ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASE NO.: APR – 13 / 09 – 10


DATE: 26.07.2010
CHAPTER – 1
INTRODUCTION

1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007 and amendment thereof (hereinafter referred to as the ‘Tariff Regulations’), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short ‘APR’). The West Bengal Electricity Regulatory Commission (hereinafter referred to as the ‘Commission’) introduced Multi Year Tariff procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performance and projected performance under different factors/ heads of accounts. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, West Bengal State Electricity Transmission Company Limited (hereinafter referred to as ‘WBSETCL’) submitted its application for APR for the year 2008 - 2009 on 27.11.2009 and the same was numbered as APR-13/09-10.

1.2 WBSETCL is one of the successor entities of erstwhile West Bengal State Electricity Board (in short ‘WBSEB’) and came into being with effect from 1 April, 2007. It is engaged in the business of transmission of electricity and management of the State Load Despatch Centre in terms of West Bengal Power Sector Reform Transfer Scheme, 2007, notified by the Department of Power and Non-conventional Energy Sources, Government of West Bengal vide Notification No. 12-PO/O/III/3R-29/2006 dated 25 January, 2007 followed by subsequent modifications made through Notification No. 313-PO/O/III/3R-29/2006 dated 19.09.2008. The instant application of WBSETCL for APR for 2008 – 2009 is its second application based on independent audited annual accounts for the year 2008-09. The adjustments as may arise out of the review of the instant application with reference to the aforesaid audited annual accounts and the Commission’s tariff order dated 28.07.2009 for WBSETCL for 2008 - 2009 in Case No. TP-36/08-09 will be considered for giving effect while determining the amount of revenue recoverable through tariff during the year 2010 – 2011.
1.3 The APR is to cover the annual fixed charges allowed to the applicant, incentives and the effect of gain sharing as per Schedule-10 and Schedule 9B to the Tariff Regulations. Element of performance incentive or gain sharing on account of achieving better operational norms, however, was considered for WBSETCL while determining its Aggregate Revenue Requirement (in short ‘ARR’) for the year 2008-2009 in terms of the referred schedules to the Tariff Regulations. The APR for the year 2008-2009 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBSETCL through its ARR for the year 2008-2009 vis-à-vis the actuals as per the audited accounts. The Tariff Regulations (vide regulation 2.5.1) provides that the variations out of uncontrollable factors of expenses are to be passed through the tariff in an appropriate manner as may be decided by the Commission. The variations arising out of the controllable factors shall, however, be on the accounts of the licensee. The instant application of WBSETCL is being viewed in the subsequent parts of this order.

1.4 WBSETCL submitted the required data / information in the formats specified by the Commission and also a copy of its Annual Accounts for 2008 – 2009 duly audited by the statutory auditors. The detailed review of its performances is being taken up in the subsequent parts of the order. The review will involve examination of the expenditures incurred under different heads of fixed charges for ascertaining the admissibility of such expenditures in terms of the Tariff Regulations.

1.5 Subsequently, WBSETCL submitted certain clarifications regarding APR for 2008 – 2009 and also made a request for adjustment of interest on borrowed capital disallowed in APR for the year 2007 – 2008 vide Memo No. GM(F&A)/Accts/4A/2105 dated 1 March, 2010. Such information / clarifications have been duly considered in the process of review.
2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the ARR for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amount of actual expenses/charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. The review of each of such uncontrollable heads of fixed charges with reference to the amount allowed through ARR and the actuals based on the audited accounts of WBSETCL is being taken up hereunder one by one.

2.2 **Employee Cost:**

2.2.1 WBSETCL was allowed a total amount of Rs. 7740.00 lakh chargeable to its revenue accounts towards employees cost which includes salaries, wages, allowances, bonus, contribution to P.F. etc. as well as Staff Welfare expense. As per the audited accounts (vide Schedule-18 to that) the actual chargeable expenditures came to Rs. 10819.58 lakh after capitalizing a total amount of Rs. 2296.45 lakh.

2.2.2 Out of the total chargeable amount of Rs. 10819.58 lakh, as stated above, the payment of Rs. 4295.38 lakh pertained to arrear salary and terminal benefits arising on account of pay revision with effect from 1 April, 2007. The employees cost attributable for the year 2008 – 2009 was, thus Rs. 6524.20 lakh which seemed very reasonable. The Commission admits the entire amount of Rs. 10819.58 lakh (including the amount spent towards arrear salary and terminal benefits).

2.2.3 The Commission, however, observed from the paragraphs 5.14 and 5.15 of the audit report for the concerned year that provisions in accounts had not properly been made against the liabilities towards leave encashment etc. in compliance
with Accounting Standard – 15 (in short “AS-15’’). WBSETCL is being directed to take a note of it and make the necessary corrections in the accounts for the year 2009 – 2010.

2.3 **Operation and Maintenance Expenses:**

2.3.1 The operation and maintenance expense, including general administrative expenses, are categorized as controllable. The provision in this regard in the tariff was considered for a total amount of Rs. 2990.43 lakh. The actual total expenditure incurred against this provision came to Rs. 4289.84 lakh.

2.3.2 In terms of the Tariff Regulations, the savings / excess in expenditures under the controllable heads are to be in the accounts of the licensee. The Commission, thus, admits the amounts as were provided in tariff.

2.4 **Interest on Borrowed Capital:**

2.4.1 The provisions for interest charges on borrowed capital of WBSETCL as were considered in the tariff order for the year 2008 – 2009 and as actually came as per the audited accounts, vide Schedule – 20 thereto, came as under:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>As per Tariff Order</th>
<th>As per Audited Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bonds (11.50%)</td>
<td>1991.00</td>
<td>2630.77</td>
</tr>
<tr>
<td>2</td>
<td>Bond (12%)</td>
<td>640.00</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Borrowing from PFC Limited</td>
<td>3254.00</td>
<td>2512.67</td>
</tr>
<tr>
<td>4</td>
<td>Borrowing from REC</td>
<td>4650.00</td>
<td>3014.67</td>
</tr>
<tr>
<td>5</td>
<td>L.I.C.I.</td>
<td>269.00</td>
<td>0.00</td>
</tr>
<tr>
<td>6</td>
<td>Govt. of West Bengal</td>
<td>15300.00</td>
<td>9576.89</td>
</tr>
<tr>
<td>7</td>
<td>Terms loans from Bank</td>
<td>-</td>
<td>122.90</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>26104.00</strong></td>
<td><strong>17857.90</strong></td>
</tr>
<tr>
<td>8</td>
<td>Less: Capitalization</td>
<td>8862.00</td>
<td>2742.49</td>
</tr>
<tr>
<td>9</td>
<td><strong>Amount chargeable to Revenue Accounts</strong></td>
<td><strong>17242.00</strong></td>
<td><strong>15115.41</strong></td>
</tr>
</tbody>
</table>
2.4.2 The fresh borrowings and repayments in the capital accounts during the year totaled to Rs. 23427.00 lakh and Rs. 16604.00 lakh respectively as against Rs. 53036.00 lakh and Rs. 19137.00 lakh respectively projected by WBSETCL in its tariff application. Going by the audited accounts, the Commission considered to admit the amount of Rs. 15115.41 lakh as interest on APR for the year 2008 – 2009.

2.4.3 In the order of APR of WBSETCL for the year 2007 – 2008, the Commission decided to allow interest on borrowed capital after deduction of Rs. 1825.48 lakh subject to adjustment at the time of next APR on submission of detailed data of actual fresh borrowings. WBSETCL vide Memo No. GM(F&A)/Accts/4A/2105 dated 1 March, 2010 have furnished details of drawals of loan from Government of West Bengal, RECL and PFCL during the year 2007 – 2008 and claimed Rs. 4120.48 lakh to be considered on account of interest on borrowed capital for 2007 – 2008 in the APR for 2008 – 2009. The additional claim of Rs. 2295.00 lakh relating to interest on pension trustee bonds is wrongly made by WBSETCL as the same was considered separately in the APR for 2007 – 2008. Thus, the Commission decides to release Rs. 1825.48 lakh as interest on borrowings during 2007 – 2008 and to give effect of the same in the APR for 2008 – 2009. The aggregate interest on borrowings, therefore, reckons to Rs. 16940.89 lakh and a negative adjustment of Rs. 301.11 lakh is required.

2.4.4 The addition to capital expenditure in the form of fixed assets put to use during the year came to Rs. 32637.10 lakh. Normative amount of debt @ 70% of that amount, comes to Rs. 22845.97 lakh as against actual additional borrowings of Rs. 23427.00 lakh as per audited accounts. Therefore no normative interest on normative capital borrowings is allowed.
2.5 **Interest on Bonds for creation of Pension Funds:**

2.5.1 To take care of unfunded liability towards staff terminal benefits on actuarial
determination, Bonds (8.5%) were issued and the amount pertaining to
WBSETCL was considered as Rs. 27000.00 lakh. The annual interest charge on
these Bonds was considered as Rs. 2295.00 lakh. It came out from the audited
accounts that no variation in the amount of principal and chargeable interest was
there. The amount considered in the tariff order, therefore, remained unaltered.

2.6 **Interest on Working Capital:**

2.6.1 No provision for the payment of interest on working capital was considered in the
allowed ARR for 2008 – 2009 and WBSETCL also did not claim any amount.
Thus, no adjustment is required.

2.7 **Other Finance Charges:**

2.7.1 The total amount of expenses incurred by WBSETCL towards other finance
charges, as per the audited accounts came to Rs. 262.64 lakh which included
Rs. 257.99 lakh paid to the Government of West Bengal towards guarantee
charges. The Commission admits the amount of actual expenses.

2.7.2 Further to above, WBSETCL, by providing subsequent details of prior period
adjustment, has requested for payment of guarantee charges to the Government
of West Bengal for 2007 – 2008 amounting to Rs. 311.40 lakh which was not
considered in APR for 2007 – 2008. The Commission decides to allow the same
Rs. 311.40 lakh in the APR for 2008 – 2009. The aggregate of other finance
charges to be allowed to WBSETCL in APR 2008 – 2009 thus comes to
Rs. 574.04.
2.8 Depreciation:

2.8.1 An amount of Rs. 8975.28 lakh was charged to the books of accounts towards depreciation on assets as against Rs. 10571.00 lakh allowed in the ARR for the year 2008-09. In regards to the value of fixed assets accounted for and the amount of chargeable depreciation, the statutory auditors made number of adverse comments, especially in regard to non-amortization of the cost of leasehold land and non-capitalization of certain fixed assets though put to use. In the absence of proper details, the auditors could not quantify the financial implications in this regard. The Commission, therefore, going by the audited accounts, admits the amount of Rs. 8975.28 lakh charged in the books. WBSETCL is directed to clear the points of qualifications made by the auditors and reflect the correct position in the accounts for the year 2009 – 2010.

2.9 Advance against Depreciation:

2.9.1 The Tariff Regulations of the Commission provides for allowing advance against depreciation when the amount of annual depreciation falls short of the amount of loan repayment in any financial year. The amount of loan repayment, however, is to be restricted to 1/10th of the principal amount of original loans. An amount of Rs. 8566.00 lakh was allowed to WBSETCL in the ARR for the year 2008 – 2009.

2.9.2 The original amount of loan vis-à-vis repayment made during 2008 – 2009 as shown by WBSETCL in their application are depicted in the table below:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Amount (Rs. in Lakh)</th>
<th></th>
<th>Repayment made during 2008 - 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Principal amount of Original Loan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Bonds (11.50%)</td>
<td>22272.00</td>
<td></td>
<td>9010.00</td>
</tr>
<tr>
<td>2</td>
<td>Bond (12%)</td>
<td>5331.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Borrowing from PFC Limited</td>
<td>10981.00</td>
<td></td>
<td>2164.00</td>
</tr>
<tr>
<td>4</td>
<td>Borrowing from REC</td>
<td>7312.00</td>
<td></td>
<td>1063.00</td>
</tr>
<tr>
<td>5</td>
<td>Govt. of West Bengal</td>
<td>103700.00</td>
<td></td>
<td>4367.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>149596.00</td>
<td></td>
<td>16604.00</td>
</tr>
</tbody>
</table>
2.9.3 In terms of the Tariff Regulations, the actual admissible amount in this regard works out as under:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Amount (Rs. in Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Repayment of Loans during the year</td>
<td>16604.00</td>
</tr>
<tr>
<td>(b)</td>
<td>Repayment of loan restricted to the 1/10(^{th}) of Principal loan amount of Rs. 149596.00 lakh</td>
<td>14959.60</td>
</tr>
<tr>
<td>(c)</td>
<td>Less: Depreciation admitted in APR for 2008 - 2009</td>
<td>8975.28</td>
</tr>
<tr>
<td>(d)</td>
<td>Allowable advance against depreciation (difference of b &amp; c)</td>
<td>5984.32</td>
</tr>
</tbody>
</table>

2.9.4 The Commission admits the amount of Rs. 5984.32 lakh in the APR 2008 – 2009 as advance against depreciation.

2.10 **Interest Credit:**

2.10.1 The actual loan repayment exceeded the amount of depreciation allowed in ARR for 2008 – 2009 and therefore no interest credit is involved in terms of regulation 4.5.3 of the Tariff Regulations.

2.11 **Taxes payable under Provisions of Income Tax Act:**

2.11.1 A provision for an amount of Rs. 1186.00 lakh was considered in the tariff order for the year 2008 – 2009. As seen from the audited accounts, the actual provision for the year was needed for an amount of Rs. 2455.92 lakh. WBSETCL did not specify the amount actually paid by it against the actual amount of provisions. It was, however, observed from the Cash Flow Statement for the concerned year certified by the auditors that there had been an outflow of cash by Rs. 7204.56 lakh towards the payment of income tax. This signifies that the company is to get a refund of considerable amount from the Income Tax.
Authorities. The Commission, however, admits the actual amount of provision, i.e., Rs. 2455.92 lakh, accounted for.

2.12 Reserve for Unforeseen Exigencies:

2.12.1 In terms of regulation 4.11 of the Tariff Regulations, generating companies and the licensees may provide and maintain a reserve up to 0.25% of the value of the gross fixed assets at the beginning of the year annually for dealing with unforeseen exigencies subject to an overall ceiling of 5% of such gross value of fixed assets. Accordingly, WBSETCL was allowed the under noted provisions in the tariff since 2006 – 2007:

<table>
<thead>
<tr>
<th>Year</th>
<th>Order Reference</th>
<th>Amount (Rs. in Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 - 2007</td>
<td>Order dated 26.09.2008 in Case No. APR-5/07-08 (only relating to transmission)</td>
<td>537.20</td>
</tr>
<tr>
<td>2007 – 2008</td>
<td>Order dated 28.05.2009 in Case No. APR-10/08-09</td>
<td>590.51</td>
</tr>
<tr>
<td>2008 – 2009</td>
<td>Order dated 23.09.2008 in Case No. TP-36/08-09</td>
<td>779.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1906.71</strong></td>
<td></td>
</tr>
</tbody>
</table>

2.12.2 It is observed that as per schedule 5 to the audited accounts, the total value of the gross block of the fixed assets at the beginning of 2008 – 2009 was Rs. 315683.06 lakh. It has also been observed in Schedule 2 to the audited balance sheet as at 31 March 2009 that total reserve of Rs. 1951.24 lakh had so far been created under the head titled as “Reserve for Unforeseen Exigencies- WBERC”. In regard to investment of the amount of the said reserve, the position is not clear from their audited accounts as there is no investment using the proper nomenclature. It may happen that the entire fund of contingency reserve is kept at nationalized bank in the form of fixed deposit as they do not find any
appropriate instrument under section 20 of Indian Trusts Act, 1882 as per provision of the Tariff Regulations. At the end of the year, term deposit with scheduled banks shows Rs. 668.86 lakh. The Commission vide its order dated 14 January 2010 allowed to invest the reserve for unforeseen exigencies or any other reserve as per tariff order from time to time in any nationalized bank as term deposit / fixed deposit if no appropriate instrument is found. In this connection, it is worthy to mention that any interest received from the investment of reserve for unforeseen exigencies should be reinvested and should not be considered as other income. But, it is evident from schedule 15 that interest from bank on fixed deposits is Rs. 391.53 lakh and the matching amount is included in other income. WBSETCL is directed to initiate positive steps to invest the matching amount of the fund already appropriated under the head reserve for unforeseen exigencies in terms of tariff order of this Commission within six months from closing of the books of accounts of that particular year. However, necessary adjustments, subsequent to that in terms of Commission’s order relating to APR for that year, is to be made along with fund to be appropriated in terms of tariff order for the following year under the head reserve for unforeseen exigencies. WBSETCL is also directed to send a compliance report within two months from the date of issue of this order. In case of failure to comply with the provision of the Tariff Regulations in this regard and direction of the Commission, double the amount mentioned above allowed for the purpose may be deducted from the amount of return on equity allowed to WBSETCL for the year 2009 – 2010, during APR of WBSETCL for 2009 – 2010. Income from such investment of reserve for unforeseen exigencies shall be transferred to reserve for unforeseen exigencies and the same is to be reinvested for the said purpose and shall be shown separately in the next application for APR.

2.12.3 As mentioned earlier, the total value of gross block of fixed assets as at the beginning of the year 2008 – 2009 was Rs. 315683.06 lakh. The allowable
amount of annual reserve on this amount @ 0.25% comes to Rs. 789.21 lakh as against Rs. 779.00 lakh considered in the tariff order.

2.13 **Return on Equity:**

2.13.1 It is evident from Schedule 1 (Share Capital) that during the year 2008 – 2009, an amount of Rs. 9152.00 lakh was received on 31.03.2009 as equity participation by Government of West Bengal which has been shown as “Equity Share Suspense Account - Pending Allotment” and the share was allotted on 12.06.09. WBSETCL submitted Government Order No. 64 (Sanction)-PO/P/C-D/1B-27/2008 dated 27 March, 2009 which states that WBSETCL approached the State Government for providing fund to the tune of Rs. 91.52 crore for smooth implementation of residual portion of System Improvement Work under RIDF-IX and R&M of existing transmission system. After careful consideration, the State Government accords sanction of Rs. 91.52 crore to WBSETCL towards equity participation to the capital. In terms of tariff regulation, the said amount of Rs. 9152.00 lakh is considered as equity contributed during the year. Moreover, Rs. 8457.41 lakh, balance of profit available for appropriation, transferred to general reserve has been considered for determination of closing equity base. In aggregate Rs. 17609.41 lakh (Rs. 9152.00 lakh + Rs. 8457.41 lakh) has been considered as actual induction of equity.

2.13.2 It is further evident from Schedule 5 (Fixed Assets) that net addition to fixed assets during the year 2008 – 2009 is Rs. 32637.10 lakh.

2.13.3 The computations of the Equity Base for allowing returns following the methodology specified in Formula 1.20(a) of the Tariff Regulations and the amount of returns are shown hereunder:
Order on APR of WBSETCL for the year 2008-09

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Amount (Rs. in Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Opening of Equity Base</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Share Capital</td>
<td>101400.00</td>
</tr>
<tr>
<td></td>
<td>Free Reserve</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>101400.00</td>
</tr>
<tr>
<td>2</td>
<td>Addition to Equity base during the year</td>
<td>17609.41</td>
</tr>
<tr>
<td>3</td>
<td>Addition to the Fixed Assets during the year</td>
<td>32637.10</td>
</tr>
<tr>
<td>4</td>
<td>Normative addition to Equity 30% of 3</td>
<td>9791.13</td>
</tr>
<tr>
<td>5</td>
<td>Amount to be considered as addition during the year being lower of 2 &amp; 4</td>
<td>9791.13</td>
</tr>
<tr>
<td>6</td>
<td>Allowable Equity Base at the end of year (6 = 1+5)</td>
<td>111191.13</td>
</tr>
<tr>
<td>7</td>
<td>Allowable Average Equity Base (1+6)/2</td>
<td>106295.57</td>
</tr>
<tr>
<td>8</td>
<td>Allowable return @ 14% on 7</td>
<td>14881.38</td>
</tr>
</tbody>
</table>

2.14 **SLDC Charges:**

2.14.1 The SLDC charges for a provision of Rs. 2300.00 lakh towards expenditures and income per contra was kept in the tariff order. However, from the submission of WBSETCL, it is observed that no expenditure on this score has been made and hence, it is not admitted in APR for 2008 – 2009.

2.15 **Write off of Deferred Revenue Expenses:**

2.15.1 As projected by WBSETCL, an amount of Rs. 40.00 lakh was provided in the tariff order for the year 2008 – 2009 towards write-off of company’s preliminary expenses for fees paid to company Law Board for incorporation in installment over 5 years. It had been observed by its auditors that the company changed its earlier policy of writing-off such preliminary expenses in instalments and considered to write-off the entire outstanding balance of Rs. 160.91 lakh in 2008 – 2009 in one go.

2.15.2 The Commission does not consider to allow the write-off in one go and keeps the amount of provisions of Rs. 40.00 lakh in this regard unchanged. WBSETCL being advised to prefer the balance claim of Rs. 120.91 lakh equally in 3 instalments in the APR of the coming years.
2.16 **Incentive for Transmission Licensee:**

2.16.1 In terms of item no. 8 of Schedule – 10 to the Tariff Regulations, WBSETCL, the State Transmission Utility (in short “STU”) is entitled for performance incentive to be computed using the formula provided therein. WBSETCL claimed for an amount of Rs. 69.38 lakh towards such incentive. The computations presented by it in this regard are found in order. The Commission admits the stated amount of Rs. 69.38 lakh for allowing as performance incentive.

2.17 **Charges Payable for Bakreswar Transmission System:**

2.17.1 WBSETCL is operating the associated transmission system constructed by WBPDCL along with the Bakreswar Power Station. WBPDCL is to recover the expenditure incurred by them from WBSETCL in instalments. The amount payable in 2008 – 2009 on this account was Rs. 3446.38 lakh. This amount comprising depreciation, interest on borrowed capital and return on equity is payable by WBSETCL to WBPDCL. The referred amount was provided in the tariff and remained unchanged in APR 2008 – 2009.

2.18 **Charges Payable to Eastern Regional Power Committee:**

2.18.1 The amount of Rs. 14.50 lakh paid towards charges payable to Eastern Regional Power Committee (in short “ERPC”) by WBSETCL for which no provision was considered in ARR for the year 2008 – 2009, is now admitted for reimbursement through APR 2008 – 2009.

2.19 **Charges payable towards ULDC:**

2.19.1 The amount of Rs. 776.33 lakh paid towards charges payable for Unified Load Despatch and Communication System (in short “ULDC”) by WBSETCL for which no provision was considered in ARR for the year 2008 – 2009 but WBSETCL confirmed vide their subsequent memo no. GM(F&A)/Accts/4A/2105 dated 1 March, 2010 that the amount was actually paid to SLDC during the year 2008 – 2009, is now admitted for reimbursement through APR 2008 – 2009.
2.20 Incomes from Non-Tariff Sources:

2.20.1 The incomes derived from other non-tariff sources during the year 2008 – 2009 was Rs. 758.62 lakh as against Rs. 525.00 lakh considered in the tariff order for the concerned year. The actual total amount of income from non-tariff sources is admitted on APR for the year 2008 – 2009. Since, income from investment of unforeseen exigencies is not specified, no adjustment for the same was made from income from non-tariff sources.

2.20.2 However, subsequently, WBSETCL informed that within prior period adjustments, an amount of Rs. 114.55 lakh relates to deposit treated as miscellaneous income in 2007 – 2008 now is reversed back based on C&AG’s report in the accounts for 2007 – 2008. The Commission decides that Rs. 114.55 lakh previously treated as other income in the APR 2007 – 2008 now is adjusted with the income from non-tariff sources of 2008 – 2009 and the net income from non-tariff source after adjustment comes to Rs. 644.07 lakh.

2.21 Income from Scheduling and SLDC Charges:

2.21.1 WBSETCL provided Rs. 2300.71 lakh as income from scheduling and SLDC charges in their books of accounts for 2008 – 2009 in line with AS-9. Subsequently WBSETCL informed vide their Memo No. GM(F&A)/Accts/4A/2105 dated 1 March, 2010 that Rs. 2300.71 lakh includes an amount of Rs. 846.04 lakh not received from the constituents and appearing as sundry debtors. Out of the dues recoverable from the constituents amounting to Rs. 846.04 lakh, WBSETCL has further informed vide their Memo No. GM(F&A)/accts/4A/2120 dated 5 March, 2010 that an amount of Rs. 616.29 lakh is due from WBPDCL and it seems that the same should not be recovered from them. The Commission decides that subsequent to its finalization of mode of recovery of SLDC charges, it will be dealt in line with the concerned regulation and Rs. 616.29 lakh shown as recoverable by WBSETCL from WBPDCL in its books of accounts is no longer
payable by WBPDCL. Hence, this amount should not be treated as income and Rs. 1684.42 lakh may be allowed as income from scheduling and SLDC charges in the APR 2008 – 2009. WBSETCL is directed to communicate to WBPDCL in this regard with an intimation to this Commission forthwith.

2.22 **Treatment of Other Debits:**

2.22.1 It is evident from the Profit and Loss Account of WBSETCL for the year ended 31 March, 2009 that Rs. 16.84 lakh has been charged as other debits, for which WBSETCL has preferred their claims in APR 2008 – 2009. From the subsequent clarification given by WBSETCL vide memo no. GM(F&A)/Accts/4A/2105 dated 1 March, 2010 it is revealed that this amount of Rs. 16.84 lakh shown as other debits in the APR application for 2008 – 2009 pertains to the written off of net residual value of a 31.5 MVA transformer which had burnt out. The Commission is of the view that the outcome of such losses is a result of normal course of business which is a part of O & M expenses and hence not considered in APR 2008 – 2009.

2.23 **Treatment of Net Prior Period Expenditure:**

2.23.1 Out of Rs. 625.01 lakh charged in the account of 2008 – 2009 by WBSETCL relating to prior period adjustment, the Commission decides to allow Rs. 114.55 lakh and Rs. 311.40 lakh towards adjustment with miscellaneous income and guarantee charges payable to Government of West Bengal respectively under concerned heads of expenditure in the APR 2008 – 2009. But, the Commission did not consider the balance amount of Rs. 199.06 lakh relating to operating and administrative expenses of 2007 – 2008 as it is a controllable expenditure and are to be in the account of licensee. WBSETCL has also not preferred any claim for that portion of prior period expenditure.
## ANNEXURE – 2A

Amount in Rs. in Lakh

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>HEAD OF FIXED CHARGES</th>
<th>As Allowed in ARR</th>
<th>As Admitted in APR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employee Cost</td>
<td>7740.00</td>
<td>10819.58</td>
</tr>
<tr>
<td>2</td>
<td>Operation &amp; Maintenance Expenses:</td>
<td>2990.43</td>
<td>2990.43</td>
</tr>
<tr>
<td>3</td>
<td>Interest on Capital borrowings</td>
<td>17242.00</td>
<td>16940.89</td>
</tr>
<tr>
<td>4</td>
<td>Interest on Bonds for employees' Terminal Benefit to</td>
<td>2295.00</td>
<td>2295.00</td>
</tr>
<tr>
<td>5</td>
<td>Interest on Working Capital</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>6</td>
<td>Other Finance Charges</td>
<td>264.00</td>
<td>574.04</td>
</tr>
<tr>
<td>7</td>
<td>Depreciation</td>
<td>10571.00</td>
<td>8975.28</td>
</tr>
<tr>
<td>8</td>
<td>Advance against Depreciation</td>
<td>8566.00</td>
<td>5984.32</td>
</tr>
<tr>
<td>9</td>
<td>Taxes under Income Tax Act</td>
<td>1186.00</td>
<td>2455.92</td>
</tr>
<tr>
<td>10</td>
<td>Returns on Equity</td>
<td>10080.00</td>
<td>14881.38</td>
</tr>
<tr>
<td>11</td>
<td>Incentive for transmission licensee</td>
<td>0.00</td>
<td>69.38</td>
</tr>
<tr>
<td>12</td>
<td>Reserve for Unforeseen Exigencies</td>
<td>779.00</td>
<td>789.21</td>
</tr>
<tr>
<td>13</td>
<td>Charges payable to SLDC</td>
<td>2300.00</td>
<td>0.00</td>
</tr>
<tr>
<td>14</td>
<td>Write off Deferred Revenue Expenses</td>
<td>40.00</td>
<td>40.00</td>
</tr>
<tr>
<td>15</td>
<td>Charges payable to West Bengal Power Development</td>
<td>3446.38</td>
<td>3446.38</td>
</tr>
<tr>
<td>16</td>
<td>Charges payable to ERPC</td>
<td>0.00</td>
<td>14.50</td>
</tr>
<tr>
<td>17</td>
<td>Charges payable to ULDC</td>
<td>0.00</td>
<td>776.33</td>
</tr>
<tr>
<td>18</td>
<td><strong>Gross Revenue Requirement (1 to 17)</strong></td>
<td><strong>67499.81</strong></td>
<td><strong>71052.64</strong></td>
</tr>
<tr>
<td>19</td>
<td>Income from non-tariff sources</td>
<td>525.00</td>
<td>644.07</td>
</tr>
<tr>
<td>20</td>
<td>SLDC (Handling charges)</td>
<td>2300.00</td>
<td>1684.42</td>
</tr>
<tr>
<td>21</td>
<td><strong>Aggregate Revenue Requirement (ARR) (18-19-20)</strong></td>
<td><strong>64674.81</strong></td>
<td><strong>68724.15</strong></td>
</tr>
<tr>
<td>22</td>
<td>Positive Adjustment on APR</td>
<td>4049.34</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td><strong>Total</strong></td>
<td><strong>68724.15</strong></td>
<td><strong>68724.15</strong></td>
</tr>
</tbody>
</table>
CHAPTER – 3

AMOUNT ADJUSTABLE ON
ANNUAL PERFORMANCE REVIEW

3.1 Based on the analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges, the Commission now proceeds to sum up the findings as to ascertain the total amount adjustable on APR for the year 2008 – 2009. Such summarization is given in the statement at Annexure-2A to the previous chapter. In the statement, the figures in respect of expenses / factors being controllable in nature and to the extent applicable as per the Tariff Regulations have been extracted from the order of the Commission determining the amount of ARR for the concerned year. The expenses / elements of fixed charges defined / considered as uncontrollable have been taken after carrying out adjustments under the respective heads as explained in the previous chapter.

3.2 As may be seen in the statement at Annexure-2A to the previous chapter, a positive adjustment for a total amount of Rs. 4049.34 lakh is found necessary in the amount of ARR for the year 2010 – 2011 and that indicates short recovery of charges by WBSETCL from its system users.

3.3 In terms of the Tariff Regulations, the entire amount of such short recovery, i.e. Rs. 4049.34 lakh or a part thereof may be adjusted with the amount of Aggregate Revenue Requirement of WBSETCL for the year 2010 – 2011 or that for any other ensuing year, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of WBSETCL for the year 2010 – 2011.

3.4 WBSETCL is to take a note of this order.

(R. P. SAMADDAR)                    (PURNENDU GUPTA)      (PRASADRANJAN RAY)
MEMBER                MEMBER               CHAIRPERSON

DATED: 26.07.2010