

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

Case No. 05 of 2019

Jharkhand Urja Sancharan Nigam Limited (JUSNL)..... Petitioner

Versus

Jharkhand Bijli Vitran Nigam Limited (JBVNL)..... Respondent

QUORAM: **SHRI R.N. SINGH, MEMBER (ENGINEERING)**

SHRI P.K. SINGH, MEMBER (LEGAL)

For the Petitioner : Mr. Awadesh Kr.Singh, Mr. R.K.Agarwal and Mr. Ashish Mittal-Representative-JUSNL

For the Respondent : Mr. Sachin Kumar, Advocate, and Mr. Rishi Nandan-JBVNL

ORDER

Date-3rd December, 2020

This is a Review Petition filed by the Petitioner-JUSNL for review of order dated 01.02.2019. I have joined the Commission on 3rd June, 2019; hence impugned order was not passed by me. In the course of discussion with Brother Member, it was felt that the impugned order may require some modification. In view of specific provision under Order XLVII Rule 5, I have not participated in passing order of Review/modification in the impugned order.

Sd/-
(Pravas Kumar Singh)
Member (Legal)

1. This Review Petition has been filed by Jharkhand Urja Sancharan Nigam Limited (hereinafter referred to as 'JUSNL' or 'Petitioner') on 28.03.2019 under the JSERC (Conduct of Business) Regulation 2010 for review of the Order dated 01.02.2019 regarding True up for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15 by the Jharkhand State Electricity Regulatory Commission (hereinafter referred to as 'JSERC' or the 'Commission'). The Petitioner in its Review Petition has prayed for the following: -
 - i. Admit the Review Petition for Review of the Hon'ble Commission's Order on the Petitioner's True Up Petition for FY 2013-14 and FY 2014-15
 - ii. Grant an expeditious hearing of the Review Petition.
 - iii. Approve the True Up for FY 2013-14 and FY 2014-15 as submitted by the Petitioner in the Review Petition.
 - iv. Approve and allow a cumulative revenue gap of Rs, Rs. 202.80 Cr. for FY 2013-14 and FY 2014-15 along with carrying cost till FY 2017-18 in the subsequent Tariff Order to be issued by the Hon'ble Commission for JUSNL
 - v. Issue appropriate directives for making applicable the Tariff determined for the past period.
 - vi. Condone any inadvertent omissions/ errors/ rounding off differences/ shortcomings/ deficiencies in the review petition and permit the Petitioner to add/modify/alter this filling and make further submissions as may be required at a future date.

- vii. Pass such further and other orders, as the Hon’ble Commission may deem fit and appropriate, keeping in view of the facts and circumstances of the case.

Issues submitted by the Petitioner

CWIP & Capital expenditure during the year

2. The Petitioner submitted that the Commission has taken the opening balance of CWIP as on 6th January 2014 as per the audited accounts for FY 2013-14. However, thereafter the Commission for FY 2013-14 and FY 2014-15 has not allowed any capital expenditure during the two years and thereby in turn not allowed any increase in capital work in progress. This has led to the closing CWIP figures for FY 2013-14 and FY 2014-15 being the same as the opening figures as on 6th January 2014 which is incorrect and not reflective of the actual scenario.
3. The Petitioner further submitted that CWIP considered in the true-up petition submitted was not correct as the CWIP in the audited accounts is accumulative of the four items as mentioned below:
 - i. Capital works in progress (detailed under Note no. 11 and Note no. 13 in audited account of FY 2013-14 & FY 2014-15 respectively)
 - ii. Long term loans and advances under the sub-item “Capital Advances” (detailed under Note no. 14 and Note no. 15 in audited account of FY 2013-14 & FY 2014-15 respectively)
 - iii. Short term loan and advance under sub-item “Advance to suppliers” (detailed under Note no. 19 and Note no. 21 in audited account of FY 2013-14 & FY 2014-15 respectively)
 - iv. Inventories under the sub-item- “Stock of materials at construction site (capital)” (detailed under note no. 16 and note no. 18 in audited account of FY 2013-14 & FY 2014-15 respectively).
4. The opening CWIP as on 6th January 2014 i.e. Rs. 779.21 Crore (which is also the corresponding number as per the Transfer scheme) when calculated in line with four items mentioned above, while the corresponding figure of only CWIP as per accounts is Rs. 482.01 Crore only. Due to this, the Petitioner had also wrongly submitted the same in the Petition.
5. This incomplete capturing of CWIP under the line item “CWIP” in the Accounts has led to the same being “under-submitted” in the True-up Petition by the Petitioner. The Petitioner has re-submitted the correct CWIP in this Review Petition as shown below and requested the Commission to revise the CWIP for FY 2013-14 & FY 2014-15 based on the details submitted in the review petition.
6. The Petitioner added that opening CWIP (as on 6th January 2014) is restored to Rs. 779.21 Crore is in line with Transfer Scheme and Balance Sheet of the Petitioner.

Table 1 Capital Work in Progress (CWIP) for FY 2013-14 & FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars (Rs. Crore)	FY 2013-14		FY 2014-15	
	Submitted in True-up Petition	Current Plea in the Review Petition	Submitted in True-up Petition	Current Plea in the Review Petition
Opening CWIP				
Capital Work in Progress	482.01	482.01	484.55	484.55
Capital Advances	0	297.2	0	297.2
Advances to Suppliers	0	0	0	1.59
Stock of Materials (Capital)	0	0	0	21.98
Total Opening CWIP	482.01	779.21	484.55	805.32
Capital Expenditure During the Year	3.94	27.51	401.2	790.45
Less: Asset Capitalized during the Year	1.4	1.4	557.17	557.17

Particulars (Rs. Crore)	FY 2013-14		FY 2014-15	
	Submitted in True-up Petition	Current Plea in the Review Petition	Submitted in True-up Petition	Current Plea in the Review Petition
Closing CWIP	484.55	805.32	328.58	1038.60

7. The Petitioner has submitted that against the Rs. 557.17 Crore of capitalization for FY 2014-15, it had submitted scheme wise details of Rs. 545.70 Crore. Further, the schemes were transferred to the Petitioner as part of “CWIP” for the year FY 2013-14 by the Transfer Scheme. Further, the Petitioner in the immediate corresponding year i.e. FY 2014-15 capitalized the schemes in its Audited Accounts and submitted it to the Commission for the True Up.
8. The Petitioner also submitted that all the Schemes submitted are under different heads for capitalization and are not part of any planning exercise as they were executed as per order of the Government of Jharkhand before the formation of JUSNL and were directed to improve the infrastructure of the state at that point. Further any previous loans taken to implement these schemes have been taken over by the Government of Jharkhand and the corresponding amount has been reflected as “Equity” in Transfer Scheme.
9. Considering the above reasoning and facts submitted before the Commission, the Petitioner revised the figures for GFA and Asset Capitalized and submitted the same for review

Table 2: Gross Fixed Asset for FY 2013-14 & FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars (Rs. Cr.)	2013-14			2014-15		
	As per True Up Petition	Approved in the Order	Plea in the Review Petition	As per True Up Petition	Approved in the Order	Plea in the Review Petition
Opening GFA	507.97	507.97	507.97	509.37	509.37	509.37
Assets Capitalised	1.40	0.00	1.40	557.17	0.00	557.17
Closing GFA	509.37	507.98	509.37	1066.54	509.37	1066.54

Operation & Maintenance expenses

10. The Petitioner submitted that the Commission in Para 5.24 of True-up Order dated 01.02.2019 mentioned that:-

“The Commission has now approved the actual R&M expenses of the JUSNL for FY 2013-14 6th Jan’14 to 31st Mar’14) and FY 2014-15 as per the audited annual accounts for respective years.”

11. The Petitioner has submitted that the Commission has approved R&M Expenses, which is at variance with the number as per the Audited Account. The Petitioner requested the Commission to approve the R&M Expenses as per the stance taken by the Commission in True-up Order dated 01.02.2019.

Table 3: O&M for FY 2013-14 & FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars	2013-14			2014-15		
	As per True Up Petition	Approved in the Order	Plea in the Review Petition	As per True Up Petition	Approved in the Order	Plea in the Review Petition
Employee Expenses	12.33	12.33	12.33	38.01	38.01	38.01
A&G Expenses	1.48	1.48	1.48	5.58	5.58	5.58
R&M Expenses	20.12	2.76	20.12	28.35	11.84	28.35
Total O&M Expenses	33.93	16.57	33.93	71.94	55.43	71.94

Depreciation

12. The Petitioner submitted that the depreciation is claimed as per Audited Accounts which were prepared as per rates prescribed in JSERC (Terms & Conditions for Determination of Transmission Tariff) Regulation 2010. The Petitioner further added that the Commission in the order dated 01.02.2019 stated that it has considered JSERC (Terms & Conditions for Determination of Transmission Tariff) Regulation 2010 while approving the depreciation. However, the depreciation claimed and approved is at variance. In absence of the detail calculations and working behind the approved number, the Petitioner submitted that it is of the opinion that disallowance of the capitalization of assets during the two years may have led to this difference.
13. Considering the detail available, the Petitioner requested the Hon'ble Commission to kindly approve the depreciation Costs as submitted in the review petition.

Table 4 Depreciation for FY 2013-14 & FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars	2013-14			2014-15		
	As per True Up Petition	Approved in the Order	Plea in the Review Petition	As per True Up Petition	Approved in the Order	Plea in the Review Petition
Depreciation	6.15	8.25	6.15	55.18	35.47	55.18

Interest & Finance Charges

14. The Petitioner stated that it had submitted Interest and Finance Charges expenses in the True-up Petition as per Audited Annual Accounts, however, the Commission in the Order dated 01.02.2019 computed the same on the normative basis (para 5.34 of the Order).

“The Commission has considered opening balance of normative loan as 70% of opening GFA as per audited accounts and Transfer scheme for FY 2013-14.”

15. The Petitioner requested the Commission to duly recognize the assets capitalized for the respective years for calculation of Interest on Working Capital as shown below.

Table 5 I&FC for FY 2013-14 and FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars	2013-14			2014-15		
	Order	70% of opening GFA of FY 2013-14	Plea in the Review Petition	Order	70% of opening GFA of FY 2014-15	Plea in the Review Petition
Opening Balance	167.9	355.59	355.59	159.65	347.34	350.42
Addition (70% of the Assets Capitalised)	0	0	0.98	0	0	390.02
Repayment (As per the Depreciation Allowed/Considered)	8.25	8.25	6.15	35.47	35.47	55.18
Closing Balance	159.65	347.34	350.42	124.181	311.87	685.26
Average Loan Balance	163.77	351.47	353.01	141.91	329.6	517.84
Weighted Average Interest Rate	13%	13%	13%	13%	13%	13%
Interest	4.96	10.64	10.69	18.45	42.85	67.32

Return on Equity

16. The Petitioner has submitted that the computation of Return on equity on normative basis shall also entail 30% of gross fixed addition as addition to equity for computation of Return on Equity. The Petitioner has requested to review the allowance under this cost item in the order and approve as per below table.

Table 6 Return on Equity for FY 2013-14 and FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars	FY 2013-14		FY 2014-15	
	Order	Plea in the Review Petition	Order	Plea in the Review Petition
Equity-Opening Balance	152.39	152.39	152.39	152.81
Equity -Addition (30% of Asset Capitalised)	0	0.42	0	167.16
Equity Closing Balance	152.39	152.81	152.39	319.97
Average Equity Balance	152.39	152.6	152.39	236.39
Return on Equity @ 15.50%	23.62	23.65	23.62	36.64
Applicable Return on Equity	5.50	5.51	23.62	23.62

Interest on Working Capital

17. The Petitioner has submitted that the basis of computation of these expenses in the True-up Petition is same as adopted by the Commission in its Order dated 01.02.2019 and interest rate is considered as Prime Lending Rate of SBI applicable on 01st April of the relevant Financial Year. The Petitioner further submitted that Minor variation is observed in Interest on Working Capital in the True up Petition and Review Petition is due to the change in values of other components of ARR.

18. The Petitioner requested the Commission to revise the Interest on Working Capital as per table mentioned below.

Table 7 IoWC for FY 2013-14 & FY 2014-15 submitted by Petitioner (Rs.Cr.)

Particulars	2013-14			2014-15		
	As per True Up Petition	Approved in the Order	Plea in the Review Petition	As per True Up Petition	Approved in the Order	Plea in the Review Petition
1-Month O&M expenses	11.82	5.93	12.37	6	4.62	6.11
Maintenance Spares @15% of O&M	21.28	10.67	21.85	10.79	8.31	10.79
2-Months Receivables	40.26	24.45	40.29	43.47	22.6	39.46
Total Working Capital	73.36	41.05	74.52	60.27	35.53	56.36
Interest on Working Capital	14.45%	14.45%	14.45%	14.75%	14.75%	14.75%
Interest on Working Capital	10.6	5.93	10.77	8.89	5.24	8.31
Interest on Working Capital for Applicable period	2.47	1.38	2.51	8.89	5.24	8.31

Non-Tariff Income (NTI)

19. The Petitioner has submitted that they accept the allowance of NTI as approved by the Commission of Rs. 2.49 Crore and Rs. 7.75 Crore for the FY 2013-14 and FY 2014-15 respectively in its Order dated 01.02.2019.

Prior Period Expenses

20. The Petitioner has submitted that they accept the allowance of Prior Period Expenses of Rs. 2.49 Crore and Rs. 5.12 Crore as approved by the Commission for FY 2013-14 and FY 2014-15 respectively.

Approve and allow a cumulative revenue gap of Rs. 202.80 Cr. for FY 2013-14 and FY 2014-15 along with carrying cost till FY 2017-18

21. The Petitioner has submitted that on the basis submission made in the Review Petition, the revenue gap/(surplus) for FY 2013-14 and FY 2014-15 has been recalculated as shown below and requested the Commission to consider the same, based on the above facts and submission made by the Petitioner in the Review Petition.

Table 8 ARR and Revenue Gap for FY 2013-14 and FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars	2013-14			2014-15		
	As per True-up Petition	Approved in the Order	Plea in the Review Petition	As per True-up Petition	Approved in the Order	Plea in the Review Petition
O&M Cost	33.93	16.57	33.93	71.94	55.43	71.94
Employee Cost	12.33	12.33	12.33	38.01	38.01	38.01
A&G Cost	1.48	1.48	1.48	5.58	5.58	5.58
R&M Cost	20.12	2.76	20.12	28.35	11.84	28.35
Depreciation	6.15	8.25	6.15	55.18	35.47	55.18
Interest & Finance Charge	0.27	4.96	10.69	17.1	18.45	67.32
Return on Equity	17.55	5.5	5.51	150.7	23.62	36.64
Interest on WC	2.47	1.38	2.51	8.89	5.24	8.31
Prior Period Expenses	0	0	0	6.63	5.12	5.12
ARR	60.37	36.66	58.79	310.44	143.33	244.51
Less Non-Tariff Income	1.98	2.49	2.49	5.89	7.75	7.75
Net ARR	58.39	34.17	56.3	304.55	135.58	236.76
Revenue at existing Tariff	31.4	31.4	31.4	138.53	138.53	138.53
Gap (Surplus)	26.99	2.77	24.9	166.02	2.96	98.23

22. On the basis of revenue gap/(surplus) for FY 2013-14 and FY 2014-15, the Petitioner recalculated the cumulative revenue gap till FY 2017-18 and requested the Commission to allow the revenue gap including carrying cost as shown below.

Table 9 Cumulative revenue gap with carrying cost for FY 2013-14 and FY 2014-15 submitted by the Petitioner (Rs. Cr.)

Particulars	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Opening Balance	0	26.7	136.11	156.19	178.13
Addition of Revenue Gap/(Surplus)	24.9	98.23	0	0	0
Closing Balance	24.9	124.93	136.11	156.19	178.13
Average	12.45	75.81	136.11	156.19	178.13
SBI PLR	14.45%	14.75%	14.75%	14.05%	13.85%
Carrying Cost	1.8	11.18	20.08	21.94	24.67
Total Gap/Surplus Including Carrying Cost	26.7	136.11	156.19	178.13	202.80

Respondent's submission

23. The respondent (JBVNL) vide its letter dated 17.06.2019 submitted its response on the Review Petition as mentioned below:

- i. **Capital Works in Progress (CWIP):**As per generally accepted accounting standard, loans, and advances under sub-items, capital advances and advances to suppliers and stocks of material at capital site are considered part of CWIP, therefore the contention of Petitioner regarding calculation of CWIP may be considered by the Commission.
- ii. **Gross Fixed Asset (GFA):** The Respondent replied that the schemes submitted before the Commission for approval are prior to start of the control period under which it has sought capitalization. As per clause 5.4 of the of JSERC (Term and Condition for determination Transmission Tariff) Regulation, 2010, the control period shall commence from April 01, 2013. However, the details of scheme under which capitalization have been sought, were submitted by the Petitioner vide letters dated October 15, 2018 and November 21, 2018 only after filling of True -up Petition for FY 2013-14 and FY 2014-15 and that too after the directive of the

Commission. This is against the procedure laid out in JSERC (Term and Condition for determination Transmission Tariff) Regulation, 2010.

- iii. **Operation & Maintenance Expenses (O&M):**The Respondent submitted that as per Clause 7.36 (a) of JSERC (Term and Condition for determination Transmission Tariff) Regulation, 2010:-

$$R\&M_n = K * GFA$$

The Commission has approved the R&M Expenses in accordance to JSERC (Term and Condition for determination Transmission Tariff) Regulation, 2010, hence, there is no ground to revisit the same.

Petitioner's rejoinder

24. The Petitioner in its rejoinder dated 02.07.2019 submitted that as per the Clause 6.3 (a) of the Regulations, "Business Plan" for the Control period (FY 2013-14 to FY 2015-16) was to be submitted by the Petitioner before the commencement of the control period. This implies that as per the Regulations, any capital investment under any new scheme which the Petitioner would have planned to undertake from FY 2013-14 onwards would have to be approved by the Hon'ble Commission as the part of the Petitioner's Business Plan. The Petitioner therefore submitted that it is amply clear that these regulations do not apply for the works/projects which had already been undertaken by Petitioner which happens to be the case with regards to projects for which capitalization has been sought. The Petitioner submitted that the Hon'ble Commission has itself in its true up Order dated 01.02.2019, for which the Review Petition has been filed observed that:-

"The Commission has reviewed the schemes submitted and observed that most of the schemes were commissioned prior in the period from 2009 to 2013."

The Petitioner submitted that it is an agreed position that these schemes were either completed before the start of the Control Period (1st April 2013) or nearing completion at that point of time. Hence under no scenario it can be assumed that the scheme was under planning stage during the Control Period and hence should have been submitted to the Hon'ble Commission as part of the Business Plan for the First Control Period (FY 2013-14 to 2015-16).

25. The Petitioner further added that they had submitted the Business Plan in October 2012 as part of "JSEB-Transmission Business". However, due to lack of quorum in Commission the Petition was not processed.
26. Further, the Petitioner submitted that the Gross Fixed Assets as on 6th January 2014 as per the Transfer Scheme was same as mentioned in JSEB's balance sheet (GFA for Transmission Business) as on 5th January 2014 which were not reflective of the actual scenario as there happened to be assets which were commissioned but not capitalized and were lying under CWIP. The Petitioner submitted that it had capitalized majority of these assets during FY 2014-15 which was the first full financial year post incorporation of the company. Most of the assets actually lying under CWIP at the time of formation of JUSNL (6th Jan 2014) were assets ready for capitalization.
27. The petitioner submitted that there is no ground for not allowing the capitalization as sought in the True-up Petition and Review Petition and requested the Commission to kindly approve the same in addition to R&M Expenses as per audited Figures.

Respondent's Submission:

28. The Respondent in its reply to the rejoinder dated 02.07.2019 submitted that as per Clause 6.8 of JSERC (Term and Condition for determination Transmission Tariff) Regulation, 2010

“Capital investment plan submitted by the Licensee shall also provide details of ongoing projects that will spill into the Control Period and new projects that will commence during the control period but may extended beyond the control period.”

In accordance with the said Clause of the Regulation, scheme which are already under execution and expected to be capitalized in the Control Period should form Part of Business Plan. In light of the new facts placed by the Petitioner before the Commission, the Commission may pass suitable order for GFA, keeping in view original Business Petition filed by the Petitioner.

Commission’s finding:

GFA, Capitalization and CWIP

29. The Petitioner submitted the actual capital expenditure and capitalization that it has incurred as per the books of accounts for truing up of expenses for FY 2013-14 and FY 2014-15 and requested the Commission to approve the same.
30. In the previous order dated 14th December 2015 for the review of ARR for FY 2013-14 (6th January 2014 to 31st March 2014) and FY 2014-15, the Commission had provisionally approved the capital expenditure and capitalization details in the absence of audited accounts, due to non-submission of scheme-wise details of actual capital expenditure and capitalization for FY 2013-14 and FY 2014-15 and non-submission of DPRs of the schemes to be undertaken and details of funding secured for the execution of the schemes.
31. In the order dated 01st February 2019 also, the Commission had directed the petitioner to submit scheme wise capitalization and capital expenditure for FY 2013-14 and FY 2014-15. The Petitioner initially had submitted Rs. 557.17 Crore as capitalization for FY 2014-15 but after Commission’s directive to submit asset wise capitalization, the Petitioner submitted capitalization details of assets vide letter 313 dated 15th October 2018 and letter 349 dated 21st November 2018 amounting to Rs. 545.70 Cr. The Commission during the preparation of the order, had reviewed the schemes submitted and observed that most of the schemes were commissioned in the period from 2009 to 2013. The schemes were capitalized in FY 2014-15 and were submitted to the Commission in the Petition. Hence the Commission was of the opinion that all the schemes which have been submitted for capitalization now and schemes wherein expenditure has been incurred in the past were not part of any planning exercise and prior approval of the Commission which were supposed to have been under taken, was not taken. Also, most of the assets were commissioned in the period from 2007 onwards. The erstwhile JSEB should have capitalized these assets and it would have been considered in tariff. In view of the same, the Commission has not allowed the capital expenditure and capitalization submitted by the Petitioner for the period FY 2013-14 (6th Jan – 31st Mar) to FY 2014-15 in the order dated 01st February 2019.
32. The Commission had also observed that the Petitioner had not taken any approval of business plan for the period concerned. The Petitioner contended in its reply in review petition that the Business plan was submitted in January 2013, but it was not approved due to absence of quorum of Commission.
33. It is important to note the following as mentioned in the Provisional tariff order for review of ARR for FY 2013-14 (6th January 2014 to 31st March 2014) & FY 2014-15 and ARR and Transmission Tariff for FY 2015-16 for Jharkhand Urja Sancharan Nigam Ltd (JUSNL)

“2.8 Once the quorum of the Commission was complete, the Commission directed the Petitioner to revise and re-submit the Business Plan and the ARR and MYT Petition for the first MYT Control Period from FY 2013-14 to FY 2015-16 as the FY 2013-14 was almost complete by that time. However, the erstwhile JSEB only filed an addendum to the MYT Petition submitted in January 2013 and also failed to submit the revised Business Plan. During the course of scrutiny of the addendum to the MYT Petition submitted by the erstwhile JSEB, numerous deficiencies were observed which the Commission communicated to the erstwhile JSEB on several occasions. However, the Petitioner failed to submit its replies to the discrepancies/ additional information sought by the Commission despite repeated reminders. Meanwhile, during the public hearings conducted by the Commission on the Petition and the addendum filed by the erstwhile JSEB, various objections were raised by the stakeholders against the Petition wherein it was highlighted that in the absence of revised Business Plan and due to numerous discrepancies in the addendum to the MYT Petition for which the Petitioner had failed to provide any justification/ additional information as sought by the Commission, the Petition ought to be rejected. Thus, in light of the above, the Petition could not be considered on merit by the Commission.

2.9 Subsequently, JUSNL, the successor company responsible for undertaking the transmission business of erstwhile JSEB came into existence on 6th January 2014. The last quarter of FY 2013-14 comes under the purview of the transfer scheme while the first three quarters of the year come under the purview of the erstwhile JSEB. Accordingly, the Petitioner has now filed the Petition for Review of ARR for FY 2013-14 (for the period 6th January 2014 to 31st March 2014), Review for FY 2014-15 and determination of ARR and transmission tariff for FY 2015-16 on 26th February 2015. As the proceedings on the Petition filed by the successor company to erstwhile JSEB i.e. JUSNL was initiated, the MYT Petition and addendum filed by the erstwhile JSEB was ultimately withdrawn which was allowed by order dated 11th March 2015.”

34. As can be observed, the contention of the Petitioner that business plan was not reviewed due to non-availability of quorum is not true. The petition submitted was rejected as it had deficiencies and it could not be considered on merit. Subsequently it was withdrawn.
35. The Petitioner in the review Petition contended that the schemes being referred to were transferred to it as part of CWIP for the year FY 2013-14 by the Transfer scheme and the Petitioner capitalized the commissioned projects in FY 2014-15 (first full year for JUSNL). After capitalization and audit of the accounts, the petitioner submitted the capitalization and CWIP details before the Commission.
36. The Commission has reviewed the details of the schemes capitalized and CWIP details submitted. It is observed that most of the schemes were undertaken in the erstwhile JSEB period and some of these lines were critical for supplying electricity to the Ranchi city itself. Even though the assets were commissioned and were in operation, the same were not capitalized by JSEB. During the transfer scheme, the same was passed on to JUSNL as CWIP. It is important to note that JSEB being the board would have executed the projects considering the on-ground infrastructure requirement of the State.
37. The Commission reviewed the details and figures submitted along with the transfer scheme and as part of the review petition. Also, senior officials of JUSNL has submitted in affidavit dated 05th October’ 20 before the Commission starting the following

“5. That it is humbly and respectfully submits that the figures submitted by JUSNL in the review petition w.r.t GFA and CWIP are in accordance with the Final Transfer Scheme of Govt. of Jharkhand. The Transfer scheme had approved (as on 06th Jan 2014), GFA and CWIP of Rs. 507. 97 Cr and Rs. 779.21 Cr for JUSNL. The same have been considered as the respective opening balances for FY 2013-14 by JUSNL in the review petition.

6. That it is humbly and Respectfully submits that the assets proposed to be capitalized during FY 2013-14 and FY 2014-15 have never been capitalized earlier and are currently under full usage and unavoidable for power supply to a vast area of Jharkhand including the state capital.

7. That it is humbly, and respect fully submitted that the schemes which are considered under CWIP in their view petition were finalized at the time of JSEB.”

38. The Commission after analyzing the data submitted and after considering the complete information, is of the view that the assets were part of critical infrastructure for many districts in the state and specially for supplying electricity to Ranchi city. The assets were commissioned but there was delay in capitalizing the same. The same has been capitalized now. Based on the data submitted along with details, the Commission is considering the CWIP and Capex details as submitted by JUSNL. The capitalization has been approved as per the details of assets submitted by JUSNL

Table 10: Revised CWIP as approved by the Commission (Rs. Cr.)

Particulars	FY 2013-14	FY 2014-15
CWIP		
Capital work in progress	482.01	484.55
Capital advances	297.20	297.20
Advances to suppliers	0.00	1.59
Stock of materials at site	0.00	21.98
Total opening CWIP	779.21	805.32
Capital Expenditure during the year	27.51	790.45
Less: Asset Capitalized approved by Commission	1.40	545.70*
Closing CWIP	805.32	1050.07

*As per details submitted by JUSNL

Table 11: Revised GFA as approved by the Commission (Rs. Cr.)

Particulars	FY 2013-14	FY 2014-15
Opening Gross Fixed Assets (GFA)	507.98	509.38
Addition in GFA	1.40	545.70
Closing GFA	509.38	1055.08

39. The assets of Rs. 11.57 Cr (difference of Rs. 557.17 Cr as submitted by Petitioner and Rs. 545.70 Cr) has been disallowed for FY 2014-15. Due to non-submission of any details, the Commission is unable to review the same.

O&M expenses

40. The Commission has observed that the actual R&M expenses claimed in Audited Account for FY 2013-14 (from 6th Jan 2014) is very high as compared to the previous order dated April 27th, 2018 in which R&M approved value for JSEB’s Transmission Business is Rs. 13.58 Crore for FY 2013-14 (till 5th Jan 2014). The Petitioner has submitted R&M expenses for 85 days of FY 2013-14 as Rs 20.12 Cr. while for FY 2014-15 it corresponds to Rs 28.35 Cr. The Statutory auditor of the petitioner in its statutory audit report has noted that there has been abnormal increase in R&M expenses from 1st notification and 2nd notification in JSEB accounts.

41. The Commission is not approving the revised R&M as submitted by the Petitioner. Due to change in FY 2014-15 in GFA, the revised R&M is as given below:

Table 12: Revised R&M cost as approved by the Commission (Rs. Cr.)

Particulars	FY 2013-14	FY 2014-15
R&M expenses	2.76	11.87

Table 13: Revised O&M cost as approved by the Commission (Rs Cr)

Particulars	FY 2013-14	FY 2014-15
Employee expenses	11.68	35.26
Terminal Benefits	0.65	2.75
A&G expenses	1.48	5.58
R&M expenses	2.76	11.87
Total Operations and Maintenance Cost	16.57	55.46

Depreciation

42. In the Review Petition, the Petitioner submitted that the depreciation shall also undergo change due to addition in GFA. The Commission has re-checked all the details submitted and has re-worked the depreciation as per the rates given in the JSERC Transmission Tariff Regulations 2020. The table 18 in order dated 01st February 2019 is revised as below.

Table 14: Revised depreciation as approved by the Commission (Rs Cr)

Particulars	FY 2013-14	FY 2014-15
Depreciation	6.16*	55.24

**Apportioned for 85 days*

43. For future petitions, the petitioner is requested to submit asset wise details (not asset category wise) so that individual depreciation of assets can be worked in detail by the Commission.

Interest and Finance charges

44. The Commission has worked out the normative loan opening as on 06th January' 14 as per Regulation 7.16 of the JSERC Tariff Regulations 2010. The revised interest and finance charges as approved by the Commission is as follows:

Table 15: Revised Interest & finance charges as approved by the Commission (Rs. Cr.)

Particulars (Rs. Cr.)	FY 2013-14	FY 2014-15
Opening Balance of Loan	167.89	162.72
Additions during the year	0.98	381.99
Repayments during the year	6.16	55.24
Closing Balance of Loan	162.72	489.47
Average Loan balance	165.31	326.09

<i>Weighted Average Interest Rate</i>	13%	13%
Interest on Loan	5.00*	42.39

*Apportioned for 85 days

Return on equity

45. The revised figures of RoE as approved by the Commission as given below:

Table 16: Revised approved Return on equity as approved by the Commission (Rs. Cr)

Particulars	FY 2013-14	FY 2014-15
Opening Balance of Equity	152.39	152.81
Additions during the year	0.42	163.71
Closing Balance of Equity	152.81	316.52
Average Equity Balance	152.60	234.67
Return on Equity @ 15.50%	23.62	36.37
Applicable Return on Equity	5.51*	36.37

*Apportioned for 85 days

Interest on working capital

46. The revised interest on working capital as approved by the Commission is as given below

Table 17: Revised Interest on Working Capital as approved by the Commission (Rs Cr)

Particulars	FY 2013-14	FY 2014-15
O&M Expenses for one Month	5.93	4.62
15% of O&M expense as Maintenance Spares	10.67	8.32
2 months receivables of Annual Fixed Charges	22.96	32.25
Total Working Capital	39.56	45.19
Interest on Working Capital (%)	14.45%	14.75%
Interest on Working Capital	5.72	7.28
Interest on Working Capital for Company Period	1.33	6.67

Revised ARR for the True-up of FY 2013-14 (85 days) and FY 2014-15

47. The table no. 31 stands revised as follows

Table 18: Revised Aggregate Revenue Requirement as approved by the Commission (Rs Cr)

Particulars (Rs. Cr.)	FY 2013-14	FY 2014-15
<i>Employee Cost</i>	12.33	38.01
<i>Administrative and General Cost</i>	1.48	5.58
<i>Repairs and Maintenance Cost</i>	2.76	11.87
Operation & Maintenance Expenses	16.57	55.46
Depreciation Expenses	6.16	55.24
Interest and Finance Charges	5.00	42.39

Interest on Working Capital	1.33	6.67
Return on Equity	5.51	36.37
Prior Period expenses	-	5.12
Aggregate Revenue Requirement	34.57	201.25
Less: Non-Tariff Income	2.49	7.75
Net Aggregate Revenue Requirement	32.08	193.50
Revenue at Existing Tariff	31.40	138.53
Revenue Gap/ (Surplus)	0.68	54.97

Cumulative revenue gap as approved by the Commission

48. Revised revenue gap as approved is as given below:

Table 19: Revised Cumulative Revenue Gap as approved by the Commission

Particulars (Rs. Cr.)	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Opening Revenue Gap as on 1st April	-	0.73	59.86	68.69	78.34
Revenue Gap / (Surplus) created during the Year	0.68	54.97	-	-	-
Closing Gap at end of the Year	0.68	55.70	59.86	68.69	78.34
Rate of Interest	14.45%	14.75%	14.75%	14.05%	13.85%
Average gap for the year	0.34	28.21	59.86	68.69	78.34
Carrying cost on gap during the year	0.05	4.16	8.83	9.65	10.85
Total Gap/ (Surplus) including carrying cost	0.73	59.86	68.69	78.34	89.19

49. Accordingly, the Petition is disposed of in terms of the above findings.

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