



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR-9/08-09

**IN RE THE APPLICATION OF THE WEST BENGAL POWER
DEVELOPMENT CORPORATION LIMITED FOR ANNUAL
PERFORMANCE REVIEW OF THE FINANCIAL
YEAR 2007 – 2008 IN TERMS OF REGULATION 2.6
OF THE WEST BENGAL ELECTRICITY REGULATORY
COMMISSION (TERMS AND CONDITIONS OF TARIFF)
REGULATIONS, 2007, AS AMENDED.**

DATE: 28.05.2009



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007 and amendment thereof (hereinafter referred to as the 'Tariff Regulations'), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performances and projected performances under different factors/heads of accounts. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, the West Bengal Power Development Corporation Limited (hereinafter referred to as the 'WBPDCCL') submitted its application for the same on 31 December, 2008 for the financial year 2007 – 2008. The application was numbered as APR-9/08-09. It provided the requisite data / information in the specified proforma along with the copy of its audited annual accounts for the concerned year. It also submitted separate generating station-wise audited data in respect of Kolaghat, Bakreswar, Bandel and Santaldih Thermal Power Stations for the year 2007 – 2008.
- 1.2 On an initial scrutiny of the referred application, certain additional information / clarifications were asked for from WBPDCCL, vide Commission's letter No. WBERC/APR-9/08-09/1623 dated 25 February, 2009. Such information / clarifications received in reply, vide WBPDCCL's letter No. WBPDCCL/WBERC-12/09/155 dated 2 April, 2009, had duly been considered by the Commission for processing of the application for review.
- 1.3 The instant application of WBPDCCL is its second application for the APR, the first one being for the year 2006 – 2007. The adjustments, as were found necessary on review of the first application, registered as Case No. APR-2/07-08, were effected while determining the amount recoverable through tariff in respect of its



different generating stations during the year 2008 – 2009. Similarly, the adjustments as may arise out of the review of the instant application for 2007 – 2008 will be considered for giving effect while determining the amount of revenue recoverable through tariff of concerned generating station during the year 2009 – 2010.

- 1.4 The Commission, vide paragraph 3.3 of its order dated 15 September, 2008 in case no. APR-2/07-08 in regard to the application of WBPDCCL for APR for the year 2006 – 2007, permitted WBPDCCL to submit its representations along with the application for APR for the year 2007 – 2008, if it likes to differ with any of the findings of the Commission in the above referred order. Accordingly, WBPDCCL brought out the under noted points of differences for consideration of the Commission.
- 1.4.1 Regarding disallowances of Rs. 531.26 lakh towards interest on G.P. Fund, WBPDCCL opined that since the entire income derived from the investment of G. P. Fund was deducted in totality from the amount of Gross Aggregate Revenue Requirement, the referred amount of expenditure towards payment of interest should have been allowed for getting the reimbursement.
- 1.4.2 WBPDCCL also prayed for allowing the amounts of actual expenditure incurred by it during 2006 – 2007 in different operating generating stations towards Operation & Maintenance (O&M) expenses which could not be contended within the limits as allowed in the tariff order.
- 1.4.3 In regard to withholding the re-imbursement of Income Tax paid by it under the provisions of section 115JB of the Income Tax Act pending the receipt of the assessment orders, WBPDCCL requested to release the same to improve its cash flow position.



- 1.4.4 WBPDCCL also prayed for interest on normative working capital in terms of regulation 4.6.5.1 of the Tariff Regulations irrespective of actual amount of borrowings for that purpose and the interest paid.
- 1.4.5 WBPDCCL confirmed that the directive of Commission (vide paragraph 2.16 of the referred order on APR 2006 – 2007) in regard to recovery of the fixed charges had been complied with through issuance of Debit / Credit Notes in favour of West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL').
- 1.4.6 The Commission has taken careful note of the above representations made by WBPDCCL. The Commission's views in regard to the admissibility of those will be examined under the concerned heads of accounts along with the review for the year 2007 – 2008.
- 1.5 The APR is to cover the annual fixed charges allowed to the generating company, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. No element of gain sharing on account of achieving better operational norms, however, was considered for WBPDCCL while determining its Aggregate Revenue Requirement (in short 'ARR') for its different generating stations for the year 2007 – 2008. Moreover, the incentives and the sharing of gains in terms of the referred schedules to the Tariff Regulations are made allowable for the year 2008 – 2009 onwards. The tariff order for 2007 – 2008, however, provided for (vide paragraph 20.4) allowing incentive at a flat rate of 25.00 paise / kwh for ex-bus generation in excess of the target set for that.
- 1.6 The APR for the year 2007 – 2008 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBPDCCL for its different operating generating stations through the ARR for the year 2007 – 2008, vis-à-vis the actuals as per the audited accounts.



Order on APR of WBPDCCL for the year 2007-08

The Tariff Regulations (vide regulation 2.5.1) provides that the variations out of uncontrollable factors of expenses are to be passed through the tariff in an appropriate manner as may be decided by the Commission. The variations arising out of the controllable factors shall, however, be on the accounts of the generating company. The instant application of WBPDCCL for the year 2007 – 2008 is being viewed in the subsequent parts of this order.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. The review of each of such uncontrollable heads of fixed charges with reference to the amount allowed through tariff and the actuals based on the audited accounts of WBPDCCL is being taken up hereunder one by one.

2.2 Employee Cost:

2.2.1 WBPDCCL was allowed a total amount of Rs. 8844.00 lakh in the tariff for the year 2007 – 2008 towards employee cost which includes salaries, wages, allowances, benefits, contribution to provident / other funds and welfare expenses. As against the provision for above amount, the actual expenditure chargeable to revenue accounts as per audited accounts comes to Rs. 12800.88 lakh, registering an increase by 44.74% over the amount considered in the tariff. On scrutiny, it is found that the actual employee cost includes production / performance incentive to employees to the tune of Rs. 769.28 lakh as confirmed by WBPDCCL vide their letter Ref. WBPDCCL/WBERC-12/09/155 dated 02.04.2009. The Commission decides not to allow production / performance incentive of Rs. 769.28 lakh to employees of the respective generating stations after apportioning the said cost of corporate office between the generating stations as below:

	Rs. in Lakh
Kolaghat	328.85
Bakreswar	110.20
Bandel	225.38
Santaldih	104.85
Total	769.28



Order on APR of WBPDCCL for the year 2007-08

2.2.2 During the year 2007 – 2008, WBPDCCL adopted the mandatory requirement of the Accounting Standard – 15 (AS-15) on “Employee Benefits”, issued by the Institute of Chartered Accountants of India and recognized an amount of Rs. 3719.86 lakh chargeable in the revenue account. The Commission admits the same being mandatory requirement and the generating station-wise breakup is as below:

Generating Stations	Provisions under AS-15 (Rs. in Lakh)
Kolaghat	1501.37
Bakreswar	521.05
Bandel	814.70
Santaldih	882.74
Total	3719.86

2.2.3 Such adoption of the provisions of AS-15 (revised) is the main reason for such a sharp increase in the expenditures under this head. The generating station-wise comparative position of amount admitted in tariff is as below:

Rs. In Lakh

As provided in Tariff	Generating Station	As per Audited Accounts	Provisions under AS-15	As per actual (other than provisions under AS-15)	Performance Incentive disallowed	Admitted in APR other than admitted under AS-15	Aggregated amount admitted in APR for 2007 - 2008
1	2	3	4	[5 = (3-4)]	6	[7 = (5-6)]	[8= (7+4)]
3472.00	Kolaghat	5278.40	1501.37	3777.03	328.85	3448.18	4949.55
1281.00	Bakreswar	2118.15	521.05	1597.10	110.20	1486.90	2007.95
2370.00	Bandel	2886.13	814.70	2071.43	225.38	1846.05	2660.75
1721.00	Santaldih	2518.20	882.74	1635.46	104.85	1530.61	2413.35
8844.00	Total	12800.88	3719.86	9081.02	769.28	8311.74	12031.60

2.2.4 As it comes out from the above comparative statement, the actual employee cost of WBPDCCL, other than the provisions under AS-15, increased over the



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estimated amount provided in the tariff by average 2.22% only and that rate of increase is considered rational and admissible.

2.2.5 In regard to the amount of total provisions taken under AS-15, the component-wise break up is found as under:

	Rs. In Lakh
Gratuity (GPF)	406.24
Pension (GPF)	2808.95
Leave Encashment	504.67
Total:	3719.86

2.2.6 As the provision for liability was taken for the first time in the year 2007 – 2008 and as there had not been any planned assets earlier to take care of the discharge of the liabilities, the incidence of chargeable amount in the revenue account became very high. What is required for WBPDCCL now is to create financial assets specific for the purpose of discharging liabilities towards above heads. In that case, the annual charges will not be that much high. The Commission admits the amounts for carrying out adjustment through APR with the directive to see that the referred liabilities are covered by the funds to be created and to be shown separately in the annual accounts along with details of its transactions annually for the purpose for which such fund is created.

2.3 Water Charges:

2.3.1 The cess / expenses for getting water supply to the generating stations are uncontrollable as categorized in the Tariff Regulations. The provisions under the head of account in the tariff for 2007 – 2008 were as under:

Rs. In Lakh

Generating Station	Amount
Kolaghat	30.00
Bakreswar	5.00
Bandel	172.00
Santaldih	170.00
Total	377.00



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2.3.2 The actual total amount of expenditure incurred on this account as per the audited consolidated accounts came to Rs. 539.45 lakh. In its instant application for APR, WBPDCCL could not provide generating station-wise break up to this amount of actual expenditure and proposed to view the same clubbing with the expenditure along with the Coal & Ash Handling expenses.

2.3.3 WBPDCCL vide their letter no. WBPDCCL/WBERC-12/09/155 dated 2 April, 2009 has, however, provided generating stations wise break-up of water charges as below:

Rs. In Lakh

Generating Station	Amount
Kolaghat	11.78
Bakreswar	10.84
Bandel	382.14
Santaldih	134.69
Total	539.45

2.3.4 As water charge is categorized as uncontrollable and mostly variable with the quanta of generation, the Commission decides to view the amount claimed with reference to the targets set for generation and actual generation. The position in this regard comes as below:

Generating Stations	Generation target set in tariff 2007-08 (MU)	Water charge allowed in tariff 2007-08 (Rs. in Lakh)	Actual generation in 2007-08 (MU)	Proportionate expenditure with reference to actual generation (Rs. in Lakh)
Kolaghat	7747.488	30.00	7968.714	30.86
Bakreswar	4205.779	5.00	5076.080	6.03
Bandel	2237.930	172.00	2194.105	168.63
Santaldih	1433.549	170.00	1566.224	185.73



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2.3.5 It may be seen from the above table that actual generation in 2007 – 2008 in all the generating stations of WBPDCCL, except Bandel, exceeded the target generation of the corresponding year. Actual water charges claimed by WBPDCCL for Kolaghat and Santaldih generating stations of Rs. 11.78 lakh and Rs. 134.69 lakh respectively seem to be reasonable being less than even what was approved in the tariff. In case of Bakreswar and Bandel generating stations, the Commission admits Rs. 6.03 lakh and Rs. 168.63 lakh respectively being proportionate expenditure to actual generation as shown in the above table.

2.3.6 The final admitted water charges for the different generating stations of WBPDCCL in APR 2007 – 2008 are as below:

Rs. In Lakh

Generating Station	Amount
Kolaghat	11.78
Bakreswar	6.03
Bandel	168.63
Santaldih	134.69
Total	321.13

2.4 Coal and Ash Handling Charges:

2.4.1 The amounts claimed as actual by WBPDCCL under this uncontrollable head of expenses net of water charges are as under:

Rs. In Lakh

Generating Station	As provided in Tariff Order	Actual
1	2	3
Kolaghat	1221.00	2156.69
Bakreswar	247.00	264.03
Bandel	595.00	440.99
Santaldih	190.00	153.43



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2.4.2 It had been clarified by WBPDCCL that the amounts as claimed by it are inclusive of costs for ash evacuation and Railway staff posted at the generating stations. WBPDCCL shall henceforth show the expenditure on account of Railway staff posted at the generating stations and other expenses separately in case of coal and ash handling charges.

2.4.3 As the related expenditures are mostly variable with the variation in the generation, the Commission viewed the amounts claimed with reference to the targets set for generation and actual generation. The position in this regards comes as under:

Generating Station	Target Generation (MU)	Expenditure allowed in Tariff (Rs. In Lakh)	Actual Generation (MU)	Proportionate expenditure with reference to actual generation. (Rs. In Lakh)
Kolaghat	7747.488	1221.00	7968.714	1255.86
Bakreswar	4205.779	247.00	5076.080	298.11
Bandel	2237.930	595.00	2194.105	583.35
Santaldih	1433.549	190.00	1566.224	207.58

2.4.4 If the above proportionate charges in the expenditure with reference to actual generation achieved at different generating stations are compared, it will be seen that the amount of expenditures claimed for Bakreswar, Bandel and Santaldih are reasonable and admissible. For Kolaghat, the amount claimed is found 71.73% higher than the amount of justifiable expenditure. The Commission does not agree for that and allows Rs. 1255.86 lakh only. Finally, the amounts of expenditure admitted in the referred head of accounts are as under:



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Rs. In Lakh

Generating station	Amount
Kolaghat	1255.86
Bakreswar	254.03
Bandel	440.99
Santaldih	153.43
Total	2104.31

2.5 **Operation & Maintenance Expenses:**

2.5.1 The operation and maintenance expenses considered in the tariff for its different generating stations in operation during 2007 – 2008 were as under:

Amount in Rs. In Lakh

Particulars	Generating Station				Total
	Kolaghat	Bakreswar	Bandel	Santaldih	
(a) Repairs & Maintenance (including cost of consumables)	10105.00	3405.00	3496.00	2283.59	19289.59
Administration & General charges including provision for Income Tax	1277.00	1206.00	500.00	535.62	3518.62
Less: Provision for Income Tax included in (b) above	70.02	35.01	25.01	26.68	156.72
(b) Net Administration & General Charges	1206.98	1170.99	474.99	508.94	3361.90
Total O&M Expenses other than provision for Income Tax (a+b)	11311.98	4575.99	3970.99	2792.53	22651.49



2.5.2 As against the above amounts provided in the tariff, the amounts of actual expenditure as per the audited accounts came as under :

Amount in Rs. in Lakh

Generating station	Repairs & Maintenance	Administration & General Expenses	Total
Kolaghat	9994.24	726.72	10720.96
Bakreswar	3385.88	671.81	4057.69
Bandel	4336.19	385.56	4721.75
Santaldih	4529.11	459.73	4988.84
Total	22245.42	2243.82	24489.24

2.5.3 As seen from above, WBPDCCL could contain the total O&M expenses at Kolaghat and Bakreswar well within the provisions allowed in the tariff order, whereas for Bandel and Santaldih, the expenditures exceeded the allowed amount by Rs. 750.76 lakh and Rs. 2196.31 lakh respectively. It had been stated that some special maintenance works were required to be done in Bandel generating station leading to incurrence of additional expenditures. The increase in such expenses in Santaldih generating station had been stated due to writing off the value of some stock of materials which could not be accounted for by erstwhile West Bengal State Electricity Board (in short 'WBSEB') at the time of transfer of the assets of that generating station to WBPDCCL in the year 2001. WBPDCCL, therefore, requested for allowing the amounts of actual expenditure for O&M in Bandel and Santaldih generating stations.

2.5.4 The Commission has viewed the reasons brought out and is of the opinion that the special maintenance requirements at Bandel generating station were duly considered while allowing repairs and maintenance expenses in the tariff order. So far Santaldih generating station is concerned, it was transferred to WBPDCCL with effect from 1 April, 2001. After a lapse of so many years, it can not be established with certainty that the loss of materials for which the value requires to



be written off occurred during the pre-transfer period. The Commission, therefore, does not consider any adjustment in this controllable head of expenses.

2.6 Interest on Borrowed Capital:

2.6.1 The amount of interest on borrowed capital for Kolaghat and Bakreswar generating stations as allowed to WBPDCCL through tariff for the concerned year and as now claimed by it in the application for APR 2007 – 2008 are as under:

Rs. In Lakh		
Generating Station	Amount allowed in Tariff	Amount claimed in APR
Kolaghat	684.41	656.64
Bakreswar	4956.00	4395.70

2.6.2 No capital borrowings are there in Bandel and for the operating units of Santaldih generating stations. WBPDCCL submitted the computations in prescribed proforma for the amounts of interest now being claimed and the Commission found the same in order and the amount claimed for Kolaghat and Bakreswar had been admitted in APR for 2007 – 2008. In Bakreswar generating station the total interest admitted amounting to Rs. 4395.70 lakh includes the amount of Rs. 1257.17 lakh of interest payable on the amount of loan taken from Government of West Bengal for the Bakreswar Transmission system and the same is to be recovered from West Bengal State Electricity Transmission Company Limited (in short 'WBSETCL'). The break-up of amount of interest on capital borrowings in respect of Bakreswar generating station is admitted as under:



Rs. In Lakh

Particulars	Amount
Loan from Govt. of West Bengal	
i) General	2707.73
ii) For BOBRN Wagons	232.46
iii) For Simulator package	198.34
iv) For Bakreswar transmission system	1257.17
Total	4395.70

2.6.3 In addition to the amounts of interest on actual borrowings, WBPDCCL is also entitled for interest on normative loan capital at weighted average rate of actual borrowings. The amounts of expenditures incurred on acquiring fixed assets put to use during 2007 – 2008 at different generating stations were found as under. Seventy percent (70%) of such capital expenditures are to be considered as normative loan.

Rs. in Lakh

Generating Station	Additional Capital Expenditure	Normative Borrowing
Kolaghat	3918.02	2742.61
Bakreswar	105.20	73.64
Bandel	26.88	18.82
Santaldih	2.12	1.48
Total	4052.22	2836.55

2.6.3.1 The average rate of interest on actual capital borrowings for Kolaghat and Bakreswar generating stations are 11.12% and 2.23% respectively. The amounts of interest on above stated normative borrowings for Kolaghat and Bakreswar come to Rs. 304.98 lakh and Rs. 1.64 lakh respectively. For other two generating



stations, no actual borrowings are there and the amounts of capital expenditures are also not considerable. The interests on the normative borrowings for these two generating stations are ignored.

2.6.4 Summing up the findings above, the amounts of allowable interest on borrowed capital for Kolaghat and Bakreswar works out as under:

Rs. in Lakh

Generating Station	Admitted interest on borrowed capital	Admitted interest on normative loan	Total interest admitted in APR 2007 – 08
Kolaghat	656.64	304.98	961.62
Bakreswar	4395.70	1.64	4397.34
Total	5052.34	306.62	5358.96

2.7 **Other Finance Charges:**

2.7.1 In the tariff order for the concerned year, an amount of Rs. 75.00 lakh was only allowed towards other finance charges as claimed by WBPDCCL in respect of guarantee fee payable to the Government of West Bengal for capital borrowings in Kolaghat Thermal Power Station. Finance charges for other generating stations were neither claimed nor provided for in tariff. Now, through the instant application for APR, WBPDCCL asked for finance charges as under:

Rs. In Lakh

Generating station	Amount
Kolaghat	310.23
Bakreswar	125.30
Bandel	89.50
Santaldih	95.46
Total	620.49



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- 2.7.2 On scrutiny of the application for APR 2007 – 2008, it is found that out of the above claim, Rs. 59.64 lakh relates to actual guarantee fee for Kolaghat Thermal Power Station. The Commission admits this finance charge of Rs. 59.64 lakh for Kolaghat Thermal Power Station in APR for 2007 – 2008, being the actual expenditure.
- 2.7.3 The rest of the claim under other finance charges was relating to general provident fund paid / payable to employees. WBPDCCL claimed that since the interest, earned on investment of GP fund, is included in Form No. 1.26 – Income other than from sale of energy – and is utilized to reduce the requirement of Gross Aggregate Revenue Requirement, any expenditure incurred by WBPDCCL on this score is also to be admitted by the Commission. In the circumstances, it is worthy to mention that in the application for APR for 2006 – 2007 also WBPDCCL claimed Rs. 531.26 lakh, being the amount of interest paid by it on GP Fund in respect of its generating stations. The Commission, in its order for APR for 2006 – 2007, observed that the liability of the WBPDCCL for payment of interest of these funds will arise only when earnings of invested funds fall short of the amounts of interest payable to the employees' account and ordered that WBPDCCL needs to establish that inspite of efforts made for investment in proper time with judicious fund management, such short fall exists. WBPDCCL vide its letter Ref. WBPDCCL/WBERC-12/09/155 dated 2 April, 2009 under Annexure – III submitted the details of fund particulars, liability, investment particulars, amount of investment, company's contribution towards interest and return from investment. WBPDCCL has also provided the generating station-wise break-up of company's contribution towards interest. The year-wise position and performance of the GP Fund in a nut-shell are as below:



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Rs. in Lakh

Year	Liability	Investment amount	Return from investment	Company's contribution towards interest
2006 – 2007	15416.87	15416.87	932.49	531.27
2007 – 2008	23334.73	23334.73	1401.98	556.48

2.7.4 In their submission stated above, WBPDCCL have already established that they have invested to the full extent covering fund liability and the interest income out of the investment of GP Fund is more than the company's contribution towards interest in both the years 2006 – 2007 and 2007 – 2008 and performance is satisfactory. In view of above, the Commission decides to allow the company's contribution towards interest, since interest income from the investments on GP Fund is included under other income and has been utilized to reduce the gross Aggregate Revenue Requirement. However, the Commission decides to reduce the income from investment considered under other income off setting company's contribution towards interest for 2006 – 2007 and 2007 – 2008 from respective generating stations as below:

Rs. in Lakh

Generating stations	WBPDCCL's contribution towards interest on GP Fund		Amount to be adjusted with other income
	2006 – 2007	2007 – 2008	
Kolaghat	237.38	248.64	486.02
Bakreswar	118.69	124.32	243.01
Bandel	84.78	88.80	173.58
Santaldih	90.42	94.72	185.14
Total	531.27	556.48	1087.75

2.8 **Interest on Working Capital:**

2.8.1 The adjustments relating to interest on working capital, as asked for by WBPDCCL, are as under:



Rs. in Lakh

Generating station	As allowed in Tariff Order	As Claimed in APR for 2007 - 2008	Adjustment asked for
Kolaghat	1571.76	1643.31	(+) 71.55
Bakreswar	701.35	902.07	(+) 200.72
Bandel	539.42	575.84	(+) 36.42
Santaldih	333.96	352.86	(+) 18.90
Total	3146.49	3474.08	(+) 327.59

2.8.2 The requirements of working capital at different generating stations were assessed at tariff fixation level following the methodology enunciated by the Commission in regulation 4.6.5.1 of its Tariff Regulations, wherein it is stated that such assessment would be on normative basis @ 18% of estimated annual sales revenue reduced by the amount of depreciation, deferred revenue expenditures and return of the generating company. The amounts of interest on working capital as now being claimed by WBPDCCL are based on the amounts of working capital requirements computed following the same methodology.

2.8.3 The regulation 4.6.5.1 of the Tariff Regulations needs to be read with the next regulation, i.e., regulation 4.6.5.2 wherein it has clearly been provided that the rate of interest on such assessed amount of working capital shall be equal to the short-term prime lending rate of State Bank of India as on 1st April of the year preceding the year for which tariff is proposed or at the actual rate of borrowing whichever is less. As we see from the audited accounts for the concerned year, WBPDCCL did not borrow any amount from any source to meet up its working capital needs. The actual rate of borrowing was, therefore, nil. In terms of the aforesaid regulation, therefore, no amount of interest on working capital is allowable to WBPDCCL. There will be negative adjustments for the amounts provided in the tariff.



2.9 Depreciation:

2.9.1 Depreciation has been categorized as a controllable item of fixed charges as per the Tariff Regulations. WBPDCCL is to charge depreciation following the methods and rates specified in regulation 4.6.2 read with Annexure – A to the Tariff Regulations, and as such, the amount of chargeable depreciation on the original cost of assets in use at the time of the submission of the tariff application can precisely be worked out and to that extent it is controllable. But the amount of depreciation chargeable on the value of the fixed assets subsequently capitalized during the year or withdrawn from the operation may vary with the projected amount depending on the variations in the projected amount of capitalization / withdrawal. In this case of WBPDCCL for the year 2007 – 2008, the amounts of depreciation allowed for its different generating stations and the actual amounts found chargeable as per the submission, are as under:

Rs. In Lakh

Generating Station	Amount allowed in Tariff	Actual amount chargeable	Adjustments required
1	2	3	4 = 3-2
Kolaghat	4372.00	1654.11	(-) 2717.89
Bakreswar	10775.00	10781.32	(+) 6.32
Bandel	203.00	212.74	(+) 9.74
Santaldih	239.00	238.06	(-) 0.94
Total	15589.00	12886.23	(-) 2702.77

2.9.2 It has been observed that most of the fixed assets in use at Kolaghat Thermal Power Station were already depreciated upto statutory limit of 90% prior to 2007 – 2008 and hence a sharp fall came in the amount of chargeable depreciation. The Commission admits the amount of depreciation found actually chargeable in the accounts of different generating stations. Admitted depreciation of Bakreswar



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Thermal Power Station includes Rs. 1498.54 lakh on account of Bakreswar Transmission system.

2.10 Reserve for Unforeseen Exigencies:

2.10.1 In terms of Tariff Regulations, an appropriation towards Reserve for Unforeseen Exigencies was computed @ 0.25% of the projected value of gross cost of fixed assets at the beginning of the year. Accordingly, allowable amount of such reserves for the year 2007 – 2008, amount already provided in the tariff for that year and the adjustments required, work out as under:

Rs. in Lakh

Generating Station	Actual cost of gross fixed assets at the beginning of the year	Admitted amount of allowable reserve in APR for 2007-08	Amount provided in Tariff for 2007-08	Adjustment required.
Kolaghat	167379.19	418.45	416.00	(+) 2.45
Bakreswar	292008.15	730.02	729.00	(+) 1.02
Bandel	22379.16	55.95	54.00	(+) 1.95
Santalidih	20916.04	52.29	52.00	(+) 0.29
Total	502682.54	1256.71	1251.00	(+) 5.71

2.10.2 The Commission has noted the compliance report in regard to investment of the funds so far provided in the tariff.

2.11 Return on Equity Base:

2.11.1 In terms of Tariff Regulations (vide explanatory note under regulation 4.4.1), the equity base of WBPDCCL for allowing returns will be the sum total of paid up share capital and the amounts of free reserve, i.e., reserves and surplus available for distribution of dividends. As we get from the audited accounts and submission of WBPDCCL, the position of paid up equity share capital and free



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reserves in respect of different generating stations / generating units in commercial operation at the beginning of 2007 – 2008, were as under:

2.11.1.1 Paid-up Equity Shares:

Rs. in Lakh

Generating Station	Amount
Kolaghat	83329.40
Bakreswar	76910.14
Bandel	5665.00
Santaldih	7828.00
Total	173732.54

2.11.1.2 Reserve & Surplus:

WBPDCCL was having a net balance of Rs. 41532.66 lakh as free reserve at the beginning of 2007 – 2008 after setting-off the amounts of accumulated losses at Bakreswar and Santaldih generating stations. This net amount of free reserve was reduced by a total amount of Rs. 9391.55 lakh on account of liabilities for employees' benefits upto 31st March, 2007 in terms of the provisions of AS-15. The generating station wise position of adjusted amounts of free reserve at the beginning of 2007 – 2008 works out as under:

Rs. in Lakh

Particulars	Generating Station				Total
	Kolaghat	Bakreswar	Bandel	Santaldih	
Balance as on 01.04.2007 (as per unit wise audited accounts)	68050.34	(-) 17214.10	5957.52	(-) 15261.10	41532.66
Less: Adjustment for liabilities under AS-15 for the period prior to 2007 – 2008	4015.28	1185.54	2270.81	1919.92	9391.55
Opening balance after adjustment of liability under AS-15	64035.06	(-) 18399.64	3686.71	(-) 17181.02	32141.11



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WBPDCCL proposed to absorb the negative balances at Bakreswar and Santaldih generating stations by allocating the net available amount of total free reserve to Kolaghat and Bandel generating stations in the ratio of positive balances of those generating stations. Such allocation will be Rs. 30391.38 lakh at Kolaghat generating station and Rs. 1749.73 lakh at Bandel generating station.

2.11.1.3 Addition to Equity base during 2007 – 2008:

The amounts of free reserves generated by WBPDCCL at different generating stations during 2007 – 2008 work as under:

Rs. in Lakh

Particulars	Generating Station				Total
	Kolaghat	Bakreswar	Bandel	Santaldih	
Profit before provision for unforeseen exigencies and dividend	15708.74	5751.21	2797.28	(-) 5971.46	18285.77
Less: Reserve for unforeseen exigencies	788.95	1506.97	105.49	98.59	2500.00
Less: Proposed dividend and tax thereon	212.16	226.69	14.43	112.57	565.85
Net addition to Free Reserve	14707.63	4017.55	2677.36	(-) 6182.62	15219.92
Net addition to free reserve (after allocating negative amount of Santaldih in the ratio of positive balance of other stations)	10458.99	2856.99	1903.94	-	15219.92



2.11.1.4 Addition to the Original Cost of Fixed Assets:

The additions to the value of fixed assets in use during the year and the normative equity @ 30% of such additions were found as under:

Rs. in Lakh

Generating station	Addition to value of Fixed Assets	Normative Equity
Kolaghat	3918.02	1175.41
Bakreswar	105.20	31.56
Bandel	26.88	8.06
Santaldih	2.12	0.64
Total	4052.22	1215.67

2.11.2 The amounts of returns allowable for the different generating stations computed in terms of the Tariff Regulations are shown as under:

Rs. in Lakh

Sl. No.	Particulars	Generating Station				Total
		Kolaghat	Bakreswar	Bandel	Santaldih	
	Opening of Equity Base					
1	Share Capital	83329.40	76910.14	5665.00	7828.00	173732.54
	Free Reserve	30391.38	-	1749.73	-	32141.11
	Total	113720.78	76910.14	7414.73	7828.00	205873.65
2.	Addition to Equity base (Free Reserve)	10458.99	2856.99	1903.94	-	15219.92
3.	Capital expenditure during the year	3918.02	105.20	26.88	2.12	4052.22
4.	Normative addition to Equity 30% of 3	1175.41	31.56	8.06	0.64	1215.67
5.	Amount to be considered as addition during the year being lower of 2 & 4	1175.41	31.56	8.06	-	1215.03
6.	Equity Base at the end of year (6 = 1+5)	114896.19	76941.70	7422.79	7828.00	207088.68
7.	Average Equity Base (1+6)/2	114308.49	76925.92	7418.76	7828.00	206481.17
8.	Allowable return @ 14% on 7	16003.19	10769.63	1038.63	1095.92	28907.37



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2.11.3 The above admitted return of Bakreswar Thermal Power Station includes Rs. 838.76 lakh on account of Bakreswar Transmission system.

2.12 Taxes payable under the Provisions of Income Tax Act:

2.12.1 WBPDCCL is assessable for payment of Minimum Alternative Tax (MAT) under the provision of Section 115JB of the Income Tax Act. It is also to pay Fringe Benefit Tax and taxes on the payments of dividend. The provisions taken in the books of accounts for making such payments of tax for the year 2006-07 and 2007-08 were as under:

Rs. in Lakh

Particulars	Generating Station				
	Kolaghat	Bakreswar	Bandel	Santaldih	Total
A. 2006 – 2007					
MAT	2089.16	574.05	402.77	162.96	3228.94
Fringe Benefit Tax	12.15	10.31	4.01	5.24	31.71
Dividend tax	34.23	36.58	2.33	11.84	84.98
Total (A)	2135.54	620.94	409.11	180.04	3345.63
B – 2007 – 2008					
MAT	2009.22	736.73	358.16	(-) 761.98	2342.13
Fringe Benefit Tax	16.38	14.88	6.00	8.38	45.64
Dividend Tax	30.82	32.93	2.10	19.13	84.98
Adjustment for earlier years	(-) 0.70	(-) 0.35	(-) 0.25	(-) 0.26	(-) 1.56
Total (B)	2055.72	784.19	366.01	(-) 734.73	2471.19
Total Tax accounted for (A+B)	4191.26	1405.13	775.12	(-) 554.69	5816.82

2.12.2 The amounts provided in the tariff for the aforesaid two years for different generating stations were as follows:

Rs. in Lakh

Particulars	Generating Station				Total
	Kolaghat	Bakreswar	Bandel	Santaldih	
For 2006-07	73.86	36.93	31.07	28.14	170.00
For 2007-08	70.02	35.01	25.01	26.68	156.72
Total	143.88	71.94	56.08	54.82	326.72



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2.12.3 The re-imbusement of taxes provided in the books of accounts and paid for during 2006-07 was withheld by the Commission awaiting the receipt of the Assessment order from the authorities. Since, the amounts of tax liabilities as provided in books were paid for and the relevant copies of challans had been submitted, the Commission decides to admit the re-imbusement of the amounts for both years together. The generating station wise Income Tax admitted in APR for 2007 – 2008 are as follows:

Rs. in Lakh

Generating Station	Total Tax paid for 2006 – 07 & 2007 – 08	Amounts provided in Tariff Order and admitted in APR for 2006 – 07	Balance amount allowed in APR for 2007 – 08
Kolaghat	4191.26	73.86	4117.40
Bakreswar	1405.13	36.93	1368.20
Bandel	775.12	31.07	744.05
Santaldih	(-) 554.69	28.14	(-) 582.83

2.13 Incentive :

2.13.1 Paragraph 10.4 of the tariff order dated 26.07.2007 for the year 2007 – 2008 stipulated for payment of incentive on the quantum of ex-bus generation in excess of the targets set for that. Accordingly, the quantity qualifying for incentive works out as under:

Quanta in MU

Generating station	Actual ex-bus generation	Target ex-bus generation	UI of actual ex-bus generation	Quanta qualifying for incentive
1	2	3	4	5 (2-3-4)
Kolaghat	7136.447	6957.244	25.360	153.843
Bakreswar	4586.255	3810.436	11.584	764.235
Bandel	1978.843	1991.758	10.758	(-) 23.673
Santaldih	1335.194	1268.691	3.978	62.525
Total	15036.739	14028.129	51.680	956.930



2.13.2 It may be seen from the table above that Kolaghat, Bakreswar and Santaldih Thermal Power Stations have qualified for incentive after off-setting the lower performance of Bandel Thermal Power Station. Thus after netting off the lower performance of Bandel Thermal Power Station in proportion to the respective gross quanta qualifying for incentive by Kolaghat, Bakreswar and Santaldih Thermal Power Stations, 956.93 MU is worked out for incentive as shown below:-

Generating Station	Net quanta qualifying for incentive (MU)	Amount of incentive @ 25 paise / kwh (Rs. in Lakh)
Kolaghat	150.129	375.32
Bakreswar	745.785	1864.46
Bandel	0.00	0.00
Santaldih	61.016	152.54
Total	956.930	2392.32

2.14 **Income from Non-Tariff Sources:**

2.14.1 Income derived from non-tariff sources during the year as per the audited accounts of different operating generating stations and as were considered in the tariff orders are as under:

Rs. in Lakh

Generating station	As per Tariff Order	As per Accounts
Kolaghat	2654.00	5966.44
Bakreswar	2032.00	3412.81
Bandel	1021.00	2128.61
Santaldih	987.00	2138.00
Total	6694.00	13645.86



2.14.2 In terms of para 2.7.3 of this order, actual income from non-tariff source is required to be adjusted. Thus the admitted income from other sources from the respective generating stations is as below:

Rs. in Lakh

Generating station	Other income as per audited accounts	Adjustment for GP Fund	Admitted other income
Kolaghat	5966.44	486.02	5480.42
Bakreswar	3412.81	243.01	3169.80
Bandel	2128.61	173.58	1955.03
Santaldih	2138.00	185.14	1952.86
Total	13645.86	1087.75	12558.11

2.15 **Cost disallowed:**

2.15.1 **Excess Auxiliary Consumption:**

The quantum of auxiliary consumptions at the generating stations as per the norms fixed by the Commission and as per actuals compare as under:

Generating station	Normative Rate (%)	Normative quanta (MU)	Actual quanta (MU)	Excess/(Savings) in auxiliary consumption (MU)
Kolaghat	10.20	812.809	832.267	19.458
Bakreswar	9.40	477.152	489.825	12.673
Bandel	11.00	241.352	215.262	(26.090)
Santaldih	11.50	180.116	231.030	50.914
Total		1711.429	1768.384	56.955

The Commission considers to disallow the proportionate fixed cost incurred on account of auxiliary consumption in excess of norms fixed by the Commission



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after off-setting the savings in auxiliary consumption of Bandel Thermal Power Station in proportion to excess auxiliary consumption in Kolaghat, Bakreswar and Santaldih Thermal Power Stations as below:

Quanta in MU

Generating Station	Excess/(Savings) in auxiliary consumption	Net excess auxiliary consumption after off-setting the savings in auxiliary consumption
Kolaghat	19.458	13.345
Bakreswar	12.673	8.691
Bandel	(26.090)	-
Santaldih	50.914	34.919
Total	56.955	56.955

2.15.2 Further, WBPDCCL, in response to letter No. WBERC/FPPCA-30/08-09/1753 dated 27 March 2009 of the Commission, confirmed, vide its letter No. WBPDCCL/WBERC-12/09/143 dated 31 March 2009, that the quantum of UI of power for the period from January 2008 to March 2008 has already been included in the ex-bus generation and the units sold by WBPDCCL during 2007 – 2008 are as below:

Generating station	Actual Ex-bus generation (MU)	Quanta of UI of power (MU)	Units Sold (MU)
Kolaghat	7136.447	25.360	7111.087
Bakreswar	4586.255	11.584	4574.671
Bandel	1978.843	10.758	1968.085
Santaldih	1335.194	3.978	1331.216
Total	15036.739	51.680	14985.059



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In terms of regulation 4.17.2 of the Tariff Regulations, 2007 WBPDCCL, being a generating company, is entitled to retain the receivable UI charges. In the above context, the Commission decides to disallow the fixed cost for the UI of power.

2.15.3 Summing up the above two factors, the total quanta of power, against which the Commission disallows recovery of fixed charges, is as follows:

Quanta in MU

Generating station	Net excess auxiliary consumption	Quanta of UI power	Total disallowed quanta of power
Kolaghat	13.345	25.360	38.705
Bakreswar	8.691	11.584	20.275
Bandel	-	10.758	10.758
Santaldih	34.919	3.978	38.897
Total	56.955	51.680	108.635

2.15.4 Summing the normative quanta of power available at bus bar generation for sale for full recovery of fixed cost is as below:

Quanta in MU

Generating station	Actual units sold	Total disallowed quanta of power	Normative available bus bar generation
Kolaghat	7111.087	38.705	7149.792
Bakreswar	4574.671	20.275	4594.946
Bandel	1968.085	10.758	1978.843
Santaldih	1331.216	38.897	1370.113
Total	14985.059	108.635	15093.694

2.15.5 Generating station-wise allowable fixed cost for the quanta of power not available for commercial sale is as below:



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Generating Station	Fixed cost allowed in APR before disallowance (Rs. in Lakh)	Normative availability of power for sale (MU)	Actual unit of power sold (MU)	Proportionate Fixed cost allowed in APR 2007 – 08 (Rs. in Lakh)	Amount of fixed cost disallowed (Rs. in Lakh)
Kolaghat	35638.48	7149.792	7111.087	35445.55	192.93
Bakreswar	29990.70	4594.946	4574.671	29858.37	132.33
Bandel	7337.70	1978.843	1968.085	7297.81	39.89
Santalalih	4497.12	1370.113	1331.216	4369.45	127.67
Total	77464.00	15093.694	14985.059	76971.18	492.82

2.16 **Cost of capital recoverable from West Bengal State Electricity Transmission Company Limited (WBSETCL):**

2.16.1 The Bakreswar transmission system constructed by the WBPDC is an integral part of the transmission system being operated by WBSETCL. This annual carrying charges of the assets are found as under:

	Rs. in Lakh
(i) Interest on loan from Govt. of West Bengal	1257.17
(ii) Depreciation	1498.54
(iii) Return on equity	838.76
Total:	3594.47

2.16.2 Rs. 3594.47 lakh comprising interest, depreciation and return on equity relating to Bakreswar transmission system, considered under the respective cost heads of Bakreswar Thermal Power Station, is deducted from the ARR of Bakreswar Thermal Power Station as the same amount of Rs. 3594.47 lakh is recoverable from WBSETCL.

**ANNEXURE - A****KOLAGHAT THERMAL POWER STATION**

Sl. No.	Head of Fixed Charges	Amounts in Rs. in Lakh	
		As per Tariff Order	As found admissible.
1	Employee cost	3472.00	4949.55
2	Coal & Ash Handling Charges	1221.00	1255.86
3.	Water Charges / Cess	30.00	11.78
4.	Operation & Maintenance Expenses		
	(a) Repairs & Maintenance (Including cost of Consumables)	10105.00	11311.98
	(b) Admn. & General Charges	1206.98	
	Total:	11311.98	
5	Interest & Finance Charges	684.41	961.62
6	Finance charges	75.00	59.64
7	Interest on working capital	1517.76	0.00
8	Depreciation	4372.00	1654.11
9	Reserve for unforeseen exigencies	416.00	418.45
10	Taxes under Income Tax Act	70.02	4117.40
11	Returns	13871.00	16003.19
12	Performance Incentives	0.00	375.32
13	Income from non-tariff sources	(-) 2654.00	(-) 5480.42
14	Fixed charges for the year (1 to 13)	34387.17	35638.48
15	Fixed cost disallowed for excess auxiliary consumption and quanta of UI power	0.00	(-) 192.93
16	Total charges (14 + 15)	34387.17	35445.55
17	Positive adjustment of Fixed charges	1058.38	



ANNEXURE - B

BAKRESWAR THERMAL POWER STATION

Sl. No.	Head of Fixed Charges	Amounts in Rs. in Lakh	
		As per Tariff Order	As found admissible.
1	Employee cost	1281.00	2007.95
2	Coal & Ash Handling Charges	247.00	254.03
3.	Water Charges / Cess	5.00	6.03
4.	Operation & Maintenance Expenses		
	(a) Repairs & Maintenance (Including cost of Consumables)	3405.00	4575.99
	(b) Admn. & General Charges	1170.99	
	Total:	4575.99	
5	Interest	4956.00	4397.34
6	Other Finance charges	0.00	0.00
7	Interest on working capital	701.35	0.00
8	Depreciation	10775.00	10781.32
9	Reserve for unforeseen exigencies	729.00	730.02
10	Taxes under Income Tax Act	35.01	1368.20
11	Returns	9775.00	10769.63
12	Performance Incentives	0.00	1864.46
13	Income from non-tariff sources	(-) 2032.00	(-) 3169.80
14	Fixed charge recoverable from WBSETCL towards cost of capital employed in Transmission system.	(-) 3525.30	(-) 3594.47
15	Fixed charges for the year (1 to 14)	27523.05	29990.70
16	Fixed cost disallowed for excess auxiliary consumption and quanta of UI power	0.00	(-) 132.33
17	Total charges (15 + 16)	27523.05	29858.37
	Positive adjustment of Fixed charges	2335.32	



ANNEXURE - C

FOR BANDEL THERMAL POWER STATION

Sl. No.	Head of Fixed Charges	Amounts in Rs. in Lakh	
		As per Tariff Order	As found admissible.
1	Employee cost	2370.00	2660.75
2	Coal & Ash Handling Charges	595.00	440.99
3.	Water Charges / Cess	172.00	168.63
4.	Operation & Maintenance Expenses		
	(a) Repairs & Maintenance (Including cost of Consumables)	3496.00	3970.99
	(b) Admn. & General Charges	474.99	
	Total:	3970.99	
5	Interest	0.00	0.00
6	Finance charges	0.00	0.00
7	Interest on working capital	539.42	0.00
8	Depreciation	203.00	212.74
9	Reserve for unforeseen exigencies	54.00	55.95
10	Taxes under Income Tax Act	25.01	744.05
11	Returns	912.00	1038.63
12	Performance Incentives	0.00	0.00
13	Income from non-tariff sources	(-) 1021.00	(-) 1955.03
14	Fixed charges for the year (1 to 14)	7820.42	7337.70
15	Fixed cost disallowed for excess auxiliary consumption and quanta of UI power	0.00	(-) 39.89
16	Total charges (14 + 15)	7820.42	7297.81
17	Negative adjustment of Fixed charges		522.61



ANNEXURE - D

FOR SANTALDIH THERMAL POWER STATION

Sl. No.	Head of Fixed Charges	Amounts in Rs. in Lakh	
		As per Tariff Order	As found admissible.
1	Employee cost	1721.00	2413.35
2	Coal & Ash Handling Charges	190.00	153.43
3.	Water Charges / Cess	170.00	134.69
4.	Operation & Maintenance Expenses		
	(a) Repairs & Maintenance (Including cost of Consumables)	2283.59	2792.53
	(b) Admn. & General Charges	508.94	
	Total:	2792.53	
5	Interest	0.00	0.00
6	Finance charges	0.00	0.00
7	Interest on working capital	333.96	0.00
8	Depreciation	239.00	238.06
9	Reserve for unforeseen exigencies	52.00	52.29
10	Taxes under Income Tax Act	26.68	(-) 582.83
11	Returns	1096.00	1095.92
12	Performance Incentives	0.00	152.54
13	Income from non-tariff sources	(-) 987.00	(-) 1952.86
14	Fixed charges for the year (1 to 13)	5634.17	4497.12
15	Fixed cost disallowed for excess auxiliary consumption and quanta of UI power	0.00	(-) 127.67
16	Total charges (14 + 15)	5634.17	4369.45
17	Negative adjustment of Fixed charges		1264.72



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 Based on the foregoing analysis and admission of the adjustments under different uncontrollable factors / elements of fixed charges, the Commission now proceeds to sum up the findings and to ascertain the total amount adjustable under the APR for the year 2007-08. In the statements at Annexure A to D to the previous chapter, the figures in respect of expenses / factors being controllable in nature and to the extent applicable as per the Tariff Regulations have been extracted from the tariff orders for different power stations for the concerned year. The expenses / elements of fixed charges defined / considered as uncontrollable ones have been taken after carrying out adjustments under the respective heads as explained in the previous chapter.
- 3.2 As it comes out from the statements at Annexure A to D to the previous chapter, short recovery in the fixed charges at Kolaghat and Bakreswar Power Stations come to Rs. 1058.38 lakh and Rs. 2335.32 lakh respectively whereas excess recovery of fixed charges of for Bandel and Santaldih power stations come to Rs. 522.61 lakh and Rs. 1264.72 lakh respectively. In terms of the Tariff Regulations, the entire amount of such short recovery or excess recovery or part thereof in respect of any of the generating stations of WBPDCCL may be adjusted with the Aggregate Revenue Requirement of that generating station of WBPDCCL for the year 2009 – 2010 or that for any other ensuing year, as may be decided by the Commission. The decision of the Commission in this regard is given in the tariff order of WBPDCCL for the year 2009 – 2010.
- 3.3 WBPDCCL is to take a note of this order.

**Sd/- 28.05.2009
(R. P. SAMADDAR)
MEMBER**

**Sd/- 28.05.2009
(PRITITOSH RAY)
MEMBER**

**Sd/- 28.05.2009
(PRASADRANJAN RAY)
CHAIRPERSON**

DATE: 28.05.2009