

**IN THE JHARKHAND STATE ELECTRICITY
REGULATORY COMMISSION AT RANCHI**

Case No. 09 of 2018

M/s Tata Steel Limited

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Petitioner

**CORAM: HON'BLE MR. (DR)ARBIND PRASAD, CHAIRPERSON
HON'BLE MR. R.N. SINGH, MEMBER (TECHNICAL)**

For the Petitioner :

Mr.Manish Mishra, Advocate
Mr. A.N.Choudhary, Representative

ORDER

Date-11th September 2018

This review petition has been filed against the Order on True up for FY 2015-16,Annual Performance Review of FY 2016-17,ARR and Tariff for FY 2017-18 for Tata Steel Limited (TSL) issued by JSERC on 18th May, 2018.

Heard the learned counsel for the petitioner. His submission is limited to the extent of re-determination of the employees cost for the Annual Revenue Requirement for the FY 2016-17 and consequent other implications in the said order.

Table 12 on page 29 of the said order provides the break up of O&M expenses for FY 2015-16 and reproduced below:

Table 12 O&M expenses for FY 2015-16 trued up by the Commission (Rs. Cr.)

Particulars	Approved in APR	Submitted by TSL	Approved Now
Employee Costs-TSL	19.18	2.59	2.59
Employee Costs-JUSCO		15.92	15.92
Arrears		6.53	6.53
Employee Expenses	19.18	25.04	25.04
R&M Costs	65.52	30.33	30.33
A&G Costs	20.39	24.05	24.05
Total O&M Expenses	105.09	79.43	79.43

Thus, while truing up the O&M expenses for FY 2015-16, the Commission has approved the following employee costs:

Particulars	Approved Now
Employee Costs- TSL	2.59
Employee Costs- JUSCO	15.92
Arrears	6.53
Employee Expenses	25.04

While approving employees cost for ARR for FY 2016-17 the Commission made the following observations (Page-44).

“6.23 Accordingly, the employee expenses and A&G expenses approved by the Commission is Rs.19.07 Cr and Rs. 24.79 Cr respectively. The projection for employees expenses have been made after excluding payment of arrears during FY 2015-16”.

Thus, while determining the employees cost for FY 2016-17, only two items namely employees cost of Tata Steel Limited (Rs. 2.59 Cr.)and employees cost of JUSCO (Rs.15.92 Cr) from FY 2015-16 were considered and escalated to Rs.19.07 Cr to determine employee cost for FY 2016-17. Arrears of Rs. 6.53 (for period from FY 2012-13 to FY 2015-16) were completely excluded.

Learned counsel for the petitioner submitted that out of arrears of Rs. 6.53 Cr. (for period from FY 2012-13 to FY 2015-16) approved in the True up for FY 2015-16, Rs. 2.03 Cr relates to FY 2015-16 and should have been considered while determining the employee cost for FY 2016-17. The breakup of the arrear amount of Rs. 6.53 Crores was submitted in petition for tariff fixation, and exclusion of the entire amount of arrears from employees cost while determining the employee cost for FY 2016-17 was an error which needs to be corrected. Accordingly, the Commission ought to have considered employee cost for FY 2015-16 as Rs 20.54 Cr i.e. Employee Cost of TSL (Rs. 2.59 Cr)+ Employee Cost of JUSCO (Rs.15.92 Cr)+ Arrears for FY 2015-16 (Rs.2.03 Cr) as base employee cost for the purpose of projecting employee cost of FY 2016-17.

The petitioner has also submitted that the escalation factor should be considered as 4.30% instead of 3.02%.

After careful consideration of the submissions made, we find that there is merit in the argument that arrear of Rs. 2.02 Cr. has to be taken into consideration while determining the employee cost for FY 2016-17. However, there is no merit in the submission of the Petitioner with respect to the change in escalation factor as the same has been determined by the Commission based on the WPI and CPI data for the relevant years in accordance with the Regulations.

Therefore, review is partly allowed by considering the base employee cost for FY 2015-16 as Rs 20.54 Cr. (instead of Rs 18.51 Cr) and escalating this with the inflation factor of 3.02%, the employees cost for the FY 2016-17 is determined as Rs. 21.16 Cr.

The revised tables of the Order are as follows:

Revised Table 28 of the Order: O&M expenses for FY 2016-17 approved by the Commission (Rs Cr)

Particulars	Approved in Order dated 18.05.2018	Approved Now
Employee Expenses	19.07	21.17
R&M Expenses	24.98	24.98
A&G Expenses	24.79	24.79
Total O & M Expenses	68.84	70.93

Revised Table 35 of the Order: Summary of ARR and Revenue Gap for FY 2016-17 (Rs Cr)

Particulars	Approved in Order dated 18.05.2018	Approved Now
1 Power Purchase Cost	1227.67	1227.67
2 Operation & Maintenance Expenses	68.84	70.93
3 Depreciation	33.80	33.80
4 Interest and Finance Charges	34.97	35.00
a Interest on Loan	15.09	15.09
b Interest on Security Deposits	1.26	1.26
c Interest on Working Capital	18.62	18.65
5 Sub Total (1 to 4)	1365.28	1367.39
6 Add: Return on Equity	21.83	21.83
7 Less: Non-Tariff Income	5.86	5.86
9 Aggregate Revenue Requirement (5+6-7+8)	1381.25	1383.37
10 Less: Revenue from Sale of Power @ Existing Tariff	1528.09	1528.09
11 Revenue Gap / (Surplus) (9-10)	(146.83)	(144.72)

Revised Table 39 of the Order: O&M expenses for FY 2017-18 approved by the Commission (Rs Cr)

Particulars	Approved in Order dated 18.05.2018	Approved Now
Employee Expenses	19.65	21.81
R&M Expenses	25.21	25.21
A&G Expenses	25.54	25.54
Total O & M Expenses	70.41	72.56

Revised Table 47 of the Order: Summary of ARR and Revenue Gap for FY 2017-18 (Rs Cr)

	Particulars	Approved in Order dated 18.05.2018	Approved Now
1	Power Purchase Cost	1265.55	1265.55
2	Operation & Maintenance Expenses	70.41	72.56
3	Depreciation	29.83	29.83
4	Interest and Finance Charges	28.51	28.58
a	<i>Interest on Loan</i>	11.87	11.87
b	<i>Interest on Security Deposits</i>	1.85	1.85
c	<i>Interest on Working Capital</i>	14.80	14.86
5	Sub Total (1 to 4)	1394.30	1396.52
6	Add: Return on Equity	22.18	22.18
7	Less: Non-Tariff Income	5.86	5.86
9	Aggregate Revenue Requirement (5+6-7+8)	1410.62	1412.84
10	Less: Revenue from Sale of Power @ Existing Tariff	1872.52	1872.52
11	Revenue Gap / (Surplus) (9-10)	(461.90)	(459.67)

The case is accordingly, disposed of in the above terms.

Sd/-
(R.N.Singh)
Member (Tech.)

Sd/-
(Arbind Prasad)
Chairperson