units for theft recovery in its tariff order of FY 2014-15.
- XI. The Commission during true up of FY 2013-14 had allowed subsidy to the scheduled caste and non-SC below poverty line, DS consumers amounting to Rs.803.08 Crore and Rs.54.40 Crore respectively as claimed by PSPCL during true up of FY 2013-14. Therefore, no disallowance of subsidy has been made.
- XII. The Commission has accounted for the impact on revenue as a result of extension of various rebates as brought out by the appellant during FY 2014-15. Further, during True up of FY 2014-15, the Commission allowed revenue of Rs.21816.97 Crore against the annual audited figure of Rs.22303.82 Crore. The difference of Rs.486.86 (4915.58-9630) crore was due to Agricultural Supply (AP) consumption (10658.41Mus (claimed by PSPCL) and 9630 Mus approved by the Commission). Therefore, the Commission had accounted for all rebates allowable to PSPCL in the revenues from the consumers during the true up of FY2014-15.

Thus, no new record or evidence has been produced which was not within the knowledge of PSPCL at the time when the data was furnished by PSPCL nor has any mistake or error apparent on the record has been established at present, to justify any Review. As such, the prayer for review of the earlier Order on this issue has been considered and is disallowed.

The Commission, after revisiting its order, has opined that it had rightly determined the revenue for FY 2010-11 and FY 2011-12 after considering the replies submitted by PSPCL. Hence, the claim of PSPCL for notional increase of revenue by Rs.313 Crore and Rs.178.56 Crore for FY 2010-11 and FY 2011-12 respectively along-with their carrying cost is not sustainable and is disallowed.

Issue No 13: Late Payment Surcharge

APTEL's Observation

Hon'ble APTEL decided that the appeal filed by PSPCL on this issue has merit and has decided the issue in favour of the Appellant and directed this Commission to consider the impact of late payment surcharge appropriately without limiting it on the condition of normative terms as disallowance of it may badly impact the financial condition of the Appellant, if the gap keeps on growing and having a cumulative impact also.

PSPCL's Reply

1. PSPCL stated that this Commission had included the late payment surcharge collected by it in non-tariff income. Considering that the interest on working capital is allowed to PSPCL on normative basis which is lower, it does not include the actual interest which PSPCL has to pay to fund its receipt of late payments. Thus, when the payments are received late by PSPCL, the loan taken to fund the gap for the delay in receipt in payment comes on the account of PSPCL while the same is not allowed in the revenue requirement of PSPCL by the Commission. However, when the consumer pays the late payment surcharge for the delay in the payment, instead of the same being treated as tariff income, the late payment surcharge is included as non-tariff income. This has resulted in less cash flow of PSPCL.
2. The Hon'ble Tribunal has held that this Commission shall consider the impact of late payment surcharge appropriately without limiting it under the condition of normative terms as disallowance of it may badly impact the financial condition of PSPCL, if it keeps on growing, having a cumulative impact also.

3. PSPCL prayed that the late payment surcharge collected from consumers should not be considered as non-tariff income of PSPCL. The total claim on account of disallowance of LPS along with carrying cost is tabulated below:

Table 19: Late Payment Surcharge claimed by PSPCL (Rs. Crore)

Year	Amount allowable			Rate of Interest	Carrying cost		Total
	LPS	Financing cost	Net LPS		6 months	6 months	
2010-11	142.74	69.88	72.86	11.75%	4.28	4.74	9.02
2011-12	163.74	88.69	75.05	13.00%	9.61	8.34	17.96
2012-13	-	-	-	11.28%	8.34	8.48	16.82
2013-14	-	-	-	11.46%	8.48	8.36	16.83
2014-15	-	-	-	11.30%	8.36	8.36	16.72
2015-16	-	-	-	11.31%	8.36	7.17	15.54
2016-17	-	-	-	9.70%	7.17	6.92	14.10
2017-18	-	-	-	9.36%	6.92	6.73	13.65
2018-19	-	-	-	9.10%	6.73	6.97	13.70
2019-20	-	-	-	9.43%	6.97	7.49	14.47
2020-21	-	-	-	10.13%	7.49	7.49	14.98
2021-22	-	-	-	10.13%	7.49	7.49	14.98
2022-23	-	-	-	10.13%	7.49	7.49	14.98
Total	306.48	158.57	147.91				193.75

The total amount with respect to Late Payment Surcharge comes out to be **Rs. 341.66 Crore** (Rs. 147.91 Crore + Rs. 193.75 Crore).

Commission's Observations

The Commission had disallowed late payment surcharge of Rs.142.74 Crore and Rs. 163.74 Crore during the true up of FY2010-11 and FY 2011-12 respectively. Keeping in mind the above explanation the financing cost on late payment surcharge has been worked out as Rs. 69.88 Crore and Rs. 88.69 Crore for FY 2010-11 and FY 2011-12 respectively. The Commission has thus allowed the balance Late Payment surcharge of Rs. 72.86 (142.74-69.88) Crore and Rs. 75.05 (163.74-88.69) Crore for FY 2010-11 and FY 2011-12 respectively as claimed by PSPCL. The carrying cost on late payment surcharge works out as under:

Table 20: Carrying Cost on Late Payment Surcharge (Rs. Crore)

Year	Rate of interest	Additional Allowable			Carrying Cost
		Late Payment surcharge	Financing Cost	Net Late Payment surcharge	
FY 2010-11	11.75%	142.74	69.88	72.86	4.28
FY 2011-12	13.00%	163.74	88.69	75.05	13.44
FY 2012-13	11.28%				16.68
FY 2013-14	11.46%				16.95
FY 2014-15	11.30%				16.71
FY 2015-16	11.31%				16.73
FY 2016-17	9.70%				14.35
FY 2017-18	9.36%				13.84
FY 2018-19	9.10%				13.46
FY 2019-20	9.43%				13.95
FY 2020-21	10.13%				14.98
FY 2021-22	10.13%				14.98
FY 2022-23	10.13%				14.98
FY 2023-24	10.13%				7.49
Total		306.48	158.58	147.91	192.83

As brought out in issue no.9 and 10 the Carrying cost attributable to GoP worked out to Rs. 25.06 Crore in Rs.192.83 Crore which is payable by Government of Punjab to PSPCL. Accordingly, the Commission allows Rs. 315.68 (Rs.147.91+192.83-25.06) Crore inclusive of carrying cost to be allowed in the subsequent tariff order. The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

Issue No.14: Carrying Cost on Cumulative Revenue Gap

APTEL's Observation

The Hon'ble APTEL decided the issue of carrying cost by allowing the Appeal and directed this Commission to revisit its order and issue reasonable order on the above principles.

PSPCL's Reply

- i. PSPCL submitted that this Commission for FY 2010-11 and FY 2011-12, had not allowed the carrying cost on the revenue gap which has been recognized in the

books of PSPCL even after truing up. Further, when the expenses are recognized and the gap is created, the carrying cost ought to be allowed from the time the expenses are incurred till the time the same is actually recovered in the tariff.

- ii. The Hon'ble Tribunal has directed this Commission to revisit its order and issue reasonable order based on the principles detailed in this judgment.
- iii. PSPCL prayed that the revenue gap of the respective year along with its carrying cost be allowed. The claim on this account is depicted in the table below.

Table 21: Carry forward of Cumulative Revenue Gap claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2010-11	2,162.89	11.75%	127.07	140.59	267.66
2011-12	-	13.00%	140.59	121.99	262.57
2012-13	-	11.28%	121.99	123.93	245.92
2013-14	-	11.46%	123.93	122.20	246.14
2014-15	-	11.30%	122.20	122.31	244.51
2015-16	-	11.31%	122.31	104.90	227.21
2016-17	-	9.70%	104.90	101.22	206.12
2017-18	-	9.36%	101.22	98.41	199.63
2018-19	-	9.10%	98.41	101.98	200.39
2019-20	-	9.43%	101.98	109.55	211.53
2020-21	-	10.13%	109.55	109.55	219.10
2021-22	-	10.13%	109.55	109.55	219.10
2022-23	-	10.13%	109.55	109.55	219.10
Total	2,162.89				2,969.00

The total amount with respect to cumulative revenue gap comes out to be Rs. 5,131.89 Crore (Rs. 2,162.89 Crore + Rs. 2,969.00 Crore).

Commission's Observations

Carrying cost was determined as per the principle laid down in the Hon'ble APTEL's order dated 18.10.2012. The carrying cost is allowed at time of the review of

projection which is trued up at the time when annual audited accounts are made available. The carrying cost is being allowed by the Commission for the period of delay from the year it is recognised.

The Cumulative deficit of Rs.2162 .89 Crore at the end of FY 2009-10 existed at the time of unbundling of PSEB into PSPCL and PSTCL as on 16.04.2010. The Commission determined revenue gap of Rs.2651.51 Crore for FY 2011-12 which included cumulative deficit of Rs.2162.89 Crore. The Commission in tariff order for FY 2011-12 (para 6.2.2) observed as under:

“To meet this revenue gap of Rs. 2,651.51 crore for the FY 2011-12, an increase of 18.37% is required over the existing tariff including MMC but excluding sales to Common Pool consumers, Outside State sales and PLEC. However, the Commission is of the view that the revenue gap is substantial and passing the same in the tariff for FY 2011-12 would result in a tariff shock to the consumers. Therefore, keeping in view Clause 8.2.2 of the National Tariff Policy notified by Government of India (GoI) as well as in accordance with Regulation 11 of PSERC (Terms & Conditions for Determination of Tariff) Regulations, 2005, the Commission decides to create a Regulatory Asset amounting to Rs.1,325.76 crore. The balance gap of Rs. 1,325.75 crore will be passed on to the consumers through tariff increase. This amount of Rs. 1,325.75 crore would require an increase of 9.19% in the existing tariff including MMC, except sales to Common Pool consumers, Outside State sales and PLEC. The combined average cost of supply with this increase works out to 464.93 Paise per unit.”

The Commission in para no 6.2.3 of tariff order for FY 2011-12 observed that the regulatory assets amounting to Rs.1325.76 Crore shall be amortised in the subsequent three years i.e FY 2012-13 ,FY 2013-14 and FY 2014-15 as per the provisions of PSERC Regulation,2005. However, the Commission during tariff order of FY 2012-13(para no.6.2.1) after taking into consideration the provision under National Tariff Policy, its own Regulations and directions issued by the Hon'ble APTEL reduced to NIL the entire Regulatory Assets of Rs.1325.76 Crore alongwith carrying cost in the tariff . The Commission during tariff order for FY 2012-13 determined a cumulative gap of Rs. 1899.32 crore including the balance of Regulatory assets of Rs.1325.76 crore carried over from FY 2011-12 alongwith its carrying cost of Rs.279.99 Crore. Thus, the Commission enhanced the tariff during FY 2011-12 and FY 2012-13 to finally square off the cumulative deficit of Rs.2162.89 crore which existed as on 16.04.2010

Government of Punjab (GoP) had unbundled the erstwhile Punjab State Electricity

Board on 16.04.2010 into two entities but financial restructuring was done on 24.12.2012 i.e. after 2 year 8 months. The Commission in tariff order for FY 2014-15(para 2.25) rightly found no justification in carrying forward of the commutative deficit of Rs.2162.89 Crore along with carrying cost upto FY 2009-10 as the entire deficit of the erstwhile PSEB upto the date of unbundling i.e 16.04.2010 had been recouped in the previous two tariff orders for FY 2011-12 and FY 2012-13 as pointed out above.

The Commission true up FY 2010-11 and FY 2011-12 in the tariff order of FY2014-15.The effect of these years carrying cost was allowed in the tariff order of FY 2014-15 as per paras 6.23.1 and 6.23.2 reproduced below:

6.23.1 "The Commission has determined a revenue gap of ₹1433.91 crore during the True up for FY 2010-11. The Commission allows carrying cost of ₹84.24 crore @11.75% for FY 2010-11 (six months) and ₹186.41 crore @13% for FY 2011-12 (full year) being Advance Rate of State Bank of India. The Commission also allows carrying cost of ₹80.58 crore for FY 2012-13 (six months) based on weighted average interest rate of loans for FY 2012-13 on account of non-recovery of the revenue gap. Thus, the Commission allows carrying cost of ₹351.23 (84.24+186.41+80.58) crore on the revenue gap of ₹1433.91 crore for FY 2010-11 to PSPCL.

....."

6.23.2 "The Commission has determined a revenue gap of ₹512.40 crore during the True up for FY 2011-12. The Commission allows carrying cost of ₹119.69 crore [₹33.31 crore for FY 2011-12 (six months), ₹57.59 crore for FY 2012-13 (full year) and ₹28.79 crore, FY 2013-14 (6 months)] at interest rates as detailed above for FY 2011-12 to PSPCL."

Thus,the commission had calculated the carrying cost of Rs.351.23 Crore (para 6.23.1) on a revenue gap of Rs.1433,91 crore during true up of FY 2010-11.Similarly,the Commission calculated the carrying cost of Rs. 119.70 Crore (para 6.23.2) on a revenue gap of Rs.512.40 crore during true up of FY 2011-12 in the tariff order of FY 2014-15. The commission was constrained to true up of FY 2010-11 and FY 2011-12 only in the tariff order of FY 2014-15 as the annual audited accounts were not made available by PSPCL in the earlier years. Therefore, the Commission

was of the considered view that the carrying cost due to delay in finalization of the opening balance sheet for FY 2010-11(as on 16.04.2010) should not be passed on to the consumers of the state (para 6.23.1 of tariff order of FY 2014-15). The Commission thus directed that the carrying cost amounting to Rs.322.34 crore and Rs.57.59 crore out of Rs.351.23 crore and Rs.119.70 crore for FY 2010-11 and FY 2011-12 respectively be passed on to be borne by GOP since the delay in furnishing the accounts and the opening balance sheet was attributable to GoP.

The Hon'ble APTEL in its judgement under reference has observed as under:

It may, therefore, be seen that the State Commission has not done the true-up for the year 2012-13. However, the State Commission has recovered carrying cost of Rs. 145.15 crore on the surplus as determined by the State Commission in tariff order for the year 2013-14 for the review of the year 2012-13. When the State Commission has not done anything regarding the year 2012-13 in the Impugned Order for 2014-15, the recovery of Rs. 145.15 crore on account of carrying cost by the State Commission on the surplus as determined by the State Commission in tariff order for 2013-14 in the review for the year 2012-13 is not justified.”

The Commission had determined the carrying cost during the Annual Performance Review (APR) as well as during the True up exercises at that time. The Commission had correctly determined carrying cost of Rs.145.15 Crore (para 6.23.3) on the surplus of Rs.645.67 Crore, based on the Annual performance review (APR) for FY 2012-13 in the tariff order for FY 2014-15, to be recovered from PSPCL (carrying cost on surplus of Rs.645.67 Crore was not determined during tariff order of FY 2013-14) . However, in the true up of FY 2012-13 done during the tariff order for FY 2016-17, the Commission determined a revenue surplus of Rs. 535.98 Crore as against the earlier surplus figure of Rs. 645.67 Crores determined for that period in the APR of FY 2012-13. Thus, the surplus was reduced by Rs.109.69 (645.67-535.98) Crore after the true-up on which the Commission allowed carrying cost of Rs.11.45 Crore to PSPCL (para 6.22.1 of tariff order of FY 2016-17) recovered in excess earlier in the APR of FY 2012-13 .Thus, the Commission was consistent in determining carrying cost of Annual Performance Review of FY 2012-13 in tariff order of FY 2014-15 and the subsequent True-up for FY 2012-13(during tariff order

of FY 2016-17).

The Hon'ble APTEL in its judgement under reference has observed as under:

“The State Commission has also recovered carrying cost allowed in tariff order for 2012-13 amounting to Rs. 279.99 crore as allowed by the State Commission on the revenue gap determined by the State Commission in excess of Regulatory Assets for 2011-12 (review) and on the amount of Regulatory Assets. It is pertinent to mention that carrying cost of Rs. 279.99 crore allowed by the State Commission in tariff order for 2012-13 has not been carried forward by the State Commission while doing the review of 2012-13 in the tariff order for 2013-14. Though this issue pertains to the previous tariff order, the carrying cost and regulatory asset being a continuous cause of action, the State Commission ought to have rectified the error in the impugned order.”

The Commission during annual performance review for FY 2011-12 allowed carrying cost of Rs.21.48 Crore in the tariff order of FY 2012-13 and Rs 258.51 Crore on Regulatory Assets created during FY 2011-12 (para 4.19 of tariff order of FY 2012-13). Therefore, the carrying cost of Rs. 279.99 (21.48 +258.51) Crore earlier allowed during tariff order for FY 2012-13 was rightly reversed during tariff order for FY 2014-15(para 6.23.3 of tariff order of FY 2014-15) at the time of true up of FY 2011-12 and therefore, no rectification is now needed.

The Commission has gone through the additional submissions made by PSPCL and after revisiting its order has opined that it had rightly disallowed the cumulative deficit of Rs.2162.89 Crore alongwith carrying cost determined for FY 2010-11, as discussed above. Hence, the claim of PSPCL for allowing cumulative deficit of Rs.2162.89 Crore along-with their carrying cost is not sustainable and is disallowed.

Issue No. 15- Other Allowances/ issues:

- i. **Disallowance/penalty of Rs 72.27 Crore for non- implementation of Energy saving measures**

APTEL's Observation

Hon'ble APTEL opined that PSPCL has certainly failed to implement energy saving technologies and taking other measures for energy efficiency, at the same time the basis of fixing the target at the energy saving to the tune of 250 MU and 500 MU is not clear. The State Commission should have carried out some assessment on its own in case of failure by the Appellant, and then notify the trajectory for the same. We allow the appeal and the order passed by the State Commission is set aside to this extent.

PSPCL's Reply

1. PSPCL stated that this Commission had erred in imposing a penalty/disallowance of Rs. 72.27 Crore towards non implementation of Demand side Management (DSM) regulations and measures.
2. The Hon'ble Tribunal has held that PSPCL has although failed to implement energy saving technologies and taking other measures, however at the same time the basis of fixing the target at the energy saving to the tune of 250 MU and 500 MU is not clear. The Hon'ble Tribunal has held that this Commission should have carried out some assessment on its own in case of failure by PSPCL, and then notify the trajectory for the same. The order passed by this Hon'ble Commission has been set aside to this extent.
3. In view thereof, it is respectfully prayed that the amount of Rs. 72.27 Crore be allowed to PSPCL along with carrying cost as tabulated below.

Table 22: Disallowance/penalty for non-implementation of Energy Saving measures (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2013-14	72.27	11.46%	4.14	4.08	8.22
2014-15	-	11.30%	4.08	4.09	8.17
2015-16	-	11.31%	4.09	3.51	7.59
2016-17	-	9.70%	3.51	3.38	6.89
2017-18	-	9.36%	3.38	3.29	6.67
2018-19	-	9.10%	3.29	3.41	6.70

Carrying cost

Year	Amount allowable	Rate of Interest	6 months	6 months	Total
2019-20	-	9.43%	3.41	3.66	7.07
2020-21	-	10.13%	3.66	3.66	7.32
2021-22	-	10.13%	3.66	3.66	7.32
2022-23	-	10.13%	3.66	3.66	7.32
Total	72.27				73.27

The total amount with respect to energy saving measures disallowance comes out to be **Rs. 145.54 Crore** (Rs. 72.27 Crore + Rs. 73.27 Crore).

Commission's Observations

The appeal is allowed by the Hon'ble APTEL, accordingly, Rs.72.27 Crore is allowed along with the carrying cost of Rs.73.27 Crore as under:

Table 23: Carrying cost on non-Implementation of energy savings (Rs. Crore)

Year	Rate of interest	Additional Allowable	Carrying Cost
FY 2013-14	11.46%	72.27	4.14
FY 2014-15	11.30%		8.17
FY 2015-16	11.31%		8.17
FY 2016-17	9.70%		7.01
FY 2017-18	9.36%		6.76
FY 2018-19	9.10%		6.58
FY 2019-20	9.43%		6.82
FY 2020-21	10.13%		7.32
FY 2021-22	10.13%		7.32
FY 2022-23	10.13%		7.32
FY 2023-24	10.13%		3.66
Total		72.27	73.27

As brought out in issue no.9 and 10 the Carrying cost attributable to GoP worked out to Rs.6.89 Crore in Rs.73.27 Crore which is payable by Government of Punjab to PSPCL. Accordingly, the Commission allows Rs.138.65 (Rs.72.27 + 73.27 - 6.89) Crore inclusive of carrying cost to be allowed in the subsequent tariff order. The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the

trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

ii. Disallowance /Penalty of Rs 14 Crore for non-implementation of micro hydro projects: -

APTEL's Observation

Hon'ble APTEL set aside the disallowance of Rs. 14 crores on account of non-operationalisation of these projects before a techno- economic study is carried out for justifying the need for these projects.

PSPCL's Reply

- i. PSPCL stated that this Hon'ble Commission had erred in disallowing cost of Rs 14 Crore on the ground that four micro hydro generating stations of PSPCL are not functioning.
- ii. The Hon'ble Tribunal while setting aside the disallowance of Rs. 14 Crore held that this Hon'ble Commission should provide some timeline for revival of these micro hydro projects before disallowing the amount from power purchase.
- iii. PSPCL prayed that the amount of Rs. 14 Crore be allowed along with carrying cost as tabulated below.

Table 24: Micro-hydro projects disallowance (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2013-14	14.00	11.46%	0.80	0.79	1.59
2014-15	-	11.30%	0.79	0.79	1.58
2015-16	-	11.31%	0.79	0.68	1.47
2016-17	-	9.70%	0.68	0.66	1.33
2017-18	-	9.36%	0.66	0.64	1.29
2018-19	-	9.10%	0.64	0.66	1.30
2019-20	-	9.43%	0.66	0.71	1.37
2020-21	-	10.13%	0.71	0.71	1.42

2021-22	-	10.13%	0.71	0.71	1.42
2022-23	-	10.13%	0.71	0.71	1.42
Total			14.00		14.19

The total claim amount with respect to micro-hydro projects disallowance comes out to be **Rs. 28.19 Crore** (Rs. 14.00 Crore + Rs. 14.19 Crore).

Commission's Observations

The appeal is allowed by the Hon'ble APTEL, accordingly, Rs.14.00 Crore is allowed along with the carrying cost of Rs.14.19 Crore as under:

Table 25: Carrying Cost Non-Implementation of energy savings (Rs. Crore)

Year	Rate of interest	Additional Allowable	Carrying Cost
FY 2013-14	11.46%	14.00	0.80
FY 2014-15	11.30%		1.58
FY 2015-16	11.31%		1.58
FY 2016-17	9.70%		1.36
FY 2017-18	9.36%		1.31
FY 2018-19	9.10%		1.27
FY 2019-20	9.43%		1.32
FY 2020-21	10.13%		1.42
FY 2021-22	10.13%		1.42
FY 2022-23	10.13%		1.42
FY 2023-24	10.13%		0.71
Total		14.00	14.19

As brought out in issue no.9 and 10 the Carrying cost attributable to GoP worked out to Rs.1.33 Crore in Rs.14.19 Crore which is payable by Government of Punjab to PSPCL. Accordingly, the Commission allows Rs.26.86 (Rs.14.00 + 14.19- 1.33) Crore inclusive of carrying cost to be allowed in the subsequent tariff order. The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

iii. Disallowance of contribution of Rs.914 Crore in FY 2014-15

APTEL's Observation

Hon'ble APTEL opined that the Regulations notified by the State Commission shall have to be notified consistent with the Transfer Scheme notified under section 131 of Electricity Act 2003 as any power vested therein to the State Government under Electricity Act, 2003 cannot be restricted by the Regulations notified by the State Commission and allowed the appeal to the extent of this issue.

PSPCL's Reply

1. PSPCL stated that it has contributed as per Transfer scheme notification dated 24/12/2012 wherein the terminal benefits to the employees are to be funded by the trust which is required to be contributed to.
2. The Hon'ble Tribunal has held that the Regulations notified by this Commission shall have to be notified consistent with the Transfer Scheme as any power vested therein to the State Government cannot be restricted by the Regulations notified by this Commission.
3. The total liability on account of terminal benefits as on 31-03-2022 is Rs. 46,960.67 Crore, accordingly, share of liability of PSPCL as on 31-03-2022 @ 88.64% is Rs. 41,625.93 Crore. If the trust is to be funded in the next 15 years the total annual contribution comes to Rs. 3,350 Crore. In view thereof, it is respectfully prayed that this Commission may decide the issue accordingly.

Commission's Observations

PSPCL during true up for FY 2014-15, FY 2015-16 and FY 2016-17 has not claimed progressive funding of terminal benefits. Further, no booking/provision of progressive funding has been actually made in the annual audited accounts for these years. As such even PSPCL has not proceeded further to give any effect to its scheme and claim any allocations as per APTEL's order. Unfunded Terminal liability has not been reflected in the opening balance sheet dated 16.04.2010. PSPCL was to operationalize Pension & Gratuity Trust w.e.f. 01.04.2014 for 15 years. The Commission is allowing Terminal benefits as per actuals, therefore there is no financial loss to PSPCL on account of disallowance of progressive funding, therefore, nothing is allowable to PSPCL on this issue. However, if and when PSPCL actually operationalizes the pension trust, the same will be examined and considered as per the decision of the Hon'ble APTEL.

Issue No. 16- Non-allowance of Interest & Finance Charges pertaining to use of Working Capital Loans for the creation of Assets of the Appellant:

This issue has already discussed in issue no.11 above

Issue No. 17- Non-allowance of Subsidy amounting to Rs. 178.82 Crores in True up of FY 2011-12

PSPCL's Reply

1. It was the case of PSPCL before the Hon'ble Tribunal that this Hon'ble Commission had allowed subsidy amounting to Rs. 178.82 Crore while reviewing FY 2011-12 in the Tariff Order for FY 2012-13. Further, in the Tariff Order for FY 2014-15, PSERC, while carrying out the true-up of FY 2011-12, has inadvertently missed including the amount of Rs. 178.82 Crore.
2. The Hon'ble Tribunal has held that the amount which PSPCL deserves to be allowed, shall be granted. It is relevant to mention that the said amount is towards the subsidy payable by the Government of Punjab and is not to be recoverable from the consumers. PSPCL is duly entitled for the same and the appeal is allowed accordingly.
3. In view thereof, it is respectfully prayed that this Hon'ble Commission may allow Rs. 178.82 Crore along with the carrying cost as tabulated below.

Table 26: Subsidy claimed by PSPCL (Rs. Crore)

Year	Amount allowable	Rate of Interest	Carrying cost		Total
			6 months	6 months	
2011-12	178.82	13.00%	11.62	10.09	21.71
2012-13	-	11.28%	10.09	10.25	20.33
2013-14	-	11.46%	10.25	10.10	20.35
2014-15	-	11.30%	10.10	10.11	20.22
2015-16	-	11.31%	10.11	8.67	18.79
2016-17	-	9.70%	8.67	8.37	17.04
2017-18	-	9.36%	8.37	8.14	16.51
2018-19	-	9.10%	8.14	8.43	16.57

2019-20	-	9.43%	8.43	9.06	17.49
2020-21	-	10.13%	9.06	9.06	18.11
2021-22	-	10.13%	9.06	9.06	18.11
2022-23	-	10.13%	9.06	9.06	18.11
Total	178.82	-	-	-	223.34

The total claim amount with respect to subsidy disallowance comes out to be **Rs. 402.16 Crore** (Rs. 178.82 Crore + Rs. 223.34 Crore).

Commission's Observations

The issue has been allowed by the Hon'ble APTEL in the appeal. Accordingly, Rs.178.82 Crore is allowed along with the carrying cost of Rs.223.34 Crore to be recovered from the Government of Punjab as under:

Table 27: Carrying Cost on additional subsidy allowed (Rs. Crore)

Year	Rate of interest	Additional Allowable	Carrying Cost
FY 2011-12	13.00%	178.82	11.62
FY 2012-13	11.28%		20.17
FY 2013-14	11.46%		20.49
FY 2014-15	11.30%		20.21
FY 2015-16	11.31%		20.22
FY 2016-17	9.70%		17.35
FY 2017-18	9.36%		16.74
FY 2018-19	9.10%		16.27
FY 2019-20	9.43%		16.86
FY 2020-21	10.13%		18.11
FY 2021-22	10.13%		18.11
FY 2022-23	10.13%		18.11
FY 2023-24	10.13%		9.06
Total		178.82	223.34

The working capital interest rates for working out carrying cost for FY 2021-22 to FY 2023-24 have been taken as per the trued up interest rates of FY 2020-21, which will be reviewed during true up of FY 2021-22 when this impact will be allowed.

Summary of expenses allowed along with carrying cost (Rs. Crore)

Issue No	Particulars	Allowed by the Commission			
		Amount Allowed	Carrying Cost allowed to PSPCL	Carrying cost recoverable from GoP	Total
4	Station Heat Rate	39.71	45.28	6.6	91.59
9	Employee Cost	258.89	296.46	58.92	614.27
10	R&M and A&G expenses	185.76	211.07	25.14	421.97
13	Late Payment surcharge (net of financing cost)	147.91	167.77	25.06	340.74
15(i)	Disallowance/penalty of Rs 72.27 Crore for non- implementation of Energy saving measures	72.27	66.38	6.89	145.54
15(ii)	Disallowance /Penalty of Rs 14 Crore for non-implementation of micro hydro projects	14	12.86	1.33	28.19
17	Non allowance of subsidy amounting to Rs.178.82 Crore in True up of FY 2011-12	178.82		223.34	402.16
	TOTAL	897.36	799.82	347.28	2044.46
	Amount payable by Government of Punjab to PSPCL	178.82		347.28	526.1
	Allowed to PSPCL	718.54	799.82		1518.36

In compliance of the Order dated 29.04.2022 passed by the Hon'ble APTEL in Appeal No. 264 of 2014, 173 of 2015 and 277 of 2015, the Order is passed in terms of the above accordingly.

Sd/-

(Paramjeet Singh)

Member

Sd/-

(Viswajeet Khanna)

Chairperson

Chandigarh

Dated: 08.02.2023