



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 40 / 13 – 14

**IN RE THE APPLICATION OF THE
DURGAPUR PROJECTS LIMITED FOR
ANNUAL PERFORMANCE REVIEW
FOR THE FINANCIAL YEAR 2012 – 2013**

DATE: 21.05.2014



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, 2011, as amended (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 Durgapur Projects Limited (in short 'DPL') initially submitted its application for the same on 18th December, 2013 for the financial year 2012 – 2013 along with the copy of its audited annual accounts for the concerned year. After scrutiny of the APR application for the year 2012 – 2013, DPL, vide Commission's letter dated 15.01.2014 was asked to furnish some other information / data as per format prescribed in the Tariff Regulations for the purpose. DPL, accordingly, provided the requisite data / information on 20.02.2014 in the specified proforma. The APR application submitted on 18.12.2013 and the information / data furnished on 20.02.2014 (collectively called as application) were subsequently admitted by the Commission for processing and the same was numbered as APR-40/13-14.
- 1.2 The instant application of DPL is its second application for the APR of the third control period. The adjustments, as were found necessary on review of the performances of those years, were effected while determining the amount recoverable through tariff during the years following the years of such review. Similarly, the adjustments, as may arise out of the review of the instant application for 2012 – 2013 will be considered for giving effect as provided in the Tariff Regulations.



- 1.3 The Commission has taken careful note of the representations made by DPL and the relevant issues will be addressed to and the views will be taken accordingly while examining the admissibility of expenses under different heads of accounts in the subsequent chapter. The APR is to cover the annual fixed charges allowed to the distribution licensee, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. The APR for the year 2012 – 2013 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to DPL through the ARR for the year 2012 – 2013, vis-à-vis the actuals as per the audited accounts. The analysis of the Commission and taking views thereon will be with reference to the audited data. The instant application of DPL for the year 2012 – 2013 is being viewed in the subsequent parts of this order.
- 1.4 The Commission has already admitted the total amount of variable cost of DPL in the year 2012 – 2013 vide Commission's order dated 30.04.2014 in Case no. FPPCA – 68 / 13 – 14. The instant order is, therefore, exclusively for ascertaining the allowable total amount of fixed charges for the year 2012 – 2013. The matter is being taken up in the next chapters.
- 1.5 DPL was directed to publish, in terms of regulation 2.6.12 of the Tariff Regulations, the gist of the application, as submitted by DPL and approved by the Commission, in at least four daily newspapers having wide circulation in the area of DPL at least one each of such newspapers being in Bengali and English and also in the website of DPL. The gist was accordingly, published simultaneously on 05.03.2014 in 'Bartaman', 'The Economic Times', 'Ei Samay' and 'Sanmarg'. The publication invited the attention of all interested parties, stake holders and the members of the public to the application for APR for the year 2012 – 2013 of DPL and requested for submission of objections, comments etc., if any, on the application to the Commission by 28.03.2014 at the latest. Opportunities were also afforded to all to inspect the application and take copies thereof.



Order on APR of DPL for the year 2012-13

- 1.6 Only one objector viz. M/s Shyam Ferro Alloys Limited have submitted their suggestions and objections on application of DPL for APR for the year 2012 – 2013 within the stipulated time i.e. 28.03.2014. The said objections and suggestions on APR proposal of DPL for the year 2012 – 2013 are dealt with in Chapter 2 of this order.



CHAPTER – 2 OBJECTIONS, SUGGESTIONS & COMMENTS

- 2.1. M/s Shyam Ferro Alloys Limited, being a consumer of DPL, has submitted the objections and suggestions on the APR application of DPL for 2012-13 within the due date i.e. 28.03.2014 as mentioned in paragraph 1.6 in Chapter 1. The main points of the objections and suggestions are summarized in subsequent paragraphs. The Commission's observations on some of the objections, comments etc. are also recorded in this Chapter.
- 2.2. Initially the objector has highlighted the inefficiency in potential power generation of DPL resulting in purchase of costly power. Consequently, the objector has to face growing hike in tariff due to poor operating performance and lack of control over the operational cost of DPL. The objector has also mentioned that DPL performed very poorly nearly 43% of their projection but claimed all expenses including fixed ROE as per the Tariff Regulations to enhance the burden on the consumer for their inefficiency / poor performance. In fact, the consumer has prayed for natural justice before the Commission in determination of tariff so that neither licensee nor the consumer would suffer in the event of tariff determination for the year 2012-2013. The Commission has viewed the performance of DPL in respect of normative plant availability vis-à-vis actual availability while admitting the fixed charges of the generating stations in next chapter.
- 2.3. Point wise objections:
- 2.3.1 In their point wise observations, the objector has stated that as per provisions of the Tariff Regulations, a comparative statement showing the different elements of fixed cost as approved in the tariff order for the year as well as the actual audited figures against such element shall be given by the licensee in their APR petition which has not been complied with by DPL. DPL has shown in their APR application for 2012 – 2013 the actual and projected figures only.



- 2.3.2 Energy generation & Distribution: The objector with a comparative statement of energy balance as was projected by DPL and actual as per APR has tried to establish that due to lower generation of DPL approximately at 43% of the projection, the consumer has to bear much higher tariff than the projected tariff due to inefficiency of DPL. This point, as already stated above, will be dealt with in next chapter. The objector have also mentioned that DPL has claimed higher rate of auxiliary consumption in APR 2012 – 2013 than the maximum rate of auxiliary consumption as specified in the Tariff Regulations. This issue is related to fuel and power purchase cost and has already been dealt in FPPCA order.
- 2.3.3 Fuel cost – According to the objector, DPL has ignored the various norms and standards of the Tariff Regulations while claiming cost of fuel in APR for 2012 – 2013 and as a result, a higher side claim of fuel cost has been proposed even after recovery of MVCA. The issues related to fuel cost are dealt with in FPPCA order and not in the APR order.
- 2.3.4 Manpower cost – The objector has protested against the consideration of entire manpower cost as uncontrollable and cost of idle time due to faulty manpower planning for only 43% of the projected generation for the financial year 2012 – 2013. According to the objector, 50% of manpower cost claimed by DPL in APR for 2012 – 2013 is unjustified and illogical and the consumer would be over burdened and sufferer due to ineffective manpower planning of the management.
- 2.3.5 Coal and Ash Handling Expenses and Water Charges – Since such expenses are basically controllable in nature, the objector has suggested to consider these expenses on the basis of actual generation.
- 2.3.6 Rates & Taxes – The objector has stated that the expenses incurred on rates and taxes are basically a controllable and fixed in nature and required to remain same in respect of the level of generation and can be varied only upon major happenings after the projections made.



- 2.3.7 Advance against Depreciation – Another point has been raised by the objector on admissibility of advance against depreciation to avoid additional burden on consumers even after consideration of huge amount of depreciation on assets of the licensee.
- 2.3.8 Interest on Consumers' Security Deposit –The objector has requested the Commission to disallow huge expenses claimed by DPL under this head as the licensee has not made any payment on account of interest on consumers' security deposit during the financial year 2012 – 2013.
- 2.3.9 Return on Equity – The objector has tried to emphasize on low operating performance as only 43% power is actually generated against its projection. Accordingly, proportionate return on equity on the basis of actual generation has been suggested for consideration in the APR for 2012 – 2013.
- 2.3.10 Reserve for Unforeseen Exigencies – Here also higher side claim of DPL is being protested by the objector with a request before the Commission to disallow the amount of reserve for unforeseen expenses due to poor performance of DPL. The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect.
- 2.3.11 Demurrage charges – According to the objector, such controllable expenses can be avoided by way of effective planning and performance of DPL and the objector has requested not to consider the demurrage charges in APR 2012 – 2013.
- 2.3.12 UI Charges – DPL has proposed to retain the entire amount of Rs. 694.10 lakh as income from UI charges because of reducing the burden on consumers which is opposed by the objector.



- 2.3.13 Operational & Maintenance Expenses – The objector has suggested to reduce such controllable expenses proportionately on the basis of actual generation against its target.
- 2.3.14 Interest on Working Capital – It is stated by the objector that DPL has claimed interest on working capital @ 13.50% p.a. at par with SBI Short Term PLR in APR for 2012 – 2013 which is much higher than the amount claimed in APR for 2011 – 2012. Again the objector has requested to follow the provision of the Tariff Regulations for the purpose of determination of interest on working capital.
- 2.4 The Commission has taken note of the objections, suggestions and comments offered. Some of the objections, suggestions and comments have been dealt with in the respective paragraphs above. The objections, suggestions and comments which have not been dealt with in earlier paragraphs and are directly concerned with the instant APR petition, have been considered in the subsequent chapter of this APR order, in which various components of fixed costs have been analyzed and discussed. The objector has suggested to allow expenses under some head on the basis of actual generation. The Commission in the next chapter while admitting the fixed charges of the generation function on availability basis, these points will be taken care of.



CHAPTER – 3 FIXED CHARGES

3.1 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. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed and any savings made under the controllable head will go to their account. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actuals based on the audited accounts of DPL is being taken up hereunder one by one:

3.2 **Project Cost of Unit VII:**

3.2.1 The Project cost of unit VII could not be finalized by the Commission pending further clarification from DPL in pursuance of the directives given by the Commission in the tariff order for 2007-08 and also through subsequent letters. DPL submitted some documents and clarifications and some information are yet to be submitted. Pending such finalization, the Commission, during determination of Aggregate Revenue Requirements (ARR) for the years 2011 – 2012, 2012-2013 and 2013-2014 in the tariff order for 2011-12 and 2012-13, considered provisionally the project cost of Unit VII after deduction of 5% of the project cost, as indicated by DPL in its tariff application. Therefore, 5% of the provisional project cost amounting to Rs. 6750.00 lakh is being withheld for the time being in this order.

3.2.2 Withholding of 5% of the provisional project cost as mentioned in paragraph 3.2.1 above and thereby reduction in the provisional project cost would have effect on different fixed charge components *viz.* depreciation, interest, return on equity and



- reserve for unforeseen exigencies. However, while determining the ARR of DPL for 2012 – 2013, though deduction was made from the allocation under depreciation head, no deduction was made from the allocation under advance against depreciation head; rather the allocation under that head was increased by the amount disallowed under depreciation head subject, however, to the ceiling as specified in the Tariff Regulations, in order to facilitate loan repayments as per schedule. Similarly, in order to facilitate interest payment, no reduction in the allocation under interest head was effected. As reserve for unforeseen exigencies is primarily to protect the interest of the consumers, no reduction in allocation under that head was effected. These allowances under the heads advance against depreciation, interest and reserve for unforeseen exigencies, however, were not detrimental to the interest of the consumers as the total withheld amount under paragraph 3.2.1 above and proportionate disallowance in the head ‘return on equity’ due to reduction in the provisional project cost will be sufficient to take care of the allowances mentioned above. These allowances under the head ‘advance against depreciation’, ‘interest’ and ‘reserve for unforeseen exigencies’ are not to be construed as approval of the Commission to the project cost of unit VII.
- 3.2.3 The total withheld amount as per paragraphs 3.2.1 and 3.2.2 above is Rs. 586.55 lakh (Rs. 210.31 lakh + Rs. 376.24 lakh) comprising depreciation (Rs. 210.31 lakh) and return on equity (Rs. 376.24 lakh) for the year 2012 – 2013. In case of any disallowance in the project cost of Unit VII by the Commission during finalization of the project cost, the withheld amounts as mentioned in paragraph 3.2.1 above will be adjusted with the reduction in project cost, if any, and corresponding impact will accordingly be adjusted in APR of future years.
- 3.3 Employee Cost:**
- 3.3.1 In the Tariff order for 2012-13 DPL was allowed a total amount of Rs. 7252.20 lakh towards employee cost including proportionate expenses of centrally maintained expenses viz. expenses of Service Department and Central Work



Order on APR of DPL for the year 2012-13

Shop in respect of salaries, wages, bonus, contribution to PF etc. as well as staff welfare expenses. As against this amount, DPL has claimed the actual expenditure as per audited accounts for a total amount of Rs. 10433.47 lakh. The detailed head wise break-up is as under:

		Rs. In Lakh
Sl. No.	Detailed heads of Accounts	Amount
1	Salary & Wages	5122.58
2	Bonus & Ex-Gratia	93.59
3	Gratuity	707.27
4	P. F. Contribution	446.15
5	Leave Salary	414.57
6	LTC & Leave encashment	19.62
7	Pension Scheme	75.59
8	Other Welfare Expenses	152.62
9	Total amount directly chargeable to Power Business	7031.99
10	Allocation of Centrally maintained expenses	
	(a) Service Department 3347.70	
	(b) Central Workshop 53.78	3401.48
	Total	10433.47

3.3.2 DPL being a multi product / functional organization, its power business gets an allocation of the net expenditures of its centralized service department and workshop on the basis of pre-determined allocation. The employee cost shown above is for the employees exclusively posted in O&M of Power plant business comprising of generating units and distribution area, proportionate cost of employees from the centralized service department i.e., Corporate Finance & Accounts , Personnel & Administration, Hospital, Township, Employees Welfare etc. and proportionate cost of employees in central workshop. The proportionate cost of employees from centralized service department and central workshop are considered by DPL in the computation of employee cost at the ratio of 56.18% and 17% of total employees cost of centralized service department and central workshop respectively.

3.3.3 The Commission, in the tariff order for 2012 – 2013, allowed 8.33% of the employee cost of power station of DPL for centrally maintained expenses in



- generation wing and 10% of employee cost for the same under distribution wing. In paragraph 4.3.4 of the aforesaid tariff order for 2011 – 2012 and 2012 – 2013, it was stated that if there is any variation in the admitted amount under centrally maintained expenses, DPL shall furnish relevant information and supporting documents in this respect along with the application of APR of the concerned year. Along with the information and documents as above, DPL was directed to furnish the information in the format 1.17(h) of Annexure – I to the Tariff Regulations in the application for APR for the concerned year. On receiving such information, the same would be considered for adjustment in APR to the extent it is found fit by the Commission.
- 3.3.4 In paragraph 2.3.7 of the order dated 09.09.2013 in case no. APR-34/12-13 relating to APR for the year 2011 – 2012, DPL was directed to furnish relevant information and supporting documents regarding basis of apportionment of centrally maintained expenses in APR 2012 – 2013 application to establish their claim of apportionment. Now in their application of APR for the year 2012 – 2013, DPL did not furnish the information and documents towards expenses in the centralized services particularly as directed by the Commission in order to justify / establish their claim for proportionate cost of centralized services under the head 'employee cost'. DPL have submitted in their brief of submission of APR application for the year 2012 – 2013 that they have not yet been able to physically segregate the centrally maintained expenses from power plant business and the same was under process pending apportionment of the centrally maintained expenses to the power plant business under the head 'employee cost' in order to place a more clear cut accountable system. DPL has submitted the details of the expenses for power plant and proportionate cost of centralized services as per format 1.17(h) of Annexure – I. However, as required under the Form, the number of employees engaged both in regular services and contractual services for generating units have not been found available, in the absence of which it could not be confirmed whether the same are as per the Man/MW ratio stipulated in the Tariff Regulations. Nevertheless, DPL is yet to



justify / establish the basis of apportionment of cost of centralized services under the head 'employee cost' as claimed by them inspite of specific directions in this regard from time to time.

3.3.5 In the light of aforesaid observations, the Commission views to consider 8.33% of the employees cost of power station of DPL for centrally maintained expenses in generation wing and 10% of employees cost for the same under distribution wing as was considered in the tariff order.

3.3.6 Summing up above, the Commission decides to admit the actual employee cost in power plant as per audited accounts together with directors' fees and expenses for Rs. 8.72 lakh i.e., for an overall amount of Rs. 7040.71 lakh (Rs. 7031.99 lakh + Rs. 8.72 lakh) being uncontrollable in nature in APR for 2012 – 2013. The Commission also admits a proportionate amount of Rs.616.42 lakh towards centrally maintained expenses as determined in the following table on the basis as explained in earlier paragraph. The function-wise allocation of the total amount so admitted i.e., Rs. 7657.13 lakh (Rs. 7040.71 lakh + Rs. 616.42 lakh) is based on the ratio suggested by DPL in their submission and is as under:

Sl. No.	Particulars	Amount admitted by the Commission (Rs. in Lakh)		
		Power Business	Centrally Maintained Expenses	Total
1	Generation Function	5248.54	437.20	5685.74
2	Distribution Function	1792.17	179.22	1971.39
	Total	7040.71	616.42	7657.13

3.3.7 DPL is once again directed to furnish relevant information and supporting documents regarding the basis of apportionment of the centrally maintained expenses in the APR for 2013-14 to establish their claim for such apportionment.

3.4 Water Charges:

3.4.1 DPL meets its processed water supply requirements for its generating plants taking supply from its sister water plant unit. The inter plant transfer rate for such processed water during the year was fixed to Rs. 6.50 per kilolitre (KL). The



Order on APR of DPL for the year 2012-13

actual amount of Rs. 1917.93 lakh was charged to power plant unit as per audited annual accounts for 2012 – 2013 as against Rs. 3175.32 lakh considered in the tariff order for the concerned year. Out of Rs. 1917.93 lakh charged in the annual accounts for 2012 – 2013, Rs. 1892.45 lakh is for generation function and Rs. 25.48 lakh for distribution function as mentioned by DPL in their APR application. The Commission considers the water charges for generation function only.

3.4.2 The water charges are categorized as uncontrollable. The Commission observed that during 2012 – 2013, the actual generation fell short of target generation projected by DPL. The Commission decides to view the amount claimed with reference to the targets set for generation and actual generation as highlighted hereunder:

Rs. in lakh						
Generating Station	Target generation (MU)	Expenses as per tariff order	Actual generation (MU)	Expenses proportionate to actual generation	Actual expenses for generation function	Expenses admitted in APR 2012 – 2013
Units III to VII	4176.060	3175.32	1819.204	1383.26	1892.45	1383.26

3.4.3 The Commission decides to admit the expenses of Rs. 1383.26 lakh towards water charges in the APR for 2012 – 2013 under generation function only, as the same is within the expenses to be allowed proportionate to actual generation.

3.5 Coal and Ash Handling Charges:

3.5.1 An amount of Rs. 1457.04 lakh was allowed in the tariff order for 2012 – 2013 towards coal and ash handling expenses. DPL claimed an amount of Rs. 893.72 lakh on this account i.e., the actual expenses as per the audited annual accounts of generating station.

3.5.2 The coal and ash handling expenses are categorized as uncontrollable. However, as already explained in respect of water charges in foregoing paragraphs, the Commission decides to view the amount claimed with reference to the targets set for generation and actual generation as below:



Rs. in lakh

Generating Station	Target generation (MU)	Expenses as per tariff order	Actual generation (MU)	Expenses proportionate to actual generation	Actual expenses	Expenses admitted in APR 2012 – 2013
Units III to VII	4176.060	1457.04	1819.204	634.73	893.72	634.73

3.5.3 It may be seen from the above table that actual expenses under this head are much higher than the expenses proportionate to actual generation. The Commission thus considers not to allow the actual expenses under this head and decides to restrict the amount of expenditure to the amount proportionate to the actual generation i.e., Rs. 634.73 lakh. The admitted amount of Rs. 634.73 lakh is chargeable to generation function.

3.6 Demurrage:

3.6.1 No amount of demurrage charge was admitted by the Commission in the tariff order for 2012 – 2013. DPL has claimed an amount of Rs. 106.44 lakh under this head of demurrage in the APR petition. DPL has not submitted any satisfactory reason and justification against their claim. It was categorically mentioned in the aforesaid tariff order that DPL may approach the Commission for consideration of demurrage charge during APR for 2012 – 2013 with actual expenditure as per audited annual accounts with detailed justification and a deliberation with planned gradual reduction of the charge within a stipulated period in terms of regulation 5.8.1(vi) of the Tariff Regulations. However, subsequently under paragraph 2.6.5 of order dated 09.09.2013 in case no. APR-34/12-13, DPL was directed to include the expenditure on account of demurrage in fuel related cost in terms of regulation 5.8.1(vi) of the Tariff Regulations from 2012 – 2013 onwards. As such, the expenditure on demurrage as claimed by DPL for the year 2012 – 2013 could not be considered by the Commission in the present APR, i.e., APR for the year 2012 – 2013.



3.7 Interest on Capital Borrowings:

3.7.1 As it reveals from the data submitted in Form – C of the instant application for APR 2012 – 2013, borrowings of DPL for its power business are mainly from M/s Power Finance Corporation Limited (in short “PFCL”). In addition to those, part of the borrowings from the Government of West Bengal and through the issuance of Bonds was allocated to power. The position of outstanding balances, at the beginning of the year, repayments made during the year, fresh borrowings and interest charges for the year are found as under:

Rs. in Lakh

Sl. No.	Sources	Opening balance	Repayment	Fresh drawal	Closing balance	Interest charges
A.	Long Term Borrowings:					
	PFCL					
1	i) No. 50401001	62419.42	7133.65	0.00	55285.77	6555.50
	ii) No. 50403001	12591.84	954.22	1861.74	13499.36	1553.63
	iii) No. 50404008	1357.23	1357.23	0.00	0.00	16.31
2	Central Electricity Authority	1181.00	0.00	0.00	1181.00	172.76
3	Government of West Bengal	8937.58	0.00	465.00	9402.58	759.94
	Sub Total	86487.07	9445.10	2326.74	79368.71	9058.14
B.	Short Term Borrowings:					
4.	STL from PFC	5000.00	10389.50	15000.00	9610.50	744.00
5.	MTL from UBI	2300.00	460.00	0.00	1840.00	282.07
6.	CC from UBI	2500.00	0.00	0.00	2500.00	2.72
	Sub Total	9800.00	10849.50	15000.00	13950.50	1028.79
	Grand Total	96287.07	20294.60	17326.74	93319.21	10086.93

3.7.2 The amount of interest charged in Profit & Loss Account of the power business is also found to be Rs. 10086.93 lakh (vide statement of Profit & Loss for 2012 – 2013). However, the above amount of Rs. 10086.93 lakh is inclusive of the following amounts of interest charges:

- i) Interest on loan of Rs. 1181.00 lakh from CEA under sl. No. A (2). Rs. 172.76 lakh
- ii) Interest amount related to service department included in the amount under sl. No. A (3) Rs. 201.15 lakh



Order on APR of DPL for the year 2012-13

iii)	Interest on STL from PFCL & UBI under sl. No. B(4), B(5) and B(6)	Rs.1028.79 lakh
	Total	Rs.1402.70 lakh

3.7.3 DPL, in their submission, has highlighted the reason for providing the interest liability for Rs. 3440.55 lakh of the loan from CEA for Rs. 1181.00 lakh upto 31.03.2013 which was obtained long back and yet to be repaid. This includes penal interest also. However, an amount of Rs. 172.76 lakh has been claimed by DPL in their APR application in Form C of Annexure I. In the APR order for 2011 – 2012 DPL was directed to submit a detailed deliberation underlying the background of backlog interest for Rs. 3440.55 lakh above followed by a statement of interest actually paid so far year wise, statement of interest payable, penal interest chargeable / paid year wise, year wise provision in audited annual accounts, approach to CEA for making the payment of the principal and interests and their response, highlighting the reasons for failing to make timely payment of interest inspite of allowing the same through APR orders issued by the Commission from time to time with fixing up of accountability in this regard in a specific manner and then prefer the claim having a valid support of the actions taken on the above points. The copies of all correspondences made with CEA, the loan agreement underlying the terms and conditions of payment and agenda notes with resolution of the Board of DPL may be annexed to such submission. The amount of interest admitted by the Commission in respective APR orders so far issued may also be mentioned. Such submission was to be made in the APR application for the year 2012 – 2013 for examination by the Commission before finalizing its fate. DPL have not complied with above direction of the Commission. Although, DPL stated to have enclosed year wise statement of the backlog amount of interest, no such enclosures were found in their petition of APR 2012 – 2013. Nevertheless, the Commission is of the opinion that the consumers at large cannot be burdened with the amount of backlog interest for failure on the part of DPL to repay the amount of loan in time thereby accruing huge amount of interest liability. Thus, the backlog interest of Rs. 3440.55 lakh on loan from CEA including Rs. 172.76 lakh for 2012 – 2013 as at



Order on APR of DPL for the year 2012-13

paragraph 3.7.2 above is not considered by the Commission. It is directed that DPL should not come up with this interest burden on loan from CEA in future.

- 3.7.4 It is observed from the related worksheet on “audited financial statements for the year ended 31st March, 2013, power plant” that the interest amount for Rs. 759.94 lakh on loan from Government of West Bengal includes an amount of interest of Rs. 201.15 lakh in respect of service department for the year 2012 – 2013. The amount of Rs. 201.15 lakh, being 93.64% of total amount of interest of Rs. 214.81 lakh chargeable to the profit and loss account in respect of service department for the year 2012 – 2013, has been apportioned and charged to power plant without any proper clarification and justification on the same. The Commission, thus, decides to disallow the interest amount of Rs. 201.15 lakh out of the total interest of Rs. 759.94 lakh on loan taken from Government of West Bengal.
- 3.7.5 The interest on working capital loan from PFCL and UBI are being dealt with separately.
- 3.7.6 The Commission, thus, admits the interest of Rs. 8684.23 lakh (Rs. 10086.93 lakh – 1402.70 lakh) in the APR for the year 2012 – 2013. Allocation of this amount to generation and distribution function is as under as proposed by DPL.

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	7130.60
2	Distribution Function	1553.63
	Total	8684.23

3.8 Interest on Working Capital:

- 3.8.1 An amount of Rs. 628.24 lakh on this head was considered in the tariff order for 2012 – 2013. DPL obtained short term specific loan from PFCL and UBI to meet up the working capital needs. As per their submission in Form 1.17(b) and in Form C of Annexure – I, they have indicated the rate of interest of such loan as 13.50%. The weighted average rate of actual interest comes to 10.64%.
- 3.8.2 In terms of regulations 5.6.5.1 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 18% on the base amount



derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc. However, the above assessment of requirement of working capital would be 10% instead of 18% on the base amount since DPL has already introduced Monthly Variable Cost Adjustment and realized for the year 2012 – 2013. The requirement of working capital of DPL works out at Rs. 6781.81 lakh. Considering the Prime Lending Rate (PLR) of SBI as on 01.04.2011 of 13%, the normative interest on working capital comes to Rs. 881.64 lakh.

3.8.3 In the tariff order 2012 – 2013, it was mentioned that during APR of the concerned year, the interest on working capital as above will be reviewed so as to allow on the amount assessed on normative basis or the actual amount of interest paid, whichever is less, in respect of both generation and distribution function as per regulation 5.6.5.2 of the Tariff Regulations, as amended. It is now found that DPL has actually incurred an expenditure of Rs. 1028.79 lakh towards interest on working capital during the year 2012 – 2013 as already indicated in paragraphs 3.7.1 and 3.7.2 whereas the interest allowable on normative basis is derived at Rs. 881.64 lakh. The Commission, thus, admits an amount of Rs. 881.64 lakh in APR for 2012 – 2013 under the head.

3.8.4 The amount of Rs. 881.64 Lakh is allocated between generation and distribution function on the basis of gross revenue requirement as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Generation Function	680.38
2	Distribution Function	201.26
	Total	881.64

3.9 Interest on Consumers' Security Deposit:

3.9.1 An amount of Rs. 29.01 lakh was allowed to DPL towards interest payable to consumers on their security deposits in the tariff order for 2012 – 2013. The actual amount of interest charges on such deposits came to, as per the audited accounts, Rs. 38.96 lakh. Thus, an amount of Rs. 38.96 lakh is admitted on APR for 2012 – 2013 and that pertains to distribution function.



3.9.2 DPL is directed to furnish reconciliation of payment for interest on consumers' security deposit in line with the provision laid down under regulation 4.2.6 of the West Bengal Electricity Regulatory Commission (Miscellaneous Provisions) Regulations, 2013 along with actual booking of interest on consumers' security deposit in the annual accounts duly certified by the statutory auditors in the submission of petition for APR for 2013 – 2014. Non compliance of the above directions in the APR application for 2013 – 2014 will be viewed by the Commission seriously and no amount under this head will then be allowed in APR for 2013 – 2014.

3.10 Finance Charges:

3.10.1 The actual amount of finance charges incurred by DPL during 2012 – 2013 as per note 18 and work sheet thereunder of the audited annual accounts are found as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Guarantee Fees	729.01
2	Bank charges	3.49
	Total	732.50

3.10.2 This is as against Rs. 877.64 lakh allowed in the tariff order for 2012 – 2013. The amount of guarantee fee is in regard to capital loans from PFC and on loan bond from Government of West Bengal for the construction of power plant and the same amounting to Rs. 729.01 lakh is, therefore, charged to generation function. Bank charges of Rs. 3.49 lakh are in regard to distribution function. The total of Rs. 732.50 lakh is admitted by the Commission in APR for 2012 – 2013.

3.11 Depreciation:

3.11.1 The amounts of depreciation admitted in the tariff by the Commission considering 5% reduction of provisional project cost of unit VII on the ground as explained in paragraph 3.2 and the amount actually become chargeable to accounts for the year 2012 – 2013 and claimed by DPL are as follows:



Rs. In Lakh

Particulars	Amount as per Tariff Order 2012 – 2013	Amount as claimed in APR for 2012 – 2013
Generation		
Units III – VI	1098.40	1815.15
Unit – VII	4494.04	4210.15
Sub-total Generation	5592.44	6025.30
Distribution	1642.62	1194.30
Total	7235.06	7219.60

3.11.2 It has been observed that during 2012 – 2013 DPL has charged an amount of Rs. 103.57 lakh as depreciation of decommissioned units I & II being the differences of WDV and the salvaged value. In terms of orders of Govt. of West Bengal bearing No. 158-P/VI/5S-23/2009 dated 21.05.2010 and No. 137-P/VI/5S-23/2009 dated 26.07.2011, no further depreciation of the units would be allowed and no part of the cost of decommissioning should be charged to revenue accounts through tariff. Thus, the amount of Rs. 103.57 lakh has been disallowed.

3.11.3 After considering the disallowance of Rs. 103.57 lakh as explained above and disallowance of depreciation of Rs. 210.31 lakh on account of 5% reduction of provisional project cost of Unit VII, total depreciation admitted by the Commission works out at Rs. 6905.72 lakh (Rs. 7219.60 lakh – Rs. 103.57 lakh – Rs. 210.31 lakh). The unit wise amount admitted by the Commission on account of depreciation in the APR for the year 2012 – 2013 is given below:

Rs. In Lakh

Particulars	Amount admitted by the Commission for APR 2012 – 2013
Generation	
Units III – VI	1711.58
Unit – VII	3999.84
Sub-total Generation	5711.42
Distribution	1194.30
Total	6905.72



3.12 Advance Against Depreciation:

3.12.1 DPL has claimed an amount of Rs. 2225.50 lakh towards advance against depreciation as against Rs. 2194.73 lakh allowed in the ARR for the year 2012 – 2013. Advance against depreciation is allowable, in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations, to facilitate the scheduled repayments of loans where the amount of chargeable depreciation falls short of the total amount so required for loan repayment. As shown in the paragraph 3.7.1 above, the total amount of loans on capital account repaid by DPL during 2012 – 2013 was Rs. 9445.10 lakh.

3.12.2 The above amount of Rs. 9445.10 lakh is higher than the amount of depreciation considered by the Commission before disallowance of depreciation of Rs. 210.31 lakh on account of 5% reduction of provisional project cost. As such, an amount of Rs. 2329.07 lakh [Rs. 9445.10 lakh – (Rs. 6905.72 lakh + Rs. 210.31 lakh)] towards advance against depreciation is found allowable and the same is admitted by the Commission. The amount relates to generation function.

3.13 Intangible Assets Written Off:

3.13.1 Neither any amount was allowed in the ARR for 2012 – 2013 towards write off for intangible assets, nor was any amount found charged in the audited accounts. Thus, no amount is admitted in APR for 2012 – 2013 under the head.

3.14 Bad Debts:

3.14.1 No amount was considered by the Commission under the head in the tariff order for 2012 – 2013. Since nothing against bad debt is accounted for in the audited annual accounts for 2012 – 2013, DPL has not claimed anything under this head. Thus, no amount is admitted in the APR for 2012 – 2013 under this head.

3.15 Income Tax:

3.15.1 The power business of DPL is not a separate entity for assessment of income tax. The company as a whole was having an amount of negative profit (loss) for



Order on APR of DPL for the year 2012-13

the year 2012 – 2013. DPL, therefore, did not provide for any amount in this regard in its audited annual accounts 2012 – 2013. DPL has, however, claimed an amount of Rs. 1517.92 lakh in their application under form E(B) which has not been considered by the Commission in the APR for 2012 – 2013.

3.15.2 In case, such tax payable is identified pertaining to power business of DPL and provision is made in the audited annual accounts, on submission of conclusive documentary evidences with the application of APR of subsequent year, the same will be taken care of as per relevant regulation of the Tariff Regulations.

3.16 Reserve for Unforeseen Exigencies:

3.16.1 In terms of regulation 5.11 of the Tariff Regulations, generating companies and the licensees may provide and maintain a reserve up to 0.25% of the value of the gross fixed assets at the beginning of the year annually for dealing with unforeseen exigencies subject to an overall ceiling of 5% of such gross value of fixed assets. Accordingly, DPL was allowed the following amounts under this head in the tariff since 2006 – 2007:

Year	Order Reference	Amount (Rs. in Lakh)
2006 – 2007	Order dated 15.09.2009 in Case No. APR-3/07-08	131.36
2007 – 2008	Order dated 28.05.2009 in Case No. APR-8/08-09	134.64
2008 – 2009	Order dated 26.07.2010 in Case No. APR-15/09-10	479.11
2009 – 2010	Order dated 24.08.2012 in Case No. APR-18/10-11	480.90
2010 – 2011	Order dated 24.08.2012 in Case No. APR-28/11-12	498.93
2011 – 2012	Order dated 09.09.2013 in Case No. APR-34/12-13	513.81
	Total	2238.75

3.16.2 As per tariff order for 2012 – 2013, DPL was allowed an amount of Rs. 422.78 lakh towards reserve for unforeseen exigencies. The actual gross value of fixed assets as on 1 April, 2012, as per the audited accounts 2012 – 2013, vide note – 5(a) thereto stood at Rs. 207559.77 lakh. The allowable reserve for unforeseen exigencies, thus, arrived at Rs. 518.90 lakh being 0.25% of above amount of Rs. 207559.77 lakh and the Commission admits the same. The amount is allocated



in the ratio of gross fixed assets for generation and distribution function respectively as under:

Sl. No.	Particulars	Amount admitted by the Commission (Rs. in Lakh)
1.	Generation	433.06
2.	Distribution	85.84
	Total	518.90

3.16.3 Thus, DPL should maintain an amount of Rs. 2757.65 lakh (Rs. 2238.75 lakh + Rs. 518.90 lakh) under the head reserve for unforeseen exigencies upto the year 2012 – 2013. The above amount excludes interest earned from time to time.

3.16.4 According to note – 2 of the financial statement of DPL for the year ended 31.03.2013, an amount of Rs. 1032.71 lakh (Rs. 513.81 lakh for the financial year 2011-12 and Rs. 518.90 lakh for the financial year 2012-13) had been transferred to reserve for unforeseen contingencies during the year 2012-13 from the Profit & Loss Account in line with the provision under regulation 5.11 of the Tariff Regulations. The closing balance of reserve for unforeseen exigencies as per note – 2 to annual accounts for 2012 – 2013 was Rs. 2857.02 lakh which is inclusive of an interest earning of Rs. 68.58 during the year. The total amount accumulated under this head excluding interest earned for Rs. 68.58 lakh during the year 2012-13 stands at Rs. 2788.44 lakh (Rs. 2857.02 lakh – Rs. 68.58 lakh). However, such amount under the fund also includes amount of interest earned during the past years.

3.16.5 According to note - 10(a) of the financial statement of DPL for the year ended 31.03.2013, investment in Term Deposit for unforeseen exigencies was accumulated to Rs. 2840.32 lakh after further investment of Rs. 840.32 lakh during the year 2012-13 against reserve for unforeseen exigencies. Thus, DPL is still required to invest Rs. 16.71 lakh (Rs. 2857.02 lakh – Rs. 2840.31 lakh) for the year 2012 – 2013.



3.16.6 In APR for 2011-12, DPL was directed to submit the following statements/clarifications along with the APR petition for 2012-13:

- “(i) To maintain separate account for reserve for unforeseen exigencies and income from interest on investment in fixed deposit with proper disclosure in the annual accounts.
- (ii) To submit a clarification for reduction in the value of investment during the year 2011-12 in comparison with that of 2010-11.
- (iii) To submit an audited certificate to the effect that the entire amount admitted and accumulated under the head till date has been invested in the manner as per regulation 5.24.1 showing therein year wise details of such investments along with the investment of the interest accrued so far.”

3.16.7 DPL, however, did not comply with any of the above directions of the Commission. DPL is once again directed to comply with the above directions and submit the same along with the APR petition for 2013-14. Failure to comply with the same will be viewed by the Commission seriously and an amount, as may be decided by the Commission, shall be withheld from the re-determined ARR during APR for the year 2013 – 2014..

3.16.8 DPL is also directed to submit a statement from the year 2006-07 duly certified by the statutory auditor showing therein (i) year wise amount accumulated under the head, (ii) year wise amount of interest earned and accumulated under this head (iii) year wise amount of investment under the head with details of instruments, (iv) year wise amount of interest earned and investment thereof under the head with details of instruments, with a view to ascertain whether there is any shortfall / investment of the amount under this head in terms of tariff regulations. Such statement should be submitted along with APR petition for 2013-14 without fail. Non compliance of any of the above directions would be viewed by the Commission in terms of relevant provision of the Tariff Regulations.



3.17 Returns on Equity:

3.17.1 In terms of regulations 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, DPL is entitled to have returns on equity base deployed in its generation and distribution functions @ 15.5% and 16.5% respectively.

3.17.2 As it transpired from the submission of APR application and the annual audited accounts of DPL there has been no fresh equity infusion for Units III to VII by the Government of West Bengal in power business during 2012 – 2013. DPL was not having any free reserves for deployment in power business either. It has been found from the audited balance sheet in regard to power plant unit under note 5(a) at page 129 of Volume – II that the net addition to the value of fixed assets in operation during 2012 – 2013 was Rs. 4391.32 lakh comprising Rs. 1942.34 lakh for generation function and Rs. 2448.98 lakh for distribution function.

3.17.3 The computations of the amounts of such capital base, following the methods prescribed in data form 1.20(a) and the amount of total allowable return come as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)		
		Generation	Distribution	Total
1	Actual equity base at the beginning of the year	69986.15	18517.77	88503.92
2	Admissible equity base at the beginning of the year	62510.40	15936.92	78447.32
3	Actual addition to / withdrawal of equity base during the year vide paragraph 3.17.2	0.00	0.00	0.00
4	Actual equity base at the end of the year (1+3)	69986.15	18517.77	88503.92
5	Net Addition to the original cost of fixed assets during the year	1942.34	2448.98	4391.32
6	Normative addition to equity base (30% of 5)	582.70	734.69	1317.39
7	Addition to equity base considered for the year (lower of 3 and 6)	0.00	0.00	0.00
8	Admissible equity base considered at the closing of the year (2+7)	62510.40	15936.92	78447.32
9	Average equity base for allowing returns (2+8)/2	62510.40	15936.92	78447.32
10	Rate of Return	15.50%	16.50%	-
11	Return on Equity in APR for the year 2012 – 2013	9689.11	2629.59	12318.70
	Less: In pursuance of regulation 2.8.1.4.13 of the Tariff Regulations, as amended as referred to in paragraph 3.2.2 of this order.	376.24	0.00	376.24
	Net Return on Equity in APR for the year 2012 – 2013	9312.87	2629.59	11942.46



3.17.4 The Commission thus admits Rs. 11942.46 lakh in the APR for 2012 – 2013 under the head return on equity out of which Rs. 9312.87 lakh is for generation function and Rs. 2629.59 lakh is for distribution function.

3.17.5 It is observed from the Balance Sheet of the power plant unit of DPL, as submitted with the APR application for the year 2012 – 2013 that the shareholders' fund in liability side has not been shown separately. In order to justify different element of fixed charge components including return on equity, DPL is directed to submit duly audited balance sheet and profit and loss account year-wise for the years 2007 – 2008 to 2011 – 2012 and 2012 – 2013 onwards in respect of the power plant unit as a whole separately incorporating therein shareholders' funds viz., (i) authorized capital, (ii) paid up capital, (iii) capital reserve, (iv) reserves & surplus and (v) reserve for the unforeseen exigencies along with respective schedules under the major head 'sources of fund' including the Auditor's comments instead of present practice of reflecting inter-unit current accounts under shareholder's fund. The amount under reserves & surplus schedule should include amounts of surplus separately brought forward from profit & loss account of the respective year / previous year besides capital reserves, etc. It is also directed to forward the respective Government orders issued from time to time towards equity infusion / participation by the Government in the power plant business of DPL unit-wise.

3.18 Rates & Taxes (Other than on Income & Profit):

3.18.1 In the Tariff Regulations, the Commission has categorized Rates and Taxes as an uncontrollable item. DPL has claimed Rs. 4.10 lakh under the head Rates and Taxes only for generation function in their APR application for 2012 – 2013. No amount was allowed to DPL in the ARR for 2012 – 2013.

3.18.2 As per note – 18 of audited accounts of DPL power plant for 2012 – 2013, the expenditure on rates and taxes was Rs. 4.10 lakh and the same is admitted by the Commission in APR 2012 – 2013 with allocation of generation function only.



3.19 Insurance Premium:

3.19.1 In the tariff order for the year 2012 – 2013, an amount of Rs. 108.31 lakh was considered by the Commission under the head insurance. DPL in their APR application 2012 – 2013 under Form E(B) to Annexure – I has not claimed the amount under the head separately but has included the same in the overall head 'other administrative and general charges'. In terms of the Tariff Regulations, the expenditure under the head is categorized as uncontrollable and is separately allowable. The actual expenditures on this account as per Note – 18 to the audited accounts of DPL power plant for the year 2012 – 2013 totaling to Rs. 90.33 lakh has been admitted by the Commission. The expenditure is allocated to the generation function.

3.20 Operation & Maintenance Expenses:

3.20.1 Operation & Maintenance (O&M) expenses comprise of repairs and maintenance including cost of consumables for that purpose and other administrative and general expenses. A total amount of Rs. 8517.14 lakh was allowed to DPL in ARR in this regard for the year 2012 – 2013. with following break up:

Sl. No.	Particulars	Amount allowed in ARR 2012-2013 (Rs. in Lakh)
1	Generation	6268.96
2	Distribution	2248.18
	Total	8517.14

3.20.2 As per DPL's submission in Form E(B) to Annexure – I and audited annual accounts, the actual total expenditure incurred under different heads of operation and maintenance consisting of repairs and maintenance including consumables, other administrative and general expenses, rent, legal charge and auditing fees came to Rs. 7610.73 lakh during 2012 – 2013. Such expenses have been categorized as controllable item.



3.20.3 O&M expenses of generation for Rs. 6268.96 lakh was allowed in the tariff in accordance with the norms specified in Schedule 9A of the Tariff Regulations and the Commission admits the same amount of Rs. 6268.96 lakh in the APR for 2012-13.

3.20.4 While determining the ARR of all the three ensuing years of third control period i.e., for 2011 – 2012, 2012 – 2013 and 2013 – 2014 in the tariff order for 2011 – 2012 and 2012 – 2013, the Commission directed that in case the actual expenses under Repair and Maintenance including consumables (R&M) in distribution system is found to be less than the admitted amount of any of the three ensuing years, the Commission will allow actual expenditure under the said head in APR for the concerned year. The Commission admitted Rs. 1871.17 lakh under the head of R&M in distribution in the ARR for the year 2012 – 2013. It is found from the submission of DPL in Form 1.15 to Annexure – I that the actual R&M expenses in distribution come at Rs. 1075.32 lakh which is lower than the expenses as allowed in the tariff order. The Commission, thus, considers Rs. 1075.32 lakh under the head R&M for distribution. The Commission considers the expenditure on other heads viz. other administrative and general expenses, legal and professional charges and audit as allowed in the tariff order for 2012 – 2013. The Commission admits Rs. 1452.33 lakh on account of (O&M) expenses for distribution system in APR 2012 – 2013 as under:

Operation and Maintenance Expenses for Distribution System (Rs in Lakh)	
Particulars	Expenses admitted in APR 2012 – 2013
Other Administrative & General Expenses	337.26
Legal & Professional Charges	39.04
Audit Fees	0.71
R & M including Consumables	1075.32
Total O&M Expenses	1452.33

3.20.5 The admitted amount in the APR for 2012 – 2013 under the head O&M expenses, thus, arrives at Rs. 7721.29 lakh as per table below:



Order on APR of DPL for the year 2012-13

Operation and Maintenance Expenses (Rs. in Lakh)	
Particulars	Expenses admitted in APR 2012 – 2013
Generation	6268.96
Distribution	1452.33
Total O&M Expenses	7721.29

3.21 Income from other Sources / Non-Tariff income:

3.21.1 The incomes from other non-tariff sources, as per Form 1.26 submitted by DPL are found as under:

Sl. No.	Particulars	Actual amount (Rs. in Lakh)
1	Rental of meters etc.	81.42
2	Sale and repair of meters & apparatus	0.28
3	Surcharge for late payments	253.35
4	Sale of Steam	217.65
5	Wheeling charges	71.76
6	Old liabilities written back	200.48
7	Others	138.98
	Total	963.92

3.21.2 As the earning from sale of steam was a considerable amount, DPL was directed in the tariff order 2012 – 2013 to furnish the names of the agencies involved and the rates of such sale of steam in the APR application 2012 – 2013. No such submission has been made by DPL in the APR petition. DPL is reminded to comply with the direction of the Commission in the subsequent APR application i.e., for 2013 – 2014. Non compliance of the above directives will be viewed by the Commission seriously.

3.21.3 The income from sale of steam amounting to Rs. 217.65 lakh is considered under generation function and the rest of the income of Rs. 746.27 lakh is attributed to distribution function. The Commission admits total income from other sources / non-tariff sources as Rs. 963.92 lakh, the actual income submitted by DPL in APR for 2012 – 2013.



3.22 Admissibility of Capacity Charges based on Availability:

3.22.1 In terms of regulation 6.4.2 of the Tariff Regulations, the recovery of capacity charge for the generating station of DPL shall be against the normative availability. Schedule 9A of the Tariff Regulations provides for target Plant Availability Factor (in short “PAF”) for coal fired thermal generating stations.

3.22.2 Considering the facts that during the year 2012 – 2013 the units III to VII were in operation, the PAF during 2012 – 2013 was 79% on normative basis. From the data submitted in Form 1.1(a), the actual weighted average PAF in respect of DPL during 2012 – 2013 was arrived at 49.00%. The Commission now decides to deduct capacity charges to the extent of shortfall in PAF achieved by DPL during 2012 – 2013.

3.22.3 The Commission has admitted the cost under the head of ‘coal & ash handling charges’ and ‘Water charges’ considering proportionate cost on actual generation vis-a vis target generation. Thus the costs allowed under those heads are not considered for disallowances of capacity charges for not attaining the target PAF. The disallowance of capacity charge are computed as follows:

Sl. No.	Particulars	Unit	Amount
1	Allowable Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc. (as per Annexure – 3A)	Rs. in Lakh	40175.88
2	Less: Cost admitted under the head ‘coal and ash handling’ (Para 3.5.3)	Rs. in Lakh	634.73
3	Less: Cost admitted under the head ‘Water charges’ (para 3.4.3)	Rs. in Lakh	1383.26
4	Net fixed charges : (1)-(2)-(3)	Rs. in Lakh	38157.89
5	Normative PAF	%	79%
6	PAF Achieved	%	49%
7	Amount of Capacity Charges deductible for shortfall in PAF [(4)-{(4)x49/79}]	Rs. in Lakh	14490.34

3.22.4 The amount of deductible capacity charge of Rs. 14490.34 lakh for short fall in PAF as computed in table under paragraph 3.22.3 above is to be deducted from



the fixed charges for generation function on account of short falls in PAF in the APR for 2012 – 2013.

3.23 Income from Unscheduled Interchange (UI) of Power:

3.23.1 DPL earned an amount of Rs. 694.10 lakh from the Unscheduled Interchange (UI) of power during 2012 – 2013. DPL in their APR application has prayed for retaining the entire earnings of Rs.694.10 lakh from UI charges.

3.23.2 DPL also paid an amount of Rs. 696.65 lakh on account of UI drawal during the year 2012 – 2013. So, there was a net UI payable during the year for an amount of Rs. 2.55 lakh (Rs. 696.65 lakh – Rs. 694.10 lakh), which had been considered as expenditure in the FPPCA order dated 30.04.2014 in case No. FPPCA-68/13-14 in terms of regulation 5.17.2 of the Tariff Regulations.

3.23.3 Since there was a net UI payable on account of UI during 2012 – 2013 as explained above, prayer of DPL to retain the entire earning from UI charges during 2012 – 2013 does not arise.

3.24 Fixed Charges as Admitted:

3.24.1 Based on the foregoing analyses, the amounts of fixed charges allowable under different heads in respect of DPL have been shown in Annexure 3A. As shown in the referred annexure, the allowable amount of fixed charges (gross amount of fixed charges less other income) for DPL for the year 2012 – 2013 comes to Rs. 48560.40 lakh.

3.24.2 In the APR order dated 09.09.2013 for the year 2011 – 2012 in case no. APR-34/12-13 it was not considered to deduct Rs. 376.24 lakh from the ROE on account of 5% deduction in provisional project cost of Unit VII. The Commission now decides to deduct Rs. 376.24 lakh not considered in the APR for 2011 –



2012 from the allowable fixed cost to DPL in the APR for 2012 – 2013. This deduction will be made for generation function.

3.24.3 The net amount of fixed charges for DPL for the year 2012 – 2013 has been derived after deducting Rs. 14490.34 lakh as specified in paragraphs 3.22.4 above and Rs. 376.24 lakh as explained in paragraph 3.24.2 above from the gross fixed charges of Rs. 48560.40 lakh and the same comes to Rs. 33693.82 lakh. The computation has been shown in annexure – 3A with allocation to generating and distribution functions as Rs. 25309.30 lakh and Rs. 8384.52 lakh respectively.

3.25 Re-determined Fixed Charges:

3.25.1 The amount of admitted fixed charge in APR for 2012 – 2013 for DPL, as shown in Annexure – 3A, requires to be adjusted with the recoverable amounts determined on APR for the year 2010 – 2011 and considered in the tariff for 2012 – 2013. Such recoverable amount, vide Commission's order dated 24.08.2012 in Case No. APR-28/11-12 was Rs. 26333.45 lakh and was allocated to generation and distribution functions as Rs. 23329.88 lakh and Rs. 3003.57 lakh respectively.

3.25.2 The amount of re-determined fixed charges for DPL for the year 2012 – 2013, after carrying out the adjustments in regard to recoverable amount in APR for 2010 – 2011 come as under:

Particulars	Amount in Rs. in Lakh		
	Generation	Distribution	Total
Net Fixed charges of 2012 – 2013 admitted for recovery in APR for 2012 – 2013	25309.30	8384.52	33693.82
Add: Fixed charges relating to 2010 – 2011 as appeared in the Tariff Order for 2012 - 2013	23329.88	3003.57	26333.45
	48639.18	11388.09	60027.27



Annexure – 3A

COMPUTATION OF FIXED CHARGES

Sl. No.	HEAD OF FIXED CHARGES	AS ADMITTED IN APR FOR 2012 - 2013		
		GENERATION	DISTRIBUTION	TOTAL
1	Employee Cost (including centrally maintained employee expenses)	5685.74	1971.39	7657.13
2	Water Charges	1383.26	0.00	1383.26
3	Coal & Ash Handling Expenses	634.73	0.00	634.73
4	Operation & Maintenance Expenses	6268.96	1452.33	7721.29
5	Rates & Taxes	4.10	0.00	4.10
6	Insurance Premium	90.33	0.00	90.33
7	Interest on Capital Borrowings	7130.60	1553.63	8684.23
8	Finance Charges	729.01	3.49	732.50
9	Interest on Consumers' Security Deposit	0.00	38.96	38.96
10	Interest on Working Capital	680.38	201.26	881.64
11	Bad Debts	0.00	0.00	0.00
12	Depreciation	5711.42	1194.30	6905.72
13	Advance Against Depreciation	2329.07	0.00	2329.07
14	Reserve for unforeseen Exigencies	433.06	85.84	518.90
15	Intangible Assets Written Off	0.00	0.00	0.00
16	Demurrage	0.00	0.00	0.00
17	Income Tax	0.00	0.00	0.00
18	Returns on Equity	9312.87	2629.59	11942.46
19	Gross Fixed Charges relating to 2012 - 2013 (1 to 18)	40393.53	9130.79	49524.32
20	Less: Adjustments on account of other Income:			
	Other Non-Tariff Income	217.65	746.27	963.92
21	Gross Fixed Charge after adjustment of Other Income for 2012 - 2013 [(19)-(20)]	40175.88	8384.52	48560.40
22	Less: Deduction due to shortfall in PAF	14490.34	0.00	14490.34
23	Less: Deduction in ROE on account of APR for 2011 - 2012 (refer para 3.24.2)	376.24	0	376.24
24	Net Fixed Charges admitted [(21)-(22)-(23)]	25309.30	8384.52	33693.82



CHAPTER – 4 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 4.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges, the re-determined allowable fixed charges during 2012 – 2013 for generation and distribution functions of DPL came as under:

Particulars	Amount (Rs. in Lakh)
Generation	48639.18
Distribution	11388.09
Total	60027.27

- 4.2 In its order dated 30.04.2014 in case no. FPPCA – 68 / 13 – 14, the Commission also re-determined the fuel and power purchase cost allowable to DPL totaling to Rs. 47762.88 lakh. The cost centre wise break-up of this total amount of Rs. 47762.88 lakh is as follows:

Particulars	Generation	Distribution	Total
Admitted fuel cost for own generation station	34158.49	-	34158.49
Admitted Power Purchase Cost	-	13604.39	13604.39
Total Fuel and Power Purchase cost	34158.49	13604.39	47762.88

- 4.3 As it comes out from above, DPL's total realizable sales revenue from its consumers and WBSEDCL during the year 2012 – 2013 are as follows:

	Amount (Rs. in Lakh)
Fuel and Power Purchase Cost	47762.88
Fixed Charges	60027.27
Total	107790.15



- 4.4 In terms of paragraph D of Schedule 9B of the Tariff Regulations, gains accruing to a distribution licensee due to its performance in distribution loss being better than the norms of distribution loss in any year may be retained by that distribution licensee in that year subject to gain sharing applicable separately for fuel cost of own generation as specified in paragraph A of Schedule 7A of the Tariff Regulations during Fuel and Power Purchase Cost (FPPC) determination. In terms of paragraph 2.8.1 of the Fuel and Power Purchase Cost Adjustment (FPPCA) order of DPL for the year 2012 – 2013 vide order dated 30.04.2014 in Case No. FPPCA – 68 / 13 – 14, DPL could not achieve any gains and the same is treated as nil.
- 4.5 The Commission is now to see how much revenue had been earned by DPL from sale of power to its consumers and WBSEDCL including inter-plant transfer with reference to its audited accounts. The amount of total sales revenue comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Sales of power as per Note 11(a) to annual accounts 2012 – 2013	87105.73
2	Add: Inter-plant transfer of Energy as per Note 11(a) to annual accounts 2012 - 2013	1582.19
	Total	88687.92
3	Add: Amount recoverable by DPL on account of APR 2009 – 2010 but provided in the annual accounts for 2010-2011 (Refer note 11(a) to annual accounts of 2012 – 2013 and the APR order for 2010-2011)	11319.37
4	Add: Amount recoverable by DPL on account of APR 2009 – 2010 and 2010 – 2011 but provided in the annual accounts for 2011-2012 and adjustment on account of MVCA for April 2011 to November 2011 (Refer note 11(a) to annual accounts of 2012 – 2013 and the APR order for 2011-2012)	21000.00
5	Less: Adjustment on account of APR 2011 – 2012 provided in the annual accounts 2012 – 2013.	(-) 27500.00
	Sales revenue during 2012 – 2013	93507.29

As per submission of DPL and note 11(a) to the annual accounts 2012 – 2013, the revenue from sale of power as booked in annual accounts 2012 – 2013 includes the arrear amount of Rs. 15054.90 lakh recoverable by DPL in 36 instalments as per tariff order for 2011 – 2012 and 2012 – 2013 issued by the Commission on 17.12.2012. The Commission, however, considers this arrear



Order on APR of DPL for the year 2012-13

amount as the income during 2012 – 2013 as provided in the annual accounts for 2012 – 2013 and does not make any adjustment on this score.

- 4.6 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2012 – 2013 works out as under:

Sl. No.	Particulars	Total (Rs. in Lakh)
1	Variable cost admitted in FPPCA for 2012 - 2013	47762.88
2	Fixed cost in APR for 2012 – 2013	60027.27
3	Total sales revenue realizable in 2012 - 2013	107790.15
4	Sales Revenue for 2012 – 2013 (refer para 4.5)	93507.29
5	Net amount (+) recoverable / (-) refundable [5 = (3-4)]	14282.86

- 4.7 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of Rs. 14282.86 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2014 – 2015 or that for any other ensuing year or through a separate order, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of DPL for the year 2014 – 2015 or any ensuing year or in a separate order.
- 4.8 DPL is directed to comply with the directions given in paragraphs 3.9.2, 3.16.5, 3.16.7, 3.16.8, 3.17.5 and 3.21.2 in the preceding chapter of this order. DPL is also directed to submit their application for APR for any year in future maintaining the provisions of the Tariff Regulations.
- 4.9 DPL is to take a note of this order.

**Sd/-
(SUJIT DASGUPTA)
MEMBER**

DATED: 21.05.2014