Jharkhand State Electricity Regulatory Commission

Tariff Order
on
Annual Revenue Requirement
for
Financial Years 2010-11 & 2011-12
and
Determination of Distribution Tariff
for
Financial Year 2012-13
for
Tata Steel Limited (TSL)

Ranchi

June 2012

TABLE OF CONTENTS

List of Abbreviations

Abbreviation	Description
A&G	Administrative and General
ARR	Annual Revenue Requirement
CWIP	Capital Work in Progress
DPS	Delayed Payment Surcharge
DS	Domestic Service
DS HT	Domestic Service High Tension
DVC	Damodar Valley Corporation
FAS	Financial Accounting System
FOR	Forum of Regulators
FY	Financial Year
GFA	Gross Fixed Assets
GoI	Government of India
HT	High Tension
JSERC	Jharkhand State Electricity Regulatory Commission
JUSCO	Jamshedpur Utilities and Services Company Limited
LT	Low Tension
kV	Kilovolt
kVA	Kilovolt-ampere
kW	Kilowatt
kWh	Kilowatt-hour
MMC	Monthly Minimum Charges
MU	Million Units
NTI	Non Tariff Income
O&M	Operations and Maintenance
PLF	Plant Load Factor
PLR	Prime Lending Rate
PPA	Power Purchase Agreement
PBD	Power Business Division
R&M	Repair and Maintenance
RoE	Return on Equity
Rs	Rupees
SAP	System, Application and Production
SBI	State Bank of India
TPCL	Tata Power Company Limited
TPTCL	Tata Power Trading Company Limited
SLM	Straight Line Method
TSL	Tata Steel Limited

A1: INTRODUCTION

Jharkhand State Electricity Regulatory Commission (JSERC)

1.1 The Jharkhand State Electricity Regulatory Commission (herein after referred to as the "JSERC" or "the Commission") was established by the Government of Jharkhand under Section 17 of the Electricity Regulatory Commission Act, 1998 on August 22, 2002. The Commission became operational w.e.f. April 24, 2003. The Electricity Act, 2003 (hereinafter referred to as "the Act" or "EA, 2003") came into force w.e.f. June 10, 2003; and the Commission is now deemed to have been constituted and functioning under the provisions of the Act.

1.2 The Government of Jharkhand vide its notification dated 22.08.2002 defined the functions of JSERC as per Section 22 of the Electricity Regulatory Commission Act, 1998 to be the following, namely:-

(a) to determine the tariff for electricity, wholesale, bulk, grid or retail, as the case may be, in the manner provided in section 29;

(b) to determine the tariff payable for the use of the transmission facilities in the manner provided in Section 29;

(c) to regulate power purchase and procurement process of the transmission utilities and distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution and supply in the State;

(d) to promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.

1.3 With the Electricity Act, 2003 being brought into force, the earlier Electricity Regulatory Commission Act of 1998 stands repealed and the functions of JSERC are now defined as per Section 86 of the Act.

1.4 In accordance with the Act, the JSERC discharges the following functions: -

(a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State;

Provided that where open access has been permitted to a category of consumers under Section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

(b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;

(c) facilitate intra-state transmission and wheeling of electricity;

(d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

(e) promote cogeneration and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee;

(f) adjudicate upon the disputes between the licensees and generating companies; and to refer any dispute for arbitration;

(g) levy fee for the purposes of this Act;

(h) specify State Grid Code consistent with the Grid Code specified under Clause (h) of sub-section (1) of Section 79;

(i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;

(j) fix the trading margin in the intra-state trading of electricity, if considered, necessary;

(k) discharge such other functions as may be assigned to it under this Act.

1.5 The Commission advises the State Government on all or any of the following matters, namely :-

(a) promotion of competition, efficiency and economy in activities of the electricity industry;

(b) promotion of investment in electricity industry;

(c) reorganisation and restructuring of electricity industry in the State;

(d) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by that Government.

1.6 The State Commission ensures transparency while exercising its powers and discharging its functions.

1.7 In discharge of its functions, the State Commission is guided by the National Tariff Policy as brought out by GoI in compliance to Section 3 of the Act. The objectives of the National Tariff Policy are to:

(a) ensure availability of electricity to consumers at reasonable and competitive rates;

(b) ensure financial viability of the sector and attract investments;

(c) promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;

(d) promote competition, efficiency in operations and improvement in quality of supply.

Tata Steel Limited (TSL)

1.8 Tata Steel Limited (hereinafter referred to as 'TSL' or the 'Petitioner'), formerly known as Tata Iron and Steel Company Limited (TISCO), is a company incorporated under the provisions of the Companies Act, 1956. It is distributing electricity in Jamshedpur under the license granted u/s 14 of the Electricity Act 2003.

1.9 The Petitioner has been distributing electricity in Jamshedpur township since 1923 through a sanction/license granted under section 28(1) of the erstwhile Indian Electricity Act, 1910. Post enactment of the EA, 2003, the Petitioner filed an application for a distribution license for Jamshedpur township on December 24, 2003 u/s 15 of the Act. In the absence of the final regulations and in view of the provisions of Section 14, proviso one and Section 172(b) of the Act, JSERC vide order dated March 24, 2004 permitted Tata Steel to continue operating under the provisions of the repealed Act till the time regulations regarding the same were notified by the Commission.

1.10 After notification of the JSERC (Terms and Conditions for Distribution Tariff) Regulation, 2004, action for issue of license for Jamshedpur town was initiated and subsequently the license was issued to Tata Steel Limited (TSL) on January 12, 2006 w.e.f. March 24, 2004.

1.11 The area of the Petitioner is bounded as under:

(a) **North**: River Subarnarekha

(b) **South**: Tracks of South Eastern Railways

(c) **East**: Eastern boundaries of Mouza Jojobera and Nildhand.

(d) **West**: River Kharkai

Scope of the Present Order

1.12 This Order relates to the ARR and Tariff Petition filed by the Petitioner before the Commission for true up for FY 2010-11, revised estimation for FY 2011-12 and determination of ARR & distribution tariff for FY 2012-13. The Order is in accordance with Sections 61, 62 and 64 of the Act and provisions of the JSERC (Terms and Conditions for Distribution Tariff) Regulations, 2004 (hereinafter referred to as 'Distribution Tariff Regulations, 2004') and JSERC (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2010 (hereinafter referred to as 'Distribution Tariff Regulations, 2010')

1.13 While determining tariff for FY 2012-13 for the licensed area of Jamshedpur town under the Petitioner, the Commission has taken into consideration the following:

(a) Provisions of the Electricity Act 2003;

(b) Provisions of the National Electricity Policy;

(c) Provisions of the National Tariff Policy; and

(d) Principles laid down in the 'Distribution Tariff Regulations, 2004'

(e) Principles laid down in the 'Distribution Tariff Regulations, 2010'

A2: PROCEDURAL HISTORY

Background

2.1 The Commission had issued its last Tariff Order for the Petitioner in August, 2011, for True up for FY 2009-10, revised estimation of ARR for FY 2010-11 and determination of ARR & distribution Tariff for FY 2011-12. The Commission had decided not to increase the tariff applicable in the licensed area for FY 2011-12 as the Commission had estimated a net surplus up-till FY 2011-12. Further the Commission had decided not to make any reduction in tariffs and to carry forward the revenue surplus to the next tariff year.

2.2 As per the 'Distribution Tariff Regulations, 2010', the distribution licensees need to file a tariff application for the FY 2012-13 with statements containing the expected revenue from the tariff charges including miscellaneous income and other charges, if any, by November 1st, 2011.

2.3 However, TSL vide its letter No. PBD/336/59/11 dated October 28th, 2011 requested the Commission for extension of time till December 1st, 2011 due to unavailability of audited accounts. The Commission allowed the proposed extension vide its order No. JSERC/Legal/37/2011/550 dated November 9th, 2011. Further, TSL vide its letter No. PBD/393/59/11 dated December 7th, 2011 requested the Commission to allow for extension of time till first week of February 2012 due to notification of Ministry of Power's (MoP) Order dated November 20th, 2011 wherein consumers having load of 1 MW & above are to be treated as open access consumers and have to be kept out of the tariff determination process. The Commission vide its order No. JSERC/Legal/37/2011/628 dated December 9th, 2011 granted the licensee time till February 4th, 2012, provided a status report on treatment of 1 MW and above consumers by submitted to the Commission.

2.4 Accordingly, the Petitioner has filed the present tariff petition on February 4th, 2012 for truing-up of ARR for the FY 2010-11; Review of the ARR for FY 2011-12; and approval of the projected ARR of FY 2012-13 and Determination of Tariff for FY 2012-13 for the Licensed area including consumers having connected load of 1 MW and above.

Information Gaps in the Petition

2.5 During the course of scrutiny of ARR and tariff petition, numerous deficiencies were observed in the tariff petition submitted by the Petitioner. These deficiencies were communicated to the Petitioner vide letter No. JSERC/Legal/37 of 2011/829 dated February 28th, 2012.

2.6 The Petitioner submitted the additional information/data vide its letter Nos. PBD/105/59/12 and PBD/117/59/12 dated March 15th, 2012 and March 27th, 2012, respectively in response to the aforementioned deficiencies and additional data requirements.

2.7 The Commission's representatives also visited Jamshedpur to validate the data and observe the functioning of the distribution system of the Petitioner. The Commission observed further discrepancies in the additional information submitted by the Petitioner and sought further clarifications from the Petitioner vide letter No. JSERC/Legal/37 of 2011/50 dated April 19th, 2012. The Petitioner finally submitted the information vide its letter Nos. PBD/192/59 and PBD/203/59/12 dated April 30th, 2012 and May 4th, 2012, respectively after rectifying several discrepancies identified.

Inviting Public Response

2.8 After the initial scrutiny of ARR Petition filed by the Petitioner, the Commission directed the Petitioner to issue public notice for inviting comments/suggestions from public and to make available copies of the ARR and tariff petition to the general public. The public notice was subsequently issued by the Petitioner in various newspapers, as detailed hereunder:

Table 1: List of newspapers and dates on which the public notice appeared

Newspaper (Jamshedpur Editions)	Date
Telegraph (English)	12th & 13th March 2012
The Avenue Mail (English)	12th & 13th March 2012
Dainik Jagran (Hindi)	12th & 13th March 2012
Prabhat Khabar (Hindi)	12th & 13th March 2012
Dainik Bhaskar (Hindi)	12th & 13th March 2012
New Ispat Mail (Hindi)	12th & 13th March 2012

2.9 A period of 30 (thirty) days was provided for submitting the comments/suggestions. The Commission subsequently issued advertisement on its website www.jserc.org and in various newspapers for conducting the public hearing on the ARR and Tariff filing by the Petitioner for FY 2012-13. The newspapers wherein the advertisement for public hearing was issued by the Commission are detailed hereunder:

Table 2: List of newspapers and dates in which the public notice by JSERC appeared

Newspaper (Jamshedpur Editions)	Date
Hindustan (Hindi)	14.04.2012
Prabhat Khabar	14.04.2012
Sanmarg	14.04.2012
The Pioneer	14.04.2012
Farooqui Tanzeem (Urdu Daily)	14.04.2012
Dainik Jagran	15.04.2012
UditVani	15.04.2012
Ranchi Express	15.04.2012
The Hindustan Times (English)	15.04.2012

Submission of objections and conduct of public hearing

2.10 The public hearing was held on April 15th, 2012 at The Grand, United Club, Boulevard Road, Jamshedpur and many respondents gave their comments and suggestions on the ARR filing by the Petitioner. The comments/suggestions of the public as well as the Petitioner's response to them are detailed in the section dealing with the public consultation process.

2.11 After the Public hearing, the Commission's representatives met the Petitioner at its office to discuss the remaining data/information gaps in the petition. During the meeting, the petitioner clarified its position on certain data gaps including actual power purchase bills, consumer bills, SAP database, etc which had been pointed out by the Commission earlier and also assisted the Commission's representatives in validating the information submitted in the petition.

A3: SUMMARY OF ARR & TARIFF PETITION

Overview

3.1 Tata Steel Limited (TSL) is an integrated steel manufacturing company which is also managing the electricity distribution system in its licensed area, through its wholly owned subsidiary- Jamshedpur Utilities and Service Company Limited (JUSCO), which was earlier a division of Tata Steel Limited. The Petitioner has outsourced the maintenance of power distribution services to Power Business Division (PBD) of JUSCO. The Petitioner submitted that the majority of the operation and maintenance activities related to the power distribution are carried out by the PBD and the costs of these activities are charged by JUSCO to the Petitioner.

3.2 The present petition for FY 2012-13 contains:

(a) True-up of ARR for FY 2010-11 based upon the audited accounts;

(b) Revised estimation of components of ARR for FY 2011-12; and

(c) Determination of ARR & Tariff for FY 2012-13.

ARR and Tariff Determination

3.3 The summary of ARR as submitted by the Petitioner is detailed hereunder:

Table 3: ARR Requirement for FY 2010-11, FY 2011-12 & FY 2012-13 (Rs Cr)

Parameters	FY 2010-11 (Actual)	FY 2011-12 (Provisional)	FY 2012-13 (Projected)
Power Purchase Cost	601.38	802.48	1196.50
O&M Cost	54.11	58.69	67.66
Interest & Finance Charges	10.29	24.15	40.39
Depreciation	6.61	10.11	23.13
Provision for Bad debts	0.87	-	-
Income Tax	5.84	-	-
DSM & CGRF Expenses	-	0.46	0.46
Total Costs	**679.10**	**895.89**	**1328.14**
Add: Reasonable Return	5.08	17.91	27.78
Less: Non-tariff Income	2.57	3.07	4.01
Annual Revenue Requirement	**681.61**	**910.73**	**1351.91**

Parameters	FY 2010-11 (Actual)	FY 2011-12 (Provisional)	FY 2012-13 (Projected)
Revenue@ Existing Tariff	661.04	790.22	1033.30
Revenue Gap/ (Surplus)	**20.57**	**120.51**	**318.61**

3.4 In its tariff petition for FY 2012-13, the Petitioner submitted that as there has been no change in the Tariff for previous 6 years, the entire gap proposed should be allowed to be recovered in FY 2012-13. Accordingly, the Petitioner requested the entire revenue gap be met through an increase in the tariff during FY 2012-13. The proposed tariff schedule is given in Table 4.

Table 4: Tariff proposed by the Petitioner for FY 2012-13

Consumer Category & Consumption slabs	Fixed Charge/ Demand Charge		Energy Charge (Rs/kWh)	
	Existing	Proposed	Existing	Proposed
DS I (0 – 100 Units)	• Rs 10/month (220 V, upto 5 kW) • Rs 20/month (415V, above 5 kW)	Rs. 10/consumer/month	1.70	2.25
DS II (101 – 400 Units)		Rs. 20/consumer /month	2.80	3.50
DS III (above 400 Units)		Rs. 30/consumer /month	3.00	3.75
DSHT (Domestic High Tension)	Rs 275/ consumer/ month	Rs. 30/KVA/ month	2.70	3.50
Commercial Category	• Rs 25/conn/ month (220 V, upto 5 kW) • Rs 75 /conn/ month (415V, above 5 kW)	• Rs 30/conn/ month (230 V) • Rs 90 /conn/ month (440V)	4.30	5.25
High Tension I	Rs 200/kVA/ month	Rs 290/kVA/ month	3.30	4.80
High Tension II	Rs 200/kVA/ month	Rs 270/kVA/ month	3.25	4.70
High Tension III	Rs 180/kVA/ month	Rs 250/kVA/ month	3.20	4.60
High Tension IV	Rs 180/kVA/ month	Rs 230/kVA/ month	3.20	4.50
Utilities/Street Light	Rs 20/ month	Rs 50/consumer/ month	2.90	3.80
Temporary supply	Rs 30/ month	Rs 30/consumer/ month	5.00	5.50
Sale to JUSCO	-	-	3.06	3.07

A4: PUBLIC CONSULTATION PROCESS - ISSUES RAISED

Submission of comments/suggestions and conduct of public hearing

4.1 The tariff petition evoked response from several consumers. A public hearing was held on April 15th, 2012 in Jamshedpur to ensure the maximum public participation wherein the Petitioner presented a summary of the Petition filed by it to the Commission as well as to the public.

4.2 The members of the public put forth their comments and suggestions before the Commission in the presence of the Petitioner. Fifty-Four persons took part in the public hearing process. The list of the attendees is attached in Annexure. The Commission also received two written suggestions/comments by the public on the tariff petition filed by the Petitioner.

4.3 During the course of public hearing, the Commission allowed persons/ representatives of entities, who had not submitted prior written representations but attended the public hearing, to express their views regarding the ARR and tariff petition filed by the Petitioner for FY 2012-13.

4.4 The issues raised in the written submissions, by the participants in the hearing and the reply of the Petitioner have been summarised below. The Commission views have also been presented in detail below.

Re-categorisation of Consumer category

Public Comments/Suggestions

4.5 The objector submitted that the Council of Scientific & Industrial Research (CSIR) - National Metallurgical Laboratory (NML) has been categorised as Industrial consumers since its inception. However as it is purely a non-profit organisation utilizing the electricity for Research & Development (R&D) purposes alone, hence such organisations should be re-categorised as either DS-HT category or form a new separate category with lower tariff than industrial consumers.

Petitioner's Response

4.6 The Petitioner submitted that as per the National Tariff Policy, it has been suggested that the electricity tariff should be in line with the cost of supply and subsidised tariff may be given to a consumer who has low paying capacity and the difference should be cross subsidised by other consumers who have higher paying capacity. Further the Petitioner adds that charging a subsidised tariff for one particular consumer shall not be reasonable.

Views of the Commission

4.7 The Commission views that it is against the provisions of the National Tariff Policy to charge a lower tariff for a particular category having similar load to an industrial unit on grounds of it being a research institute. Hence no separate category has been carved out for NML or any one particular consumer.

Demand Charges

Public Comments/Suggestions

4.8 The objector submitted that tariff charged for DS-HT consumers should be less than the DS-LT tariff. However as per the proposal of the Petitioner for DS-HT consumers to apply new demand charge of Rs. 30/KVA/month as against the existing Rs. 275/Consumer/month, the demand charges for DS-HT would increase substantially making the ratio skewed and hence should be disallowed by the Commission.

Petitioner's Response

4.9 The Petitioner submitted that the proposed charge of Rs. 30/KVA/month for DS-HT consumers is lower as compared to the DS-LT tariffs. It has further submitted that as per the proposed tariff, average cost per unit in DS-HT category after considering 40% load factor is coming to Rs. 3.60 approx, which is lower than the marginal rate proposed in the DS-LT consumer category.

Views of the Commission

4.10 The Commission has dealt with the Tariff related issues in Sections 10, 11 & 12 of this Order.

Income Tax

Public Comments/Suggestions

4.11 The objector submitted that the Petitioner has not submitted details of actual Income Tax paid by the Petitioner w.r.t. Power Business Division.

Petitioner's Response

4.12 The petitioner has submitted that Income Tax is a liability on the company and not for a particular division. Income tax liability for the Company i.e. Tata Steel is as per the accounts audited by statutory auditors.

Views of the Commission

4.13 The Commission has addressed this issue in detail in paras 5.60, 6.62 and 7.57 of this Order.

Consultancy charges

Public Comments/Suggestions

4.14 The objector submitted that the consultancy charges/ legal advice charges projected by Petitioner as part of Administration and General (A&G) expenditure for FY 2012-13 seem to be abnormally high. The objector suggested that in case Petitioner requires any legal advice, it should approach the Legal Department of JUSCO which provides consultancy to different divisions including the Power Services Division of TSL to reduce the costs substantially.

Petitioner's Response

4.15 The Petitioner has submitted that the legal charges are apportioned based on the principle approved by the Commission and are as per the actual expenses incurred by the licensee.

Views of the Commission

4.16 The audited accounts of the Power Business Division of the Petitioner for FY 2010-11 have not booked any expenditure under the head of consultancy charges/legal charges, thus the Commission has not allowed for any expenditure under this head.

Electricity supply to JUSCO

Public Comments/Suggestions

4.17 The objector submitted that TSL has not shown in the petition that the company has been providing power to other licensee/JUSCO for the past six years without the permission from the Commission.

Petitioner's Response

4.18 The Petitioner submitted that it has been selling power to JUSCO having taken due approval from the Commission.

Views of the Commission

4.19 In 2007 itself, the Commission has allowed JUSCO to purchase power from any source available at the cheapest rate. A Power Purchase Agreement (PPA) was signed between JUSCO and the Petitioner on December 1st, 2008, according to which, the Petitioner agreed to supply power to JUSCO at the rates to be approved by the Commission.

4.20 Moreover, the Commission has been approving the Sale of Power by the Petitioner to JUSCO in its previous Tariff Orders. In view of this it is not correct to say that the sale of power to JUSCO by TSL is not authorised by the Commission.

Details of Loan

Public Comments/Suggestions

4.21 The objector submitted that TSL has not been able to justify the loan taken by the Power Services Division to the Commission.

Petitioner's Response

4.22 The Petitioner submitted that all the data provided is as per the accounts certified by the statutory auditors.

Views of the Commissions

4.23 For the purposes of determination of Annual Revenue Requirement (ARR) of the Petitioner, in case there are no loans taken by the Petitioner for asset addition, the Commission considers normative loans based on the approved Debt:Equity ratio of 70:30, respectively in line with the applicable distribution regulations issued by the Commission. Since the rate of equity is more than the interest rates for normative or actual loans, it is to the benefit of the consumers that the normative loan is considered for any asset addition even if the Petitioner has invested its own equity and not taken any loan.

Outsourcing of Services

Public Comments/Suggestions

4.24 The objector submitted that although JSEB has been allowed to outsource some of its services to private parties, no such notification has been released for TSL, yet it has been doing so, which is incorrect.

Petitioner's Response

4.25 The Petitioner submitted that TSL has been awarding the contract as per the procedure of the company.

Views of the Commission

4.26 The Commission views that the Licensee can outsource its works to sub-contractors as long as the cost is lower and the quality is not compromised.

Revenue from Fuel & Power Purchase Price Adjustment (FPPPA)

Public Comments/Suggestions

4.27 The objector submitted that the Commission approved recovery of additional charge of 43 paise per unit on account of FPPPA for TSL. However, the utility has not shown this amount as revenue in its Tariff Petition and has utilised this amount to meet its own expenses.

Petitioner's Response

4.28 The Petitioner submitted that since the petition was filed before the approval of the order for FPPPA, the same was not incorporated in its petition.

Views of the Commission

4.29 The Commission approved the additional claim for FPPPA in line with Clause 6.63 of the 'Distribution Tariff Regulations, 2010'. Further it also allowed for recovery of the same through tariff from its consumers. Even though the Petitioner has missed out on considering this as revenue in its tariff petition, the Commission has appropriately considered the revenue recovery from FPPPA as part of revenue for FY 2011-12.

Underground Cables

Public Comments/Suggestions

4.30 The objector submitted that the cost submitted in the petition against the underground cabling used for the street lights is highly inflated.

Petitioner's Response

4.31 The Petitioner submitted that all the costs submitted to the Commission have been duly verified before the submission.

Views of the Commission

4.32 The Commission has done sample verification of the cost of various items procured for capital expenditure and Repair & Maintenance activity done by the Petitioner and found it to be as per accounts. The Commission however directs the Petitioner to procure equipment and services through competitive bidding process only and to minimize the cost of each item. The Commission shall also review the procurement process followed by the Petitioner while reviewing the capital expenditure, capitalization and R&M works at the end of each year while reviewing subsequent tariff petitions. No item which has been purchased without following competitive bidding process shall be approved by the Commission in future.

Land Development Cost

Public Comments/Suggestions

4.33 The objector submitted that TSL has been allotted land on lease by the State Government on which the company has to pay a fixed charge but the company has not been paying the same. For the construction of sub-stations on this land, they are levelling this land using the slag from its factory similar to the recently built Uliyan and Marine Drive. In doing so, it should make huge profits at the cost of the consumers.

Petitioner's Response

4.34 The Petitioner submitted that the land development cost referred is not related to Uliyan and Marine Drive substations but is related to 400 KV and 132 KV substations.

Views of the Commission

4.35 The Commission analysed the scheme-wise details of capital expenditure proposed by the Petitioner and found that the land development cost projected by the Petitioner is pertaining to expenditure for 400 kV & 132 kV substations, as also clarified by the Petitioner. In view of the above, the Commission rejects the plea of the Objector.

Sales outside licensed area

Public Comments/Suggestions

4.36 The objector submitted that the company is booking expenses wrongly by showing that it is distributing power to areas beyond its licensed jurisdiction. If such practice continues, the company would earn additional revenue of 8 paise per unit.

Petitioner's Response

4.37 The Petitioner submitted that it is distributing power only in its licensed area and only relevant costs are being claimed in the ARR.

Views of the Commission

4.38 The objector has not provided any evidence to show that the Petitioner is supplying power outside its licensed area and also the petitioner has denied the allegation and as such the Commission accepts the plea of the Petitioner.

Capitalisation

Public Comments/Suggestions

4.39 The objector has raised the following issues related to the proposed capitalisation under major schemes by TSL:

(a) 400 KV Substation: The petitioner has not submitted any information about the number of substations and only replacements of parts is being carried out as of now. This is resulting in an increase in the expenditure on this account to the extent of 75%.

(b) 132 KV Substation: In this case also, the petitioner has not submitted any information of number of substations while it's been booking full expenses for the replacement of the system itself. This is resulting in an increase in the expenditure on this account to the extent of 55%.

(c) Land development is being done by using the slag extracted from the company's iron making center. But it has not been clarified as to what area of land is being developed and whether the land is leased or not. Moreover, the expenses for same shown by the Petitioner are 85% more which is incorrect.

(d) Design Engineering/Construction Cost: An expense incurred on it by the Power Services Division is wrong and very high. Expenses of all the departments are allocated to the Power Services Division and shown in the ARR. Hence, this expense should be removed since the company has been earning 4 paise per unit from the same.

(e) Expenses HVAC: Fire fighting systems and others are maintained by contractors at a fixed rate by the Petitioner and it is shown to be making up 65-70% extra cost in the ARR. On this point the company has been earning 6 paise per unit which is incorrect.

(f) The Petitioner has been selling power under the infrastructure set up for industrial consumers at 10 times the normal rate. Moreover, the company has been collecting higher installation charges earning 2 paise per unit more than what is approved by the Commission which is incorrect.

Petitioner's Response

4.40 The Petitioner submitted that all the capital cost related to the aforementioned points upto the audit accounts is as per the actual basis and the rest as per the prudent estimates at the time of filing petition.

Views of the Commission

4.41 The Commission has addressed this issue in detail in paras 5.35 to 5.37, 6.37 to 6.42 and 7.35 to 7.38 of this Order.

Gross Fixed Assets

Public Comments/Suggestions

4.42 The objector submitted that the expenses given under the GFA table are 90% more which is incorrect.

Petitioner's Response

4.43 The Petitioner submitted that the details provided in the table are as per the provisional accounts of TSL.

Views of the Commission

4.44 The Commission has scrutinized each component of ARR including GFA and has approved the costs and revenues in line with the provisions of the applicable distribution regulations issued in this regard.

Memorandum of Understanding (MoU)

Public Comments/Suggestions

4.45 The objector submitted that there is MoU between the TSL and the State Government according to which, any amount spent on the lease of town / licensee areas for water, electricity and roads, will be deductable from the tax payable to the government. This is not correct and an enquiry should be set up on the same.

Petitioner's Response

4.46 The Petitioner submitted that it has been distributing the power as a distribution licensee and no special tax exemption is available for the same.

Views of the Commission

4.47 The Objector has not produced the copy of the said MoU nor any other evidence to suggest exemption from tax. Moreover the Licensee has denied about such exemption. In view of this the Commission feels that the objection raised by the objector is not sustainable.

A5: TRUE-UP FOR FY 2010-11

5.1 The Petitioner has sought approval for the truing-up of expenditure and revenue based on the actual expenditure and revenue, as per the audited accounts for FY 2010-11.

5.2 Based on the audited accounts and other information made available by the Petitioner, the Commission has analysed all the components of revenue and expenditure for FY 2010-11 and has undertaken the truing-up exercise of ARR after a prudence check.

5.3 The component-wise description of the Petitioner's submission and the Commission's analysis on the same is provided herein-under.

Energy Balance

Petitioner's Submission

5.4 The Petitioner submitted the actual energy sales, distribution losses and power purchase as per its audited annual accounts for FY 2010-11.

5.5 Accordingly, the Petitioner submitted the actual energy available and energy sales (including sales to steel works) for FY 2010-11 as 2066.86 MU and 1921.83 MU, respectively. Further, the actual distribution losses achieved by TSL for FY 2010-11 are 7.79% which are 0.04% more than the loss approved by the Commission in the previous Tariff Order.

Commission's analysis

5.6 During FY 2010-11, the Petitioner has procured power from Tata Power Company Ltd (TPCL), Damodar Valley Corporation (DVC) and Tata Steel Works - captive (TSW-Captive) for meeting energy requirements of its steel works and consumption in its licensed area.

5.7 Regarding power from TPCL, the Commission observed there is a difference between generation of Power from TPCL as reflected by TPCL and as shown by the Petitioner for FY 2010-11. As per the Tariff Order issued by the Commission for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012, the net generation of TPCL for FY 2010-11 for Unit II and Unit III is provided as 1567.47 MU whereas TSL in its power purchase bills is showing purchase from TPCL to be 1562.73 MU. The Commission asked both TPCL and the Petitioner to respond on the discrepancy and submit the actual figures of purchase of power by TSL from TPCL. TPCL submitted the details of generation from Unit II and Unit III which was matching with the figures submitted earlier. However, the Petitioner was not able to submit a satisfactory response to the Commission.

5.8 Accordingly, the Commission has considered 1567.47 MU as the total quantum of power purchased from TPCL's Unit II and Unit III during FY 2010-11 as approved by Commission for FY 2010-11 in the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012. Thus the Commission has disallowed the power purchase cost for approx. 5 MUs to the Petitioner being the difference between the Petitioner's submissions and now approved by the Commission.

5.9 With respect to the power purchased from DVC, the Commission has approved 404.17 MU for FY 2010-11 after scrutinizing the power purchase bills issued by DVC to the Petitioner.

5.10 In addition, the Commission approves 99.96 MU as energy transferred from TSW to TSL during FY 2010-11 after scrutinizing the energy accounting statement submitted by the Petitioner. The quantum of 99.96 MU as transferred from TSW is also reflected in the audited annual accounts of TSL for FY 2010-11.

5.11 Thus the Commission approves the total energy available to TSL during FY 2010-11 from TPCL, DVC & TSW to be 2065.98 MU.

5.12 Based on audited annual accounts, the Commission now approves the energy sales for FY 2010-11 at 1921.83 MU including 205.93 MU on account of sales to other licensee/ JUSCO. The Commission also verified the sales to JUSCO at 205.93 MU from the power purchase bills of TSL to JUSCO for FY 2010-11.

5.13 The Commission notes that the Petitioner submitted a slightly higher T&D loss of 7.79% for FY 2010-11. The Commission does not find any merit in approving a higher T&D loss than the target given by the Commission for FY 2010-11 as the licensee has not assigned any reason for the under-achievement of target for losses. Moreover, the Commission is of the view, that the consumers should not be burdened with any inefficiency of the licensee. Thus the Commission approves the distribution losses to be 7.75%, as also approved in previous Tariff Order and disallows power purchase cost for approx. 1 MU.

5.14 The Table 5 details the energy sales, distribution losses and power purchase as approved by Commission in previous Tariff Order, actual now submitted by the Petitioner and approved by the Commission for truing up of FY 2010-11.

Table 5: Energy Balance (MUs) for FY 2010-11

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
A. ENERGY REQUIREMENT			
Sales to Other Licensee	205.93	205.93	205.93
Dist. Losses on Sales to Other Licensee	0.00%	0.00%	0.00%
Units Lost on Sales to Other Licensee	-	-	-

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Energy Req. for Sales to Other Licensee	205.93	205.93	205.93
Sales to Steel Works (HT IV)	-	-	-
Dist. Losses on Steel Works	0.00%	0.00%	0.00%
Units Lost on Sales to Steel Works	-	-	-
Energy Req. for Steel Works	**-**	**-**	**-**
Sales to LT consumers	161.86	144.43	144.43
Sales to HT consumers	1,554.04	1,571.47	1,571.47
Sales to Other Consumers	**1,715.90**	**1,715.90**	**1,715.90**
Dist. Losses on Sales to Other Consumers	7.75%	7.79%	7.75%
Units Lost on Sales to Other Consumers	144.15	145.03	144.15
Energy Req. for Sales to Other Consumers	**1,860.05**	**1,860.93**	**1,860.05**
Overall Sales	1,921.83	1,921.83	1,921.83
Overall Distribution Losses %	6.98%	7.02%	6.98%
Overall Distribution Losses	144.15	145.03	144.15
TOTAL ENERGY REQUIREMENT	**2,065.98**	**2,066.86**	**2,065.98**
B. ENERGY AVAILABILITY			
- TPCL	1,567.50	1,562.73	1,567.47
- Damodar Valley Corporation 132kV	404.17	404.17	404.17
- TSW - Captive	-	99.96	-
- Transfer from steel works	99.96	-	99.96
- Less Units disallowed (on a/c of higher losses and difference in Power Purchase from TPCL)	(5.65)	-	(5.62)
Total Pooled Energy Availability	**2,065.98**	**2,066.86**	**2,065.98**

Power Purchase Cost

Petitioner's Submission

5.15 As mentioned above, the petitioner is procuring power from TPCL, DVC and TSW for its steel works and consumption in its licensed area, which is apportioned by it on the basis of share of Steel Works and power distribution business.

5.16 The Petitioner submitted that there is only a minor difference between the power purchase cost approved by the Commission for FY 2010-11 in its previous Tariff Order for FY 2011-12 and the audited accounts. The Petitioner submitted this is on account of slight variation in the energy purchased from TPCL and TSW. Accordingly, the Petitioner submitted the Power purchase cost for FY 2010-11 to be Rs 601.38 Cr from various sources including TPCL, DVC and TSW.

Commission's Analysis

5.17 The Commission approves the power purchase cost of TSL from TPCL based on the quantum of power purchased and the rate as approved by the Commission for FY 2010-11 in the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012. Accordingly Commission approves power purchase cost of Rs. 221.48 Cr at the rate of Rs.2.86 per unit from TPCL-Unit II and Rs. 223.46 Cr at the rate of Rs.2.81 per unit from TPCL-Unit III. The total power purchase cost from TPCL-Unit II and Unit III works out to Rs.444.93 Cr at an average rate of Rs.2.83 per unit. The Commission has also adjusted arrears of Rs. 2.08 Cr in power purchase cost from TPCL for past years as per the Credit note raised by the Petitioner on TPCL and also reflected in the audited accounts for FY 2010-11. Thus net power purchase cost approved by the Commission, after adjusting past arrears, works out to Rs.442.85 Cr for FY 2010-11 as against Rs.436.14 Cr submitted by the Petitioner. The difference in power purchase cost is because the Petitioner has estimated the cost on basis of power purchase bills from TPCL whereas the Commission has considered the true up cost for FY 2010-11 for TPCL as per the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012.

5.18 As per the methodology set by the Commission in previous Tariff Order, the Petitioner has projected the power purchase cost from TSW – captive to be Rs.27.95 Cr based on the old rate of power purchase from TPCL for FY 2010-11 i.e. Rs. 2.80 per unit as approved by the Commission in previous Tariff Order. The Commission, on the other hand, has determined the new rate of power purchase from TSW – Captive to be Rs. 2.83/kWh after adjusting for final true up of generation cost of TPCL as specified in para 5.17, which is the lowest rate of power sourced from any source during FY 2010-11 as approved by the Commission now. Accordingly, the Commission approves Rs. 28.24 Cr as the power purchase cost from TSW – Captive for FY 2010-11.

5.19 Further, the power purchase cost from DVC has been approved by the Commission to be Rs. 137.25 Cr based on scrutiny of actual power purchase bills issued by DVC to the Petitioner. Same has also been verified from the audited accounts for FY 2010-11.

5.20 Thus, the Commission has approved the total power purchase cost for FY 2010-11 at Rs. 608.34 Cr. From this cost, the Commission has disallowed power purchase cost of Rs. 1.64 Cr for 5.62 MU at average power purchase rate of Rs.2.94 per unit, for reasons explained above. Thus the net power purchase cost for FY 2010-11 works out to Rs. 606.70 Cr.

5.21 Table 6 summarizes the power purchase cost for FY 2010-11 as approved by the Commission in the previous Tariff Order for FY 2011-12, the actual power purchase cost submitted by the Petitioner in the present petition and now approved by the Commission.

Table 6 : Power Purchase Cost for FY 2010-11 (Rs Cr)

Particulars		Approved in Tariff Order for FY 2011-12	Actual submitted by Petitioner	Approved now by the Commission
A. Tata Power Company Ltd				
Units Purchased (MU's)	*Unit II*	773.07	771.24	773.07
	Unit III	794.43	791.49	794.40
	Total	**1,567.50**	**1,562.73**	**1,567.47**
Per Unit Price (Rs. / kWh)	*Unit II*	2.80	2.83	2.86
	Unit III	2.80	2.78	2.81
	Total	**2.80**	**2.79**	**2.83**
Power Purchase Cost (Rs. Cr)	*Unit II*	216.15	218.14	221.48
	Unit III	222.07	220.08	223.46
	Total	**438.22**	**436.14 ***	**442.85***
B. Damodar Valley Corporation				
Units Purchased (MU's)		404.17	404.17	404.17
Per Unit Price (Rs. / kWh)		3.40	3.40	3.40
Power Purchase Cost (Rs. Cr)		**137.42**	**137.25**	**137.25**
C. Net transfers from Steel Works				
Units Purchased (MU's)		99.96	-	99.96
Per Unit Price (Rs. / kWh)		2.80	-	2.83
Power Purchase Cost (Rs. Cr)		**27.95**	**-**	**28.24**
D. TSL (Captive)				
Units Purchased (MU's)		-	99.96	-
Per Unit Price (Rs. / kWh)		-	2.80	-
Power Purchase Cost (Rs. Cr)		-	**27.99**	-
E. Total Pooled Power Purchased (A + B + C)				
Units Purchased (MU's)		2,071.63	2,066.86	2,071.60
Power Purchase Cost (Rs. Cr)		2.91	2.91	2.94
Per Unit Price (Rs. / kWh)		**603.58**	**601.38**	**608.34**
F. Less: Units Disallowed				
Units Purchased (MU's)		(5.65)	-	(5.62)
Power Purchase Cost (Rs. Cr)		2.91	-	2.94
Per Unit Price (Rs. / kWh)		**(1.64)**	**-**	**(1.64)**
G. Net Power Purchase cost (D - E)				
Units Purchased (MU's)		2,065.98	2,066.86	2,065.98
Power Purchase Cost (Rs. Cr)		2.91	2.91	2.94
Per Unit Price (Rs. / kWh)		**601.94**	**601.38**	**606.70**

* Note: The gross power purchase cost of Rs. 438.22 Cr has been adjusted for past arrears of Rs.2.08 Cr based on Credit note raised by the Petitioner on TPCL and as is also reflected in the Audited Accounts for FY 2010-11

Operation and Maintenance expenses

Petitioner's Submission

5.22 The Petitioner submitted that it has outsourced its power distribution operations to JUSCO and majority of the O&M activities are undertaken by JUSCO.

5.23 The Petitioner has further submitted that the actual O&M expenses incurred for FY 2010-11 is marginally lower than the amount approved by the Commission in the previous Tariff Order for FY 2011-12.

Commission's Analysis

5.24 The Commission has trued up the O&M expenses for FY 2010-11 on the basis of the audited accounts after verifying from actual bills, SAP database, etc. However, the Commission notes that even after repeated directives, the audited accounts still do not provide the break-up of Employee costs & R&M costs separately, which are clubbed under the head of '*O&M expenses paid to JUSCO*'. The Commission again directs the Petitioner to segregate the amount pertaining to employee costs and R&M costs as it would help in recognising the costs under the appropriate heads and submit the same with the next petition, failing which the Commission would be constrained to disallow the same.

5.25 In case of A&G expenses, the Commission scrutinised the information submitted as per the audited accounts and found that instead of Rs.13.26 Cr as claimed by the petitioner, the accounts are reflecting only Rs.11.88 Cr. The Commission validated the data from the Petitioner's SAP database which tallied with the audited accounts. Thus the Commission has approved A&G cost at Rs.11.88 Cr for FY 2010-11.

5.26 The Golmuri Substation expenses for FY 2010-11 submitted by the Petitioner are Rs.11.42 Cr as against Rs.6.59 Cr approved by the Commission in previous Tariff Order. The Commission finds the increase abnormally high given the fact that the actual expenditure booked under this head for power business division during FY 2009-10 was Rs.6.11 Cr only. The Commission asked the Petitioner to submit actual expenditure of the substation during past three years and the basis for allocating the costs to power business division, which the Petitioner submitted subsequently.

5.27 The Petitioner submitted that the increase in the expenditure during FY 2010-11 over previous year can be attributed to the increase in costs for upkeep & upgradation of existing assets of the substation and the new R&M to be undertaken for newly created assets. Further the expenditure has been allocated to power business division on the basis of two cost centres wherein expenditure booked under 1st cost centre is allocated in ratio of 70:30 and from 2nd cost centre in 30:70. Thus the Petitioner has allocated approx. 38% of the total expenditure of Golmuri substation in FY 2010-11 to Power business division.

5.28 The Commission notes that the allocation ratio submitted by the Petitioner is vague and high in comparison of average allocation ratio for past 3 years. The Commission analysed the allocation ratio for past three years and found that on an average 27% of total Golmuri substation expenses have been allocated to power business division. Accordingly the Commission approves Rs.8.24 Cr (i.e. 27% of total Golmuri substation expenses of Rs. 30.34 Cr during FY 2010-11) as expenditure allocated to power business division on basis of average of past allocation ratio.

5.29 In case of O&M expenses paid to JUSCO i.e. employee cost and R&M cost, the Petitioner submitted that actual cost under this head is Rs.29.43 Cr including Rs. 8.40 Cr on account of wage arrears for previous years. The Commission asked the Petitioner to submit details of the wage arrears projected. The Petitioner provided the details subsequently wherein it submitted that actual expenditure on account of wage arrears is Rs.7.34 Cr only as against its initial submission of Rs. 8.40 Cr. This was also validated from the SAP database of the Petitioner. Thus, the Commission approves Rs. 28.37 Cr as employee cost and R&M cost (excluding Rs. 8.24 Cr of Golmuri Substation) for FY 2010-11 after adjusting for actual wage arrears.

5.30 Accordingly the total O&M expenses approved by the Commission for FY 2010-11 works out to be Rs.48.49 Cr instead of Rs.54.11 Cr as submitted by the Petitioner.

5.31 The Table 7 summarizes the O&M expenses for FY 2010-11 as approved by the Commission in previous Tariff Order, actual submitted by the Petitioner and approved now by the Commission.

Table 7: O&M Expenses (Rs Cr) for FY 2010-11

Particulars	Approved in Tariff Order for FY 2011-12	Actual submitted by the Petitioner	Approved now by the Commission
A. A&G Costs			
General A&G Expenses	4.84	6.59	6.59
Miscellaneous Expenses	0.51	0.55	0.55
Billing&Collection Expenses - JUSCO	1.78	2.04	2.04
Electricity Surcharge	2.50	2.65	2.65
Rates and Taxes	0.10	0.05	0.05
Interest on Sec Deposit	-	-	-
Consultancy Fees	0.16	0.22	-
A&G Costs – JUSCO	-	1.16	-
Sub-Total - (A)	**9.89**	**13.26**	**11.88**
B. R&M Costs			
Direct Expenses	12.07	13.29	13.29
Indirect Expenses	1.02	-	-
Golmuri Substation Maintenance Expenses	6.60	11.42	8.24
Sub-Total - (B)	**19.69**	**24.71**	**21.53**

C. Employee Costs			
Direct Expenses	8.13	6.96	6.96
Indirect Expenses	0.90	0.78	0.78
Arrears	5.90	8.40	7.34
Sub-Total - (C)	**14.93**	**16.14**	**15.08**
TOTAL O&M COSTS	**44.51**	**54.11**	**48.49**

Interest during Construction (IDC), CWIP & Gross Fixed Asset

Petitioner's submission

5.32 The Petitioner submitted the CWIP and GFA for FY 2010-11 as per the audited accounts. Further, as per the initial submission the Petitioner submitted, that the actual capital expenditure during FY 2010-11 was Rs.7.79 Cr. Further the Petitioner submitted that as the amount of fixed assets capitalised and closing GFA during the year is lower than that approved by Commission in previous Tariff Order. The Petitioner requests the Commission to revise the figures as per the audited annual accounts.

5.33 In addition, the Petitioner submitted additional claim on account of Interest during Construction (IDC) which he had inadvertently missed out on during the previous ARR determination process for FY 2007-08, FY 2008-09, FY 2009-10 and FY 2010-11. Thus the Petitioner submitted that same should be allowed to be recovered now. The total claim made on account of IDC works out to be Rs.3.47 Cr for FY 2007-08, FY 2008-09, FY 2009-10 and FY 2010-11.

Commission's analysis

5.34 The Commission scrutinised the audited information provided by the Petitioner for actual additions to GFA, CWIP & capital expenditure during FY 2010-11. However the Commission noted that the capital expenditure as per the audited accounts works out to be Rs.4.76 Cr only. The Commission asked the Petitioner to submit reasons for such discrepancy. In reply, the Petitioner submitted that there was a typographical error and hence the capital expenditure during the year was reported to be higher. It submitted that the actual capital expenditure during the year was Rs.4.76 Cr only as per the audited annual accounts for FY 2010-11.

5.35 Accordingly, the Commission has approved the GFA, CWIP and capital expenditure incurred during the year as per the audited accounts for FY 2010-11.

5.36 In case of IDC, the Commission reiterates the Clause 18 (note 5) of the 'Distribution Tariff Regulations, 2004' which states that *"the scrutiny of the project cost estimates by the Commission shall be limited to the reasonableness of the capital cost, financing plan, Interest during construction……for the purposes of determination of tariff"*.

5.37 In view of the aforesaid regulations, the Commission clarifies that Interest during construction (IDC) is to be allowed as per actual and the same has to be considered by the Commission during estimation of project cost. Since this exercise pertains to the true-up of project costs already incurred by the Petitioner, which did not include estimates for IDC nor did the Petitioner take any loans for the project cost expenditure in past years, the Commission disallows the claim for interest during construction of Rs. 3.47 Cr by the Petitioner. The Commission further clarifies that 'Distribution Tariff Regulations, 2010' were not applicable for FY 2010-11. Table 8 summarises the GFA & CWIP as approved by the Commission in the previous Tariff Order for FY 2011-12, the actual submitted by the Petitioner in present petition and now approved by the Commission for FY 2010-11.

Table 8: CWIP and GFA for FY 2010-11 (Rs. Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Capital Works in Progress (CWIP)			
Opening CWIP	3.36	3.36	3.36
***Add:* Additions (Capex during FY)**	8.52	7.79*	4.76
Total CWIP	**11.88**	**11.15****	**8.12**
***Less:* T/fed to GFA during FY**	3.05	2.47	2.47
Closing CWIP	**8.83**	**8.68****	**5.65**
Gross Fixed Assets (GFA)			
Opening GFA	139.04	139.04	139.04
***Add:* T/fed from CWIP**	3.05	2.47	2.47
Closing GFA	**142.08**	**141.51**	**141.51**
IDC Claimed	**-**	**3.47**	-

Note: *As per revised submission this has been changed to Rs.4.76 Cr;
** The figures for total CWIP and Closing CWIP are thus revised to Rs 8.12 Cr & Rs 5.64 Cr, respectively

Depreciation

Petitioner's Submission

5.38 The Petitioner submitted that the gross depreciation expenses for FY 2010-11 are lower than that approved by the Commission in its previous Tariff Order. The Petitioner has explained the difference is mainly due to lower additions made to GFA then approved. However the Petitioner has also estimated depreciation on additions in GFA on account of IDC accrued to it for past years i.e. Rs.3.47 Cr.

5.39 Further in accordance with the methodology approved by the Commission in previous Tariff Order, the Petitioner submitted that depreciation submitted is net of depreciation on account of assets created out of consumer contribution and works out to Rs.6.61 Cr for FY 2010-11.

Commission's Analysis

5.40 The Commission has estimated the gross depreciation amount as per the opening and closing GFA in the audited accounts without considering the IDC claim for past years (which has been explained in paras 5.36 & 5.37) and the depreciation rates as per the relevant regulations. Further the depreciation has been considered at net of depreciation on account of consumer contribution which is allowed in the ratio of actual consumer contribution during the year and closing GFA for FY 2010-11.

5.41 The Table 9 summarizes the gross and net depreciation as approved by the Commission in previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 9: Depreciation for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Gross Depreciation	9.22	7.81	7.71
Less: Depreciation on account of Consumer Contribution	1.49	1.20	1.19
Net Depreciation	**7.73**	**6.61**	**6.52**

Interest and Other Finance Charges

Interest on Loan

Petitioner's Submission

5.42 The Petitioner submitted normative interest on loan at Rs. 2.85 Cr for FY 2010-11 as per the methodology prescribed by the Commission in previous Tariff Orders and considering interest rate of 11.75% p.a., equivalent to SBI PLR as on April 1st, 2010.

Commission's Analysis

5.43 In accordance with the Distribution Tariff Regulations, 2004, the Commission has computed the normative loan for the year equal to 70% of the closing GFA. The GFA has been considered at net of consumer contribution while the normative repayment is deemed to be equal to the depreciation charge during the year.

5.44 Further, in accordance with the Distribution Tariff Regulations, 2004, interest on normative loan has been calculated on the average normative loan as outstanding during the year at the interest rate of 10.25% p.a. Accordingly, the Commission approves Interest on loan of Rs. 2.55 Cr. for FY 2010-11.

5.45 The Table 10 summarises the interest on loan as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 10: Interest on Loan for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Opening Balance of Normative Loan	29.37	29.37	29.37
Deemed Addition during the year	(2.20)	(3.66)	(2.46)
Deemed Repayment	7.73	6.61	6.52
Closing Balance of Deemed Loan	19.44	19.10	20.39
Average balance during the Year	**24.41**	**24.24**	**24.88**
Interest Rate	10.25%	11.75%	10.25%
Interest Payment	**2.50**	**2.85**	**2.55**

Interest on Security Deposits

Petitioner's Submission

5.46 The Petitioner has provided for interest on security deposits at an interest rate of 6% p.a. for FY 2010-11 amounting to Rs.0.33 Cr

Commission's Analysis

5.47 The Commission has directed the Petitioner to submit sample bills of consumers for FY 2010-11. Based on prudence check done on the sample bills and the audited accounts submitted by the Petitioner, the Commission ascertained that the Petitioner has paid the interest on security deposit to the consumers and thereby approves the interest on security deposit of Rs 0.33 Cr for FY 2010-11.

5.48 The Table 11 summarizes the interest on security deposits as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 11: Interest on Security Deposits for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Opening Security Deposit	4.95	4.95	4.95
Security Deposit received during FY	0.76	1.05	1.05
Closing Security Deposit	5.71	6.00	6.00
Average Security Deposit	**5.33**	**5.48**	**5.48**
Interest rate (%)	6.00%	6.00%	6.00%
Interest on Security Deposit	**0.32**	**0.33**	**0.33**

Interest on Working Capital

Petitioner's Submission

5.49 As prescribed by the Commission in previous Tariff Order for FY 2011-12, the normative working capital shall be given by the following formula:

(a) Two months equivalent of the expected revenue from sale of electricity at the prevailing tariffs; plus

(b) One-twelfth of the amount of Operation and Maintenance expenses for such financial year; plus

(c) Maintenance spares @ 1% of opening GFA; minus

(d) Amount held as security deposits under clause (a) and clause (b) of subsection (1) of Section 47 of the Act from consumers and Distribution System Users; minus

(e) One month equivalent of cost of power purchased, based on the annual power procurement plan.

5.50 The Petitioner submitted normative interest on working capital at Rs 7.11 Cr for FY 2010-11 as per the methodology prescribed by the Commission and considering an interest rate of 11.75%.

Commission's Analysis

5.51 The Commission has allowed interest on working capital for FY 2010-11 as per the methodology approved by it in the previous Tariff Order for FY 2011-12. The sub-prime lending rate of SBI as on April 1st, 2010 was 11.75% p.a. and same has been considered for the purposes of estimating interest on normative working capital.

5.52 Accordingly, the Commission has approved a total of Rs 6.92 Cr as interest on working capital for FY 2010-11.

5.53 Table 12 summarizes the interest on working capital as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 12: Interest on Working Capital for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Receivables for 2 months' sale @ existing tariff	109.34	110.17	109.52
O&M expenses for 1 month of power purchase	3.71	4.51	4.04
Maintenance spares @ 1% of Op. GFA	1.39	1.42	1.39
Sub-total	114.44	116.10	114.95
Less: Sundry creditors & security deposit	5.33	5.47	5.47
Less: Power Purchase Cost for 1 Month	50.16	50.11	50.56
Total Working Capital	**58.95**	**60.52**	**58.92**
Interest Rate (%)	11.75%	11.75%	11.75%
Interest on Working Capital	**6.93**	**7.11**	**6.92**

5.54 Table 13 summarises the total interest and other finance charges as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 13: Interest and Other Finance Charges for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Interest on Debt	2.50	2.85	2.55
Interest on Security Deposit	0.32	0.33	0.33
Interest on Working Capital	6.93	7.11	6.92
Total Interest and Finance Charges	**9.75**	**10.29**	**9.80**

Return on Equity (RoE)

Petitioner's Submission

5.55 The Petitioner submitted that, as per the methodology prescribed by the Commission in Distribution Tariff Regulations, 2004, normative return on equity is computed at the rate of 14% on the average balance of normative equity for FY 2010-11. Accordingly Petitioner submitted the RoE for FY 2010-11 to be Rs 5.08 Cr.

Commission's Analysis

5.56 In accordance with the Distribution Tariff Regulations, 2004, the Commission has considered the equity base to be equal to 30% of GFA. The GFA has been considered net of consumer contribution.

5.57 The Commission has also allowed a pre-tax rate of return of 14% on equity for

FY 2010-11, which is as specified in the Clause 20.1 of the Distribution Tariff Regulations, 2004. Accordingly, the Commission approves the RoE for FY 2010-11 at Rs. 5.08 Cr.

5.58 The Table 14 summarizes the return on equity as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 14: Return on Equity for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Opening Balance of Normative Equity	36.69	36.69	36.69
Deemed Additions	(0.94)	(0.78)	(0.78)
Closing Balance of Normative Equity	35.75	35.91	35.91
Average Equity	**36.22**	**36.30**	**36.30**
Rate of Return (%)	14.00%	14.00%	14.00%
RoE	**5.07**	**5.08**	**5.08**

Income Tax

Petitioner's Submission

5.59 The Petitioner submitted that it has calculated income tax in accordance with the methodology adopted by the Commission in its previous Tariff Orders. The corporate tax rate has been taken as 33.22% for FY 2010-11 and the income tax has been proposed at Rs. 5.84 Cr.

Commission's Analysis

5.60 During the technical validation and analysis of the Audited Accounts for FY 2010-11 for both Tata Steel and its Power Business Division for assessing the actual tax paid by the Company during FY 2010-11, the Commission observed that even though the Profit Before Tax (PBT) of Tata Steel is positive, the PBT for the Power Business Division is negative. In such a case, the Commission finds no merit in allocating the Income tax liability of Tata Steel, to the Power Business Division during FY 2010-11. Accordingly, the Commission has not allowed any income tax for FY 2010-11 to the Petitioner.

5.61 Table 15 summarizes the income tax liability as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 15: Income Tax for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Return on Equity	5.07	5.08	5.08
Income Tax Rate (%)	**33.22%**	**33.22%**	**0.00%**
Gross RoE	**7.59**	**7.61**	**5.08**
Add: Normative Interest on Loan	2.50	2.85	2.55
Add: Normative Interest on Working Capital (excluding Security Deposit)	6.93	7.11	6.92
Taxable Income	**17.02**	**17.57**	**14.55**
Income Tax	5.65	5.84	0.00

Non Tariff Income (NTI)

Petitioner's Submission

5.62 The Petitioner submitted actual non tariff income for FY 2010-11 to be Rs 2.57 Cr as per the audited annual accounts for FY 2010-11.

Commission's Analysis

5.63 The Non tariff income includes meter rent, equipment charges, hire charges from electrical installations and supervision charges.

5.64 The Commission in its previous tariff order for FY 2011-12 had approved Rs 4.68 Cr as the non tariff income for FY 2010-11 subject to revision based on the actual as per the audited annual accounts for FY 2010-11.

5.65 Further it is to be noted that the Petitioner has reported incorrect figures for non-tariff income, as the audited accounts for the year reflect a higher non-tariff income of Rs.3.10 Cr Thus, the Commission approves Rs 3.10 Cr as non tariff income for FY 2010-11 as per the audited annual accounts for the FY 2010-11.

Bad debts

Petitioner's Submission

5.66 The Petitioner submitted that as per the audited accounts for FY 2010-11, Rs 0.87 Cr was written off as Bad debts during FY 2010-11.

Commission's Analysis

5.67 The Distribution Tariff Regulations, 2004 does not provide for any provision for bad debts and/or writing off of bad debts, therefore, the Commission disallows expenditure under this head for FY 2010-11.

Revenue from Existing Tariff

Petitioner's Submission

5.68 The Petitioner submitted the total revenue from sales during FY 2010-11 was Rs 661.04 Cr as per the audited annual accounts for FY 2010-11. Out of this, revenue from sale to other licensee/JUSCO was submitted to be Rs.64.42 Cr.

Commission's Analysis

5.69 The Commission in its previous Tariff Order for FY 2011-12 had approved the revenue from sale of power for consumers (excluding sales to other licensee/JUSCO) for FY 2010-11 to be Rs 596.06 Cr based on provisional accounts and subject to revision based on the actual as per the audited annual accounts for FY 2010-11. As per the audited annual accounts for FY 2010-11, the revenue from consumers (excluding sales to other licensee/JUSCO) is Rs.596.62 Cr and same has been approved now by the Commission.

5.70 The revenue from sales to other licensee/JUSCO has been considered at the average power purchase rate now approved by the Commission for FY 2010-11. The total energy sold to other licensee/JUSCO was 205.93 MU and the average rate of power purchase approved now is Rs. 2.94 per unit. Thus revenue approved from sales to other licensee/ JUSCO works out to be Rs. 60.47 Cr

5.71 Accordingly, the Commission approves the total revenue from sales (including sales to other licensee/JUSCO) for FY 2010-11 at 657.10 Cr.

Summary of ARR for FY 2010-11

5.72 Table 16 contains a summary of ARR as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2010-11.

Table 16: Summary of ARR for FY 2010-11 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Power Purchase Cost	601.94	601.38	606.70
O&M Expenses	44.51	54.11	48.49
Interest & Other Finance Charges	9.75	10.29	9.80

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Depreciation	7.73	6.61	6.52
Income tax	5.65	5.84	0.00
Prov. For Bad Debts	0.00	0.87	0.00
Total Costs	**669.58**	**679.10**	**671.51**
Add: Return on Equity	5.07	5.08	5.08
Less: Non-tariff income	4.68	2.57	3.10
Annual Revenue Requirement	**669.97**	**681.61**	**673.49**
Revenue @Existing tariff	656.06	661.04	657.10
Revenue Gap / (Surplus)	**13.91**	**20.57**	**16.39**

A6: REVISED ESTIMATES FOR FY 2011-12

6.1 The Petitioner submitted the ARR for FY 2011-12 on the basis of six months provisional figures and the remaining six months on the basis of estimation. However, by the time the Commission sought additional information based on the scrutiny and the discrepancies in the ARR and Tariff Petition of the Petitioner, the provisional annual accounts for FY 2011-12 were ready and made available to the Commission.

6.2 Accordingly, the Commission has taken in to consideration the annual provisional accounts and other relevant additional information submitted by the Petitioner for provisional true-up exercise of FY 2011-12.

6.3 The component-wise description of the Petitioner's submission and the Commission's analysis on the same is provided herein under.

Number of Consumers and Connected Load

Petitioner's Submission

6.4 For FY 2011-12, the Petitioner projected the number of consumers on the basis of the actual increase in number of consumers in first half of the year and by considering the applications received & being processed during the balance half of the year.

6.5 The growth in connected load has been projected based on the corresponding increase in number of consumers during the first half of FY 2011-12 and the pending load for release.

Commission's Analysis

6.6 The Commission asked the Petitioner to submit the actual number of consumers added and the corresponding increase in connected load during FY 2011-12. The Petitioner submitted the revised additions in number of consumers and connected load based on actual growth in consumers available at end of the year. Thus the Commission approves the number of consumers and the connected load for FY 2011-12 as per the revised submission made by the Petitioner vide its letter No. PBD/203/59/12 dated May 4th, 2012 on basis of actual consumers and connected load applicable for FY 2011-12.

6.7 The Table 17 summarises the number of consumers and connected load, as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2011-12.

Table 17: Number of Consumers and Connected Load for FY 2011-12

	Number of Consumers			Connected Load			
	Approved in Tariff Order for FY 2011-12	*Submitted by the Petitioner**	*Approved now by the Commission ***	Units	*Approved in Tariff Order for FY 2010-11*	*Submitted by the Petitioner**	*Approved now by the Commission ***
Domestic LT	36,501	36,880	36,911	kW	152,007	183,577	187,718
Domestic - DS HT	102	102	98	kVA	29,420	27,399	20,644
Commercial	7,610	7,662	7,714	kW	46,459	65,727	33,393
High Tension I	50	54	49	kVA	9,117	10,034	10,023
High Tension II	14	15	14	kVA	27,549	26,804	23,175
High Tension III	15	14	13	kVA	287,725	323,202	302,400
High Tension IV	1	-	-		55,412	-	-
Street Lights	398	328	328	kW	22,984	12,000	12,000
Other Licensee	1	1	1		-	-	-
Total	**44692**	**45126**	**45184**				

Note: * As per initial Petition based on actual for half year & projection for remaining year; ** As per revised submission based on actual for entire year as submitted vide letter No. PBD/203/59/12 dated May 4th, 2012

Energy Sales

Petitioner's Submission

6.8 The Petitioner submitted consumer category wise sales for FY 2011-12 as 2426.34 MU based on the actual energy sales recorded for the first half of the year and for the remaining period by applying the category wise load factor of previous year and the projections for expected growth based on applications received and processed for the second half of the year. This is in line with the methodology adopted by Commission in its previous Tariff Orders.

6.9 It has also stated that the increase in energy sales is mainly attributable to the reasonable recovery from the economic recession and changes in lifestyle of the consumers' due to which the growth in industry has been better than anticipated.

Commission's Analysis

6.10 As the actual figures for FY 2011-12 were now available, the Commission asked the Petitioner to submit actual energy sales for FY 2011-12, which the Petitioner submitted subsequently as 2211 MU. The Commission scrutinized the sales data submitted by the Petitioner with the provisional annual accounts for FY 2011-12 and approves total sales of 2210.55 MU including 198.85 MU on account of sale to other licensee/ JUSCO.

6.11 The following table summarizes the energy sales, as approved in previous tariff order, actual now submitted by Petitioner and approved by the Commission for FY 2011-12.

Table 18: Category wise Sales for FY 2011-12 (MUs)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Sales to HT/LT/other consumers	2199.06	2235.05	2011.70
Other Licensee	198.05	191.29	198.85
Total	**2397.11**	**2426.34**	**2210.55**

Energy Balance and Distribution Losses

Petitioner's Submission

6.12 The Petitioner submitted the total energy available from TPCL, DVC, TSW and others including renewable energy sources during FY 2011-12 to be 2594.56 MU based on actual for first half of the year and projections for remaining half of the year. While the energy requirement for sales to HT/LT Consumers and other Licensee/JUSCO during FY 2011-12 has been projected at 2426.34 MU.

6.13 Accordingly the Petitioner estimated the distribution losses for FY 2011-12 at 7.00% as approved by the Commission in the previous Tariff Order.

Commission's Analysis

6.14 The Commission directed the Petitioner to submit the actual power purchase bills from various sources and information on distribution losses for FY 2011-12.

6.15 The Petitioner submitted the revised estimation of power purchased from TSL, DVC & TSW based on actual power purchase bills and provisional accounts for FY 2011-12. According to which the revised distribution losses work out to be 5.22% as against 7.0% proposed earlier by the Petitioner.

6.16 After due scrutiny of the provisional accounts and power purchase bills from all sources for FY 2011-12, the Commission approves the total energy available as follows:

(a) In case of DVC & net transfers from TSW, the Commission validated the revised quantum of power available as submitted by the Petitioner, through actual power purchase bills and data from the provisional accounts. The Commission found the information in line with the bills and provisional accounts and hence approved the revised quantum of power purchase available from DVC & net transfers from TSW as 349.14 MU & 508.94 MU, respectively.

(b) In case of TPCL, the Commission has approved the total quantum of power purchased during FY 2011-12 as 1469.86 MU which includes 722.28 MU from Unit II and 747.58 MU from Unit III, respectively as approved by the Commission in the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012.

6.17 Thus the total energy available from all sources as approved by the Commission for FY 2011-12 is 2327.94 MU. The approved energy sales to HT/LT consumers and other licensee/ JUSCO approved by Commission for FY 2011-12 are 2210.55 MU. Thus the distribution loss as approved by the Commission works out to be 5.51%. The Commission provisionally approves distribution loss of 5.51% since it is much less than the targeted distribution loss of 7% fixed by the Commission in the previous Tariff Order for FY 2011-12 as per the provisions of 'Distribution Tariff Regulations, 2010'.

6.18 The Table 19 summarises the energy sales, distribution losses & energy available as approved in the previous tariff order, actual now submitted by the Petitioner and approved by the Commission for FY 2011-12.

Table 19: Energy Balance for FY 2011-12 (MUs)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
C. ENERGY REQUIREMENT			
Sales to Other Licensee	198.05	191.29	198.85
Dist. Losses on Sales to Other Licensee	0.00%	0.00%	0.00%
Units Lost on Sales to Other Licensee	-	-	-
Energy Req. for Sales to Other Licensee	**198.05**	**191.29**	**198.85**
Sales to Steel Works (HT IV)	57.99	-	-
Dist. Losses on Steel Works	0.00%	0.00%	0.00%
Units Lost on Sales to Steel Works	-	-	-
Energy Req. for Steel Works	**57.99**	**-**	**-**
Sales to LT consumers	304.91	297.09	302.43
Sales to HT consumers	1,836.16	1,937.95	1,709.27
Sales to Other Consumers	**2,141.07**	**2,235.04**	**2,011.70**
Dist. Losses on Sales to Other Consumers	7.00%	7.00%	5.51%
Units Lost on Sales to Other Consumers	161.16	168.22	117.39
Energy Req. for Sales to Other Consumers	**2,302.23**	**2,403.26**	**2,129.09**

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Overall Sales	2,397.11	2,426.34	2,210.55
Overall Distribution Losses %	6.30%	6.48%	5.04%
Overall Distribution Losses	161.16	168.22	117.39
TOTAL ENERGY REQUIREMENT	**2,558.27**	**2,594.56**	**2,327.94**
D. ENERGY AVAILABILITY			
- TPCL	1,612.74	1,513.89	1,469.86
- Damodar Valley Corporation 132kV	487.50	412.09	349.14
- Damodar Valley Corporation 400 kV	-	50.40	-
- TSW - Captive	359.47	566.29	-
- RPO	51.17	51.89	-
- Others (F)	47.39	-	-
- Net transfer from steel works	-	-	508.94
Total Pooled Energy Availability	**2,558.27**	**2,594.56**	**2,327.94**

Power Purchase Cost

Petitioner's Submission

6.19 As stated above, the Petitioner is procuring power from TPCL, DVC, TSW and others including renewable energy sources for its steel works and for consumption in its licensed area. The power purchase cost of this pooled power is apportioned by it on the basis of share of Steel Works and power distribution business in the total pool.

6.20 The expected power purchase cost from TPCL for FY 2011-12 has been projected on the basis of projected quantum of power purchased and the rate as approved in previous Tariff Order. An additional FPPPA rate of Rs.0.30 per unit has also been charged on units purchased from TPCL in accordance to the Commission's Order on FPPPA for TSL for months of April to November 2011. While the power purchase cost from DVC and TSW is projected on the basis of actual cost incurred for first 8 months of FY 2011-12 and projections for remaining period.

6.21 In case of purchase of renewable power, the Petitioner submitted that it will be able to meet its RPO obligation and purchase total of 51.89 MU at average rate of Rs.6.35 per kWh during FY 2011-12.

Commission's Analysis

6.22 The Commission, vide its Order dated February 11th, 2012 on Fuel Price and Power Purchase Adjustment (FPPPA) petition, filed by the Petitioner for its licensed area for the period April-November 2011, approved an additional cost of Rs.49.14 Cr on account of increase in fuel price and power purchase cost pertaining to the said period duly verified by the actual power purchase bills and in line with *Clause 6.59 to 6.65 of the Distribution Tariff Regulation, 2010*. Subsequently, the Petitioner also filed the FPPPA petition for adjustment of actual fuel & power purchase cost for the period December 2011-March 2012 along with the actual power purchase bills from all sources of power purchased. However as the Petitioner's Tariff Petition for the ARR & Tariff determination for FY 2012-13 was already under scrutiny at the time, the Commission has undertaken the review of power purchase cost for FY 2011-12 (including period of December 2011-March 2012) on the basis of actual power purchase bills along with the present Tariff Order. Accordingly, the variation in Power Purchase on account of FPPPA for the period December 2011-March 2012 has been accounted for in the Power Purchase cost approved by the Commission for FY 2011-12.

6.23 In order to determine the power purchase cost for FY 2011-12, the Commission scrutinised the actual power purchase bills from all sources and the information available in the provisional accounts for FY 2011-12 and approves the power purchase cost from all sources as follows:

(a) The Commission has approved the cost of power purchase from DVC on the basis of actual power purchase bills till March 2012 and also validated the same from the information provided in the provisional accounts. Thus the approved cost of power purchase from DVC for FY 2011-12 is Rs.133.02 Cr at the rate of Rs.3.81 per unit.

(b) The Commission has approved the power purchase cost from TPCL's Unit II & Unit III as per the revenue recovery allowed to TPCL by Commission for FY 2011-12 in the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012. Thus the power purchase cost from TPCL's Unit II & Unit III has been approved at Rs.202.38 Cr & Rs.206.05 Cr, respectively at the rate of Rs.2.80 per unit and Rs.2.76 per unit, respectively. Thus the average rate of purchase from TPCL has been approved at Rs.2.78 per unit for FY 2011-12.

(c) In accordance with the methodology approved by the Commission in its previous Tariff Order, the Commission approves the cost of power purchase from TSW – Captive at the rate of Rs. 2.78 per unit, which is equal to the lowest rate of power sourced from any source during FY 2011-12 as approved by the Commission. Thus the cost of power purchase from TSW during FY 2011-12 is approved to be Rs.141.42 Cr

(d) In case of power purchase from renewable sources to meet its RPO obligation, the Petitioner submitted that it was unable to procure power from any renewable generator and thus purchased non-solar RECs from the Indian Energy Exchange (IEX) at cost of Rs.14.25 Cr. However it was unable to meet its solar obligation as there were no solar RECs available on any Power Exchange. The Petitioner also submitted the actual bills from the IEX for purchase of RECs for review by the Commission.

(e) The Commission noted that against the total target of non-solar RPO of 44.77 MU (i.e. 1.75% of approved energy requirement in previous Tariff Order for FY 2011-12), the Petitioner has met its target entirely through purchase of non-solar RECs of 46.88 MU and is slightly higher than the target for non-solar RECs. However, against the solar RPO target of 6.40 MU (i.e. 0.25% of approved energy requirement in previous Tariff Order for FY 2011-12), no purchase of RECs could be made due to non-availability of solar RECs at the IEX. Thus the total RPO obligation met comes to 92% (46.88 / 51.17).

(f) The Commission takes note that even though the Petitioner has made efforts to purchase RECs to meet its RPO obligation, the entire RPO target could not be met due to non-availability of Solar RECs at the IEX. There is a gap of 8% or 4.28 MU. Even though the Commission recognises that targets for Solar RECs could not be met during FY 2011-12, there is positive indication in the market that such RECs are now available from May 2012 onwards. Moreover many Solar & other RE developers are in the process of setting up their plants in Jharkhand; the Commission is of the opinion that the Petitioner shall be able to meet the remaining gap for FY 2011-12 along with the target for FY 2012-13. Thus the Commission carries forward the remaining gap of 4.28 MU in RPO obligation for FY 2011-12 to be added to the FY 2012-13 targets for Solar RPO.

(g) From next year onwards the Commission will endeavour not to interchange the obligation of Solar vs. Non-solar RPO. This year the Commission has considered the interchange and allowed it because of non-availability of Solar Power.

6.24 The Table 20 summarises the power purchase cost as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now.

Table 20: Power Purchase Cost for FY 2011-12 (Rs Cr)

Particulars		Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
A. Tata Power Company Ltd				
Units Purchased (MU's)	Unit II	806.37	756.94	722.28
	Unit III	806.37	756.94	747.58
	Total	**1,612.74**	**1,513.88**	**1,469.86**
Per Unit Price (Rs. / kWh)	Unit II	2.38	2.92	2.80
	Unit III	2.37	2.80	2.76
	Total	**2.38**	**2.86**	**2.78**
Power Purchase Cost (Rs. Cr)	Unit II	192.22	221.17	202.38
	Unit III	191.37	212.19	206.05
	Total	**383.59**	**433.36**	**408.43**
B. Damodar Valley Corporation – 132 kV				
Units Purchased (MU's)		487.50	412.09	349.14
Per Unit Price (Rs. / kWh)		3.40	3.80	3.81
Power Purchase Cost (Rs. Cr)		**165.75**	**156.39**	**133.02**
C. Damodar Valley Corporation – 400 kV				
Units Purchased (MU's)		-	50.40	-
Per Unit Price (Rs. / kWh)		-	3.68	-
Power Purchase Cost (Rs. Cr)		**-**	**18.53**	**-**
D. Net Transfers from TSW – Captive				
Units Purchased (MU's)		359.47	566.29	508.94
Per Unit Price (Rs. / kWh)		2.38	2.86	2.78
Power Purchase Cost (Rs. Cr)		**85.50**	**161.77**	**141.42**
E. Others				
Units Purchased (MU's)		47.39	-	-
Per Unit Price (Rs. / kWh)		4.55	-	-
Power Purchase Cost (Rs. Cr)		**21.58**	**-**	**-**
F. RPO				
Units Purchased (MU's)		51.17	51.89	-
Per Unit Price (Rs. / kWh)		6.25	6.25	-
Power Purchase Cost (Rs. Cr)		**31.97**	**32.42**	**14.25**

Particulars		Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
G. Total Pooled Power Purchased (A + B + C + D + E + F)				
Units Purchased (MU's)		2,558.26	2,594.56	2,327.94
Power Purchase Cost (Rs. Cr)		2.69	3.09	2.99
Per Unit Price (Rs. / kWh)		**688.38**	**802.48**	**697.12**

Operation and Maintenance Expenses

Petitioner's Submission

6.25 The Petitioner has outsourced its power distribution operations to Jamshedpur Utilities and Service Company Limited (JUSCO). Majority of the expenses related to the O&M activities of the licensed operations of TSL are being undertaken by JUSCO.

6.26 The Petitioner submitted provisional O&M expenses of Rs 58.69 Cr for FY 2011-12, which are higher as compared to the O&M expenses approved by the Commission in its previous Tariff Order of FY 2011-12.

Commission's Analysis

6.27 The Commission asked the Petitioner to submit the provisional annual accounts for FY 2011-12, which the Petitioner submitted subsequently. On scrutiny of the provisional annual accounts, the Commission noted that even after its repeated directions of segregating the O&M expenses into separate heads for employee costs and R&M costs, in the provisional accounts for FY 2011-12, they appear under the same head of '*O&M costs for JUSCO*'. The segregation of accounts into different heads is necessary for projecting the correct expenditure for the next year and to allow for correct booking under each head. The Commission again directs the Petitioner to segregate the amount pertaining to employee costs and R&M costs as it would help in recognising the costs under the appropriate heads and submit the same with the next petition, failing which the Commission would be constrained to disallow the same.

6.28 In view of the above anomaly in the data submitted by the Petitioner, the Commission has provisionally approved the O&M expenses for FY 2011-12 as given below, which will be subject to true up during the tariff determination for next year based on the actual break-up of O&M cost provided by the Petitioner in its audited accounts for FY 2011-12.

6.29 At the time of submission of the petition, the Petitioner had projected the A&G cost to be Rs.15.49 Cr However the A&G costs as per the provisional accounts is 12.57 Cr. The difference is mainly on account of electricity surcharge. The Petitioner had made a projection of Rs.4.44 Cr on account of expenditure on electricity surcharge; however actual payment as per provisional accounts under this head is Rs. 1.00 Cr only as the Electricity Surcharge for power sector has been discontinued by the State Government with effect from July 1st, 2011 onwards[1].

6.30 Further, during Technical Validation Session (TVS) by the representatives of the Commission, it was found that the proposed cost of CGRF is booked under the A&G costs as per the provisional accounts. Thus, the Commission has approved cost of CGRF/ DSM as part of A&G cost only and not allowed any expenditure under this head separately. Accordingly, the Commission approves Rs.12.57 Cr as A&G costs for FY 2011-12.

6.31 In case of Golmuri substation expenses, the Petitioner has submitted that total cost of the substation during FY 2011-12 is projected to be Rs. 30.80 Cr as booked under two cost centres. This is then allocated to power business division and the steel works in ratio of 70:30 for 1st cost centre and in ratio of 30:70 for 2nd cost centre. Accordingly the total allocated cost of Golmuri substation to power business division for FY 2011-12 has been projected to be Rs.11.10 Cr i.e. approximately 36% of total expenditure of the substation.

6.32 As discussed in para 5.28 of this Order, the Commission found the allocation ratio vague and revised the ratio on basis of average of last three years actual expenditure allocated to power business division which worked out to be 27%. The Commission has used this ratio to allocate the Golmuri substation expenses to the power business division. Accordingly, the Commission approves Rs.8.37 Cr (i.e. 27% of Rs. 30.80 Cr) as expenditure allocated to power business division on account of Golmuri substation for FY 2011-12.

6.33 The Petitioner has projected the R&M and employee expenses for FY 2011-12 to be Rs.19.16 Cr and Rs.12.81 Cr, respectively based on half year actual and projections for remaining period. The Commission asked the petitioner to submit actual expenditure incurred under these heads during FY 2011-12, subsequently the Petitioner submitted the provisional accounts for FY 2011-12. On scrutiny of the provisional accounts, the Commission noted that the actual expenditure on employee cost and R&M expenses (excluding expenses of Rs. 8.37 Cr on Golmuri Substation) (i.e. payment made to JUSCO) is Rs.30.26 Cr as against Rs.31.97 Cr projected earlier. The Commission approves Rs.30.26 Cr as employee cost and R&M expenses based on provisional accounts for FY 2011-12 subject to true up based on audited accounts. Further, the Commission has segregated the approved cost of Rs.30.26 Cr into R&M and employee costs proportionately on basis of submission made by the Petitioner.

[1] As per amendment to the Jharkhand Electricity Duty (Amendment) Act, 2011 dated June 24th, 2011

6.34 As per the above analysis, the Commission approves the total O&M expenses at Rs. 51.20 Cr, as summarized in the Table 21 below

Table 21: O&M Expenses for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
A. A&G Costs			
General A&G Expenses	5.26	7.26	8.85
Miscellaneous Expenses	0.56	0.47	0.34
Billing and Collection Expenses-JUSCO	1.85	1.88	2.14
Electricity Surcharge	1.09	4.44	1.00
Rates and Taxes	0.09	0.05	0.24
Interest on Sec Deposit	-	-	-
Consultancy Fees	0.21	0.25	-
A&G Costs- JUSCO	-	1.14	-
Sub-Total - (A)	**9.06**	**15.49**	**12.57**
B. R&M Costs			
Direct Expenses	12.33	19.16	18.13
Indirect Expenses	1.04	-	-
Golmuri Substation Maintenance Expenses	7.12	11.23	8.37
Sub-Total - (B)	**20.49**	**30.39**	**26.50**
C. Employee costs			
Direct Expenses	9.61	12.03	11.39
Indirect Expenses	0.97	0.78	0.74
Sub-Total - (C)	**10.58**	**12.81**	**12.13**
Total O&M Expenses (A + B + C)	**40.13**	**58.69**	**51.20**

CWIP and Gross Fixed Asset

Petitioner's Submission

6.35 The petitioner in its initial submission had submitted that it would incur Rs.284.47 Cr on capital schemes during FY 2011-12, of which Rs.4.56 Cr is on account of regular capital schemes & Rs.279.91 Cr is for 400 kV line from DVC. Further the Petitioner had submitted that of the total proposed expenditure during the year and the opening CWIP, assets of Rs.282.21 Cr would be capitalised during the year.

6.36 In addition, the Petitioner submitted additional claim on account of Interest during Construction (IDC) of Rs.0.73 Cr for FY 2011-12.

Commission's Analysis

6.37 The Commission asked the Petitioner to submit the scheme-wise details of actual expenditure incurred during FY 2011-12, which was submitted by the Petitioner subsequently. The revised capital expenditure during the year as submitted by the Petitioner was Rs.236.09 Cr which included Rs.3.10 Cr on account of regular schemes and Rs.232.99 Cr on account of 400 kV line from DVC. The Commission approves the revised estimates of capital expenditure subject to true up based on audited accounts for FY 2011-12.

6.38 Further to estimate the additions made to GFA during FY 2011-12, the Commission asked the Petitioner to submit scheme-wise actual additions to GFA during the year. The Petitioner submitted required details along with the provisional accounts for FY 2011-12.

6.39 The Commission noted that even though the Petitioner submitted the additions made during the year to be approximately Rs.19.88 Cr, the data from provisional accounts shows that additions made to GFA during FY 2011-12 is Rs.19.30 Cr (i.e. Rs.2.52 Cr on account of regular schemes & Rs.16.78 Cr on account of 400 kV line). The Commission approves the amount of assets capitalised during FY 2011-12 as per the provisional accounts subject to true up based on audited accounts.

6.40 In case of IDC, the Commission clarifies that Distribution Tariff Regulations 2010 provides for claim of IDC in case the expenditure has been incurred or projected to be incurred and does not allow for normative IDC. The relevant Clause of the said regulations have been reproduced below for reference:

*"**6.10** The capital cost of the project shall include the following:*

*a) **Expenditure incurred or projected to be incurred** on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;" **Emphasis added***

6.41 As can be seen from above, Clause 6.10 clearly states that the components of capital cost for any works/scheme undertaken would also include any amount incurred or projected to be incurred during the construction period on IDC, finance charges, any gain/ loss on account of foreign exchange variation, etc. Further it is noted that the Petitioner has met all its capital expenditure proposed for FY 2011-12 from internal accruals of Tata Steel and has not raised any loan during the year. Thus IDC has not been incurred or projected to be incurred for FY 2011-12 as the entire capital expenditure has been financed through internal accruals. Accordingly the Petitioner's claim for recovery of normative IDC for FY 2011-12 is not justified and hence it is disallowed.

6.42 Table 22 summarises the CWIP & GFA as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 22: GFA and CWIP for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
A. Capital Works in Progress (CWIP)			
Opening CWIP	8.83	5.64	5.64
Add: Additions (Capex during FY)	14.78	284.47	236.09
Total CWIP	**23.61**	**290.11***	**241.73**
Less: T/fed to GFA during FY	9.44	282.21	19.30
Closing CWIP	**14.17**	**7.90**	**222.43**
B. Gross Fixed Assets (GFA)			
Opening GFA	142.08	141.51	141.51
Add: T/fed from CWIP	9.44	282.21	19.30
Closing GFA	**151.52**	**423.72**	**160.81**
C. IDC	**-**	**0.73**	**-**

Note: * As per revised estimates submitted by the Petitioner, the additions to GFA during the year have been Rs.19.88 Cr only.

Depreciation

Petitioner's Submission

6.43 The Petitioner submitted that it has computed depreciation for FY 2011-12 based on Straight Line Method of computation and on basis of the rates as prescribed in Appendix I to the Distribution Tariff Regulations 2010. Further on assets capitalised during the year and IDC claimed for FY 2011-12, proportionate depreciation has been charged. The depreciation submitted at Rs. 10.11 Cr is net of depreciation on account of assets created out of consumer contribution.

Commission's Analysis

6.44 The Commission estimated the gross depreciation for whole year on the opening GFA and proportionately on additions made to GFA during the year (excluding IDC as explained in paras 6.40 and 6.41) based on the depreciation rates as per the Distribution Tariff Regulations 2010. Accordingly gross depreciation approved for FY 2011-12 works out to be Rs.9.36 Cr This is lower than the amount proposed by the Petitioner as the Commission has not considered any additions in GFA on account of IDC.

6.45 The Commission has approved consumer contribution received during FY 2011-12 to be Rs. 34.74 Cr as per the provisional accounts as against Rs. 23.11 Cr projected by the Petitioner based on half yearly actual and projections for remaining half year. The depreciation on account of consumer contribution is then estimated in proportion of consumer contribution as per provisional accounts to GFA during the year which works out to be Rs.2.02 Cr. Thus the Commission approves net depreciation during FY 2011-12 to be Rs. 7.34 Cr.

6.46 The Table 23 summarizes the gross and net depreciation as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 23: Depreciation for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2010-11	Submitted by the Petitioner	Approved now by the Commission
Gross Depreciation	9.62	10.69	9.36
Depreciation on account of Consumer Contribution	1.52	0.58	2.02
Net Depreciation	**8.10**	**10.11**	**7.34**

Interest and Other Finance Charges

Interest on Loan

Petitioner's Submission

6.47 The Petitioner submitted normative interest on loan of Rs. 14.85 Cr as per the methodology prescribed by the Commission and using an interest rate of 13.25% p.a.

Commission's Analysis

6.48 In accordance with the Distribution Tariff Regulations, 2010, the Commission has computed the normative loan for the year equal to 70% of the closing GFA. The GFA has been considered at net of consumer contribution and normative repayment is deemed to be equal to the depreciation charged during the year.

6.49 Further, in accordance with the Distribution Tariff Regulations, 2010, interest on normative loan has been calculated on the average normative loan as outstanding during the year at the interest rate of 13.00% p.a. which is the SBI PLR as on April 1st, 2011 instead of 13.25% as reported by the Petitioner. Accordingly, the Commission approves the interest on normative loan at Rs. 2.46 Cr.

6.50 The Table 24 summarises the interest on loan as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 24: Interest on Loan for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Opening Balance of Normative Loan	19.44	19.10	20.39
Deemed Additions	5.86	196.04	4.45
Deemed Repayments	8.10	10.11	7.34
Closing Balance of Deemed Loan	17.20	205.03	17.50
Average balance during the Year	**18.32**	**112.07**	**18.95**
Interest Rate (%)	13.25%	13.25%	13.00%
Interest Payment	**2.43**	**14.85**	**2.46**

Interest on Security Deposits

Petitioner's Submission

6.51 The Petitioner has provided for interest on security deposits at an interest rate of 6% p.a. for FY 2011-12.

Commission's Analysis

6.52 The Commission directed the Petitioner to submit sample bills of consumers for FY 2010-11. Based on prudence check done on the sample bills and the provisional accounts submitted by the Petitioner, the Commission approves the Interest on Security deposit at Rs. 0.41 Cr.

6.53 The Table 25 summarizes the interest on security deposits as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 25: Interest on Security Deposits for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Opening Security Deposit	5.71	6.00	6.00
Security Deposit received during FY	0.76	1.72	1.72
Closing Security Deposit	6.47	7.72	7.72
Average Security Deposit	**6.09**	**6.86**	**6.86**
Interest rate (%)	6.00%	6.00%	6.00%
Interest on Security Deposit	**0.37**	**0.41**	**0.41**

Interest on Working Capital

Petitioner's Submission

6.54 The Petitioner submitted normative interest on working capital at Rs 8.89 Cr for FY 2011-12 as per the methodology prescribed by the Commission in Tariff Order for FY 2011-12 and considering an interest rate of 13.25%.

Commission's Analysis

6.55 As prescribed by the Commission in Tariff Order for FY 2011-12, the normative working capital shall be given by the following formula:

(a) Two months equivalent of the expected revenue from sale of electricity at the prevailing tariffs; plus

(b) One-twelfth of the amount of Operation and Maintenance expenses for such financial year; plus

(c) Maintenance spares @ 1% of opening GFA; minus

(d) Amount held as security deposits under clause (a) and clause (b) of subsection (1) of Section 47 of the Act from consumers and Distribution System Users; minus

(e) One month equivalent of cost of power purchased, based on the annual power procurement plan.

6.56 The applicable interest rate for FY 2011-12 is in line with the Distribution Tariff Regulations, 2010 and is the short-term prime lending rate of SBI on April 1st, 2011, which is 13.00% p.a. as against 13.25% reported by the Petitioner.

6.57 Based on above methodology, the Commission approves the Interest on Working Capital at Rs 9.05 Cr for FY 2011-12.

6.58 The following table summarises the interest on working capital for FY 2011-12 as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 26: Interest on Working Capital for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Receivables for 2 months' sale @ existing tariff	134.99	131.70	128.92
O&M expenses for 1 month	3.35	4.89	4.26
Maintenance spares @ 1% of Op. GFA	1.42	4.24	1.42

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Sub-total	**139.76**	**140.83**	**134.60**
Less: Security deposit	6.09	6.86	6.86
Less: Power purchase cost for 1 month	57.37	66.87	58.09
Total Working Capital	**76.30**	**67.10**	**69.65**
Interest Rate (%)	13.25%	13.25%	13.00%
Interest on Working Capital	**10.11**	**8.89**	**9.05**

6.59 The following table summarises the total interest and other finance charges as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 27: Interest and Other Finance Charges for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Interest on Normative Loan	2.43	14.85	2.46
Interest on Security Deposit	0.37	0.41	0.41
Interest on Working Capital	10.11	8.89	9.05
Total Interest and Finance Charges	**12.91**	**24.15**	**11.92**

Return on Equity

Petitioner's Submission

6.60 The Petitioner submitted that as per the methodology prescribed by the Commission in its Tariff Order for FY 2011-12, normative return on equity has been computed at the pre-tax rate of 29.94% on the average balance of normative equity for FY 2011-12. For estimating the pre-tax rate of 29.94%, the Petitioner has considered 15.50% as post-tax rate and adjusted for applicable tax rate of 32.45%.

Commission's Analysis

6.61 In accordance with the Distribution Tariff Regulations, 2010, the Commission has considered the equity base to be equal to 30% of GFA. The GFA has been considered net of consumer contribution.

6.62 The post-tax rate of return on equity has been considered to be 15.50% as specified in Clause 6.20 of the Distribution Tariff Regulations, 2010. In order to gross up the pre-tax rate of return on equity, the Commission sought the provisional annual accounts for

FY 2011-12 for both Tata Steel and the Power Business Division from the Petitioner. The Profit Before Tax (PBT) for the Company was positive and also the Company had provisionally paid taxes for FY 2011-12 which was verified from Income Tax Return (ITR) filed acknowledgement slip. Similarly the PBT for the Power Business Division is also positive as per provisional accounts for FY 2011-12. Hence in this case, there is an assessable income for income tax purposes. Thus the Commission allows the RoE to be grossed up by the applicable tax rate of 32.45% for FY 2011-12 subject to true up on basis of actual tax liability incurred by the Petitioner. To arrive at pre-tax rate of return of 22.94%, the Commission has grossed up the applicable post-tax rate of return with provisional income tax rate and same has been considered for estimating the return on equity. Accordingly, the Commission approves the RoE for FY 2011-12 at Rs. 8.46 Cr.

6.63 The Table 28 summarises the return on equity as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 28: Return on Equity for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2010-11	Submitted by the Petitioner	Approved now by the Commission
Opening Balance of Normative Equity	35.75	35.91	35.91
Deemed Additions	2.51	84.27	1.91
Closing Balance of Normative Equity	38.26	120.18	37.82
Average Equity	**37.01**	**78.05**	**36.87**
Rate of Return (%)	22.94%	22.94%	22.94%
RoE	**8.49**	**17.90**	**8.46**

CGRF / DSM Expenses

Petitioner's Submission

6.64 As per the directions of the Commission, the Petitioner has set up a three member forum (one retired district judge and other two members of the utility) and the estimated expenditure in maintaining CGRF/DSM is expected to be Rs. 0.46 Cr for FY 2011-12. This expenditure shall be incurred to promote energy efficiency measures to monitor and control consumer demand and reduce losses at consumers end.

Commission's Analysis

6.65 During the scrutiny of the information submitted by the Petitioner, the Commission noted that the actual expenditure incurred on CGRF/DSM activities amounts to Rs. 0.08 Cr only. The Commission asked the Petitioner to provide details of the projected expenditure, which the Petitioner submitted subsequently. The Commission verified the data submitted from the provisional annual accounts for FY 2011-12 and the SAP database of the Petitioner, which was found to be correct. However during the technical validation session, the Commission's representatives found that the expenditure under this head is already booked under A&G expenses. Accordingly the Commission has not allowed the amount spend on CGRF/ DSM activities separately for FY 2011-12.

Non Tariff Income (NTI)

Petitioner's Submission

6.66 The Petitioner projected non tariff income for FY 2011-12 as Rs 3.06 Cr as per the initial petition submitted by it to the Commission based on the methodology approved by the Commission in previous Tariff Order for FY 2011-12.

Commission's Analysis

6.67 The Commission asked the Petitioner to submit details of actual non tariff income for FY 2011-12, which the Petitioner submitted subsequently. The actual non-tariff income received during FY 2011-12 is Rs.3.67 Cr as per the provisional accounts for FY 2011-12. Thus the Commission approves non tariff income for FY 2011-12 at Rs.3.67 Cr subject to true up based on audited accounts. The following table summarises the non-tariff income as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 29: Non-Tariff Income for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2010-11	Submitted by the Petitioner	Approved now by the Commission
Meter Rent	0.76	0.73	0.88
Equipment Hire Charges	0.06	-	-
Recovery of Short of Fittings	0.10	-	-
Service Charges/ Electrical Installation	4.86	1.86	2.23
Installation charges	-	0.47	0.56
Total Non-Tariff Income	**5.78**	**3.06**	**3.67**

Revenue from Existing Tariff

Petitioner's Submission

6.68 The Petitioner submitted that the projected revenue from existing tariff For FY 2011-12 is Rs.790.22 Cr based on actual revenue collected during first six months of FY 2011-12 and estimated revenue during the next six months.

Commission's Analysis

6.69 The Commission estimated revenue from sale of power to LT and HT consumers (excluding sales to other licensee/ JUSCO) for FY 2011-12 based on present approval of category-wise number of consumers, connected load and sales by the Commission as provided in Table 17 and Table 18 of this Order and the existing tariff rates.

6.70 The revenue from sale of power to other licensee/ JUSCO has been estimated as per present approval of sales for other licensee/JUSCO as provided in Table 18 of this Order and the average power purchase rate approved for FY 2011-12 i.e. Rs.2.96 per unit as provided in Table 20 of this Order. However, the same shall be trued up in the next Tariff Order as per the actual information made available to the Commission.

6.71 In addition to above, the Commission has also considered additional revenue of Rs.49.14 Cr for FY 2011-12 on account of revenue assessed by levy of FPPPA charge pertaining to the period April to November 2011 on the consumers of the Petitioner in accordance with the Commission's Order dated February 11th, 2012.

6.72 Accordingly, the Commission estimated the revenue from sale of power for FY 2011-12 at Rs. 773.54 Cr The difference in projected revenue in the Petitioner's submission and now approved by the Commission is on account of approved sales (2211 MU) being lower than the proposed sales (2426.34 MU[2]) as per initial submission made by Petitioner. The following table summarises the revenue from sale of power as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 30: Revenue from Sale of Power for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2010-11	Submitted by the Petitioner	Approved now by the Commission
Revenue from sale of power to LT/ HT Consumers	756.64	735.50	709.98
Revenue from sale of power to other licensee/ JUSCO	53.29	54.72	63.56
Total Revenue from sale of power	**809.93**	**790.22**	**773.54**

[2] The Petitioner revised the sales to 2211 MU as per its additional submission

Summary of ARR for FY 2011-12

6.73 The Table 30 summarizes the ARR as approved by Commission in Tariff Order for FY 2011-12, revised estimates by the Petitioner and approved by the Commission now for FY 2011-12.

Table 31: Summary of ARR for FY 2011-12 (Rs Cr)

Particulars	Approved in Tariff Order for FY 2011-12	Submitted by the Petitioner	Approved now by the Commission
Power Purchase Cost	688.38	802.48	697.12
O&M Expenses	40.15	58.69	51.18
Interest & Other Finance Charges	12.90	24.15	11.93
Depreciation	8.10	10.11	7.34
CGRF/ DSM Expenses	0.46	0.46	0.00
Total Costs	**750.00**	**895.89**	**767.57**
Add: Return on Equity	8.49	17.91	8.46
Less: Non-tariff income	5.78	3.06	3.67
Annual Revenue Requirement	**752.7**	**910.73**	**772.36**
Revenue @Existing tariff	809.93	790.22	773.54
Revenue Gap / (Surplus)	**(57.23)**	**120.51**	**(1.18)**

A7: ARR FOR FY 2012-13

7.1 This section contains a summary of the projections for various cost components of the ARR for FY 2012-13 as submitted by the Petitioner and approved by the Commission.

Number of Consumers and Connected Load

Petitioner's Submission

7.2 For FY 2012-13, the Petitioner projected the number of consumers on the basis of expected additions based on preliminary survey done at consumer-end and feedback from the staff. While, the growth projection in Connected Load / Contract Demand has been projected based on the corresponding increase in number of consumers, in respect of new applications, the corresponding load enhancement has been projected based upon the average load of the respective consumer category.

7.3 Petitioner has further submitted that because of availability of additional power supply from existing and future sources including DVC at 400 kV from FY 2012-13 onwards, it will be in a position to release bulk power and therefore has projected fresh addition in Domestic, DS-HT, Commercial, Utilities & other HT categories.

Commission's Analysis

7.4 In order to project the number of consumers and connected load for FY 2012-13, the Commission asked the Petitioner to submit the details of actual number of consumers added and the actual increase in connected load during FY 2011-12 and the likely consumers to be added along with the corresponding increase in load based on pending applications to be processed during FY 2012-13.

7.5 On scrutiny of the data, the Commission found that the projected addition in number of consumers and connected load by the Petitioner is in line considering the pending applications for connections and the projected growth due to availability of additional power. Further, the Commission also checked for any abnormal change in the existing ratio of load/consumer due to the proposed additions and found the projections to be rational on this account also. Thus for FY 2012-13, the Commission provisionally approves the number of consumers and connected load as per the projections submitted by the Petitioner. These numbers are subject to change on the basis of actual data while undertaking the true up exercise for FY 2012-13.

7.6 The Table 32 summarises the number of consumers and connected load, as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 32: Number of Consumers and Connected Load for FY 2012-13

Particulars	Number of Consumers		Connected Load		
	Submitted by the Petitioner	*Approved by the Commission*	Units	*Submitted by the Petitioner*	*Approved by the Commission*
Domestic – DS LT	37,617	37,617	kW	189,696	189,696
Domestic - DS HT	104	104	kVA	30,139	30,139
Commercial	7,815	7,815	kW	69,014	69,014
Temporary Supply				-	-
High Tension I	57	57	kVA	10,535	10,535
High Tension II	16	16	kVA	28,144	28,144
High Tension III	15	15	kVA	339,362	339,362
High Tension IV	1	1		55,000	55,000
Street Lights	410	410	kW	12,600	12,600
Other Licensee	1	1		-	-
Total	**46,036**	**46,036**		-	-

Energy Sales

Petitioner's Submission

7.7 For FY 2012-13, the Petitioner projected consumer category-wise energy sales of 3,156.59 MU by multiplying the projected connected load with the category-wise average load per consumer. The consumption/ sales from new consumers are estimated based on the period of application to be processed.

Commission's Analysis

7.8 The Commission estimated the sales for LT/ HT consumers (excluding sales to other licensee/JUSCO) for FY 2012-13 at 2,822.86 MU on basis of the approved connected load for FY 2012-13 and the approved load factor for previous year i.e. FY 2011-12. Further the consumption/ sales from new consumers is estimated based on the period of application to be processed as per the data submitted by the Petitioner for pending applications for increase in number of consumers & connected load.

7.9 The sales to other licensee/ JUSCO have been determined through the assessment of requirement of the JUSCO and power available with the Petitioner and works out to be 195.11 MU. Thus the total sales approved for FY 2012-13 works out to 3017.97 MU.

7.10 The Table 33 summarizes the consumer category wise sales submitted by the Petitioner and approved by Commission for FY 2012-13.

Table 33: Category wise Sales for FY 2012-13 (MUs)

Particulars	Submitted by the Petitioner	Approved connected Load for FY 2012-13	Load Factor as per approved sales & connected load for FY 2011-12	Approved Sales now by the Commission
Domestic LT	182.31	189,696	10.00%	170.44
Domestic - DS HT	122.91	30,139	45.00%	145.28
Commercial	59.27	69,014	20.00%	105.40
Temporary Supply	3.16	-	-	3.16
High Tension I	59.03	10,535	30.00%	26.64
High Tension II	142.36	28,144	50.00%	161.99
High Tension III	2,015.57	339,362	60.00%	1,819.04
High Tension IV	307.00	55,000	-	305.14
Street Lights	69.87	12,600	75.00%	85.77
Other Licensee	195.11	-	-	195.11
Total	**3,156.59**			**3,017.97**

Energy Balance and Distribution Losses

Petitioner's Submission

7.11 The Petitioner projected the net energy requirement for FY 2012-13 by grossing up the energy sales projections by estimated distribution loss. The distribution loss for sales to other licensees/JUSCO has been considered as nil and for sales to other LT/HT consumers in its licensed area; the distribution loss is considered at 6.50% as per the target set in the Distribution Tariff Regulations, 2010. Accordingly, the total power required has been projected to be 3362.46 MU during FY 2012-13.

7.12 To meet the projected energy requirement, power would be sourced from various sources and include 1627 MU from TPCL (total from Unit II & Unit III), 455 MU from DVC at 132 kV, 1179.59 MU from DVC at 400 kV and 100.87 MU from renewable energy sources to meet its RPO obligation of 3% of energy requirement in its licensed area.

Commission's Analysis

7.13 The Commission has projected the energy requirement for FY 2012-13 after grossing up the approved energy sales by the normative distribution loss target of 6.50% for FY 2012-13 in accordance with the Distribution Tariff Regulations, 2010. However the Commission notes that the approved distribution loss of the Petitioner for FY 2011-12 at 5.51% is substantially lower than the target for the year i.e. 7% as the Petitioner is still in the pre-stabilization stage of network planning and strengthening and has a favourable LT:HT ratio. In such a case the Commission expects that the Petitioner should be able to maintain minimum distribution losses. Thus even though the Commission is approving the distribution loss for FY 2012-13 at 6.50% provisionally, it would only be a ceiling target subject to true up on the basis of actual losses.

7.14 Accordingly, the total power required has been approved to be 3193 MU during FY 2012-13. The approved energy requirement shall be met through power sourced from TPCL, DVC, TSW - captive & others including renewable sources as per following approval:

(a) The Commission has approved the expected availability of power from TPCL's Unit II & Unit III as 804.17 MU each (thus total availability in FY 2012-13 from both units work out to be 1608.34 MU) as approved by the Commission in the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012.

(b) The Petitioner has not projected any power purchase from TSW – captive as it expects to purchase additional power from DVC at 400 kV. However the Commission is of the opinion that since the power available from TSW – captive would be cheaper than the power available from DVC at 400 kV, the Petitioner is directed to first utilise the entire power available from this source and only purchase balance energy requirement from other sources of power. For projecting purchase of power from TSW- captive, the Commission analysed the actual generation by TSW- captive, the actual consumption by Steel works and actual power transferred from TSW-captive to power business division during past three years. On this basis, the Commission has projected the net power available from TSW – captive during FY 2012-13 to be approx. 426.28 MU and same has been approved by the Commission.

(c) In case of power purchase from DVC at 132 kV, the Commission has estimated the power available on basis of contracted demand of 120 MVA and the past trend in utilisation by the Petitioner. Accordingly, the Commission has projected 376.65 MU to be available from DVC at 132 kV.

(d) Further, the Petitioner is mandated to purchase power from renewable energy (RE) sources to meet its RPO obligation. It is required to purchase 3% of total energy requirement in its licensed area from RE sources during FY 2012-13 out of which 2.50% should be procured from non-solar RE sources while 0.50% should be procured from solar power. Thus power available from RE sources is projected to be 95.79 MU (i.e. 3% of 3193 MU), out of which 79.83 MU should be sourced from non-solar RE sources and remaining 15.97 MU should be sourced from solar power. In addition, the balance of solar RPO target for FY 2011-12 should be met during this year, i.e. 4.28 MU should also be purchased from solar sources. Thus the total power available from RE sources during FY 2012-13 is 100.07 MU (95.79 + 4.28).

(e) In addition to above sources of power, the Petitioner can also purchase power from DVC at 400 kV from FY 2012-13 onwards. The Commission approves total power available from this source to be 681.66 MU being the balance power required after exhausting power available from other sources.

7.15 Based on the above, the energy balance for FY 2012-13 as submitted by the Petitioner and approved by the Commission for FY 2012-13 has been summarised in Table 34.

Table 34: Energy Balance for FY 2012-13 (MUs)

Particulars	Submitted by the Petitioner	Approved now by the Commission
A. ENERGY REQUIREMENT		
Sales to Other Licensee	195.11	195.11
Dist. Losses on Sales to Other Licensee	0.00%	0.00%
Units Lost on Sales to Other Licensee	-	-
Energy Req. for Sales to Other Licensee	**195.11**	**195.11**
Sales to Steel Works (HT IV)	307.00	305.14
Dist. Losses on Steel Works	0.00%	0.00%
Units Lost on Sales to Steel Works	-	-
Energy Req. for Steel Works	**307.00**	**305.14**
Sales to LT consumers	314.60	364.78
Sales to HT consumers	2,339.87	2,152.94
Sales to Other Consumers	**2,654.47**	**2,517.72**
Dist. Losses on Sales to Other Consumers	7.20%	6.50%

Units Lost on Sales to Other Consumers	205.87	175.03
Energy Req. for Sales to Other Consumers	**2,860.34**	**2,692.75**
Overall Sales	3,156.59	3,017.97
Overall Distribution Losses %	6.50%	5.48%
Overall Distribution Losses (MU)	205.87	175.03
TOTAL ENERGY REQUIREMENT	**3,362.46**	**3,193.00**
B. ENERGY AVAILABILITY		
- TPCL – Regulated capacity	1,627.00	1,608.34
- Damodar Valley Corporation 132 kV	455.00	376.65
- Damodar Valley Corporation 400 kV	1,179.59	681.66
- TSW - Captive	-	426.28
- RPO	100.87	100.07
- Others (F)	-	-
- Net Transfers from Steel Works	-	-
- Units Disallowed	-	-
TOTAL POOLED ENERGY AVAILABILITY	**3,362.46**	**3,193.00**

Power Purchase Cost

Petitioner's Submission

7.16 The Petitioner projected power purchase cost from TPCL during FY 2012-13 at Rs.3.07 per unit from TPCL - Unit II and Rs.2.94 per unit from TPCL – Unit III. Thus total power purchase cost for procuring power from TPCL's Unit II & Unit III works out to be Rs.249.58 Cr and Rs.239.45 Cr, respectively.

7.17 The Petitioner had projected the cost of power purchase from DVC at 132 kV at the rate of Rs.4.06 per unit after considering an increase of 7% over previous year rate. Thus power purchase cost from DVC at 132 kV works out to be 184.89 Cr. In case of power projected from DVC at 400 kV, the rate of power purchase projected for 132 kV supply is proposed to be discounted by 5% i.e. Rs.3.86 per unit. At the proposed rate, the power purchase cost from DVC at 400 kV works out to be Rs.455.36 Cr.

7.18 Finally the cost of procurement of renewable power to meet its RPO obligation, the petitioner has projected purchase of power from solar sources at the levelised tariff of Rs.14.98 per unit as approved by Commission in its Tariff Order for Solar Plants. While the power from non-solar renewable sources is projected to be procured at an average rate of Rs 5.00 per unit.

Commission's Analysis

7.19 The Commission has approved the power purchase cost from TPCL for FY 2012-13 as approved by it in the Tariff Order for TPCL for FY 2012-13 to FY 2015-16 dated May 31st, 2012. Accordingly the Commission has determined the power purchase cost of TSL from TPCL's Unit II & Unit III to be Rs.223.75 Cr and Rs.220.32 Cr, respectively at the rate of Rs. 2.78 per unit and Rs. 2.74 per unit respectively. Thus the average rate of power purchase from TPCL from both units works out to be Rs. 2.76 per unit.

7.20 The power purchase cost from TSW – captive has been projected at the rate of Rs. 2.76 per unit, which is equal to the lowest rate of power sourced from any source during FY 2012-13 as approved by the Commission. Thus the cost of power purchase from TSW during FY 2012-13 is approved to be Rs.117.70 Cr

7.21 The power purchase cost from DVC at 132 kV for FY 2012-13 has been approved as per the prevailing rate of power purchase for March 2012 i.e. Rs.3.93 per unit subject to FPPPA claim as and when required. Further in case of power purchase cost from DVC at 400 kV, as submitted by the Petitioner vide para 7.17, the Commission has also discounted the rate for 132 kV by 5% to arrive at Rs.3.73 per unit rate for 400 kV line from DVC. Based on this, the power purchase cost from DVC at 132 kV and 400 kV works out to be Rs.148.07 Cr and Rs.254.57 Cr, respectively.

7.22 With respect to purchase of power from RE sources, the Commission has considered the rate of purchase for solar power at Rs. 9.35 per unit which is the levelised tariff for Solar PV as determined by Central Electricity Regulatory Commission (CERC) as per its Order dated March 27th, 2012. While the rate of power purchase from non-solar RE sources has been considered at the weighted average rate applicable for purchase of power from various RE sources including biomass, small hydro, wind, etc and projected to be approx. Rs.5.00 per unit subject to true up on basis of actual. Thus the power purchase cost from RE sources for solar and non-solar power has been approved at Rs.14.93 Cr and Rs.39.91 Cr, respectively for FY 2012-13.

7.23 The Table 35 summarises the power purchase cost as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 35: Power Purchase Cost for FY 2012-13 (Rs Cr)

Particulars		Submitted by the Petitioner	Approved now by the Commission
A. Tata Power Company-Regulated Price			
Units Purchased (MU's)	Unit II	*813.50*	*804.17*
	Unit III	*813.50*	*804.17*
	Total	**1,627.00**	**1,608.34**
Per Unit Price (Rs. / kWh)	Unit II	*3.07*	*2.78*
	Unit III	*2.94*	*2.74*
	Total	**3.01**	**2.76**
Power Purchase Cost (Rs. Cr)	Unit II	*249.58*	*223.75*

Particulars		Submitted by the Petitioner	Approved now by the Commission
	Unit III	*239.45*	*220.32*
	Total	***489.03***	***444.07***
B. Damodar Valley Corporation 132 kV			
Units Purchased (MU's)		455.00	376.65
Per Unit Price (Rs. / kWh)		4.06	3.93
Power Purchase Cost (Rs. Cr)		***184.89***	**148.07**
C. Damodar Valley Corporation 400 kV			
Units Purchased (MU's)		1,179.59	681.66
Per Unit Price (Rs. / kWh)		3.86	3.73
Power Purchase Cost (Rs. Cr)		***455.36***	**254.57**
D. TSW - Captive			
Units Purchased (MU's)		-	426.28
Per Unit Price (Rs. / kWh)		-	2.76
Power Purchase Cost (Rs. Cr)		-	**117.70**
E. RPO			
Units Purchased (MU's)		100.87	100.07
Per Unit Price (Rs. / kWh)		6.66	5.48
Power Purchase Cost (Rs. Cr)		***67.22***	***54.84***
F. Total Pooled Power Purchased			
Units Purchased (MU's)		3,362.47	3,193.00
Per Unit Price (Rs. / kWh)		3.56	3.19
Power Purchase Cost (Rs. Cr)		**1,196.50**	**1,019.24**

Operation and Maintenance Expenses

Petitioner's Submission

7.24 The Petitioner has projected O&M expenses to be Rs.67.66 Cr for FY 2012-13 considering an increase of 15% p.a. to account for inflationary increases and envisaged growth in business.

Commission's Analysis

7.25 For FY 2012-13, the Commission has projected the O&M expenses separately for each component of O&M expenses as per the methodology approved by it in the previous Tariff Order. The Commission is approving the component-wise O&M costs only provisionally and these estimates will be subject to true up during the tariff determination for next year based on the actual break-up of O&M cost provided by the Petitioner in its audited accounts.

7.26 The Commission has provisionally approved the A&G cost for FY 2012-13 by escalating the approved A&G cost for FY 2011-12 (after excluding actual expenditure on electricity surcharge as same has been discontinued from July 2011 onwards)[3] by the weighted average inflation factor of 8.40% p.a. (i.e. weighted average of WPI & CPI for past 4 years in the ratio of 80:20, respectively). Accordingly, the Commission approves the A&G cost at Rs. 12.52 Cr for FY 2012-13 which also includes the CGRF & DSM expenditure for FY 2012-13. The Commission estimates the CGRF & DSM at Rs. 0.08 Cr, at the same amount as approved in FY 2011-12. The same would be trued up, after prudence check, as per actual expenditure incurred by the Petitioner on CGRF and DSM measures.

7.27 Similarly, the Golmuri Substation expenditure for FY 2012-13 has been approved by escalating the approved expenditure for FY 2011-12 by the weighted average inflation factor i.e. 8.40% p.a. Thus the approved expenditure on Golmuri substation for FY 2012-13 is Rs.9.07 Cr.

7.28 The Commission has approved the R&M costs for FY 2012-13 as ratio of the opening GFA for FY 2012-13. The ratio has been estimated on the basis of approved R&M cost for FY 2011-12 and opening GFA for FY 2011-12. Accordingly the approved R&M cost for FY 2012-13 work out to be Rs. 20.60 Cr

7.29 The direct employee cost for FY 2012-13 has been approved on the basis of the indexation formula as per the methodology approved in the previous Tariff Order. The Commission has calculated the cost per employee ratio for FY 2011-12 based on the approved direct employee cost of Rs 11.39 Cr for FY 2011-12 and the number of direct employees on the pay roll of TSL as on March 31st, 2012 which were 154 as submitted by the Petitioner. The cost per employee ratio for FY 2011-12 is estimated to be Rs. 0.07 Cr per employee, which is then escalated at the weighted average inflation rate of 8.40% p.a. (i.e. weighted average of WPI & CPI for past 4 years in the ratio of 80:20, respectively) which works out to be Rs.0.08 Cr per employee. The escalated cost per employee is then multiplied by the number of direct employees approved for FY 2012-13. The Commission has projected number of direct employees to be on roll at end of FY 2012-13 to be 158 on basis of trend in growth in employees during past three years. Similarly, indirect employee cost has been projected on basis of the cost per employee ratio for indirect employees. Thus employee cost approved by the Commission for FY 2012-13 is Rs.12.70 Cr as direct employee cost and Rs.0.80 Cr as indirect employee cost. The total O&M expenses approved by the Commission are Rs. 55.69 Cr.

7.30 The following table summarises the component-wise O&M expenses as submitted by the Petitioner and approved by the Commission for FY 2012-13.

[3] As per amendment to the Jharkhand Electricity Duty (Amendment) Act, 2011 dated June 24th, 2011, Electricity surcharge has been discontinued from July 1st, 2011

Table 36: O&M Expenses for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved now by the Commission
A. A&G Costs		
General A&G Expenses	7.84	9.42
Miscellaneous Expenses	0.51	0.61
Billing and Collection Expenses-JUSCO	2.03	2.42
Electricity Surcharge	4.80	-
Rates and Taxes	0.06	0.07
Consultancy Fees	0.25	-
A&G costs - JUSCO	1.23	-
Sub-Total - (A)	**16.72**	**12.52**
B. R&M Costs		
Direct Expenses	22.19	20.60
Golmuri Substation Maintenance Expenses	12.67	9.07
Sub-Total - (B)	**34.86**	**29.67**
C. Employee costs		
Direct Expenses	15.10	12.70
Indirect Expenses	0.98	0.80
Sub-Total - (C)	**16.08**	**13.50**
Total O&M Expenses (A + B + C)	**67.66**	**55.69**

Capital Expenditure Plan

Petitioner's Submission

7.31 The Petitioner, in its initial petition, submitted that it would incur Rs.12.33 Cr on regular capital schemes during FY 2012-13, while the proposed capital expenditure on DVC- 400 kV line would be completed in FY 2011-12 only. However as per its revised estimates, the petitioner submitted that remaining expenditure on 400 kV line from DVC to the tune of Rs.48.84 Cr would be undertaken during FY 2012-13 and proposed expenditure on regular schemes was revised to Rs.8.99 Cr. Thus total projected capital expenditure during FY 2012-13 is Rs.57.83 Cr.

Commission's Analysis

7.32 Even though the Petitioner has submitted that it would incur capital expenditure to the tune of Rs. 57.83 Cr during FY 2012-13, the Commission, observed that the actual capital expenditure incurred in the previous three years was approx. 76% of the expenditure approved for that financial year. Accordingly the Commission has decided to approve only 76% of projected capital expenditure to be incurred during FY 2012-13 on basis of past trends and thus capital expenditure for FY 2012-13 is approved to be Rs. 44.04 Cr.

CWIP and Gross Fixed Asset

Petitioner's Submission

7.33 As per the initial submission made by the Petitioner, it had proposed assets amounting to Rs.8.10 Cr would be capitalised during the year. However, based on provisional numbers and revised estimates submitted by the Petitioner, the proposed capitalisation is Rs.274.04 Cr including Rs.8.99 Cr worth assets capitalised from regular schemes and Rs.265.05 Cr (i.e. Rs.281.83 Cr less Rs.16.78 Cr already capitalised during FY 2011-12) being the remaining amount to be capitalized on account of 400 kV line.

7.34 In addition, the Petitioner submitted additional claim on account of Interest during Construction (IDC) of Rs.1.25 Cr for FY 2012-13.

Commission's Analysis

7.35 The Commission notes that, during past three years, the Petitioner have been able to capitalised only 40-50% of its total opening CWIP & GFA additions during the year.

7.36 Thus considering the same ratio, the Commission has approved assets capitalised during FY 2012-13 to be Rs.129.88 Cr (i.e. 49% of sum of opening CWIP of Rs.222.43 Cr & approved capex during the year of Rs.44.04 Cr).

7.37 In case of IDC, the Commission clarifies that Distribution Tariff Regulations 2010 provides for claim of IDC in case the expenditure has been incurred or projected to be incurred and does not allow for normative IDC. The relevant Clause of the said regulations have been reproduced below for reference:

*"**6.10** The capital cost of the project shall include the following:*

*a) **Expenditure incurred or projected to be incurred** on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;"* **Emphasis added**

7.38 As can be seen from above, Clause 6.10 clearly states that the components of capital cost for any works/scheme undertaken would also include any amount incurred or projected to be incurred during the construction period on IDC, finance charges, any gain/ loss on account of foreign exchange variation, etc. Further it is noted that the Petitioner has proposed to meet all its projected capital expenditure for FY 2012-13 from internal accruals of Tata Steel and has not proposed to raise any loan during the year. Thus IDC is not projected to be incurred for FY 2012-13 as the entire capital expenditure has been financed through internal accruals. Accordingly the Petitioner's claim for recovery of normative IDC for FY 2012-13 is not justified and hence is disallowed. The following table summarises the GFA and CWIP as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 37: GFA and CWIP for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner in Initial Submission	Submitted by the Petitioner in Revised Submission*	Approved now by the Commission
A. Capital Works in Progress (CWIP)			
Opening CWIP	7.91	270.23	222.43
Add: Additions (Capex during FY)	12.33	57.83	44.04
Total CWIP	**20.24**	**328.06**	**266.47**
Less: T/fed to GFA during FY	8.10	274.04	129.88
Closing CWIP	**12.14**	**54.02**	**136.59**
B. Gross Fixed Assets (GFA)			
Opening GFA	423.71	161.39	160.81
Add: T/fed from CWIP	8.10	274.04	129.88
Closing GFA	**431.81**	**435.43**	**290.69**
C. IDC	**1.25**	**1.25**	**-**

Note: * Revised submission made as per its Letter No. PBD/203/59/12 dated May 4th, 2012

Depreciation

Petitioner's Submission

7.39 The Petitioner submitted that its computation of depreciation is based on Straight Line Method of computation and utilising the rates as provided in Appendix I to the Distribution Tariff Regulations 2010. Further for assets capitalised & IDC claimed during the year, the depreciation has been computed for half year only.

7.40 The Petitioner has computed the depreciation at Rs. 23.13 Cr to be net of depreciation on Fixed Assets created out of Consumer Contribution, in line with the methodology adopted by the Commission in its previous Tariff Order.

Commission's Analysis

7.41 The Commission estimated the gross depreciation for whole year on the opening GFA and proportionately on additions made to GFA during the year (excluding IDC as explained in paras 7.37 and 7.38) based on the depreciation rates as per the Distribution Tariff Regulations 2010.

7.42 Accordingly gross depreciation approved for FY 2011-12 works out to be Rs.12.64 Cr. This is significantly lower than the amount proposed by the Petitioner as the Commission has considered the proportionate additions to GFA in line with previous year's ratio, while Petitioner has submitted that approx. 84% of opening CWIP & capital expenditure would be capitalised.

7.43 Further depreciation is reduced to the extent of depreciation on account of consumer contribution i.e. Rs.2.85 Cr and thus net depreciation of Rs.9.79 Cr has been approved for FY 2012-13.

7.44 Table 38 summarizes the gross and net depreciation as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 38: Depreciation for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved by the Commission
Gross Depreciation	24.56	12.64
Depreciation on Account of Consumer Contribution	1.43	2.85
Net Depreciation	**23.13**	**9.79**

Interest and Other Finance Charges

Interest on Loan

Petitioner's Submission

7.45 The Petitioner submitted normative interest on loan at Rs. 28.98 Cr as per the methodology prescribed by the Commission and using an interest rate of 14.75% p.a.

Commission's Analysis

7.46 In accordance with the Distribution Tariff Regulations, 2010, the Commission has computed the normative loan for the year equal to 70% of the closing GFA. The GFA has been considered at net of consumer contribution. Normative repayment is deemed to be equal to the depreciation charge during the year. Further, in accordance with the Distribution Tariff Regulations, 2010, the interest on normative loan has been calculated on the average normative loan as outstanding during the year at the interest rate of 14.75% p.a. i.e. the applicable SBI PLR as on April 1^{st}, 2012.

7.47 The Table 38 summarises the interest on loan as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 39: Interest on Loan or FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved by the Commission
Opening Balance of Normative Loan	205.04	17.50
Deemed Addition during the year	5.97	69.34
Deemed Repayments	23.13	9.79
Closing Balance of Deemed Loan	187.88	77.05
Average balance during the Year	**196.46**	**47.28**
Interest Rate	14.75%	14.75%
Interest Payment	**28.98**	**6.97**

Interest on Security Deposits

Petitioner's Submission

7.48 The Petitioner has provided for interest on security deposits of Rs. 0.52 Cr at an interest rate of 6% p.a. for FY 2012-13.

Commission's Analysis

7.49 The Petitioner is mandated to pay interest on consumer security deposit as per bank rates prescribed by Reserve Bank of India (RBI) from time to time. Thus the Commission has approved the interest on security deposit at 6% p.a. for FY 2012-13 as submitted by the Petitioner, however the same is subject to true up based on the prevailing bank rate prescribed by RBI.

7.50 The Table 39 summarises the interest on security deposits as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 40: Interest on Security Deposits for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved by the Commission
Opening Security Deposit	7.72	7.72
Security Deposit received during FY	1.76	1.76
Closing Security Deposit	9.48	9.48
Average Security Deposit (Rs. cr)	**8.60**	**8.60**
Interest rate (%)	6.00%	6.00%
Interest on Security Deposit (Rs. cr)	**0.52**	**0.52**

Interest on Working Capital

Petitioner's Submission

7.51 The Petitioner submitted normative interest on working capital at Rs 10.89 Cr for FY 2012-13 as per the methodology prescribed by the Commission in previous Tariff Order for FY 2011-12 considering an interest rate of 14.75%.

Commission's Analysis

7.52 In accordance with the Distribution Tariff Regulations, 2010, the normative working capital shall be given by the following formula:

(a) Two months equivalent of the expected revenue from sale of electricity at the prevailing tariffs; plus

(b) One-twelfth of the amount of Operation and Maintenance expenses for such financial year; plus

(c) Maintenance spares @ 1% of opening GFA; minus

(d) Amount held as security deposits under clause (a) and clause (b) of subsection (1) of Section 47 of the Act from consumers and Distribution System Users; minus

(e) One month equivalent of cost of power purchased, based on the annual power procurement plan.

7.53 The applicable interest rate for FY 2012-13 has been approved at 14.75% p.a.

7.54 The Table 41 summarises the calculation of working capital as submitted by the petitioner and as approved by the Commission.

Table 41: Interest on Working Capital for FY 2012-13(Rs Cr)

Particulars	Submitted by the Petitioner	Approved now by the Commission
Receivables for 2 months' sale @ existing tariff	172.22	174.15
O&M expenses for 1 month	5.64	4.64
Maintenance spares @ 1% of Op. GFA	4.32	1.61
Sub-total	**182.17**	**180.40**
Less: Security deposit	8.60	8.60
Less: Power purchase cost for 1 month	99.71	84.94
Total Working Capital	**73.86**	**86.87**
Interest Rate (%)	14.75%	14.75%
Interest on Working Capital	**10.89**	**12.81**

7.55 The interest on working capital calculated by the Commission for FY 2012-13 is higher as the power purchase cost projected by the Petitioner is higher than that approved by the Commission. The Table 42 summarises the total interest and other finance charges as submitted by the Petitioner and approved by the Commission for FY 2012-13.

Table 42: Interest and Other Finance Charges for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved by the Commission
Interest on Debt	28.98	6.97
Interest on Security Deposit	0.52	0.52
Interest on Working Capital	10.89	12.81
Total Interest and Finance Charges	**40.39**	**20.30**

Return on Equity (RoE)

Petitioner's Submission

7.56 The Petitioner has projected RoE at Rs. 27. 78 Cr for FY 2012-13 considering a pre-tax rate of return at 22.94% as per the 'Distribution Tariff Regulations, 2010'.

Commission's Analysis

7.57 As per the Distribution Tariff Regulations, 2010, the rate of return on equity for the transition period shall be considered at post-tax rate of 15.50% p.a. Further the regulations also provide that the normative income tax shall be limited to return on equity. The rate of normative income tax applicable for FY 2012-13 is 32.45% subject to true up based on actual tax liability assessed. Thus the rate of return on equity has been grossed up by the tax rate and allowed at the rate of 22.94% for FY 2012-13.

7.58 The equity base has been considered equal to 30% of GFA. The GFA has been considered net of consumer contribution. The detailed calculation of RoE projected by the Petitioner and as approved by the Commission has been summarised in Table 43.

Table 43: Return on Equity for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved now by the Commission
Opening Balance of Normative Equity	120.18	37.82
Deemed Additions	1.79	29.72
Closing Balance of Normative Equity	121.97	67.54
Average Equity	**121.08**	**52.68**
RoE (%)	22.94%	22.94%
RoE	**27.78**	**12.09**

CGRF/ DSM Expenses

Petitioner's submission

7.59 The Petitioner submitted that it plans to take up various DSM initiatives as directed by the Commission under its Demand Side Management Regulations, 2010. Total DSM and Consumer Grievance Redressal Forum (CGRF) expenses projected by the Petitioner for FY 2012-13 are Rs 0.46 Cr.

Commission's analysis

7.60 The Commission has allowed the CGRF & DSM Expenses as part of approved A&G expenses for FY 2012-13. Therefore, the Commission does not approve the CGRF & DSM Expenses separately.

Non Tariff Income (NTI)

Petitioner's Submission

7.61 The Petitioner projected non tariff income for FY 2012-13 as Rs 4.01 Cr.

Commission's Analysis

7.62 The Commission has approved NTI at Rs 4.01 Cr for FY 2012-13 as per the submissions made by the Petitioner in the additional information, subject to true up as per actuals.

Revenue from Existing Tariff

Petitioner's Submission

7.63 For FY 2012-13, the Petitioner had estimated the gross revenue from existing tariff to be Rs.1066.30 Cr. The net revenue projected by the Petitioner, after adjusting for proposed loss in revenue of Rs. 33 Cr on account of rebate/penalty on account of power factor, voltage, load factor, etc, works out to Rs.1033.30 Cr.

Commission's Analysis

7.64 The Commission estimated the gross revenue from sale of power to LT/ HT consumers (excluding sale of power to other licensee/ JUSCO) after considering the approved sales from each consumer category and the existing tariff, which works out to Rs. 982.62 Cr. However, the Commission has not considered any adjustment in gross revenue on account of rebate/ penalty while projecting the net revenue. Any such adjustment would be allowed on basis of actual at the time of true up in ensuing Tariff Order.

7.65 The revenue from sale of power to other licensee/JUSCO has been computed at a rate equal to the average power purchase cost for FY 2012-13 as approved by Commission in this Tariff Order which works out to Rs. 62.28 Cr.

7.66 Accordingly, the total revenue from sale of power at existing tariff for FY 2012-13 has been approved at Rs 1044.90 Cr, subject to true up on basis of actual.

Summary of ARR for FY 2012-13

7.67 The Table 44 summarises the ARR for FY 2012-13 as submitted by the Petitioner and approved by the Commission.

Table 44: Summary of ARR for FY 2012-13 (Rs Cr)

Particulars	Submitted by the Petitioner	Approved now by the Commission
Power Purchase Cost	1,196.50	1,019.24
O&M Expenses	67.66	55.71
Interest & Other Finance Charges	40.39	20.30
Depreciation	23.13	9.79
CGRF/DSM Expenses	0.46	-
Total Costs	**1,328.14**	**1,105.04**
Add: Return on Equity	27.78	12.09
Less: Non-tariff income	4.01	4.01
Annual Revenue Requirement	**1,351.91**	**1,113.12**
Revenue @Existing tariff	1,033.30	1,044.90
Revenue Gap / (Surplus)	**318.61**	**68.22**

A8: SUMMARY OF ARR FOR RESPECTIVE YEARS

Summary of Annual Revenue Requirement

8.1 In view of the above analysis, the Annual Revenue Requirement along with the revenues at existing tariffs and revenue gap for FY 2010-11, FY 2011-12 & FY 2012-13 are summarized below.

Table 45: Summary of Annual Revenue Requirement (Rs Cr)

Particulars	FY 2010-11		FY 2011-12		FY 2012-13	
	Submitted by the Petitioner	Approved by the Commission	Submitted by the Petitioner	Approved by the Commission	Submitted by the Petitioner	Approved by the Commission
Annual Revenue Requirement	681.61	673.49	910.73	772.36	1,351.91	1,113.12
Revenue @Existing tariff	661.04	657.10	790.22	773.54	1,033.29	1,044.90
Revenue Gap/ (Surplus)	**20.57**	**16.39**	**120.51**	**(1.18)**	**318.61**	**68.22**
Add: Revenue Gap/ (Surplus) for previous years (FY06 to FY12) as approved in previous Tariff Order					143.73 *	17.86 **
Cumulative Revenue Gap/ (Surplus) upto FY 2012-13					**462.34**	**86.08**

Note: * The Petitioner had submitted the Revenue gap for previous years as Rs. 110.59 Cr in its initial Petition. However, the Petitioner vide Letter no. PBD/355/59/12 submitted that on account of a clerical error, it inadvertently had omitted the revenue gap of Rs. 33.13 Cr pertaining to FY 2009-10, as approved by the Commission in Tariff Order for FY 2011-12. After inclusion of the said amount, the revenue gap for past years (FY06 to FY12) has been proposed at Rs. 143.73 Cr. The cumulative revenue gap upto FY 2012-13 is now revised to Rs. 462.34 Cr by the Petitioner as against Rs. 429.21 Cr as submitted in the initial petition;

** The Commission has estimated the revenue gap for previous years based on trued up revenue gap for FY06 to FY10 as per previous Tariff Order for FY 2011-12 and revenue gap/(surplus) now approved for FY11 & FY12 in the present Tariff Order for FY 2012-13.

A9: TREATMENT OF REVENUE GAP/SURPLUS

Petitioner's submission

9.1 The Petitioner has proposed an average increase of 39.92%, which is expected to generate additional revenue of Rs 412.51 Cr. It has also proposed to recover the entire gap from the consumers in the ensuing financial year.

9.2 The Petitioner submitted that there has not been any change in the tariff for last six years and it is logical to recover the entire gap in the ensuing financial year. Further, it submitted that any step of postponement of recovery of gap shall have a spiralling effect as this gap leading to a direct impact of increase in power purchase cost on which licensee has no control.

Views of the Commission

9.3 According to the ARR and the revenues at existing tariff determined by the Commission, the Commission has projected a cumulative revenue gap of Rs 86.08 Cr as against the envisaged revenue gap of Rs 462.34 Cr submitted by the Petitioner.

9.4 In view of the fact that the tariffs have not been revised during past 6 years and the cumulative revenue gap approved of Rs. 86.08 Cr for FY 2012-13, the Commission is of the opinion that this gap needs to be bridged to avoid implication on projected financing and spiralling interest rates on the Petitioner. Thus the Commission approves an average increase of 8.2% in FY 2012-13 which is expected to generate additional revenue of Rs. 86.08 Cr.

9.5 The applicable tariff schedule for the Petitioner for FY 2012-13 as proposed by the Petitioner and as approved by the Commission is shown in table below.

<table>
<tr><th rowspan="2">Consumer Category & Consumption slabs</th><th colspan="3">Fixed Charge/ Demand Charge</th><th colspan="3">Energy Charge (Rs/kWh)</th></tr>
<tr><th>Existing</th><th>Proposed by Petitioner</th><th>Approved by Commission</th><th>Existing</th><th>Proposed by Petitioner</th><th>Approved by Commission</th></tr>
<tr><td>DS I (0 – 100 Units)</td><td rowspan="3">• Rs 10/month (220 V, upto 5 kW)
• Rs 20/month (415V, above 5 kW)</td><td>Rs. 10/consumer /month</td><td rowspan="3">• Rs 10/month (220 V, upto 5 kW)
• Rs 20/month (415V, above 5 kW)</td><td>1.70</td><td>2.25</td><td>1.75</td></tr>
<tr><td>DS II (101 – 400 Units)</td><td>Rs. 20/consumer /month</td><td>2.80</td><td>3.50</td><td>2.95</td></tr>
<tr><td>DS III (above 400 Units)</td><td>Rs. 30/consumer /month</td><td>3.00</td><td>3.75</td><td>3.25</td></tr>
<tr><td>DSHT (Domestic High Tension)</td><td>Rs 275/ consumer/ month</td><td>Rs. 30/KVA/ month</td><td>Rs 275/ consumer/ month *</td><td>2.70</td><td>3.50</td><td>3.10</td></tr>
<tr><td>Commercial Category</td><td>• Rs 25/conn/ month (220 V, upto 5 kW)
• Rs 75 /conn/</td><td>• Rs 30/conn/ month (230 V, upto 5 kW)
• Rs 90 /conn/ month (440V,</td><td>• Rs 25/conn/ month (220 V, upto 5 kW)
• Rs 75 /conn/</td><td>4.30</td><td>5.25</td><td>4.60</td></tr>
</table>

	month (415V, above 5 kW)	above 5 kW)	month (415V, above 5 kW)			
High Tension I	Rs 200/kVA/ month	Rs 290/kVA/ month	Rs 220/kVA/ month	3.30	4.80	3.70
High Tension II	Rs 200/kVA/ month	Rs 270/kVA/ month	Rs 220/kVA/ month	3.25	4.70	3.60
High Tension III	Rs 180/kVA/ month	Rs 250/kVA/ month	Rs 200/kVA/ month	3.20	4.60	3.50
High Tension IV	Rs 180/kVA/ month	Rs 230/kVA/ month	Rs 200/kVA/ month	3.20	4.50	3.50
Utilities/Street Light	Rs 20/ month	Rs 50/ month	Rs 22/ month	2.90	3.80	3.10
Temporary supply	Rs 30/ month	Rs 30/ month	Rs 30/ month	5.00	5.50	5.50

Note: * The Commission has not accepted the proposal made by the Petitioner for change in fixed charges from consumer based to demand based for DS-HT consumer category as explained in paras 10.5 and 10.6 of the present Tariff Order.

A10: TARIFF RELATED OTHER ISSUES

Tariff Rationalization

Petitioner's submission

10.1 The Petitioner has expected its average cost of to be approximately Rs 4.28 per kWh in FY 2012-13. This is without considering the past recoveries on account of adjustment of revenue gap/ (surplus) for the period from FY 2005-06 to FY 2011-12. Against the same, the average realisation from all consumer categories is expected to be Rs 3.27 per kWh.

10.2 The Petitioner has also pointed out that there is a gap in the average cost of supply and average revenue from all the consumer categories except for Commercial consumer category.

10.3 In addition to above, the Petitioner has also proposed to convert the fixed charges in case of DS-HT consumers from Rs./consumer/month to Rs/kVA/Month.

View of the Commission

10.4 The Commission has determined the average cost of supply excluding revenue gap/ (surplus) for previous years as Rs. 3.69 per unit for FY 2012-13 and Rs 3.75 per unit after including revenue gaps/surplus for previous years. The average revenue per unit from existing tariffs is Rs. 3.46 per unit, which is lower than the average cost of supply. Thus there is a need for increase in tariffs proportionately to meet the existing revenue gap.

Table 46: Average CoS vs. Approved Average Revenue for FY 2012-13 (Rs/kWh)

Category	Average Cost of Supply	Average Cost of Supply (Including past recoveries)	Average Revenue @ Existing Tariff	Realization as % of Average Cost of Supply
Total Domestic LT	3.69	3.75	3.00	80%
Domestic - DS HT	3.69	3.75	3.10	83%
Commercial	3.69	3.75	4.63	124%
High Tension I	3.69	3.75	4.54	120%
High Tension II	3.69	3.75	3.97	106%
High Tension III	3.69	3.75	3.86	103%
High Tension IV	3.69	3.75	3.85	103%
Street Lights	3.69	3.75	3.10	83%
Total	**3.69**	**3.75**	**3.75**	**100%**

10.5 Meanwhile, regarding the Petitioner's proposal of converting the fixed charges for DS-HT consumers from Rs./consumer/month to Rs/kVA/Month, the Commission observed that the proposed conversion will have a huge impact on the DS-HT consumers and has also not given any rational for the same. Therefore, the Commission has disallowed the conversion of fixed charges from Rs./consumer/month to Rs/kVA/Month.

10.6 Further, in case the Petitioner wants such change in fixed charges, it should conduct a detailed billing analysis of the DS-HT consumers and determine the conversion rate while maintaining revenue neutrality. The Commission would then review the analysis and subsequently consider the viability of such a conversion as well as increase in fixed charges, if required.

A11: TARIFF SCHEDULE

APPLICABLE FROM 1ST JULY 2012[4]

This tariff will come into effect from July 1st, 2012 and apply to all consumers availing power supply from Tata Steel within its licensed area.

The consumers classified under different categories will be charged different tariff for energy supplied to them as given below, based on the nature of use of energy, supply voltage and demand of power.

Low & Medium Tension (LT & MT) Supply:

The tariff for LT & MT Supply will be charged under following categories:

Demand in kVA	Voltage of supply to be provided by Tata Steel	Consumer Category	Nature of use of energy
Upto 100 kVA	415 V or 220 V as per availability and discretion of Tata Steel	DS Domestic Category	Domestic & Households, Educational Institutions and Hostels, Religious Institutions, Charitable & Social Welfare Institutions, Hospitals, municipal Services etc.
Upto 100 kVA	415 V or 220 V as per availability and discretion of Tata Steel	CS Commercial Category	Trade, Business, Shops, Cinemas, Clubs, Hotels, Public Offices, Private Hospital. Business establishments in the premises of Educational Institutions, Hostels, Religious Institutions. Other Commercial or business establishments.

High Tension (HT) Supply:

The tariff for HT Supply will be charged under following categories:

Demand in kVA	Voltage of supply to be provided by Tata Steel	Consumer Category
For demand more than 100 kVA upto 500 kVA	6.6 kV/11 kV as per availability and discretion of Tata Steel	HT-1
For demand more than 500 kVA but less than 5000 kVA	6.6 kV/11kV/33kV as per availability and discretion of Tata Steel	HT-2
For demand 5000 kVA or more	33kV/132kV	HT-3
For power supplied to Steel Works of the Tata Steel	For power supplied to Steel Works of the Tata Steel	HT-4

[4] This schedule shall remain in force till March 31, 2013 or till the next tariff schedule is issued by the Commission, whichever is later.

A. Domestic Supply, (DS Category)

1. Applicability:

This schedule is applicable to Domestic & Households, Educational Institutions and Hostels, Charitable & Social Welfare Institutions and Govt & Industrial Hospitals.

2. Character of Service:

AC 50 Hz three phase at 415V or 220V at single phase within the specified variation limits as far as practicable.

3. Tariff

Energy Charge

Description (Units/month)	Energy Charges
	Rs/unit
0-100	1.75
101-400	2.95
Above 400	3.25

Fixed Charges

Description	Fixed Charges
	(Rs/month or part thereof)
220V single phase up to 5 kW	10
415 V three phase above 5 kW	20

4. Meter Hire Charges

Description	Meter Hire Charge
	Rs/month
220 V single phase upto 5 kW	15
415 V three phase above 5 kW	35

Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

5. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

B. Domestic Supply, HT category (DSHT Category)

1. Applicability:

This schedule is applicable to Domestic & Households and Housing Co-operative societies.

2. **Character of Service:**

   AC 50 Hz three phase at 6.6 KV/11KV within the specified variation limits as far as practicable in line with the IE Rules 1956 and grid constraints.

3. **Tariff**

Energy Charge:

Description (Units/month)	*Rs/unit*
Energy Charge	3.10

Fixed Charge

Description	*Rs/Consumer/month*
Fixed Charge	275

4. **Meter Hire Charges per month:** Rs 35

   Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

5. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

C. Commercial Supply (CS category)

1. **Applicability:**
   This schedule applicable for Trade, Business, Shops, Cinemas, Clubs, Hotels, Public Offices, Private Nursing Homes and Hospitals, Business establishments in the premises of Educational Institutions, Hostels, Religious Institutions, and any other Commercial or business establishments

2. **Character of Service:**
   AC 50 Hz three phase at 415V or 220V at single phase within the specified variation limits as far as practicable in line with the IE Rules 1956 and grid constraints.

3. **Tariff**

Energy Charge

Description (units/month)	*Rs/unit*
Energy Charges	4.60

Fixed Charge

Description	Fixed Charges
220 V single phase upto 5kW	Rs 25/Consumer/month
415 V three phase above 5kW	Rs 75/Consumer/month

4. **Meter Hire Charges**

Description	Meter Hire Charge
	Rs/consumer/month
220 V single phase upto 5kW	15
415 V three phase above 5kW	75

Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

5. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

D. High Tension Supply, (HT category)

I. HT-1 Category

1. **Applicability:**
This schedule is applicable to Industrial and Commercial establishments and where contract demand agreement is more than 100 kVA but less than 500 kVA.

2. **Character of Service:**
AC 50 Hz three phase at 6.6 kV/11 kV within the specified variation limits as far as practicable, in line with IE rules 1956 and grid constraints.

3. **Tariff**

Energy charge

Description (Units/month)	*Rs/unit*
Energy Charges	3.70

Demand charge

Description	*Rs/kVA/month*
Demand Charge	220

Note: The billing demand shall be as per Clause I, as provided in section on Terms and Conditions of Supply of the present Tariff Order.

4. **Meter Hire Charges**: Rs 500 per month

   Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

6. **Power Factor Penalty/Rebate:** In accordance with Clause II as provided in section on Terms and Conditions of Supply of the present Tariff Order.

7. **Electricity Duty:** In accordance with Clause III as provided in section on Terms and Conditions of Supply of the present Tariff Order.

5. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

6. **Voltage Rebate:** In accordance with Clause VI as provided in section on Terms and Conditions of Supply of the present Tariff Order.

II. HT-2 Category

1. Applicability

This schedule is applicable to Industrial and Commercial establishments and where contract demand agreement is more than 500 kVA but less than 5000 kVA.

2. Character of Service

AC 50 Hz three phase at 6.6KV/11kV/33kV within the specified variation limits as far as practicable, in line with IE rules 1956 and grid constraints**.**

3. Tariff

Energy charge

Description (Units/month)	*Rs/unit*
Energy Charges	3.60

Demand charge

Description	*Rs/kVA/month*
Demand charge	220

Note: The billing demand shall be as per Clause I, as provided in section on Terms and Conditions of Supply of the present Tariff Order.

4. **Load factor Rebate**

Description	Rebate %
For all Energy consumption above 65% and upto 70% load factor	5%
For all Energy consumption above 70% load factor	7.5%

Note: The above rebate will be available only on monthly basis and consumer with arrears shall not be eligible for the above rebate. However, the applicable rebates shall be allowed to consumers with outstanding dues, wherein such dues have been stayed by the appropriate authority/Courts.

5. **Meter Hire Charges:** Rs 500 per month

Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

6. **Power Factor Penalty/Rebate:** In accordance with Clause II as provided in section on Terms and Conditions of Supply of the present Tariff Order.
7. **Electricity Duty:** In accordance with Clause III as provided in section on Terms and Conditions of Supply of the present Tariff Order.
8. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.
9. **Voltage Rebate:** In accordance with Clause VI as provided in section on Terms and Conditions of Supply of the present Tariff Order.

III. HT-3 Category

1. **Applicability**

This schedule is applicable to Industrial establishments and where contract demand agreement is more than 5000 kVA or more.

2. **Character of Service**

AC 50 Hz three phase at 132kV/33kV within the specified variation limits as far as practicable.

3. Tariff

Energy charge

Description (Units/month)	*Rs/unit*
Energy Charges	3.50

Demand charge

Description	*Rs/kVA/month*
Maximum demand charge	200

Note: The billing demand shall be as per Clause I, as provided in section on Terms and Conditions of Supply of the present Tariff Order.

4. Load factor Rebate

Description	Rebate
For all Energy consumption above 70% load factor	7.5%

NOTE: The above rebate will be available only on monthly basis and consumer with arrears shall not be eligible for the above rebate. However, the applicable rebates shall be allowed to consumers with outstanding dues, wherein such dues have been stayed by the appropriate authority/Courts.

5. **Meter Hire Charges:** Rs 500 per month

Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

6. **Power Factor Penalty/Rebate:** In accordance with Clause II as provided in section on Terms and Conditions of Supply of the present Tariff Order.

7. **Electricity Duty:** In accordance with Clause III as provided in section on Terms and Conditions of Supply of the present Tariff Order.

8. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

9. **Voltage Rebate:** In accordance with Clause VI as provided in section on Terms and Conditions of Supply of the present Tariff Order.

IV. HT-4 Category

1. Applicability

This schedule is applicable for consumption of Steel Works of Tata Steel.

2. Character of Service

AC 50 Hz three phase at 132kV/33kV within the specified variation limits as far as practicable.

3. **Tariff**

Energy charge

Description (Units/month)	*Rs/unit*
Energy Charges	3.50

Demand charge

Description	*Rs/kVA/month*
Maximum demand charge	200

The billing demand shall be as per Clause I, as provided in section on Terms and Conditions of Supply of the present Tariff Order.

4. **Meter Hire Charges:** Rs 500 per month

Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

5. **Electricity Duty:** In accordance with Clause III as provided in section on Terms and Conditions of Supply of the present Tariff Order.

6. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

E. Utilities/Street Light Category

1. **Applicability:**
The schedule is applicable to all utilities and municipal services like water and waste water, sewage treatment, street lights etc.

2. **Character of Service**
AC 50 Hz three phase at 415V or 220V within the specified variation limits as far as practicable.

3. **Tariff**

Energy charge

Description (Units/month)	*Rs/unit*
Energy Charges	3.10

Fixed charge

Description (Units/month)	*Rs/month or part thereof*
Fixed Charge	22

Meter Hire charge

Description (Units/month)	Meter Hire Charges
	Rs/month
220V Single phase upto 5kW	15
415V three phase above 5 kW	35

Note: The meter hire charge is applicable only in case the meter is purchased and installed by the licensee. No meter hire charges applicable in case of consumer purchased meters.

4. **Interest on delayed payment:** In accordance with Clause IV as provided in section on Terms and Conditions of Supply of the present Tariff Order.

F. Temporary Supply

1. Applicability

Temporary supply connections are to be provided on request for an initial period of 3 (three) months maximum from the date of payment of estimated amount in advance and thereafter on discretion of the petitioner. Temporary Connection shall be provided on request for an initial period of 3 (three) months maximum from the date of payment of estimated amount in advance and thereafter on discretion of Tata Steel.

2. Tariff Rates

Fixed Charge

Description	*Rs/month*
Fixed Charges	30

Energy Charge

Description (Units/month)	*Rs/unit*
Energy Charges	5.50

Note: However for Durga Puja and other religious functions energy charge for temporary connections will be the highest slab of the prevailing domestic tariff ie. Rs 3.25/kWh.

Schedule for Miscellaneous Charges

S.No.	Purpose	Scale of Charges	Manner in which payment will be realized
1	**Application fee**		
	Agriculture	10	Application should be given in standard requisition form of the Board which will be provided free of cost. Payable in cash in advance along with the intimation
	Street light	20	
	Domestic	15 (Kutir Jyoti) 20 (Others)	
	Commercial	20	
	Other LT categories	50	
	HTS	100	
	HTSS, EHTS, RTS	100	
2	**Revision of estimate when a consumer intimates changes in his requirement subsequent to the preparation of service connection estimate based on his original application**		
	Agriculture	10	Payable in cash in advance along with the intimation for revision
	Domestic	30	
	Commercial	30	
	Other LT categories	50	
	HT Supply	150	
3	**Testing of consumers Installation**		
	First test and inspection free of charge but should any further test and inspection be necessitated by faults in the installation or by not compliance with the conditions of supply for each extra test or inspection	100	(Payable in cash in advance along with the request for testing)
4	**Meter test when accuracy disputed by consumer**		
	Single phase	40	To be deposited in cash in advance. If the meter is found defective within the meaning of the Indian Electricity Rules 1956, the amount of advance will be refunded and if it is proved to be correct within the permissible limits laid down in the Rules, the amount will not be refunded.
	Three phase	100	
	Trivector of special type meter	650	
5	**Removing/ Refixing of meter**		
	Single phase	50	Payable in cash in advance along with the intimation for revision
	Three phase	100	
	Trivector of special type meter	300	
6	**Changing of meter /meter equipment/fixing of sub meter on the request of the consumer/fixing of sub meter**		
	Single phase	50	Payable in cash in advance along with the intimation for revision
	Three phase	100	
	Trivector of special type meter	300	
7	**Resealing of meter when seals are found broken**		
	Single phase	25	Payable with energy bill

S.No.	Purpose	Scale of Charges	Manner in which payment will be realized
	Three phase	50	
	Trivector of special type meter	100	
8	**Replacement of meter card, if lost or damaged by consumer**	**10**	Payable with energy bill
9	**Fuse call - Replacement**		
	Board fuse due to fault of consumer	15	Payable with energy bill
	Consumer fuse	15	
10	**Disconnection/ Reconnection**		
	Single phase	30	Payable in cash in advance along with the request by the consumer. If the same consumer is reconnected/ disconnected within 12 months of the last disconnection/ reconnection, 50% will be added to the charges
	Three phase	75	
	LT Industrial Supply	300	
	HT Supply	500	
11	**Security Deposit**		**As per clause 10.0 of the JSERC (Electricity Supply code) Regulations, 2005**

A12: TERMS AND CONDITIONS OF SUPPLY

Besides the terms & conditions provided in the JSERC (Electricity Supply Code), Regulations, 2005, the Commission approves the following additional terms & conditions of supply:

Clause I: Billing Demand

The billing demand shall be the maximum demand recorded during the month or 75% of contract demand whichever is higher. In case of the actual demand exceeding 110% of the contract demand, the consumer shall pay penal charges for the exceeded demand. The penal charges would be charged as follows:

If the recorded demand exceeds 110% of Contract Demand, then the demand charge upto 110% of contract demand will be charged as per the normal tariff rate. The remaining recorded demand over and above 110% will be charged @ 1.5 times the normal tariff rate.

In case actual demand is higher than the contract demand for three continuous months, the same shall be treated as the new contract demand for the purpose of billing of future months and the consumer will have to get into a new agreement for the revised contract demand with the licensee.

Once the actual demand is recorded to be higher than contract demand for two continuous months, the licensee would serve notice to the consumer after the end of the second month for enhancement of the contract demand. The consumer would be liable to respond within 15 days of receipt of such notice and submit application for enhancement of contract demand to the licensee. The licensee would, within 15 days of receipt of response from the consumer, finalise the new agreement after making necessary changes at consumer's installations.

In case the consumer fails to respond within 15 days, the licensee would have the right to initiate enhancement of load as per the last recorded contract demand. While, in case the consumer provides an undertaking that the actual demand shall not exceed the contract demand again for a period of atleast six months from the last billing, the licensee shall continue to bill the consumer as per the existing contract demand and billing demand.

Provided that if the consumer fails to adhere to the undertaking and the actual demand exceeds the contract demand within the subsequent six months of the undertaking, the consumer shall have to pay a penal charge of 2 times the normal tariff for a period of three consecutive months and the licensee shall, after serving 7 days notice to the consumer, enhance the contract demand of the consumer as per the last recorded actual demand.

Clause II: Power factor Penalty/Rebate

Power Factor Penalty:

Power Factor Penalty will be applicable in case of maximum demand meters.

In case average power factor in a month for a consumer falls below 0.85, a penalty @ 1% for every 0.01 fall in power factor from 0.85 to 0.60; plus 2% for every 0.01 fall below 0.60 to 0.30 (up to and including 0.30) shall be levied on demand and energy charges; plus 3% for every 0.01 fall below 0.30.

Further, all consumers having aggregate inductive load greater than 3 HP (2.2 kW) and above (except domestic and street lights), shall install capacitors of required KVAR rating provided in the following table:

Rating of individual Inductive Load in HP	kVAR rating of LT capacitors
3 to 5	1
5 to7.5	2
7.5 to10	3
10 to 15	4
15 to 20	6
20 to 30	7
30 to 40	10
40 to 50	10 – 15
50 to 100	20 – 30

For existing consumer, the Petitioner should first serve one month's notice to all such consumers who do not have or have defective shunt capacitors. In case the consumers does not get the capacitor installed/replaced within the notice period, the consumer shall be levied a surcharge at 5% on the total billed amount charge (metered or flat), till they have installed the required capacitors.

No connection shall be released for any consumer having aggregate inductive load greater than 3 HP (2.2 kW) unless the capacitors of suitable rating are installed.

Power Factor Rebate:

Power Factor rebate will be applicable in case of maximum demand meters.

In case average power factor as maintained by the consumer is more than 85%, a rebate of 1% and if power factor is more than 95%, a rebate of 2% on demand and energy charges shall be applicable.

The above Power Factor Penalty/ Power Factor Rebate shall not be applicable to 'Steel Works of Tata Steel'.

Clause III: Jharkhand Electricity Duty

The charges in this tariff schedule do not include charges on account of Electricity Duty/ Surcharge to the consumers under the Jharkhand Electricity Duty Act, 1948 and the rules framed there under as amended from time to time and any other Statutory levy which may take effect from time to time after making corrections for the loss in the distribution system.

Clause IV: Interest on Delayed payment

The Delayed Payment Surcharge will be levied for all consumers at the rate of 1.5% per month and part thereof for all consumer categories. The due date for making payment of energy bills or other charges shall be fifteen days from the date of serving of bill. The bill should be generated and delivered on monthly basis. In case, the licensee defaults in generating and delivering bills on monthly basis, DPS will not be charged for the period of default by licensee.

Clause V: Electricity Supply Code

The Jharkhand State Electricity Regulatory Commission (Electricity Supply Code) Regulation 2005 as amended from time to time will be followed wherever applicable.

Clause VI: Voltage Rebate

Voltage rebate to the High Tension consumers will be applicable as given below:

Consumer Category	Voltage Rebate
HTS - 33 kV	3.00%
HTS - 132 kV	5.00%
HTS - 220 kV	5.50%
HTS - 400 kV	6.00%

The above rebate will be available only on monthly basis and consumer with arrears shall not be eligible for the above rebates. However, the applicable rebates shall be allowed to consumers with outstanding dues, wherein such dues have been stayed by the appropriate authority/Courts.

The Voltage Rebate shall not be applicable to 'Steel Works of Tata Steel'. It is pertinent to mention here that earlier the "Steel Works of Tata Steel" was not a consumer. In the tariff petition for FY 2010-11, the petitioner-TSL has requested for creation of a separate category of consumer for "Steel Works of Tata Steel" and also undertook in the petition that such an arrangement would not have any adverse impact on any category of consumers. The relevant portion of the petitioner-TSL's letter No. PBD/461/59/05 dated 6th September 2005 is reproduced below:

"With the enactment of Electricity Act, 2003 we agree that Steel works will have to be considered as a consumer for its electricity needs over and above captive sources. Accordingly, a scheme is being formulated to meet the above scenario with a prime condition that ***there should not be any adverse impact on any category of consumers****. With this as a background, the scheme will be put up for the Commission's concurrence and implemented*

hereafter." **Emphasis added.**

In view of the above undertaking, the Commission decided to treat Steel works as the consumer of the Licensee.

In Tariff Order for FY 2011-12, the Commission disallowed any voltage rebate for 'Steel Works of Tata Steel'. Against the said Order, the Petitioner filed a review petition to allow it benefit of voltage rebate. The Commission vide its Order dated November 26th, 2011, re-iterated that 'Steel Works of Tata Steel' is not entitled to any voltage rebate on account of its own submission and relevant extracts of the said Order is reproduced below:

"The Commission re-iterates that it is obvious that any rebate results in less revenue generation. Ultimately, it is adjusted in the ARR and tariff has to be determined accordingly. Any rebate to the "Steel Works of Tata Steel" is bound to have its adverse impact on other categories of consumers. Since the petitioner-TSL themselves have mentioned in their tariff petition for FY 2010-11 that a separate category of consumer be created for Tata Steel Works on the condition that there would not be any adverse impact on any category of consumers, hence, after careful consideration, the voltage rebate has not been extended by the Commission to the new category 'Steel Works of Tata Steel'."

Moreover, the matter is sub-judice with the Hon'ble Appellate Tribunal for Electricity, New Delhi.

Clause VII: Other Terms & Conditions

Point of Supply

The Power supply shall normally be provided at a single point for the entire premises. In certain categories like coal mines power may be supplied at more than one point on request of consumer subject to technical feasibility. But in such cases metering and billing shall be done separately for each point.

Dishonoured Cheques

In the event of dishonored cheque for payment against a particular bill, the Licensee shall charge a minimum of 300 Rs or 0.5% of the billed amount, whichever is higher. The DPS shall be levied extra as per the applicable terms and conditions of DPS for the respective category.

Stopped/ defective meters

In case of existing consumers with previous consumption pattern, the provisional average bill shall be issued on the basis of average of previous twelve months consumption.

In case of meter being out of order from the period before which no pattern of consumption is available, the provisional average bill shall be issued on the basis of sanctioned/ contract load on following load factor applicable to respective categories**,** as shown below:

Category	Load Factor
Domestic Supply	0.10
Commercial Supply	0.20
Domestic Supply HT	0.15
High Tension Supply	
11 KV	0.25
33 KV	0.30
132/220/400 KV	0.50

Sale of energy

No consumer shall be allowed to sell the electricity purchased from the Licensee to any other person/ entity.

Release of new connections

No new connections shall be provided without appropriate meter. The tariff for un-metered connections shall be applicable only to the existing un-metered connections, until they are metered.

Conversion factors

The following shall be the conversion factors, as and where applicable

(PF=0.85):

1 Kilowatt (KW) = 1.176 Kilovolt ampere (kVA)

1 Kilowatt (KW) = 1 / 0.746 Horse Power (HP)

1 Horse Power (1 HP) = 0.878 Kilovolt ampere (KVA)

Fuel Price & Power Purchase Adjustment (FPPPA)

Applicable as per the Clause 6.59 to 6.65 of the Distribution Tariff Regulations, 2010 and as amended by the Commission from time to time

A13: STATUS OF EARLIER DIRECTIVES

Directives as per TO 2011-12	Status submitted by the Petitioner	Views of the Commission
Separation of Accounts The Commission directed the Petitioner to separate the accounts of its Power Business Division from any other Business including Steel Works in full. The Commission directed to carry out the breakup of many cost elements such as O&M expenses, Depreciation, Golmuri substation expenses etc and get it certified by the statutory auditor. The Commission also directed to submit the same with the next tariff petition for FY 2012-13.	The Petitioner submitted that the separation of accounts has already been done to the best possible extent. For FY 2010-11, audit of accounts has been done by a statutory auditor appointed as per the Companies Act 1956, which can be sufficiently considered as a compliance of the directive. The petitioner also submitted that as majority of O&M activities are outsourced to M/s JUSCO, it has requested the Commission to continue to allow the similar arrangement of filing the audited annual accounts for the licensed operations for future years.	The Commission has noted that despite repeated directives for separation of accounts in full and giving break up of O&M and other common costs, the breakup of many cost elements such as O&M expenses, Depreciation, Golmuri station expenses etc are not shown Separately for Power Business Division in the accounts submitted by the petitioner. This shows that the Separation of Accounts have not been done in full. Thus the Commission directs the Petitioner to segregate its accounts in full and get it certified by the statutory auditor and submit the same with the next tariff petition.
Expenditure on GIS mapping The Commission directed the Petitioner to submit the output of the GIS system within one month of the issue of this Tariff Order.	The Petitioner submitted that the output of the GIS system has been submitted vide letter no. PBD/380/59/11 dated September 30th, 2011.	The Commission will study the report and give its views separately.
Study for implementation of ToU tariff regime The Petitioner was directed to undertake study to estimate the cost implications of metering at sub-station level and consumer level to effectively implement ToU tariff regime. The Commission directed the Petitioner to submit the report within three months of the issue of the order.	TSL has appointed the consultant and detailed report on the same has been submitted to the Commission separately.	The Commission will study the report and give its views separately.
Sales Estimates and Projections The Commission directed the Petitioner to undertake a detailed study for load research and demand forecast in order to correctly workout its short term and long term peak energy requirement. The Commission directed the Petitioner to get the study completed within three months of the issue of the previous Tariff Order and submit the report to the	The Petitioner submitted that the study is being carried out by M/s TCE and it has already started collection of data, survey for load growth, need for strengthening the distribution system etc. The Petitioner also submitted that the meetings with various stake holders are in progress and the Petitioner expects to come up with the draft report by July – August 2012. It shall thereafter initiate the required action based on the same.	The Commission directs the Petitioner to get the study completed within three months of the issue of the Tariff Order and submit the report to the Commission within one month thereafter.

Directives as per TO 2011-12	Status submitted by the Petitioner	Views of the Commission
Commission within one month thereafter.		
Estimation of Distribution Losses The Commission directed the Petitioner to formulate a task force for supervising the Distribution losses in its licensed area. The task force should report to the Commission quarterly about the various efforts that have been undertaken to ascertain the losses levels. The Commission also directed the Petitioner to carry out energy audit of its system and provide quarterly reports to regarding the progress of energy audit and action taken to reduce Distribution losses and results achieved	The Quarterly report on loss reduction initiative is already submitted for 1st quarter. The report for the 2nd and 3rd quarter have also been submitted to Hon'ble Commission vide letter no. PBD/327/59/11 dated 21-10-2011 and PBD/30/59/12 dated 19.01.2012.	The Commission will study the quarterly reports and give its views separately.
Quarterly Reports on Meter Failures The Commission directed the Petitioner to continue submitting the quarterly reports on the number of non-performing /defective meters for each category in the system and time taken to replace such meters as directed in the previous tariff order.	As directed by Hon'ble Commission, the Quarterly report on meter failures has been submitted vide letter no. PBD/314/59/11 dated 11-10-2011 and the petitioner submits that it will take care of supply of complete information in all respects for the subsequent submissions. It may kindly be noted that report of Q3 was also submitted vide letter no PBD/129/59/11 dated 18.1.2012.	The Commission will study the quarterly reports and give its views separately.
Standard of Performance The Commission directed the Petitioner to continue to submit the quarterly reports to the Commission as had been directed in the previous Tariff Order.	As per the direction of Hon'ble Commission to continue with the submission of quarterly reports on Standards of Performance, TSL submits that the quarterly report is submitted vide letter no. PBD/339/59/11 dated 31-10-2011. It may kindly be noted that report of Q3 was also submitted vide letter no PBD/19/59/12 dated 13.1.2012.	The Commission will study the quarterly reports and give its views separately.
Load factor study for HT and EHT consumers The Petitioner was directed to carry out a study on load factor considering the contract demand, the actual consumption, load factor, billing, collection, reasons for low load factor and submit it to the Commission within a period of six months from the date of tariff order.	Report has been submitted and views of the Hon'ble Commission are awaited.	The Commission will study the report and gives its views separately.
Adjustment of bills as per revised	The Petitioner has submitted already	The Petitioner has not submitted satisfactory reply for adjustment in bills

Directives as per TO 2011-12	Status submitted by the Petitioner	Views of the Commission
Generation tariff of TPCL The Commission directs the Petitioner to reconcile the payment due/receipts with TPCL, in lieu of the revised Generation tariffs determined by the Commission for FY 2009-10 FY 2010-11 & FY 2011-12 vide the Commission's Tariff Order for TPCL in August 2011, within three month of the issue of this Order.	compiled with.	done for FY 2011-12 as per the Commission's previous tariff order which was a new directive in previous Tariff Order and not just status report. This has to be done annually and compliance should be reported every year to the Commission.
Adjustment of bills as per revised cost of power to JUSCO The Commission directED the Petitioner to reconcile the payment due/receipts with JUSCO, in lieu of the revised cost of power sold to JUSCO as determined by the Commission in this Order, within three months of the issue of this order.	The Petitioner has submitted already compiled with.	The Petitioner has not submitted satisfactory reply for adjustment in bills done for FY 2011-12 as per the Commission's previous tariff order which was a new directive in previous Tariff Order and not just status report. This has to be done annually and compliance should be reported every year to the Commission.
O&M expenses The Commission had directed the Petitioner to submit the detailed break-up of O&M expenses in the next petition as per the forms annexed in 'JSERC Distribution Regulations, 2010', as amended from time to time for the past five years from the previous tariff year along with the tariff petition for this year.	The Petitioner submitted that the detailed breakup of O&M Expenses submitted along with the petition as directed by the Commission.	The Commission notes that while the licensee has provided breakup of the direct and indirect O&M costs from FY 2010-11, it is not reflected in the audited accounts. Commission directs the Petitioner to submit the detailed break-up of O&M expenses in the next petition as per the forms annexed in 'Distribution Tariff Regulations, 2010', as amended from time to time for past five years from the tariff year under consideration along with the tariff petition for next year also duly reflected in the audited accounts for Power Business division, failing which the expenses on O&M expenses will be disallowed.
Depreciation The Commission directed the Petitioner to provide asset wise calculation of depreciation for FY 2010-11 and FY	The Petitioner submitted that the detailed calculations have been submitted along with the petition as directed by the Commission.	The Commission is satisfied with the reply submitted by the Petitioner.

Directives as per TO 2011-12	Status submitted by the Petitioner	Views of the Commission
2011-12 with the tariff petition this year.		
Service Area The Commission directed the Petitioner to submit a timeframe for including all prospective consumers in its licensed area under its ambit within 3 months of issue of this Order. The Petitioner was also directed to submit quarterly report to the Commission the status of consumer applications pending and the reasons thereof.	As directed by Hon'ble Commission, the petitioner has already engaged for technical study. Additional main power source is already in advance stage of installation commissioning. The distribution net work expansion wherever is technically feasible, is proposed to be carried out in next 5 years.	The Petitioner should expedite the report and also submit the quarterly reports as directed by the Commission.
Status of CGRF & DSM Initiatives The Commission directed the Petitioner to submit quarterly report on the status of implementation of CGRF and DSM initiatives giving details of initiatives undertaken and costs incurred.	The Petitioner has submitted list of activities undertaken under these head during FY 2011-12 along with the Tariff Petition for the year.	However the Commission notes that the Petitioner is not submitting the quarterly reports regularly. Hence the petitioner is directed to submit quarterly reports.
Data adequacy in the next Tariff Petition The Commission directed the Petitioner to ensure that the tariff petition for this year should be complete in all respect leaving no room for data inconsistencies and discrepancies.	The petitioner submits that it has made all efforts to ensure maximum, proper & necessary required data/ information is provided along with this petition. However, due to some unavoidable reasons petitioner has sought for time extension and the same was approved by the Commission.	The Commission is concerned at the inadequacies and discrepancies found in the tariff petition which delays the finalization of the Tariff Order. The Commission directs the Petitioner to ensure that the next tariff petition should be complete in all respect leaving no room for data inconsistencies and discrepancies.

A14: DIRECTIVES

Separation of Accounts

14.1 As mentioned above, even though the Petitioner has submitted that it has undertaken separation of its accounts, it was unable to submit detailed data for power business division for tariff determination for FY 2012-13.

14.2 Further as the Commission will move towards MYT regime from FY 2013-14, the Petitioner *must* segregate its accounts before the submission of its business plan and the estimation of base year values.

14.3 To this effect, the Commission directs the Petitioner to segregate the accounts in full and submit with the next tariff petition for FY 2013-14.

Distribution losses & control of theft

14.4 The Commission observes that the licensed area-Township of Jamshedpur is a small town and easily accessible area where issues related to billing and revenue related losses like theft, tampering etc should not arise and are easily controllable provided suitable measures are taken in time.

14.5 The Petitioner is directed to proactively take measures for reduction of distribution losses and controlling theft in its licensed area and quarterly report on the same should be submitted to the Commission from the next quarter. The Petitioner should also report the distribution losses to the Commission on a quarterly basis.

Service Area

14.6 It is the mandate of the Petitioner to supply power to all consumers who wish to avail power from it and are within its licensed area. Thus the Commission directs the Petitioner to submit a timeframe for releasing all pending connections as per the relevant provisions of JSERC (Distribution Licensees' Standards of Performance), Regulations 2005. The Petitioner should also submit quarterly report to the Commission the status of consumer applications pending and the reasons thereof.

Operation and Maintenance Expenses

14.7 The Commission directs the Petitioner to submit the detailed break-up of O&M expenses in the next petition as per the forms annexed in 'Distribution Tariff Regulations, 2010', as amended from time to time for past five years from the tariff year under consideration along with the tariff petition for next year, failing which the expenses on O&M expenses will be disallowed.

Status of CGRF & DSM Initiatives

14.8 The Petitioner is directed to submit status of implementation of CGRF & DSM initiatives giving details of initiatives undertaken and costs incurred with the next tariff petition for FY 2013-14 on quarterly basis.

Adjustment of Bills & payments/receipt as per revised Generation tariff of TPCL

14.9 The Commission directs the Petitioner to reconcile the payment due/receipts with TPCL, in lieu of the revised Generation tariffs determined by the Commission for FY 2010-11, FY 2011-12 & FY 2012-13 in comparison to the Commission's Tariff Order for TPCL for FY 2010-11 & FY 2012-13, within three month of the issue of this Order.

Adjustment of Bills & payments/receipt as per revised cost of power sold to JUSCO

14.10 The Commission directs the Petitioner to reconcile the payment due/receipts with JUSCO, in lieu of the revised cost of power sold to JUSCO as determined by the Commission in this Order, within three months of the issue of this order.

14.11 The Petitioner is required to generate a supplementary bill for the reconciled billed amount.

Timely Filing and Data adequacy in the next Tariff Petition

14.12 The Commission has observed that the Petitioner did not file the tariff petition for FY 2012-13 within the stipulated time and rather asked for extensions. It is pertinent to mention that delay in filing of ARR not only impacts the revenues of the Petitioner but is also is a hindrance in regulatory stability from the consumer's perspective. The Commission directs the Petitioner to adhere to the timelines for filing the ARR in the future.

14.13 The Commission is concerned at the inadequacies and discrepancies found in the tariff petition which adversely impacts the decision making process and delays the finalization of the Tariff Order. The Commission directs the Petitioner to ensure that next tariff petition should be complete in all respect without data inconsistencies and discrepancies.

This Order is signed and issued by the Jharkhand State Electricity Regulatory Commission on this the 15th day of June, 2012.

Date: 15th June, 2012
Place: Ranchi

Sd/-	Sd/-
(T.MUNIKRISHNAIAH)	(MUKHTIAR SINGH)
MEMBER (E)	CHAIRPERSON

A15: ANNEXURE

Annexure-I

List of participating members of public in the public hearing

Sl. No.	Name	Address / Organisation if any
1	R.S. Singh	TSL
2	Akhil	TSL
3	M.K. Gupta	TSL
4	B.K. Prasad	TSL
5	Avneesh Gupta	TSL
6	Ajit Kumar	TSL
7	V.P. Singh	JUSCO
8	Kush Kumar	TSL
9	Ajay Kumar	TSL
10	A.K. Singh	TSL
11	Rajesh Vyas	TSL
12	Rahul Choudhary	JUSCO
13	P.K. Banni	Kadma
14	Manmohan Singh	JUSCO
15	Mukesh Verma	TSL
16	S.K. Bhattauly	199, H 16, S. Park
17	R.K. Jha	Kadma
18	V.K. Singh	Golmuri
19	D.K. Mandal	JUSCO
20	L. Thakur	Ac/214, Adarsh Nagar
21	S.S. Dubbey	TSL
22	D. Ilistra	TSL
23	Rahul Singh	Mango
24	Anand Singh	Jamshedpur
25	Sandeep Singh	Mango
26	Ajay Singh	Sakchi
27	Satveer Singh	Mango
28	V.K. Pandey	JUSCO Town
29	Santosh Pandey	Mango
30	Satendar	Mango
31	Rajesh Kumar	Sonari
32	D.M. Choudhary	TSL
33	A.K.Sinha	JUSCO
34	U.S. Upadhry	TSL
35	K.C. Jha	JUSCO
36	A.K. Choudhary	JUSCO
37	Suresh Jha	Adarsh Nagar, Sonari
38	Atul A. Singh	Feedback, Gurgaon
39	N.N. Das	Adarsh Nagar, Sonari

40	S.N. Bunj	9, Beldilakur Flat
41	Konstav Banerjee	CECECC Flat
42	Capt. D. Mjehra	JUSCO
43	L.K.K. Ojha	JUSCO
44	Y. Chabbar	Adarsh Nagar
45	A.U. Naidu	Adarsh Nagar
46	S.C. Jha	l4-73, Kashi
47	Raju Bose	Sitaramdera
48	Brajesh Singh	JUSCO
49	Anjani Kumar	JUSCO
50	D. Singh	Sakchi
51	K.M. Pandey	JUSCO
52	Raman Jha	Prabhat Khabar
53	Yugal Kishjor	Prabhat Khabar
54	B.K. Ojha	Dainik Jagran