

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

**Petition No.17 of 2017
Date of Order: 18.12.2017**

Present : Ms. Kusumjit Sidhu, Chairperson
Shri S.S.Sarna, Member
Ms. .Anjuli Chandra, Member

In the matter of : Petition for approval of annual fixed cost of 100 MW Malana II Hydro-Electric Project and truing up for FY 2015-16 under Section 62 of the Electricity Act, 2003 read with Regulation 56 (2) and (3) of Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005.

AND

In the matter of: Everest Power Private Limited, Hall A, First Floor, Plot No.143 -144, Udyog Vihar, Phase IV, Gurgaon-122015, Haryana.
-----Petitioner

Versus

1. Punjab State Power Corporation Limited
2. PTC India Limited, 2nd Floor, NBCC Tower, 15, Bhikaji Cama Place, New Delhi-110066.

-----Respondents

ORDER

1.1 M/s Everest Power Private Limited (EPPL), the Petitioner, filed the instant Petition for approval of Annual Fixed Cost and truing up of FY 2015-16 of 100 MW Malana-II Hydro-Electric Project under Section 62 of the Electricity Act, 2003 read with Regulation 56(2) and (3) of Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005.

1.2 The commercial operation of this project was declared on 12.07.2012. The Commission vide its consequential order dated 04.12.2014 in Petition No.54 of 2012, approved the capital cost of the project and determined Annual Fixed Cost for the energy supplied to PSPCL through PTC (Trading Company) for the period from 12.07.2012 to 31.03.2014. Further, EPPL sought approval of AFC for FY 2015-16 and True Up of AFC for FY 2014-15 vide its Petition

No.55 of 2015, which was approved by the Commission vide Order dated 20.12.2016.

- 1.3 EPPL has submitted a Tariff Petition for Truing Up of AFC for the year 2015-16 in the Tariff Filing Form Nos.1 to 34 enclosed as Annexure-I of the Petition, which is prepared on the basis of audited financial statements for FY 2015-16 and PSERC (Terms & Conditions for Determination of Tariff) Regulations, 2005.

1.4 Capital Cost

- 1.4.1 The Commission vide its Consequential Order dated 04.12.2014 in Petition no.54 of 2012 approved the capital cost of the project amounting to ₹837.2855 crore for FY 2012-13 and FY 2013-14 along with deferred provisions of ₹13.5167 crore in respect of (i) Infrastructure works; ₹994.28 lakh [Land: ₹147 lakh, Buildings: ₹417.08 lakh, Communications (for roads, bridges and ropeways): ₹406.45 lakh, Miscellaneous (security camera and online mandatory release system): ₹23.75 lakh], (ii) Major Civil and Hydro Mechanical works: ₹348.56 lakh and (iii) Plant & Equipment including initial spares (transmission line and terminal equipment): ₹8.83 lakh. Subsequently, the Commission vide its Order dated 31.08.2015 in Petition no.37 of 2014 for determining the Annual Fixed Cost (AFC) for FY 2014-15 and truing up of expenses for FY 2012-13 & FY 2013-14, approved the capital cost of the project at ₹838.3025 crore, after considering the additional capitalization of ₹1.017 crore on account of land compensation deposited by EPPL with the court during FY 2013-14. The Commission in the aforesaid Order also held that the remaining deferred provisions of ₹12.4997 crore towards additional capital expenditure in respect of above listed works would be considered on merits when claimed as actual expenditure by EPPL, on submission of audited accounts for the same. Further, while determining the AFC for FY 2015-16 and truing up of AFC for FY 2014-15, the Commission in its Order dated 20.12.2016 in Petition no.55 of 2015 retained the capital cost of the project at cost approved for FY 2014-15 i.e. ₹838.3025 crore.
- 1.4.2 Now, for FY 2015-16, EPPL has claimed an amount of ₹3.34 crore towards expenditure incurred on account of additional capitalization in FY 2015-16.

EPPL claimed that the aforesaid amount includes ₹3.27 crore [(i) Buildings (balance works towards construction of project colony) : ₹2.27 crore for 24 one BHK flats already constructed and ongoing construction works of three blocks comprising 10 two BHK flats, (ii) Communications (blacktopping of approach roads and procurement of snow cleaning equipment, earth moving equipment etc.) : ₹0.21 crore for purchase of one of the earth moving equipment i.e back-loader, (iii) Escalation (Escalation on balance infrastructure works): ₹0.60 crore,(iv) Miscellaneous (towards procurement of office Equipment, Tools & Tackles/ Machinery and Computers) : ₹0.19 crore for purchase of 35 no's security cameras and associated equipments] for approved deferred provisions and additional ₹0.07 crore for a staff rest room constructed at Dam complex which is not covered in the deferred provisions approved by the Commission in its Consequential Order dated 04.12.2014 in Petition no. 54 of 2012.

1.4.3 PSPCL in its reply submitted that the aforesaid capital expenditure incurred by the petitioner against the deferred provisions or over and above the deferred provisions is not allowable.

1.4.4 The Commission notes that the petitioner has incurred an expenditure of ₹3.27 crore as detailed above against the already approved deferred provisions and submitted the documentary evidence for the same. As regards the expenditure of ₹0.07 crore incurred on construction of a staff rest room at the Dam complex, the Commission observes that since the project authorities have considered this to be an essential item of expenditure, it is allowed within the total amount of deferred provision for Buildings and not in addition or over and above. Accordingly, the Commission approves the expenditure of ₹0.07 crore under the head Buildings in deferred provisions. Thus, the Commission approves the expenditure of ₹3.34 crore against the balance deferred provisions of ₹12.4997 crore. The remaining deferred provisions of ₹9.1597 (₹12.4997 – ₹3.34) crore would be considered on merits when claimed as actual expenditure by EPPL, on submission of audited accounts for the same and subject to the provisions in the Regulations. Accordingly, the capital cost of the project for FY 2015-16 (true-up) is

approved as ₹841.6425 crore. The details of additional capitalization/ deferred provisions allowed by the Commission are as indicated in Table 1.1.

| Table 1.1: Details of additional capitalization/ deferred provisions | | | | | | | | |
|--|---|---|---|--|---|--|---|---|
| S. No | Head of Works | Deferred Provisions [as per Order dated 04.12.2014 in petition no 54 of 2012 (₹cr.) (A) | Additional capitalization allowed for FY 2013-14 (true-up) (₹cr.) (B) | Balance deferred provisions at the start of FY 2015-16 (no additional capitalization allowed in FY 2014-15) (₹cr.) (C) = (A-B) | Head of Works [as claimed by EPPL in this petition for FY 2015-16 (true-up)] (D) | Additional capitalization against deferred provisions claimed by EPPL in FY 2015-16 (true-up) (₹cr.) (E) | Additional capitalization now allowed by the Commission for FY 2015-16 (True-up) (₹cr.) (F) | Balance deferred provisions at the end of FY 2015-16 (true-up) (₹cr.) (G) = (C-F) |
| 1. | Infrastructure Works i) Land | 1.47 | 1.017 (land compensation deposited by EPPL with court) | 0.453 | i) Land | 0.00 | 0.00 | 0.453 |
| | ii) Buildings | 4.1708 | 0.00 | 4.1708 | ii) Buildings (balance works towards construction of project colony) | 2.27 (expenditure on 24 one BHK completed flats and ongoing works of 10 two BHK flats) | 2.34 (including Rs 0.07 crore claimed for construction of staff rest room at Dam complex, considered by the Commission under 'Buildings' head) | 1.8308 |
| | iii) Communications (construction of roads, bridges and ropeways) | 4.0645 | 0.00 | 4.0645 | iii) Communications (blacktopping of approach roads and procurement for snow cleaning equipment, earth moving equipment etc.) | 0.21 | 0.21 (purchase of earth moving equipment i.e back-loader) | 3.8545 |
| | iv) Miscellaneous (Purchase of Security Camera and online mandatory release system) | 0.2375 | 0.00 | 0.2375 | iv) Miscellaneous (towards procurement of office equipment; tools and tackles/machinery and computers) | 0.19 | 0.19 | 0.0475 |
| | Total | 9.9428 | 1.017 | 8.9258 | | 2.67 | 2.74 | 6.1858 |

| | | | | | | | | |
|----------------------|--|----------------|--------------|----------------|---|-------------|-------------|---------------|
| 2 | Major Civil & Hydro Mechanical Work | | | | | | | |
| | i) Dam intake and desilting chamber | 1.7556 | 0.00 | 1.7556 | Dam intake and desilting chamber | 0.00 | 0.00 | 1.7556 |
| | ii) Escalation on infrastructure and Major Works | 1.7300 | 0.00 | 1.7300 | Escalation (Escalation on balance infrastructure works) | 0.60 | 0.60 | 1.1300 |
| | Total | 3.4856 | 0.00 | 3.4856 | | 0.60 | 0.60 | 2.8856 |
| 3. | Plant & equipment including initial spares (transmission line and terminal equipment) | 0.0883 | 0.00 | 0.0883 | | 0.00 | 0.00 | 0.0883 |
| Total (1+2+3) | | 13.5167 | 1.017 | 12.4997 | | 3.27 | 3.34 | 9.1597 |

1.5 Transmission Charges payable to ADHPL

1.5.1 EPPL submitted that the Transmission charges payable to ADHPL are being claimed by EPPL from PSPCL separately as per the directions of Hon'ble APTEL in its judgment dated 22.11.2014 as well as Consequential Order dated 04.12.2014 in petition No. 54 of 2012 & Order dated 31.08.2015 in petition No. 37 of 2014 passed by PSERC. PSERC vide its order dated 20.12.2016 in petition no. 55 of 2015 has inter-alia directed as below:

“In view of the above, the Commission reiterates its findings in its Order dated 04.12.2014 in petition no. 54 of 2012 (on remand by Hon'ble APTEL vide judgment dated 12.11.2014) in the matter and directs PSPCL to pay transmission charges as directed in the aforesaid APTEL Order subject to the amount as per invoice(s) raised by AD Hydro Power to EPPL, till the finalization of transmission charges for sharing of transmission line of AD Hydro Power subject to adjustment on the outcome of the appeal pending before the Hon'ble Supreme Court. EPPL shall submit proof of payments to PSPCL regularly”.

1.5.2 EPPL further submitted that PSPCL may be directed to pay the transmission charges subject to the amount as per invoice (s) raised by ADHPL to EPPL.

- 1.5.3 PSPCL in its reply submitted that Hon'ble APTEL held that EPPL is entitled to transmission charges that have been actually paid by it to ADHPL which shall be subject to adjustment on outcome of the appeal pending before the Hon'ble Supreme Court. PSPCL further submitted that the Commission had allowed transmission charges to EPPL in its order dated 20.12.2016 in petition no. 55 of 2015 subject to the outcome of the appeal pending before the Hon'ble Supreme Court of India. PSPCL further submitted that the appeal has now been dismissed by the Hon'ble Supreme Court and quite apart from payment of transmission charges by EPPL, there is a substantial amount to be recovered by EPPL. PSPCL further submitted that in the circumstances, no transmission charges are to be paid by PSPCL to EPPL.
- 1.5.4 The Commission observed in its Order dated 04.12.2014 in petition no. 54 of 2012 (on remand by Hon'ble APTEL vide judgment dated 12.11.2014) that Hon'ble APTEL in its interim order dated 10.06.2011 in Appeal no.81 of 2011 held as under:
- “ii) In the interim period, the transmission charges will be worked out on the capital cost of the transmission line as per the audited accounts of the Appellant on the basis of norms of Central Commission's Tariff Regulations, 2009 and will be shared by the Respondent no.1 in proportion to the rated capacity of the unit commissioned, on pro-rata basis.”*
- 1.5.5 **In view of the above, the Commission reiterates its findings in its Order dated 04.12.2014 in petition no. 54 of 2012 (on remand by Hon'ble APTEL vide judgment dated 12.11.2014) in the matter and directs PSPCL to pay transmission charges as directed in the aforesaid APTEL order subject to the amount as per invoice(s) raised by AD Hydro Power to EPPL, till the finalization of transmission charges for sharing of transmission line of AD Hydro Power subject to adjustment as per CERC decision in petition no. 209/MP/2017 filed by AD Hydro consequent to Supreme Court order for determination of transmission charges. EPPL shall submit proof of payments to PSPCL regularly.**

2. Employee cost

- 2.1 EPPL had projected ₹3.75 crore as Employee Cost for the year 2015-16 in Petition No.55 of 2015. The Commission in its Order dated 20.12.2016 had approved the projected employee cost of ₹3.73 crore for FY 2015-16.
- 2.2 EPPL, in its Petition No. 17 of 2017 for truing up for FY 2015-16 has claimed ₹3.96 crore on normative basis. This comprises of ₹3.74 crore on account of other employee cost and ₹0.22 crore on account of terminal benefits. As per Audited Annual Accounts for FY 2015-16, EPPL has incurred ₹7.20 crore as total Employee Cost.
- 2.3 Regulation 28 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 provides for determination of O&M expenses and Regulation 33 provides for the method for determination of unfunded liability.
- 2.4 Terminal benefits are to be allowed on actual basis. EPPL has provided the certificate from Auditor in which it is stated that ₹2,28,050 (₹0.02 crore) and ₹1,68,712 (₹0.02 crore) were paid as full and final settlement of employees which is considered as terminal benefits. However, a one time annual payment of ₹4,02,500 (₹0.04 crore) on account of leave encashment and ₹13,49,370 (₹0.14 crore) on account of ex-gratia relating to existing employees of the company is not considered as Terminal Benefits as these are part of other employee cost of EPPL and is considered separately. Thus, 'other employee cost' claimed by EPPL work out to ₹3.92 (3.74+.04+.14) crore. **Accordingly, terminal benefits work out to ₹3,96,762 (2,28,050+1,68,712) i.e. ₹0.04 crore, which is allowed by the Commission.**
- 2.5 The 'Other Employee Cost' approved by the Commission in Order dated 31.08.2015 was ₹3.41 crore for the whole year of FY 2012-13, which is considered as base for calculating 'Other Employee Cost' for FY 2015-16.
- 2.6 The Provisions of Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provide for adjusting base employee cost in proportion to increase in Wholesale Price Index (all commodities) to determine employee cost for subsequent years. In

accordance with Commission's Order dated 14.10.2015, amendment to PSERC (Terms and Conditions for determination of Tariff) Regulations, 2005 has been issued vide notification No. 108 dated 15.10.2015 (5th amendment) which is applicable from the date of publication dated 16.10.2015. As per the said amendment, inflation factor to be used for indexing the Employee Cost will be combination of the Consumer Price Index (CPI) and Wholesale Price Index (WPI) of nth year and shall be calculated as $0.50 \cdot CPI_n + 0.50 \cdot WPI_n$. WPI increase is calculated @2.62% (index of base year 2012-13 increased from 106.9 to 109.7 up to March, 2016 $\{(109.7-106.9)/106.9 \cdot 100\}$) and CPI increase is calculated @23.16% (index of base year 2012-13 increased from 215.17 to 265.00 up to March, 2016 $\{(265.00-215.17)/215.17 \cdot 100\}$). The combination of 0.50 of WPI+0.50 of CPI increase will be an increase of 12.89% $\{(2.62+23.16)/2\}$ which is applicable from 16.10.2015. As such, 'other employee cost' of ₹3.41 crore of base year 2012-13 will be adjusted/increased by 2.62% increase in WPI for 198 days(1.04.2015 to 15.10.2015) and with 12.89% (0.50 WPI+0.50 CPI) increase for remaining 168 days(16.10.2015 to 31.03.2016) of FY 2015-16. Accordingly, 'other employee cost' for 198 days works out to ₹1.89 $\{3.41 \cdot 1.0262 \cdot (198/366)\}$ crore and for the remaining 168 days, 'other employee cost' works out to ₹1.77 $\{3.41 \cdot 1.1289 \cdot (168/366)\}$ crore. **Total 'Other Employee Cost' for FY 2015-16 works out to ₹3.66 (1.89+1.77) crore which is allowed by the Commission.**

Accordingly, the Commission allows ₹3.70 (0.04+3.66) crore as Employee Cost for FY 2015-16.

3. Repair and Maintenance

- 3.1 EPPL had projected ₹7.47 crore as R&M cost for the year 2015-16 in Petition no. 55 of 2015. The Commission in its Order dated 20.12.2016 approved R&M cost of ₹7.15 crore for FY 2015-16.
- 3.2 EPPL in its Petition no. 17 of 2017 dated 03.03.2017 for truing up for FY 2015-16 has intimated that ₹30.51 crore has been incurred on account of O&M expenses other than employee cost. EPPL has segregated O&M expenses other than employee cost into R&M expenses of ₹18.18 crore and

A&G expenses of ₹12.33 crore, based on Audited Annual Accounts for FY 2015-16. However, EPPL has claimed ₹7.18 crore as R&M expenses on normative basis for FY 2015-16 against actual expenditure of ₹18.18 crore.

- 3.3 The Commission vide Order dated 31.08.2015, approved R&M expenses of ₹6.78 crore on Gross Fixed Assets of ₹837.28 crore (as on 31st March, 2013), for full year of FY 2012-13, which is considered as base for calculating allowable R&M expenses for FY 2015-16.
- 3.4 The provision of Regulation 28 (2) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provides for adjusting base R&M expenses in proportion to increase in Wholesale Price Index (all commodities) to determine R&M expenses for subsequent years.
- 3.5 As discussed in para 2.6 above, WPI increase for FY 2015-16 is 2.62%. The Gross Fixed Assets as on 01.04.2015 is to the tune of ₹838.30 crore. Therefore, base R&M expenses for FY 2015-16 work out to ₹6.79 crore (6.78 / 837.28 * 838.30). After applying WPI increase of 2.62% to the amount of ₹6.79 crore, the R&M expenses for EPPL work out to ₹6.97 crore for FY 2015-16.
- 3.6 Further, EPPL has submitted an asset addition of ₹3.34 crore during FY 2015-16 based on Audited Annual Accounts. In the absence of actual dates of commissioning of the addition in assets, these have been considered for 6 months on an average during FY 2015-16. Average percentage rate of R&M expenses of ₹6.97 crore for assets of ₹838.30 crore as on 01.04.2015 works out to 0.83% (6.97/838.30*100) for EPPL. By applying the average rate of 0.83% on asset additions of ₹3.34 crore for half year, the R&M expenses for the fixed assets added during the year work out to ₹0.01 crore. Thus, allowable R&M expenses for FY 2015-16 for EPPL work out to ₹6.98 (6.97+0.01) crore against the actual expenditure of ₹18.18 crore.

Accordingly, the Commission approves ₹6.98 crore as R&M expenses for FY 2015-16.

4. Administrative and General Expenses

- 4.1 In Petition no.55 of 2015, EPPL had projected ₹7.24 crore as A&G expenses for the year 2015-16. The Commission in its Order dated 20.12.2016 had approved A&G expenses of ₹6.94 crore for FY 2015-16.
- 4.2 EPPL in its Petition no. 17 of 2017 for true up of FY 2015-16 has claimed ₹6.96 crore as A&G expenses for FY 2015-16 on normative basis as per the Commission's Order dated 31.08.2015. Actual A&G expenses submitted by EPPL are of ₹12.33 crore in FY 2015-16, which includes ₹5.06 crore on account of consultancy charges.
- 4.3 The said consultancy charges of ₹5.06 crore were first accounted by EPPL in its financials of FY 2013-14. The Commission, in the True Up of FY 2013-14 (vide order dated 31.08.2015), had allowed the A&G expenses of ₹6.96 crore on normative basis, against the actual expenses of ₹12.01 crore which included consultancy charges.
- 4.4 Since no such expense was actually incurred in FY 2013-14, EPPL reversed the entry relating to the said invoice / expense of ₹5.04 crore and entered it as 'Creditors written back' in its financials of FY 2014-15 under other income. The Commission in its order dated 20.12.2016, in the True Up of FY 2014-15, included ₹5.06 crore as Non-Tariff Income as the same was recorded by EPPL under the head "Other Income" in its financials of FY 2014-15. The Commission allowed A&G expenses of ₹5.36 crore on actual basis in True Up of FY 2014-15.
- 4.5 In the instant Petition for True Up of FY 2015-16, EPPL has submitted that the consultancy charges of ₹5.06 crore have been paid in FY 2015-16, thus, have now been accounted in financials of FY 2015-16.
- 4.6 The A&G expenses of ₹6.58 crore on Gross Fixed Assets of ₹837.28 crore as on 31st March, 2013 has been approved by the Commission for the whole of FY 2012-13 in the Commission's Order dated 31.08.2015 which is considered as base for calculating allowable A&G expenses for FY 2015-16.
- 4.7 The provisions of Regulation 28 (2) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provides for adjusting base A&G

expenses in proportion to increase in Wholesale Price Index (all commodities).

- 4.8 As discussed in para 2.6 above, WPI increase for FY 2015-16 is 2.62%. The Gross Fixed Assets as on 01.04.2015 are to the tune of ₹838.30 crore. Therefore, base A&G expenses for FY 2015-16 work out to ₹6.59 crore ($6.58/837.28 \times 838.30$). After applying WPI increase of 2.62% to the amount of ₹6.59 crore, the A&G expenses for EPPL work out to ₹6.76 crore for FY 2015-16.
- 4.9 Further, EPPL has submitted an asset addition of ₹3.34 crore during FY 2015-16 based on Audited Annual Accounts. In the absence of actual dates of commissioning of the addition in assets, these have been considered for 6 months on an average during FY 2015-16. Average percentage rate of A&G expenses of ₹6.76 crore for assets of ₹838.30 crore as on 01.04.2015 works out to 0.81% ($6.76/838.30 \times 100$) for EPPL. By applying the average rate of 0.81% on asset additions of ₹3.34 crore for half year, the A&G expenses for the fixed assets added during the year work out to ₹0.01 crore. Therefore, total A&G expenses work out to ₹6.77 ($6.76+0.01$) crore against normative A&G expenses of ₹6.96 crore determined by EPPL. In addition to A&G expenses on normative basis, EPPL has shown Audit fee and licence fee to the tune of ₹0.30 ($0.16+0.14$) crore which are allowed as per Regulation 28 of PSERC Regulations, 2005 (amended vide notification no. PSERC / Secy / Regu.74 dated 17 Sep, 2012). **Accordingly, the Commission allows ₹7.07 ($6.77+0.30$) crore as A&G expenses for FY 2015-16.**

5. Depreciation

- 5.1 In Petition no. 55 of 2015, EPPL had projected ₹41.85 crore as Depreciation charges for the year 2015-16. The Commission in its Order dated 20.12.2016 had approved projected Depreciation Charges of ₹40.79 crore for FY 2015-16.
- 5.2 EPPL in its Petition no. 17 of 2017 for true up for FY 2015-16 has claimed Depreciation Charges of ₹41.04 crore. Regulation 27 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 (as amended) provides the methodology for

determining depreciation on assets.

- 5.3 As per the Regulation, the depreciable amount of assets is calculated as ₹825.73 crore as on 31.03.2013 [excluding cost of land as per Provision 1(a) of Regulation 27 of PSERC Regulations, 2005] in Commission's Order dated 31.08.2014. No asset addition has been made in FY 2014-15. As discussed in Para 1.4.4 of this Order, the Commission has approved asset addition of ₹3.34 crore during FY 2015-16. In the absence of actual dates of commissioning of the addition in assets, these have been considered for 6 months on an average during FY 2015-16. Average rate of depreciation (excluding value of land) works out 4.97% as per Audited Annual Accounts of EPPL against the rate of 4.96% as submitted by EPPL. Thus depreciation is calculated at the weighted average rate of 4.97% for full year on opening balance and for six months for asset additions during FY 2015-16 as shown in Table 1.2.

Table 1.2: Depreciation Charges for FY 2015-16
(₹ Crore)

| Particulars | FY 2015-16 |
|---|-------------------|
| Gross Block as on 01.04.2015 of assets | 825.73 |
| Additional capital expenditure | 3.34 |
| Closing Gross Block of assets | 829.07 |
| Rate of Depreciation | 4.97% |
| Depreciation Charges on opening balance (825.73*4.97%) | 41.04 |
| Depreciation Charges on asset addition (3.34*4.97%*6/12) | 0.08 |
| Total Depreciation for FY 2015-16 | 41.12 |
| Accumulated Depreciation upto FY 2014-15 | 111.06 |
| Accumulated Depreciation upto FY 2015-16 | 152.18 |

Accordingly, the Commission approves Depreciation Charges of ₹41.12 crore for FY 2015-16.

6. Return on Equity

- 6.1 In Petition no.55 of 2015, EPPL had projected ₹44.25 crore as Return on Equity for the year 2015-16. The Commission in its Order dated 20.12.2016 had approved projected Return on Equity of ₹38.98 crore for FY 2015-16. EPPL in its Petition No. 17 of 2017 for true up for FY 2015-16 has claimed Return on Equity of ₹39.06 crore.

- 6.2 Regarding Return on Equity, Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 (as amended) explains the methodology to calculate return on equity.
- 6.3 Since, EPPL has not declared/paid any dividend in foreign exchange in FY 2015-16, Return on Equity shall be computed @ 15.5% on the paid up equity capital determined in accordance with PSERC Tariff Regulation 25. The equity approved by the Commission in Order dated 20.12.2016 is ₹251.49 crore for FY 2014-15 which is considered as opening balance for FY 2015-16.
- 6.4 As discussed in Para 1.4.4 of this Order, capital cost of ₹3.34 crore has been approved for FY 2015-16, out of which 30% has to be sourced from equity being ₹1.00 (3.34*30%) crore.

Thus, the Return on Equity is computed @15.5% on the average paid up equity capital as shown in Table 1.3.

Table 1.3: Return on Equity for FY 2015-16

(₹ Crore)

| Particulars | FY 2015-16 |
|--|-------------------|
| Opening value of Equity | 251.49 |
| Addition due to Additional Capital Expenditure | 1.00 |
| Closing value of Equity | 252.49 |
| Average Equity | 251.99 |
| Rate of Equity | 15.50% |
| Return on Equity | 39.06 |

Accordingly, the Commission approves Return on Equity of ₹39.06 Crore for FY 2015-16.

7. Interest and Finance Charges

- 7.1 In Petition No. 55 of 2015, EPPL had projected ₹68.89 crore as Interest and Finance Charges for the year 2015-16. The Commission in its Order dated 20.12.2016 had approved projected Interest and Finance Charges of ₹64.03 crore for FY 2015-16.
- 7.2 EPPL in its Petition No. 17 of 2017 for true up for FY 2015-16 has claimed Interest and Finance Charges of ₹64.35 crore, which includes ₹0.29 crore on account of finance charges for FY 2015-16.

- 7.3 Regulation 26 of Punjab State Electricity Regulatory Commission (Terms and conditions for Determination of Tariff) Regulations, 2005 (as amended) explains the methodology for calculating Interest on loan.
- 7.4 The Interest and Finance Charges of ₹69.93 crore have been approved for FY 2014-15 by the Commission on the closing loan balance of ₹475.75 crore which is considered as the opening balance of loan for FY 2015-16.
- 7.5 As discussed in Para 1.4.4 of this Order, capitalization of ₹3.34 crore has been approved for FY 2015-16, out of which 70% has to be sourced from debt being ₹2.34 (3.34*30%) crore. Repayment of ₹41.12 crore which is equal to the depreciation allowed for the year is considered. Thus, the closing balance of the loan amount works out to ₹436.97 (475.75+2.34-41.12) crore. The weighted average rate of interest is determined @14.03% p.a. for FY 2015-16. The Interest on long term loans is calculated at Table 1.4.

Table 1.4: Interest on loan for FY 2015-16

(₹ crore)

| Particulars | FY 2015-16 |
|--|-------------------|
| Opening balance of long term loan as on 01.04.2015 | 475.75 |
| Less: Repayment (normative) during the year | 41.12 |
| Loan Addition | 2.34 |
| Closing balance of long term loan as on 31.03.2016 | 436.97 |
| Average Loan | 456.36 |
| Weighted Average Rate of Interest on Loan | 14.03% |
| Interest on Loan | 64.03 |

- 7.6 EPPL has claimed ₹0.29 crore as finance charges for FY 2015-16. Finance charges / bank charges as per audited financials accounts are ₹0.29 crore, which include ₹0.17 crore as 'Appraisal Fee' payable to PFC on account of swapping of long term loan and ₹0.12 crore as finance charges. This fee is on the loan amount of ₹486.70 crore, whereas long term loan as per audited financial accounts are of ₹461.88 crore. Accordingly, proportionate fee on loan amount of ₹461.88 crore works out to ₹0.16 crore. Thus, finance charges of ₹0.28 (0.12+0.16) crore are approved based on the Audited Annual Accounts of FY 2015-16.

Accordingly, the Commission approves ₹64.31 (64.03+0.28) crore as

Interest and Finance Charges on Long Term Loan for FY 2015-16.

8. Interest on working capital

- 8.1 In Petition no.55 of 2015, EPPL had projected ₹4.49 crore as Interest on Working Capital for the year 2015-16. The Commission in its Order dated 20.12.2016 had approved projected Interest on Working Capital of ₹4.47 crore for FY 2015-16.
- 8.2 EPPL in its Petition no. 17 of 2017 for true up for FY 2015-16 has claimed ₹4.62 crore on normative basis. The provision of Regulation 30 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 (as amended) provides the methodology for determining working capital and Interest rate on working capital.
- 8.3 As per the Regulation, the working capital for FY 2015-16 is calculated at ₹31.89 crore consisting of maintenance spares of ₹2.66 crore (@ 15% of O&M expenses), operation and maintenance expenses for one month of ₹1.48 crore and receivable for two months of ₹27.75 crore.
- 8.4 The rate of interest on working capital shall be equal to the actual rate of interest paid/payable on loans by the generating company or the State Bank of India Advance rate as on April 1 of the relevant year, whichever is lower. The interest on working capital is payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on normative basis. The weighted average rate of interest paid/payable on loans by the petitioner for FY 2015-16 is 14.03%. State Bank of India Advance Rate as on 01.04.2015 is 14.75% and on 10.04.2015 is 14.60%. Therefore, by applying rate of interest of 14.03% per annum for FY 2015-16, the interest on working capital works out to be ₹4.47 crore for FY 2015-16 as shown in Table 1.5.

Table 1.5: Interest on Working Capital for FY 2015-16

| Particulars | (₹ crore) | |
|-------------------------------------|---------------|----------------------------|
| | Claim of EPPL | Approved by the Commission |
| Maintenance Spares | 2.71 | 2.66 |
| O & M for one month | 1.51 | 1.48 |
| Receivable equivalent to two months | 28.67 | 27.75 |
| Total working capital | 32.89 | 31.89 |
| Interest on Working Capital | 4.62 | 4.47 |

Accordingly, the Commission approves the Interest on Working Capital of ₹4.47 crore for FY 2015-16.

9. Other Income / Non Tariff Income

9.1 The Commission in its Petition no. 55 of 2015 in Order dated 20.12.2016 had approved Other Income of ₹0.16 crore in projections of FY 2015-16.

9.2 EPPL in its Petition No. 17 of 2017 for true up for FY 2015-16 has claimed Non-Tariff Income of (-)₹4.83 crore inclusive of ₹0.23 crore as other income and (-)₹5.06 crore relating to 'Creditor Written Back'. However, audited accounts of EPPL depict other income of ₹0.23 crore. The consultancy charges of ₹5.06 crore have been booked by EPPL under A&G expenses which have been considered in Para 4 (Para 4.1 to 4.9) of this Order. Hence, there is no case for considering the consultancy charges again as minus income i.e. expenditure under the head non-tariff income.

9.3 As per Audited Annual Accounts of EPPL for FY 2015-16, other income amounting to ₹0.23 crore has been booked which is approved. No effect has been given on account of creditors written back in the financials of FY 2015-16.

Accordingly the Commission allows ₹ 0.23 crore as Non-Tariff Income for FY 2015-16 based on Audited Annual Accounts of EPPL.

10. True up of Annual Fixed Charges for FY 2015-16

Considering the above income, expenditure and resultant AFC for FY 2015-16 is worked out in Table 1.6.

Table 1.6: Annual Fixed Charges for FY 2015-16

(₹ Crore)

| Sr. No | Items of Expense | FY 2015-16 | | | |
|--------|-------------------------------------|-----------------------------------|--|-----------------------------|----------------------------|
| | | Claimed by EPPL during projection | Approved by the Commission in Order dated 20.12.2016 | Claimed by EPPL for True Up | Approved by the Commission |
| 1. | Employee Expenses | 3.75 | 3.73 | 3.96 | 3.70 |
| 2. | Repair and Maintenance Expenses | 7.47 | 7.15 | 7.18 | 6.98 |
| 3. | Administrative and General Expenses | 7.24 | 6.94 | 6.96 | 7.07* |
| 4. | Depreciation | 41.85 | 40.79 | 41.04 | 41.12** |
| 5. | Return on Equity | 44.25 | 38.98 | 39.06 | 39.06 |
| 6. | Interest and Financial Charges | 68.89 | 64.03 | 64.35 | 64.31 |
| 7. | Interest on Working Capital | 4.49 | 4.47 | 4.62 | 4.47 |
| 8. | Total expenses | 177.94 | 166.09 | 167.16 | 166.71 |
| 9. | Less: Non Tariff Income | 0.00 | 0.16 | (4.83) | 0.23 |
| 10. | Annual Fixed Charges | 177.94 | 165.93 | 171.99 | 166.48 |

* EPPL's claim of ₹6.96 crore does not include Audit fee of ₹0.16 crore and License/ARR fees of ₹0.14 crore which are allowed as per Regulation 28. (Refer Para 4.9 of this Order)

** Average rate of depreciation (excluding value of land) works out 4.97% as per Audited Annual Accounts of EPPL. (Refer Para 5.3 of this Order)

EPPL shall be entitled for computation and payment of capacity charges and energy charges in accordance with Regulation 31 of Central Electricity Regulatory Commission (Terms and Conditions of tariff) Regulations, 2014 as amended from time to time, since the same are not specified in the PSERC tariff Regulations.

11. Interest on under-recovered or over-recovered fixed charges:

11.1 The Commission in its order dated 20.12.2016 while deciding the AFC for FY2014-15 (True Up) of EPPL, had allowed carrying cost to EPPL in view of CERC Regulations. The Commission held that CERC Regulations [Regulation 8 (13) of CERC (Terms and Conditions of Tariff) Regulation, 2014] are squarely applicable to under recovery or over recovery of fixed charges in case of generating companies.

11.2 The Regulation 8 (13) of CERC (Terms and Conditions of Tariff) Regulation, 2014 is re-produced below for reference:-

“The amount under-recovered or over-recovered, along with simple interest at the rate equal to the bank rate on 1st April of the respective year, shall be recovered or refunded by the generating company or the transmission licensee, as the case may be, in six equal monthly instalments starting within three months from the date of the tariff order issued by the Commission”.

11.3 Accordingly, the Commission decides to adopt the CERC Regulations for allowing interest equivalent to bank rate on under recovery or over recovery of fixed charges. Accordingly, EPPL shall be entitled to interest as per Regulation 8 (13) of CERC (Terms and Conditions of Tariff) Regulation, 2014 on under-recovered or over-recovered Annual Fixed Charges (AFC) determined by the Commission.

This Petition stands disposed off accordingly.

Sd/-
(Anjuli Chandra)
Member

Sd/-
(S.S. Sarna)
Member

Sd/-
(Kusumjit Sidhu)
Chairperson

Chandigarh
Dated: 18.12.2017